
Water Authority

OPERATING ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2012

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REVIEW OF THE YEAR 2011-12

ACTIVITIES

- Metered fresh water consumption increased by 0.8% to 626 million cubic metres

FINANCIAL PERFORMANCE

- Revenue increased by 5.5%
- Expenditure increased by 5.7%
- The deficit increased from \$ 955.3 million in 2010-11 to \$1,025.3 million in 2011-12
- Return on Average Net Fixed Assets remained at -2.3%.

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OPERATING ACCOUNT FOR THE YEAR ENDED 31 MARCH 2012

	Note	2012 \$M	<i>Restated 2011 \$M</i>
Revenue	2	6,806.9	6,454.5
Expenditure	3	<u>7,832.2</u>	<u>7,409.8</u>
Deficit before taxation		(1,025.3)	(955.3)
Taxation	1(e) & (f) and 4	<u>-</u>	<u>-</u>
Deficit after taxation	1(j)	<u><u>(1,025.3)</u></u>	<u><u>(955.3)</u></u>

FINANCIAL PERFORMANCE MEASURES

Average net fixed assets (ANFA)	1(i) and 5	44,235.0	41,352.8
Actual return		(1,025.3)	(955.3)
Target return		2,875.3	2,687.9
Actual return as % of ANFA	1(h)	(2.3%)	(2.3%)
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 2012

	Note	2012 \$M	Restated 2011 \$M
Net assets employed			
Fixed assets	1(b) & (c) and 5	45,578.6	42,891.3
Current assets	1(d) and 6	2,218.9	2,179.7
Current liabilities	7	(2,039.0)	(1,997.9)
Net current assets		179.9	181.8
		<hr/>	<hr/>
		<u>45,758.5</u>	<u>43,073.1</u>
Financed by			
Public capital account	1(j) and 8	<u>45,758.5</u>	<u>43,073.1</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%-14.29%
Meters	8.33%
Computer hardware, software and system	10%
Motor vehicles	10%-20%
 - (ii) No depreciation is provided on assets under construction.
- (d) Stocks
Stocks are stated at the lower of cost and net realisable value, using the weighted average cost method to the extent that it is material.
- (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

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| (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 surplus/deficit after taxation 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) 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

	2012	<i>2011</i>
	\$M	<i>\$M</i>
Chargeable supplies	2,502.6	2,463.9
Contribution from rates	1,458.1	1,343.2
Contribution from Government on concessions	1,489.3	1,349.1
Contribution from Government on free allowance to consumers	1,173.4	1,112.8
Supplies to Government establishments	154.5	163.2
Fees, licences and reimbursable works	24.2	18.8
Interest from deposits	4.8	3.5
	<u>6,806.9</u>	<u>6,454.5</u>

The contribution from Government on concessions is to cover the shortfall in contribution from rates resulting from the concession of rates granted during the years.

3. Expenditure

	2012	<i>Restated</i>
	\$M	<i>2011</i>
		<i>\$M</i>
Staff costs	1,401.3	1,300.4
Operating and administration expenses *	1,680.3	1,635.6
Purchase cost of Dongjiang water	3,397.1	3,200.0
Depreciation	1,353.5	1,273.8
	<u>7,832.2</u>	<u>7,409.8</u>

* Starting from 2011-12, the accounting policy has been changed to treat mechanical and electrical spare parts as stocks under current assets. As a result of this prior year adjustment, the total operating and administration expenses for the year ended 31.3.2011 is decreased by \$3.5 million. See also Notes 6 and 8.

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NOTES ON THE ACCOUNTS

4. Taxation

	2012 \$M	<i>Restated</i> <i>2011</i> <i>\$M</i>
Notional profits tax charge for the year	0.0	0.0
Deferred tax assets/(liabilities) not recognized in respect of :-		
Unused tax loss *	22,476.6	20,296.1
Material temporary difference arising from depreciation allowances	(15,855.2)	(14,694.2)

* As a result of the change in accounting policy mentioned under Note 3, prior year adjustment is made to decrease the unused tax loss as at 31.3.2011 by \$86.1 million.

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 2011	40,557.6	253.1	315.6	7,972.8	702.0	1,661.2	394.6	66.9	5,780.7	57,704.5
Additions	-	22.6	11.1	-	-	-	35.3	2.6	3,981.9	4,053.5
Transfers	3,050.6	-	3.0	613.0	-	-	-	2.2	(3,668.8)	-
Disposals/Write off	(68.5)	(0.3)	(0.4)	(27.3)	-	-	(31.0)	(3.4)	-	(130.9)
At 31 March 2012	43,539.7	275.4	329.3	8,558.5	702.0	1,661.2	398.9	68.3	6,093.8	61,627.1

Aggregate Depreciation

At 1 April 2011	10,429.0	82.6	184.5	2,535.5	392.8	983.4	173.1	32.3	-	14,813.2
Charge for the year	889.7	22.5	30.0	331.0	9.3	29.3	35.6	6.1	-	1,353.5
Written back on										
Disposals/Write off	(56.3)	(0.2)	(0.4)	(27.3)	-	-	(31.0)	(3.0)	-	(118.2)
At 31 March 2012	11,262.4	104.9	214.1	2,839.2	402.1	1,012.7	177.7	35.4	-	16,048.5

Net Book Value

At 31 March 2012	32,277.3	170.5	115.2	5,719.3	299.9	648.5	221.2	32.9	6,093.8	45,578.6
<i>At 31 March 2011</i>	<i>30,128.6</i>	<i>170.5</i>	<i>131.1</i>	<i>5,437.3</i>	<i>309.2</i>	<i>677.8</i>	<i>221.5</i>	<i>34.6</i>	<i>5,780.7</i>	<i>42,891.3</i>

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NOTES ON THE ACCOUNTS

6. Current Assets

	2012	<i>Restated</i>
	\$M	<i>2011</i>
		<i>\$M</i>
Stocks *	101.0	101.0
Debtors	510.0	511.4
Current account with Treasury	<u>1,607.9</u>	<u>1,567.3</u>
	<u>2,218.9</u>	<u>2,179.7</u>

* As a result of the change in accounting policy mentioned under Note 3, prior year adjustment is made to increase the Stocks balance as at 31.3.2011 by \$86.1 million.

7. Current Liabilities

	2012	<i>2011</i>
	\$M	<i>\$M</i>
Consumers' and contractors' deposits	1,709.5	1,688.0
Creditors	<u>329.5</u>	<u>309.9</u>
	<u>2,039.0</u>	<u>1,997.9</u>

8. Public Capital Account

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

	2012	<i>Restated</i>
	\$M	<i>2011</i>
		<i>\$M</i>
Balance as at 1 April	43,073.1	39,898.0
Deficit for the year *	(1,025.3)	(955.3)
Prior Year Adjustment *	-	82.6
Additional cash investment by the Government	<u>3,710.7</u>	<u>4,047.8</u>
Balance as at 31 March	<u>45,758.5</u>	<u>43,073.1</u>

* As a result of the change in accounting policy mentioned under Notes 3 and 6, prior year adjustment is made to increase the Public Capital Account balance as at 31.3.2011 by \$86.1 million.

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NOTES ON THE ACCOUNTS

9. Capital Commitments

As at 31 March 2012, the Authority had capital commitments, so far as not provided for in the Operating Accounts, as follows:

	2012 \$M	<i>2011</i> <i>\$M</i>
Contracted for	8,625.6	4,159.3
Authorised but not contracted for	<u>4,289.1</u>	<u>5,186.1</u>
	<u>12,914.7</u>	<u>9,345.4</u>

10. Comparative Figures

Certain comparative figures for the year ended 31 March 2011 have been restated to conform with the current year's presentation.