
Water Authority

OPERATING ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2007

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REVIEW OF THE YEAR 2007

ACTIVITIES

- Water consumption decreased by 1.0% to 605 million cubic metres

FINANCIAL PERFORMANCE

- Revenue increased by 2.9%
- Expenditure decreased by 0.1%
- Operating results improved from a deficit of \$530.8 million in 2005-06 to a deficit of \$361.9 million in 2006-07
- Return on Average Net Fixed Assets improved from -1.6% in 2005-06 to -1.1% in 2006-07

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OPERATING ACCOUNT FOR THE YEAR ENDED 31 MARCH 2007

	Note	2007 \$M	2006 \$M
Revenue	2	5,890.2	5,726.0
Expenditure	3	6,252.1	6,256.8
Operating deficit before taxation		(361.9)	(530.8)
Taxation	1(e) & (f) and 4	0.0	0.0
Operating deficit after taxation	1(j)	(361.9)	(530.8)

FINANCIAL PERFORMANCE MEASURES

Average net fixed assets (ANFA)	1(i) and 5	34,317.0	33,542.1
Actual return		(361.9)	(530.8)
Target return		2,230.6	2,180.2
Actual return as % of ANFA	1(h)	(1.1%)	(1.6%)
Target return as % of ANFA		6.5%	6.5%

The annexed notes form part of these accounts.

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BALANCE SHEET AS AT 31 MARCH 2007

	Note	2007 \$M	2006 \$M
Net assets employed			
Fixed assets	1(b) & (c) and 5	34,670.8	33,963.1
Advance payment of water charges	6	0.0	95.9
Current assets	1(d) and 7	1,760.2	1,708.3
Current liabilities	8	(1,720.0)	(1,669.4)
Net current assets		40.2	38.9
Government loan	6	0.0	(95.9)
		<u>34,711.0</u>	<u>34,002.0</u>
Financed by			
Public capital account	1(j) and 9	<u>34,711.0</u>	<u>34,002.0</u>

The annexed notes form part of these accounts.

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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 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 cost less accumulated depreciation except assets under construction which are stated at cost.
- (c) Depreciation
- (i) 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, plant and machinery	4%
Meters	6.66%
Computer hardware, software and system	10%
Motor vehicles	10% - 20%
 - (ii) No depreciation is provided on assets under construction.
- (d) Stock Stock is stated at the lower of cost and net realisable value, using the First-In-First-Out method.
- (e) Taxation Notional profits tax is provided, where necessary, based on the expected taxable surplus for the year, using the tax rates prevailing at the balance sheet date, and any adjustments to tax payable in respect of previous years. No provision for notional profits tax has been made in the accounts as the Authority has no taxable surplus for the year.
- (f) Deferred Tax Deferred tax is recognised, where appropriate, for all material temporary differences between the tax bases of assets and liabilities and their carrying amounts in the accounts. Deferred tax assets are recognised to the extent that it is probable that taxable surplus will be available against which the temporary differences can be utilised. No provision for deferred tax in respect of all material temporary differences has been made in the accounts as the Authority has no taxable surplus against which the temporary differences can be utilised.

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NOTES ON THE ACCOUNTS

- (g) Employee Benefits | Employee benefits including salaries, gratuities, pensions, housing benefits and annual leave are accrued and recognised as an expense in the year in which the associated services are rendered by employees.
- (h) Actual Return on ANFA | This is calculated as a percentage of operating surplus/deficit to average net fixed assets (ANFA).
- (i) 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.
- (j) Operating Deficit | Since the Water Authority does not have a separate legal identity, its financial resources form part of the General Revenue. All deficits are deemed to be financed by the General Revenue and adjusted to the Public Capital Account of the Authority.

2. Revenue	2007	<i>2006</i>
	\$M	<i>\$M</i>
Chargeable supplies	2,441.3	2,479.6
Contribution from rates	2,319.7	2,120.7
Contribution from Government on free allowance to consumers	903.9	904.4
Supplies to Government establishments	143.1	146.1
Fees, licences and reimbursable works	22.5	24.4
Interest from deposits	59.7	50.8
	<u>5,890.2</u>	<u>5,726.0</u>
3. Expenditure	2007	<i>2006</i>
	\$M	<i>\$M</i>
Staff costs	1,262.9	1,290.2
Operating and administration expenses	1,438.2	1,434.3
Bulk purchase of water from Guangdong	2,494.8	2,524.1
Depreciation	1,054.0	990.1
Interest on Government loan	2.2	18.1
	<u>6,252.1</u>	<u>6,256.8</u>

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NOTES ON THE ACCOUNTS

4. Taxation	2007	2006
	\$M	\$M
Notional profits tax charge for the year	<u>0.0</u>	<u>0.0</u>
Deferred tax assets/(liabilities) not recognized in respect of :-		
Unused tax loss	<u>14,208.1</u>	<u>13,226.6</u>
Material temporary difference arising from depreciation allowances	<u>(10,705.9)</u>	<u>(10,083.1)</u>

5. Fixed Assets

	Buildings, Filters, Mains, etc.	Plant and Machinery	Computer Hardware, Software & System	Salt Water Flushing	Plover Cove	High Island	Meters	Motor Vehicles	Assets Under Con- struction	Total
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Cost										
At 1 April 2006	32,326.0	150.4	254.5	5,045.4	702.0	1,661.2	323.4	49.3	3,378.5	43,890.7
Additions	3.4	0.7	-	-	-	-	28.6	0.8	1,750.7	1,784.2
Transfers	1,826.8	-	7.0	589.4	-	-	-	-	(2,423.2)	-
Disposals/Write off	(72.1)	(1.9)	(0.5)	(53.1)	-	-	(19.5)	(2.3)	(6.8)	(156.2)
At 31 March 2007	34,084.1	149.2	261.0	5,581.7	702.0	1,661.2	332.5	47.8	2,699.2	45,518.7
Aggregate Depreciation										
At 1 April 2006	6,794.9	53.4	46.8	1,649.5	346.3	837.0	170.0	29.7	-	9,927.6
Charge for the year	734.5	6.0	25.5	223.4	9.3	29.3	21.9	4.1	-	1,054.0
Written back on Disposals/Write off	(59.0)	(1.5)	(0.4)	(51.5)	-	-	(19.5)	(1.8)	-	(133.7)
At 31 March 2007	7,470.4	57.9	71.9	1,821.4	355.6	866.3	172.4	32.0	-	10,847.9
Net Book Value										
At 31 March 2007	26,613.7	91.3	189.1	3,760.3	346.4	794.9	160.1	15.8	2,699.2	34,670.8
<i>At 31 March 2006</i>	<i>25,531.1</i>	<i>97.0</i>	<i>207.7</i>	<i>3,395.9</i>	<i>355.7</i>	<i>824.2</i>	<i>153.4</i>	<i>19.6</i>	<i>3,378.5</i>	<i>33,963.1</i>

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NOTES ON THE ACCOUNTS

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 1992-93. 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.

7. Current Assets

	2007	<i>2006</i>
	\$M	<i>\$M</i>
Stock	11.0	9.8
Debtors	577.8	577.1
Current account with Treasury	1,171.4	1,121.4
	<u>1,760.2</u>	<u>1,708.3</u>

8. Current Liabilities

	2007	<i>2006</i>
	\$M	<i>\$M</i>
Consumers' and contractors' deposits	1,479.6	1,452.1
Creditors	240.4	217.3
	<u>1,720.0</u>	<u>1,669.4</u>

9. Public Capital Account

The Public Capital Account represents Government's investment in this utility.

	2007	<i>2006</i>
	\$M	<i>\$M</i>
Balance as at 1 April	34,002.0	33,158.0
Operating deficit for the year	(361.9)	(530.8)
Additional cash investment by the Government	1,070.9	1,374.8
	<u>34,711.0</u>	<u>34,002.0</u>

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10. Capital Commitments

As at 31 March 2007, the Authority had capital commitments, so far as not provided for in the Operating Accounts, as follows:

	2007 \$M	<i>2006</i> <i>\$M</i>
Contracted for	2,209.7	1,299.1
Authorised but not contracted for	<u>8,548.1</u>	<u>5,750.2</u>
	<u>10,757.8</u>	<u>7,049.3</u>