
Water Authority

OPERATING ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2003

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Water Authority

REVIEW OF THE YEAR 2003

ACTIVITIES

- Water consumption increased by 1.4% to 601 million cubic metres

FINANCIAL PERFORMANCE

- Revenue decreased by 0.2%
- Expenditure decreased by 0.1%
- Operating results slightly worsened from a deficit of \$781.4 million in 2002 to a deficit of \$786.2 million in 2003
- Return on Average Net Fixed Assets is -2.6%

Water Authority

OPERATING ACCOUNT FOR THE YEAR ENDED 31 MARCH 2003

	Note	2003 \$M	2002 \$M
Revenue	2	5,699.2	5,709.7
Expenditure	3	6,485.4	6,491.1
Operating deficit before taxation		(786.2)	(781.4)
Taxation	1(e) and 4	0.0	0.0
Operating deficit after taxation	1(h)	(786.2)	(781.4)

FINANCIAL PERFORMANCE MEASURES

Average net fixed assets (ANFA)	1(g) and 5	30,615.7	29,245.2
Actual return		(786.2)	(781.4)
Target return		1,990.0	1,900.9
Actual return as % of ANFA	1(f)	(2.6%)	(2.7%)
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 2003

	Note	2003 \$M	2002 \$M
Net assets employed			
Fixed assets	1(b) & (c) and 5	31,145.1	30,086.3
Advance payment of water charges	6	687.9	863.7
Current assets	1(d) and 7	1,598.4	1,642.7
Current liabilities	8	(1,563.5)	(1,609.0)
Net current assets		34.9	33.7
Government loan	6	<u>(687.9)</u>	<u>(863.7)</u>
		<u>31,180.0</u>	<u>30,120.0</u>
Financed by			
Public capital account	1(h) and 9	<u>31,180.0</u>	<u>30,120.0</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	<p>(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.</p> <p>(ii) For capital projects, the costs include the actual direct expenditure, and staff costs for design, planning and supervision during the construction period.</p> <p>(iii) All other fixed assets are stated at their costs of acquisition.</p>														
(c) Depreciation	<p>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 :-</p> <table><tr><td>Tunnels, dams, resumption and afforestation, etc.</td><td>1%</td></tr><tr><td>Civil engineering works</td><td>2%</td></tr><tr><td>Water mains - fresh</td><td>2%</td></tr><tr><td>- salt</td><td>5%</td></tr><tr><td>Mechanical/electrical works, plant and machinery</td><td>4%</td></tr><tr><td>Meters</td><td>6.66% *</td></tr><tr><td>Motor vehicles</td><td>10% - 20%</td></tr></table> <p>* Previously provided at 4%</p>	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% *	Motor vehicles	10% - 20%
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% *														
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.														

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NOTES ON THE ACCOUNTS

2. Revenue	2003	<i>2002</i>
	\$M	<i>\$M</i>
Chargeable supplies	1,565.6	2,282.5
Contribution from rates	1,337.6	1,907.8
Contribution from Government on concessions	1,733.7	482.9
Contribution from Government on free allowance to consumers	847.6	812.7
Supplies to Government establishments	148.5	143.6
Fees, licences and reimbursable works	44.6	44.1
Interest from deposits	21.6	36.1
	<u>5,699.2</u>	<u>5,709.7</u>

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.

3. Expenditure	2003	<i>2002</i>
	\$M	<i>\$M</i>
Staff costs	1,472.5	1,747.0
Operating and administration expenses	1,674.0	1,484.8
Bulk purchase of water from Guangdong	2,476.3	2,445.5
Depreciation	794.5	731.2
Interest on Government loan	68.1	82.6
	<u>6,485.4</u>	<u>6,491.1</u>

4. Taxation	2003	<i>2002</i>
	\$M	<i>\$M</i>
Notional profits tax charge for the year	0.0	0.0
The unprovided deferred tax, which relates to timing differences arising from depreciation allowances on fixed assets, at the prevailing tax rate of 17.5% (2001-02: 16%) is approximately	<u>-175.6</u>	<u>-53.7</u>

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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
Cost or Valuation												
At 1 April 2002	120.0	24,219.0	179.8	3,499.3	132.8	285.9	702.0	1,661.2	317.1	49.4	5,470.5	36,637.0
Additions	-	7.3	13.0	-	-	-	-	-	27.3	5.5	1,923.4	1,976.5
Transfers	-	872.3	-	242.5	-	-	-	-	-	-	(1,114.8)	0.0
Disposals/Write off	-	(127.5)	(15.2)	(2.9)	-	-	-	-	(24.1)	(4.6)	-	(174.3)
At 31 March 2003	120.0	24,971.1	177.6	3,738.9	132.8	285.9	702.0	1,661.2	320.3	50.3	6,279.1	38,439.2
Aggregate Depreciation												
At 1 April 2002	60.0	4,093.2	43.9	968.2	72.6	142.7	309.1	719.8	122.0	19.2	-	6,550.7
Charge for the year	1.2	541.6	7.4	149.0	1.7	3.9	9.3	29.3	46.1	5.0	-	794.5
Written back on Disposal/Write off	-	(19.1)	(4.4)	(2.9)	-	-	-	-	(21.0)	(3.7)	-	(51.1)
At 31 March 2003	61.2	4,615.7	46.9	1,114.3	74.3	146.6	318.4	749.1	147.1	20.5	-	7,294.1
Net Book Value												
At 31 March 2003	58.8	20,355.4	130.7	2,624.6	58.5	139.3	383.6	912.1	173.2	29.8	6,279.1	31,145.1
<i>At 31 March 2002</i>	<i>60.0</i>	<i>20,125.8</i>	<i>135.9</i>	<i>2,531.1</i>	<i>60.2</i>	<i>143.2</i>	<i>392.9</i>	<i>941.4</i>	<i>195.1</i>	<i>30.2</i>	<i>5,470.5</i>	<i>30,086.3</i>

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.

Water Authority

NOTES ON THE ACCOUNTS

	2003	<i>2002</i>
	\$M	<i>\$M</i>
7. Current Assets		
Stock	11.1	9.9
Debtors	508.9	407.5
Current account with Treasury	1,078.4	1,225.3
	1,598.4	1,642.7
8. Current Liabilities		
	2003	<i>2002</i>
	\$M	<i>\$M</i>
Consumers' and contractors' deposits	1,329.3	1,366.4
Creditors	234.2	242.6
	1,563.5	1,609.0
9. Public Capital Account		
The Public Capital Account represents Government's investment in this utility.		
	2003	<i>2002</i>
	\$M	<i>\$M</i>
Balance as at 1 April	30,120.0	28,440.0
Operating deficit for the year	(786.2)	(781.4)
Additional cash investment by the Government	1,846.2	2,461.4
Balance as at 31 March	31,180.0	30,120.0
10. Capital Commitments		
	2003	<i>2002</i>
	\$M	<i>\$M</i>
Capital expenditure contracted for	1,988.7	1,817.6
Capital expenditure authorised but not yet contracted for	6,998.4	7,120.8
	8,987.1	8,938.4