

NATIONAL WATER AND SEWERAGE CORPORATION



ANNUAL REPORT

2004-2005



inside

Profile, Vision and Mission	2
Key drivers	3
Core values	4
2004 -2005 Highlights	5
Board of Directors	8
Chairman's Statement	10
Corporate Performance	12
Financial Statements	35
Corporation information	36
Report of the directors	37 - 40
Corporate Governance Report	41- 44
Statement of directors' responsibilities	45
Report of the independent auditors	46 - 47
Income statement	48
Balance sheet	49
Statement of changes in equity	50
Cash flow statement	51
Notes to the financial statements	52 - 71
Appendices	72 - 90



profile

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

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.

The National Water and Sewerage Corporation effectively operates in seventeen towns namely: Kampala (including Kajjansi and Nansana), Jinja/Njeru, Entebbe, Tororo, Mbale, Masaka, Mbarara, Gulu, Lira, Fort Portal, Kasese, Kabale, Arua, Bushenyi/Isahaka, Soroti, Mukono and Malaba. Final preparations are under way to take over Iganga and Lugazi towns. This will bring the towns under NWSC jurisdiction to 19.

vision

To be the Pride of the Water Sector in Africa.

mission

To be a Customer Oriented Organisation, providing Excellent Water and Sewerage Services in a Cost Effective Manner.



key drivers

Our three year Corporate Plan for the period 2003 – 2006 outlines 16 strategic goals of which the major ones are:

- Reduction in the level of non-revenue water from 39% to not more than 35% of water produced.
- Improvement in staff productivity through training and awareness and hence improvement in personnel levels to not more than 8 staff per 1,000 water connections.
- Increase in turnover 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 service 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 to facilitate an effective information management in the Corporation.



core values

SATISFIED CUSTOMERS

Happy and Satisfied Customers paying their bills promptly

ADEQUATE NETWORK COVERAGE

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

CONSERVATION OF THE ENVIRONMENT

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

EFFICIENT WORKFORCE

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

DECENTRALIZATION/PRIVATE SECTOR INVOLVEMENT

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

CONTRIBUTING TO NATIONAL DEVELOPMENT

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



H.E The President (centre) launches the Katabi Water Supply near Entebbe

2004/05 highlights

The financial year 2004/2005 was a successful year for the NWSC in which we made tremendous achievements towards achieving our strategic goals. Here are the highlights of our achievements in the year:

Commercial Success

- Achieved a turnover of shs 53.8 billion, up 26% on the previous year.
- Achieved an operating profit before depreciation and interest of Shs 13.4 billion, an increase of 22%.
- Operating profit after depreciation increased by 201% from shs 1.3 billion to Shs 3.9 billion.
- Water production increased from 54.9 million cubic meters to 57 million cubic meters an increase of 5%.
- Connected 22,218 new subscribers, a growth of 22% bringing the total number of subscribers to 123,069.

Sustained Expansion of Service Delivery

- Implementation of the New Connection Policy as a strategy to increase service coverage and service to the urban poor.
- H.E the President launched the shs 300 million water supply to Katabi a suburb of Entebbe, one of the projects fully funded from internally generated resources of NWSC.
- 2 major projects, the Mukono Water Supply Project and the detailed design study for the Gulu Water and Sewerage rehabilitation project (together worth Shs 8.4 billion) fully funded by the Corporation were launched.



The Managing Director, Dr William Muhairwe (first left) signs the Memorandum of Understanding with Umgeni Water

- Extended services to the peri-urban areas of Uganda bringing services closer to the populace in line with the Presidents 2001 Manifesto. For example, the Nakaloke water supply system in Mbale was commissioned by H.E. the President in February 2005.
- The Gaba III Water Supply Project was launched by the Minister of Water, Lands and Environment. The Shs 31.2 billion project is intended to increase water production in Kampala by 80,000 cubic meters of water per day, and serve the population of Kampala till the year 2015.

Benchmarking/External Services

- High level visits from Dar-es-Salaam Water Company (DAWASA), Lilongwe Water Board of Malawi, the Parliamentary State Secretary of the German Federal Ministry of Economic Cooperation and Development (BMZ) Dr Uschi Eid, Nairobi Water, Tanga Water, Umgeni Water of South Africa. These visits show the high international regard for NWSC performance and help promote world wide collaboration.
- The External Services Unit was launched as a new product in response to the demand from other utilities and institutions (both within Uganda, in the region and outside Africa) for NWSC expertise. The Unit has since offered services to the Nairobi and Dar-es-Salaam Water Companies among others.
- Memoranda of Understanding were signed with Umgeni Water of South Africa, the German Technical Cooperation (GTZ), DAWASA, Lilongwe Water Board of Malawi, Nairobi City Water and Sewerage Company, Tanga Urban Water Supply and Sewerage Authority, among others a demonstration of increasing south to south and north to south cooperation and benchmarking. In addition, training links were established with WEDC, UNESCO- IHE Delft, Makerere University and the Water Utility Partnerships (WUP).

Prestigious Accolades

- We won the Federation of Uganda Employees 2004 Productivity and Performance Management Award. This was the second award won by the Corporation from the Federation since the 2003 Employer of the Year Award.
- Our ISO 9001:2000 Certification for Jinja and Tororo Areas were renewed after the annual surveillance audit, confirming our sustained effort to maintain product and service quality.

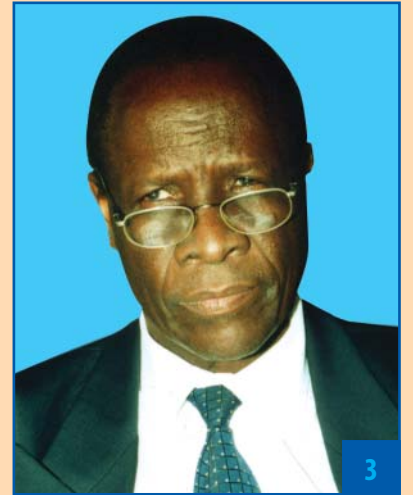


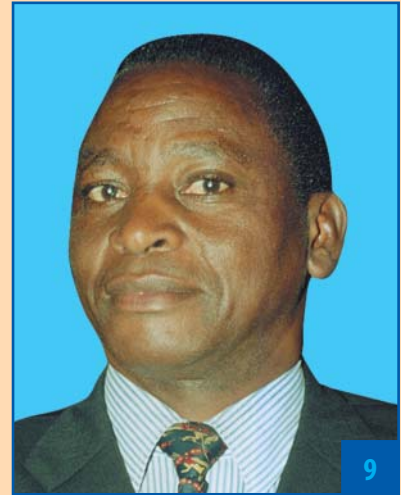
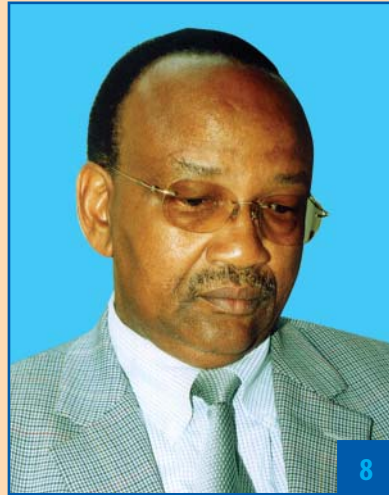
Federation of Uganda Employees 2004 Productivity and Performance Management Award.

The new Board members pose with the Minister of State for Water, Hon Maria Mutagamba (3rd from right) at the inauguration of the Board at the NWSC Human Resource Centre, Bugolobi



board of
directors





- | | |
|-------------------------------|-----------------------|
| 1. Mr. Ganyana MIIRO | Chairman |
| 2. Dr. Elizabeth MADRAA | Deputy Chair person |
| 3. Mr. Gabriel OPIO | Member - re-appointed |
| 4. Mr. David SEBABI | Member - re-appointed |
| 5. Mr. Stephen KABUYE | Member - re-appointed |
| 6. Ms. Christine K. NANDYOSE | Member |
| 7. Dr. William T. MUHAIRWE | Managing Director |
| 8. Eng. Sottie M. BOMUKAMA | Member - re-appointed |
| 9. Eng. Yorokamu KATWIREMU | Member |
| 10. Mr. James SSEGANE | Member |
| 11. Mr. David M. KAKUBA, FCIS | Corporation Secretary |

chairman's statement

The National Water and Sewerage Corporation is today recognised as one of the most efficient organisations in the water service industry within the African region. This achievement has not come by chance. During the last seven years, the management and Board of Directors of the Corporation deliberately developed ambitious programmes that saw the institution turn around from near bankruptcy into the vibrant, vigorous and viable Corporation of today.

2004/05 Results

I am pleased to report that the momentum which began in the year 1998/99, has continued and in the year 2004/05 the Corporation firmly established itself as a financially viable entity. During the year, the Corporation's turnover grew by 26% from Shs 42.6 billion to Shs 53.8 billion, while the net profit before financing costs and tax was up by an impressive 201% from Shs 1.3 billion to Shs 3.9 billion. This performance has enabled us to continue to contribute significantly in network extensions and major projects.

In terms of operations, the Corporation increased water production by 5% from 54.9 million cubic meters to 57.7 million cubic meters, while water sales increased by 12% from 34.2 million cubic meters to 38.2 million cubic meters. Our water service coverage, representing the percentage of the population served within our areas of operation throughout the country rose from 65% to 68%. This performance is particularly significant in light of the Country's commitment to the Millennium Development Goals (MDGs), the Poverty Eradication Action Plan (PEAP) and the President's Manifesto (2001), all of which address the common theme, namely the improvement of the welfare of the people of Uganda through increased access to safe drinking water.

Infrastructure Investments

To achieve the high levels of service coverage means the Corporation has to continually invest in the infrastructure as well as the operations and maintenance of the systems. In line with this commitment, I am happy to report that during the year 2004/05, the NWSC completed the first phase of the Shs 6.4 billion Mukono Water Supply Project. Similarly, the Corporation continued with financing the cost of a detailed feasibility study for the Gulu Water and Sewerage Project at a cost of Shs 2 billion. Both of these projects were wholly financed from the Corporation's resources.

Furthermore, during the year, two major projects the Gaba III Water Supply Project and Entebbe Water and Sewerage Project commenced. The two projects, funded by the German Government, underscore the vital role of our donor partners in the development of water and sanitation infrastructure in this country.



GANYANA MIIRO
Chairman, Board of Directors

Appreciation

The success of the Corporation in this financial year was due to the dedication of a committed management and staff working as a cohesive team with the Board. I would like to pay tribute to this team spirit and to acknowledge the contribution of the previous Board and in particular my colleague, the Chairman of the outgoing Board, Mr Samuel Labeca Okec. Mr. Okec has been Chairman of the two previous Boards, having been appointed to that position for the first time in July 1998. We are very grateful for his guidance and shall continue to seek his advice in matters concerning the water sector in Uganda, given his outstanding achievements in this area.

The National Water and Sewerage Corporation's guiding credo is: "The Customer is the Reason we Exist". In the competitive business environment of today, nothing could be further from the truth. It is this simple philosophy that keeps us focused in everything we do and is the one that is ultimately responsible for our success as a Corporation. We are therefore grateful for the full support and loyalty we enjoy from our customers which inspires us to perform and to excel.

On behalf of the Board, I wish to acknowledge the support of the Government through the Ministry of Water, Lands and Environment for providing guidance and strategic direction to the Corporation.

Together, we look forward to more success in the year 2005/06

GANYANA MIIRO
Chairman, Board of Directors

corporate

performance for the year 2004/2005

statement of the managing director

The provision of water and sewerage services is a vital ingredient for social and economic development of any country. As the leading utility charged with the responsibility of providing water and sewerage services to the major urban centers of Uganda, the people of this country look upon us to deliver.

We are pleased to report that through the last seven years, we have set ourselves ambitious performance goals and have consistently delivered against them. The year 2004/2005 was an exceptionally challenging one in which the National Water and Sewerage Corporation has continued to deliver excellent service to our consumers.

In the year 2004/05, we substantially increased our customer base; we invested heavily in the expansion of our infrastructure and we increased the quality of service to our customers. In terms of financial performance, our turnover for the year 2004/05 topped Shs. 54 billion representing an increase of 26% over the previous year, while the net operating profit increased by 201% from Shs. 1.3 billion to Shs. 3.9 billion.

Operating Strategies

To achieve the impressive results in the year 2004/05, we developed and implemented three major strategies: the consolidation of the Internally Delegated Area Management Contracts (IDAMCs), the introduction of a simplified new water connection policy and the creation of the Zonal Performance Contracts (ZPCs) in our Kampala Area.

Consolidation of IDAMCs

During the year 2004/05, we continued with the

implementation of the Internally Delegated Area Management Contracts. This concept, which promotes autonomy and empowerment, is based on the principle of separation of the function of asset management from that of operations. This concept is also consistent with the wider sector reform policy which aims at increased private sector participation in the delivery of services in the water and sewerage industry.

In the year 2004/05, the IDAMCs were consolidated by the use of competitive bidding as a basis for awarding contracts to the operating units. This approach ensured that the best teams were selected to operate specific NWSC service areas. As a result of these initiatives, we continued to realize remarkable results in our financial and operational performance.

Zonal Performance Contracts in Kampala

To operate successfully and to grow, we need to be able to anticipate and react quickly to the needs of the customer. During the year 2004/05, the increasing demand in Kampala necessitated full decentralization and devolution of functions from the centre in Kampala to the Zones. With the introduction of this policy, all the 13 zones in Kampala assumed responsibility for the operational functions, which were formerly centralized under the administrative unit at our 6th Street premises. The decentralized functions have turned our zonal offices into one-stop centres for all services including new connections, mains extensions, leak control and billings.



*Dr. William T. Muhairwe,
Managing Director*

External Services- Partnering is Key

Our strategic intent is to be the pride of the water sector in Africa. Naturally, collaboration and partnering with other utilities in the continent came to the fore during the year 2004/05. Because of our successful experience in the various strategic initiatives, our expertise was sought by many utilities in the region and outside Africa. We have used this opportunity to create a new business unit, the External Services Unit, whose sole role is to market NWSC expertise and to benchmark the Corporation's performance with other utilities. The External Services Unit is already proving instrumental in helping the Corporation build strong business relations with a number of water utilities in Uganda, within the African region and outside Africa. So far the unit has provided IT and Commercial Services to Nairobi Water as well as management advisory services to Dar-es-salaam Water and Sewerage Corporation (DAWASCO) among others.

The Simplified Connection Policy

Customer growth remains the key strategy by which the Corporation can achieve comprehensive service coverage. During the year 2004/05, the Corporation developed an affordable and simplified connection policy to spur service demand. This policy, which was gazetted by the Minister of Water, Lands and Environment in July 2005, addresses among other issues, reduction in water losses, accelerated service coverage and service to the urban poor. As a result of the introduction of this policy the number of new water connections installed per year increased by 58% in 2004/05 from 14,045 in the previous year to 22,218.

Operational Performance

Water Production

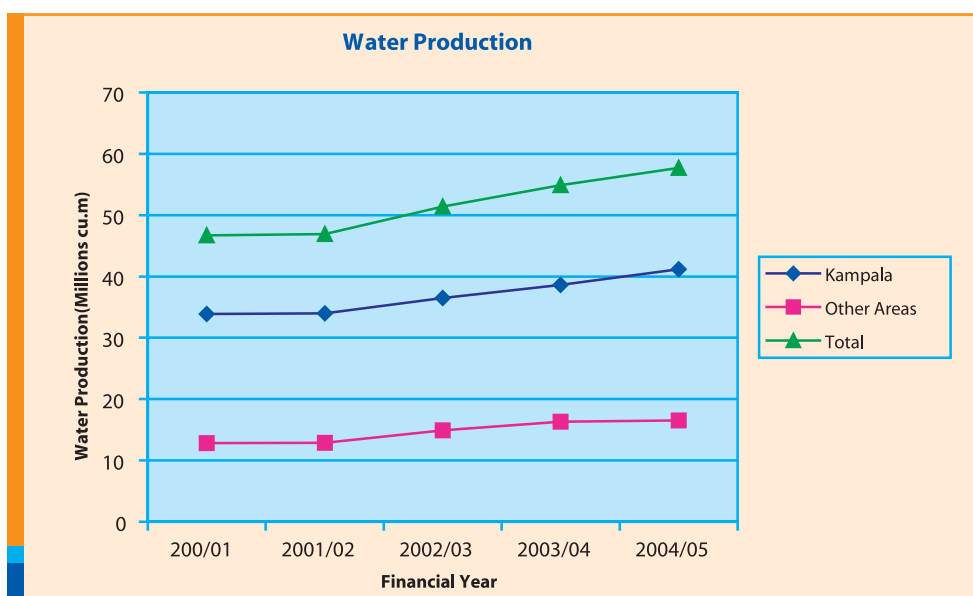
NWSC continues to increase water production to correspond to the demand of the growing customer base. During the financial year 2004/2005, total water production increased by 2.8 million cubic meters from 54.9 million cubic meters to 57.7 cubic meters. The increased water production was due to major refurbishment to treatment plants and increased efficiency in production. Table 1 shows the trend of growth in water production in the last three years. On the other hand, capacity utilisation of our works increased from 69% in the FY 2003/2004 to 72% this financial year as shown in table 2. Areas of Kampala, Entebbe and Gulu indicate capacity utilisation above 80%. Production in these Areas is being expanded through the ongoing projects: Gaba III for Kampala, Entebbe Water Supply and Sewerage Expansion Project for Entebbe Area and Rehabilitation of Water and Sewerage System for Gulu Area.



Kiyooro Water Works, Kabale

Table 1: Water Production: Millions Cubic Meters

Year	2000/2001	2001/2002	2002/2003	2003/2004	2004/2005
Kampala	33.9	34.0	36.5	38.6	41.2
Other Areas	12.8	12.9	14.9	16.3	16.5
Total	46.7	46.9	51.4	54.9	57.7
Growth %	1%	1%	10%	7%	5%





A post stressed steel storage reservoir on Mutungo Hill in Kampala

Table 2: Capacity Utilization as at June 2005

Area	Practical Capacity m ³ /day	Average Production m ³ /day	Capacity Utilisation %
Kampala	117,270	112,862	96%
Jinja/Njeru	26,000	10,786	41%
Entebbe	8,855	7,353	83%
Tororo	5,914	2,713	46%
Mbale	14,408	4,241	29%
Masaka	6,382	2,721	43%
Mbarara	10,197	4,935	48%
Lira	8,586	2,460	29%
Gulu	1,871	1,729	92%
Kasese	2,368	1,452	61%
Fort Portal	2,171	1,509	69%
Kabale	3,600	1,301	36%
Arua	5,400	1,465	27%
Bushenyi /Ishaka	960	700	73%
Soroti	5,529	1,716	31%
Total NWSC	219,511	157,943	72%
Total Excluding Kampala	102,241	45,081	44%

Water Distribution

In line with the NWSC objective of bringing services closer to the consumers, the Corporation continued with its policy to extend its distribution network in all its areas of jurisdiction. As a result a total 294.6 kilometres were extended bringing the total pipe network length to 2,733 kilometres. All extensions were financed from the NWSC resources.

million cubic metres, representing an increase of 4 million cubic meters. The increase in sales was due to the rise in the number of water connections which were a result of the new water connection policy that was introduced at the beginning of the financial year 2004/2005. The increase in the volume of water sold was due to the increase in water production and the reduction of non revenue water.

Sales Volume

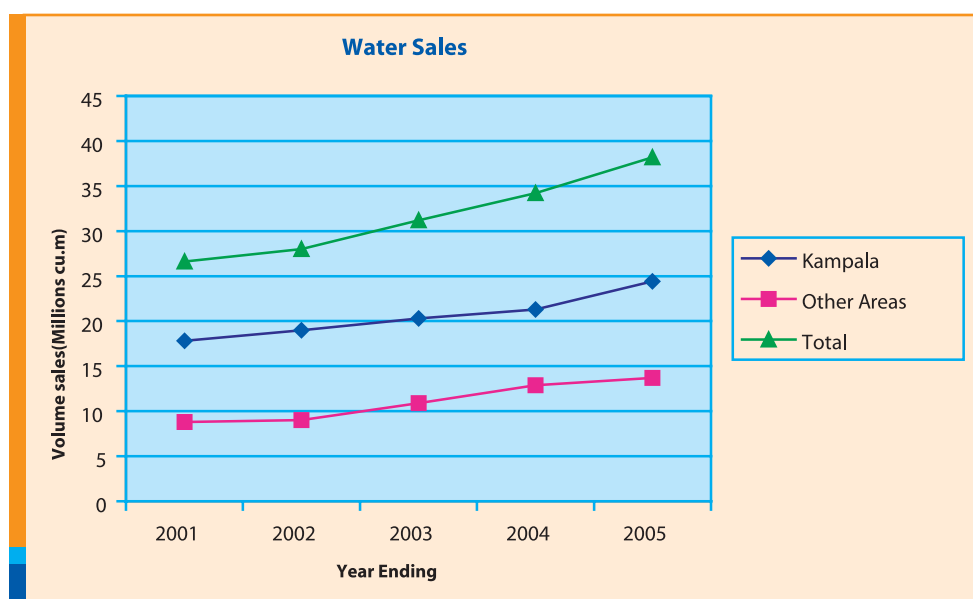
During the year the volume of water sold increased by 10% from 34.2 million cubic metres to 38.2



Katigondo mains extension work in progress in Masaka

Table 3: Millions Cubic Metres

Year	2000/2001	2001/2002	2002/2003	2003/2004	2004/2005
Kampala	17.8	19.0	20.3	21.3	24.4
Other Areas	8.8	9.0	10.9	12.9	13.7
Total	26.6	28.0	31.2	34.2	38.2
% increase	2%	6%	11%	10%	12%



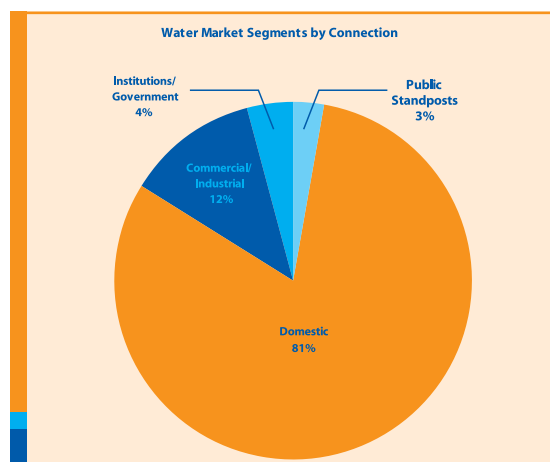
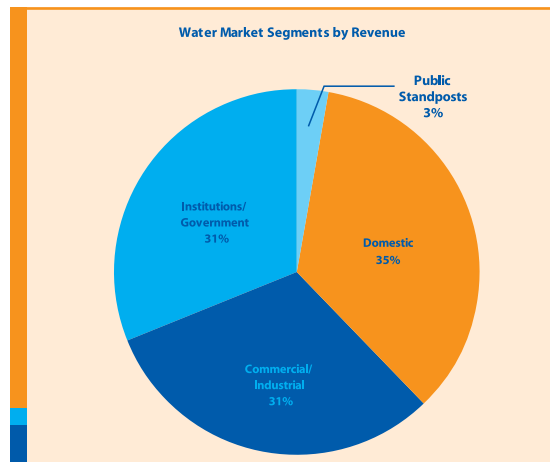
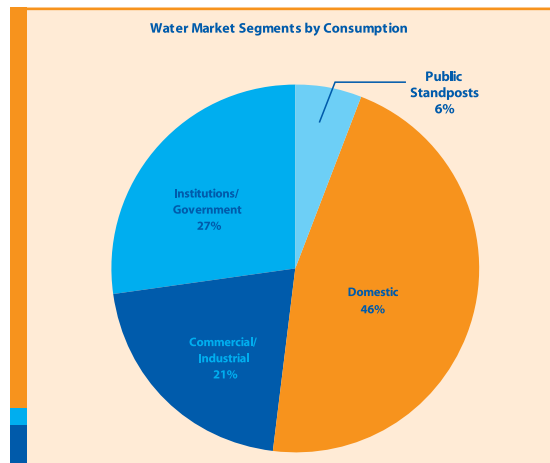
Water Market Segments

In terms of the water consumption, domestic customers comprise the largest segment and account for 46.1% of the NWSC's total water consumption, followed by Institutions/Government (27.0%) and the Industrial/ Commercial sector (21.3%). Table 4 and the charts below summarise the status of NWSC market. In terms of connections, the domestic customers still constitute the largest

customer base accounting for 80.5% of the total accounts followed by Industrial/Commercial 12.2%. Institutions/Government account for 4.1% and Public stand posts constitute 3.2%. The lower percentages are to be improved through the Urban Poor Project and the simplified connection policy, especially the category of public stand posts.

Table 4: Water Market Segments

Consumer Category	Connections (Nos)	As % of Total connections	Volume Sold (cubic meters)	As % Total Volume sold	Revenue (shs millions)	As % of Total Revenue
Public Stand posts	3,949	3.2%	2,140,484	5.6%	1,224	2.5%
Domestic	99,080	80.5%	17,620,773	46.1%	17,038	34.8%
Institutions/ Government	5,035	4.1%	10,320,192	27.0%	15,325	31.3%
Industrial/ Commercial	14,982	12.2%	8,141,485	21.3%	15,374	31.4%
Total	123,046	100%	38,222,936	100%	48,961	100%



Water Subscriptions

implementation of the simplified connection policy which took effect in July 2004.

During the financial year 2004/2005, a total of 22,218 new connections were made. This reflects an achievement of 85% over the target of 12,000. The accelerated growth is largely attributed to the

Table 5: New Connections: 2004/2005

Year	Target	Actual	% Above Target
Kampala	7,266	12,174	68%
Other Areas	4,734	10,044	112%
Total New Connections	12,000	22,218	85%

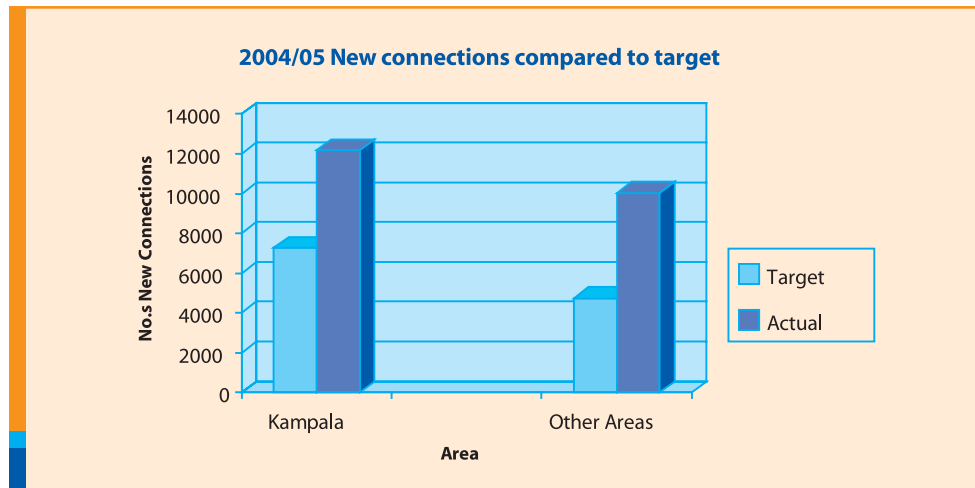
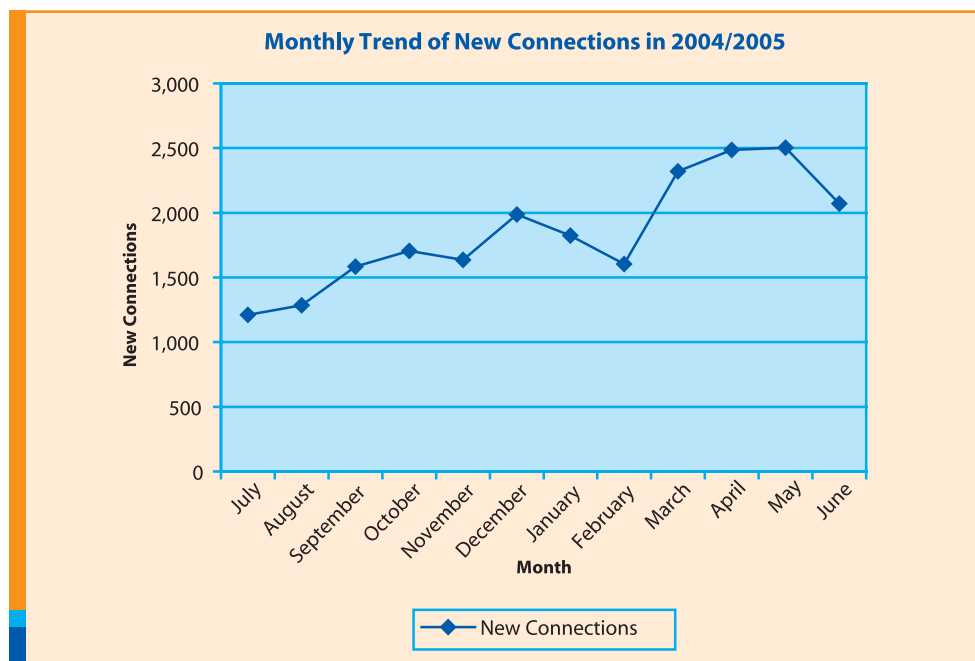


Table 6: Monthly Trend of New Connections in 2004/05

Month 2004/05	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
New Connections	1,211	1,284	1,584	1,706	1,635	1,988	1,824	1,605	2,320	2,486	2,503	2,072	22,218



Trend of New Water Connections

The annual growth of new water subscribers has grown by 227% from 6,798 in 2000/01 to 22,218 in 2004/05. The increase of 22.1% over the previous year depicts the Corporations' effort in trying to reach out to as many customers as possible. The rate of growth is expected to increase further as the Corporation streamlines the implementation of the new connection policy

Installation of Kiosks/Public Stand Posts

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 269 public stand posts were installed, bringing the total number of public standposts to 3,613. The year's addition represents a growth of 8% in the total number of public standposts.

Table 7: Annual Growth of New Water Connections

Year	2000/2001	2001/2002	2002/2003	2003/2004	2004/2005
Kampala	4,621	5,390	6,821	8,720	12,174
Other Areas	2,177	2,374	4,727	5,325	10,044
Total	6,798	7,764	11,548	14,045	22,218
% Increase	11.6%	11.7%	15.4%	16.1%	22.1%

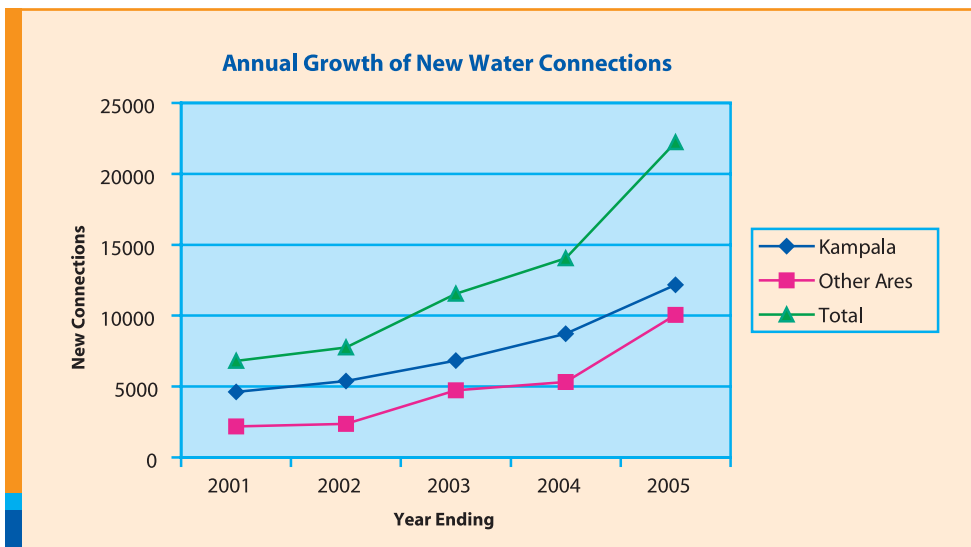


Table 8: Trend of Stand posts/kiosks Installed

Year	2000/01	2001/2002	2002/2003	2003/2004	2004/2005
New Kiosks	83	68	277	382	269
Total Kiosks	2,617	2,685	2,962	3,344	3,613
% Growth	3%	3%	10%	13%	8%





Provision of services to a Displaced Peoples' Camp in Lira

Supply of Water to Internally displaced Peoples Camps (IDPs)

In addition to the social support services offered through the erection of standposts, the NWSC continued to provide services to the Internally Displaced Peoples' camps in Lira and Soroti towns. 21 camps with a population of about 31,175 persons.

Sewerage Service

During the year, the Corporation continued with its quest to ensure that within the limits sewerage services are provided in an efficient and cost effective manner. To this effect, a total of 7.2 kms of

sewer mains were extended, and a total of 262 new sewer connections were installed. The Corporation adequately controlled sewerage spillages within all its towns.

Water Service Coverage

In the year 2004/05 service coverage for water increased from 65% to about 68% in June 2005. This increase was a result of various mains extensions, increased connections of consumers and the creation of public stand posts in all the towns of our operations.

Table 9: Trend of Sewerage Connections

Year	2000/01	2001/2002	2002/2003	2003/2004	2004/2005
New Sewerage Connections	85	95	104	153	262
Total Sewerage connections	13,010	13,105	13,209	13,362	13,624
% Growth	1%	1%	1%	1%	2%

Table 10: Water Supply and Sewerage Coverage As at 30th June 2005

Town	Total No. of Connections	Pipe Network (Kms)	Target Population	Population Served	% Served (Water)	% Served (Sewerage)
Kampala	74,777	1138.9	1,302,138	872,433	67%	7%
Jinja/Njeru	9,158	261.8	146,786	115,961	79%	26%
Entebbe	6,375	158.1	60,429	41,092	68%	4%
Tororo/Malaba	2,414	74.4	45,938	30,320	66%	7%
Mbale	4,756	156.8	73,714	50,126	68%	28%
Masaka	3,601	122.4	63,527	49,551	78%	9%
Mbarara	4,956	109.6	75,577	61,217	81%	6%
Lira	2,908	126.5	108,942	67,544	62%	2%
Gulu	2,166	80.9	135,167	97,321	72%	5%
Fort Portal	2,373	122.6	42,080	30,298	72%	2%
Kasese	2,123	61.3	63,499	49,720	78%	0%
Kabale	2,063	106.7	49,300	27,115	55%	11%
Arua	2,218	86.1	51,749	24,839	48%	0%
Bushenyi/Ishaka	1,011	54.9	24,942	9,727	39%	0%
Soroti	2,147	72.1	41,553	14,959	36%	2%
Total	123,046	2,733.1	2,284,374	1,542,222	68%	8%

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

Note: Population coverage is based on the following number of 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

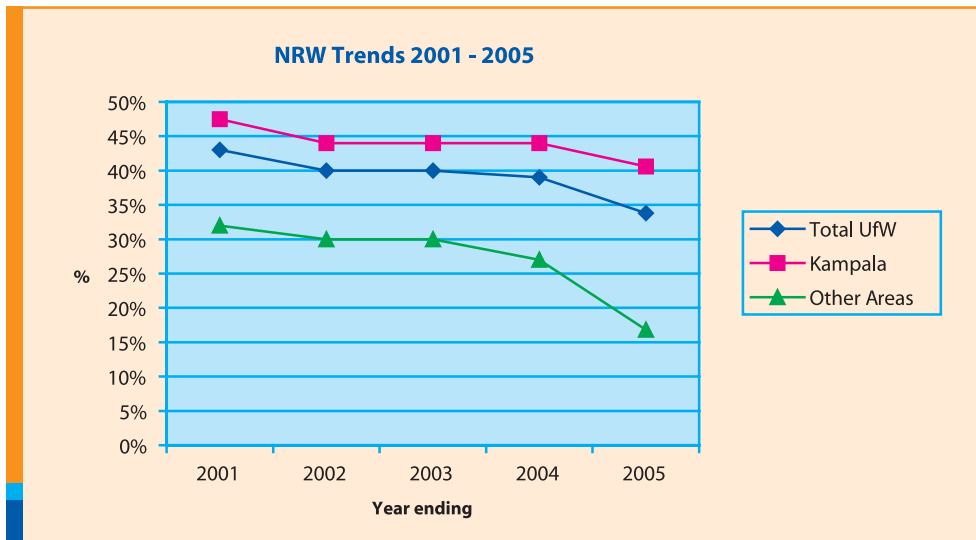
Non Revenue Water (NRW)

The term non-revenue water (NRW) refers to the difference between the volume of water supplied and billed authorised consumption. In the past, the term non-revenue water and unaccounted for water (UfW) were used interchangeably. However, the International Water Association (IWA) now recommends the use of the term NRW instead of UfW in the water supply industry. Non-revenue water consists of unbilled authorised consumption, for example water consumed at fire hydrants (usually a very small percentage) and water losses through leakage and illegal activities.

As at June 2005, the overall NRW was 33.8%, compared to 37.6% at the end of the year 2003/04. In Kampala, the NRW averaged about 40.6% (target 42.5%) compared to 44.7% as at end of June 2004, while in the other Areas, NRW was at an average of about 16.8% (target 26%) compared to 20.8% as at end of June 2004. During the year, NRW in other Areas decreased by 4%, while in Kampala Area, the NRW also reduced by 4%. The improvements in NRW in the Areas especially in Kampala, are due to the efforts undertaken in the IDAMC.

Table 11: Non-Revenue Water Trends

Year	2000/01	2001/02	2002/03	2003/04	2004/2005
Total NRW	43.0%	40.0%	39.4%	37.6%	33.8%
Kampala	47.5%	44.0%	44.5%	44.7%	40.6%
Other Areas	32.0%	30.0%	26.7%	20.8%	16.8%

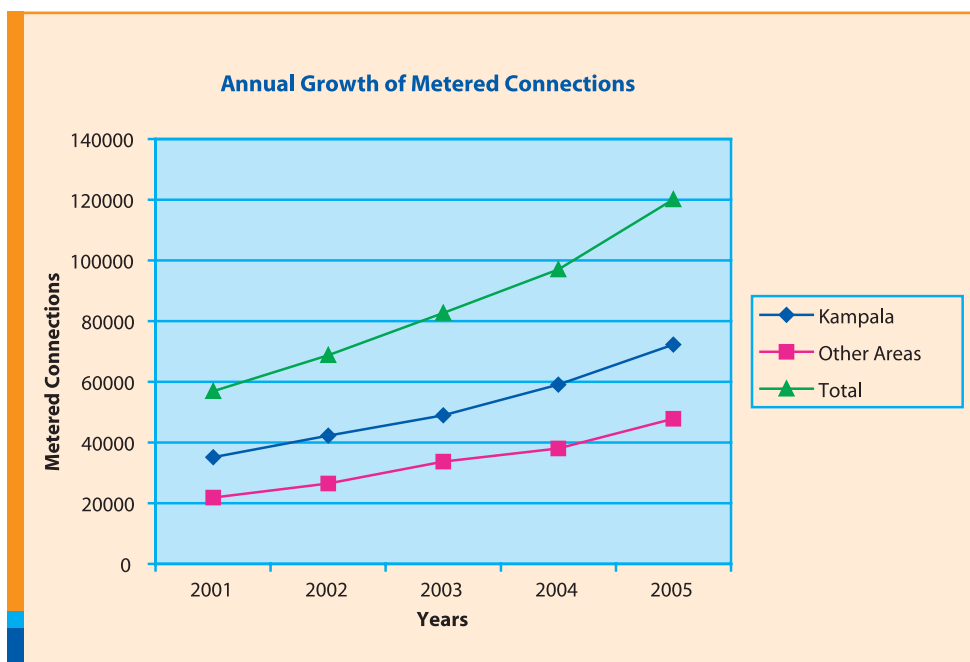


Meter Coverage

As at June 2005, a total of 120,054 accounts were metered out of 123,046. This represents 98% meter coverage. 99% of all active accounts in all areas were metered by the same date. The trend of meter coverage for the last five years is shown in the table below.

Table 12: Metered Accounts

Year	2000/2001	2001/2002	2002/2003	2003/2004	2004/2005
Kampala	35,138	42,249	48,952	59,022	72,231
Other Areas	21,813	26,519	33,746	38,004	47,823
Total metered	56,951	68,768	82,698	97,026	120,054
Total Accounts	66,104	74,797	87,172	100,475	123,046
% Metered Accounts	86%	92%	95%	97%	98%





Unearthing a by pass: Illegal diversion of this nature causes water losses to the Corporation

Staff Rationalisation

The Corporation had 990 employees as at June 2004. As at 30th June 2005, staff numbers were 1,093 (target 1,010). The staff as at June 2005 included 577 on permanent terms and 516 on contract terms, signifying a gradual shift from permanent

to contract terms for all staff. The staff increase in the year was mainly due to the expansion of NWSC's business activities, which included the fast growth in the customer base. However, the Corporation was cognisant of the need to maintain and achieve the productivity co-efficient, which improved from 11 to 9. (target 9) staff per thousand connections.

Table 13: Staff Productivity Trends

Year	2000/01	2001/02	2002/03	2003/04	2004/05
Staff Numbers	1092	889	949	990	1,093
Staff/000 water connections	16	12	11	10	9

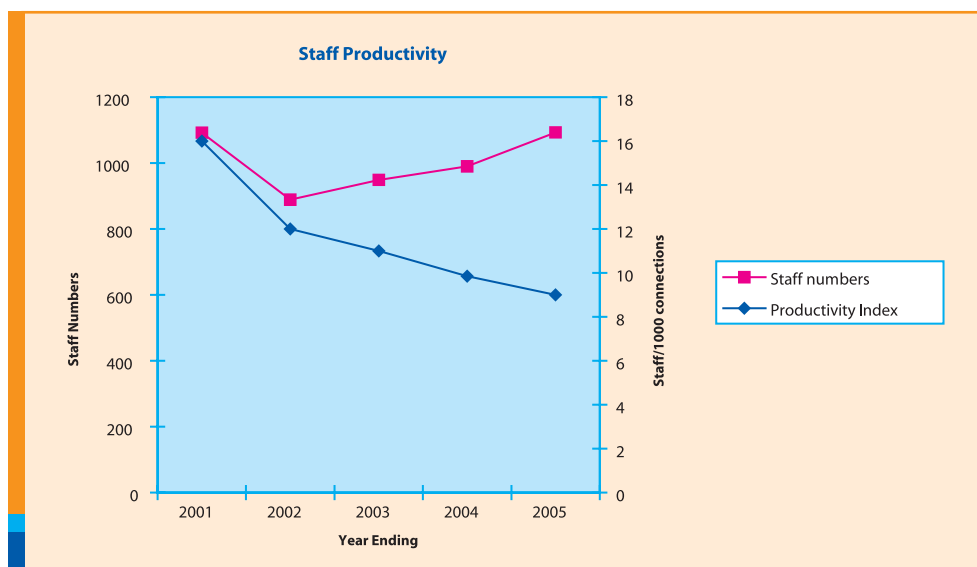




Table 15: Detailed Staff Levels as at 30th June 2005

Area	Staff Permanent	Staff Contract	Male	Female	Female as % Total Staff	Total Staff
Head quarters	97	87	127	57	30%	184
Kampala Water	206	238	351	93	13%	444
Jinja/Njeru	58	22	66	14	18%	80
Entebbe	33	13	34	12	28%	46
Tororo	21	9	26	4	15%	30
Mbale	44	8	44	8	17%	52
Masaka	26	12	33	5	11%	38
Mbarara	32	13	41	4	6%	45
Lira	13	9	21	1	8%	22
Gulu	10	14	21	3	4%	24
Kasese	15	5	17	3	15%	20
Fort Portal	13	10	18	5	17%	23
Kabale	2	20	19	3	10%	22
Arua	2	21	17	6	26%	23
Bushenyi/Ishaka	3	14	13	4	18%	17
Soroti	2	21	16	7	17%	23
Total	577	516	864	229	21%	1,093

Financial Performance 2004/2005

Income

In the year ended June 2005, our turnover grew by 26% from Shs 42.6 billion to Shs 53.8 billion. The operating profit before depreciation increased by 22% from Shs 11.0 billion, in the financial year ended June 2005 to Shs 13.4 billion. Furthermore, the operating profit after depreciation increased from Shs 1.3 billion in financial year 2003/2004 to Shs 3.9 billion during the financial ended June 2005 an increase of 201%.

Our performance trend for the last five years shows progressive growth in turnover and operating profit as indicated in table 16.

Collection Efficiency

Collection efficiency remains one of the most critical indicators for debt collection. The total collections for the year 2004/05 amounted to Shs 51,148 million (inclusive of VAT and arrears) compared to billings of Shs 57,224 million. The collection efficiency was an average of 89%. Average monthly collections amounted to Shs 4.262 million compared to the target of Shs. 4.400 billion per month. This is an achievement of 97%

Table 14: Trend of Financial Performance in Shs. millions

Year ending 30 June	2001	2002	2003	2004	2005
Turnover	29,297	34,054	37,140	42,618	53,778
% Growth		16%	9%	15%	25%
Operating profit before Depreciation	4,369	7,021	8,103	11,019	13,444
Operating Profit (loss) after depreciation	(2,620)	36	778	1,296	3,899

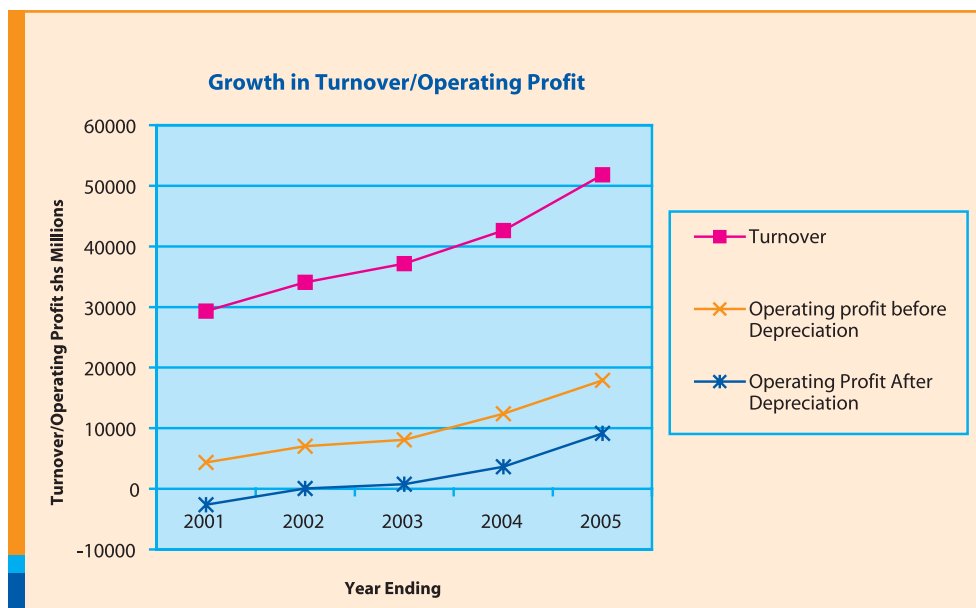


Table 16: Collection Efficiency

Year ending 30 June	2001	2002	2003	2004	2005
Collection Efficiency	85%	92%	92%	98%	89%

Performance of Capital Development Projects

Flagship Investments

During the FY 2004/05, the NWSC continued to take responsibility for the funding of major investments from its internally generated resources. The most notable of these investments is the Mukono Water and Sanitation Project. Work on this project, which is estimated to cost about Shs 6.4 billion, commenced in June 2004. The first phase of the project was completed in December 2004 and this phase included the laying of the distribution mains, service connections and the transmission main to Mukono. The second phase of the project will entail laying of a main from Mutungo to Namanve along the Kampala – Jinja highway.

The second major project to be funded wholly by the NWSC is the rehabilitation of the Gulu Water and Sewerage Systems. The Corporation is currently financing the detailed feasibility study at a total cost of shs 2 billion. The detailed design for the project commenced in June 2004. The draft and final design report and tender documents were submitted in July 2005. A workshop to review the design report has been scheduled for 3rd August 2005. Once the design phase is completed, funds will be sourced for the downstream activities. The total cost of the second phase is estimated at about Shs 7 billion.

Gaba 1 Rehabilitation Project

Gaba 1 water works was refurbished with funding from the EU at a cost of 4.5 million Euro (U Shs 9.9 billion). The project was implemented in two phases. Phase I works were commissioned in May 2002 and included the refurbishment of the plant, resulting in the increase of water production from 30,000 cu.m to 40,000 per day. Phase II construction works involved the modification and upgrading of the processing units. Project works were completed in June 2004. Phase II increased water production from 40,000 to 50,000 cubic metres per day. With some minor modifications on the clarification process carried out during the financial year 2004/05, production has increased to 65,000 cubic meters.

Entebbe Water Supply and Sewerage Expansion Project

The Entebbe project, which is being funded by the

German Government at a cost of Shs 40.5 billion, is aimed at rehabilitating and expanding both the Water and Sewerage systems. The Project works commenced in January 2005 and civil works were carried out at the water treatment plant, reservoir sites and sewerage treatment plants. The project will result in the expansion of water and sewerage systems, which will be able to serve the target population up to 2015. Water production capacity is slated to increase from the current level of 8,800 cubic meters per day to 18,000 cubic meters per day.

Kampala Sanitation Master Plan

The Kampala Sanitation Master Plan is aimed at providing a framework and strategy for the efficient and cost effective provision of either on-site or water borne sewerage services in Kampala. The study was funded by the German Government at a cost of about Shs 1.6 billion. The Draft Master Plan was submitted in June 2004. The study for the project provides the framework for improvement and increase in coverage of sanitation services to the population. Findings were presented at the Joint Sector Review for GoU/Donor Conference held on 21st -23rd of September 2004. The recommendations of the study were adopted and down stream funding for the project is currently being sought. However in the interim, the Corporation in collaboration with the Kampala City Council are implementing some aspects of the study covering the on-site sanitation facilities.

Kampala Water Supply Network Rehabilitation Project

The Kampala Network Rehabilitation Project is being funded by 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 were earmarked for the project which commenced in the year 2002. By end of June 2005, the Contractor had completed installation of most of the major fittings along the Kitante Road trunk main. The trunk main was first pressurised and the process of identifying and rectification of defects were undertaken. Under the illegal use reduction program, the contract was expected to expire on 15th July 2005. The contract was however extended to February 2005 so as to provide the necessary back-up to the Branches in the fight against illegal use of water.

Gaba III Project

The Gaba III project is being implemented with funding from the German Government (through KfW) under a turnkey arrangement. The project cost is estimated at US \$13.8 million (Ushs. 31.2 billion). The project will result into an additional production of 80,000 cu.m of water per day and will be able to meet the needs in Kampala up to the year 2014. The project will also re-enforce the supply of water to Mukono town. The Contract for construction of new water works was awarded to Dywadag International in October 2004. Detailed designs for the project were completed in February 2005. Residences, 4 semi-detached units (8 No.) were completed during the year and the ground breaking ceremony was held in March 2005. By year end, the site was fully mobilised, and construction of new pump lines, new sedimentation, flocculators and filters and earthworks for the construction of the new water works commenced. It is envisaged that the project will be completed by September 2006.

Mukono-Seeta Water Supply and Sanitation Project

The Mukono Water Supply Project works commenced in June 2004 and is being wholly financed by the Corporation with use of own resources. The project is being implemented in phases. Phase I of the project was completed during the financial year 2004/05 at a cost of shs 6.4 billion. The phase included the laying of the transmission main from Namanve to Mukono, distribution mains, and service connections. As a result, a total of 400 new connections were installed. The first phase of the project was commissioned by H.E. the President in November 2004. Phase II of the project will include construction of reservoirs, booster pump stations at Seeta & Mukono and laying of a reinforcing main from Mutungo to Namanve which will commence in the FY 2005/06. Preliminary surveys and designs for phase II have been completed.

Kampala Urban Poor Project

The project objective is, to improve the living conditions of the urban residing living in informal settlements in and around Kampala and to develop effective delivery systems and sustainable management systems for the public stand posts for the urban poor. Both the Government of Uganda and the German Government are funding the project.

During the year, under the German Government component, firms were pre-qualified for detailed design and supervision of works. Under the Ugandan component with a provision of Shs 400m, pipes were purchased in May 2005, and they are being installed by labour hired by NWSC. Construction of infrastructure under the urban poor project was undertaken in Kiseenyi and Ndeeba I & II suburbs.

Kampala Peri-Urban Project

The project is aimed at improving the living conditions of the people living in the peri-urban areas in and around Kampala. The project is being wholly funded by the Corporation using internally generated resources. During the financial year 2004/05, a total of about Shs 4 billion was spent on mains extensions. Water mains extensions have been made in the areas of Kyengera- Wakimese, Kisinyi, Buziga, Bukasa, Buziga-Upper Konge, Buziga-Katuso, Lukuli-Kiwempe, Biina, Kirombe and Butabiika among others

Kabale Additional Works Project

The additional works project is an addendum to the main Kabale civil works project which was completed in 2003. The project aims at extending water services to the areas of Rushoroza, Bubare and Kagarama which lie in the outskirts of Kabale town. The works involve the construction of reservoirs and mains extensions. During the year, the site was handed over to the Contractor M/S Sogea-Satom-Spencon Joint Venture in March 2005. The Contractor was fully mobilised in May. The project cost is 879,000 euro funded by KfW and it will take a period of 7.5 months.



Construction of a reservoir at Kiyooro, Kabale

Overview of the Future

Our vision of the future is to position the NWSC as a reliable service provider supplying water and providing sewerage services to a growing population in a cost effective manner. We plan to achieve this through the continuous review and refinement of the IDAMC policy in all areas.

The Corporation is to ensure that the IDAMC partnerships grow into strong commercial units with a possibility of evolving into private operating entities. This development will entail strengthening of local managerial capacity and searching for long-term sustainability through cost-effective and efficient operations.

On the other hand, the Head Office will be strengthened to carry out efficient asset-holding and monitoring roles. Similarly, the head office functionality and productivity is to be enhanced with increased operational accountability through the institutionalisation of daily task planning.

In regard to the external services component, the Corporation will strive to achieve greater heights by offering competitive external services. The Corporation will foster greater partnerships and memoranda of understandings with various utility organisations in a bid to strengthening south-to-south Corporation and build synergies within the Industry.

Acknowledgments

Once again we acknowledge the support we have received from all stakeholders who have stood by

our side through out the year. Special recognition goes to our customers for being patient and responsive to our services. Secondly I wish to thank the previous Board of Directors for a well-accomplished tenure. This Board was objective, receptive to the challenges and always eager to provide workable solutions. We would once again wish to thank the donor community, specifically the German Government, for their continued support to the National Water and Sewerage Corporation.

Dr William Tsimwa Muhairwe
Managing Director

briefs on individual area

performance for the year 2004/2005

This section gives highlights on the key performance activities in the NWSC service areas in consistence with the disclosure requirements of the National Water and Sewerage Corporation Act.

Kampala Area: Kampala Water

The Kampala area accounts for about 70% of the Corporation's turnover. The year 2004/05 was characterised by a number of structural and management changes within the area. The area operates under the framework of IDAMC, which was introduced in March 2005 and signed in June 2005. Notable among the events during the year were the establishment of Zonal Performance Contracts for all the Zones under the Kampala area.

The strategy was aimed at improving service delivery to the customers, and a means of effectively operationalising the IDAMC. As a result, more autonomy was transferred to the zones, resulting into reduced red tape and bureaucracy. The zones

took charge of all functions which were formally centralized. In addition to billing and collections, decentralized functions include; new connections, customer care, network maintenance, leak control, meter servicing and mains extensions.

Remarkable achievements were realised in the Kampala area with new connections growing from 8,720 in the financial year 2003/04 to 12, 174 in the financial year 2004/05 an increase of 40%. Water production increased from 38.6 million cubic meters to 41.2 million cubic meters (a growth of 7%), while water sales increased from 21.3 million cubic meters to 24.4 million cubic meters a growth of 15%. The level of non-revenue water reduced from 44.7% to 40.6% a decrease of 4 percentage points. This was as a result of the deliberate efforts to curb water losses and check illegal use. The network extensions totalled 95.9 kms, which were fully funded from internally generated resources. The collection efficiency during the year was 92%.

The Lead Partner Mr Ssekayizi shows off the ISO 9001:2000 Certificate



During the year, customer services were emphasised with the introduction of customer call centres and a dedicated line for customer complaints. In addition all zonal offices were refurbished in a bid to improve the corporate image and customer services.

Notable capital works were the completion of the Kitante Trunk Main which has boosted water supply in the Kampala North areas of Kawempe and Bwaise.

Jinja/Njeru Area: Kiira Water Partnership

The Jinja/Njeru Area is the second largest town operated by the NWSC. During the year, the area had a number of successes, which kept them at the helm of activities. First and foremost, the Jinja/Njeru Area was the first area to receive ISO 9001: 2000 certification in the year 2004. During the financial year 2004/05, the Area validity of the certification was renewed after a surveillance Audit.

In terms of operational performance, the Area made remarkable progress in the connection of new customers. A total of 1,138 new customers were connected compared to 741 in the previous year, an increase of 153%. This is attributed to the new connection policy. The total number of accounts by the end of the financial year were 9,158. The area reduced the level of non-revenue water by one percentage point from 22.1% to 21.4% signifying an increase in available water from existing sources. The area surpassed most of its targets for the year, for example, a total of 22.3 kms of mains was extended compared to the target of 21.7 kms.

During the year, the area hosted two important workshops, the planning for the IDAMC's renewals and the Checkers System workshop. In addition, the area hosted various delegations from neighbouring countries on benchmarking missions.

Entebbe Area: Greater Entebbe Partnership

During the year, Entebbe Area achieved increased growth and expansion. The following are the major highlights of the Areas Performance:

- Commissioning of Katabi Sub - county Water Extension by H.E the President of Uganda. The Katabi water supply entailed In summary, the project entailed the construction of 30 kms of pipeline of sizes ranging from 2 inches to 6 inches. As a result of the project a total

of 660 new water connections serving a population of about 8,000 to 10,000 people were installed. The project cost about shs 500 million and was wholly financed by the NWSC through internally generated resources.

- The 500m sewer extension to Fire quarters area. This short extension resulted in 40 new sewer connections an increase of 43% in our sewer database from 94 at the beginning of the year to 135 currently.

In terms of operational performance, the Entebbe area increased water sales from 1.93 million cubic meters to 2.04 million cubic meters growth of 6%. The non-revenue water decreased by 5.2 percentage points from 29.1% to 23.9%. The most significant growth was in the new connections which increased from 767 in the previous financial year to 1,897 in the financial year 2004/05 a growth of 247%. The total number of connections by the end of the financial year were 4,523. With the capacity utilization at over 80%, plans are already underway to expand the water production capacity in the area.

Tororo Area: Rock Water Partnership

During the financial year 2004/05, the Tororo Area took over the management of Malaba Town Water Supply system from the Malaba Town Water Board on 1st September 2004. Monthly billing increased from Shs.3.5m to Shs.7.2m. Water connections have almost doubled from 151 to 305 connections. Customer base has now increased to 2,223 reflecting 95% connection efficiency. 14.5km of water mains extensions were made. NRW has reduced from 15% to 12% as a result effective response to bursts and leakages and tracking down illegal connections. 1.2 km of sewer mains was extended and St. Anthony Hospital and other consumer have been connected to the new sewer line. Average monthly billing went up from Shs. 70m to Shs.90 million.

Mbale Area: Elgon Water Partnership

Notable among the achievements in Mbale during the year were the completion of the Nakaloke Water Project, which was commissioned by His Excellency the President of Uganda on 24th February 2005. The project entailed the installation of a booster and 15 kilometres of water mains (5 km of distribution mains and 10 kilometres of pumping mains). In addition, the area laid a total of 13 kms of water mains and 2



Nabajuzi Intake in Masaka

kms of sewerage mains in the different localities of Mbale. In regard to performance indicators, active accounts increased from 4,098 to 4,758 accounts, with a connection rate of 70-100 accounts per month. Suppressed accounts reduced from 1,100 to 55 accounts, while sewer connections increased from 1,394 accounts to 1,446 accounts. This increase has resulted in greater service coverage and better access to the service by the urban and peri urban poor. The total physical coverage within the service Area increased from 136 square kilometres to 144 square kms. Billings rose from Ushs.160 million to Ushs.190 million. Furthermore, the area constructed an ultra-modern office block, and a zonal office (Nakaloke Zone) and two stores.

Masaka Area: Buddu Water Partnership

During the financial year 2004/05, Masaka Area made a number of achievements in terms of capital works which included;

- fencing of Bwala reservoir,
- construction of sedimentation tank at the Bokoyolo sewage works,
- construction of drying beds at the Bukoyolo sewage works,
- fencing of Kasijja girwa waste stabilization ponds,
- installation of 20 No public stand posts,
- construction of meter control centre house and transfer of the panel for the chemical stirrer the newly constructed house.

In addition, 10 km network intensifications were made to the urban poor. With the introduction of the simplified connection policy, the area has been able to connect 859 customers during the financial

year. Works in progress by the year end were:

- Katigondo Water extension (18 km) project
- Fencing of sewage works at Bukoyolo
- Construction of a 40 cubic meter reservoir at Bwala – Kidda.

Besides the accomplishment of various capital projects as indicated above, there was remarkable improvement in the area performance. Most of the targets of the area performance indicators were achieved. For example NRW reduced to 12.7% from 18.9% in the previous financial year. Average billings and collections during the year were 115 million and 90 million per month respectively. Most importantly, the customers are now receiving better services with response to leaks / bursts and commercial related complaints being handled within 4hrs and 12hrs respectively.

Mbarara Area: Rwizi Water Partnership

During the financial year 2004/05, the Mbarara Area continued to achieve a number of successes in its performance. These were in the areas of billing, collections and reduction of non-revenue water. Water sales during the year increased from 1.5 million cubic meters of water to 1.67 million cubic meters, and the NRW during the year was stable at about 7.5%. The area installed a total of 917 water connections compared to 541 in the previous year a growth of 170%. The area laid a number of mains extensions during the year as detailed below:

Kyamugorani	3.6 km.	Water
Kyera	3.0 km.	Water
Kabale Rd. replacement	1.5 km.	Water
Victor Bwana	0.7 km.	Water

Gulu Area Management Team pose in front of the newly constructed Lacor reservoir



Victor Bwana 1.2 km.
Sewerage

Furthermore, the trading centres of Biharwe, Kaberebere and Bwizibwera (under the Directorate of Water Development) were connected to our system for supply of water in June 2005 and bulk meters installed.

Lira Area: Lira Urban Water Partnership

The FY2004/2005 has been a year of remarkable achievements and events for Lira Area and a step towards fulfilling its vision and mission. First and foremost, the workers of the Area successfully bided and won the Operations of the Area under the IDAMC arrangement under their Area Partnership called Lira Urban Water Partnership. The performance incentive mechanism has been a key catalyst for the improved performance of the area.

With the introduction of the simplified new connection policy the number of new connections were boosted to 906 during the year. This was in part enabled by the laying of 36 kilometres of mains a mixture of 1/2", 3/4" and 1" pipes. The total number of active accounts increased to 2,550 accounts from a paltry 1,645 in the previous financial year. The billing efficiency also increased to 92%, notwithstanding the unpaid accumulated bills from the Internally displaced people's camps. Nevertheless, the area is proud to be offering this service to the less privileged in society. Furthermore, 10 kilometres of water mains extension were laid to serve the urban poor, IDP Camps and other customers, pressure improvements to Kirombe, Boke Agali, and Kakoge "A" were achieved, and two bulk meters were replaced on the pumping main and a dosing unit was

constructed at Agwata booster station. Sub-division of the lagoons, construction of embankment and de-silting of the facultative pond in western lagoon was also achieved and this considerably improved the quality of our sewer effluent.

Gulu Area : Gulu Water Partnership

During the financial year 2004/05, the Gulu area installed 4 number higher capacity pumps of 120m³/hour which raised water production from average 1300m³ per day to 2600m³ thus sustaining supply and shifting of plant capacity from 48,000 m³ to 72,000m³. Installation of a dual 10-inch new raw water suction line at Oyitino intake improved the suction pressure and delivery. Construction of a 75 m³ reservoir at Lacor to boost distribution coverage some 10 kilometres outside Gulu city centre. The area achieved 24-hour water supply. The number of active accounts increased from 1318 to 1973 an increase of 54 accounts per month. By year end, the water and sewerage mains network totalled 95.5 kms and 11.5 kms respectively. Revenue during the reporting period increased from an average of U Shs 40m to U Shs 85m, while cash collections increased from an average Shs 35m to UShs 80m. In regard to the customer care issues, the area installed a DSTV at front Desk. Under the IDAMC Gulu Area earned incentives for the first time in its history.

Kasese: Margherita Water Partnership

During the FY 2004/05 Kasese Area refurbished, Chajojo Reservoir tank at Kilembe and as a result there is constant and reliable water supply to Kilembe Housing estates. Construction of a generator house at the treatment plant and acquisition of second hand generator from static plant has brought about



Pipe laying in Kabale

constant operation of the plant even when there is a power black out .The Area acquired a brand new motorcycle and this has reduced the reaction time of customer complaints of technical nature to one hour. As a result of the simplified connection policy, the Area increased its monthly new connections from 17 on an average to 40 new connections. Total water production and sales increased from 484,000 and 370,000 to 529,000 and 411,000 respectively during the year.

Fort Portal: Rwenzori Water Partnership

During the financial year 2004/05, Fort Portal Area placed great emphasis on improving customer care and as a result customer complaints reduced by 80%.Water production increased from 42m³ to 47 m³ per day. In addition a second raw water suction and delivery line was constructed to ensure adequate reservoir levels hence continuity in service delivery to the esteemed customers. The areas provided external services to Health Water and Sanitation (HEWASA) – Fort Portal on water quality testing. This has enabled their county and sub county representatives to carryout on site water testing of the available sources like springs, Wells boreholes. Introduction of contact telephone numbers in the newly designed new connection forms and for almost all existing customers. This has improved our response to customer complaints and customer care. Use of delivery books in reporting customer complaints from commercial to technical increased speed in response to customer complaints. Service coverage (water) increased to 72%. Non-revenue water (NRW) decreased from 11% to 8.5% on average. Active water connections increased from 1,773 to 2,305 accounts. On the other hand, monthly collections increased from 44.978m to 53.642m

while suppressed accounts reduced from 213 nos to 68 nos; a reduction of 213%.

Kabale Area: Bunyonyi Water Partnership

The financial year 2004/05 was one of the most successful for the Kabale Water Supply and Sewerage Service Area. The Internally Delegated Area Management Contract (IDAMC) was successfully implemented and this has continued to improve performance in the area. The new connection policy of providing 50 metres of pipes for every connection greatly boosted the customer base with a total of 436 customers added to the Kabale grid. 12 Kilometers of water mains were extended to the peri-urban areas of Kyanamira, Katuna Road, Rubira, Kiyooro, Kijuguta and Butobere. This increased the service coverage within the area to the current level of 55%. A total of about 1 Km of sewer extension was carried out to Makanga Area. Kabale Main Hospital was connected to the sewerage grid and some residential houses were also connected. Furthermore, the area secured a total of 7 (Seven) Land Titles for NWSC land in Kabale which was a great milestone given the need to secure the assets of the Corporation. The other four titles are to be obtained in the Next financial year. During the year, the additional works on the Kabale water project commenced in April 2005. Through the project, water is to be extended to the high level areas of Rugarama, Rushoroza, Bubaare and Kagarama. In addition, a 1200m³ reservoir is to be constructed at Kiyooro Treatment Plant to supply water during periods of power failure as an alternative to having a generator. It is envisaged that the works will be completed by December 2005 and this will substantially improve the water coverage in the area.

Arua Water Works beautifully refurbished under NWSC Management



Arua Area: Nile Water Partnership.

The Arua Area was gazetted to the NWSC in July 2002. At the time of take over, the area had only 29 kilometers of pipe network serving 668 customers within the municipal boundaries. On average, these customers were billed Shs. 13 million per month and the operator collected about Shs.10 m leaving a lot of arrears. The area used to operate with 32 staff (ratio of staff/1000 connection: 21) providing water services for 8 hours per day to grossly discontented customers. However, by end of June 2005, the following achievements had been registered during the financial year. 684 new water connections had been installed bringing the total number of customers to 2,218. Revenue billed increased from shs.32.034 million to Shs.34.835 million per month. In addition, significant improvements were made in the area of water quality, customer care, administrative and human resource management in the Area. Water sales increased from 387,000 cubic meters to 478,000 cubic meters, an increase of 124%.

Bushenyi/Ishaka Area: Nyaruzinga Water Partnership

During the financial year 2004/2005, Bushenyi/Ishaka Area made a number of significant efficiency gains in its operations compared to the 2003/2004 performance. The Area registered improvements in the working ratio, collection efficiency and connection efficiency. Working ratio improved from 162% to 142%, collection efficiency from 100.4% to 105.8%; and connection efficiency from 98% to 99%. There was an 18.5% increase in average monthly billing and a 25% increase in average monthly collection. Average monthly capacity utilization of

the plant increased from 71% to 78%. Power usage decreased by 15% from an average of 0.76kwh/m³ to 0.64kwh/m³. It was in 2004/2005 that we finally connected our 1000th account in the Area. Six staff attended a 3-month training in Information Technology by Future Technologies. A raffle draw was held to reward our well paying customers. Many prizes were won including bicycles, radios, clocks and water containers

Soroti Area: Soroti Water Partnership

Since the Corporation began operations in Soroti in June 2002, the Area has made a number of improvements. Of particular significance has been the increase in network coverage, level of service coverage, revenue collection, billing, new connections and reduction in NRW. By June 2005, the area reduced NRW to 33% from an average of 37% during the FY 2003/2004. There was also an increase in billing from Shs 42.1 million to Shs 44.6 million during the same period, despite constrained water production. Owing to the introduction of the new connection policy, new connections increased from a monthly average of 18 connections during FY 2003/2004 to 33 connections in the financial year 2004/05. In addition, a total of 11.53 km of mains were laid. In order to enhance compliance in payments, the area introduced the idea of raffle draws and instant prizes to well paying customers. In this regard two draws were held during the year. This exercise saw area collections increase from an average of Shs 31 million per month in the previous FY to 37.8 million per month during the financial year 2004/2005.

National Water And Sewerage Corporation

Directors' Report And Financial Statements

Year Ended 30 June 2005

Corporation information	36
Report of the directors	37 - 40
Corporate Governance Report	41- 44
Statement of directors' responsibilities	45
Report of the independent auditors	46 - 47
Income statement	48
Balance sheet	49
Statement of changes in equity	50
Cash flow statement	51
Notes to the financial statements	52 - 71
Appendices	72 - 90

Principal place of business and registered office

Plot 39
Jinja Road
P. O. Box 7053
Kampala

Bankers

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

Stanbic Bank Uganda Limited
Plot 12 Kampala Road
P.O. Box 973
Kampala

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

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

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

Solicitors

Masembe, Makubuya, Adriko, Karugaba, Ssekatawa Advocates
3rd Floor, Diamond Trust Building, Kampala Road
P.O. Box 7166
Kampala

Katende, Ssempebwa & Co.
Radiant House
Plot 20, Kampala Road
P O Box 2344
Kampala

Secretary

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

Auditors

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

The directors present their report and audited financial statements for the year ended 30 June 2005.

Activities

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

Results

	2005 Ushs '000	2004 Ushs '000
Operating profit before depreciation and finance costs	13,444,325	11,018,640
Depreciation	<u>(9,544,820)</u>	<u>(9,722,505)</u>
Operating profit before finance costs	3,899,505	1,296,135
Net finance costs	<u>(9,452,186)</u>	<u>(7,005,160)</u>
Operating loss before reversal of impairment	(5,552,681)	(5,709,025)
Impairment adjustment	<u>26,363,498</u>	-
Net profit/ (loss) before tax	20,710,817	(5,709,025)
Taxation	<u>3,658,184</u>	-
Net profit/ (Loss) for the year	24,369,001	(5,709,025)

Operating profit before depreciation and finance costs

The Corporation recorded an increase in operating profit before depreciation of approximately 22% from Ushs 11.0 billion in the previous year to Ushs 13.4 billion.

Operating profit before finance costs

The operating profit before finance costs was approximately Ushs. 3.9 billion (Ushs. 1.3 billion in the previous year). This implies that for the second year running, the Corporation has been able to markedly cover all its operating costs including depreciation. The current year's performance was 3 times that of the previous year.

Operating loss before impairment adjustment

Net finance costs relating to interest charge on Government of Uganda loans amounted to Ushs 9.5 billion (UShs. 7.0 billion in 2004). This was responsible for the net operating loss of approximately Ushs 5.6 billion (UShs. 5.7 billion in 2004). 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. Negotiations between National Water & Sewerage Corporation and Government is presently in final stages whereby out of the loan stock of UShs. 84.4 billion and interest arrears of UShs. 100.65 billion, UShs. 20.35 billion shall be retained as outstanding loan while the difference is to be converted to Government equity. The restructured loan shall be payable over a period of 20 years at an average interest rate of 13%.

Impairment adjustment

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

Net profit for the year

The net profit for the year after reversal of the impairment loss, and taking into account deferred tax credit recognised in the year of approximately 3.7 billion, amounted to Shs. 24.4 billion.

Cash flow

The cash flow statement further explains the actual performance of the Corporation during the period ended 30 June 2005.

During the year, the Corporation was able to generate total cash inflow from operating activities of Shs. 10.4 billion as compared to Shs 12.6 billion the previous year.

This has resulted in cash on hand of Ushs 7.1 billion as compared to last year at Ushs 9.8 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 30% from approximately Ushs. 39.1 billion to Ushs. 50.9 billion in 2005. This improvement is attributed to the increase in customer numbers due to the increased investment in the network system. The continuation of the Internally Delegated Area Management Contracts (IDAMCs) played a leading role in improving the financial performance of the Corporation. In addition to the IDAMCs, the new connection policy introduced at the beginning of the year substantially increased demand for new water connections, leading to higher consumption.

Other Incomes

As a result of continued improvement in debt recovery, Ushs.1.3 billion was realised in the year from debtors who were initially categorised as bad and doubtful debts, compared to UShs. 1.8 billion in the previous year. Grants from Government for the subsidy of newly acquired areas totalled UShs. 88 million compared to UShs. 158 million in the previous year. The total revenue from other incomes therefore decreased by approximately UShs. 0.7 billion from UShs. 2.3 billion to UShs. 1.6 billion.

Operating Costs

Staff Costs

Staff numbers increased by 12% from 940 employees to 1,108. 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 10 to 9 staff per 1,000 water connections. Staff costs increased by Ushs. 4.7 billion from approximately Ushs. 10.0 billion to Ushs. 14.7 billion. The increase was partly due to the fact that Kampala staff, initially seconded to the private operator were returned to the NWSC payroll at the expiry of the contract in February 2004. The corresponding costs (approximately Ushs.3.3 billion) were previously met from the management fees paid to the contractor. The increase is also due, in part, to the payment of bonus incentives under the IDAMCs and GOU Performance Contracts a salary increment awarded to staff in the year under review.

Administrative Expenses

Administrative expenses decreased by approximately Shs. 2.0 billion from UShs. 7.6 billion to UShs. 5.6 billion. Management fees for the Kampala Water & Sewerage Service Area (KWSSA) amounting to UShs. 2.6 billion in the previous year, was not applicable in the current year. The contract with Ondeo Services 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, frequent travels were necessary for mobilizing staff in all the towns for seminars and performance evaluation workshops under the Internally Delegated Area Management Contracts (IDAMCs) the checkers system and other performance improvement programmes. Local travelling expenses for supervision of area operations therefore remained high at UShs. 1.06 billion (UShs. 0.9 billion in 2004).

Static Plant and Pipe Network Maintenance

Static plant and pipe network maintenance costs increased by Ushs. 353 million from approximately Ushs.7.0 billion in the previous year to Ushs. 7.3 billion. The increase is mainly attributed to the rise in the cost of electricity in the treatment works – up from Ushs. 3.9 billion to Ushs. 4.3 billion.

Supplies and Services

Supplies and services costs increased by approximately Ushs. 985 million. The increase was largely the result of a relative rise in cost of water treatment chemicals from UShs. 1.5 billion in the previous year to approximately Shs. 2.0 billion.

Premises Maintenance Costs

Premises maintenance costs increased by approximately Ushs. 254 million. Most of the increases were due to the rise in repair and maintenance costs (UShs.209 million).

Net Finance Costs

Interest rates on the Government of Uganda loans are largely pegged to the Treasury Bill rate. Due to a relative increase in the Treasury Bill rates during the year, interests payable on the loans increased by approximately Ushs. 2.4 billion from (Ushs. 7.7 billion to Ushs. 10.1 billion). The full impact of the interest costs was however mitigated by interest earned on fixed deposits during the year amounting to Shs. 0.6 billion.

Dividends

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

Outstanding Issues

Unaccounted for Water/Non-revenue Water

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 33.8% (37.6% previous year) in the current year. Unaccounted for water in all areas excluding Kampala averaged 16.8% (down from 20.8% in the previous year).

In Kampala, UfW averaged 40.6% (44.7% in the previous year). To reduce the level of unaccounted for water in Kampala, the Kampala Network Rehabilitation Project was launched in 2002. The project took off effectively from 2003 and was extended into the current financial year.

Title Deeds

During the year under review, substantial progress continued to be made towards acquisition of title deeds. Full titles were required for 18 NWSC in Kampala (4), Soroti (3), Kabale (7), Mbale (2) and Kasese (2). Lease offers were obtained for another 24 properties in Kampala (1), Entebbe (5), Kasese (1), Lira (10) and Gulu (7). Progress in acquisition of land titles was hampered by the fact that the District Land Boards were not meeting regularly to deal with applications for land titles.

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

Directors

The directors who held office during the year were:

Mr. Samuel Labeca Okec	-	Chairman
Eng. Yorokamu B. Katwiremu	-	Deputy Chairman
Dr. Abdullahi Hussein Shire	-	Member

Eng. Sottie M. Bomukama	-	Member
Mr. Stephen Kabuye	-	Member
Mrs. Sarah Nabachwa Mangali	-	Member
Dr. Zainab Akol	-	Member
Mr. Gabriel Opio	-	Member
Dr. William Tsimwa Muhairwe	-	Managing Director
Mr. David Ssebabi	-	Member (ex officio)

A new Board comprising the following directors was appointed in July 2005 and held office to the date of this report:

Mr. Ganyana Miiro	-	Chairman
Dr. Elizabeth Madraa	-	Deputy Chairperson
Mr. Gabriel Opio	-	Member - Re-appointed
Eng. Yorokamu Katwiremu	-	Member - Re-appointed
M/s Christine Nandyose K.	-	Member
Mr. David Ssebabi	-	Member - Re-appointed
Mr. Stephen Kabuye	-	Member - Re-appointed
Mr. Sottie Bomukama	-	Member - Re-appointed
Dr. William Tsimwa Muhairwe	-	Managing Director
Mr. James Ssegane	-	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 Mpango Kakuba, FCIS
CORPORATION SECRETARY

7th November 2005

The Board and Management

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

The Board

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

- Developing strategies and major policies for the Corporation
- Approving the annual operating plans, the financial statements and major procurements and disposals.
- Ensuring that appropriate systems and practices are established for the management, financial planning and control.
- Ensuring high standards of corporate and business ethics.
- Regularly reporting to the Minister of Water, Lands and Environment on the performance of the Corporation.
- Overseeing the performance of senior management.

Pursuant to the Public Enterprises Reform and Divestiture (PERD) Act, the Minister of Finance and Economic Development has appointed a representative to attend Board meetings as an ex officio Board member.

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

The Directors other than the Managing Director are appointed by the Minister of Water, Lands and Environment for three-year terms and are not full time officers of the Corporation. In accordance with the National Water and Sewerage Corporation Act, the Directors have expertise in finance, commerce, business, and environmental management and public health, among others.

Board Committees

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

The Finance and Audit Committee

During the year the Finance and Audit Committee Directors were:

Mr. Gabriel Opio (Chairman)
Mr. Samuel L. Okec
Eng. Y. B. Katwiremu
Mr. Stephen Kabuye
Dr. Abdullahi Hussein Shire
Eng. Sottie Bomukama

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

- Monitor the integrity of the annual financial statements and the quarterly financial reports.
- Review the corporation's financial controls and internal control and its management systems.
- Establish and oversee the Corporation's relationship with external auditors.
- Monitor and review the effectiveness of the Corporation's internal audit function.
- Approve major procurements and disposals.

During the year 2004/2005, the Finance and Audit Committee met regularly. The issues discussed by the Committee and the conclusions reached were reported by the committee chairman to the next board meeting.

The Administration Committee

During the financial year 2004/2005, the Administration Committee Directors were;

Mrs. Sarah Mangali (Chairperson)
Mr. Samuel Okec
Mr. Gabriel Opio
Dr. Zainab Akol
Eng. Y. B. Katwiremu

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

The Technical Committee

The Technical Committee Directors comprised the following directors:

Eng. Y. B. Kawiremu (Chairman)
Mr. Samuel Okec
Dr. Zainab Akol
Mr. Stephen Kabuye
Mrs. Sarah N. Mangali
Eng. Sottie Bomukama

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

Directors

The following Directors held office for the year 2004/2005 until the expiry of their term in July 2005:

Mr. Samuel Labeca Okec	-	Chairman
Eng. Yorokamu B. Katwiremu	-	Deputy Chairman
Dr. Abdullahi Hussein Shire	-	Member
Eng. Sottie. M. Bomukama	-	Member
Mr. Stephen Kabuye	-	Member
Mrs. Sarah Nabachwa Mangali	-	Member

Dr. Zainab Akol	-	Member
Mr. Gabriel Opio	-	Member
Dr. William Tsimwa Muhairwe	-	Managing Director
Mr. David Ssebabi	-	Member (ex officio)

Mr. S. L. Okec – Mr. Okec is a Land Surveyor by profession. He served in the Civil Service for 21 years, the last 10 years of which (1968 – 1978) he was Permanent Secretary in the then Ministry of Minerals and Water Resources (now Ministry of Water, Lands and Environment). He was appointed Chairman of the Board of Directors of NWSC on 23rd July 1998 and he served in the same capacity for seven years up to 2nd July, 2005.

Eng. Y. B. Katwiremu – Eng. Katwiremu is an engineer by profession. He served as Chief Engineer at Nile Breweries Ltd. for five years and in Lake Victoria Bottling Company Ltd. for another five years after which he became the General Manager of Uganda Consolidated Properties Ltd. He was a Member of Parliament in the 6th Parliament of Uganda where he served as Chairman of the Works, Housing and Communications Committee. Currently he is a Special Presidential Assistant for AGOA and Trade. Eng. Katwiremu was reappointed to the new Board in July 2005

Dr. Abdullahi Hussein Shire – Dr. Shire is a dentist by profession and a businessman. He worked as member of Board of Directors for seven years up to 2nd July, 2005.

Eng. Sottie M. Bomukama – Eng. Bomukama is an engineer by profession and is the Director of the Directorate of Water Development (DWD). He was reappointed to the new Board in July 2005.

Mr. Stephen Kabuye – Mr. Kabuye is an experienced administrator and is currently the Mayor of Entebbe Municipal Council, a position he has held since 1992. He has been member of the Board of Directors for the last three and a half years. Mr. Kabuye was reappointed as a member of the new Board in July 2005.

Mrs. Sarah Nabachwa Mangali – Mrs. Mangali hold a B.Com (Hons) degree of Nairobi University and an MBA from Uganda Martyrs University, Nkozi. She has held various finance positions in the public sector and commercial banks. She later joined the Uganda Women Trust as a Founder Member and first General Manager. She also worked with Action Aid as a Deputy Country Director. She is currently working with Feed the Children Uganda as a Country Director.

Dr. Zainab Akol – Dr. Akol is a medical doctor by profession. She works with the Ministry of Health Headquarters as a Principal Medical Officer. She has been a practicing medical doctor for the last 20 years and specializes in Public Health. She is currently in charge of HIV Counseling and Testing in Uganda.

Mr. Gabriel Opio – Mr. Gabriel Opio is a specialist in finance. He has lectured in finance at Makerere University for a long time. He worked as a Minister of State in the Ministry of Finance, Planning and Economic Development and is currently the Chairman of Makerere University Council. He was a Member of Parliament in the 6th Parliament of Uganda. Mr. Opio was reappointed in the new Board of Directors in July 2005.

Mr. David Ssebabi – Mr. Ssebabi holds the position of Team Leader in Uganda's largely successful Privatization and Utility Reform Project under the Ministry of Finance, Planning and Economic Development. He is an experienced financial analyst with extensive experience in Banking, Parastatal Monitoring and Utility Reform and Restructuring. He possesses a B. Com (Hons) degree of Makerere University, Kampala, and a MSc. Finance from Strathclyde University, Glasgow. Mr. Ssebabi was reappointed as a full member of the Board in July 2005.

Following the end of tenure of this Board, the following directors were appointed by the Minister and assumed office in July 2005. Five members of the previous board were reappointed in the current board.

Mr. Ganyana Miiri	-	Chairman of the Board of Directors
Dr. Elizabeth Madraa	-	Deputy Chairperson
Mr. Gabriel Opio	-	Member - Re-appointed
Mr. Yorokamu Katwiremu	-	Member - Re-appointed
Ms. Christine Nandyose K.	-	Member

Mr. David Ssebabi	-	Member - Re-appointed
Mr. Stephen Kabuye	-	Member - Re-appointed
Mr. Sottie Bomukama	-	Member - Re-appointed
Dr. William Tsimwa Muhairwe	-	Managing Director
Mr. James Ssegane	-	Member (ex officio)

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

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

Mr. James Ssegane – Mr. Ssegane holds a Master of Arts degree in Social Sector Planning and Management of Makerere University. He is currently the Town Clerk of Kampala City Council. Mr. Ssegane is an *ex officio* member representing Kampala City Council.

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

Directors' Remuneration

The total remuneration paid to the Board of Directors in 2004/2005 was shs.218 million, (Shs. 190 million in 2003/04). The Managing Director, being an executive Director is paid a monthly emolument. All other Directors are non-executive members and receive a retainer fee only.

The National Water and Sewerage Corporation Act (law of Uganda, 2000) requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the corporation as at the end of the financial year and of the 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:



Mr. Ganyana Miiro
Chairman

7th November, 2005



Dr. William T. Muhairwe
Managing Director

7th November, 2005

In accordance with section 17 (1) of the Public Enterprises Reform and Divestiture Act (Cap 98), I am required to audit the National Water and Sewerage Corporation (NWSC). Under the section 17(4) of the same act, 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 (4) of the Constitution.

Report

The financial statements on pages 49 to 71 which have been prepared on the basis of accounting policies, set out on pages 18 to 22 have been audited. All the information and explanations which were considered necessary for the audit were obtained.

Respective Responsibilities of the Directors and the Auditors

As stated on page 45, the directors are responsible for the preparation of the financial statements which give a true and fair view of the state of affairs and of the operating results of the Corporation. The responsibility of the Auditor is to form an independent opinion on the financial statements based on the audit.

Basis of Opinion

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

During the year ended 30th June 2002, the corporation took over the management of water supply in the towns of Arua and Soroti in addition to Bushenyi/ Ishaka. The assets valued at Ushs 8.5 billion were taken over from these towns 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 18 (b) to the financial statements, the corporation has properties with net book value of approximately Ushs.3.76 billion (2004: approximately Ushs.3.8 billion) for which it does not have titles. It was not possible to obtain adequate assurance over the ownership of these properties. However 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 30th June 2005, the unaccounted for water was 33.4% (2004: 37.6%). 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, 361,876,000 (note 18(a)), are leasehold properties. IAS 17 Leases requires that lease land and buildings should be separately disclosed as operating leases, and recognized as an expense in the income statement on a 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 our opinion, proper books of account have been kept and the financial statements, which are in agreement therewith, give a true and fair view of the state of the financial affairs of the corporation at 30 June 2003 and of the losses and cash flows for the year then ended and comply with the National Water and Sewerage Corporation Statute, 1995 and International Financial Reporting Standards.

Emphasis Of Matter

Without qualifying our opinion we draw attention to note 1 (a) – Basis of Accounting - to the financial statements which indicates that the financial statements have been prepared on a going concern basis of accounting, which assumes the continued financial support by the Government of Uganda, the corporation's financiers and creditors, future profitable operations and renegotiations over the terms of repayment of the corporation's borrowings (note 26) with the Government of Uganda.



John F. S. Muwanga
AUDITOR GENERAL

KAMPALA
7th November, 2005

Income statement

For the year ended 30 June 2005

	Note	2005 Ushs '000	2004 Ushs '000
Income			
Water and sewerage income	2	50,934,817	39,095,194
Other income	3	1,589,212	2,334,916
Deferred income	4	<u>1,254,308</u>	<u>1,187,625</u>
		<u>53,778,337</u>	<u>42,617,735</u>
Expenditure			
Staff costs	5	(14,767,918)	(10,001,790)
Service gratuity	6	(3,035,325)	(1,584,654)
Terminal benefits	7	(2,535,555)	-
Administrative costs	8	(5,557,340)	(7,598,317)
Static plant and pipe network maintenance	9	(7,312,071)	(6,959,317)
Supplies and services	10	(3,619,467)	(2,634,068)
Premises maintenance	11	(1,964,423)	(1,709,666)
Transport and mobile costs	12	<u>(1,541,913)</u>	<u>(1,111,283)</u>
		<u>(40,334,012)</u>	<u>(31,599,095)</u>
Operating profit before depreciation and finance costs		13,444,325	11,018,640
Depreciation	13	<u>(9,544,820)</u>	<u>(9,722,505)</u>
Operating profit before finance costs		3,899,505	1,296,135
Net finance costs	14	<u>(9,452,186)</u>	<u>(7,005,160)</u>
Operating loss before reversal of impairment		(5,552,681)	(5,709,025)
Impairment adjustment	15	<u>26,263,498</u>	-
Net profit/ (loss) before tax	16	20,710,817	(5,709,025)
Taxation	17	<u>3,658,184</u>	-
Net profit/ (loss) for the year		<u>24,369,001</u>	<u>(5,709,025)</u>

	Note	2005 Ushs '000	2004 Ushs '000
Assets			
Non-Current Assets			
Property, plant and equipment	18	223,107,633	189,182,292
Capital work-in-progress	19	9,061,042	7,506,441
Intangible assets	20	227,073	256,409
Deferred tax asset	17	<u>3,658,184</u>	<u>-</u>
		<u>236,053,932</u>	<u>196,945,142</u>
Current assets			
Inventories	21	7,427,944	3,782,621
Trade and other receivables	22	21,613,655	14,062,300
Tax recoverable	17	1,322,225	1,167,090
Short term bank deposits	23	3,238,246	5,188,931
Cash and bank balances	24	<u>3,833,535</u>	<u>4,602,404</u>
		<u>37,435,605</u>	<u>28,803,346</u>
Total Assets		<u>273,489,537</u>	<u>225,748,488</u>
Equity and liabilities			
Equity and reserves			
Government of Uganda Equity	25	57,300,768	57,300,768
Revaluation reserve		4,871,414	5,358,832
Retained earnings		<u>28,109,379</u>	<u>3,252,960</u>
		<u>90,281,561</u>	<u>65,912,560</u>
Non-current liabilities			
Borrowings	26	65,737,897	70,498,303
Deferred income	4	21,963,464	17,805,301
Service gratuity	6	5,554,850	3,798,295
Terminal benefits	7	<u>1,611,876</u>	<u>-</u>
		<u>94,868,087</u>	<u>92,101,899</u>
Current Liabilities			
Trade and other payables	27	7,830,562	3,302,586
Interest payable	28	59,570,205	49,496,494
Borrowings	26	18,932,952	14,281,219
Deferred income	4	560,173	560,173
Service gratuity	6	522,318	93,557
Terminal benefits	7	<u>923,679</u>	<u>-</u>
		<u>88,339,889</u>	<u>67,734,029</u>
Total equity and liabilities		<u>273,489,537</u>	<u>225,748,488</u>

The financial statements were approved by the Board of Directors on 7th November 2005 and were signed on its behalf by:


Chairman


Managing Director


Director

National Water and Sewerage Corporation
Statement of changes in equity
 For the year ended 30 June 2005

	Government Funding Ushs 000	Revaluation Reserve Ushs 000	Retained Earnings Ushs 000	Total Equity Ushs 000
At 1 July 2003	57,300,768	5,841,900	8,478,917	71,621,585
Transfer revaluation surplus realised 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>
At 1 July 2004	57,300,768	5,358,832	3,252,960	65,912,560
Transfer revaluation surplus realised to retained earnings	-	(487,418)	487,418	-
Net profit for the year	-	-	24,369,001	24,369,001
At 30 June 2005	<u>57,300,768</u>	<u>4,871,414</u>	<u>28,109,379</u>	<u>90,281,561</u>

Cash flow statement

For the year ended 30 June 2005

	Note	2005 Ushs'000	2004 Ushs'000
Net profit/ (loss) before taxation		20,710,817	(5,709,025)
Adjustments for:			
Depreciation		9,450,110	9,650,126
Amortisation of accounting and billing software		94,710	72,378
Deferred income		(1,254,308)	(1,187,625)
Interest income accrued		(655,856)	(570,505)
Exchange loss		(108,673)	(193,042)
Exceptional items		-	2,112,778
Impairment adjustment		(26,263,498)	
(Profit)/loss on property, plant and equipment disposal		<u>-</u>	<u>(71,746)</u>
Net cash outflow before working capital changes		1,973,302	4,103,339
(Increase)/decrease in inventories		(3,645,323)	(782,771)
Increase in trade and other receivables		(7,551,355)	(383,525)
Increase in accounts payables		14,601,687	8,373,738
(Decrease)/Increase in service gratuity		2,185,316	843,485
(Decrease)/Increase in terminal benefits		<u>2,535,555</u>	<u>-</u>
Interest received		10,099,182	12,154,266
Tax paid		<u>(155,135)</u>	<u>(106,995)</u>
Net cash inflow from operating activities		10,599,903	12,617,776
Cash flows from investing activities			
Capital work-in-progress		(10,799,866)	(4,364,391)
Purchase of property, plant and equipment		(7,866,688)	(6,208,665)
Intangible assets		(65,374)	(242,461)
Proceeds from disposal		<u>-</u>	<u>23,650</u>
Net cash flows to investing activities		(18,731,928)	(10,791,867)
Cash flows from financing activities			
Proceeds from long term borrowing		-	841,385
Donor grants		4,839,226	772,569
Government of Uganda Grants		<u>573,245</u>	
Net cash inflow from financing activities		5,412,471	1,613,954
Net decrease in cash and cash equivalents		(2,719,554)	3,439,774
Cash and cash equivalents at the beginning of the year		<u>9,791,335</u>	<u>6,351,561</u>
Cash and cash equivalents at the end of the year	32	<u>7,071,781</u>	<u>9,791,335</u>

1. Significant Accounting Policies

(a) Basis of Accounting

Subject to the exceptions in dealing with the valuation of Property, Plant & Equipment, the financial statements have been prepared under the historical cost convention.

Notwithstanding the fact that as at 30 June 2005 the corporation had net current liabilities of approximately Ushs 50.7 billion (2004: approximately Ushs 38.9 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 26) with the Government of Uganda

(b) Statement of Compliance

The Financial statements of National Water & Sewerage Corporation have been prepared in accordance with the International Financial Reporting Standards

(c) 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.

(d) Property, Plant and Equipment

(i) Valuation in financial statements

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

Increases in the carrying amount arising on valuations are credited to 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.

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.

(ii) Valuation of properties acquired from local municipalities

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

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

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

- Those properties due to their specialized nature are rarely if ever, sold on the open market for single occupation for a continuation of their

existing use, except as part of a sale of the business in occupation. Their specialized nature may arise from the construction, arrangement, size or location of the property, or a combination of these factors, or the function or the purpose to which the properties 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 properties or there is no competing market demand from other organizations wishing to use these types of property in the locality.

(iii) Recoverable amount of non-current assets

All non-current assets are reviewed at least annually to determine whether their carrying amounts require write down to recoverable amounts. Assets may be reviewed more regularly if an event or a change in circumstances indicates that the carrying amount of assets may not be recoverable. If the asset is determined to be impaired, an impairment loss will be recorded and the asset written down, based on the amount by which the asset carrying amount exceeds the higher of the net realisable value and the estimated recoverable amount. Estimated recoverable amount is determined by discounting expected future cash flows using a risk-adjusted pre-tax discount rate appropriate to the risks inherent in the asset. Future cash flows are estimated based on expected production and sales volumes, commodity prices (considering current and historical prices, price trends and related factors), recoverable reserves, operating costs, reclamation costs and capital costs. These estimates are subject to risk and un-certainty, hence there is a possibility that changes in circumstances will alter these projections, which may impact the recoverability of these assets.

Where there are indications that a previously recognised impairment loss has disappeared or reduced, a reversal of impairment loss is made.

(iv) Depreciation of property, plant & equipment

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

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

(e) Intangible Assets

Accounting and billing software

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

(f) Inventories

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

(g) Foreign Currency Translation

Assets and corresponding liabilities expressed in foreign currencies are translated into Uganda shillings at the exchange 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.

Accounting for provisions and contingencies

The group is subject to a number of claims incidental to the normal conduct of its business, relating to and including commercial, contractual and employment matters, which are handled and defended in the ordinary course of business. Management routinely assesses the likelihood of any adverse judgements or outcomes to these matters as well as ranges of probable and reasonably estimated losses. Reasonable estimates involve judgements made by management after considering information including notifications, settlements, and estimates performed by independent parties and outside counsel, available facts, identification of other potentially responsible parties and their ability to contribute, and prior experience. In accordance with GAAP, a provision is recognised when it is probable that an obligation exists for which a reliable estimate can be made of the obligation after careful analysis of the individual matter. The required provision may change in the future due to new developments and as additional information becomes available. Matters that are either possible obligations or do not meet the recognition criteria for a provision are disclosed, unless the possibility of transferring economic benefits is remote.

(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 landed cost or 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 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 temporarily 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.

(n) Use of estimates

The preparation of NWSC financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported revenue and costs during the period. On an ongoing basis, management evaluates its estimates and judgements in relation to assets, liabilities, contingent liabilities, revenue and costs. Management bases its estimates and judgements on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

	2005 Ushs'000	2004 Ushs'000
2 Water consumption and sewerage services income		
Water and sewerage charges	47,134,735	36,410,454
Service charges	1,952,056	1,600,837
Connection fees	1,531,782	877,072
Reconnection fees	80,558	109,389
Other water and sewerage income	<u>235,686</u>	<u>97,442</u>
	<u>50,934,817</u>	<u>39,095,194</u>
3 Other income		
Grants from Government of Uganda	88,801	157,688
Decrease in provision for bad and doubtful debts	1,302,364	1,792,493
Other income	<u>198,047</u>	<u>384,735</u>
	<u>1,589,212</u>	<u>2,334,916</u>
4. Deferred Income		
At July	18,365,474	18,153,078
EDF grants	4,145,091	
Kfw grants	694,135	
Other donor grants	-	1,400,021
Government of Uganda grants	<u>573,245</u>	<u>-</u>
	23,777,945	19,553,099
Released to income statement	<u>(1,254,308)</u>	<u>(1,187,625)</u>
At 30 June	22,523,637	18,365,474
Less: Due with one year	<u>(560,173)</u>	<u>(560,173)</u>
Due after more than one year	<u>21,963,464</u>	<u>17,805,301</u>
5 Staff costs		
Basic pay	5,492,301	3,061,247
Housing expense	1,629,236	1,186,434
Medical expense	1,027,500	672,507
National Social Security Fund contributions	1,135,154	736,872
Lunch, transport and soap allowance	766,269	523,558
Car and cycle allowance	1,067,502	900,511
Performance/attendance bonus and overtime	454,025	318,362
Work bonus	1,974,548	1,569,786
Responsibility and dirty work allowance	352,222	266,662
Leave transport and allowance	204,571	270,730
Servant's allowance	199,937	143,175
Workmen's compensation	108,493	100,254
Water, telephone and electricity allowance	286,041	220,256
Shift allowance and gross wages	49,780	-
Special emergency allowances	579	-
Funeral expenses	<u>19,760</u>	<u>31,436</u>
	<u>14,767,918</u>	<u>10,001,790</u>

	2005 Ushs'000	2004 Ushs'000
6 Service Gratuity		
At 1 July	3,891,852	3,048,367
Charge for the year	3,035,025	721,584
Under provision during prior years	-	863,070
Less service gratuity paid during the year	<u>(850,009)</u>	<u>(741,169)</u>
Service gratuity at 30 June	6,077,168	3,891,852
Less due within one year	<u>(522,318)</u>	<u>(93,557)</u>
Due after more than one year	<u>5,554,850</u>	<u>3,798,295</u>
7 Terminal Benefits		
At 1 July	-	-
Charge for the year	<u>2,535,555</u>	-
Terminal benefits at 30 June 2005	<u>2,535,555</u>	-
Due within one year	923,679	-
Due after more than one year	<u>1,611,876</u>	-
	<u>2,535,555</u>	-

As part of the restructuring exercise of the corporation, the board resolved that top managers and staff at principal should convert from permanent and pensionable terms to contract terms. This was mainly to reduce the burden of accumulated liability on annual terminal benefits and to improve efficiency in performance.

In the process of operationalising the engagement of staff on contract terms, staff affected were entitled to terminal benefits payable at the time the staff is leaving the corporation or when one has reached the retirement age of 55 years. The total terminal benefits payable as at 30 June 2005 amounted to Ushs 2.5 billion.

	2005 Ushs'000	2004 Ushs'000
8 Administrative expenses		
Board expenses	267,912	190,443
Meeting expenses	288,116	531,105
Local travels on supervision monitoring & co-ordination of local area operations	1,062,170	935,077
Foreign travels on seminars, workshops and short courses	582,983	391,936
Publicity	389,772	331,531
Entertainment	80,571	71,875
General insurance	170,903	112,376
Legal & professional expenses	124,296	171,240
Training expenses and allowances	135,430	250,910
Audit fees	155,736	128,600
Donations and subscriptions	215,926	105,939
Lunch and transport for weekends/public holidays	827,798	653,429
Contribution to staff sports	41,071	47,162
Process bench marking	72,107	-
Security	639,544	579,171
Management fees	-	2,569,465
Bad debts - water services	195,623	367,740
Bad debts others	-	6,616
Commission on debt recovery	-	617
Stock losses	83	-
Staff transfer	12,577	15,288
Other professional charges	73,291	-
Provision for obsolete stock	<u>221,431</u>	<u>137,797</u>
	<u>5,557,340</u>	<u>7,598,317</u>
9 Static plant and pipe network maintenance		
Electricity	4,272,774	3,878,224
Plant repairs & maintenance	1,632,991	2,025,159
Pipe network repairs & maintenance	904,671	-
Operating expenses on STWSP	-	490,667
Fuel and lubricants	278,294	309,116
Insurance	124,281	121,090
Media (sand)	31,544	84,362
Water abstraction permits	<u>67,516</u>	<u>50,699</u>
	<u>7,312,071</u>	<u>6,959,317</u>

	2005 Ushs'000	2004 Ushs'000
10 Supplies and services		
Water treatment chemicals	1,969,305	1,451,853
Equipment repairs and minor purchase	506,160	267,177
Printing and stationery/publications	500,304	412,596
Tools and light plant	133,031	80,422
Uniforms and protective wear	97,459	87,790
Computer license	51,604	103,474
Office supplies	228,461	195,797
Telephone and postage	<u>133,143</u>	<u>34,959</u>
	<u>3,619,467</u>	<u>2,634,068</u>
11 Premises maintenance costs		
Rent, rates and telephone	636,967	709,093
Repairs and maintenance	829,578	620,827
Insurance	132,198	71,651
Cleaning materials	127,928	107,270
Electricity	116,524	50,727
Water	27,435	35,078
Fixtures and fittings	<u>93,793</u>	<u>115,020</u>
	<u>1,964,423</u>	<u>1,709,666</u>
12 Transport and mobile plant costs		
Fuel and lubricants	748,596	596,026
Repairs and maintenance	463,082	303,871
Hire of transport	66,376	74,986
Insurance	203,760	102,998
License, road toll and taxes	<u>60,099</u>	<u>33,402</u>
	<u>1,541,913</u>	<u>1,111,283</u>
13 Depreciation		
Depreciation - premises	195,355	194,112
Depreciation - static plant	7,928,835	7,477,800
Depreciation - transport and mobile plant	299,943	925,902
Depreciation - furniture and equipment	<u>1,025,977</u>	<u>1,052,312</u>
	9,450,110	9,650,126
Amortisation of accounting software	<u>94,710</u>	<u>72,378</u>
	<u>9,544,820</u>	<u>9,722,505</u>

14 Net finance costs

	2005 Ushs'000	2004 Ushs'000
Interest payable	10,073,711	7,665,292
Bank charges	143,004	104,396
Exchange gain	(108,673)	(194,023)
Interest receivable on bank deposits	(651,287)	(563,727)
Interest receivable on staff loans	<u>(4,569)</u>	<u>(6,778)</u>
	<u>9,452,186</u>	<u>7,005,160</u>

15 Impairment adjustment

In 2001, the directors assessed the recoverable amount of the Corporation's property, plant & equipment, and determined an impairment loss provision for static plant of Ushs 42 billion on realising that there was a decline in value in use.

Value in use involves estimating the future cash inflows that will be derived from the use of the asset and from its ultimate disposal and discounting them at the appropriate rate. The standards required management to periodically test for impairment and in this particular case assess whether there was need for impairment reversal. In the year 2002, an impairment test was carried out and based on the value in use, an impairment reversal was made leaving a balance of Ushs 26 billion.

Unlike before, now the International Accounting Standard (IAS 36 Impairment of Assets) Revised 31 March 2004, requires that at each reporting date, management assesses whether there is indication that the impairment loss recognised in prior years may no longer exist or may have decreased.

During the year the recoverable amounts of the static plant was assessed during the period under review on the basis of the value in use calculations and the results indicate that the static plant's recoverable amount far much exceeds the carrying value, hence the justification of the reversal of impairment loss of Ushs 26 billion. The value in use was based on the projections approved by management for a 20 year period at a discount rate of 11 percent. The growth revenue rate does not exceed the long term average growth rate for the market in which NWSC operates.

Management believes that any recoverable possible change in the key assumptions on which static plant's recoverable amount is based, would not cause the static plant's carrying amount to exceed its recoverable amount.

16 Operating profit/ (loss) for the year

The operating profit / (loss) has been arrived at after charging:

	2005 Ushs'000	2004 Ushs'000
Depreciation and amortisation	9,544,820	9,722,505
Directors' emoluments	267,912	190,443
Kampala Water and Sewerage Services Area (KWSSA)/Kampala Revenue Improvement Project (KRIP) management fees	-	2,569,465
Increase in provision for specific bad and doubtful debts	195,623	367,740
Increase in provision for obsolete stock	221,431	137,797
Auditors' remuneration and crediting	155,736	128,600
Decrease in provision for specific bad and doubtful debts	1,302,364	1,792,492
Reversal of impairment loss	26,263,498	-

17. Taxation

Corporation Tax

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

Balance Sheet

	2005 Ushs'000	2004 Ushs'000
Balance brought forward	(1,167,090)	(1,060,095)
Charge to income statement for the year	-	-
Corporation tax paid during the year	(155,135)	(106,995)
	<u>(1,322,225)</u>	<u>(1,167,090)</u>

Income Statement

Charge to the profit and loss account	-	-
Deferred tax credit recognised in the year	(3,658,184)	-
	<u>(3,658,184)</u>	<u>-</u>

As at 30 June 2005, the corporation estimated tax losses amounting to approximately Ushs. 161.8 billion (2004: Ushs. 139.9 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 is made up as follows:

	2005 Ushs'000	2004 Ushs'000
Accelerated capital allowance	47,824,984	34,736,027
Accumulated tax loss	(48,551,606)	(42,246,120)
Revaluation reserve	1,461,424	1,607,650
Provision for bad debts	(1,602,670)	(2,389,478)
Provision for obsolete stock	(173,897)	(107,468)
Retirement benefit	(2,583,817)	(1,167,556)
Unrealised exchange loss	(32,602)	(58,207)
Deferred Tax Asset	<u>(3,658,184)</u>	<u>(9,625,152)</u>

18. (a) Property, Plant & Equipment

	Land and Buildings Ushs '000	Static Plant Ushs '000	Furniture & Equipment Ushs '000	Motor Vehicles & Mobile Plant Ushs '000	Total Ushs '000
Cost of valuation					
As at 1 July 2004	19,376,526	249,336,769	3,904,430	3,636,547	276,254,272
Additions	35,449	6,064,787	1,190,353	576,099	7,866,688
Reclassification from Capital Work-in-Progress	105,240	9,140,025	-	-	9,245,265
Disposals	-	-	-	-	-
As at 30 June 2005	<u>19,517,215</u>	<u>264,541,581</u>	<u>5,094,783</u>	<u>4,212,646</u>	<u>293,366,255</u>
Cost					
Valuation	17,793,715	248,012,205	3,989,695	3,418,671	273,214,286
	<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>19,517,215</u>	<u>264,541,581</u>	<u>5,094,783</u>	<u>4,212,646</u>	<u>293,366,225</u>
Depreciation					
As at 1 July 2004	1,959,984	53,810,365	1,900,700	3,137,433	60,808,482
Charge for the year	195,355	7,928,835	1,025,977	299,943	9,450,110
As at 30 June 2005	<u>2,155,339</u>	<u>61,739,200</u>	<u>2,926,677</u>	<u>3,437,376</u>	<u>70,258,592</u>
Asset Impairment					
Asset impairment at 1 July 2004	-	(26,263,498)	-	-	(26,263,498)
Movement during the year	-	26,263,498	-	-	26,263,498
Asset impairment at 30 June 2005	-	-	-	-	-
Net book value					
As at 30 June 2004	<u>17,361,876</u>	<u>202,980,281</u>	<u>2,168,106</u>	<u>775,270</u>	<u>223,107,633</u>
As at 30 June 2005	<u>17,416,542</u>	<u>169,262,906</u>	<u>2,003,730</u>	<u>499,114</u>	<u>189,182,292</u>

18. (a) Property, Plant & Equipment (Continued)

	Land and Buildings Ushs '000	Static Plant Ushs '000	Furniture & Equipment Ushs '000	Motor Vehicles & Mobile Plant Ushs '000	Total Ushs '000
As at 1 July 2004					
Net of accumulated depreciation	16,422,058	135,592,101	1,642,364	504,343	154,160,866
Additions	491,896	4,566,988	1,141,646	38,135	7,866,688
Reclassification from Capital Work-in-Progress	693,260	36,563,808	260,749	882,244	9,245,265
Disposals	-	-	(259,125)	303,334	-
Depreciation charge for the year	(190,672)	(7,429,991)	(796,544)	(622,274)	(9,039,481)
Asset impairment	-	(26,263,498)	-	-	(26,263,498)
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>
Net of accumulated depreciation					
As at 1 July 2004					
Cost	18,191,370	208,235,973	2,746,520	3,019,502	232,193,365
Asset impairment	-	(26,263,498)	-	-	-
Accumulated depreciation	(1,769,312)	(46,380,374)	(1,104,156)	(2,515,159)	(51,769,001)
Net carrying amount	<u>16,422,058</u>	<u>135,592,101</u>	<u>1,642,364</u>	<u>504,343</u>	<u>154,160,866</u>
At 30 June 2004					
Cost	19,376,526	249,336,769	3,904,430	3,636,547	276,254,272
Asset impairment	-	(26,263,498)	-	-	-
Accumulated depreciation	(1,959,984)	(53,810,365)	(1,900,700)	(3,137,433)	(60,808,482)
Net carrying amount	<u>17,416,542</u>	<u>169,262,906</u>	<u>2,003,730</u>	<u>499,114</u>	<u>189,182,292</u>

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 surplus sufficient enough to absorb the revalued amounts. These revaluations were reflected in the financial statements for the year ended 30 June 1998. The corporation subsequently obtained a professional valuation for all furniture and equipment as at 20 April 2001. The total value of the revaluation surplus has been credited to the capital reserve. The details of the asset revaluations on the different dates and locations are as follows:

Location	Name of Consultant	Basis of Valuation	Assets Valued	Date of Valuation
Plot 43-49 Sixth Street Industrial Area Kampala	M/S Katuramu & Company Consulting Surveyors	Open Market Value	Land and Building	16-Nov-92
Plot 43-49 Sixth Street Industrial Area Kampala	M/S Katuramu & Company Consulting Surveyors	Open Market Value	Furniture and equipment	20-Jan-04
Kasese, Fort Portal, Jinja, Mbarara, Masaka	M/S Katuramu & Company Consulting Surveyors	Open Market Value	Land and Building Plant and Machinery	30-Nov-97
All area offices including Head Office	M/S Katuramu & Company Consulting Surveyors	Depreciated Replacement Cost	Furniture and equipment	24-Apr-01
Kabale	M/S Katuramu & Company Consulting Surveyors	Open Market Value	Land and Building Plant and Machinery	23-Mar-04
Arua	M/S Katuramu & Company Consulting Surveyors	Open Market Value	Land and Building Plant and Machinery	08-Aug-03
Soroti	M/S Katuramu & Company Consulting Surveyors	Open Market Value	Land and Building Plant and Machinery	26-Jun-03
Bushenyi/ Ishaka	M/S Katuramu & Company Consulting Surveyors	Open Market Value	Land and Building Plant and Machinery	26-Jun-03

18. (b) Property, plant and Equipment

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

Plot No/Area	Cost	Net Book Value 2005	Net Book Value 2004
	Ushs'000	Ushs'000	Ushs'000
43-49 Sixth Street/central stores/Workshop (Kampala)	353,000	303,882	307,412
M80 Naguru Building for Reservoir (Kampala)	12,600	10,847	10,973
5 Kome Crescent Residential (Kampala)	120,000	-	-
133 & 135 Mutungo Tank (Kampala)	10,000	8,806	8,906
Lunyo Booster (Entebbe)	16,930	15,152	15,321
2,4,6 Byatike Road Residential (Entebbe)	9,900	8,817	8,916
Water Works (Gulu)	210,000	182,868	184,968
6 Martin Road (Jinja)	186,000	160,127	161,987
Ojwina Lagoons (Lira)	12,000	10,450	10,570
Namatala Lagoons (Mbale)	10,208	9,092	9,194
Kabazaire Road plot 11-19 (Mbarara)	753,046	693,324	700,854
3 Galt Road Office (Mbarara)	443,700	408,509	412,946
Sewage Lagoons (Mbarara)	6,600	5,813	5,879
Doko sewage treatment ponds (Mbale)	558,000	380,947	386,527
Malaba reservoir (Tororo)	582,000	397,331	403,151
Malaba pumping station (Tororo)	1,451,284	990,791	1,005,304
12 Lake Bunyonyi (Kabale)	36,500	34,675	35,040
7 & 8 Kiyooro (Kabale)	28,000	26,600	26,880
10 Kakanga hill (Kabale)	40,500	38,475	38,880
47 Golf course, Makanga (Kabale)	38,000	36,100	36,480
Upper reservoir land, Makanga (Kabale)	10,500	9,975	10,080
Sewage treatment land, Bwankosya by-pass (Kabale)	<u>30,000</u>	<u>28,500</u>	<u>28,800</u>
	<u>4,918,768</u>	<u>3,761,081</u>	<u>3,809,068</u>

19. Capital work-in-progress

Capital Work in Progress relates to on-going development work for Ggaba III 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.3.2 billion of capital work in progress for Ggaba I Refurbishment Project was reclassified to property plant and equipment after successful completion the project.

	Balance B/f	Additions	Reclassified to Property, Plant, and Equipment	30 June 2005 Total
	Ushs'000	Ushs'000	Ushs'000	Ushs'000
Kampala Network Rehabilitation Project	1,326,019	305,069	-	1,631,088
Gaba 1 Refurbishment Project	3,202,916		(3,202,916)	-
Gaba III Project	-	506,173	-	506,173
Lake Victoria Environment Management Project	104,605	-	-	104,605
Other Capital Work in Progress	822,520	5,682,296	(6,042,349)	462,467
Mukono Water Supply Project	1,704,497	3,847,453	-	5,551,950
Entebbe II Project	-	65,855	-	65,855
Gulu Water Supply Project	345,884	393,020	-	738,904
Total	7,506,441	10,799,866	(9,245,265)	9,061,042

20 Intangible Assets

	2005	2004
	Ushs'000	Ushs'000
Balance brought forward	410,035	167,574
Additions	<u>65,374</u>	<u>242,461</u>
	<u>475,409</u>	<u>410,035</u>
Amortisation		
Balance brought forward	153,626	81,247
Charge for the year	<u>94,710</u>	<u>72,379</u>
	248,336	153,626
Net book value at 30 June	<u>227,073</u>	<u>256,409</u>

	2005 Ushs'000	2004 Ushs'000
21 Inventories		
Water fittings	4,198,868	2,893,980
Chemicals	519,669	613,116
Spare parts	385,671	324,326
Stationery	164,637	135,493
Others	<u>73,665</u>	<u>173,932</u>
	5,342,510	4,140,847
Goods in transit	<u>2,665,091</u>	-
	8,007,601	4,140,847
Provision for slow moving and obsolete stock	<u>(579,657)</u>	<u>(358,226)</u>
	<u>7,427,944</u>	<u>3,782,621</u>
22 Trade and other receivables		
Water and Sewerage debtors	26,094,220	20,968,657
Other receivables	<u>861,671</u>	<u>1,058,570</u>
	26,955,891	22,027,227
Provision for Specific bad debts	<u>(5,342,236)</u>	<u>(7,964,927)</u>
	<u>21,613,655</u>	<u>14,063,300</u>
Provision for Specific bad debts		
Balance b/f	7,964,927	12,275,940
Charge for the year	195,623	367,763
Bad debts realized	(1,302,364)	(1,792,492)
Bad debts written off	<u>(1,515,950)</u>	<u>(2,886,284)</u>
	<u>5,342,236</u>	<u>7,964,927</u>
23 Short term deposits		
Nile Bank Limited	1,807,045	4,398,126
dfcu Bank fixed deposit	<u>1,431,201</u>	<u>790,805</u>
Fixed deposits	<u>3,238,246</u>	<u>5,188,931</u>

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

24 Cash and bank		
Cash at hand	9,909	3,576
Cash collection accounts	2,700,882	2,814,854
Cash in transit	176,787	9,302
Bank balances	<u>945,957</u>	<u>1,774,672</u>
	<u>3,833,535</u>	<u>4,602,404</u>

25 Government of Uganda Equity

At 30 June

2005 Ushs'000	2004 Ushs'000
<u>57,300,768</u>	<u>57,300,768</u>

Government of Uganda equity represents government's equity contribution over the years.

26 Borrowing

Loans from:

International Development Association (IDA)- CR2124

Government of Austria (GOA)

International Development Association (IDA)- CR2583

Government of the French Republic (GFRP) denominated in French Francs

36,022,942	36,022,942
27,772,208	27,772,208
17,470,758	17,470,758
<u>3,404,941</u>	<u>3,513,614</u>
84,670,849	84,779,522
<u>(18,932,952)</u>	<u>(14,281,219)</u>
<u>65,737,897</u>	<u>70,498,303</u>

Less: Loans due within one year

The loans are due as follows:

Due within one year

Due between one and two years

Due between two and five years

Due after five years

18,932,952	14,281,219
4,760,406	4,323,638
11,579,499	14,281,219
<u>49,397,991</u>	<u>51,893,446</u>
<u>84,670,848</u>	<u>84,779,522</u>

At 1 July

Received during the year

Exchange loss

At 30 June

84,779,522	84,131,179
-	841,385
<u>(108,673)</u>	<u>(193,042)</u>
<u>84,670,849</u>	<u>84,779,522</u>

International Development Association (IDA)- CR2124

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

Government of Austria (GOA)

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

Government of the French Republic (GFRP)

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

Debt restructuring negotiations

Negotiations between National Water & Sewerage Corporation and government is in its final stages, where out of a loan of Ushs 84.4 billion and interest arrears of Ushs 100.65 billion, Ushs 20.35 billion would be retained as the outstanding of the loan stock due to government. This will be payable over a 20 year period at a weighted average risk rate of 13%.

27 Trade and accounts payable

	2005 Ushs'000	2004 Ushs'000
Trade payables	4,918,627	1,241,369
Valued Added Tax	580,594	583,620
Rechargeable works	1,025,420	985,229
Accruals and provisions	750,951	361,162
Sundry creditors	<u>554,970</u>	<u>131,206</u>
	<u>7,830,562</u>	<u>3,302,586</u>

28 Interest payable

Interest payable on loans	<u>59,570,205</u>	<u>49,496,494</u>
---------------------------	-------------------	-------------------

29. Related Party Disclosures

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

	Ushs' 000
Short –term employee benefits	693,492
Performance bonuses	60,972
Terminal benefits	<u>212,211</u>
	<u>966,675</u>

30. Commitments

Capital authorised but not contracted	-	-
Contracted and provided for in the financial statements		
Mukono project	5,551,950	1,704,497
Gulu project	738,904	345,884
Entebbe project	<u>65,855</u>	<u>-</u>
	<u>6,356,709</u>	<u>2,050,381</u>

31. Contingent liabilities

Pending legal cases	228,168	1,088,601
Car loan scheme and motorcycle guarantee	<u>1,056,532</u>	<u>601,490</u>
	<u>1,284,700</u>	<u>1,690,091</u>

32 Cash and cash equivalents

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

Cash at hand
Cash at bank
Short-term deposits

	2005 Ushs'000	2004 Ushs'000
	9,909	3,576
	3,823,626	4,598,828
	<u>3,238,246</u>	<u>5,188,931</u>
	<u>7,071,781</u>	<u>9,791,335</u>

33. Post Balance sheet events

After the balance sheet date, a claim was brought by Jinja Municipal Council against the corporation in respect to operation, trading license and property rates levied against the corporation, of Ushs 40 Million. This claim arose after the balance sheet date and therefore no adjustment has been made for it in the balance sheet.

34. Financial Instruments

Foreign Exchange

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

Interest

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

Credit Risk

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

35. Incorporation

National Water and Sewerage Corporation is incorporated in Uganda under the National Water and Sewerage Corporation Statute (1995).

36. 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.

In the previous financial period, Exceptional Items were disclosed on the face of the income statement. In conformance to changes in IAS 1 Presentation of Financial Statements, amounts previously disclosed as exceptional items were reclassified to their respective expenditure codes.

37. Currency

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

38. Employees

The average number of persons employed during the year ended 30 June 2005 was 1,060 (2004: 990).

National Water and Sewerage Corporation
Income Statement for year ended 30 June 2005
 Area Summary

	Kampala Ushs '000'	Entebbe Ushs '000'	Jinja Ushs '000'	Mbale Ushs '000'	Tororo Ushs '000'	Masaka Ushs '000'	Mbarara Ushs '000'	Lira Ushs '000'	Sub-total C/F Ushs '000'
Income	35,575,884	2,637,119	4,392,652	1,657,482	920,171	1,085,705	2,076,815	885,527	49,231,355
Total operating Expenses	35,575,884	2,637,119	4,392,652	1,657,482	920,171	1,085,705	2,076,815	885,527	49,231,355
	22,988,440	1,174,977	2,425,811	1,320,619	815,709	997,071	1,339,122	710,953	31,772,702
Profit / (loss) before Depreciation	12,587,444	1,462,142	1,966,841	336,863	104,462	88,634	737,693	174,574	17,458,653
Depreciation	4,245,486	140,221	949,510	185,850	137,935	628,349	633,851	545,665	7,466,867
Profit / (loss) before Taxation	8,341,958	1,321,921	1,017,331	151,013	(33,473)	(539,715)	103,842	(371,091)	9,991,786

National Water and Sewerage Corporation
Income Statement for year ended 30 June 2005
 Area Summary

	Sub total B/F Ushs '000'	Gulu Ushs '000'	Kasese Ushs '000'	F/ Portal Ushs '000'	kabale Ushs '000'	Bushenyi Ushs '000'	Sub- total C/F Ushs '000'
Income	49,231,355	966,919	418,667	600,742	473,944	271,371	51,962,998
Total operating Expenses	31,772,702	660,562	453,110	489,837	417,197	363,969	34,157,377
Profit / (loss) before Depreciation	17,458,653	306,357	(34,443)	110,905	56,747	(92,598)	17,805,621
Depreciation	7,466,867	304,209	99,631	132,474	581,569	29,402	8,614,152
Profit / (loss) before Taxation	9,991,786	2,148	(134,074)	(21,569)	(524,822)	(122,000)	9,191,469

National Water and Sewerage Corporation
Income Statement for year ended 30 June 2005
 Area Summary

	Sub total B/F Ushs '000'	Soroti Ushs '000'	Arua Ushs '000'	Headquarters Ushs '000'	2005 Ushs '000'	2004 Ushs '000'
Income	51,962,998	627,025	482,320	26,969,493	80,041,836	42,617,735
Total operating expenses	51,962,998	627,025	482,320	26,969,493	80,041,836	42,617,735
	34,157,377	591,134	493,385	14,544,305	49,786,201	38,604,256
Profit / (loss) before Depreciation	17,805,621	35,891	(11,065)	12,425,188	30,255,635	4,013,479
Depreciation	8,614,152	39,495	30,024	861,147	9,544,818	9,722,504
Profit / (loss) before Taxation	9,191,469	(3,604)	(41,089)	11,564,041	20,710,817	(5,709,025)

	2005 Ushs '000'	2004 Ushs '000'
Income		
Water sales	23,956,509	18,088,863
Sewerage services	7,764,507	6,068,039
Connection fees	902,105	567,583
Service Charge	1,162,845	964,895
Septic Tank emptying	67,024	46,461
Other sewerage income	11,417	5,122
Bad debt recovery	853,553	1,665,784
Released from deferred income	694,135	
Other incomes	163,789	193,836
	35,575,884	27,600,583
Operating Expenses		
Staff costs	5,840,757	3,464,451
Premises Maintenance	552,625	202,902
Static plant and pipe network maintenance	4,065,651	3,053,483
Transport and mobile plant costs	429,452	158,485
Supplies and services	1,507,370	929,429
Administrative costs	521,018	2,728,928
Financing costs	10,071,567	7,676,688
	22,988,440	18,214,366
Operating Profit Before Depreciation	12,587,444	9,386,217
Depreciation	4,245,486	3,841,919
Profit/ (Loss) Before Taxation	8,341,958	5,544,298

	2005 Ushs '000'	2004 Ushs '000'
Income		
Water sales	1,996,657	1,623,815
Sewerage services	326,656	216,327
Connection fees	121,714	44,097
Service Charge	106,092	76,912
Septic Tank emptying	352	-
Other sewerage income	-	-
Bad debt recovery	76,140	36,282
Other incomes	9,508	6,774
	2,637,119	2,004,207
Operating Expenses		
Staff costs	604,500	604,602
Premises Maintenance	70,493	30,193
Static plant and pipe network maintenance	287,183	378,852
Transport and mobile plant costs	33,007	29,758
Supplies and services	68,812	62,583
Administrative costs	110,045	121,686
Financing costs	937	2,240
	1,174,977	1,229,914
Operating Profit Before Depreciation	1,462,142	774,293
Depreciation	140,221	105,220
Profit/ (Loss) Before Taxation	1,321,921	669,073

	2005 Ushs '000'	2004 Ushs '000'
Income		
Water sales	3,052,591	2,381,541
Sewerage services	1,107,817	871,921
Connection fees	73,832	53,154
Service Charge	139,922	122,602
Septic Tank emptying	10,631	860
Deferred income recognition		553,278
Bad debt recovery		90,426
Other incomes	7,859	15,292
	4,392,652	4,089,074
Operating Expenses		
Staff costs	806,584	913,979
Premises Maintenance	258,997	247,952
Static plant and pipe network maintenance	586,546	1,114,734
Transport and mobile plant costs	140,633	151,156
Supplies and services	191,248	160,107
Administrative costs	280,190	259,998
Financing costs	161,613	11,972
	2,425,811	2,859,898
Profit before Depreciation	1,966,841	1,229,176
Depreciation	949,510	942,400
Profit before Taxation	1,017,331	286,776

	2005 Ushs '000'	2004 Ushs '000'
Income		
Water sales	1,030,130	1,043,101
Sewerage services	462,463	431,126
Connection fees	61,004	21,052
Service Charge	84,967	71,094
Septic Tank emptying	-	
Other sewerage income	-	
Bad debt recovery	16,598	57
Other incomes	2,320	2,979
	1,657,482	1,569,409
Operating Expenses		
Staff costs	575,890	572,119
Premises Maintenance	78,680	53,409
Static plant and pipe network maintenance	247,847	337,089
Transport and mobile plant costs	88,561	50,667
Supplies and services	166,802	121,247
Administrative costs	156,777	271,181
Financing costs	6,062	5,437
	1,320,619	1,411,149
Profit before Depreciation	336,863	158,260
Depreciation	185,850	170,616
Profit before Taxation	151,013	(12,356)

	2005	2004
	Ushs '000'	Ushs '000'
Income		
Water sales	843,218	528,356
Sewerage services	41,144	100,943
Connection fees	3,780	26,967
Service Charge	30,704	
Septic Tank emptying		
Other sewerage income		
Bad debt recovery	1,293	
Other incomes	32	
	920,171	656,266
Operating Expenses		
Staff costs	362,630	319,877
Premises Maintenance	70,127	72,863
Static plant and pipe network maintenance	162,419	228,408
Transport and mobile plant costs	24,486	26,088
Supplies and services	106,769	107,626
Administrative costs	85,733	125,522
Financing costs	3,545	3,532
	815,709	883,916
Profit before Depreciation	104,462	(227,650)
Depreciation	137,935	130,051
Profit before Taxation	(33,473)	(357,701)

	2005 Ushs '000'	2004 Ushs '000'
Income		
Water sales	807,248	617,559
Sewerage services	145,035	113,767
Connection fees	53,906	22,691
Service Charge	58,664	45,259
Septic Tank emptying	82	152
Other sewerage income	-	-
Bad debt recovery	5,717	19,641
Other incomes	15,053	-
	1,085,705	819,069
Operating Expenses		
Staff costs	392,290	434,547
Premises Maintenance	39,680	50,833
Static plant and pipe network maintenance	277,127	203,566
Transport and mobile plant costs	18,855	20,846
Supplies and services	169,871	107,952
Administrative costs	94,519	112,699
Financing costs	4,729	3,753
	997,071	934,196
Profit before Depreciation	88,634	(115,127)
Depreciation	628,349	618,503
Profit before Taxation	(539,715)	(733,630)

	2005	2004
	Ushs '000'	Ushs '000'
Income		
Water sales	1,688,152	1,359,243
Sewerage services	191,697	153,417
Connection fees	64,385	36,300
Service Charge	90,596	77,562
Septic Tank emptying	7,386	-
Other sewerage income	-	-
Bad debt recovery	-	-
Other incomes	34,599	18,828
	2,076,815	1,645,350
Operating Expenses		
Staff costs	617,912	566,506
Premises Maintenance	34,811	77,669
Static plant and pipe network maintenance	307,890	361,035
Transport and mobile plant costs	37,022	31,061
Supplies and services	190,738	150,524
Administrative costs	126,753	155,062
Financing costs	23,996	5,364
	1,339,122	1,347,221
Profit before Depreciation	737,693	298,129
Depreciation	633,851	624,267
Profit before Taxation	103,842	(326,138)

	2005 Ushs '000'	2004 Ushs '000'
Income		
Water sales	668,651	510,290
Sewerage services	79,226	60,669
Connection fees	51,362	23,265
Service Charge	44,639	31,829
Septic Tank emptying	-	-
Other sewerage income	-	-
Bad debt recovery	27,236	-
Other incomes	14,413	1,558
	885,527	627,611
Operating Expenses		
Staff costs	273,328	281,687
Premises Maintenance	61,412	63,861
Static plant and pipe network maintenance	251,278	249,962
Transport and mobile plant costs	17,000	17,842
Supplies and services	35,799	42,470
Administrative costs	69,761	120,119
Financing costs	2,375	2,335
	710,953	778,276
Operating Profit Before Depreciation	174,574	(150,665)
Depreciation	545,665	536,114
Profit/ (Loss) Before Taxation	(371,091)	(686,779)

	2005 Ushs '000'	2004 Ushs '000'
Income		
Water sales	593,058	343,158
Sewerage services	136,129	94,274
Connection fees	37,915	12,337
Service Charge	35,750	26,213
Septic Tank emptying		-
Other sewerage income		-
Bad debt recovery	149,789	-
Other incomes	14,278	-
	966,919	475,982
Operating Expenses		
Staff costs	236,737	214,544
Premises Maintenance	53,390	32,292
Static plant and pipe network maintenance	185,109	150,892
Transport and mobile plant costs	20,482	15,367
Supplies and services	74,437	49,073
Administrative costs	86,557	97,590
Financing costs	3,850	2,313
	660,562	562,071
Profit before Depreciation	306,357	(86,089)
Depreciation	304,209	288,965
Profit before Taxation	2,148	(375,054)

	2005 Ushs '000'	2004 Ushs '000'
Income		
Water sales	335,289	288,618
Sewerage services	-	-
Connection fees	20,650	7,300
Service Charge	37,975	28,718
Septic Tank emptying	16,842	16,456
Other sewerage income	-	-
Bad debt recovery	7,594	-
Other incomes	317	2,659
	418,667	343,751
Operating Expenses		
Staff costs	191,486	195,613
Premises Maintenance	20,822	32,642
Static plant and pipe network maintenance	88,935	90,456
Transport and mobile plant costs	35,290	31,430
Supplies and services	55,522	42,229
Administrative costs	58,038	75,778
Financing costs	3,017	-
	453,110	468,148
Operating Profit Before Depreciation	(34,443)	(124,397)
Depreciation	99,631	93,853
Profit/ (Loss) Before Taxation	(134,074)	(218,250)

	2005	2004
	Ushs '000'	Ushs '000'
Income		
Water sales	502,816	386,628
Sewerage services	17,785	13,264
Connection fees	31,230	16,203
Service Charge	40,860	32,604
Septic Tank emptying	2,766	2,490
Other sewerage income	-	-
Bad debt recovery	784	-
Other incomes	4,501	7,242
	600,742	458,431
Operating Expenses		
Staff costs	259,777	225,144
Premises Maintenance	31,906	56,549
Static plant and pipe network maintenance	77,163	144,002
Transport and mobile plant costs	28,267	26,954
Supplies and services	35,839	36,366
Administrative costs	53,969	77,026
Financing costs	2,916	2,857
	489,837	568,898
Profit before Depreciation	110,905	(110,467)
Depreciation	132,474	125,312
Profit before Taxation	(21,569)	(235,779)

	2005	2004
	Ushs '000'	Ushs '000'
Income		
Water sales	325,781	239,826
Sewerage services	74,263	50,383
Connection fees	23,622	11,879
Service Charge	34,538	26,500
Septic Tank emptying	12,132	16,949
Other sewerage income		-
Bad debt recovery		-
Other incomes	3,608	2,262
	473,944	347,799
Operating Expenses		
Staff costs	202,149	203,131
Premises Maintenance	17,797	15,222
Static plant and pipe network maintenance	76,695	80,443
Transport and mobile plant costs	25,179	20,433
Supplies and services	16,207	16,488
Administrative costs	65,648	93,571
Financing costs	13,522	2,403
	417,197	431,691
Profit before Depreciation	56,747	(83,892)
Depreciation	581,569	569,910
Profit before Taxation	(524,822)	(653,802)

	2005	2004
	Ushs '000'	Ushs '000'
Income		
Water sales	190,572	161,744
Sewerage services	-	-
Connection fees	11,630	10,186
Service Charge	18,499	14,589
Grants from GOU	48,245	58,257
Other sewerage income	-	-
Bad debt recovery	-	-
Other incomes	2,425	1,902
	271,371	246,678
Operating Expenses		
Staff costs	171,800	119,106
Premises Maintenance	10,314	26,907
Static plant and pipe network maintenance	72,942	95,893
Transport and mobile plant costs	15,823	9,358
Supplies and services	42,383	53,801
Administrative costs	44,521	35,152
Financing costs	6,186	1,327
	363,969	341,544
Profit before Depreciation	(92,598)	(94,866)
Depreciation	29,402	29,539
Profit before Taxation	(122,000)	(124,405)

	2005 Ushs '000'	2004 Ushs '000'
Income		
Water sales	362,652	342,554
Sewerage services	51,618	42,087
Connection fees	26,119	17,300
Service Charge	28,616	28,641
Grants from GOU	-	99,431
Other sewerage income	-	-
Bad debt recovery	152,821	-
Other incomes	5,199	4,085
	627,025	534,098
Operating Expenses		
Staff costs	215,768	225,338
Premises Maintenance	29,251	36,631
Static plant and pipe network maintenance	206,405	146,276
Transport and mobile plant costs	10,917	12,175
Supplies and services	70,555	55,925
Administrative costs	55,198	106,323
Financing costs	3,040	2,370
	591,134	585,038
Profit before Depreciation	35,891	(50,940)
Depreciation	39,495	30,257
Profit before Taxation	(3,604)	(81,197)

	2005 Ushs '000'	2004 Ushs '000'
Income		
Water sales	383,070	279,156
Sewerage services	-	-
Connection fees	48,527	32,781
Service Charge	37,090	26,453
Septic Tank emptying	-	-
Other sewerage income	-	-
Bad debt recovery	10,840	-
Other incomes	2,793	2,511
	482,320	340,901
Operating Expenses		
Staff costs	243,459	157,995
Premises Maintenance	14,934	36,850
Static plant and pipe network maintenance	118,995	168,472
Transport and mobile plant costs	18,659	6,740
Supplies and services	51,130	42,499
Administrative costs	43,563	67,411
Financing costs	2,645	2,413
	493,385	482,380
Operating Profit Before Depreciation	(11,065)	(141,479)
Depreciation	30,024	24,363
Profit/ (Loss) Before Taxation	(41,089)	(165,842)

National Water and Sewerage Corporation
Headquarters
Income Statement for the year ended 30 June 2005

	2005 Ushs '000'	2004 Ushs '000'
Income		
Released from deferred income	560,173	634,347
Miscellaneous income	34,212	53,411
Rent from Offices/ Residential premises	85,281	78,666
Profit on sale of stock/scrap	51	26,928
Grant from GOU	26,278	-
Other sewerage income	-	-
Bad debt recovery	-	-
Impairment adjustment	26,263,498	
Other incomes	-	65,174
	26,969,493	858,526
Operating Expenses		
Staff costs	3,772,851	1,476,105
Service gratuity	3,035,325	1,584,654
Terminal benefits	2,535,555	-
Premises Maintenance	619,184	699,936
Static plant and pipe network maintenance	300,113	155,754
Transport and mobile plant costs	598,279	502,927
Supplies and services	835,760	655,747
Administrative costs	3,287,913	2,967,234
Financing costs	(440,675)	(536,808)
	14,544,305	7,505,549
Operating Profit Before Depreciation	12,425,188	(6,647,023)
Depreciation	861,147	1,591,217
PROFIT/ (LOSS) BEFORE TAXATION	11,564,041	(8,238,240)

UNIT COST OF WATER PRODUCTION 2004/05

	Annual Production M3		Total Costs (Shs)				Cost Per M3 Shs			Comparative 2003/04 Per M3	
	2004/05	(Comparative) 2003/04	Operating Expenses Only 000' Shs	Operating Expenses+ Depreciation 000' shs	Oper. Exps+ Dep+Hq Expenses 000'shs	Operating Expenses Only	Op.Exps + Depreciation	(Final) Op. Exp+ Dep+Hq Expenses	Shs Op. Exp+ Dep+Hq Expenses	% Change From 2003/2004 To 2004/05	
KAMPALA	41,194,784	38,591,406	12,916,873	17,162,359	27,853,863	314	417	722	569	+26.9	
JINJA	3,937,000	4,022,000	2,425,811	3,375,321	4,397,112	616	857	1,093	1,127	-3.0	
ENTEBBE	2,683,756	2,721,396	1,174,977	1,315,198	2,011,728	438	490	739	1,080	-31.5	
MBALE	1,548,000	1,817,877	1,320,619	1,506,469	1,908,230	853	973	1,050	1,256	-16.4	
TORORO	990,303	911,307	815,709	953,644	1,210,663	824	963	1,328	1,416	-6.2	
MASAKA	993,001	942,120	997,071	1,625,420	1,883,139	1,004	1,637	1,999	1,904	5.0	
MBARARA	1,801,157	1,688,116	1,339,122	1,972,973	2,440,437	743	1,095	1,446	1,371	5.5	
LIRA	898,000	854,440	710,953	1,256,618	1,489,681	792	1,399	1,743	2,283	-23.6	
GULLU	719,845	476,010	660,562	964,771	1,151,596	918	1,340	2,419	1,920	26.0	
KASESE	529,865	484,385	453,110	552,741	690,260	855	1,043	1,425	1,301	9.5	
FORTPORTAL	550,667	491,603	489,837	622,311	765,229	890	1,130	1,557	1,727	-9.89	
KABALE	474,710	397,574	417,197	998,766	1,121,970	879	2,104	2,822	2,833	-0.4	
ARUA	534,790	50,1752	493,385	523,409	662,206	923	979	1,320	1,451	-9.0	
BUSHENYI	255,462	225,353	363,969	393,371	459,672	1,425	1,540	2,040	2,447	-16.6	
SOROTI	626,376	722,759	591,134	630,629	793,196	944	1,007	1,097	970	+13.1	
TOTAL	57,737,716	54,848,098	25,170,329	33,854,000	48,838,980	Average 436	Average 586	Average 846	Average 753	Average +12.3	

NWSC Office Locations

NWSC HEADQUARTERS

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

KAMPALA AREA-KAMPALA WATER

Kampala Area-Main Branch
18/29 Sixth Street
P. O. Box 70255 Kampala
Tel: (+) 256 41 342171, 315500/514
Fax: (+) 256 41 349020/205659
E-mail: gm@kampalawater.co.ug

Kampala Area- Zonal Offices

Zone 1-City Centre
Tel: (+) 256 41 315518
Mob: (+) 256 77 429990

Zone 3- Najjanankumbi
Tel: (+) 256 41 315587, 315596, 266318
Mob: (+) 256 77 663248

Zone 5- Ntinda
Tel: (+) 256 41 315592, 315593, 285174
Mob: (+) 256 77 442820

Zone 8- Nateete
Tel: (+) 256 41 315594, 315595, 271704
Mob: (+) 256 77 592131

Zone 2- Nsambya
Tel: (+) 256 41 315633, 315586, 269478
Mob: (+) 256 77 595286

Zone 4- Bwaise
Tel: (+) 256 41 315598, 566863
Mob: (+) 256 77 466473

Zone 6- Kitintale
Tel: (+) 256 41 315590, 315591, 223087
Mob: (+) 256 77 588555

Kampala Area Sub-Zones

Mukono
Tel: (+) 256 41 315632, 290860
Mob: (+) 256 77 454445

Kajjansi
Tel: (+) 256 41 200351
Mob: (+) 256 77 498158

Kanyanya
Tel: (+) 256 41 568833
Mob: (+) 256 77 354805

Kireka
Tel: (+) 256 41 289100
Mob: (+) 256 77 437416

Bakuli
Tel: (+) 256 41 255065
Mob: (+) 256 71 930466

OTHER AREAS

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

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

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

Fort Portal Area- Rwenzori Water Partnership
Water Works- Fort Portal
P.O. Box 203 Fort Portal
Tel: 256 39 548331, 315480/1
Fax: 256 483 22606

Tororo Area- Tororo Rock Water Supply
Plot 46/48, Uhuru Drive
P.O. Box 889 Tororo
Tel: (+) 256 045 45105, 45172, 315400/1
Fax: 45105

Lira Area-Lira Urban Water Partnership
Plot 10/12, Maruzi Road
P.O.Box 243 Lira
Tel: (+) 256 0473 20111, 20311, 315440/1

Gulu Area-Gulu Water Partnership
Plot 25, Gulu Avenue
P.O. Box 167 Gulu
Tel: (+) 256 0471 32381, 315430/1

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

Mbarara Area- Rwizi Water Partnership
Plot 2, Galt Road
P.O. Box 1371 Mbarara
Tel: (+) 256 485 20723, 315390/1
Fax: (+) 256 485 21304

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

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

Bushenyi Ishaka Area- Nyaruzinga Bushenyi Water
Tank Hill- Bushenyi
P.O. Box 339 Bushenyi
Tel: (+) 256 0485 42339, 315460/1

Arua Area-Nile Water
Plot 13/15, Pakwach Raod
P.O. Box 980 Arua
Tel: (+) 256 039 701672, 315450/1

Kabale Area-Bunyonyi Water Partnership
Plot 32, Nyerere Avenue
P.O. Box 627 Kabale
Tel: (+) 256 0486 24217/9, 315381/1