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# Waterworks

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## *OPERATING ACCOUNTS*

*FOR THE YEAR ENDED 31 MARCH 2016*

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## *REVIEW OF THE YEAR 2015-16*

### **ACTIVITIES**

- Metered fresh water consumption increased by 1.2% to 659 million cubic metres

### **FINANCIAL PERFORMANCE**

- Revenue increased by 5%
- Expenditure increased by 5.9%
- Deficit after taxation increased from \$1,011.6 million (restated) in 2014-15 to \$1,138.6 million in 2015-16
- Return on Average Net Fixed Assets declined from -1.9% (restated) in 2014-15 to -2% in 2015-16

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## OPERATING ACCOUNT FOR THE YEAR ENDED 31 MARCH 2016

	Note	2016 \$M	(restated) 2015 \$M
Revenue	2	8,434.5	8,030.7
Expenditure	3	<u>9,573.1</u>	<u>9,042.3</u>
Deficit before taxation		(1,138.6)	(1,011.6)
Taxation	1(e) & (f) and 4	<u>-</u>	<u>-</u>
Deficit after taxation	1(j)	<u><u>(1,138.6)</u></u>	<u><u>(1,011.6)</u></u>

## FINANCIAL PERFORMANCE MEASURES

Average net fixed assets (ANFA)	1(i) and 5	56,959.2	(restated) 53,596.5
Actual return		(1,138.6)	(1,011.6)
Target return		1,936.6	1,822.3
Actual return as % of ANFA	1(h)	(2.0%)	(1.9%)
Target return as % of ANFA		3.4%	3.4%

*The annexed notes form part of these accounts.*

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## *Statement of Financial Position as at 31 MARCH 2016*

	Note	2016 \$M	(restated) 2015 \$M
<b>Net assets employed</b>			
Fixed assets	1(b) & (c) and 5	58,476.9	55,441.5
Current assets	1(d) and 6	2,633.9	2,567.7
Current liabilities	7	(2,449.1)	(2,388.4)
Net current assets		184.8	179.3
		<hr/>	<hr/>
		<u>58,661.7</u>	<u>55,620.8</u>
<b>Financed by</b>			
Public capital account	1(j) and 8	<u>58,661.7</u>	<u>55,620.8</u>

*The annexed notes form part of these accounts.*

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## NOTES TO 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 to amortise the cost of fixed 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 in Hand  
Stocks in Hand are valued at cost 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 reporting period end 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 utility 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 utility has no taxable surplus against which the temporary differences can be utilised.

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## NOTES TO 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 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 accumulated 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 utility.

## 2. Revenue

	<b>2016</b>	<i>(restated)</i>
	<b>\$M</b>	<i>\$M</i>
Chargeable supplies	2,654.9	2,622.0
Contribution from rates	3,409.5	3,340.4
Contribution from Government on concessions	1,164.9	923.0
Contribution from Government on free allowance to consumers	1,009.2	*961.3
Supplies to Government establishments	158.9	155.1
Fees, licences and reimbursable works	32.1	24.7
Interest from deposits	5.0	4.2
	<u>8,434.5</u>	<u>8,030.7</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.

The calculation of contribution from Government on free allowance to consumers is based on the fresh water net unit production cost of \$11.0 and \$11.5 for the year 2014-15 and 2015-16 respectively, which has included a target return on ANFA of \$2.7 and \$2.9 per unit for the respective years, multiplied by the quantity of metered fresh water consumption within the free allowance quantity of 12 units per account per 121.64 days.

\* As a result of the prior year adjustment of fixed assets in 2014-15 mentioned under Note 5, Contribution from Government on free allowance to consumers is decreased by \$1.4 million owing to the decrease in target return on ANFA and thus the decrease in fresh water net unit production cost.

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## NOTES TO THE ACCOUNTS

### 3. Expenditure

	<b>2016</b>	<i>(restated)</i>
	<b>\$M</b>	<i>2015</i>
		<i>\$M</i>
Staff costs	1,659.2	1,586.6
Operating and administration expenses	1,918.7	1,841.0
Purchase cost of Dongjiang water	4,296.1	4,031.2
Depreciation	1,699.1	*1,583.5
	<u>9,573.1</u>	<u>9,042.3</u>

\* As a result of the prior year adjustment of fixed assets in 2014-15 mentioned under Note 5, the depreciation for the year is reduced by \$4.8 million.

### 4. Taxation

	<b>2016</b>	<i>(restated)</i>
	<b>\$M</b>	<i>2015</i>
		<i>\$M</i>
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>31,931.5</u>	<u>*29,432.3</u>
Material temporary difference arising from depreciation allowances	<u>(21,305.8)</u>	<u>* (19,897.8)</u>

\* As a result of the prior year adjustments mentioned under Note 2 and Note 5, the unused tax loss and material temporary difference arising from depreciation allowances are increased by \$1.4 million and \$4.8 million respectively.

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## NOTES TO THE ACCOUNTS

### 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
<b>Cost</b>										
At 1 April 2015	51,070.6	357.1	363.0	10,996.8	702.0	1,661.2	484.1	89.1	10,062.8	75,786.7
*Prior Year Adjustment	(25.3)			(148.2)						(173.5)
<b>At 1 April 2015 (restated)</b>	<b>51,045.3</b>	<b>357.1</b>	<b>363.0</b>	<b>10,848.6</b>	<b>702.0</b>	<b>1,661.2</b>	<b>484.1</b>	<b>89.1</b>	<b>10,062.8</b>	<b>75,613.2</b>
Additions	-	12.7	1.2	-	-	-	53.1	1.8	4,718.3	4,787.1
Transfers	4,979.0	3.1	15.1	976.3	-	-	-	-	(5,973.5)	-
Disposals/Write off	(129.9)	(4.3)	(0.8)	(58.3)	-	-	(28.1)	(6.3)	(16.0)	(243.7)
<b>At 31 March 2016</b>	<b>55,894.4</b>	<b>368.6</b>	<b>378.5</b>	<b>11,766.6</b>	<b>702.0</b>	<b>1,661.2</b>	<b>509.1</b>	<b>84.6</b>	<b>8,791.6</b>	<b>80,156.6</b>
<b>Accumulated Depreciation</b>										
At 1 April 2015	14,074.1	185.0	297.7	3,888.4	430.0	1,100.4	209.5	47.0	-	20,232.1
*Prior Year Adjustment	(11.3)	-	-	(49.1)	-	-	-	-	-	(60.4)
<b>At 1 April 2015 (restated)</b>	<b>14,062.8</b>	<b>185.0</b>	<b>297.7</b>	<b>3,839.3</b>	<b>430.0</b>	<b>1,100.4</b>	<b>209.5</b>	<b>47.0</b>	<b>-</b>	<b>20,171.7</b>
Charge for the year	1,115.1	33.9	14.4	448.4	9.3	29.3	40.2	8.5	-	1,699.1
Written back on Disposals/Write off	(94.6)	(3.6)	(0.8)	(58.3)	-	-	(28.1)	(5.7)	-	(191.1)
<b>At 31 March 2016</b>	<b>15,083.3</b>	<b>215.3</b>	<b>311.3</b>	<b>4,229.4</b>	<b>439.3</b>	<b>1,129.7</b>	<b>221.6</b>	<b>49.8</b>	<b>-</b>	<b>21,679.7</b>
<b>Net Book Value</b>										
<b>At 31 March 2016</b>	<b>40,811.1</b>	<b>153.3</b>	<b>67.2</b>	<b>7,537.2</b>	<b>262.7</b>	<b>531.5</b>	<b>287.5</b>	<b>34.8</b>	<b>8,791.6</b>	<b>58,476.9</b>
<b>At 31 March 2015 (restated)</b>	<b>36,982.5</b>	<b>172.1</b>	<b>65.3</b>	<b>7,009.3</b>	<b>272.0</b>	<b>560.8</b>	<b>274.6</b>	<b>42.1</b>	<b>10,062.8</b>	<b>55,441.5</b>

The capital expenditure relating to the feasibility study and investigation, design and construction for the relocation of Diamond Hill Fresh Water and Salt Water Service Reservoirs into caverns has been excluded.

\* Prior year adjustment is made to write off some of the fixed assets that should have been written off in the years before 2014-15 owing to demolition or disposal of assets.



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## NOTES TO THE ACCOUNTS

<b>6. Current Assets</b>	<b>2016</b>	<i>2015</i>
	<b>\$M</b>	<i>\$M</i>
Stocks in Hand	104.9	105.5
Debtors	521.3	464.4
Current Account with Treasury	<u>2,007.7</u>	<u>1,997.8</u>
	<u>2,633.9</u>	<u>2,567.7</u>
<b>7. Current Liabilities</b>	<b>2016</b>	<i>2015</i>
	<b>\$M</b>	<i>\$M</i>
Consumers' and contractors' deposits	2,030.0	1,939.9
Creditors	<u>419.1</u>	<u>448.5</u>
	<u>2,449.1</u>	<u>2,388.4</u>
<b>8. Public Capital Account</b>	The Public Capital Account represents Government's investment in this utility.	
	<b>2016</b>	<i>(restated)</i>
	<b>\$M</b>	<i>2015</i>
		<i>\$M</i>
Balance as at 1 April	55,620.8	52,053.5
Prior Year Adjustment	<u>-</u>	<u>*(117.9)</u>
Balance as at 1 April (restated)	55,620.8	51,935.6
Deficit for the year	(1,138.6)	*(1,011.6)
Additional cash investment by the Government	<u>4,179.5</u>	<u>*4,696.8</u>
Balance as at 31 March	<u>58,661.7</u>	<u>55,620.8</u>
<p>*As a result of the prior year adjustments mentioned under Notes 2, 3 and 5, the Public Capital Account is reduced by \$117.9 million, partly offset by a reduction in deficit for the year of \$3.4 million and an increase in additional cash investment by the Government of \$1.4 million.</p>		

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## NOTES TO THE ACCOUNTS

### 9. Commitments

Outstanding commitments as at 31 March 2016 and 31 March 2015 not provided for in the operating account were as follows:-

	<b>2016</b> <b>\$M</b>	<i>2015</i> <i>\$M</i>
(i) Capital works projects, property, plant and equipment and capital subvention	12,201.5	13,798.4
(ii) Non-recurrent expenditure	-	-
(iii) Investments	-	-
(iv) Loans and non-recurrent grants	-	-
	<u>12,201.5</u>	<u>13,798.4</u>

### 10. Comparative Figures

Certain comparative figures for the year ended 31 March 2015 have been restated owing to the prior year adjustment mentioned above.