

ARUSHA URBAN WATER SUPPLY AND SEWERAGE AUTHORITY



ANNUAL REPORT AND ACCOUNTS

FINANCIAL YEAR 2006/2007

**AUWSA IS GEARED TOWARDS PROMOTION
OF SANITATION**

POTABLE WATER



TZS 789:2003



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LETTER OF TRANSMITTAL

Hon. Dr. S. Kawambwa (MP),
Minister for Water,
P.O. Box 9153,
DAR ES SALAAM.



Hon. Dr. S. Kawambwa (MP)
Minister for Water

Dear Sir,

**RE: THE ANNUAL REPORT OF THE ARUSHA URBAN WATER SUPPLY AND
SEWERAGE AUTHORITY FOR THE PERIOD ENDED 30TH JUNE, 2007**

Pursuant to Regulation No. 29 of the Water Works Regulations of 1997, I have the honour to submit, on behalf of the Board of Directors, a report on the Authority's Operational Performance for the financial year ended 30th June, 2007 together with the audited accounts for the same period.

Respectfully submitted

A handwritten signature in black ink, appearing to read 'Y.M. Nnko'. The signature is written in a cursive style with a horizontal line underneath.

Y.M. Nnko
CHAIRMAN
BOARD OF DIRECTORS
18th December, 2007

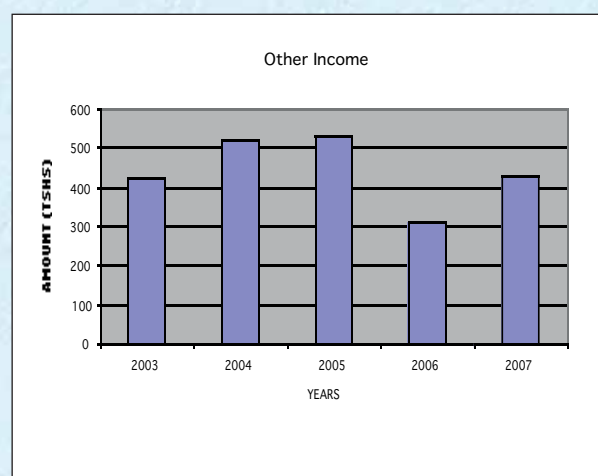
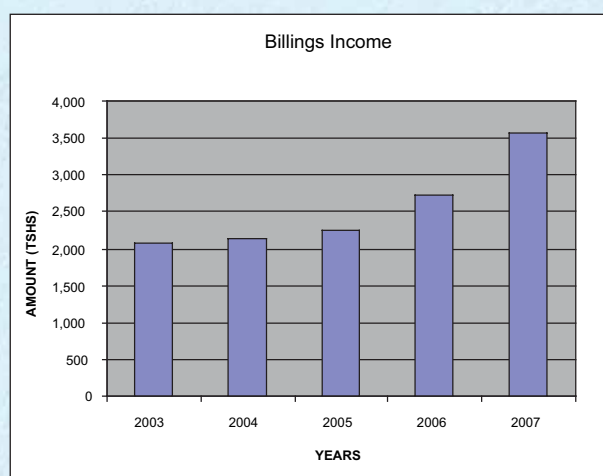


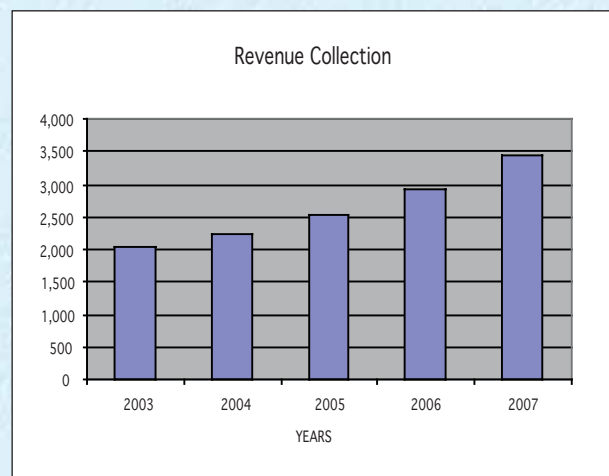
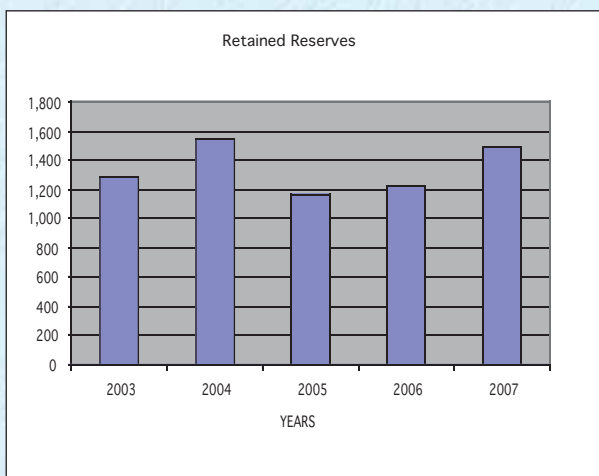
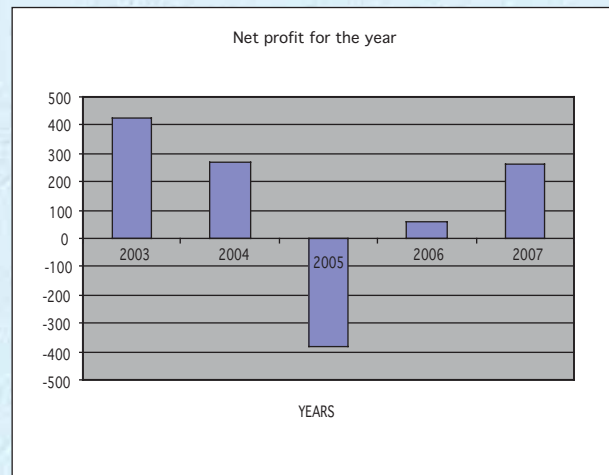
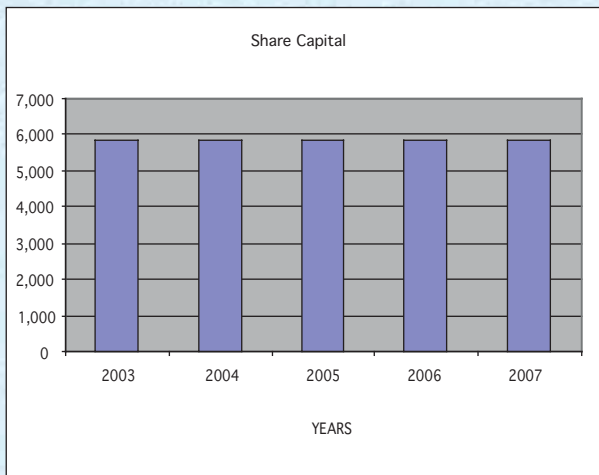
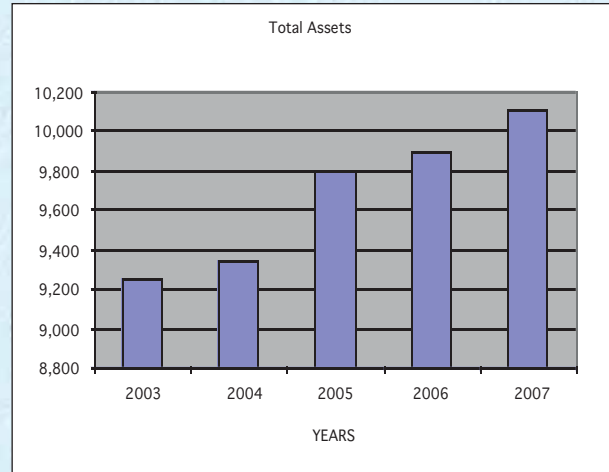
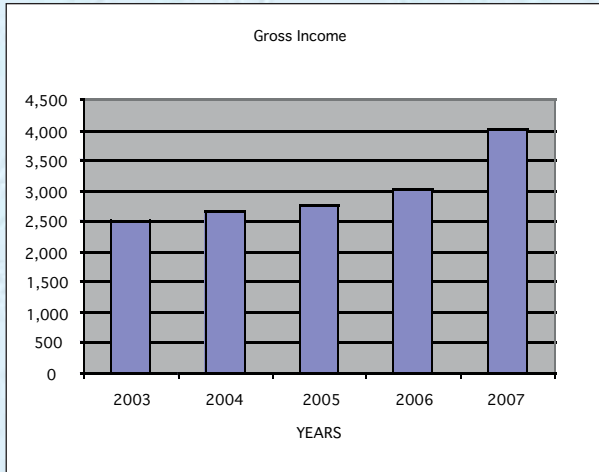
FINANCIAL HIGHLIGHTS

(FIGURES IN MILLION TSHS)

POSITIONS AS AT 30TH JUNE

	2003	2004	2005	2006	2007
Billings Income	2,077	2,145	2,240	2,729	3,575
Other Income	423	521	531	311	428
Gross Income	2,500	2,666	2,771	3,040	4,003
Total Assets	9,249	9,338	9,794	9,893	10,113
Share Capital	5,877	5,877	5,877	5,877	5,877
Net profit for the year	424	271	-382	62	264
Retained Reserves	1,283	1,548	1,168	1,230	1,494
Revenue Collection	2,021	2,222	2,519	2,918	3,429





AUWSA Vision

To deliver excellent water supply and sewerage services commensurate with the World's best practices.

AUWSA Mission Statement

AUWSA shall continuously strive to provide high quality water and sewerage services for 24 hours all year around at affordable tariffs while meeting the current and future demand for all categories of customers and stakeholders in Arusha City and effectively collect revenue for sustainable development.

Our Core Values are:

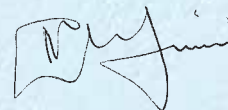
- Practicing professionalism in all our undertakings;
- Promoting customer friendliness practices;
- Developing and promoting teamwork spirit;
- Applying cost-consciousness and value for money principles in all activities;
- Implementing environmentally friendly measures, and
- Exercising total quality management style.

Our Quality Policy

The AUWSA shall endeavor at all times to provide high quality water supply services to meet her customers satisfaction within legal requirements and efficiently collect revenue for sustainable service delivery and that, each employee shall be personally committed and dedicated to the quality of his/her job.

18th December, 2007

Date



Signature of MD



AUWSA is geared towards PROMOTION OF SANITATION

Wachagga Road,
Managing Director,
P.O. Box 13600,
ARUSHA
Tel. 027-2504163, 2506124
Fax 027-2504163, 2548981
E-mail: auwsa@auwsa.or.tz or auwsa@habari.co.tz
Website www.auwsa.or.tz

OUR BANKERS

CRDB BANK
ARUSHA BRANCH
P.O. BOX 3150
ARUSHA
TANZANIA

STANDARD CHARTERED BANK
ARUSHA BRANCH
P.O. BOX 3000
ARUSHA
TANZANIA

OUR STATUTORY AUDITORS

CONTROLLER AND AUDITOR GENERAL

who delegated to:

M/S. AMAS ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS AND AUDITORS
P.O. BOX 1166
MOSHI
TANZANIA



CHAIRMAN'S STATEMENT



MR. Y.M. NNKO
CHAIRMAN

PREAMBLE

I am pleased to report on the performance of our Authority for the year ended 30th June, 2007, where we had an excellently good performance on all parameters of operation. The year has shown a good sign of growth expansion in the networks and customer base, and a general improvement on the sales function.

Our committed focus on customer service has continued to yield positive results and this was made possible through our commitment to quality and excellence in customer care.

HIGHLIGHTS OF THE YEAR'S PERFORMANCE

- Water produced reached 15,769,254m³ compared to 13,163,564m³ of the previous year.
- Billings were made on 10,531,997.14m³ worth Tshs. 3.575 billion compared to 6,945,145m³ worth Tshs. 2.729 billion made the previous year.
- Gross Income reached 3.992 billion out of which Tshs. 264.4 million was realized as net income (surplus) compared to gross income of Tshs. 3.040 billion with a surplus of 62.1 million the previous year.
- Billings made increased by Tshs. 846 million (an increase of 31%) compared to the previous year.
- Revenue collected amounted to Tshs. 3.313 billion representing a revenue collection efficiency of 93.60% against water billed.
- Staff benefits stood at Tshs. 1,068 million.
- Other operating costs claimed Tshs. 1,340 million.
- Cash and cash equivalents Tshs. 623.7 million.

MINISTERIAL PERFORMANCE TARGETS

The Ministerial operating performance targets are outlined in the Annual Performance report which was prepared separately in compliance of the Memorandum of Understanding, which has already been submitted to the Ministry of Water.



2007/08: THE YEAR AHEAD

While the year under review was equally challenging but blessed with adequate rains, which substantially added a new lease of life to our springs and river sources thus enabling a substantial increase in water production and by prorating our billings and billings income, we look forward to another financial year with great hope and optimism.

Having taken over from the 3rd Board of Directors whose stewardship ended on 30th June, 2007, we are well positioned and fully geared to build on the foundation laid by the previous Board of Directors and hence continue with positive trend and yet again achieving for our Authority, new heights of excellence and thus continuously raising the benchmark among Water and Sewerage Authorities country wide.

Professionalism, integrity and customer care; which are the hallmarks of our performance and our pro-active approach will facilitate even more in building up a strong and enviable stakeholder relationship with the cooperation of the Regional Administration, Local Government Authority, the Central Government and the Public at large, and render sustainable water supply and sewerage services on a customer focused approach and our prompt responses to service provision and customer complaints in line with our Clients' Service Charter will give us the cutting edge over other Water and Sewerage Authorities countrywide.

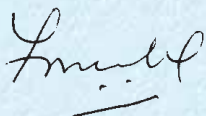
With the prospect of elevation of Arusha Municipality to City Status in sight, AUWSA is aware of the never ending challenge of rendering services commensurate with world's best practices.

The population is on the constant increase and is projected to hit the 600,000 mark by 2012, and that is another challenge for AUWSA to cope with the related rising demand.

My appreciation goes to the Management Team and indeed all AUWSA staff who have worked tirelessly and incessantly to bring about the above listed achievements and were also able to maintain the good corporate image of the Authority.

On behalf of the new Board of Directors, I thank and salute the outgoing Board of Directors whose tenure of office ended on 30th June, 2007, for guiding AUWSA through a pattern of growth and achievement over the whole period of three years of their stewardship.

Further I thank the Ministry of Water and the Energy and Water Utilities Regulatory Authority (EWURA) for their constant support and Regulatory guidance in line with the Regulatory framework in place, thus enabling Arusha Urban Water Supply and Sewerage Authority to maintain and indeed consolidate its position of being one of the "Flag Bearer" in supply of excellent water supply and sewage disposal services among UWSAs in Tanzania.



Y.M. Nnko

Chairman of the Board of Directors

18th December, 2007



BOARD OF DIRECTORS

According to the Memorandum of Understanding, the Board of Directors is composed of members some of whom are appointed by virtue of their holding public offices and others represent certain categories of water supply consumers. The following is a disclosure of the newly appointed (July, 2007) Board of Directors on their representation status:-

Mr. Y.M. Nnko (Chairman)

He is currently the Chairman of the Board of Directors and a reputable farmer in the Region. Mr. Y.M. Nnko commands a high influence in the Arusha Municipality and holds various responsibilities on various public, social and economic spheres.

Mr. H. Illebo

He is currently an employee of Tanzania Breweries Limited in the capacity of Brewing Manager. He represents locally based large-scale water consumers.

Mr. A.R. Olomi

He is a businessman and a Managing Director of BANANA INVESTMENTS LTD. He represents local commercial sector in the Board.

Mrs. M. Bella

She is the Acting Regional Administrative Secretary hence on behalf of Mrs. N.H. Millao who is attending higher studies abroad, becomes a member of the Board representing Regional Administration.

Mr. W. Mutayoba

Currently he is the Director for Water Resources in the Ministry of Water and he represents the Ministry in the current Board.

Mrs. L.M. Joachim

She is a retired Civil Servant, currently dealing with Facilitation and Consultancy services on Social Development matters. She represents domestic water consumers in the Arusha Municipality. She is also Vice Chairperson to the Board of Directors.

Mrs. Chiku A. Issa

She currently serves as the Branch Director, CRDB Bank Arusha Branch. She is a representative of Women in the Board.

Hon. B.M. Kabuje

She is the elect Arusha Municipality Deputy Mayor and she represents local councilors in the Board.

Dr. Job T. Laiser

He serves as the Arusha Municipality Director and becomes a member to the Board by virtue of his position.

Eng. A. A. Munisi

He is the Managing Director of the Authority. He becomes member of the Board by virtue of his position and serves as the Secretary to the Board.



REPORT OF THE DIRECTORS

The current Board of Directors is pleased to present their report together with the Financial Statements for the period ended 30th June, 2007.

MEMBERS OF THE BOARD OF DIRECTORS



Mr. Y.M. Nnko
Chairman



Mrs. L.M. Joachim
Vice chairperson



Mr. W. Mutayoba
Director



Mrs. Chiku A. Issa
Director



Dr. Job T. Laiser
Director



Mr. H. Illembo
Director



Mrs. M. Bella
(On behalf of RAS)
Director



Mr. A.R. Olomi
Director



Hon. B.M. Kabuje
Director



Eng. A.A. Munisi
Secretary to the Board



MANAGEMENT OF THE AUTHORITY

Management of the Authority comprises of the Managing Director who is the Chief Executive Officer and three line Managers, 11 Heads of Sections and two Heads of Units as shown herein:-



Eng. A.A. Munisi
Managing Director



Eng. J.P.N. Moshia
Technical Manager



Mr. J.R. Aswile
Finance & Admin Manager



Mr. D.L. Fissoo
Commercial Manager

UNITS



Mrs. J.A. Lyaruu
Public Relation Officer



Mr. B.M. Ngatunga
Internal Auditor



TECHNICAL DEPARTMENT



Eng. J.P.N. Masha
Technical Manager



Eng. R.S. Koya
Water Production Engineer



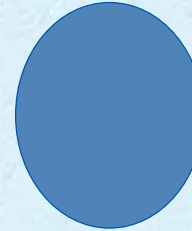
Mr. Idrisa Mugalula
Water Network Engineer



Eng. S.S. Mahole
Maintenance and Repair Engineer



Mr. Audax Rweymamu
Sewerage Engineer



(Recruited)
Planning and Construction Engineer

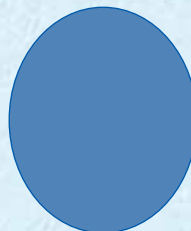
FINANCE AND ADMINISTRATION DEPARTMENT



Mr. J.R. Aswile
Finance & Admin Manager



Mr. H.G. Matoi
Human Resources Officer



(Recruited)
Procurement and Supplies Officer



Mr. Everest Melewas
Accountant



COMMERCIAL DEPARTMENT



Mr. D.L. Fissoo
Commercial Manager



Mr. N.R. Nkendyanoni
Credit Control Officer



Mr. M.D. Sahara
Customer Service Officer



Mr. S.L. Kalulu
**Customer Database
and Billing Officer**

WORKERS REPRESENTATIVES



Mrs. Vicky Mgongolwa
**Chairperson
(TUICO AUWSA Branch)**



Mr. M.J. Ismail
**Representative of Master Workers
Council in the Management**



STATEMENT BY THE MANAGING DIRECTOR



Eng. A.A. Munisi
Managing Director

CORPORATE PERFORMANCE FOR THE FINANCIAL YEAR 2005/2006

INTRODUCTION

The legislation that established Urban Water Supply and Sewerage Authorities in the country and indeed AUWSA (Water Works Ordinance Cap. 281 as amended in 1997) and its subsequent Rules and Regulations require that Management prepares Annual Reports showing the Operational and Financial Performance of each Water and Sewerage Authority for each financial year and present them to the Minister responsible for Water Affairs of the Government of the United Republic of Tanzania.

It gives me great pleasure to be able to fulfill this noble obligation by presenting the Annual Report for the Financial Year ended 30th June 2007 within the stipulated statutory period.

Preamble

During the financial year 2006/2007, Management continued to develop and implement short-term performance enhancement initiatives aimed at expanding and improving service delivery.

Under the instruction of the Board of Directors, Management developed and implemented a system of paying overtime to workers for extra hours worked but strictly in line with the New Labour Laws that allow a maximum of 50 working hours as overtime per month. Hours above that threshold are compensated as off days.

This went a long way in motivating workers for greater productivity, taking into consideration that our Organization is a service organization where service is needed by customers and the public at 7 days a week and all days all year around.

Furthermore Management embarked on a programme of rightsizing; whereby security services were outsourced to a private security firm. All necessary legal steps were adhered to in laying off security guards (15 in number) who besides being paid their severance dues, were encouraged to organize into a security company which eventually won the tender for security services in joint venture with another more experienced firm in that field.



The new arrangement started off from 1st December 2006 and matters have been smooth to date. This step alone reduced the total number of employees of AUWSA from 196 to 181, which reduced the ratio of number of employees per 1000 active connections to 7 besides savings on the personnel expenses budget.

Staff welfare and motivation programmes that were undertaken from 2005/2006, involving Training Needs Assessment, Training Programme, Scheme of Service and Salary Structure which were under review by Mzumbe University as Consultants were finalized and put into implementation from December, 2006.

An initiative to expose workers to training seminars on Customer Care will be conducted during 2007/08.

OVERVIEW OF PERFORMANCE 2006/2007

During the financial year the 3rd Board of Directors concluded their tenure of office on 30th June, 2007; and the Minister of Water appointed a new Board of Directors which according to regulations took off from July 2007. Under the outgoing Board of Directors, AUWSA continued to realize considerable financial and operational gains.

The turn over grew by 31.3% from Tshs. 3.040 billion during 2005/2006 to Tshs. 3.992 billion during the reporting period 2006/2007. Net surplus generated increased from 62.1m the previous year to Tshs. 305.4m for the year under review (an increase of 391%). This accounted for 8% on gross income. While billings income increased by 31% from Tshs. 2.729bn of previous year to Tshs. 3.575bn, Gross income has increased by 34% from Tshs. 3.1107bn, the previous year to Tshs. 4.168bn for the year under review. Furthermore share capital contributed a 5% surplus for the year under review as compared to 1.0% for the previous year.

OPERATING STRATEGIES 2006/2007

As a means of achieving the corporate goals for the financial year 2006/2007, Management adopted and implemented the following strategies:-

(i) Universal metering

After achieving universal metering in September, 2004, Management made a resolve never again to allow even a single customer to have a water connection without a water meter. In this respect 2000 meters-1/2" dia size were procured to help keep the momentum of ensuring a water meter is installed for every new service connection that is constructed. During 2007/2008 another additional 2500 water meters would be procured for the same purposes.



(ii) Introduction of Hand held Data Loggers

The technology of data loggers introduced since 2004/2005 has proved to be very handy in accurate data capturing, minimizing the aspect of human error and it has greatly improved the exercise of billing on time. The situation at present is that all meter readers use data loggers for data capturing during meter reading.

**(iii) Private – Public Sector Partnership**

As reported in the previous year, the exercise of outsourcing non-core activities to private operators has continued:-

- Security services in AUWSA main office, Sekei Central Station, Loruvani staff residential quarters, Themis Hill Reservoir and Mbauda JR compound.
- Upkeep and cleanliness of National Monument Round about and Break Pressure tanks surroundings.
- Upkeep and cleanliness of Sekei Central Station compound.
- Upkeep and cleanliness of Midawe Treatment works compound.
- Upkeep and cleanliness of Lemara waste stabilization ponds compound and surroundings.
- Security at sewerage treatment ponds at Lemara.
- Security at Midawe treatment works compound and Nduruma intake.
- Security along Nduruma – Midawe – Ngulelo pipeline.

(iv) Extension of Water Supply Pipelines

In order to bring service closer to customers, AUWSA carries some extensions of supply mains to areas where there's customer demand for service. The following pipeline extensions were planned and constructed over the reporting period:-

- Pipeline extension Daraja II poly 32mm dia – 150m
- Pipeline extension Baraa area poly 32mm dia – 450m.
- Pipeline extension Zurich area poly 75mm dia – 600m.
- Pipeline extension Suye/Kimandolu area – poly 75mm dia – 1860m



(v) Extension of Sewer pipelines

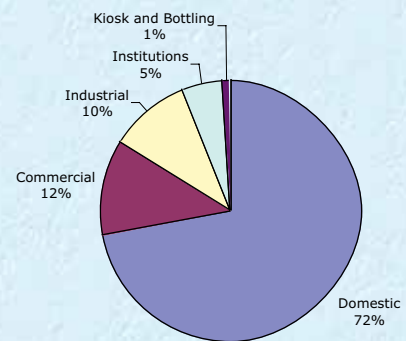
The following sewer pipelines were constructed as means of attracting customers to connect to our sewerage system by shortening connecting lengths and hence connecting costs:-

- Kaloleni new sewer line extension 900m with 25 manholes 150mm Ø UPVC pipeline.
- TBL Flats Kaloleni, new sewer line extension 560m with 12 manholes 150mm Ø UPVC pipeline.
- Midway sewer line extension 160m with 5 manholes 100mm Ø UPVC pipeline.
- Sekei/Mount Meru Hotel/Leopard sewer line extension 420m with 8 manholes 200mm Ø UPVC pipeline.
- PPF Kaloleni sewer line extension 170m with 4 manholes, 150mm Ø UPVC pipeline.
- BOT sewer line extension 800m with 13 manholes, 150mm Ø UPVC pipeline.
- TRA sewer line extension 170m with 1 manhole, 150mm Ø UPVC pipeline.
- Kijenge – Leopard sewer line extension 400m with 7 manholes 150mm Ø UPVC pipeline.
- PPF/Kibo Palace – Engira sewer line extension 1000m with 20 manholes 200mm Ø UPVC pipeline.

(vi) Market segments and customer growth.

In terms of the volume of water sales, the market of the Authority water sales is currently segmented as shown in the pie chart below. The figures are a bit different from those of the previous year. 72% of the Authority's water was consumed by domestic customers, while the commercial and industrial sectors account for 12% and 10% respectively. Institutions account for 5% while kiosk and bottling plants account for only 1%.

CONSUMPTION PATERN



(vii) New Connections

During the year under review 1,787 new water and 126 new sewer connections were constructed. The figures show an improvement from last year's 1,777 water connections but lower for sewerage connection where the previous year 159 customers connected. Our efforts at new water pipelines extensions and new sewer line extensions have played a key role in attracting new customers including reliability of service.



(viii) Service coverage

During the year 2006/07, the water service coverage increased from 96% to 97.5% while that for sewerage coverage increased from 12% to 14.07% of the Municipal population. The increases were a result of various extensions installed during the year (as outlined above) and good seasonal rains that increased water production to average an annual daily water production of 43,203.44m³/d which is very close to our daily water demand during that period.

**(ix) Cash Revenue Collection**

During the financial year, cash revenue collection increased by approximately 952 million compared to the previous year to reach Tshs. 3.992bn representing a growth of 31.32% and it is our sincere hope that this business growth trend will continue in the coming year.

(x) Staff rationalization

In terms of staff rationalization to achieve the required standard of 10 staff per 1000 connections, apart from outsourcing security services, we decided not to reduce staff but rather to increase efforts at increasing new connections. The ratio has gone down from 13 staff per 1000 connections in 1999/2000 to 7 staff per 1000 connections (water and sewerage) in 2006/2007.

(xi) Customer Care Initiative

With the slogan, "The Customer is the reason we exist", the Authority has continued to improve its public image and thus create a mutual trust and respect among its customers and stakeholders, primarily through the media and other customer care initiatives. Further vital information and pertinent issues about AUWSA can be accessed through AUWSA's website which goes by the following address: www.auwsa.or.tz



On water quality surveillance and monitoring by an independent party, we contracted Tanzania Bureau of Standards (TBS) who took samples of our water and conducted independent tests and has issued us with a license No. 0601 for "POTABLE WATER" under standard mark TZS 789:2003 since February, 2006 and that license was renewed during 2006/2007 maintaining an achievement unparalleled by any other Urban Water Supply and Sewerage Authority in the country.



In line with government policy, AUWSA continued with the exercise of distributing free water coupons to urban poor and over the reporting period, we supplied free water worth Tshs. 700,000/= to 67 families.

With the commitment of our staff we are confident that we shall be able to drive the Authority to even greater heights and wish to sincerely thank the outgoing Board of Directors that ended its tenure of stewardship on 30th June, 2007 which played a tremendous role in guiding us in terms of policy formulation and implementation. We welcome the new Board of Directors, hoping that they will appreciate the efforts of the previous Board and hence guide successfully our Authority to greater and sustainable successes.

Last but not least to our esteemed customers we say “Thank you” for your support and encouragement. We hope to serve you even better in the years ahead; for we know “you are the reason we exist” and we shall keep pursuing our vision of offering water supply and sewerage services commensurate with the World’s best practices.



Eng. A.A. Munisi
Managing Director

18th December, 2007

STATEMENT OF INTERNAL CONTROL

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Authority's policies, aims and objectives set by the Ministry of Water, whilst safeguarding the public funds and assets for which I am personally responsible in accordance with the responsibilities assigned to me.

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore, only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritize the risks to the achievement of the Authority's policies aims and objectives, to evaluate the likelihood of those risks being realized and the impact should they be realized, and to manage them efficiently, effectively and economically. The system of internal control has been in place for the period ended 30th June, 2007 and up to the date of approving of the annual report and accounts.

As Accounting Officer, I also have responsibility for reviewing the effectiveness of the system of internal control. The following processes have been established:-

- Management meetings held twice monthly to monitor the implementation of plans and strategic direction of the Authority (The Management comprise the Managing Director, Heads of Departments, Sections, Units and a Master Workers Council Representative who also actively participates).
- Periodic reports from the Chairperson of the Board Audit Committee to the Board of Directors concerning internal control.
- Regular reports by the Internal Auditor who reports to the Board Audit Committee and works according to the Standards Set by the International Auditing and Assurance Standards Board (IAASB). These reports include review of working systems, operational performance and recommendations on how to improve situations.
- Weekly, monthly, quarterly, mid and annual performance reports as per the Memorandum of Understanding signed between the Ministry and the Authority.
- Regular reports from Managers on the steps they are taking to manage risks in their areas of responsibility including progress reports on key projects.
- Establishment of key performance and risk indicators.

The Internal Auditor and the Heads of Departments and Sections within the Authority who have responsibility for development and maintenance of internal control system do the review of the effectiveness of the system of internal control, and supplemented by comments made by the statutory auditors in their management letter.

I have been advised on the implications of the results of my review of the effectiveness of the system of internal control by the Board of Directors, Board Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.



Eng. A.A. Munisi
Managing Director

18th December, 2007



CORPORATE GOVERNANCE

The Directors are committed to the principles of good corporate governance and recognise the need to conduct business in accordance with generally accepted best practices. In so doing, the Directors therefore confirm that:-

- The Board of Directors met regularly throughout the year (4 – Ordinary and 2 – Extra ordinary meetings scheduled).
- They retain full and effective control over the company's and monitor the Management team.
- Different persons in accordance with the Memorandum of Understanding hold the positions of Chairman and Managing Director.
- The Board accepts and exercises responsibility for strategic and policy decisions, approval of budgets and the monitoring of performance.
- They bring skills and experience from their own spheres of business to complement the professional experience and skills of the Management team.
- The Board appoints executive staff and further discloses that the Minister for Water appoints non-executive directors.
- They ensure that discussions on issues of performance, policy and strategy are well informed and that debate is rigorous but constructive.
- Lastly but not least, the Board of Directors has the mandate to hire and fire all staff.

BOARD COMMITTEES

In performing its activities, the Board shall have two committees which are:-

- Finance, Planning and Appointing Committee
- Audit Committee

The membership and number of each committee meetings planned are as shown below:-

Finance, Planning and Appointing Committee

Name	Position
Y.M. Nnko	Chairman
L.M. Joachim	Member
C.A. Issa	Member
A.R. Olomi	Member
Hon. B.M. Kabuje	Member
Eng. A.A. Munisi	Member
J.R. Aswile	Secretary

The above Committee shall have 5 meetings and in attendance will be the line Managers. The Secretary to this Committee is a Management member.

Audit Committee

Name	Position
Chiku A. Issa	Chairperson
M. Bella	Member
H. Illembo	Member
Dr. J. T. Laiser	Member
Eng. A.A. Munisi	Member
M. Ben Ngatunga	Secretary

The above Committee shall have 5 meetings and in attendance will be the line Managers. The Secretary to this Committee is a Management member.



BOARD'S ANNUAL SELF EVALUATION

According to Appendices E & F in the Memorandum of Understanding, the Board, and its members, are required to carry out the assessment of its performance and submit a report to the Minister for Water. The results of the evaluation are expected to be used for improvement purposes.

DIRECTORS' RESPONSIBILITIES

As a matter of statutory compliance, the Directors are required to prepare for each year, the financial statements that present fairly the state of affairs of the Authority as at the end of the financial year and of the Income and Expenditure of the Authority for the period.

The Directors confirm that suitable accounting policies have been used and applied consistently and that reasonable and prudent judgments and estimations have been made in the preparation of the financial statements for the financial year ended 30th June, 2007. The Directors also confirm that applicable standards have been followed and that the financial statements have been prepared on an accrual basis.

The Directors are responsible for keeping proper accounting records, safeguarding the assets of the Authority and taking reasonable steps for the prevention and detection of fraud and other irregularities.

PRINCIPAL ACTIVITIES

The principal activities of the Authority are the production, distribution of clean water and sewerage disposal services within the Arusha City area and collect revenue for sustainable services.

RESULTS

The performance of the Authority during the year is set out on page 25 of these financial statements. Details of the movements in the Share Capital and reserves are given in the statement of changes in equity on page 26.

SOLVENCY

The Authority's state of affairs as at 30th June, 2007 is set out on page 24 of these financial statements.

ADMINISTRATIVE MATTERS

The Authority is capable of handling all administrative matters.

LIQUIDITY

The Authority is liquid as current assets adequately cover current liabilities. The Authority settled all operation and maintenance expenses during the year without borrowing or selling its properties prematurely.

EMPLOYEES WELFARE

Management/Employee Relationship

The relationship between Management and Staff is harmonious. There were no unresolved complaints received by Management from the employees.



Training

The Authority provides training to all its employees on and when it identifies a necessity and in accordance with the assessed training needs.

Medical facilities

The Authority meets fully the cost of medical consultations and treatment for all employees and their immediate dependants.

Financial support

The Authority provides financial assistance e.g. mid month advances to all employees as a short-term support. Other long-term support is provided through AUWSA SACCOS LTD depending on the assessment as to the need, circumstance and ability to make repayments.

BOARD OF DIRECTORS MEETINGS

The Board of Directors held all four ordinary and four extraordinary meetings in accordance with the Memorandum of Understanding between the Ministry of Water on one part and the Authority on the other part.

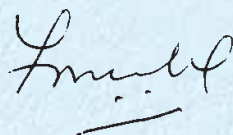
STATUTORY AUDITORS

CONTROLLER AND AUDITOR GENERAL

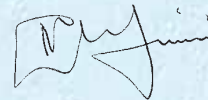
who delegated to:

AMAS ASSOCIATES are the Authority's statutory auditors.

BY ORDER OF THE BOARD



Mr. Y.M. Nnko
CHAIRMAN



Eng. A.A. Munisi
MANAGING DIRECTOR

DATE: 18th December, 2007



INDEPENDENT AUDITORS REPORT

We have audited the accompanying Balance Sheet of Arusha Urban Water Supply and Sewerage Authority as at 30th June 2007 and the related Statements of Income and Expenditure, Cash Flow and Changes in Equity for the year then ended. We received all the information and explanations considered necessary for audit purposes.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

Under the provisions of section 15(1) of the Public Corporations' Act (amendment 1992), the Directors are responsible for the preparation of financial statements which give a true and fair view of the state of affairs and of the operating results of the Authority. Our responsibility is to express an independent opinion on the financial statements based on our audit and report our opinion.

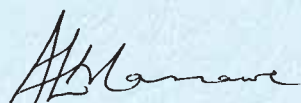
BASIS OF OPINION

We conducted our audit in accordance with approved International Standards on Auditing issued by the International Auditing and Assurance Standards Board (IAASB). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examination, on test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free of material misstatement. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion, the financial statements give a true and fair view of the financial position of Arusha Urban Water Supply and Sewerage Authority as of 30th June, 2007, the results of its operations, its cash flows and changes in equity for the year then ended, in accordance with International Financial Reporting Standards and comply with the Public Finance Act 2001, Public Procurement Act No. 21 of 2004 and the Waterworks Ordinance, 1997 CAP 281.



AMAS ASSOCIATES (Certified Public Accountants and Auditors)

MOSHI

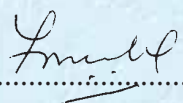
29TH OCTOBER, 2007



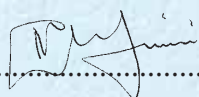
BALANCE SHEET AS AT 30TH JUNE, 2007

	Notes	30.06.2007 TZS' 000	30.06.2006 TZS' 000
ASSETS			
Non-Current Assets			
Property, Plant & Equipment	3	8,154,685	8,303,842
Other Intangible Assets	4	16,796	34,170
		8,171,481	8,338,012
Current assets			
Trade and Other Receivables	5	931,869	859,807
Inventories	6	386,091	387,240
Cash and Cash Equivalents	7	623,781	308,481
		<u>1,941,741</u>	<u>1,555,528</u>
TOTAL ASSETS		<u>10,113,222</u>	<u>9,893,540</u>
EQUITY AND LIABILITIES			
Share Capital	8	5,877,452	5,877,452
Other Reserves		21,523	21,523
Retained Earnings		1,494,626	1,230,272
Total Equity		<u>7,393,601</u>	<u>7,129,247</u>
Non-current Liabilities			
Differed Grants Income	9	2,533,449	2,600,879
Current liabilities			
Trade and Other Payables	10	186,172	163,415
TOTAL EQUITY AND LIABILITIES		<u>10,113,222</u>	<u>9,893,540</u>

THE NOTES ON PAGES 29 TO 39 FORM PARTS OF THESE FINANCIAL STATEMENTS.
AUDITORS REPORT ON PAGE 23



CHAIRMAN



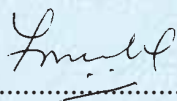
DIRECTOR

DATE: 18th December, 2007

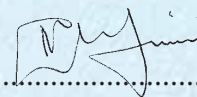
INCOME STATEMENT FOR THE YEAR ENDED 30TH JUNE, 2007

	Notes	2006/07 TZS' 000	2005/06 TZS' 000
INCOME			
Revenue	11	3,575,316	2,729,123
Less: Cost of Sales	12	1,024,307	867,230
Gross Profit		2,551,009	1,861,893
Other Operating Income	13	428,137	311,786
		2,979,146	2,173,679
OPERATING EXPENSES			
Distribution Costs	14	263,946	198,727
Administrative Expenses	15	2,166,561	1,743,637
Other Expenses	16	279,883	164,896
Finance Costs	17	4,400	4,285
TOTAL OPERATING EXPENSES		2,739,280	2,111,545
SURPLUS/(DEFICIT) BEFORE TAX		264,355	62,134
Provision for Corporation Tax	18	-	-
SURPLUS/(DEFICIT) AFTER TAX		264,355	62,134

THE NOTES ON PAGES 29 TO 39 FORM PART OF THESE FINANCIAL STATEMENTS.
AUDITORS REPORT ON PAGE 23



CHAIRMAN



DIRECTOR

DATE: 18th December, 2007
DATE:

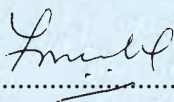


STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30TH JUNE, 2007

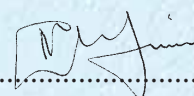
	GOVERNMENT FUND TZS' 000	REVALUATION RESERVE TZS' 000	ACCUMULATED RESERVES TZS' 000	TOTAL TZS' 000
Balance as at 1 st July 2005	5,877,452	21,523	1,168,089	7,067,064
Other adjustments			48	48
Surplus for the year			62,134	62,134
Balance as at 30th June 2006	5,877,452	21,523	1,230,271	7,129,246
Balance As At 1 st July, 2006	5,877,452	21,523	1,230,271	7,129,246
Surplus for the Year	-	-	264,355	264,355
Balance As At 30 th June, 2007	5,877,452	21,523	1,494,626	7,393,601

THE NOTES ON PAGES 29 TO 39 FORM PART OF THESE FINANCIAL STATEMENTS.
AUDITORS REPORT ON PAGE 23

IAS 1 requires that the financial statements should include a statement showing either all changes in equity or changes in equity other than those arising from capital transactions with owners and distributions to owners. The above illustrates an approach, which presents all changes in equity.



CHAIRMAN



DIRECTOR

DATE: 18th December, 2007

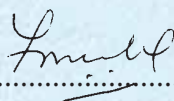


CASH FLOW STATEMENT

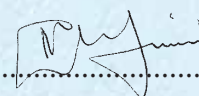
FOR THE YEAR ENDED 30TH JUNE, 2007

	2006/07 TZS' 000	2005/06 TZS' 000
Operating Activities		
Surplus / (Deficit) for the Year	264,355	62,134
Adjustments for:		
Depreciation	306,097	286,882
Amortization of Grants	(67,429)	(84,209)
Gain on Disposal of Fixed Assets	(18,615)	(8,404)
Provision Adjustment	0	1,374
	220,053	195,643
Operating Cash Flows Before Movements in Working Capital	484,408	257,777
Decrease in Trade and Other Receivables	(72,062)	185,345
Decrease in Inventories	1,149	17,214
Decrease in Trade and Other Payables	22,757	(69,068)
	(48,156)	133,491
Net Cash From Operating Activities (A)	436,252	391,268
Investing Activities		
Purchases of Property, Plant and Equipment	(139,566)	(185,122)
Proceeds from disposal of tangible assets	18,615	8,404
Net cash used in investment activities (B)	(120,951)	(176,718)
Net Increase in Cash and Cash Equivalents (A+B)	315,301	214,550
Cash and Cash Equivalents at the beginning of the Year	308,481	93,931
Cash and Cash Equivalents At the End of the Year	<u>623,782</u>	<u>308,481</u>

NOTES ON PAGES 29 TO 39 FORM PART OF THESE FINANCIAL STATEMENTS.
AUDITORS REPORT ON PAGE 23



CHAIRMAN



DIRECTOR

DATE: 18th December, 2007



VALUE ADDED STATEMENT FOR THE YEAR ENDED 30TH JUNE 2007

Value added is the wealth created by AUWSA through the production, distribution and selling of clean water and provision of sewerage disposal services within the Arusha City. Value created from the water supply and sewerage disposal services is the excess of gross income over the costs of production, distribution, disposal and other materials and services purchased. The value added statement shows the total wealth created, how it was distributed to meet certain obligations and reward those responsible for its creation, and the portion retained for the continued operation and expansion of AUWSA. Below is the detailed and comparative outline.

DETAILS	2006/07 Audited TSHS'000	%	2005/06 Audited TSHS'000	%
Value Added:				
Billings Income	3,575,316		2,729,123	
Other Income	428,137		311,786	
Cost of Sales	-1,024,307		-867,230	
Other Operating Expenditure	-1,340,408		-921,789	
TOTAL VALUE ADDED	1,638,738	100	1,251,890	100
Value Allocated:				
To Employees	1,068,286	65	902,874	72
To Expansion & Growth :	570,452	35	349,016	28
Depreciation	306,097		286,882	
Retained Surplus	264,355		62,134	
TOTAL VALUE ALLOCATED	1,638,738	100	1,251,890	100
Value Added Ratios				
Number of employees	181		201	
Gross Income per employee	22,119		15,129	
Wealth created per employee	9,054		6,228	



NOTES TO THE FINANCIAL STATEMENTS

NOTE: 1 GENERAL INFORMATION

1.1 Establishment

Arusha Urban Water Supply and Sewerage Authority (AUWSA) was established under the Waterworks Ordinance CAP 281 in accordance with Government Notice No 371 published on 25th July, 1997. Subject to Section 3(1) of the Waterworks Regulations, the Minister responsible for Water declared Arusha Urban Water Supply and Sewerage Authority an autonomous body with effect from 1st January, 1998 thereby revoking Government Notices No 254 of 1949, No 478 of 1962 and No 113 of 1975 made by the legislative body.

AUWSA discharged its operations under the Ministry of Water and its activities are currently closely regulated by Energy and Water Utilities Regulatory Authority (EWURA).

The principal business of AUWSA is production, distribution and delivery of clean water to the urban areas of Arusha City and also to collect, dispose and treat the sewerage emanating from the same area.

AUWSA is incorporated in Arusha City. Its registered office and address of its principal place of business is:

**Wachagga Road,
P. O. Box 13600,
ARUSHA**

1.2 Basis of Financial Statements Preparation

These financial statements have been prepared in accordance, and comply, with International Financial Reporting Standards. The financial statements are prepared under the historical cost convention, unless otherwise indicated in the summary of significant accounting policies below.

The accounting standards and policies developed were consistently applied and Management was able to make the best estimates on some of the accounting issues basing on the available past, present and the future information and data to arrive at reasonable and fair conclusions.

NOTE: 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Impairment of Assets

The Authority recognises an impairment loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (VIU). For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment and whenever



events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortization are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

(b) Trade Receivables

The Authority recognises trade receivables initially at original invoice amount which is fair value at transaction date. Subsequently short term receivables are measured at cost less allowance for impairment. An allowance for impairment of trade receivables is established when there is objective evidence that the Authority will not be able to collect all amounts due according to the original terms of the receivables. The amount of the allowance is recognised in the profit and loss statement.

(c) Cash and Cash Equivalents

The Authority's cash comprises cash in hand and at banks. Cash equivalents comprise of short term bank deposits with an original maturity of three months. The carrying amounts of these assets approximate their fair value.

(i) Liquidity and Credit Risks

The liquidity and credit risks associated with cash and cash equivalents is limited to the extent that the banks into which the funds have been deposited have high credit-ratings assigned by international credit-rating agencies. Risks associated with trade and other receivables is low as it is less likely for water and sewerage debtors to default payment significantly.

(ii) Currency Risk

The Authority takes on exposure to effects of fluctuations in prevailing foreign currency exchange rates on its financial position and cash flows. The Authority sets limits on the level of exposures by currency and these limits are monitored from time to time.

(d) Property, Plant and Equipment

All items of property, plant and equipment are initially recorded at cost. Cost comprises of expenditure that is directly attributable to the acquisition (purchase or construction) of the items. Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Authority and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss statement during the year in which they are incurred.

Land and buildings are subsequently shown at re-valued amount (being fair value at the date of revaluation) less any subsequent accumulated depreciation and any subsequent accumulated impairment losses. Revaluation differences are recorded in the revaluation reserve unless they are reversals of amounts originally accounted for in the income statement, in which case they are dealt with in profit or loss for the period.

Other items of property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses.



Depreciation is provided on a straight-line basis and is calculated separately for each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale in accordance with IFRS 5 and the date that the asset is derecognised.

Applicable depreciation rates for the Authority's property, plant and equipment are as follows:

Buildings	2.5%
Water pumps, electrical equipments, pipes and fittings and water boreholes	5.0%
Furniture and Equipment	10%-30%
Motor vehicles, cycles, mobile machines, Computers and Accessories	20.0%
Workshop tools, laboratory equipments and intangible assets	25.0%
Water Supply Networks, Sewerage Networks	2%

Land is not depreciated.

Major renovations are depreciated over the remaining useful life of the related asset or to the date of the next major renovation, whichever is sooner.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. No depreciation is charged if the residual value of an item is equal to or greater than its carrying value.

(e) Intangible assets

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives i.e. three to five years.

Costs associated with maintaining computer software programs are recognised as an expense as incurred.

(f) Inventories

Inventories comprises of pipes and electrical fittings, spare parts, chemicals, fuel, stationery and other consumables. These are stated at the lower of cost or net realizable value. Cost is determined using first-in first-out (FIFO) method. Net realizable value is the estimated selling price in the ordinary course of business less the costs of completion and selling expenses.

(g) Foreign Currency Transactions

Transactions in foreign currencies during the year are converted into Tanzania Shillings at rates ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currency at the balance sheet date are restated in Tanzanian Shillings using the rate ruling at the balance sheet date. Exchange gains and losses are dealt with in the profit and loss statement in the year in which they arise.

(h) Provisions

The Authority recognises provisions when it has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Where the Authority expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(i) Grants

Grants related to capital expenditure are initially credited to deferred income and are amortised to profit or loss as the asset to which they relate is consumed.

Grants related to revenue expenditure are credited to income statement in the same period in which the revenue expenditure to which they relate is charged.

(j) Revenue Recognition

Revenue is recognised when sales of water, sewer disposal services and service charges are delivered to the customers and billings made. Other incomes as shown below are recognized as earned when the estimations and related payments have been made:

- Water and sewer connection and reconnection fees.
- Other recoverable charges including materials and services.
- Bank deposit interest income earned.

(k) Retirement Benefit Obligation

The staff of Arusha Urban Water Supply and Sewerage Authority are members of Parastatal Pension Fund (PPF) and the National Security Social Fund (NSSF), both state-owned pension schemes. The funds will bear the pension obligations of the staff for the period after the members' retirement from active employment with the Authority. Both schemes are contributory. Contributions with PPF are 20% whereby members contribute 10% of gross salary and 10% is contributed by the Authority. In the case of NSSF scheme contribution is in the ratio of 10% employee's gross salary and 10% employer. The Authority's contribution to these schemes is charged to income statement. Employee benefits related to annual leave are accrued in the financial statements.

(l) Related Party Transaction

When related party transactions occur, they are disclosed as to their nature, amounts involved between parties and a further disclosure will show whether the transaction was carried at an arms length or not.

The disclosure requirement under this policy involves the Boards of Directors and the Top Management.

The transactions referred to here relate to commercial transactions, loans, write-offs and remunerations.



NOTE: 3 PROPERTY PLANT AND EQUIPMENT

Descriptions	Lease land and Buildings	Furniture and fittings	Water Pumps	Working Tools	Motor Vehicles	Mobiles Machines	Computers	Distribution & Network	Sewerage & Network	Water Boreholes	Capital work in progress Malala	Total 30.06.2007
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
Cost/Valuation 01.07.06	285,950	118,166	381,276	60,999	336,203	282,936	171,636	5,669,431	2,925,086	352,016	190,246	10,773,945
Addition	-	8,729	11,740	10,172	10,458	10,250	64,691	15,173	605	-	-	131,818
Balance as at 30/06/2007(A)	285,950	126,895	393,016	71,171	346,661	293,186	236,327	5,684,604	2,925,691	352,016	190,246	10,905,763
Accumulated Depreciation as at 1/07/2006	54,330	71,920	115,653	46,131	245,090	252,522	115,123	705,565	774,909	88,860	-	2,470,103
Charge for the year (cost of sales)	-	-	19,602	8,196	24,489	6,957	-	113,092	58,502	17,601	-	249,049
Charge for the year (Admin)	7,149	12,199	-	-	-	-	12,578	-	-	-	-	31,926
Balance as at 30/06/2007	61,479	84,120	135,255	54,327	269,579	259,490	127,701	819,257	833,411	106,461	190,246	2,941,324
Carrying Amounts as at 30/06/2007 (A-B)	224,472	42,775	257,761	16,844	77,082	33,697	108,625	4,865,347	2,092,266	245,555	190,246	8,154,685

NOTE: 4 OTHER INTANGIBLE ASSETS

	CMMS	Perfect Bill	WEBSITE	ARUTI	AUDIT SOFT	PASTEL	TOTAL
	TZS' 000	TZS' 000	TZS' 000	TZS'000	TZS' 000	TZS' 000	TZS' 000
Cost or Valuation							
As At 1 st July, 2006	4,535	111,714	7,645	6,530	5,500	4,489	138,885
Additions	-	3,198	-	-	-	4,550	7,748
As At 30th June, 2007 (A)	4,535	114,912	7,645	5,001	5,500	9,039	146,633
Accumulated Amortization							
As At 1 st July, 2006	3,175	97,720	1,115	208	1,375	1,122	104,715
Amortization for the Year	1,134	17,192	1,911	1,250	1,375	2,259	25,122
As At 30th June, 2007 (B)	4,309	114,912	3,026	1,459	2,750	3,382	129,837
Carrying Amount:							
At 30th June, 2007 (A - B)	226	-	4,619	3,542	2,720	5,658	16,796
At 30th June, 2006	1,360	13,995	6,530	4,793	4,125	3,367	44,266

Other intangible assets comprise computer application software packages acquired in the past and still in use by the Authority. When acquired they were treated as tangible assets. Under IFRSs they are de-recognized as tangible assets and recognised as 'Other Intangible Assets' and amortized over its useful economic period.

NOTE: 5 TRADE AND OTHER RECEIVABLES

	30.06.2007	30.06.2006
	TZS'000	TZS '000
Trade Receivables	1,368,822	1,202,015
Other Receivables	41,169	38,801
	1,409,991	1,240,816
Less: Provision for Impairment	<u>478,122</u>	<u>381,009</u>
TOTAL	<u>931,869</u>	<u>859,807</u>

A provision for impairment has been made for estimated irrecoverable amounts from trade receivables. Through ageing the receivables provision for impairment has been substantially determined by reference to the time the receivables have been outstanding.

Movement in the provision for impairment of receivables during the year is as follows:

	30.06.2007	30.06.2006
	TZS '000	TZS '000
Balance at 1 st July, 2006	381,010	502,641
Additions During the Year	449,905	308,374
Sub-Total	830,915	811,015
Less: Amount written off	352,793	430,006
Balance at 30 th June, 2007	<u>478,122</u>	<u>381,009</u>

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

NOTE: 6 INVENTORIES

	30.06.2007	30.06.2006
	TZS '000	TZS '000
Pipes and Fittings	276,790	269,149
Electrical Fittings	6,890	7,165
Spare parts	64,425	77,565
Chemicals	7,359	12,558
Oil, fuel and lubricants	10,885	5,721
Stationery	15,283	16,448
Other Consumables	4,459	3,884
Sub-Total	386,091	392,490
Less: Impairment Pipe & Electrical Fittings	-	5,250
TOTAL	<u>386,091</u>	<u>387,240</u>



NOTE: 7 CASH & CASH EQUIVALENTS

	30.06.2007	30.06.2006
	TZS '000	TZS '000
Cash in Hand	3,021	0
Petty Cash	1,014	302
CRDB Revenue Account	332,036	223,519
CRDB Expenditure Account	3,404	37,245
Foreign Account STD Chartered Bank	18,448	17,416
Investment Account STD Chartered Bank	265,858	30,000
TOTAL	<u>623,781</u>	<u>308,482</u>

NOTE: 8 GOVERNMENT FUND

The amount of TZS ('000) 5,877,452 represents value of total net assets taken over from the Government of the United Republic of Tanzania at the inception of Arusha Urban Water Supply and Sewerage Authority.

NOTE: 9 DEFERRED GRANTS INCOME

DESCRIPTION	COMPUTER AND OTHER EQUIPMENT	FURNITURE AND FITTINGS	TOOLS AND EQUIPMENT	STOCKS	WATER SUPPLY	WATER BOREHOLES	CMMS SOFT WARE	PERFECT BILL	TOTAL
	TZS' 000	TZS' 000	TZS' 000	TZS' 000	TZS' 000	TZS' 000	TZS' 000	TZS' 000	TZS' 000
Balance At 01.07.2006	756	125	1,372	190,246	2,570,075	72,993	4,535	107,371	3,123,733
Additions	-	-	-	-	-	-	-	-	-
Balance At 30.06.2007 (A)	756	125	1,372	190,246	2,570,075	72,993	4,535	107,371	3,123,733
Amortization:									
Balance At 01.07.2006	454	43	686	-	237,959	7,300	3,175	96,634	522,855
Amortization During The Year	151	13	343	-	51,402	3,650	1,134	10,737	67,429
Balance At 30.06.2007 (B)	605	56	1,029	-	289,360	10,950	4,309	107,371	590,284
Total At 30.06.2007 (A-B)	150	68	343	190,246	2,280,714	62,043	226	-	2,533,449
Total At 30.06.2006	302	68	686	190,246	2,332,116	62,043	1,360	10,737	2,600,878

Capital grants represent assets and other expenditure funded by the Government of the Federal Republic of Germany and the World Bank under the Water Supply Rehabilitation Programmes and Sewerage Project before and after inception of the Authority. The grants are recognised as income over the periods necessary to match them with the related costs, which they are intended to compensate on a systematic basis.

NOTE: 10 TRADE AND OTHER PAYABLES

	30.06.2007	30.06.2006
	TZS '000	TZS '000
Accrued expenses	67,966	103,609
Water meter deposit	0	7,751
Trade and other payables	116,470	43,752
Terminal Benefit	1,736	8,303
TOTAL	<u>186,172</u>	<u>163,415</u>

Trade creditors and accruals principally comprise amounts outstanding for trade purchases. The directors consider that the carrying amount of trade payables approximates their fair value.

NOTE: 11 REVENUE

An analysis of the Authority's revenue for the year is as follows:

	2006/07	2005/06
	TZS '000	TZS '000
Water Consumption Charges	3,222,404	2,420,353
Sewerage Disposal Charges	226,846	191,376
Service Charges	126,066	117,394
TOTAL	<u>3,575,316</u>	<u>2,729,123</u>

NOTE: 12 COST OF SALES

Water Production Expenses	447,170	361,660
Sewerage Expenses	27,417	19,421
Maintenance and Repair Expenses	300,671	252,734
Depreciation	249,049	233,415
TOTAL	<u>1,024,307</u>	<u>867,230</u>

NOTE: 13 OTHER OPERATING INCOME

New Water and Sewer Connection Fees	263,189	184,187
Interest on Bank	7,635	529
Amortization of Grants	67,429	84,209
Miscellaneous Receipts	89,884	42,861
TOTAL	<u>428,137</u>	<u>311,786</u>

NOTE: 14 WATER DISTRIBUTION EXPENSES

Pipes and Fittings	22,702	31,615
Customer Survey	239	1,245
Water Meter Installation	34,929	21,266
New Meter Connection	206,076	144,600
TOTAL	<u>263,946</u>	<u>198,726</u>



NOTE: 15 ADMINISTRATIVE EXPENSES

	2006/07	2005/06
	TZS '000	TZS '000
Basic Salaries	567,886	418,287
Gratuity	600	0
Employer's PPF/NSSF Contribution	79,491	62,679
House Allowance	22,134	52,534
Wages	3,294	5,100
Overtime/Lunch Allowance	70,236	49,929
Traveling on Leave	56,844	36,906
Medical	45,910	40,649
Hardship Allowance	6,280	11,540
Acting Allowance	2,015	0
Fuel and Transport Allowance	49,112	111,636
Training	34,563	33,651
Burial	8,274	7,850
Bonus	62,319	72,113
Cash in lieu of Leave	326	0
Staff Terminal Benefit	59,002	0
Postages and Telecommunications	81,212	75,574
Land Rent and Rates	4,626	4,391
Insurances	25,204	6,994
Office and General	13,186	21,144
Fumigation and Fire Fighting	2,882	3,242
Duty Travels	69,102	73,576
Computer maintenance and repair	27,659	20,073
Staff Uniforms	15,456	10,067
Electricity for Office	10,206	12,114
Workers Council meetings	25,210	16,327
Management Meetings	5,825	4,910
Workers Annual Function	8,417	7,978
Miscellaneous and Contingencies	10,253	10,527
MD Hospitality	36,011	32,708
Budget & Annual Accounts Preparation	6,514	18,865
Service Delivery Targets Cost	2,325	1,117
Printing and Stationeries	30,730	15,543
City Service Levy	25,635	28,852
City Car Parking Fees	6,123	0
Organization Manual	12,750	0
AUWSA committees Meetings	30,378	32,031
Sub-Total C/F	<u>1,517,990</u>	<u>1,298,907</u>



	2006/07	2005/06
	TZS '000	TZS '000
Sub-Total B/F	1,517,990	1,298,907
Service Delivery Target cost (WPE)	1,400	0
Service Delivery Target cost (CCO)	1,405	0
HIV Aids Measures	950	0
Out Fit Allowances	500	0
Board Meetings Expenses	138,434	77,639
Depreciation	57,048	53,467
Impairment on Inventories	0	5,250
Impairment on Receivables	<u>448,833</u>	<u>308,374</u>
TOTAL	<u>2,166,561</u>	<u>1,743,637</u>

NOTE: 16 OTHER EXPENSES

Public Relation and Advertisement	51,114	46,740
News Paper and Periodicals	6,220	3,179
National Monument Round about	2,707	4,169
Entertainment Expenses	50,149	22,580
AWEC	9,010	0
Maji Week	18,230	11,825
May Day	13,706	11,320
Annual UWSA General Meeting	9,200	1,500
Other Donation	22,652	18,521
Professional Fees	8,578	2,167
Audit Fees	16,000	5,800
Directors Fees	37,391	28,623
Debts Collection Commission	1,436	8,460
Software Annual Support	1,629	12
Legal Fees	500	0
EWURA Fees	25,087	0
Steering Committee Meeting	6,274	0
TOTAL	<u>279,883</u>	<u>164,896</u>

NOTE: 17 FINANCE EXPENSES

	2006/07	2005/06
	TZS' 000	TZS' 000
Bank Charges	4,085	4,247
Bank Interest Charges	315	38
TOTAL	<u>4,400</u>	<u>4,285</u>

NOTE: 18 PROVISION FOR CORPORATION TAX

No provision for Corporation Tax has been made in these accounts. The Authority being a public utility company is exempted from payment of Corporation and all other taxes. However, no specific tax exemption was issued to the Authority by the Minister for Finance during the year under review.



NOTE: 19 CONTINGENT LIABILITIES

The Management certifies that there were no contingent liabilities as at 30th June, 2007.

NOTE: 20 RELATED PARTY TRANSACTIONS

	30.06.2007 TZS' 000	30.06.2006 TZS' 000
Directors Fees	37,391	28,623
Key Management Remuneration	<u>82,081</u>	<u>29,224</u>
TOTAL	<u>119,472</u>	<u>57,847</u>

NOTE: 21 CAPITAL COMMITMENTS

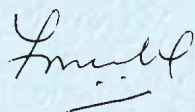
The Management certifies that there were capital commitments as at 30th June, 2007 amounting to Tshs. 1,176 million.

NOTE: 22 COMPARATIVE FIGURES

The previous year's figures have been regrouped wherever considered necessary to facilitate comparability with the current year's figures.

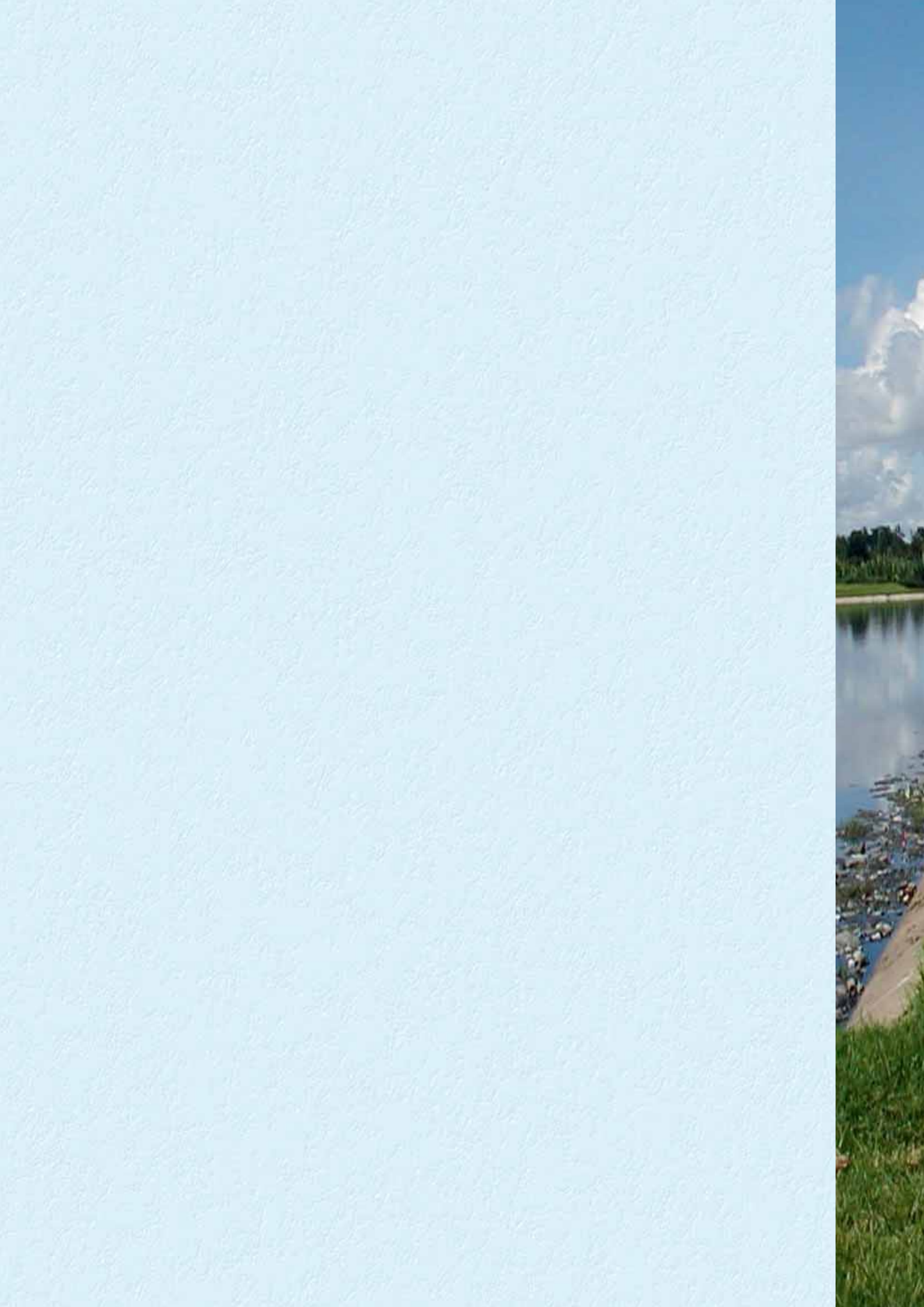
ACKNOWLEDGEMENT


The Board of Directors and Management of the Arusha Urban Water Supply and Sewerage Authority would like to thank all those who assisted in the preparation of this annual report, in particular the auditors CONTROLLER AND AUDITOR GENERAL who delegated to AMAS ASSOCIATES, various stakeholders as well as our employees of the Authority. We also wish to thank our designers and printers of this report, Ms. Colour Print



Y.M. Nnko
BOARD CHAIRMAN







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