WATER AND SEWERAGE CORPORATION

ANNUAL REPORT 2013

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NOTE:

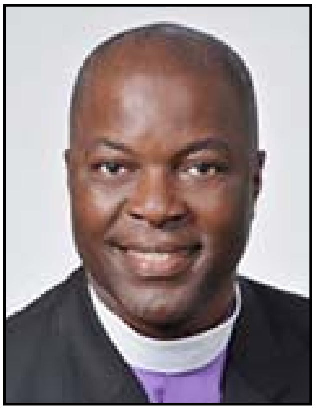
The 2013 Audited Financial Statements were completed in 2014. However, the Annual Report was completed in 2015 and reflects the Board and Executive Management team in place at the time of Report completion. The Annual Report was then published in 2016

The Board and Management wishes to acknowledge; the leadership and contributions of ***Mr. Bradley Roberts*****,** ***Chairman****, January 2013 – December 2013; the contributions of* ***Mr. Audley Hanna, Deputy Chairman****, January 2013 – December 2013, and* ***Mr. Ehurd Cunningham*** *(dec.), Board Member, January 2013 to May 2013, and; the contributions of* ***Mr. Christopher Sherman (ret.), Deputy General Manager,*** *January 2013 – June 2013*

MESSAGE FROM THE CHAIRMAN

The Board of Directors is proud of the accomplishments in 2013. Despite some setbacks in the timely execution of some strategic activities, major accomplishments were realized such as the following:

- Executing the Final Agreement with Baha Mar for the provision of water and wastewater services to the mega resort.
- Awarding a contract to a Bahamian firm for the construction of a new wastewater treatment facility to receive and treat Baha Mar wastewater including the provision of recycled water to irrigate its golf courses.
- Completing a forensic review into the major desalination contracts in New Providence including expert review of the chronic red water challenges facing the Corporation.
- Reduction of non-revenue water (NRW) or water losses by about 0.5Million imperial gallons per day in New Providence.



Bishop Lester Cox, J.P.
Chairman

- Advancing the Government's mandate for the sector which is mainly to; (i) Reduce Water and Sewerage's (WSC) reliance on the central government for funding, and; (ii) expand water and sewerage services throughout The Bahamas.

The outlook for 2014 is even greater as the Board advances the Government's agenda to bring potable water services to various Family Islands while reducing WSC's reliance on funding from Central Government.

BOARD OF DIRECTORS

Leadership with Vision

Lester Turnquest
Deputy Chairman

Mr. John Bain
Board Member

Mr. Audley Hanna
Board Member

Dr. Hubert Fowler
Board Member

Hugh Garfield Chase
Board Member

2 MESSAGE FROM THE GENERAL MANAGER

Glen Laville
General Manager

2013 was the first year of the Execution Phase of the non-revenue water (NRW) or water losses reduction project in New Providence. It was very successful by not only reducing losses by 0.5Million imperial gallons per day, but also eliminating the need for water rationing which plagued the first half of 2013.

Additionally, other aspects of WSC's strategic plans were advanced with contracts being awarded to;

- Prepare a Wastewater Master Plan and detailed designs for the rehabilitation of critical infrastructure, and;
- Assist WSC with rebranding and customer win-back initiatives once its operational efficiencies and reliability of service improves.

Procurement for a consultant to advance regulatory reform of the sector also was initiated with an award expected in the first quarter of 2014. This will ensure that WSC focuses on its core functions as a water and wastewater service provider, while protecting the interests of consumers through a regulated environment fostering efficiency, reliability, quality, and reasonable cost of service.

WSC also held a workshop with the Board and its Ministry to present its strategic initiatives and in particular outline its organization restructuring plans. All of this was well received and supported.

As we go into 2014 WSC expects to accelerate the NRW reduction activities and to continue to advance its restructuring efforts to improve both operational efficiency and staff productivity. We remain focused on our Mission statement:

To transform the Corporation into an efficient, customer focused organization that provides quality service and enjoys a reputation for consistently high performance.

WSC EXECUTIVE TEAM

NEW PROVIDENCE OPERATIONS / ENGINEERING & PLANNING

Robert Deal
Deputy General Manager

BUSINESS OPERATIONS DIVISION

Sandra Edgecombe
Chief Financial Officer

INTERNAL CONTROL & COMPLIANCE

Elwood Donaldson
Senior Assistant General Manager

HUMAN RESOURCES

Cheri Hanna
Asst. General Manager

FAMILY ISLANDS DIVISION

Philip Beneby
Asst. General Manager

VISION STATEMENT

Committed to growth, committed to quality.

OUR MISSION

To transform the Corporation into an efficient, customer focused organization that provides quality service and enjoys a reputation for consistently high performance.

4 Key Indicators of WSC's Performance

At WSC, performance is measured to ensure that customers are receiving high-quality service and that we aggressively pursue important targets that we have set for ourselves. An evaluation of our performance in 2013 (see Table 4.1) shows that our performance improved compared to 2012. We also ensured that the water provided was safe to drink as we met almost all key targets for water quality. WSC is committed to improving its performance even further, so as to also meet our targets for financial and operational efficiency. Our performance over the coming years will improve through the strategic initiatives that were launched in 2012 and that continued in 2013 (see Section 5).

Table 4.1: Corporate and Performance Targets

KPI	Description	2013	Target
Water Quality in New Providence[1]			
Escherichia Coli (E. Coli)	One way to ensure that water is safe to drink is to test for E.Coli (a harmful bacterium). All water samples tested should be free of E.Coli.	100%	100% of Samples E. Coli Free
Residual Chlorine	Another way to measure that water is safe to drink is to test it for residual chlorine. The existence of residual chlorine in the water supply means that enough chlorine is added to kill micro-organisms in the distribution network. Thus, all water samples tested should have residual chlorine.	100%	100% of Samples have residual chlorine
Appearance	Water supplied is tested at pumping stations to ensure that it is clear.[2] This does not affect the safety of the water—just its appearance.	100%	100% of Samples are clear
Chloride (Salinity)	To ensure that water does not have an odd taste, it is tested for chloride. Chloride levels above 250 mg/l can change the taste of water. Chloride is a naturally occurring chemical in sea water that, according to the World Health Organization, is safe in quantities below 600 mg per liter (mg/l).	290 mg/l	Chloride at or below 250 mg/l
Coverage			
Households Served with Water	Water coverage tells us the percentage of households in our service area to which we are providing service. We strive to increase water coverage each year, in an effort to achieve coverage of 95 percent by 2020.	57%	95% by 2020
Households Served with Sewer	Sewer coverage tells us the percentage of households in our service area to which we are providing service. We strive to increase sewer coverage each year. However, no specific target has been set as our first priority is to expand safe, potable water supply coverage.	11%	No short or medium term target set

[1] 52 samples were taken at each of WSC's production plants in New Providence: Windsor Station, Blue Hills Station, Blue Hills High Level, and Winton Station. The percent is calculated using the simple average of samples that passed the testing.

[2] The appearance of water supplied is checked at the pumping station. As a result, this test does not capture when customers receive water that has been discolored due to old mains. WSC is working to replace old mains in the system and to reduce the number of red water incidences.

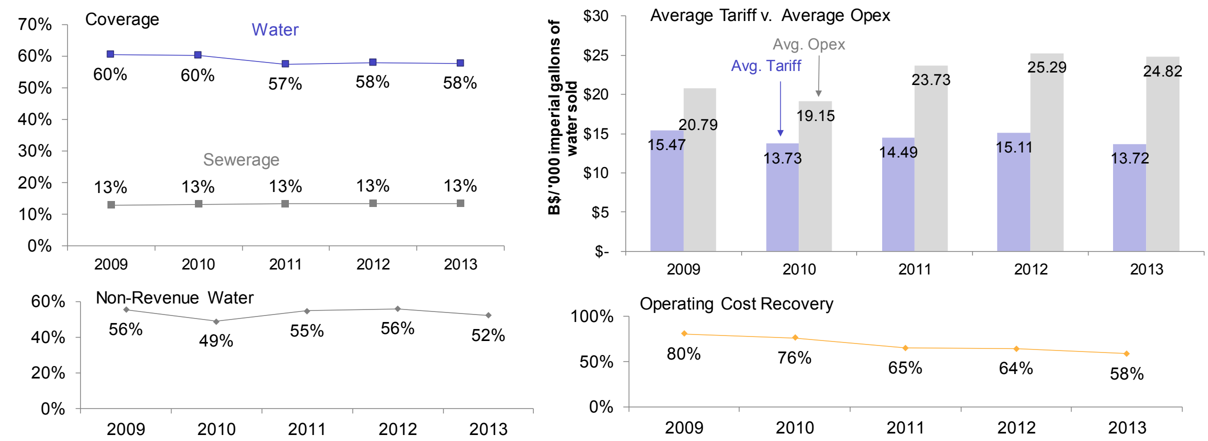
KPI	Description	2013	Target
Operational Performance			
Non-Revenue Water (NRW)	NRW is defined as water that is supplied but not billed to customers. It is very costly and must be controlled. We seek to reduce the level of NRW each year to decrease operating costs associated with water supply.	▪ NP: 6.4 MIG/day ▪ FI: 1.9 MIG/day	By 2017 ▪ NP:2.5 MIG/day ▪ FI: 1.0 MIG/day
Time to Respond to Complaints	Customer complaints should be addressed quickly. We aim to address customer complaints within 48 hours.	Addressed in 48 hours: ▪ Leaks: 84% ▪ Water: 55% ▪ Sewer: 78%	95% addressed within 48 hours by 2018
Employees per active water Connections	This indicator—calculated as number of staff per every 1,000 active water connections—measures the efficiency of our staff. We aim for a ratio of 5 staff members for every 1,000 customers.	7.4 staff per 1,000 connections	5 staff per 1,000 connections by 2018
Collection Efficiency	This measures our effectiveness in collecting payments from customers for bills issued. A high collection efficiency ensures we have the cash required to operate.	90%	98% by 2018
Average Age Receivables	This indicator measures our efficiency in collecting outstanding payments. The quicker outstanding payments are collected, the better and the lower the average age of receivables.	119 days	90 days by 2018
Financial Performance			
Annual Capital Expenditure	This indicator keeps track of investments in upgrading and expanding water and sewer infrastructure, as well as purchasing property, plant, and equipment. This helps determine whether we are making the investments required to maintain our system. This figure captures expenditures on capital projects which began and were completed this year, as well as multi-year capital projects that were completed this year.	B$30.9 million[3]	B$8.0 million
Operating Cost Recovery	This indicator measures the percent of operating costs covered with operating revenue. Operating cost recovery should be at least 100 percent so that operating costs are covered with operating revenue.	58%	100% by 2018
EBITDA Margin	EBITDA margin calculates a company's core profitability. It is calculated as earnings before interest, tax, depreciation, and amortization (EBITDA) divided by total revenue. The higher the EBITDA margin, the better. An EBITDA Margin above 0 percent means costs (excluding interest, tax, depreciation, and amortization) are covered with revenue.	-72%	0% by 2018

[3] Includes B$21.94 million worth of new additions and B$8.99 million worth of transfers (works in progress at the end of 2012 that were completed in 2013). Excludes the B$9.19 million worth of works in progress at the end of 2013.

2013 Performance Summary

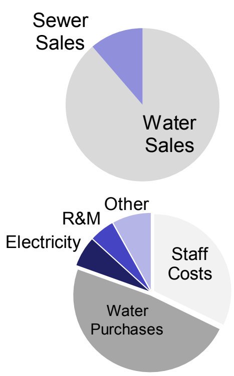
In 2013, we began to see the impact of several of the strategic initiatives launched in 2012. In particular, one of the highlights of our 2013 performance was a significant reduction in non-revenue water. Despite this important improvement in our operating performance, our financial performance did not improve. In large part, this is due to a key driver affecting our financial performance—our average tariff remains significantly below cost recovery levels.

Figure 4.1: Summary of Coverage, Non-Revenue Water, and Operating Cost Recovery



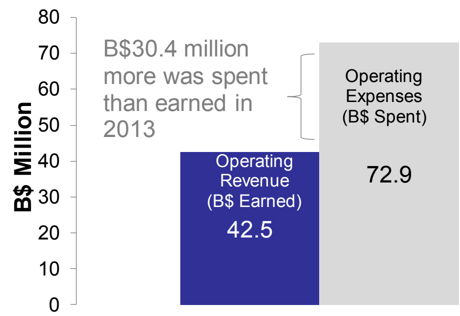
Water sales continued to be the largest source of revenue in 2013, making up 90 percent of total operating revenue. Revenue in 2013 was slightly less than in 2012 as a result of a decrease in non-residential water customer sales. Operating costs increased further due to the two main cost drivers-water purchases and staffing costs.

Figure 4.2: Summary of Operating Revenue and Operating Expenses



Operating Revenue	B$ Million	Percent
Water Sales	38.2	90%
Sewer Sales	4.3	10%
Operating Revenue	42.5	100%

Operating Expenses	B$ Million	Percent
Staff Costs	22.3	31%
Water Purchases	36.1	50%
Electricity	4.7	6%
R&M	3.2	4%
Other	6.5	9%
Operating Expenses	72.9	100%
Cost recovery		**58%**



R&M stands for "Repairs and Maintenance"; Other includes operating expenses related to fuel and oil, administration, bad debt and sundry provisions, and other adjustments.

5 Strategic Initiatives Carried out in 2013

The focus in 2013 was to continue progressing with the strategic initiatives launched in 2012. WSC is committed to carrying out these initiatives in a timely manner, in order to achieve our objectives by the target years set. Table 5.1 presents the strategic initiatives launched in 2012 and that we continued to execute in 2013.

Table 5.1: Strategic Initiatives Carried Out in 2013

Initiative	Progress in 2013
Reduce Non-Revenue Water (NRW)	MIYA (the firm hired to execute our NRW reduction program) carried out the final Baseline Survey, adjusted the NRW targets accordingly, and began to implement the Strategic Plan developed in 2012 to reduce NRW in New Providence. Barefoot Marketing was hired in the final quarter of 2013 to carry out a customer win-back campaign and, provide marketing and public relations assistance in rebranding WSC.
Implement a New Organizational Structure	Implementation of the New Organizational Structure continued with the restructuring of another portion of the company.
Prepare a master plan and rehabilitate wastewater treatment plants (WWTP)	Adin Holdings (Israel), in association with Integrated Building Services (Bahamas), was hired to develop the Wastewater Master Plan for New Providence.
Update the legal and regulatory framework	The formation of the Regulatory Reform Committee, which will oversee the successful implementation of this strategic initiative, was completed. Procurement also commenced for the consultant to prepare draft legislation and bye-laws for the regulators.

In 2013, we received US$13.6 million in disbursements from the Inter-American Development Bank (IDB) and spent US$12.9 million. This is a part of the US$81 million loan that we executed in 2011 to finance our strategic initiative.

Strategic Initiative 1: Reduce Non-Revenue Water (NRW)

NRW is of concern to all water utilities but is especially costly to WSC due to the use of energy-intensive desalination (by reverse osmosis – RO) for water production. NRW creates the need to produce more water than would otherwise be needed, and therefore increases operating costs associated with water supply.

In 2013, MIYA began implementing the Strategic Plan to reduce NRW in New Providence, which was developed in 2012. Additionally, the second Baseline Survey was completed in June 2013. The NRW reduction targets were revised (see Table 5.2) according to the findings of the Baseline Survey.

Within this first year of implementation, the volume of NRW in New Providence was reduced from 6.9 million imperial gallons per day (58 percent of water supplied) in 2012 to 6.4 million imperial gallons per day (54 percent of water supplied) in 2013.

Table 5.2: Revised NRW Reduction Targets for New Providence

New Providence NRW	Historic			Estimated Reduction Under Contract (Revised)[4]							
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
MIG/Day	6.6[5]	6.9[6]	6.4[7]	5.5	4.3	3.2	2.5	2.5	2.0	2.0	2.0

A contract worth US$0.75million was awarded to Barefoot Marketing (Bahamas) in October 2013 for a Public Relations Campaign aimed at rebranding the Corporation and winning back customers. The objective is that the Public Relations Campaign will improve our relationship with residents in our service area and will help us expand our customer base. Barefoot Marketing is also expected to work with MIYA in creating and coordinating the win-back campaign. Our collaboration with Barefoot Marketing will also build internal capacity to launch Public Relations Campaigns in the future.

Strategic Initiative 2: Implement a New Organizational Structure

We launched an initiative to implement a New Organizational Structure with the objective of becoming a more efficient company. The proposed organizational structure is designed to reduce bureaucracy, ensure that related functions or dependent functions are grouped together, and allow the WSC to focus on its core functions. The proposed structure will also improve the staff's performance by establishing clear job descriptions and responsibilities for each position, establishing indicators to measure the performance, and establishing the qualifications and skills needed for each position. In 2012, we finalized the New Organizational Structure and began implementing it.

In 2013, we merged the New Providence Operations Division and the Engineering and Planning Divisions. The specific goal of this new division is to ensure the coordination between the system operators and the engineers in order to meet the needs of the water and sewerage systems.

Strategic Initiative 3: Prepare a Master Plan and Rehabilitate Wastewater Treatment Plants

The objective of this initiative is to improve the quality of wastewater services provided by rehabilitating wastewater treatment plants (WWTP) and other critical sewerage infrastructure. This will help improve the performance of existing assets and protect the environment. Consultants—Adin Holdings (Israel) and Integrated Building Services (Bahamas)—were contracted in November 2013 to develop the Wastewater Master Plan and to prepare detailed designs for critical sewerage infrastructure rehabilitation. The contract for this consultancy is worth US$0.98 million and US$15Million is allocated under the IDB loan for the key infrastructure works identified. The Master Plan is expected to be completed by the first quarter of 2015.

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[4] Targets were established based on the 2011 Baseline Survey which was completed in October 2012 using 2011 data. This was the basis for developing the reduction strategy. The 2012 Baseline Survey was completed in 2013 using 2012 data, and the targets were adjusted to reflect the latter results as per the contract which specifies that the 2012 NRW level will be the contractual baseline. The reduction strategy will be adjusted if required to reflect the 2012 NRW level.

[5] Final Baseline Survey 2012 Report (Executive Summary) states that the "total validated volume of NRW [in 2011] was 2,400.1 MIG (6.58 MIGPD)". .

[6] Baseline Survey 2013 Report,(Executive Summary) states that the "total validated volume of NRW of 2,506.4 MIG (6.87 MIGPD).".

[7] Annual Project Implementation Report for 2013, (Executive Summary) states that the "total validated volume of NRW of 2,328.41 MIG (6.38 MIGPD).".

Table 5.3: Expected Outcomes of Strategic Initiative 4

Expected Outcomes	Baseline (2012)	2013	Target (2016)
WWTP rehabilitated and disposal wells constructed	0	0	9
Lift stations rehabilitated	0	0	60
Collection systems and force mains rehabilitated/installed (miles)	0	0	4
Wastewater Master Plan prepared	0	0	1
Flow treated daily (million gallons per day)	2.1	2.2	6.5

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Strategic Initiative 4: Update Legal and Regulatory Framework

The objective of this initiative is to establish an effective legal and regulatory framework for the water and sewerage sector. The expected outcome of this initiative is that; (i) an Environmental Regulator will be established, and; (ii) the Utilities Regulation and Competition Authority (URCA) will expand its responsibilities to act as the economic regulator of the water and sewerage sector. Both regulators are scheduled to become effective in 2015. US$3 million has been allocated under the IDB Loan to draft legislation and work with the Government to establish both Regulators. The latter includes assisting in the provision of proper facilities and the necessary human resources.

In 2013 a Regulatory Reform Committee was formed, which will oversee the successful implementation of this strategic initiative. It is composed of representatives from various Government Ministries, from the Utilities Regulation and Competition Authority (URCA), and from the WSC. The Committee's responsibilities and powers will be limited to the activities related to this strategic initiative, and will be dissolved once its objectives have been achieved.

The Committee's objectives are two-fold. First, it will support and facilitate the approval of the legislation reforming the water and sewerage sector and it must work to ensure that Parliamentary approvals of the proposed legal reforms are expedited. Secondly, the Committee will ensure that the WSC is measuring all indicators necessary for economic and environmental regulation by 2016 (the fifth and final year of the IDB Loan).

6 WSC's Performance in 2013

There have been several improvements in WSC's 2013 performance of which the most notable was the reduction in our Non-Revenue Water (NRW). This trend is expected to continue in future years thanks to the strategic initiative to reduce NRW in New Providence.

Despite these improvements, we continued to face challenges that affected our operational and financial performance. Staffing costs increased and the tariffs remain below efficient cost recovery levels. Table 6.1 summarizes the key operating statistics that capture the changes in our performance during the last three years.

Table 6.1: WSC's Key Operating Statistics Performance (2011-2013)

Indicator	Units	2011	2012	2013	Performance Rating
Operational Indicators					
NRW (Volume)*	IG/connection/day	134	151	141	◔
NRW (%)	%	53	56	52	◔
Collection Rate	%	87	89	90	◕
Staff Efficiency	Employees per 1,000 customers[8]	7.5	7.1	7.4	◔
Financial Indicators					
Average Tariff	B$/'000 IG	14.31	15.31	13.72	◑
Average Opex	B$/'000 IG	23.43	25.62	24.82	◔
Operating cost recovery	%	65	64	58	◔
EBITDA Margin	%	-54	-56	-72	◔
Net Income (Loss)	B$ millions	(4.3)	(11.2)	(14.5)	◔
Annual Capital Expenditure[9]	B$ millions	18.8	13.7	30.9	◕
Operating Subsidies	B$ millions	32.0	32.3	29.9	◔
Capital Subsidies	B$ millions	23.0	0.8	5.6	◕

Note: ◔ denotes lowest rating, ● denotes highest rating.

*Calculated as the volume of NRW in New Providence (as estimated by MIYA) and the volume of NRW in Family Islands, divided by the total number of customers in WSC's service area.

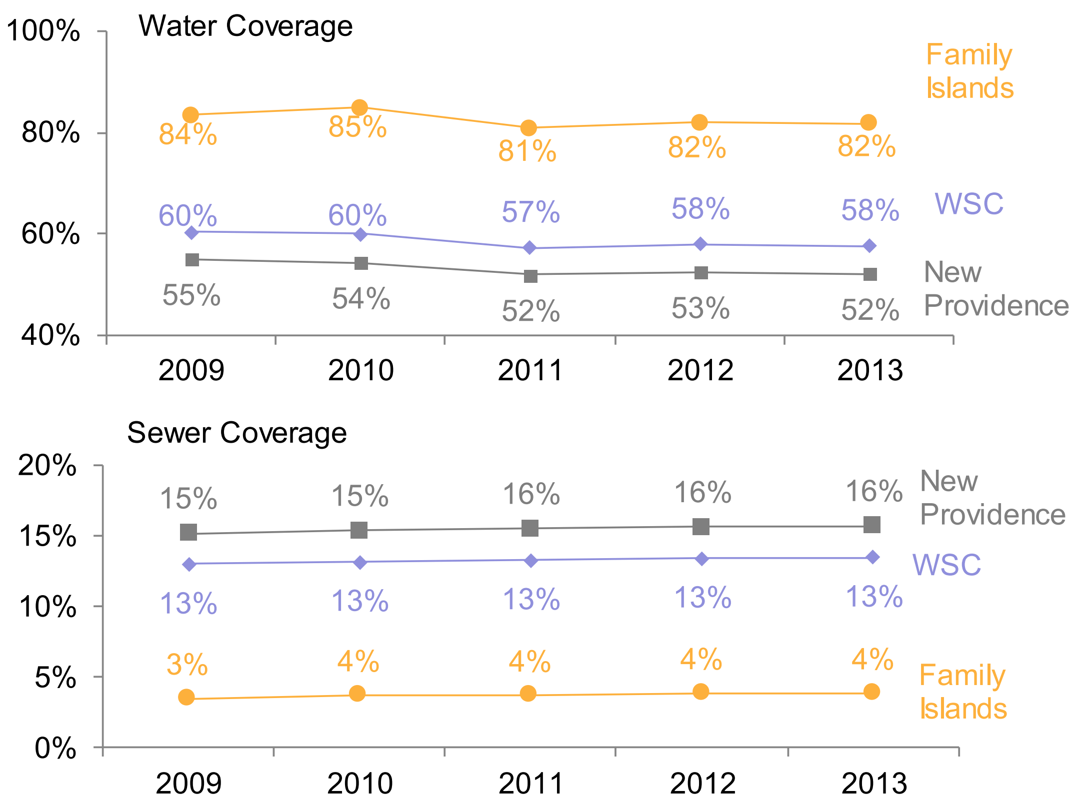
[8] This includes contract employees.

[9] This represents the value of capital projects which began and ended during the year (referred to as additions in our PPE schedule) and multi-year projects which were completed this year (referred to as transfers in our PPE schedule). Includes B$21.94 million worth of new additions and B$8.99 million worth of transfers. Excludes the B$9.19 million worth of works in progress.

6.1 Coverage

WSC is the largest service provider in The Bahamas. We provide water service to 15 islands and sewerage service in two islands (New Providence and Abaco). The number of water and sewer customers increased slightly in 2013 though coverage remained unchanged. Our water coverage remained at 58 percent in 2012 and sewer coverage remained at 13 percent (see Figure 6.1).[10]

Figure 6.1: Water and Sewerage: Customers and Coverage (2009-2013)



The total number of water customers increased by 531 but the percentage coverage was stable due to a combination of new customers, a change in status of previous customers as a result of activities under the NRW Reduction project, and an increase in the number of households in WSC's service area. Under the New Providence NRW reduction initiative, accounts that have had no consumption for more than one year, are targeted for disconnection as they can contribute to water losses. The number of sewer customers increased by 197 (see Figure 6.2).

[10] Coverage (for water and sewerage) was calculated using the number of our active residential customers reported in each year, divided by the number of household in our service area as published by the Department of Statistics of The Bahamas (DOS). Where published data is not available, we use an estimated number of households in our service area to determine coverage.

Figure 6.2: WSC's Water and Sewerage Customers (2009-2013)

Piped water services are provided to New Providence and to several Family Islands[11] (See Table 6.2). Some Family Islands also receive water tanker services either exclusively or in certain areas of the island.

Table 6.2: Active Connections by Region (2009-2013)

Region	Water		Sewerage	
	2009	2013	2009	2013
New Providence	42,392	42,816	10,507	11,493
Family Islands	15,774	16,626	550	646
Total	**58,166**	**59,442**	**11,057**	**12,139**

As a result of non-revenue water (NRW) reduction, total water supplied decreased by 94.4 million imperial gallons (2 percent) from 2012. Roughly 76 percent of the water (4,447 million imperial gallons) was supplied using reverse osmosis, and the remaining 24 percent was supplied using wells (groundwater) as shown in Table 6.3.

[11] Piped water service is provided to the islands of Abaco, Acklins, Andros, Bimini, Crooked Island, Eleuthera, Exuma, Inagua, Long Island, Long Cay, Mayaguana, Ragged Islands, and San Salvador. Tanker services are also provided in Acklins, Cat Island, Long Island and South Andros

Table 6.3: WSC Water Supplied (2009-2013)

Item	Unit	Value				
Water Supplied		**2009**	**2010**	**2011**	**2012**	**2013**
Total	Million Imperial Gallons	5,417	5,332	5,565	5,920	5,826
Reverse Osmosis (RO)	%	56%	55%	59%	75%	76%
Barging	%	17%	17%	16%	0%	0%
Wells	%	27%	28%	25%	25%	24%

6.2 Operating Performance

NRW was reduced in 2013 as a result of the strategic initiative launched in 2012. Other areas of operational performance such as staff efficiency and the percent of complaints addressed within 48 hours worsened.

6.2.1 Quality of Service

In addition to having a quality product, good quality of service also means providing customers with water when they need it and addressing complaints quickly. Our performance in 2013 was not as good as 2012.

Continuity of Service

Water supply is typically provided to our customers 24 hours a day without sustained interruptions. In New Providence however, between March 2013 and July 2013, and to a lesser extent in August 2013 and September 2013, WSC was forced to ration water due to extremely high levels of NRW and production challenges. As NRW was reduced throughout the year, the consistency of supply was gradually re-established and situations requiring rationing are not expected to re-occur.

Customer Complaints

In 2013, the number of complaints received from customers fell significantly. In 2013, we received a total of 7,428 complaints, about 1,000 less than we received in 2012. However, we have not yet reached our 2018 target of addressing 95 percent of complaints within 48 hours. In 2013, we addressed roughly 72 percent of the complaints we received within 48 hours: 84 percent of water leak complaints, 55 percent of other water complaints, and 78 percent of sewer complaints.

Water Quality

WSC monitors the quality of the water supplied through continuous testing. Water samples tested in 2013 showed that the quality of the water supplied in New Providence is very good (See Table 6.4). As shown in our Corporate and Performance Targets table, this year all water samples in New Providence were E.coli free, had residual chlorine present, and were clear.

Table 6.4: Results of Water Samples Tested in New Providence (2013)

WATER QUALITY PARAMETERS	World Health Guidelines	WINDSOR STATION	BLUE HILLS STATION	BLUE HILLS HIGH LEVEL	WINTON STATION
Total No. Of Samples:		52	52	52	52
PHYSICAL ANALYSIS:					
Appearance	CLEAR	CLEAR	CLEAR	CLEAR	CLEAR
Odor	NOT OFFENSIVE	NIL	Nil	Nil	Nil
pH (Units 6.5 - 8.5)	6.5 - 8.5 pH units	7.56	7.52	7.53	7.54
Temperature (field) @C	NO SPECIFIC STANDARD. However, 25 C is desirable	25.7	27.8	27.5	27.8
True Color Unit (Pt/Co)	15	1	2	1	2
Turbidity (NTU)	5	0.26	0.44	0.29	0.40
CHEMICAL ANALYSIS:					
Anions: Bicarbonate (mg/l) ^	No specific Standard	86.64	22.71	23.01	25.40
Chloride (mg/l)	250 (WHO '83) 600 (WHO '71)	353.20	268.71	268.38	270.72
Fluoride (mg/l)	1.5	0.24	0.18	0.17	0.18
Nitrate (mg/l)	50 as NO3	1.18	0.59	0.54	0.57
Phosphate (mg/l)	No specific standard Preferably < 5 mg/l	0.77	0.32	0.27	0.32
Sulphate (mg/l)	250	36.72	8.31	8.20	8.62
Cations: Calcium (mg/l)	250 (U.K.) (As an annual average)	90.17	17.20	17.78	18.70
Iron (mg/l)	0.3	0.03	0.08	0.12	0.54
Magnesium (mg/l) ^	50 (U.K.) (As an annual average)	14.02	3.89	3.48	3.89
Potassium (mg/l)^.	12 (E.E.C.)	7.31	5.56	5.56	5.60
Sodium (mg/l) ^	200	201.33	153.16	152.97	154.31
Residual Chlorine(mg/l)	No specific standard. 0.2 ppm required for disinfection	1.77	1.75	1.56	1.24
Residual Chlorine (% time Present)	No specific Standard	100	100	100	100
Conductivity (umHos/cm) field	1500 (U.K.) (As an annual average)	1,149	847	851	860
TDS concentration (mg/l) ^	1,000	704	457	456	462
Alkalinity (mg/l)	No specific Standard	71.02	18.62	18.87	20.82
Total Hardness (mg/l CaCO3)	Should not exceed 500	147.79	33.21	32.10	34.72
MICROBIOLOGICAL ANALYSIS:					
COLIFORMS: Total (% time absent)	0 per 100 ml in 95% of samples	100	100	100	100
COLIFORMS: Faecal (% time absent)	0 per 100 ml in all samples	100	100	100	100
Faecal Streptococcus (% time absent)	0 per 100 ml in all samples (U.K.)	100	100	100	100
Yeast (% < 500 CFU/100ml)	< 500 CFU/ml. Results compared against long-term average. Significant differences investigated. (U.K.)	100	100	100	100
Mold (% < 500 CFU/100ml)		100	100	100	100
Total Bacteria (% < 500 CFU/100ml)		100	100	100	100
WATER CHARACTERISTICS:					
Langelier Saturation Index (LSI):	-0.5 < L.I. < +0.5 (AWWA)	-0.51	-1.70	-1.69	-1.62
Corrosive Tendency:		highly aggressive (serious corrosion)	highly aggressive (serious corrosion)	highly aggressive (serious corrosion)	highly aggressive (serious corrosion)

Operationally, during 2013, the Water Quality Laboratory executed 142 sampling and analytical jobs consisting of 1,596 samples collected and 39,900 analyses performed for the Family Islands. Overall, Family Island water quality compliance was also good but requires improvement particularly as it relates to meeting the target for chlorides/salinity (See Table 6.5). Many systems still rely on groundwater for their water supply source, and several of these are highly saline.

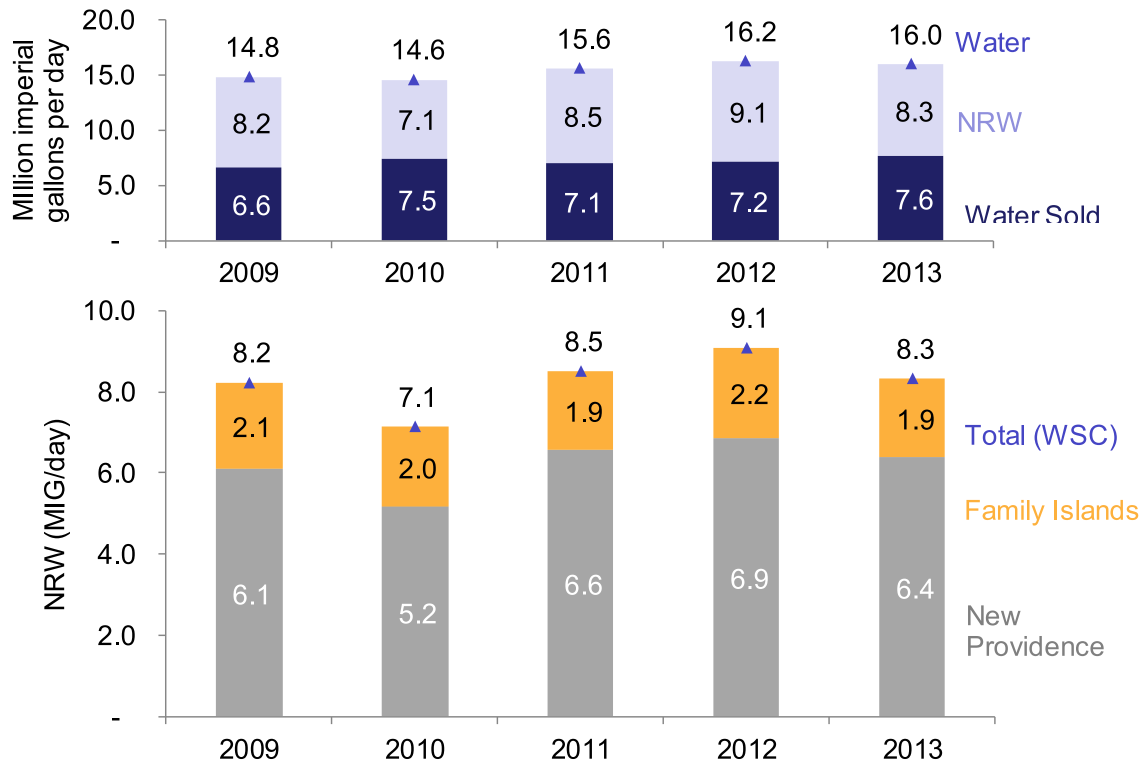
Table 6.5: Results of Water Samples Tested in the Family Islands (2013)

	Escherichia Coli (E. coli) Bacteria	Residual Chlorine (Disinfection)	Chloride (salinity)
Description	One way to ensure that water is safe to drink is to test for E.Coli (a harmful bacterium). All water samples tested should be free of E.Coli.	Another way to measure that water is safe to drink is to test it for residual chlorine. The existence of residual chlorine in the water supply means that enough chlorine is added to kill micro-organisms in the distribution network. Thus, all water samples tested should have residual chlorine.	To ensure that water does not have an odd taste, it is tested for chloride. Chloride levels above 250 mg/l can change the taste of water. Chloride is a naturally occurring chemical in sea water that, according to the World Health Organization, is safe in quantities below 600 mg per liter (mg/l).
Calculating Formula	**# of complying samples/total # of samples taken (x100)**	**# of complying samples/total # of samples taken (x100)**	**# of complying samples/total # of samples taken (x100)**
Location			
Abaco Water Systems (137)	97.1	89.8	40.1
Andros Water Systems (233)	97.0	92.3	28.3
Acklins/Long Cays Water Systems (59)	94.9	78.0	71.2
Berry Islands Water System (54)	98.1	87.0	0.0
Bimini Water System (103)	100.0	76.7	11.7
Cat Island Water System (36)	97.2	91.7	100.0
Crooked Island Water System (28)	96.4	28.6	0.0
Eleuthera Water Systems (357)	99.2	96.4	64.1
Exuma & Cays Water System (227)	99.6	90.3	23.8
Inagua Water System (57)	98.2	66.7	15.8
Long Island Water Systems (168)	100.0	98.8	46.4
Mayaguana Water Systems (15)	80.0	60.0	0.0
Ragged Island Water System (51)	100.0	86.3	47.1
San Salvador Water System (71)	98.6	88.7	73.2

6.2.2 Operational Efficiency

2013 was a good year for operational efficiency as NRW decreased (see Figure 6.3). Despite this important improvement in our operating performance, other aspects of our operating performance require improvements, such as our staff efficiency.

Figure 6.3: Non-Revenue Water—Million Imperial Gallons per Day (2009-2013)



Non-Revenue Water (NRW)

NRW is the difference in the amount of water supplied and the amount of water billed to consumers.[12] High levels of NRW lead to the need to increase the amount of water produced/supplied and to higher operating expenses. To address the rise of NRW, WSC hired the firm MIYA in 2012 for a period of 10 years to reduce NRW in New Providence. This initiative has already begun to reduce NRW, which in turn allowed a reduction in water production/supply while continuing to meet demand in 2013. NRW greatly affects our financial performance. Therefore, this reduction is an important achievement. NRW decreased from 9.2 million imperial gallons per day (56 percent of water supplied) to 8.3 million imperial gallons per day (52 percent of water supplied).

[12] Kingdom, B. Liemberger, R. Marin, P. *The Challenge of Reducing Non-Revenue Water (NRW) in Developing Countries How the Private Sector Can Help: A Look at Performance-Based Service Contracting*.. December 2006.

Staff efficiency

Staff efficiency is calculated as the total number of employees per 1,000 active water customers, and is considered a measure of staff productivity. A lower ratio of staff per 1,000 customers implies that the staff is more productive. Staff efficiency worsened in 2013 to 7.4 staff per 1,000 customers as the result of more staff and less water customers (see Table 6.6).

Table 6.6: Number of Staff and Staff Efficiency

	2009	2010	2011	2012	2013
Number of Staff	438	447	452	432	433
Staff Efficiency	7.6	7.3	7.5	7.1	7.4

Collection rate

The collection rate—the amount collected as a percent of the total amount billed for sales—improved in 2013. Collection rate was 89 percent in 2012 and 90 percent in 2013.

6.3 Financial Performance

2013 was an important year for WSC. Over the past decade, WSC's financial performance has gradually worsened and pre-subsidy loss has grown each year (with the exception of 2009). This downward trend was eased in 2013 as pre-subsidy loss in 2013 was only 2 percent higher than in 2012. While we still incurred operating losses and required Government support due to low tariffs, this marks an important change and one we will work hard in the coming years to maintain (and improve).

However, WSC still continues to face tough challenges that negatively affect financial performance. Tariffs are below cost recovery levels and, as a result, reform of the regulatory framework for the water and sewerage sector is very important. An effective regulatory framework will ensure that tariffs are set at a level that allows the recovery of reasonable operating costs.

6.3.1 The WSC's Revenues, Operating Costs, and Cost Recovery

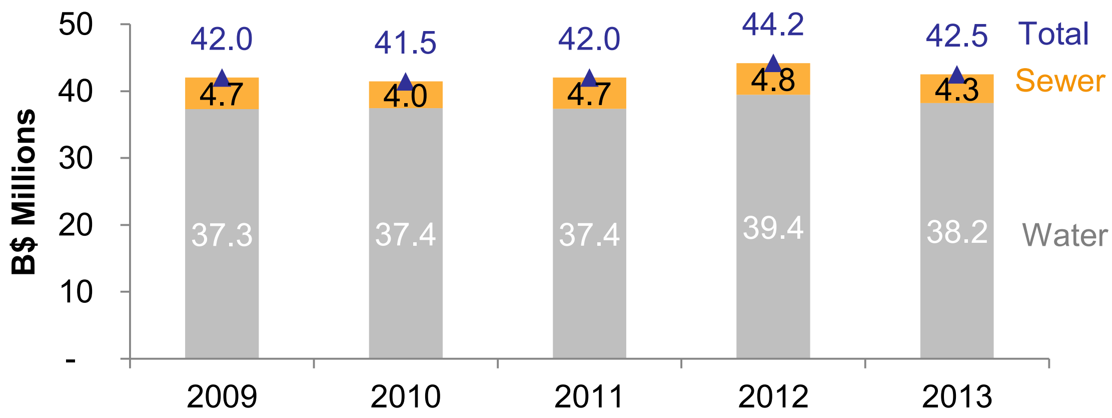
In 2013, operating losses continued to grow due to increased operating costs. Tariffs only recovered 58 percent of operating costs in 2013—for New Providence operating cost recovery was 66 percent and for Family Islands it was 37 percent. Despite the challenges, several important improvements were made in our financial performance. Notably, the average operating expenses per thousand imperial gallons sold was reduced, in large part, due to a reduction in NRW. This means that we purchased and supplied less water while still meeting demand.

While WSC continued to rely heavily on subsidies, which only partially covered operating losses, the strategic initiatives outlined will improve our financial performance in the coming years. These initiatives should allow WSC to further reduce non-revenue water, to win back customers, and to receive tariffs that better reflect the reasonable costs of providing service.

Operating Revenue

Water sales continued to generate the majority of our operating revenue in 2013—they were responsible for 90 percent of all sales. Operating revenues decreased due to decreases in the revenue from water and sewer sales. The decrease in sales revenue, which occurred despite increased volume of water sold, was a result of increased sales to customers who have lower bulk-supply rates (see Figure 6.4).

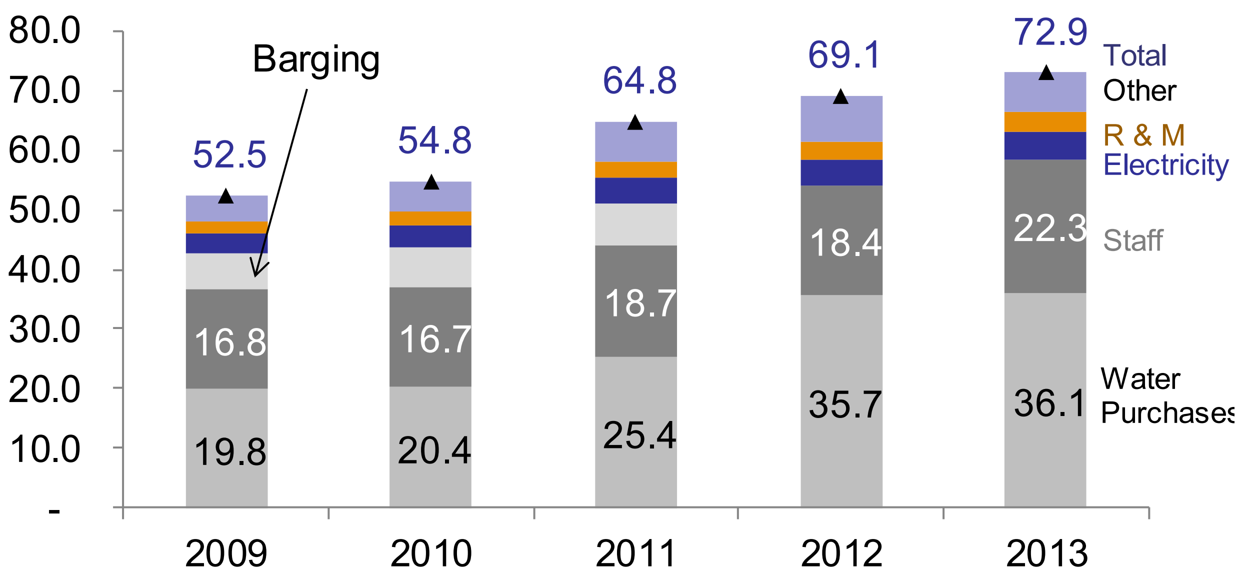
Figure 6.4: Operating Revenue (2009-2013)



Operating Costs

Operating costs increased this year (see Figure 6.5). The greatest expenditures incurred were for purchasing water (50 percent of operating expenditures), and paying staff salaries and pensions (31 percent of operating expenditures).

Figure 6.5: Operating Costs (2009-2013)



Water purchases

The cost for purchasing water continued to increase because of an increase in the price of water purchased from reverse osmosis (RO) suppliers. Each contract has annual escalation clauses. Under the major RO contracts, there are also fixed components and, fuel & electricity are pass through costs within certain performance guarantee limits. The Windsor RO contract expired in July 2013 and is presently on a month to month arrangement until the Government determines whether to extend it for the optional 5 years or to tender for, and engage, a new supplier. This delay 'postpones' a $2.10 per thousand imperial gallons unit price reduction (approximately B$1.5Million annually) that would be associated with the optional 5 year extension.

In addition, it is worth noting that the cost of supplying water did not increase as much as it could have because of our reductions in NRW, which allowed WSC to increase the volume of water sold while reducing production/supply volumes.

Staff costs

Staffing costs have two major components: compensation for active employees and pension payments for retired employees. In fact, total staff costs increased in 2013 due to a large increase in average staff compensation (about B$6,500 per employee) and to an increase in the number of retirees (12 WSC employees retired in 2013). These components caused the WSC's staff costs to increase by B$2.87 million and B$0.22 million, respectively. Since 2009, compensation for active employees has grown by 39 percent while pension payments to retired employees have grown by 30 percent.

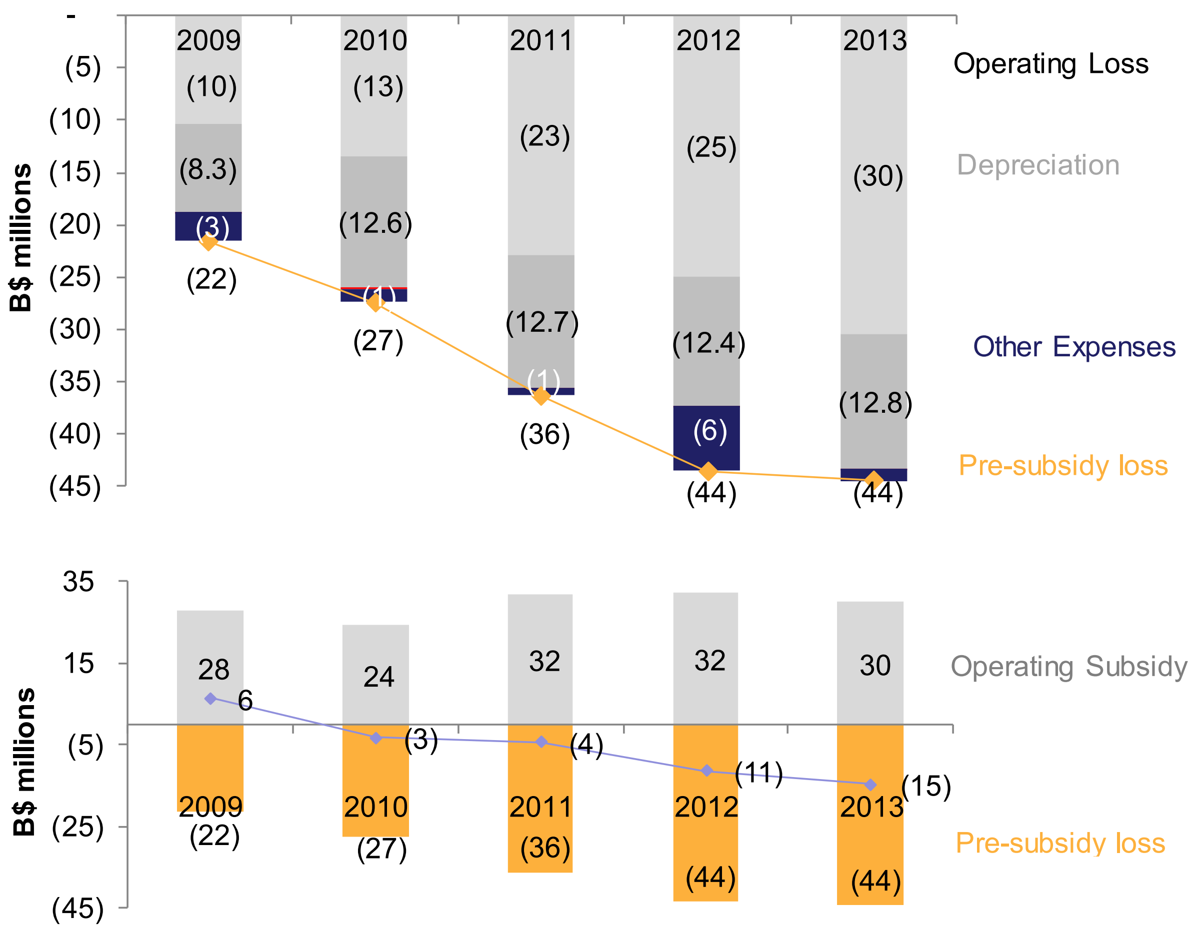
Active employee compensation has four major components: salaries (76 percent of total compensation in 2013), pension contributions for active employees (12 percent of total compensation in 2013), medical insurance (8 percent of total compensation in 2013), and National insurance (4 percent of total compensation in 2013). The largest increases in employee compensation during the past five years were the result of increases in salaries in 2011 (about B$4,000 per employee and B$1.9 million in total) and in 2013 (about B$6,000 per employee and B$2.7 million in total).

The increase in the cost of pension payments to retired employees has been driven by an increase in the number of retired employees (from 138 in 2009 to 154 in 2013) and also by an average increase of about $6,800 (35 percent) in the pension payment for each retiree since 2009.

Cost recovery

The 2013 pre-subsidy loss, including depreciation, interest, and other non-operating expenses, was B$44.4 million (see Figure 6.6). However, the Government provided an operating subsidy of B$29.9 million in 2013, which reduced the net loss to B$14.5 million (see Figure 6.6 below).

Figure 6.6: Net loss and Operating Subsidy (2009-2013)



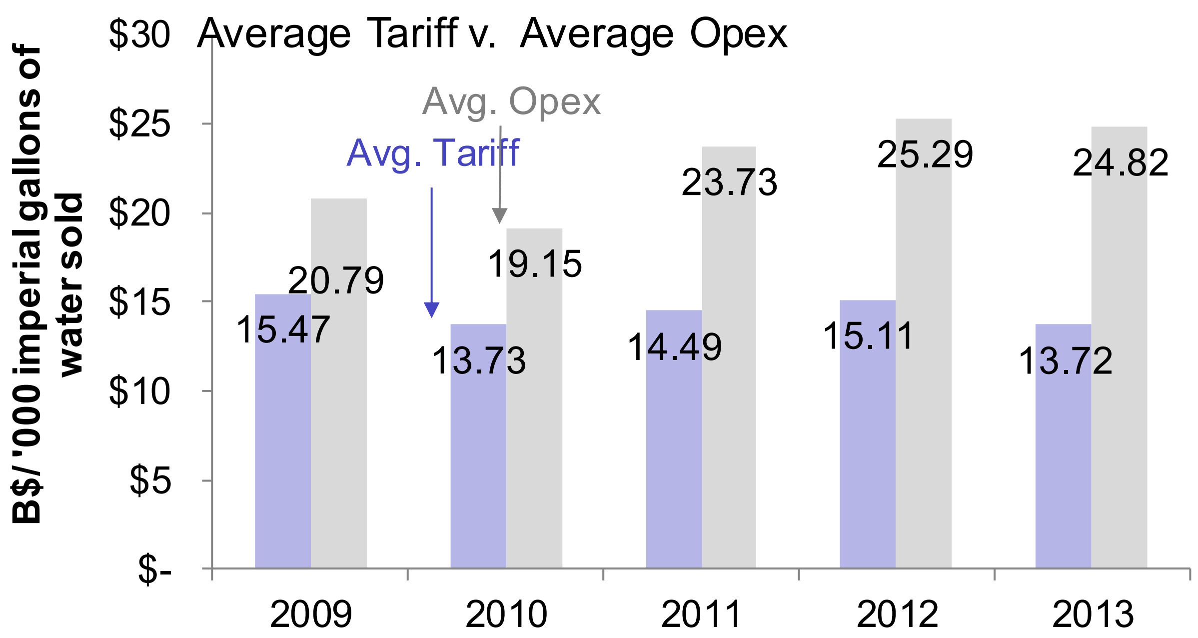
Operating losses have been incurred for the past 10 years due mainly to a tariff that is below cost recovery levels. This low tariff, in addition to other operational challenges, has led WSC to rely heavily on subsidies, which only partially cover losses. No changes were made to the tariff in 2013, and the last tariff increase was in 1999.

Figure 6.7 below shows the change in operating revenue raised from water sales compared to operating costs incurred to provide water service (per one thousand imperial gallons of water sold). These are referred to as the average water tariff and average water operating costs, respectively.

Water services make up the majority of WSC's business; therefore, the figure below accurately captures the trend in WSC operations. The results from 2013 were similar to the trend in previous years, where operating expenses exceeded operating revenue. The same revenue and cost drivers discussed previously are responsible for the changes seen in the average water tariff and the average water operating costs.

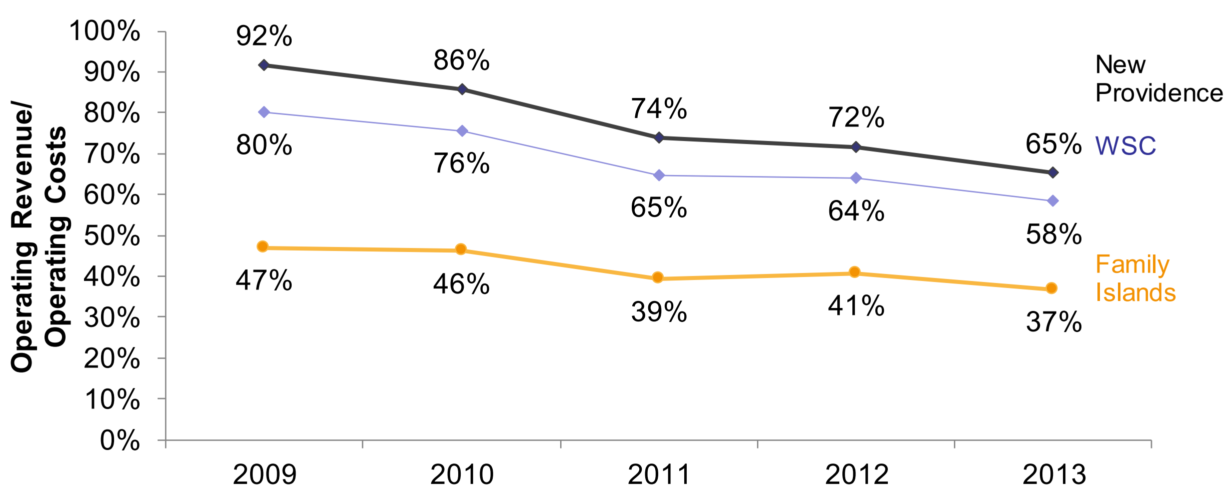
In 2013, an average of B$13.72 per thousand imperial gallons of water sold was earned and operating expenses of B$24.82 per thousand imperial gallons of water sold was incurred. This means that, on average, WSC lost B$11.10 per thousand imperial gallons of water sold.

Figure 6.7: Average Water Tariff v. Average Water Operating Costs (2009-2013)



The operating cost recovery in 2013 was 58 percent. Figure 6.8 shows how operating cost recovery levels have fallen over the past five years due to increasing operating expenses.

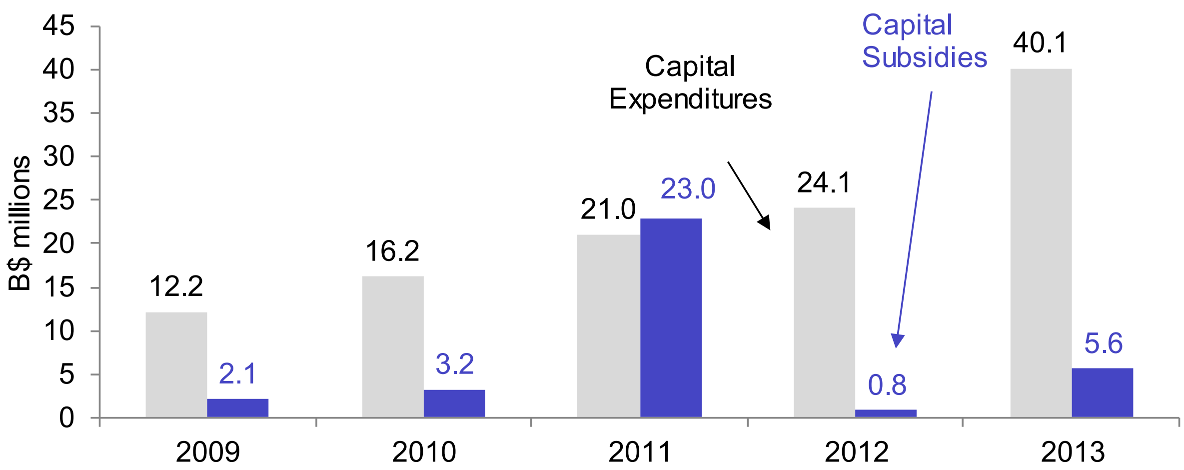
Figure 6.8: Operating Cost Recovery



6.3.2 Capital Expenditures

In 2013, capital expenditures amounted to B$40.1 million.[13] 98 percent of total capital expenditures were invested in New Providence. The capital subsidies that were received from the Government increased from B$0.8 million in 2012 to B$5.6 million in 2013. Figure 6.9 shows the capital expenditures in the past five years, compared to the capital subsidies that were received from the Government.

Figure 6.9: Capital expenditures vs. Capital Subsidies (2009-2013)



B$30.9 million of capital expenditures were associated with the completion of the New Providence Road Improvement Project and the Airport Gateway Project both of which were funded by the Government. The Mains Renewal programme continued during the year with approximately 10 miles of water mains installed with a continued focus on the replacement of unlined iron mains to reduce the incidences of red water. Some of the areas included: Chippingham, Cowpen, Englerston, Fire Trail, Fort Fincastle, Golden Gates, Grants Town, Palmdale, Pinewood, West Bay, and Winton. In addition, investments were made in water service lines, sewer treatment plants, and sewer connections. The balance of B$9.19 million was associated to value of capital works in progress. That is, B$9.19 million was invested in capital works which were ongoing in 2013, but which were not completed in 2013. Some of these works are associated with the NRW reduction project.

[13] Includes B$21.94 million worth of new additions, B$8.99 million worth of transfers, and B$9.19 million worth of works in progress that has yet to be completed.

AUDITED FINANCIAL STATEMENTS
DECEMBER 2013

WATER AND SEWERAGE CORPORATION

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BAKER TILLY
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
WATER AND SEWERAGE CORPORATION

We have audited the accompanying financial statements of Water and Sewerage Corporation ("the Corporation") which comprise the statement of financial position as at December 31, 2013 and the statements of comprehensive loss, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT (continued)

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2013 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matters

Without qualifying our report, we draw attention to Note 12 of the financial statements which states that as at December 31, 2013, the Corporation's current liabilities exceeded its current assets by $92,945,733 (2012: $87,800,472) and that it had an accumulated deficit of $132,848,581 (2012: $118,010,397). These conditions, along with other matters as set forth in Note 12, indicate the existence of material uncertainties which may cast significant doubt about the Corporation's ability to continue as a going concern without the continued financial support of the Government of The Bahamas.

As part of our audit report on the 2013 financial statements, we also audited the adjustments due to the adoption of the Revised IAS19 (Employee Benefits) Standard as described in Note 2 to amend the 2012 and 2011 financial statements. In our opinion, such adjustments are appropriate and have been applied. We were not engaged to audit, review, or apply any procedures in 2012 and 2011 financial statements of the Corporation other than with respect to the said adjustments and accordingly, we do not express an opinion or any other form of assurance on the 2012 and 2011 financial statements.

Other Matters

The financial statements of the Corporation for the year ended December 31, 2012 were audited by other auditors whose report dated April 26, 2013, expressed an unqualified opinion on those statements.

Baker Tilly Gomez

CHARTERED ACCOUNTANTS

April 30, 2014
Nassau, Bahamas

WATER AND SEWERAGE CORPORATION
Statement of Financial Position

December 31, 2013
(Expressed in Bahamian dollars)

	2013	2012 (as restated)	2011 (as restated)
PROPERTY, PLANT AND EQUIPMENT (Note 4)	$279,868,653	$253,937,555	$249,616,100
CURRENT ASSETS			
Cash at bank	5,042,580	3,406,067	2,344,771
Accounts receivable (Note 5)	13,826,282	13,148,549	8,641,920
Materials and supplies	1,408,258	1,524,064	1,446,131
Prepaid expenses and deposits	12,791	121,131	114,574
	20,289,911	18,199,811	12,547,396
CURRENT LIABILITIES			
Bank overdraft (Note 6)	3,891,770	4,430,081	2,379,110
Accounts payable and accrued liabilities (Note 7)	28,121,842	23,030,744	18,052,822
Defined benefit pension liability (Note 14)	76,542,700	73,944,600	70,045,900
Customers' deposits	4,172,675	4,040,505	4,056,920
Current portion of long-term debt (Note 8)	506,656	554,353	564,705
	113,235,643	106,000,283	95,099,457
NET CURRENT LIABILITIES	(92,945,732)	(87,800,472)	(82,552,061)
LONG-TERM DEBT (Note 8)	(34,482,968)	(16,690,568)	(5,953,408)
NET ASSETS	$152,439,953	$149,446,515	$161,110,631
EQUITY	$152,439,953	$149,446,515	$161,110,631

See accompanying notes. See Independent Auditors' Report on pages 1 and 2.

Approved on behalf of the Board of Directors:

Director **Director**

WATER AND SEWERAGE CORPORATION

Statement of Comprehensive Loss

For the year ended December 31, 2013

	2013	2012 (as restated)
OPERATING REVENUE		
Water	$ 38,221,044	$ 39,448,916
Sewerage	4,282,361	4,752,333
	42,503,405	44,201,249
OPERATING EXPENSES		
Water (Note 10)	50,971,473	50,946,728
Sewerage (Note 10)	2,780,365	2,413,696
General and administrative (Note 10)	19,183,936	15,767,356
	72,935,774	69,127,780
Loss from operations before depreciation	(30,432,369)	(24,926,531)
Depreciation (Notes 4, 11)	(12,839,813)	(12,416,877)
OPERATING LOSS	(43,272,182)	(37,343,408)
Other income (expenses)		
Amortization of deferred income	3,626,408	3,123,587
Other income	1,842	9,049
Finance charges (Note 13)	(3,987,715)	(3,583,658)
Miscellaneous loss (Note 20)	(801,108)	(5,731,125)
Net foreign exchange loss	(25,329)	(20,357)
	(1,185,902)	(6,202,504)
Net loss before government subsidy	(44,458,084)	(43,545,912)
Government subsidy (Note 12)	29,935,000	32,296,000
NET OPERATING LOSS	(14,523,084)	(11,249,912)
Other comprehensive loss		
Items that will not be reclassified to profit or loss		
Actuarial loss on defined benefit plan (Note 14)	(315,100)	(847,800)
Re-measurement of pension and other retirement obligations (Note 14)	-	(459,400)
	(315,100)	(1,307,200)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	$(14,838,184)	$(12,557,112)

See accompanying notes. See Independent Auditors' Report on pages 1 and 2.

WATER AND SEWERAGE CORPORATION

Statement of Comprehensive Loss – New Providence

For the year ended December 31, 2013

	2013	2012 (as restated)
OPERATING REVENUE		
Water	$31,797,100	$32,700,003
Sewerage	4,113,176	4,407,040
	35,910,276	37,107,043
OPERATING EXPENSES		
Water	37,402,455	37,484,950
Sewerage	2,780,365	2,413,696
General and administrative	14,862,848	11,842,031
	55,045,668	51,740,677
Loss from operations before depreciation	(19,135,392)	(14,633,634)
Depreciation	(9,523,257)	(9,107,902)
OPERATING LOSS	(28,658,649)	(23,741,536)
Other income (expenses)		
Amortization of deferred income	2,945,147	2,442,326
Other income	1,457	8,521
Finance charges	(3,866,765)	(5,898,640)
Miscellaneous loss	(801,108)	(3,465,890)
Net foreign exchange loss	(25,329)	(20,357)
	(1,746,598)	(6,934,040)
Net loss before government subsidy	(30,405,247)	(30,675,576)
Government subsidy	24,925,000	24,251,000
NET OPERATING LOSS	(5,480,247)	(6,424,576)
Other comprehensive loss		
Items that will not be reclassified to profit or loss		
Actuarial loss on defined benefit plan	(260,892)	(701,060)
Re-measurement of pension and other retirement obligations	-	(381,302)
	(260,892)	(1,082,362)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	$ (5,741,139)	$ (7,506,938)

See accompanying notes. See Independent Auditors' Report on pages 1 and 2.

WATER AND SEWERAGE CORPORATION

Statement of Comprehensive Loss – Family Islands

For the year ended December 31, 2013

	2013	2012 (as restated)
OPERATING REVENUE		
Water	$ 6,423,944	$ 6,748,913
Sewerage	169,185	345,293
	6,593,129	7,094,206
OPERATING EXPENSES		
Water	13,569,018	13,461,778
General and administrative	4,321,088	3,925,325
	17,890,106	17,387,103
Loss from operations before depreciation	(11,296,977)	(10,292,897)
Depreciation	(3,316,556)	(3,308,975)
OPERATING LOSS	(14,613,533)	(13,601,872)
Other income (expenses)		
Amortization of deferred income	681,261	681,261
Other income	385	528
Finance charges	(120,950)	(117,768)
Miscellaneous income	-	167,515
	560,696	731,536
Net loss before government subsidy	(14,052,837)	(12,870,336)
Government subsidy	5,010,000	8,045,000
NET OPERATING LOSS	(9,042,837)	(4,825,336)
Other comprehensive loss		
Items that will not be reclassified to profit or loss		
Actuarial loss on defined benefit plan	(54,208)	(146,740)
Re-measurement of pension and other retirement obligations	-	(78,098)
	(54,208)	(224,838)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	$(9,097,045)	$(5,050,174)

See accompanying notes. See Independent Auditors' Report on pages 1 and 2.

WATER AND SEWERAGE CORPORATION

Statement of Changes in Equity

For the year ended December 31, 2013

	Equity Contributions	Accumulated Deficit	Valuation Adjustment	Deferred Income	Total Equity
Balance at January 1, 2012					
(as previously reported)	$168,019,018	$ (84,054,601)	$46,725,310	$51,819,588	$182,509,315
Effect of changes in accounting standard					
(Note 2)	-	(21,398,684)	-	-	(21,398,684)
Balance at January 1, 2012 (as restated)	168,019,018	(105,453,285)	46,725,310	51,819,588	161,110,631
Contributions (Note 9)	817,638	-	-	-	817,638
Distributions (Note 9)	(1,756,502)	-	-	-	(1,756,502)
Net operating loss	-	(11,249,912)	-	-	(11,249,912)
Other comprehensive loss for the year	-	(1,307,200)	-	-	(1,307,200)
Contribution to projects completed during					
the year	-	-	-	306,674	306,674
Third-party infrastructure capitalized	-	-	-	4,648,773	4,648,773
Amortization of deferred income	-	-	(1,416,834)	(1,706,753)	(3,123,587)
Balance at December 31, 2012					
(as restated)	167,080,154	(118,010,397)	45,308,476	55,068,282	149,446,515
Contributions (Note 9)	5,605,480	-	-	-	5,605,480
Distributions (Note 9)	(1,746,191)	-	-	-	(1,746,191)
Net operating loss	-	(14,523,084)	-	-	(14,523,084)
Other comprehensive loss for the year	-	(315,100)	-	-	(315,100)
Contribution to projects completed during					
the year	-	-	-	1,416,606	1,416,606
Third-party infrastructure	-	-	-	16,182,135	16,182,135
Amortization of deferred income	-	-	(1,416,834)	(2,209,574)	(3,626,408)
Balance at December 31, 2013	$170,939,443	$(132,848,581)	$43,891,642	$70,457,449	$152,439,953

WATER AND SEWERAGE CORPORATION

Statement of Cash Flows

For the year ended December 31, 2013

	2013	2012 (as restated)
CASH PROVIDED BY (USED FOR):		
Cash flows from operating activities:		
Net operating loss	$(14,523,084)	$(11,249,912)
Adjustments to reconcile net operating loss to cash provided by operating activities:		
Depreciation	12,839,813	12,416,877
Loss on asset disposals	1,295,917	6,358,465
Amortization of deferred income	(3,626,408)	(3,123,587)
Provision for doubtful accounts	2,541,611	2,623,910
Cash (used in) provided by operations before changes in operating assets and liabilities	(1,472,151)	7,025,753
(Increase) decrease in operating assets:		
Accounts receivable	(3,219,344)	(7,130,539)
Materials and supplies	115,806	(77,933)
Prepaid expenses and deposits	108,340	(6,557)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	5,091,098	4,977,922
Defined benefit pension liability	2,283,000	2,591,500
Customers' deposits	132,170	(16,415)
Net cash provided by operating activities	3,038,919	7,363,731
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(40,117,531)	(24,053,895)
Proceeds from fixed assets disposal	50,703	957,098
Net cash used in investing activities	(40,066,828)	(23,096,797)
Cash flows from financing activities:		
Proceeds from long-term debt	17,744,703	10,726,808
Third-party infrastructure capitalized	16,182,135	4,648,773
Equity contributions	5,605,480	817,638
Contribution to projects completed	1,416,606	306,674
Distributions	(1,746,191)	(1,756,502)
Net cash provided by financing activities	39,202,733	14,743,391
Net increase (decrease) in cash and bank balances	2,174,824	(989,675)
Net cash and bank balances, beginning of year	(1,024,014)	(34,339)
Net cash and bank balances, end of year	$ 1,150,810	$ (1,024,014)
Represented by:		
Cash at bank	$ 5,042,580	$ 3,406,067
Bank overdraft	(3,891,770)	(4,430,081)
	$ 1,150,810	$(1,024,014)

1. ORGANIZATION

The Water and Sewerage Corporation ("the Corporation") was established under the laws of the Commonwealth of The Bahamas in accordance with the Water and Sewerage Corporation Act of 1976 ("the Act"). The Corporation is wholly-owned by the Government of The Bahamas ("the Government"). Its primary functions are to grant and control water rights; to protect water resources; to regulate the extraction, use and supply of water; to dispose of sewerage; and to perform other ancillary functions throughout New Providence and the Family Islands. The registered office of the Corporation is at 87 Thompson Boulevard, Nassau, Bahamas. The number of employees as at December 31, 2013 was 436 (2012: 427).

These financial statements were authorized to be issued by the Board of Directors on April 30, 2014.

2. ADOPTION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS

At the date of these financial statements, the following standards and amendments to the existing standards issued by the International Accounting Standards Board ("the IASB") have not been applied in these financial statements as they are not yet effective:

IFRS 9	-	Financial Instruments – effective date not yet finalized
IFRS 10, 12 and IAS 27 (amendments)	-	Consolidated Financial Statements, Disclosure of Interests in Other Entities and Separate Financial Statements – amendments relating to consolidation for investment entities – effective from January 1, 2014
IAS 19 (amendments)	-	Employee Benefits (2011) – amended to clarify the requirement that relates to how contributions from employees or third parties that are linked to service should be attributed to periods of service – effective from July 1, 2014
IAS 32 (amendments)	-	Financial Instruments: Presentation – amendments relating to the offsetting of financial assets and liabilities – effective from January 1, 2014
IAS 36 (amendments)	-	Impairment of Assets – amendments relating to recoverable amount disclosures for non-financial assets – effective from January 1, 2014
IAS 39 (amendment)	-	Financial Instruments: Recognition and Measurement - amendment for novations of derivatives – effective from January 1, 2014

The Directors have concluded that the adoption of such standards and amendments is unlikely to have a significant impact on the Company's financial statements.

2. ADOPTION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

IAS 19, Employee Benefits (Revised)

On January 1, 2013, the Corporation adopted the Revised IAS 19. For defined benefit plans, the Revised IAS 19 requires all actuarial gains and losses to be recognized immediately in other comprehensive income ("OCI") and unvested past service costs, previously recognized over the average vesting period, to be recognized immediately in profit or loss when incurred.

The Revised IAS 19 replaced the interest cost and expected return on plan assets with the concept of net interest on defined benefit liability or asset which is calculated by multiplying the net defined benefit liability or asset by the discount rate used to measure the defined benefit obligation at the beginning of the annual period.

The Revised IAS 19 also amended the definition of short-term employee benefits and requires employee benefits to be classified as short-term based on the expected timing of settlement rather than the employee's entitlement to the benefits. In addition, the Revised IAS 19 modifies the timing of recognition of termination benefits. The modification requires the termination benefits to be recognized at the earlier of when the offer cannot be withdrawn or when the related restructuring costs are recognized.

Changes to the definition of short-term employee benefits and the timing of recognition of termination benefits do not have any impact on the Corporation's financial position and financial performance.

The changes in accounting policies have been applied retrospectively. The effects of the first-time adoption of the Revised IAS 19 on the Corporation's financial statements are as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Increase in:			
Statements of financial position			
Liability			
Defined benefit pension liability	$23,924,947	$21,890,147	$21,398,747
Equity			
Other comprehensive loss	315,100	1,307,200	9,933,900
Accumulated deficit	23,924,947	21,890,147	21,398,684
Statements of comprehensive loss			
Pension expense	-	815,800	218,800
Interest income	$ 890,100	$ 869,600	$ 1,108,200

The adoption of the standard also resulted in the restatement of the statement of cash flows due to the changes in the statements of financial position and comprehensive loss.

2. ADOPTION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

IAS 19, Employee Benefits (Revised) (continued)

Change of presentation

Upon adoption of the Revised IAS 19, the presentation of the statement of comprehensive loss was updated to reflect these changes. Net interest is now included in interest income (previously included in retirement benefits in general and administrative expenses). This presentation better reflects the nature of net interest since it corresponds to the compounding effect of the long-term net defined benefit plan assets. In the past, the expected return on plan assets reflected the individual performance of the plan assets, which were regarded as part of the operating activities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) *Statement of compliance*

The financial statements of the Corporation have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB.

The accounting policies set out below have been consistently applied to all years presented.

b) *Basis of preparation*

These financial statements have been prepared on the historical cost basis. The financial statements are expressed in Bahamian dollars, which is the functional and reporting currency of the Corporation.

c) *Use of estimates and judgments*

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the year. Actual results can differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions or estimates are significant to the financial statements are disclosed below.

The following presents a summary of these significant judgments, estimates and assumptions:

Estimated useful lives of property, plant and equipment

The Corporation estimates the useful lives of its property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of the property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of the useful lives of the property, plant and equipment is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Use of estimates and judgments (continued)

It was determined during the valuation review in 2010 and is also described further in Note 4, that the useful lives of certain assets should be shortened to reflect local conditions and replacement trends. The effect of this reassessment, inclusive of those assets recorded in the valuation review, and assuming the assets are held until the end of their estimated useful lives, is to increase the depreciation expense in 2012, 2013 and 2014, by the following amounts:

2012	-	$3,576,900
2013	-	$3,684,300
2014	-	$3,794,900

Internally-generated assets

These include apportionment of preliminary engineering costs, based upon projects completed during the year.

Deferred income

As a part of the valuation process, management reviewed and aligned the amortization rate applied to deferred income to the estimated useful lives of privately developed infrastructure. In 2010, it was determined that the amortization period should be increased from 25 to 35 years in keeping with the weighted average useful lives of the related assets. The effect of this reassessment resulted in a decreased amortization in 2012, 2013 and 2014, by the following amounts:

2012	-	$592,600
2013	-	$610,400
2014	-	$628,800

Allowance for obsolescence on materials and supplies

The allowance for obsolescence, if any, is determined by examining stock movements on a regular basis. Changes in technology applicable to the Corporation, the age and condition of certain items are also considered in determining the allowance for obsolescence on materials and supplies. Long outstanding items are mainly retained for maintenance purposes.

Estimation of allowance for doubtful accounts

Losses for impaired accounts receivable are recognized immediately when there is objective evidence that impairment has occurred. Statistical methods are used to assess losses for impairment on a collective basis, factoring historical loss experience on groups of accounts and categories of services, and management's judgment regarding economic factors that might affect collection of the outstanding accounts receivable.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Property, plant and equipment and depreciation

The Act states that all water and sewer installations, within the area of control and administration of the Corporation, which were the property of the Government, or were vested for or on behalf of the Government, shall be deemed to have been transferred to, and shall vest in the Corporation. This includes substantial land holdings comprised of land owned by the Corporation, leased Crown land or others, or used by the Corporation for water supply purposes. Continued use or disposal of these land-holdings is subject to Government's mandates, therefore, these land-holdings have been recorded in the Corporation's financial statements at $1.

Prior to January 1, 2007, assets constructed by the Government or private subdivision developers and transferred to the Corporation upon completion were not included in property, plant and equipment. A review was conducted as at December 31, 2010 by an independent valuer to inventory and value these assets at cost, and reclassify certain other assets to align with operations. The resulting valuation adjustment was credited to deferred income.

Depreciation of property, plant and equipment is calculated on the straight-line method, over the estimated useful lives of the respective assets as follows:

Description	Life (years)
Buildings	40
Dock installations	40
Harbor improvements	40
Transmission and distribution mains	40
Sewer collection systems and mains	40
Sewer connections	40
Storage tanks and reservoirs	30
Wellfields	25
Water pumping stations	20
Sewer lift stations	20
Sewer treatment plants	20
Water service lines	15
Water meters	10
Garage plant and equipment	10
Automotive equipment	5
Other equipment	5

Gains or losses on retirements are recorded against the valuation reserve. Gains or losses on other disposals are included in the statement of comprehensive loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Property, plant and equipment and depreciation (continued)

Work-in-progress included in property, plant and equipment includes the following:

- Materials, supplies and other expenditures, valued at cost;
- Direct labor, valued at cost plus an allocated amount for labor overhead recovery;
- Indirect labor, valued at an allocated amount on an equitable basis;
- Interest expense, valued at cost, where incurred in relation to the financing of work-in-progress having a construction period in excess of six (6) months.

On substantial completion, 95% or more, work-in-progress is transferred to the appropriate category of property, plant and equipment.

e) Impairment of assets

Depreciable assets are reviewed for impairment on a regular basis or when events or operational changes indicate that the carrying value is higher than the asset's estimated net recoverable amount or value in use.

f) Revenue recognition

Water and sewerage revenue are recognized when the related water and sewerage services are rendered. Water and sewerage are billed according to the bill cycles of the customers.

g) Materials and supplies

Materials and supplies are valued at the lower of average cost and replacement cost, net of allowance for obsolescence.

h) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, development, improvement and construction of a qualifying asset (including costs incurred in connection with rehabilitation works) that necessarily takes a substantial time to be ready for its intended use are capitalized as part of the cost of the asset.

i) Deferred income

The Corporation requires new subdivision developers to pay a proportional impact fee that is set aside to defray future infrastructural costs associated with adding new customers. Prior to January 1, 2007, impact fees were recorded as revenue upon receipt.

The Corporation records all developer constructed works upon transfer to the Corporation, at a value determined from design estimates. The value of third-party infrastructure is included in deferred income and in property, plant and equipment accounts.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Deferred income (continued)

Some developers may contract the Corporation to carry out infrastructural works for the development's specific use. These contributions in respect of incomplete projects are carried forward as accounts payable until the project is substantially completed. The value of completed infrastructure is included in property, plant and equipment.

The value of impact fees, third-party infrastructure and contributions in respect of completed projects are credited to deferred income and amortized to income on a straight-line basis over the estimated average useful life of the assets, which is currently estimated at 35 years.

j) Retirement benefit plans

The Corporation maintains two retirement benefit plans covering all permanent employees. Permanent employees engaged before January 1, 2012 are enrolled in a defined benefit plan. Permanent employees engaged on or after January 1, 2012 are enrolled in a defined contribution plan. The assets of each plan are held in separate funds that are administered by a private insurance company.

Defined benefit plan

The amount recognized in the statement of financial position is the present value of the defined benefit obligation at the statement of financial position date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality Government of The Bahamas bonds. Past service costs are recognized immediately in the statement of comprehensive loss (staffing expense). Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in other comprehensive loss in the period in which they occur.

Normal retirement age is at 60 years old for all members. Pensions are payable for life and guaranteed for five (5) years at any event. Early retirement with unreduced benefits is permitted after completion of thirty (30) years of continuous service. Members may also retire early due to ill-health at any time with unreduced benefits. Vested members receive on termination of employment lump-sums equal to four percent (4%) and five percent (5%) of the salary for each year of service for non-management and management employees, respectively. The Corporation pays the majority of benefits from its own funds on a pay-as-you-go basis.

Through its defined benefit plan, the Company is exposed to a number of risks, the most significant are enumerated below:

Asset volatility – The plan's liabilities are calculated using a discount rate set with reference to high-quality Government of The Bahamas bonds. If plan assets underperform this yield, this will create an additional gap between plan assets and plan liabilities. Plan assets are invested in a fund with well-diversified investments, such that the failure of any single investment would not materially impact the overall level of plan assets.

Salary risk – The present value of the plan's liabilities is calculated in reference to future salaries of employees under the plan. Therefore, increases in the salaries of employees will increase the liability of the plan.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Retirement benefit plans (continued)

Life expectancy – The majority of the plan's obligations are to provide benefit for life of its retired employees. In this case, increases in life expectancies will result in an increase in the plan's liabilities.

Defined contribution plan

The Corporation pays fixed contributions to a privately administered pension plan, in respect of eligible employees. The Corporation has no further payment obligations for the benefits provided under the plan once the contributions have been paid. Contributions are charged to the statement of comprehensive loss (staffing expense) in the accounting period to which they relate.

k) Financial assets

The Corporation classifies its financial assets as loans and receivables. The classification depends on the nature and purpose of the financial assets. Management determines the classification at the time of initial recognition.

- Loans and receivables

  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, except those that the Corporation intends to sell in the short-term, or are designated as at fair value through profit or loss or available-for-sale. Loans and receivables are initially measured at fair value plus transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method less any impairment losses. Balances included in this classification are cash at bank and accounts receivable.

l) Impairment of financial assets

The carrying amounts of the Corporation's assets are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. If such evidence exists, the asset's recoverable amount is estimated. A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. The amount of impairment loss for an asset carried at amortized cost is calculated as the difference between the carrying value of the asset and the present value of the expected future cash flows discounted at the asset's original effective interest rate and recognized in the statement of comprehensive loss.

m) Recognition of financial assets and liabilities

The Corporation recognizes financial assets and financial liabilities when it becomes a party to the contractual provisions of the instrument.

n) Derecognition of financial assets and liabilities

The Corporation derecognizes financial assets when the contractual rights to receive cash flows from the assets have expired or have been transferred and the Corporation has transferred substantially all the risks and rewards of ownership. A financial liability is derecognized when the contractual obligation is discharged, cancelled or expires.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Financial liabilities

The Corporation classifies its financial liabilities as other financial liabilities.

- Other financial liabilities

  Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Subsequently, they are measured at amortized cost using the effective interest method. Interest expense is recognized on an effective yield basis. The effective interest method calculates the amortized cost of a financial liability and allocates interest expense over the earlier of payoff or scheduled maturity. Balances included in this classification are bank overdraft, accounts payable and accrued liabilities, defined benefit pension liability and long-term debt.

p) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

q) Cash and bank balances

For the purpose of the statement of cash flows, bank overdraft is included as a component of cash and bank balances.

r) Accounts receivable

Receivables are stated at their original invoiced value, as the interest that would be recognized from discounting future cash receipts over the short credit period is not considered to be material. Receivables are reduced by appropriate allowances for estimated unrecoverable amounts.

s) Accounts payable

Payables are stated at their original invoiced value, as the interest that would be recognized from discounting future cash payments over the short payment period is not considered to be material.

t) Interest bearing borrowings

Interest-bearing borrowings are stated at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability.

4. PROPERTY, PLANT AND EQUIPMENT

As at January 1, 2010, the cost of property, plant and equipment which were transferred to the Corporation by the Government at the date of incorporation and on July 1, 1989 was based on valuations made jointly by the Ministries of Finance and Works or Lands at the transfer date, or based on the original cost less depreciation. Subsequent additions to property, plant and equipment were stated at cost, which included overhead amounts capitalized in work-in-progress. However, the cost of certain property, plant and equipment constructed by the Government and third parties from incorporation to December 2009 had not been valued. The cost of this previously unvalued property, plant and equipment and related accumulated depreciation was included in 2010, based upon valuations as at December 31, 2010 made by an independent valuer. This valuation included property, plant and equipment in the amount of $228.2 million comprising $169.7 million and $58.5 million for New Providence and Family Islands, respectively.

	January 1, 2013	Additions	Disposals	Transfers	December 31, 2013
Cost					
Land and wellfields	$ 5,376,210	$ -	$ -	$ -	$ 5,376,210
Buildings	5,795,573	-	-	434,433	6,230,006
Water pumping stations	2,524,995	165,394	-	367,243	3,057,632
Sewer lift stations	5,877,954	347,532	(45,845)	-	6,179,641
Storage tanks and reservoirs	21,106,914	7,506	-	-	21,114,420
Transmission and distribution mains	187,531,532	9,320,987	(1,055,930)	5,271,992	201,068,581
Water service lines	39,981,510	4,705,532	(1,659,758)	2,282,538	45,309,822
Sewer collection systems and mains	91,564,134	393,832	-	-	91,957,966
Sewer connections	8,252,210	1,612,173	-	191,664	10,056,047
Sewer treatment plants	9,780,456	2,350,300	-	-	12,130,756
Water meters	14,479,518	-	-	398,750	14,878,268
Garage plant and equipment	3,322,072	440,929	-	-	3,763,001
Other equipment	7,114,042	2,505,708	(654)	38,607	9,657,703
Automotive equipment	3,107,676	87,684	(272,837)	-	2,922,523
	405,814,796	21,937,577	(3,035,024)	8,985,227	433,702,576
Work-in-progress	20,812,631	18,179,954	-	(8,985,227)	30,007,358
Total	$426,627,427	$40,117,531	$(3,035,024)	$ -	$463,709,934

4. PROPERTY, PLANT AND EQUIPMENT (continued)

	January 1, 2013	Depreciation expense	Disposals	Transfers	December 31, 2013
Accumulated depreciation					
Land and wellfields	$ 4,135,974	$ 71,122	$ -	$ -	$ 4,207,096
Buildings	1,339,408	151,116	-	-	1,490,524
Water pumping stations	1,128,406	94,946	-	-	1,223,352
Sewer lift stations	3,378,340	198,682	-	-	3,577,022
Storage tanks and reservoirs	13,237,345	456,840	-	-	13,694,185
Transmission and distribution mains	70,410,763	4,370,277	(706,597)	-	74,074,443
Water service lines	16,277,011	2,572,241	(716,081)	-	18,133,171
Sewer collection systems and mains	34,163,770	2,274,507	-	-	36,438,277
Sewer connections	2,251,641	207,350	-	-	2,458,991
Sewer treatment plants	4,097,408	468,484	-	-	4,565,892
Water meters	10,476,918	1,402,291	-	-	11,879,209
Garage plant and equipment	2,799,890	129,349	-	-	2,929,239
Other equipment	6,630,519	195,394	(654)	-	6,825,259
Automotive equipment	2,362,479	247,214	(265,072)	-	2,344,621
Total	$172,689,872	$12,839,813	$(1,688,404)	$ -	$183,841,281
Net book value 2013					**$279,868,653**

4. PROPERTY, PLANT AND EQUIPMENT (continued)

	January 1, 2012	Additions	Disposals	Transfers	December 31, 2012
Cost					
Land and wellfields	$ 5,376,210	$ -	$ -	$ -	$ 5,376,210
Buildings	5,634,468	255	-	160,850	5,795,573
Dock installations	490,070	-	(490,070)	-	-
Harbor improvements	17,077,254	-	(17,077,254)	-	-
Water pumping stations	1,875,167	63,002	-	586,826	2,524,995
Sewer lift stations	5,360,111	345,923	-	171,920	5,877,954
Storage tanks and reservoirs	20,650,714	197,922	-	258,278	21,106,914
Transmission and distribution mains	185,854,396	65,672	(1,662,908)	3,274,372	187,531,532
Water service lines	36,771,324	1,984,364	(442,064)	1,667,886	39,981,510
Sewer collection systems and mains	89,767,492	1,461,373	-	335,269	91,564,134
Sewer connections	7,119,724	980,398	-	152,088	8,252,210
Sewer treatment plants	9,636,371	10,085	-	134,000	9,780,456
Water meters	14,053,264	40,561	-	385,693	14,479,518
Garage plant and equipment	2,616,017	706,055	-	-	3,322,072
Other equipment	6,845,347	268,695	-	-	7,114,042
Automotive equipment	2,689,494	476,325	(58,143)	-	3,107,676
	411,817,423	6,600,630	(19,730,439)	7,127,182	405,814,796
Work-in-progress	10,486,548	17,453,265	-	(7,127,182)	20,812,631
Total	$422,303,971	$24,053,895	$(19,730,439)	$ -	$426,627,427

4. PROPERTY, PLANT AND EQUIPMENT (continued)

	January 1, 2012	Depreciation expense	Disposals	Transfers	December 31, 2012
Accumulated depreciation					
Land and wellfields	$ 4,064,851	$ 71,123	$ -	$ -	$ 4,135,974
Buildings	1,187,226	151,722	460	-	1,339,408
Dock installations	651,849	-	(651,849)	-	-
Harbor improvements	11,368,558	-	(11,368,558)	-	-
Water pumping stations	1,066,622	60,569	1,215	-	1,128,406
Sewer lift stations	3,191,255	185,782	1,303	-	3,378,340
Storage tanks and reservoirs	12,605,435	463,448	168,462	-	13,237,345
Transmission and distribution mains	67,208,707	4,317,943	(1,115,887)	-	70,410,763
Water service lines	14,095,225	2,370,027	(188,241)	-	16,277,011
Sewer collection systems and mains	31,931,256	2,232,514	-	-	34,163,770
Sewer connections	2,073,956	177,685	-	-	2,251,641
Sewer treatment plants	3,638,616	458,792	-	-	4,097,408
Water meters	9,116,345	1,360,573	-	-	10,476,918
Garage plant and equipment	2,044,255	116,765	638,870	-	2,799,890
Other equipment	6,314,228	174,104	142,187	-	6,630,519
Automotive equipment	2,129,487	275,830	(42,838)	-	2,362,479
Total	$172,687,871	$12,416,877	$(12,414,876)	$ -	$172,689,872
Net book value 2012					**$253,937,555**

4. **PROPERTY, PLANT AND EQUIPMENT** (continued)

New Providence

	January 1, 2013	Additions	Disposals	Transfers	December 31, 2013
Cost					
Land and wellfields	$ 191,200	$ -	$ -	$ -	$ 191,200
Buildings	5,519,036	-	-	434,433	5,953,469
Water pumping stations	755,527	165,394	-	26,055	946,976
Sewer lift stations	5,743,148	347,532	(45,845)	-	6,044,835
Storage tanks and reservoirs	13,163,194	-	-	-	13,163,194
Transmission and distribution mains	104,568,758	9,320,987	(1,055,930)	5,145,672	117,979,487
Water service lines	32,503,148	4,705,532	(1,659,758)	2,150,378	37,699,300
Sewer collection systems and mains	90,947,469	393,832	-	-	91,341,301
Sewer connections	8,143,387	1,612,173	-	191,664	9,947,224
Sewer treatment plants	9,521,026	2,350,300	-	-	11,871,326
Water meters	10,677,918	-	-	352,172	11,030,090
Garage plant and equipment	2,626,041	216,213	-	-	2,842,254
Other equipment	6,943,762	2,505,708	(654)	38,607	9,487,423
Automotive equipment	2,014,116	68,960	(189,414)	-	1,893,662
	293,317,730	21,686,631	(2,951,601)	8,338,981	320,391,741
Work-in-progress	18,009,459	17,455,142	-	(8,338,981)	27,125,620
Total	$311,327,189	$39,141,773	$(2,951,601)	$ -	$347,517,361

4. PROPERTY, PLANT AND EQUIPMENT (continued)

New Providence

	January 1, 2013	Depreciation expense	Disposals	Transfers	December 31, 2013
Accumulated depreciation					
Buildings	$ 1,291,452	$ 139,518	$ -	$ -	$ 1,430,970
Water pumping stations	113,976	36,695	-	-	150,671
Sewer lift stations	3,243,534	198,682	-	-	3,442,216
Storage tanks and reservoirs	8,851,746	254,457	-	-	9,106,203
Transmission and distribution mains	35,984,810	2,403,967	(706,597)	-	37,682,180
Water service lines	10,842,047	2,124,101	(716,081)	-	12,250,067
Sewer collection systems and mains	33,547,105	2,274,507	-	-	35,821,612
Sewer connections	2,142,818	207,350	-	-	2,350,168
Sewer treatment plants	4,020,898	456,682	-	-	4,477,580
Water meters	7,766,053	1,021,744	-	-	8,787,797
Garage plant and equipment	2,380,741	70,049	-	-	2,450,790
Other equipment	6,481,390	188,820	(654)	-	6,669,556
Automotive equipment	1,577,536	146,779	(181,649)	-	1,542,666
Total	$118,244,106	$9,523,351	$(1,604,981)	$ -	$126,162,476
Net book value 2013					**$221,354,885**

4. PROPERTY, PLANT AND EQUIPMENT (continued)

New Providence

	January 1, 2012	Additions	Disposals	Transfers	December 31, 2012
Cost					
Land and wellfields	$ 191,200	$ -	$ -	$ -	$ 191,200
Buildings	5,358,186	-	-	160,850	5,519,036
Dock installations	490,070	-	(490,070)	-	-
Harbor improvements	17,077,254	-	(17,077,254)	-	-
Water pumping stations	168,671	96,467	-	490,389	755,527
Sewer lift stations	5,225,305	345,923	-	171,920	5,743,148
Storage tanks and reservoirs	13,046,556	(19,362)	-	136,000	13,163,194
Transmission and distribution mains	103,179,049	51,375	(1,780,316)	3,118,650	104,568,758
Water service lines	29,487,046	1,877,414	(442,064)	1,580,752	32,503,148
Sewer collection systems and mains	89,150,827	1,461,373	-	335,269	90,947,469
Sewer connections	7,010,901	980,398	-	152,088	8,143,387
Sewer treatment plants	9,376,941	10,085	-	134,000	9,521,026
Water meters	10,383,632	40,561	-	253,725	10,677,918
Garage plant and equipment	2,076,432	549,609	-	-	2,626,041
Other equipment	6,680,413	263,349	-	-	6,943,762
Automotive equipment	1,710,329	332,219	(28,432)	-	2,014,116
	300,612,812	5,989,411	(19,818,136)	6,533,643	293,317,730
Work-in-progress	7,715,964	16,827,138	-	(6,533,643)	18,009,459
Total	$308,328,776	$22,816,549	$(19,818,136)	$ -	$311,327,189

4. PROPERTY, PLANT AND EQUIPMENT (continued)

New Providence

	January 1, 2012	Depreciation expense	Disposals	Transfers	December 31, 2012
Accumulated depreciation					
Buildings	$ 1,150,668	$ 140,324	$ 460	$ -	$ 1,291,452
Dock installations	651,849	-	(651,849)	-	-
Harbor improvements	11,368,558	-	(11,368,558)	-	-
Water pumping stations	106,430	7,223	323	-	113,976
Sewer lift stations	3,056,449	185,782	1,303	-	3,243,534
Storage tanks and reservoirs	8,594,917	256,608	221	-	8,851,746
Transmission and distribution mains	34,703,626	2,341,632	(1,060,448)	-	35,984,810
Water service lines	9,095,882	1,934,406	(188,241)	-	10,842,047
Sewer collection systems and mains	31,314,591	2,232,514	-	-	33,547,105
Sewer connections	1,965,133	177,685	-	-	2,142,818
Sewer treatment plants	3,573,907	446,991	-	-	4,020,898
Water meters	6,773,543	992,510	-	-	7,766,053
Garage plant and equipment	1,788,913	57,316	534,512	-	2,380,741
Other equipment	6,177,459	166,736	137,195	-	6,481,390
Automotive equipment	1,423,885	168,268	(14,617)	-	1,577,536
Total	$121,745,810	$9,107,995	$(12,609,699)	$ -	$118,244,106
Net book value 2012					**$193,083,083**

4. PROPERTY, PLANT AND EQUIPMENT (continued)

Family Islands

	January 1, 2013	Additions	Disposals	Transfers	December 31, 2013
Cost					
Buildings	$ 276,537	$ -	$ -	$ -	$ 276,537
Land and wellfields	5,185,010	-	-	-	5,185,010
Water pumping stations	1,769,468	-	-	341,188	2,110,656
Water service lines	7,478,362	-	-	132,160	7,610,522
Water meters	3,801,600	-	-	46,578	3,848,178
Sewer lift stations	134,806	-	-	-	134,806
Sewer treatment plants	259,430	-	-	-	259,430
Storage tanks and reservoirs	7,943,720	7,506	-	-	7,951,226
Sewer collection systems and mains	616,665	-	-	-	616,665
Sewer connections	108,823	-	-	-	108,823
Transmission and distribution mains	82,962,774	-	-	126,320	83,089,094
Other equipment	170,280	-	-	-	170,280
Garage plant and equipment	696,031	224,716	-	-	920,747
Automotive equipment	1,093,560	18,724	(83,423)	-	1,028,861
	112,497,066	250,946	(83,423)	646,246	113,310,835
Work-in-progress	2,803,172	724,812	-	(646,246)	2,881,738
Total	$115,300,238	$975,758	$(83,423)	$ -	$116,192,573

4. PROPERTY, PLANT AND EQUIPMENT (continued)

Family Islands

	January 1, 2013	Depreciation expense	Disposals	Transfers	December 31, 2013
Accumulated depreciation					
Buildings	$ 47,956	$ 11,598	$ -	$ -	$ 59,554
Land and wellfields	4,135,974	71,122	-	-	4,207,096
Water pumping stations	1,014,430	58,251	-	-	1,072,681
Water service lines	5,434,964	448,140	-	-	5,883,104
Water meters	2,710,865	380,547	-	-	3,091,412
Sewer lift stations	134,806	-	-	-	134,806
Sewer treatment plants	76,510	11,802	-	-	88,312
Storage tanks and reservoirs	4,385,599	202,383	-	-	4,587,982
Sewer collection systems and mains	616,665	-	-	-	616,665
Sewer connections	108,823	-	-	-	108,823
Transmission and distribution mains	34,425,953	1,966,310	-	-	36,392,263
Other equipment	149,129	6,574	-	-	155,703
Garage plant and equipment	419,149	59,300	-	-	478,449
Automotive equipment	784,943	100,435	(83,423)	-	801,955
Total	$54,445,766	$3,316,462	$(83,423)	$ -	$57,678,805
Net book value 2013					**$58,513,768**

4. PROPERTY, PLANT AND EQUIPMENT (continued)

Family Islands

	January 1, 2012	Additions	Disposals	Transfers	December 31, 2012
Cost					
Buildings	$ 276,282	$ 255	$ -	$ -	$ 276,537
Land and wellfields	5,185,010	-	-	-	5,185,010
Water pumping stations	1,706,496	(33,465)	-	96,437	1,769,468
Water service lines	7,284,278	106,950	-	87,134	7,478,362
Water meters	3,669,632	-	-	131,968	3,801,600
Sewer lift stations	134,806	-	-	-	134,806
Sewer treatment plants	259,430	-	-	-	259,430
Storage tanks and reservoirs	7,604,158	217,284	-	122,278	7,943,720
Sewer collection systems and mains	616,665	-	-	-	616,665
Sewer connections	108,823	-	-	-	108,823
Transmission and distribution mains	82,675,347	14,297	117,408	155,722	82,962,774
Other equipment	164,934	5,346	-	-	170,280
Garage plant and equipment	539,586	156,445	-	-	696,031
Automotive equipment	979,165	144,106	(29,711)	-	1,093,560
	111,204,612	611,218	87,697	593,539	112,497,066
Work-in-progress	2,770,584	626,127	-	(593,539)	2,803,172
Total	$113,975,196	$1,237,345	$ 87,697	$ -	$115,300,238

4. PROPERTY, PLANT AND EQUIPMENT (continued)

Family Islands

	January 1, 2012	Depreciation expense	Disposals	Transfers	December 31, 2012
Accumulated depreciation					
Buildings	$ 36,558	$ 11,398	$ -	$ -	$ 47,956
Land and wellfields	4,064,851	71,123	-	-	4,135,974
Water pumping stations	960,192	53,346	892	-	1,014,430
Water service lines	4,999,343	435,621	-	-	5,434,964
Water meters	2,342,806	368,063	-	-	2,710,869
Sewer lift stations	134,802	-	-	-	134,802
Sewer treatment plants	64,709	11,801	-	-	76,510
Storage tanks and reservoirs	4,010,518	206,840	168,241	-	4,385,599
Sewer collection systems and mains	616,665	-	-	-	616,665
Sewer connections	108,823	-	-	-	108,823
Transmission and distribution mains	32,505,081	1,976,311	(55,439)	-	34,425,953
Other equipment	136,769	7,368	4,992	-	149,129
Garage plant and equipment	255,342	59,449	104,358	-	419,149
Automotive equipment	705,602	107,562	(28,221)	-	784,943
Total	$50,942,061	$3,308,882	$194,823	$ -	$54,445,766
Net book value 2012					**$60,854,472**

5. ACCOUNTS RECEIVABLE

Accounts receivable as at December 31, 2013 are comprised of the following:

	2013	2012
New Providence		
Water	$27,754,004	$25,527,522
Sewerage	5,325,964	4,949,594
	33,079,968	30,477,116
Less: Allowance for doubtful accounts	(21,875,166)	(20,334,163)
	11,204,802	10,142,953
Other	732,629	858,231
	$11,937,431	$11,001,184
Family Islands		
Water	8,260,165	8,638,041
Sewerage	210,387	261,384
	8,470,552	8,899,425
Less: Allowance for doubtful accounts	(6,658,863)	(6,831,371)
	1,811,689	2,068,054
Other	77,162	79,311
	$ 1,888,851	$ 2,147,365
Total	$13,826,282	$13,148,549

As at December 31, 2013, water and sewerage receivables for New Providence and Family Islands include amounts due from Government ministries, departments and corporations of $7,815,164 (2012: $6,694,259) and $772,200 (2012: $731,699), respectively.

The movement in the provision for doubtful accounts is as follows:

	2013	2012
Opening balance	$27,165,534	$25,425,154
Amounts written-off during the year	(1,173,116)	(883,530)
Provision during the year	2,541,611	2,623,910
Closing balance	$28,534,029	$27,165,534

6. BANK OVERDRAFT

The Corporation has a $1.9 million overdraft facility with Royal Bank of Canada which bears interest at a rate of 2% (2012: 1.75%) above Nassau Prime, for a current effective rate of 6.75% per annum (2012: 6.50%).

The Corporation has a $3 million line of credit, including bill discounting, with Citibank N.A. (Nassau Branch) which carries interest at a rate of 5% per annum with bullet repayments at the maturity date.

Both facilities are supported by letters of comfort from the Government of The Bahamas.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are comprised of the following:

	2013	2012 (as restated)
New Providence		
Trade payables	$14,458,898	$ 8,592,050
Contributions to capital projects in progress	1,572,625	2,431,485
Accrued liabilities	5,866,069	6,193,103
	21,897,592	17,216,638
Family Islands		
Trade payables	1,100,272	445,731
Contributions to capital projects in progress	264,419	264,419
Accrued liabilities	4,859,559	5,103,956
	6,224,250	5,814,106
Total	$28,121,842	$23,030,744

As at December 31, 2013, New Providence and Family Islands accounts payable and accrued liabilities include amounts due to Government ministries, departments and corporations of $1,710,142 (2012: $2,649,966) and $2,912,295 (2012: $2,891,612), respectively.

The movements in contributions to capital projects in progress are shown below:

	New Providence	Family Islands	Total
Opening balance	$2,431,485	$264,419	$2,695,904
Contributions received during the year	557,746	-	557,746
Contributions to projects completed during the year	(1,416,606)	-	(1,416,606)
Closing balance	$1,572,625	$264,419	$1,837,044

8. LONG-TERM DEBT

Long-term debt comprises the following:

	Notes	2013	2012
Inter-American Development Bank	(a)	$30,289,624	$17,197,224
National Insurance Board	(b)	4,700,000	-
British American Financial	(c)	-	47,697
		34,989,624	17,244,921
Less: Amounts due within one year		(506,656)	(554,353)
		$34,482,968	$16,690,568

(a) Inter-American Development Bank

i. The Corporation was granted a loan facility of US$14,000,000 in 1999 primarily for The Family Islands Water Improvement Project. Only US$10,632,274 of this facility was drawn-down, and the remaining amount of the facility of US$3,367,726 was subsequently cancelled. Interest accrues on the loan at a rate per annum as determined by the preceding Semester's Cost of Single Currency Qualified Borrowings. The loan is repayable in equal bi-annual installments, which commenced on September 25, 2003, and will terminate no later than March 25, 2024. The outstanding balance as at December 31, 2013 is $5,386,390 (2012: $5,899,379).

ii. The Corporation was granted a Single Currency Facility Loan of US$81,000,000 in December 2011. The main components to be addressed under the loan are non-revenue water reduction, wastewater infrastructure improvements and master plan, institutional strengthening and development of a new legal and regulatory framework. Interest accrues on the loan at an annual LIBOR-based interest rate for each quarter as determined on the Interest Rate Determination Date. The loan is repayable in equal bi-annual installments, commencing May 16, 2017, and will terminate no later than May 16, 2037. As at December 31, 2013, the outstanding balance is $24,903,234 (2012: $11,297,845).

(b) National Insurance Board

In September 2013, the Corporation signed a $10,000,000 loan to finance the design and construction of a one million imperial gallon per day wastewater treatment facility at Gladstone Road. The facility, which is expected to be fully operational in late 2014, will provide sewage treatment and re-use water supply for a major resort and treat waste from surrounding subdivisions. The loan, which accrues interest on the disbursed balance at a rate of 4.75% per annum, is to be fully disbursed within one year from the signing date. It is repayable in monthly blended installments of principal and interest of $125,412 beginning November 2015 and will terminate no later than October, 2023. As at December 31, 2013, the amount drawn-down is $4,700,000.

(c) British American Financial

In October 2008, the Corporation obtained a loan of $257,480 to purchase equipment. The loan was repayable in 60 monthly installments of $5,534, inclusive of interest. The outstanding balance as at December 31, 2013 is $Nil (2012: $47,697).

8. LONG-TERM DEBT (continued)

Long-term debt repayable in more than one year is as follows:

	2013	2012
1 - 5 years	$16,953,281	$ 5,266,625
More than 5 years	17,529,687	11,423,943
	$34,482,968	$16,690,568

9. EQUITY CONTRIBUTIONS

Equity contributions represent contributions by the Government to major capital projects. The movements in equity contributions during the year are as follows:

	New Providence	Family Islands	2013 Total	2012 Total
Balance at January 1	$121,819,444	$45,260,710	$167,080,154	$168,019,018
Contributions	3,993,007	1,612,473	5,605,480	817,638
Distributions	-	(1,746,191)	(1,746,191)	(1,756,502)
Balance at December 31	$125,812,451	$45,126,992	$170,939,443	$167,080,154

10. OPERATING EXPENSES

For the year ended December 31, 2013, operating expenses were as follows:

	2013	2012 (as restated)
Water		
Purchase of water	$36,133,885	$35,672,817
Staffing expense (Note 17)	6,150,916	6,378,522
Electricity	3,637,761	3,187,976
Bad debts and sundry provisions	2,154,307	2,268,191
Repairs and maintenance	1,522,020	1,857,156
Fuel and oil	513,408	739,679
Office services	223,333	247,532
Outside services	163,141	113,573
Miscellaneous	146,570	132,940
Travel	145,633	176,726
Chemicals	118,352	124,324
Data processing	28,839	6,806
Training	21,609	29,603
Public relations	11,699	6,998
Other shipping	-	3,662
Claims and damages	-	223
Balance carried forward	$50,971,473	$50,946,728

10. OPERATING EXPENSES (continued)

	2013	2012 (as restated)
Balance brought forward	$50,971,473	$50,946,728
Sewerage		
Staffing expense (Note 17)	1,193,846	998,921
Electricity	718,664	648,801
Repairs and maintenance	429,535	361,674
Bad debts and sundry provisions	387,304	355,719
Fuel and oil	27,850	32,803
Miscellaneous	8,994	2,294
Office services	7,455	7,102
Chemicals	2,134	5,861
Outside services	2,062	-
Training	1,948	281
Data processing	500	240
Public relations	73	-
	2,780,365	2,413,696
General and administrative		
Staffing expense (Note 17)	13,785,319	10,730,665
Administrative overhead	1,209,577	1,143,616
Professional and consultancy fees	923,626	1,020,841
Repairs and maintenance	869,619	599,582
Office services	582,806	584,465
Data processing	414,086	362,375
Electricity	344,211	347,736
Public relations	223,643	192,838
Bank charges	177,743	151,074
Fuel and oil	158,939	182,029
Miscellaneous	154,915	124,400
Training	145,290	247,902
Claims and damages	99,046	9,168
Audit fees	68,365	47,500
Travel	16,426	15,594
Chemicals	10,325	7,571
	19,183,936	15,767,356
Total	$72,935,774	$69,127,780

11. DEPRECIATION

Depreciation for the year ended December 31, 2013 was as follows:

	2013	2012
Water	$ 9,292,478	$ 8,960,330
Sewerage	3,164,451	3,068,352
General and administrative	382,884	388,195
	$12,839,813	$12,416,877

12. FINANCING OF OPERATIONS

The Corporation has incurred significant operating losses in recent years and such losses are projected for the future. As at December 31, 2013, the Corporation's current liabilities exceeded its current assets by $92,945,732 (2012: $87,800,472) and it has an accumulated deficit of $132,848,581 (2012: $118,010,397). The Corporation is dependent on funding from the Government and it is anticipated that such funding, via the Government's subsidy, will continue to be made available at a level sufficient to allow the Corporation to adequately maintain its operations. In the fiscal year 2013, the Corporation received $29,935,000 (2012: $ 32,296,000) from the Government of The Bahamas in the form of a subsidy to assist with the cost of operations.

13. FINANCE CHARGES

Finance charges comprise the following:

	2013	2012 (as restated)
Interest on:		
Pension obligations (Note 14)	$3,662,700	$3,480,100
Bank overdraft	217,949	50,773
Long-term debt	72,455	38,445
Other	34,611	14,340
	$3,987,715	$3,583,658

14. PENSION PLAN

The Corporation has established two pension schemes that cover all permanent employees; namely a defined benefit plan and a defined contribution plan.

(a) Defined contribution plan

The Corporation contributes 5% of eligible employees' pensionable earnings. Employees are not required to contribute to the defined contribution plan.

14. PENSION PLAN (continued)

(b) Defined benefit plan

The Corporation's defined benefit plan assets of $18,365,100 (2012: $17,801,800) are wholly invested in a fund that is administered by a private insurance company. The fund assets are composed of cash and cash equivalents, investments in equity securities, preferred shares, corporate and government bonds, mutual fund and receivables.

The Corporation suspended funding contributions to the plan in 1989. Current retirement benefits are funded through direct payments, a portion of which may be reimbursed on a quarterly basis from the pension fund, subject to periodic review.

Direct payments of current retirement benefits, net of reimbursements, totaled $3,950,900 (2012: $3,682,800). During the year, reimbursements were $nil (2012: $608,074).

The Corporation expects to pay $3,730,000 in contributions to its defined benefit plan in 2014.

Defined benefit pension liability is as follows:

	2013	2012 (as restated)	2011 (as restated)
Present value of funded obligations at December 31	$94,907,800	$91,746,400	$87,779,400
Fair value of plan assets at December 31	(18,365,100)	(17,801,800)	(17,733,500)
Defined benefit pension liability at December 31	$76,542,700	$73,944,600	$70,045,900

The movement in the defined benefit obligation is as follows:

	2013	2012 (as restated)	2011 (as restated)
Defined benefit obligation at January 1	$91,746,400	$87,779,400	$74,837,700
Current service cost	2,571,200	2,794,200	2,394,400
Interest cost	4,552,800	4,349,700	4,474,300
Actuarial (gains) losses on obligation	(11,700)	1,187,200	9,000,100
Benefits paid	(3,950,900)	(4,364,100)	(2,927,100)
Defined benefit obligation at December 31	$94,907,800	$91,746,400	$87,779,400

The change in the fair value of the plan assets is as follows:

	2013	2012 (as restated)	2011 (as restated)
Fair value of plan assets at January 1	$17,801,800	$17,733,500	$19,380,000
Interest income	890,100	869,600	1,108,200
Return on plan assets, excluding interest income	(326,800)	(120,000)	(933,800)
Employer's contributions	3,950,900	3,682,800	1,106,200
Benefits paid	(3,950,900)	(4,364,100)	(2,927,100)
Fair value of plan assets at December 31	$18,365,100	$17,801,800	$17,733,500

14. PENSION PLAN (continued)

(b) Defined benefit plan (continued)

Expenses recognized in the statement of comprehensive loss are:

	2013	2012 (as restated)	2011 (as restated)
Current service cost	$2,571,200	$2,794,200	$2,394,400
Net interest on net defined benefit liability	3,662,700	3,480,100	3,366,100
Net pension expense for the year	$6,233,900	$6,274,300	$5,760,500

As at the December 31, 2013 valuation date, the present value of the defined benefit obligation was allocated among members at approximately 64.1% for active members; 35.6% for pensioners; and 0.3% for deferred members.

Re-measurements recognized in other comprehensive loss are as follows:

	2013	2012 (as restated)	2011 (as restated)
Change in financial assumptions	$326,800	$ 120,000	$ 933,800
Change in demographic assumptions	(11,700)	1,187,200	2,371,200
Experience adjustments	-	-	6,628,900
Total recognized in other comprehensive loss	$315,100	$1,307,200	$9,933,900

The movement in the amount recognized in the statement of financial position is as follows:

	2013	2012 (as restated)	2011 (as restated)
Defined benefit pension liability as at January 1	$73,944,600	$70,045,900	$55,457,700
Amounts recognized in the statement of comprehensive loss	6,233,900	6,274,300	5,760,500
Re-measurement recognized in other comprehensive loss	315,100	1,307,200	9,933,900
Contributions paid	(3,950,900)	(3,682,800)	(1,106,200)
Defined benefit pension liability as at December 31	$76,542,700	$73,944,600	$70,045,900

The following were the principal assumptions at the reporting date:

	2013	2012 (as restated)	2011 (as restated)
Discount rate	5% p.a.	5% p.a.	5% p.a.
Expected rate of salary increases	3% p.a.	3% p.a.	3% p.a.

Assumptions regarding future mortality are based on published mortality tables.

14. PENSION PLAN (continued)

(b) Defined benefit plan (continued)

Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to the assumptions used. The following table summarizes how the defined benefit obligation at the reporting date would have changed as a result of a change in one of the assumptions used, while holding the other assumption constant.

	change in defined benefit obligation	
	1% per annum increase	**1% per annum decrease**
Discount rate	$(11,425,500)	$14,147,200
Future salary increases	4,982,300	(4,456,200)

15. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Corporation estimates that the carrying values of the financial assets and liabilities disclosed in the statement of financial position, approximate the fair values at the reporting date for one or more of the following reasons:

(i) Short-term maturities;
(ii) Interest rates approximate market rates; and
(iii) Carrying values equal fair values.

16. FINANCIAL RISK MANAGEMENT

The Board of Directors is mainly responsible for the overall risk management approach, development and approval of risk strategies, principles, frameworks, policies and limits of the Corporation. It establishes a forum for discussion of the Corporation's approach to risks and issues in order to make relevant decisions and mitigate risks.

The Corporation's operations expose it to a number of financial risks. A risk management program has been established to protect the Corporation against potential adverse effects of these financial risks. There has been no significant change in these financial risks since the prior year.

The most important financial risks to which the Corporation is exposed are liquidity risk, credit risk and market risk.

(a) Liquidity risk

The Corporation is exposed to liquidity risk which is the risk that it might be unable to meet its obligations associated with its financial liabilities when they become due. This risk is mitigated by the Government's subsidy as stated in Note 12.

The Corporation has further undrawn banking facilities of $1.45 million (2012: $1.80 million) which can be used as an additional means of easing liquidity risks, if necessary.

16. FINANCIAL RISK MANAGEMENT (continued)

(a) Liquidity risk (continued)

The table below details the remaining contractual maturities of the Corporation's financial assets and liabilities based on undiscounted cash flows:

2013	Less than 1 month	1 to 3 months	3 months to 12 months	1 to 5 years	More than 5 years	Total
Financial assets						
Cash at bank	$ 5,042,580	$ -	$ -	$ -	$ -	$ 5,042,580
Accounts receivable	4,940,852	1,466,238	6,609,401	809,791	-	13,826,282
	9,983,432	1,466,238	6,609,401	809,791	-	18,868,862
Financial liabilities						
Long-term debt	-	-	-	16,953,281	17,529,687	34,482,968
Accounts payable and accrued liabilities	28,121,842	-	-	-	-	28,121,842
Bank overdraft	3,891,770	-	-	-	-	3,891,770
Current portion of long- term debt	-	253,328	253,328	-	-	506,656
	$32,013,612	$ 253,328	$ 253,328	$16,953,281	$17,529,687	$67,003,236

2012	Less than 1 month	1 to 3 months	3 months to 12 months	1 to 5 years	More than 5 years	Total
Financial assets						
Cash at bank	$ 3,406,067	$ -	$ -	$ -	$ -	$ 3,406,067
Accounts receivable	4,682,340	1,389,522	6,139,145	937,542	-	13,148,549
	8,088,407	1,389,522	6,139,145	937,542	-	16,554,616
Financial liabilities						
Long-term debt	-	-	-	5,266,625	11,423,943	16,690,568
Accounts payable and accrued liabilities	23,030,744	-	-	-	-	23,030,744
Bank overdraft	4,430,081	-	-	-	-	4,430,081
Current portion of long-term debt	5,117	263,697	285,539	-	-	554,353
	$27,465,942	$ 263,697	$ 285,539	$ 5,266,625	$11,423,943	$44,705,746

(b) Credit risk

Credit risk is the risk that a counterparty to a financial instrument might cause a financial loss for the Corporation by failing to discharge its obligations.

The Corporation's exposure to credit risk on financial instruments is primarily in respect of accounts receivable and bank balances. There is also credit risk associated with counterparty operating contracts related to desalinated water production under "build-own-operate" arrangements.

16. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Concentration of credit risk with respect to the Corporation's customers is not significant as most customers are households and local businesses and is limited to the carrying value of accounts receivable. Credit risk on bank balances is not considered significant because funds are held by reputable and well-established financial institutions. Risk with respect to operating contracts is mitigated by performance and operations securities and buy-out clauses, in the event of counterparty default in respect to material contracts.

By law, new premises are required to be connected to water and sewer services where they are available, for which certain minimum or fixed charges accrue, however, some customers elect to use alternative means. The Corporation asserts its right to collect statutory minimum or fixed charges, not withstanding actual usage, on the basis of readiness to serve such customers. Consequently, although significant allowances are made for past due amounts over 120 days, individual accounts are written-off only after legal remedies have been exhausted or it is determined that collection is improbable.

The following tables sets out the aging analysis of financial assets that are neither past due nor impaired or impaired more than 181 days as at December 31, 2013:

	2013		
	Neither past due nor impaired	**Impaired more than 181 days**	**Total**
Cash at bank	$ 5,042,580	$ -	$ 5,042,580
Accounts receivable	13,826,282	28,534,029	42,360,311
	$18,868,862	$28,534,029	$47,402,891

	2012		
	Neither past due nor impaired	**Impaired more than 181 days**	**Total**
Cash at bank	$ 3,406,067	$ -	$ 3,406,067
Accounts receivable	13,148,549	27,165,534	40,314,083
	$16,554,616	$27,165,534	$43,720,150

(c) Market risk

Market risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate because of changes in market prices. The Corporation is exposed to the following market risks: interest rate risk and foreign currency risk.

16. FINANCIAL RISK MANAGEMENT (continued)

(c) Market risk (continued)

Interest rate risk

Interest rate risk is the risk that the fair value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest bearing liabilities that expose the Corporation to interest rate risk are the long-term debt. There is no mitigation against this risk.

			If interest rates were .5% higher		If interest rates were .5% lower	
	Carrying amount	**Average interest rate**	**Profit for the year**	**Equity**	**Profit for the year**	**Equity**
IDB Loan 2013	$30,289,624	2%	$157,506	$157,506	$(145,390)	$(145,390)
IDB Loan 2012	$17,197,224	2%	$ 89,426	$ 89,426	$ (82,547)	$ (82,547)

Foreign currency risk

Foreign currency risk refers to the risk that the value of a financial commitment or recognized asset or liability will fluctuate due to changes in foreign currency rates. Currency risk arises from the possibility that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign currency transactions, if any, are denominated in United States dollars. As the parity between United States and Bahamian dollars is unlikely to change in the short-term, the Corporation's exposure to any movement in the exchange rate is not considered significant. Therefore, a sensitivity analysis of currency risk is not considered necessary.

17. RELATED PARTY TRANSACATIONS

Key management compensation

Salaries, other short-term and termination benefits paid to key management are as follows:

	2013	**2012**
Short-term employee benefits (Note 10)	$1,140,124	$1,599,982
Post-employment benefits (Note 10)	588,053	-
	$1,728,177	$1,599,982

Additional related party disclosures are included elsewhere in the notes to the financial statements.

18. CONTINGENT LIABILITIES

In the normal course of business, the Corporation is exposed to asserted and unasserted claims. The Corporation is involved in various legal proceedings and claims covering a range of matters that arise in the normal course of business activities. Management is of the view that no significant losses will arise as a result of such proceedings and claims.

19. COMMITMENTS

The Corporation has the following commitments as at December 31, 2013:

(a) Water purchase agreements, which have minimum purchase terms. Minimum annual purchases in respect of these arrangements, exclusive of cost escalation clauses, are approximately as follows:

2014	-	$30,409,700
2015	-	$28,920,100
2016	-	$28,904,500
2017	-	$28,904,500
2018	-	$28,904,500

(b) Rental agreements for which annual costs are $146,681 (2012: $146,381).

20. MISCELLANEOUS (LOSS) INCOME

Miscellaneous (loss) income is comprised of the following:

	2013	2012
Loss on disposal of property, plant and equipment	$(1,295,917)	$(6,358,465)
Miscellaneous income	494,809	627,340
	$ (801,108)	$(5,731,125)

21. SUBSEQUENT EVENT

The Government of the Bahamas, in its fiscal budget for the period from July 1, 2013 to June 30, 2014, approved subsidies of $24.9 million to the Corporation for the period from January 1 to June 30, 2014.

See Independent Auditors' Report on pages 1 and 2.

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