

---

# Water Authority

---

*OPERATING ACCOUNTS*  
*FOR THE YEAR ENDED 31 MARCH 2002*

	Page
<i>Review of the year</i>	1
<i>Operating Account</i>	2
<i>Balance Sheet</i>	3
<i>Notes on the Accounts</i>	4

---

# Water Authority

---

## *REVIEW OF THE YEAR 2002*

### **ACTIVITIES**

- Water consumption increased by 1.2% to 592 million cubic metres

### **FINANCIAL PERFORMANCE**

- Revenue increased by 2.5%
- Expenditure increased by 4.8%
- Operating results deteriorated from a deficit of \$619.6 million in 2001 to a deficit of \$781.4 million in 2002
- Return on Average Net Fixed Assets is -2.7%

---

# Water Authority

---

## *OPERATING ACCOUNT FOR THE YEAR ENDED 31 MARCH 2002*

	Note	2002 \$M	2001 \$M
Revenue	2	5,709.7	5,572.8
Expenditure	3	<u>6,491.1</u>	<u>6,192.4</u>
Operating deficit before taxation		(781.4)	(619.6)
Taxation	1(e) and 4	<u>0.0</u>	<u>0.0</u>
Operating deficit after taxation	1(h)	<u>(781.4)</u>	<u>(619.6)</u>

## **FINANCIAL PERFORMANCE MEASURES**

Average net fixed assets (ANFA)	1(g) and 5	29,245.2	27,320.1
Actual return		(781.4)	(619.6)
Target return		1,900.9	1,775.8
Actual return as % of ANFA	1(f)	(2.7%)	(2.3%)
Target return as % of ANFA		6.5%	6.5%

*The annexed notes form part of these accounts.*

---

# Water Authority

---

## *BALANCE SHEET AS AT 31 MARCH 2002*

	Note	2002 \$M	2001 \$M
<b>Net assets employed</b>			
Fixed assets	1(b) & (c) and 5	30,086.3	28,404.2
Advance payment of water charges	6	863.7	1,033.8
Current assets	1(d) and 7	1,642.7	1,526.8
Current liabilities	8	(1,609.0)	(1,491.0)
Net current assets		33.7	35.8
Government loan	6	<u>(863.7)</u>	<u>(1,033.8)</u>
		<u>30,120.0</u>	<u>28,440.0</u>
<b>Financed by</b>			
Public capital account	1(h) and 9	<u>30,120.0</u>	<u>28,440.0</u>

*The annexed notes form part of these accounts.*

---

# Water Authority

---

## NOTES ON THE ACCOUNTS

### 1. Accounting Policies

- (a) Basis of Accounting  
The accounts have been prepared on the historical cost basis of accounting modified to include the valuation of certain assets and notional receipts and payments.
- (b) Fixed Assets
- (i) No cost is included for land which is occupied by installations or sterilised by catchment areas except that, where it has been resumed, the cost of resumption has been included in the capital cost of the project concerned.
  - (ii) For capital projects, the costs include the actual direct expenditure, and staff costs for design, planning and supervision during the construction period.
  - (iii) All other fixed assets are stated at their costs of acquisition.
- (c) Depreciation  
Depreciation is provided on a straight-line basis calculated to write off the cost of assets less residual value over their estimated useful lives. The annual rates of depreciation used are :-
- |  |           |
|--|-----------|
| Tunnels, dams, resumption and afforestation, etc.        | 1%        |
| Civil engineering works                                  | 2%        |
| Water mains - fresh                                      | 2%        |
| - salt   | 5%        |
| Mechanical/electrical works, meters, plant and machinery | 4%        |
| Motor vehicles   | 10% - 20% |
- (d) Stock  
Stock is valued at the lower of cost and net realisable value.
- (e) Taxation  
Notional profits tax has not been provided in the accounts as the Authority has no assessable profits for the year. Provision is made for deferred tax in respect of all material timing differences attributable to accelerated depreciation allowances on fixed assets except where it is considered that no liability will crystallise in the foreseeable future.
- (f) Actual Return on ANFA  
This is calculated as a percentage of operating surplus/deficit to average net fixed assets (ANFA).
- (g) Average Net Fixed Assets  
The average net fixed assets (ANFA) represents the simple average of the opening and closing value of total fixed assets less aggregate depreciation.
- (h) Surplus and Dividend  
Since the Water Authority does not have a separate legal identity, its financial resources form part of the General Revenue. All surpluses and deficits are deemed to adjust the Public Capital of the Authority.

# Water Authority

## NOTES ON THE ACCOUNTS

<b>2. Revenue</b>	<b>2002</b>	<i>2001</i>
	<b>\$M</b>	<i>\$M</i>
Chargeable supplies	2,282.5	2,402.5
Contribution from rates	1,907.8	2,162.3
Contribution from Government on concessions	482.9	0.0
Contribution from Government on free allowance to consumers	812.7	742.5
Supplies to Government establishments	143.6	169.3
Fees, licences and reimbursable works	44.1	26.7
Interest from deposits	<u>36.1</u>	<u>69.5</u>
	<u>5,709.7</u>	<u>5,572.8</u>
<p>The contribution from Government on concessions is to cover the shortfall in chargeable supplies and contribution from rates resulting from the concessions as announced in the 2002 Budget Speech.</p>		
<b>3. Expenditure</b>	<b>2002</b>	<i>2001</i>
	<b>\$M</b>	<i>\$M</i>
Staff costs	1,747.0	1,734.3
Operating and administration expenses	1,484.8	1,330.1
Bulk purchase of water from Guangdong	2,445.5	2,425.2
Depreciation	731.2	607.0
Interest on Government loan	<u>82.6</u>	<u>95.8</u>
	<u>6,491.1</u>	<u>6,192.4</u>
<b>4. Taxation</b>	<b>2002</b>	<i>2001</i>
	<b>\$M</b>	<i>\$M</i>
Notional profits tax charge for the year	<u>0.0</u>	<u>0.0</u>
The unprovided deferred tax, which relates to timing differences arising from depreciation allowances on fixed assets, at the prevailing tax rate of 16% is approximately	<u>-53.7</u>	<u>71.4</u>

# Water Authority

## NOTES ON THE ACCOUNTS

### 5. Fixed Assets

	Dams & Other Works \$M	Buildings, Filters, Mains, etc. \$M	Plant and Machinery \$M	Salt Water Flushing \$M	Tai Lam Chung \$M	Shek Pik \$M	Plover Cove \$M	High Island \$M	Meters \$M	Motor Vehicles \$M	Assets Under Construction \$M	Total \$M
<b>Cost or Valuation</b>												
At 1 April 2001	120.0	20,069.3	166.6	2,602.4	132.8	285.9	702.0	1,661.2	311.2	47.7	8,148.1	34,247.2
Additions	-	13.8	13.2	1.4	-	-	-	-	17.7	8.1	2,360.8	2,415.0
Transfers	-	4,142.1	-	896.3	-	-	-	-	-	-	(5,038.4)	0.0
Disposals	-	(6.2)	-	(0.8)	-	-	-	-	(11.8)	(6.4)	-	(25.2)
<b>At 31 March 2002</b>	<b>120.0</b>	<b>24,219.0</b>	<b>179.8</b>	<b>3,499.3</b>	<b>132.8</b>	<b>285.9</b>	<b>702.0</b>	<b>1,661.2</b>	<b>317.1</b>	<b>49.4</b>	<b>5,470.5</b>	<b>36,637.0</b>
<b>Aggregate Depreciation</b>												
At 1 April 2001	58.8	3,574.9	37.0	831.2	70.9	138.8	299.7	690.5	121.4	19.8	-	5,843.0
Charge for the year	1.2	523.9	6.9	137.8	1.7	3.9	9.4	29.3	12.4	4.7	-	731.2
Written back on disposal	-	(5.6)	-	(0.8)	-	-	-	-	(11.8)	(5.3)	-	(23.5)
<b>At 31 March 2002</b>	<b>60.0</b>	<b>4,093.2</b>	<b>43.9</b>	<b>968.2</b>	<b>72.6</b>	<b>142.7</b>	<b>309.1</b>	<b>719.8</b>	<b>122.0</b>	<b>19.2</b>	<b>-</b>	<b>6,550.7</b>
<b>Net Book Value</b>												
<b>At 31 March 2002</b>	<b>60.0</b>	<b>20,125.8</b>	<b>135.9</b>	<b>2,531.1</b>	<b>60.2</b>	<b>143.2</b>	<b>392.9</b>	<b>941.4</b>	<b>195.1</b>	<b>30.2</b>	<b>5,470.5</b>	<b>30,086.3</b>
<i>At 31 March 2001</i>	<i>61.2</i>	<i>16,494.4</i>	<i>129.6</i>	<i>1,771.2</i>	<i>61.9</i>	<i>147.1</i>	<i>402.3</i>	<i>970.7</i>	<i>189.8</i>	<i>27.9</i>	<i>8,148.1</i>	<i>28,404.2</i>

The capital expenditure relating to the construction of water supplies facilities under the Airport Core Programme has been excluded.

### 6. Advance Payment of Water Charges/ Government Loan

An advance payment of water charges of \$1,580M has been made to the Guangdong authorities by instalments with the last instalment of \$368M being paid in 1993. This advance is financed by a corresponding loan provided by the Government. Set off of the advance and repayment of the loan started in January 1995.

# Water Authority

## NOTES ON THE ACCOUNTS

<b>7. Current Assets</b>	<b>2002</b>	<i>2001</i>
	<b>\$M</b>	<i>\$M</i>
Stock	9.9	<i>10.0</i>
Debtors	407.5	<i>545.6</i>
Current account with Treasury	<u>1,225.3</u>	<u><i>971.2</i></u>
	<u>1,642.7</u>	<u><i>1,526.8</i></u>
<b>8. Current Liabilities</b>	<b>2002</b>	<i>2001</i>
	<b>\$M</b>	<i>\$M</i>
Consumers' and contractors' deposits	1,366.4	<i>1,239.3</i>
Creditors	<u>242.6</u>	<u><i>251.7</i></u>
	<u>1,609.0</u>	<u><i>1,491.0</i></u>
<b>9. Public Capital Account</b>	The Public Capital Account represents Government's investment in this utility.	
	<b>2002</b>	<i>2001</i>
	<b>\$M</b>	<i>\$M</i>
Balance as at 1 April	28,440.0	<i>26,270.0</i>
Operating deficit for the year	(781.4)	<i>(619.6)</i>
Additional cash investment by the Government	<u>2,461.4</u>	<u><i>2,789.6</i></u>
Balance as at 31 March	<u>30,120.0</u>	<u><i>28,440.0</i></u>
<b>10. Capital Commitments</b>	<b>2002</b>	<i>2001</i>
	<b>\$M</b>	<i>\$M</i>
Capital expenditure contracted for	1,817.6	<i>2,511.2</i>
Capital expenditure authorised but not yet contracted for	<u>7,120.8</u>	<u><i>6,350.6</i></u>
	<u>8,938.4</u>	<u><i>8,861.8</i></u>