

ARUSHA URBAN WATER SUPPLY AND SEWERAGE AUTHORITY



ANNUAL REPORT AND ACCOUNTS

2005/2006

COPYING WITH WATER SCARCITY



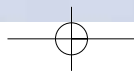
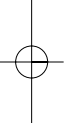
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**ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED
30TH JUNE, 2006**

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

**RE: THE ANNUAL REPORT OF THE ARUSHA URBAN WATER SUPPLY AND SEWERAGE
AUTHORITY FOR THE PERIOD ENDED 30TH JUNE, 2006**

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, 2006 together with the audited accounts of the same period.

Respectfully submitted.

A handwritten signature in black ink, appearing to read 'E.R.K. Mshiu'.

E.R.K. Mshiu
CHAIRMAN, BOARD OF DIRECTORS
November, 2006



ANNUAL REPORT AND ACCOUNTS 2005/2006

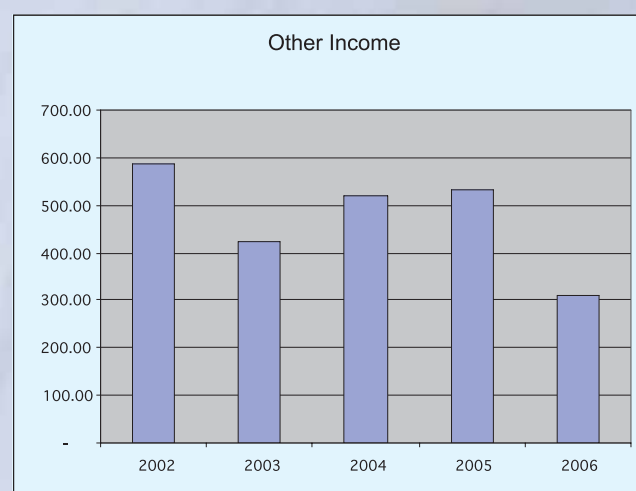
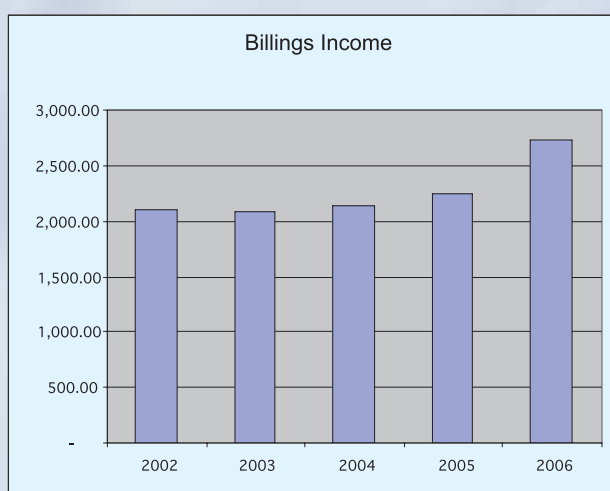
ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 30TH JUNE, 2006

FINANCIAL HIGHLIGHTS.

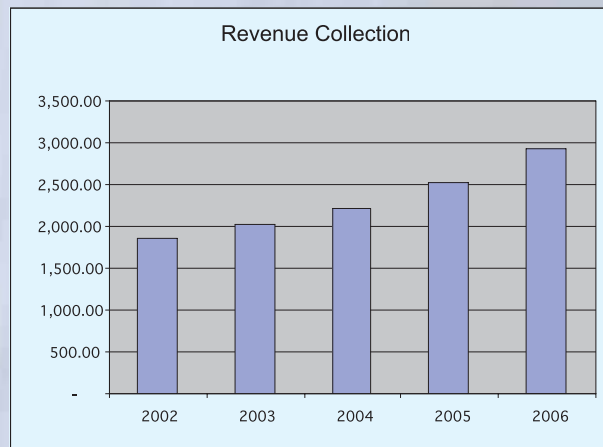
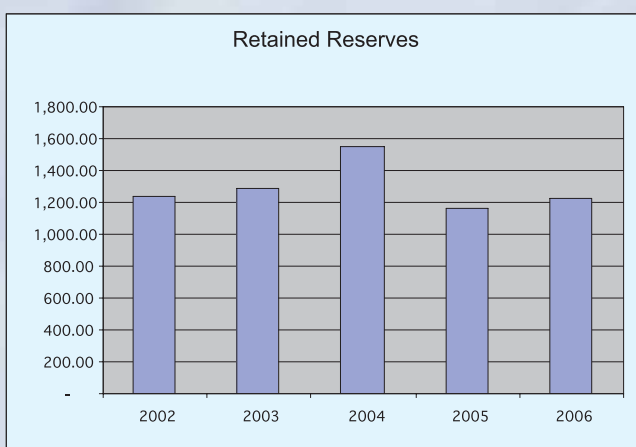
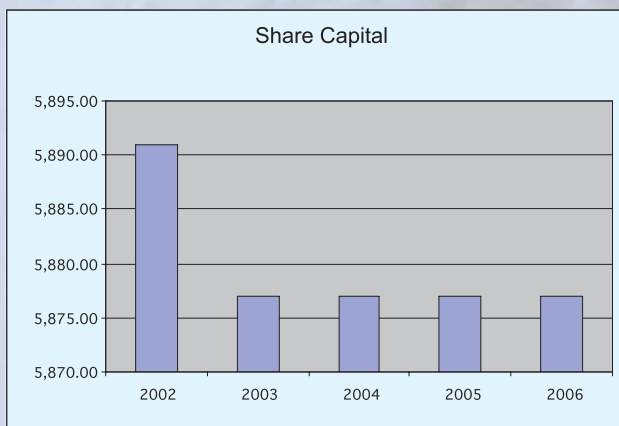
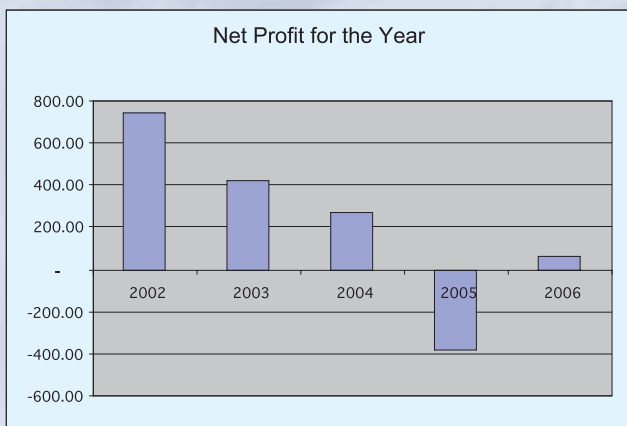
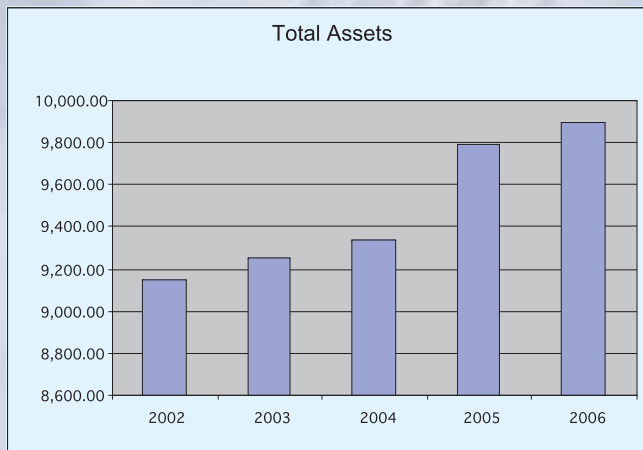
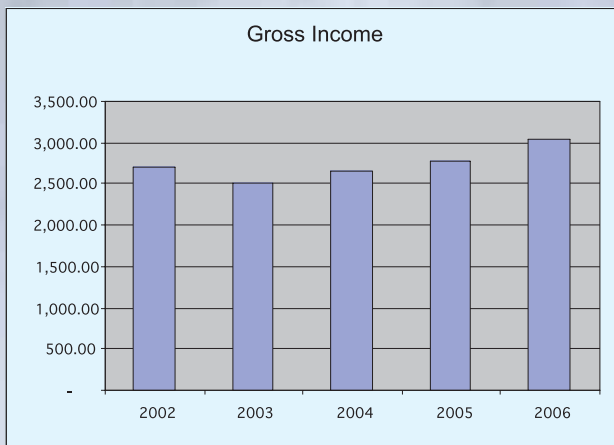
(FIGURES IN MILLION TSHS)

POSITIONS AS AT 30TH JUNE

DETAIL	2006	2005	2004	2003	2002
Billings Income	2,729	2,240	2,145	2,077	2,109
Other Income	311	531	521	423	587
Gross Income	3,040	2,771	2,666	2,500	2,696
Total Assets	9,893	9,794	9,338	9,249	9,145
Share Capital	5,877	5,877	5,877	5,877	5,891
Net profit for the year	62	(382)	271	424	740
Retained Reserves	1,230	1,168	1,548	1,283	1,233
Revenue Collection	2,918	2,519	2,222	2,021	1,850



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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 efficiently 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.

Coping with water scarcity.

Managing Director,
Wachagga Road,
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**



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CHAIRMAN'S STATEMENT



MR. E.R.K. MSHIU
CHAIRMAN

PREAMBLE

I am pleased to report on the performance of our Authority for the year ended 30th June, 2006 where we have an exceptionally good performance on all parameters of operations. The year has shown a good sign of growth, expansion in the networks 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 natural attributes of quality and excellence in customer care.

HIGHLIGHTS OF THE YEAR'S PERFORMANCE.

- Water produced reached 13,163,564m³.
- Billings made on 6,945,145m³ was Tshs. 2,729 million.
- Gross Income reached Tshs. 3,040 million out of which Tshs. 62.1 million was realized as net income (surplus).
- Billings made increased by Tshs. 490 million (or 22%) compared to the previous year.
- Revenue collected amounted to Tshs. 2,918 million representing a 70% achievement against budget.
- Staff benefits stood at Tshs. 902.8 million equating the budgeted lines.
- Other operating costs claimed Tshs. 648 million with a savings of Tshs. 161.5 million (or 20%).
- Cash and cash equivalents improved 3 folds to Tshs. 308.4 million.

MINISTERIAL PERFORMANCE TARGETS

The operational performance targets are outlined in the annual performance report prepared separately in compliance to the Memorandum of Understanding.

2006/07: THE YEAR AHEAD

While the previous year was equally challenging but blessed with long rains, which substantially added life to our water spring sources and rivers, we look forward to another financial year with great hope and optimism. We are well positioned and fully geared up to continue our positive trend and yet again achieve new heights of excellence, continuously raising the benchmark among water Authorities.

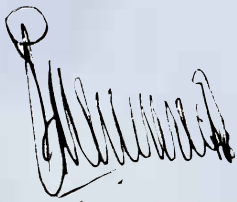
Professionalism, integrity and excellent all round customer service and our pro-active approach will facilitate us more in building up a strong and enviable stakeholder relationship with the help of Regional Administrative Secretariate, City Council, the Government and the public at large, and render sustainable water supply and sewerage disposal services on a customer focused approach and our prompt responses in line with our Client Service Charter will give us the cutting edge over other water Authorities as has always been the previous trend.

With Arusha City as part of the globalized village, AUWSA is aware of the never-ending challenge of rendering services commensurate with the world's best practices.

The population is on the constant increase and apart from giving us a growth opportunity this is also another challenge for AUWSA to cope with the related rising demand.

My appreciation goes to the Management Team that has worked tirelessly and incessantly to bring about the achievements listed above and also were able to maintain the good corporate image of the Authority.

On behalf of the Board of Directors, I thank the Ministry of Water for its constant support and guidance in all aspects, thus enabling Arusha Urban Water Supply and Sewerage Authority to maintain its position of being the "Flag Bearer in supply of excellent water supply and sewerage disposal services among all UWSAs in Tanzania"



E.R.K. Mshiu
Chairman of the Board of Directors
4th November, 2006.

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BOARD OF DIRECTORS

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

E.R.K. Mshiu (Chairman)

He is currently the Chairman and Managing Director of Tanganyika Farmers Association (TFA) and he has successfully spearheaded the Arusha Urban Water Supply and Sewerage Authority in the capacity of Board Chairman for three sessions each of three years. Mr. Mshiu commands a high repute in the Arusha Municipality and holds various responsibilities on various public, social and economic spheres.

G.J. Mkolwe

He is currently an employee of Tanzania Breweries Limited in the capacity of Chief Brewer. He also has been successfully appointed three times to the Board and he represents locally based large scale water consumers. He is also Vice-Chairman to the Board of Directors.

A.G. Mollel

He is a businessman and a farmer in the Arusha Municipality. He represents local commercial sector in the Board.

N.H.M. Millao

She is the Regional Administrative Secretary and becomes a member of the Board representing Regional Administration.

Eng. A. J. Kaaya

Currently serves as Chief Executive Officer for DAWASCO and he represents the Ministry of Water in the current Board.

L. M. Kipuyo

He is currently an appointed Kongwa District Commissioner and he represents domestic water consumers in the Arusha Municipality.

Chiku A. Issa

She currently serves as the Branch Manager, CRDB Bank Arusha Branch. She represents female gender as provided for, in the Water Works Regulations in the Board.



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Hon. Paul L. Laizer

He is the elect Arusha Municipality Mayor and he represents local councilors in the Board.

Dr. Job 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 since its establishment. He becomes member of the Board by virtue of his position and also serves as the Secretary to the Board.



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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, 2006.

MEMBERS OF THE BOARD OF DIRECTORS



**Mr. E.R.K. Mshiu
Chairman**



**Mr. G.J. Mkolwe
Vice chairman**



**Mr. A.G. Mollé
Director**



**Eng. A.J. Kaaya
Director**



**Mrs. Chiku A. Issa
Director**



**Mr. L.M. Kipuyo
Director**



**Mrs. N.H.M. Millao
Director**



**Hon. P.L. Laizer (Lord Mayor)
Director**



**Dr. Job Laiser
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, 10 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

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TECHNICAL DEPARTMENT



**Eng. J.P.N. Mosha
Technical Manager**



**Eng. R.S. Koya
Water Production
Engineer**



**Eng. Idrisa Mugalula
Network, Planning and
Construction Engineer**



**Mr. S.S. Mahole
Maintenance and
Repair Engineer**



**Eng. J.Z. Mgeyekwa
Sewerage Engineer**

FINANCE AND ADMINISTRATION DEPARTMENT



**Mr. J.R. Aswile
Finance & Administration Manager**



**Mr. H.G. Matoi
Human Resources Officer**



**Mr. P.A. Nyalile
Procurement and Supplies Officer**



**Mr. Everest Malewas
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

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STATEMENT BY THE MANAGING DIRECTOR



CORPORATE PERFORMANCE FOR THE FINANCIAL YEAR 2005/2006

INTRODUCTION

The legislation that established the Arusha Urban Water Supply and Sewerage Authority (Water Works Ordinance Cap 281 as amended in 1997) and its subsequent Rules and Regulations requires that Management prepares annual reports showing the operational and financial performance of the 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 for the 2nd financial year running by presenting the Annual Report for the Financial Year ended 30th June, 2006 within the stipulated statutory period.

Preamble.

During the financial year 2005/2006, Management continued to develop and implement short-term performance enhancement initiatives aimed at expanding and improving service delivery. In order to implement important pertinent features of the Strategic Plan (2004 – 2009), which is under implementation, Management adopted a new way of working and assessing workers performance through “**OPRAS**” – **OPEN PERFORMANCE, REPORTING AND APPRAISAL SYSTEM** for all workers.

After the Performance Contracts covering the Managing Director, Managers, Heads of Section and Units were signed in June, 2005; the next tranche of Performance Contracts which were for Supervisors were prepared and signed by mid-October 2005 and then those of the rank and file were prepared and signed before the end of December, 2005 and hence achieving our aim of having all AUWSA staff operating under OPRAS by January, 2006.

Other programmes which were planned to be under taken during 2005/2006 were put under implementation. These includes Training Needs Assessment, Training Programme, Scheme



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of Service, Salary Structure and Incentive Scheme were also outsourced to a Consultant (Mzumbe University). They have already submitted their drafts to Management and Management has commented extensively on them, and also received some inputs and comments from the corresponding Committee of the Board of Directors and all these have been relayed to the Consultants to finalize final documents.

As promised in our 2004/2005 Annual Report, Management did carry out a Training Session for all workers on **CHANGE MANAGEMENT AND ACCEPTING CHANGE**, which was conducted by M/s KICHER and ASSOCIATES of Nairobi, Kenya. Further, Management carried out re-engineering whereby the wells are remotely controlled from the switchboard houses serving a group of wells, thus saving on staff as follows:-

- Wells no. 2 and 7 were pooled to run from Sanawari Switchboard house.
- Wells no. 6 and 8 were pooled to run from Oltulelei Switchboard house and
- Wells no. 3 and 4 were pooled to run from Loruvani Switchboard house.

This exercise released some 10 extra staff from the well field who were allocated other duties as followed:-

- 4 joined the newly established Water Network Section and
- 6 joined the pool of Meter Readers.

OVERVIEW OF PERFORMANCE 2005/2006

During the financial year, AUWSA continued to realize considerable financial and operational gains. The turn over grew by 10% from Tshs. 2.77bn during 2004/2005 to Tshs. 3.040bn during the reporting period 2005/2006. Net Surplus generated turned around to reach Tshs. 62.1m from a negative of 382m the previous year, which accounted for 2% on Gross Sales, while billings income increased by 14.2% from Tshs. 2,240 million in 2004/2005 to reach Tshs 2,729 million. Other income decreased by 41.3% from Tshs. 531.3m the previous year to Tshs. 311.7m for the year under review.

Lastly but not least share capital contributed a 1% surplus during the year under review, compared to a negative contribution for the previous year.

Just like the previous period, huge provisions made on the receivables have greatly influenced this year's results.

OPERATING STRATEGIES 2005/2006

As a means of achieving the corporate goals for the financial year 2005/2006, 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 water connection without a water



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meter. In this respect, 1000 meters of $\frac{1}{2}$ inch 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 2006/2007 another 2000 additional domestic water meters would be procured for the same purpose.



(ii) Introduction of Hand held Data Loggers

The technology of Data Loggers introduced since 2004/2005 has proved very handy in accurate data capturing, minimizing the aspect of human error, and it has greatly improved the exercise of billing on time. So far 15 Data Loggers have been procured and procurement of additional 5 is in the pipeline.



(iii) Private – Public Sector Partnership

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

- 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.
- Security at Sewage Treatment Ponds at Lemara.
- Security at Midawe Treatment Works compound and Nduruma Intake.
- Security along Ngulelo – Midawe – Nduruma pipeline.

(iv) Extension of Water Supply Pipelines

In order to bring service closer to customers AUWSA carried out extension of supply main to areas where there was customers demand for service. The following pipelines extensions were planned and constructed to extend supply to unserved areas:-

- Pipeline extension Njiro Block G poly 32mm dia – 450m
- Pipe rehabilitation Pemba and India Streets Poly – 75mm dia – 300m
- Sakina area pipe extension poly – 75mm dia – 350m
- Elerai Ward pipeline extension poly – 75mm dia – 1200m

**(v) Extension of Sewer pipelines**

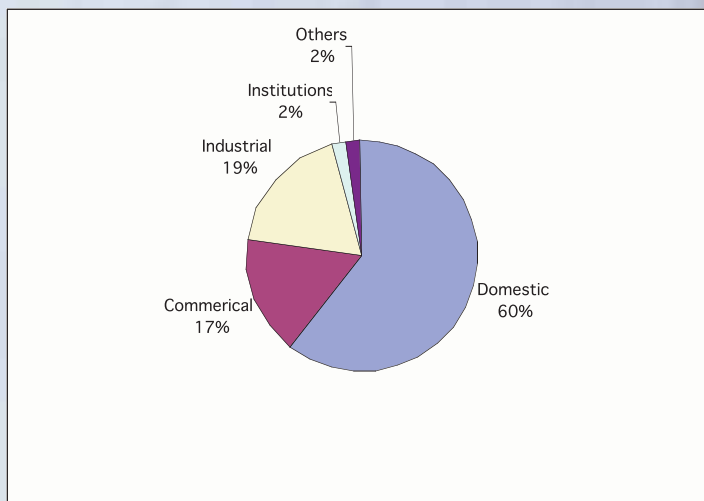
Phase II of Levolosi sewer pipeline was constructed and completed covering 515m of uPVC “B” 250mm dia pipes. Also Kaloleni sewer pipeline project was constructed covering 559m of UPVC 250mm dia class “B”. The 2 projects included 25 new manholes, and upon completion have attracted 203 new sewer connections.

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(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 pie chart below. The figures are not very different from those of the previous year. 60% of the Authority’s water is attributed to domestic consumers while the commercial and industrial sectors account for 16.9% and 19.3% respectively. Institutions account for 1.5% while others take up 1.97%.



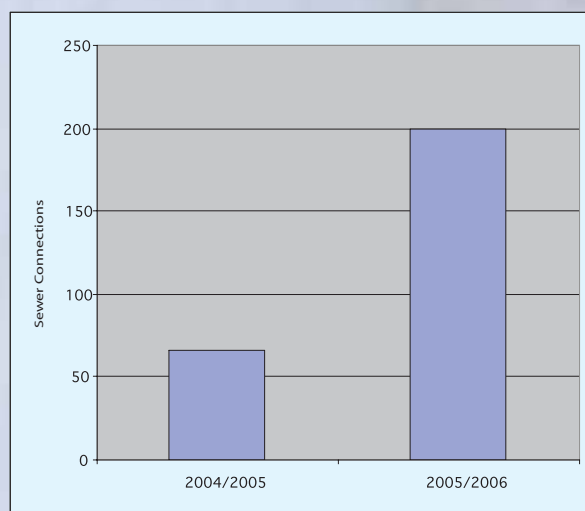
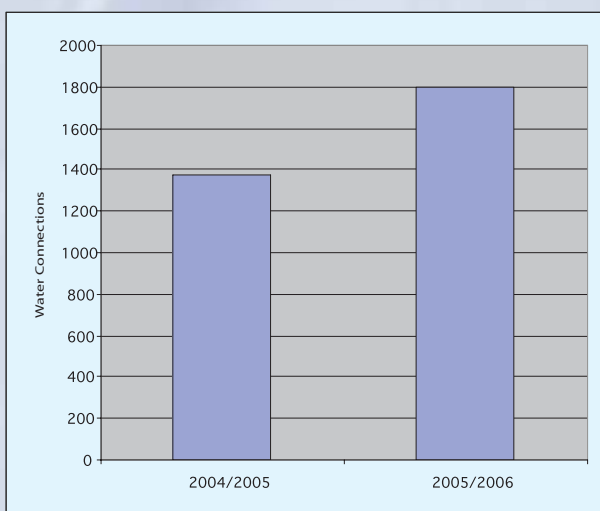
(vii) New Connections

During the year under review 1,777 new water and 159 new sewer connections were made. The figures are higher than the previous year when 1,375 and 66 water and sewerage connections were made respectively.





Major reasons been that after good rains that increased water production from our springs and river sources, and ensured constant supply of water and Kaloleni and Levelosi sewer extensions that enabled a lot of customers to connect with ease and automatically.



(viii) Unaccounted for Water (ufw)

During the year under review, the level of (ufw) was 35.38% up by 0.78% from the previous year's of 34.6%. This was caused mainly by air locks that developed on the Midawe – Ngulelo pipeline causing occasional over flows at Break Pressure Tanks, after been measured at the water meter chamber and clear water reservoir. However this problem was solved after additional air valves were procured and installed.



ANNUAL REPORT AND ACCOUNTS 2005/2006**(ix) Service coverage**

During the year 2005/2006, the water service for water increased from 95% to 96% while that for sewerage also increased from 11.2% to 12% of the targeted population. These increases were a result of various extensions installed during the year the commissioning of Levolosi II and Kaloleni sewer pipeline extensions and good seasonal rains that increased water production to match our water demand estimated at 47,191m³/d.

**(x) Cash Revenue Collection**

During the financial year, cash revenue collection increased by approximately Tshs. 312m compared to the previous year to reach Tshs. 2.831bn representing a growth of 12.4% and it is our sincere hope that this business growth trend will continue in the coming year.

(xi) Staff rationalization

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In terms of staff rationalization to achieve the required standard of 10 staff per 1000 connections, we decided not to reduce staff but to increase efforts at increasing connections. The ratio has gone down from 13 staff per 1000 connections in 1999/2000 to 8 staff per 1000 connections (water and sewerage) in 2005/2006.

(xii) Customer Care Initiative

With the slogan "The Customer is the reason we exist", the Authority has continued to improve its public image and create a mutual trust and respect for itself through the media, and its website which is already operational and goes by the address: www.auwsa.or.tz

On water quality surveillance and monitoring by an independent party we contracted Tanzania Bureau of Standards who took samples of our water and conducted independent tests and has issued us with a licence for "**PORTABLE WATER**" under standard **TZS 789-2003** an achievement unparalleled by any other Urban Water and Sewerage Authority in the country yet another 1st for AUWSA.

In line with government policy we have identified and supplied free water to the urban poor and over the reporting period we supplied free water worth close to Tshs. 700,000/= to those unfortunate 64 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 thank the Board which played a tremendous role in guiding us in terms of policy formulation and implementation.

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 coming years for we know "you are the reason we exist" and we shall keep our vision of offering water supply and sewerage services commensurate with the World's best practices.



Eng. A.A. Munisi
MANAGING DIRECTOR
November, 2006.



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STATEMENT OF INTERNAL CONTROL

As Accountable 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, 2006 and up to the date of approving of the annual report and accounts.

As Accountable 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 Department sections within the Authority who have responsibility for development and maintenance of internal control framework do my review of the effectiveness of the system of internal control, and supplemented by comments made by the statutory auditors in their management letter.



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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.
November, 2006



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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 4 – Extra ordinary meeting were held).
- 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.

BOARD COMMITTEES

During the performance year, the Board had three Committees which are:-

- Finance and Planning Committee
- Appointing and Disciplinary Committee
- Audit Committee

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

Finance and Planning Committee

Name	Position
E.R.K. Mshiu	Chairman
A.G. Mollel	Member
C.A. Issa	Member
N.H. Milao	Member
Eng. A.A. Munisi	Member
J.R. Aswile	Secretary

The above Committee held 5 meetings and in attendance were the line Managers. The Secretary to this Committee is a Management member.



Appointing and Disciplinary Committee

Name	Position
G.J. Mkolwe	Ag. Chairman
N.H. Milao	Member
Dr. J. Laiser	Member
Hon. P.L. Laizer	Member
Eng. A.A. Munisi	Member
H.G. Matoi	Secretary

The above Committee held 2 meetings and in attendance were line Managers. The Secretary to this Committee is a Management member.

Audit Committee

Name	Position
Chiku A. Issa	Chairperson
Eng. A.J. Kaaya	Member
L.M. Kipuyo	Member
Eng. A.A. Munisi	Member
W. Pallangyo/Ben Ngatunga	Secretary

The above Committee held 5 meetings and in attendance were the line Managers. The Secretary to this Committee is a Management member. Mr W. Pallangyo left the services of the Authority in April 2006, and had been replaced by Mr Ben Ngatunga, who is now the incumbent Internal Auditor

BOARD'S ANNUAL SELF EVALUATION

According to Appendices E & F in the Memorandum of Understanding, the Board, and its members, are required to carryout 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, reasonable and prudent judgements and estimations have been made in the



ANNUAL REPORT AND ACCOUNTS 2005/2006

preparation of the financial statements for the financial year ended 30th June, 2006. The Directors also confirm that applicable standards have been followed and that the financial statements have been prepared on a going concern 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 areas and collect revenue for sustainable services.

RESULTS

The performance of the Authority during the year is set out on page 30 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 31

SOLVENCY

The Authority's state of affairs as at 30th June, 2006 is set out on page 29 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.

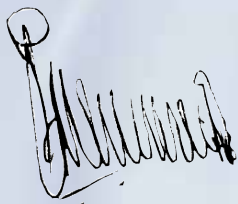
The Authority provides financial assistance e.g. mid month advances to all employees as a short-term support. Other long-term support is provided through AUWSA SACCOS LTD depending on the assessment as to the need, circumstance and ability to make repayments.

BOARD OF DIRECTORS MEETINGS

The Board of Directors held all four ordinary and four extraordinary meetings in conformance 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 is the Authority's Statutory Auditor and has delegated this responsibility to the AMAS Associates, who are Certified Public Accountants and Auditors.

BY ORDER OF THE BOARD

Mr. E.R.K. MSHIU
CHAIRMAN

4th November, 2006



Eng. A.A. MUNISI
MANAGING DIRECTOR

ANNUAL REPORT AND ACCOUNTS 2005/2006

INDEPENDENT AUDITORS REPORT

We have audited the accompanying Balance Sheet of Arusha Urban Water Supply and Sewerage Authority as at 30th June 2006 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 which we 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.

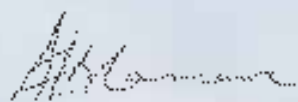
BASIS OF OPINION

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 at 30th June, 2006, and of 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 the Waterworks Ordinance, 1997 CAP 281.



AMAS ASSOCIATES (Certified Public Accountants and Auditors)

MOSHI

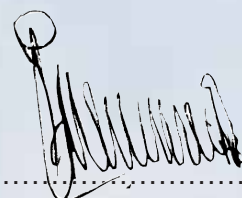
29TH SEPTEMBER, 2006



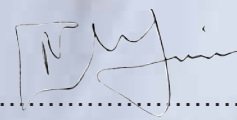
BALANCE SHEET AS AT 30TH JUNE, 2006

		Notes 30.06.2006 TZS' 000	30.06.2005 TZS' 000
ASSETS			
Non-Current Assets			
Property, Plant & Equipment	3	8,113,596	8,206,584
Unapplied Capital Grants		190,246	-
Other Intangible Assets	4	<u>34,170</u>	<u>44,266</u>
		8,338,012	8,250,850
Current assets			
Trade and Other Receivables	5	859,807	1,045,152
Inventories	6	387,240	404,454
Cash and Cash Equivalents		<u>308,481</u>	<u>93,931</u>
		1,555,528	1,543,537
TOTAL ASSETS		<u>9,893,540</u>	<u>9,794,387</u>
EQUITY AND LIABILITIES			
Government Fund	7	5,877,452	5,877,452
Capital Grants	8	2,600,879	2,494,841
Revaluation Reserves		21,523	21,523
Accumulated Reserves	9	<u>1,230,271</u>	<u>1,168,088</u>
		9,730,125	9,561,904
Current liabilities			
Trade and Other Payables	10	<u>163,415</u>	<u>232,483</u>
TOTAL EQUITY AND LIABILITIES		<u>9,893,540</u>	<u>9,794,387</u>

THE NOTES ON PAGES 34 TO 44 FORM PARTS OF THESE FINANCIAL STATEMENTS.
AUDITORS REPORT ON PAGE 28



CHAIRMAN



DIRECTOR

4th November, 2006



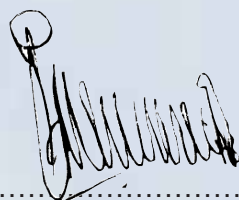
ANNUAL REPORT AND ACCOUNTS 2005/2006

INCOME STATEMENT

FOR THE YEAR ENDED 30TH JUNE, 2006

	Notes	2005/06 TZS' 000	2004/05 TZS' 000
INCOME			
Revenue	11	2,729,123	2,239,860
Less: Cost of Sales	12	<u>832,541</u>	<u>771,305</u>
Gross Profit		1,896,582	1,468,555
Gain on Foreign Exchange Rates Fluctuations		2,529	(882)
Other Operating Income	13	<u>309,257</u>	<u>531,333</u>
		2,208,368	1,999,006
OPERATING EXPENSES			
Administrative Expenses	14	922,057	937,407
Personnel Expenses	15	902,872	871,639
Depreciation		286,882	540,843
Audit Fees		5,800	4,200
Directors' Fees		28,623	27,820
		<u>2,146,234</u>	<u>2,381,909</u>
PROFIT/(LOSS) BEFORE TAX		62,134	(382,903)
Provision for Corporation Tax	16	-	-
PROFIT/(LOSS) AFTER TAX		<u>62,134</u>	<u>(382,903)</u>

THE NOTES ON PAGES 34 TO 44 FORM PART OF THESE FINANCIAL STATEMENTS. AUDITORS REPORT ON PAGE 28



CHAIRMAN



DIRECTOR

4th November, 2006

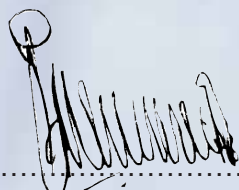


STATEMENT OF CHANGES IN EQUITYFOR THE YEAR ENDED 30TH JUNE, 2006

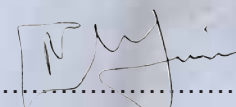
	GOVERN- MENT FUND	CAPITAL GRANTS	REVALUATION RESERVE	ACCUMULATED RESERVES	TOTAL
	TZS' 000	TZS' 000	TZS' 000	TZS' 000	TZS' 000
Balance as at 1st July, 2004	5,877,452	1,817,498	21,523	1,548,341	9,264,815
Adjustments		677,343		2,650	679,993
Profit for the Period				- 382,903	- 382,903
Balance as at 30th June, 2005	5,877,452	2,494,841	21,523	1,168,089	9,561,905
Balance As At 1st July, 2005	5,877,452	2,494,841	1,523	1,168,089	9,561,905
Adjustments		(84,208)	-	48	(84,160)
Unapplied Capital Grant		190,246			190,246
Profit for the Year	-	-	-	62,134	62,134
Balance As At 30th June, 2006	5,877,452	2,600,879	21,523	1,230,271	9,730,125

THE NOTES ON PAGES 34 TO 44 FORM PART OF THESE FINANCIAL STATEMENTS. AUDITORS REPORT ON PAGE 28

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

4th November, 2006



ANNUAL REPORT AND ACCOUNTS 2005/2006

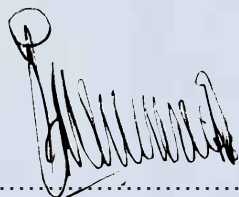
CASH FLOW STATEMENT

FOR THE YEAR ENDED 30TH JUNE, 2006

	2005/06 TZS' 000	2004/05 TZS' 000
Operating Activities		
Profit / (Loss) for the Year	62,134	(382,903)
Adjustments for:		
Depreciation	286,882	540,844
Impairment of Property, Plant and Equipment	-	41,132
Amortization of Grants	(84,209)	(334,085)
Gain on Disposal of Fixed Assets	(8,404)	-
Provision Adjustment	1,374	43,879
	195,643	291,770
Operating Cash Flows Before Movements in Working Capital	257,777	(91,133)
Decrease in Trade and Other Receivables	185,345	492,971
Decrease in Inventories	17,214	76,950
Increase (Decrease) in Trade and Other Payables	<u>(69,068)</u>	<u>159,115</u>
	133,491	729,036
Net Cash From Operating Activities (A)	391,268	637,903
Investing Activities		
Purchases of Property, Plant and Equipment	(185,122)	(1,355,276)
Proceeds from disposal of tangible assets	8,404	-
Net cash used in investment activities (B)	<u>(176,718)</u>	<u>(1,355,276)</u>
Net Increase(Decrease) in Cash and Cash Equivalents (A+B)	214,550	(717,373)
Cash and Cash Equivalents at the beginning of the of the Year	<u>93,931</u>	<u>811,304</u>
Cash and Cash Equivalents At the End of the Year	<u>308,481</u>	<u>93,931</u>

NOTES ON PAGES 34 TO 44 FORM PART OF THESE FINANCIAL STATEMENTS.

AUDITORS REPORT ON PAGE 28



CHAIRMAN



DIRECTOR

4th November, 2006



VALUE ADDED STATEMENT FOR THE YEAR ENDED 30TH JUNE 2006

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 & 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	2005/06 Audited		2004/05 Audited		2003/04 Resteted	
	TSHS '000	%	TSHS '000	%	TSHS'000	%
Value Added :						
Billings Income	2,729,123		2,239,859		2,145,424	
Other Income	311,787		531,333		549,806	
Cost of Sales	-832,541		-771,304		-727,413	
Other Operating Expenditure	-956,480		-970,309		-520,042	
TOTAL VALUE ADDED	1,251,889	100	1,029,579	100	1,447,775	100
Value Allocated:						
To Employees	902,874	65	871,639	85	693,319	48
To Expansion & Growth:	349,015	35	157,940	15	754,456	52
Depreciation	286,881		540,843		483,290	
Retained Surplus	62,134		-382,903		271,166	
TOTAL VALUE ALLOCATED	1,251,889	100	1,029,579	100	1,447,775	100
Value Added Ratios						
Number of employees	201		202		208	
Gross Income per employee	15,129		13,719		12,958	
Wealth created per employee	6,228		5,097		6,960	



ANNUAL REPORT AND ACCOUNTS 2005/2006

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 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.

1.3 Change of Accounting Policy

At the Board meeting held on March 2006, it was resolved that depreciation rates on Water Supply and Sewerage Networks should change from 5% to 2%. This complied with the IFRS-IAS no. 8 (*Accounting Policies, Changes in Accounting Estimates and Errors*).

1.4 Continued IFRS Changes: News Update

The International Accounting Standards Boards (IASB) has released an Exposure Draft in March 2006 seeking to review and make amendments in International Accounting Standard (IAS1): *Presentation of Financial Statements*. Management is aware of such amendments but no change has been made in the financial statements as amendments proposed are yet to be announced for mandatory compliance.

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 receivable 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.

ANNUAL REPORT AND ACCOUNTS 2005/2006

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 capitalized 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, stationary 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 recognizes 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 amortized 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 staffs 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 and NSSF are 20% whereby members contribute in the ratio of 10% employee's gross salary and 10% employer. The Authority's contribution to these schemes is charged to profit and loss statement. Employee benefits related to annual leave are accrued in the financial statements.

ANNUAL REPORT AND ACCOUNTS 2005/2006

NOTE: 3 PROPERTY PLANT AND EQUIPMENT

Descriptions	Lease land and Buildings	Furniture and Fittings	Water Pumps	Working Tools	Motor Vehicles	Mobiles Machines	Computers	Water Distribution & Network	Sewerage & Network	Water Boreholes	Total Tshs
Cost/Valuation 01.07.05	285,950	115,918	356,027	53,350	315,618	320,936	157,588	5,652,361	2,885,792	352,016	10,495,556
Addition	-	2,248	25,249	7,649	52,585	-	14,048	17,070	39,294	-	158,143
Adjustments (Disposal)/Head for Sale	-	-	-	-	(16,000)	(38,000)	-	-	-	-	(54,000)
Adjustments (Disposal)	-	-	-	-	(16,000)	-	-	-	-	-	(16,000)
Balance as at 30/06/2006(A)	285,950	118,166	381,276	60,999	336,203	282,936	171,636	5,669,431	2,925,086	352,016	10,583,699
Accumulated Depreciation as at 1/07/2005	47,181	60,241	108,068	39,782	263,873	283,641	106,527	592,176	716,407	71,259	2,289,155
Charge for the year	7,149	11,679	7,584	6,349	13,216	6,882	8,597	113,389	58,502	17,601	250,948
Eliminated on Asset Disposal	-	-	-	-	(15,999)	-	-	-	-	-	(15,999)
Eliminated on Asset Disposal/Held for Sale	-	-	-	-	(15,999)	(37,999)	-	-	-	-	(53,998)
Balance as at 30/06/2006	54,330	71,920	115,652	46,131	245,091	252,523	115,124	705,565	774,909	88,860	2,470,105
Carrying Amounts as at 30/06/2006 (A-B)	231,620	46,246	265,624	14,869	91,113	30,413	56,512	4,963,866	2,150,177	263,156	8,113,596
Carrying Amounts as at 30/06/2005	238,769	55,677	247,959	13,568	51,745	37,295	51,259	5,060,185	2,169,370	280,757	8,206,584



NOTE: 4 OTHER INTANGIBLE ASSETS

Cost or Valuation	ACCESS		Mack-Pay		CMMS		Perfect Bill		WEBSITE		ARUTI		AUDIT SOFT		PASTEL		TOTAL	
	TZS	000	TZS	000	TZS	000	TZS	000	TZS	000	TZS	000	TZS	000	TZS	000	TZS	000
As At 1 st July, 2005	11,406		400		4,535		107,371											123,712
Addition	-		-		-		4,344		7,645		5,001		5,500		4,489			26,979
As At 30th June, 2006 (A)	11,406		400		4,535		111,715		7,645		5,001		5,500		4,489			150,691
Accumulated Amortization As At 1 st July, 2005	8,555		200		2,041		69,791		-		-		-		-			80,587
Amortization for the Year	2,852		200		1,134		27,929		1,115		208		1,375		1,122			35,935
As At 30th June, 2006 (B)	11,406		400		3,175		97,720		1,115		208		1,375		1,122			116,521
Carrying Amount:																		
At 30th June, 2006 (A - B)	-		-		1,360		13,995		6,530		4,793		4,125		3,367			34,170
At 30 th June, 2005	3,992		200		2,494		37,580		-		-		-		-			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 IFRS they are de-recognized as tangible assets and recognised as 'Other Intangible Assets' and amortized over its useful economic period.

ANNUAL REPORT AND ACCOUNTS 2005/2006

NOTE: 5 TRADE AND OTHER RECEIVABLES

	30.06.2006	30.06.2005
	TZS '000	TZS '000
Trade Receivables	1,202,015	1,511,794
Other Receivables	<u>38,801</u>	<u>35,999</u>
	1,240,816	1,547,793
Less: Provision for Impairment	<u>381,009</u>	<u>502,641</u>
TOTAL	<u>859,807</u>	<u>1,045,152</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:

	30.06.2006	30.06.2005
	TZS '000	TZS '000
Balance at 1 st July, 2005	502,641	100,532
Additions During the Year	<u>308,374</u>	<u>402,109</u>
Sub-Total	811,015	502,641
Less: Amount written off	<u>430,006</u>	<u>-</u>
Balance at 30 th June, 2006	<u>381,009</u>	<u>502,641</u>

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

NOTE: 6 INVENTORIES

	30.06.2006	30.06.2005
	TZS '000	TZS '000
Pipes and Fittings	269,149	310,451
Electrical Fittings	7,165	7,605
Spare parts	77,565	44,608
Chemicals	12,558	2,974
Oil, fuel and lubricants	5,721	10,485
Stationery	16,448	23,878
<u>Other Consumables</u>	<u>3,884</u>	<u>4,453</u>
Sub-Total	392,490	404,454
Less: Impairment Pipe & Electrical Fittings	<u>5,250</u>	<u>=</u>
TOTAL	<u>387,240</u>	<u>404,454</u>



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NOTE: 7 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: 8 CAPITAL GRANTS

DESCRIPTION	MOBILE MACHINE AND EQUIPMENT TZS' 000	COMPUTER AND OTHER EQUIPMENT TZS' 000	FURNITURE AND FITTINGS TZS' 000	TOOLS AND EQUIPMENT TZS' 000	STOCKS TZS' 000	WATER SUPPLY TZS' 000	WATER BOREHOLES TZS' 000	CMMS SOFTWARE TZS' 000	PERFECT BILL TZS' 000	TOTAL TZS' 000
Balance At 01.07.2005	176,261	756	125	1,372	-	2,570,075	72,993	4,535	107,371	2,933,487
Additions	-	-	-	-	190,246	-	-	-	-	190,246
Balance At 30.06.2006 (A)	176,261	756	125	1,372	190,246	2,570,075	72,993	4,535	107,371	3,123,733
Amortization:										
Balance At 01.07.2005	175,588	302	31	686	-	186,557	3,650	2,041	69,791	438,647
Amortization During The Year	673	151	13	343	-	51,402	3,650	1,134	26,843	84,209
Balance At 30.06.2006 (B)	176,261	453	44	1,029	-	237,959	7,300	3,175	96,634	522,855
Total At 30.06.2006 (A-B)	0	302	81	343	190,246	2,332,116	65,693	1,360	10,737	2,600,879
Total At 30.06.2005	673	454	93	686	-	2,383,518	69,343	2,494	37,580	2,494,841

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: 9 ACCUMULATED RESERVES

	30.06.2006 TZS' 000	30.06.2005 TZS' 000
Balance Brought Forward at 1 st July,	1,168,089	1,548,342
Adjustments	48	2,649
Profit / (Loss) for the Year	<u>62,134</u>	<u>(382,902)</u>
Balance Carried Forward at 30 th June,	<u>1,230,271</u>	<u>1,168,089</u>



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NOTE: 10 TRADE AND OTHER PAYABLES

Accrued expenses	103,609	74,247
Water meter deposit	7,751	6,700
Trade and other payables	43,752	59,847
Contract retention fees	-	91,689
Terminal Benefit	8,303	-
TOTAL	<u>163,415</u>	<u>232,483</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:

	2005/06	2004/05
	TZS '000	TZS '000
Water Consumption Charges	2,420,353	2,004,154
Sewerage Disposal Charges	191,376	129,338
Service Charges	117,394	106,368
TOTAL	<u>2,729,123</u>	<u>2,239,860</u>

NOTE: 12 COST OF SALES

Water Production Expenses	361,660	344,038
Water Distribution Expenses	198,727	164,355
Sewerage Expenses	19,421	15,618
Maintenance and Repair Expenses	252,733	247,294
TOTAL	<u>832,541</u>	<u>771,305</u>

NOTE: 13 OTHER OPERATING INCOME

	2005/06	2004/05
	TZS' 000	TZS' 000
New Water and Sewer Connection Fees	184,187	167,404
Interest on Bank Deposits	529	1,972
Amortization of Grants	84,209	334,084
Miscellaneous Receipts	42,861	27,873
TOTAL	<u>311,786</u>	<u>531,333</u>



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NOTE: 14 ADMINISTRATIVE EXPENSES

	2005/06	2004/05
	TZS'000	TZS'000
Postages and Telecommunications	75,574	75,505
Land Rent and Rates	4,391	230
Insurances	6,994	6,682
Office and General	21,144	48,946
Fumigation and Fire Fighting	3,242	3,816
Duty Travels	73,576	72,965
Computer maintenance and repair	20,073	20,369
Staff Uniforms	10,067	8,953
Electricity for Office	12,114	4,813
Workers Council meetings	16,327	7,759
Management Meetings	4,910	5,935
Workers Annual Function	7,978	7,653
Miscellaneous and Contingencies	10,527	11,405
MD Hospitality	32,708	-
Budget & Annual Accounts Preparation	18,865	13,505
AUWSA Tender Board Meetings	32,033	19,443
Service Delivery Targets Cost	1,117	3,314
Compensation	0	303
Impairment Loss	0	41,132
Business promotion	76,669	80,918
Subscriptions and Charitable donations	43,166	35,649
Bank charges	4,285	4,247
Impairment of Receivables	308,374	402,110
Board meeting expenses	77,639	61,253
Professional Fees	2,167	502
City Service Levy	28,852	-
Impairment on Inventories	5,250	-
Printing and Stationeries	15,543	-
Debts collection	8,460	-
Software Annual Support	12	-
TOTAL	<u>922,057</u>	<u>937,407</u>



ANNUAL REPORT AND ACCOUNTS 2005/2006**NOTE: 15 PERSONNEL EXPENSES**

	2005/06	2004/05
	TZS' 000	TZS' 000
Basic Salaries	418,287	412,382
Gratuity	0	935
Employer's PPF/NSSF Contribution	62,679	58,358
House Allowance	52,534	53,108
Wages	5,100	6,812
Overtime / Lunch Allowances	49,929	51,996
Traveling on Leave	36,905	29,561
Medical Charges	40,649	42,922
Hardship Allowance	11,540	2,561
Acting Allowance	0	136
Fuel & Transport Allowance	111,635	94,544
Training Expenses	28,839	44,800
Burial Expenses	7,850	8,710
Incentive to Employees / Bonus	72,113	64,814
Examination/Seminar/Course Fees	4,812	
TOTAL	<u>902,872</u>	<u>871,639</u>

NOTE: 16 PROVISION FOR CORPORATE TAX

No provision for Corporate 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, the Minister for Finance issued no specific tax exemption to the Authority during the year under review.

NOTE: 17 CONTINGENT LIABILITIES

The Management certifies that there were no contingent liabilities as at 30th June, 2006.

NOTE: 18 CAPITAL COMMITMENTS

The Management certifies that there were properly approved capital commitments amounting to Tshs. 651 million as at 30th June, 2006.

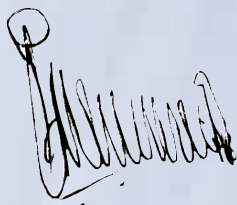
NOTE: 19 COMPARATIVE FIGURES

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



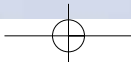
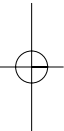
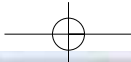
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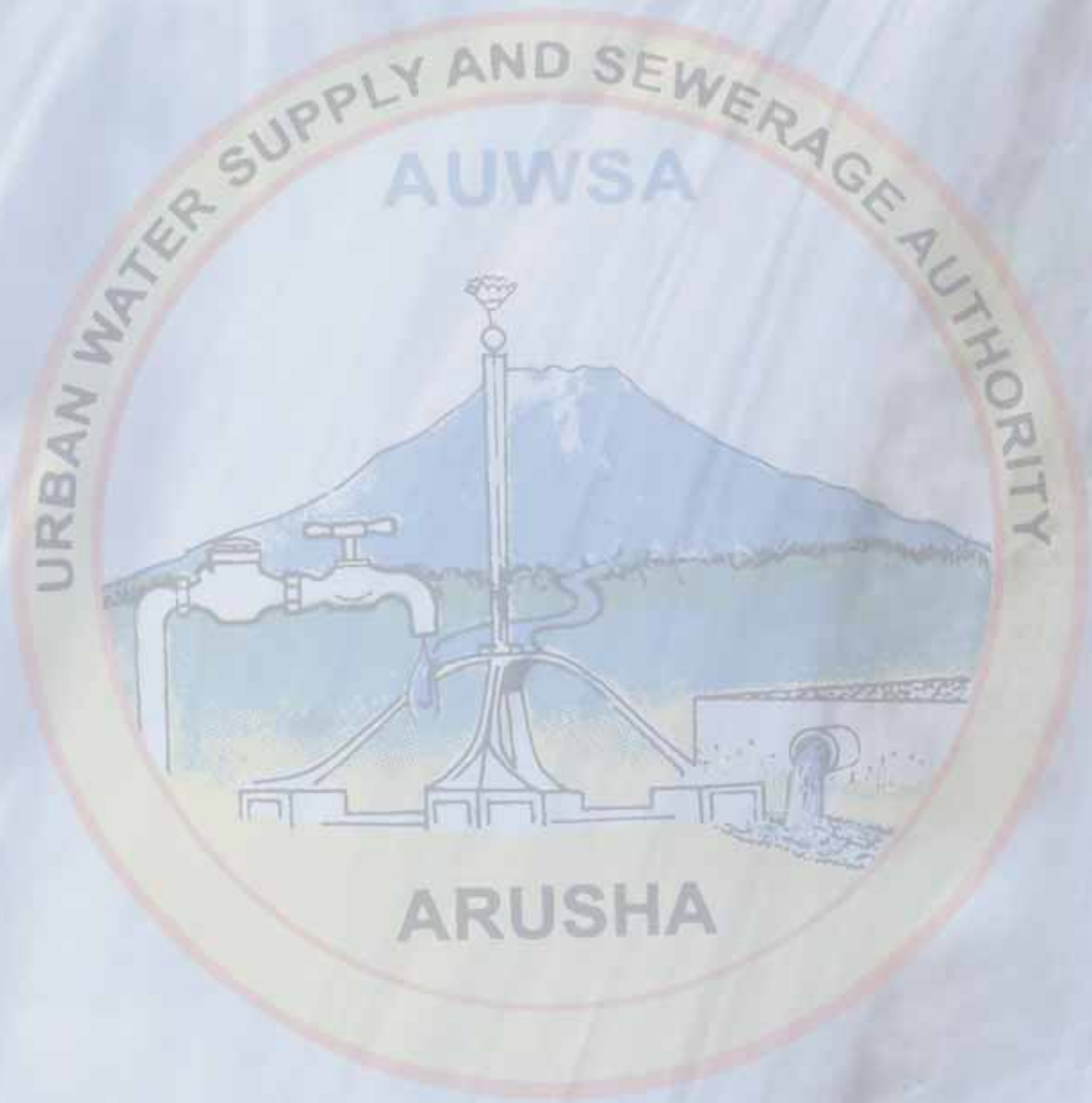
The Board of directors and Management of the Arusha Urban Water Supply and Sewerage Authority would like to thank all those who assisted in the preparation of this annual report, in particular the auditors AMAS ASSOCIATES, various stakeholders as well as our employees of the Authority. We also wish to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

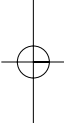
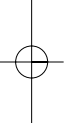


E.R.K. Mshiu
BOARD CHAIRMAN









P.O. Box 13600 Tel: 255 27 2506124 Fax: 255 27 2504163
E-mail: auwsa@habari.co.tz Website www.auwsa.or.tz
ARUSHA, TANZANIA