



NATIONAL WATER AND SEWERAGE CORPORATION



# Annual REPORT 2010-2011

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# Our organisation



Each day, we supply reliable and safe water services to over 2.5 million Ugandans.

## ■ Our vision

To be “One of the Leading Water Utilities in the World”.

## ■ Our mission

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

## ■ Our Quality Policy

NWSC is committed and shall endeavour to Provide Quality Water and Sewerage Services to Esteemed Customers and Other Stakeholders in an Efficient and Cost Effective Manner, Ensuring Utmost Customer Delight Continuous Service Improvement in an environmentally friendly manner.

## ■ What We Do

The principle business of the Corporation as defined in the National Water and Sewerage Corporation Act is to provide water and sewerage services in the areas entrusted to it under the Water Act.

## ■ Our Purpose

We manage water resources in ways which are most beneficial to the people of Uganda through water supply services for domestic, industrial, commercial, recreational, environmental and other beneficial uses in the 23 large urban centers. We also provide sewerage services in 14 out of the 23 areas under our jurisdiction.

## ■ Our Values

Our values as enshrined in our strategic plan are a key component of our culture. They are the principles that guide the way we work, drive our behavior and help us to achieve our goals.

## ■ Where We Operate

Our services, projects and activities span over 23 towns namely; Kampala including (Kajjansi, Nansana and Mukono), Jinja/Njeru, Iganga, Lugazi, Entebbe, Tororo, Malaba, Mbale, Soroti/Amuria, Kaberamaido, Lira, Gulu, Arua, Masindi, Hoima, Mubende, Fort Portal, Kasese, Kabale, Bushenyi/Ishaka, Mbarara and Masaka. The total population in our service area is estimated at 3.3 million people.



# Our organisation

## ■ How We Operate

The National Water and Sewerage Corporation is a Government Parastatal which was established by Decree No. 34 of 1972, following an earlier study on the need for improvement of water and sanitation services in the large urban centres of Uganda.

In 1995, the Corporation was re-established by the National Water and Sewerage Act, with the Primary aim of revising the objectives, powers and structures of the Corporation and to enable the Corporation operate on a commercial and viable basis.

Most of our profits are ploughed back in form of development projects and operation and maintenance of the existing assets, which in a way contributes to the development of the State. We draw on a history of continued growth with over 39 years of commercial and technical experience.

## ■ Our Internal Stakeholders

Our Board and Management Team include a diverse range of specialist and general skills and experience, critical to delivering Our mandate.

We have 1,691 employees who manage about Shs 561.19 billion of water supply and Sewerage assets.

## ■ Our External Stakeholders

Our key External stakeholders include Government Ministries, and Agencies, Local Governments, development partners, Customers and Suppliers. The support and trust of our stakeholders and the broader community is critical to the achievement of our management priorities. We are proactive in ensuring that we engage our stakeholders

## ■ Our Customers

We strive to offer excellent customer service, continue to improve our existing levels of customer satisfaction and routinely engage with our customers to understand what they require from us as a service provider.

To ensure the highest level of commitment in delivering high quality service and create good relation with our customers, a Customer Charter was developed. We have a robust complaint handling process and a network of Correspondence and Complaints Coordinators across our areas of operation. In tandem, we carry out customer satisfaction surveys to facilitate regular customer satisfaction (CS) measurement. We shall continue emphasizing potable water, reliability of water supply and pressure, adequate stocks of new connection materials, improved customer care, regular information updates, timely and accurate bills, and response to customer complaints.

## ■ Our Environment

We have a commitment and responsibility to ensuring the sustainable future of water supply in our service areas. We aim to maximize economic, environmental and social benefits and the community as we work to effectively manage current and future water needs.



# The year at a glance

## Financial Performance

- Total Assets value increased from Shs 547.45 billion to Shs 561.19 billion
- Total Operating income increased from Shs 112.8 billion in 2010 to Shs 131.3 billion in 2011
- The Total Operating Expenditure increased from Shs 86.8 billion in FY 2010/11
- Profit before depreciation increased from Shs 26 billion to Shs 30 billion
- Water and sewerage Income amounted to Shs 120 billion in 2011 compared to Shs 106 billion in 2010.
- Other incomes amounted to Shs 11 billion in 2011 compared to Shs 7 billion in 2010. These include; Service Charge, connection fees ,other income, deferred income and investment income

Figure 1

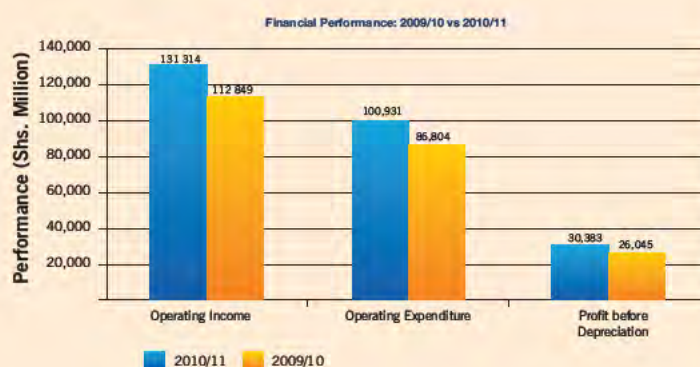
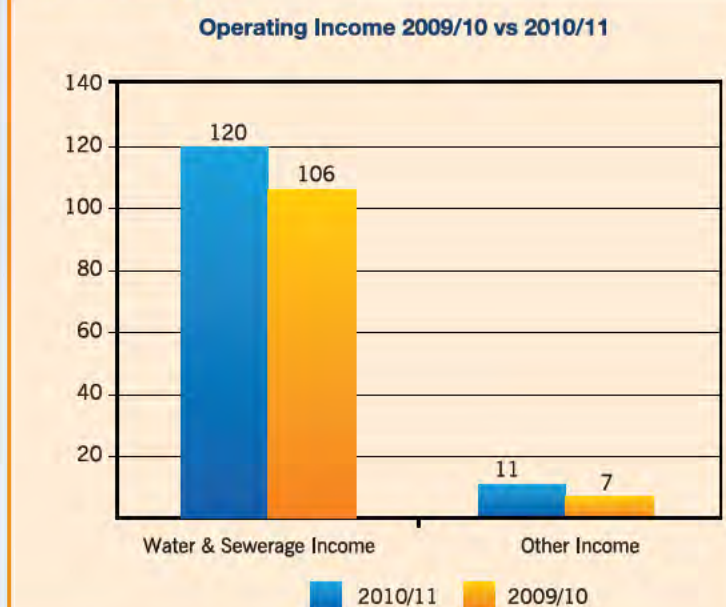


Figure 2

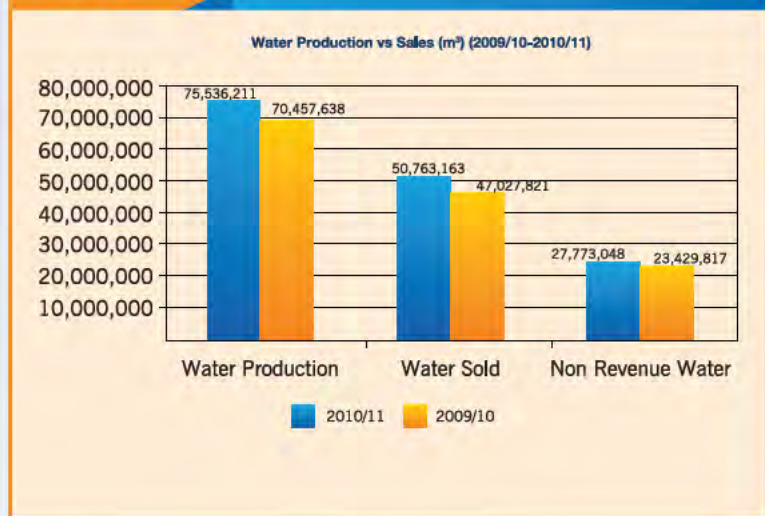


## Operational Performance

### Water Production, Sales and No. of Connections (Customer base)

- 75.5 million m<sup>3</sup> of Water was produced in 2010/11 compared 70.5 million m<sup>3</sup> in 2009/10, a growth of 7%
- 50.7 million m<sup>3</sup> of water was sold in 2010/11 compared to 47 million m<sup>3</sup> in 2009/10, a growth of 8%
- Non-Revenue water reduced from 33.3% in 2009/10 to 32.8% in 2010/11, a reduction of 0.5% points

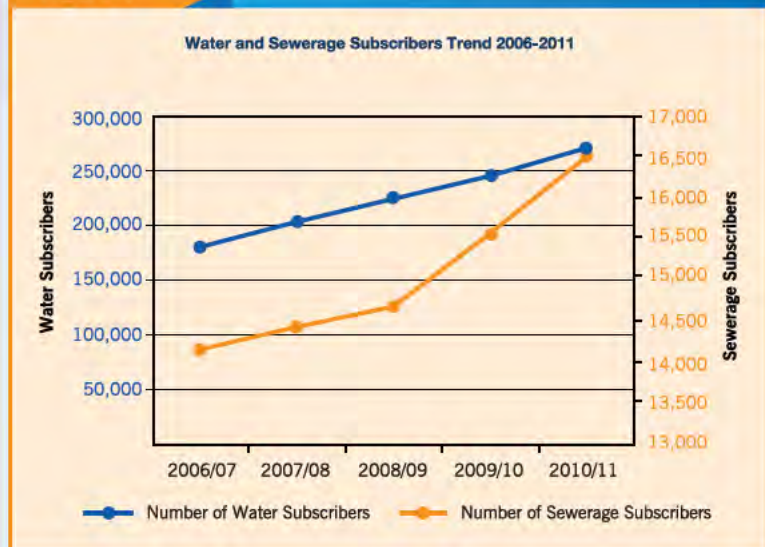
Figure 3



### Water and Sewerage Connections.

- Water subscribers increased by 11% from 246,259 in 2010 to 272,406 in 2011
- Sewerage Subscribers increased by 6% from 15,561 in 2010 to 16,557 in 2011
- Service Coverage increased from 74% to 75%
- There has been a positive trend in growth for both water and sewerage Subscribers
- Total mains extensions were 5,214.5 Km and the Sewer extensions were 465.8km as at June 2011

Figure 4





# Sustainable Development and Corporate Social Responsibility (CSR)

At NWSC, we know the interests and concerns of other stakeholders. This helps us in delivering better projects that aim at generating returns to NWSC and at the same time helping the society where we operate from.

Sustainability strategies adopted during the year are highlighted below.

## **Water Catchment and Source protection:**

The NWSC is committed to ensuring that its sources of water are sustainably protected in light of the challenges of climate change and the increased activities around the water resources. This is part of the principle of integrated Water Resources Management (IWRM) in which water is considered a basic right and an economic and social good.

Practices undertaken by the Corporation during the year included;

- a. The commencement of the Lubigi Project where (Ushs.9.7 billion) was spent during the year. The project aims at improving environmental

sustainability of L . Victoria by considerably reducing the pollution load entering the lake from Nakivubo channel. Also to improve the lives of the residents in informal settlement in Kampala through improved management of sludge from domestic sanitation facilities and provision of hygiene education

- b. Urban poor Projects. Amount spent in this financial year (Ushs.1.8 billion). These projects are aimed at addressing the sanitation needs/ challenges of urban poor residing in the informal settlements of Kisenyi, Kagugube, Kawempe and Bwaise.



NWSC Football team



Urban Poor Sanitation facility



NWSC Gender Committee at Gayaza High School for career guidance and counselling



East African Young Water Professionals during tree planting exercise



## Corporate Social Responsibility

Giving back to the community is one of the ideals of NWSC. As a public utility we ought to share our productivity and efficiency gains with the dear community we serve. To this end, the Corporation during the year was engaged in a number of CSR activities including offering Career guidance, Tree planting, Football matches, Cleaning Kampala Streets and some of its suburbs, Sanitation interventions etc.

### Contribution to sports and civil society:

- NWSC has a vibrant football team (Water FC), a key participant in the national Super League. The NWSC's contribution to the civil society and charity amounted to Ushs.318millions this financial year.
- Established Water Councils which bridge the gap between NWSC and the council authorities in all areas.



One of Entebbe staff collect gabbage during a cleaning exercise in Entebbe Market



Member of EAYP plants a tree



Former toilet structure that was replaced by the new one below under the Kawempe urban poor project



Staff of NWSC - Entebbe sweep the streets to improve hygiene and Sanitation





# Board of Directors



**Ms. Christine K. NANDYOSE**

Board Chairperson  
National Executive Secretary, St.  
John Ambulance Kampala



**Alex GISAGARA**

Ag. Managing Director



**Mr. Ganyana MIIRO**

Board Vice Chairman  
Commissioner Amnesty  
Commission  
Member Finance Committee  
Member Technical Committee



**Dr. Charles WANA-ETYEM**

Chairman Technical Committee  
Board member Uganda National  
Roads Authority  
Chairman of Makerere University  
Council



**Mr. Victor KOBEL**

Fellow of Institute of Chartered  
Secretaries & Administrators  
Chairman Finance Committee  
Member Administration  
Committee



**Mr. David SSEBABI**

Director Privatisation & Utility  
Reform Project, Ministry of  
Finance.  
Chairman Audit Committee.

## Board of Directors (cont'd)



**Eng. Sottie M. BOMUKAMA**

Director for Water Development,  
Ministry of Water & Environment.  
Member Finance Committee  
Member Technical Committee



**Mr. David M. KAKUBA, FCIS**

Deputy MD, CAA  
Member Finance Committee  
Member Administration  
Committee  
Member Audit Committee



**Mrs. Sarah WALUSIMBI**

Corporation Secretary



# Message from the Board Chairperson



**Ms. Christine Nandyose**  
Board Chairperson

On behalf of the Board of Directors, It is with great pleasure that I present to you the annual report for the financial year 2010/11. The report highlights the financial and operational performance of the Corporation during the year and is of great significance in assessing progress towards achieving our three year strategic goals laid out in the Corporate Plan and the Fourth Performance Contract with the Government of Uganda.

In line with our three year strategic theme of Maximizing the Cash Operating Margin, the Corporation was in position to register the following key achievements;

## ■ Financial Performance

During the year, turnover increased from Shs 112.8 billion to Shs 131.3 billion, a growth of 16%. The growth was largely due to increased sales. The Volume of water sold during the year increased from 47.0 million cum to 50.7 million cum, a growth of 8%. Of significance was the fact that real

growth in sales exceeded the indexation parameter. Our operating profit continued to increase during the year from Shs 26 billion to Shs 30.4 billion, a growth of 17%. This is a sign of our continued move towards Financial sustainability

## ■ Operational Performance

Our key objective in regard to operations was the need to reach out to a greater population, while providing efficient and cost effective services. I am glad to report that during the year, we connected 25, 633 customers, and increased our water coverage from 74% to 75%. On the other hand, we were able to make 301 sewer connections, a growth we consider noble given the low sewerage network coverage. In regard to efficiency, we were able to sustain production and delivery of services coupled with a myriad of customer care interventions aimed at improving the NWSC customer interface.

## ■ Capital Investments

A key milestone during the financial year was the signing of the Financing Agreements for the Kampala Water and Sanitation (WATSAN) project. The agreements were signed in April 2011 with the European Investment Bank (EIB), German Development Agency (KfW), European Union -Africa Infrastructure Trust Fund and Agence Francaise de Developpement (AFD). The project is timely given the fact that the rapid rate of urbanization and conurbation of towns has outstripped the supply of water. On the other hand the Corporation continued with the implementation of other investment interventions in other towns.

## ■ Pro-poor interventions

During the financial year, the Corporation continued to undertake strategic interventions aimed at improving the lives of people living in the urban



poor settlements. Among the interventions was the construction of public stand posts (PSPs) whose tariff is affordable under the auspices of Kisenyi and Ndeeba Urban Poor projects. In the same vein, Kawempe sanitation project that entailed construction of 56 community public toilets was undertaken. This was in fulfillment of the presidential pledge where over 70,000 urban poor will benefit from this arrangement. Other urban poor undertakings during the year included Kagugube Community project and Bwaise II Parish Water and Sanitation Project which involved installation of 25 and 200 prepaid meters respectively.

#### ■ Corporate Social Responsibility (CSR)

During the year the Corporation carried out a number of activities aimed at giving back to society from its productivity and efficiency gains. These included a Sanitation Community Sensitization Drive/ community cleaning up exercise in Namuwongo slum area, Tree planting activity in Entebbe, Bududa and Lubigi catchment areas under the theme "save the environment – protect the catchment areas", Cleaning the Nakiwogo market in Entebbe municipality, Sweeping and cleaning Mukono taxi park, cleaning Mukono health center (coordinated by Namirembe Diocese), Tree planting along Jinja Road in Mukono town council and commissioning and giving public standpipes to the Dandira Community. All the above activities are a manifestation of NWSC's commitment to giving back to the community.

#### ■ External Services

In our quest to be one of the leading water utilities in the world, the NWSC is committed to enriching the knowledge of our staff as well as the sister companies in the region through external services. In line with this, various value adding consultancy and benchmarking assignments were undertaken across the region.

#### ■ Appreciation

We continue lauding the support and assistance from all our stakeholders, including the Government, Development partners and our dear customers. It is through the cordial working relationship with you that we were able to sail through the turbulent economic times. With your continued support, we pledge our total commitment for better service delivery in the next financial year.

In conclusion, I wish to thank the Board of Directors, Management and Staff of NWSC for the concerted efforts in keeping the Corporation afloat and we look forward to a fruitful year 2011/12.



CHRISTINE NANDYOSE  
Chairperson, Board of Directors



## ■ Operational Highlights By Division

The following are the highlights of NWSC Activities for the financial year ending June 2011 by Divisions

### Finance and Accounts



**Mr. Alfred Okot Okidi**  
Chief Manager Finance and Accounts (CMFA)

*We strive to achieve financial sustainability and make a positive contribution to the Ugandan economy.*

Despite the economic turbulence during the year, the NWSC registered a turnover of shillings 131.3 billion which is a 16% increase compared to financial year 2009/10. This performance can be attributed to the increased billings as a result of the increased volume of water sold.

On the other hand, operating expenditure increased by 16% from Shs 86.8 billion in FY 2009/10 to Shs 100.9 billion in 2010/11, mainly attributed to external pressures from the increased cost of our inputs such as chemicals and other materials, due to depreciation of the local currency. This was aggravated by the double digit inflation that escalated the cost of doing business.

Consequently, we achieved an after-tax profit of Shs 10.2 billion in FY 2010-11, an increase of 33% compared with the previous year.

As a result of the improved financial performance, the return on our investment measured by the Return on Capital Employed (ROCE) increased to 2.6% against a target of 2.41% in the GoU/NWSC Performance Contract.

**Credit Rating:** During the year, the Corporation was awarded a long term Credit Rating of (A) and short term rating of A1 by the Global Credit Rating Company, implying that the Corporation's long term liquidity factors and company fundamentals as a going concern are sound, and that the risk factors in regard to commercial borrowing are low.

**Innovations:** To ensure improved efficiency in delivery of services to our customers, the Finance and Accounts Division developed the following software applications aimed at making business processes more efficient and effective;

**E-water Payment Solution:** The software interfaces with banks and telecom companies (mobile money) and aims at easing the process of bill payment for NWSC customers. The solution has resulted into faster transaction and reconciling of customer bills, increased revenue collection, and enables customers to pay from their comfort zones.

**E-Procurement Solution:** This is an online solution aimed at making the procurement process faster. The solution is being piloted at Head Office and Kampala water and has resulted into reduced paper work and speeded up the whole procurement process.

**Multi-Company Accounting Software:** The software eases the accounting process for better financial analysis and fraud checks. It has been rolled out to all NWSC areas of operation.



**New Economic Order Model (NEO):** The NEO was introduced in June/July 2011 as a planning tool premised on principal of demand and supply of water. The concept seeks to achieve equilibrium between effective demand and optimal supply of our services, thereby ensuring that the customer is adequately and efficiently served, while ensuring

optimization of resources. The concept is also used to monitor the performance of the organization, and helps to raise red flags where there's need for intervention in terms of investments and efficiency.

## Management Services



**Mr. Sarah Walusimbi**  
Chief Manager Management Service (CMMS)

Effective management of resources including human resources is the key aspiration of the Corporation and as such we strive to ensure their optimal utilization for better service delivery.

The Management Services Division is by design multifaceted in its functions and it encompasses Board Secretarial services, Legal, Human Resources and Administration, Transport, Security Services and Estates Management.

**Board Functionality:** During the period, the Corporation held a total of 31 Board and Committee meetings and resolutions were effectively communicated and implemented.

**Staffing:** The staff productivity as at the end of the

FY 2010/11 was 6 staff/1000 connections with a corresponding staff compliment of 1,691 staff.

The NWSC believes in a motivated work force and as such adheres to the collective bargaining agreements and resolutions in regard to staff emoluments and motivation. As part of the human resource welfare, the Corporation has in place an HIV policy which enables employees and their dependents to have access to voluntary testing and counseling as well as access to a well-managed HIV health care programme which include free ARVs

**Legal Affairs:** The Legal Department as part of litigation management set up dispute resolution mechanisms which have over time minimized the need for litigation.

**Security:** The Security Department has ensured overall safety of the Corporation's assets and has also been very effective in offering the necessary assistance towards the elimination of illegal water consumption in NWSC water supply Areas.

**Gender Mainstreams:** Over the years, the Corporation has emphasized gender equality and today NWSC boasts of over 20 female Engineers in the Corporation and 40 females at managerial level.

**Fleet Management:** An effective fleet management system was established to ensure that our transport section has the capacity to gather vital data concerning the vehicles in order to improve efficiency, productivity and reduce overall transport costs and minimize risks associated with vehicle operations.



## Commercial And Customer Care



**Mr. George Okol**

Chief Manager Commercial and Customer Care Services (CMCCS)

As an organization that treasures excellence, we have made it our duty to ensure that all our customers are offered the highest quality service at all times.

During the FY 2010/11, a number of initiatives were undertaken to improve service delivery to our customers. These included among others;

**E-water:** Customer Service Solution. This involved outsourcing of cash receipt function to banks and mobile money agencies to improve convenience to customers and allow NWSC concentrate on the core business of water production and distribution. Under this initiative, a total of 12 banks and two mobile money agencies are already partners.

**On Spot Field billing:** This was introduced in the areas of Kampala, Jinja and Entebbe to minimize contested bills, improve customer confidence, encourage customers to pay on time and enhance service delivery. This covers 72% of our customers and it is going to be rolled out in all areas of operation. The on spot billing will be rolled out to all areas in the coming year.

**Customer Charter:** During the year, the customer charter was reviewed and improved as a means of fostering customer awareness of our services.

**Customer Database Clean up:** This involved rectification of all the anomalies in the customer database including wrong customer classification, identification of illegal consumers and leaks and bursts among others in Kampala, Bwaise branch as a pilot study area. The results were used to aid proper planning before the exercise is rolled out to other Areas.

**Water Saving Tips:** A campaign to encourage customers to use water sparingly and thus reduce their costs was implemented in the year. Flyers and television adverts on water saving tips were used to relay the message.

**Promotions, Quarterly Customer Surveys and Bank Surveys** were carried out to identify the level of satisfaction of customers with our services in all areas. In the same vein, a survey was conducted to check the level of compliance of banks in the execution of e-water payments. The findings indicated that the general level of service given to our customers from these banks was satisfactory.

**Set and enforce Credit Limits:** A credit limit of one month was set for all customers save for Ministries. This was to prevent accumulation of arrears which would in turn make it hard for our customers to pay.



## Engineering Services



**Eng. Alex Gisagara**

Ag. Managing Director / Chief Manager Engineering Services (CMES)

Our objective is to ensure effective and efficient delivery of water and sewerage services to our customers

The NWSC is mandated to provide water and sewerage services to areas under its jurisdictions. In pursuit of this mandate, the following are the highlights of the key achievements during the year under review.

**Water Production:** The Corporation was able to produce 75.5 million cum during the financial year compared to 70.5 million cum in 2009/10. Out of the total production, 50.7 million cum was actually consumed by the customers. Hence, the Non-Revenue Water was 32.8%.

**New Water Connections:** Water connections increased by 25,633 surpassing the GoU/ NWSC performance Contract target of 23,500 connections. The Corporation now boasts of 272,406 subscribers, an increase of 11% from the financial year 2009/10 and this translates into 75% water coverage.

**Pro-poor Interventions:** In line with pro-poor interventions, 486 Public Stand Posts were erected which is over and above the Contract target of 442 connections. The Corporation was in position to make these connections through extension of 123.14 km. This increased the total network coverage to 5,214.5 km.

**New Sewer Connections:** In line with provision of sewerage services, 301 sewer connections were made during the year. This increased the total sewer connections to 16,557, compared to 15,561 connections in 2009/10. The total sewer network increased to 465.8 km during the year.

**NRW Reduction Measures:** The Corporation successfully implemented the “Operation Wet Storm” and “Every Drop Counts” activities in Kampala, which were aimed at reducing water theft and hence curbing water losses. Related programmes were implemented in other areas and were equally successful.

In order to increase the quality of our services, new and more efficient meters were procured to replace the old ones. This is in addition to asset replacement and new installations in areas of Kampala, Bushenyi, Entebbe and Mbarara coupled with major repairs



## Planning and Capital Development



**Eng. Johnson Amayo**

Chief Manager Planning and Capital Development  
(CMP&CD)

foundation undertook water supply and sanitation improvement programmes for the urban poor in Bwaise II parish. In addition, the Corporation initiated a project to improve the sanitation situation in Kawempe where 56 sanitation facilities are to be constructed in fulfillment of a Presidential Pledge.

We aim at efficient management and expansion of our infrastructure asset base to ensure reliable water and sewerage services.

**Investment Funding:** Investment remains the vanguard for sustainability of our service delivery. In tandem with this, the NWSC has continued expanding its investment portfolio using both internally generated resources and external funding from the Government and our development partners.

**Production Capacity:** In order to increase the water production capacity, rehabilitation and expansion works were carried out in the areas of Bushenyi-Ishaka, Arua, Gulu, Ggaba, Jinja, Kampala, and Soroti. In regard to sewerage services, the Corporation commenced the implementation of phase one of the Kampala Sanitation Master Programme (KSP). The ground breaking ceremony was presided over by the Minister of Water and Environment together with the Head of EU.

**Urban Poor Services:** The Corporation is cognizant of the plight of the urban poor, and it is in this spirit that the NWSC in partnership with Coca Cola



## Institutional Development and External Services



**Eng. Dr. Silver Mugisha**

Chief Manager Institutional Development & External Services (CMID & ES)

We believe one way of becoming a leading water utility is through; undertaking innovative performance Improvement Programmes, Continuous Knowledge Sharing and Benchmarking

**Management Framework:** We believe that today's challenges cannot be addressed by yesterday's solutions. It is in this spirit that following the successful implementation of phase III of the IDAMC management framework, a successor Contract code named "**Performance, Autonomy and Creativity Enhancement (PACE)**" was rolled out. The PACE contracts are aimed at increasing managerial autonomy, strengthening target setting, optimizing operating costs and maximizing the cash operating margin.

**External Services:** In terms of knowledge sharing and benchmarking, during the financial year, the Corporation undertook various consultancy services for different utilities across the region which included the following:

- Tanzania Electric Company Ltd (TANESCO)
- Rwanda Water and Sanitation Corporation (RWASCO) now Electricity, Water and Sanitation Authority (EWSA) - Tariff study
- Harari Water Supply and Sanitation Project (Ethiopia)- in association with UNESCO-IHE

**Research, Training & Development:** During the year, the function of research, and development was revamped and as such a research and development policy was developed. In line with this policy, a number of research initiatives and trainings were undertaken during the year. Key among the trainings were on best practices in borehole and booster pumps operation and maintenance, integrated water resources management for Managers and Engineers, short project management professional (PMP) certification training for selected staff, customer care training, debt and arrears management, new trends in URA taxation systems, vehicle and fuel management, IT security, finance and human resource management, e-water payment interface training, e-procurement training, and French and Swahili languages training for External Services experts.



## Internal Audit



**Mrs. Proscovia Aketch Lubowa**  
Chief Manager Internal Audit (CIA)

were made as these are an important part of our Audits. Follow up of the implementation of Audit recommendations was done and 93% of last financial year's Audit recommendations were implemented.

We provide independent and objective reviews of the controls instituted by management as well as appraise governance processes, to minimise risk and ensure efficiency and effectiveness.

**Risk Management:** Internal Audit provides an independent and objective assurance on risk management, control and governance processes by measuring and evaluating the effectiveness by which the Corporation's objectives are achieved.

**Audit Functionality:** The Internal Audit Division enjoyed continued productivity in the last financial year and this success was partly attributed to the continued support and guidance from the Audit Committee of the Board and increased Management's appreciation of the Internal Audit function

**Compliance with Audit Recommendations:** Several meetings were held during the year with Divisions to highlight areas of concern that required improvement. As a result, several recommendations



# A Message from the Managing Director to Our Stakeholders



**Eng. Alex Gisagara**  
Ag. Managing Director

I once again wish to take this opportunity to congratulate our stakeholders, the Board, Management and staff for successfully completing another financial year 2010/11. Despite the continued macro-economic challenges, it is with deep pleasure to report that the corporation continued on a path of unabated growth. Indeed during the year, significant progress was made in attaining the commitments we made in the Corporate Plan, and the Performance Contract with Government.

Key among the achievements of the year were the following;

- We **secured funding for the Kampala Lake Victoria Water and Sanitation Project** to a tune of Euro 212 million from the European Investment Bank, the German Government through KfW, and French Government through AFD. The project aims at rehabilitating, restructuring and expanding the water supply system in the Greater Kampala Area.
- In addition, we were able to kick start the implementation of the **Kampala Sanitation Master Plan**. Construction works for Kampala sanitation project started during the course of the financial year with a construction of Lubigi Sewerage treatment plant aimed at improving environmental sustainability of Lake Victoria basin.
- We introduced the **E-water bill payment system** to enable customers have the most convenient, efficient and easy means of paying water bills through partnering with commercial banks and mobile Companies. The system that was introduced with the objective of delegating cash handling and payment collections functions to financial Institutions and mobile companies, enables NWSC to have an immediate check of the payments made. This provides a more flexible and easy process of making bill payments for customers, hence improve willingness to pay. The Corporation is now concentrating on its Core Business of providing water and sewerage service as well as Customer care services.
- We launched a new management concept code-named **"The New Economic Order Concept (NEO)"**. NEO is a planning and monitoring tool for ensuring that the demand for our services is met through an optimal and cost effective supply regime. The NEO seeks to achieve equilibrium between the Commercial and Technical Order thereby ensuring that the customer is adequately and efficiently served. The concept was piloted in Kampala Water and it will be effectively rolled out to all NWSC areas during the course of this year.
- We undertook **measures to reduce Non Revenue Water**, Suppressed Accounts, Dry Zones and intermittent water supply in some



Areas of Bushenyi, Arua and Kampala, through network intensification, implementation of programs like operation Wet Storm and “Every Drop Counts” campaigns and reinforcement of water supply to areas such as Najjeera and Mbalwa.

- We continued with our quest to **improve service delivery to the Urban Poor** through the implementation of the Urban Poor Project in Kawempe Division. The project is aimed at addressing the sanitation challenges of the urban poor residing in the informal settlements of Kawempe Division in Kampala. The project is fully funded by NWSC at a cost of Ushs.1.5 billion and the expected output is construction of 56 multiple-stance water borne sanitation facilities in various locations of Kawempe. This project is in fulfillment of the presidential pledge and was launched by H. E. Yoweri Kaguta Museveni in February 2011.
- We believe that “failing to change in line with **new improved technologies** is heading towards a catastrophic situation”. In line with this, we adopted various Information technology upgrades to support innovations such as on spot billing, use of handheld meters, and E-Water Payment systems. In addition, the Corporation is in the process of virtualising and consolidating all storage and server systems. This is in line with reducing hardware dependence on system, reducing operating costs - especially power consumption, and contributing to the Green Computing environment where the carbon emissions from the computing systems is reduced.
- In regard to our external services, the Corporation continued offering external advisory services to sister water utilities, and introduced the provision of internal professional

services in order to bolster and enhance the corporation’s operational performance. This was specifically aimed at reducing the NRW.

- In line with our External services, the major milestone during the year was the completion of the International Resource Centre Located in Bugolobi which offers facilities for skills and management training to various practitioners in the utility industry. In addition, various assignments related to consultancies and benchmarking were undertaken across the region.

As a result of the above major undertakings, the Corporation was able to attain the following key outputs:

- Continued financial growth as depicted by the growth in income from UShs 112.8 billion to UShs131.5 billion.
- Reduction in NRW from 33.2% to 32.8%.
- Increased customer base to 272,406 connections, with network coverage of 2,514.5 km and the Corporation can now reach out to more than 2.4 million people in the urban areas. In regard to our sewerage, we were able to make 301 new sewer connections. Today, our sewer system has a total of 16,557 connections, with network coverage of 465.8km.

The delivery of all the above undertakings and achievements have been as a result of the efforts of our Board, Management, Staff and with support from the Ministry of Water and Environment and Ministry of Finance, Planning and Economic Development. As NWSC management, we shall continue building on the momentum we have already achieved in our bid to attract, retain and ensure participation of all stakeholders in our organization activities across all service areas.



# Operational Performance

## Water Production

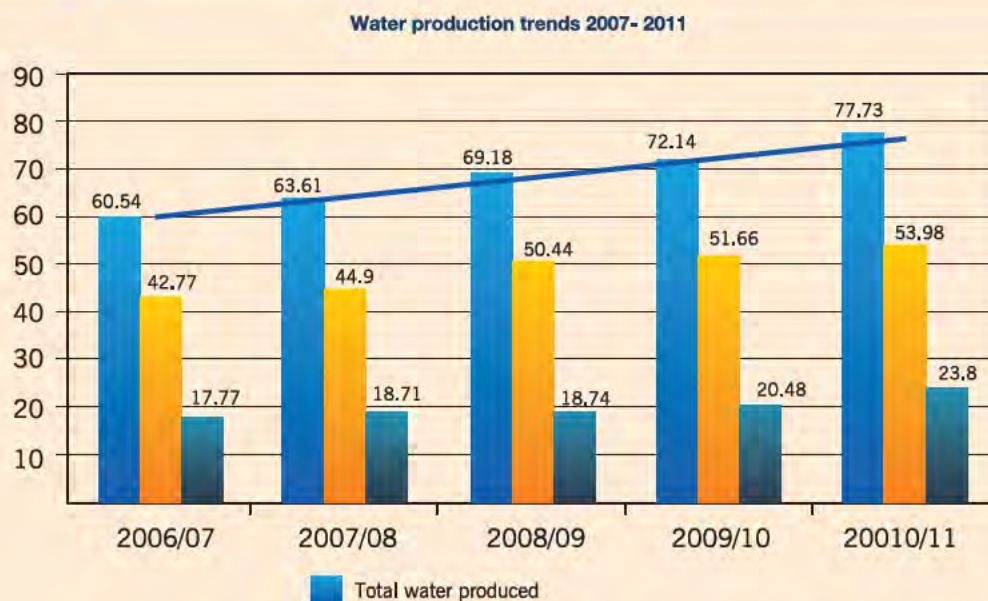
Our ability to produce water is the foundation of the NWSC business activities. The Corporation is endowed with 21 water treatment plants with practical capacity of 293,348 m<sup>3</sup> per day. For the past five years, water production has exhibited an upward trend as reflected in the table and the graph below. During the FY 2010/11, water production increased by 3.6 million m<sup>3</sup>, from 72.14 million cubic meters to 77.7 million cubic meters. The increase in water production was mainly attributed to increased demand for water services especially in Kampala and expansion and rehabilitation of the water systems such as Entebbe Water Supply project whose production capacity increased by about 2,000 cubic meters per day.

Table 2 below shows the individual area production capacities and the level of utilization. The average capacity utilization for all areas was 79%. Kampala area, whose water production accounts for 70% of total production, had 90% of its production's capacity utilised. This is as a result of increased demand for water services. Service within Kampala stretches beyond the municipal boundaries such as Mukono and Nansana which explains the need for increased investments in the area. It is envisaged that once, Lake Victoria Water and Sanitation Project (LVWATSAN) is completed, the production capacity in Kampala will shoot up by 390,000 m<sup>3</sup> per day. Rehabilitation and upgrading of Gaba I, II & III will increase production from current 150,000 m<sup>3</sup>/day to 240,000 m<sup>3</sup>/day and construction of a new plant at Katosi with a production capacity of 300,000 m<sup>3</sup>/day.

Table 1: Water Production: 000' m<sup>3</sup>

Financial Year	2006/07	2007/2008	2008/09	2009/10	2010/11
Kampala	42.77	44.90	50.44	51.66	53.9
Other Areas	17.77	18.71	18.74	20.48	23.8
Total	60.54	63.61	69.18	72.14	77.7
Growth	4%	5%	8.7%	4.3%	7.7%

Figure 5







Water production facility

Table 2: Production & Capacity Utilization as at June 2011

Area	Practical capacity m3/day	Total Water Produced m3	Average Production m3/day	Capacity Utilization (%)
Kampala/Mukono	165,000	53,982,345	147,897	90%
Jinja	30,600	5,688,194	15,584	50%
Entebbe/Kajansi	20,000	3,947,527	10,815	54%
Tororo/Malaba	5,267	787,739	2,158	40%
Mbale	12,000	1,436,566	3,936	32%
Mbarara	11,164	2,630,715	7,207	64%
Masaka	7,500	1,609,713	4,410	58%
Lira	8,700	1,320,469	3,618	41%
Gulu	3,000	778,119	2,132	71%
Kasese	2,400	706,561	1,936	80%
Fort Portal	2,520	825,606	2,262	89%
Kabale	2,600	621,455	1,703	65%
Arua	2,733	677,063	1,855	67%
Bushenyi/Ishaka	1,920	373,206	1,022	53%
Soroti	8,256	883,448	2,420	29%
Hoima	3,000	373,176	1,022	34%
Masindi	2,640	469,085	1,285	48%
Mubende	2,748	375,156	1,028	37%
Lugazi	1,300	244,009	667	51%
Iganga	.	.	.	.
<b>Total</b>	<b>293,348</b>	<b>77,734,746</b>	<b>232,044</b>	<b>79%</b>





Water service tank to boost water production

The following projects were completed during the year and these have contributed to increased production in Kampala and Jinja.

#### **Gaba Offshore Intake Project**

The project was implemented with the aim of mitigating the effects of the high level of pollution in the Inner Murchison Bay, and the sudden fall in the Lake Victoria levels at the Ggaba water works. The new intake project was substantially completed. The beautification, landscaping and access road works were completed.

#### **Jinja Walukuba Intake Project**

The project aims at mitigating the effects of the sudden fall in the Lake Victoria levels, which exposed the raw water pipelines at the Jinja water works. The main contract works were substantially completed and the variation orders which involved improvements in water production process (in particular, the clarification stage) were also completed, tested and operationalised.

### **Water Distribution**

Water distribution is yet another core activity of NWSC. After production, water reaches the customers through the water distribution systems. Water distribution systems are large networks of reservoirs, storage tanks, valves, pumps, and pipes that transport finished water to the urban consumers. It is the Corporation's mandate to ensure that all people in the gazetted areas have access to quality water twenty four hours a day and seven days a week (24/7). As such, a number of projects have been implemented in fulfilment of this mandate, key among which were;

- **Gaba Offshore and Jinja Walukuba Intake Projects**
- **Kagugube Parish Urban Poor Project;** Project was substantially completed. Completion report was prepared and submitted. The Post Impact Assessment study for the project is ongoing.
- **Rehabilitation and Expansion of Gulu Water Supply and Sewerage System-Stage II**  
The construction works under Emergency works stage II contract were completed and



the defects-liability period ended in April 2011. Variation order No.1 to the Civil works Contract and addendum No.1 to the consultancy services were approved and work is in progress.

The above projects were implemented in order to increase accessibility of water services to the people. The Kagugube Parish Urban Poor project was completed and this contributed to improved standards of living for the urban poor in Kagugube Parish. While the Gaba Offshore project improved supply in the greater Kampala & its surrounding areas.

### Water Mains Extension

During the year, a total of 123.14 Kms of mains extensions were made compared to 144.76 Kms made in 2009/10. There was a reduction in the extensions due to delays caused by bureaucratic procurement procedures.

Table 3: Trend of water mains extensions 2007-2011

Year	2006/07	2007/08	2008/09	2009/10	2010/11
Annual Extensions (Kms)	96.3	127.3	111.63	144.76	123.14
Total Network Length (Kms)	3,206	3,333	4,703.67	4,848.43	4,971.57
% Increase	3.2%	4%	3.3%	3.1%	2.5%

#### Some of the Water Extensions & Reinforcements Made during the Year

- Kireka-Kyaliwajjala-Namugongo: 4.08kms were made to boost water supply to areas around Mbalwa, Kamuli and Kyaliwajjala aimed at relieving Nagulu Reservoir
- Kira-Bulindo & Kira-Kasangati, 2kms of DN 100 and PN10 along Kira-Bulindo road were extended to alleviate supply concerns in these areas
- Bwaise-Nabweru-Lugoba mains reinforcement and booster station, 1km of DN 200, 3kms of DN 150 pumping main and installation of a booster pump to improve supply in Nabweru, Lugoba and surrounding areas.
- Extended 3.2kms to opuyo & oderai areas in Soroti
- In Jinja, 0.7kms of water mains were extended to Buwekula, 2kms to Nakabango and 2kms to Kanyogoga-Kalungami among other areas
- In Fort Portal 1 km of water mains was extended to Bugunda-Kiko
- In Kabale 14.5kms were extended to Mwendo Parish.

### Sales Volume

There was a significant increase in the volume of water sold during the FY 2010/11 compared to the previous years as shown in Table 4. During the financial year, water sales increased to 50.76



million m3 from 47.02 million m3 in 2009/10, an annual growth of 8%.

This growth was mainly attributed to increased customer base arising from new connections made and innovative customer care management strategies aimed at encouraging customers to use NWSC piped water as opposed to other unsafe water sources.

In addition, the increased industrialization and urbanization has shifted the demand levels and as a result water sales have increased. Management has also multiplied efforts to curb illegal connections through strategic management programs like “Wet Storm” and “Every Drop Counts (EDC)”, which has effectively retarded water theft amongst unscrupulous customers in Kampala Water Service Area.

Table 4: Water Sales Trends 2007-2011 (Figures million m3)

Year	2006/07	2007/08	2008/09	2009/2010	2010/11
Kampala	26.31	27.04	28.79	30.29	32.78
Other Areas	14.53	15.25	15.61	16.73	17.98
<b>Total</b>	<b>40.84</b>	<b>42.29</b>	<b>44.40</b>	<b>47.02</b>	<b>50.76</b>
<b>Growth</b>	<b>0%</b>	<b>3.5%</b>	<b>5%</b>	<b>6%</b>	<b>8%</b>

Figure 6: Trend of growth in Water Sales

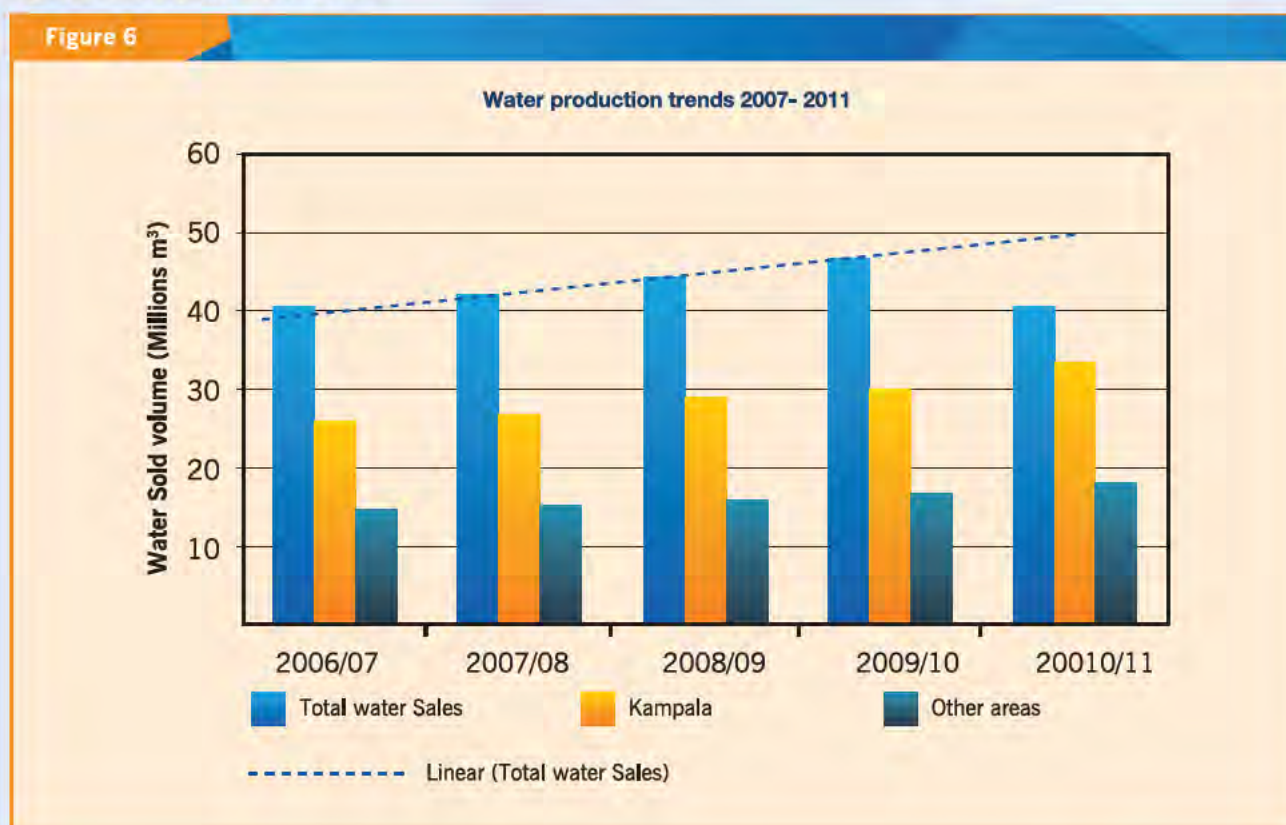




Table 5: Billing Efficiency &amp; NRW as at June 2011

Area	Water Supplied m3	Water Sold m3	Billing Efficiency (%)	NRW (%)
Kampala	53,947,482	32,777,161	60.8%	39.2%
Jinja	4,568,678	3,385,930	74.1%	25.9%
Entebbe/Kajansi	3,702,884	3,301,454	89.2%	10.8%
Tororo	696,702	628,974	90.3%	9.7%
Mbale	1,348,705	1,244,073	92.2%	7.8%
Mbarara	2,543,192	2,252,221	88.6%	11.4%
Masaka	1,440,046	960,674	66.7%	33.3%
Lira	1,053,339	916,288	87.0%	13.0%
Gulu	729,328	614,462	84.3%	15.7%
Kasese	682,728	564,672	82.7%	17.3%
Fort Portal	792,850	630,844	79.6%	20.4%
Kabale	556,570	506,642	91.0%	9.0%
Arua	623,395	566,397	90.9%	9.1%
Bushenyi/Ishaka	342,493	276,592	80.8%	19.2%
Soroti	745,938	637,916	85.5%	14.5%
Hoima	354,936	305,449	86.1%	13.9%
Masindi	435,380	388,166	89.2%	10.8%
Mubende	355,493	309,751	87.1%	12.9%
Lugazi	243,452	188,254	77.3%	22.7%
Iganga	372,620	307,243	82.5%	17.5%
<b>Total NWSC</b>	<b>75,536,211</b>	<b>50,763,163</b>	<b>67.2%</b>	<b>32.8%</b>
<b>Total Other Areas</b>	<b>21,588,729</b>	<b>17,986,002</b>	<b>83.3%</b>	<b>16.7%</b>

Figure 7

Water Sales per Area FY 2010/11





Figure (7) above indicates that larger towns or highly urbanised towns such as Kampala, Jinja, Entebbe and Mbarara made higher water sales compared to other Areas. Kampala Area however stands out as the largest business sales area, with total volumetric sales of 32.77 million m<sup>3</sup>, which accounts for 65% of the total volume of water sold. It should also be noted that areas with low water sales are mainly those with low business activities and are mainly new towns whose management NWSC recently took over. They include Lugazi, Bushenyi, Hoima, Mubende Iganga and Masindi.

### ■ Non-Revenue Water (NRW)

Water losses is one of the key challenges faced by the Corporation and as such, various strategies, short, medium and long term were put in place to reverse the trend. During the financial year, the registered overall NRW was 32.8% compared to 33.3% in the previous year. Kampala water that constitutes more than 70% of our business registered 39.2% of NRW, whereas other areas' NRW was 16.7% compared to 18.3 % in the previous year. Figure 8 and Table 6 below show area by area NRW levels for the year 2010/11 and trends for the period 2007-2011 respectively.

The current levels of NRW are mainly due to commercial losses. The technical losses are due to increased bursts and leakages on the old network system have also contributed to the high NRW

levels. During the financial year, emphasis was put on implementation of the NRW Action Plan through strategic programmes like 'Every Drop Counts (EDC)' and Wet Storm. As a result, Kampala Water registered a significant performance improvement. Management will continue addressing the NRW challenge by undertaking the following measures adopted in Lira and Entebbe declarations during the financial year.

- Strengthen the EDC Programme and revamp the monitoring of large consumers and zero consumption accounts.
- Strengthen the use and application of the New Economic Order model in order to optimize production and avoid unnecessary losses in the new financial year.
- Finalize the procurement, delivery and installation of the outstanding bulk meters for water production and District Metering Areas (DMAs).
- Continue with the corporate-wide quick-win replacement of the remaining 1700Nos. i.e. replacement of old and under-registering meters
- Review the Asset Management Policy and ensure it is incorporated in the New Economic Order

Strategic plans are underway to restructure and replace Kampala network in order to avert the NRW situation.

Figure 8

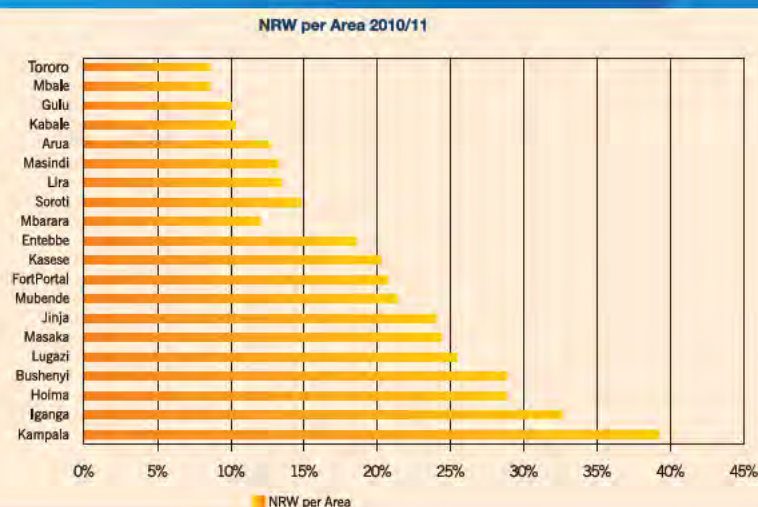




Table 6: Annual Non-Revenue Water Trends (2007-2011)

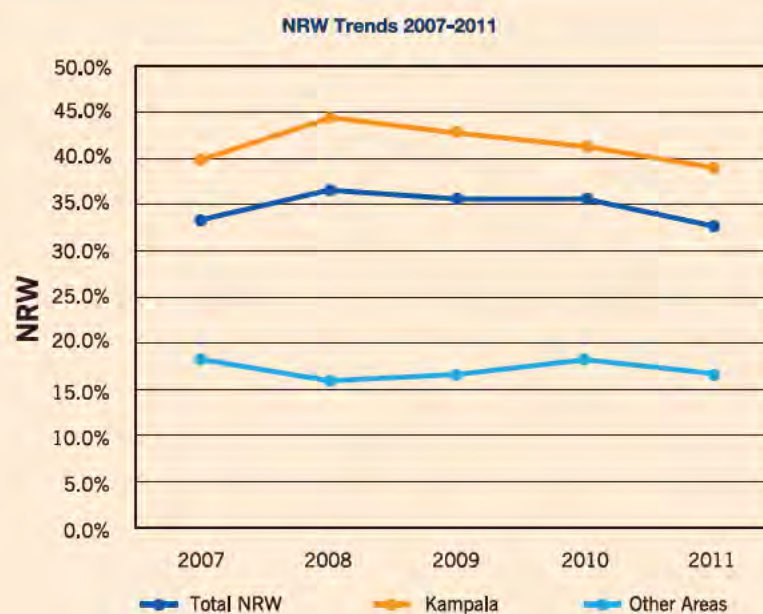
Year	2006/07	2007/08	2008/09	2009/10	2010/11
Total UfW	32.5%	33.5%	35.8%	33.3%	32.8%
Kampala	38.5%	39.8%	42.9%	39.2%	39.2%
Other Areas	18.2%	18.5%	16.7%	18.3%	16.7%

From the table above it can be observed that there is a general improvement in the reduction of NRW during the five year period of 2007-2011 especially in Kampala.

Table 7: NRW Analysis and Trends (2006-2011)

	2006/07	2007/08	2008/09	2009/10	2010/11
Water Supplied	60,541,390	63,604,384	69,181,548	70,452,640	75,536,211
Water Sold	40,848,656	42,290,861	44,398,133	47,022,821	50,763,163
NRW (Vol m3)	19,692,734	21,313,523	24,783,415	23,429,819	24,773,084
Total Connections	180,697	202,559	225,932	246,259	272,406
Total NRW Per Production	32.5%	33.5%	35.8%	33.3%	32.8%
NRW/Conn/day (Vol.m3)	0.299	0.288	0.301	0.261	0.249
Total Network length Kms	3,206.00	3,333.00	4,703.67	4,848.43	4,971.57
NRW per km/day (Vol m3)	16.48	17.52	14.44	13.24	13.65

Figure 9

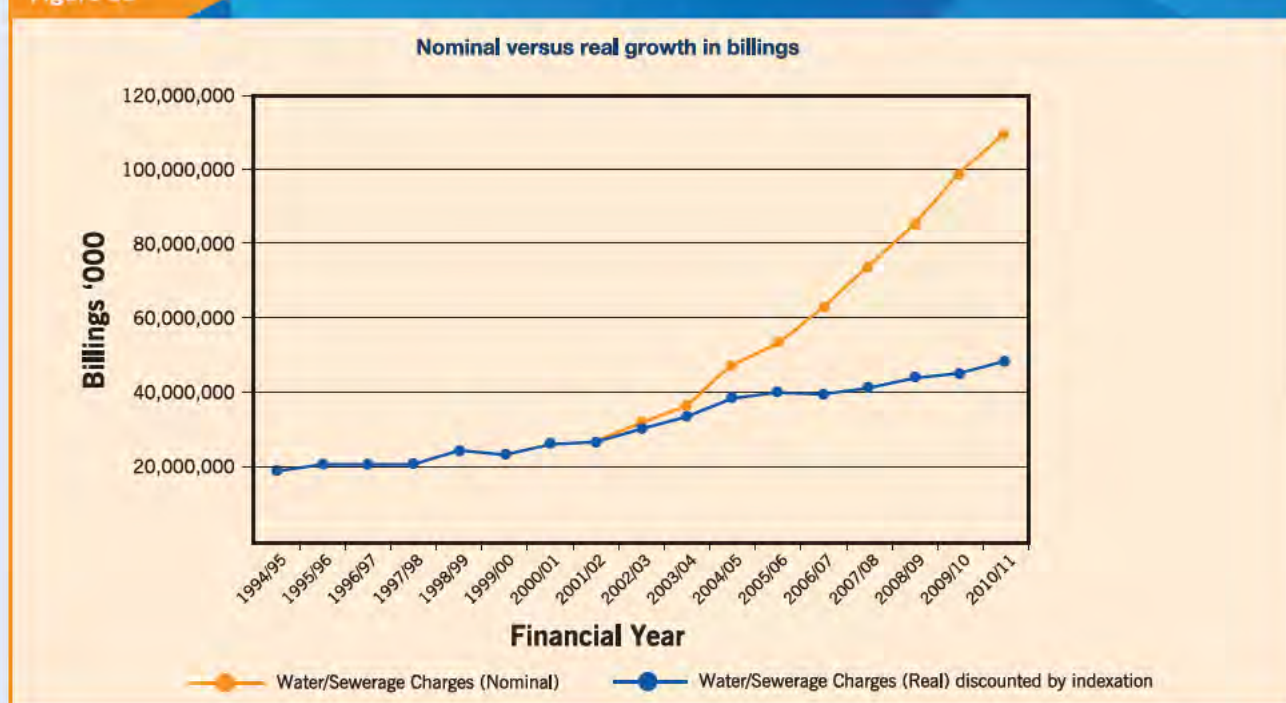




### Nominal verses Real Billings

Nominal billings (water and sewerage) increased by 11%, from Shs 98.2 billion in FY 2009/10 to Shs.109.1 billion in 2010/11. On the other hand, real growth (nominal growth less the indexation factor of 4.4%) was 6.7% as compared to 3.6% in FY 2009/10. This growth can be attributed to growth in volume of water sales of 8% as compared to 6% for FY 2009/11. This improvement is a manifestation of increased efficiency in our operations.

Figure 10



### Water Quality

The NWSC operates water treatment processes/ works in 19 towns out of the 23 to produce and supply quality water (potable) in quantities commensurate with customer demands. During the financial year, a total of 20,213 water samples were tested, out of which 8,880 samples were delivered and tested in the central laboratory and 11, 333 were tested in areas for aesthetic characteristics (colour, turbidity, total suspended solids and residual chlorine) and E-coli. Table 7 shows the percentage compliance of treated water in each Area.



Table 8: Percentage compliance of treated water 2010/11

Area	Colour	Turbidity	E-Coli
Kampala	50	100	100
Entebbe	100	100	100
Masaka	91.7	100	100
Mbarara	75	100	100
Kabale	100	100	100
Bushenyi/Ishaka	8.3	8.3	100
Kasese	100	100	100
Fort Portal	91.7	100	100
Mubende	50	91.7	99.1
Hoima	100	100	100
Masindi	60	90	100
Arua	58.3	100	100
Gulu	36.4	72.7	97.5
Lira	77.8	100	100
Soroti	91.7	100	100
Mbale	66.7	91.7	100
Tororo	41.7	75	99
Jinja	66.7	100	100
Lugazi	100	100	100
Iganga	NA	NA	99.9
<b>Average</b>	<b>71.9</b>	<b>91.0</b>	<b>99.78</b>



NWSC Staff getting a water sample for lab testing

Concerning physico-chemical (aesthetic) properties, 71.9% of all the final water, reservoir and distribution samples from all Areas met the National Drinking Water Standard for colour (apparent) of maximum 15 PtCo units and 91.0% met the standard for turbidity of maximum 5 NTU. Concerning microbiological parameters, 99.78% of all the above samples met the standard for E-coli of 0 CFU/100 ml. All the Areas therefore produced and supplied potable water that was safe for human consumption.

Cases of samples that did not meet the standards were due to design, operation and maintenance inadequacy, age and type of the network pipes (GI pipes susceptible to rust), civil works leading to breakage of pipes thereby causing cross-contamination.

## Water Market Segments

The NWSC customer base comprises four market segments, viz: Public Stand Posts, Domestic, Institutional/Government, and Industrial/Commercial Consumers as shown in Table 9. A comparative analysis of the market share shows that the biggest consumer segment is the domestic Connections which account for 80.3% and commensurately consumes the largest volume of water, 39.2%. It should be noted that although Institutions/Government and Commercial/industrial consumers are a small proportion of the market, they account for 58% of the total collections

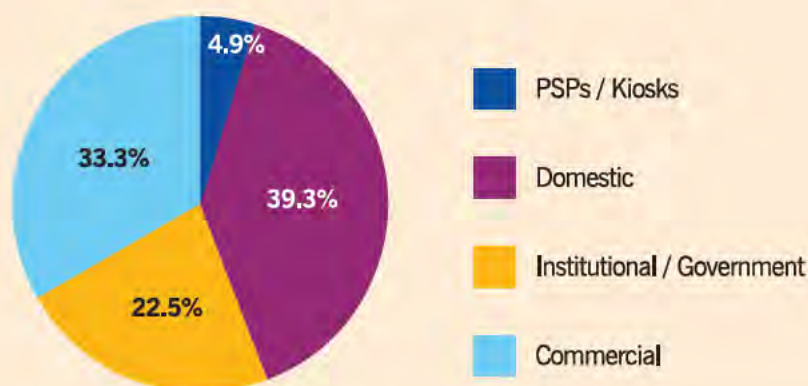
Table 9: Water Market Segments June 2011

Consumer Category	No. of Connections	As % of Total Connections	Volume of Water billed (cubic meters)	As % of Total billed	Revenue Billings (VAT) Shs .m	As % of Total Revenue
Public standpipes	8,408	3.0%	2,487,394	4.9%	3,425,476,351	2.5%
Domestic	218,305	80.1%	19,949,932	39.3%	50,941,328,105	37.2%
Institution/ Government	8,864	3.2%	11,415,636	22.5%	34,508,641,619	25.2%
Industrial/ Commercial	36,829	13.7%	16,904,133	33.3%	48,065,607,970	35.1%
<b>Total</b>	<b>272,406</b>	<b>100.0%</b>	<b>50,763,163</b>	<b>100.0%</b>	<b>136,939,054,046</b>	<b>100.0%</b>



Figure 11

Market Segments as at June 2011



### Water Subscribers

As a result of innovative management programmes geared towards effective and efficient service delivery, the NWSC customer base has significantly increased. Over the last five years the, NWSC customer base has increased by 120,152 subscribers. During the financial year under review, 25,633 new connections were made, compared

to 23,992 in the previous year. The performance levels were over and above the GoU/NWSC Performance Contract IV target. The total number of NWSC subscribers as at end of the financial year was 272,406. Tables 10, 11 & 12 below show the monthly trend in new connections during the previous year performance of new connections vis a vis GoU/NWSC PC IV target, as well as the annual new connection trends over the past five years.

Table 10: Trend of New Connections for July 2010-June 2011

	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
K'la	982	995	1,469	734	1,094	1,257	1,420	990	2,584	1,330	1,313	1,049	15,217
Other Areas	949	787	683	888	993	952	1,007	888	1,027	789	864	632	10,406
<b>Total</b>	<b>1,9311</b>	<b>1,782</b>	<b>2,152</b>	<b>1,622</b>	<b>2,027</b>	<b>2,209</b>	<b>2,427</b>	<b>1,878</b>	<b>3,611</b>	<b>2,119</b>	<b>2,194</b>	<b>1,681</b>	<b>25,633</b>

Table 11: New Water Connections: July 2010 – June 2011

PCIV /Budget			
	Target	Actual	% Achieved
Kampala	14,526	15,217	105%
Other Areas	9,466	10,416	110%
Total New Connections	23,922	25,633	107%



Figure 12

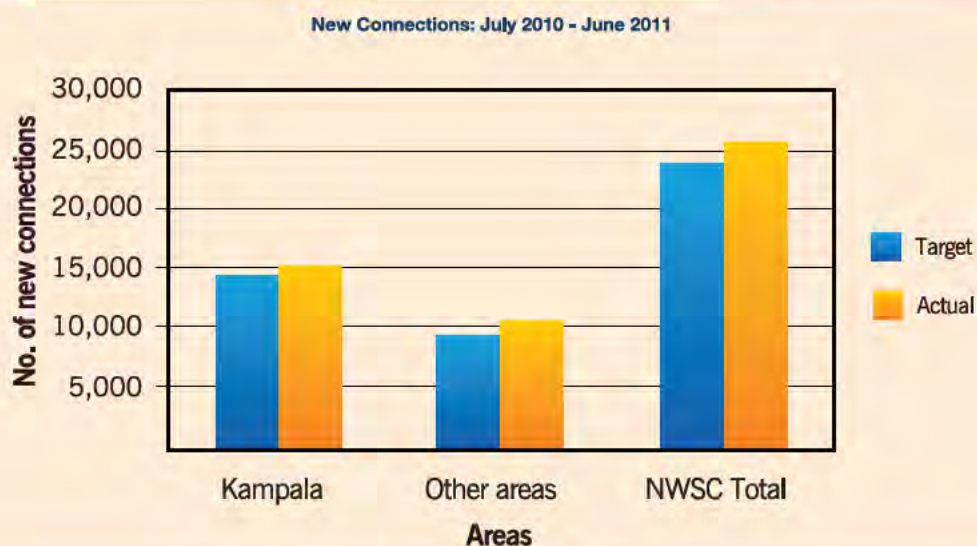
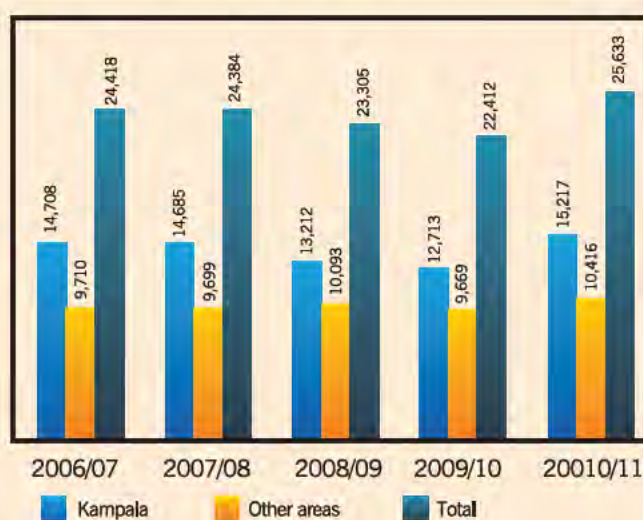


Table 12 : Annual growth of New Water Connections

Financial Year	2006/07	2007/08	2008/09	2009/10	2010/11
Kampala new connections	14,708	14,685	13,212	12,713	15,217
Other Areas new connections	9,710	9,699	10,093	9,669	10,416
Total new connections	24,418	24,384	23,305	22,412	25,633
Total accounts	180,697	202,557	225,932	246,259	272,406
% Increase	16%	13.5%	11.5%	10%	10.4%

Figure 13

Annual growth in New Water Connections 2007-2011





### ■ **Functionality: Active accounts as a percentage of total Connections**

Functionality under Urban Water Supply refers to the number of water connections that are actively on service compared to inactive accounts. The later category of accounts are connected to the system but are not able to access water. This may be as a result of non-payment of water charges by the customer, or inability to access services due to water network failures. During the financial year, the number of inactive accounts reduced to 28,331 accounts from 29,447 accounts in the previous

financial year. Details of inactive accounts by area are shown in table 15.

### ■ **Water Service Coverage**

Service coverage increased from 74% to 75% during the FY 2010/11. This was as a result of increase in the connections as well as network coverage which grew by 11% and 8% respectively. The growth in service coverage however is being stifled by the high population growth, estimated at an average of 4.6% in urban areas. Table 12 below indicates the water and sewerage coverage as at June 2011.

Table 13: Water Supply and Sewerage Coverage As at 30th June 2011

Area	Active Accounts June 2011	Pipe Network (Kms)	Targeted Population June 2011	Population Served	Coverage water June 2011	% Served (Sewerage)
Kampala/Mukono	141,754	2,320.81	1,781,902	1,348,764	76%	5%
Jinja	12,532	296.53	274,969	215,100	78%	22%
Entebbe	17,028	185.27	76,943	55,330	72%	4%
Tororo	3,433	125.90	53,719	42,128	78%	7%
Mbale	7,403	291.60	90,555	66,605	74%	26%
Masaka	6,390	214.34	89,057	72,036	81%	8%
Mbarara	10,038	222.01	77,586	64,394	83%	5%
Lira	5,833	146.20	115,549	93,414	81%	2%
Gulu	4,179	105.45	164,545	134,700	82%	7%
F/Portal	4,544	117.42	72,340	53,318	74%	2%
Kasese	4,179	78.33	51,041	42,472	83%	0%
Kabale	4,094	121.03	46,794	34,736	74%	11%
Arua	4,698	111.56	60,854	46,876	77%	0%
Bushenyi/Ishaka	1,739	83.00	27,482	14,972	54%	0%
Soroti	4,342	120.50	64,143	31,872	50%	2%
Hoima	3,180	118.13	41,223	21,053	51%	1%
Masindi	2,963	139.40	43,461	19,790	46%	0%
Mubende	2,293	80.09	21,937	12,134	55%	0%
Lugazi	1,200	49.00	34,820	21,268	61%	0%
Iganga	2,253	45.00	50,450	35,540	70%	0.4%
<b>Total</b>	<b>244,075</b>	<b>4,899.19</b>	<b>3,239,370</b>	<b>2,426,502</b>	<b>75%</b>	<b>6.4%</b>

**Notes:** 1. Population figures are derived from the 2002 Population Uganda 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.....200 persons per stand pipe.

#### **Institutions:**

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

Medium towns.....500 persons/Institution

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

- Figures in the table exclude Iganga (under rehabilitation with ADB funding (yet to be taken over by the Corporation).
- Figures for Kampala include the suburbs of Mukono, and Nansana





Rapid Urbanisation - NWSC Challenge to extend services

### Water Service Coverage by Town

Out of the 23 areas operated by the Corporation, Kampala, Jinja, Tororo, Masaka, Mbarara, Lira, Gulu, Kasese, and Arua had service coverage of over

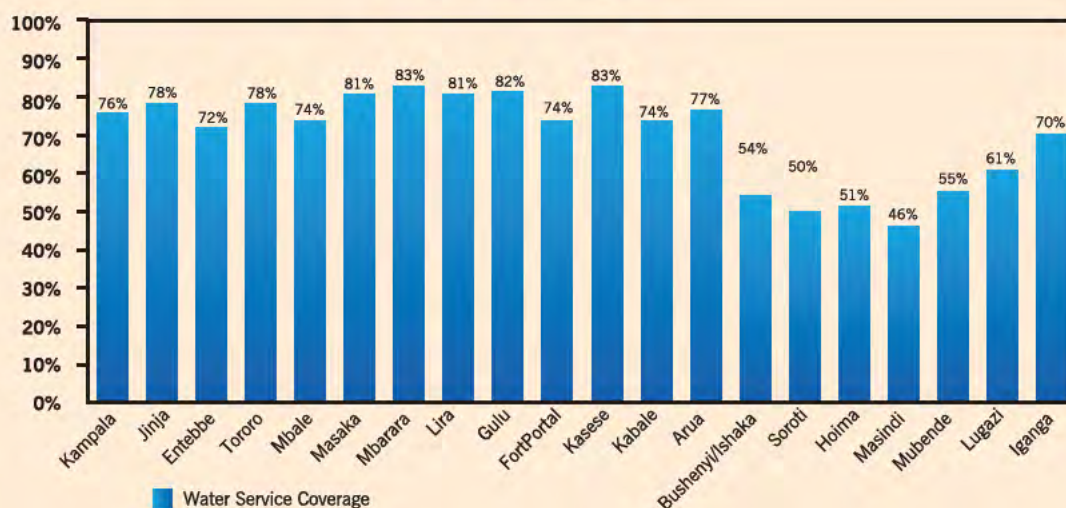
and above the average of 75%. The rest of other towns are below the average. However, over 70% of the NWSC towns are above the average National urban water coverage which stands at 66%.

Table 14: Trend of Water Service Coverage 2002-2010

Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
% Coverage	60	63	65	68	70	71	72	73	74	75

Figure 14

### Water Service Coverage 2011





## ■ Metering Coverage

It is the Corporation's Policy to ensure that all new connections made are metered. This is in the spirit of minimising water losses and ensuring accuracy of billings and accountability of water from the production up to the point of consumption. To ensure efficient and effective implementation of the policy, during the year 100% meter coverage was planned. As at end of June 2011, 99.8% of the accounts were metered against an annual metering coverage target of 100%. While the total

number of accounts as at end of FY 2010/11 were 272,406 accounts compared to 246,259 implying a percentage increase of 11%.

It should however, be noted that the percentage of inactive accounts reduced from 12% in the previous year to 10% in the current year 2010/11.

Table 15: Status of Water Accounts as at June 2011

Area	Total No. of Accounts	Active Accounts	Inactive Accounts	Metered Accounts	% Inactive	Metered A/c's as a % of total a/c's
Kampala/Mukono	162,226	141,754	20,472	162,116	13%	99.9%
Jinja	15,071	12,532	2,539	15,123	17%	100.3%
Entebbe/Kajansi	18,526	17,028	1,498	18,526	8%	100.0%
Tororo/Malaba	3,534	3,433	101	3,533	3%	100.0%
Mbale	8,014	7,403	611	8,014	8%	100.0%
Mbarara	10,180	10,038	142	10,038	1%	98.6%
Masaka	6,628	6,390	238	6,390	4%	96.4%
Lira	6,256	5,833	423	6,256	7%	100.0%
Gulu	4,328	4,179	149	4,328	3%	100.0%
Kasese	4,422	4,179	243	4,179	5%	94.5%
Fort Portal	4,843	4,544	299	4,843	6%	100.0%
Kabale	4,108	4,094	14	4,108	0%	100.0%
Arua	4,961	4,698	263	4,961	5%	100.0%
Bushenyi/Ishaka	1,834	1,739	95	1,834	5%	100.0%
Soroti	4,847	4,342	505	4,847	10%	100.0%
Hoima	3,415	3,180	235	3,414	7%	100.0%
Masindi	3,133	2,963	170	3,144	5%	100.4%
Mubende	2,359	2,293	66	2,359	3%	100.0%
Lugazi	1,421	1,200	221	1,421	16%	100.0%
Iganga	2,300	2,253	47	2,300	2%	100.0%
<b>Total</b>	<b>272,406</b>	<b>244,075</b>	<b>28,331</b>	<b>271,734</b>	<b>10%</b>	<b>99.8%</b>

Table 16: Metered Accounts

Year	2006/2007	2007/2008	2008/09	2009/10	2010/11
Kampala	105,531	119,897	132,882	146,109	162,226
Other Areas	73,508	81,942	92,321	98,994	110,180
Total metered	179,039	201,839	225,203	245,103	271,734
<b>Total Accounts</b>	<b>180,697</b>	<b>202,559</b>	<b>225,932</b>	<b>246,259</b>	<b>272,406</b>
<b>%Metered Accounts</b>	<b>99.1%</b>	<b>99.6%</b>	<b>99.7%</b>	<b>99.8%</b>	<b>99.8%</b>





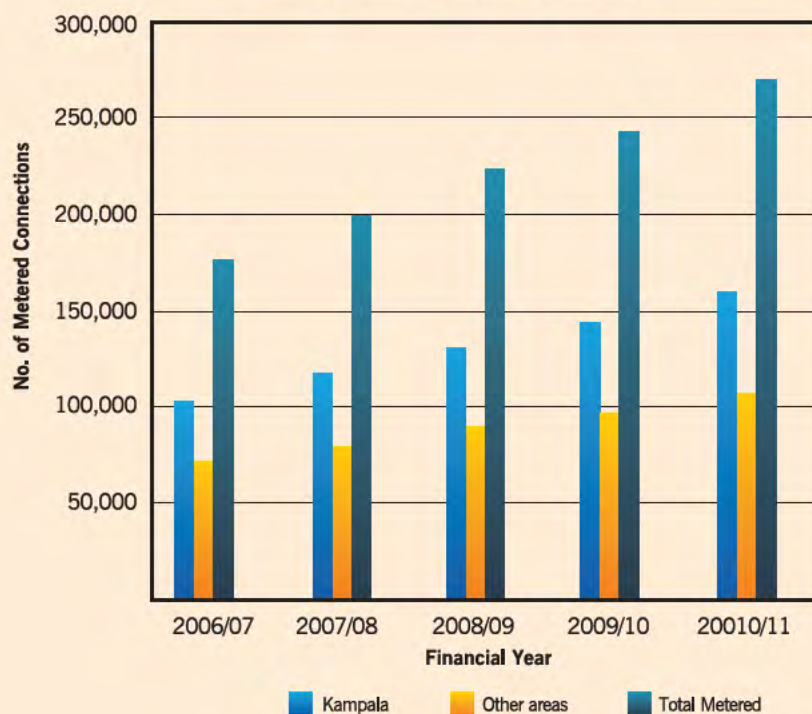
NWSC Staff on spot billing



Minister of state for environment, Hon Jessica Eriyo, at ground breaking of Lubigi Project

Figure 15

Trend of metering coverage 207-2011





## ■ Sewerage services

The NWSC operates centralised sewerage systems of collecting, treating and discharging effluent to the surrounding in 14 out of the 23 Areas. The overall sewerage coverage slightly rose by 0.4 percentage points from 6% to 6.4 % in financial year 2010/11. The total number of sewer subscribers rose by 10%, from 15,028 in 2009/10 to 16,557 subscribers in 2010/11.

It should be noted that sewerage

coverage has for some time stagnated due to the high cost associated with installation of sewer lines and majorly due to the preference of on-site sanitation facilities like septic tanks and latrines by most customers. However the NWSC has continuously made strides geared towards improving sewerage management in all areas. During the financial year under review, funding was sourced through the Ministries of Finance, Planning & Economic Development and Water & Environment to implement the Kampala Sanitation Project. The project is to be implemented in two phases (Phase I & II).

Table 17: Status of Sewer Connections as at June 2011

Area	Active Accounts	Inactive Accounts	Total
Kampala/Mukono	7,689	836	8,525
Jinja	2,645	-	2,645
Entebbe/Kajansi	201	-	201
Tororo/Malaba	338	23	361
Mbale	1,525	128	1,653
Mbarara	471	-	471
Masaka	387	22	409
Lira	284	49	333
Gulu	565	-	565
Kasese	0	-	0
Fort Portal	107	5	112
Kabale	516	68	584
Arua	0	-	0
Bushenyi/Ishaka	0	-	0
Soroti	388	-	388
Hoima	89	3	92
Masindi	115	12	127
Mubende	0	-	0
Lugazi	0	-	0
Iganga	87	4	91
<b>Total</b>	<b>15,407</b>	<b>1,150</b>	<b>16,557</b>



### ■ Sewerage Effluent Quality

During the financial year, 318 final effluent points were checked for Biochemical Oxygen Demand (BOD5), total suspended solids (TSS) and faecal coliforms. 5.8% of all the samples taken from final effluent points, complied with the National Standard for Effluent Discharge for BOD5 of maximum 50 mg/l. 40% of the samples checked complied to the total suspended solids standard of 100 mg/l and 68% complied with the faecal coliforms standard of 10,000CFU/100mL.

Cases of discharge of effluents that did not meet the standards were due to design inadequacy, operation and maintenance inadequacy, storm water ingress into sewers, disposal/dumping of waste water from industrial and other non-domestic origin to NWSC sewerage systems.

The following constraints and challenges to waste water quality were faced in financial year 2010/11;

- Inadequate funding towards wastewater management,

- Vandalism of sewer components like manhole covers allowing in storm water
- Encroachment on wastewater treatment plants by perimeter fence breaking (a case of Gulu, Tororo & Mbarara where cattle is grazed from the plant),
- Urban run-off; flooding and submerging of the Waste Stabilization Ponds (a case of Lira & Kirinya-Jinja).
- Discharge of strong municipal and industrial effluents in sewer.

In order to address the above constraints/challenges, use was made of natural and constructed wetlands for polishing/stripping the sewage effluents, modification of operational and maintenance regimes and on-going and planned desludging of the ponds. In addition, Kampala Sanitation Project whose implementation started last financial year will go a long way in controlling discharge of strong municipal and industrial effluents into sewers as well as minimise storm water ingress into the sewer systems.



NWSC Board Vice Chairman (Extreme left) and Former NWSC MD (Centre seated) at ground breaking of Lubigi Project.



Table 18: Trend of Sewer Connections 2007-2011

Financial Year	2006/07	2007/08	2008/09	2009/10	2010/11
New Sewerage Connections	333	232	267	343	301
Total Sewerage Connections	14,186	14,418	14,685	15,028	15,329
% Growth	2%	2%	2%	2.3%	2%

### ■ Kampala Sanitation Program Phase I & II Projects

The project objective is to improve the health and living standards of the residents of Kampala by improving sanitation services. The project also aims at improving environmental sustainability of Lake Victoria basin by considerably reducing the pollution load entering the lake from the Nakivubo channel and improving the quality of lives of the residents in informal settlement in Kampala through improved management of sludge from domestic sanitation facilities and provision of hygiene education.

During the financial year, preliminary works for phase 1 which mainly involved preparatory works at the proposed site for Lubigi Sewerage Treatment Plant, and rehabilitation works at Bugolobi Sewerage Treatment plant were substantially completed. Compensation for Lubigi claimants was effected. Route surveying for the pipeline was

done and compensation for the pipeline was under valuation. Phase II will mainly involve construction of two other wastewater treatment plants at Nakivubo and Kinawataka) and sewers. The plants are designed to remove nutrients and odour as well as cogeneration to produce biogas and eventually power. Prequalification of contractors was done and bids were opened during the financial year under review.

### Pro-poor Interventions

The NWSC undertakes pro-poor initiatives aimed at improving the lives of the people living in poor urban settlements. One way of reaching out to the poor is through construction of public stand posts (PSPs) whose tariff is affordable. During the financial year, the number of PSPs/Kiosks increased to 8,431 connections from 6,349 as at end of June 2010. The detailed account of PSPs/Kiosks installed per area is given in table 19 below.

Table 19: Status of PSPs/Kiosks as at June 2011

Area	Status as at June 2011		
	Active	Inactive	Total
Kampala/Mukono	4,539	1,513	6,052
Jinja	454	134	588
Entebbe/Kajansi	81	18	99
Tororo/Malaba	167	7	174
Mbale	214	22	236
Mbarara	99	3	102
Masaka	144	9	153
Lira	311	52	363
Gulu	97	10	107
Kasese	65	10	75
Fort Portal	33	10	43
Kabale	53	1	54
Arua	94	17	111
Bushenyi	29	2	31
Soroti	61	20	81
Holma	22	3	25
Masindi	30	7	37
Mubende	20	-	20
Lugazi	35	5	40
Iganga	39	1	40
<b>Total</b>	<b>6,587</b>	<b>1,844</b>	<b>8,431</b>



Table 20: Trend of New Public Stand posts Installed 2007-2011

Financial Year	2006/07	2007/08	2008/09	2009/10	2010/11
New PSPs Stand posts	122	406	413	540	469
<b>Total</b>	<b>4,990</b>	<b>5,396</b>	<b>5,809</b>	<b>6,349</b>	<b>8,431*</b>
<b>% Growth</b>	<b>2%</b>	<b>8%</b>	<b>7.6%</b>	<b>9.3%</b>	<b>32%</b>

\*NB. The drastic increase during last year is attributed to an update of the data base system which established the number of PSPs had risen hence accounting for the growth of 32%.

In addition to pro-poor connections, other urban poor initiatives under taken during the course of the financial year included;

- **Kawempe Sanitation Projects for the Urban Poor**

Fifty six (56) Public Community Toilets of various stances were constructed in Kawempe Division. The facilities are connected with water to improve the excreta waste disposal. Beneficiaries will be responsible for Operation and Maintenance while Government is to pay water bills for the facilities. About 70,000 people from Urban Poor Kawempe will benefit from this arrangement. The project was implemented as a fulfilment of the Presidential pledge to people of Kawempe and the total project cost is about Ushs.1.4billion.

- **Kagugube Community Project**

The project was completed and Post construction Monitoring and Evaluation done. Over 25 prepaid water meters were installed benefiting about 14,000 people from Kagugube. Point of Sale Vending facilities and satellite offices were also established in the Community during the year. The project was funded by African Water of the African Development Bank at a cost of Euro 800,000 (Ushs. 2.2 billion).

- **Bwaise II Parish Water and Sanitation Project for the Urban Poor**

The project entails installation of 200 No.

pre-paid meters in the parish. Procurement of Consultancy services for the design and construction supervision of water supply works was started during the financial year.

- **Launching of the Protection of L.Victoria & Mapping of Ground Water Resources Projects**

Prototype development and testing of the UGA VAC ( boda boda like Cesspool emptying facilities) for the slum pit latrines was completed.

- Lubigi Urban Poor sewerage treatment plant construction commenced

- Draft MoU formulated between KCCA and NWSC in relation to the service provision of water supply in informal settlements of Kampala. This MoU will serve future projects especially on Water supply and sanitation

- Over 3,000 tokens distributed Under OBA project funded by the World Bank in the informal settlements

## ■ NWSC Tariff Structure

The NWSC continues to implement 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 20.5 per Jerrican.



Table 21: Water Tariff Structure 2010/11

Customer Category	Water tariff 2010/11 (Ush/m3)	Price /Jerrican (Ushs.)
Public Standpipe	1,025	21
Domestic	1,585	32
Institutions / Government	1,951	39
Commercial up to 500m3/month	2,394	48
Commercial 500m3 - 1,500m3/month	2,394	48
Commercial >1,500m3/month	1,913	38
<b>Weighted Water tariff</b>	<b>1,753</b>	<b>35</b>

The graph below clearly illustrates the issue of cross subsidies within the NWSC operational framework. From the graph, it can be seen that the towns of Mbale, Hoima, Mbarara, Gulu, Bushenyi, Kabale, Masindi, Mubende & Lugazi have higher unit costs

of production than the average tariff of Ushs.1,753. The implication of this is that the operational costs in these towns cannot be recouped from the tariff only, and are therefore subsidized by the other towns.

Figure 16

## Unit Cost of production per area as at June 2011





## Customer Satisfaction

Our customers constitute six categories namely households, Government and non Government institutions. The support and trust of our customers and the broader community is critical to the achievement of objectives. In this regard the Corporation is proactive in ensuring that customers, communities as well as other stakeholders are engaged to capture their views and opinions about our service delivery.

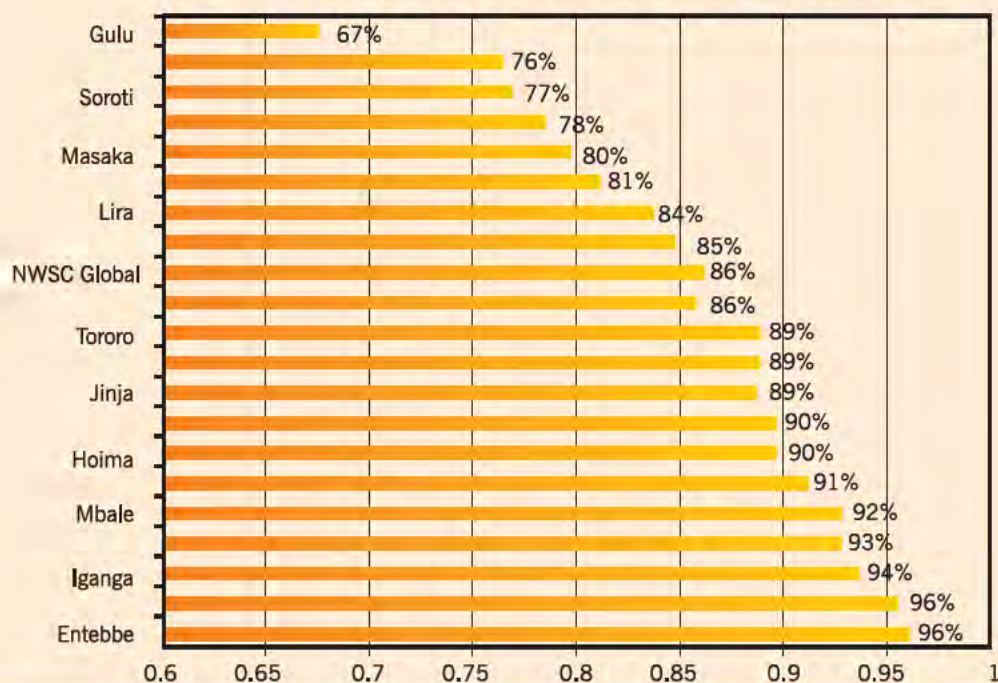
During the Financial year, the Corporation carried out customer satisfaction surveys to ascertain the importance customers attach to various attributes of our services and also to uncover customer perception of our performance. The surveys

focused on attributes such as water reliability, water pressure, water quality, timely and accurate water bills, responsiveness in resolving complaints, responsiveness in effecting new connections, customer care, convenience of bill payment process and office ambience.

Based on the survey findings from 21 NWSC operational areas, the customer satisfaction index (CSI) which is a measure of the customer satisfaction levels, was 86% implying high levels of customer satisfaction. Areas that recorded the highest performance were Entebbe and Kasese with a CSI of 96%, followed by Iganga with a CSI of 94% and Masindi with CSI of 93%. The overall performance was over and above the annual target of 70%.

Figure 17

CSI values as per the customer satisfaction survey ending June 2011





## Human Resources

Human Resource Management includes the vital tasks of recruiting, screening, interviewing, training, appraising, disciplining, rewarding, and developing the employee in the organization. It is important for management in organizations to have an understanding of the key concepts of this increasingly important function, especially since many decisions they make about employees have possible legal ramifications.

During the financial year 2010/11, staff numbers increased from 1,589 to 1,691. The increase

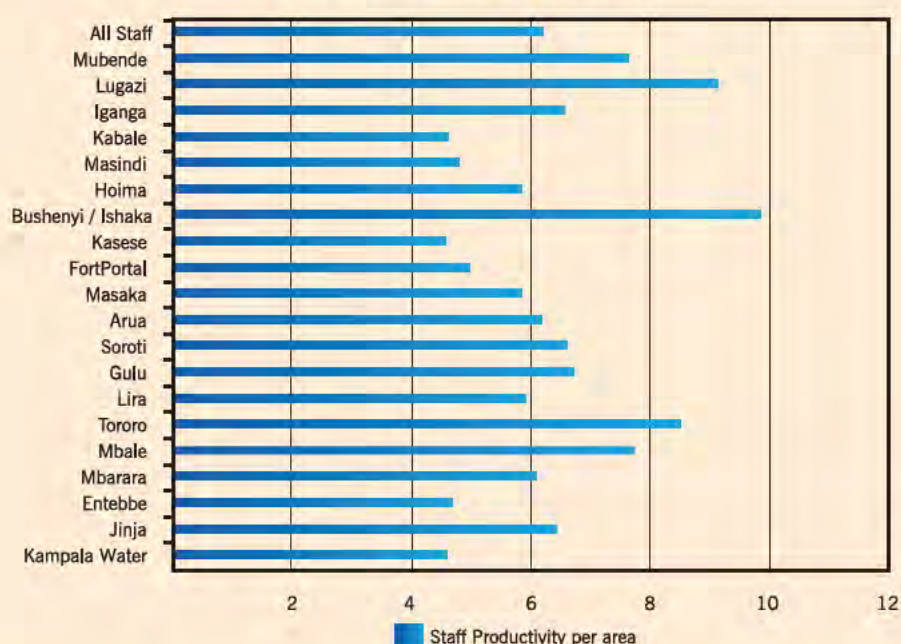
in staff numbers is attributed to expansion of operational activities in our areas of operation. However, the staff productivity was maintained at 6 staff/1000 connections and this is in line with the international standards. The graph below shows staff productivity per area. It should be noted that Kampala has the highest staff productivity followed by Arua, while Bushenyi and Lugazi have the lowest staff productivity. Figure 14 shows the productivity by town as at June 2011.

Table 22: Staff Productivity Trends.

Year	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Staff Numbers	1,067	1,338	1,424	1,517	1,589	1,691
Staff/1000 water connections	7	7	7	7	6	6

Figure 18

Staff productivity per area for FY 2010/11





## Gender

The NWSC gives due credence to gender issues when recruiting staff. Furthermore, gender issues are recognized through the provision of water to the urban poor through provision of standpipes, which help the women who are mainly responsible for fetching, water for the family. This saves the women in the poor urban areas not to move long distances in search for water. Table 23 below summarizes the gender balance within the Corporation as at June 2011. 24% of the staff are females and at headquarters, the female staff ratio is 34%, an increase from 30% as at end of FY 2009/10.

Table 23: Status of Staff as at June 2011

Area	Male	Female	% of Female /Total staff	Total Staff
Head Office	177	93	34%	270
Staff Returned to HQs	16	0	0%	16
Kampala Water	561	185	24%	746
Jinja	76	21	21%	97
Entebbe	59	28	32%	87
Mbarara	53	9	14%	62
Mbale	53	9	14%	62
Tororo	22	8	26%	30
Lira	30	7	18%	37
Gulu	26	3	10%	29
Soroti	26	6	18%	32
Arua	14	8	36%	22
Masaka	32	7	17%	39
Fort Portal	22	2	8%	24
Kasese	16	4	20%	20
Bushenyi / Ishaka	13	5	27%	18
Hoima	16	4	20%	20
Masindi	10	5	33%	15
Kabale	17	2	10%	19
Iganga	12	3	20%	15
Lugazi	08	5	38%	13
Mubende	13	5	27%	18
<b>Total</b>	<b>1,272</b>	<b>419</b>	<b>24%</b>	<b>1,691</b>



## Income

The financial performance of the Corporation continued to improve during the financial year 2010/11, with a total turnover of Ushs 131.3 billion, which is a 16% increase compared to the previous year. The profit margin before depreciation also increased from shs 26 billion in 2009/10 to shs 30.4 billion in the year 2010/11, while net profit after depreciation increased significantly by 49% during the financial year under review, from shs 9.4 billion to shs 13.4 billion.

The graph below shows a rising trend in both the turnover and the profitability of the Corporation. The operating revenue and profit before depreciation grew by an average of 17% and 18% respectively over the past five years. This has enabled the Corporation realise 106% of its budget on Capital expenditure using internally generated resources

Table 24: Trend of Financial Performance 2007 - 2011

	2006/07 Shs m	2007/08 Shs m	2008/09 Shs m	2009/10 Shs m	2010/11 Shs'm
Operating Revenue	70,407	84,079	101,732	112,848	131,314
Operating Costs	52,420	68,420	75,250	86,803	100,930
Operating Profit before Depreciation	17,987	15,659	25,982	26,044	30,383
Depreciation & Amortisation	11,465	12,341	9,958	16,648	17,003
Operating Profit After Depreciation	6,522	3,318	15,420	9,396	12,899
Working Ratio	0.74	0.81	0.75	0.76	0.76

Figure 19

Financial performance trends for 2007-2011





## Collection /Billing Ratio

The total collections as at end of FY 2010//11, including VAT were shs 131.5 billion (a monthly average of shs 11 billion) against shs 136.9 billion of billings, a collection/billing ratio of 96%. There was a slight reduction in the performance

compared to the previous year mainly attributed to accumulation of arrears under the Government consumer category. Government Ministries account for over 45% of arrears which stood at shs 42.9 billion as at the end June 2011. Table 25 shows the individual areas C/B ratio, where Masaka registered the highest performance

Table 25: Table Showing Status of Billings, Collections, Arrears % C/B Ratio as at June 2011(Fig. in Ushs'000m). Collections include arrears.

Area	Billings	Collections	C/B Ratio (%)
Kampala/Mukono	89,905,028	87,926,394	97.8%
Jinja	9,982,468	9,279,050	93.0%
Entebbe/Kajansi	8,247,629	7,611,982	92.3%
Tororo/Malaba	1,510,223	1,410,807	93.4%
Mbale	3,605,813	3,362,002	93.2%
Mbarara	5,994,309	5,095,284	85.0%
Masaka	2,475,038	2,505,385	101.2%
Lira	2,239,739	2,142,778	95.7%
Gulu	1,758,740	1,490,290	84.7%
Kasese	1,227,609	1,216,729	99.1%
Fort Portal	1,580,165	1,499,455	94.9%
Kabale	1,373,841	1,283,771	93.4%
Arua	1,270,329	1,197,657	94.3%
Bushenyi/Ishaka	650,341	618,155	95.1%
Soroti	1,571,641	1,496,253	95.2%
Hoima	749,376	748,241	99.8%
Masindi	1,008,147	907,312	90.0%
Mubende	705,790	659,662	93.5%
Lugazi	412,798	379,898	92.0%
Iganga	670,029	633,270	94.5%
Total	136,939,054	131,464,382	96.0%

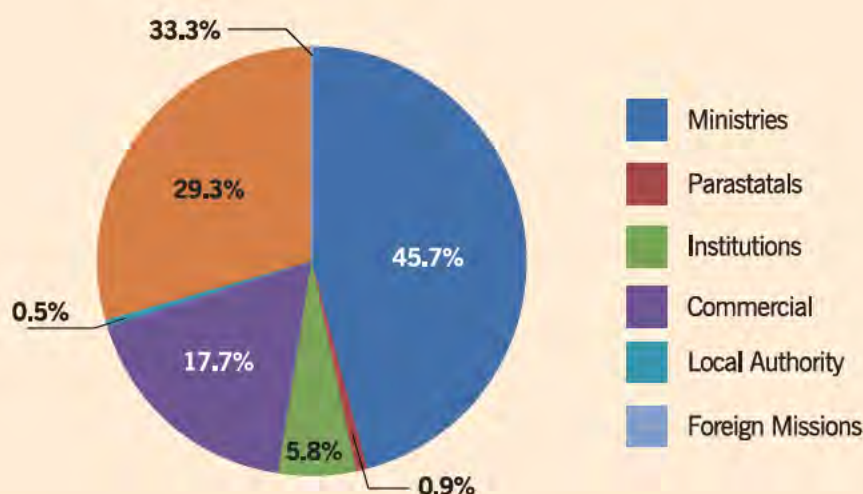
Table 26: Status of Arrears by Customer Category as at June 2011

Customer Category	Billings	Collections	Arrears as at June 2011	% Over Total Arrears
Ministries	19,431,736,583	15,434,270,591	19,574,383,399	45.7%
Parastatal	3,159,091,660	2,861,188,505	391,930,929	0.9%
Institutions	13,756,822,646	13,332,028,220	2,468,490,765	5.8%
Commercial	45,683,176,768	44,857,783,785	7,571,474,292	17.7%
Local Authority	495,850,353	442,950,174	233,332,174	0.5%
Domestic	53,799,269,360	53,916,674,459	12,542,484,338	29.3%
Foreign Missions	613,106,676	619,486,156	89,853,094	0.2%
Total	136,939,054,046	131,464,381,890	42,871,948,991	100.0%



Figure 20

Arrears by Customer category



### Way Forward FY 2011/12

As we edge towards the financial year 2011/12, we need to consolidate our achievements and put more emphasis on our strategic direction as anchored in our three year Corporate Plan 2009-2012. Based on the current economic trends, it is envisaged that the financial year 2011/12 will come along with its challenges and this is likely to adversely impact on our operations. However, management is cognisant of this and as such, innovative managerial solutions geared towards increased operational efficiency have been devised as a mechanism to cushion the negative economic spill overs. Hence, focus during the financial year 2011/12 will be geared towards the following:

#### Enhanced Management of Area Operations

The Performance, Autonomy & Creativity Enhancement (PACE) Contracts: Management will continue implementing the PACE, a successor programme for IDAMC as a means of furthering the innovative spirit within the Corporation. This will

enhance transparency, ensuring a refined bidding process, increase focus on long term investment planning as well as enhance incentive and penalty framework

#### Increased Productivity of both Human and Capital Resources

New Economic Order (NEO): Management plans to fully implement the new planning and operational monitoring tool code named "the New Economic Order", ensuring that the demand for our services are met through an optimal and cost effective supply regime. This will ensure efficient and effective service delivery to our customers

#### Improved Efficiency in Service Delivery

Extension and strengthening of the water mains network: The Corporation will continue implementing the short term and medium interventions aimed at resolving limited supply in some areas of Kampala. Activities in this regard will include the laying of new mains, the installation of on-line boosters, and the increasing of water



supply to particular areas through network water balancing.

#### **Financial Sustainability: Increased and Diversified Income**

Maximization of the cash operating margin: Management will continue implementation of cash maximization initiatives such as arrear reduction, public awareness on e-payment and direct debit payment system, customer care initiatives aimed at ensuring customer satisfaction and delight; as well as rationalizing expenditure and investment and focus on the achievement of an acceptable operating margin.

#### **Funds Mobilisation for Projects**

Investment financing: Management will continue sourcing funds for critical investments in Kampala, Gulu and Arua from the Donor community and Government, under the framework of the Corporation investment policy aimed at ensuring that services are extended as per the Corporate Plan objectives

#### **Increased exploits in External Services**


Peer to Peer Benchmarking and Research Initiatives: In the spirit of continuous innovation and capacity building, the Corporation will intensify its External Services exploits with sister utilities in the world, in order to enhance capacity and foster partnerships in scientific research. The Corporation will also continue offering advisory and technical services to utilities in the region, and internal support services

#### **Looking Forward**

We will continue to learn from our experiences, with expected improvements in our operational framework to ensure our practices remain efficient and effective. We acknowledge the continuous support from our stakeholders who have always stood by our side amidst all challenges. We promise continuous improvement in our services to ensure satisfaction and delight of our dear

customers. I am indebted to the Board of Directors for the continuous strategic guidance which has seen us sail through this economic turbulence. We acknowledge the continuous support from the Ministries water and environment, and finance as well as our development partners.

We look forward to a more cordial working relationship with all our stakeholders for a successful year 2011/12 and better quality service delivery.



**Eng. Alex Gisagara**

Ag. Managing Director



# Individual Area Performance Key Highlights For The Year 2010/11

## ■ Kampala Area

Kampala Water is the largest Area of NWSC operations and accounts for about 80% of the Corporation's revenue. The Area has 18 branches and serves about 1,348,764 people or 76% of the urban population in Kampala. Kampala Area has a pipe network of about 2,320.8 kms and a customer base of 162,226 water subscribers by end of June 2011. During the year the Area registered the following key highlights

- **Reduction of Non-Revenue water:** Conducted programmes geared towards reducing illegal water use and raising revenue collections code named "Operation Wet Storm" and "Every Drop Counts (EDC)" respectively
- **Water Connections:** The customer base increased by 10.9% from 146,243 connections to 162,226. The Urban Poor Branch has spearheaded the use of pre-paid metering in NWSC with over 100 prepaid metering points connected during the financial year.
- **Increased Billings/Collections:** Introduced more convenient bill payment models (e-payment, Direct Debit, Bank Counters, etc.) and consistent use of a toll free customer call centre (0800 100 977) which greatly enhanced KW's commercial and technical efficiency.
- KW rolled out field billing with the use of hand held meter reading devices. As of June 2011, all KW branches were using the devices to read meters and generate bills on the spot.
- **Water Canals:** KW also implemented the water council (WC) framework to ensure that tangible benefits for KW were adequately tapped. This was pursued through monthly WC meetings and other regular interactions e.g. LC meetings etc. In such meetings, sensitization of locals and their leaders on running programs (Wet Storm, e-payments, etc) was also done.
- **Arrears Reduction:** Accounts Arrears Reduction Program (AARP) which ran from 1st April 2010 to 30th September 2010 in which a total of UGX1.4 billion in arrears was recovered within the period was also another innovation
- **Water Sales & Billing Improvement Program:** In April 2011, a 6-month water sales & billing improvement program was initiated. It aimed at increasing water sales from an average of 160,000 m<sup>3</sup>/day to 190,000 m<sup>3</sup>/day.
- The NEO was initiated and implemented. This combines New Commercial Order (NCO and the New Technical Order (NTO). To ensure effective implementation of the NEO, the New Human



NWSC Staff at the launch of the e-water payment service.



NWSC and Bank of Africa Directors (Cutting Ribbon) at the launch of the e-water payment service.



Resource Order (NHRO) was also introduced.

- **Improved Water Supply:** Kampala water also implemented, on an evolving basis, a dry zone reduction programme to reduce water stressed areas and at the same time improve supply reliability through bulk transfers and network reinforcements. Water sales in Mukono branch; particularly have tremendously improved as a result of a number of water extensions in Mukono. Other notable activities in the Dry Zones Reduction programme included;
  - Extension of the DN300 Mukono line to Kyaliwajjala-Namugongo-Kiira so as to reduce demand on the already over-stretched Naguru supply system.
  - A number of water mains extensions including Bwaise-Nabweru-Lugoba, Ntinda-Najjera and Pidah stage along Entebbe road among others.
  - A number of booster stations were also rehabilitated and new ones installed. These include Namirembe, Kawempe – Mbogo, Wandegaya, and Kulambiro hill booster stations.

### ■ Entebbe Area

Some of the key highlights registered by Entebbe Area during the year included;

- **Reduction of NRW:** The area reduced NRW from an average of 16% as of 30th June 2010 to 13% by the end of June 2011. This improvement is attributed to the installation of a pressure reducing valve along Garuga road, adherence to 2 hours of response time to leakages and bursts reported as well as the introduction of the hand held meter reading devices which has led to more accurate billings of the water consumed hence increased water sales.
- **Increased Water Sales:** Water sales increased from 220,000m<sup>3</sup> to 273,283m<sup>3</sup> per month due to the increased new connections and the introduction of on spot billing. It is also attributed to the reduction of dry zones in

Kajjansi Branch. This resulted into improved supply reliability to the customers in the hilly areas of Katale, Kitende, Seguku and Lubowa. It was further boosted by the relocation of water meters for most big consumers to outside their perimeter walls hence avoiding the risk of illegal connections.

- **Expansion of the Network:** In terms of capital works, the Area carried out water mains extensions to the areas of Bwebajja – Dewe, Bunamwaya – Dewe, Bunamwaya – Katale, Kitiko – Mutungo, Kisubi – Kisambi, Canaan sites, Nkumba – Jomayi, Scripture Union, Mawugulu and Nalugala. Sewer mains were also extended to Kitasa (Fire Quarters) and as a result, monthly sewer connections increased from 1 to 5 by the end of the financial year.
- **Launching of the E-Payment System:** The e-payment system was also successfully launched in the Area in January 2011 which made water payments easier and as a result, the average monthly revenue collections improved from 446 million shillings to 522 million shillings net of VAT by the end of the financial year. Currently the Area is fully interfaced with all the banks except Stanbic Bank.

### ■ Jinja Area

The key highlights registered by Jinja Area are enumerated as follows.

- **Network Expansion:** The Area carried out Water mains extensions to the following places: Nakabango Ring (DN 50 – 4Km), Wanyange landing site (DN 25– 0.4km), Kanyogoga-Kalungami (DN 50– 2km), Kyekide-Butiki (DN 50– 1km), Buwekula (DN50– 0.7km), JDA booster dedicated line (DN 80 – 0.7km), Lwanda-Isikwe (DN 50 – 1.5km), extension of water services to BEL (Bujagali Energy Limited) project area in partnership with NWSC 36km ranging from DN200 to DN80 plus installation of 50 yard taps.



- **Increased No. of Water Subscribers:** The total number of accounts increased from 13,790 in June 2010 to 15,123 as at end of June 2011.
- **Increased Water Sales:** Average water sales increased from 271,747m<sup>3</sup> in 2010 to 280,838m<sup>3</sup> as at end of June 2011
- **Increased collections:** Collections for the area also increased from Ushs 696 million in June 2010 to Ushs 796 million in June 2011.

### ■ Masaka Area

During the period July 2010-June 2011, the Area attained the following achievements

- **Network Expansion:** Masaka Area managed to extend 5.6 km to Kisoso-Gayaza
- **Increased New Connections:** The Area increased its customer base by installing 480 new connections during the period July 2010-June 2011.
- **Increased Billings/Collections:** During the period July 2010-June 2011, the Area's Billings increased from an average of Ushs 192 million to Ushs. 206 million while the Revenue collected increased from Ushs.190 million to Ushs. 208 million.
- **Increased Water Sales:**The Area also increased water sales from a monthly average of 74,954 m<sup>3</sup> in the previous year to 80,051m<sup>3</sup> in 2010/11

### ■ Mbale Area

The following were the key highlights of Mbale Area during the year.

- **Network Expansion:** Mbale Area continued to expand its service coverage during the financial

year 2010/11 with an increment in the water supply service area (WSSA) from 96 square kilometres to 105 square kilometres.

- **Increased New Connections:** The area increased its customer base by installing 701 new water connections during the year.
- **Reduction of NRW:** The Area also reduced its NRW from 8.2% to 7.8% .
- **Increased Billings/Collections:** Additionally, there was an increase in billings from Ushs 239million to Ushs 316million while average collection increased from Ushs 211million to Ushs 257million.
- **E-Payment System:** In order to ease customer bill payments, the area embraced the e-water payment system with over 8 banks on the interface and 4 others to be brought on board in the near future.
- **Corporate Social Responsibility:** As part of its Corporate Social Responsibility, the area participated in the Eastern Trade Fair and also successfully participated in the world environment day in Bududa District and contributed over 200 hard back trees.
- The area also held over 8 meetings with the NWSC local council in a bid to enhance collaboration with the community.

### ■ Mbarara Area

The following were the key highlights of Mbarara Area during the year.

- **Improvement in Quality of Manpower:** The quality of Area staff improved significantly increasing the ability to deliver better services to the Esteemed Customer as well as do a better job. Two staff qualified with Masters in Business Administration, two completed their first



degrees, four completed Diplomas and many others acquired additional qualifications. a number of performance improvements. These include;

- Improvement in Water sales, Billings, Cash operating Margin and Collections:**  
 The water sales improved from an average of 160,000 m<sup>3</sup> to an average of 187,000 m<sup>3</sup> per month during the period. This represents a 15.6% increase. This has translated in equal measure improvements as well in Billings, Cash operating Margin and Collections
- Reduced Customer complaints:** This was due to extensive publicity of the NWSC toll free numbers enabling the Customers to reach us easily, good vigilance of the Leak control and water loss squads as well as the implementation of the Territorial concept that emphasizes a grassroots presence.
- Increased Billings/Collections:** Increased average monthly billing by 12% from a monthly average of Ushs 102 million in F/Y 2009/10 to Ushs 114 during F/Y 2010/11. Average monthly collections also increased by 8 percent from Ushs.89 million to Ushs 96 million.
- Increased Customer Base:** The customer base increased by 8 percent from 3,787 to 4,094 connections.
- Improved Response time to customer complaints:** Response time to leaks and bursts was maintained at an average of 1 hour and customer complaints of commercial nature were responded to within 1 hour.
- Awards:** The Area also emerged winner of the year and received two trophies in Governance and Transparency and another in Financial Efficiency.
- Notwithstanding the improvements realised, there were also a number of setbacks experienced. However Kabale Area management has embraced the New Economic Order (NEO) and New Human Resource Order (NHRO) in order to address these challenges and also use it as a catalyst for achieving the New PACE contract targets. Issues have been identified and strategies related to increasing staff commitment and involvement in solving the above highlighted challenges have been developed in order to improve the general Area performance.
- Kidongo/Kacenkya supply Improvement project:** The Kidongo and Kacenkya localities are upcoming residential areas that have registered phenomenal growth from a population of about 200 residents three years ago to over 2,000 today. The original lines were planned for a small population; we have now boosted this with a bigger 3 kilometer line thus improving the supply greatly
- New modern Office construction in Bwizibwera We have constructed ultra modern offices in Bwizibwera Trading Center to attend to our esteemed Customers and ease our operations in Katooma, Rutooma and Kaguhanzya.

## **Kabale Area**

During the F/Y 2010/11, Kabale Area registered

## **Iganga Area**

Iganga town is located in Eastern Uganda, approximately 120km from Kampala along the Eastern main route. National Water and Sewerage Corporation (NWSC) took over the water supply and sewerage services of the town in July 2007 after the Gov't of Uganda extended Reliable piped water



to the town. The well treated water flows by gravity from Jinja 40Km away through a 12" steel pipe line.

- **Capital Expenditure:** Iganga Area implemented up to 95% of its CAPEX budget in financial year 2010/11 and among these were the Completion of the laying of a 1.5km DN 50mm HDPE water mains extension to Iwawu area neighbouring Busoga University with a target population of about 1000 people,
- **Network Expansion:** Completed the laying of 1.5kms of DN40mm HDPE water mains extension to Bulubandi Area and the laying of 2.8kms of DN50mm HDPE water mains extension to Buseyi Area. With regard to Sanitation improvement, the area completed the laying of 0.5km of DN150mm PVC sewer mains extension for Police Barracks and laid of 0.5km of DN 150mm PVC sewer mains extension for Nkaatu Area.
- **Increased Water Subscribers:** Iganga Area also increased its total number of water connections from 1,800 in FY 2009/10 to 2,300 in FY 2010/11.
- **E-Water Payment System:** The Area launched the use of the e-water payment system as part of the NWSC policy of improving Customer Care.
- **148 new connections** in the areas of Kayanja, Namagunga and Kitega where mains extensions were recently made contributing to increased water sales and billings,
- **Reduced NRW:** The area also reduced its NRW from 27% to 23%
- **Increased Water Sales:** While water sales increased by 36% from an average of 11,569m<sup>3</sup> to an average of 15,688m<sup>3</sup>. This was mainly attributed to increased water for sale through installation of an additional borehole as well as reduced water losses.
- **Increased Production:** An additional borehole providing approx. 13-15m<sup>3</sup>/hr was installed in Aug '10 that boosted water production, helped increase supply hours and pressures in some of dry zone areas and water availability that led to improved water sales.
- **Expansion of the Network:** The area also made 0.5km and 1km DN 50 mains extensions made in Kayanja and Kitega.
- **Debt Reduction:** In terms of commercial achievements, the area carried out a zero balance promotion and use of the e-water system in the period Mar – May 2011 that included customers winning prizes instantly. This assisted the area in reduction of non-government arrears by 3.9million Ushs from 48.6million to 44.7mn Ushs as at end of May 2011.

## **Lugazi Area**

The service area covered by Lugazi Town Water Supply and Sewerage Authority comprises the central area of Lugazi Town, Kawolo, wards like Nammengo, Kikaula, Nakazadde, Geregere, as well as the recently added areas of Kitega, Namagunga, and Kayanja.

- **Customer Base:** As at 30th June 2011, the Area had 1,421 customer accounts – of these, 87% are domestic, 3% commercial, 5% institution, and 5% others.
- **Increased New Connections:** The Area made
- **Reduction of costs:** Another performance highlight worth noting during the financial year was the reduction in chemical costs through installation of a Salt electrolysis machine to replace Chlorine dosing machine; A salt electrolysis machine was installed at the production plant in Lugazi, which works on the principle of sodium chloride (brine) electrolysis by use of direct current to produce active chlorine and active oxygen at the anode, as well as hydrogen and hydroxide ions at the cathode.



The resulting solution is a disinfectant that oxidizes the metabolic system of pathogenic organisms thus killing them. The machine provides an average chlorine residue of about 0.9mg/l at the plant and about 0.3mg/l in the distribution network an improvement from 0.2mg/l when using chlorine powder. It has also enabled the area to reduce chemical expenditure every month.

### ■ Gulu Area

Gulu is located approximately 200 road miles (320 km) north of Kampala. The current population of the town is estimated at 212,000. Of this, water and sewerage services coverage is estimated at 70% and 14% respectively. The area realized the following achievements during the financial year 2010/11:

- **Improved Customer Care Services:** The Area emerged best in Customer Care for the evaluation period July – October 2010 and was one of the 4 Areas that successfully piloted the E – Payment system and lessons learnt formed the basis of successful roll-out to the other NWSC towns
- **Network Expansion:** In terms of capital investment activities, 2 kms of water mains extensions were made in the areas of Mican, Pece, Layibi and St. Mauritz exposing more customers to the network.
- **Growth in Customer Base:** This enabled the customer base to grow to a total of 4,179 from 4006 in 2010 and sewer accounts grew to 520 connections
- However, the Area continued to face water production challenges during this period due power outages and abstraction capacity constraints. This ultimately affected water sales and billings adversely. Efforts are being undertaken to improve internal efficiencies to take advantage of on – going system improvements by Planning and Capital

Development Division.

### ■ Bushenyi Area

- **NRW Reduction:** Bushenyi area registered a 1.4% reduction in NRW
- **Improved Water Quality**  
The area made significant improvements in water quality during the period May 2011 to date following an intervention visit by a team from the External Services department to rectify water quality problems.
- **Increased Water Sales:** In addition, Bushenyi area registered 35% improvement in water sales with corresponding improvements in billings (34.27%) and collections (36%)

The major reasons for improvement included among others

- Favourable weather conditions with rain during the particularly usual dry month of July, August, Jan and Feb resulting in sufficient yields for raw water abstraction.
- Reduction in chemical costs for water treatment
- Improvements in water quality leading to increased consumption.
- Effective water sales management by the billing office and technical team.

### ■ Masindi Area

The following were the key highlights of Masindi Area during the year.

- **NRW Reduction:** Masindi Area registered a significant improvement in NRW from 13% to the current average of 11%.
- **Growth in Customer base:** The number of water connections increased from 2,872 water connections as at July 2010 to 3,133 connections in June 2011.
- **Network Expansion:** In terms of capital



works, the Area completed 2km of water mains extension to Karujubu and Kisarabire in Masindi Municipality during the same period and made six (6) new sewerage connections.

### ■ Hoima Area

The following were the key highlights of Hoima Area during the year.

- **Network Expansion:** Hoima Area completed 2.5km of water mains extensions to Kanyengaki, Mparo, and Buchunga communities in Hoima Municipality.
- **Growth in Customer base:** Total Number of water connections increased from 3,174 in July 2010 to 3,415 by end of June, 2011 following the extension of water supply services to demand areas coupled with effective implementation of new connection policy.
- **NRW Reduction:** The Area also registered significant reduction in NRW from 28% to 14% as at June, 2011 due to improved measurement of bulk supply of water and prompt replacement of reported faulty customer meters.
- More efforts were made to improve the sanitation conditions of the area, with Five (5) new sewerage connections being installed during the year.
- Two sets of generators were installed to supply power to bore holes during Umeme power outages and boost power supply reliability.

### ■ Soroti Area

Soroti Area is located in Eastern Uganda. The following were the key highlights registered during the year.

- **Increased Water Sales:** Total water sales increased from 46,684m<sup>3</sup> in July 2010 to an average of 53,159m<sup>3</sup> as at June 2011.
- **Increased Billings/Collections:** Total billings

net of VAT increased from Ush.92 million as at July 2011 to an average of Ush.116 million net of VAT as at June 2011. Collections increased from Ush.89 million to sh.110 million net of VAT during the same period.

- **Growth in Water Connections:** The Area also registered growth in total accounts from 4,477 as at July 2010 to 4,847 as at end of July 2011
- **NRW Reduction:** Managed to reduce Non-Revenue water from an average of 16% to 14.5%. A total of 227 defective consumer and bulk meters were replaced.
- Other achievements include; Repair of Opiyai sewage ponds fence, desludging of two Maturation ponds to improve on the quality of final effluent and Installation of four (4) bulk meters for the created DMAs to monitor the local NRW in the zones.

### ■ Kasese Area

The following were the key achievements of Kasese Area during the year

- The area carried out 2km of 2" HDPE water mains extension along Mbarara Road to Industrial area.
- The area also laid 1km of 1 inch HDPE pipe mains extension to Kidodo and has attracted more than 20 customers on it.
- Area Procured a Dot Matrix Billing Printer
- Procured a Dstv Decoder and Dish to boost customer satisfaction while in the Area Office
- The area painted its water installations
- Procured pipes to boost water supply to Rukoki area

### ■ Tororo Area

The following were the key achievements of Tororo Area during the financial year 2010/11

- Water main Intensification along Mbale road where 1.5km old G.I pipes (DN 50mm) were



replaced with DN 50mm HDPE pipes hence solving the problem of intermittent water supply due to the then frequent leaks and bursts.

- The area constructed an earth embankment at Malaba water works intake in a bid to curtail down the seasonal flooding in and around the raw water pump house. This has solved the problem of frequent interruptions in the water abstraction and pumpage coupled with reduced risk of losing the costly raw water pumps and the associated equipment.
- The Area successfully handled and solved the problem of the blocked drainage system for the entire Malaba water treatment plant. We constructed a new drainage channel using concrete culverts (DN 450mm).
- The area received and installed two new water pumps (one raw water pump and one treated water pump)
- Through the local water council committee meetings and our constant collaborations with Tororo District Leaders, Tororo District Local Government incorporated in its own budget (FY 2010/11) to construct a water reservoir at Kisoko rural growth centre (300m<sup>3</sup>) and a booster pump along Kisoko water main. This will help the area to boost the water supply to Rubongi Army barracks and the surrounding areas. The contracts have already been awarded.

### ■ Mubende Area

The following were the key highlights of Mubende area during the year;

- The Area installed 320 new water connections
- Reduced NRW from 20% to 13%. This achievement was attributed to prompt response to bursts and leaks and replacement & calibration of defective meters.
- The Area also managed to complete the laying

of 1.1KM of water mains to the new areas of Kayunga and Katwe which also contributed to increased connections

- Owing to increased connections and reduction in NRW, water sales grew on average from 24,000m<sup>3</sup> to 26,000m<sup>3</sup> per month and
- The Area successfully launched e- water payments through the banks and mobile networks. This innovation has greatly improved area revenues.

### ■ Fortportal Area

Among the key highlights of Fort Portal Area was;

- The acquisition of a new Generator
- The launching of the e-water payment system to ease bill payments for customers.
- The area also made a 1Km mains extension to Baguda
- Made 411 new water connections and 3 new sewer connections.
- The Area undertook several operation and maintenance activities including calibration of meters, de-silting the raw water intake, modifying the spray pipes, upgrading the line on Bwamba road, updating the block maps on custima and opening up land boundaries in Muhooti, kagote buster, Harukoto, Kachwamba, Kiboga road, settlement septic tank, Kabundaire, access road and staff quarters
- The area also participated in the District world water day celebrations held in Kibito.
- In addition the area was also able to set up a local water committee which is actively meeting as per schedule

### ■ Arua Area

Arua Town is located in the West Nile region of Uganda, about 500Km from Kampala City. The Town presently has a population of about 59,198 people. The Current water Service coverage stands at 75%, which translates into 44,399 people having access to the NWSC Piped water Services. The Area has a network length of 110km and a customer base of 5,014 connections.



NWSC Arua registered tremendous achievements for the financial year 2010/11 and these include the following:-

- **New Water Connections:** The area was able to make 354 new connections which increased the customer base to from 4,647 to 4,961 connections.
- **Reduction of NRW:** Non-Revenue water was reduced from an average of 14% to 9.1%.
- **Water Mains Extension:** The Area also extended the existing network by laying 1 km of piped water in Oli Division.
- **Meter Coverage:** The metering coverage still remained at 100% as at June 2011.
- **Customer Base:** The Total Customer base (connections) increased from 5,846 to 6,256 which is above average of minimum of 6,055 while the Cash Operating Margin was 42.7million.
- **Sewerage System:** The Area also engaged in disludging of the western lagoon and the ambience has improved tremendously.
- A sewer line was laid along Adyel road and Akalo Road and the Lira Water Council worked tirelessly to encourage all premises near the sewer line connect to the line in order to address the WATSAN challenges in the growing municipality.
- The Area also held joint workshops with GIZ to train PSP Operators in operational and management issues, also encouraged the PSP Operators to do additional businesses in order to increase their personal income

#### ■ Lira Area

The following were the Achievements for Lira Area during the FY 2010/11

- **Awards:** Lira Area was declared the Overall winner for IDAMC III Evaluation in March 2011. In this vein, the Commercial efficiency & overall trophies were awarded accordingly.
- **Water Sales:** Notably the Area registered increase in water sales from 70,591 m<sup>3</sup> to 83,291m<sup>3</sup>, with an average performance of 76,357m<sup>3</sup> against a minimum standard of 69,495 m<sup>3</sup>.
- **E-Water Payment:** The Area was among the four Areas selected to pioneer E-water payment under "Cash office phase-out programme". Owing to this success; the system was rolled out globally.
- **Revenue collection:** Revenue collection increased averagely to 161.4million against the minimum standard of Shs.138 million.



# National Water And Sewerage Corporation

## **Directors' Report and Financial Statements**

### For The Year Ended 30 June 2011

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The directors submit their report together with the audited financial statements for the year ended 30 June 2011, which disclose the state of affairs of the Corporation.

## ■ Principal Activities

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

## ■ Results

	2011 Shs'000	2010 Shs'000
Income	131,314,290	112,848,527
Profit before depreciation and amortisation	30,383,482	26,044,755
Finance costs	(480,819)	
Depreciation and amortisation	(17,003,117)	(16,648,629)
Profit before income tax	12,899,486	9,396,126
Income tax expense	(2,661,397)	(1,717,535)
Profit for the year	10,238,090	7,678,591

### Profit before depreciation and amortisation

The Corporation recorded a profit before depreciation and amortisation of Shs 30 billion (2009/10: Shs 26 billion). This was mainly due to increased income.

### Profit before income tax

The profit before income tax is approximately Shs 12.9 billion (2009/10: Shs 9.4 billion).

### Cash Flows

During the year, the Corporation was able to generate cash inflows from operating activities of Shs 29.8 billion (2009/10: Shs 23.6 billion). This has resulted in cash and cash equivalents of Shs 19.3 billion. It includes Shs 10.8 billion on short term deposits and Shs 8.5 billion on current accounts with banks.

## ■ Income

### Water consumption and sewerage service income

Water consumption and sewerage income increased by 13% from approximately Shs 106.1 billion to Shs 120.2 billion in 2011. This improvement is largely due to increased water sales, water production and reduction of NRW. The continued implementation of the internally Delegated Area Management Contracts (IDAMCs) has also played a major role in improving the financial performance of the corporation through improved efficiencies and increase in new connections.

### Other income

In the current year, Shs 2.2 billion was realised as income from external services activities carried out by the corporation as compared to Shs 1.5 billion in the previous year. This was mainly due to increased number of new contracts.



#### **Investment income**

Investment income has increased from Shs 886 million to Shs 994 million as a result of increased investment by the corporation in fixed deposit accounts and interest bearing collection accounts.

#### **■ Operating Costs**

##### **Staff costs**

Staff costs increased by 16% from approximately Shs 30 billion in 2010 to Shs 34 billion in the current year; this was due to increase in staff allowances and increased bonus payments.

##### **Gratuity/Terminal Benefits**

During the year, the Corporation spent Shs 6.1 billion as service gratuity (2009/10: Shs 5.5 billion). The increase in payment is as a result of scale adjustments and promotions.

##### **Administrative costs**

Administrative expenses increased by 13% from Shs 12.9 billion to Shs 14.5 billion. The increase is mainly attributed to the increase in publicity expenses, as a result of the introduction of new programmes like the "e-water system", "operation wet storm" and "every drop counts".

During the current financial year, frequent local travel was necessitated by the expansion in service areas of the corporation which in turn resulted into increased monitoring and supervision activities.

Local travel expenses increased from Shs 2.1 billion to Shs 2.6 billion, foreign travel costs increased from Shs 1.29 billion to Shs 1.9 billion due to the increased external service activities and adverse exchange rates.

##### **Static plant and pipe network maintenance**

Static plant and pipe network maintenance costs increased by Shs 2.1 billion from approximately Shs 18.8 billion in the previous year to Shs 20.7 billion. This is mainly due to the increased static plant repairs and electricity costs over the years due to the old age of the electro-mechanical equipment and increased water production.

##### **Supplies and Services**

Supplies and services costs increased by 12%. The increase was as a result of more costs incurred on water treatment chemicals from approximately Shs 8.0 billion to Shs 8.9 billion due to adverse exchange rates since all the treatment chemicals are imported.

##### **Premises Maintenance Costs**

Premises maintenance costs remained relatively stable at Shs 3.1 billion (2009/10: Shs 2.9 billion).

##### **Transport Expenses**

Transport costs increased by 62%, from Shs 3.3 billion to Shs 5.4 billion. This was mainly due to increased cost of fuel and the adverse exchange rates.



## ■ 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

### Non revenue water (NRW)

The non-revenue water (NRW) reduced from 33.3% to 32.8% in the current year. NRW in Kampala alone stagnated at 39.2% and this is a remarkable achievement attributed to implementation of the NRW Action plan through strategic programmes like "Every Drop Counts" and operation "Wet storm" which were largely implemented in Kampala.

In the short term, NWSC management is addressing these challenges by undertaking the following measures:

- replacements and intensification of some distribution pipelines;
- carrying out monthly analysis of meter replacements in all areas;
- management plans to put in place a new planning and operational monitoring tool named (Economic Order);
- introduction of bulk metering to monitor NRW using District Metering Systems(DMAs);
- formation of a task force to help areas with NRW to set up DMAs and undertake accelerated NRW reduction analyses measures;
- and
- working with the communities to identify leakage and illegal consumption.

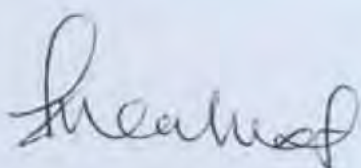
In the long run, however, in order to avert this situation, significant amounts of investments are required to restructure and replace the Kampala network; plans are already underway to secure funding for this purpose from Development Partners and Government. The above notwithstanding it is not feasible to achieve 100% billing of water produced. The best international practice for NRW for large cities is about 25%.

## ■ Auditor

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.

During the year, the Auditor General appointed PricewaterhouseCoopers to carry out the audit of the corporation on his behalf, reporting directly and solely to him.

By order of the Board



Mrs. Walusimbi Sarah  
Corporation Secretary  
2011



## ■ 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; and
- overseeing the performance of senior management.

The Board comprises of eight Government appointed Directors plus the Managing Director of the Corporation. One of the directors is the Director of the Directorate of Water Development (DWD) in the Ministry of Water and Environment. The Board meets regularly and Board papers, which include performance reports, are prepared well in advance of each meeting. Senior managers attend meetings when required to report on issues relating to their divisions.

In accordance with the National Water and Sewerage Corporation Act, the board includes members with expertise in finance, engineering, business, legal, environmental management, 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 Committee

The Finance Committee, which reports its findings to the Board of Directors is authorised to:

- consider and recommend the annual Budget to the full Board;
- consider and recommend the audited accounts to the full board;
- examine and recommend to the Board all procurements for values whose thresholds fall under the responsibility of the Board;
- consider and recommend to the Board the Corporate Plan; and
- examine major changes in financial policies/plans for recommendation to the board.



### The Audit Committee

The Audit Committee, which reports its findings to the Board of Directors is authorised to:

- monitor the integrity of the corporation's financial statements and any formal announcements relating to the financial statements and performance;
- review the Corporation's internal control and risk management system;
- review and monitor the independence and objectivity of the external auditors and the effectiveness of the audit process;
- develop and implement the Corporation's policy on using the external auditors to provide non audit services; and
- monitor and review the effectiveness of the Corporation's internal audit function.

### The Administration Committee

The Administration Committee is responsible for, among other things:

- periodic review of staff remuneration and terms of service;
- appointment and disciplinary action for senior staff;
- negotiation on behalf of the Corporation with the workers' union; and
- approval of disposal of Corporation assets.

### The Technical Committee

The Technical Committee has a particular focus on issues arising from NWSC's stewardship of essential infrastructure. Its responsibilities include:

- review the condition of all technical structures;
- review the performance of all Corporation technical assets including projects; and
- approval of undertakings of major projects.

## ■ Directors

The following Directors held office for the year ended 30 June 2011:

Ms. Christine Nandyose Kasirye	Chairperson
Mr. B. Ganyana Mliro	Deputy Chairman
Dr. William Tsimwa Muhairwe	Managing Director
Dr. Charles Wana-Etyem	Member
Eng. Sotti M. Bomukama	Member
Mr. David Mpango Kakuba	Member
Mr. David Ssebabi	Member
Mr. Victor Paul Kobel	Member



**Ms. Christine Nandyose Kasirye** – 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. Ganyana Miir** – Mr. Miir 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.

**Eng. Sotti 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 Loughborough University of Technology (1983). He is a member of the Institute 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 is the Director for Water Development in the Ministry of Water and Environment.

**Mr. David Ssebabi** – Mr. Ssebabi holds the position of Director 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. David Mpango Kakuba** – Mr. Kakuba holds a Masters degree in Public Administration and Management from Makerere University, LLB (Hons), Post Graduate Diploma in Legal Practice and is a fellow of the Institute of Chartered Secretaries and Administrators. He is currently the Deputy Managing Director of Civil Aviation Authority. He has also served as Chief manager Administration/ Corporation secretary of National Water.

**Mr. Victor Paul 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. Charles Wana-Etyem** – Dr. Wana holds a B.Sc (Hons) Degree in Civil Engineering from Makerere University (1976), a M.Sc in Water Resources Engineering, Colorado State University USA (1978) and PhD in Water resources Engineering, Colorado State university, USA, 1982. He is a Chartered engineer, Engineering Council and Technology Board, UK, Fellow of the Uganda Institution of Professional Engineers and has over thirty years of post-graduation experience in the field of academia, infrastructure and water resources development. Dr Wana has served as Chairman and member of many boards. He is currently the chairman Makerere University Council.

**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 20010/11 was Shs 476 million (2009/10: Shs 495 million), split between Managing Director Shs 378 million (2009/10: Ushs 370 million) and Board of Directors Shs 117 million (2009/10: Ushs 125 million). The Managing Director, being an executive Director, is paid a monthly emolument. All other Directors are non-executive members and receive a retainer fee only.

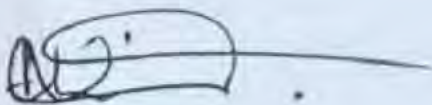


**National Water And Sewerage Corporation**  
**Statement Of Directors' Responsibilities**  
**Year Ended 30 June 2011**

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 accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable estimates, in conformity with International Financial Reporting Standards and the requirements of the National Water and Sewerage Corporation Act. 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 company and of its profit in accordance with International Financial Reporting Standards. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement.

Nothing has come to the attention of the directors to indicate that the Corporation will not remain a going concern for at least twelve months from the date of this statement.



\_\_\_\_\_  
**Director**



\_\_\_\_\_  
**Director**



## **■ Report on the financial statements**

I have audited the accompanying financial statements of National Water and Sewerage Corporation set out on pages 11 to 14 which comprise the Balance Sheet as at 30th June 2011 the statement of Comprehensive Income (including the profit and loss account), statement of changes in Equity and Statement of Cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes as set out on pages 11 to 44.

### **Directors' Responsibility for the financial statements**

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the National Water and Sewerage Corporation Act (Cap 317) and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

### **Auditor's Responsibility**

My responsibility 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 I comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the Auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risks assessments, the Auditor considers the 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 purposes of expressing an opinion on the effectiveness of the internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness 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 my opinion.

### **Opinion**

In my opinion, the accompanying financial statements present fairly in all material respects, the financial position of the state of the Corporation's financial affairs as at 30th June 2011 and of its profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and the National Water and Sewerage Corporation Act (Cap 317).



**Emphasis of Matter**

Without qualifying my opinion, I draw your attention to Note 5 to these financial statements, which states that the Corporation recorded non-revenue water (NRW) of 32.8% of the total water produced in the year (2010:33.3%) arising from technical factors which do not have revenue potential, and non-technical factors which represent potential revenue. NRW arising from technical and non-technical factors does not meet the criteria for revenue recognition. Accordingly, whilst costs associated with production of NRW are fully accounted for as incurred, no revenue has been recognized in the financial statements with respect to NRW.



**John F. S. Muwanga**

AUDITOR GENERAL

9th February, 2012



**National Water And Sewerage Corporation**  
**Statement of comprehensive income (including the profit and loss account)**  
**Year Ended 30 June 2011**

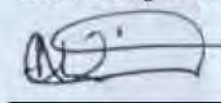
	Notes	2011 Shs'000	2010 Shs'000
<b>Income</b>			
Water and sewerage revenue	5	120,210,164	106,111,253
Other income	6	5,005,194	1,884,599
Grant income	22	5,104,264	3,966,723
Investment income	7	994,669	885,952
		<b>131,314,291</b>	<b>112,848,527</b>
<b>Expenditure</b>			
Staff expenses	8	(35,104,857)	(29,969,688)
Service gratuity	19	(6,081,917)	(5,552,046)
Administrative expenses	9	(14,541,818)	(12,880,182)
Static plant and pipe network	10	(23,936,002)	(20,785,188)
Supplies and services	11	(12,749,614)	(11,340,779)
Premises maintenance	12	(3,106,606)	(2,933,311)
Transport and mobile plant	13	(5,409,994)	(3,342,578)
		<b>(100,930,807)</b>	<b>(86,803,772)</b>
<b>Profit before interest, depreciation and amortisation</b>		<b>30,383,483</b>	<b>26,044,755</b>
Finance costs	14	(480,819)	
Depreciation and amortisation	15	(17,003,177)	(16,648,629)
<b>Profit before income tax</b>		<b>12,899,487</b>	<b>9,396,126</b>
Income tax expense	16	(2,661,397)	(1,717,535)
<b>Profit for the year</b>		<b>10,238,090</b>	<b>7,678,591</b>
Other comprehensive income		-	-
<b>Total comprehensive income</b>		<b>10,238,090</b>	<b>7,678,591</b>



**National Water And Sewerage Corporation**  
**Balance Sheet**  
**Year Ended 30 June 2011**

	Notes	30 June 2011 Shs'000	Restated 30 June 2010 Shs'000	Restated 30 June 2009 Shs'000
<b>EQUITY</b>				
Government funding	17	249,455,313	249,455,313	238,363,303
Revaluation reserve	18	31,018,098	34,853,187	38,624,581
Retained earnings		62,363,167	48,289,988	36,840,003
<b>Total equity</b>		<b>342,836,578</b>	<b>332,598,488</b>	<b>313,827,887</b>
<b>Non-current liabilities</b>				
Borrowings	19	17,181,318	18,354,999	-
Service gratuity	20	-	-	5,679,056
Terminal benefits	21	10,916,144	12,721,609	7,802,558
Deferred income tax liabilities	22	28,466,579	25,805,182	24,087,647
Deferred grant income	23	135,132,646	129,914,115	119,393,222
		191,696,687	186,795,905	156,962,483
		534,533,265	519,394,393	470,790,370
<b>REPRESENTED BY</b>				
<b>Non-current assets</b>				
Property plant and equipment	24	428,296,179	424,696,795	407,331,453
Capital Work in Progress	25	54,668,651	39,984,398	22,090,404
Intangible assets	26	111,222	49,406	65,874
Operating lease prepayments	27	190,805	193,105	100,971
		483,266,857	464,923,704	429,588,702
<b>Current assets</b>				
Inventories	28	14,056,745	18,122,716	12,535,825
Trade and other receivables	29	44,358,706	37,107,831	38,604,384
Current income tax recoverable	16	1,818,028	1,654,977	1,577,074
Short term bank deposits	30	10,842,477	9,320,828	4,423,274
Cash at bank and in hand	31	8,456,806	20,322,595	9,243,677
Assets held for sale	32	-	-	86,108
		79,532,762	86,528,947	66,470,342
<b>Current liabilities</b>				
Trade and other payables	33	19,429,445	25,693,038	20,058,091
Deferred grant income	23	5,104,264	3,966,723	3,966,725
Service gratuity	20	2,232,645	2,174,904	1,135,903
Terminal benefits	21	1,500,000	223,593	107,955
		28,266,354	32,058,258	25,268,674
<b>Net current assets</b>				
		51,266,408	54,470,689	41,201,668
		534,533,265	519,394,393	470,790,370

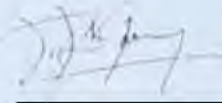
The financial statements on pages 11 to 38 were approved for issue by the board of directors on \_\_\_\_\_  
2011 and signed on its behalf by:



Chairman



Managing Director



Director



**National Water And Sewerage Corporation**  
**Statement Of Changes In Equity**  
**Year Ended 30 June 2011**

	Notes	Government funding Shs'000	Revaluation reserve Shs'000	Retained earnings Shs'000	Total equity Shs'000
<b>Year ended 30 June 2010</b>					
At start of year as previously stated		238,363,303	38,523,416	36,696,814	313,583,533
Net effect of prior year adjustments	38	-	101,165	143,189	244,354
<b>At start of year as restated</b>		<b>238,363,303</b>	<b>38,624,581</b>	<b>36,840,003</b>	<b>313,827,887</b>
<b>Comprehensive income</b>					
Profit for the year as restated		-	-	7,678,591	7,678,591
Other comprehensive income		-	-	-	-
Transfer of excess depreciation		-	(5,387,706)	5,387,706	-
Deferred income tax impact on transfer of excess depreciation		-	1,616,312	(1,616,312)	-
<b>Total comprehensive income</b>		<b>-</b>	<b>(3,771,394)</b>	<b>11,449,985</b>	
<b>Transactions with owners</b>					
Government contributions during the year	16	11,092,010	-	-	11,092,010
<b>At end of year</b>		<b>249,455,313</b>	<b>34,853,187</b>	<b>48,289,988</b>	<b>332,598,488</b>
<b>Year ended 30 June 2011</b>					
<b>At start of year</b>		<b>249,455,313</b>	<b>34,853,187</b>	<b>48,289,988</b>	<b>332,598,488</b>
<b>Comprehensive income</b>					
Profit for the year		-	-	10,238,090	10,238,090
Other comprehensive income		-	-	-	-
Transfer of excess depreciation		-	(5,478,698)	5,478,698	-
Deferred income tax impact on transfer of excess depreciation		-	1,643,609	(1,643,609)	-
<b>Total comprehensive income</b>		<b>-</b>	<b>(3,835,089)</b>	<b>14,073,179</b>	<b>10,238,090</b>
<b>At end of year</b>		<b>249,455,313</b>	<b>31,018,098</b>	<b>62,363,167</b>	<b>342,836,578</b>



**National Water And Sewerage Corporation**  
**Statement Of Cashflows**  
**Year Ended 30 June 2011**

	Notes	Year ended 30 June	
		2011 Shs'000	2010 Shs'000
<b>Operating activities</b>			
Cash generated from operations	35	14,364,737	23,702,004
Income tax paid		(163,051)	(77,903)
Net cash generated from operating activities		14,201,686	23,624,101
<b>Investing activities</b>			
Additions to capital work in progress		(25,975,543)	(34,322,700)
Purchase of property, plant and equipment	23	(8,813,016)	(3,519,625)
Purchase of computer software	25	(97,856)	-
Prepayment of operating lease rentals	26	-	(100,005)
Interest received	7	994,669	885,952
Net cash used in investing activities		(33,891,746)	(37,056,378)
<b>Financing activities</b>			
Proceeds from borrowings	18	-	17,717,000
Repayments of borrowings	18	(2,114,415)	-
Proceeds from grants	21	11,460,335	11,691,748
Net cash used in financing activities		9,345,920	29,408,748
<b>Increase in cash and cash equivalents</b>		<b>(10,344,140)</b>	<b>15,926,471</b>
<b>Movement in cash and cash equivalents</b>			
At start of year		29,643,423	13,666,951
Increase		(10,344,140)	15,976,471
At end of year	30	19,299,283	29,643,423



## 1 General information

National Water and Sewerage Corporation (the "corporation") is a statutory body established in 1972 by Statute No. 34 of 1972, following an earlier study on the improvement of water and sanitation services in urban centres of Uganda. The address of its registered office is:

Plot 39, Jinja Road  
P.O.Box 7053  
Kampala

## 2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

### (a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below. The financial statements are presented in Uganda Shillings, rounded to the nearest thousand.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the directors to exercise their judgement in the process of applying the Corporation's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

### Changes in accounting policy and disclosures

#### *(i) Amendments to existing standards adopted by the Corporation*

Amendment to IAS 7 – Statement of Cash Flows (effective from 1 January 2010). IAS 7.16 was amended to state explicitly that only an expenditure that results in a recognised asset can be classified as a cash flow from investing activities.

IAS 24 (Revised) 'Related party disclosures' – effective 1 January 2011. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. When the revised standard is applied, the corporation will need to disclose any transactions between itself and associates of its parent company.

#### *(ii) Standards, amendments and interpretations to existing standards effective in 2010 but not relevant*

Amendment to IAS 17 – Leases (effective from 1 January 2010). The lessee in leases involving both land and building will typically be in a position economically similar to an entity that purchased the land and buildings. The present value of the residual value of the property in a lease with a term of several decades would be negligible. The accounting for the land element as a finance lease in such circumstances would be consistent with the economic position of the lessee.



**Changes in accounting policy and disclosures (continued)**

*(iii) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Corporation*

IFRS 9, 'Financial instruments' – effective 1 January 2013. This standard is the first step in the process to replace IAS 39, 'Financial instruments: recognition and measurement'. It introduces new requirements for classifying and measuring financial assets and is likely to affect the Corporation's accounting for its financial assets. The Corporation is yet to assess IFRS 9's full impact. However, initial indications are that it will not have a significant impact on the Corporation's financial statements, as the Corporation does not have any equity investments or fair value debt instruments.

IAS 1, 'Presentation of financial statements. The amendment changes the disclosure of items presented in other comprehensive income (OCI) in the statement of comprehensive income. Entities will be required to separate items presented in other comprehensive income ("OCI") into two groups, based on whether or not they may be recycled to profit or loss in the future. Items that will not be recycled will be presented separately from items that may be recycled in the future. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately.

The title used by IAS 1 for the statement of comprehensive income has changed to 'statement of profit or loss and other comprehensive income', though IAS 1 still permits entities to use other titles

Two revised standards: IFRIC 19, 'Extinguishing financial liabilities with equity instruments' - effective 1 July 2010, Prepayments of a minimum funding requirement' (amendments to IFRIC 14). – effective 1 January 2011 and numerous amendments to existing standards and new interpretations have been published and will be effective for the Corporation's accounting periods beginning on or after 1 January 2011, but the Corporation has not early adopted any of them.

The Directors have assessed the relevance of the new standards, interpretations, and amendments to existing standards with respect to the Company's operations and concluded that they will not have a significant impact on the Company's financial statements.

**(b) Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable from water consumption and sewerage services. Revenue is shown net of value-added tax (VAT). The Corporation recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Corporation and when specific criteria have been met for each of the Corporation's activities as described below. The Corporation bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised as follows:

- (i) Sales of water is recognised in the period in which the Corporation has supplied water to the customer;
- (ii) Sales of services are recognised in the period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a percentage of the total services to be provided;
- (iii) Interest income is recognised using the effective interest method.



**(c) Foreign currency translation**

**(a) Functional and presentation currency**

Items included in the financial are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Uganda Shillings ("Shs") which is the Corporation's functional currency.

**(b) Transactions and balances**

Foreign currency transactions are translated into the functional currency of the respective entity using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

**(d) Property, plant and equipment**

All categories of property, plant and equipment are initially recorded at cost. Buildings and freehold land are subsequently shown at market value, based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost of the item can be measured reliably.

All other repairs and maintenance are charged to the profit and loss account during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against the revaluation surplus; all other decreases are charged to the profit and loss account. Each year the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to the profit and loss account) and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

Freehold land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts less their residual values over their estimated useful lives, as follows:

Civil structures and buildings	1%
Technical structures	3%
Pipe works	3%
Land freehold	0%
Land Leased	Amortised over the period of the lease
Electromechanical equipment	3%
IT and office equipment	20%
Office furniture and fittings	20%
Heavy transport equipment	20%
Light transport equipment	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.



Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each balance sheet date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are included in the profit and loss account. On disposal of revalued assets, amounts in the revaluation surplus relating to that asset are transferred to retained earnings.

**(e) Leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

**(f) Intangible assets**

Intangible assets comprise the accounting, billing and audit software and it is stated at cost less accumulated amortisation. The software is amortised over a period of 5 years.

**(g) Assets held for sale**

The Corporation classifies assets as held for sale if, and only if, the carrying amount of an asset will be recovered principally through a sale transaction rather than through continuing use. Assets held for sale are measured at the lower of their carrying amounts and fair value less estimated selling costs at the balance sheet date. Impairment loss arising from any subsequent write-down of the carrying amount of an asset identified for sale to fair value less costs to make the sale is charged to the profit and loss account in the year in which the loss is identified.

**(h) Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average cost basis less provisions for impairment. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and applicable variable selling expenses.

**(i) Trade receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. A provision for impairment of receivables is established when there is objective evidence that the Corporation will not be able to collect all the amounts due according to the original terms of receivables. The amount of the provision is recognised in the profit and loss account.

General provisions are made based on management evaluation of the debtors' balance (excluding ministries and other Government departments) 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 - 3 years late	80%
> 3 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.

**(j) Trade payables**

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

**(k) Borrowings**

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

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

**(l) Capital and revenue grants**

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

When the grant relates to an expense item, (revenue grant) 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 grant) it is recognised in the profit and loss account on a systematic basis over the expected useful life of the relevant asset.

**(m) Government funding**

Government contribution to the activities of the corporation in form of assets transferred and long term debt capitalised into equity are classified as government funding within equity..

**(n) Cash and cash equivalents**

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

**(o) Employee benefits: Retirement benefit obligations**

(i) National Social Security Fund



The Corporation and all its employees contribute to the National Social Security Fund, which is a defined contribution scheme.

A defined contribution scheme is a pension plan under which the Corporation pays fixed contributions into a separate entity. The Corporation has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

All the Corporation's contributions to the defined contribution schemes are charged to the profit and loss account in the year in which they fall due.

(ii) Service gratuity

All the Corporation employees are now on two year renewable contracts. This means that all terminal benefits relating to prior periods accrued that had been accrued were ring fenced. All staff are now entitled to contract gratuity equivalent to 25% of their annual gross salary payable at the end of each year completed. .

(iii) Other entitlements

The estimated monetary liability for employees' accrued annual leave entitlement at the reporting date is recognised as an expense accrual.

The Corporation recognises a liability and an expense for bonuses based on prior year bonuses. The Corporation recognises a provision where contractually obliged or where there is past practice that has created a constructive obligation.

**(p) Current and deferred income tax**

The tax expense for the period comprises current and deferred income tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity respectively.

Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the relevant tax legislation. The current income tax charge is calculated on the basis of the tax enacted or substantively enacted at the balance sheet date.

The tax expense for the period comprises current and deferred income tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity respectively.

Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the relevant tax legislation. The current income tax charge is calculated on the basis of the tax enacted or substantively enacted at the balance sheet date.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred income tax liability is settled or the related deferred income tax asset is realised.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.



### 3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances.

#### (i) Critical accounting estimates and assumptions

The Corporation makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

#### Impairment of long term assets

At each balance sheet date, the Corporation reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of individual asset, the corporation estimates the recoverable amount of cash generating unit to which the asset belongs.

#### Useful lives of property, plant and equipment

Critical estimates are made by the directors in determining depreciation rates for property, plant and equipment. The rates used are set out in Note (e) above.

Changes in the estimates used in these calculations may affect the company's results, in particular, property, plant and equipment values and depreciation expense in the profit and loss account.

At 30 June 2011, if depreciation rates increased/ decreased by 10%(2010: 10%) with all other variables held constant profit before tax for the year would have been Shs 1,721 million (2010: Shs 1,583 million) lower/higher.

#### Impairment of trade receivables

Critical estimates are made by the directors in determining the recoverable amount of impaired receivables. The carrying amount of impaired receivables is set out in Note 4.

#### Income taxes

The Corporation is subject to income taxes in Uganda. Significant judgment is required in determining the Corporation's provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Corporation recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax expense provisions in the period in which such determination is made.

### 4 Financial risk management objectives and policies

The Corporation's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Corporation's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance, but the Corporation does not hedge any risks.

Financial risk management is carried out by management under policies approved by the Board of Directors.



Market risk

(i) Foreign exchange risk

The Corporation primarily transacts in Uganda shillings and its assets and liabilities are denominated in the same currency. The foreign currency purchases include imports of chemicals, water meters, pumps and spares which are not significant. However, the shilling has been unstable against the major convertible currencies during the year and is therefore exposed to high credit risk.

At 30 June 2011, if the Uganda Shilling had weakened/strengthened by 10% (2010: 10%) against the United States Dollar with all other variables held constant post tax profit for the year would have been Shs 76 million (2010: Shs 6 million) lower/higher, mainly as a result of dollar receivables, payables and bank balances.

**4 Financial risk management objectives and policies (continued)**

Market risk(continued)

(ii) Price risk

The Corporation does not hold any financial instruments subject to price risk.

(iii) Cash flow and fair value interest rate risk

The Corporation's only interest bearing financial liability is the bank loan, which is at a fixed rate and is measured at amortised cost. Accordingly, it yields no exposure to fair value and interest rate risk.

Credit risk

Credit risk arises from cash at bank and short term deposits with banks, as well as trade and other receivables. The Corporation does not have any significant concentrations of credit risk.

The credit risk on trade and other receivables is limited because the Corporation has adopted a policy of dealing with credit worthy counterparties as a means of mitigating the risk.

The credit risk on liquid funds is also low because the counterparties are banks with good credit ratings.

The amount that best represents the Corporation's maximum exposure to credit risk at 30 June 2011 is made up as follows:

		2011	2010
	Notes	Shs'000	Shs'000
Cash at bank	31	8,456,806	20,318,250
Short term bank deposits	30	10,842,477	9,320,828
Trade receivables	29	38,272,543	35,270,735
Other receivables	29	5,983,907	1,309,765
		<b>63,555,733</b>	<b>66,219,578</b>



No collateral is held for any of the above assets. All receivables that are neither past due nor impaired are within their approved credit limits, and no receivables have had their terms renegotiated.

None of the above assets are either past due or impaired except for the following amounts in trade receivables (which are due within 90 days of the end of the month in which they are invoiced):

	2011 Shs'000	2010 Shs'000
Past due but not impaired:		
- by up to 90 days	8,604,419	7,648,071
Receivables individually determined to be impaired:		
Carrying amount before provision for impairment loss	36,434,045	17,801,424
Provision for impairment loss	(6,765,921)	(7,585,746)
Net carrying amount	29,668,124	10,215,678

#### 4 Financial risk management objectives and policies (continued)

##### Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash balances, and the availability of funding from an adequate amount of committed facilities. The ultimate responsibility for liquidity risk management lies with the Board of Directors, which has built an appropriate framework for the management of the Corporation's short, medium and long term funding and liquidity requirements.

The Corporation manages liquidity risk through continuously monitoring forecasts and matching the maturity profiles of financial liabilities and ongoing review of future commitments, grants and credit facilities available to the Corporation.

The table below analyses the Corporation's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 year Shs'000	Between 2 and 5 years Shs'000	Over 5 years Shs'000	Total Shs'000
<b>At 30 June 2011:</b>				
- trade and other payables	19,429,445	-	-	19,429,445
- Borrowings	4,558,436	16,402,066	-	20,960,503
	23,987,881	16,402,066	-	40,389,948
<b>At 30 June 2010:</b>				
- trade and other payables	18,034,954	-	-	18,034,954
- Borrowings	5,261,922	16,282,107	3,454,845	24,998,874
	23,296,876	16,282,107	3,454,845	43,033,828



*Capital risk management*

The Corporation's objectives when managing capital are to safeguard the Corporation's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Corporation may limit the amount of dividends paid to shareholders.

The Corporation is wholly owned by the Government of Uganda which contributes to equity mainly in form of assets transferred free of charge and long term debt converted into equity. The capital contribution by the Government of Uganda as at 30 June 2011 was Shs 249 billion (2009/10: Shs 249 billion). These reserves are treated as a capital reserve within equity and are deemed to be capital by the Corporation. Within equity, the Corporation had retained earnings as at 30 June 2011 of Shs 66 billion (2010: Shs 48 billion) and a revaluation reserve of Shs 31 billion (2010: Shs 34 billion).

**5 Water and sewerage income**

	2011 Shs'000	2010 Shs'000
Water and sewerage charges	111,283,554	98,199,291
Service charges	4,560,225	4,246,639
Connection fees	3,018,417	2,730,377
Reconnection fees	385,595	342,005
Other water and sewerage income	962,373	592,941
	<b>120,210,164</b>	<b>106,111,253</b>

**6 Other income**

Decrease in provision for bad and doubtful debts	160,132	8,280
Income from external services	2,174,934	1,586,486
Foreign exchange gains	1,992,482	56,120
Laboratory services income	206,516	129,599
Sundry income	471,130	104,114
	<b>5,005,194</b>	<b>1,884,599</b>

**7 Investment income**

Interest income from bank deposits	984,553	878,521
Interest income on staff loans	10,116	7,431
	<b>994,669</b>	<b>885,952</b>

**8 Staff costs**

Employee benefits expense	34,641,745	29,582,789
Workmen's compensation	374,195	338,559
Funeral expenses	88,917	48,340
	<b>35,104,857</b>	<b>29,969,688</b>



### Employee benefit expenses

The following expenses are included within employee benefit expense:

	2011 Shs'000	2010 Shs'000
Basic pay	18,035,203	16,470,544
Housing expense	3,812,174	3,624,364
National Social Security Fund contributions	2,975,513	2,447,393
Shift allowance and gross wages	223,184	114,180
Medical expense	1,834,472	1,402,401
Lunch, transport and soap allowance	1,586,142	1,557,344
Car and cycle allowance	701,916	495,291
Performance/attendance bonus and overtime	779,043	735,244
Work bonus	3,715,469	1,967,527
Leave transport and allowance	880,658	768,501
Terminal benefits interest	97,971	-
	<b>34,641,745</b>	<b>29,582,789</b>

### 9 Administrative expenses

Board expenses	436,090	495,843
Meeting expenses	762,233	583,392
Local travel	2,634,371	2,135,308
Foreign travel	1,986,621	1,298,676
Publicity	1,705,937	807,725
Entertainment	94,486	41,739
General insurance	142,561	201,439
Legal and professional expenses	140,580	116,557
Training expenses and allowances	343,230	307,984
Audit fees	124,200	134,043
Donations and subscriptions	318,141	330,972
Lunch and transport for weekends/public holidays	2,007,316	1,510,542
Contribution to staff sports	72,304	55,538
Process bench marking	224,931	444,396
Security	1,437,375	1,079,185
Exchange Losses	-	117,607
Bad debts - water services	838,174	1,390,312
Commission-Bad debts recovery	106,843	669,480
Stock losses (Stock write down)	85,315	328
Staff transfer	60,404	55,043
Other professional charges	531,896	301,222
Loss on Disposal of Assets	-	570,683
Bank charges	481,961	232,168
External services expenses	2,545	-
Courier	4,304	-
	<b>14,541,818</b>	<b>12,880,182</b>



# **10 Static plant and pipe network**

	2011 Shs'000	2010 Shs'000
Electricity	15,452,798	14,402,806
Plant repairs & maintenance	1,870,150	1,917,523
Pipe network repairs & maintenance	4,216,446	2,800,125
Fuel and lubricants	1,225,330	902,106
Insurance	420,524	469,065
Sand	65,238	66,655
Disludging Sewerage Ponds	102,477	59,458
Water abstraction permits	150,000	167,450
Catchment restoration	433,039	-
	<b>23,936,002</b>	<b>20,785,188</b>

# **11 Supplies and services**

Water treatment chemicals	8,859,711	8,038,151
Equipment repairs and minor purchase	719,423	292,952
Printing and stationery/publications	928,934	989,442
Tools and light plant	87,251	146,040
Uniforms and protective wear	258,915	193,901
Computer license	624,111	477,435
Office supplies	539,828	448,648
Telephone and lease of data communication links	731,441	754,210
	<b>12,749,614</b>	<b>11,340,779</b>

# **12 Premises**

Rent, rates and telephone	1,322,569	1,468,043
Repairs and maintenance	1,032,222	806,461
Insurance	88,955	76,113
Cleaning materials	167,901	139,101
Electricity	266,656	248,314
Water	126,326	105,679
Fixtures and fittings	101,977	89,600
	<b>3,106,606</b>	<b>2,933,311</b>

# **13 Transport and mobile plant**

Fuel and lubricants	2,334,607	1,477,883
Repairs and maintenance	543,921	486,430
Hire of transport	2,205,626	1,104,126
Insurance	270,172	222,793
License, road toll and taxes	55,668	51,346
	<b>5,409,994</b>	<b>3,342,578</b>



#### 14 Finance costs

	2011 Shs'000	2010 Shs'000
Interest expense	480,819	-

The Stanbic Bank Uganda Limited loan facility of Shs 17.7 billion was advanced for a period of seven years including a two year grace period and is due in semi annual equal principal repayments after the grace period. It is charged interest at the rate of 11.5% per annum. The loan was obtained for financing the extension of the Ggaba intake plant which is a long term project. The project was substantially completed as at 30 April 2011. On that basis, interest on the loan has been expensed from that date in accordance with IAS 23: Borrowing Costs.

#### 15 Depreciation and amortisation

Depreciation (Note 23)	16,964,837	16,624,290
Amortisation of intangibles (Note 24)	36,040	16,268
Amortisation of operating lease prepayments (Note 26)	2,300	7,871
	<b>17,003,177</b>	<b>16,648,629</b>

#### 16 Income tax expense

Current income tax	-	-
Deferred income tax (Note 20)	2,661,397	1,717,535
Income tax expense	<b>2,661,397</b>	<b>1,717,535</b>

The tax on the Company's profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:

	2011 Shs'000	2010 Shs'000	2009 Shs,000
<b>Profit before income tax</b>	<b>12,899,487</b>	9,396,126	10,700,517
Tax calculated at the statutory income tax rate of 30% (2009 - 30%)	<b>3,869,846</b>	2,818,838	3,210,155
Tax effects of:			
Income not subject to tax	(1,531,279)	(1,199,017)	(956,959)
Expenses not deductible for tax purposes	884,904	97,714	(798,185)
Prior year under provision of deferred tax	1,081,536	.	.
Deferred tax on revaluation surplus	(1,643,610)	.	.
<b>Income tax expense</b>	<b>2,661,397</b>	1,717,535	1,455,011

#### Tax recoverable

At start of year	1,654,977	1,577,074	1,486,431
Tax recoverable	163,051	77,903	90,643
At year end	<b>1,818,028</b>	1,654,977	1,577,074



## 17 Government funding

	2011 Shs'000	2010 Shs'000	2009 Shs'000
At start of year	249,455,313	238,363,303	238,363,303
Assets taken over during the year	-	11,092,010	-
At year end	249,455,313	249,455,313	238,363,303

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

- i) The value of assets taken over by the Corporation when new towns are handed over to them.
- ii) Portions of loans extended by the Government of Uganda for various Corporation projects which the Government later passed on as part of equity.
- iii) Direct equity contributions by the Government of Uganda.

## 18 Revaluation reserve

The revaluation surplus represents the surplus on the revaluation of all assets net of deferred income tax and is non-distributable.

In 2008, the Corporation revalued all its assets. The revaluation exercise was done by Bellar Consult in association with M&E and was jointly financed by European Union and GTZ. The revaluation was as at 31 January 2008 and covered all corporation assets at this point in time.

## 19 Borrowings

	2011 Shs'000	2010 Shs'000	2009 Shs'000
Stanbic Bank of Uganda Limited	16,240,584	17,717,000	-
Interest payable	940,734	637,999	-
	17,181,318	18,354,999	-

Refer to Note 14 for a description of the loan facility.

## 20 Service gratuity

	2011 Shs'000	2010 Shs'000	2009 Shs'000
At start of year	2,174,904	6,814,959	6,892,994
Charge for the year	6,081,917	5,552,046	4,315,067
Re-classified from service gratuity to terminal benefits (Note 20)	-	(5,515,810)	-
Payments during year	(6,024,176)	(4,676,291)	(4,393,102)
At end of year	2,232,645	2,174,904	6,814,959
Due within one year	2,232,645	2,174,904	1,135,903
Due after one year	-	-	5,679,056
Total	2,232,645	2,174,904	6,814,959



## 21 Terminal benefits

	2011 Shs'000	2010 Shs'000	2009 Shs'000
At start of year	12,945,202	7,910,513	8,363,446
Re-classified from service gratuity (Note 18)	-	5,515,810	-
Accrued interest	191,658	-	-
Reversal of double accruals	(93,714)	-	-
Payments during the year	(627,002)	(481,121)	(452,933)
At end of year	12,416,144	12,945,202	7,910,513
Due within one year	1,500,000	223,593	107,955
Due after one year	10,916,144	12,721,609	7,802,558
Total	12,416,144	12,945,202	7,910,513

## 22 Deferred income tax

Deferred income tax is calculated using the enacted income tax rate of 30% (2009/10: 30%). The movement on the deferred income tax account is as follows:

	2011 Shs'000	Restated 2010 Shs'000	Restated 2009 Shs'000
At start of year	25,805,182	24,087,647	23,580,077
Charge /(credit) to profit and loss account (Note 15)	-	1,717,535	1,455,011
(Credited) /charged to equity	-	-	(947,441)
At end of year	25,805,182	25,805,182	24,087,647

Deferred income tax assets and liabilities, deferred income tax charge/(credit) in the profit and loss account, and deferred income tax charge/(credit) in equity are attributable to the following items:

	01-Jul-10 Shs'000	Charged/- (credited) to P/L Shs'000	30-Jun-11 Shs'000
<b>Year ended 30 June 2010</b>			
<b>Deferred income tax liabilities</b>			
Property, plant and equipment:			
- on historical cost basis	95,079,565	1,404,578	96,484,143
- on revaluation surpluses	14,937,078	(1,643,610)	13,293,468
	110,016,643	(239,032)	109,777,611
<b>Deferred income tax assets</b>			
Retirement benefit obligations	(3,883,562)	158,717	(3,724,845)
Tax losses carried forward	(77,855,391)	2,322,514	(75,532,877)
Provision for bad debts	(2,391,741)	245,948	(2,145,793)
Provision for obsolete stock	(97,604)	(25,595)	(123,199)
Other deductible temporary differences	16,837	198,845	215,682
	(84,211,461)	2,900,429	(81,311,032)
<b>Net deferred income tax liability</b>	25,805,182	2,661,397	28,466,579



Year ended 30 June 2010

Deferred income tax liabilities

Property, plant and equipment:

- on historical cost basis
- on revaluation surpluses

Restated 01-Jul-09	Charged/ (credited) to P/L Shs'000	30-Jun-10 Shs'000
87,531,517	7,548,048	95,079,565
16,553,390	(1,616,312)	14,937,078
104,084,907	5,931,736	110,016,643
Deferred income tax assets		
Retirement benefit obligations	(4,417,642)	(3,883,562)
Tax losses carried forward	(72,920,628)	(77,855,391)
Provision for bad debts	(2,515,372)	(2,391,741)
Provision for obsolete stock	(97,604)	(97,604)
Other deductible temporary differences	(46,014)	16,837
(79,997,260)	(4,214,201)	(84,211,461)
Net deferred income tax liability	24,087,647	25,805,182

Year ended 30 June 2009

Deferred income tax liabilities

Property, plant and equipment:

- on historical cost basis
- on revaluation surpluses

Restated 01-Jul-08 Shs'000	Charged/ (credited) to P/L Shs'000	Restated 30-Jun-09 Shs'000
84,234,376	3,297,142	87,531,517
18,169,701	(1,616,312)	16,553,389
102,404,077	1,680,830	104,084,907
Deferred income tax assets		
Retirement benefit obligations	(4,576,932)	(4,417,642)
Tax losses carried forward	(72,044,928)	(72,920,628)
Provision for bad debts	(3,051,977)	(2,515,372)
Provision for obsolete stock	(97,604)	(97,604)
Other deductible temporary differences	-	(46,014)
(79,771,441)	(225,819)	(79,997,260)
Net deferred income tax liability	22,632,636	24,087,647



## 23 Deferred grant income

The amounts recognised in the balance sheet are determined as follows:

	<b>2011</b>	<b>Restated</b>	<b>Restated</b>
	<b>Shs'000</b>	<b>2010</b>	<b>2009</b>
		<b>Shs'000</b>	<b>Shs'000</b>
At start of year	<b>129,874,786</b>	123,359,947	121,072,223
Donor Grants KFW - Entebbe	-	77,871	-
Donor Grants KFW Ggaba III	-	264,118	-
Donor grant KFW Kampala Network Rehabilitation	-	4,416,038	-
DONOR Grants AFD	<b>2,718,639</b>	3,827,294	1,645,640
Donor Funds Wetwin	<b>134,470</b>	-	325,050
Government of Uganda Grants	<b>263,772</b>	1,876,745	3,398,623
OBA Grant	<b>790,173</b>	454,642	-
Donor grant KFW- Urban Poor	-	1,401,243	-
Donor Funds WATSAN	<b>11,559,334</b>	2,200,131	1,210,185
	<b>145,341,174</b>	137,877,561	127,651,721
Released to profit and loss account	<b>(5,104,264)</b>	(3,966,723)	(4,291,774)
At end of year	<b>140,236,910</b>	133,880,838	123,359,947
Due within one year	<b>5,104,264</b>	3,966,723	3,966,725
Due after more than one year	<b>135,132,646</b>	129,914,115	119,393,222
At end of year	<b>140,236,910</b>	133,880,838	123,359,947



**National Water And Sewerage Corporation**  
**Notes To The Financial Statements (Continued)**  
**Year Ended 30 June 2011**

**24 Property, plant and equipment**

	Civil structures*	Technical structures*	Pipe works	Freehold land	Electro mechanical equipment	IT and office equipment	Furniture and fittings	Heavy transport	Light transport	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
<b>At 30 June 2008</b>										
Cost	160,941,475	31,587,942	102,777,443	3,581,696	112,593,090	777,861	938,862	42,000	1,157,715	414,398,084
Accumulated depreciation	(866,868)	(576,182)	(2,215,971)	--	(1,960,387)	(142,510)	(132,841)	(8,750)	(108,983)	(6,012,492)
<b>Closing net book value</b>	<b>160,074,607</b>	<b>31,011,760</b>	<b>100,561,472</b>	<b>3,581,696</b>	<b>110,632,703</b>	<b>635,351</b>	<b>806,021</b>	<b>33,250</b>	<b>1,048,732</b>	<b>408,385,592</b>
<b>Year ended 30 June 2009</b>										
Opening net book value as restated	160,074,607	31,011,760	100,561,472	3,581,696	110,632,703	635,351	806,021	33,250	1,048,732	408,385,592
WIP transfers	14,352	387,362	12,383,528	--	599,709	--	--	--	--	13,384,951
Additions	--	--	--	100,205	--	491,311	215,550	--	3,436	810,502
Depreciation charge	(2,123,278)	(1,394,457)	(5,791,890)	--	(4,722,920)	(481,884)	(321,946)	(21,000)	(392,217)	(15,249,592)
<b>Closing net book value</b>	<b>157,965,681</b>	<b>30,004,665</b>	<b>107,153,110</b>	<b>3,681,901</b>	<b>106,509,492</b>	<b>644,778</b>	<b>699,625</b>	<b>12,250</b>	<b>659,951</b>	<b>407,331,453</b>
<b>As at 30 June 2009</b>										
Cost	160,955,827	31,975,304	115,160,971	3,681,901	113,192,799	1,269,172	1,154,412	42,000	1,161,151	428,593,537
Accumulated depreciation	(2,990,146)	(1,970,639)	(8,007,861)	--	(6,683,307)	(624,394)	(454,787)	(29,750)	(501,200)	(21,262,084)
<b>Net book value as restated</b>	<b>157,965,681</b>	<b>30,004,665</b>	<b>107,153,110</b>	<b>3,681,901</b>	<b>106,509,492</b>	<b>644,778</b>	<b>699,625</b>	<b>12,250</b>	<b>659,951</b>	<b>407,331,453</b>

Civil structures: These are mainly industrial and office buildings such as housing to plants  
Technical structures: These are mainly reservoirs and filters at the plants.



24 Property, plant and equipment (continued)

	Civil structures	Technical structures	Pipe works	Freehold land	Electro mechanical equipment	IT and office equipment	Furniture and fittings	Heavy transport	Light transport	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
<b>As at 30 June 2009</b>										
Cost / Valuation	160,955,827	31,975,304	115,160,971	3,681,901	113,192,799	1,269,172	1,154,412	42,000	1,161,151	428,593,537
Accumulated depreciation	(2,990,146)	(1,970,639)	(8,007,861)	-	(6,683,307)	(624,394)	(454,787)	(29,750)	(501,200)	(21,262,084)
<b>Closing net book value</b>	<b>157,965,681</b>	<b>30,004,665</b>	<b>107,153,110</b>	<b>3,681,901</b>	<b>106,509,492</b>	<b>644,778</b>	<b>699,625</b>	<b>12,250</b>	<b>659,951</b>	<b>407,331,453</b>
<b>Year ended 30 June 2010</b>										
Opening net book value	157,965,681	30,004,665	107,153,110	3,681,901	106,509,492	644,778	699,625	12,250	659,951	407,331,453
WIP transfers	23,279	28,335	19,810,958	-	-	-	-	-	-	19,862,572
Additions	-	-	-	-	574,959	1,971,540	934,163	-	38,963	3,519,625
Government of Uganda asset contributions	266,600	1,166,000	9,455,403	189,000	6,000	-	9,007	-	-	11,092,010
Reclassified from held for sale	86,108	-	-	-	-	-	-	-	-	86,108
Disposals	(579,100)	-	-	-	-	-	-	-	-	(579,100)
Depreciation on disposals	8,417	-	-	-	-	-	-	-	-	8,417
Depreciation charge	(2,086,733)	(1,430,287)	(6,568,922)	-	(4,740,349)	(876,192)	(510,561)	(12,250)	(399,996)	(16,624,290)
<b>Closing net book value</b>	<b>155,684,252</b>	<b>29,768,713</b>	<b>129,851,549</b>	<b>3,870,901</b>	<b>102,350,102</b>	<b>1,740,126</b>	<b>1,132,234</b>	<b>-</b>	<b>298,918</b>	<b>424,696,795</b>
<b>As at 30 June 2010</b>										
Cost / Valuation	160,752,714	33,169,639	144,427,332	3,870,901	113,773,758	3,240,712	2,097,582	42,000	1,200,114	462,574,752
Accumulated depreciation	(5,068,462)	(3,400,926)	(14,575,783)	-	(11,423,656)	(1,500,586)	(965,348)	(42,000)	(901,196)	(37,877,957)
<b>Closing net book value</b>	<b>155,684,252</b>	<b>29,768,713</b>	<b>129,851,549</b>	<b>3,870,901</b>	<b>102,350,102</b>	<b>1,740,126</b>	<b>1,132,234</b>	<b>-</b>	<b>298,918</b>	<b>424,696,795</b>



24 Property, plant and equipment (continued)

	Civil structures	Technical structures	Pipe works	Freehold land	Electro mechanical equipment	IT and office equipment	Furniture and fittings	Heavy transport	Light transport	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
<b>As at 30 June 2010</b>										
Cost / Valuation	160,752,714	33,169,639	144,427,332	3,870,901	113,773,758	3,240,712	2,097,582	42,000	1,200,114	462,574,752
Accumulated depreciation	(5,068,462)	(3,400,926)	(14,575,783)	-	(11,423,656)	(1,500,586)	(965,348)	(42,000)	(901,196)	(37,877,957)
<b>Net book value</b>	<b>155,684,252</b>	<b>29,768,713</b>	<b>129,845,258</b>	<b>3,870,901</b>	<b>102,350,102</b>	<b>1,740,126</b>	<b>1,132,234</b>	<b>-</b>	<b>298,918</b>	<b>424,696,795</b>
<b>Year ended 30 June 2011</b>										
Opening net book value	155,684,252	29,768,713	129,845,258	3,870,901	102,350,102	1,740,126	1,132,234	-	298,918	424,696,795
WIP transfers	4,806,495	-	6,944,710	-	-	-	-	-	-	11,751,205
Additions	-	109,208	-	3,500	4,987,565	2,251,005	1,416,270	-	45,468	8,813,016
Depreciation charge	(1,957,757)	(1,496,445)	(6,951,001)	-	(4,924,631)	(841,226)	(541,311)	-	(252,466)	(16,964,837)
<b>Closing net book value</b>	<b>158,532,990</b>	<b>28,381,476</b>	<b>129,845,258</b>	<b>3,874,401</b>	<b>102,413,036</b>	<b>3,149,905</b>	<b>2,007,193</b>	<b>-</b>	<b>91,920</b>	<b>428,296,179</b>
<b>As at 30 June 2011</b>										
Cost / Valuation	165,559,209	33,278,847	151,372,042	3,874,401	118,761,323	5,491,717	3,513,852	42,000	1,245,582	483,138,973
Accumulated depreciation	(7,026,219)	(4,897,371)	(21,526,784)	-	(16,348,287)	(2,341,812)	(1,506,659)	(42,000)	(1,153,662)	(54,842,794)
<b>Closing net book value</b>	<b>158,532,990</b>	<b>28,381,476</b>	<b>129,845,258</b>	<b>3,874,401</b>	<b>102,413,036</b>	<b>3,149,905</b>	<b>2,007,193</b>	<b>-</b>	<b>91,920</b>	<b>428,296,179</b>



## 24 Property, plant and equipment (continued)

In 2008, the Corporation revalued all its assets. The revaluation exercise was done by Bellar Consult in association with M&E and was jointly financed by European Union and GTZ. The revaluation was as at 31 January 2008 and covered all corporation assets at this point in time. The book values of the properties were adjusted to the revaluations and the resultant surplus net of deferred income tax was credited to the revaluation reserve in shareholders' equity.

If the assets were stated on the historical cost basis, the amounts would be as follows:

	2011 Shs'000	2010 Shs'000	2009 Shs'000
Cost	522,482,400	501,918,179	467,936,964
Accumulated depreciation	(141,686,338)	(123,391,051)	(106,247,622)
Net book amount	380,796,062	378,527,128	361,689,342

## 25 Capital work in progress

Work in Progress	1,649,787	5,592,697	3,997,673
Work In Progress - Gulu	4,027,208	3,874,848	-
Work In Progress - Mukono	-	-	10,783,928
Work In Progress Small Towns Sanitation Project (SWTSP)	38,431	38,431	-
Gaba Intake	21,881,376	14,583,747	-
Kampala Network Rehabilitation	2,088,157	1,341,074	-
Bushenyi water supply project	2,638,149	2,532,239	1,823,021
Urban Poor Project	5,259,357	4,006,872	2,427,630
Kampala Sanition Project	9,777,750	3,410,317	1,210,185
Jinja Intake Pipeline	7,308,436	4,604,173	1,847,967
	54,668,651	39,984,398	22,090,404

## 26 Intangible assets

At start of year	49,406	65,874	-
Additions	97,856	-	82,342
Amortisation charge	(36,040)	(16,468)	(16,468)
At end of year	111,222	49,406	65,874

## 27 Operating lease prepayments

Cost			
At start of year	226,965	126,960	214,300
Additions	-	100,005	20,000
Disposals	-	-	(107,340)
	226,965	226,965	126,960
Amortisation			
At start of year	(33,860)	(25,989)	(9,907)
Correction of prior year errors in amortisation	-	(5,571)	-
Charge for the year	(2,300)	(2,300)	(16,082)
	(36,160)	(33,860)	(25,989)
At end of year	190,805	193,105	100,971



## 28 Inventories

	2011 Shs'000	2010 Shs'000	2009 Shs'000
Stationery	271,444	262,713	224,662
Chemicals	726,963	703,580	1,553,526
Pipes and fittings	10,000,865	9,679,182	7,572,837
Pump spares	628,788	608,563	35,227
Fuel & lubricants	83,447	80,763	295,090
Stock in transit	2,755,901	7,113,263	3,179,831
Provision for slow moving stock	(410,663)	(325,348)	(325,348)
	<b>14,056,745</b>	<b>18,122,716</b>	<b>12,535,825</b>

## 29 Trade and other receivables

Water and sewerage debtors	45,038,464	42,856,481	44,640,841
Less: Provision for impairment losses	(6,765,921)	(7,585,746)	(7,997,848)
Water and sewerage debtors - net	<b>38,272,543</b>	<b>35,270,735</b>	<b>36,642,993</b>
Prepayments	102,256	527,331	526,706
Other receivables	4,863,078	1,309,765	1,434,685
Value Added Tax	1,120,829	-	-
	<b>44,358,706</b>	<b>37,107,831</b>	<b>38,604,384</b>

Movements on the provision for impairment of trade receivables are as follows:

	2011 Shs'000	2010 Shs'000	2009 Shs'000
At start of year	7,585,746	7,997,848	9,786,534
Provision in the year	809,421	1,390,313	641,645
Receivables written off during the year as uncollectible	(1,469,114)	(1,794,135)	(2,258,226)
Unused amounts reversed	(160,132)	(8,280)	(172,105)
Provision for trade receivables	<b>6,765,921</b>	<b>7,585,746</b>	<b>7,997,848</b>
Provisions for other receivables	<b>386,724</b>	<b>386,724</b>	<b>386,724</b>
At end of year	<b>7,152,645</b>	<b>7,972,470</b>	<b>8,384,572</b>

## 30 Short term bank deposits

DFCU Fixed Deposit A/c	1,470,711	2,682,660	1,166,522
DFCU Non Core HousesFD	67	927	-
Barclays Fixed Deposit AC	-	1,714,240	1,417,744
United Bank Of Africa	-	716,388	-
Eco Bank FD A/c	1,349,571	1,200,000	-
Equity Bank	2,575,733	968,318	759,658
Bank of Africa	1,307,783	1,182,176	1,079,350
NWSC Reserve account	377,351	139,011	-
KCB Investment A/C	2,217,623	-	-
KCB Bank	1,543,638	717,108	-
	<b>10,842,477</b>	<b>9,320,828</b>	<b>4,423,274</b>



### 31 Cash at bank and in hand

	2011 Shs'000	2010 Shs'000	2009 Shs'000
Cash at hand	2,228	4,345	7,600
Cash collection accounts	5,569,851	5,751,619	5,154,009
Cash in Transit	34,589	-	62,172
Stanbic Loan Account	80,618	7,645,144	-
Bank Balances	2,769,520	6,921,487	4,019,896
	<b>8,456,806</b>	<b>20,322,595</b>	<b>9,243,677</b>

For the purposes of the cash flow statement, cash and cash equivalents comprise the following:

	2011 Shs'000	2010 Shs'000	2009 Shs'000
Cash and bank balances as above	8,456,806	20,322,595	9,243,677
Short term bank deposits (Note 29)	10,842,477	9,320,828	4,423,274
	<b>19,299,283</b>	<b>29,643,423</b>	<b>13,666,951</b>

### 32 Assets held for sale

At start of year	-	86,106	1,737,524
Reclassified to property	-	(86,106)	-
Disposals during the year	-	-	(1,651,416)
At end of year	-	-	86,108

In 2007/8, the Corporation resolved to dispose of certain property which was accordingly classified as held for sale. Unsold units as of 30 June 2010 were reclassified to property following a decision by the Corporation not to proceed with disposal.

### 33 Trade and other payables

	2011 Shs'000	2010 Shs'000	2009 Shs'000
Trade payable	12,426,764	18,229,247	13,291,029
Value Added Tax	-	767,147	847,250
Rechargeable works	298,863	902,242	583,315
Accruals and provision	6,104,664	5,551,055	4,827,285
Customer deposits	599,154	243,347	509,212
	<b>19,429,445</b>	<b>25,693,038</b>	<b>20,058,091</b>

The carrying amounts of the above trade and other payables approximate their fair values.

### 34 Contingent liabilities

The Corporation is a defendant in a number of pending court cases. The amount being claimed, including loss of earnings, is approximately Ushs 248 million. Based on professional advice received, it is not anticipated that any material liabilities will arise from the contingent liabilities.



### 35 Commitments

#### Capital commitments

The Corporation had no capital expenditure contracted for at the balance sheet date that had not been recognised in the financial statements.

#### Operating lease commitments

The Corporation leases land under non-cancellable operating lease. The lease terms are between 5 and 199 years, and the majority of the lease agreements are renewable at the end of the lease period at market rate.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2011 Shs'000	2010 Shs'000	2009 Shs'000
Not later than 1 year	2,300	2,300	21,653
Later than 1 year and not later than 5 years	13,168	10,896	5,820
Later than 5 years	175,337	179,909	73,498
	<b>190,805</b>	<b>193,105</b>	<b>100,971</b>

### 36 Cash generated from operations

Reconciliation of profit before income tax to cash generated from operations:

	Notes	2011 Shs'000	2010 Shs'000
Profit before income tax		12,899,487	9,396,126
Adjustments for:			
Interest income	7	(994,669)	(885,9520)
Interest expense		480,819	
Grant income	23	(5,104,264)	(3,966,723)
Depreciation	24	16,964,837	16,624,290
Amortisation of intangibles	26	36,040	16,468
Amortisation of prepaid operating lease rentals	27	2,300	7,871
(Gain)/loss on disposal of property, plant and equipment		-	570,683
Changes in working capital			
• trade and other receivables	29	(6,130,046)	1,496,553
• inventories	30	4,065,971	(5,586,891)
• trade and other payables	33	(7,384,421)	5,634,945
• service gratuity	20	57,741	(4,640,055)
• terminal benefits	21	(529,058)	5,034,689
Cash generated from operations		<b>14,364,737</b>	<b>23,702,004</b>



### 37 Related party transactions

The Corporation is wholly owned by the Government of Uganda.

The following transactions were carried out with related parties:

#### i) Key management compensation

Key management includes directors (executive and non-executive) and members of senior management. The compensation paid or payable to key management for employee services is shown below:

	2011 Shs'000	2010 Shs'000
Salaries and other short-term employment benefits	810,761	755,278
Termination benefits	202,690	733,214
Bonus	116,753	206,837
	<b>1,130,204</b>	<b>1,695,329</b>

#### ii) Directors' remuneration

Fees for services as a director	117,213	125,843
Other emoluments (included in key management compensation above)	378,877	370,000
	<b>496,090</b>	<b>495,843</b>

#### (iii) Sale of water

Being the sole distributor of water in the country, the corporation supplies water to all government institutions that are connected to the water network.

### 38 Prior year adjustments

Effects of prior year adjustments in respect of:

	Effects on 2009 Shs'000
- additional depreciation of property, plant and equipment	(i) (4,960,206)
- deferred income tax in respect of additional depreciation on property, plant and equipment	(i) 1,488,078
- overstatement of deferred income tax credit in respect of excess depreciation	(i) (176,037)
- recognition of revenue grants	(ii) 325,050
- amortisation of deferred income	(ii) 776,862
- accrual for annual performance bonus	(iii) (425,557)
- disposal of operating leases	(iv) (117,247)
- amortisation of prepaid operating lease rental incorrectly credited to revaluation reserve	(iv) (16,082)
	<b>(3,105,139)</b>



**38 Prior year adjustments (continued)**

**Effects of prior year adjustments on equity for periods prior to 2008/9:**

• decrease in property, plant and equipment	(i)	(2,066,752)
• decrease in deferred income tax in respect of additional depreciation in property, plant and equipment	(i)	620,026
• decrease in deferred income tax on excess depreciation relating to prior periods	(i)	880,946
• decrease in grants due to additional amortisation for the periods 2000 -2008	(ii)	3,814,108
		<b>3,248,328</b>

**Effects of prior year adjustments on equity:**

• decrease in property, plant and equipment	(i)	(4,960,206)
• decrease in deferred tax in respect of additional depreciation on property, plant and equipment	(i)	1,488,078
• increase in deferred tax credit in respect of excess depreciation	(i)	(176,037)
• decrease in grants due to recognition of revenue grants	(ii)	325,050
• decrease in grants due to additional amortisation	(ii)	776,862
• increase in trade and other payables due to accrual for annual performance bonus	(iii)	(425,557)
• decrease in operating leases on disposal	(iv)	(117,247)
• decrease in operating lease due to errors in amortisation	(iv)	(16,082)
		<b>(3,105,139)</b>

**Net increase in equity**

**143,189**

**(i) Depreciation**

Following the revaluation of the Corporation's assets as at 31 January 2008, the assets were depreciated over their useful life as opposed to the remaining useful life as required under IAS 16, Property, Plant and Equipment. A recomputation of depreciation using the remaining useful life resulted in additional depreciation of Shs 7,026 million in respect of 2008 (Shs 2,067 million) and 2009 (Shs 4,960 million). The deferred income tax impact of the adjustments was Shs 2,813 million in respect of both periods.

**(ii) Deferred grant income:**

The revenue grant for the Wetwin project which was completed in 2008/2009 amounting to Shs 325 million was erroneously not recognised that year. Accordingly, an adjustment was passed to recognise the income in the prior year.

In addition, a recomputation of grant amortisation based on the dates when the projects were completed for all qualifying grants resulted in additional income of Shs 3,814 million relating to the period prior to 2008/9 and additional income of Shs 776 million for the year 2008/9.



## Effects of prior year adjustments on equity for periods prior to 2008/9:

### Notes (continued)

#### 38 Prior year adjustments (continued)

##### (iii) Performance bonus:

The performance bonus payable for 2008/9 amounting to Shs 425 million was not accrued in the 2008/2009 financial statements. The financial statements were restated to correctly accrue for this.

##### (iv) Prepaid operating lease rentals:

The Corporation disposed of property under operating leases during 2008/9. The prepaid operating lease rentals disposed of were erroneously recognised in the revaluation reserve.

An adjustment of Shs 117 million relating to property disposed of was credited from the revaluation reserve and debited to the profit and loss account to correctly recognise the disposal.

An adjustment of Shs 16 million relating to amortisation of prepaid operating lease rentals was adjusted to correctly recognise it in the profit and loss account.

##### (v) Other prior period adjustments in the 2010 financial statements

During the year, the Corporation identified errors in the recognised deferred grant income arising from grants received from KFW for the Kampala Sanitation Project and the Urban Poor Project. Certain costs relating to this project were incurred in prior periods but had been incorrectly recorded in the current period as per the analysis below.

	2010 Shs'000	2009 Shs'000
Kampala Sanitation Project	2,200,131	1,210,185
Urban Poor Project	595,736	-
	2,795,867	1,210,185

The adjustment is a balance sheet only adjustment and has resulted into an increase in total assets in 2010 of Shs 4,006 million (2009: Shs 1,210 million). There is no impact on the profit and loss account or equity as the projects are still under construction and are not due for amortisation and depreciation of the grant income and related assets respectively.



Summary of income and expenditure statements by area

Area	Income	Total operating expenses	Profit before depreciation and amortisation	Depreciation and amortisation	Profit / (loss) before taxation
Kampala	79,420,911	(47,444,116)	31,976,765	(7,615,652)	24,361,143
Entebbe	7,250,927	(3,362,053)	3,888,874	(975,564)	2,913,310
Jinja	8,667,322	(3,88,165)	4,783,157	(1,406,723)	3,376,434
Mbale	3,109,163	(2,307,947)	801,216	(539,165)	262,051
Tororo	1,329,531	(1,352,393)	(22,862)	(353,981)	(376,843)
Masaka	2,203,826	(1,809,452)	394,374	(555,119)	(160,745)
Mbarara	5,180,239	(3,010,793)	2,169,446	(811,910)	1,357,536
Lira	1,997,282	(1,552,481)	444,801	(492,710)	(47,909)
Gulu	1,519,649	(1,378,704)	140,945	(489,661)	(348,716)
Kasese	1,100,225	(635,675)	464,550	(102,560)	361,990
Fortportal	1,392,697	(1,014,654)	378,043	(235,894)	142,149
Kabale	1,194,849	(935,509)	259,340	(306,902)	(47,562)
Bushenyi	578,045	(705,825)	(159,012)	(159,012)	(286,792)
Soroti	1,393,018	(1,149,507)	243,511	(534,555)	(291,044)
Arua	1,135,402	(1,249,036)	(113,634)	(297,391)	(411,025)
Masindi	899,066	(824,841)	74,225	(365,909)	(291,654)
Mubende	651,029	(711,298)	(60,269)	(174,997)	(235,266)
Hoima	654,167	(850,506)	(196,339)	(226,622)	(422,961)
Lugazi	364,014	(521,629)	(157,615)	(97,862)	(255,477)
Iganga	629,325	(471,459)	157,866	(243,298)	(85,432)
Headquarters	11,185,137	(31,547,475)	(20,362,338)	(1,108,410)	(21,470,748)
<b>Year ended 30 June 2011</b>	<b>131,314,292</b>	<b>(101,411,626)</b>	<b>29,902,665</b>	<b>(17,003,177)</b>	<b>12,899,487</b>
<b>Year ended 30 June 2010</b>	<b>112,848,527</b>	<b>(86,803,772)</b>	<b>26,044,755</b>	<b>(11,603,707)</b>	<b>14,441,048</b>



**Kampala water**

<b>Income</b>	<b>2011 Shs '000</b>	<b>2010 Shs '000</b>
Water sales	58,924,489	51,804,061
Sewerage services	14,600,444	12,438,140
Service Charge	2,657,827	2,424,142
Connection fees	1,882,377	1,705,264
Other income	1,013,646	580,630
Bad debt recovery	152,485	
Septic Tank emptying	115,852	70,213
Other sewerage income	28,149	9,730
Investment Income	29,802	34,567
Rent from Offices/ Residential premises	15,840	16,105
	<b>79,420,911</b>	<b>69,082,852</b>
<b>Operating expenses</b>		
Staff costs	17,145,273	14,742,630
Administrative expenses	2,902,447	2,129,443
Static plant and pipe network maintenance	14,599,366	12,568,133
Supplies and services	8,430,306	7,287,139
Premises Maintenance	1,326,343	1,161,561
Transport and mobile plant costs	3,040,384	1,803,840
Financing costs		
	<b>47,444,116</b>	<b>39,692,746</b>
<b>Profit before depreciation and amortisation</b>	<b>31,976,795</b>	<b>29,390,106</b>
Depreciation and amortisation	(7,615,652 )	(7,583,045)
<b>Profit before tax</b>	<b>24,361,143</b>	<b>21,807,061</b>



**Entebbe water**

<b>Income</b>	<b>2011 Shs '000</b>	<b>2010 Shs '000</b>
Water sales	6,007,138	4,897,589
Sewerage services	653,637	715,158
Service Charge	325,549	288,918
Connection fees	217,496	199,836
Other income	47,107	36,402
	<b>7,250,927</b>	<b>6,137,903</b>
<b>Operating expenses</b>		
Staff costs	1,599,340	1,452,061
Administrative expenses	249,646	285,031
Static plant and pipe network maintenance	980,044	830,236
Supplies and services	251,970	149,386
Premises Maintenance	143,696	144,865
Transport and mobile plant costs	137,357	110,357
	<b>3,362,053</b>	<b>2,971,936</b>
<b>Profit before depreciation and amortisation</b>	<b>3,888,874</b>	<b>3,165,967</b>
Depreciation and amortisation	(975,564)	(1,070,023)
<b>Profit before Tax</b>	<b>2,913,310</b>	<b>2,095,944</b>



Jinja water

	2011 Shs '000	2010 Shs '000
<b>Income</b>		
Water sales	6,002,956	5,497,150
Sewerage services	2,179,108	2,040,466
Service Charge	239,263	219,289
Connection fees	130,463	119,370
Other income	97,485	50,234
Septic Tank emptying	18,047	-
Rental Income	-	3,733
Miscellaneous Income	-	9,882
	<b>8,667,322</b>	<b>7,940,124</b>
<b>Operating expenses</b>		
Staff costs	1,811,424	1,785,792
Administrative expenses	391,445	476,307
Static plant and pipe network maintenance	1,152,816	1,171,372
Supplies and services	203,531	254,501
Premises Maintenance	126,321	149,212
Transport and mobile plant costs	198,628	131,351
	<b>3,884,165</b>	<b>3,968,535</b>
<b>Profit before depreciation and amortisation</b>	<b>4,783,157</b>	<b>3,971,589</b>
		(1,455,634)
Depreciation and amortisation	(1,406,723)	(920,178)
<b>Profit before tax</b>	<b>3,376,434</b>	<b>2,515,955</b>



**Mbale water**

	2011 Shs '000	2010 Shs '000
<b>Income</b>		
Water sales	2,156,655	2,095,890
Sewerage services	726,705	728,807
Service Charge	126,208	116,331
Connection fees	81,503	61,837
Other income	16,432	30,800
Other sewerage income	1,660	209
Miscellaneous Income	-	745
	<b>3,109,163</b>	<b>3,034,619</b>
<b>Operating expenses</b>		
Staff costs	1,183,309	1,045,001
Administrative expenses	252,741	235,897
Static plant and pipe network maintenance	556,206	433,116
Supplies and services	156,670	173,541
Premises Maintenance	60,168	83,305
Transport and mobile plant costs	98,853	63,148
	<b>2,307,947</b>	<b>2,034,008</b>
<b>Profit before depreciation and amortisation</b>	<b>801,216</b>	<b>1,000,611</b>
Depreciation and amortisation	(539,165)	(530,828)
<b>Profit/ (loss) before tax</b>	<b>262,051</b>	<b>469,783</b>



**Tororo water**

<b>Income</b>	<b>2011 Shs '000</b>	<b>2010 Shs '000</b>
Water sales	1,109,925	1,127,980
Sewerage services	96,566	73,274
Service Charge	59,541	52,730
Connection fees	28,496	23,911
Other income	11,901	18,374
Other sewerage income	23,102	416
	<b>1,329,531</b>	<b>1,296,685</b>
<b>Operating expenses</b>		
Staff costs	498,137	431,692
Administrative expenses	218,819	145,365
Static plant and pipe network maintenance	341,533	344,359
Supplies and services	185,926	144,346
Premises Maintenance	68,391	34,009
Transport and mobile plant costs	39,587	20,477
	<b>1,352,393</b>	<b>1,120,248</b>
<b>Profit before depreciation and amortisation</b>	<b>(22,862)</b>	<b>176,437</b>
Depreciation and amortisation	<b>(353,981)</b>	<b>(358,049)</b>
<b>(Loss)/ profit before taxation</b>	<b>(376,843)</b>	<b>(181,612)</b>



**Masaka water**

<b>Income</b>	<b>2011 Shs '000</b>	<b>2010 Shs '000</b>
Water sales	1,703,693	1,551,809
Sewerage services	269,618	306,150
Service Charge	110,483	102,945
Connection fees	66,511	23,490
Other income	52,041	16,203
Septic Tank emptying	1,480	
Rental Income	-	1,430
	<b>2,203,826</b>	<b>2,002,027</b>
<b>Operating expenses</b>		
Staff costs	690,037	592,264
Administrative expenses	197,015	127,144
Static plant and pipe network maintenance	546,667	461,031
Supplies and services	221,066	165,422
Premises Maintenance	33,304	35,268
Transport and mobile plant costs	121,363	57,084
Financing costs		
	<b>1,809,452</b>	<b>1,438,213</b>
<b>Profit before depreciation and amortisation</b>	<b>394,374</b>	<b>563,814</b>
Depreciation and amortisation	(555,119)	(562,472)
<b>Profit/ (loss) before tax</b>	<b>(160,745)</b>	<b>1,342</b>



**Mbarara water**

<b>Income</b>	<b>2011 Shs '000</b>	<b>2010 Shs '000</b>
Water sales	4,263,329	3,830,032
Sewerage services	589,746	451,747
Service charge	191,681	184,210
Connection fees	117,598	141,376
Other income	16,648	24,841
Septic tank emptying	1,237	5,159
Rental Income	-	2,057
	<b>5,180,239</b>	<b>4,639,422</b>
<b>Operating expenses</b>		
Staff costs	1,187,841	1,103,039
Administrative expenses	337,093	477,064
Static plant and pipe network maintenance	822,498	905,573
Supplies and services	316,021	277,015
Premises maintenance	240,540	39,716
Transport and mobile plant costs	104,800	79,858
	<b>3,010,793</b>	<b>2,882,265</b>
<b>Profit before depreciation and amortisation</b>	<b>2,169,446</b>	<b>1,757,157</b>
Depreciation and amortisation	(811,910)	(756,196)
<b>Profit before tax</b>	<b>1,357,536</b>	<b>1,000,961</b>



**Lira water**

<b>Income</b>	<b>2011 Shs '000</b>	<b>2010 Shs '000</b>
Water sales	1,551,879	1,362,637
Sewerage services	223,021	166,379
Service charge	113,852	136,986
Connection fees	64,966	101,208
Other income	43,564	(4,693)
Miscellaneous income		5,417
	<b>1,997,282</b>	<b>1,767,934</b>
<b>Operating expenses</b>		
Staff costs	685,278	559,059
Administrative expenses	225,129	120,202
Static plant and pipe network maintenance	441,006	353,378
Supplies and services	107,184	95,762
Premises maintenance	33,952	24,270
Transport and mobile plant costs	59,932	51,971
	<b>1,552,481</b>	<b>1,204,642</b>
<b>Profit before depreciation and amortisation</b>	<b>444,801</b>	<b>563,292</b>
Depreciation and amortisation	(492,710)	(495,491)
<b>Loss before tax</b>	<b>(47,909)</b>	<b>77,187</b>



**Gulu water**

	2011 Shs '000	2010 Shs '000
<b>Income</b>		
Water sales	1,083,064	1,079,409
Sewerage services	299,161	279,930
Service charge	83,909	78,472
Connection fees	45,944	49,014
Other income	7,571	5,131
	<b>1,519,649</b>	<b>1,491,956</b>
<b>Operating expenses</b>		
Staff costs	486,397	476,700
Administrative expenses	317,239	160,400
Static plant and pipe network maintenance	435,313	406,498
Supplies and services	84,797	115,003
Premises maintenance	15,069	21,805
Transport and mobile plant costs	39,889	30,280
	<b>1,378,704</b>	<b>1,210,686</b>
<b>Profit before depreciation and amortisation</b>	<b>140,945</b>	<b>281,270</b>
Depreciation and amortisation	(489,661)	(513,456)
<b>Profit before tax</b>	<b>(348,716)</b>	<b>(232,186)</b>



**Kasese water**

<b>Income</b>	<b>2011 Shs '000</b>	<b>2010 Shs '000</b>
Water sales	965,304	837,865
Service charge	75,385	70,241
Connection fees	43,356	32,321
Septic tank emptying	9,165	8,395
Other income	7,015	7,270
Miscellaneous Income	-	98
	<b>1,100,225</b>	<b>956,190</b>
<b>Operating expenses</b>		
Staff costs	364,774	345,060
Administrative costs	110,986	89,604
Static plant and pipe network maintenance	26,944	46,528
Supplies and services	68,912	42,639
Premises maintenance	18,531	23,807
Transport and mobile plant costs	45,528	36,339
	<b>635,675</b>	<b>583,977</b>
<b>Profit before depreciation and amortisation</b>	<b>464,550</b>	<b>372,213</b>
Depreciation and amortisation	(102,560)	(111,954)
<b>Profit before tax</b>	<b>361,990</b>	<b>260,259</b>



**Fortportal water**

<b>Income</b>	<b>2011 Shs '000</b>	<b>2010 Shs '000</b>
Water sales	1,197,824	1,090,743
Service charge	83,596	76,527
Sewerage services	56,407	52,206
Connection fees	39,560	42,881
Other income	3,903	3,050
Septic tank emptying	10,223	11,915
Miscellaneous Income	1,184	12,056
	<b>1,392,697</b>	<b>1,289,378</b>
<b>Operating expenses</b>		
Staff costs	521,380	499,369
Administrative expenses	109,086	91,912
Static plant and pipe network maintenance	225,217	180,802
Supplies and services	46,311	45,075
Premises maintenance	46,504	31,662
Transport and mobile plant costs	66,156	46,534
	<b>1,014,654</b>	<b>895,354</b>
<b>Profit before depreciation and amortisation</b>	<b>378,043</b>	<b>394,024</b>
Depreciation and amortisation	(235,894)	(245,027)
<b>Profit before tax</b>	<b>142,149</b>	<b>148,996</b>



**Kabale water**

<b>Income</b>	<b>2011 Shs '000</b>	<b>2010 Shs '000</b>
Water sales	906,494	799,867
Sewerage services	173,260	161,289
Service charge	75,343	70,309
Connection fees	29,574	26,306
Septic tank emptying	6,100	2,268
Other income	4,078	4,233
Miscellaneous Income	-	179
	<b>1,194,849</b>	<b>1,064,451</b>
<b>Operating expenses</b>		
Staff costs	401,045	401,523
Administrative expenses	159,633	136,216
Static plant and pipe network maintenance	211,012	232,564
Supplies and services	40,330	31,065
Premises maintenance	51,352	44,477
Transport and mobile plant costs	72,137	36,665
	<b>935,509</b>	<b>882,510</b>
<b>(Loss)/ profit before depreciation and amortisation</b>	<b>259,340</b>	<b>181,941</b>
Depreciation and amortisation	(306,902)	(308,440)
<b>Loss before tax</b>	<b>(47,562)</b>	<b>(126,499)</b>



**Bushenyi - Ishaka water**

	2011 Shs '000	2010 Shs '000
<b>Income</b>		
Water sales	516,957	387,025
Service Charge	30,501	27,690
Connection fees	22,449	13,061
Other income	8,138	9,974
Bad debt recovery		-
	<b>578,045</b>	<b>437,750</b>
<b>Operating expenses</b>		
Staff costs	315,629	273,930
Administrative expenses	67,345	50,030
Static plant and pipe network maintenance	160,397	125,548
Supplies and services	104,334	74,297
Premises Maintenance	15,598	21,394
Transport and mobile plant costs	42,522	30,695
	<b>705,825</b>	<b>575,894</b>
<b>Loss before depreciation and amortisation</b>	<b>(127,780)</b>	<b>(138,144)</b>
Depreciation and amortisation	<b>(159,012)</b>	<b>(159,439)</b>
<b>Loss before Tax</b>	<b>(286,792)</b>	<b>(297,583)</b>



**Soroti water**

<b>Income</b>	<b>2011 Shs '000</b>	<b>2010 Shs '000</b>
Water sales	1,148,355	959,758
Sewerage services	96,967	108,104
Service charge	84,651	74,726
Connection fees	45,195	40,558
Other income	17,850	(13,745)
Miscellaneous Income		720
	<b>1,393,018</b>	<b>1,197,611</b>
<b>Operating expenses</b>		
Staff costs	507,258	403,642
Administrative expenses	151,091	76,413
Static plant and pipe network maintenance	362,330	332,238
Supplies and services	69,963	55,579
Premises maintenance	28,836	21,963
Transport and mobile plant costs	30,029	14,786
	<b>1,149,507</b>	<b>904,621</b>
<b>Profit before depreciation and amortisation</b>	<b>243,511</b>	<b>292,990</b>
Depreciation and amortisation	(534,555)	(540,792)
<b>Loss before tax</b>	<b>(291,044)</b>	<b>(247,802)</b>



**Arua water**

<b>Income</b>	<b>2011 Shs '000</b>	<b>2010 Shs '000</b>
Water sales	967,168	940,287
Service charge	101,493	95,025
Connection fees	39,588	30,172
Other income	27,153	2,940
	<b>1,135,402</b>	<b>1,068,424</b>
<b>Operating expenses</b>		
Staff costs	456,595	377,771
Administrative expenses	217,135	92,120
Static plant and pipe network maintenance	382,788	347,758
Supplies and services	59,892	104,543
Premises maintenance	41,261	26,067
Transport and mobile plant costs	91,365	47,415
	<b>1,249,036</b>	<b>995,674</b>
<b>Profit before depreciation and amortisation</b>	<b>(113,634)</b>	<b>72,750</b>
Depreciation and amortisation	(267,391)	(154,114)
<b>(Loss)/profit before tax</b>	<b>(411,025)</b>	<b>(81,365)</b>



**Masindi water**

<b>Income</b>	<b>2011 Shs '000</b>	<b>2010 Shs '000</b>
Water sales	730,178	640,367
Sewerage Services	91,000	75,989
Service charge	49,462	48,919
Connection fees	26,787	23,188
Other income	1,639	3,205
	<b>899,066</b>	<b>791,668</b>
<b>Operating expenses</b>		
Staff costs	338,990	313,261
Administrative expenses	113,291	79,899
Static plant and pipe network maintenance	234,327	164,886
Supplies and services	63,558	55,488
Premises maintenance	17,845	19,726
Transport and mobile plant costs	56,830	39,919
	<b>824,841</b>	<b>673,179</b>
<b>Profit before depreciation and amortisation</b>	<b>74,225</b>	<b>118,489</b>
Depreciation and amortisation	(365,909)	(317,983)
<b>(Loss)/profit before taxation</b>	<b>(291,684)</b>	<b>(199,494)</b>



**Mubende water**

	2011 Shs '000	2010 Shs '000
<b>Income</b>		
Water sales	554,802	498,137
Service Charge	40,915	34,913
Connection fees	51,435	17,253
Other income	3,877	9,257
Rent from offices/ residential premises		
	651,029	559,560
<b>Operating expenses</b>		
Staff costs	301,863	254,365
Administrative expenses	107,478	81,789
Static plant and pipe network maintenance	188,584	110,781
Supplies and services	27,021	28,118
Premises maintenance	33,937	15,743
Transport and mobile plant costs	52,937	33,787
	711,820	524,583
<b>Loss before depreciation and amortisation</b>	(60,791)	34,977
Depreciation and amortisation	(174,997)	(181,379)
<b>Loss before tax</b>	(235,788)	(146,402)



Hoima water

Income	2011 Shs '000	2010 Shs '000
Water sales	544,762	514,595
Sewerage Services	19,913	16,752
Service Charge	54,287	96,363
Connection fees	30,160	36,009
other income	5,045	18,235
Stock adjustment		-
	654,167	681,954
Operating expenses		
Staff costs	309,140	314,157
Administrative expenses	108,730	81,714
Static plant and pipe network maintenance	329,373	166,476
Supplies and services	23,259	38,042
Premises maintenance	12,503	10,296
Transport and mobile plant costs	67,501	43,722
	850,506	654,407
(Loss)/profit before depreciation	(196,339)	27,547
Depreciation and amortisation	(226,622)	(185,513)
Loss before tax	(422,961)	(157,966)



**Lugazi water**

<b>Income</b>	<b>2011 Shs '000</b>	<b>2010 Shs '000</b>
Water sales	324,945	266,627
Sewerage Services	-	10
Service Charge	21,958	18,892
Connection fees	14,670	19,991
other income	2,441	804
	<b>364,014</b>	<b>306,324</b>
<b>Operating expenses</b>		
Staff costs	256,089	229,678
Administrative expenses	67,471	40,828
Static plant and pipe network maintenance	144,747	125,692
Supplies and services	12,441	7,667
Premises maintenance	21,228	15,794
Transport and mobile plant costs	19,653	-2,033
	<b>521,629</b>	<b>417,626</b>
<b>Loss before depreciation and amortisation</b>	<b>(157,615)</b>	<b>(111,302)</b>
Depreciation and amortisation	(97,862)	(27,678)
<b>Loss before tax</b>	<b>(255,477)</b>	<b>(138,980)</b>



**Income and expenditure statement**

**Iganga water**

	<b>2011</b>	<b>2010</b>
	<b>Shs '000</b>	<b>Shs '000</b>
<b>Income</b>		
Water sales	498,035	340,269
Sewerage Services	50,037	63,187
Connection fees	40,282	23,330
Other income	6,656	4,144
Service charge	34,315	29,014
Miscellaneous Income		560
	<b>629,325</b>	<b>460,504</b>
<b>Operating expenses</b>		
Staff costs	315,973	255,815
Administrative expenses	70,330	57,133
Static plant and pipe network maintenance	41,917	24,148
Supplies and services	10,661	3,779
Premises maintenance	11,962	18,801
Transport and mobile plant costs	20,616	11,561
	<b>471,459</b>	<b>371,237</b>
<b>Profit before depreciation and amortisation</b>	<b>157,866</b>	<b>89,267</b>
Depreciation and amortisation	(243,298)	(235,788)
<b>Profit before tax</b>	<b>(85,432)</b>	<b>(146,521)</b>



**Headquarters**

<b>Income</b>	<b>2011 Shs '000</b>	<b>2010 Shs '000</b>
Released from deferred income	5,104,264	3,966,723
Profit on sale of stock/scrap/Assets	73,639	16,174
Income from External services	2,047,256	1,586,487
Investment income	1,028,017	-
Rent from offices/ residential premises	45,440	8,420
Prior period adjustment	-	-
Lab Services Income	187,385	129,599
Other Income	1,612,804	923,536
Decrease in stock provision	-	-
Miscellaneous income	3,268	10,252
	<b>10,102,073</b>	<b>6,641,191</b>
<b>Operating expenses</b>		
Staff costs	11,367,531	9,664,933
Administrative expenses	8,401,791	7,940,516
Static plant and pipe network maintenance	1,752,911	1,364,500
Supplies and services	2,263,458	2,187,087
Premises maintenance	970,629	989,572
Transport and mobile plant costs	1,003,919	654,823
Financing costs	480,819	-
	<b>26,241,058</b>	<b>22,801,431</b>
<b>Loss before depreciation and amortisation</b>	<b>(16,138,985)</b>	<b>(16,160,240)</b>
Depreciation and amortisation	(1,108,410)	(855,328)
<b>Loss before tax</b>	<b>(17,247,395)</b>	<b>(17,015,568)</b>



# Supplementary Information

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## Unit Cost Of Water Production 2010/11

	ANNUAL PRODUCTION M3		TOTAL COSTS (SHS)					COST PER M3		COMPARATIVE		
	2010/11 (June 2011 ) 2010/11	(Comparative) 2009/10 2009/10	OPERATING EXPENSES ONLY 000' shs	OPERATING EXPENSES+ DEPRECIATION 000'shs	OPER. EXPS+ DEPR+HQ EXPENSES 000' shs	OPERATING EXPENSES ONLY	OPER. EXPS + DEPRECIATION	SHS	2010/11	(FINAL) OP. EXP+ DEP+HQ EXPENSES	SHS OP. EXP+ DEP+HQ EXPENSES	% CHANGE from 2009/2010 to 2010/11
KAMPALA	53,951,759	49,965,795	47,444,116	56,598,774	78,763,770	879	1,049		1,460		1,270	15%
JINJA	4,568,678	4,282,931	3,884,165	5,290,888	7,167,986	850	1,158		1,569		1,590	-1%
ENTEBBE	3,702,884	3,447,686	3,362,053	4,337,617	5,858,993	908	1,171		1,582		1,496	6%
MBALE	696,702	1,323,736	2,307,947	2,847,112	3,133,361	3,313	4,087		4,497		2,261	99%
TORORO	1,348,705	730,003	1,352,393	1,706,374	2,260,506	1,003	1,265		1,676		2,349	-29%
MASAKA	2,543,192	1,187,657	1,809,452	2,364,571	3,409,473	711	930		1,341		2,008	-33%
MBARARA	1,440,046	2,432,933	3,010,793	3,822,703	4,414,364	2,091	2,655		3,065		1,819	69%
LIRA	1,053,339	965,056	1,552,481	2,045,191	2,477,968	1,474	1,942		2,352		2,085	13%
GULU	729,328	723,483	1,378,704	1,868,365	2,168,019	1,890	2,562		2,973		2,707	10%
KASESE	682,728	646,128	635,675	738,235	1,018,742	931	1,081		1,492		1,401	7%
FORTPORTAL	792,850	755,940	1,014,654	1,250,548	1,576,300	1,280	1,577		1,988		1,832	9%
KABALE	556,570	524,428	935,509	1,242,411	1,471,085	1,681	2,232		2,643		2,595	2%
ARUA	623,395	645,894	1,249,036	1,546,427	1,802,557	2,004	2,481		2,892		2,104	37%
BUSHENYI	342,493	299,370	705,825	864,837	1,005,555	2,061	2,525		2,936		2,780	6%
SOROTI	745,938	663,298	1,149,507	1,684,062	1,990,540	1,541	2,258		2,669		2,503	7%
HOIMA	354,936	469,990	850,506	1,077,128	1,222,958	2,396	3,035		3,446		2,111	63%
MASINDI	435,380	429,705	824,841	1,190,750	1,369,631	1,895	2,735		3,146		2,630	20%
MUBENDE	355,493	363,356	711,298	886,295	1,032,354	2,001	2,493		2,904		2,267	28%
LUGAZI	243,452	215,181	521,629	619,491	719,516	2,143	2,545		2,955		2,394	
IGANGA	372,620	380,070	471,459	714,757	867,853	1,265	1,918		2,329		1,686	
						Average	Average		Average		Average	Average
TOTAL	75,540,488	70,452,640	75,172,043	92,696,536	123,731,530	995	1,227		1,638		1,455	13%



## Water Production and Billing Efficiency for the Period July 2010-June 2011

AREA	Water Supplied m3	Water Sold m3	Billing Efficiency (%)	NRW (%)
Kampala	53,947,482	32,777,161	60.8%	39.2%
Jinja	4,568,678	3,385,930	74.1%	25.9%
Entebbe/Kajansi	3,702,884	3,301,454	89.2%	10.8%
Tororo	696,702	628,974	90.3%	9.7%
Mbale	1,348,705	1,244,073	92.2%	7.8%
Mbarara	2,543,192	2,252,221	88.6%	11.4%
Masaka	1,440,046	960,674	66.7%	33.3%
Lira	1,053,339	916,288	87.0%	13.0%
Gulu	729,328	614,462	84.3%	15.7%
Kasese	682,728	564,672	82.7%	17.3%
Fort Portal	792,850	630,844	79.6%	20.4%
Kabale	556,570	506,642	91.0%	9.0%
Arua	623,395	566,397	90.9%	9.1%
Bushenyi/Ishaka	342,493	276,592	80.8%	19.2%
Soroti	745,938	637,916	85.5%	14.5%
Hoima	354,936	305,449	86.1%	13.9%
Masindi	435,380	388,166	89.2%	10.8%
Mubende	355,493	309,751	87.1%	12.9%
Lugazi	243,452	188,254	77.3%	22.7%
Iganga	372,620	307,243	82.5%	17.5%
Total NWSC	75,536,211	50,763,163	67.2%	32.8%
Total Other Areas	21,588,729	17,986,002	83.3%	16.7%



# Plant Capacity Utilisation as at June 2011

Area	Practical capacity m3/day	Total Water Produced m3	Average Production m3/day	Capacity Utilization (%)
Kampala/Mukono	165,000	53,982,345	147,897	90%
Jinja	30,600	5,688,194	15,584	50%
Entebbe/Kajansi	20,000	3,947,527	10,815	54%
Tororo/Malaba	5,267	787,739	2,158	40%
Mbale	12,000	1,436,566	3,936	32%
Mbarara	11,164	2,630,715	7,207	64%
Masaka	7,500	1,609,713	4,410	58%
Lira	8,700	1,320,469	3,618	41%
Gulu	3,000	778,119	2,132	71%
Kasese	2,400	706,561	1,936	80%
Fort Portal	2,520	825,606	2,262	89%
Kabale	2,600	621,455	1,703	65%
Arua	2,733	677,063	1,855	67%
Bushenyi/Ishaka	1,920	373,206	1,022	53%
oroti	8,256	883,448	2,420	29%
Hoima	3,000	373,176	1,022	34%
Masindi	2,640	469,085	1,285	48%
Mubende	2,748	375,156	1,028	37%
Lugazi	1,300	244,009	667	51%
Iganga	-	-	-	-
<b>Total</b>	<b>293,348</b>	<b>77,734,746</b>	<b>232,044</b>	<b>79%</b>



### Detailed Staff Levels as at June 2011

Area	Male	Female	% of Female / Total staff	Total Staff
Head Office	177	93	34%	270
Staff Returned to HQs	16	0	0%	16
Kampala Water	561	185	24%	746
Jinja	76	21	21%	97
Entebbe	59	28	32%	87
Mbarara	53	9	14%	62
Mbale	53	9	14%	62
Tororo	22	8	26%	30
Lira	30	7	23%	37
Gulu	26	3	10%	29
Soroti	26	6	18%	32
Arua	14	8	36%	22
Masaka	32	7	17%	39
Fort Portal	22	2	8%	24
Kasese	16	4	20%	20
Bushenyi / Ishaka	13	5	27%	18
Hoima	16	4	20%	20
Masindi	10	5	33%	15
Kabale	17	2	10%	19
Iganga	12	3	20%	15
Lugazi	08	5	38%	13
Mubende	13	5	27%	18
<b>Total</b>	<b>1,272</b>	<b>419</b>	<b>21%</b>	<b>1,691</b>



# Water Kiosks/Public Stand Posts Installed in FY 2010/11

Area	Budget 2010/2011 (Nos.)	Actual as at July-2010 June 2011	(%) Achieved
Kampala/Mukono	361	383	106%
Jinja	29	4	14%
Entebbe/Kajansi	6	0	0%
Tororo/Malaba	4	10	250%
Mbale	2	5	250%
Mbarara	13	0	0%
Masaka	2	4	200%
Lira	1	13	1300%
Gulu	1	1	100%
Kasese	2	0	0%
Fort Portal	1	1	100%
Kabale	0	23	0%
Arua	2	0	-
Bushenyi/Ishaka	0	0	-
Soroti	6	13	217%
Hoima	2	1	50%
Masindi	2	1	50%
Mubende	1	7	700%
Lugazi	0	0	-
Iganga	0	3	-
<b>Total NWSC</b>	<b>442</b>	<b>469</b>	<b>106%</b>



# Water Mains Extensions as at 30th June 2011.

Area	Budget for FY 2010/11	Actual July-2010 June 2011	% Achieved
Kampala/Mukono	74.3	67.5	91%
Jinja	5.8	11	190%
Entebbe/Kajansi	7.8	8	103%
Mbale	3	0	0%
Mbarara	5.9	11	186%
Tororo/Malaba	5.3	0	0%
Masaka	6.8	5.64	83%
Kasese	1	0	0%
Fort Portal	5	2	40%
Lira	2	2	100%
Gulu	2	2	100%
Kabale	5.6	0	0%
Bushenyi/Ishaka	3.1	0	0%
Soroti	5.1	0	0%
Arua	2.2	1	45%
Hoima	4.5	2	44%
Masindi	12.7	2	16%
Mubende	2.5	3	120%
Lugazi	2.6	2	77%
Iganga	4.5	4	89%
<b>Total</b>	<b>161.7</b>	<b>123.14</b>	<b>76%</b>



## New Water Connections in FY 2010/11

Area	Year's Target 2010/2011	New Water Connections July-2010 June 2011	Average/ month	% Achieved
Kampala	14,526	15,217	1,268	105%
Jinja	1,206	1,338	112	111%
Entebbe/Kajansi	1,483	2,203	184	149%
Tororo/Malaba	313	244	20	78%
Mbale	701	703	59	100%
Lira	903	756	63	84%
Gulu	586	714	60	122%
Masaka	545	480	40	88%
Mbarara	369	321	27	87%
Kasese	383	459	38	120%
Fort Portal	410	411	34	100%
Kabale	371	320	27	86%
Arua	443	354	30	80%
Soroti	160	177	15	111%
Bushenyi/Ishaka	411	462	39	112%
Hoima	301	286	24	95%
Masindi	271	310	26	114%
Mubende	216	320	27	148%
Lugazi	242	148	12	61%
Iganga	349	410	34	117%
<b>Total</b>	<b>23,992</b>	<b>25,633</b>	<b>2,136</b>	<b>107%</b>



## New Sewer Connections in FY 2010/11

Area	Year's Target 2010/2011	New Sewer Connections July-2010 June 2011	Average/ month	% Achieved
Kampala	67	97	8	145%
Jinja	44	26	2	59%
Entebbe/Kajansi	55	26	2	47%
Tororo/Malaba	7	5	0	71%
Mbale	30	34	3	113%
Lira	39	14	1	36%
Gulu	1	10	1	1000%
Masaka	17	7	1	41%
Mbarara	40	29	2	73%
Kasese	0	0	-	-
Fort Portal	3	3	0	100%
Kabale	5	7	1	140%
Arua	0	0	-	-
Soroti	0	0	-	-
Bushenyi/Ishaka	2	15	1	750%
Hoima	8	2	0	25%
Masindi	8	9	1	113%
Mubende	0	0	-	-
Lugazi	0	0	-	-
Iganga	15	17	1	113%
<b>Total</b>	<b>341</b>	<b>301</b>	<b>25</b>	<b>88%</b>



# Status of Water Accounts, Active, Inactive & Metered as at June 2011

Area	Total No. of Accounts	Active Accounts	Inactive Accounts	Metered Accounts	% Inactive	Metered A/c's as a % of total a/c's
Kampala/Mukono	162,226	141,754	20,472	162,116	12.6%	99.9%
Jinja	15,071	12,532	2,539	15,123	16.8%	100.3%
Entebbe/Kajansi	18,526	17,028	1,498	18,526	8.1%	100.0%
Tororo/Malaba	3,534	3,433	101	3,533	2.9%	100.0%
Mbale	8,014	7,403	611	8,014	7.6%	100.0%
Mbarara	10,180	10,038	142	10,038	1.4%	98.6%
Masaka	6,628	6,390	238	6,390	3.6%	96.4%
Lira	6,256	5,833	423	6,256	6.8%	100.0%
Gulu	4,328	4,179	149	4,328	3.4%	100.0%
Kasese	4,422	4,179	243	4,179	5.5%	94.5%
Fort Portal	4,843	4,544	299	4,843	6.2%	100.0%
Kabale	4,108	4,094	14	4,108	0.3%	100.0%
Arua	4,961	4,698	263	4,961	5.3%	100.0%
Bushenyi/Ishaka	1,834	1,739	95	1,834	5.2%	100.0%
Soroti	4,847	4,342	505	4,847	10.4%	100.0%
Hoima	3,415	3,180	235	3,414	6.9%	100.0%
Masindi	3,133	2,963	170	3,144	5.4%	100.4%
Mubende	2,359	2,293	66	2,359	2.8%	100.0%
Lugazi	1,421	1,200	221	1,421	15.6%	100.0%
Iganga	2,300	2,253	47	2,300	2.0%	100.0%
<b>Total</b>	<b>272,406</b>	<b>244,075</b>	<b>28,331</b>	<b>271,734</b>	<b>10.4%</b>	<b>99.8%</b>



# Status of Sewer Accounts as at June 2011

Area	Active Accounts	Inactive Accounts	Total
Kampala/Mukono	7,689	836	8,525
Jinja	2,645	.	2,645
Entebbe/Kajansi	201	.	201
Tororo/Malaba	338	23	361
Mbale	1,525	128	1,653
Mbarara	471	.	471
Masaka	387	22	409
Lira	284	49	333
Gulu	565	.	565
Kasese	0	.	0
Fort Portal	107	5	112
Kabale	516	68	584
Arua	0	.	0
Bushenyi/Ishaka	0	.	0
Soroti	388	.	388
Hoima	89	3	92
Masindi	115	12	127
Mubende	0	.	0
Lugazi	0	.	0
Iganga	87	4	91
<b>Total</b>	<b>15,407</b>	<b>1,150</b>	<b>16,557</b>



## Water/Sewerage Billings, Collections And Arrears As At June 2011

All figures in Shs 000'

Billings and collections are VAT inclusive

Billings comprise of water sales, sewerage charge and service charge

Area	Arrears At 01/07/10	Billings	Collections	Arrears At 31/06/2011	Collection Efficiency
Kampala/Mukono	21,376,146	89,905,028	87,926,394	23,305,865	97.8%
Jinja	4,433,821	9,982,468	9,279,050	4,989,562	93.0%
Entebbe/Kajansi	1,544,535	8,247,629	7,611,982	2,176,410	92.3%
Mbale	1,005,763	1,510,223	1,410,807	1,005,970	93.4%
Tororo/Malaba	1,690,547	3,605,813	3,362,002	1,877,343	93.2%
Masaka	1,767,206	5,994,309	5,095,284	2,517,538	85.0%
Mbarara	962,936	2,475,038	2,505,385	818,540	101.2%
Lira	1,003,097	2,239,739	2,142,778	971,297	95.7%
Gulu	977,906	1,758,740	1,490,290	1,217,564	84.7%
Kasese	280,837	1,227,609	1,216,729	294,336	99.1%
Fortportal	477,925	1,580,165	1,499,455	544,396	94.9%
Kabale	208,620	1,373,841	1,283,771	286,804	93.4%
Bushenyi	469,486	1,270,329	1,197,657	482,475	94.3%
Soroti	88,038	650,341	618,155	116,084	95.1%
Arua	677,134	1,571,641	1,496,253	700,753	95.2%
Holma	230,433	749,376	748,241	214,850	99.8%
Masindi	462,267	1,008,147	907,312	567,761	90.0%
Mubende	428,152	705,790	659,662	471,338	93.5%
Lugazi	67,810	412,798	379,898	94,509	92.0%
Iganga	182,605	670,029	633,270	218,553	94.5%
<b>TOTAL</b>	<b>38,335,274</b>	<b>136,939,054</b>	<b>131,464,382</b>	<b>42,871,949</b>	<b>96.0%</b>



### 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  
www.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 Area- Zonal Offices

#### Branch 1-City Centre

Tel: (+) 256 41 315600  
Mob: (+) 256 772 588 555

#### Branch 2- Kansanga-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

#### Zone 8- 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

#### Bunga

Mob (+) 256 717 619

#### Kajjansi

Tel: (+) 256 41 315 693  
Mob: (+) 256 772 498 158

#### Gayaza

Mob (+) 256 717 316 661

#### Nansana

Tel: (+) 256 41 315690  
Mob: (+) 256 772 409 007  
Mob (+) 256 717 316 690

#### Kanyanya

Mob (+) 256 717 316657

#### Kireka

Mob: (+) 256 717 316 669

#### Mattuga

Mob (+) 256 717 316645

#### Kyengera

Mob (+) 256 717 316 685

#### Salaama

Mob (+) 256 717 316846

#### Kasangati

Mob (+) 256 717 316 661

#### Kyaliwajjala

Mob (+) 256 717 315852



## 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

### Mbale Area-Elgon Water Partnership

Plot 49, Republic Street  
P.O. Box 2548 Mbale  
Tel: (+) 256 45 33709, 33742  
(+) 256 772 492285  
Fax: (+) 256 45 33742

### 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

### Fort Portal Area- Rwenzori Water Partnership

Water Works- Fort Portal  
P.O. Box 203 Fort Portal  
Tel: (+) 256 382 274423  
(+) 256 772 410043  
Fax: (+) 256 483 22606

### Tororo Area- Tororo Rock Water Supply

Plot 13, Bazaar Street  
P.O. Box 889 Tororo  
Tel: (+) 256 045 45105/45172  
(+) 256 772 564540  
Fax: 45105

### Lira Area-Lira Urban Water Partnership

Plot 10/12, Maruzi Road  
P.O.Box 243 Lira  
Tel: (+) 256 473 20111/20311  
(+) 256 772 458708

### Gulu Area-Gulu Water Partnership

Coronation Road  
P.O. Box 167 Gulu  
Tel: (+) 256 471 32381  
(+) 256 772 543346

### Mubende Area

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

### Masindi Area

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

### 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

### Mbarara Area- Rwizi Water Partnership

Plot 3, Galt Road  
P.O. Box 1371 Mbarara  
Tel: (+) 256 485 20723  
(+) 256 772 468828  
Fax: (+) 256 485 21304

### Kasese Area- Margherita Water Partnership

Rukidi Street  
P.O. Box 353 Kasese  
Tel: (+) 256 39 548282  
(+) 256 772 299590  
Fax: (+) 256 483 44876

### Soroti Area- Soroti Water Supply

Plot No.1, Station Road  
P.O. Box 377 Soroti  
Tel: (+) 256 45 61968/ 61306  
(+) 256 772 489607  
Fax: (+) 256 45 61968

### Bushenyi Ishaka Area- Nyaruzinga Bushenyi Water

Tank Hill- Bushenyi  
P.O. Box 339 Bushenyi  
Tel: (+) 256 485 42339/43245  
(+) 256 772 329680

### Arua Area-Nile Water

Plot 13/15, Pakwach Road  
P.O. Box 980 Arua  
Tel: (+) 256 039 672979  
(+) 256 772 798501

### Kabale Area-Bunyonyi Water Partnership

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

### Hoima Area

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



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