



annual report
2003/4



Visit our offices at:

NWSC Headquarters

Plot 39, Jinja Road
P.O. Box 7053 Kampala, Uganda
Tel. (+) 256 41 315100, 256761/2/3
Fax: (+) 256 41 258299/345531
E-mail: info@nwsc.co.ug

Kiira Water Partnership

Plot 7 Bell Avenue East
P.O. Box 301 Jinja, Uganda
Tel: (+) 256 43 121150, 123147/122052
Fax: (+) 256 43 122053

Elgon Water Partnership

Plot 1, Works Road
P.O. Box 2548 Mbale
Tel: (+) 256 45 33709, 315360/1
Fax: (+) 256 45 33742

Buddu Water Partnership

Plot 29/30, Victoria Road
P.O. Box 56 Masaka
Tel: (+) 256 481 20719, 315370/1
Fax: (+) 256 481 20038

Rwenzori Water Partnership

Waterworks-Fort Portal
P.O. Box 203 Fort Portal
Tel: (+) 256 39 548331, 315480/1
Fax: (+) 256 483 22606

Tororo NWSC Area Office

Plot 46/48, Uhuru Drive
P.O. Box 889 Tororo

Lira NWSC Area Office

Plot 10/12, Maruzi Road
P.O. Box 243 Lira

Gulu NWSC Area Office

Plot 25, Gulu Avenue
P.O. Box 167 Gulu

Kampala Water

18/29 Sixth Street
P.O. Box 70255 Kampala
Tel. (+) 256 41 342171,315500/514
Fax: (+) 256 41 349020/250659
E-mail: gm@kampalawater.co.ug

Greater Entebbe Water Partnership

Plot 6, Lugard Road
P.O. Box 79 Entebbe
Tel: (+) 256 41 320706, 315420/1
Fax: (+) 256 41 320091, 321692

Rwizi Water Partnership

Plot 3, Galt Road
P.O. Box 1371 Mbarara
Tel: (+) 256 485 20723, 315390/1
Fax: (+) 256 485 21304

Margherita Water Partnership

Rukidi Street
P.O. Box 356 Kasese
Tel: (+) 256 39 548282, 315470/1
Fax: (+) 256 483 44876

Soroti NWSC Area Office

Plot 77, Gweri Road
P.O. Box 377 Soroti
Tel: (+) 256 45 61968, 315410/1
Fax: (+) 256 45 61968

Bushenyi/Ishaka NWSC Area Office

Tank Hill- Bushenyi
P.O. Box 339 Bushenyi

Arua NWSC Area Office

Plot 13/15, Pakwach Road
P.O. Box 980 Arua

Kabale NWSC Area Office

Plot 32, Nyerere Avenue
P.O. Box 627 Kabale

Water quality is an essential aspect of NWSC services

www.nwsc.co.ug

Inside:

NWSC at a glance	3
Corporate Profile	5
Board Of Directors	8
Chairman's Statement	9
Corporate Performance	11
Introduction	11
Operating Strategies	11
Operational performance	14
Financial Performance	24
Performance of Capital Development Projects	25
Overview of the Future	28
Financial Statements	29
Corporate Information	30
Report of the Directors	31
Statement of Directors' Responsibilities	35
Auditor General's Report	36
Balance Sheet	38
Income Statement	39
Statement of Changes in Equity	40
Cashflow Statement	41
Notes to the Financial Statements	42
Appendices	59

**“to be
the
pride
of the
water
sector
in
Africa”**

National Water and Sewerage Corporation **at a glance**

- National Water and Sewerage Corporation is the principal provider of water services in the large urban centres of Uganda.
- We are mandated to operate in 19 urban centres through out Uganda.
- NWSC supplies 1.4 million customers with 151 million litres of water per day.
- NWSC's distribution network includes 16 water treatment plants and 13 sewerage treatment plants; 2,490 kilometres of water mains and 303 kilometres of sewer mains.

We believe in:

- Happy and satisfied customers
- Attaining adequate network coverage in all the towns we operate in.
- A strong, secure and motivated workforce.
- Working in alliance with the private sector and a high level of devolved power to our area management.
- Working in harmony with and contributing to the protection of the environment.
- Making valuable contribution to the economic development of Uganda.

NATIONAL WATER AND SEWERAGE CORPORATION AREAS OF OPERATION



KEY

 NWSC Water Service Areas

(.....) Population Figures

 New Towns



Corporate Profile

Who We Are

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

In 1995, the Corporation was re-established by the National Water and Sewerage Corporation Act, with the primary aim of revising the objectives, powers and structure of the Corporation and to enable the Corporation operate on a commercial and viable basis. The NWSC is a public Corporation wholly owned by the Government of Uganda

Our Mandate

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

Where We Operate

The National Water and Sewerage Corporation effectively operates in fifteen towns namely: Kampala (including Kajjansi and Nansana), Jinja/Njeru, Entebbe, Tororo, Mbale, Masaka, Mbarara, Gulu, Lira, Fort Portal, Kasese, Kabale, Arua, Bushenyi/Isahaka, and Soroti. Towards the end of the financial year 2003/04, four new towns; Iganga, Mukono, Malaba and Lugazi were gazetted as NWSC's areas of operation bringing the total number of towns under NWSC jurisdiction to 19.

Our Vision, Mission and Strategic Goals

To focus the Corporation's future direction, the NWSC Corporate Plan was developed in consultation with key stakeholders and approved by the NWSC Board of Directors in June 2003. The Corporate Plan covers the period 2003 – 2006 and sets out the Corporation's vision, mission, and strategic goals.

Corporate Vision

The Vision of National Water and Sewerage Corporation is to be the Pride of the Water Sector in Africa.

Mission

The Mission of the Corporation is to be a Customer Oriented Organisation, providing Excellent Water and Sewerage Services in a Cost Effective Manner.

Strategic Goals

Our three year Corporate Plan for the period 2003 – 2006 encompasses 16 strategic goals, key among which are:

- Reduction in the level of unaccounted for water from 39% to not more than 35% of water produced.
- Improvement in staff productivity through training and awareness and hence limit manpower levels to not more than 8 employees per 1,000 water connections.
- Increase in Annual Revenue by at least 10% per annum.
- Strengthening of process control and water quality monitoring systems to ensure that the customer receives water that complies with the Uganda National Standards for Potable, Water 1994.
- Increase in water and sewerage service network in the NWSC Areas by at least 45% and 9% respectively.
- Increase in water service coverage from 63% to 70%.
- Implementation of a corporate wide Management Information System

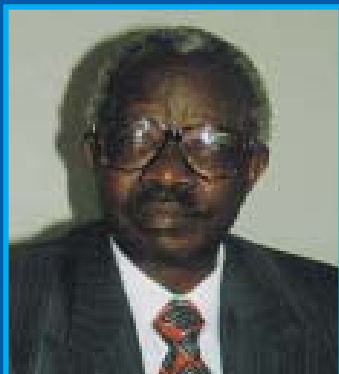
The NWSC's Corporate Plan provides a common focus for collaboration, achievement and accountability

Strategic Initiatives

Strategic initiatives and programmes are used to ensure that the Corporation achieves and exceeds the strategic goals. Since 1998, various programmes have been introduced to focus and realign the corporate direction into performance-based management. During the financial year 2003/2004, management began to transform the Area Performance Contracts (APCs) into Internally Delegated Area Management Contracts (IDAMCs). This concept aims at increasing efficiency, performance improvement and customer satisfaction. The implementation of the programme will involve increasing the level of autonomy in the areas in a bid to separate the functions of operations and asset management. The following is a schematic representation of NWSC's corporate strategic framework.



The Board of Directors



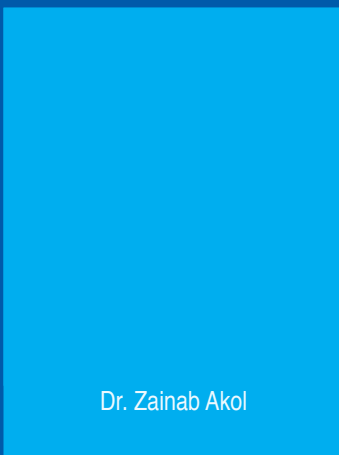
Chairman, Board of Directors
Mr. Samuel Labeca Okec



Managing Director,
Dr. William Muhairwe



Vice Chairman,
Eng. Yorokamu Katwiremu



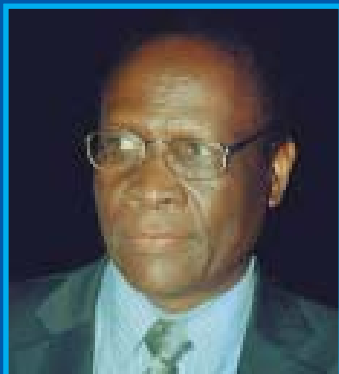
Dr. Zainab Akol



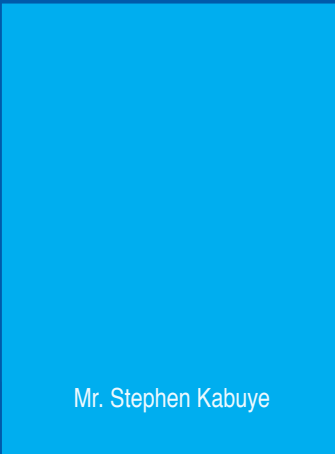
Mrs. Sarah Nabachwa Mangali



Dr. Abdullai Shire



Mr. Gabriel Opio



Mr. Stephen Kabuye



Eng. Sorti Bomukama



Mr. David Kakuba,
Corporation Secretary



Mr. David Sebabi,
Ex-Officio Member

Chairman's Statement



Chairman, Board of Directors
Mr. Samuel Labeca Okec

Once again, I have the pleasure to present to you the National Water and Sewerage Corporation Annual Report for the financial year 2003/2004. This year has been one of outstanding progress in which the Corporation moved strongly ahead in financial performance. The NWSC's turnover for the year ended June 2004 showed a 15% increase from Shs 37.1 billion in the previous financial year to Shs 42.6 billion. The operating profit before depreciation and interest was Shs 12.4 billion, an increase of 53% over the previous year. The operating profit after depreciation was approximately Shs 3.6 billion (Shs 778 million in the previous year). This implies that the current year's performance was 4.7 times that of the previous year.

Two broad strategies guided the activities of the Corporation during the year and were a major contributing factor to the excellent performance:

- The implementation of the Second Performance Contract with Government. The second Contract was aimed at consolidating the efficiency gains realised during the tenure of the first Performance Contract with Government.
- The introduction of Internally Delegated Area Management Contracts (IDAMCs) in the NWSC areas of operation. The IDAMCs were formulated to further consolidate operations at the area level through increased autonomy and introduction of a performance based pay.

During this financial year, the management contract for the Kampala Area with ONDEO Services expired in February 2004 after a period of two years. The Kampala Area was then placed under the management and control of the NWSC. The Kampala Area is now operating under the framework of the Internally Delegated Management Contracts.

During this financial year, the Corporation undertook a commitment to invest in major projects using its own internally generated resources. One of the projects started in response to social demands was the extension of water to Mukono township located 15 kilometres outside Kampala

at an estimated cost of Shs 6.4 billion. The NWSC is fully financing this project from its internal resources. The Corporation also funded the detailed feasibility study for the refurbishment and expansion of the Gulu Water and Sewerage System at a cost of Shs 2 billion. This undertaking too is a sign of the Corporation's commitment to improve service delivery to the people of Uganda by ploughing back its own resources into major capital developments.

As part of our further social obligations, the Corporation, in liaison with the Government, provided water to about 150,000 people in Internally Displaced Peoples (IDP) Camps in the towns of Lira and Soroti at a cost of Shs 98 million. We are proud of these humble contributions

The Corporation's achievements in the year 2003/2004 won recognition from peers within the country and abroad. NWSC was recognised by the World Wide Marketing Organization based in Amsterdam for outstanding leadership and excellence. Within Uganda, the Corporation received the Employer of the Year Award for best corporate responsibility and business ethics from the Federation of Uganda Employers.

These achievements have only been made possible by the support of the Government through the Ministry of Water, Lands and Environment, plus the expertise and commitment of the Board of Directors, indefatigable staff, the loyalty of our customers, and the support of all stakeholders.

On behalf of the Board, I acknowledge these contributions and thank the Ministry of Water, Lands, and Environment for its support and continued guidance.



S.L.OKEC
Chairman, Board of Directors

NWSC Awards:
Employer of the Year Award
for best corporate responsibility (Left);
Golden Star Award
for outstanding leadership
and excellence(Right)



Corporate Performance For The Financial Year 2003/2004.

Statement by the Managing Director



Managing Director
Dr. William Tsimwa Muhairwe

Introduction

During the financial year 2003/2004, the NWSC surged ahead in meeting the objectives of its Strategic Plan which is integral to Corporation's governance, business planning, performance management and sustainability.

Overview of Performance 2003/2004

The performance of the NWSC during the financial year 2003/2004 shows that we are beginning to reap the fruits of our turnaround strategy that started in 1998. The year under review was a dynamic one in which a number of new developments were implemented in terms of operations and investments. In terms of financial performance, our operating profit after depreciation increased significantly by 55%, while in operations, the number of our subscribers reached the watershed mark of 100,000 water connections. Also during the year under review, two of our towns, Jinja/Njeru and Tororo, received ISO certification. The certification of these towns marks the beginning of a new development in our history towards the adoption of internationally accepted processes and quality management.

All these achievements demonstrate the fact that we have come a long way from a loss making, under funded Corporation in 1998 to a financially viable and vibrant organisation.

Operating Strategies

Two major operating strategies underscored the Corporation's remarkable performance during the year 2003/2004, namely, the second GoU/NWSC Performance Contract, and the Internally Delegated Area Management Contracts (IDAMCs) concept.

The Second GoU/NWSC Performance Contract

The GoU Performance Contract was initially conceived in 1999 as a regulatory tool to ensure that NWSC meets the minimum standards expected by Government. Following the expiry of the first Performance Contract signed between the Government of Uganda and the NWSC, and cognisant of the tremendous achievements made during the tenure of the first contract, Government thought it prudent to develop a second Performance Contract. The purpose of this Contract was to build on the success of the first one. The second Performance Contract, which was signed in December 2003, is aimed at consolidating the improved performance of

the Corporation by safe guarding the efficiency gains, and ensuring continued sustainability of operations.

Internally Delegated Area Management Contracts (IDAMCS).

During the financial year 2003/2004, the Corporation embarked on the transformation of Area Performance Contracts (APCs) into Internally Delegated Area Management Contracts (IDAMCs). The basis for the IDAMCs was the NWSC Corporate Plan 2003 – 2006, and the Performance Contract with Government. Both Policy documents provide strategic direction to the NWSC activities. The IDAMCs were formulated to further consolidate operations at Area level. The principal objectives of the contracts are accountability, and introduction of performance based pay. This strategy is in line with wider sector reform tenets of increased PSP management and the separation of asset holding functions from operations. The contracts were initially signed in the month of December 2003 with seven areas namely Entebbe, Jinja, Mbarara, Masaka, Fort Portal, Kasese, and Mbale. The Kampala IDAMC started operations in March 2004, and by the end of the financial year the concept had extended to all areas.

We are proud to report that the IDAMC management framework together with the Performance Contract

with Government have received wide acclaim from utility organisations from within and outside the country. During the year, as part of the benchmarking process, we received high level delegations from water utilities of Kenya, Tanzania, Malawi, Zambia, and Germany who were interested in learning more about our operations in general and the strategic initiatives in particular. [Insert picture signing of IDAMCS)

Private Sector Participation in the Kampala Area

The two-year management service contract with ONDEO Services expired in February 2004. Thereafter, the NWSC took over the Management of Kampala Area under the framework of Internally Delegated Area Management Contracts in March 2004. Unlike the previous management service contract, the new management in Kampala is responsible for the revenue and operations for both the water and sewerage systems. The new management in Kampala is also responsible for the continuation of the Network Rehabilitation Project which project is co-funded by the German Government through KfW.

IDAMC signing ceremony for Entebbe Area



Computerisation of NWSC Systems

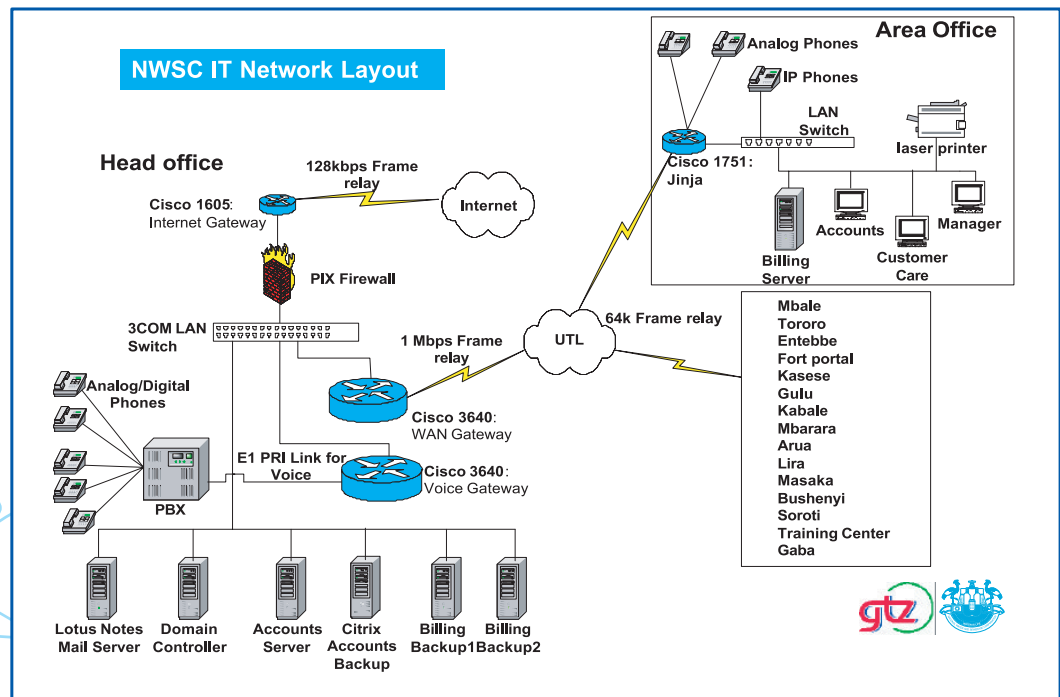
During the financial year, the Corporation realised one of its key objectives with the implementation of an effective computerisation system. In this respect, the following were achieved;

- A Wide Area Network (WAN) and Local Area Networks (LANs) in all Area offices
- Establishment of a modern Computing server room at Head office.
- Efficient inter-office and external Corporate email communication system using Lotus Notes
- Substantial increase in computer workstations and accessories for Headquarters and Area office staff,

- Establishment of autonomous billing centres, and online cash receiving in all Area offices.
- Improvements in the financial and billing systems, including SCALA and CUSTIMA.
- Computerisation of the central procurement process.
- Implementation of modern integrated telephone exchange facilities.

These developments resulted into improvements in collections, fast information processing, timely distribution and effective use of information within the Corporation.

NWSC Computer Room (Headquarters)



Operational Performance

Water Production

NWSC continues to increase water production to correspond to a growing consumer base. During the financial year 2003/2004, total water production increased by 4 million cubic meters from 51 million cubic meters to 55 million cubic meters. The increased water production was realised following the refurbishment of the Gaba 1 treatment plant and the minor rehabilitation works in the other towns. The table below shows the trend of growth in the volume of water production in the last three years.

Table 1: Water Production: Millions Cubic Meters

Table 1			
Year	2001/2002	2002/2003	2003/2004
Kampala	34.0	36.5	38.6
Other Areas	12.9	14.9	16.3
Total	46.9	51.4	54.9

On the other hand, the capacity utilisation of our water works increased from 65% in the previous financial year to 69% in the financial year 2003/2004 as shown in table 2

The table shows that the towns of Kampala, Entebbe, and Gulu are utilising over 80% of their production capacity. Taking this into account, major projects have already been procured to expand production in the towns as indicated in the section under projects in this report.

Water Distribution

Water distribution is our core business and it is our objective that the network is brought within access of every consumer. During the financial year 2003/2004, we continued with the policy of expanding our network in order to meet the needs of the widening customer base. A total of 268 kilometres of mains were therefore extended during the year bringing the total pipe network length to 2,488 kilometres. All extensions were funded from internally generated resources as

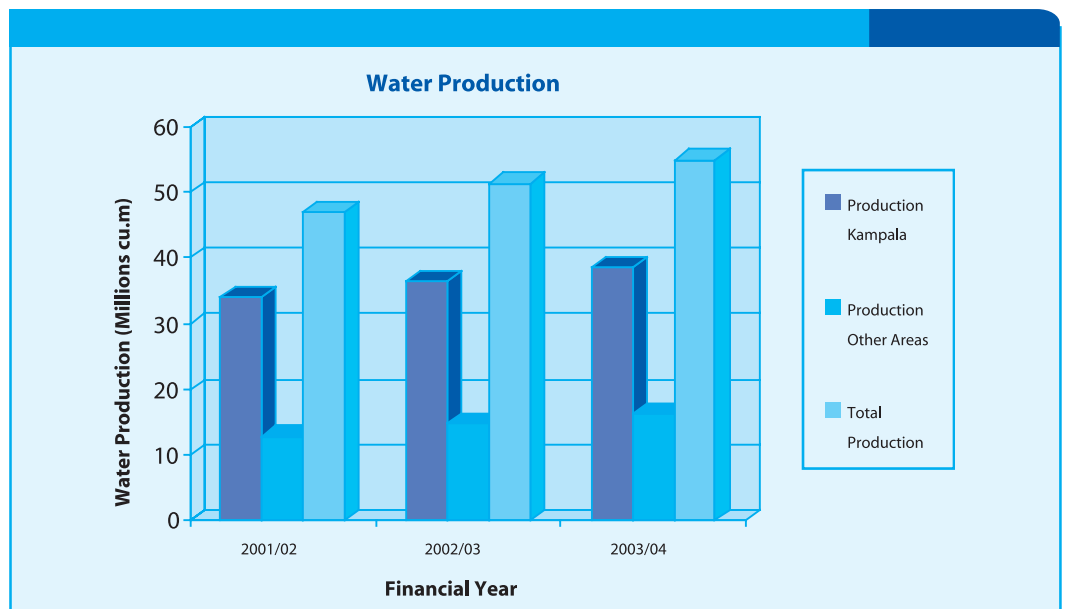


Table 2: Capacity utilization as at June 2004

			Table 2
AREA	Practical Capacity m3/day	Average Production m3/day	Capacity Utilisation %
Kampala	117,270	105,484	90%
Entebbe	8,855	7,121	80%
Jinja	24,000	11,387	47%
Tororo	5,914	2,763	47%
Mbale	14,408	4,226	29%
Masaka	6,382	2,677	42%
Mbarara	10,197	5,194	51%
Lira	8,586	2,542	30%
Gulu	1,579	1,291	82%
Kasese	2,368	1,453	61%
Fort Portal	2,171	1,641	76%
Kabale	3,600	1,373	38%
Arua	5,400	1,327	25%
Bushenyi	960	725	76%
Soroti	5,529	1,738	31%
Total NWSC	215,094	150,944	69%
Total Excluding Kampala	97,824	45,460	45%

part of the Corporation's CAPEX programme. Notable among the extensions were the completion of the pipeline to Buddo/Nabbingo along Masaka road, Bulenga along Mityana road, and to Gayaza. The extensions in the areas were implemented as part of the Kampala Peri Urban programme.

Sales Volume

During the year, our sales volume increased by 3 million cubic meters of water from 31.2 million cubic meters to 34.2 million cubic meters. This translates into a 10% increase in water sales. The increased sales were due to the rapid expansion in connections, resulting into a higher level of service coverage.



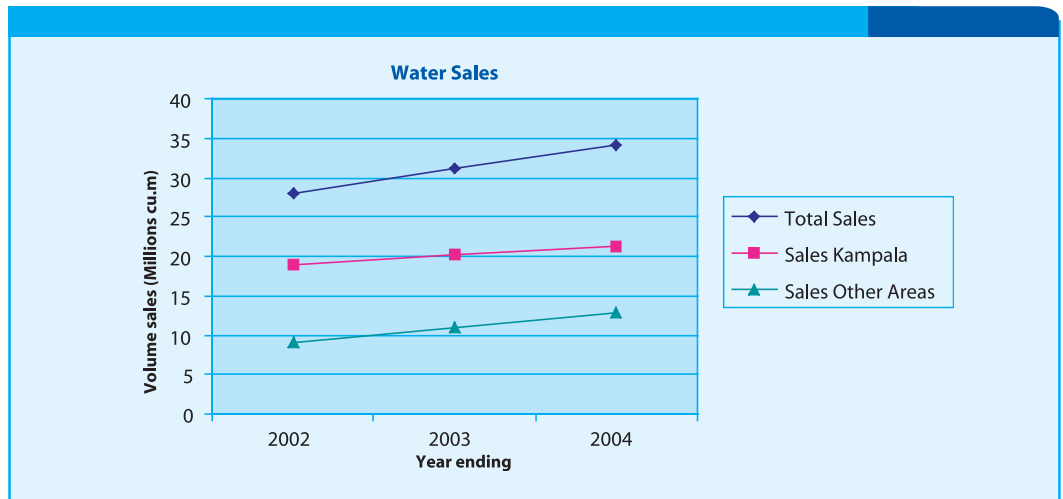
Kiyora Water Works, Kabale



Typical pipe laying exercise, Kampala

Table 3: Millions Cubic Meters

Table 3			
Year	2001/2002	2002/2003	2003/2004
Kampala	19.0	20.3	21.3
Other Areas	9.0	10.9	12.9
Total	28.0	31.2	34.2



Water Market Segments

In terms of the volume of sales, domestic customers comprise the largest segment and account for 46.6% of the NWSC's total water sales, followed by Institutions/Government (27%) and the Industrial and Commercial sector (20%). [insert picture of industrial use]. 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 our drive is to improve services to the urban poor and to the peri-urban settlements. We expect to achieve this partly through the new connections policy, which was introduced at the end of the financial year, and will therefore be implemented in the next financial year.

Table 3: Water Market Segments

Table 4						
Consumer Category	Connections (Nos)	%	Volume Sold (cubic meters)	%	Revenue (shs millions)	%
Public Standposts	3,215	3.2%	1,847,194	5.4%	945	2.4%
Domestic	83,696	83.3%	15,940,597	46.6%	13,539	34.4%
Institutions/ Government	3,718	3.7%	9,270,176	27.1%	11,965	30.4%
Industrial/ Commercial	9,847	9.8%	6,944,080	20.3%	12,909	32.8%
Total	100,475	100%	34,207,290	100%	39,357	100%

Water Subscribers/Connections

During the financial year 2003/2004, a total of 14,045 new connections were made. This brings the total number of connections to 100,475. The achievement of 100,000 subscribers is a major milestone for the Corporation as this marks the beginning of a new level of growth.

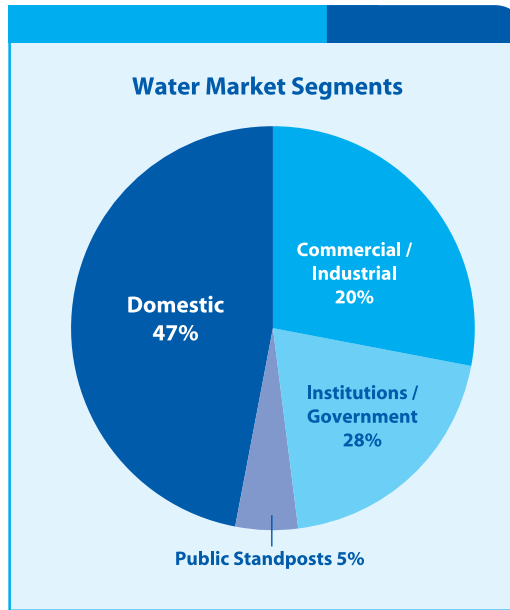
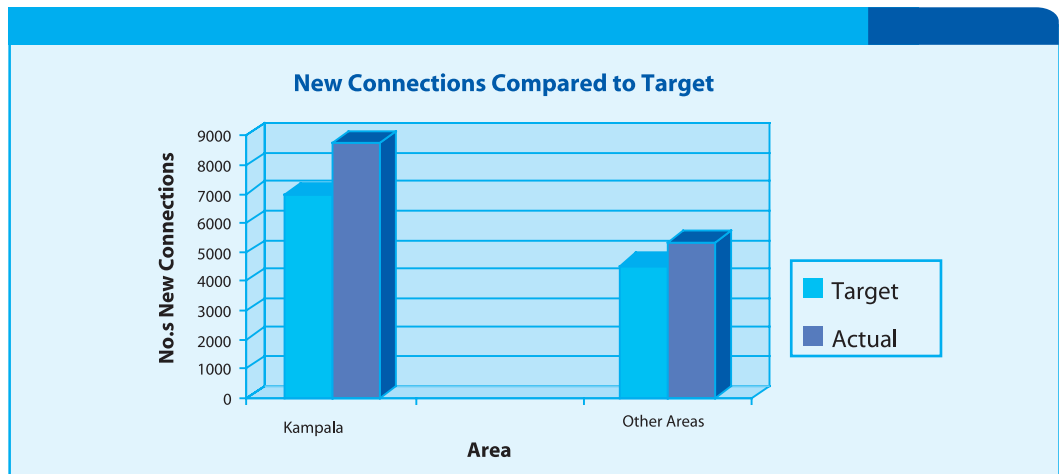


Table 5: New Connections: 2003/2004

Table 5			
Year	2001/2002	2002/2003	2003/2004
	Target	Actual	% Achieved
Kampala	6,960	8,720	125%
Other Areas	14,540	5,325	117%
New Connections	11,500	14,045	122%



Coca Cola Bottling Plant, one of our big industrial water users



Trend of New Connections

Over the last three years, there has been a significant increase in the number of new connections as shown in table 6. A total of 33,357 connections were made in this period showing the level of effort the NWSC has put in reaching out to as many customers as possible. With the new connection policy due for implementation in the next financial year, we expect to realise a higher rate of growth in our customer base.

Installation of Kiosks/Public Standposts

Installation of public standposts and kiosks is a deliberate corporate strategy aimed at addressing the needs of the urban poor. During this financial year, a total of 382 public stand posts were installed, or a growth of 13%. Of these, 116 were installed in

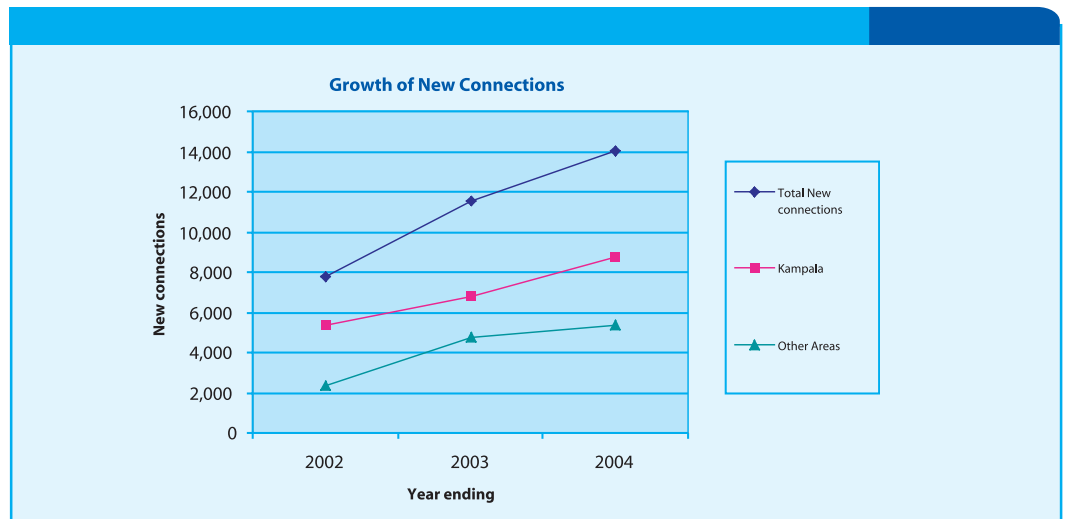
Table 6: Growth of New Connections

Table 6			
Year	2001/2002	2002/2003	2003/2004
Kampala	5,390	6,821	8,720
Other Areas	2,374	4,727	5,325
Total	7,764	11,548	14,045
% Increase	11.7%	15.4%	16.1%

Table 7: Trend of Stand Posts/ Kiosks installed

Table 7			
Year	2001/2002	2002/2003	2003/2004
New Kiosks	68	277	382
% Growth	3%	12%	13%

Kampala in the locations of Lukuli, Salaama Road, Kamwokya, Kisugu, Luwafu, Gayaza, and Lubowa among others.



Service by water kiosks, Lira.



Supply of Water to Internally Displaced Peoples Camps (IDPs)

NWSC recognises the valuable role it plays in supporting the less privileged society within its areas of service. Of the 382 public standposts installed during the year 2003/2004, 70 were targeted to address the problems of internally Displaced Peoples Camps in Lira and Soroti. In Soroti, 30 stand posts were installed in institutions such as schools and Government premises where the IDP Camps are located. In Lira, the Corporation provided water to about 85,000 people in the IDP camps which included Erute, Railway Camp and Ireda Camp. Overall, a total of about 70 taps were installed in the various camps to alleviate the plight of the IDPs. During the year, an extension of about 3.5 kilometres was commenced to Telela IDP Camp which has a population of about 6,742 people. The emergency provision of services to the IDPs is a manifestation of NWSC's commitment to provide social services to underprivileged communities in our service areas.

Sewerage Service

The low level of sewerage service coverage remains an area of major concern to the Corporation. During the year under review, the Corporation continued with programmes to initiate the expansion of sewerage service from the current low level of 8%. Among the key activities was the completion of the Kampala Sanitation Master Plan whose objective is to provide an appropriate framework for the implementation of downstream sanitation needs. The study established that the low sewerage coverage was partly due to low levels of willingness and ability to pay, physical limitations of slum areas, and the lack of enforcement of existing planning and sanitation regulations.

However, the study also noted that about 94% of the population in Kampala have access to alternative form of sanitation facilities. The key recommendations of the study point to the need for a comprehensive restructuring of the sewerage system involving the relocation of the treatment works.

On the other hand, feasibility studies were also commissioned to establish the appropriate sanitation framework for the other 14 towns of the NWSC. In this regard specific emphasis will be placed on those towns which do not have sewerage systems viz; Kasese, Arua, and Bushenyi.

Despite the limitations in regard to sewerage coverage, we are however glad to report that during the year, a total of 20 kilometres of sewer mains were laid, and 153 new sewer connections made. In addition, there was a significant increase in the volume of cesspool tank emptying into the Bugolobi sewerage treatment works. Our records indicate that about 2,460 cubic meters of sewage was emptied into the Bugolobi treatment plant every month. This is equivalent to an increase of about 40% from the previous financial year.

Service Coverage

Service coverage refers to the percentage of people accessing our services as compared to the total target population. Service coverage for water increased from 63% in June 2003 to about 65% by June 2004. This increase was a result of various mains extensions, increased connection of consumers and the creation of public stand posts in all the towns of our operations. We continue to be mindful of the Millennium Development Goals (MDGs) objectives of halving the number of persons without water supply by the year 2015. In line with this objective, the NWSC has in place a medium term investment plan, which clearly indicates the resources needed to reach the MDG goals.

Table 8: Water Supply and Coverage as at 30th June 2004

Table 8						
Town	Total No. of Connections	Pipe Network (Kms)	Targeted Population	Population Served	% Served (Water)	% Served (Sewerage)
Kampala	60,077	1,043.06	1,254,469	815,405	65%	7%
Jinja/Njeru	8,018	240.34	142,857	110,000	77%	26%
Entebbe	4,523	137.88	58,956	37,142	63%	4%
Tororo	1,873	65.75	44,172	27,828	63%	7%
Mbale	3,958	143.48	72,057	46,837	65%	28%
Masaka	2,701	111.85	62,403	46,179	74%	9%
Mbarara	4,144	104.83	72,322	57,135	79%	6%
Lira	2,000	117.15	98,948	57,390	58%	2%
Gulu	1,751	73.06	123,666	86,566	70%	5%
Fort Portal	1,986	104.65	41,336	28,522	69%	2%
Kasese	1,734	56.53	58,256	44,449	76%	0%
Kabale	1,621	102.4	47,496	25,173	53%	11%
Arua	1,539	78.817	48,728	21,927	45%	0%
Bushenyi/Ishaka	798	44.708	24,045	8,656	36%	0%
Soroti	1,752	63.59	41,511	14,114	34%	2%
Total	100,475	2,488.095	2,191,223	1,427,323	65%	8%

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

Note

- (1) Population coverage is based on the following number of persons 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
- (2) The newly gazetted towns of Mukono, Lugazi, Malaba and Iganga are not included in this analysis

Unaccounted for Water (UfW)

Reduction of water losses continues to form a major part of our strategy in securing a balance between available resources and demands. As at June 2004, the overall UfW was 37.6% compared to 39% at the end of the FY 2002/2003. This marked a 14% reduction in UfW. In Kampala, the UfW averaged about 44.7% compared to 44.5% as at end of June 2003. In the other areas, UfW was an average of about 20.8% compared to 26.7% as at end of June 2003. During the year, UfW in other areas decreased by 5.9%, while in Kampala Area, the UfW for the last three months averaged 42%. The improvements in the areas, including Kampala, were due to the efforts undertaken in the IDAMC contracts.

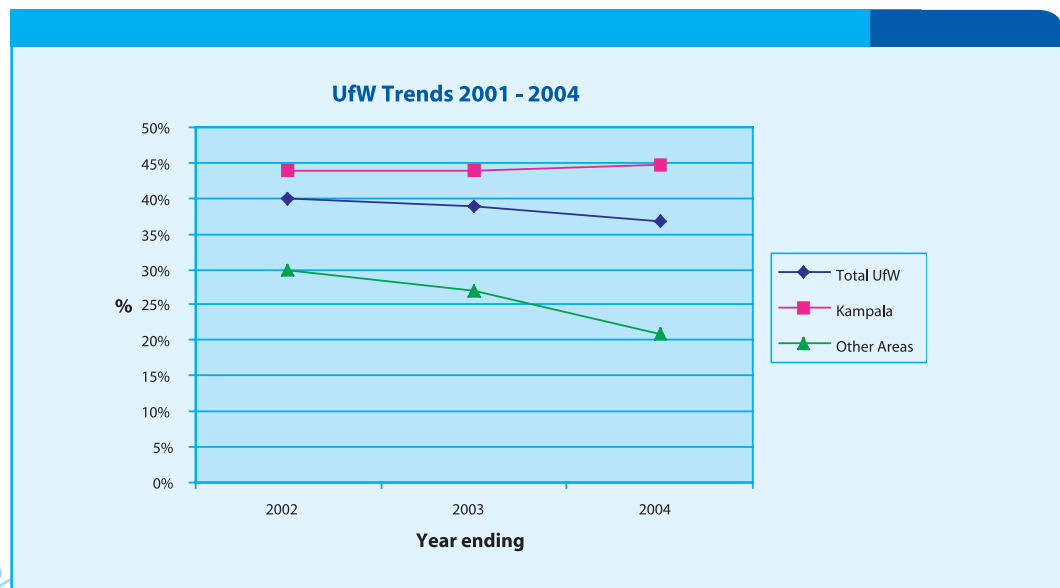
In Kampala specifically, the Kampala Network Rehabilitation Project funded by the German Government has helped in reducing the level of UfW. The project activities in 2003/2004 included the replacement of derelict pipe network, improvements in IT and Computer Network systems, the purchase of new computers and improvements in the billing system. These activities have improved timely and accurate processing and recording of data. Software issues also included a component on administrative losses, leak detection, and illegal use investigations etc.

Meter Coverage

Accurate measurement of consumption is an important issue to us given that this impacts upon consumer willingness to pay and monitoring of water losses. As at June 2004, a total of 97,026 accounts were metered out of 100,475. This represents 97% meter coverage. 99% of all active accounts in all areas were metered by the same date. The details of water subscribers and meterage are given in the table 10.

Table 9: Unaccounted for water Trends

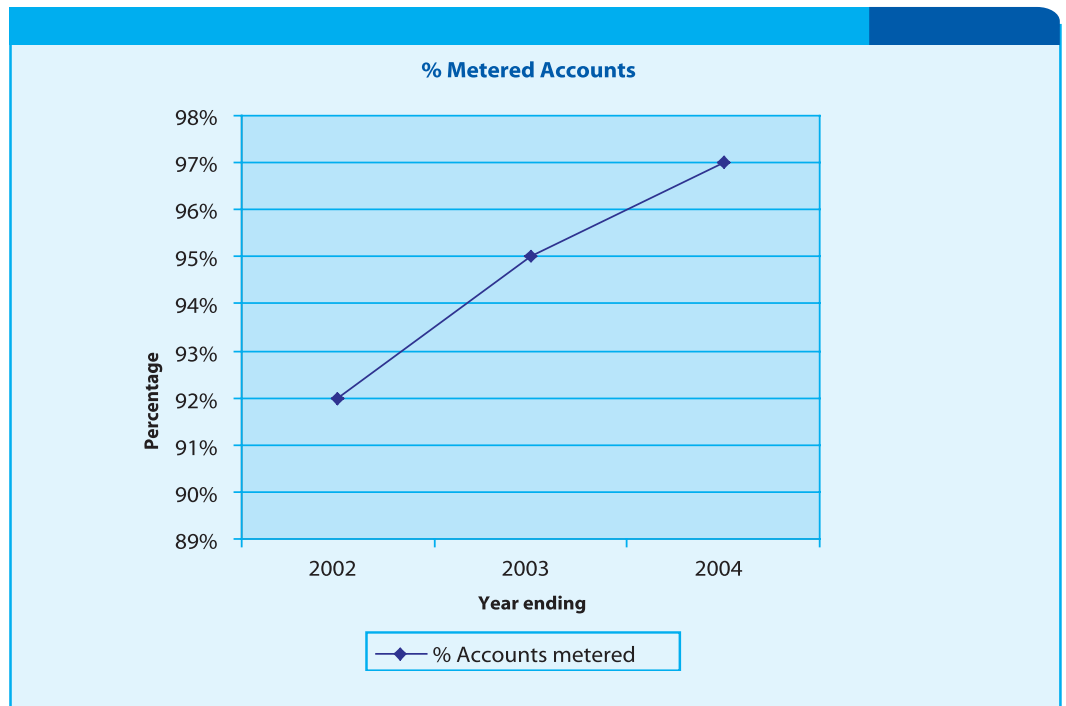
Table 9			
Year	2001/2002	2002/2003	2003/2004
Total	40%	39.4%	37.6%
Kampala	44%	44.5%	44.7%
Other Areas	30%	26.7%	20.8%



The improvement in meter coverage has greatly improved the accuracy of billings, thereby improving the willingness to pay by our customers.

Table 10: Metered Accounts

Table 10			
Year	2001/2002	2002/2003	2003/2004
Kampala	42,249	48,952	59,022
Other Areas	26,519	33,746	38,004
Total metered	68,768	82,698	97,026
Total Accounts	74,797	87,172	100,475
% Metered Accounts	92%	95%	97%



Staff Rationalisation

Since 1998, the Corporation has been under going continuous restructuring as a part of the turnaround strategy. From the last financial year, however, emphasis has shifted from downsizing to rightsizing. During the year, the number of staff increased marginally from 950 to 990. The staff increase in the year was equated with the expansion of our business activities which included the fast growth in the customer base. However, the Corporation was

Table 11: Staff Productivity Trend

Table 11			
Year	2001/2002	2002/2003	2003/2004
Staff Numbers	889	949	990
Staff/000 water connections	12	11	10

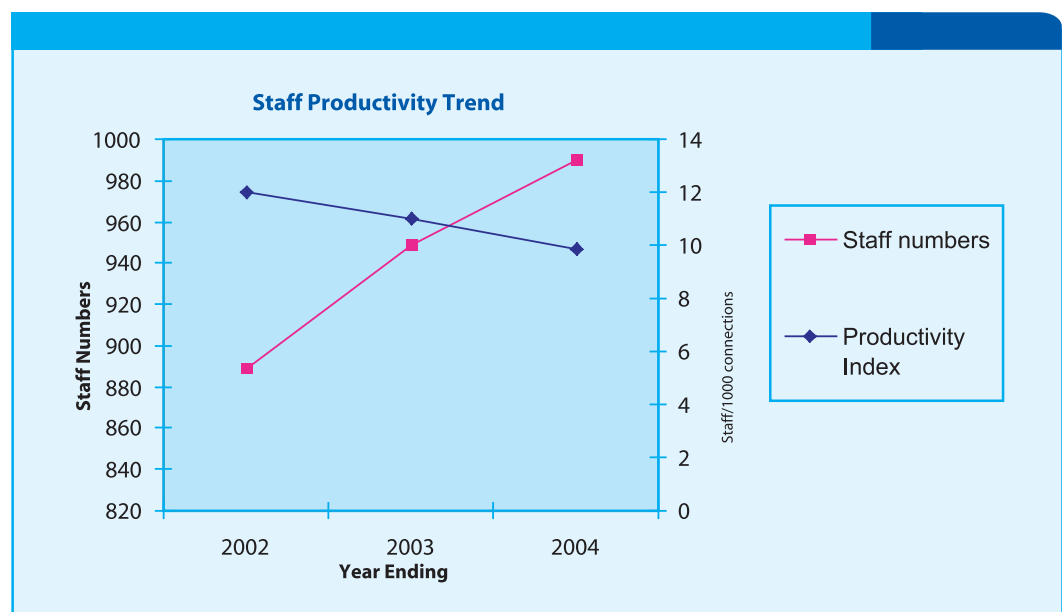
cognisant of the need to maintain and achieve the productivity co-efficient, which improved from 11 to 10 staff per thousand connections.

Rightsizing as a strategy means balancing business volume with staff quality. During the year 2003/2004, a lot of emphasis was put on staff training as a means of achieving overall corporate efficiency.

Staff training was carried out in the following categories:

- Customer care for all staff interfacing with customers.
- Computerised accounting especially for the accounts, stores, and procurement staff

- Private Sector Participation (PSP) skills which was attended by the Board, and all of top and senior management staff including our area managers. Our sister company in the electricity sector, Uganda Electricity Distribution Company limited (UEDCL) also participated in the PSP training. This was advantageous as there was a lot of experience sharing in regard to concepts and practical aspects of PSP issues.



Training for NWSC Board, Top Management and UEDCL Top management

Financial Performance 2003/2004

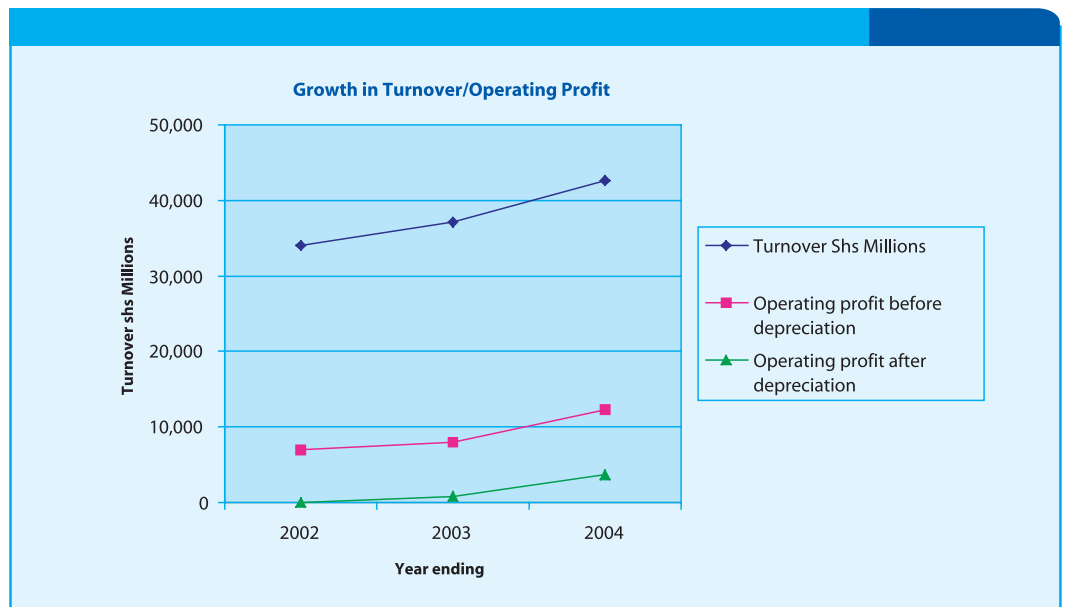
Financial Improvement

We are happy to report that during the year ended June 2004, our turnover grew by 15% from Shs 37.1 billion to Shs 42.6 billion. The operating profit before depreciation increased by 52% from Shs 8.1 billion in the financial year ended June 2003 to Shs 12.3 billion in the financial year ended June 2004. Furthermore, our operating profit after depreciation increased from approximately Shs 0.8 billion to Shs 3.6 billion during the financial year ended June 2004.

Table 11: Trend of Financial Performance in Shs. millions

Year ending 30 June	2002	2003	2004
Turnover	34,054	37,140	42,647
% Growth	16%	9%	15%
Operating Profit before Depreciation	7,021	8,072	12,291
Operating Profit after Depreciation) (excluding exceptional item	36	778	3,636

Table 12



Collection Efficiency

In the utility industry, revenue collection is a crucial indicator of survival. During the financial year 2003/2004, our collections amounted to Shs 44,904 million (including VAT) compared to billings of Shs 44,467 million. The collection efficiency (arrears inclusive) was therefore 101%. Average collection amounted to Shs 3,742 million per month. As a result of the significant improvement in collections during the year, the level of arrears decreased by 15% from Shs 24.6 billion to Shs 21 billion.

Performance Of Capital Development Projects

The NWSC is consistently improving its investments as a means of increasing service coverage. The structure of funding for the new investments has now evolved with the corporation taking more responsibility of funding new investments.

Flagship Investments

During the financial year under review, the Corporation resolved for the first time to undertake specific projects using internally generated funds. This was an important milestone in that prior to the year 2003/2004, all the major projects were co-financed by donor funding. Two projects were earmarked for this venture namely the Mukono Water Supply Project and the consultancy services for the rehabilitation and expansion of the Gulu Water Supply Project.

Mukono Water Supply Project

Work on this project commenced in June 2004 and is estimated to cost Shs 6.4 billion. The Project is to be implemented in three phases: Phase 1 will involve laying of 10km DN400mm/300mm transmission main and 35kilometers of distribution pipeline along the Jinja Kampala highway. Phase II of the project will involve construction of the two reservoirs i.e. at Gulama Hill and Tucker Hill. And booster pumps station at Seeta.

It is expected that actual water supply in Mukono will be effected by February 2005.

Gulu Water Supply and Sewerage Project

The second major project funded wholly by the NWSC is the rehabilitation of the Gulu Water and Sewerage Systems. The corporation is currently financing the feasibility study at a total cost of Shs 2 billion. However funds will be sourced for the downstream activities after the final designs have been prepared.

The contract for design, tendering and supervision is due to be signed in May 2004. The consultancy is being financed from internally generated resources and is envisaged to take 6 months. The consultancy will then be followed by the physical construction works.

Other Investments (Donor funded projects)

Gaba I Project (Phase I & II)

The **Gaba 1** water works was refurbished with funding from the EU at a cost of 4.5 million Euro. The project was undertaken in two phases. **Phase I** which was completed and commissioned in May 2002 resulted into an increase of water production from 30,000 cubic meters to 40,000 cubic meters per day.

Signing of the Gulu feasibility study contract



Phase II construction works involved the modification and upgrading of the intake units. Project works were completed in June 2004. Phase II increased water production from 40,000 to 50,000 cubic meters per day. However, production is slated to increase to 72,000 cubic meters per day after the installation of new pumps due by December 2004.

Construction of New Gaba III Plant

The **Gaba III** project is to be implemented with funding from the German Government (through KfW) under a turnkey arrangement. The project cost is estimated at US \$16.5 million. The project will result into an additional production of 80,000 cubic meters of water per day and will be able to meet the demand for greater Kampala up to the year 2014. The project will also re-enforce the supply of water to Mukono town. During the year the procurement process for the contractors reached advanced stages, and it is envisaged that construction works will commence in September 2004.

Construction will follow Plant Design and Build process. Evaluation of tender was completed in Mid July 2004 and contract is due to be signed in August 2004.

Extension of Services to Peri-Urban Areas

In Kampala, water mains extensions have been made to various **peri-urban areas** with funding from NWSC own internally generated sources and plans are underway to further extend services to greater Kampala. So far, extensions have been made to Bunamwaya, Seguku, Kajjansi, Lubowa, Gayaza, Buddo, Nabbingo, Kitezi, Bulenga, Nansana, Kirinya (Akright project), and Kyaliwajala.

In Entebbe, extensions have been made to Kasenyi, and Abaita/Nkumba areas.

Rehabilitation of Entebbe Water and Sewerage System

The Entebbe Water Supply and Sewerage system is to be rehabilitated with funding from the German Government through KfW. The project will result into provision of water and sewerage services which will be able to serve the population in and around Entebbe area up to 2015. The water system will be extended along Entebbe road up to Namulanda. The total project cost is estimated at 16.25 million Euro. During the reporting period, the procurement process for the contractor was substantially completed and it is envisaged that construction will start in September 2004.

Kampala Network Rehabilitation Project

In Kampala, a project code –named the Kampala Network Rehabilitation Project is underway with funding from the German Government. The project is aimed at the rehabilitation of the network and other related investments which would reduce on systems losses in Kampala. Funds amounting to 3.3 million Euro have been earmarked for this and implementation has started.

A number of activities have been implemented including a computerisation and illegal use reduction programme. Current activities include a continuation of the illegal use reduction programme. This is to be implemented under a contract code named CODA signed in May 2004. In addition, a contract to expand the transmission mains along Kitante Road was also signed. This will improve water pressure in Northern Kampala. The KNRP project is to be extended for the third year in financial year 2004/2005.

Subsidy Of Arua, Soroti and Bushenyi Towns

The project aims at rehabilitating and expanding the water and sewerage systems in the three towns of Arua, Soroti and Bushenyi/Ishaka, which were taken over by NWSC in the financial year 2002/2003. As at the end of the financial year, the project had procured Motorcycles for Bushenyi/Ishaka, Soroti and Arua, replaced high lift pumps and procured water meters for Bushenyi/Ishaka.

Kampala Urban Poor Project

The project was aimed at improving the living conditions of the urban poor living in informal settlements in and around Kampala. This was to be done by developing effective delivery systems and sustainable management systems for the public stand posts for the urban poor. The project is funded by GoU and the NWSC. During the reporting period, pipes equivalent to 117 km were procured for the project. Evaluation report was made to the Ministry of Finance Planning and Economic Development for acquisition of additional pipes equivalent to 100 kilometres. Construction work has started in the slum areas of Kamwokya and it will extend to other areas.

Overview Of The Future

The future sustainability of NWSC operations will depend on the Corporation's ability to consolidate its operations and expand its coverage at an even faster rate. The Corporation is already geared to doing this by:

Further strengthening its operations at the area level through the transfer of operating risk through increased share of performance pay. This will be undertaken under the framework of IDAMCs

Strengthening of Head Office to carry out meaningful decentralized roles which will include strategic planning, performance monitoring and evaluation, and investments within the areas

Implementation of the new connection Policy by which the NWSC will ensure that the customer is connected by purchasing all pipes, fittings and carrying out trenching and pipe laying up to the customer's meter.

The principal objectives of the new policy are to:

- Increase the number of customer connections thereby making water accessible to the population especially the urban poor.
- Reduce the level of unaccounted for water by reducing the incidence of leaks and bursts within the service lines.
- Ensure standardisation in the quality of materials.

This policy is in line with the Millennium Development Goal (MDG) of halving the number of persons without access to clean water by the year 2015; and improving efficiency in service delivery. The proposal is also in line with the principle of "some for all and not all for some".

Implementation of Capital Programmes

As mentioned in the report, the NWSC has a number of new projects in line which will enable the expansion of services to an even greater population. These projects include the Gaba III new treatment plant, the

Entebbe water supply project, the Mukono water supply project, the Gulu water and sewerage rehabilitation project.

Acknowledgements

We are indebted to our development partners who supported us during the financial year. Particular thanks goes to the World Bank for their continued strategic guidance, the German Government (KfW and GTZ) and European Union for their development assistance during the year. We are cognisant of the fact that the German Government will be funding our two major projects in the coming financial year and look forward to this continued good cooperation.

Finally I once again wish to thank all those who have partnered with us in one way or another and look forward to an even more successful year with better quality services provided to our esteemed customers.



DR. WILLIAM TSIMWA MUHAIRWE
Managing Director

NATIONAL WATER AND SEWERAGE CORPORATION

DIRECTORS' REPORT AND FINANCIAL STATEMENTS YEAR ENDED 30 JUNE 2004

contents

Corporation Information	30
Report of the Directors	31-34
Statement of Directors' Responsibilities	35
Auditor General's Report	36-37
Balance Sheet	38
Income Statement	39
Statement of Changes in Equity	40
Cash Flow Statement	41
Notes to the Financial Statements	42-58
Area Summary - Income Statements - Appendix 1	59-61
Individual Area - Income Statements - Appendix 2	62-77

National Water And Sewerage Corporation
Corporation Information
Year Ended 30 June 2004

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

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

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

dfcu Bank Ltd
Impala House
Kimathi Avenue
P.O. Box 70
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

Secretary

Mr. D. M. Kakuba, FCIS
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 2004

The directors present their report and audited financial statements for the year ended 30 June 2004.

Activities

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

Results

	2004 Ushs '000	2003 Ushs '000
Operating profit before depreciation and exceptional items	12,372,377	8,103,106
Depreciation	<u>(8,727,845)</u>	<u>(7,324,992)</u>
Operating profit before exceptional items	3,644,532	778,114
Exceptional items	<u>(2,348,397)</u>	<u>—</u>
Operating profit	1,296,135	778,114
Net finance costs	<u>(7,005,160)</u>	<u>(11,799,537)</u>
Loss for the year	(5,709,025)	(11,021,423)
Taxation	<u>—</u>	<u>6,034,890</u>
Net loss for the year	<u>(5,709,025)</u>	<u>(4,986,533)</u>

Operating Profit Before Depreciation and Exceptional Items

The Corporation recorded an increase in operating profit before depreciation of approximately Ushs. 4.3 billion from Ushs 8.1 billion in the previous year to Ushs 12.4 billion.

Operating Profit before Exceptional Items

The operating profit before exceptional items was approximately Ushs. 3.6 billion (Ushs. 778 million in the previous year). This implies that during this financial year, the Corporation was able to markedly cover all its operating costs including depreciation. The current year's performance was 4.7 times than that of the previous year.

Exceptional Items

In the current year, exceptional items relate to the write off of operating costs and depreciation charges on vehicles and furniture incurred on the Small Towns Water and Sanitation Project (approximately Ushs. 1.5 billion) and one adjustment for under provision of service gratuity in prior years (approximately Ushs. 0.9 billion).

Net Loss for the Year

Net finance costs relating to interest charge on Government of Uganda loans amounted to Ushs 7.0 billion. This was responsible for the net loss of approximately Ushs 5.7 billion. Although the interest charges are recognised in the financial statements, the Corporation signed a performance contract with the Government in December 2003, whereby the loan servicing was frozen indefinitely.

Cash Flow

The cash flow statement further explains the actual performance of the Corporation during the period ended 30 June 2004.

During the year, the Corporation was able to generate total cash inflow from operating activities of Ushs 12.6 billion as compared to Ushs 6.2 billion the previous year.

This has resulted in increased cash on hand of Ushs 9.8 billion as compared to last year at Ushs 6.3 billion. Management will continue to devise means of investing this cash in short-term ventures to maximise the returns before actual utilisation.

Income

Water Consumption and Sewerage Service Incomes

Water consumption and sewerage income increased by 16% from approximately Ushs. 33.6 billion to Ushs. 39.1 billion in 2004. This improvement is attributed to the increase in customer numbers due to intensification of the network system. The continuation of Area Performance Contract (APCs) played a leading role in improving the financial performance of the Corporation. In addition to the APCs, a new performance enhancement programme, the Internally Delegated Area Management Contracts (IDAMCs) was introduced during the financial year under review. The objective of this programme was to promote autonomy and to develop internal capacity in the service areas as a precursor to the eventual separation of functions between the areas and the head office.

Other Incomes

In the previous year, Government grants for financing the retrenchment programme totalled approximately Ushs. 1.9 billion. In the current year, Government grants amounted to approximately Ushs. 0.2 billion; a decrease of Ushs. 1.7 billion. As a result of rigorous and improved debt recovery exercise, Ushs.1.79 billion was realised from debtors who initially was categorised as bad and doubtful debts. The total revenue from other incomes therefore increased by approximately Ushs. 0.6 billion.

Operating Costs

Staff Costs

Staff numbers increased marginally from 949 employees to 990. The increase was due to additions in the number of contract staff required to sustain the increasing volume of business activities. Despite the rise, however, staff productivity improved from 11 to 9.85 staff per 1,000 connections. Staff costs increased by Ushs. 2.7 billion from approximately Ushs. 8.0 billion to Ushs. 10.7 billion. The apparent increase was partly due to the fact that some 216 staff, initially seconded to the private operator in Kampala Area, were returned to the NWSC payroll at the expiry of the contract in February 2004. The corresponding costs (approximately Ushs.1.1 billion for the period February – June 2004) were previously met from the management fees paid to the contractor. The increase is also due, in part, to the introduction of bonus incentives under the IDAMCs and GOU Performance Contracts (Ushs.1.6 billion).

Administrative Expenses

Management fees for the Kampala Water & Sewerage Service Area (KWSSA) decreased by approximately Ushs. 1.5 billion (from Ushs. 4.1 billion to Ushs. 2.6 billion) due to the fact that in the current year, the contract with Ondeo operated for only eight months; as it expired in February 2004.

The geographic spread of the Corporation's branches necessitates regular travels to and from the Head office for supervision and management purposes. During the current financial year, extensive travels were required for mobilizing staff in all the towns in seminars and performance evaluation workshops under the Area Performance Contracts (APCs) and for the introduction of the new programme, the Internally Delegated Area Management Contracts (IDAMCs).

Static Plant and Pipe Network Maintenance

Static plant and pipe network maintenance costs decreased by approximately Ushs. 728 million from Ushs.7.2 billion the previous year to approximately Ushs. 6.5 billion. The decrease is mainly attributed to the reduction in the cost of electricity in the treatment works – down from Ushs. 4.7 billion to Ushs. 3.9 billion. The saving in the cost of electricity was due to the reduction of night time tariffs for industrial consumers.

Supplies and Services

Supplies and services costs decreased by approximately Ushs. 282 million. The saving was largely the result of a relative decrease in cost of chemicals due to a drop in exchange rates. During the year under review, the Uganda Shilling appreciated significantly against the US Dollar and other major foreign currencies, resulting into lower import costs.

Premises Maintenance Costs

Premises maintenance costs increased by approximately Ushs. 402 million. Most of the increase was due to the settlement of the backlog of property rates; which payments were conditional for the processing of applications for title deeds for Corporation properties.

Net Finance Costs

Interest rates on the Government of Uganda loans are pegged to the Treasury Bill rate. Due to the drop in the Treasury Bill rate during the year, interests payable on the loans decreased by approximately Ushs. 3.3 billion from (Ushs. 11 billion to Ushs. 7.7 billion). In addition, exchange gain amounting Ushs. 0.2 billion was earned on conversion of the French loan, which is denominated in foreign currency.

Dividends

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

Outstanding Issues

Unaccounted for Water

The Corporation continued with strategies to address the issue of unaccounted for water (UfW), which included, among others, intensified leak detection, repairs and replacement of defective networks, in addition to reactivating inactive accounts. As a result of these activities, the level of UfW has continued to decrease from 51% in 1998 to 37.6% (39% previous year) in the current year. Unaccounted for water in all areas excluding Kampala averaged 20.8% (down from 26.7% in the previous year).

In Kampala, UfW averaged 44.7% (44.5% in the previous year). To reduce the level of unaccounted for water in Kampala, the Kampala Network Rehabilitation Project was launched two years ago. The project took off effectively from the last financial year and was extended into the current and the next financial year.

Title Deeds

During the year under review, substantial progress continued to be made towards acquisition of title deeds. Lease offers were obtained for properties in Kampala (net book value Ushs. 133 million); Gulu (net book value Ushs. 210 million); Jinja (net book value Ushs. 164 million); Mbarara (net book value Ushs. 1,204 million); Mbale (net book value Ushs. 568m); Tororo (net book value Ushs. 2,033 million); and Kabale (net book value Ushs. 184 million). Full term leases are currently being processed for the properties in Mbarara (net book

Report Of The Directors - cont'd

value Ushs 1,204 million); Jinja (net book value Ushs. 186 million); Kampala (net book value Ushs. 133 million) and Tororo (net book value Ushs. 2,033 million).

Management shall continue to increase efforts to acquire all the title deeds.

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 (<i>Ex-Officio</i>)

Auditors

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

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

By order of the Board



David M. Kakuba, FCIS
CORPORATION SECRETARY

9 th November, 2004

National Water And Sewerage Corporation Statement Of Directors' Responsibilities For The Year Ended 30 June 2004

The National Water and Sewerage Corporation Act 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 Act. 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

9 th November, 2004



DR. WILLIAM T. MUHAIRWE
MANAGING DIRECTOR

9 th November, 2004

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 38 to 58, which have been prepared on the basis of accounting policies set out on pages 42 to 44 have been audited. All the information and explanations, which were considered necessary for the audit were obtained.

Respective Responsibilities Of The Directors And The Independent Auditors

As stated on page 35, the directors are responsible for the preparation of financial statements, which give a true and fair view of the state of affairs and of the operating results of the Corporation. My responsibility is to form an independent opinion on the financial statements based on our audit and to report our opinion to you.

Basis Of Opinion

I conducted my audit 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 not yet 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.3.8 billion (2003:approximately Ushs.3.9 billion) for which it does not have titles. Although lease offers have been obtained, in the absence of land titles, it was not possible to obtain absolute ownership of these properties. It is understood 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 2004, the unaccounted for water was 37.6% (2003: 39.4%). 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.17,416,542,000 (Note 2(a)), are leasehold properties. IAS 17, Leases, requires that leasehold land should be separately disclosed as operating leases, and recognized as an expense in the income statement on a straight-line 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 my 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 2004 and of the losses and cash flows for the year then ended and comply with the National Water and Sewerage Corporation Act and International Financial Reporting Standards.

Emphasis Of Matter

Without qualifying my opinion I 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.



JOHN F.S MUWANGA
AUDITOR GENERAL

KAMPALA
9th November 2004

National Water And Sewerage Corporation
Balance Sheet
30 June 2004

	Note	2004 Ushs '000	2003 Ushs '000
Assets			
Non-Current Assets			
Property, plant and equipment	2	189,182,292	154,160,866
Capital work-in-progress	3	7,506,441	43,042,077
Intangible assets	4	<u>256,409</u>	<u>86,327</u>
		<u>196,945,142</u>	<u>197,289,270</u>
Current Assets			
Inventories	5	3,782,621	2,999,850
Trade and other receivables	6	14,062,300	13,678,775
Tax recoverable	13	1,167,090	1,060,095
Short term bank deposits	7	5,188,931	3,164,072
Cash and bank balances	8	<u>4,602,404</u>	<u>3,187,489</u>
		<u>28,803,346</u>	<u>24,090,281</u>
Total Assets		<u>225,748,488</u>	<u>221,379,551</u>
Equity And Liabilities			
Equity and Reserves			
Government funding	9	57,300,768	57,300,768
Revaluation reserve		5,358,832	5,841,900
Retained earnings		<u>3,252,960</u>	<u>8,478,917</u>
		<u>65,912,560</u>	<u>71,621,585</u>
Non-Current Liabilities			
Borrowings	10	70,498,303	74,668,767
Service gratuity	11	3,798,295	3,048,367
Deferred income	12	<u>17,805,301</u>	<u>17,639,174</u>
		<u>92,101,899</u>	<u>95,356,308</u>
Current Liabilities			
Trade and other payables	14	3,302,586	2,594,140
Interest payable	15	49,496,494	41,831,202
Borrowings	10	14,281,219	9,462,412
Deferred income	12	560,173	513,904
Retirement benefit obligations	11	<u>93,557</u>	<u>-</u>
		<u>67,734,029</u>	<u>54,401,658</u>
Total Equity And Liabilities		<u>225,748,488</u>	<u>221,379,551</u>

The financial statements were approved by the Board of Directors on 9th November, 2004 and were signed on its behalf by:


Chairman


Managing Director


Director

National Water And Sewerage Corporation
Income Statement
For The Year Ended 30 June 2004

	Note	2004 Ushs'000	2003 Ushs'000
Income			
Water and sewerage income	16	39,095,194	33,604,514
Other income	17	2,334,916	2,976,113
Deferred grant income	18	<u>1,187,625</u>	<u>560,173</u>
		<u>42,617,735</u>	<u>37,140,800</u>
Expenditure			
Staff costs	19	(10,723,374)	(7,975,444)
Administrative costs	20	(7,598,317)	(8,674,381)
Static plant and pipe network maintenance	21	(6,468,650)	(7,197,460)
Supplies and services	22	(2,634,068)	(2,916,223)
Premises maintenance	23	(1,709,666)	(1,307,417)
Transport and mobile plant costs	24	<u>(1,111,283)</u>	<u>(966,769)</u>
		<u>(30,245,358)</u>	<u>(29,037,694)</u>
Operating Profit Before Depreciation And Exceptional Items		12,372,377	8,103,106
Depreciation	25	<u>(8,727,845)</u>	<u>(7,324,992)</u>
Operating Profit Before Exceptional Items		3,644,532	778,114
Exceptional items	26	<u>(2,348,397)</u>	<u>-</u>
Operating Profit		1,296,135	778,114
Net finance costs	27	<u>(7,005,160)</u>	<u>(11,799,537)</u>
Net Loss For The Year	28	<u>(5,709,025)</u>	<u>(11,021,423)</u>
Taxation	13	<u>-</u>	<u>6,034,890</u>
		<u>(5,709,025)</u>	<u>(4,986,533)</u>

National Water And Sewerage Corporation
Statement Of Changes In Equity
For The Year Ended 30 June 2004

	Government Funding Ushs'000	Revaluation Reserve Ushs '000	Retained Earnings Ushs '000	Total Equity Ushs '000
At 1 July 2002	57,300,768		6,183,093	12,978,032
	76,461,893			
Transfer revaluation surplus released to retained earnings	-		(487,418)	487,418
	-			
Deferred tax	-	146,225	-	146,225
Net loss for the year	-	-	(4,986,533)	(4,986,533)
At 30 June 2003	<u>57,300,768</u>	<u>5,841,900</u>	<u>8,478,917</u>	<u>71,621,585</u>
At 1 July 2003	57,300,768	5,841,900	8,478,917	71,621,585
Transfer revaluation surplus released to retained earnings	-	(483,068)	483,068	-
Net loss for the year	-	-	(5,709,025)	(5,709,025)
At 30 June 2004	<u>57,300,768</u>	<u>5,358,832</u>	<u>3,252,960</u>	<u>65,912,560</u>

National Water And Sewerage Corporation
Cash Flow Statement
30 June 2004

	2004 Ushs'000	2003 Ushs'000
Loss before taxation	(5,709,025)	(11,021,423)
Adjustments for:		
Depreciation	9,650,126	7,293,669
Amortisation of accounting and billing software	72,378	31,323
Deferred income	(1,187,625)	(560,173)
Interest income accrued	(570,505)	(213,642)
Exchange loss	(193,042)	859,191
Exceptional items	2,112,778	-
(Profit)/loss on property, plant and equipment disposal	<u>(71,746)</u>	<u>8,018</u>
Net cash inflow/(outflow) before working capital changes	4,103,339	(3,603,127)
Increase in inventories	(782,771)	(220,448)
Increase in trade and other receivables	(383,525)	(252,341)
Increase in accounts payables	8,373,738	10,930,245
Increase/(decrease) in retirement benefit obligations	<u>843,485</u>	<u>(612,660)</u>
	12,154,267	6,241,669
Interest received	570,505	213,642
Tax paid	<u>(106,995)</u>	<u>(239,580)</u>
Net cash inflow from operating activities	<u>12,617,777</u>	<u>6,215,731</u>
Investing Activities		
Capital work-in-progress	(4,364,391)	(12,139,452)
Purchase of property, plant and equipment	(6,208,665)	(3,889,985)
Intangible assets	(242,461)	(11,495)
Proceeds from disposal	<u>23,650</u>	<u>187</u>
Net cash outflow from investing activities	<u>(10,791,957)</u>	<u>(16,040,209)</u>
Financing Activities		
Proceeds from long term borrowing	841,385	3,195,168
Grants received	<u>772,569</u>	<u>8,187,186</u>
Net cash inflow from financing activities	<u>1,613,954</u>	<u>11,382,354</u>
Net decrease in cash and cash equivalents	3,439,774	1,557,876
Cash And Cash Equivalents At Beginning Of Year	<u>6,351,561</u>	<u>4,793,685</u>
Cash And Cash Equivalents At The End Of The Year	<u>9,791,335</u>	<u>6,351,561</u>

National Water And Sewerage Corporation

Notes To The Financial Statements

30 June 2004

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 2004 the Corporation had net current liabilities of approximately Ushs.38.9billion (2003: approximately Ushs 30.3 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.

(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.

National Water And Sewerage Corporation

Notes To The Financial Statements-cont'd

30 June 2004

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 were 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 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.

(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.

(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) Taxation

Current Taxation

Taxation is provided in the income statement on the basis of the results included therein and 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 temporally differences, carry forward losses of unused tax losses and credits.

(m) 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-cont'd
30 June 2004

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 2003	18,191,370	208,235,973	2,746,520	3,019,502	232,193,365
Additions	491,896	4,566,988	1,141,646	38,135	6,208,665
Reclassification from Capital Work In Progress	693,260	36,563,808	260,749	882,244	38,414,701
Disposals	—	—	(259,125)	(303,334)	(562,459)
As at 30 June 2004	<u>19,376,526</u>	<u>249,336,769</u>	<u>3,904,430</u>	<u>3,636,547</u>	<u>276,254,272</u>
Cost	17,653,026	232,807,393	2,799,342	2,842,572	256,102,333
Valuation	<u>1,723,500</u>	<u>16,529,376</u>	<u>1,105,088</u>	<u>793,975</u>	<u>20,151,939</u>
	<u>19,376,526</u>	<u>249,336,769</u>	<u>3,904,430</u>	<u>3,636,547</u>	<u>276,254,272</u>
Depreciation					
As at 1 July 2003	1,769,312	46,380,374	1,104,156	2,515,159	51,769,001
Charge for the year	194,112	7,477,800	1,052,312	925,902	9,650,126
Charge on disposals	(3,440)	(47,809)	(255,768)	(303,628)	(610,645)
As at 30 June 2004	<u>1,959,984</u>	<u>53,810,365</u>	<u>1,900,700</u>	<u>3,137,433</u>	<u>60,808,482</u>
Asset Impairment					
Asset impairment at 1 July 2003	-	(26,263,498)	-	-	(26,263,498)
Movement during the year	—	—	—	—	—
Asset impairment at 30 June 2004	—	(26,263,498)	—	—	(26,263,498)
Net Book Value					
As at 30 June 2004	<u>17,416,542</u>	<u>169,262,906</u>	<u>2,003,730</u>	<u>499,114</u>	<u>189,182,292</u>
As at 30 June 2003	<u>16,422,058</u>	<u>135,592,101</u>	<u>1,642,364</u>	<u>504,343</u>	<u>154,160,866</u>

National Water And Sewerage Corporation

Notes To The Financial Statements - cont'd

30 June 2004

Katuramu & Company Consulting Surveyors revalued the property, plant and equipment assets taken over by the Corporation from district municipalities based on Open Market Value on existing use basis and Depreciated Replacement Cost on the dates indicated below, on the assumption that the National Water and Sewerage Corporation is a going concern and will have surpluses sufficient enough to absorb the revalued amounts. These revaluations were first reflected in the financial statements for the year ended 30 June 1998. The Corporation subsequently obtained a professional valuation for all furniture and equipment as at 20 April 2001. The total value of the revaluation surplus has been credited to the capital reserve. The details of the asset revaluations on the different dates and locations are as follows:

Location	Name of Consultant	Basis of Valuation	Assets Valued	Date of Valuation
Plot 43-49 Sixth Street industrial Area Kampala	M/S Katuramu & Company Consulting Surveyors	Open Market Value	Land and building	16 November 1992
Plot 43-49 Sixth Street industrial Area Kampala	M/S Katuramu & Company Consulting Surveyors	Open Market Value	Furniture and equipment	20 January 2004
Kasese, Fortportal, Jinja, Mbarara, Masaka	M/S Katuramu & Company Consulting Surveyors	Open Market Value	Land and building Plant and Machinery	30 November 1997
All Area offices including Head Office	M/S Katuramu & Company Consulting Surveyors	Depreciated Replacement Cost	Furniture and equipment	24 April 2001
Kabale	M/S Katuramu & Company Consulting Surveyors	Open Market Value	Land and building Plant and Machinery	23 March 2004

National Water And Sewerage Corporation
Notes To The Financial Statements-cont'd
30 June 2004

2. (b) Property, Plant And Equipment (Continued)

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

Plot No/Area	Cost Ushs'000	Net Book Value 2004 Ushs'000	Net Book Value 2003 Ushs'000
43-49 Sixth Street/central stores/Workshop (Kampala)	353,000	307,412	310,942
M80 Naguru Building for Reservoir (Kampala)	12,600	10,973	11,099
5,7,9,10 Kome Crescent Residential (Kampala)	120,000	-	105,708
133 & 135 Mutungo Tank (Kampala)	10,000	8,906	9,006
Lunyo Booster (Entebbe)	16,930	15,321	15,490
2,4,6 Byatike Road Residential (Entebbe)	9,900	8,916	9,015
19-21 Kampala Road office (Entebbe)	7,070	6,157	6,228
Water Works (Gulu)	210,000	184,968	187,068
6 Martin Road (Jinja)	186,000	161,987	163,847
Ojwina Lagoons (Lira)	12,000	10,570	10,690
Namatala Lagoons (Mbale)	10,208	9,194	9,296
Kabazaire Road plot 11-19 (Mbarara)	753,046	700,854	708,384
3 Galt Road Office (Mbarara)	443,700	412,946	417,383
Sewage Lagoons (Mbarara)	6,600	5,879	5,945
Doko sewage treatment ponds (Mbale)	558,000	386,527	392,107
Malaba reservoir (Tororo)	582,000	403,151	408,971
Malaba pumping station (Tororo)	1,451,284	1,005,304	1,019,817
12 Lake Bunyonyi (Kabale)	36,500	35,040	35,405
7 & 8 Kiyooro (Kabale)	28,000	26,880	27,160
10 Kakanga hill (Kabale)	40,500	38,880	39,285
47 Golf course, Makanga (Kabale)	38,000	36,480	36,860
Upper reservoir land, Makanga (Kabale)	10,500	10,080	10,185
Sewage treatment land, Bwankosya by- pass (Kabale)	<u>30,000</u>	<u>28,800</u>	<u>29,100</u>
	4,925,838	3,815,225	3,968,991

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). During the year, a value of Ushs.38.4billion of capital work-in-progress for STWSP and KWP were reclassified to property plant and equipment and Ushs.1.48billion were written off as exceptional items after successful completion the projects.

National Water And Sewerage Corporation
Notes To The Financial Statements - cont'd
30 June 2004

	Balance b/f	Additions	Reclassified to Property Plant, and Equipment	Write Off to Exceptional Items	Total 30 June 2004
	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000
Kampala Network Rehabilitation Project	900,419	425,600	-	-	1,326,019
Gaba 1 Refurbishment Project	2,846,485	356,431	-	-	3,202,916
Lake Victoria Environment Management Project	104,605	-	-	-	104,605
Kabale Water Project	16,126,089	-	(16,126,089)	-	-
Small Towns Water and Sanitation project	22,905,183	868,755	(22,288,611)	(1,485,327)	-
Other capital Work in Progress	159,296	663,224	-	-	822,520
Mukono Water Supply Project	-	1,704,497	-	-	1,704,497
Gulu Water Supply Project	-	345,884	-	-	345,884
Total	43,042,077	4,364,391	(38,414,700)	(1,485,327)	7,506,441

4. Intangible Assets

	2004 Ushs'000	2003 Ushs'000
Balance brought forward	167,574	156,079
Additions	242,461	11,495
	<u>410,035</u>	<u>167,574</u>
Amortisation		
Balance brought forward	81,248	49,925
Charge for the year	72,378	31,322
	<u>153,626</u>	<u>81,247</u>
Net book value at 30 June	<u>256,409</u>	<u>86,327</u>

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

5. Inventories

Water fittings	2,893,980	1,296,214
Chemicals	613,116	945,159
Spare parts	324,326	383,387
Stationery	135,493	60,369
Others	173,932	221,646
	<u>4,140,847</u>	<u>2,906,775</u>
Goods in transit	-	313,505
	<u>4,140,847</u>	<u>3,220,280</u>
Provision for slow moving and obsolete stock	(358,226)	(220,430)
	<u>3,782,621</u>	<u>2,999,850</u>

National Water And Sewerage Corporation
Notes To The Financial Statements-cont'd
30 June 2004

6. Trade And Other Receivables

	2004 Ushs'000	2003 Ushs'000
Water and Sewerage debtors	20,968,657	24,531,134
Other receivables	<u>1,058,570</u>	<u>1,423,581</u>
	22,027,227	25,954,715
General provision for bad debts	<u>(7,964,927)</u>	<u>(12,275,940)</u>
	<u>14,062,300</u>	<u>13,678,775</u>
Balance b/f	12,275,940	12,424,033
Charge for the year	367,763	519,500
Bad debts realized	(1,792,492)	(667,593)
Bad debts written off	<u>(2,886,284)</u>	<u>-</u>
	<u>7,964,927</u>	<u>12,275,940</u>

7. Short Term Deposits

Nile Bank Limited	4,398,126	-
dfcu Bank fixed deposit	790,805	-
Citibank Uganda Limited	<u>-</u>	<u>3,164,072</u>
	<u>5,188,931</u>	<u>3,164,072</u>

The Corporation holds short-term investment accounts with Nile Bank Limited and dfcu Bank 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	3,576	1,821
Cash collection accounts	2,814,854	1,332,263
Cash in transit	9,302	292,169
Bank balances	<u>1,774,672</u>	<u>1,561,237</u>
	<u>4,602,404</u>	<u>3,187,489</u>

9. Government Funding

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 the 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.

National Water And Sewerage Corporation
Notes To The Financial Statements - cont'd
30 June 2004

10. Borrowings

Loans from:		
International Development Association (IDA)- CR2124	36,022,942	36,022,942
Government of Austria (GOA)	27,772,208	27,772,208
International Development Association (IDA)- CR2583	17,470,758	16,629,373
Government of the French Republic (GFRP) denominated In French Francs	<u>3,513,614</u>	<u>3,706,656</u>
	84,779,522	84,131,179
Less: Loans due within one year	<u>(14,281,219)</u>	<u>(9,462,412)</u>
	<u>70,498,303</u>	<u>74,668,767</u>
The loans are due as follows:		
Due within one year	14,281,219	9,462,412
Due between one and two years	4,323,638	4,731,215
Due between two and five years	14,281,219	14,193,618
Due after five years	<u>51,893,446</u>	<u>55,743,934</u>
	<u>84,779,522</u>	<u>84,131,179</u>
At 1 July	84,131,179	80,076,909
Received during the year	841,385	3,195,169
Exchange (gain)/loss	<u>(193,042)</u>	<u>859,101</u>
At 30 June	<u>84,779,522</u>	<u>84,131,179</u>

International Development Association (IDA)- CR2124

A loan from IDA amounting to Ushs. 36,022,942,438 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. 27,772,207,530 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%.

National Water And Sewerage Corporation
Notes To The Financial Statements-cont'd
30 June 2004

	2004 Ushs'000	2003 Ushs'000
Government of the French Republic (GFRP)		

This loan of Ushs.3,513,614,147 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%.

International Development Association (IDA) - CR2583

A loan from IDA amounting to 17,470,757,647 was obtained through Government of Uganda for a period of 25 years up to 1 October 2015 to finance the activities of Small Towns Water and Sanitation Project. The interest is repayable semi-annually charged at Treasury bill rate plus 3%.

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.

11. Service Gratuity

At 1 July	3,048,367	3,661,027
Charge for the year	375,539	390,154
Under provision during prior years	863,070	-
Less: Service gratuity paid during the year	<u>(395,124)</u>	<u>(1,002,814)</u>
Service gratuity at 30 June	3,891,852	3,048,367
Less: Due within one year	<u>(93,557)</u>	<u>-</u>
Due after more than one year	<u>3,798,295</u>	<u>3,048,367</u>

12. Deferred Income

At July	18,153,078	10,526,065
Grants received during the year	<u>772,569</u>	<u>8,187,186</u>
Released to income statement (Note 18)	<u>(560,173)</u>	<u>(560,173)</u>
At 30 June	18,365,474	18,153,078
Less: Due within one year	<u>(560,173)</u>	<u>(513,904)</u>
Due after more than one year	<u>17,805,301</u>	<u>17,639,174</u>

These amounts refer to grants and donations of a capital nature from various donor agencies. For the current year, grants received of **Shs 0.77 billion** were from GTZ relating to the cost of computer equipment and software.

National Water And Sewerage Corporation
Notes To The Financial Statements - cont'd
30 June 2004

12. Taxation

Corporation Tax

Taxation is provided for 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.

	2004 Ushs'000	2003 Ushs'000
Balance brought forward	(1,060,095)	(820,515)
Charge to income statement for the year	-	-
Corporation tax paid during the year	<u>(106,995)</u>	<u>(239,580)</u>
	<u>(1,167,090)</u>	<u>(1,060,095)</u>

Income Statement

Charge to the profit and loss account	-	-
Deferred tax charge for the year	<u>-</u>	<u>6,034,890</u>
	<u>-</u>	<u>6,034,890</u>

As at 30 June 2004, the Corporation estimated tax losses amounting to approximately Ushs.140.8 billion (2003: Ushs. 107.4 billion). The losses may be carried forward to be offset against future taxable income provided

- The Corporation derives further assessable income of a nature and of amount sufficient to enable the benefit to be realised,
- There is no change in the tax legislation to adversely affect the Corporation's ability to realise the benefit; and
- 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.

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	34,736,027	33,013,665
Accumulated tax loss	(42,246,120)	(32,088,921)
Revaluation reserve	1,607,650	1,708,703
Provision for bad debts	(2,389,478)	(3,682,782)
Provision for obsolete stock	(107,468)	(66,129)
Retirement benefit	(1,167,556)	(914,510)
Unrealised exchange loss	<u>(58,207)</u>	<u>(259,092)</u>
	<u>(9,625,152)</u>	<u>(2,289,066)</u>

National Water And Sewerage Corporation
Notes To The Financial Statements-cont'd
30 June 2004

	2004 Ushs'000	2003 Ushs'000
Deferred tax asset of Ushs.9.625 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
Income statement charge	-	(6,034,890)
Charge to revaluation	<u>-</u>	<u>(146,225)</u>
At 30 June	<u>-</u>	<u>-</u>
12. Trade And Accounts Payable		
Trade payables	1,241,369	1,715,310
Valued Added Tax	583,620	244,324
Rechargeable works	985,229	300,217
Accruals and provisions	361,162	314,229
Sundry creditors	<u>131,206</u>	<u>20,060</u>
	<u>3,302,586</u>	<u>2,594,140</u>
15. Interest Payable		
Interest payable on loans	49,496,494	41,831,202
16. Water Consumption And Sewerage Services Income		
Water and sewerage charges	36,410,454	31,426,612
Service charges	1,600,837	1,365,103
Connection fees	877,072	634,630
Reconnection fees	109,389	83,696
Other water and sewerage income	<u>97,442</u>	<u>94,473</u>
	<u>39,095,194</u>	<u>33,604,514</u>
17. Other Income		
Grants from Government of Uganda	157,688	1,935,724
Decrease in provision for bad and doubtful debts	1,792,493	667,593
Other income	<u>384,735</u>	<u>372,796</u>
	<u>2,334,916</u>	<u>2,976,113</u>
18. Deffered Grant Income		
Annual recognition of capital grants (Note 12)	560,173	560,173
Stock taken over from project (Jinja Area Office)	<u>627,452</u>	<u>-</u>
	<u>1,187,625</u>	<u>560,173</u>

National Water And Sewerage Corporation
Notes To The Financial Statements - cont'd
30 June 2004

19. Staff Costs

	2004 Ushs'000	2003 Ushs'000
Basic pay	3,061,247	2,537,904
Voluntary early retirement benefits	-	784,097
Housing expense	1,186,434	819,463
Medical expense	672,507	639,696
Service gratuities	721,584	390,156
National Social Security Fund contributions	736,872	521,128
Lunch, transport and soap allowance	523,558	414,683
Car and cycle allowance	900,511	600,719
Performance/attendance bonus and overtime	318,362	335,848
Work bonus and incentives	1,569,786	-
Responsibility and dirty work allowance	266,662	215,708
Leave transport and allowance	270,730	203,555
Servant's allowance	143,175	114,166
Workmen's compensation	100,254	76,500
Water, telephone and electricity allowance	220,255	227,833
Shift allowance and gross wages	-	37,590
Special emergency allowances	-	31,082
Funeral expenses	<u>31,437</u>	<u>25,316</u>

10,723,374 7,975,444

20. Administrative Expenses

Board expenses	190,443	81,735
Meeting expenses	531,105	296,800
Local travels on supervision monitoring & co-ordination of local area operations	935,077	939,761
Foreign travels on seminars, workshops and short courses	391,936	403,167
Publicity	331,531	182,818
Entertainment	71,875	61,533
General insurance	112,376	83,214
Legal & professional expenses	171,240	199,212
Training expenses and allowances	250,910	236,510
Audit fees	128,600	118,600
Donations and subscriptions	105,939	77,980
Lunch and transport for weekends/public holidays	653,429	724,259
Contribution to staff sports	47,162	49,878
Security	579,171	457,799
Management fees	2,569,465	4,109,989
Bad debts - water services	367,740	519,500
Bad debts -others	6,616	39,062
Commission on debt recovery	617	32,770
Loss on sale of assets	-	8,018
Staff transfer	15,288	17,397
Provision for obsolete stock	<u>137,797</u>	<u>34,379</u>

7,598,317 8,674,381

National Water And Sewerage Corporation
Notes To The Financial Statements-cont'd
30 June 2004

21. Static Plant And Pipe Network Maintenance

	2004 Ushs'000	2003 Ushs'000
Electricity	3,878,224	4,678,016
Repairs and maintenance	2,025,159	2,027,056
Fuel and lubricants	309,116	226,329
Insurance	121,090	111,630
Media (sand)	84,362	137,586
Water abstraction permits	<u>50,699</u>	<u>16,843</u>

	<u>6,468,650</u>	<u>7,197,460</u>
--	------------------	------------------

22. Supplies And Services

Water treatment chemicals	1,451,853	1,759,674
Equipment repairs and minor purchase	267,177	415,850
Printing and stationery/publications	412,596	364,870
Tools and light plant	80,422	79,358
Uniforms and protective wear	87,790	132,740
Computer license	103,474	123,226
Office supplies	195,797	4,903
Telephone and postage	<u>34,959</u>	<u>35,602</u>

	<u>2,634,068</u>	<u>2,916,223</u>
--	------------------	------------------

23. Premises Maintenance Costs

Rent, rates and telephone	709,093	439,501
Repairs and maintenance	620,827	547,350
Insurance	71,651	74,916
Cleaning materials	107,270	75,186
Electricity	50,727	45,061
Water	35,078	28,074
Fixtures and fittings	<u>115,020</u>	<u>97,329</u>

	<u>1,709,666</u>	<u>1,307,417</u>
--	------------------	------------------

24. Transport And Mobile Plant Costs

Fuel and lubricants	596,026	442,259
Repairs and maintenance	303,871	346,351
Hire of transport	74,986	61,475
Insurance	102,998	95,987
License, road toll and taxes	<u>33,402</u>	<u>20,697</u>

	<u>1,111,283</u>	<u>966,769</u>
--	------------------	----------------

National Water And Sewerage Corporation
Notes To The Financial Statements - cont'd
30 June 2004

25. Depreciation

Depreciation - premises
 Depreciation - static plant
 Depreciation - transport and mobile plant
 Depreciation - furniture and equipment

Amortisation of accounting software

Less amount relating to exceptional item

26. Exceptional Items

Operating expenses on Small Towns Water and Sanitation Project (STWSP)
 Accelerated depreciation of motor vehicles from STWSP
 Accelerated depreciation of furniture and equipment from STWSP
 Under provision of service gratuity in prior years

2004 Ushs'000	2003 Ushs'000
194,112	182,335
7,477,800	6,247,079
925,902	314,941
<u>1,052,312</u>	<u>549,314</u>
9,650,126	7,293,669
<u>72,378</u>	<u>31,323</u>
9,722,504	7,324,992
<u>994,659</u>	<u>-</u>
<u>8,727,845</u>	<u>7,324,992</u>

490,667	-
735,535	-
259,125	-
<u>863,070</u>	<u>-</u>
<u>2,348,397</u>	<u>-</u>

In the current year, exceptional items relate to the under provisioning of the staff gratuity in prior years, write off of operating costs incurred on the Small Towns Water and Sanitation Project, accelerated depreciation of vehicles, and the furniture and equipment that was used up during the implementation of the project.

27. Net Finance Costs

Interest expense
 Bank charges
 Exchange (gain)/loss
 Interest receivable on bank deposits

Interest receivable on staff loans

7,665,292	11,042,999
104,396	106,539
(194,023)	863,641
(563,727)	(202,754)
<u>(6,778)</u>	<u>(10,888)</u>
<u>7,005,160</u>	<u>11,799,537</u>

28. Operating Loss For The Year

The operating loss has been arrived at after charging:

Depreciation
 Directors' emoluments
 Kampala Water and Sewerage Service Area (KWSSA) management fees
 Increase in provision for specific bad and doubtful debts
 Loss on disposal of motor vehicles
 Exceptional items
 Increase in slow moving stock
 Auditors' remuneration and crediting:
 Decrease in provision for specific bad and doubtful debts

8,727,845	7,324,992
190,443	81,735
2,569,465	4,109,989
367,740	519,500
-	8,018
2,348,397	-
137,797	34,379
128,600	118,600
<u>1,792,492</u>	<u>667,593</u>

National Water And Sewerage Corporation
Notes To The Financial Statements-cont'd
30 June 2004

29. Commitments

Capital authorised but not contracted

2004
Ushs'000

2003
Ushs'000

-

-

Contracted and provided for in the financial statements

Mukono project

1,704,497

-

Gulu project

345,884

-

2,050,381

-

Contracted but not provided for in the financial statements

Mukono project

4,669,012

-

Gulu project

1,383,535

-

Other:

-

703,452

6,052,547

703,452

30. Contingent Liabilities

Pending legal cases

1,088,601

301,582

Car loan scheme and motorcycle guarantee

601,490

284,187

1,690,091

585,769

31. Cash And Cash Equivalents

For the cash flow statement, the cash and cash equivalents comprises of the following:

Cash at hand

3,576

1,821

Cash at bank

4,598,828

3,185,668

Short-term deposits

5,188,931

3,164,072

9,791,335

6,351,561

32. 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, Euro 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 project 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.

National Water And Sewerage Corporation

Notes To The Financial Statements - cont'd

30 June 2004

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.

33. 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.

34. Currency

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

35. Employees

The average number of persons employed during the year ended 30 June 2004 was 990 (2003: 949).

Income Statement For The Year Ended 30 June 2004

	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	27,600,583	2,004,207	4,089,074	1,569,409	656,267	819,069	1,645,350	627,611	39,011,570
Total Operating Expenses	27,600,583	2,004,207	4,089,074	1,569,409	656,266	819,069	1,645,350	627,611	39,011,570
Profit/(Loss) Before Depreciation	(18,214,366)	(1,229,914)	(2,859,897)	(1,411,149)	(883,916)	(934,195)	(1,347,220)	(778,276)	(27,658,933)
- Depreciation	9,386,217	774,293	1,229,177	158,260	(227,650)	(115,127)	(298,129)	(150,665)	11,377,348
(Loss)/Profit Before Taxation	(3,841,919)	(105,220)	(942,400)	(170,616)	(130,051)	(618,503)	(624,267)	(536,114)	(6,969,090)
	5,544,298	669,073	286,777	(12,356)	(357,701)	(733,630)	(326,138)	(686,779)	4,408,258

National Water And Sewerage Corporation
Area Summary

Income Statement For The Year Ended 30 June 2004

Appendix 1 - Cont'd

	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	39,011,570	475,982	343,751	458,431	347,799	246,678	40,884,211
Total Operating Expenses	39,011,570	475,982	343,751	458,431	347,799	246,678	40,884,211
Profit/(Loss) Before Depreciation	<u>(27,658,933)</u>	<u>(562,071)</u>	<u>(468,148)</u>	<u>(568,898)</u>	<u>(431,691)</u>	<u>(341,545)</u>	<u>(30,031,288)</u>
- Depreciation	11,377,348	(86,091)	(124,398)	(110,467)	(83,892)	(94,866)	10,878,631
Profit/(Loss) Before Taxation	<u>(6,969,090)</u>	<u>(288,964)</u>	<u>(93,852)</u>	<u>(125,312)</u>	<u>(569,910)</u>	<u>(29,539)</u>	<u>(8,076,666)</u>
	4,408,258	(375,054)	(218,250)	(235,779)	(653,802)	(124,405)	2,801,965

Income Statement For The Year Ended 30 June 2004

	Sub-total Brought Forward Ushs'000	Soroti Ushs'000	Arua Ush'000	Headquarters Ush'000	TOTAL 2004 Ushs'000	2003 Ushs'000
Income	40,884,211	534,098	340,901	858,526	42,617,735	37,140,800
Total Operating Expenses	40,884,211	534,098	340,901	858,526	42,617,735	37,140,800
Profit/(Loss) Before Depreciation - Depreciation	(30,031,288)	(585,037)	(482,380)	(7,505,549)	(38,604,256)	(40,868,155)
Profit/(Loss) Before Taxation	10,878,631	(50,940)	(141,479)	(6,647,023)	4,013,479	(3,727,754)
	(8,076,667)	(30,257)	(24,363)	(1,591,217)	(9,722,504)	(7,293,669)
	2,801,965	(81,197)	(165,842)	(8,238,240)	(5,709,025)	(11,021,423)

National Water And Sewerage Corporation
Kampala Area - Gaba And KWSSA
Income Statement For The Year Ended 30 June 2004

	2004 Ushs '000'	2003 Ushs '000'
Income		
Water sales	18,088,863	16,047,445
Sewerage services	6,068,039	5,344,676
Connection fees	567,583	395,981
Service charge	964,895	833,861
Septic tank emptying	46,461	7,737
Other sewerage income	5,122	4,332
Bad debt recovery	1,665,784	654,124
Other incomes	193,836	71,551
	27,600,583	23,359,707
Operating Expenses		
Staff costs	3,464,451	749,106
Premises maintenance	202,902	243,513
Static plant and pipe network maintenance	3,053,483	3,912,688
Transport and mobile plant costs	158,485	67,039
Supplies and services	929,429	1,171,555
Administrative costs	2,728,928	4,241,812
Finance costs	7,676,688	11,057,789
	(18,214,366)	(21,443,502)
Operating Profit Before Depreciation	9,386,217	1,916,205
Depreciation	(3,841,919)	(3,873,461)
Profit/(Loss) Before Taxation	5,544,298	(1,957,256)

Income

Water sales
Sewerage services
Connection fees
Service charge
Bad debt recovery
Other-incomes

Operating Expenses

Staff-costs
Premises maintenance
Static plant and pipe network maintenance
Transport and mobile plant costs
Supplies and services
Administrative costs
Finance costs

Operating Profit Before Depreciation

Depreciation

Profit Before Taxation

	2004 Ushs '000	2003 Ushs '000
Water sales	1,623,815	1,227,092
Sewerage services	216,327	129,018
Connection fees	44,097	26,438
Service charge	76,912	64,709
Bad debt recovery	36,282	-
Other-incomes	6,774	6,139
	2,004,207	1,453,396
Staff-costs	604,602	310,872
Premises maintenance	30,193	76,479
Static plant and pipe network maintenance	378,852	368,083
Transport and mobile plant costs	29,758	34,371
Supplies and services	62,583	120,799
Administrative costs	121,686	152,664
Finance costs	2,240	6,293
	(1,229,914)	(1,069,561)
	774,293	383,835
Depreciation	(105,220)	(85,458)
	669,073	298,377

Income

Water sales
Sewerage services
Connection fees
Service charge
Septic tank emptying
Other sewerage income
Bad debt recovery
Deferred income recognition
Other incomes

2004 Ushs '000'	2003 Ushs '000'
2,381,541	2,114,493
871,921	890,899
53,154	46,373
122,602	111,492
860	5,443
-	-
90,426	-
553,278	-
15,292	14,858
4,089,074	3,183,558

Operating Expenses

Staff costs
Premises maintenance
Static plant and pipe network maintenance
Transport and mobile plant costs
Supplies and services
Administrative costs
Finance costs

913,979	585,294
247,952	203,441
1,114,734	668,077
151,156	127,316
160,107	208,036
259,998	593,956
11,972	14,386
(2,859,897)	(2,400,506)
1,229,177	783,052
(942,400)	(266,850)
286,777	516,202

Operating Profit Before Depreciation

Depreciation

Profit Before Taxation

	2004 Ushs '000'	2003 Ushs '000'
Income		
Water sales	1,043,101	753,499
Sewerage services	431,126	342,954
Connection fees	21,052	16,164
Service charge	71,094	56,572
Bad debt recovery	57	529
Other incomes	2,979	1,954
	1,569,409	1,171,672
Operating Expenses		
Staff costs	572,119	354,882
Premises maintenance	53,409	46,992
Static plant and pipe network maintenance	337,089	340,855
Transport and mobile plant costs	50,667	64,340
Supplies and services	121,247	131,020
Administrative costs	271,181	148,518
Finance costs	5,437	3,706
	(1,411,149)	(1,090,313)
Operating Profit Before Depreciation	158,260	81,359
Depreciation	(170,616)	(159,470)
Loss Before Taxation	(12,356)	(78,111)

Income

Sewerage services
 Connection fees
 Service charge
 Other sewerage income
 Other incomes

Operating Expenses

Staff costs
 Premises maintenance
 Static plant and pipe network maintenance
 Transport and mobile plant costs
 Supplies and services
 Administrative costs
 Finance costs

Loss Before Depreciation

Depreciation

Loss Before Taxation

	2004 Ushs '000'	2003 Ushs '000'
Sewerage services	25,653	25,388
Connection fees	943	2,077
Service charge	26,967	24,349
Other sewerage income	-	45
Other incomes	-	636
	656,266	559,582
Staff costs	319,877	185,305
Premises maintenance	72,863	64,416
Static plant and pipe network maintenance	228,408	260,881
Transport and mobile plant costs	26,088	44,791
Supplies and services	107,626	116,375
Administrative costs	125,522	97,094
Finance costs	3,532	2,154
	(883,916)	(771,016)
Loss Before Depreciation	(227,650)	(211,434)
Depreciation	(130,051)	(120,726)
Loss Before Taxation	(357,701)	(332,160)

	2004 Ushs '000	2003 Ushs '000
Income		
Water sales	617,559	437,211
Sewerage services	113,767	133,012
Connection fees	22,691	17,781
Service charge	45,259	39,182
Septic tank emptying	152	129
Other sewerage income	-	3,463
Bad debt recovery	19,641	10,052
Other incomes	-	-
	819,069	640,830
Operating Expenses		
Staff costs	434,547	262,247
Premises maintenance	50,833	38,499
Static plant and pipe network maintenance	203,566	165,463
Transport and mobile plant costs	20,846	22,548
Supplies and services	107,952	107,002
Administrative costs	112,699	118,344
Finance costs	3,753	3,522
	(934,196)	(717,625)
Loss Before Depreciation	(115,127)	(76,795)
Depreciation	(618,503)	(606,405)
Loss Before Taxation	(733,630)	(683,200)

National Water And Sewerage Corporation

Mbarara Area

Income Statement For The Year Ended 30 June 2004

Income

Water sales	1,359,243	1,171,073
Sewerage services	153,417	135,447
Connection fees	36,300	26,271
Service charge	77,562	65,395
Bad debt recovery	-	8,451
Other incomes	18,828	136,572
	1,645,350	1,543,209

Operating Expenses

Staff costs	566,506	343,326
Premises maintenance	77,669	58,186
Static plant and pipe network maintenance	361,035	297,488
Transport and mobile plant costs	31,061	27,804
Supplies and services	150,524	160,190
Administrative costs	155,062	115,943
Finance costs	5,364	5,474

Operating Profit Before Depreciation

Operating Profit Before Depreciation	298,129	534,798
Depreciation	(624,267)	(608,832)
Loss Before Taxation	(326,138)	(74,034)

	2004 Ushs '000	2003 Ushs '000
Income		
Water sales	510,290	339,786
Sewerage services	60,669	49,053
Connection fees	23,265	20,754
Service charge	31,829	25,046
Other incomes	1,558	4,119
	627,611	438,758
Operating Expenses		
Staff costs	281,687	239,007
Premises maintenance	63,861	62,154
Static plant and pipe network maintenance	249,962	184,348
Transport and mobile plant costs	17,842	20,024
Supplies and services	42,470	41,317
Administrative costs	120,119	91,202
Finance costs	2,335	1,884
	(778,276)	(639,936)
Loss Before Depreciation	(150,665)	(201,178)
Depreciation	(536,114)	(519,061)
Loss Before Taxation	(686,779)	(720,239)

Income

Water sales	343,158	308,566
Sewerage services	94,274	79,576
Connection fees	12,337	13,386
Service charge	26,213	22,202
Septic tank emptying	-	-
Other incomes	-	154
	475,982	423,884

Operating Expenses

Staff costs	214,544	152,599
Premises maintenance	32,292	16,102
Static plant and pipe network maintenance	150,892	192,731
Transport and mobile plant costs	15,367	17,353
Supplies and services	49,073	71,222
Administrative costs	97,590	104,884
Finance costs	2,313	1,775

Loss Before Depreciation

	(562,071)	(556,666)
Depreciation	(288,965)	(265,139)
Loss Before Taxation	(375,054)	(397,921)

National Water And Sewerage Corporation

Kasese Area

Income Statement For The Year Ended 30 June 2004

Appendix 2 - Cont'd

	2004 Ushs '000	2003 Ushs '000
Income		
Water sales	288,618	256,888
Sewerage services	-	-
Connection fees	7,300	8,780
Service charge	28,718	23,600
Septic tank emptying	16,456	12,834
Other incomes	2,659	1,936
	343,751	304,038
Operating Expenses		
Staff costs	195,613	151,662
Premises maintenance	32,642	32,035
Static plant and pipe network maintenance	90,456	60,119
Transport and mobile plant costs	31,430	33,970
Supplies and services	42,229	39,683
Administrative costs	75,778	78,813
	(468,148)	(396,282)
Loss Before Depreciation	(124,397)	(92,244)
Depreciation	(93,853)	(93,506)
Loss before Taxation	(218,250)	(185,750)

National Water And Sewerage Corporation
Fort Portal Area
Income Statement For The Year Ended 30 June 2004

	2004 Ushs '000	2003 Ushs '000
Income		
Water sales	386,628	311,646
Sewerage services	13,264	12,685
Connection fees	16,203	10,592
Service charge	32,604	25,751
Septic tank emptying	2,490	2,543
Bad debt recovery	-	1,556
Other incomes	7,242	2,219
	458,431	366,992
Operating Expenses		
Staff costs	225,144	183,407
Premises maintenance	56,549	47,569
Static plant and pipe network maintenance	144,002	137,004
Transport and mobile plant costs	26,954	33,662
Supplies and services	36,366	34,172
Administrative costs	77,026	67,206
Finance costs	2,857	1,125
	(568,898)	(504,145)
Loss Before Depreciation	(110,467)	(137,153)
Depreciation	(125,312)	(115,349)
Loss Before Taxation	(235,779)	(252,502)

	2004 Ushs '000	2003 Ushs '000
Income		
Water sales	239,826	159,972
Sewerage services	50,383	27,430
Connection fees	11,879	11,218
Service charge	26,500	-
Septic tank emptying	16,949	11,091
Other incomes	2,262	18,890
	347,799	228,601
Operating Expenses		
Staff costs	203,131	138,648
Premises maintenance	15,222	32,174
Static plant and pipe network maintenance	80,443	129,234
Transport and mobile plant costs	20,433	22,347
Supplies and services	16,488	18,807
Administrative costs	93,571	67,220
Finance costs	2,403	2,128
	(431,691)	(410,558)
Loss Before Depreciation	(83,892)	(181,957)
Depreciation	(569,910)	(89,361)
Loss Before Taxation	(653,802)	(271,318)

National Water And Sewerage Corporation
Bushenyi Area
Income Statement For The Year Ended 30 June 2004

Income

Water sales
 Connection fees
 Service charge
 Grant from GOU
 Other incomes

2004 Ushs '000	2003 Ushs '000
161,744	102,454
10,186	5,692
14,589	8,736
58,257	-
1,902	732
246,678	117,614

Operating Expenses

Staff costs
 Premises maintenance
 Static plant and pipe network maintenance
 Transport and mobile plant costs
 Supplies and services
 Administrative costs
 Finance costs

119,106	153,030
26,907	17,163
95,893	39,817
9,358	6,088
53,801	46,672
35,152	35,069
1,327	1,362
(341,544)	(299,201)
(94,866)	(181,587)
(29,539)	(21,466)
(124,405)	(203,053)

Loss Before Depreciation

Depreciation

Loss Before Taxation

	2004 Ushs '000	2003 Ushs '000
Income		
Water sales	342,554	284,928
Sewerage services	42,087	30,946
Connection fees	17,300	9,196
Service charge	28,641	28,255
Grant from GOU	99,431	69,681
Other incomes	4,085	76,081
	534,098	499,087
Operating Expenses		
Staff costs	225,338	147,225
Premises maintenance	36,631	26,865
Static plant and pipe network maintenance	146,276	116,353
Transport and mobile plant costs	12,175	7,967
Supplies and services	55,925	41,326
Administrative costs	106,323	134,682
Financing costs	2,370	1,581
	(585,038)	(475,999)
(Loss)/Profit Before Depreciation	(50,940)	23,088
Depreciation	(30,257)	(14,278)
(Loss)/Profit Before Taxation	(81,197)	8,810

National Water And Sewerage Corporation

Arua Area

Income Statement For The Year Ended 30 June 2004

	2004 Ushs '000	2003 Ushs '000
Income		
Water sales	279,156	203,205
Connection fees	32,781	23,928
Service charge	26,453	19,127
Other incomes	2,511	31,389
	340,901	277,649
Operating Expenses		
Staff costs	157,995	111,338
Premises maintenance	36,850	14,256
Static plant and pipe network maintenance	168,472	99,730
Transport and mobile plant costs	6,740	25,246
Supplies and services	42,499	35,672
Administrative costs	67,411	78,586
Finance costs	2,413	1,830
	(482,380)	(366,658)
Loss Before Depreciation	(141,479)	(89,009)
Depreciation	(24,363)	(9,474)
Loss Before Taxation	(165,842)	(98,483)

Income

Released from deferred income
Miscellaneous income
Rent for Jinja offices
Profit on sale of stock/scrap
Grant from GOU
Other income

Operating Expenses

Staff costs
Premises maintenance
Static plant and pipe network maintenance
Transport and mobile plant costs
Supplies and services
Administrative costs
Finance costs

Loss Before Depreciation

Depreciation

Loss Before Taxation

	2004 Ushs '000	2003 Ushs '000
	634,347	560,173
	53,411	44,107
	78,666	101,416
	26,928	481
	-	1,866,042
	65,174	-
	858,527	2,572,219
	3,060,759	3,907,800
	699,936	327,575
	155,754	224,590
	502,927	411,901
	655,747	572,274
	2,967,234	3,445,638
	(536,808)	(171,355)
	(7,505,549)	(8,718,423)
	(6,647,023)	(6,146,204)
	(1,591,217)	(444,832)
	(8,238,240)	(6,591,036)

