



National Water and Sewerage Corporation

Annual Report 2002/2003

TABLE OF CONTENTS	PAGE
Corporate Profile	2
Board of Directors	3
Chairman's Statement	4
Corporate Performance	
Introduction	6
Operating Strategies	6
Operating Performance	7
Financial Performance	14
Performance of Donor Funded Projects	16
Overview of the future	18
Financial Statements	
Corporate Information	20
Report of the Directors	22
Statement of the Directors' Responsibilities	26
Auditor General's Report	27
Balance Sheet	29
Income Statement	30
Statement of changes in Equity	31
Cashflow Statement	32
Notes to the Financial Statements	33
Appendices	50

CORPORATE PROFILE

The National Water and Sewerage Corporation (NWSC) was initially established under Decree No. 34 of 1972, following an earlier study which recommended the corporatised national model as the most efficient option for the delivery of water and sewerage services in the large urban centre of Uganda.

At its inception in 1972, the Corporation operated the three major towns of Kampala, Jinja and Entebbe. In 1995, the Corporation was re-established under the National Water and Sewerage Statute, 1995, with the main objective of converting the Corporation into a commercialised venture.

Over the last five years, the Corporation has undergone tremendous structural, operational and financial improvements. The Corporation is now one of the most efficiently run water utilities in East Africa producing approximately 51 million cubic metres of water per annum in 15 key towns across the country, and serving a market of about 2 million people.

In order to respond to the competitive economic environment and operate more efficiently, the Corporation has been restructured by creating leaner and more effective functional units.

The total staff complement now stands at 949 down from 1,737 in 1998, while staff productivity has improved from 36 to 11 staff per thousand water connections over the same period. Training has been carried out at all levels of management resulting into a motivated and professional workforce which includes engineers, accountants and those with higher degree qualifications.

Since 1998, the Kampala Water and Sewerage Service Area, which accounts for about 70% of the NWSC's activities, has been contracted out to private operators. The first management contract with H.P. Gauff Engineers of Germany ended in June 2001. In February 2002, a new operator, ONDEO Services from France was engaged under the second management contract to run the water and sewerage services in Kampala.

Alongside the Private Sector Arrangement in Kampala, the NWSC management signed a three year Performance Contract with the Government of Uganda in 2000. As a means of operationalising the Contract, the NWSC management signed Area Performance Contracts (APC's) with the management of each service Area. The implementation of these contracts have realised tremendous improvements in the operational status of the areas.

The Private Sector Initiatives and Contract Management Framework has been backed by successive short-term strategies which started in 1998 with the 100-Days Programme, followed by the Service Enhancement and Revenue Programmes (SEREPs), and later still in 2003, by the Stretch –out Programme.

With these developments, NWSC has firmly established itself as the Pride of the Water Sector in Uganda and is looking forward to effective participation in the urban water and sanitation sector in the years to come.

BOARD OF DIRECTORS

BOARD OF DIRECTORS



Chairman, Board of Directors
Mr. Samuel Labejo Oke



Managing Director
Dr. William Torina Makuwa



Vice Chairman
Eng. Yorokunmi Katwrens



Dr. Zaiub Akol



Mrs. Sarah Nabachwa
Mungali



Dr. Abdullahi Shier



Mr. Gabriel Oyo



Mr. Stephen Kabuye



Eng. Sere Borekama



Mr. David Kakabu
Corporation Secretary



Mr. David Swebati
Ex-Officio Member



CHAIRMAN'S STATEMENT

The principal objective of the National Water and Sewerage Corporation (NWSC) is to provide water and sewerage services of excellent quality to our customers in a cost effective manner.

We believe that the best way to realise that goal is to continuously improve our operational and financial performance.

On behalf of the Board, I am therefore pleased to report that the year ended June 2003 was that of significant achievement for the National Water and Sewerage Corporation.

NWSC's turnover for the year ended June 2003 showed an increase of Shs 3.1 billion from shs 34 billion in the previous financial year, to Shs 37 billion. The Corporation achieved an operating profit before depreciation of Shs 8.1 billion which represents an increase of 16% over the previous year's shs 7 billion. Most of all, for the first time since 1997, the Corporation has been able to post a substantial operating profit of Shs 778 million after depreciation. Although this is a modest achievement by other standards, the ability of a water utility to cover all its operating costs is in this industry a commendable achievement. For the NWSC, this is the beginning of a realisation of the long-term turn-around strategy started in the financial year 1998/1999. We are therefore confident that in the next years to come, the Corporation shall continue to cover all its costs and to post more and more profits.

During the year, the Corporation continued with the implementation of the management contract in the Kampala Water Supply and Sewerage Service Area (KWSSA). The indicators so far show that the contract is on course and is expected to yield valuable output by way of increasing efficiency of operations and revenue for Kampala area specifically and for the Corporation as a whole.

The short term strategies started in the year 1998 remain the backbone of the Corporation's performance drive. This financial year, a new management improvement Concept known as the Stretch-out-programme was implemented through-out the Corporation with remarkable beneficial results.

Our rehabilitation and expansion projects which are being undertaken with assistance from the Government of Uganda and donors, have continued during the year. The Jinja/Njeru project funded with assistance from IDA, was completed resulting into the laying of 40 kms of mains and the connection of about 1,300 new customers in the two urban areas. In addition, the Kabale Water and Sanitation Project, funded by the German Government through KfW, was commissioned by H.E. The President on 23rd January 2003. As a result, supply of water to the 45,000 inhabitants of Kabale was significantly improved, and for the first time more people in Kabale were able to access clean piped water supply and better sewerage services.

I, on behalf of the Board, thank the Ministry of Water, Lands and Environment, and that of Finance Planning and Economic Development for their guidance and continued support in the development of the Corporation.

For the achievements of the financial year 2002/03, we are indebted to our development partners, the IDA, the German Government, through KfW, and the EU for their continued support to the Corporation.

Last but not least, a special word of gratitude goes to the employees of the Corporation who are the most important resource, and have competently handled all the demands from increased activities within the NWSC. In this regard, during the financial year 2002/2003, a program was drawn up and implemented by management to recognise and value every employee's contribution to the Corporation.

A handwritten signature in black ink, appearing to read 'S. L. OKEC', written in a cursive style.

S. L. OKEC

Chairman, Board of Directors

CORPORATE PERFORMANCE FOR THE FINANCIAL YEAR 2002/2003

Statement of the Managing Director .

INTRODUCTION

In accordance with the NWSC Statute 1995, I am again pleased to report a number of major operational and financial achievements made by the National Water and Sewerage Corporation in the year ended June 2003.

Overview of Performance 2002/2003

The end year ended June 2003 coincided with the conclusion of the second corporate planning cycle and the Performance Contract signed with the Government in 2000. Our evaluation of the performance of the Corporation showed a continued turnaround of the operational and financial performance of the NWSC coupled with increased expansion of services to customers. For the first time in the last 6 years, the NWSC was able to substantially cover all its operating costs including depreciation, and to post a surplus. All indications are that the NWSC operations are beginning to reach best practice levels as demonstrated by the increase in new connections at a rate of about 13% per annum, the staff per thousand connection ratio of 11, and the meter coverage of about 95%.

OPERATING STRATEGIES

The strategies that were undertaken in the financial year 2002/2003 included:

Performance Contracts

The Corporation continued with the implementation of activities stipulated within the Performance Contracts with the Areas and Support Service sections. The periodic reviews of these contracts have realised great strides in the performance of the Corporation.

Stretch-out Programme.

In order to consolidate and surpass the achievements made with the implementation of the Performance Contracts, the NWSC, adopted a new tactical strategy referred to as the "Stretch-Out Programme". The programme is aimed at raising the bar for all performance indicators within the Corporation so as to ensure accelerated achievement of performance objectives. The programme aims at introducing a new approach to work in the Corporation and is based on the principles of reduced bureaucracy, increased speed of work, Simplicity, Selfconfidence, Worker involvement, Organisational Boundarylessness, and Stretched targets, which are far above SMART targets.

Private Sector Participation in the Kampala Area

During the FY 2002/2003, management reviewed the management services contract in the Kampala Area with the objective of streamlining and ensuring continued benefits from the private manager (ONDEO Services Limited). The contract has been running for about 16 months and has realised a number of successes in terms of customer growth and billings.

OPERATIONAL PERFORMANCE 2002/2003

Water Production and Sewerage Services

During the financial year 2002/2003, total water production increased from 46.9 million cubic meters to 51.4 million cubic meters per annum or an increase of 4.5 million cubic meters. Capacity utilisation was maintained at 65% over the same period, however, areas such as Entebbe, Kampala and Gulu had capacity utilisation of over 80%, and plans are already underway to expand production in these areas. The quality of water produced conformed to the Uganda National Standards (i.e. National Standards for Potable Water 1994), and were in line with World Health Organisation guidelines.

In regard to sewerage services, the sewage effluent was remarkably improved. Although the number of sewer connections increased by about 104 during the year, there was a four fold increase of sewer tankers emptying into the NWSC's Bugolobi Sewerage Treatment Plant. This signified that though many people rely on on-site sanitation facilities, the treatment is still passed on and carried out by the NWSC. During the year, the NWSC also commenced the Sanitation Master Plan Study for Kampala, and it is envisaged that the recommendations of the Study will provide the framework for improving sanitation services in all the NWSC operated towns.

Table 1: Capacity Utilisation Year Ended June 2003.

AREA	Practical capacity m3/day	Average Production m3/day	Capacity Utilisation %
Kampala	117,270	100,449	86%
Entebbe	6,730	6,612	98%
Jinja	24,000	10,645	44%
Tororo	5,914	2,555	43%
Mbale	14,408	4,166	29%
Masaka	10,197	2,510	25%
Mbarara	6,382	4,294	67%
Lira	8,586	1,668	19%
Gulu	1,579	1,338	85%
Kasese	2,368	1,127	48%
Fortportal	2,171	1,221	56%
Kabale	3,600	1,071	30%
Arua	5,400	1,091	20%
Bushenyi	960	520	54%
Soroti	5,529	1,510	27%
Total NWSC	215,094	140,776	65%
Total excluding Kampala	97,824	40,327	41%

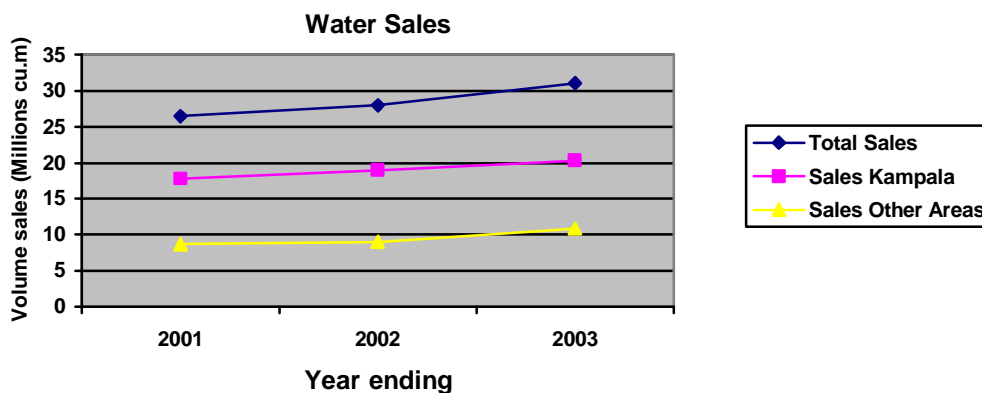
Water Distribution

The NWSC continued with its drive to expand its network primarily through the use of its internally generated funds. The total network length increased during the year from 1,846 km to 2,200 km or an increase of 354 kms. Apart from the 80 kms carried out with the assistance from our development partners, all mains extensions were financed from the internally generated funds. Significant extensions were made to the peri-urban areas in Kampala including areas such as Bunamwaya, Seguku, Lubowa and along Gayaza Road.

During the year, the volume of water sold increased from 28 million cubic meters to 31.1 million cubic meters or an increase of 11%. This showed a significant increase in the water consumed and therefore an increase in population served.

Table 2: Sales Volume : Millions Cubic Meters

Year	2000/01	2001/02	2002/2003
Sales Kampala	17.8	19.0	20.3
Sales Other Areas	8.7	9.0	10.9
Total sales	26.5	28.0	31.2

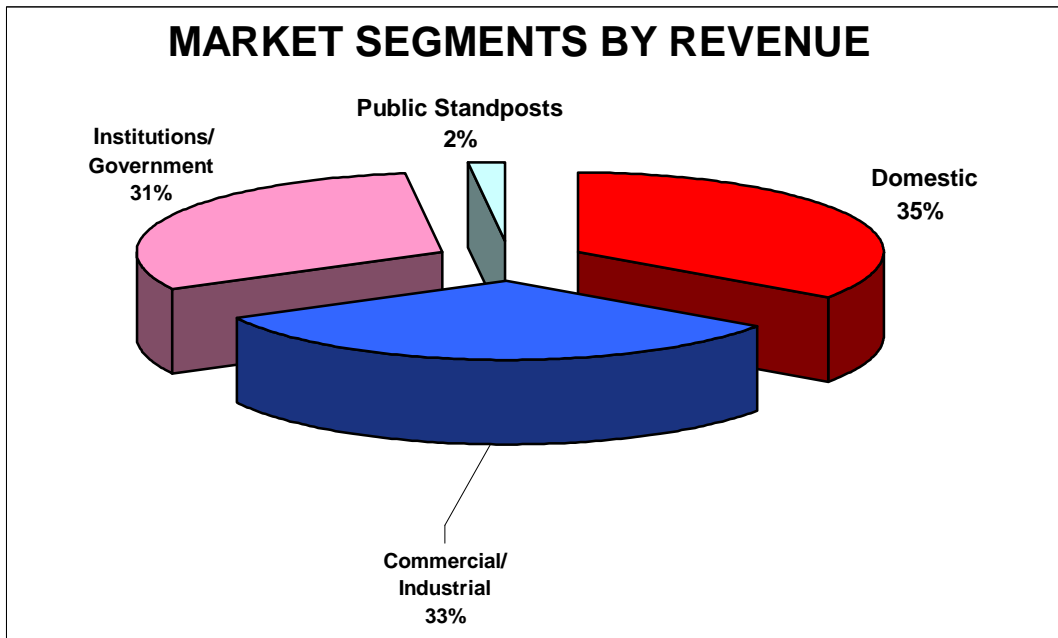


Market Segments

In terms of the volume of sales, the domestic customers comprise the largest segment and account for 47.2% of the NWSC's total sales, followed by Institutions/Government (28%) and the Industrial and Commercial sector (20%). The table and chart below summarise the status of the NWSC market. In terms of connections, the domestic customers still constitute the largest customer base accounting for 83% of the total accounts followed by the Industrial and commercial customers 10%. The NWSC takes cognisance of its market and strives to expand its supply to the ever growing urban populations. Currently the drive is to improve services to the urban poor, and to the peri-urban settlements. This is to be achieved in part through a new connections policy.

Table 3: Ratio of Customer segments to Total connections and Total sales

Consumer category	Connections No.s	(%)	Volume consumed M ³	(%)	Revenue Millions shs	%
Public Standposts	2,615	3%	1,464,115	4.7%	672	2%
Domestic	72,353	83%	14,703,451	47.2%	11,661	34.7%
Institutional/Government	3,487	4%	8,660,084	27.8%	10,350	30.8%
Industrial/Commercial	8,717	10%	6,323,730	20.3%	10,922	32.5%
Total	87,172	100%	31,151,380	100%	33,605	100%

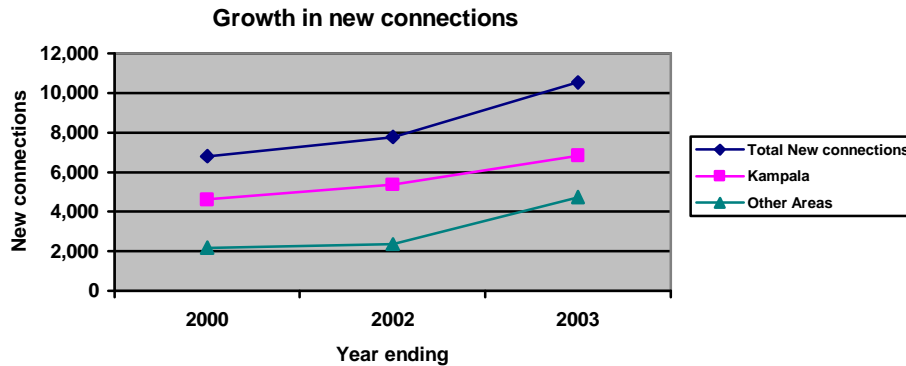


New Connections

During the financial year 2002/2003, a total of 11,548 new connections were made a growth of 15% from the previous year. The new connections were as a result of the increased network coverage. The table and graph below show the customer growth during the last three years. The majority of new customers were in the domestic category, which represents about 80% of the total customer growth.

Table 4: Growth of New Connections

Year	2000/01	2001/02	2002/2003
New Connections Kampala	4,621	5,390	6,821
New Connections Other Areas	2,177	2,374	4,727
Total New Connections	6,798	7,764	11,548



The new connections during the year resulted into an increase in the customer base from 75,624 to 87,172 connections.

Public Standposts

The NWSC provides potable water for the less privileged members of society through the kiosk or public standpipe system. During the year, a total of 277 new water kiosks/public standposts were erected representing a growth of 12%.

However, based on the findings of a study¹ carried out to assess how services to the poor can be improved, it was established that the stand posts have clear disadvantages which include long distances people have to walk to the stand posts, and high unit prices i.e. Shs 50 to Shs 100 for a 20 litre jerrycan of water, which results into people resorting to other water sources such as wells and springs which may be contaminated. On the other hand, the study established that yard taps were emerging as a promising means of supplying water to low income areas based on the merit that a household which has a yard tap provides good opportunities for on-selling of water to the neighbours. By increasing the number of yard connections and on selling in an area, it was established that price of water to the end user could be reduced through competition. Management is studying the recommendations in a bid to establish the best way forward. However in the interim, the erection of standposts will continue as the practical alternative to serving the poor.

¹ Poverty Impact Assessment of Privatisation of the Urban Water Sector in Uganda – Improving Water Services for the Urban Poor through Sector Reforms, Final Report, prepared for the Utility Reform Unit and Department for International Development by Maxwell Stamp PLC.

Table 5: New Water Standposts/Kiosks Erected

Year	2000/2001	2001/2002	2002/2003
New Kiosks	83	68	277
% Growth	4%	3%	12%

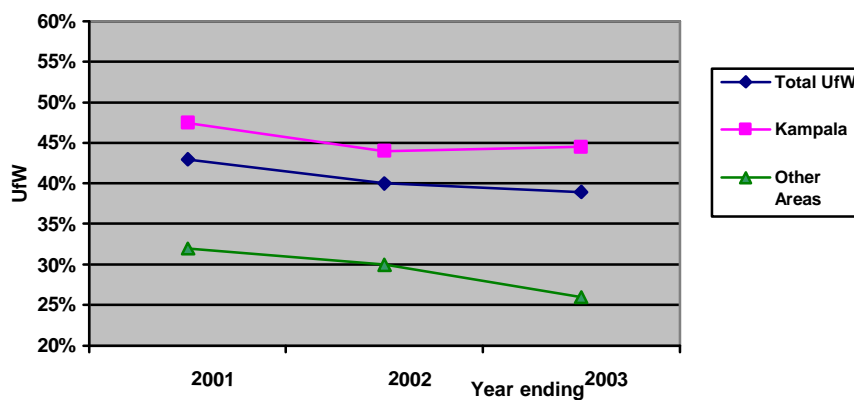
Reduction in Unaccounted for Water

During the year, the NWSC managed to reduce the level of unaccounted for water (UfW) from 40% to 39%. In Kampala, the UfW averaged about 44.5% while in the other areas UfW was at an average of about 26.7% down from 30% in the FY 2001/2002.

Table 6: Unaccounted for Water Trends

Year	2000/01	2001/02	2002/2003
Total UfW	43%	40%	39.4%
Kampala	47.5%	44%	44.5%
Other Areas	32%	30%	26.7%

Unaccounted for Water Trends (2001-2003)



Service Coverage

During the period 2002 to 2003, the service coverage increased from 60% to 63% for water. The table below shows the water coverage as at June 2003. As mentioned in this report, this was enabled through the conscious efforts to expand the NWSC network.

Table 7: Water Supply Coverage As at 30th June 2003

Town	Total No. of Connections	Pipe Network (Kms)	Target Population	Population Served (water)	% Served (Water)	% Served (Sewerage)
Kampala	52,611	992	1,208,544	749,297	62%	8%
Jinja	7,837	216	139,034	104,276	75%	29%
Entebbe	4,052	121	57,518	34,511	60%	4%
Tororo	1,739	61	42,473	26,333	62%	7%
Mbale	3,496	134	70,437	43,671	62%	30%
Masaka	2,561	96	61,300	44,136	72%	9%
Mbarara	3,800	98	69,208	53,982	78%	6%
Lira	1,608	106	89,871	50,328	56%	2%
Gulu	1,556	46	113,144	78,069	69%	5%
Fort Portal	1,756	67	40,605	27,205	67%	2%
Kasese	1,534	49	53,446	40,619	76%	0%
Kabale	1,453	86	45,757	22,879	50%	10%
Arua	1,076	49	45,883	18,353	40%	0%
Bushenyi/Ishaka	597	31	23,180	7,186	31%	0%
Soroti	1,496	48	41,470	13,270	32%	2%
Total	87,172	2200	2,101,870	1,314,115	63%	9%

*Population figures are derived from 2002 Population and Housing Census Provisional Results (Uganda Bureau of Statistics, 2003)

Note: Population coverage is based on the following number of people served per connection:

Domestic.....8 Persons/household/connection
 Standpipe.....25 households (each 8 persons)
 Institutions: Small towns.....100 persons/Institution per connection
 Medium towns.....500 persons/Institution
 Large towns.....1,000 persons/Institution

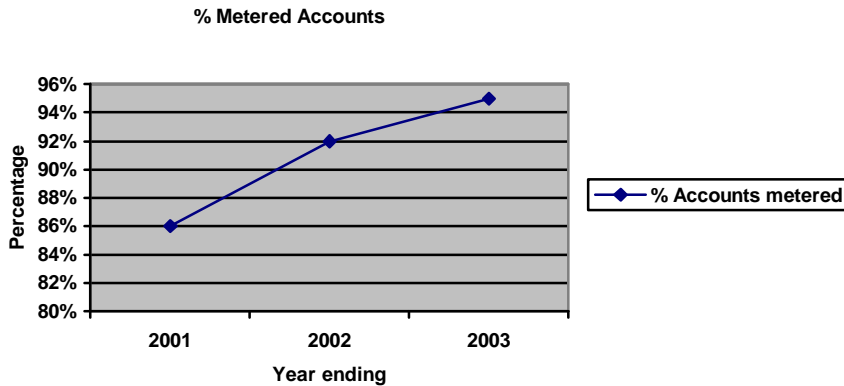
Despite the improvement, the UfW in Kampala remains high due to the age of the network especially in the old city centre, and the vulnerability of the system to illegal connections. The problem in Kampala is to be addressed with the implementation of the Kampala Network Rehabilitation Project. In addition, the Corporation is to improve its commercial and billing systems and carry out a systematic customer survey aimed at establishing the status of connections in the Kampala area (suppressed and inactive accounts). The Project is to be jointly funded by the German Government (through KfW) and the National Water and Sewerage Corporation.

Meter Coverage.

By the end of June 2003, a total of 82,698 accounts were metered out of 87,172 or 95% meter coverage. This compares favourably to the previous financial year where by 68,768 accounts (92% of total accounts) were metered.

Table 8: Metered Accounts

Year	2000/01	2001/02	2002/2003
Metered Kampala	35,138	42,249	48,952
Metered Other Areas	21,813	26,519	33,746
Total metered	56,951	68,768	82,698
Total Accounts	66,104	74,797	87,172
% Metered Accounts	86%	92%	95%



Staff Rationalisation

The Corporation had 889 employees as at June 2002. By 30th June 2003, staff had increased to 949 staff (See appendix 3). The staff increase in the year were mainly due to take over of the new towns of Arua, Soroti and Bushenyi. However staff productivity improved from 12 to 11 staff/1000 connections during the year.

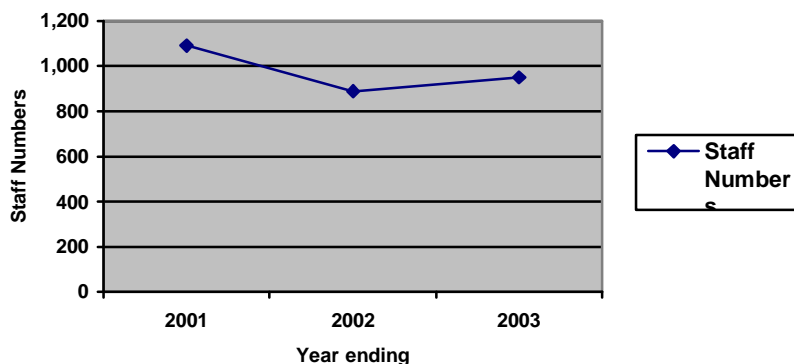
The growth in staff numbers in the year 2002/2003 was largely due to the take over of new towns and recruitments due to increase in the level of commercial activities.

Staff Training

Table 9: Staff Productivity Trends.

Year	2000/01	2001/02	2002/03
Staff Numbers	1,092	889	949
Staff/000 water connections	16	12	11

Staff Trends



During the year, the Corporation continued with its staff training policy considering that the staff are the single most important resource of the Corporation. Staff at all levels underwent training related to their job descriptions, and the training included:

Masters Programmes/Postgraduate Studies, Professional Programmes e.g. ACCA, ICASA, CPA, Conference/Workshops, In-House Programmes, Short-Term World Bank Programmes in Washington IP3, Crown Agents (U.K) and Part time Evening Programmes.

Emphasis was on short term training aimed at imparting specialized skills. The Top and senior management staff were trained in managing Private Sector Partnerships through regulation and contract management courses, while the middle level staff were trained in computer and accounting skills. Leadership and supervisory skills were also some of the courses to which both senior and middle managers were exposed too.

Customer Service Initiatives

Using the new slogan “The Customer is the Reason We Exist” the Corporation continued to improve its public image and to create mutual trust and respect with the general public through the media. The Corporation also launched an interactive website, www.nwsc.co.ug through which regular information is disseminated to and received from customers.

In its quest to strengthen customer services, the NWSC established a new Division, “the Commercial and Customer Services Division” to oversee the implementation of Commercial and billing activities. The division is among other responsibilities mandated to take care of customer care initiatives as well as the expansion of the customer base.

In addition, Customer care units were established in most areas, and job descriptions for customer care staff were provided. Training in customer care was conducted for Commercial Assistants, Front Desk Officers, plumbers, and cashiers from all areas.

FINANCIAL PERFORMANCE 2002- 2003

Revenue Improvement

We are happy to report that during the year ended June 2003, the annual turnover increased from Ushs 34 billion to Ushs 37 billion in the FY 2002/2003, a growth of 9%. In addition, the

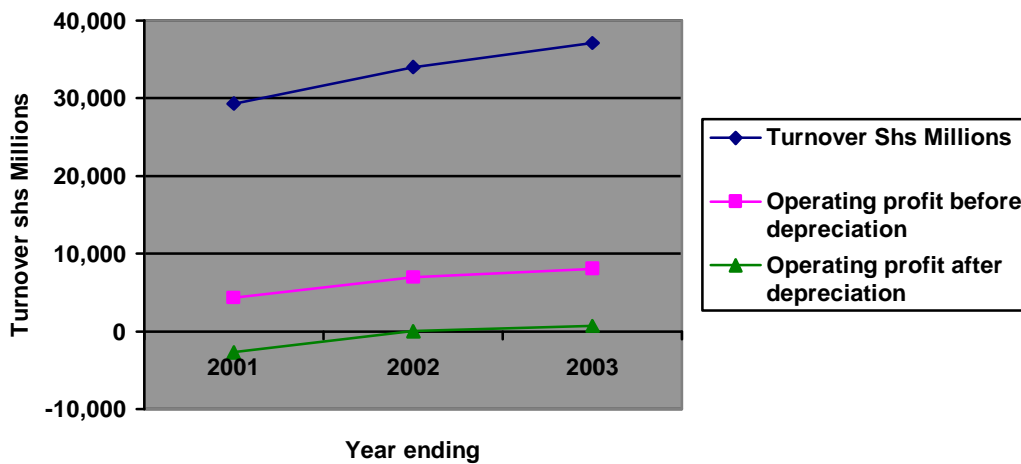
operating profit before depreciation increased by 14% from Shs 7 billion to Shs. 8 billion in financial year ending June 2003.

However, of utmost achievement is the fact that for the first time in over 6 years, the Corporation was able to substantially cover its total costs including depreciation, and post a surplus of about Shs 778 million. Although this is a modest achievement, the ability of a water utility to cover its costs including asset replacement is a very significant improvement which points towards the beginning of our financial turnaround.

Table 10: Turnover in Shs. millions

Year ending 30 June	2001	2002	2003
Turnover	29,297	34,054	37,140
% Growth	13%	16%	9%
Operating Profit before depreciation.	4,369	7,021	8,072
Operating Profit after Depreciation (excluding exceptional item)	-2,620	36	778

Growth in Turnover/Operating profit



PERFORMANCE OF DONOR FUNDED PROJECTS 2002/2003

Infrastructure Growth

The NWSC is a beneficiary of donor funds from both multi-lateral and bilateral sources. The sources include the IDA, EU, the German Government through KfW and GTZ, the French Government. During the period 2002 to 2003, the following projects were accomplished or were in progress.

Small Towns Water and Sanitation Project Part B: Jinja/Njeru

The rehabilitation and expansion of Jinja/Njeru Water and Sewerage systems was completed during the financial year 2002/2003 with funding from IDA. The project resulted in the laying of a total of 40km of water mains extensions, which covered the Njeru Area, and, a total of 1300 connections were installed. The water supply is now sufficient to cover the population in the Jinja/Njeru area up to 2010.

Kabale Water Supply and Sewerage Project

In Kabale, the Water Supply and Sewerage systems were refurbished and expanded with funding from the German Government through KfW. Works were completed in October 2002. The works entailed the construction of a new intake, water works, sewerage treatment plant and the rehabilitation and expansion of the water and sewerage network. A total of 7.8 km transmission mains, 33 km of distribution mains, and 22.5 km of service pipes were extended by the project. The project was commissioned on January 23rd 2003 by H.E. the President. The new system is adequate for the present population of about 45,000 people and will also be adequate for the projected 2015 population of about 60,000 people.

Gaba I Rehabilitation Project

The Gaba 1 Water production plant was refurbished with funding from the EU under Phase I of the project. The project resulted into an increase of water production for Gaba I water works from 30,000 cu.m per day to 40,000 cu.m per day. The works were commissioned in May 2002.

Entebbe Water Supply and Sewerage Rehabilitation Project

During the year ended June 2003, the feasibility study for Entebbe Water Supply and Sewerage Expansion project was completed. The financing agreement for the project was signed between the Uganda and the Germany Government in the month of July 2002. Civil works are due to start in the first quarter of the year 2004.

Gaba I Rehabilitation: Phase II

As a follow up to phase I of the Gaba I rehabilitation project, the EU agreed to fund the phase II to the tune of 2.5 million Euro. The project was launched in March 2003 and will increase the production capacity from 40,000-cu.m/per day to 55,000 cu.m/per day.

Peri Urban Extensions Project

During the year 2002/03, water mains extensions in Kampala were made to the periurban areas with funding from the NWSC's own internally generated resources, and in conjunction with the Kampala City Council. Extensions were made to the suburbs of Bunamwaya, Seguku, Kajjansi, Lubowa and Gayaza.

Kampala Sanitation Master Plan Project

During the year under review, funds were obtained from the Germany Government through KfW to carry out a sewerage Master Plan for Kampala. The study commenced in February 2003 and will last for 18 months. The findings of the study will provide a framework for the implementation of down stream activities.

Kampala Network Rehabilitation Project.

Under the Management Services Contract in Kampala, the Germany Government through KfW provided funding for the rehabilitation of the network and other related investments which will reduce on systems losses in Kampala. Funds amounting to 3.3 million Euro were earmarked for this purpose and implementation started during the reporting period.

Gaba III Water Project

During the reporting period, ground work was started to construct a new water production plant at Gaba, i.e. Gaba III, with funding from the Germany Government under a turnkey arrangement. The project will result into additional 80,000 cu.m of water per day. The Contract for the consultancy services was signed in August 2002, and it is envisaged that construction works will commence in the first quarter of the year 2004.

OVERVIEW OF THE FUTURE

In the current competitive environment, the main focus of the NWSC for the years to come will be to maintain the improvements in its operations and financial situation. At the same time, we intend to re-align our functions in order to be more productive and commercially oriented.

Key considerations will be maintaining of the financial viability of the Corporation and building on the successes of the previous enhancement programmes.

At the Corporate level, the strategies to be adopted will include:

- ? The continuation of the enhancement programmes aimed at harnessing increased productivity at all levels. These will include the One-Minute Manager Concept which emphasises the three secrets of One-Minute Goal setting, One-Minute Praise, and One-Minute reprimands.
- ? The renewal of the Performance Contract with Government for a further three years effective November 2003.
- ? The strengthening of headquarter supervisory roles, and the transformation of the Area Performance Contract's into Area Management Contract's. This is aimed at harnessing efficiency, performance improvements, and customer satisfaction.
- ? The review and strengthening of the Management Services Contract in the Kampala Water Supply and Sewerage Service Area.

At the functional level, the NWSC will further enhance its performance by improving its commercial and customer care activities, with specific emphasis on reducing the number of suppressed accounts, and implementing a pro-poor strategy. Technical objectives will include the reduction of UfW especially in Kampala, and the replacement and expansion of its infrastructure using more of its internally generated funds and with donor assistance.

As earlier on mentioned, the staff of the Corporation remain the single most important resource. Hence the human resource factor will be a key consideration for the future of the NWSC operations. The NWSC will continue with its training policy in a bid to add value to its staff, and will continue to motivate its staff through a humane welfare strategy.

We once again wish to thank our stakeholder partners who include our customers, for their continued collaboration, the Ministry's of Finance Planning and Economic Development and that of Water, Lands and Environment for their continued guidance and support, and the donor community for their financial assistance.

We thank you all and look forward to serving you better



DR. WILLIAM TSIMWA MUHAIRWE
Managing Director

**NATIONAL WATER AND SEWERAGE CORPORATION
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2003**

CONTENTS	PAGE
Corporation Information	1-2
Report of the Directors	3-6
Statement of Directors' Responsibilities	7
Auditor General's Report	8-9
Balance Sheet	10
Income Statement	11
Statement of Changes in Equity	12
Cash Flow Statement	13
Notes to the Financial Statements	14-29
Appendices	30-48

**NATIONAL WATER AND SEWERAGE CORPORATION
CORPORATION INFORMATION
YEAR ENDED 30 JUNE 2003**

PRINCIPAL PLACE OF BUSINESS AND REGISTERED OFFICE

Plot 39
Jinja Road
P O Box 7053
Kampala

BANKERS

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

Stanbic Bank Uganda Limited (formerly Uganda Commercial Bank Limited)
Plot 12 Kampala Road
P.O. Box 973
Kampala

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

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

Citibank (Uganda) Limited
Plot 4, Centre Court
Ternan Avenue, Nakasero
P.O. Box 7505
Kampala

SOLICITORS

Central Law Offices
Plot 89, Buganda Road
P.O. Box 2475
Kampala

Katende Ssempebwa and Company Advocates
Radiant House
Plot 20, Kampala Road
P O Box 2344
Kampala

**NATIONAL WATER AND SEWERAGE CORPORATION
CORPORATION INFORMATION (Continued)
YEAR ENDED 30 JUNE 2003**

SECRETARY

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

AUDITORS

Ernst & Young
Ernst & Young House
Plot 18, Clement Hill Road
P O Box 7215
Kampala

**NATIONAL WATER AND SEWERAGE CORPORATION
REPORT OF THE DIRECTORS
YEAR ENDED 30 JUNE 2003**

The directors present their report and audited financial statements for the year ended 30 June 2003.

ACTIVITIES

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

RESULTS

	2003	2002
	Ushs '000	Ushs '000
Operating profit before depreciation and exceptional item	8,071,783	7,021,295
Depreciation	<u>(7,293,669)</u>	<u>(6,984,994)</u>
Operating profit before exceptional item	778,114	36,301
Exceptional item – asset impairment	<u>—</u>	<u>15,488,502</u>
Operating profit	778,114	15,524,803
Net finance costs	<u>(11,799,537)</u>	<u>(9,494,895)</u>
Net profit/(loss)	(11,021,423)	6,029,908
Taxation	<u>6,034,890</u>	<u>3,015,041</u>
(Loss)/profit for the year	<u>(4,986,533)</u>	<u>9,044,949</u>

Operating Profit Before Depreciation and Exceptional Item

The Corporation recorded an increase in operating profit before depreciation of approximately Shs. 1.1 billion, an improvement of 15% over the last year.

Operating Profit before Exceptional Item

The operating profit before exceptional item was approximately Shs. 778 million (Shs. 36 million in the previous year). This implies that for the first time in the last six years, the Corporation has been able to substantially cover all its operating costs.

INCOME

Water Consumption and Sewerage Service Incomes

Water consumption and sewerage income increased by 8% from approximately Shs. 28.4 billion to Shs. 33.6 billion in 2003. This is attributed to the increase in customer numbers due to intensification of the network system. The continuation of Area Performance Contract (APCs), started in the previous year, played a key role in improving the financial performance of the Corporation. In addition to the APCs a new performance enhancement programme, the stretchout programme was introduced during the financial year under review. The object of this programme was to promote participation of all employees in all areas of operation in order to achieve performance excellence.

NATIONAL WATER AND SEWERAGE CORPORATION

REPORT OF THE DIRECTORS

YEAR ENDED 30 JUNE 2003

Other Incomes

In the previous year, Government grants for financing the retrenchment programme totalled approximately Shs. 3.2 billion. In the current year, this contribution amounted to Shs. 1.9 billion; a decrease of approximately Shs. 1.3 billion. No grant was realized in respect of Gaba 1 Refurbishment (Shs. 0.8 billion in 2002). The total revenue from other incomes therefore decreased by approximately Shs. 2.3 billion.

OPERATING COSTS

Staff Costs

Staff numbers increased marginally from 889 employees to 949. The increase was due to additional staff taken over in the new towns of Arua, Soroti and Bushenyi. Despite the marginal increase, however, staff productivity increased from 12 to 11 staff per 1000 connections. Staff costs decreased by Shs. 2.5 billion from Shs. 10.5 billion to approximately Shs. 8.0 billion. This is partly because, of the total NWSC staff, some 213 were seconded to the private operator in Kampala Area and the corresponding costs were met from the management fees paid to the contractors.

Administrative Expenses

Management fees for the Kampala Water & Sewerage Service Area (KWSSA) increased by approximately Shs. 2 billion from Shs. 2.1 billion to Shs. 4.1 billion due to the fact that in the previous year, the contract had operated for only four months; the contract having commenced in February 2002.

The geographic spread of the Corporation's branches necessitates regular travels to and from the Head office for supervision and management purposes. During the financial year in particular, additional travels were required for mobilizing staff in all areas in seminars and evaluation workshops under the stretch-out programme.

Static Plant and Pipe Network Maintenance

Static plant and pipe network maintenance costs increased by approximately Shs. 640 million in the previous year to approximately Shs. 7.2 billion. The increase is mainly attributed to the rise in the cost of electricity in the treatment works – up from Shs. 3.9 billion to Shs. 4.7 billion. The rise reflects the increase in the volume of operations and, partly, increased output associated with the operation of two new towns of Soroti and Arua acquired during the year under review.

Supplies and Services

Supplies and services costs increased by approximately Shs. 360 million. The increase was largely the result of increasing cost of chemicals, which is associated with exchange fluctuation and increased output due to the two new towns taken over by NWSC during the year under review.

**NATIONAL WATER AND SEWERAGE CORPORATION
REPORT OF THE DIRECTORS
YEAR ENDED 30 JUNE 2003**

Premises Maintenance Costs

Premises maintenance costs increased by approximately Shs. 410 million. Most of the increase was due to the backlog of previous years repairs carried out on the Corporation's property, notably workers' quarters and other buildings in the treatment works during the year under review.

Net Finance Costs

Interest rates on the Government of Uganda IDA loans are pegged to the Treasury Bill rate. Due to the rise in the Treasury Bill rate during the year, interests payable on the loans increased by Shs 1.4 billion from Shs 9.6 to Shs 11.0 billion. In addition, exchange loss amounting Shs 0.9 billion was incurred on conversion of the French loan which is denominated in foreign currency.

The repayment of the donor loans and interest was due from July 2002. The Corporation is however in the process of negotiating a new Performance Contract with the Government of Uganda whereby the loan servicing will be frozen for the next five years.

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 Area offices and to supplement the government funding for donor funded projects.

OUTSTANDING ISSUES

Unaccounted for Water

The Corporation continued with strategies to address the issue of unaccounted for water (UfW), which, among others, included intensified leak detection, repairs, and replacement of defective networks in addition to reactivating inactive accounts. As a result of these activities, the level of UfW has continued to decrease from 51% in 1998 to 39% (40% previous year) in the current year. Unaccounted for water in all areas excluding Kampala averaged 26.7 (down from 30% in the previous year). In Kampala UfW averaged 44.5% (44.0% in the previous year). To reduce the level of unaccounted for water in Kampala, the Kampala Network Rehabilitation Project was launched in the later part of the previous financial year. The project took off effectively from the current financial year and the results are expected to be felt during the next financial year.

TITLE DEEDS

Substantial progress was made towards the acquisition of title deeds in the course of the year. Lease offers were obtained for the two sewage lagoons in Mbale (cost Shs. 568 million) while lease offers for Kampala properties (cost Shs. 496 million) and for Mbarara properties (cost Shs. 1,203 million) are due by December 2003. In the case of Tororo properties (cost Shs. 2,033 million), the titles are awaiting transfer from the names of the Uganda Lands Commission to that of NWSC in December 2003. Management shall continue with efforts to expedite acquisition of the rest of the title deeds.

**NATIONAL WATER AND SEWERAGE CORPORATION
REPORT OF THE DIRECTORS
YEAR ENDED 30 JUNE 2003**

DIRECTORS

The directors who held office during the year and to the date of this report were:

Mr. Samuel Labeca Okec	-	Chairman
Eng. Yorokamu B. Katwiremu	-	Deputy Chairman
Dr. Abdullahi Hussein Shire	-	Member
Eng. Sottie. M. Bomukama	-	Member
Mr. Stephen Kabuye	-	Member
Mrs. Sarah Nabachwa Mangali	-	Member
Dr. Zainab Akol	-	Member
Mr. Gabriel Opio	-	Member
Dr. William Tsimwa Muhairwe	-	Managing Director
Mr. David Ssebabi	-	Member (Ex-Officio)

AUDITORS

In accordance with section 15 of the Public Enterprise Reform and Divestiture Statute 1993, the financial statements of the corporation shall be audited once every year by the Auditor General or an Auditor appointed by him to act on his behalf.

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

By order of the Board



D. M. Kakuba, FCIS
Secretary

04 December, 2003

**NATIONAL WATER AND SEWERAGE CORPORATION
STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 30 JUNE 2003**

The National Water and Sewerage Corporation Statute, 1995 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 surplus or deficit of the corporation. In preparing those financial statements, the directors are required to:

- ? Select suitable accounting policies and then apply them consistently;
- ? Make judgements and estimates that are reasonable and prudent;
- ? State whether applicable accounting standards have been followed;
- ? Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the corporation will continue in business.

The directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time, the financial position of the corporation, and to enable them to ensure that the financial statements comply with the National Water and Sewerage Corporation Statute (1995). They are also responsible for safeguarding the assets of the corporation, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Signed on behalf of the board of directors by:



SAMUEL LABECA OKEC
Chairman



DR. WILLIAM T. MUHAIRWE
Managing Director

04 December, 2003

04 December, 2003

AUDITOR GENERAL'S REPORT

In accordance with section 15 of the Public Enterprises Reform and Divestiture Statute 1993, I am required to audit the National Water and Sewerage Corporation (NWSC). Under the same section, I appointed Ernst & Young, Certified Public Accountants, to audit the accounts on my behalf and report to me so as to enable me report to the Speaker of Parliament in accordance with Article 163 of the Constitution.

The financial statements on pages 30 to 49 which have been prepared on the basis of accounting policies, set out on pages 34 to 37 have been audited. All the information and explanations which were considered necessary for the audit were obtained.

Respective responsibilities of the Directors and the Auditors

As stated on page 27, the directors are responsible for the preparation of the financial statements which give a true and fair view of the state of affairs and of the operating results of the Corporation. The responsibility of the Auditor is to form an independent opinion on the financial statements based on the audit.

Basis of Opinion

The audit was conducted in accordance with International Standards on Auditing. Those standards require that the audit be planned and performed so as to obtain a reasonable assurance that the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing the accounting policies, significant estimates and judgements made by the directors in the preparation of the financial statements as well as evaluating the overall financial statements presentation.

During the year ended 30 June 2003, the corporation took over the management of water supply in the towns of Arua and Soroti in addition to Bushenyi/ Ishaka. The assets and liabilities taken over from these towns were valued but have never been incorporated in the financial records of the corporation. However the revenue generated by them has been recognized in the financial statements.

As indicated in note 2 (b) to the financial statements, the corporation has properties with net book value of approximately Ushs.3.9 billion (2002: approximately Ushs.4 billion) for which it does not have titles. We were unable to obtain adequate assurance over the ownership of these properties. However, we understand that the corporation is currently in the process of making arrangements to obtain the relevant title deeds.

Due to technical and non-technical losses in the supply system, the corporation is not able to bill all the water produced from the pumping stations. As at 30 June 2003, the unaccounted for water was 39.4% (2002: 40%). Because of this limitation, it was not possible to place reliance on the system for the purposes of testing the accuracy and completeness of the corporation's water revenue. There were no other practical procedures we could adopt for this purpose. However, once water has been supplied and billed as income in the corporation's financial records, such income is subjected to adequate accounting and control procedures.

Included under the Leasehold land and buildings balance of Ushs.16,422,058,000 (Note 2a), are leasehold properties. IAS 17 Leases requires that lease land and buildings should be separately disclosed as operating leases, and recognized as an expense in the income statement on a straightline basis over the lease term. The

current practice is that leasehold land is not separate from land and buildings. Leasehold land and buildings are instead depreciated on straight-line basis at a rate of 1%. This is contrary to the requirements of IAS 17.

Opinion

Except for the above, in our opinion, proper books of account have been kept and the financial statements, which are in agreement therewith, give a true and fair view of the state of the financial affairs of the corporation at 30 June 2003 and of the losses and cash flows for the year then ended and comply with the National Water and Sewerage Corporation Statute, 1995 and International Financial Reporting Standards.

EMPHASIS OF MATTER

Without qualifying our opinion we draw attention to note 1 (a) – Basis of Accounting - to the financial statements which indicates that the financial statements have been prepared on a going concern basis of accounting, which assumes the continued financial support by the Government of Uganda, the corporation's financiers and creditors, future profitable operations and renegotiations over the terms of repayment of the corporation's borrowings (note 10) with the Government of Uganda.

In accordance with International Financial Reporting Standards 36, Impairment of Assets, the directors assessed the recoverable amount of the corporation's property, plant and equipment, and determined a reversal of the impairment loss of approximately Ushs.15 billion in the year ended 30 June 2002. No additional provision or reversal has been made in the financial statements for the year ended 30 June 2003 as in the opinion of management the conditions that led to impairment have not changed and the current recoverable amounts of the assets is equal to the carrying amounts reflected in the financial statements.




JOHN F. S. MUWANGA
AUDITOR GENERAL

NATIONAL WATER AND SEWERAGE CORPORATION
BALANCE SHEET
30 JUNE 2003

	Note	2003 Ushs '000	2002 Ushs '000
ASSETS			
Non-Current Assets			
Property, plant and equipment	2	154,160,866	157,572,756
Capital work-in-progress	3	43,042,077	30,902,625
Intangible assets	4	<u>86,327</u>	<u>106,153</u>
		<u>197,289,270</u>	<u>188,581,534</u>
Current Assets			
Inventories	5	2,999,850	2,779,402
Trade and other receivables	6	13,678,775	13,426,434
Tax recoverable	13	1,060,095	820,515
Short term bank deposits	7	3,164,072	1,068,802
Cash and bank balances	8	<u>3,187,489</u>	<u>3,724,883</u>
		<u>24,090,281</u>	<u>21,820,036</u>
TOTAL ASSETS		<u><u>221,379,551</u></u>	<u><u>210,401,570</u></u>
EQUITY AND LIABILITIES			
Equity and Reserves			
Government funding	9	57,300,768	57,300,768
Revaluation reserve		5,841,900	6,183,093
Retained earnings		<u>8,478,917</u>	<u>12,978,032</u>
		<u>71,621,585</u>	<u>76,461,893</u>
Non-Current Liabilities			
Borrowings	10	74,668,767	76,425,257
Service gratuity	11	3,048,367	3,073,478
Deferred income	12	17,639,174	10,089,171
Deferred taxation	13	<u>-</u>	<u>6,181,115</u>
		<u>95,356,308</u>	<u>95,769,021</u>
Current Liabilities			
Trade and other payables	14	44,425,342	33,494,561
Borrowings	10	9,462,412	3,651,652
Deferred income	12	513,904	436,894
Retirement benefit obligations	11	<u>-</u>	<u>587,549</u>
		<u>54,401,658</u>	<u>38,170,656</u>
TOTAL EQUITY AND LIABILITIES		<u><u>221,379,551</u></u>	<u><u>210,401,570</u></u>

The financial statements were approved by the Board of Directors on 04/12/2003 and were signed on its behalf by:



 Chairman



 Managing Director



 Director

**NATIONAL WATER AND SEWERAGE CORPORATION
INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2003**

	Note	2003 Ushs '000	2002 Ushs '000
INCOME			
Water and sewerage income	15	33,604,514	28,477,039
Other income	16	2,976,113	5,254,952
Deferred income	12	<u>560,173</u>	<u>321,882</u>
		<u>37,140,800</u>	<u>34,053,873</u>
EXPENDITURE			
Staff costs	17	(7,975,444)	(10,494,592)
Administrative costs	18	(8,705,704)	(5,722,841)
Static plant and pipe network maintenance	19	(7,197,460)	(6,556,247)
Supplies and services	20	(2,916,223)	(2,552,863)
Premises maintenance	21	(1,307,417)	(896,146)
Transport and mobile costs	22	<u>(966,769)</u>	<u>(809,889)</u>
		<u>(29,069,017)</u>	<u>(27,032,578)</u>
OPERATING PROFIT BEFORE DEPRECIATION AND EXCEPTIONAL ITEM		8,071,783	7,021,295
Depreciation	2	(7,293,669)	(6,984,994)
Exceptional items	26	<u>-</u>	<u>15,488,502</u>
OPERATING PROFITS		778,114	15,524,803
Net finance costs	24	<u>(11,799,537)</u>	<u>(9,494,895)</u>
NET (LOSS)/PROFIT FOR THE YEAR		(11,021,423)	6,029,908
Taxation	13	<u>6,034,890</u>	<u>3,015,041</u>
		<u>(4,986,533)</u>	<u>9,044,949</u>

NATIONAL WATER AND SEWERAGE CORPORATION
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2003

	Government Funding Ushs 000	Revaluation Reserve Ushs 000	Retained Earnings Ushs 000	Total Equity Ushs 000
At 1 July 2001	57,169,698	6,524,286	3,445,665	67,139,649
Transfer revaluation surplus realised to retained earnings	-	(487,418)	487,418	-
Received during the year	131,070			131,070
Deferred tax	-	146,225	-	146,225
Net profit for the year	<u>-</u>	<u>-</u>	<u>9,044,949</u>	<u>9,044,949</u>
At 30 June 2002	<u>57,300,768</u>	<u>6,183,093</u>	<u>12,978,032</u>	<u>76,461,893</u>
At 1 July 2002	57,300,768	6,183,093	12,978,032	76,461,893
Transfer revaluation surplus realised to retained earnings	-	(487,418)	487,418	-
Deferred tax	-	146,225	-	146,225
Net loss for the year	<u>-</u>	<u>-</u>	<u>(4,986,533)</u>	<u>(4,986,533)</u>
At 30 June 2003	<u>57,300,768</u>	<u>5,841,900</u>	<u>8,478,917</u>	<u>71,621,585</u>

NATIONAL WATER AND SEWERAGE CORPORATION
CASH FLOW STATEMENTS
30 JUNE 2003

	2003	2002
	Ushs'000	Ushs'000
(Loss)/profit before taxation	(11,021,423)	6,029,908
Adjustments for:		
Depreciation	7,293,669	6,984,994
Amortisation of accounting and billing software	31,323	31,302
Deferred income	(560,173)	(321,882)
Interest income accrued	(213,642)	(193,831)
Exchange loss	859,191	64,741
Assets impairment	-	(15,488,502)
(Profit)/loss on property, plant and equipment disposal	<u>8,018</u>	<u>82,717</u>
Net cash outflow before working capital changes	(3,603,127)	(2,841,855)
(Increase)/decrease in inventories	(220,448)	562,283
Increase in trade and other receivables	(252,341)	(2,287,678)
Increase in accounts payables	10,930,245	8,282,297
Decrease in retirement benefit obligations	<u>(612,660)</u>	<u>(1,425,092)</u>
	6,241,669	2,289,955
Interest received	213,642	193,831
Tax paid	<u>(239,580)</u>	<u>(119,252)</u>
Net cash inflow from operating activities	<u>6,215,731</u>	<u>2,364,534</u>
INVESTING ACTIVITIES		
Capital work-in-progress	(12,139,452)	(15,884,551)
Purchase of property, plant and equipment	(3,889,985)	(1,128,723)
Intangible assets	(11,495)	(62,534)
Proceeds from disposal	<u>187</u>	<u>21,841</u>
Net cash outflow from investing activities	<u>(16,040,209)</u>	<u>(17,053,967)</u>
FINANCING ACTIVITIES		
Government funding	-	131,070
Proceeds from long term borrowing	3,195,168	4,983,651
Grants received	<u>8,187,186</u>	<u>10,140,194</u>
Net cash inflow from financing activities	<u>11,382,354</u>	<u>15,254,915</u>
Net decrease in cash and cash equivalents	1,557,876	565,482
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>4,793,685</u>	<u>4,228,203</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	(29) <u>6,351,561</u>	<u>4,793,685</u>

NATIONAL WATER AND SEWERAGE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2003

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain property, plant and equipment and in accordance with International Financial Reporting Standards.

Notwithstanding the fact that as at 30 June 2003 the corporation had net current liabilities of approximately Ushs 30.3 billion (2002: approximately Ushs 16.4 billion), the directors consider the going concern basis of accounting appropriate, which assumes the continued financial support by the Government of Uganda, the corporation's financiers and creditors, and future profitable operations and renegotiations over the terms of repayment of the corporation's borrowings (note 10) with the Government of Uganda

(b) Revenue Recognition

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

(c) Property, Plant and Equipment

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

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

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

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

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

NATIONAL WATER AND SEWERAGE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (Continued)
30 JUNE 2003

(d) Intangible Assets

Accounting and billing software

The accounting and billing software are stated at cost less accumulated amortization. The depreciation of the accounting and billing software are on straight -line basis over 5 years

(e) Basis of Valuation

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

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

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

- ? Those properties due to their specialized nature are rarely if ever, sold on the open market for single occupation for a continuation of their existing use, except as part of a sale of the business in occupation. Their specialized nature may arise from the construction, arrangement, size or location of the property, or a combination of these factors, or the function or the purpose to which the buildings are put,
- ? Standard properties in particular geographical areas and remote from main business centres, located there for occupational or business reasons, which are of such an abnormal size that either there would be no market for such buildings or there is no competing market demand from other organizations wishing to use these types of property in the locality.

(f) Inventories

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

**NATIONAL WATER AND SEWERAGE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (Continued)
30 JUNE 2003**

(g) Foreign Currency Translation

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

(h) Bad and Doubtful Debts

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

0- 90 days late	15%
90- 180 days late	50%
180- 360 days late	60%
1-2 years late	90%
>2 years late	100%

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

(i) Retirement Benefits Scheme

National Social Security Fund

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

Service Gratuity

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

NATIONAL WATER AND SEWERAGE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (Continued)
30 JUNE 2003

(j) Capital and Revenue Grants

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

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

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

(k) Provisions

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

(l) Deferred Income

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

(m) Taxation

Current Taxation

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

Deferred Taxation

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

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

(n) Cash and Cash Equivalents

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

**NATIONAL WATER AND SEWERAGE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (Continued)
30 JUNE 2003**

2. (a) PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings	Static Plant	Furniture & Equipment	Motor Vehicles & Mobile Plant	Totals
	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000
COST OR VALUATION					
As at 1 July 2002	18,123,031	206,325,016	1,523,313	2,345,696	228,317,055
Additions	68,339	1,910,957	1,236,882	673,806	3,889,985
Disposals	-	-	(13,675)	-	(13,675)
As at 30 June 2003	<u>18,191,370</u>	<u>208,235,973</u>	<u>2,746,520</u>	<u>3,019,502</u>	<u>232,193,365</u>
Cost	16,467,870	195,367,772	1,656,072	3,019,502	216,511,217
Valuation	<u>1,723,500</u>	<u>12,868,200</u>	<u>1,090,448</u>	-	<u>15,682,148</u>
	<u>18,191,370</u>	<u>208,235,973</u>	<u>2,746,520</u>	<u>3,019,502</u>	<u>232,193,365</u>
DEPRECIATION					
As at 1 July 2002	1,586,977	40,133,295	560,312	2,200,218	44,480,802
Charge for the year	182,335	6,247,079	549,314	314,941	7,293,669
Charge on disposals	-	-	(5,470)	-	(5,470)
As at 30 June 2003	<u>1,769,312</u>	<u>46,380,374</u>	<u>1,104,156</u>	<u>2,515,159</u>	<u>51,769,001</u>
ASSET IMPAIRMENT					
Asset impairment at 1 July 2002	-	(26,263,498)	-	-	(26,263,498)
Movement during the year	-	-	-	-	-
Asset impairment at 30 June 2003	<u>-</u>	<u>(26,263,498)</u>	<u>-</u>	<u>-</u>	<u>(26,263,498)</u>
NET BOOK VALUE					
As at 30 June 2003	<u>16,422,058</u>	<u>135,592,101</u>	<u>1,642,364</u>	<u>504,344</u>	<u>154,160,866</u>
As at 30 June 2002	<u>16,536,055</u>	<u>139,928,222</u>	<u>963,001</u>	<u>145,478</u>	<u>157,572,756</u>

Various revaluations of fixed assets were conducted by Katuramu & Co. since 1992.

In 1997, Katuramu & Company Consulting Surveyors revalued those assets taken over by the corporation from district municipalities based on current market values on existing use basis. These revaluations were reflected in the financial statements for the year ended 30 June 1998. The corporation subsequently obtained a professional valuation for all furniture and equipment as at 20 April 2001 from Messrs Katuramu & Company Consulting Surveyors on a depreciated replacement cost basis. These revaluations were reflected in the financial statements for the year ended 30 June 2001.

NATIONAL WATER AND SEWERAGE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (Continued)
30 JUNE 2003

2.(b) PROPERTY, PLANT AND EQUIPMENT (continue d)

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

Plot No/Area	Net Book Cost Ushs'000	Net Book Value 2003 Ushs'000	Value 2002 Ushs'000
43-49 Sixth Street/central stores/Workshop (Kampala)	353,000	310,942	314,480
M80 Naguru Building for Reservoir (Kampala)	12,600	11,099	11,225
5,7,9,10 Kome Crescent Residential (Kampala)	120,000	105,708	106,908
133 & 135 Mutungo Tank (Kampala)	10,000	9,006	9,206
Lunyo Booster (Entebbe)	16,930	15,490	15,659
2,4,6 Byatike Road Residential (Entebbe)	9,900	9,015	9,114
19-21 Kampala Road office (Entebbe)	7,070	6,228	6,299
Water Works (Gulu)	210,000	187,068	189,168
6 Martin Road (Jinja)	186,000	163,847	165,707
Ojwina Lagoons (Lira)	12,000	10,690	10,810
Namatata Lagoons (Mbale)	10,208	9,296	9,398
Kabazaire Road plot 11-19 (Mbarara)	753,046	708,384	715,914
3 Galt Road Office (Mbarara)	443,700	417,383	421,820
Sewage Lagoons (Mbarara)6,600	5,945	6,011	
Doko sewage treatment ponds (Mbale)	558,000	392,107	397,687
Malaba reservoir (Tororo)	582,000	408,971	414,791
Malaba pumping station (Tororo)	1,451,284	1,019,817	1,034,330
12 Lake Bunyonyi (Kabale) 36,500	35,405	35,770	
7 & 8 Kiyooro (Kabale)	28,000	27,160	27,440
10 Kakanga hill (Kabale)	40,500	39,285	39,690
47 Golf course, Makanga (Kabale)	38,000	36,860	37,240
Upper reservoir land, Makanga (Kabale)	10,500	10,185	10,290
Sewage treatment land, Bwankosya by- pass (Kabale)	<u>30,000</u>	<u>29,100</u>	<u>29,400</u>
	<u>4,925,838</u>	<u>3,968,991</u>	<u>4,018,357</u>

3. CAPITAL WORK-IN-PROGRESS

Capital Work in Progress relates to on-going development work for Ggaba I refurbishment Project (GRP), Lake Victoria Environmental Management Project (LVEMP), Kabale Water Project (KWP), Kampala Network Rehabilitation Project (KNRP), and Small Towns Water and Sanitation Project–Part B (STWSP)

	KNRP	GRP	LVEMP	KWP	STWSP	NWSC	TOTAL
	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000
At 1 July 2002	-	1,928,608	104,605	9,702,480	19,166,932	-	30,902,625
Additions	<u>900,419</u>	<u>917,877</u>	<u>-</u>	<u>6,423,609</u>	<u>3,738,251</u>	<u>159,296</u>	<u>12,139,452</u>
30 June 2003	<u>900,419</u>	<u>2,846,485</u>	<u>104,605</u>	<u>16,126,089</u>	<u>22,905,183</u>	<u>159,296</u>	<u>43,042,077</u>

NATIONAL WATER AND SEWERAGE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (Continued)
30 JUNE 2003

	2003	2002
4. INTANGIBLE ASSETS	Ushs'000	Ushs'000
Balance brought forward	156,079	93,545
Additions	<u>11,495</u>	<u>62,534</u>
	<u>167,574</u>	<u>156,079</u>
Amortisation		
Balance brought forward	49,925	18,709
Charge for the year	<u>31,322</u>	<u>31,302</u>
	<u>81,247</u>	<u>50,011</u>
Net book value at 30 June	<u>86,327</u>	<u>106,154</u>
Intangible assets relate to the accounting software, which is being amortised over 5 years.		
5. INVENTORIES		
Water fittings	1,296,214	1,367,117
Chemicals	945,160	829,922
Spare parts	383,387	266,062
Others	<u>282,015</u>	<u>304,613</u>
	2,906,775	2,767,714
Goods in transit	<u>313,505</u>	<u>197,738</u>
	3,220,280	2,965,452
Provision for slow moving and obsolete stock	<u>(220,430)</u>	<u>(186,050)</u>
	<u>2,999,850</u>	<u>2,779,402</u>
6. TRADE AND OTHER RECEIVABLES		
Water and Sewerage debtors	24,531,134	24,120,655
Other receivables	<u>1,423,581</u>	<u>1,729,812</u>
	25,954,715	25,913,467
Provision for Specific bad debts	<u>(12,275,940)</u>	<u>(12,424,033)</u>
	<u>13,678,775</u>	<u>13,426,434</u>
Balance b/f	12,424,033	12,556,540
Charge for the year	519,500	679,942
Bad debts realized	(667,593)	(812,449)
Bad debts written off	<u>-</u>	<u>-</u>
	<u>12,275,940</u>	<u>12,424,033</u>

NATIONAL WATER AND SEWERAGE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (Continued)
30 JUNE 2003

	2003	2002
	Ushs'000	Ushs'000
7. SHORT TERM DEPOSITS		
Fixed deposits	<u>3,164,072</u>	<u>1,068,802</u>

The corporation holds a short-term investment account with Citibank Uganda Limited, which will be held to maturity. The interest rate is negotiated from time to time as the deposit is being refixed.

8. CASH AND BANK		
Cash at hand	1,821	4,500
Cash collection accounts	1,332,263	869,299
Cash in transit	292,169	64,085
Bank balances	<u>1,561,237</u>	<u>2,786,999</u>
	<u>3,187,489</u>	<u>3,724,883</u>

9. GOVERNMENT FUNDING		
At 1 July	57,300,768	57,169,698
Received during the year	<u>-</u>	<u>131,070</u>
At 30 June	<u>57,300,768</u>	<u>57,300,768</u>

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

- a) The value of assets taken over by the Corporation whenever new towns are handed over to the Corporation.
- b) Portions of loans extended to Government of Uganda for various Corporation projects but which government passed on to the Corporation as part of equity
- c) Direct equity contributions by Government of Uganda.

10. BORROWINGS		
Loans from:		
International Development Association (IDA)- CR2124	36,022,942	36,022,942
Government of Austria (GOA)	27,772,207	27,772,207
International Development Association (IDA)- CR2583	16,629,374	13,434,205
Government of the French Republic (GFRP) denominated In French Francs	<u>3,706,656</u>	<u>2,847,555</u>
	84,131,179	80,076,909
Less: Loans due within one year	<u>(9,462,412)</u>	<u>(3,651,652)</u>
	<u>74,668,767</u>	<u>76,425,257</u>
The loans are due as follows:		
Due within one year	9,462,412	3,651,652
Due between one and two years	4,731,215	3,651,652
Due between two and five years	14,193,618	10,954,955
Due after five years	<u>55,743,934</u>	<u>61,818,650</u>
	<u>84,131,179</u>	<u>80,076,909</u>
At 1 July	80,076,909	75,028,517
Received during the year	3,195,169	4,983,651
Exchange loss	<u>859,101</u>	<u>64,741</u>
At 30 June	<u>84,131,179</u>	<u>80,076,909</u>

NATIONAL WATER AND SEWERAGE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (Continued)
30 JUNE 2003

International Development Association (IDA)- CR2124

IDA loans amount to Ushs.36,022,942 was obtained through the Government of Uganda on 30 November 1990, to finance the activities of the Uganda Second Water Supply Project. It is repayable in semi-annual instalments for a period of 25 years of which 5 years are a grace period. The interest rate on this loan is charged at the prevailing minimum Treasury bill rate, plus 3%.

Government of Austria (GOA)

This loan of Ushs.27,772,207 was obtained through the Government of Uganda on 30 November 1992, to finance the activities of the Uganda Second Water Supply Project. It is repayable in semi annual instalments for a period of 20 years of which 5 years are a grace period. The interest rate on this loan is charged at the prevailing minimum Treasury bill rate, plus 3%.

Government of the French Republic (GFRP)

This loan of Ushs.3,706,655,772 was obtained through the Government of Uganda on 21 November 1997, to finance activities of Namasuba Hill Pilot Water and Supply Project. It is repayable in semi-annual instalments over a period of 15 years. Interest rate is charged at a fixed rate of 10%.

The Corporation has negotiated with Government of Uganda for the rescheduling of the payment of the loans. The interest on these loans has been accrued by the corporation with effect from the date of Original borrowing by the Government of Uganda.

	2003	2002
	Ushs'000	Ushs'000
11. SERVICE GRATUITY		
At 1 July	3,661,027	5,086,119
Charge for the year	390,154	645,617
Less service gratuity paid during the year	<u>(1,002,814)</u>	<u>(2,070,709)</u>
Service gratuity at 30 June	3,048,367	3,661,027
Less due within one year	<u> -</u>	<u>(587,549)</u>
Due after more than one year	<u>3,048,367</u>	<u>3,073,478</u>
12. DEFERRED INCOME		
At July	10,526,065	707,753
Grants received during the year.	<u>8,187,186</u>	<u>10,140,194</u>
	18,713,251	10,847,947
Released to income statement	<u>(560,173)</u>	<u>(321,882)</u>
At 30 June	18,153,078	10,526,065
Less: Due with one year	<u>(513,904)</u>	<u>(436,894)</u>
Due after more than one year	<u>17,639,174</u>	<u>10,089,171</u>

NATIONAL WATER AND SEWERAGE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (Continued)
30 JUNE 2003

These amounts refer to grants and donations of a capital nature from various donor agencies. For the current year, **Shs 6.7 billion** refers to *KfW* grants for construction of Kabale Water Supply and Sewerage Works, **Shs 0.6 billion** relates to EDF grants received and utilised for Ggaba I Refurbishment, **Shs 0.6 billion** is for the value of vehicles and various assets received from Small Towns Water and Sanitation Project and **Shs 0.3 billion** was the cost of computer equipment received from GTZ.

13. TAXATION

CORPORATION TAX

Taxation is provided in the financial statements on the basis of the results included therein adjusted in accordance with provisions of the Income Tax Act, 1997 less any remittances to Uganda Revenue Authority in respect of corporation tax paid and Withholding Tax receivable.

	2003	2002
	Ushs'000	Ushs'000
Balance Sheet		
Balance brought forward	(820,515)	(701,263)
Charge to income statement for the year	-	-
Corporation tax paid during the year	<u>(239,580)</u>	<u>(119,252)</u>
	<u>(1,060,095)</u>	<u>(820,515)</u>
Income Statement		
Charge to the profit and loss account	-	-
Deferred tax charge for the year	<u>6,034,890</u>	<u>3,015,041</u>
	<u>6,034,890</u>	<u>3,015,041</u>

As at 30 June 2003, the corporation estimated tax losses amounting to approximately Ushs.107.4 billion (2002: Ushs.90.2 billion). The losses may be carried forward to be offset against future taxable income provided

- a) The corporation derives further assessable income of a nature and of amount sufficient to enable the benefit to be realised,
- b) There is no change in the tax legislation to adversely affect the corporation's ability to realise the benefit; and
- c) The corporation continues to comply with the conditions for deductibility imposed by law

The losses have at the date of this report not been finally agreed with Uganda Revenue Authority.

NATIONAL WATER AND SEWERAGE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (Continued)
30 JUNE 2003

	2003	2002
	Ushs'000	Ushs'000
DEFERRED INCOME TAX		
Deferred income taxes are calculated on all temporary differences under the liability method at the applicable rate of 30%. The net deferred tax asset/liability is made up as follows:		
Accelerated capital allowance	33,013,665	38,241,768
Accumulated tax loss	(32,088,921)	(30,069,266)
Revaluation reserve	1,708,703	1,811,060
Provision for bad debts	(3,682,782)	(3,727,210)
Provision for obsolete stock	(66,129)	(55,815)
Retirement benefit	(914,510)	-
Unrealised exchange loss	<u>(259,092)</u>	<u>(19,422)</u>
	<u>(2,289,067)</u>	<u>6,181,115</u>
Deferred tax asset of Ushs.2.289 billion has not been recognized in the financial statement to the extent that it is not probable that taxable profit will be available against which the unused tax losses and unused tax credits can be utilized. The movement on the deferred tax account is as follows:		
At 1 July	6,181,115	9,342,381
Income statement charge	(6,034,890)	(3,015,041)
Charge to revaluation	<u>(146,225)</u>	<u>(146,225)</u>
At 30 June	<u>-</u>	<u>6,181,115</u>
14. TRADES AND ACCOUNTS PAYABLE		
Interest payable	41,831,202	30,788,203
Trade payables	1,715,310	1,579,843
Valued Added Tax	244,324	447,959
Accruals and provisions	314,229	365,735
Rechargeable works	300,217	198,173
Sundry creditors	<u>20,060</u>	<u>114,648</u>
	<u>44,425,342</u>	<u>33,494,561</u>
15. WATER CONSUMPTION AND SEWERAGE SERVICES INCOME		
Water and sewerage charges	31,426,612	26,657,113
Service charges	1,365,103	1,138,406
Connection fees	634,630	505,075
Reconnection fees	83,696	108,066
Other water and sewerage income	<u>94,473</u>	<u>68,379</u>
	<u>33,604,514</u>	<u>28,477,039</u>
16. OTHER INCOME		
Grants from Government of Uganda	1,935,724	3,163,233
Decrease in provision for bad and doubtful debts	667,593	812,449
Other income	372,796	468,616
Grant from International Development Association (IDA)	-	77,079
Decrease in provision for obsolete and slow moving stocks	<u>-</u>	<u>6,183</u>
	<u>2,976,113</u>	<u>5,254,952</u>

NATIONAL WATER AND SEWERAGE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (Continued)
30 JUNE 2003

	2003	2002
	Ushs'000	Ushs'000
17. STAFF COSTS		
Basic pay	2,537,904	3,046,399
Voluntary early retirement benefits	784,097	1,764,751
Housing expense	819,463	1,110,266
Medical expense	639,696	771,632
Service gratuities	390,156	645,617
National Social Security Fund contributions	521,128	576,980
Lunch, transport and soap allowance	414,683	630,490
Car and cycle allowance	600,719	625,455
Performance/attendance bonus and overtime	335,848	298,955
Responsibility and dirty work allowance	215,708	290,420
Leave transport and allowance	203,555	262,223
Servant's allowance	114,166	137,570
Workmen's compensation	76,500	107,596
Water, telephone and electricity allowance	227,833	93,042
Shift allowance and gross wages	37,590	55,361
Special emergency allowances	31,082	52,706
Funeral expenses	<u>25,316</u>	<u>25,129</u>
	<u>7,975,444</u>	<u>10,494,592</u>
18. ADMINISTRATIVE EXPENSES		
Board expenses	81,735	76,299
Meeting expenses	296,800	105,146
Local travels on supervision monitoring & co-ordination of local area operations	939,761	706,266
Foreign travels on seminars, workshops and short courses	403,167	120,853
Publicity	182,818	58,969
Entertainment	61,533	172,401
General insurance	83,214	99,072
Legal & professional expenses	199,212	280,610
Training expenses and allowances	236,510	135,190
Audit fees	118,600	161,730
Donations and subscriptions	77,980	35,072
Lunch and transport for weekends/public holidays	724,259	320,001
Contribution to staff sports	49,878	58,476
Security	457,799	432,935
Management fees	4,109,989	2,072,600
Bad debts	519,500	679,942
Write off of unrecoverable debtors	39,062	-
Commission on recovery	32,770	95,315
Loss on sale of assets	8,018	82,717
Staff transfer	17,397	29,248
Amortisation of accounting and billing software	31,323	-
Provision for obsolete stock	<u>34,379</u>	<u>-</u>
	<u>8,705,704</u>	<u>5,722,841</u>

NATIONAL WATER AND SEWERAGE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (Continued)
30 JUNE 2003

	2003	2002
	Ushs'000	Ushs'000
19. STATIC PLANT AND PIPE NETWORK MAINTENANCE		
Electricity	4,678,016	3,878,545
Repairs and maintenance	2,027,056	2,428,308
Fuel and lubricants	226,329	114,596
Insurance	111,630	114,092
Media (sand)	137,586	20,706
Water abstraction permits	<u>16,843</u>	<u>-</u>
	<u>7,197,460</u>	<u>6,556,247</u>
20. SUPPLIES AND SERVICES		
Water treatment chemicals	1,759,674	1,643,880
Equipment repairs and minor purchase	415,850	466,042
Printing and stationery/publications	364,870	338,685
Tools and light plant	79,358	45,695
Uniforms and protective wear	132,740	44,890
Computer license	123,226	-
Office supplies	4,903	-
Telephone and postage	<u>35,602</u>	<u>13,671</u>
	<u>2,916,223</u>	<u>2,552,863</u>
21. PREMISES MAINTENANCE COSTS		
Rent, rates and telephone	439,501	339,487
Repairs and maintenance	547,350	319,738
Insurance	74,916	76,820
Cleaning materials	75,186	60,580
Electricity	45,061	41,815
Water	28,074	29,861
Fixtures and fittings	<u>97,329</u>	<u>27,845</u>
	<u>1,307,417</u>	<u>896,146</u>
22. TRANSPORT AND MOBILE PLANT COSTS		
Fuel and lubricants	442,259	435,143
Repairs and maintenance	346,351	278,694
Hire of transport	61,475	41,692
Insurance	95,987	39,100
License, road toll and taxes	<u>20,697</u>	<u>15,260</u>
	<u>966,769</u>	<u>809,889</u>

NATIONAL WATER AND SEWERAGE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (Continued)
30 JUNE 2003

	2003	2002
	Ushs'000	Ushs'000
23. DEPRECIATION		
Depreciation - premises	182,335	181,230
Depreciation - static plant	6,247,079	6,189,752
Depreciation - transport and mobile plant	314,941	278,134
Depreciation - furniture and equipment	<u>549,314</u>	<u>335,878</u>
	<u>7,293,669</u>	<u>6,984,994</u>
24. NET FINANCE COSTS		
Interest payable	11,042,999	9,552,277
Bank charges	106,539	71,708
Exchange loss	863,641	64,741
Less:		
Interest receivable		
- On bank deposits	(202,754)	(191,343)
- On staff loans	<u>(10,888)</u>	<u>(2,488)</u>
	<u>11,799,537</u>	<u>9,494,895</u>
25. OPERATING LOSS/PROFIT FOR THE YEAR		
The operating (loss)/profit has been arrived at after charging:		
Depreciation	7,293,669	6,984,994
Amortisation of accounting and billing software	31,323	-
Directors' emoluments	81,735	76,299
Kampala Water and Sewerage Services Area (KWSSA)/Kampala Revenue Improvement Project (KRIP) management fees	4,109,989	2,072,600
Increase in provision for specific bad and doubtful debts	519,500	679,942
Loss on disposal of motor vehicles	8,018	82,717
Increase in slow moving stock	34,379	-
Auditors' remuneration and crediting	<u>118,600</u>	<u>161,730</u>
Decrease in provision for specific bad and doubtful debts	667,593	812,449
Decrease in provision for obsolete and slow moving stocks	<u>-</u>	<u>6,183</u>

26. EXCEPTIONAL ITEM

This relates to the reversal of the impairment loss of Ushs 15 billion in the year ended 30 June 2002 which was on the basis of directors' assessed recoverable amount of the corporation's property, plant and equipment. The net present value of the projected cash flow did not differ significantly from the carrying value of the assets and hence no additional provision or reversal have been effected in the financial statements

NATIONAL WATER AND SEWERAGE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (Continued)
30 JUNE 2003

	2003	2002
	Ushs'000	Ushs'000
27. COMMITMENTS		
Capital authorised but not contracted	-	<u>6,621,133</u>
Contracted but not provided for in the financial statements	<u>703,452</u>	<u>682,003</u>
Other:		
Plant refurbishment	-	<u>152,000</u>
28. CONTINGENT LIABILITIES		
Pending legal cases	301,582	485,040
Car loan scheme and motorcycle guarantee	<u>284,187</u>	<u>307,904</u>
	<u>585,769</u>	<u>792,944</u>
29. CASH AND CASH EQUIVALENTS		
For the cash flow statement, the cash and cash equivalents comprises of the following		
Cash at hand	1,821	4,500
Cash at bank	3,185,668	3,720,383
Short-term deposits	<u>3,164,072</u>	<u>1,068,802</u>
	<u>6,351,561</u>	<u>4,793,685</u>
30. FINANCIAL INSTRUMENTS		

Foreign Exchange

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

Interest

The corporation has long-term fixed and variable rate borrowings (note10) used to fund ongoing activities.

Credit Risk

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

Fair Value

Except for fixed rate borrowings (Note10), there is no material difference between the fair value and the carrying amounts of the corporation's financial assets and liabilities

**NATIONAL WATER AND SEWERAGE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (Continued)
30 JUNE 2003**

31. COMPARATIVE INFORMATION

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current period. In particular, the comparative figures have been adjusted to show fair presentation of the financial statements that conforms to the International Financial Reporting Standards.

32. CURRENCY

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

33. EMPLOYEES

The average number of persons employed during the year ended 30 June 2003 was 949 (2002: 889).

NATIONAL WATER AND SEWERAGE CORPORATION

APPENDIX I

AREA SUMMARY

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2003

	Kampala	Entebbe	Jinja	Mbale	Tororo	Masaka	Mbarara	Lira	Sub-total Carried Forward
	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000
INCOME	23,359,706	1,453,397	3,183,558	1,171,672	559,582	640,830	1,543,209	438,758	32,350,712
Interest receivable									
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	23,359,706	1,453,397	3,183,558	1,171,672	559,582	640,830	1,543,209	438,758	32,350,712
EXPENSES:									
Expenses - Water	5,431,759	562,041	961,409	527,506	355,425	339,421	610,650	272,721	9,060,932
- Sewerage	289,118	45,516	144,394	55,923	29,756	66,778	41,020	47,244	719,749
- Common	15,722,625	461,754	1,294,703	506,883	385,836	311,425	356,741	319,969	19,359,936
Total Operating Expenses	21,443,502	1,069,561	2,400,506	1,090,312	771,017	717,624	1,008,411	639,934	29,140,617
- Depreciation	3,873,461	85,458	266,850	159,470	120,726	606,405	608,832	519,061	6,240,263
- Asset impairment	-								
TOTAL EXPENDITURE	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	25,316,963	1,154,769	2,667,356	1,249,782	891,743	1,324,029	1,617,243	1,158,995	35,380,880
(LOSS)/PROFIT BEFORE TAXATION	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	(1,957,257)	298,628	516,202	(78,110)	(332,161)	(683,199)	(74,034)	(720,237)	(3,030,168)

NATIONAL WATER AND SEWERAGE CORPORATION

APPENDIX I (continued)

AREA SUMMARY
INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2003

	Sub total Brought Forward Ushs'000	Gulu Ushs'000	Kasese Ush'000	Fort Portal Ush'000	Kabale Ushs'000	Bushenyi Ushs'000	Carried Forward Ushs'000
INCOME	32,350,712	423,885	304,038	366,993	228,601	117,614	33,791,843
Interest receivable							
	<u>32,350,712</u>	<u>423,885</u>	<u>304,038</u>	<u>366,993</u>	<u>228,601</u>	<u>117,614</u>	<u>33,791,843</u>
EXPENSES:							
Expenses - Water	9,060,932	288,822	176,782	180,675	185,317	145,817	10,038,345
- Sewerage	719,749	15,375	-	36,049	8,928	-	780,101
- Common	<u>19,359,936</u>	<u>252,470</u>	<u>219,500</u>	<u>287,422</u>	<u>216,314</u>	<u>153,384</u>	<u>20,489,026</u>
Total Operating Expenses	29,140,617	556,667	396,282	504,146	410,559	299,201	31,307,472
- Depreciation	6,240,263	265,139	93,506	115,349	89,361	21,466	6,825,084
- Asset impairment	-	-	-	-	-	-	-
TOTAL EXPENDITURE	<u>35,380,880</u>	<u>821,806</u>	<u>489,788</u>	<u>619,495</u>	<u>499,920</u>	<u>320,667</u>	<u>38,132,556</u>
(LOSS)/PROFIT BEFORE TAXATION	<u>(3,030,168)</u>	<u>(397,921)</u>	<u>(185,750)</u>	<u>(252,502)</u>	<u>(271,319)</u>	<u>(203,053)</u>	<u>(4,340,713)</u>

**NATIONAL WATER AND SEWERAGE CORPORATION
AREA SUMMARY
INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2003**

	Sub-total Brought Forward Ushs'000	Soroti Ushs'000	Arua Ush'000	Headquarters Ush'000	TOTAL	
					2003 Ushs'000	2002 Ushs'000
INCOME	33,791,843	499,087	277,649	2,572,221	37,140,800	34,053,873
Interest receivable	-	-	-	-	-	-
	<hr/>					
	33,791,843	499,087	277,649	2,572,221	37,140,800	34,053,873
EXPENSES:						
Expenses - Water	10,038,345	208,696	107,802	-	10,354,843	10,454,480
- Sewerage	780,101	9,477	-	-	789,578	723,501
- Common	20,489,026	257,827	258,855	8,718,425	29,724,133	25,349,492
Total Operating Expenses	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	31,307,472	476,000	366,657	8,718,425	40,868,155	36,527,473
- Depreciation	6,825,084	14,278	9,475	444,832	7,293,669	6,984,994
- Asset impairment	-	-	-	-	-	(15,488,502)
TOTAL EXPENDITURE	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	38,132,556	490,278	376,132	9,163,257	48,162,223	28,023,965
(LOSS)/PROFIT BEFORE TAXATION	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	(4,340,713)	8,809	(98,483)	(6,591,036)	(11,021,423)	6,029,908

**NATIONAL WATER AND SEWERAGE CORPORATION
KAMPALA AREA - GGABA AND KWSSA
INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2003**

INCOME	2003 Ushs'000	2002 Ushs'000
Consumption charges – water	16,047,445	13,862,107
Sewerage service charges	5,344,676	4,726,473
Connection fees – water	395,981	344,238
Service charge	833,861	738,145
Other income	71,551	64,481
Septic tank emptying	7,737	19,836
Other sewerage income	4,332	5,310
Bad debt recovery	654,124	386,801
	23,359,706	20,147,391
EXPENSES - WATER		
Pumping and treatment - Ggaba 2	1,955,700	1,712,096
Pumping and treatment – Gaba1	3,124,580	2,436,038
Distribution-services	40,247	336,368
Transmission-mains	22,353	1,361,330
Distribution-waste prevention	133,263	127,896
Boosters	155,616	172,941
	5,431,759	6,146,669
EXPENSES - SEWERAGE		
Sewers	250,462	258,818
Bugolobi treatment works	38,656	197,492
	289,118	456,310
EXPENSES - COMMON		
Interest on borrowings	11,042,998	9,552,277
Finance and accounts section	472,240	2,796,054
Administration section	4,190,781	815,727
Commercial	-	946,673
Data section and static plant	-	164,224
Laboratory	14,655	25,600
Technical maintenance	196	2,483
Stores	1,091	17,929
Security section	-	1,393
Audit	664	740
Bad debts	-	589,529
	15,722,625	14,932,816
Total operating expenses	21,443,502	21,535,795
Depreciation	3,873,461	3,881,975
TOTAL EXPENDITURE	25,316,963	25,417,770
LOSS BEFORE TAXATION	(1,957,257)	(5,088,334)

**NATIONAL WATER AND SEWERAGE CORPORATION
ENTEbbe AREA
INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2003**

INCOME	2003 Ushs'000	2002 Ushs'000
Consumption charges – water	1,227,092	1,149,526
Other income	1,038	16,535
Sewerage service charges	129,018	86,925
Service charge	64,709	49,238
Connection fees – water	26,438	11,984
Septic tank emptying	-	135
Water tanker sales	5,101	292
Bad debts realised	-	-
	<u>1,453,397</u>	<u>1,314,635</u>
EXPENSES – WATER		
Pumping and treatment	414,850	435,956
Transmission – mains	143,349	105,590
Boosters	3,472	5,525
Tanks and reservoirs	369	420
	<u>562,041</u>	<u>547,491</u>
SEWERAGE TREATMENT WORKS	<u>45,516</u>	<u>11,857</u>
EXPENSES - COMMON		
Administration section	294,751	336,696
Finance and accounts section	93,593	86,575
Security section	24,199	16,804
Internal audit	11,094	10,817
Stores	7,278	2,990
Bad debts charge	30,839	75,171
	<u>461,754</u>	<u>529,053</u>
Total operating expenses	1,069,561	1,088,401
Depreciation	<u>85,458</u>	<u>61,699</u>
TOTAL EXPENDITURE	<u>1,154,769</u>	<u>1,150,100</u>
PROFIT BEFORE TAXATION	<u>298,628</u>	<u>164,535</u>

**NATIONAL WATER AND SEWERAGE CORPORATION
JINJA AREA
INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2003**

INCOME	2003 Ushs'000	2002 Ushs'000
Consumption charges – water	2,114,493	1,719,085
Sewerage service charges	890,899	954,524
Other income	14,858	42,444
Service charge	111,492	92,256
Connection fees - water	46,373	63,877
Septic tank emptying	5,443	9,265
Bad debts recovery	-	240,101
	<u>3,183,558</u>	<u>3,121,552</u>
EXPENSES – WATER		
Pumping and treatment	651,287	675,559
Transmission mains	216,642	241,208
Distribution-services	93,480	29,748
	<u>961,409</u>	<u>946,679</u>
EXPENSES – SEWERAGE		
Sewerage pumping stations	-	5,292
Sewerage treatment works	142,575	62,941
Sewers	1,819	149
	<u>144,394</u>	<u>68,383</u>
EXPENSES – COMMON		
Office and administration section	684,755	752,967
Finance and accounts section	143,715	134,875
Security section	56,545	33,510
Data section	34,305	34,482
Laboratory section	21,589	21,484
Internal audit	11,310	12,885
Stores	5,331	13,289
Admin section (chief engineer)	15,830	-
Commercial and procurement section	-	20,126
Bad debts charge	321,323	-
	1,294,703	1,023,621
Total operating expenses	2,400,506	2,038,683
Depreciation	266,850	228,821
TOTAL EXPENDITURE	<u>2,667,356</u>	<u>2,267,505</u>
PROFIT BEFORE TAXATION	516,202	854,048

**NATIONAL WATER AND SEWERAGE CORPORATION
MBALE AREA
INCOME FOR THE YEAR ENDED 30 JUNE 2003**

INCOME	2003 Ushs'000	2002 Ushs'000
Consumption charges – water	753,499	743,184
Other income	1,954	104,939
Sewerage service charges	342,954	191,793
Service charge	56,572	40,220
Connection fees – water	16,164	8,421
Water tanker sales	529	625
Bad debt recovery	9,310	-
Total income	1,171,672	1,089,183
EXPENSES – WATER		
Pumping and treatment – Manafwa	246,810	295,807
Distribution – services	80,004	100,836
Pumping and treatment – Bukonko	87,928	109,340
Transmission – mains	112,765	47,094
Total expenses – water	527,506	553,077
EXPENSES – SEWERAGE		
Sewerage treatment works	34,508	43,471
Sewers	21,415	1,227
Total expenses – sewerage	55,923	44,698
EXPENSES – COMMON		
Administration section	308,373	430,303
Finance and accounts section	41,614	33,473
Security section	36,327	39,594
Data section	22,000	20,981
Commercial and procurement	50,990	40,784
Internal audit	15,944	14,975
Laboratory section	18,715	14,913
Stores	282	7,550
Bad debts charge	12,638	-
	506,883	602,573
Total operating expenses	1,090,312	1,200,348
Depreciation	159,470	149,617
TOTAL EXPENDITURE	<u>1,249,782</u>	<u>1,349,965</u>
PROFIT/LOSS BEFORE TAXATION	<u>(78,110)</u>	<u>(260,782)</u>

**NATIONAL WATER AND SEWERAGE CORPORATION
TORORO AREA
INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2003**

	2003	2002
	Ushs'000	Ushs'000
INCOME		
Consumption charges – water	507,087	429,559
Sewerage service charges	25,388	19,608
Connection fees – water	2,077	3,889
Other income	621	16,032
Water tanker sales	15	292
Other sewerage income	45	74
Service charge	24,349	20,894
	<u>559,582</u>	<u>490,348</u>
EXPENSES – WATER		
Pumping and treatment	213,700	296,958
Distribution – services	110,722	66,321
Transmission – mains	31,003	35,177
Tanks and reservoirs	-	1,318
	<u>355,425</u>	<u>399,775</u>
EXPENSES – SEWERAGE		
Sewers	29,756	9,047
Sewerage treatment works	-	175
	<u>29,756</u>	<u>9,222</u>
EXPENSES – COMMON		
Administration section	299,209	262,330
Finance and accounts section	40,637	40,131
Commercial Section	306	23,213
Bad debts charge	702	-
Security section	28,344	22,802
Data, laboratory, training and welfare	10,625	8,771
Stores	370	2,880
Internal audit	5,643	5,747
	385,836	365,874
Total operating expenses	771,017	808,087
Depreciation	120,726	115,815
Asset impairment	-	-
	<u>891,743</u>	<u>890,684</u>
TOTAL EXPENDITURE		
	<u>891,743</u>	<u>890,684</u>
LOSS BEFORE TAXATION	<u>(332,161)</u>	<u>(400,336)</u>

**NATIONAL WATER AND SEWERAGE CORPORATION
MASAKA AREA
INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2003**

INCOME	2003 Ushs'000	2002 Ushs'000
Consumption charges – water	437,211	398,886
Sewerage service charges	133,012	79,553
Connection fees – water	17,781	17,101
Service charge	39,182	33,875
Other income	9,130	4,473
Other sewerage income	129	152
Water tanker sales	922	210
Bad Debt Recovery	3,463	-
	<u>640,830</u>	<u>534,250</u>
EXPENSES – WATER		
Pumping and treatment	221,158	198,243
Transmission – mains	117,602	79,343
Booster stations	662	-
	<u>339,421</u>	<u>277,586</u>
EXPENSES – SEWERAGE		
Sewerage treatment works	35,647	24,820
Sewers	28,730	15,163
	<u>66,778</u>	<u>39,983</u>
EXPENSES – COMMON		
Administration section	204,488	199,720
Finance and accounts section	80,561	60,613
Security section	24,159	14,796
Stores	-	17,050
Internal audit	1,944	8,080
Fabrication workshop	273	-
Bad debts charge	-	3,513
	<u>311,425</u>	<u>303,743</u>
Total operating expenses	717,624	621,313
Depreciation	606,405	593,416
	<u>1,324,029</u>	<u>1,214,729</u>
TOTAL EXPENDITURE	<u>1,324,029</u>	<u>1,214,729</u>
LOSS BEFORE TAXATION	<u>(683,199)</u>	<u>(680,479)</u>

**NATIONAL WATER AND SEWERAGE CORPORATION
MBARARA AREA
INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2003**

INCOME	2003 Ushs'000	2002 Ushs'000
Consumption charges – water	1,171,073	912,535
Other incomes	128,850	47,004
Sewerage service charges	135,447	97,862
Service charge	65,395	58,142
Connection fees – water	26,271	16,950
Water tanker sales	7,722	2,565
Bad debt recovery	8,451	-
	<u>1,543,209</u>	<u>1,135,058</u>
EXPENSES – WATER		
Pumping and treatment	426,316	422,599
Transmission – mains	184,334	189,360
	<u>610,650</u>	<u>611,958</u>
EXPENSES – SEWERAGE		
Sewers	41,020	44,933
EXPENSES – COMMON		
Administration section	176,378	280,404
Finance and accounts section	78,343	62,762
Security section	25,820	36,227
Data centre	20,971	18,492
Stores	16,469	19,388
Internal audit	16,061	22,993
Technical - Maintenance	4,764	12,289
Bad debts charge	-	-
Commercial Section	17,935	-
	356,741	452,555
Total operating expenses	1,008,411	1,109,446
Depreciation	608,832	598,648
Asset impairment	-	-
TOTAL EXPENDITURE	<u>1,617,243</u>	<u>1,708,094</u>
LOSS BEFORE TAXATION	<u>(74,034)</u>	<u>(573,037)</u>

APPENDIX VIII

**NATIONAL WATER AND SEWERAGE CORPORATION
LIRA AREA
INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2003**

INCOME	2003 Ushs'000	2002 Ushs'000
Consumption charges - water	339,786	273,477
Sewerage service charges	49,053	40,776
Other income	4,119	17,050
Connection fees – water	20,754	10,672
Service charge	25,046	24,026
Water tanker sales	-	-
Septic tank emptying	-	-
	<u>438,758</u>	<u>366,001</u>
EXPENSES – WATER		
Pumping and treatment	156,958	148,449
Transmission – mains	50,888	36,108
Booster stations	57,937	49,849
Distribution – services	6,937	23,306
	<u>272,721</u>	<u>257,712</u>
EXPENSES - SEWERAGE WORKS	<u>47,244</u>	<u>9,821</u>
EXPENSES – COMMON		
Administration section	223,100	227,287
Finance and accounts section	23,757	55,885
Security section	30,373	33,313
Laboratory	12,795	-
Internal audit	13,602	12,922
Stores	-	6,698
Bad debts	16,342	-
Commercial section	-	11,159
	<u>319,969</u>	<u>347,264</u>
Total operating expenses	639,934	614,797
Depreciation	519,061	511,187
Asset impairment	-	-
	<u>-</u>	<u>-</u>
TOTAL EXPENDITURE	<u>1,158,995</u>	<u>1,125,984</u>
LOSS BEFORE TAXATION	<u>(720,237)</u>	<u>(759,983)</u>

**NATIONAL WATER AND SEWERAGE CORPORATION
GULU AREA
INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2003**

INCOME	2003 Ushs'000	2002 Ushs'000
Consumption charges – water	308,566	227,334
Other income	65	6,972
Sewerage service charges	79,576	52,541
Connection fees – water	13,386	10,338
Service charge	22,202	18,945
Water tanker sales	90	270
	<u>423,885</u>	<u>316,400</u>
EXPENSES – WATER		
Pumping and treatment	251,413	224,890
Distribution – services	-	2,411
Transmission – mains	37,409	33,735
	<u>288,822</u>	<u>261,036</u>
EXPENSES – SEWERAGE	<u>15,375</u>	<u>6,295</u>
EXPENSES – COMMON		
Administration section	131,381	194,268
Finance and accounts section	24,449	23,840
Commercial	-	29,780
Fabrication workshop	-	1,938
Security section	9,167	10,875
Stores	-	1,085
Internal audit	4,662	7,025
Laboratory section	7,938	6,555
Bad debts charge	39,190	-
	<u>252,470</u>	<u>275,366</u>
Total operating expenses	556,667	576,800
Depreciation	265,139	252,463
Asset impairment	-	-
TOTAL EXPENDITURE	<u>821,806</u>	<u>795,159</u>
LOSS BEFORE TAXATION	<u>(397,921)</u>	<u>(478,759)</u>

**NATIONAL WATER AND SEWERAGE CORPORATION
KASESE AREA
INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2003**

INCOME	2003 Ushs'000	2002 Ushs'000
Consumption charges – water	256,888	225,079
Septic tank emptying	12,834	3,127
Connection fees – water	8,780	5,628
Service charge	23,600	20,744
Miscellaneous income	1,936	2,327
	<u>304,038</u>	<u>256,905</u>
EXPENSES – WATER		
Transmission – mains	68,261	68,953
Pumping and treatment	108,521	129,475
Waste prevention	-	-
	<u>176,782</u>	<u>198,428</u>
EXPENSES – COMMON		
Administration section	154,759	105,796
Finance and accounts section	29,532	48,559
Commercial	-	-
Security section	17,053	21,316
Internal audit	12,570	11,313
Stores	16	7,010
Mobile and transport	-	-
Laboratory section	-	-
Bad debts (recovery)/charge	5,213	-
	<u>219,500</u>	<u>193,997</u>
Total operating expenses	396,282	392,370
Depreciation	93,506	89,615
TOTAL EXPENDITURE	<u>489,788</u>	<u>481,984</u>
LOSS BEFORE TAXATION	<u>(185,750)</u>	<u>(225,079)</u>

APPENDIX XI**NATIONAL WATER AND SEWERAGE CORPORATION
FORT PORTAL AREA
INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2003**

INCOME	2003 Ushs'000	2002 Ushs'000
Consumption charges – water	311,646	269,913
Other income	2,086	13,288
Consumption charges – sewerage	12,685	10,413
Connection fees – water	10,592	7,211
Service charge	25,751	23,159
Septic tank emptying	2,543	2,069
Water tanker sales	133	575
Bad debt recovery	1,556	-
	<u>366,993</u>	<u>326,628</u>
EXPENSES – WATER		
Pumping and treatment	121,588	73,265
Transmission – mains	59,087	78,265
	<u>180,675</u>	<u>151,383</u>
EXPENSES - SEWERAGE TREATMENT WORKS	<u>36,049</u>	<u>23,189</u>
EXPENSES – COMMON		
Admin section	223,879	138,679
Finance and accounts section	30,962	31,233
Commercial	4,372	26,019
Security section	14,742	12,955
Internal audit	4,062	3,053
Personnel	-	-
Stores	369	1,782
Bad debts charge	-	-
Laboratory	9,035	7,828
	<u>287,422</u>	<u>222,282</u>
Total operating expenses	504,146	296,854
Depreciation	115,349	168,029
TOTAL EXPENDITURE	<u>619,495</u>	<u>564,882</u>
LOSS BEFORE TAXATION	<u>(252,502)</u>	<u>(241,961)</u>

APPENDIX XII

**NATIONAL WATER AND SEWERAGE CORPORATION
KABALE AREA
INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2003**

INCOME	2003 Ushs'000	2002 Ushs'000
Consumption charges – water	159,972	125,042
Consumption charges – sewerage	27,430	11,247
Connection fees – water	11,218	3,621
Septic tank emptying	11,091	6,041
Other income	<u>18,890</u>	<u>15,801</u>
	<u>228,601</u>	<u>161,752</u>
EXPENSES – WATER		
Transmission – mains	94,995	21,351
Pumping and treatment	<u>90,753</u>	<u>58,588</u>
	<u>185,317</u>	<u>79,939</u>
EXPENSES - SEWERAGE TREATMENT WORKS	<u>8,928</u>	<u>8,809</u>
EXPENSES – COMMON		
Admin – section	173,772	80,070
Commercial section	5,866	8,405
Finance and accounts section	27,339	16,226
Bad debts charge	3,147	557
Technical maintenance	41	3,607
Security section	-	702
Laboratory	<u>7,040</u>	<u>-</u>
Total Expenses – Common	<u>216,314</u>	<u>109,567</u>
Total operating expenses	410,559	198,316
Depreciation	89,361	22,781
Asset impairment	<u>-</u>	<u>-</u>
TOTAL EXPENDITURE	<u>499,920</u>	<u>221,097</u>
LOSS BEFORE TAXATION	<u>(271,319)</u>	<u>(59,344)</u>

APPENDIX XIII
NATIONAL WATER AND SEWERAGE CORPORATION
BUSHENYI AREA
INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2003

INCOME	2003 Ushs'000	2002 Ushs'000
Consumption charges – water	102,454	50,919
Connection fees – water	5,692	1,144
Service charge	8,736	4,016
Other income	732	211
	<u>117,614</u>	<u>55,069</u>
EXPENSES – WATER		
Transmission – mains	83,605	12,696
Pumping and treatment	62,211	10,105
	<u>145,817</u>	<u>22,801</u>
EXPENSES – COMMON		
Finance and accounts	35,600	8,240
Administration	115,712	25,683
Bad debts charge	124	11,172
Security section	1,729	708
Stores	242	-
Total expenses – common	<u>153,384</u>	<u>46,133</u>
Total operating expenses	299,201	68,934
Depreciation	21,466	
TOTAL EXPENDITURE	<u>320,667</u>	<u>68,934</u>
PROFIT BEFORE TAXATION	<u>(203,053)</u>	<u>(13,865)</u>

**NATIONAL WATER AND SEWERAGE CORPORATION
SOROTI AREA
INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2003**

INCOME	2003 Ushs'000	2002 Ushs'000
Consumption charges – water	284,928	-
Consumption charges – sewerage	30,946	-
Connection fees – water	9,196	-
GOU Grants	69,681	-
Other income	<u>104,336</u>	<u>-</u>
	<u>499,087</u>	<u>-</u>
EXPENSES – WATER		
Transmission – mains	57,130	-
Pumping and treatment	<u>151,566</u>	<u>-</u>
	<u>208,696</u>	<u>-</u>
EXPENSES - SEWERAGE TREATMENT WORKS		
EXPENSES – COMMON	9,477	-
Admin – section	134,048	-
Commercial section	-	-
Finance and accounts section	22,664	-
Bad debts charge	71,589	-
Technical maintenance	2,328	-
Security section	16,698	-
Laboratory	8,944	-
Internal auditor	<u>1,556</u>	<u>-</u>
Total expenses – common	<u>257,827</u>	<u>-</u>
Total operating expenses	476,000	-
Depreciation	<u>14,278</u>	<u>-</u>
TOTAL EXPENDITURE	<u>490,278</u>	<u>-</u>
PROFIT BEFORE TAXATION	<u>8,809</u>	<u>-</u>

**NATIONAL WATER AND SEWERAGE CORPORATION
ARUA AREA
INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2003**

INCOME	2003 Ushs'000	2002 Ushs'000
Consumption charges – water	203,205	-
Service charge	19,127	-
Connection fees – water	23,928	-
Septic tank emptying	-	-
Other income	<u>31,389</u>	<u>-</u>
	<u>277,649</u>	<u>-</u>
EXPENSES – WATER		
Transmission – mains	10,047	-
Pumping and treatment	<u>97,755</u>	<u>-</u>
	<u>107,802</u>	<u>-</u>
EXPENSES - SEWERAGE TREATMENT WORKS		
EXPENSES – COMMON		
Admin – section	181,083	-
Commercial section	-	-
Finance and accounts section	27,476	-
Bad debts charge	26,936	-
Technical maintenance	16,719	-
Security section	6,641	-
Laboratory	<u>-</u>	<u>-</u>
Total expenses – common	<u>258,855</u>	<u>-</u>
Total operating expenses	366,665	-
Depreciation	9,474	-
Asset impairment	<u>-</u>	<u>-</u>
TOTAL EXPENDITURE	<u>376,132</u>	<u>-</u>
LOSS BEFORE TAXATION	<u>(98,483)</u>	<u>-</u>

APPENDIX XVI
NATIONAL WATER AND SEWERAGE CORPORATION
HEADQUARTERS
INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2003

INCOME	2003 Ushs'000	2002 Ushs'000
Released from deferred income	560,173	321,882
Miscellaneous income	44,098	335,282
Rent for Jinja offices	101,416	95,912
Profit on sale of stock/scrap	481	1,321
Bank short term interest	-	-
Interest from loan to staff	10,888	2,488
Sale of ID cards	9	60
Sale of tender documents	-	10,337
Bank interest	202,754	191,343
Grant From G.O.U	1,866,042	3,163,233
Grant IDA- LVEMP	-	77,079
	<u>2,785,861</u>	<u>4,198,937</u>
EXPENSES		
Human resource management, training and personnel section	1,820,185	1,818,947
Head quarter administration section	1,778,165	878,350
P and CD administration	301,264	321,524
Finance and accounts section	694,883	609,079
Board and admin section	1,218,139	598,041
Commercial section	300,254	244,142
Workshop – mobile plant	-	157,296
Workshop – static plant	449,927	257,394
Legal section	87,204	164,795
Head quarter general account	143,573	64,741
Electronic data processing	385,969	425,094
CE operations and maintenance	357,821	270,260
Internal audit	304,243	347,994
Security section	168,942	188,234
Central laboratory	285,912	243,912
Public relations	54,428	228,101
Stores section	111,864	163,645
Block mapping	138,566	164,827
Procurement section	175,374	130,306
Namasuba	-	4,535
Systems supervision	124,833	-
Bad debts	30,519	-
	<u>8,932,065</u>	<u>7,212,122</u>
Total operating expenses	8,932,065	7,212,122
Depreciation	444,832	311,176
TOTAL EXPENDITURE	<u>9,376,897</u>	<u>7,523,298</u>
LOSS BEFORE TAXATION	<u>(6,591,036)</u>	<u>(3,324,361)</u>