WATER AND SEWERAGE CORPORATION

2009

WATER AND SEWERAGE CORPORATION

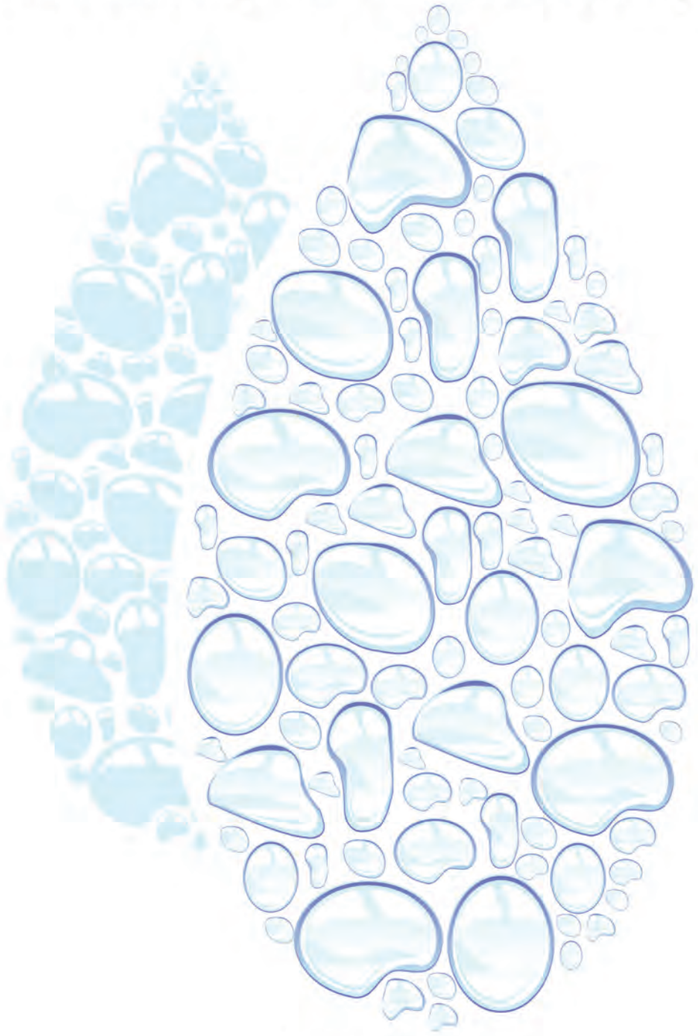
Annual Report

For The Year Ended December 2009

WATER AND SEWERAGE CORPORATION

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.

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2009 ANNUAL REPORT

MINISTERS

The Honourable Earl D. Deveaux, MP
Minister of Environment

The Honourable Phenton O. Neymour, MP
Minister of State In the Ministry of Environment (Utilities)

BOARD OF DIRECTORS AT DECEMBER 31, 2009

Anton A. Saunders	Chairman
Pauline Cooper-Nairn	Deputy Chairman
Michael Cunningham	Board Member
Pamela Miller	Board Member
Ehurd Cunningham	Board Member
Sean Blyden	Board Member

EXECUTIVE MANAGEMENT AT DECEMBER 31, 2009

Anton A. Saunders	Acting General Manager
Christopher B. Sherman	Deputy General Manager/Engineering & Planning
Sandra B. Edgecombe	Deputy General Manager/Chief Financial Officer
Glen F. Laville	Acting Deputy General Manager/On secondment to Min. of Environment
Elwood L. Donaldson	Senior Assistant General Manager/Internal Control & Compliance/Water Quality Unit
Daphne L. Simmons	Senior Assistant General Manager/Human Resources
Philip J. Beneby	Assistant General Manager/Family Islands & Business Development
Robert C. Deal	Assistant General Manager/New Providence and Marine Operations
Cheri M. Hanna	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."

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18. RELATED PARTY TRANSACTIONS

Key management compensation:

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

	2009	2008
Short-term employee benefits	1,224,289	1,367,579
Post employment benefits	97,659	330,722
Termination benefits	122,367	-
	$ 1,444,315	$ 1,698,301

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

19. 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.

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17. FINANCIAL INSTRUMENTS

The following table analyzes the carrying amounts of financial assets and liabilities as defined in note 3(i):

	Loans and receivables $	Financial instruments measured at amortized cost $	Available for sale $	Total $
2009				
Financial assets				
Cash and bank balances	-	567,305	-	**567,305**
Accounts receivable	4,833,250	-	-	**4,833,250**
Other current assets	-	89,573	-	**89,573**
	4,833,250	**656,878**	**-**	**5,490,128**
Financial liabilities				
Non-current borrowings	-	7,123,826	-	7,123,826
Trade and other payables	-	68,737,616	-	68,737,616
Bank overdraft	-	2,712,242	-	2,712,242
Current portion of long-term debt	-	585,555	-	585,555
Customer deposits	-	4,086,957	-	4,086,957
	-	**83,246,196**	**-**	**83,246,196**
2008				
Financial assets				
Cash and bank balances	-	846,426	-	846,426
Accounts receivable	2,530,008	-	-	2,530,008
Other current assets	-	98,668	-	98,668
	2,530,008	**945,094**	**-**	**3,475,102**
Financial liabilities				
Non-current borrowings	-	7,625,796	-	7,625,796
Trade and other payables	-	69,388,708	-	69,388,708
Bank overdraft	-	5,602,506	-	5,602,506
Current portion of long-term debt	-	573,067	-	573,067
Customer deposits	-	3,934,517	-	3,934,517
	-	**87,124,594**	**-**	**87,124,594**

Chairman's Remarks

The challenges of the continued global economic downturn created an environment in which individuals and organizations re-evaluated priorities and learned to do more with less. During 2009, the Corporation redoubled its focus on containing costs wherever possible, by delaying some purchases, slightly reducing headcount, slashing overtime, and outsourcing certain activities. At the same time, more emphasis was placed on delivering excellent customer service: the Call Centre entered its second year of operation, becoming the primary customer contact point. The resulting streamlined procedures resulted in more consistent, efficient and timely responses to customers.

During the period the price of fuel decreased and consequently the price of electricity. This has had a positive effect on the cost of water production but cannot, in and of itself, resolve systemic challenges facing the Corporation.

With funding assistance from the Inter American Development Bank, a water and sanitation sector strategy was prepared, and an update of the legal and regulatory framework commenced. Based on these studies, the Corporation also initiated an international competitive bidding exercise for a performance-based contract to reduce non-revenue water in New Providence. Additionally, permission was granted to replace the barging operation in an effort to improve reliability, quality, and quantity of water supply for the capital.

As we go forward, the Corporation expects to complete the preparation of draft legislation for sector reform with the assistance of the Inter-American Development bank, and to prepare an Action Plan that will help to ensure the financial and operational sustainability of the Corporation.

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

Board of Directors

Anton A. Saunders
Chairman

Pauline Cooper-Nairn
Deputy Chairman

Ehurd Cunningham
Board Member

Sean Blyden
Board Member

Pamela Miller
Board Member

Michael Cunningham
Board Member

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16. FINANCIAL RISK MANAGEMENT (Continued)

(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 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.

Concentration of credit risk with respect to the Corporation's customers is not significant due to customers being unrelated, 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 of 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.

Past due but not impaired

	Carrying amount	Neither impaired nor past due	31-60 days	61-90 days	91-120 days	More than 121 days	Total
2009							
Accounts receivable	4,833,250	792,759	608,535	212,237	58,340	1,932,812	**3,604,683**
2008							
Accounts receivable	2,530,008	963,728	244,009	73,178	106,879	1,006,047	**2,393,841**

(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.

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.

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.

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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 $3.06 million (2008:$1.27 million) which can be used as an additional means of easing liquidity risks if necessary.

2009	Due or due in less than 1 month $	Due between 1 to 3 months $	Due between 3 months to 1 year $	Due between 1 to 5 years $	Due after 5 years $	Total $
Financial Liabilities						
Non-current debt	-	-	-	2,533,281	4,398,410	**6,931,691**
Trade and other payables	68,737,616	-	-	-	-	**68,737,616**
Bank overdraft	2,712,242	-	-	-	-	**2,712,242**
Current portion of long-term debt	-	253,328	253,328	-	-	**506,656**
Finance leases	6,390	12,878	59,631	192,134	-	**271,033**
	71,456,248	**266,206**	**312,959**	**2,725,415**	**4,398,410**	**79,159,238**

2008	Due or due in less than 1 month $	Due between 1 to 3 months $	Due between 3 months to 1 year $	Due between 1 to 5 years $	Due after 5 years $	Total $
Financial Liabilities						
Non-current debt	-	-	-	2,533,281	4,911,377	**7,444,658**
Trade and other payables	69,388,708	-	-	-	-	**69,388,708**
Bank overdraft	5,602,506	-	-	-	-	**5,602,506**
Current portion of long-term debt	-	253,328	253,328	-	-	**506,656**
Finance leases	3,469	7,029	55,913	181,139	-	**247,550**
	74,994,683	**260,357**	**309,241**	**2,714,420**	**4,911,377**	**83,190,078**

Executive Management

Anton A. Saunders
Acting General Manager

Christopher B. Sherman
DGM/Engineering & Planning

Glen F. Laville
Acting DGM/On Secondment

Sandra B. Edgecombe
DGM/Chief Financial Officer

Elwood Donaldson
SAGM/ICC & Water Quality

Philip J. Beneby
AGM/FI & Bus. Development

Daphne L. Simmons
SAGM/Human Resources

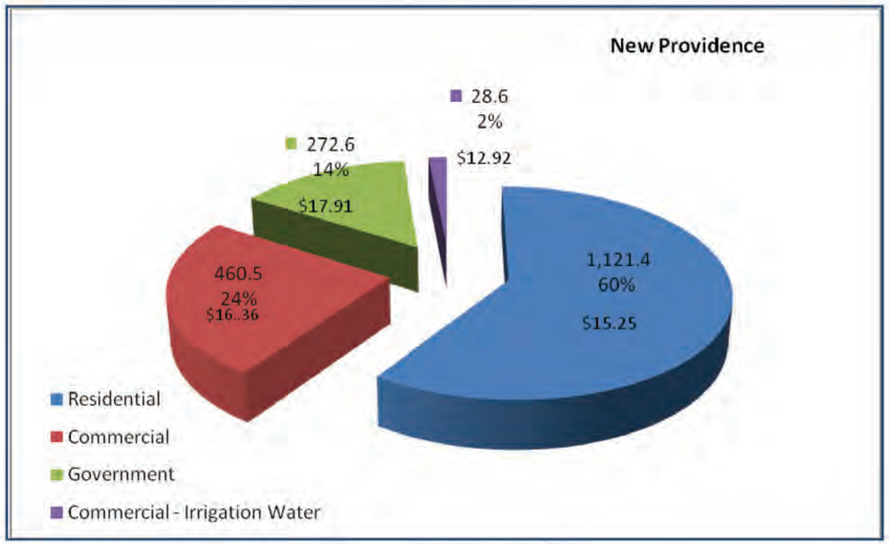
Robert C. Deal
AGM/N.P. & Marine Operations

Cheri M. Hanna
AGM/Commercial Operations

FINANCIAL OVERVIEW

The 2009 financial results reflect management's efforts to curtail spending in response to the continued impact of the recession. Sales revenues declined in 2009, but this was offset by significant decreases in operating expenses. Decreased energy costs resulted in considerable savings compared to 2008: this was directly reflected in desalinated water purchases, as well as fuel and electricity costs for water transshipment, production and distribution; and waste-water pumping and treatment.

Water sales in New Providence decreased by 79.35 million imperial gallons (MIGs) in 2009, to 1,883.2 MIGs (2008 – 1,962.5 MIGs). Sales to hotels and resorts, an important component of commercial sales, decreased by 229.8 MIGs or 45.7%. This represents a 5.7% decrease in overall sales. Sales volumes per category in million imperial gallons, as a percentage of overall sales, and average selling price per thousand gallons sold are represented as follows:



Sales of potable and irrigation water to resorts and hotels in New Providence decreased by 229.83 MIGs or 45.7%, with a corresponding decrease in revenues from this sector of $1.89 Mn or 37.3%. This decrease was principally due to the closure of several hotels in the western (Cable Beach) area associated with the Baha Mar development, and the sale of the South Ocean Golf Resort. The latter subsequently defaulted on a 400,000 imperial gallons per day Take of Pay arrangement for irrigation water at $8 per thousand imperial gallons. A special concessionary rate of $10 per thousand imperial gallons of potable water, which began in

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15. PENSION PLAN (Continued)

	2009	2008
Current service cost	2,357,300	2,503,200
Interest on obligation (See Note 14)	4,216,900	4,062,810
Expected return on plan assets	(1,251,700)	(1,280,600)
Net actuarial loss recognized in year	433,100	467,930
Past service cost	62,800	62,800
Pension expense for the year	**$ 5,818,400**	**$5,816,140**

The actual net return on plan assets during the year was $ 2,298,800 (2008: ($ 1,067,300).

Movements in the net liability recognized in the statement of financial position are as follows:

	2009	2008
Net liability at January 1	35,971,700	32,946,360
Pension expense for the year	5,818,400	5,816,140
Contributions paid	(2,377,900)	(2,790,800)
Net liability at December 31 (See Note 8)	**$39,412,200**	**$35,971,700**

Principal actuarial assumptions at the statement of financial position date are as follows:

	2009	2008
Discount rate	6.00% p.a.	6.00% p.a.
Expected rate of return on plan assets	6.50% p.a.	6.50% p.a.
Expected rate of salary increase	4.00% p.a.	4.00% p.a.
Expected average remaining working lives of employees	17.8 years	17 years

Defined Benefit Pension Plan

	2009	2008	2007	2006
	$	$	$	$
Defined benefit obligations	(71,916,000)	(70,564,500)	(67,856,600)	(62,052,600)
Plan assets	19,511,500	19,813,200	19,701,900	17,795,300
Deficit	(52,969,900)	(50,751,300)	(48,154,700)	(44,257,300)
Experience adjustments on plan liabilities	(2,298,800)	(1,067,300)	(1,092,800)	1,538,200
Experience adjustments on plan assets	(442,000)	(1,169,300)	660,900	(85,500)

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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. In fiscal 2009, the Corporation received $ 27,897,568 (2008: $ 20,789,182) from the Government in the form of a subsidy to assist with the cost of operations.

14. FINANCE CHARGES

Finance charges comprise of the following:

	2009	2008
Interest on pension obligation (See Note 15)	4,216,900	4,062,810
Interest and commitments fees on long-term debt	370,970	449,106
Interest on bank overdraft	167,604	336,637
Interest on national insurance contributions in arrears	4,126	17,456
Other	379,254	212,380
	$ 5,138,854	**$ 5,078,389**

15. PENSION PLAN

The Corporation's funded pension contributions are wholly invested in a mutual fund that is administered by a private insurance company. Equity instruments totaled $19,504,500 (2008:$19,813,200).

The Corporation suspended funding contributions to the plan in 1989 and, up to June 2009, paid directly all current retirement benefits. Effective July 2009, a policy decision was made to obtain reimbursement on a quarterly basis from the pension fund for direct payment(s) of current retirement benefits. A subsequent decision was made to discontinue reimbursements after the first quarter of 2010.

Direct payments of current retirement benefits, including un-reimbursed payments for the fourth quarter totaled $2,377,900 (2008: $2,790,800). Reimbursements of $552,990 were received (2008: $0).

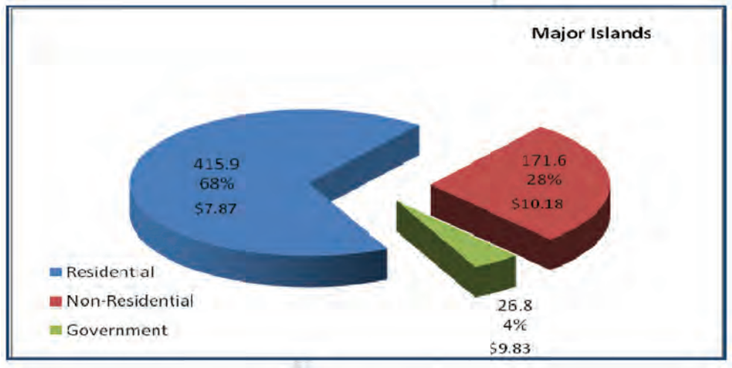
	2009	2008
Present value of funded obligations at December 31	71,916,000	70,564,500
Fair value of plan assets at December 31	(19,511,500)	(19,813,200)
Present value of unfunded obligations at December 31	52,404,500	50,751,300
Unrecognized actuarial losses	(12,426,700)	(14,151,200)
Unrecognized past service cost	(565,600)	(628,400)
Liability recognized in balance sheet at December 31	**$ 39,412,200**	**$ 35,971,700**

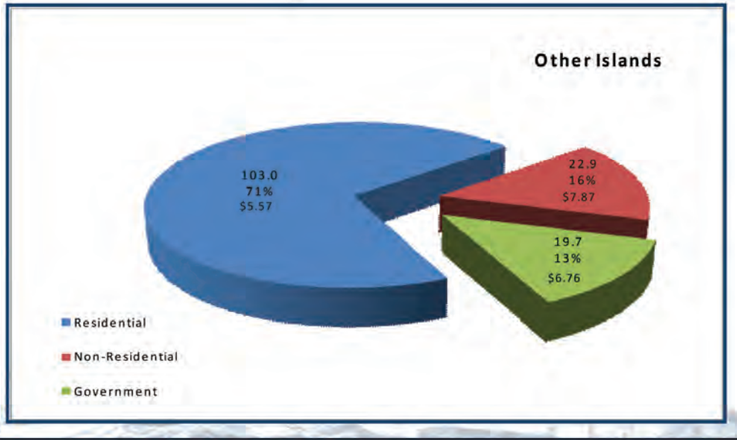
August 2006, remained in effect for Kerzner.

The overall increase in New Providence average selling prices that resulted in a modest $0.48 Mn increase in water sales revenues was more than offset by decreases of $1.16 Mn or 36.5% in other water revenues. The largest declines from 2008 were related to the slow real estate and construction sectors: System Development Fees declined by $0.54 Mn or 42.8%, and new connection charges by $0.21 Mn or 25.5%.

Sewer revenues increased by $0.25 Mn or 5.8% in New Providence, as a result of new construction principally in Sir Lynden Pindling, Riviera, Pinewood Gardens, Killarney and Yuma Subdivisions. 371 new accounts were added overall.

In the Family Islands, average selling price per thousand gallons in the major islands (i.e. Abaco, Eleuthera, Exuma and San Salvador) increased by 6.2% or $0.50, from $8.10 in 2008 to $8.60. The average selling price per thousand gallons in minor islands was $6.09 in 2009 compared to approximately $5.99 in 2008. Sales volumes per category in million imperial gallons, as a percentage of overall sales, and average selling price per thousand gallons sold are represented as follows in the islands:





Net current liabilities as at December 31, 2009 decreased by $5.2 Mn to $69.0 Mn, from $74.2Mn in 2008. The largest trade payables related to two desalinated water suppliers. $5.34Mn (2008 - $8.11 Mn) was payable to Consolidated Water (Bahamas) Ltd, which produces approximately 70% of New Providence's total supply. Aqua Design and its subsidiary Bimini Bay, which together produced 76% of desalinated water purchased in the Family Islands in 2009, was owed $0.95 Mn (2008 - $0.94 Mn). Additional government subsidies were allocated to reduce arrears to Consolidated Water, and reduce net overdraft balances by $2.6 Mn, but treasury management continued to be challenging in terms of maintaining trade payments and employer obligations current. As an extraordinary and temporary measure to bring employer group medical payments and National Insurance contributions current, the Board of Directors therefore approved reimbursement of pension costs from the pension fund on a quarterly basis beginning July 2009. Pension costs, up to that time, were being met directly by the Corporation. The total value of reimbursements in 2009 was $1.11 Mn (Note: Reimbursements were suspended at the end of the first quarter of 2010). The unfunded pension liability increased by $2.22 Mn from $50.75 Mn in 2008 to $52.96 Mn in 2009.

The 2009 operating results, inclusive of government subsidies, showed a comprehensive net income of $5.94 Mn compared to a net loss of $4.91 Mn for 2008. This is an increase of $10.86Mn.

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11. OPERATING EXPENSES (Continued)

	2009	2008
General and administrative:		
Staffing expense	8,751,616	7,899,399
Administrative overhead	1,146,199	1,142,373
Professional and consultancy fees	893,195	1,089,012
Office services	450,622	534,385
Repairs and maintenance	407,373	469,549
Electricity	212,298	337,444
Data processing	440,474	457,221
Public relations	103,658	318,208
Training	123,759	162,486
Bank charges	203,316	256,087
Travel	16,007	50,674
Fuel and oil	108,911	190,813
Audit fees	51,265	53,160
Claims and damages	281,437	23,899
Chemicals	2,367	180
Miscellaneous	97,239	226,811
	13,289,736	**13,211,701**
Total	**$ 52,462,167**	**$ 59,307,438**

12. DEPRECIATION

	2009	2008
Water	5,780,580	5,412,446
General and administrative	639,231	748,140
Sewerage	1,849,430	1,483,776
	$ 8,269,241	**$ 7,644,362**

WATER AND SEWERAGE CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2009

PKF Chartered Accountants

11. OPERATING EXPENSES

	2009	2008
Water:		
Purchase of water	19,832,458	22,730,514
Staffing expense	5,678,796	6,148,182
Shipping charter hire	3,630,945	3,215,820
Fuel and oil	2,533,653	4,292,614
Electricity	2,505,753	3,388,428
Bad debts and sundry provisions	1,646,749	1,545,121
Repairs and maintenance	971,513	595,914
Office services	209,274	258,530
Chemicals	110,197	122,615
Travel	66,609	167,349
Outside services	102,365	81,980
Other shipping	16,014	25,942
Public relations	11,269	9,521
Data processing	4,164	4,100
Claims and damages	3,885	300
Training	4,796	44,852
Miscellaneous	86,038	61,802
	37,414,478	**42,693,584**

	2009	2008
Sewerage:		
Electricity	589,579	715,958
Staffing expense	746,847	804,277
Repairs and maintenance	230,593	308,225
Fuel and oil	29,983	45,187
Bad debts and sundry provisions	148,445	1,512,289
Office services	5,086	8,800
Training	2,392	5,617
Data processing	182	1,383
Chemicals	4,125	-
Miscellaneous	721	417
	1,757,953	**3,402,153**

COMPARATIVE ANALYSIS OF 2009 OPERATING EXPENSES VS. 2008 AND 2004

	In B$ '000						
	2009	1 Year 2008	5 years 2004	1 Year Variance		5 Year Variance	
				$	%	$	%
Water Purchases	$ 19,832.46	$ 22,730.51	$ 6,016.63	$ (2,898.06)	-12.75%	$ 13,815.83	229.63%
Staffing	$ 15,610.36	$ 15,319,79	$ 14,686.54	$ 290.57	1.90%	$ 923.82	6.29%
Administrative Overhead	$ 1,146.20	$ 1,142.37	$ 965.02	$ 3.83	0.33%	$ 181.18	18.77%
Shipping Charter Hire	$ 3,630.95	$ 3,215.82	$ 4,763.69	$ 415.13	12.91%	$ (1,132.74)	-23.78%
Fuel and Oil	$ 2,672.55	$ 4,528.61	$ 2,450.53	$ 1,856.07	-40.99%	$ 222.01	9.06%
Electricity	$ 3,307.63	$ 4,441.83	$ 3,594.23	$ (1,134.20)	-25.53%	$ (286.60)	-7.97%
Bad Debts and Sundry Provisions	$ 1,795.19	$ 3,057.41	$ 561.53	$ (1,262.22)	-41.28%	$ 1,233.67	219.70%
Repairs & Maintenance	$ 1,609.48	$ 1,373.69	$ 1,394.18	$ 235.79	17.16%	$ 215.30	15.44%
Office Service	$ 664.98	$ 801.72	$ 809.64	$ (136.73)	-17.06%	$ (144.66)	-17.87%
Chemicals	$ 116.69	$ 122.80	$ 317.77	$ (6.11)	-4.97%	$ (201.08)	-63.28%
Travel	$ 82.62	$ 218.02	$ 152.61	$ (135.41)	-62.11%	$ (70.00)	-45.87%
Outside Services	$ 102.37	$ 81.98	$ 49.41	$ 20.39	24.87%	$ 52.96	107.19%
Other Shipping	$ 16.01	$ 25.94	$ 39.43	$ (9.93)	-38.27%	$ (23.41)	-59.38%
Public Relations	$ 114.93	$ 327.72	$ 202.75	$ (212.80)	-64.93%	$ (87.82)	-43.31%
Data Processing	$ 444.82	$ 462.70	$ 282.56	$ (17.88)	-3.87%	$ 162.26	57.43%
Claims and Damages	$ 285.32	$ 24.20	$ 3.26	$ 261.12	1079.07%	$ 282.07	8665.65%
Training	$ 130.95	$ 212.96	$ 104.36	$ (82.01)	-38.51%	$ 26.59	25.48%
Miscellaneous	$ 184.00	$ 289.03	$ 42.79	$ (105.03)	-36.34%	$ 141.21	330.00%
Professional & Consultancy Fees	$ 893.20	$ 1,089.01	$ 479.17	$ (195.82)	-17.98%	$ 414.02	86.40%
Bank Charges	$ 203.32	$ 256.09	$ 162.58	$ (52.77)	-20.61%	$ 40.73	25.05%
Audit Fees	$ 51.27	$ 53.16	$ 61.59	$ (1.90)	-3.56%	$ (10.32)	-16.76%
	$ 52,895.27	$ 59,775.37	$ 37,140.23	$ (6,880.10)	-11.51%	$ 15,755.03	42.42%

Energy

A) Fuel and Oil

The decrease in fuel & oil charges is as a result of a decrease in the cost of fuel during 2009. The average fuel cost per thousand gallons for barged water in 2009 was S2.144 compared to $3.680 for 2008.

B) Electricity

Electricity costs eased considerably during the first half of the year, falling below 2006 levels from February to September 2009. The average cost was $0.267 per KWH in 2009 as compared to $0.433 in 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 a few facility improvements at various administrative facilities in New Providence namely; 1) The renovations of the rear entrance door at Sumerset House Building; and 2). Renovation of the Blue-hills Workshop Bathrooms.

Project Management Unit:

This unit was responsible for the project management of the Corporation's Family Island Water Improvement Plan which included works in Eleuthera and Abaco and the new infrastructure works to be installed under the Ministry of Works & Transport - New Providence Road Improvement Program.

A new transmission main to fed Windermere Island was installed and commissioned in May and the outstanding settlement of Palmetto Point was completed under the Eleuthera Water Distribution Improvements in August. Also, a new distribution and RO plant was installed and commissioned on Current Island in December.

In Abaco, a contract was awarded to Bahamas Hot Mix Ltd. to install a subaqueous transmission main from Mainland Abaco to Green Turtle Cay in June 2009. A contract was also awarded to Apex Underground Utility & Construction Ltd. to extend the distribution network throughout Green Turtle Cay in late December. Most of the new distribution system for Spring City Phase 1 was installed for the Ministry of Housing.

In New Providence, a contract was awarded to Bahamas Hot Mix Ltd. for the Upgrade of Water and Sewerage Services along Shirley Street in May. All works between Fredrick Street and Mackay Street was completed by mid-December to allow Ministry of Works & Transport to pave that segment of the works.

The following private developments namely: *Hepburn Estates, John Claridge Estates, King's Court, Lizzy's Close, Mount Tabor Estate East, Rosina Close, Saint Anne's Estate* and *Sky-view Estates* were issued a Take-over Certificate for the water distribution system only and for *Destiny Lakes, Lou Adderley Estates* and the streets of *Tamarind and Redwood* in *Lynden Pindling Estates* both water and sewer collection systems.

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 amongst

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9. LONG-TERM DEBT (Continued)

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

	2009	2008
1-5 years	2,725,415	2,780,831
More than 5 years	4,398,411	4,844,965
	$ 7,123,826	**$ 7,625,796**

Scheduled payments for the principal on the IBM loan, which were due on March 11, 2009, March 30, 2009, May 26, 2009, June 30, 2009 and August 30, 2009 were paid on March 31, 2009, March 31, 2009, May 29, 2009, July 3, 2009 and September 2, 2009 respectively. The first default was due to a delay in receiving some leased equipment. Other defaults resulted from administrative delays within the payor bank. Management has since adjusted the timing of payment instructions to ensure timely payment. No 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:

	New Providence	Family Island	2009 Total	2008 Total
Balance at January 1	105,898,673	38,909,292	**144,807,965**	**143,830,006**
Contributions	394,625	1,720,432	**2,115,057**	**2,866,245**
Distributions	-	(1,680,952)	**(1,680,952)**	**(1,888,286)**
Balance at December 31	**$ 106,293,298**	**$ 38,948,772**	**$ 145,242,070**	**$ 144,807,965**

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9. LONG-TERM DEBT

These comprise the following:

	2009	2008
(a) Inter-American Development Bank	7,438,347	7,951,313
(b) IBM	66,256	-
(c) British American Financial	204,778	247,550
	7,709,381	**8,198,863**
Less: Amounts due within one year	(585,555)	(573,067)
	$ 7,123,826	**$ 7,625,796**

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. The outstanding balance at December 31, 2009 is $7,438,347 ($7,951,313 in 2008).

(b) **IBM**

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

(i) The Corporation entered into an arrangement for $ 95,414, payable in 36 monthly installments of $2,650, which commenced in January 2009. This facility does not bear interest. The outstanding balance at December 31, 2009 is $66,252 ($NIL in 2008).

(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, 2009 is $204,778 ($247,550 in 2008).

2009, 41 subdivisions were added to the system. In addition to subdivisions, the 1999 street layer obtained from the Department of Lands & Surveys and subdivision parcels layer continues to be updated based on developer drawings. By December of 2009 some 659.97 miles of water mains (*See Figure 1)*, and 106.86 miles of sewer mains (*See Figure 2)*, were digitized in New Providence. Additionally 42,268 customer meters were collected using GPS devices.

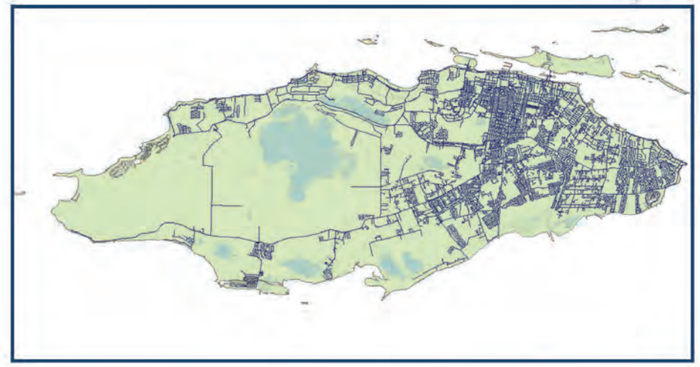

Figure 1 - Water Network (New Providence)

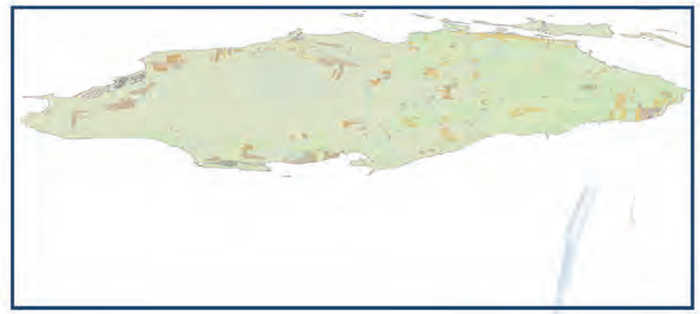

Figure 2 – Sewer Network (New Providence)

GIS Services Department continued to expand its data collection activities to the Family Islands. During this period, customer meters in San Salvador, Inagua, and Abaco were collected using GPS devices, while mains in San Salvador were digitized. The GIS Website was modified to include online maps of Abaco, Inagua, San Salvador & Andros (*See Images Below*).

Figure 3 – Mains in San Salvador

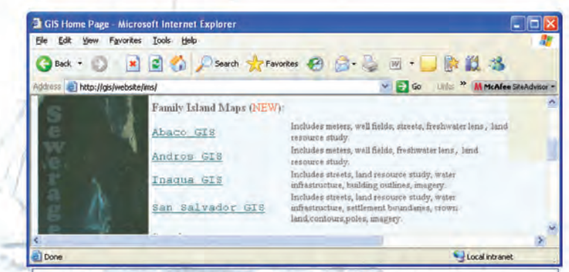

Figure 4 – GIS Website - Family Islands Maps

City-works, a GIS-based work order and asset maintenance management system, continues to be used by departments in New Providence & Marine Operations to record operational orders. Additionally, the Call Centre adopted City-works to record customer complaints in real-time, which would then be seamlessly dispatched and resolved by Distribution Operations.

A Citrix solution was acquired by the Corporation; it was implemented partly to publish GIS applications so that efficiency gains in the its performance and maintenance could be realized. This solution also allowed the Corporation to share GIS technology with staff in the Family Islands without having to invest in additional hardware or software.

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 2009, listed below are several key operational activities the unit participated and assisted with:

- **Water Resources Management Regulations.** This year, the overall risk of all abandoned water resource areas to development continues to exist (particularly Prospect, Perpalls, and SW on the island of New Providence). WSC NP Operations continue to explore all options to return the Western Wellfield Areas to full operations.
- **Wellfield (Water Supply) Design and Expansion.** Design and manage capital improvement works for Perpalls (for NPRIP) – New Providence Wellfield. Chiller Water and Irrigation Well Spec's for the Nassau International Airport.
- **Hydrological and Environmental Guidance.** 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). Work with the BEST Commission's Climate Change Committee / Ministry of the Environment regarding Climate Change and Water. Impacts of climate change on the water sector, the implications for water resources, and wastewater concerns require the development of an adaptive approach to the potential adverse effects of climate change. Small Island Developing States (SID's) are the most vulnerable areas to climate change. Compounded with the foreseen energy crises, climate change and renewable energy are at the forefront of many of the regions activities.
- **Reverse Osmosis (RO) Projects.** Design and review supply well specifications for facilities throughout the Bahamas: Current Island SWRO, Cat Island SWRO, Albany Development SWRO, and Bakers Bay, Abaco SWRO.
- **Sewerage and Effluent Disposal.** Approval and design of both waste water effluent and RO brine disposal wells throughout the Bahamas. Namely Yellow Elder Gardens WWTP, Charlottesville WWTP, and West Winds Development in New Providence.
- **Bahamas Representation at International Meetings for Environmental Conventions pertaining to Water Resources Management.** Representation at Ramsar (Wetlands

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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.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

These are comprised of the following:

	2009	2008
New Providence:		
Trade payables	5,890,605	9,309,329
Contributions to capital projects in progress (See below)	3,356,726	6,144,449
Interest payable	-	9,309
Defined benefit pension liability (Included in Note 15)	34,515,364	31,666,741
Accrued liabilities	9,042,504	7,298,397
	52,805,199	54,428,225
Family Islands:		
Trade payables	1,386,171	1,480,151
Contributions to capital projects in progress (See below)	772,419	1,160,406
Defined benefit pension liability (Included in Note 15)	4,896,828	4,304,959
Accrued liabilities	8,877,000	8,014,967
	15,932,418	14,960,483
Total	**$ 68,737,617**	**$ 69,388,708**

New Providence accounts payable and accrued liabilities include $5,483,682 (2008: $4,488,231) due to Government ministries, departments and corporations.

Family Island accounts payable and accrued liabilities include $6,163,996 (2008: $6,140,709) due to Government ministries, departments and corporations.

Contributions to capital projects in progress:

	New Providence	Family Island	Total
Liability at January 1, 2009	6,144,449	1,160,406	7,304,855
Contributions received during the year	333,390	266,451	599,841
Contributions to projects completed during the year	(3,121,113)	(654,438)	(3,775,551)
Liability at December 31, 2009	**$ 3,356,726**	**$ 772,419**	**$ 4,129,145**

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6. ACCOUNTS RECEIVABLE

These are comprised of the following:

	2009	2008
New Providence:		
Water	20,757,947	19,097,655
Sewerage	3,766,806	3,435,257
	24,524,753	22,532,912
Less: Allowance for doubtful accounts	(19,908,743)	(20,321,592)
	4,616,010	**2,211,320**
Net credits	(1,496,387)	(987,637)
	3,119,623	**1,223,683**
Family Islands:		
Water	8,148,569	7,752,517
Sewerage	36,735	26,937
	8,185,304	7,779,454
Less: Allowance for doubtful accounts	(6,552,941)	(6,542,323)
	1,632,363	**1,237,131**
Other	81,264	69,194
	1,713,627	**1,306,325**
Total	**$4,833,250**	**$2,530,008**

Included in the above receivables for New Providence water and sewerage is an amount of $3,101,481 (2008: $1,934,130) due from Government ministries, departments and corporations.

Included in the above water and sewerage receivables for Family Islands is an amount of $197,341 (2008: $155,267) due from Government ministries, departments and corporations.

Provision for doubtful accounts	2009	2008
Opening balance	26,863,915	26,199,040
Amounts written-off during the year	(2,197,425)	(2,392,535)
Increase/(reduction) in doubtful debts provided for	1,795,194	3,057,410
Closing Balance	**$26,461,684**	**$26,863,915**

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.

NEW PROVIDENCE AND MARINE OPERATIONS DIVISION

Annual Water-into-Supply was 3.816 billion imperial gallons or 10.45 MIGD as compared to 3.597 billion imperial gallons or 9.8 MIGD in 2008. The production sources with their percentage of total NP water production in parenthesis were the Blue Hills Desalination Plant (48%), the Windsor Desalination Plant (19%), shipping via the Titas (24%) and NP Wellfields (9%).

The Titas made 316 trips during the year (301 in 2008) transporting a total of 936 MIG (899 MIG in 2008) or an average of 2.564 MIGD (2.463 MIGD in 2008).

The average desalination costs was $4.94/'000 IG ($6.44/'000 IG – 2008) at Blue Hills and $8.27/'000 IG ($9.49/'000 IG – 2008) at Windsor. The average cost for the Titas for charter hire, fuel and lube oil (O&M costs at Arawak Cay and North Andros not included) was $6.36/'000 IG imported as compared to $7.65/'000 IG imported in 2008. The higher costs in 2008 are directly linked to the significant spike in worldwide energy costs in 2008 as desalination and shipping are heavily energy dependent.

WSC invited Expressions-of-Interest for a Non-Revenue Water (NRW) Project during Q3 with the Short Listing of firms completed during Q4. NRW remained a substantial challenge during the year with very limited resources available for active leak detection. Those leaks that were detected and those reported were repaired in a timely manner to minimize the impact of NRW on our service level.

Over 50,000 feet of mains was laid during the year utilizing WSC's in house personnel which is a substantial decrease over the 90,000 feet laid in 2008. The primary reasons for this reduction was increased Industrial Activity during the first half of the year and a corporate mandate to reduce overtime including overtime related to capital works.

Older cast iron and galvanized mains remained the focus to reduce the incidences of red or rusty water. Some of the areas addressed included Kool Acres, Kent Avenue, York Street, Sherwood Drive, Tower Estates, Theodora Lane, Johnson Estates and parts of Eastern Estates.

To address the growing red/rusty water challenge, WSC executed a Consultancy Contract with Camp, Dresser and McKee (CDM) during late Q4 for CDM to review/study the existing challenges and recommend a sustainable, cost-effective solution. In the interim, WSC continue with its filter change and flushing programme.

The estimated volume of sewage collected and disposed of is 6.8 MIGD with varying levels of treatment prior to final disposal.

A Contract was awarded to 3D Building Construction for the refurbishment of the old WSC Training Center at the junction of Soldier Road and Blue Hill Road during late Q4 to serve as the new Operations Base Facility for Sewerage Operations. In addition to additional administrative space, the facility will provide for a substantial improvement in sanitary conditions for the staff and their equipment and additional secure storage facilities.

The Division's management structure was reorganized during Q1 and accompanied several transfers.

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5. PROPERTY, PLANT & EQUIPMENT (Continued)

Family Islands

Cost	January 1 2009	Additions	Disposals	Transfers	December 31 2009
Buildings	457,327	36,031	-	15,796	**509,154**
Water wellfields and pumping stations	6,752,128	9,197	-	156,203	**6,917,528**
Water service lines and connections	1,029,123	41,858	-	164,658	**1,235,639**
Sewer pumping station	78,323	-	-	-	**78,323**
Sewer treatment plants	150,000	-	-	-	**150,000**
Storage tanks and reservoirs	2,575,513	484,280	-	134,632	**3,194,425**
Transmission and distributions mains	36,400,207	281,823	-	5,035,782	**41,717,812**
Third party infrastructure - Water	-	-	-	-	**-**
Third party infrastructure – Sewer	-	-	-	-	**-**
Office furniture and equipment	247,302	-	-	-	**247,302**
Radios	6,351	-	-	-	**6,351**
Garage plant and equipment	931,950	-	-	-	**931,950**
Automotive equipment	1,348,672	-	(23,500)	-	**1,325,172**
	49,976,896	853,189	(23,500)	5,507,071	**56,313,656**
Work-in-progress	4,891,948	2,282,920	-	(5,507,071)	**1,667,797**
Total	**$ 54,868,844**	**$ 3,136,109**	**$ (23,500)**	**$ -**	**$ 57,981,453**

Accumulated depreciation/impairment	January 1 2009	Depreciation expense	Disposals	December 31 2009
Buildings	168,463	11,499	-	**179,962**
Water wellfields and pumping stations	4,317,052	292,797	-	**4,609,849**
Water service lines and connections	209,599	52,896	-	**262,495**
Sewer pumping station	17,711	2,734	-	**20,445**
Sewer treatment plants	27,735	4,986	-	**32,721**
Storage tanks and reservoirs	823,945	75,879	-	**899,824**
Transmission and distributions mains	8,468,372	919,496	-	**9,387,868**
Third party infrastructure - Water	-	-	-	**-**
Third party infrastructure - Sewer	-	-	-	**-**
Office furniture and equipment	207,821	12,276	-	**220,097**
Radios	6,967	366	-	**7,333**
Garage plant and equipment	436,567	72,476	-	**509,043**
Automotive equipment	1,181,070	46,858	(23,500)	**1,204,428**
Total	**$ 15,865,302**	**$ 1,492,263**	**$ (23,500)**	**$ 17,334,065**
Net book value	**$ 39,003,542**			**$ 40,647,388**

5. PROPERTY, PLANT & EQUIPMENT (Continued)

New Providence	January 1 2009	Depreciation expense	Transfers	December 31 2009
Accumulated depreciation				
Buildings	921,667	122,422	-	1,044,089
Dock installations	1,040,052	-	-	1,040,052
Harbour improvements	10,030,424	450,771	-	10,481,195
Water wellfields and pumping stations	12,355,151	318,049	-	12,673,200
Sewer pumping stations	2,681,036	102,727	-	2,783,763
Storage tanks and reservoirs	1,784,536	78,795	-	1,863,331
Transmission and distribution mains	26,887,700	2,453,641	-	29,341,341
Water service lines and connections	9,369,296	660,269	-	10,029,565
Sewer connections and mains	12,954,019	636,832	-	13,590,851
Sewer treatment plants	2,791,452	208,783	-	3,000,235
Third party infrastructure - Water	286,644	385,522	-	672,166
Third party infrastructure - Sewer	583,256	791,423	-	1,374,679
Office furniture and equipment	5,857,342	304,562	(15,299)	6,146,605
Garage plant and equipment	4,030,677	112,943	-	4,143,620
Waste control equipment	79,381	2,399	-	81,780
Training equipment	20,638	355	-	20,993
Radios	160,815	3,090	-	163,905
Automotive equipment	4,324,586	144,398	(93,222)	4,375,762
Consultancy fees	2,919,508	-	-	2,919,508
Total	$ 99,078,180	$ 6,776,981	$ (108,521)	$ 105,746,640
Net book value	$ 146,334,866			$ 148,576,829

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FAMILY ISLANDS AND BUSINESS DEVELOPMENT DIVISION

FAMILY ISLAND OPERATIONS

Water-Into-Supply Projects

The Family Island Units continue to provide significant contribution to the Corporation ensuring that all residents and visitors receive good potable water wherever they are. While there remain some challenges in some areas due to intermittent power outages, every effort is being made to exceed the customer expectation as we remain committed to growth and quality.

YEAR	AVERAGE DAILY WATER-INTO-SUPPLY (ALL SOURCES)	AVERAGE DAILY WATER-INTO-SUPPLY (RO SOURCES)
2007	3.918 MIGD	1.032 MIGD
2008	4.203 MIGD	1.241 MIGD
2009	4.227 MIGD	1.158 MIGD

We provide highlight of some of the projects completed during the year as follows:-

ELEUTHERA

1) Harbour Island – Nesbitt Street- Mains Renewal

There is an existing old surface laid 2-inch GI pipe on Nesbitt Street also known as the Narrows. This partially blocked main serves one of the fastest growing sectors on the island and has proven to be inadequate in meeting the growing demands. A paving program by MOW was scheduled for Harbour Island which included the first 1000 ft of roadway. Approval was granted to replace this section of main prior to the start of the proposed works. The scope of works included the laying of approximately 1000 ft of 4 inch PVC pipe and transfer of 6 service connections.

2) Current Island – Installation of New Water Supply

Approval was granted by Government to install a distribution system on Current Island to provide the residents with reliable potable water. The Water and Sewerage Corporation was advised that road works were scheduled to start on Current Island and it would be advisable to install the water mains before this work commenced. The scope of works for this project included the installation of approximately 6,000 feet of 4-inch transmission mains, 1,000 feet of 2-inch distribution mains and the construction of a 3,000-IGPD seawater reverse osmosis (SWRO) plant with storage were completed.

EXUMA

1) Black Point – Mains Extension

A request was made by the Home Owners on Black Point to extend the existing main to accommodate several new homes that were under construction. The WSC agreed to supply the

materials required and all other cost associated with the project was absorbed by the Home Owners. The scope of work included the installation of 3,600 ft. of 4-inch, PVC water main with 14 service connections.

2) George Town - Government Dock Mains Renewal

The existing 2-inch thin walled PVC pipe located on the access road to the Government Dock in George Town was plagued with leaks. The location of the existing main made carrying out repairs very difficult resulting in frequent overtime and large volumes of water wasted. The scope of work entailed the laying of 670 feet of 2-inch PVC pipe along with 8 connections.

SOUTH ANDROS

The Mangrove Cay Office was satisfactorily renovated after the ceiling collapsed and made the office unacceptable to work in. Staff now work in a comfortable environment.

CAT ISLAND

It is proposed that new wellfields be developed in the South (Deanwood) and North of Cat Island on elevated, more accessible during flood season sites. These wellfields are to have a covered dug well, storage tanks and publically accessible stand pipes.

The Southern wellfield was completed in 2008. However, work commenced in 2009 on the Northern Wellfield and civil works were substantially completed with BEC's connection outstanding.

CROOKED ISLAND

To add to the storage capacity in Colonel Hill a new 2000 gallon storage tank was ordered and a new platform was constructed. These works have increased the operational efficiency on the island and further improvements are planned.

RAGGED ISLAND

In order to improve the quality of the RO plant's water supply, efforts were made to dig two new wells. The well digging exercise resulted in one well being dug and resulted in improved supply. With new roads improvement being undertaken by MOW, the water mains will be put in place prior to road paving.

OTHER ISLANDS

Progress was made in outfitting various wellfields and supply zones with liquid chlorine injection systems, which increases the efficiency of the disinfection of supply. Installation efforts continue.

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WATER AND SEWERAGE CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2009

5. PROPERTY, PLANT & EQUIPMENT (Continued)

New Providence	January 1 2009	Additions	Disposals	Transfers	December 31 2009
Cost					
Land	21,005	150,000	-	-	171,005
Buildings	4,501,890	1,005,811	-	161,956	5,669,657
Dock installations	1,040,052	-	-	-	1,040,052
Harbour improvements	17,077,254	-	-	-	17,077,254
Water wellfields and pumping stations	14,984,778	172,971	-	75,878	15,233,627
Sewer pumping stations	4,092,589	131,400	-	-	4,223,989
Storage tanks and reservoirs	3,167,345	-	-	-	3,167,345
Transmission and distribution mains	95,066,460	609,799	-	7,349,880	103,026,139
Water service lines and connections	16,348,454	86,794	-	-	16,435,248
Sewer connections and mains	27,098,804	184,942	-	1,429,638	28,713,384
Sewer treatment plants	6,293,917	-	-	-	6,293,917
Third party infrastructure - Water	9,589,670	580,481	-	-	10,170,151
Third party infrastructure - Sewer	19,612,500	688,684	-	-	20,301,184
Office furniture and equipment	6,559,813	187,806	(15,299)	68,574	6,800,894
Garage plant and equipment	4,657,205	25,849	-	85,136	4,768,190
Waste control equipment	80,390	20,884	-	-	101,274
Training equipment	21,615	-	-	-	21,615
Radios	164,758	21,366	-	148,702	334,826
Automotive equipment	4,842,143	-	(93,222)	-	4,748,921
Consultancy fees	2,920,176	-	-	-	2,920,176
	238,140,818	3,866,787	(108,521)	9,319,764	251,218,848
Work-in-progress	7,272,228	5,152,157	-	(9,319,764)	3,104,621
Total	$ 245,413,046	$ 9,018,944	$ (108,521)	$ -	$ 254,323,469

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WATER AND SEWERAGE CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2009

5. PROPERTY, PLANT & EQUIPMENT (Continued)

Accumulated depreciation	January 1 2009	Depreciation expense	Disposals	December 31 2009
Buildings	1,090,130	133,922	-	1,224,052
Dock installations	1,040,052	450,771	-	1,490,823
Harbour improvements	10,030,424	-	-	10,030,424
Water wellfields and pumping stations	16,672,203	610,846	-	17,283,049
Sewer pumping stations	2,698,747	105,460	-	2,804,207
Storage tanks and reservoirs	2,608,481	154,674	-	2,763,155
Transmission and distribution mains	35,356,072	3,373,137	-	38,729,209
Water service lines and connections	9,578,895	713,165	-	10,292,060
Sewer connections and mains	12,954,019	636,831	-	13,590,850
Sewer treatment plants	2,819,187	213,768	-	3,032,955
Third party infrastructure - Water	286,644	385,522	-	672,166
Third party infrastructure - Sewer	583,256	791,423	-	1,374,679
Office furniture and equipment	6,065,163	316,838	(15,299)	6,366,702
Garage plant and equipment	4,467,244	185,419	-	4,652,663
Waste control equipment	79,380	2,399	-	81,779
Training equipment	20,638	355	-	20,993
Radios	167,782	3,456	-	171,238
Automotive equipment	5,505,657	191,255	(116,722)	5,580,190
Consultancy fees	2,919,508	-	-	2,919,508
Total	$ 114,943,482	$ 8,269,241	$ (132,021)	$ 123,080,702
Net book value 2009	$ 185,338,408			$ 189,224,217
Net book value 2008	$ 171,655,894			$ 185,338,408

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FAMILY ISLAND COMMERCIAL MANAGEMENT

Key Sales Data

	2009	2008
Sales	$6,769,000	$6,181,000
Volume:	759,865,000 TIG	713,333 TIG
Average Selling Price	$7.34 / '000 IG	$7.46 / '000 IG

New Commercial Offices

A new FI Commercial Office was completed and opened in Spanish Wells during the year.

BUSINESS DEVELOPMENT UNIT

Business Development Unit was fully engaged primarily with the Bahamas Water and Sanitation Sector Plan sponsored by the IDB with Castalia Strategic Advisors being the consulting firm. The main objective of the plan was to provide WSC with a roadmap to help reverse its poor financial and operating performance. We are pleased to report that due to Business Development's key role and its leadership in this project, the government has adopted the Corporate Business Plan as part of WSC strategy for the next five years. Also emanating from this project were recommendations for improving Economic and Environmental Regulation of the Water and Sanitation Sector.

Other projects undertaken by Business Development were:

- New Business tracking and outlook for New Providence and Family Islands.
- Preparation of Tenders for WSC General Insurance bids.
- Revision and assessment of Water Franchise Agreements.
- Financial Assessment of Account Receivables and Mass Disconnection exercises in the Major Islands.
- Financial Assessment of Proposed Vehicle Replacement Program (PVRP).
- Sale of aged WSC vehicles and heavy equipment.

Meeting with Minister Deveaux, Minister Neymour, IDB, Castalia, and WSC representatives.

COMMERCIAL OPERATIONS DIVISION

The Commercial Operations Division's functional responsibilities are executed via the various Departmental Sections, which include:

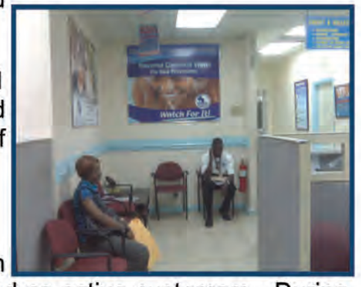
i. Customer Contact Centre
ii. Customer Communications & Complaints
iii. Customer Relations
iv. Payment & Collections
v. Delinquency Processing
vi. Field Services
vii. Bill Processing & Adjustments

OUR ACHIEVEMENTS:

During 2009, the Division was successful in completed a number of its goals and objectives.

The **Customer Contact Centre** members received 17,827 inbound calls, whilst completed 12,551 outbound calls for collection and/or quality assurance on service calls made by our Field Teams in Commercial Operations and New Providence Operations Division. Additionally, 29,635 work orders were processed by the Team. The overall service level performance was reported at 77.63%, with 80% being the goal.

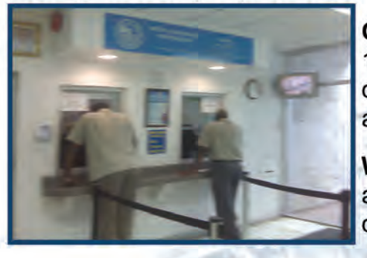
The Customer Communications & Complaints Team processed 2,750 water quality complaints resulting from the challenges. This number increased significantly from 1,120 concerns that were addressed during 2008.



Our **Customer Relations Team** received and processed 1,181 water applications, 252 sewer applications, and completed change of ownership on 364 accounts. The total number of customer visiting this area totaled was approximately 6,617.

CUSTOMER BASE INFORMATION

As at December 31, 2009, the total number of customers on record was 82,827 for NP and FI, of which 57,814 were registered as active customers. During the year, a total of 1,010 accounts were terminated – NP recorded 951, whilst FI totaled 59, with the highest being experienced on the island of Abaco.



Our Payment Team (Cashiers – NP and FI) processed a total of 176,438 payments - cash, cheques, credit cards and salary deductions totaling $40.14 million dollars during the year, or an average of $227.50 per transaction.

Whilst the NP Collections Team was successful in collecting an average of **$2.83 million per month,** or a **total of $34.01 million** during 2009, compared to $38.48 million for 2008.

PKF

WATER AND SEWERAGE CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2009

5. PROPERTY, PLANT & EQUIPMENT

The cost of property, plant & equipment 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 property, plant & equipment transferred to the Corporation on July 1, 1989 is based on original cost less accumulated depreciation at the point of transfer. Subsequent additions to property, plant & equipment are stated at cost, which include overhead amounts capitalized in work-in-progress.

Cost	January 1 2009	Additions	Disposals	Transfers	December 31 2009
Land	21,005	150,000	-	-	171,005
Buildings	4,959,217	1,041,842	-	177,752	6,178,811
Dock installations	1,040,052	-	-	-	1,040,052
Harbour improvements	17,077,254	-	-	-	17,077,254
Water wellfields and pumping stations	21,736,906	182,168	-	232,081	22,151,155
Sewer pumping stations	4,170,912	131,400	-	-	4,302,312
Storage tanks and reservoirs	5,742,858	484,280	-	134,632	6,361,770
Transmission and distribution mains	131,466,667	891,622	-	12,385,662	144,743,951
Water service lines and connections	17,377,577	128,652	-	164,658	17,670,887
Sewer connections and mains	27,098,804	184,942	-	1,429,638	28,713,384
Sewer treatment plants	6,443,917	-	-	-	6,443,917
Third party infrastructure - Water	9,589,670	580,481	-	-	10,170,151
Third party infrastructure - Sewer	19,612,500	688,684	-	-	20,301,184
Office furniture and equipment	6,807,115	187,806	(15,299)	68,574	7,048,196
Garage plant and equipment	5,589,155	25,849	-	85,136	5,700,140
Waste control equipment	80,390	20,881	-	-	101,271
Training equipment	21,615	-	-	-	21,615
Radios	171,109	21,366	-	148,702	341,177
Automotive equipment	6,190,815	-	(116,722)	-	6,074,093
Consultancy fees	2,920,176	-	-	-	2,920,176
	288,117,714	4,719,973	(132,021)	14,826,835	307,532,501
Work-in-progress	12,164,176	7,435,077	-	(14,826,835)	4,772,418
Total	$ 300,281,890	$ 12,155,050	$ (132,021)	$ -	$ 312,304,919

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) **Financial instruments (Continued)**

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
Cash and bank balances 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.

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.

Accounts receivable – Refer to notes 3(i) and 16(b) for disclosure of the key sources of estimation uncertainty relating to collectibility of receivables.

Our **Field Services Team** completed 127,492 visits to customers' properties for the purpose of meter reading, disconnection, reconnection and meter service activities, whilst completing approximately 50,339 tasks via generated work orders. 52% of the supplies disconnected during 2009 were reconnected, compared to 48% for the same period in 2008.

Our **Billing Team** statistical information is highlighted below:

YEAR		2009	2008
Bills Rendered	NP	213,186	221,038
		$34.90 Million	$36.60
	FI	70,470	62,639
		$ 6.77 Million	$6.29 Million
	TOTAL	283,656	283,677
		$41.67 Million	$42.89 Million
Revised Bills		2,221	1,303
Revised Bills as a % of total bills rendered		1%	0.45%

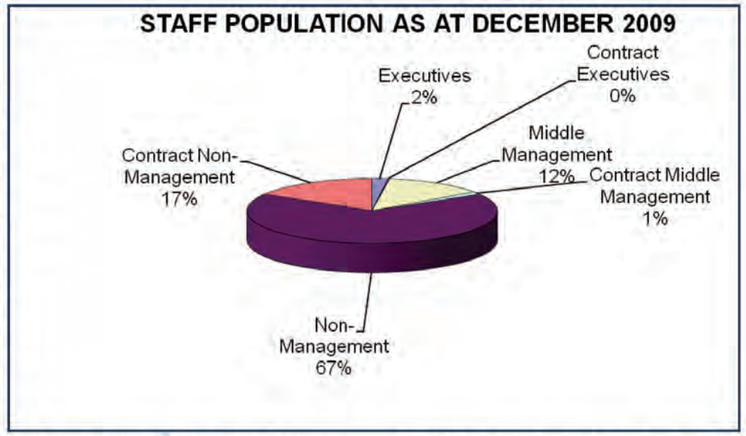
Other Division significant statistics include:

NP - Water Sales 1,960.4 Million Imperial Gallons, at an average selling price of $15.41, compared to $15.56 during 2008.

HUMAN RESOURCES DIVISION

At year-end 2009 the staff count stood at **437** (358 permanent staff & 79 contract workers). During 2009 the Corporation maintained a moratorium on hiring with the concept of a "Contract Labour Pool Approach" remaining in place. The funding for the Labour Pool remains solely through a user-pay structure, "a fair day's pay for a fair day's work" on term contracts. Manpower issues are compounded by an aging workforce that is stifled by some staff in the following categories:

- Early retirement candidates
- Substandard performers
- Poor health



The Corporation was also able to hold the line on premiums for categories within the Group Medical Insurance scheme. The establishment of an office on the compound of New Providence Operations, there is earlier intervention in regard to grievances, counselling, interpretation of Personnel Policies & Procedures and Industrial Agreements. With an in-house Industrial Nurse as "Gatekeeper" this helps to control the cost for bi-annual physicals in New Providence and the major Family Islands.

Operating on the principle of doing more with less, the Training Department conducted Forty (40) in- house courses and three hundred and thirty (330) persons attended. A further twenty (20) employees attended Corporation sponsored external courses, seminars and workshops at other local institutions. There was no attendance in International (overseas) courses or conferences during this year. Training continued with the tradition of involving its professional and pseudo-professionals to assist with the development of its employees particularly in the technical areas.

An additional seven (7) employees benefited from the Corporation's Tuition Reimbursement program for self – initiated academic degree courses. The Corporation also sponsored the Technical Cadet Corps program and three (3) scholarship students at the College of the Bahamas.

Administration of the **website** was transferred from the Business and Marketing Division to the Public Relations Department within the Human Resources Division. There was a significant increase for public service announcements due to on-going Road Projects. Additionally Public Relations Department became more involved in "Careers Fairs", exhibitions and other National Events.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Financial instruments

Financial instruments are classified into the following categories: "Fair Value Through Profit or Loss" (FVTPL); "Held-To-Maturity"; "Available-For-Sale" (AFS); and Loans and Receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

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.

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 recoverable amounts.

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 taking into account management's judgement regarding economic factors that might affect collection.

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.

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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 were 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 property, plant & equipment.

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 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 statement of financial position 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 statement of financial position 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.

INTERNAL CONTROL AND COMPLIANCE/WATER QUALITY UNIT

During the year, the division worked closely with the Board Audit Committee to address the updating of policies and procedures. The area of risk management also was a major focus in moving the Corporation towards a more efficient and financial loss reducing organization. A new unit was added to the division: the ***Safety and Environment Department***.

The Safety and Environment Department conducted a safety assessment of the W&SC vehicles and also the chlorine facility at Prospect Station. The department implemented a "fueling policy" and facilitated safety training courses.

Visit to Laboratory by Training Nurses (RN)

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 our consumers.

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

TABLE A: SIGNIFICANT FIGURES - RAINFALL
Rainfall recorded at the Lynden O. Pindling International Airport: 2000-2009 Period

Month	30 Year Average (1971-2000)	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
January	1.86	1.64	2.26	1.06	1.01	0.93	1.30	1.52	2.31	2.87	3.04
February	1.93	0.48	1.54	3.06	2.36	0.45	2.13	1.64	1.79	0.78	3.60
March	2.14	1.56	0.49	2.11	0.84	1.40	0.21	4.10	2.28	6.31	1.48
April	2.73	0.35	0.78	4.48	1.65	3.02	0.66	1.46	1.10	1.84	2.87
May	4.13	13.66	1.63	5.97	6.29	2.20	1.18	4.27	10.24	5.42	0.43
June	8.62	9.94	4.33	16.70	5,74	9.19	7.14	5.60	12.95	12.38	10.92
July	6.33	3.66	6.95	1.91	6.97	2.12	13.56	3.53	3.29	6.39	7.16
August	9.27	3.94	9.63	3.29	8.29	11.79	9.89	5.22	8.01	5.64	11.10
September	6.42	7.88	9.04	8.90	7.92	6.03	7.43	6.56	9.39	8.85	4.45
October	6.42	0.64	2.67	9.21	4.77	7.80	0.64	2.10	6.57	5.54	5.80
November	3.17	1.84	1.93	2.02	2.40	1.89	0.10	5.40	2.38	13.27	1.47
December	1.97	2.04	3.70	1.68	2.09	0.49	0.00	1.77	0.11	2.62	2.62
TOTAL	54.99	47.65	44.95	60.39	50.33	47.32	44.24	43.17	60.42	71.91	54.94
%of 30 Year Average		86.7	81.7	109.8	91.5	86.1	80.5	78.5	109.9	130.8	99.9

Table A
Compares rainfall over past ten years on monthly and annual basis; the 2009 YTD Total below the 30-year average by 7.34 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 2009

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:		52	52	52	52	52	52	52
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	7.9	8.2	8.2	8.1	7.7	8.1	8.2
Temperature (field) @C	NO SPECIFIC STANDARD. However, 25 C is desirable	25.0	26.8	26.8	27.3	26.5	25.8	25.0
True Color Unit (Pt/Co)	15	2	2	2	2	2	2	3
Turbidity (NTU)	5	0.3	0.3	0.4	0.6	0.5	0.6	1.5
CHEMICAL ANALYSIS:								
Anions: Bicarbonate (mg/l) ^	No specific Standard	83	40	40	40	204	209	64
Chloride (mg/l) ^	250 (WHO '93) 600 (WHO '71)	250	221	226	226	607	618	204
Fluoride (mg/l)	1.5	0.13	0.04	0.04	0.03	0.09	0.09	0.05
Nitrate (mg/l)	50 as NO3	0.69	0.39	0.38	0.38	0.87	0.98	0.57
Phosphate (mg/l)	No specific standard Preferably < 5 mg/l	0.05	0.01	0.00	0.01	0.01	0.11	0.00
Sulphate (mg/l)	250	16	7	7	7	68	69	13
Cations: Calcium (mg/l)	250 (U.K.) (As an annual average)	109	47	46	47	285	289	85
Iron (mg/l)	0.3	0.0	0.0	0.1	0.2	0.0	0.0	0.4
Magnesium (mg/l) ^	50 (U.K.) (As an annual average)	17	7	7	7	37	37	14
Potassium (mg/l)^.	12 (E.E.C.)	5	5	5	5	13	13	4
Sodium (mg/l) ^	200	142	126	129	129	346	352	116
Residual Chlorine(mg/l)	No specific standard. 4.0 ppm required for disinfection	2.3	2.5	1.7	1.6	1.8	2.1	1.6
Residual Chlorine (% time Present)	No specific Standard	100	100	100	100	94	92	96
Conductivity (umHos/cm) field	1,500 (U.K.) (As an annual average)	1,003	856	882	871	2,075	2,114	777
TDS concentration (mg/l) ^	1,000	598	439	447	449	1,504	1,533	480
Alkalinity (mg/l)	No specific Standard	68	33	33	33	167	171	53
Total Hardness (mg/l CaCO3)	should not exceed 500	178	74	73	76	435	442	142
MICROBIOLOGICAL ANALYSIS:								
COLIFORMS: Total (% time absent)	0 per 100 ml in 95% of samples	100	100	100	100	94	92	96
COLIFORMS: Faecal (% time absent)	0 per 100 ml in all samples	100	100	100	100	100	98	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)	-0.11	-0.32	-0.34	-0.51	0.49	0.81	-0.05
Corrosive Tendency:		slightly-aggressive (corrosive)	moderately-aggressive (corrosive)	moderately-aggressive (corrosive)	highly-aggressive (corrosive)	Non-aggressive (scale-forming)	Non-aggressive (scale-forming)	slightly-aggressive (corrosive)

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 97.5% of the time, down 2% compared to 2008. Faecal coliform (e.coli) bacteria met requirements of WHO microbiological standards 99.7% of the time. This is a slight deterioration when compared 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 satisfactory salinity levels at the other stations is due to purchased 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 aesthetic water quality in the Distribution System due to the corrosive characteristics of the water on the pipes.

Michael Swann
Sr. Manager
Water Quality Unit

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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.

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2. BASIS OF PREPARATION (Continued)

(c) IFRS effective in 2009 but not relevant

The following amendments were mandatory for accounting periods beginning on or after January 1, 2009 but are not relevant to the operations of the Corporation.

- IFRS 8 Operating Segments
- IAS 23 (Amendment) Borrowing Costs
- IFRS 2 (Amendment) Share based payments
- IAS 27 (Amendment) Consolidated and separate financial statements
- IAS 39 and IFRIC 9 (Amendment) Reclassification of financial instruments
- IFRIC 13 Customer loyalty programs
- IFRIC 15 Agreements for the construction of real estate

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.

W&SC 2009 PICTORIAL HIGHLIGHTS

W&SC 2009 PICTORIAL HIGHLIGHTS

PKF Chartered Accountants

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, 2009 was 438 (439 in 2008).

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 International Financial Reporting Standards (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 2009

- IAS 1 (Revised) Presentation of financial statements.
- IFRS 7 (Amendment) Financial instruments: Disclosures.
- IAS 39 and IFRS 7 (Amendment) Reclassification of financial instruments.

WATER AND SEWERAGE CORPORATION

CASHFLOW STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2009

(Expressed in Bahamian Dollars)

PKF Chartered Accountants

	Notes	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:			
Total comprehensive income/(loss) for the year		**5,942,597**	**(4,913,047)**
Non-cash items:			
Depreciation	5	8,269,241	7,644,362
Amortization of deferred income		(1,830,035)	(1,696,090)
(Decrease)/increase in non-cash operating working capital		(2,604,949)	6,104,876
Net Cash Provided by Operating Activities		**9,776,854**	**7,140,101**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of long-term debt		(489,482)	(379,629)
Contributions to capital projects		3,775,551	3,570,609
Equity contributions	10	2,115,057	2,866,245
Equity distributions	10	(1,680,952)	(1,888,286)
Transfer of third party infrastructure		1,269,165	8,775,279
Net Cash Provided by Financing Activities		**4,989,339**	**12,944,218**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition of property, plant & equipment	5	(12,155,050)	(21,326,879)
Net Cash Used in Investing Activities		**(12,155,050)**	**(21,326,879)**
NET INCREASE/(DECREASE) IN CASH AND BANK BALANCES		**2,611,143**	**(1,242,561)**
Net Cash and Bank Balances, beginning of year		(4,756,080)	(3,513,520)
Net Cash and Bank Balances, end of year		**$ (2,144,937)**	**$ (4,756,080)**
Net Cash and bank balances are represented by:			
Cash at bank		567,305	846,426
Bank overdraft		(2,712,242)	(5,602,506)
		$ (2,144,937)	**$ (4,756,080)**

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

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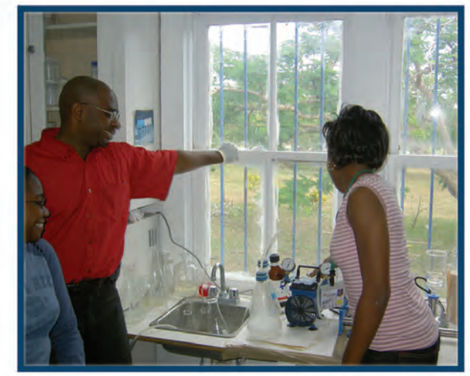
W&SC 2009 PICTORIAL HIGHLIGHTS



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 MANAGER/CFO

WATER AND SEWERAGE CORPORATION

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2009

(Expressed in Bahamian Dollars)

PKF Chartered Accountants

	Equity contributions	Accumulated deficit	Deferred income	Total equity
Balance at January 1, 2008	**143,830,006**	**(77,129,244)**	**30,056,362**	**96,757,124**
Changes in equity for 2008				
Contributions (Note 10)	2,866,245	-	-	**2,866,245**
Distributions (Note 10)	(1,888,286)	-	-	**(1,888,286)**
Total comprehensive loss for the year (Page 4)	-	(4,913,047)	-	**(4,913,047)**
Contribution to projects completed during the year	-	-	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)**
Balance at December 31, 2008	**144,807,965**	**(82,042,291)**	**40,706,160**	**103,471,834**
Changes in equity for 2009				
Contributions (Note 10)	2,115,057	-	-	**2,115,057**
Distributions (Note 10)	(1,680,952)	-	-	**(1,680,952)**
Total comprehensive income for the year (Page 4)	-	5,942,597	-	**5,942,597**
Contributions to projects completed during the year (Note 8)	-	-	3,775,551	**3,775,551**
Third party infrastructure capitalized (Note 5)	-	-	1,269,165	**1,269,165**
Amortization of deferred income	-	-	(1,830,035)	**(1,830,035)**
Balance at December 31, 2009	**$ 145,242,070**	**$ (76,099,694)**	**$ 43,920,841**	**$ 113,063,217**

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

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WATER AND SEWERAGE CORPORATION

FAMILY ISLANDS STATEMENT OF COMPREHENSIVE LOSS

FOR THE YEAR ENDED DECEMBER 31, 2009

(Expressed in Bahamian Dollars)

PKF Chartered Accountants

	Note	2009	2008
OPERATING REVENUE			
Water		6,268,651	5,862,442
Sewer		92,710	-
		6,361,361	**5,862,442**
OPERATING EXPENSES			
Water		9,961,191	10,211,631
Sewer		3,867	8,494
General and administrative		3,569,148	3,294,187
		13,534,206	**13,514,312**
Loss from Operations before Depreciation		**(7,172,845)**	**(7,651,870)**
Depreciation		(1,492,263)	(1,393,710)
OPERATING LOSS		**(8,665,108)**	**(9,045,580)**
Other income		-	1,043
Miscellaneous income		1,106	2,369
Amortization of deferred income		45,500	20,127
Net foreign exchange loss		(18)	(79)
Finance charges		(138,040)	(132,985)
Net Loss before Government Subsidy		**(8,756,560)**	**(9,155,105)**
Government subsidy	13	6,523,712	3,887,027
NET OPERATING LOSS		**(2,232,848)**	**(5,268,078)**
Other comprehensive loss:			
Actuarial loss on defined benefit plan		74,493	80,484
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**$ (2,307,341)**	**$ (5,348,562)**

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

PKF Chartered Accountants

WATER AND SEWERAGE CORPORATION

FINANCIAL STATEMENTS

DECEMBER 31, 2009

WATER & SEWERAGE CORPORATION

FINANCIAL STATEMENTS

DECEMBER 31, 2009

PKF Chartered Accountants

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6	Family Islands Statement of Comprehensive Loss
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8	Cashflow Statement
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WATER AND SEWERAGE CORPORATION

NEW PROVIDENCE STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2009

(Expressed in Bahamian Dollars)

PKF Chartered Accountants

	Note	2009	2008
OPERATING REVENUE			
Water		31,022,853	34,346,451
Sewerage		4,636,881	4,390,482
		35,659,734	**38,736,933**
OPERATING EXPENSES			
Water		27,453,287	32,481,953
Sewerage		1,754,086	3,393,659
General and administrative		9,720,588	9,917,514
		38,927,961	**45,793,126**
Loss from Operations before Depreciation		**(3,268,227)**	**(7,056,193)**
Depreciation		(6,776,978)	(6,250,652)
OPERATING LOSS		**(10,045,205)**	**(13,306,845)**
Other income		8,759	3,415
Miscellaneous income		497,261	522,896
Amortization of deferred income		1,784,535	1,675,963
Net foreign exchange loss		(9,843)	(29,219)
Finance charges		(5,000,814)	(4,945,404)
Net Loss before Government Subsidy		**(12,765,307)**	**(16,079,194)**
Government subsidy	13	21,373,856	16,902,155
NET OPERATING PROFIT		**8,608,549**	**822,961**
Other comprehensive income:			
Actuarial loss on defined benefit plan		358,607	387,446
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**$ 8,249,942**	**$ 435,515**

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

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WATER AND SEWERAGE CORPORATION

STATEMENT OF COMPREHENSIVE INCOME/(LOSS)

FOR THE YEAR ENDED DECEMBER 31, 2009

PKF Chartered Accountants

(Expressed in Bahamian Dollars)

	Notes	2009	2008
OPERATING REVENUE			
Water		37,291,500	40,208,893
Sewerage		4,729,591	4,390,482
		42,021,091	**44,599,375**
OPERATING EXPENSES	11		
Water		37,414,478	42,693,584
Sewerage		1,757,953	3,402,153
General and administrative		13,289,736	13,211,701
		52,462,167	**59,307,438**
Loss from Operations before Depreciation		**(10,441,076)**	**(14,708,063)**
Depreciation	5,12	(8,269,241)	(7,644,362)
OPERATING LOSS		**(18,710,317)**	**(22,352,425)**
Other income		8,759	4,458
Miscellaneous income		498,367	525,265
Amortization of deferred income		1,830,035	1,696,090
Net foreign exchange loss		(9,861)	(29,298)
Finance charges	14	(5,138,854)	(5,078,389)
Net Loss before Government Subsidy		**(21,521,871)**	**(25,234,299)**
Government subsidy	13	27,897,568	20,789,182
NET OPERATING PROFIT/(LOSS)		**6,375,697**	**(4,445,117)**
Other comprehensive income/(loss):			
Actuarial loss on defined benefit plan		433,100	467,930
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**$ 5,942,597**	**$ (4,913,047)**

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

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PKF Chartered Accountants

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 statement of financial position as at December 31, 2009, the statements of comprehensive income/(loss), changes in equity and the 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.

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PKF is authorised and regulated by the Financial Services Authority for investment business activities.
The PKF International Association is an association of legally independent firms.

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PKF
Chartered
Accountants

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 $69,037,174 at December 31, 2009, 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 date of the statement of financial position, 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, 2009 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

August 6, 2010
Nassau, Bahamas

WATER AND SEWERAGE CORPORATION

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2009

(Expressed in Bahamian Dollars)

PKF
Chartered
Accountants

	Notes	2009	2008
PROPERTY, PLANT & EQUIPMENT	5	**189,224,217**	**185,338,408**
CURRENT ASSETS			
Cash and bank balances		567,305	846,426
Accounts receivable	6	4,833,250	2,530,008
Materials and supplies		1,595,068	1,782,918
Prepaid expenses and deposits		89,573	98,668
		7,085,196	**5,258,020**
CURRENT LIABILITIES			
Bank overdraft	7	2,712,242	5,602,506
Accounts payable and accrued liabilities	8	68,737,616	69,388,708
Customers' deposits		4,086,957	3,934,517
Current portion of long-term debt	9	585,555	573,067
		76,122,370	79,498,798
NET CURRENT LIABILITIES		**(69,037,174)**	**(74,240,778)**
LONG-TERM DEBT - Non Current Portion	9	(7,123,826)	(7,625,796)
NET ASSETS		**$ 113,063,217**	**$ 103,471,834**
EQUITY			
Equity contributions	10	145,242,070	144,807,965
Accumulated deficit (Page 7)		(76,099,694)	(82,042,291)
Deferred income (Page 7)		43,920,841	40,706,160
		$ 113,063,217	**$ 103,471,834**

Approved by the Board of Directors and authorized for issuance on August 6, 2010:

Chairman **Board Member**

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