
Water Authority

OPERATING ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2004

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Water Authority

REVIEW OF THE YEAR 2004

ACTIVITIES

- Water consumption increased by 1.7% to 611 million cubic metres

FINANCIAL PERFORMANCE

- Revenue decreased by 2.0%
- Expenditure decreased by 1.2%
- Operating results slightly worsened from a deficit of \$786.2 million in 2002-03 to a deficit of \$825.7 million in 2003-04
- Return on Average Net Fixed Assets is -2.6%

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OPERATING ACCOUNT FOR THE YEAR ENDED 31 MARCH 2004

	Note	2004 \$M	2003 \$M
Revenue	2	5,584.6	5,699.2
Expenditure	3	6,410.3	6,485.4
Operating deficit before taxation		(825.7)	(786.2)
Taxation	1(e) & (f) and 4	0.0	0.0
Operating deficit after taxation	1(i)	(825.7)	(786.2)

FINANCIAL PERFORMANCE MEASURES

Average net fixed assets (ANFA)	1(h) and 5	31,609.3	30,615.7
Actual return		(825.7)	(786.2)
Target return		2,054.6	1,990.0
Actual return as % of ANFA	1(g)	(2.6%)	(2.6%)
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 2004

	Note	2004 \$M	2003 \$M
Net assets employed			
Fixed assets	1(b) & (c) and 5	32,073.5	31,145.1
Advance payment of water charges	6	499.9	687.9
Current assets	1(d) and 7	1,645.0	1,598.4
Current liabilities	8	(1,604.5)	(1,563.5)
Net current assets		40.5	34.9
Government loan	6	(499.9)	(687.9)
		<u>32,114.0</u>	<u>31,180.0</u>
Financed by			
Public capital account	1(i) and 9	<u>32,114.0</u>	<u>31,180.0</u>

The annexed notes form part of these accounts.

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 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, plant and machinery | 4% |
| Meters | 6.66% |
| Computer hardware, software and system | 10%* |
| Motor vehicles | 10% - 20% |
- *Previously provided at 4%
- (d) Stock
Stock is valued at the lower of cost and net realisable value.
- (e) Taxation
Notional profits tax is provided, where necessary, based on the expected taxable surplus for the year, using tax rates prevailing at the balance sheet date, and any adjustment 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) Actual Return on ANFA This is calculated as a percentage of operating surplus/deficit to average net fixed assets (ANFA).
- (h) 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.
- (i) 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.

2. Revenue

	2004	<i>2003</i>
	\$M	<i>\$M</i>
Chargeable supplies	2,126.6	1,565.6
Contribution from rates	1,673.7	1,337.6
Contribution from Government on concessions	710.8	1,733.7
Contribution from Government on free allowance to consumers	885.2	847.6
Supplies to Government establishments	152.7	148.5
Fees, licences and reimbursable works	27.4	44.6
Interest from deposits	8.2	21.6
	<u>5,584.6</u>	<u>5,699.2</u>

The contribution from Government on concessions is to cover the shortfall in chargeable supplies and contribution from rates resulting from the relief measures in response to the outbreak of SARS in 2003, which amounted to \$409.7M and \$301.1M respectively. (\$911.0M and \$822.7M for 2002-03 arising from the concessions as announced in the 2002 Budget Speech)

3. Expenditure

	2004	<i>2003</i>
	\$M	<i>\$M</i>
Staff costs	1,432.2	1,472.5
Operating and administration expenses	1,566.4	1,674.0
Bulk purchase of water from Guangdong	2,512.7	2,476.3
Depreciation	846.4	794.5
Interest on Government loan	52.6	68.1
	<u>6,410.3</u>	<u>6,485.4</u>

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NOTES ON THE ACCOUNTS

4. Taxation	2004 \$M	2003 \$M
Notional profits tax charge for the year	0.0	0.0
Deferred tax assets/(liabilities) not recognized in respect of :-		
Unused tax loss	10,383.7	8,677.9
Material temporary difference arising from depreciation allowances	(8,573.4)	(7,674.3)

5. Fixed Assets

	Buildings,* Filters, Mains, etc. \$M	Plant # and Machinery \$M	Computer # hardware, software & system \$M	Salt Water Flushing \$M	Plover Cove \$M	High Island \$M	Meters \$M	Motor Vehicles \$M	Assets Under Con- struction \$M	Total \$M
Cost										
At 1 April 2003	25,509.8	149.7	27.9	3,738.9	702.0	1,661.2	320.3	50.3	6,279.1	38,439.2
Additions	7.0	4.5	2.4	-	-	-	19.1	3.2	1,760.6	1,796.8
Transfers	4,085.5	-	8.2	571.0	-	-	-	-	(4,664.7)	0
Disposals/Write off	(37.5)	(5.0)	(1.8)	(4.5)	-	-	(24.0)	(2.0)	-	(74.8)
At 31 March 2004	29,564.8	149.2	36.7	4,305.4	702.0	1,661.2	315.4	51.5	3,375.0	40,161.2
Aggregate Depreciation										
At 1 April 2003	4,897.8	42.5	4.4	1,114.3	318.4	749.1	147.1	20.5	-	7,294.1
Charge for the year	585.3	6.0	9.3	176.4	9.3	29.3	25.4	5.4	-	846.4
Written back on Disposals/Write off	(16.3)	(4.5)	(1.8)	(4.5)	-	-	(24.0)	(1.7)	-	(52.8)
At 31 March 2004	5,466.8	44.0	11.9	1,286.2	327.7	778.4	148.5	24.2	-	8,087.7
Net Book Value										
At 31 March 2004	24,098.0	105.2	24.8	3,019.2	374.3	882.8	166.9	27.3	3,375.0	32,073.5
<i>At 31 March 2003</i>	<i>20,612.0</i>	<i>107.2</i>	<i>23.5</i>	<i>2,624.6</i>	<i>383.6</i>	<i>912.1</i>	<i>173.2</i>	<i>29.8</i>	<i>6,279.1</i>	<i>31,145.1</i>

* Including all reservoirs except Plover Cove and High Island

The comparative figures for 2002-03 have been restated due to \$27.9m assets previously grouped under "Plant and Machinery" have been reclassified as "Computer hardware, software & system"

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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

	2004	<i>2003</i>
	\$M	<i>\$M</i>
Stock	12.3	<i>11.1</i>
Debtors	531.2	<i>508.9</i>
Current account with Treasury	<u>1,101.5</u>	<u><i>1,078.4</i></u>
	<u>1,645.0</u>	<u><i>1,598.4</i></u>

8. Current Liabilities

	2004	<i>2003</i>
	\$M	<i>\$M</i>
Consumers' and contractors' deposits	1,371.3	<i>1,329.3</i>
Creditors	<u>233.2</u>	<u><i>234.2</i></u>
	<u>1,604.5</u>	<u><i>1,563.5</i></u>

9. Public Capital Account

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

	2004	<i>2003</i>
	\$M	<i>\$M</i>
Balance as at 1 April	31,180.0	<i>30,120.0</i>
Operating deficit for the year	(825.7)	<i>(786.2)</i>
Additional cash investment by the Government	<u>1,759.7</u>	<u><i>1,846.2</i></u>
Balance as at 31 March	<u>32,114.0</u>	<u><i>31,180.0</i></u>

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NOTES ON THE ACCOUNTS

10. Capital Commitments	2004 \$M	2003 \$M
Capital expenditure contracted for	2,112.0	1,988.7
Capital expenditure authorised but not yet contracted for	<u>8,116.2</u>	<u>6,998.4</u>
	<u>10,228.2</u>	<u>8,987.1</u>