

ANNUAL REPORT



WATER & SEWERAGE CORPORATION

For the Year Ended December 2008



Blue Hills Water Works & Water Tower at Fort Fincastle
Celebrating 80 years of Water Service
to New Providence (1928-2008)



MISSION

VISION STATEMENT

Committed to growth, committed to quality.

MISSION

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

TABLE OF CONTENTS



	Page No.
Corporate Structure.....	2
Chairman's Remarks	3
Board of Directors	4
Executive Management	5
Financial Overview	6
Divisional Highlights and Statistics.....	9
❑ Engineering and Planning.....	9
❑ Business Development.....	13
❑ New Providence Operations.....	15
❑ Family Island and Marine Operations.....	16
❑ Sewerage Operations.....	19
❑ Commercial Operations.....	20
❑ Human Resources.....	21
❑ Internal Control and Compliance / Water Quality Unit.....	22
Financial Statements.....	26



2008 ANNUAL REPORT

MINISTERS

The Honourable Earl D. Deveaux
Minister of Works and Transportation

The Honourable Phenton O. Neymour
Minister of State, Utilities

BOARD OF DIRECTORS AT DECEMBER 31, 2008

Anton A. Saunders
Shandrice Woodside-Rolle
Michael Cunningham
Pamela Miller
Ehurd Cunningham
Sean Blyden

Chairman
Deputy Chairman
Board Member
Board Member
Board Member
Board Member

EXECUTIVE MANAGEMENT AT DECEMBER 31, 2008

Anton A. Saunders
Christopher B. Sherman
Sandra B. Edgecombe
Glen F. Laville
Elwood L. Donaldson
Daphne L. Simmons
Philip J. Beneby
Robert C. Deal
Cheri M. Hanna

Acting General Manager
Deputy General Manager Engineering & Planning
Deputy General Manager/Chief Financial Officer
Acting Deputy General Manager/New Providence Operations
Senior Assistant General Manager/Internal Control & Compliance/Water Quality Unit
Senior Assistant General Manager/Human Resources
Assistant General Manager/Business Development
Assistant General Manager/Family Island Operations/Marine Operations
Assistant General Manager/Commercial Operations

HEADQUARTERS

P. O. Box N-3905
No. 87 Thompson Boulevard
Nassau, Bahamas.
Telephone: (242) 302-5500

AUDITORS

PKF Chartered Accountants
P. O. Box N-8335
Nassau, Bahamas

"Committed to growth. Committed to quality."

Chairman's Remarks



During 2008 the Corporation was continually challenged by factors such as the decline in both the world and Bahamas' economy, aging infrastructure along with increased demand for water supplies, dramatic increase in the price of fuel and electricity, and unresolved industrial agreements with both of its unions. As a result, management and the Board initiated strategies for improved customer services, enhanced revenue collections, and cost cutting measures.

As in 2007, this year presented itself as one where the Corporation did not have to implement water rationing in spite of challenges with Non-Revenue Water. With the increased emphasis on reverse osmosis supply, shipping of water from Andros continued to play a significant role in meeting New Providence's water supply needs, despite the departure of one of the two vessels.

Continued progress was made in the Family Islands as many of the projects initiated in both 2006 and 2007 were progressed or completed in 2008. These included the completion of reverse osmosis and mains renewal expansions throughout the major and small islands along with the creation of several new commercial offices.

Staff numbers lowered during the year as a result of attrition. As a consequence of its financial challenges and to safeguard the jobs of its existing staff, the Corporation maintained a policy of minimal staff increase.

As the Corporation faces another even more challenging year, I take this time to thank the dedicated members of the Board, executives, management and staff for their "commitment to growth and quality".

Anton A. Saunders
Chairman, Board of Directors
Water & Sewerage Corporation



Board of Directors



Anton A. Saunders
Chairman



Shandrice Woodside-Rolle
Deputy Chairman



Ehurd Cunningham
Board Member



Sean Blyden
Board Member



Pamela Miller
Board Member



Michael Cunningham
Board Member

Executive Management



Anton A. Saunders
Acting General Manager



Glen F. Laville
Acting DGM/N.P. Operations



Christopher B. Sherman
DGM/Engineering & Planning



Sandra B. Edgecombe
DGM/Chief Financial Officer



Philip J. Beneby
AGM/Business Development



Elwood L. Donaldson
SAGM/ICC & Water Quality



Daphne L. Simmons
SAGM/Human Resources



Cheri M. Hanna
AGM/Commercial Operations



Robert C. Deal
AGM/F.I. & Marine Operations



Financial Overview

The year 2008 was marked by rapidly increasing energy costs beginning in the second quarter and peaking at the end of the third quarter. This increase was directly reflected in fuel and electricity used for water transshipment, production and distribution; wastewater pumping and treatment; and also in the cost of materials including pipes and fittings. The very significant effects of these costs to the Corporation were compounded by the onslaught of the global recession that negatively affected water sales and revenue collections.

In New Providence, Non Revenue Water (NRW) continued to increase. Significant gains had been achieved at the conclusion, in March 2007, of the NRW Project that was executed by Consolidated Water. These gains were quickly eroded, principally because of financial and other resource constraints. The Corporation's water infrastructure is very old. A robust leakage control program is required to identify and repair underground leaks on a timely and continuous basis. The active leakage control program must also be supported by a well planned and funded capital investment program.

2008 volume sales in New Providence increased by 265.5 Million Imperial Gallons (MIGs) or 17%, from 1,561.2 in 2007 to 1,826.7 MIGs in 2008. This was somewhat offset by continued decline in the average selling price per thousand gallons which reached a high of \$16.13 in 2006; then dropped from \$15.89 in 2007 to \$15.48 in 2008.

In the Family Islands, average selling price per thousand gallons in the major islands (i.e. Abaco, Eleuthera, Exuma and San Salvador) declined by 6.5% or \$0.57, from \$8.67 to \$8.10. The average selling price in the other islands is estimated to be around \$5.99 per thousand gallons.

It should be noted that rates have not been adjusted since March 1999 and the New Providence Consumer Price Index (CPI) has increased by 23.72% over the same period.

Sales to resorts and hotels in New Providence decreased by 22.27 MIGs or 5.7%, but the average selling price for hotels rebounded by 7.4% or \$0.74. Special concessionary rates of \$8 and \$10 per thousand imperial gallons remained in effect for South Ocean and Kerzner.

2008 collections performance was adversely affected as normal disconnection protocols were softened to mitigate the effects on households and small businesses due to the economic downturn. Burgeoning prices and operational problems exacerbated customer frustrations. The Corporation generally disconnected only for bills that were over 60 days past due, but additional concessions were also made in certain areas because of rusty water and inconsistent service. Greater effort was required to obtain payments, and significantly more customers deferred some or all of their payments.

Treasury management continued to be very challenging. Net current liabilities as at December 31, 2008 increased by \$7.3M to \$74.2M, from \$66.9M in 2007. Relations with suppliers were severely strained and the Corporation's credit worthiness has declined, with more suppliers requiring advance payments to process orders. The largest balances were owed to two

desalinated water suppliers: \$8.11M was payable to Consolidated Water and \$0.94M to Aqua Design and its subsidiary, Bimini Bay. Having recognized the financial difficulties that the Corporation faced, the Government allocated a supplemental subsidy of \$4.55M in its mid-year budget review, to assist the Corporation over the period March to June 2008, and increased its annual allocation by \$18M, to \$19M for the period July 2008 to June 2009.

The 2008 financial results, inclusive of government subsidies, showed a consolidated net loss of \$4,913,047 compared to a net loss of \$3,907,369 for 2007. This is an increase of \$1,005,678 or 25.7%.

The overall operating result is the net effect of a marked increase in both operating revenues and expenses. Operating expenses before depreciation increased by \$6,766,066. A summary of the movement in operating expenses over one and five years respectively is shown in the table below:

COMPARATIVE ANALYSIS OF 2008 OPERATING EXPENSES VS. 2007 AND 2003

	In B\$						
	2008	1 Year 2007	5 years 2003	1 Year Variance		5 Year Variance	
				\$	%	\$	%
Water Purchases	\$ 22,730,514	\$ 19,770,676	\$ 5,826,651	\$ 2,959,838	15.0%	\$ 16,903,863	290.1%
Staffing	\$ 15,319,788	\$ 15,109,279	\$ 6,941,479	\$ 210,509	1.4%	\$ (1,621,691)	-9.6%
Administrative Overhead	\$ 1,142,373	\$ 1,181,094	\$ 831,356	\$ (38,721)	-3.3%	\$ 311,017	37.4%
Shipping Charter Hire	\$ 3,215,820	\$ 4,859,319	\$ 5,051,496	\$ (1,643,499)	-33.8%	\$ (1,835,676)	-36.3%
Fuel and Oil	\$ 4,528,614	\$ 2,818,748	\$ 2,023,500	\$ 1,709,866	60.7%	\$ 2,505,114	123.8%
Electricity	\$ 4,441,830	\$ 2,902,712	\$ 2,690,812	\$ 1,539,118	53.0%	\$ 1,751,018	65.1%
Bad Debts and Sundry Provisions	\$ 3,057,410	\$ 126,828	\$ 1,300,845	\$ 2,930,582	2310.7%	\$ 1,756,565	135.0%
Repairs & Maintenance	\$ 1,373,688	\$ 1,812,086	\$ 1,672,446	\$ (438,398)	-24.2%	\$ (298,758)	-17.9%
Office Service	\$ 801,715	\$ 929,898	\$ 601,656	\$ (128,183)	-13.6%	\$ 200,059	33.3%
Chemicals	\$ 122,795	\$ 186,665	\$ 296,322	\$ (63,870)	-34.2%	\$ (173,527)	-58.6%
Travel	\$ 218,023	\$ 187,381	\$ 74,865	\$ 30,642	16.4%	\$ 143,158	191.2%
Outside Services	\$ 81,980	\$ 41,215	\$ 38,270	\$ 40,765	98.9%	\$ 43,710	114.2%
Other Shipping	\$ 25,942	\$ 9,705	\$ 37,914	\$ 16,237	167.3%	\$ (11,972)	-31.6%
Public Relations	\$ 327,719	\$ 577,430	\$ 149,297	\$ (249,701)	-43.2%	\$ 178,432	119.5%
Data Processing	\$ 462,704	\$ 425,512	\$ 264,773	\$ 37,192	8.7%	\$ 197,931	74.8%
Claims and Damages	\$ 24,199	\$ 8,871	\$ 5,609	\$ 15,328	172.8%	\$ 18,590	331.4%
Training	\$ 212,955	\$ 275,246	\$ 87,333	\$ (62,291)	-22.6%	\$ 125,622	143.8%
Miscellaneous	\$ 289,030	\$ 518,920	\$ 82,076	\$ (229,890)	-44.3%	\$ 206,954	252.1%
Professional & Consultancy Fees	\$ 1,092,172	\$ 976,748	\$ 538,247	\$ 115,424	11.8%	\$ 553,925	102.9%
Bank Charges	\$ 256,087	\$ 221,268	\$ 62,589	\$ 34,819	15.7%	\$ 93,498	57.5%
Audit Fees	\$ 50,000	\$ 69,700	\$ 47,095	\$ (19,700)	-28.3%	\$ 2,905	6.2%
	\$ 59,775,368	\$ 53,009,301	\$ 38,724,631	\$ 6,766,067	12.8%	\$ 21,050,737	54.4%



Energy

An analysis of 2008 operational expenses and energy cost drivers in New Providence revealed that the energy component of water purchases accounted for 26.2% of water operational expense (OPEX), and overall energy expenses to produce and distribute water accounted for 44.2% of water operating expenses. Sewerage energy utilization accounted for 22.4% of sewerage OPEX. The total energy component for New Providence water and sewerage operations was assessed to be 33.4 % of New Providence OPEX.

a) Electricity

A \$2M government offset in 2007 resulted in 2007 electricity cost being much less than the previous years. 2008 electricity charges however, are more in line with the charges of previous years, and increases in electricity surcharges.

b) Fuel and Oil

In 2008 there was a global increase in the cost of fuel. The cost of diesel increased from \$3.0905/gal on January 9, 2008 to as high as \$4.77/gal on July 21, 2008. The cost of unleaded gas increased from \$3.01 or 301.00 cents a gallon (cag) on January 7, 2008 to \$4.33 or 433.00 cag on August 5, 2008.





Divisional Highlights and Statistics

ENGINEERING & PLANNING DIVISION

Engineering Department:

This Department continued to provide Engineering Services to real estate developers and administer the process for the proper installation of the necessary infrastructure in new developments in accordance with the Private Roads and Subdivision Act.

Technical Services were also utilized to supervise the completion of numerous facility improvements at the Corporate Head Office Building and in the Family Islands namely:

- 1) The replacement of air-condition ducts through Block A;
- 2) Renovations of all the bathrooms and kitchens;
- 3) The renovation and Office set-up of a new call Centre and Lobby;
- 4) George Town, Exuma Administration Office renovations; and
- 5) Upgrade the Fuel Tank System at the Andros Pump Station site.

Project Management Unit:

This unit was responsible for the project management of the Corporation's Family Island Water Improvement Plan which included works in Acklins, Eleuthera and Exuma.

The Acklins Water Distribution Improvements works for Salina Point and Snug Corner/ Mason's Bay were completed in June and the two RO plants at Salina Point and Snug Corner were commissioned in May. Works in Exuma was completed but Eleuthera is on-going. The Low Level Storage tank on Harbour Island was refurbished and returned to operational status.

Due to their extensive knowledge of the Bahamas and their past projects with WSC, including the Family Island Water Supply Project on Abaco, the international firm of Camp, Dresser and McKee Inc. (CDM) was authorized to proceed with the design of the underwater transmission main from Mainland Abaco to Green Turtle Cay.

The new Gladstone Road water and force main system was completed and the new deep disposal well was commissioned at the Gladstone Wastewater Treatment Plant (WWTP) site to meet the Carmichael Village Housing needs.

GIS Services

The GIS system is being used to track the locations and conditions of water mains, valves, meters, hydrants, storage facilities, sewer mains, manholes and customer meters and other essential assets. All new subdivisions approved by Ministry of Works were digitized. Between 2007 and 2008, some 166 subdivisions were added to the system. In addition to subdivisions, the 1999 street layer obtained from Department of Lands & Surveys continues to be updated based on developer drawings. Similarly, some 652.96 miles of water mains (See Figure 1),



Renovations at Head Office Building





and 100.83 miles of sewer mains were digitized, additionally data on 40,894 customer meters were collected using GPS devices. Based on user needs additional GIS layers were created. These included long service areas in New Providence (See *Figure 2*), and the Corporation's Projects (See *Figure 3*) throughout the country.

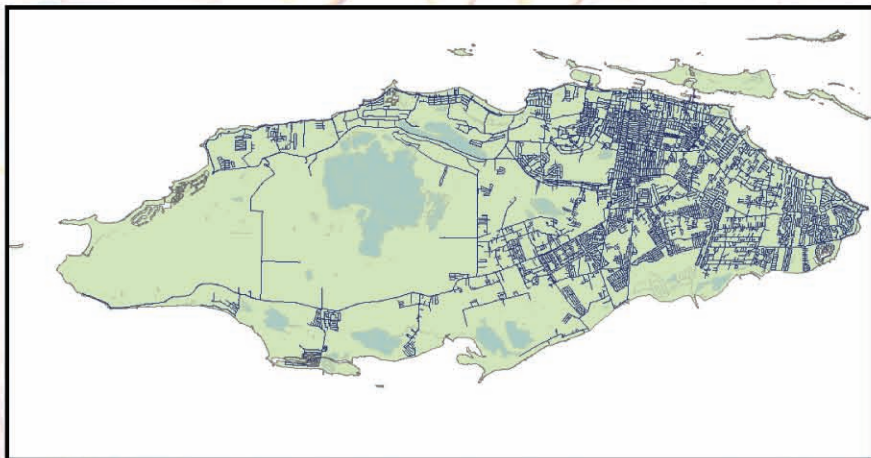


Figure 1 - Water Network

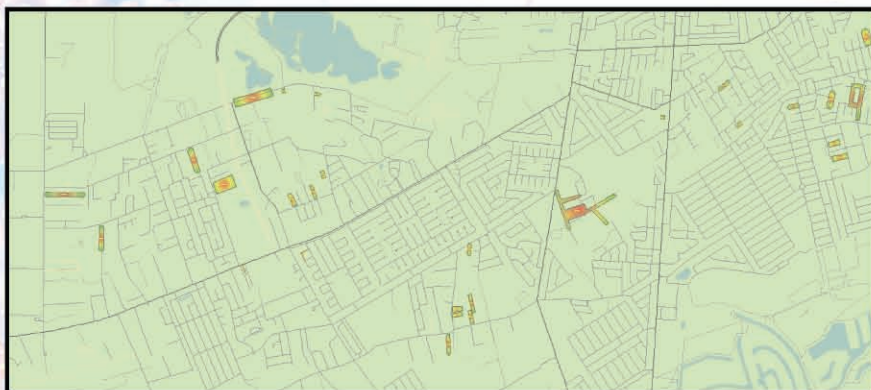


Figure 2 – Long Service Areas

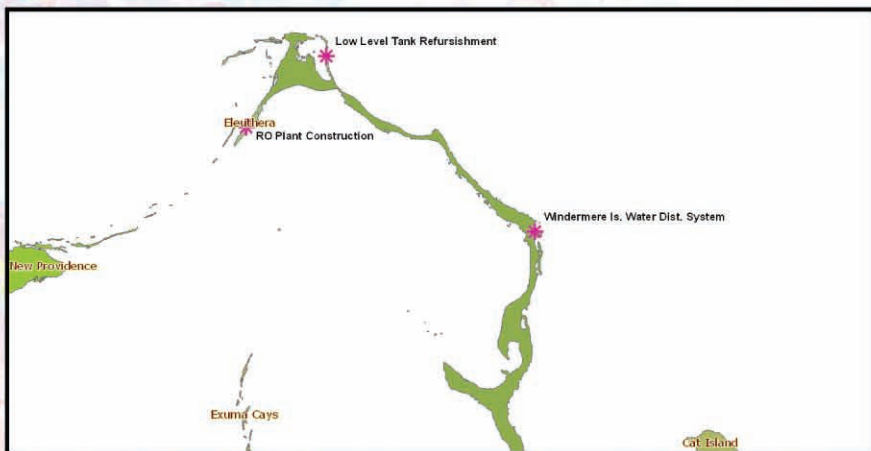
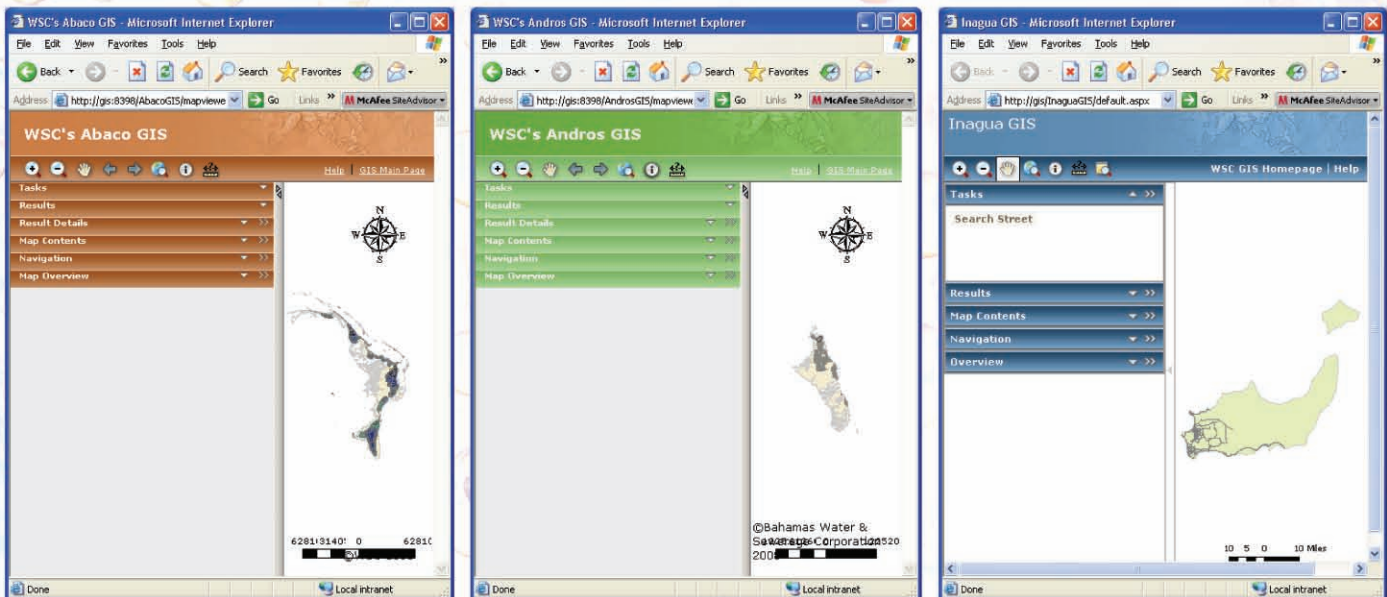


Figure 3 - WSC Projects

The GIS Services Department expanded its data collection activities to the Family islands. Imagery of Inagua was acquired from the Bahamas National GIS Centre. During this period, data on customer meters in Abaco were collected using GPS devices, while mains in Matthew Town, Inagua, and fresh water lens in Abaco & Andros were digitized. The GIS Website was modified



to include online maps of Abaco, Inagua, San Salvador & Andros (See Images Below).



City-works continues to be used by departments in System Operations & Control in the New Providence Operations Division to record operational orders and customer complaints handled by Distribution Operations.

Water Resources Management:

The department was involved in all matters concerning hydrogeological investigations, research and development of the resources, groundwater abstraction, reverse osmosis processes, wastewater effluent disposal, any land alterations that may affect hydrological conditions, and other environmental related aspects.

In 2008, listed below are several key operational activities the unit participated and assisted with:

- **Water Resources Management Regulations.** Environmental Impact or Risk to the Water Resources was reported in the vicinity of the South West Wellfields on New Providence. The lands along the Coral Harbour Road were determined not to be a portion of WSC Lands. Further, a water quality complaint was received from the Island Administrator for the Colonial Hill - Crooked Island Wellfield.
- **Wellfield (Water Supply) Design and Expansion.** Design and manage capital improvement works for Colonial Hill – Crooked Island Wellfield Operations. Managed Fire Well Installations and Testing at the Marsh Harbour and Treasure Cay Airport for the Civil Aviation Department. Chiller Water Specifications for the BEC – Wilson City Abaco, and Nassau International Airport.
- **Hydrological and Environmental Guidance.** Commonwealth Day 2008 Celebrations at Doris Johnson High School (Mar-10-2008) – Guest Speaker (Water Resources, Wetlands, Climate Change). The Theme of Commonwealth Day 2008 was “The Environ-



ment – Our Future”. Assist BEST, MOE, and DEHS with hydrological concerns for proposed developments throughout the Bahamas. Hydrological work in support of the following Regional Initiatives: Integrated Water Resources Management (IWRM), Integrated Coastal Zone Management (ICZM), and Integrated Water and Coastal Assessment Management (IWCAM).

- **Reverse Osmosis (RO) Projects.** Design and review supply well specifications for facilities throughout the Bahamas: The Windsor SWRO, Blue Hills SWRO, Chub Cay SWRO, Sweetings Cay SWRO, Royal Island SWRO, Albany Development SWRO, Windermere SWRO, and the Salina Point Acklins SWRO Facility.
- **Sewerage and Effluent Disposal.** Approval and design of both waste water effluent and RO brine disposal wells throughout the Bahamas: Breezes – New Providence WWTP, Treasure Cay WWTP, Gladstone Road WWTP, and Malcolm’s Park WWTP.
- **Bahamas Representation at International Meetings for Environmental Conventions pertaining to Water Resources Management.** Representation at Ramsar (Wetlands Convention), UNFCCC (Climate Change Convention), WMO (World Meteorological Organization), OAS (Organization of American States), UNESCO-IHP (United Nations Educational, Scientific and Cultural Organization International Hydrological Program), and the GWP-C (Global Water Partnership – Caribbean) Meetings. March-2008 Meetings in Nassau regarding UNESCO-Graphic Project for North Andros ‘Groundwater Resources Assessment under the Pressure of Humanity and Climate Change’ (GRAPHIC). WMO Hydrometeorology Analysis and Forecasting Course (June-2008, Colorado).



Field Trip To North Andros (UNESCO Graphic Project)



BUSINESS DEVELOPMENT DIVISION

2008 REVIEW

The deepening of the global financial crisis, underscored by the collapse of the subprime lending market in the US has increased the short-and-medium-term uncertainties facing the Bahamian economy. In particular, as USA confidence remains near historic lows and households make further spending adjustments in response to the significant erosion in financial wealth, demand for tourism is expected to wane further over the remainder of 2008 and 2009 as nearly 85% of the Bahamas Revenue come from US tourists.

The global meltdown no doubt impacted the Water and Sewerage Corporation (WSC)'s performance during the year due to shrinkage of the economy, job losses and revenue decline. WSC continues to operate in a very tight fiscal environment where cash flow and payables have become on-going challenge. BDD's main focus was:

- (1) **Initiate Revenue-Enhancement Strategies:** (a) Cost/benefit analysis of "no water" areas; (b) Liaise with MOW on new subdivision approvals and cross-reference occupancy certificates to water and sewer applications; and (c) Liaise with the Ministry of the Environment (MoE) Ministry of Finance (MoF) on proposed new developments in conjunction with Engineering & Planning and Customer Operations Divisions.
- (2) **Funding** – Initiate independent funding for the Corporation to procure various equipment including vehicles, tools, etc. from local or international financial institutions a) pursue grant-in-aid programs with IDB, EIB, UN, RBC and other agencies around the world to secure opportunities for WSC to expand its operating base.
- (3) **Special Project** – Coordinate WSC special projects related to tariff review, Corporate Business Plan (CBP), legislative improvement in conjunction with MoF and other stakeholders pursuant to IDB grant-in-aid proposal, in addition to NEMA and business continuity plans.
- (4) **Family Island (FI)** – Visit and conduct business assessments in key Family Islands in conjunction with MoF to determine new business opportunities, docks, hotels, large complex, etc. as part of revenue enhancement measure.
- (5) **Investment Opportunities** - Establish and maintain contacts with financial institutions and the investment community and track all New Business in both NP and the Family islands.
- (6) **Accounts Management Program (AMP)** – Review top 50 high net worth customers – current and prospective. Conduct needs assessment, participate in contract negotiations, and recommend special tariffs as appropriate.
- (7) **Win-back Campaign** – (a) Implement a comprehensive program to initiate campaign to win back customers who left WSC and Create incentives for them to come back (b) Initiate Water Week celebrations to ensure customer awareness and provide incentives to reduce receivables.



(8) **Business Environment** - Analyze and advise on business operating environment:

- (a) General economic trends, indices and financial conditions that would impact WSC's operations;
- (b) Review tariffs and recommend changes as appropriate to ensure that revenues keep pace with costs; and
- (c) Develop tariffs for new service areas – Systems Development Fees (SDF).

(9) **Website Update and Maintenance** – Keep Website current and fresh at all times and appoint a designated officer for all maintenance and management with proper protocols.



(10) **Risk Management** – BDD was also responsible for Risk Management and conducted risk assessments throughout New Providence and the Family Islands. Efforts were made to minimize risks throughout the Corporation.





NEW PROVIDENCE OPERATIONS

In 2008, New Providence Operations laid over 90,000 feet (17 Miles) of pipe, including 2" to 10" water mains and 6" sewer mains. There were 1,993 service connections installed or replaced this year.

The overall footage of pipe laid compared to 2007 was 45,000 feet (8 Miles) less. There were several factors negatively affecting the progress of the works: the job difficulty was high, inclement weather, significant downtime for the backhoes and trenchers and the availability of approved jobs.

The mains renewal project for the severely corroded mains continued in 2008, with the Eastern Road, from Adams Street to Fox Hill Road and Fox Hill Road, from Eastern Road to Joe Farrington Road, being the mains targeted. The completion of these projects significantly decreased the water quality complaints from the main road areas.

The other mains renewal projects are as follows: Imperial Park, Domingo Heights, Step Street Area, Blenheim Road (Stapledon Gardens), Coco Plum (Seabreeze) and Hanna Road.

There was a significant volume of work completed in new subdivisions and with long service connections in 2008. The main areas completed in subdivision were: Assembly Estates, Marlborough Subdivision, Rossville Subdivision, Perpall Tract Subdivision, Feltondale Road (Step Street area). The long service areas were: Fire Trail Road, Bellot Road, Alexandria Boulevard, Bernard Terrace, Cox Way, Boilfish Road, Lival Estates, Vinspen Road, Kool Acres, Gilbert Street, Bleaker Street, Adelaide Village and Gilbert Street. The sewer force main connecting Misty Gardens to Pastel Gardens along Marshall Road was laid this year.

The problem of "rusty" water is increasing and the practice of installing filters at the customer locations and flushing at the location of the more severe "rusty" water areas is being employed. The mains renewal program to assist with this problem has been partly slowed due to financial constraints.

The pressure control systems that were installed as a part of the Non-Revenue Water Reduction (NRW) Project required constant monitoring and experienced periods of unstable behaviour. This contributed to a rise of the NRW. Since the project was completed, the lack of sufficient financial resources and manpower made it difficult to adequately address the active leakage detection program. The reported leaks and the located leaks were repaired in a timely manner, to minimize the impact of NRW on the distribution system.

The reverse osmosis (RO) facilities at Windsor and Blue Hills provided a reliable and stable source of water supply throughout the year with only minimal periods of downtime and low production. The barging operations experienced a significant reduction in the last quarter of the year, due to the barge being dry-docked for repairs. This resulted in severe water rationing to maintain storage levels. The water supply was reduced during periods of inclement weather (Hurricanes).

The daily production quantity for the various sources of supply are as follows:

- Windsor Wellfields – 0.657 Million Imperial Gallons (MIG)
- Barging Operations – 2.463 MIG
- Windsor RO Plant – 2.030 MIG
- Blue Hills RO Plant – 4.942 MIG

The total daily production for 2008 was 10.092 MIG.



FAMILY ISLANDS AND MARINE OPERATIONS

FAMILY ISLAND OPERATIONS

Water-Into-Supply

YEAR	AVERAGE DAILY WATER-INTO-SUPPLY (ALL SOURCES)	AVERAGE DAILY WATER-INTO-SUPPLY (RO SOURCES)
2006	3.793 MIGD	0.835 MIGD
2007	3.918 MIGD	1.032 MIGD
2008	4.230 MIGD	1.247 MIGD

Projects

The Corporation commenced projects on almost every Bahamian Family Islands in 2006/2007 with some extending into 2008.

Some of the projects included: -

- A. **Acklins Water Supply Project:** Both the Snug Corner/Masons Bay and Salina Point Desalination plants were commissioned during June 2008.
- B. **Cat Island Tanker Truck Water Depots:** In response to the damage to the existing depot during Tropical Storm Noel in 2007, the Government approved the construction of two (2) new depots. The South Depot was constructed and commissioned during 2008 and the North Depot was under construction at year's end.
- C. **Cherokee/Yellow Wood, Abaco Water Supply Project:** The project was substantially completed during March 2008.
- D. **Current Island Water Supply:** Cabinet approval granted during February 2008. Contracts were awarded and works continued thru the end of the year.
- E. **Eleuthera Mains Project:** The project was substantially completed during 2008.
- F. **Green Turtle Cay Water Supply:** The project was approved as a part of the Central Government 2008/2009 Budget. Consultant Engineers were engaged to design, tender and provide project management services. They were actively engaged in the design phase thru the end of the year.
- G. **Harbour Island Storage Tank and Generator Works:** The existing storage tank was completely refurbished and a portable generator installed to improve the reliability of our supply.
- H. **Sweetings Cay Desalination Plant:** The plant was commissioned during March 2008.



FAMILY ISLAND COMMERCIAL MANAGEMENT

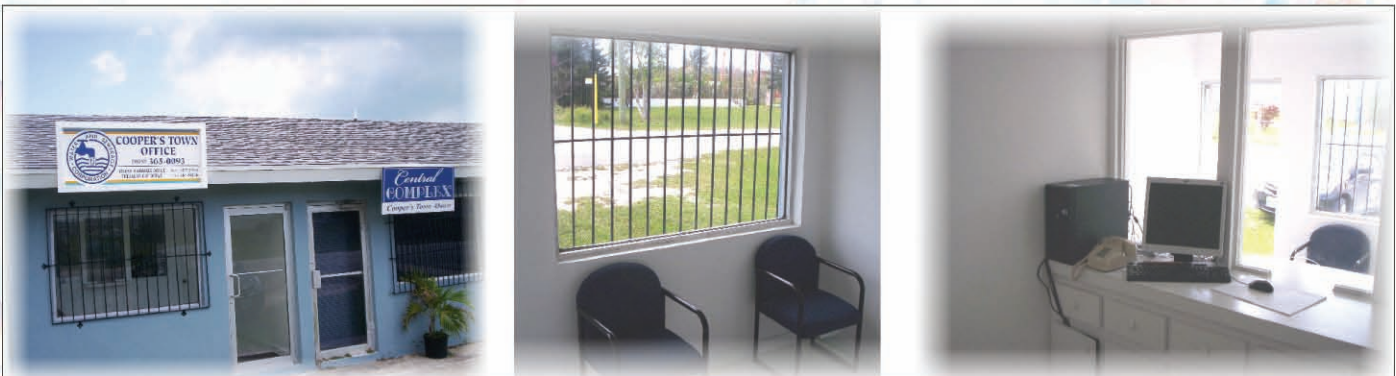
Key Sales Data

	2008	2007
Sales	\$5,324,593	\$6,371,640
Volume:	713,333 TIG	783,452 TIG
Average Selling Price	\$7.46/'000 IG	\$8.13/'000 IG

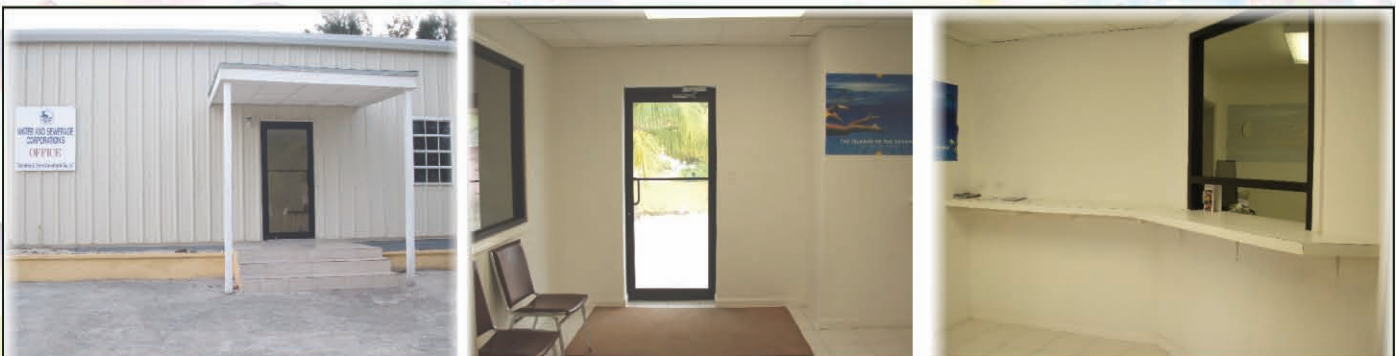
New Commercial Offices

New WSC FI Commercial Offices were completed in the following locations during the year: -

- A. *Bailey Town, Bimini*: February 2008
- B. *Cooper's Town, Abaco*: March 2008
- C. *Georgetown, Exuma*: June 2008
- D. *Snug Corner, Acklins*: June 2008



Opening of W&SC's Office in Cooper's Town Abaco



Completion of W&SC's Office Facilities in Bailey Town, Bimini



SHIPPING OPERATIONS

Key shipping statistics are as follows:

YEAR	TITAS (TOTAL TRIPS)	DOLPHIN (TOTAL TRIPS)	AVERAGE DAILY IMPORTATION	TOTAL IMPORTATION
2005	353	384	4.58 MIGD	1,672 MILLION GALLONS
2006	273	251	3.22 MIGD	1,174 MILLION GALLONS
2007	196	98	2.05 MIGD	749 MILLION GALLONS
2008	301	—	2.46 MIGD	899 MILLION GALLONS

Notes:

Importation dropped off substantially starting July 2006 once the BHRO became operational.
The Dolphin Contract was not renewed beyond August 2007.
The Titas was on dry dock October 21, 2008 to November 12, 2008.

HURRICANES

Tropical Storm Hanna entered the Bahamas on September 01, 2008 and made a northwest tract through September 03. Supplies were temporarily interrupted in Inagua, Mayaguana and Sweetings Cay, Grand Bahama but quickly restored.

Dangerous category 4 Hurricane Ike slammed into Inagua on September 07, 2008 severely damaging the power grid. The desalination supply was restored on September 11 after a large 165 KW portable generator was flown in on a United States Coast Guard Aircraft. Supplies were also interrupted on Acklins, Mayaguana, Crooked Island and Ragged Island but restored a few days later.



Hurricane Ike and the Aftermath at Matthew Town, Inagua Island



SEWERAGE OPERATIONS

The Sewerage section experienced major challenges with staffing throughout the year due to retirements and loss of man hours due to extended sick leave. The operation and maintenance of the wastewater treatment plants and pumping stations in the east / west districts had its challenges, but gallant efforts were made to ensure efficiency in services.

The section had an increase in management staff with the addition of Mr. Bradley Flowers, Sr. Manager in October 2008.

There was a slight increase in the section's area of responsibilities with the completion and activation of West Place II and Lou Adderley Estates subdivisions. These were the only new collection systems requiring maintenance via tanker truck operation. The following lift stations were completed thereby alleviating collection system maintenance via pump truck operation: Dignity Gardens, Victoria Gardens I& II and Emerald Coast. There were also some 210 new sewer service connections added to the system.

The Montague force main on East Bay Street experienced yet another failure thereby requiring approximately 30ft of pipe work to be replaced.

The Malcolm Park Refurbishment Project in conjunction with Chester Engineering continued with the installation/replacement of the 16" valves in an effort to isolate the tanks and Disposal wells at the premises.

The sector experienced major challenges with the wastewater treatment plants operations due to major equipment failure. These resulted in the various systems being diverted directly to the disposal wells for extended period of times. At the Septage and Sludge Facility, all lagoons are filled to capacity and the system is experiencing frequent blockages. The funding to clean these lagoons and refurbishment of this facility must be addressed in the near future.



Malcolm Park WWTP



Yellow Elder Gardens WWTP



LOP Airport WWTP



COMMERCIAL OPERATIONS DIVISION

The Commercial Operations Division was successful in developing the **Corporation's Call Centre - Customer Handling and Response Management Unit, or C.H.A.R.M. - U.** The Call Centre operates from 8:00 a.m. to 6:00 p.m., where it handles all inbound call to the Corporation.



A soft opening was held at the end of the year, in celebration of this significant milestone with

appearances on the "Jeff Lloyd Show", along with print media and radio advertisements. During 2008, more than 27,522 customers called, approximately 3,934 work orders generated, and 19,543 work orders were closed by the Call Centre Team.

Our **Customer Relations Team** was successful in processing 1,544 water applications, 295 sewer applications, and changed ownership on 499 accounts. Additionally, the Team also welcomed and assisted 10,029 customers who visited for a variety of purposes including new connection, water quality complaints, change of ownerships and initiation and/or verification of their Senior Citizen discount status. During the course of the year, 2,113 Senior Citizen accounts were changed to reflect the initiation, renewal and/or revocation of their OAP or Senior Citizen Discounts. Since 1993, the Corporation was the first to enact the Senior Citizen discount on utility bills for its seniors, and continues to offer this benefit to all senior citizens and/or permanent residences in the Bahamas. The water and/or sewer charges on the accounts of qualifying seniors are automatically reduced by 30%.

Collections Team was able to improve on our average daily collections of \$164,171 in 2007, to \$173,934 in 2008, with our Delinquency Processing Team collecting \$0.9 million, and receiving judgments in the courts on 332 accounts, valued at \$0.4 million. The Cashiering Team, though challenged, was able to continue to provide bill payment services on Saturdays, as well as during the holidays and festivities leading up to the Christmas break.

Our **Billing and Field Services Team** was quite busy during 2008. Our Field Services Team successfully read 64,054, visited 21,270 for disconnection purposes, and changed 1,728 meters due to age, or where the meter ceased to register the customer's usage. Billings for NP and FI were as follows:

YEAR	New Providence	Family Island
2008	207,806 bills	62,639 bills
	\$ 34.4 million	\$ 6.3 million
	\$ 165.42 average bill	\$100.48 average bill
2007	161,159 bills	58,468 bills
	\$ 25.9 million	\$ 6.5 million
	\$160.84 average bill	\$111.17 average bill



Other Division significant statistics include:

- No. of customers on record at year end, 59,524 for NP and 21,207 for the Family Islands.
- No. of accounts terminated and/or closed during the year 857 for NP and 151 for FI.
- NP - Water Sales 1,826 Million Imperial Gallons, at an average selling price of \$15.48/'000 Imperial Gallon, compared to \$17.05/'000 Imperial Gallon during 2007.



HUMAN RESOURCES DIVISION

The Corporation's staff strength stood at 439 at year-end 2008. During the year, fourteen (14) Non-Management employees; Thirty-three (33) Contract employees (mainly renewals of expired contracts), and one (1) Executive Management employee were added to the staff complement.

There were three (3) contract employees who tendered their resignation and six (6) Non-Management employees along with one (1) Executive Management employee, enjoyed mandatory retirement.

During 2008, the Training Department conducted thirty three (33) In-House courses and three hundred and thirty six (336) persons attended. A further thirty nine (39) employees attended Corporation sponsored external courses, seminars and workshops at other local institutions. An additional four (4) staff members benefitted from international (overseas) courses, conferences and seminars, while one engineer participated in an 18 months training attachment at Chester engineers in Pittsburgh.



Mr. Godfrey Sherman, GM,
a 31-year veteran employee of the Water and Sewerage Corporation, officially retired from the WBSC on December 1, 2008.

In addition nine (9) employees benefited from the Corporation's tuition reimbursement program for self-initiated education degree courses. The Corporation also sponsored the Technical Cadet Corps program.

The Corporation continues to face certain human resource challenges including:

1. An aging workforce. Consideration has been given to offering early retirement packages subject to funding.
2. A grossly underfunded Pension Fund. Over \$35M is owed to the Fund, and the Corporation has been meeting retirement costs directly.
3. A strongly unionized environment. There is a Management and a Non-Management union. Both contracts expired in June 2007 and negotiations were ongoing at the end of 2008.



INTERNAL CONTROL AND COMPLIANCE/WATER QUALITY UNIT

The division continued its schedule of Technical and Service audits for all the divisions and departments along with various financial, administrative and investigative reviews in the Corporation. The newly formed **Board Audit Committee** has placed emphasis on fostering an environment of internal controls and accountability throughout the organization.

The **Water Quality Unit** continued its program of water quality monitoring to ensure compliance with World Health Organization standards; thus helping to ensure the best quality water being provided to the public from the Corporation.

Below are Tables showing **significant figures for rainfall and water quality** for the island of New Providence.



Newly Acquired Ion Chromatograph Instrument at the WQU/Lab

TABLE A: SIGNIFICANT FIGURES: RAINFALL

Rainfall Recorded at Lynden Pindling International Airport: 1999- 2008 Period.

MONTH	30 YEAR AVERAGE (1971-2000)	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
January	1.86	2.26	1.06	1.01	0.93	1.30	1.52	2.31	2.87	3.04	1.16
February	1.93	1.54	3.06	2.36	0.46	2.13	1.64	1.79	0.78	3.60	0.99
March	2.14	0.49	2.11	0.84	1.40	0.21	4.10	2.28	6.31	1.48	0.90
April	2.73	0.78	4.48	1.65	3.02	0.66	1.46	1.10	1.84	2.87	2.31
May	4.13	1.63	5.97	6.29	2.20	1.18	4.27	10.24	5.42	0.43	4.64
June	8.62	4.33	16.70	5.74	9.19	7.14	5.60	12.95	12.38	10.92	9.79
July	6.33	6.95	1.91	6.97	2.12	13.56	3.53	3.29	6.39	7.16	4.96
August	9.27	9.63	3.29	8.29	11.79	9.89	5.22	8.01	5.64	11.10	5.96
September	6.42	9.04	8.90	7.92	6.03	7.43	6.56	9.39	8.85	4.45	8.10
October	6.42	2.67	9.21	4.77	7.80	0.64	2.10	6.57	5.54	5.80	8.87
November	3.17	1.93	2.02	2.40	1.89	0.10	5.40	2.38	13.27	1.47	2.10
December	1.97	3.70	1.68	2.09	0.49	0.00	1.77	0.11	2.62	2.62	0.90
TOTAL	54.99	44.95	60.39	50.33	47.32	44.24	43.17	60.42	71.91	54.94	50.68
% OF 30 YEAR AVERAGE	100.0	81.7	109.8	91.5	86.1	80.5	78.5	109.9	130.8	99.9	92.7

Table A:

Compares rainfall over past ten years on monthly and annual basis; the 2008 ytd total below the 30-year average by 10.04 inches. Insufficient amounts of rainfall has impacted significantly on availability of water for groundwater lens recharge and/or recovery. Thus, for most of the year, the majority of New Providence wellfield sources were shut-down due to existing poor water quality and to prevent further deterioration of the water lenses.



TABLE B: SIGNIFICANT FIGURES: WATER QUALITY

NEW PROVIDENCE PUMPING STATION, AVERAGE FOR YEAR 2008

WATER QUALITY PARAMETERS	World Health Guidelines	WINDSOR STATION	BLUE HILLS STATION	BLUE HILLS HIGH LEVEL	WINTON STATION	FORT FINCASTLE STATION	ARAWAK CAY STATION	PROSPECT STATION
Total No. Of Samples:		53	53	53	53	53	50	53
PHYSICAL ANALYSIS:								
Appearance	CLEAR	CLEAR	CLEAR	CLEAR	CLEAR	CLEAR	CLEAR	CLEAR
Odor	NOT OFFENSIVE	NIL	NIL	NIL	NIL	NIL	NIL	NIL
pH (Units 6.5 - 8.5)	6.5 - 8.5 pH units	8.2	8.1	8.1	8.1	7.8	8.1	8.7
Temperature (field) @C	NO SPECIFIC STANDARD. However, 25 C is desirable	25.0	27.5	27.3	27.1	26.9	26.5	25.1
True Color Unit (Pt/Co)	15	2	2	2	2	2	2	4
Turbidity (NTU)	5	0.2	0.2	0.2	0.3	0.4	0.4	0.8
CHEMICAL ANALYSIS:								
Anions: Bicarbonate (mg/l) ^	No specific Standard	65	46	45	47	179	190	46
Chloride (mg/l) ^	250 (WHO '83) 600 (WHO '71)	241	211	212	217	545	559	200
Fluoride (mg/l)	1.5	0.07	0.04	0.04	0.05	0.22	0.23	0.10
Nitrate (mg/l)	50 as NO3	0.12	0.03	0.06	0.04	0.40	0.38	0.19
Phosphate (mg/l)	No specific standard Preferably < 0.1 mg/l	0.07	0.11	0.14	0.27	0.17	0.31	0.19
Sulphate (mg/l)	250	21	6	6	7	59	64	16
Cations: Calcium (mg/l)	250 (U.K.) (As an annual average)	77	37	39	44	197	210	61
Iron (mg/l)	0.3	0.1	0.1	0.1	0.1	0.0	0.0	0.3
Magnesium (mg/l) ^	50 (U.K.) (As an annual average)	12	4	4	5	23	27	9
Potassium (mg/l) ^	12 (E.E.C.)	5	4	4	5	11	12	4
Sodium (mg/l) ^	200	137	121	121	124	311	319	114
Residual Chlorine(mg/l)	No specific standard, 0.2 ppm required for disinfection	2.5	1.2	1.7	2.0	1.5	1.8	1.8
Residual Chlorine (% time Present)	No specific Standard	100	100	100	100	100	100	96
Conductivity (umHos/cm) field	1,500 (U.K.) (As an annual average)	944	805	806	828	1,936	2,019	737
TDS concentration (mg/l) ^	1,000	535	398	406	420	1,115	1,181	444
Alkalinity (mg/l)	No specific Standard	53	38	37	38	147	156	38
Total Hardness (mg/l CaCO3)	should not exceed 500	127	54	56	63	294	320	101
MICROBIOLOGICAL ANALYSIS:								
COLIFORMS: Total (% time absent)	0 per 100 ml in 95% of samples	100	100	100	100	100	100	96
COLIFORMS: Faecal (% time absent)	0 per 100 ml in all samples	100	100	100	100	100	100	100
Faecal Streptococcus (% time absent)	0 per 100 ml in all samples (U.K.)	100	100	100	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	100	100	100
Mold (% < 500 CFU/100ml)		100	100	100	100	100	100	100
Total Bacteria (% < 500 CFU/100ml)		100	100	100	100	100	98	96
WATER CHARACTERISTICS:								
Langelier Index (L.I.):	-0.5 < L.I. < +0.5 (AWWA)	0.03	-0.46	-0.45	-0.39	0.36	0.69	0.32
Corrosive Tendency:		Non-aggressive (balanced)	moderately-aggressive (corrosive)	moderately-aggressive (corrosive)	moderately-aggressive (corrosive)	Non-aggressive (scale-forming)	Non-aggressive (scale-forming)	Non-aggressive (scale-forming)

KEY:

CFU - colony forming units
TNTC - too numerous to count

N/A - Not Available
^ - Calculated Value

mg/l - Milligrams per liter
NTU - Nephelometric Turbidity Unit

REMARKS:

Pumping Stations met disinfection and microbiological water quality requirements 99.5% of the time. Faecal coliform (e.coli) bacteria met requirements of WHO microbiological standards 100% of the time. This remains consistent with last year's figures for both total coliform and faecal coliform, respectively. Chloride (salinity) maximum of 400 mg/l was exceeded at only Arawak Cay and Fincastle stations. The salinity improvements at the other stations is due to purchase of R/O water from Consolidated Water Co. Ltd. and the shutdown of the saline NP wellfield sources for a substantial part of the year. The negative LSI's of the Blue Hills R/O Plant adversely impact the water quality in the Distribution System due to the corrosive characteristics of the water on the pipes.

Michael Swann

Michael Swann
Sr. Manager
Water Quality Unit



MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENT

The integrity and objectivity of the data in the accompanying Financial Statements including informed estimates and judgments relating to matters not conclude by year end are the responsibility of Management, as is all other information contained in the Annual Report unless indicated otherwise. To this end, Management maintains a highly developed system of internal control to provide reasonable assurance, on a cost effective basis, that the Corporation's assets are protected and events recorded properly.

PKF Chartered Accountants have examined these Financial Statements which have been prepared in conformity with the generally accepted accounting principles and their report follows.

ANTON A. SAUNDERS
ACTING GENERAL MANAGER

SANDRA B. EDGECOMBE
DEPUTY GENERAL MANGER/CFO

WATER AND SEWERAGE CORPORATION

FINANCIAL STATEMENTS

DECEMBER 31, 2008

WATER & SEWERAGE CORPORATION

FINANCIAL STATEMENTS

DECEMBER 31, 2008



CONTENTS

PAGE

1-2	Independent Auditors' Report
3	Balance Sheet
4	Statement of Operations
5	New Providence Statement of Operations
6	Family Islands Statement of Operations
7	Statement of Changes in Equity
8	Cashflow Statement
9-29	Notes to the Financial Statements

PKF

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Water and Sewerage Corporation

We have audited the accompanying financial statements of Water and Sewerage Corporation, which comprise the balance sheet as at December 31, 2008, and the statements of operations, changes in equity and cashflow statement 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. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, 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 controls 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.

Auditors' Responsibility (Continued)

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.

Without qualifying our report, we draw your attention to Note 13 regarding the continued operations of the Corporation. Despite a net current liability of \$74,240,778 at December 31, 2008, the Corporation's continuance and ability to meet its obligations are dependent on the Bahamas Government's funding of its operations.

Without qualifying our report, we also draw your attention to Notes 3(d) and 3(f), which indicate that the Corporation did not record specific assets transferred from the Government, nor the infrastructure transferred from third-party developers. Management is of the opinion that the value of these assets is non-quantifiable at the balance sheet date, hence property, plant & equipment, deferred income, the statements of operations and changes in equity might be mis-stated. This exclusion of these non-quantifiable assets is not in compliance with International Financial Reporting Standards.

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

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Water and Sewerage Corporation as of December 31, 2008 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



July 3, 2009
Nassau, Bahamas

WATER AND SEWERAGE CORPORATION

BALANCE SHEET

DECEMBER 31, 2008



(Expressed in Bahamian Dollars)

	Notes	2008	2007
PROPERTY, PLANT & EQUIPMENT	5	185,338,408	171,655,894
CURRENT ASSETS			
Cash and cash equivalents		846,426	642,565
Accounts receivable	6	2,530,008	1,877,471
Materials and supplies		1,782,918	1,496,810
Prepaid expenses and deposits		98,668	179,101
		5,258,020	4,195,947
CURRENT LIABILITIES			
Bank overdraft	7	5,602,506	4,156,085
Accounts payable and accrued liabilities	8	69,388,708	62,656,842
Customers' equity deposits		3,934,517	3,703,295
Current portion of long-term debt	9	573,067	620,826
		79,498,798	71,137,048
NET CURRENT LIABILITIES		(74,240,778)	(66,941,101)
LONG-TERM DEBT - Non Current Portion	9	(7,625,796)	(7,957,669)
NET ASSETS		\$ 103,471,834	\$ 96,757,124
EQUITY			
Equity contributions	10	144,807,965	143,830,006
Accumulated deficit (Page 7)		(82,042,291)	(77,129,244)
Deferred income (Page 7)		40,706,160	30,056,362
		\$ 103,471,834	\$ 96,757,124

Approved by the Board of Directors and authorized for issuance on July 3, 2009:


Chairman


Board Member

The accompanying notes form an integral part of these financial statements.

WATER AND SEWERAGE CORPORATION
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2008



(Expressed in Bahamian Dollars)

	<u>Notes</u>	<u>2008</u>	<u>2007</u>
OPERATING REVENUE			
Water		40,208,893	34,463,460
Sewerage		4,390,482	3,772,124
		<u>44,599,375</u>	<u>38,235,584</u>
OPERATING EXPENSES	11		
Water		42,693,584	36,399,300
Sewerage		3,402,153	2,263,156
General and administrative		13,679,631	14,346,846
		<u>59,775,368</u>	<u>53,009,302</u>
Loss from Operations before Depreciation		(15,175,993)	(14,773,718)
Depreciation	5,12	(7,644,362)	(6,552,733)
OPERATING LOSS		(22,820,355)	(21,326,451)
Other income		4,458	32,244
Miscellaneous income		525,265	624,704
Amortization of deferred income		1,696,090	1,252,250
Net foreign exchange loss		(29,298)	(67,350)
Finance charges	14	(5,078,389)	(4,622,769)
Net Loss before Government Subsidy		(25,702,229)	(24,107,372)
Government subsidy	4	20,789,182	20,200,000
NET LOSS FOR THE YEAR		\$ (4,913,047)	\$ (3,907,372)

The accompanying notes form an integral part of these financial statements.

WATER AND SEWERAGE CORPORATION
NEW PROVIDENCE STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2008



(Expressed in Bahamian Dollars)

	<u>2008</u>	<u>2007</u>
OPERATING REVENUE		
Water	34,346,451	28,976,988
Sewerage	4,390,482	3,772,124
	<u>38,736,933</u>	<u>32,749,112</u>
OPERATING EXPENSES		
Water	32,481,953	27,524,666
Sewerage	3,393,659	2,263,156
General and administrative	10,304,960	10,504,631
	<u>46,180,572</u>	<u>40,292,453</u>
Loss from Operations before Depreciation	(7,443,639)	(7,543,341)
Depreciation	(6,250,652)	(5,215,941)
OPERATING LOSS	(13,694,291)	(12,759,282)
Other income	3,415	30,872
Miscellaneous income	522,896	627,353
Amortization of deferred income	1,675,963	1,241,785
Net foreign exchange loss	(29,219)	(67,300)
Finance charges	(4,945,404)	(4,496,190)
Net Loss before Government Subsidy	(16,466,640)	(15,422,762)
Government subsidy	16,902,155	15,120,625
NET PROFIT/(LOSS) FOR THE YEAR	<u>\$ 435,515</u>	<u>\$ (302,137)</u>

The accompanying notes form an integral part of these financial statements.

WATER AND SEWERAGE CORPORATION
FAMILY ISLANDS STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2008



(Expressed in Bahamian Dollars)

	<u>2008</u>	<u>2007</u>
OPERATING REVENUE		
Water	5,862,442	5,486,472
OPERATING EXPENSES		
Water	10,211,631	8,874,634
Sewer	8,494	-
General and administrative	3,374,671	3,842,215
	<u>13,594,796</u>	<u>12,716,849</u>
Loss from Operations before Depreciation	(7,732,354)	(7,230,377)
Depreciation	(1,393,710)	(1,336,792)
OPERATING LOSS	(9,126,064)	(8,567,169)
Other income	1,043	1,372
Miscellaneous income	2,369	(2,649)
Amortization of deferred income	20,127	10,465
Net foreign exchange loss	(79)	(50)
Finance charges	(132,985)	(126,579)
Net Loss before Government Subsidy	(9,235,589)	(8,684,610)
Government subsidy	3,887,027	5,079,375
NET LOSS FOR THE YEAR	\$ (5,348,562)	\$ (3,605,235)

The accompanying notes form an integral part of these financial statements.

WATER AND SEWERAGE CORPORATION
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2008



(Expressed in Bahamian Dollars)

	<u>Equity contributions</u>	<u>Accumulated deficit</u>	<u>Deferred income</u>	<u>Total equity</u>
January 1, 2007	145,395,271	(73,221,872)	9,961,717	82,135,116
Contributions (Note 10)	356,150	-	-	356,150
Distributions (Note 10)	(1,921,415)	-	-	(1,921,415)
Net loss for the year (Page 4)	-	(3,907,372)	-	(3,907,372)
Contribution to projects completed during the year	-	-	920,004	920,004
Third party infrastructure capitalized (Note 5)	-	-	20,426,891	20,426,891
Amortization of deferred income	-	-	(1,252,250)	(1,252,250)
December 31, 2007	143,830,006	(77,129,244)	30,056,362	96,757,124
Contributions (Note 10)	2,866,245	-	-	2,866,245
Distributions (Note 10)	(1,888,286)	-	-	(1,888,286)
Net loss for the year (Page 4)	-	(4,913,047)	-	(4,913,047)
Contributions to projects completed during the year (Note 8)	-	-	3,570,609	3,570,609
Third party infrastructure capitalized (Note 5)	-	-	8,775,279	8,775,279
Amortization of deferred income	-	-	(1,696,090)	(1,696,090)
December 31, 2008	<u>\$ 144,807,965</u>	<u>\$ (82,042,291)</u>	<u>\$ 40,706,160</u>	<u>\$ 103,471,834</u>

The accompanying notes form an integral part of these financial statements.

WATER AND SEWERAGE CORPORATION
CASHFLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2008



(Expressed in Bahamian Dollars)

	<u>Notes</u>	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss for the year		(4,913,047)	(3,907,372)
Non-cash items:			
Depreciation	5	7,644,362	6,552,733
Amortization of deferred income		(1,696,090)	(1,252,250)
Increase in non-cash operating working capital		6,104,876	10,218,895
Net Cash Provided by Operating Activities		7,140,101	11,612,006
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of long-term debt		(379,629)	(689,936)
Contributions to capital projects		3,570,609	920,004
Equity contributions	10	2,866,245	356,150
Equity distributions	10	(1,888,286)	(1,921,415)
Transfer of third party infrastructure		8,775,279	20,426,891
Net Cash Provided by Financing Activities		12,944,218	19,091,694
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition of property, plant & equipment (net)	5	(21,326,879)	(36,748,776)
Net Cash Used in Investing Activities		(21,326,879)	(36,748,776)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(1,242,560)	(6,045,077)
Net Cash and Cash Equivalents, beginning of year		(3,513,520)	2,531,557
Net Cash and Cash Equivalents, end of year		\$ (4,756,080)	\$ (3,513,520)
Cash and cash equivalents are represented by:			
Cash at bank		846,426	642,565
Bank overdraft		(5,602,506)	(4,156,085)
		\$ (4,756,080)	\$ (3,513,520)

The accompanying notes form an integral part of these financial statements.

WATER AND SEWERAGE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008



1. ORGANIZATION

The Corporation, which was established by the Water and Sewerage Corporation Act of 1976, 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 Corporation's main place of business is 87 Thompson Boulevard, Nassau, Bahamas. The number of employees at December 31, 2008 was 439 (452 in 2007).

2. BASIS OF PREPARATION

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

These financial statements are expressed in Bahamian dollars, which is the Corporation's functional currency.

(a) Use of estimates and judgement

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts in the financial statements. The areas involving a higher degree of judgement or complexity, or areas where assumptions or estimates are significant to the financial statements are disclosed in Note 4.

(b) Adoption of standards effective in 2008

There were no new standards that had to be applied by the Corporation in 2008:

(c) IFRS effective in 2008 but not relevant

The following amendments were mandatory for accounting periods beginning on or after January 1, 2008 but are not relevant to the operations of the Corporation.

- IFRIC 11 (IFRS 2) Group and treasury transactions.
- IFRIC 12 Service concession arrangements.
- IFRIC 14 (IAS 19) The limit on a defined benefit asset, minimum funding requirements and their interaction.
- IAS 39 and IFRS 7 (Amendment) Reclassification of financial instruments.

WATER AND SEWERAGE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008



2. BASIS OF PREPARATION (Continued)

(d) IFRS issued but not yet applied

The following standards and interpretations were issued and available for early application but have not been applied by the Corporation in these financial statements. The Corporation intends to apply standards and interpretations when they become effective:

- IAS 1 (Revised) Presentation of financial statements.

IAS 1 (Revised) – The revised standard will change the way the Corporation's financial statements are presented. The revision requires information in the financial statements to be aggregated on the basis of shared characteristics and introduces a 'statement of comprehensive income'. This will enable readers to analyze changes in a company's equity resulting from transactions with 'owners' separately from 'non-owner' changes. The revised standard gives an option of presenting items of income and expense and components of other comprehensive income with subtotals, or in two separate statements. The revisions include changes in the titles of some of the other financial statements to reflect their function more clearly (for example the balance sheet is renamed the 'statement of financial position'). The revised standard will be applicable for the first time in the year ended December 31, 2009 financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies adopted in order to assist in the general understanding of the financial statements are as follows:

(a) Recognition of revenue

Revenue comprises sales and services to external customers. Consideration received from customers is only recorded as revenue to the extent that the Corporation has performed its contractual obligations in respect to that consideration.

(b) Materials and supplies

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

(c) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of the asset.

WATER AND SEWERAGE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Property, plant & equipment and depreciation

The establishing Act (1976) states that all water and sewerage 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 from the Crown or others, or used by the Corporation for water supply purposes. The value of these land holdings has not been recorded in the Corporation's financial statements due to pending verification of land rights and contracts under the vesting provision.

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

Buildings	40 years
Dock installations	40 years
Harbour improvements	40 years
Water wellfields and pumping stations	20 - 25 years
Sewer pumps and pumping stations	20 - 25 years
Storage tanks and reservoirs	36 - 40 years
Transmission and distribution mains	36 - 40 years
Water service lines and connections	20 - 25 years
Sewer connections and mains	37 - 50 years
Sewerage treatment plants	30 years
Third party infrastructure - Water	25 years
Third party infrastructure - Sewer	25 years
Office furniture and equipment	5 years
Garage plant and equipment	10 years
Waste control equipment	10 years
Training equipment	10 years
Radios	10 years
Automotive equipment	5 years
Consultancy fees	5 years

Work in progress is included in total property, plant & equipment and includes the following:

Materials, supplies and other expenditures, valued at cost;

Direct labour, valued at cost plus an allocated amount for labour overhead recovery;

Indirect labour, 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 6 months.

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

Gains or losses on disposals are included in the statement of operations.

(e) Impairment of assets

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

WATER AND SEWERAGE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Deferred revenue

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 are recorded as revenue upon receipt. This deferred revenue is amortized over 25 years.

Effective January 1, 2007 the Corporation commenced the recording of all developer constructed works upon transfer, at a value determined from design estimates or third party valuations. The value of developer constructed financed infrastructure is captured in deferred income, and is being amortized on a straight line basis over 25 years. No adjustment has been made in these financial statements for assets transferred prior to December 31, 2006.

(g) Contributions to capital projects

The Corporation requires contributions from customers to assist in defraying the capital cost of certain improvements and new services for the customers' specific use. The capital cost of such projects is included in fixed assets.

Contributions in respect of incomplete projects are carried forward as accounts payable. Contributions in respect of completed projects are credited to deferred income and amortised to income over the estimated average useful life of the fixed assets.

(h) Retirement benefit costs

The Corporation operates a defined benefit non-contributory retirement benefit plan covering substantially all full-time employees. The cost of providing such benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses which exceed 10% of the greater of the present value of the Corporation's pension obligations and the fair value of the plan's assets are amortized over the expected average remaining working lives of the participating employees. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the amended benefits become vested.

The amount recognized in the balance sheet represents the present value of the defined benefits obligation as adjusted for the unrecognized actuarial gains and losses and unrecognized past service costs, and reduced by the fair value of plan assets.

WATER AND SEWERAGE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Financial instruments

The Corporation classifies financial instruments, or their component parts, on initial recognition as a financial asset, or a financial liability in accordance with the substance of the contractual arrangement.

Financial instruments are recognized on trade date when the Corporation becomes a party to the contractual provisions of the instrument. Financial instruments are recognized initially at fair value plus, in the case of a financial instrument not at fair value through profit and loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

Financial instruments are derecognized on trade date when the Corporation is no longer a party to the contractual provisions of the instrument.

Trade receivables

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 recoverable amounts.

Trade payables

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.

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.

Cash and cash equivalents

Cash and cash equivalents comprise short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. An investment with a maturity of 3 months or less is normally classified as being short-term.

WATER AND SEWERAGE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008



4. ACCOUNTING ESTIMATES AND JUDGEMENTS

The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Key sources of estimation uncertainty

Retirement benefit obligation – Refer to note 15 for disclosure of the key sources of estimation uncertainty relating to the retirement benefit obligation.

Materials and supplies – The allowance for obsolescence is determined by examining stock movements over the year, coupled with the age and condition of certain items which due to changes in technology, are retained principally for maintenance purposes.

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WATER AND SEWERAGE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2008

5. PROPERTY, PLANT & EQUIPMENT

The cost of fixed assets which were transferred to the Corporation by the Government at the date of incorporation is based on valuations made jointly by the Ministries of Finance and Works & Lands at that date. The cost of Family Island fixed assets transferred to the Corporation on July 1, 1989 is based on original cost less accumulated depreciation at the point of transfer. Subsequent fixed asset additions are stated at cost, which include overhead amounts capitalized in work-in-progress.

Cost	January 1 2008	Additions	Disposals	Transfers	December 31 2008
Land	4,000	17,005	-	-	21,005
Buildings	4,103,832	-	-	855,386	4,959,218
Dock installations	1,040,052	-	-	-	1,040,052
Harbour improvements	17,202,254	38,000	(163,000)	-	17,077,254
Water wellfields and pumping stations	20,450,759	39,043	-	1,247,104	21,736,906
Sewer pumping stations	4,042,969	127,943	-	-	4,170,912
Storage pumping stations	4,978,051	32,138	-	732,669	5,742,858
Transmission and distribution mains	121,280,723	226,660	-	9,959,283	131,466,666
Water service lines and connections	17,187,428	19,428	-	170,721	17,377,577
Sewer connections and mains	26,669,098	2,500	-	427,206	27,098,804
Sewer treatment plants	6,443,917	-	-	-	6,443,917
Third party infrastructure - Water	7,257,629	2,332,041	-	-	9,589,670
Third party infrastructure - Sewer	13,169,262	6,443,238	-	-	19,612,500
Office furniture and equipment	6,736,907	69,328	(58,935)	59,815	6,807,115
Garage plant and equipment	5,546,657	57,180	(14,682)	-	5,589,155
Waste control equipment	80,390	-	-	-	80,390
Training equipment	21,615	-	-	-	21,615
Radios	171,109	-	-	-	171,109
Automotive equipment	5,867,709	359,260	(36,154)	-	6,190,815
Consultancy fees	2,920,176	-	-	-	2,920,176
	<u>265,174,537</u>	<u>9,763,764</u>	<u>(272,771)</u>	<u>13,452,184</u>	<u>288,117,714</u>
Work-in-progress	<u>13,896,809</u>	<u>11,719,551</u>	<u>-</u>	<u>(13,452,184)</u>	<u>12,164,176</u>
Total	<u>\$ 279,071,346</u>	<u>\$ 21,483,315</u>	<u>\$ (272,771)</u>	<u>\$ -</u>	<u>\$ 300,281,890</u>

WATER AND SEWERAGE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2008

5. PROPERTY, PLANT & EQUIPMENT (Continued)

<u>Accumulated depreciation</u>	<u>January 1 2008</u>	<u>Depreciation expense</u>	<u>Disposals</u>	<u>December 31 2008</u>
Buildings	991,303	98,827		1,090,130
Dock installations	1,040,052	-		1,040,052
Harbour improvements	9,605,972	450,713	(26,261)	10,030,424
Water wellfields and pumping stations	16,080,415	591,789		16,672,204
Sewer pumping stations	2,588,521	110,226		2,698,747
Storage pumping stations	2,482,185	126,296		2,608,481
Transmission and distribution mains	32,287,812	3,070,501	(2,241)	35,356,072
Water service lines and connections	8,918,229	658,424	2,241	9,578,894
Sewer connections and mains	12,334,661	619,358		12,954,019
Sewer treatment plants	2,605,418	213,768		2,819,186
Third party infrastructure - Water	-	286,644		286,644
Third party infrastructure - Sewer	-	583,256		583,256
Office furniture and equipment	5,736,488	385,525	(56,850)	6,065,163
Garage plant and equipment	4,279,429	202,498	(14,682)	4,467,245
Waste control equipment	78,895	485		79,380
Training equipment	20,283	355		20,638
Radios	165,853	1,929		167,782
Automotive equipment	5,355,878	168,321	(18,542)	5,505,657
Consultancy fees	2,844,061	75,447		2,919,508
Total	\$ 107,415,455	\$ 7,644,362	\$ (116,335)	\$ 114,943,482
Net book value	\$ 171,655,894			\$ 185,338,408



WATER AND SEWERAGE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2008

5. PROPERTY, PLANT & EQUIPMENT (Continued)

	January 1 2008	Additions	Disposals	Transfers	December 31 2008
New Providence					
Cost					
Land	4,000	17,005	-	-	21,005
Buildings	3,848,893	-	-	652,997	4,501,890
Dock installations	1,040,052	-	-	-	1,040,052
Harbour improvements	17,202,254	38,000	(163,000)	-	17,077,254
Water wellfields and pumping stations	13,737,122	11,000	-	1,236,656	14,984,778
Sewer pumping stations	3,964,646	127,943	-	-	4,092,589
Storage pumping stations	3,167,345	-	-	-	3,167,345
Transmission and distribution mains	87,119,809	217,891	-	7,728,760	95,066,460
Water service lines and connections	16,333,401	15,053	-	-	16,348,454
Sewer connections and mains	26,669,098	2,500	-	427,206	27,098,804
Sewer treatment plants	6,293,917	-	-	-	6,293,917
Third party infrastructure - Water	7,257,629	2,332,041	-	-	9,589,670
Third party infrastructure - Sewer	13,169,262	6,443,238	-	-	19,612,500
Office furniture and equipment	6,494,826	61,825	(56,654)	59,815	6,559,812
Garage plant and equipment	4,671,887	-	(14,682)	-	4,657,205
Waste control equipment	80,390	-	-	-	80,390
Training equipment	21,615	-	-	-	21,615
Radios	164,758	-	-	-	164,758
Automotive equipment	4,592,437	285,860	(36,154)	-	4,842,143
Consultancy fees	2,920,176	-	-	-	2,920,176
	218,753,517	9,552,356	(270,490)	10,105,434	238,140,817
Work-in-progress	8,089,494	9,288,168	-	(10,105,434)	7,272,228
Total	\$ 226,843,011	\$ 18,840,524	\$ (270,490)	\$ -	\$ 245,413,045

WATER AND SEWERAGE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2008

5. PROPERTY, PLANT & EQUIPMENT (Continued)

New Providence	January 1 2008	Depreciation expense	Transfers	December 31 2008
Accumulated depreciation				
Buildings	829,592	92,075		921,667
Dock installations	1,040,052	-		1,040,052
Harbour improvements	9,605,972	450,713	(26,261)	10,030,424
Water wellfields and pumping stations	12,058,596	296,555		12,355,151
Sewer pumping stations	2,573,544	107,492		2,681,036
Storage pumping stations	1,705,741	78,795		1,784,536
Transmission and distribution mains	24,676,709	2,213,232	(2,241)	26,887,700
Water service lines and connections	8,752,333	616,963		9,369,296
Sewer connections and mains	12,334,661	619,358		12,954,019
Sewer treatment plants	2,582,669	208,783		2,791,452
Third party infrastructure - Water	-	286,644		286,644
Third party infrastructure - Sewer	-	583,256		583,256
Office furniture and equipment	5,546,377	365,534	(54,569)	5,857,342
Garage plant and equipment	3,912,026	133,333	(14,682)	4,030,677
Waste control equipment	78,895	486		79,381
Training equipment	20,283	355		20,638
Radios	159,269	1,546		160,815
Automotive equipment	4,220,859	122,270	(18,543)	4,324,586
Consultancy fees	2,844,061	75,447		2,919,508
Total	\$ 92,941,639	\$ 6,252,837	\$ (116,296)	\$ 99,078,180
Net book value	\$ 133,901,372			\$ 146,334,865

WATER AND SEWERAGE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008



5. PROPERTY, PLANT & EQUIPMENT (Continued)

Family Islands

<u>Cost</u>	<u>January 1 2008</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>December 31 2008</u>
Buildings	254,939	-	-	202,388	457,327
Water wellfields and pumping stations	6,713,637	28,043	-	10,448	6,752,128
Water service lines and connections	854,027	4,375	-	170,721	1,029,123
Sewer pumping station	78,323	-	-	-	78,323
Sewer treatment plants	150,000	-	-	-	150,000
Storage tanks and reservoirs	1,810,706	32,138	-	732,669	2,575,513
Transmission and distributions mains	34,160,914	8,769	-	2,230,524	36,400,207
Third party infrastructure - Water	-	-	-	-	-
Third party infrastructure - Sewer	-	-	-	-	-
Office furniture and equipment	242,081	7,502	(2,281)	-	247,302
Radios	6,351	-	-	-	6,351
Garage plant and equipment	874,770	57,180	-	-	931,950
Automotive equipment	1,275,272	73,400	-	-	1,348,672
	46,421,020	211,407	(2,281)	3,346,750	49,976,896
Work-in-progress	5,807,315	2,431,383	-	(3,346,750)	4,891,948
Total	\$ 52,228,335	\$ 2,642,790	\$ (2,281)	\$ -	\$ 54,868,844

<u>Accumulated depreciation/impairment</u>	<u>January 1 2008</u>	<u>Depreciation expense</u>	<u>Transfers</u>	<u>December 31 2008</u>
Buildings	161,711	6,751	-	168,462
Water wellfields and pumping stations	4,021,819	295,233	-	4,317,052
Water service lines and connections	165,896	41,462	2,241	209,599
Sewer pumping station	14,977	2,734	-	17,711
Sewer treatment plants	22,749	4,986	-	27,735
Storage tanks and reservoirs	776,444	47,501	-	823,945
Transmission and distributions mains	7,611,103	857,269	-	8,468,372
Third party infrastructure - Water	-	-	-	-
Third party infrastructure - Sewer	-	-	-	-
Office furniture and equipment	190,111	19,991	(2,281)	207,821
Radios	6,584	383	-	6,967
Garage plant and equipment	367,403	69,164	-	436,567
Automotive equipment	1,135,019	46,051	-	1,181,070
Total	\$ 14,473,816	\$ 1,391,525	\$ (40)	\$ 15,865,301
Net book value	\$ 37,754,519			\$ 39,003,543

WATER AND SEWERAGE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008



6. ACCOUNTS RECEIVABLE

These are comprised of the following:

	<u>2008</u>	<u>2007</u>
New Providence:		
Water	19,097,655	18,084,692
Sewerage	3,435,257	3,186,677
	<u>22,532,912</u>	<u>21,271,369</u>
Less: Allowance for doubtful accounts	(20,321,592)	(19,176,775)
	2,211,320	2,094,594
Credits	(1,130,963)	(956,095)
Other	143,326	133,957
	<u>1,223,683</u>	<u>1,272,456</u>
Family Islands:		
Water	7,752,517	7,536,660
Sewerage	26,937	-
	<u>7,779,454</u>	<u>7,536,660</u>
Less: Allowance for doubtful accounts	(6,542,323)	(7,022,265)
	1,237,131	514,395
Other	69,194	90,620
	<u>1,306,325</u>	<u>605,015</u>
Total	<u>\$ 2,530,008</u>	<u>\$ 1,877,471</u>

Included in the above receivables for New Providence water and sewerage is an amount of \$1,934,130 (2007: credit of \$1,405,261) due from/(to) Government ministries, departments and corporations.

Included in the above water and sewerage receivables for Family Islands is an amount of \$155,267 (2007: credit of \$97,674) due from/(to) Government ministries, departments and corporations.

7. BANK OVERDRAFT

The Corporation has overdraft facilities with two banks. The first facility, with a limit of \$2.8 million, is guaranteed by the Government and bears interest at 7.25% per annum. The second facility, with a limit of \$1.9 million, is supported by a letter of comfort from the Government and bears interest at 7.5% per annum.

WATER AND SEWERAGE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008



8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

These are comprised of the following:

	<u>2008</u>	<u>2007</u>
New Providence:		
Trade payables	9,309,329	1,585,722
Contributions to capital projects in progress (See below)	6,144,449	8,471,610
Interest payable	9,309	9,245
Defined benefit pension liability (See Note 15)	31,666,741	29,161,876
Accrued liabilities	<u>7,298,397</u>	<u>10,967,030</u>
	<u>54,428,225</u>	<u>50,195,483</u>
Family Islands:		
Trade payables	1,480,151	650,454
Contributions to capital projects in progress (See below)	1,160,406	762,962
Defined benefit pension liability (See Note 15)	4,304,959	3,784,484
Accrued liabilities	<u>8,014,967</u>	<u>7,263,459</u>
	<u>14,960,483</u>	<u>12,461,359</u>
Total	<u>\$ 69,388,708</u>	<u>\$ 62,656,842</u>

New Providence accounts payable and accrued liabilities include \$4,488,231 (2007: \$1,356,144) due to Government ministries, departments and corporations.

Family Island accounts payable and accrued liabilities include \$6,140,709 (2007: \$5,205,175) due to Government ministries, departments and corporations.

Contributions to capital projects in progress:

	<u>New Providence</u>	<u>Family Island</u>	<u>Total</u>
Liability at January 1, 2008	8,471,610	760,593	9,232,203
Contributions received during the year	993,793	649,468	1,643,261
Contributions to projects completed during the year	<u>(3,320,954)</u>	<u>(249,655)</u>	<u>(3,570,609)</u>
Liability at December 31, 2008	<u>\$ 6,144,449</u>	<u>\$ 1,160,406</u>	<u>\$ 7,304,855</u>

WATER AND SEWERAGE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008



9. LONG-TERM DEBT

These comprise the following:

	<u>2008</u>	<u>2007</u>
(a) Inter-American Development Bank	7,951,313	8,464,325
(b) IBM	-	114,170
(c) British American Financial	<u>247,550</u>	<u>-</u>
	8,198,863	8,578,495
Less: Amounts due within one year	<u>(573,067)</u>	<u>(620,826)</u>
	<u>\$ 7,625,796</u>	<u>\$ 7,957,669</u>

The main characteristics of the long-term debt are as follows:

(a) Inter-American Development Bank

The Corporation was granted a loan facility of US \$14,000,000 in 1999 from the Inter-American Development Bank primarily for The Family Island Water Improvement Project. Only \$10,632,274 of this facility had been drawn-down, and the residual amount of the facility of \$ 3,367,726 was subsequently cancelled. Interest accrues on the disbursed portion of the loan facility 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.

(b) IBM

The Corporation had the following financing arrangements with IBM for the purpose of computer equipment, software and other services.

- (i) The Corporation entered into an arrangement for \$112,162, payable in 36 monthly installments of \$3,559, inclusive of interest, which commenced in January, 2005. The outstanding balance at December 31, 2008 is \$nil (\$37,935 in 2007).

WATER AND SEWERAGE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008



9. LONG-TERM DEBT (Continued)

- (ii) The Corporation entered into another arrangement for \$229,706, payable in 36 monthly installments of \$7,084, inclusive of interest, which commenced in July 2005. The outstanding balance at December 31, 2007 is \$nil (\$76,235 in 2007).

These loans were fully satisfied prior to year-end.

(c) British American Financial

The Corporation entered into an arrangement for \$257,480 to purchase equipment. This arrangement, which commenced in October, 2008, is payable in 60 monthly installments of \$5,534, inclusive of interest. The outstanding balance at December 31, 2008 is \$247,550.

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

	<u>2008</u>	<u>2007</u>
1-5 years	2,780,831	2,533,281
More than 5 years	<u>4,844,966</u>	<u>5,424,388</u>
	<u><u>\$ 7,625,797</u></u>	<u><u>\$ 7,957,669</u></u>

A scheduled payment for principal and interest on the IDB loan, which was due on March 25, 2008 was paid on March 26, 2008. This was due to an administrative delay within the payor bank. One day's interest and charges was assessed in the amount of \$7,143. No other penalties accrued under the agreement.

10. EQUITY CONTRIBUTIONS

Equity contributions represent contributions to major capital projects received from the Government of the Commonwealth of The Bahamas. Receipts and distributions during the year are noted below:

	<u>New Providence</u>	<u>Family Island</u>	<u>2008 Total</u>	<u>2007 Total</u>
Balance at January 1, 2008	105,898,673	37,931,333	143,830,006	145,395,271
Contributions	-	2,866,245	2,866,245	356,150
Distributions	<u>-</u>	<u>(1,888,286)</u>	<u>(1,888,286)</u>	<u>(1,921,415)</u>
Balance at December 31, 2008	<u><u>\$ 105,898,673</u></u>	<u><u>\$ 38,909,292</u></u>	<u><u>\$ 144,807,965</u></u>	<u><u>\$ 143,830,006</u></u>

WATER AND SEWERAGE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008



11. OPERATING EXPENSES

	<u>2008</u>	<u>2007</u>
Water:		
Purchase of water	22,730,514	19,770,676
Staffing expense	6,148,182	5,759,983
Shipping charter hire	3,215,820	4,859,319
Fuel and oil	4,292,614	2,663,338
Electricity	3,388,428	1,927,643
Bad debts and sundry provisions	1,545,121	(71,238)
Repairs and maintenance	595,914	752,566
Office services	258,530	223,042
Chemicals	122,615	183,561
Travel	167,349	98,534
Outside services	81,980	41,215
Other shipping	25,942	9,705
Public relations	9,521	30,747
Data processing	4,100	3,103
Claims and damages	300	75
Training	44,852	42,853
Miscellaneous	61,802	104,178
	<u>42,693,584</u>	<u>36,399,300</u>
	<u>2008</u>	<u>2007</u>
Sewerage:		
Electricity	715,958	706,593
Staffing expense	804,277	860,619
Repairs and maintenance	308,225	445,016
Fuel and oil	45,187	28,594
Bad debts and sundry provisions	1,512,289	198,066
Office services	8,800	8,619
Training	5,617	7,982
Data processing	1,383	73
Chemicals	-	883
Public relations	-	200
Miscellaneous	417	6,511
	<u>3,402,153</u>	<u>2,263,156</u>

WATER AND SEWERAGE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008



11. OPERATING EXPENSES (Continued)

	<u>2008</u>	<u>2007</u>
General and administrative:		
Staffing expense	8,367,329	8,488,677
Administrative overhead	1,142,373	1,181,094
Professional and consultancy fees	1,089,012	982,748
Office services	534,385	698,237
Repairs and maintenance	469,549	614,504
Electricity	337,444	268,476
Data processing	457,221	422,336
Public relations	318,208	546,483
Training	162,486	224,411
Bank charges	256,087	221,268
Travel	50,674	88,847
Fuel and oil	190,813	126,816
Audit fees	53,160	63,700
Claims and damages	23,899	8,796
Chemicals	180	2,221
Miscellaneous	226,811	408,232
	<u>13,679,631</u>	<u>14,346,846</u>
Total	<u><u>\$ 59,775,368</u></u>	<u><u>\$ 53,009,302</u></u>

12. DEPRECIATION

	<u>2008</u>	<u>2007</u>
Water	5,412,446	4,788,357
General and administrative	748,140	768,130
Sewerage	1,483,776	996,246
	<u><u>\$ 7,644,362</u></u>	<u><u>\$ 6,552,733</u></u>

WATER AND SEWERAGE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008



13. FINANCING OF OPERATIONS

The Corporation has incurred significant operating losses in recent years and such losses are projected for the future. 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.

14. FINANCE CHARGES

Finance charges comprise of the following:

	<u>2008</u>	<u>2007</u>
Interest on pension obligation	4,062,810	3,866,000
Interest and commitments fees on long-term debt	449,106	614,008
Interest on bank overdraft	336,637	102,279
Interest on national insurance contributions in arrears	17,456	29,824
Other	212,380	10,658
	<u><u>\$ 5,078,389</u></u>	<u><u>\$ 4,622,769</u></u>

15. PENSION PLAN

Funded pension contributions are administered by a private insurance company as agent for The Corporation. However, the Corporation suspended funding contributions to the plan in 1989 and no monies are being withdrawn from the invested funds. The Corporation is paying directly all current retirement benefits, which totaled \$2,790,800 (2007: \$2,628,700).

	<u>2008</u>	<u>2007</u>
Present value of funded obligations at December 31	70,564,500	67,856,585
Fair value of plan assets at December 31	<u>(19,813,200)</u>	<u>(19,701,901)</u>
Present value of unfunded obligations at December 31	50,751,300	48,154,684
Unrecognized actuarial losses	(14,151,136)	(14,517,124)
Unrecognized past service cost	<u>(628,400)</u>	<u>(691,200)</u>
Liability recognized in balance sheet at December 31	<u><u>\$ 35,971,764</u></u>	<u><u>\$ 32,946,360</u></u>

WATER AND SEWERAGE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008



15. PENSION PLAN (Continued)

	<u>2008</u>	<u>2007</u>
Current service cost	2,503,200	2,270,900
Interest on obligation	4,062,810	3,866,000
Expected return on plan assets	(1,280,600)	(1,245,700)
Net actuarial loss recognized in year	467,930	431,600
Past service cost	62,800	62,800
Pension expense for the year	<u>\$ 5,816,140</u>	<u>\$ 5,385,600</u>

The actual net return on plan assets during the year was -\$1,067,300 (2007: \$660,900).

Movements in the net liability recognized in the balance sheet are as follows:

	<u>2008</u>	<u>2007</u>
Net liability at January 1	32,946,360	30,189,460
Pension expense for the year	5,816,140	5,385,600
Contributions paid	(2,790,800)	(2,628,700)
Net liability at December 31	<u>\$ 35,971,700</u>	<u>\$ 32,946,360</u>

Principal actuarial assumptions at the balance sheet date are as follows:

	<u>2008</u>	<u>2007</u>
Discount rate	6.00% p.a.	6.00% p.a.
Expected rate of return on plan assets	6.50% p.a.	7.00% p.a.
Expected rate of salary increase	4.00% p.a.	4.00% p.a.
Expected average remaining working lives of employees (years)	17	17

WATER AND SEWERAGE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008



16. FINANCIAL RISK MANAGEMENT

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 operational 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 13.

The Corporation has further undrawn banking facilities of \$1.27 million which can be used as an additional means of easing liquidity risks if necessary.

(b) Credit risk

The Corporation is exposed to credit risk, which is the risk that a counterparty might cause a financial loss for the Corporation by failing to discharge an obligation. To mitigate this risk, material operating contracts include performance and operations securities, and buy-out clauses in the event of counterparty default. Concentration of credit risk with respect to the Corporation's customers is limited due to customers being unrelated. Customers are assessed for credit worthiness and where appropriate the Corporation obtains security for its exposure to the risk of default. Credit limits are also imposed on customers.

(c) Market Risk

Market risk is the risk that the fair value or future cash flows of our 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.

(d) Interest rate risk

Interest rate risk is the risk that the 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.

(e) 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. There is no mitigation against this risk.

WATER AND SEWERAGE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008



17. RELATED PARTY TRANSACTIONS

Key management compensation:

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

	<u>2008</u>	<u>2007</u>
Short-term employee benefits	1,698,301	1,471,232
Termination benefits	<u>-</u>	<u>106,302</u>
	<u><u>\$ 1,698,301</u></u>	<u><u>\$ 1,577,534</u></u>

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.

