

---

# Waterworks

---

## *OPERATING ACCOUNTS*

*FOR THE YEAR ENDED 31 MARCH 2017*

	Page
<i>OPERATING ACCOUNTS 2016-17</i>	
<i>Review of the year</i>	1
<i>Operating Accounts</i>	2
<i>Statement of Financial Position</i>	3
<i>Notes to the Accounts</i>	4-9

## *REVIEW OF THE YEAR 2016-17*

### **ACTIVITIES**

- Metered fresh water consumption increased by 0.2% to 660 million cubic metres

### **FINANCIAL PERFORMANCE**

- Revenue increased by 3.2%
- Expenditure increased by 5.1%
- Deficit after taxation increased from \$1,138.6 million in 2015-16 to \$1,357.3 million in 2016-17
- Return on Average Net Fixed Assets declined from -2.0% in 2015-16 to -2.3% in 2016-17

---

# Waterworks

---

## ***OPERATING ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017***

	<b>Note</b>	<b>2017 \$M</b>	<b>2016 \$M</b>
Revenue	2	8,706.4	8,434.5
Expenditure	3	<u>10,063.7</u>	<u>9,573.1</u>
Deficit before taxation		(1,357.3)	(1,138.6)
Taxation	1(e) & (f) and 4	<u>-</u>	<u>-</u>
Deficit after taxation	1(j)	<u><u>(1,357.3)</u></u>	<u><u>(1,138.6)</u></u>

## **FINANCIAL PERFORMANCE MEASURES**

Average net fixed assets (ANFA)	1(i) and 5	59,694.5	56,959.2
Actual return		(1,357.3)	(1,138.6)
Target return		2,029.6	1,936.6
Actual return as % of ANFA	1(h)	(2.3%)	(2.0%)
Target return as % of ANFA		3.4%	3.4%

*The annexed notes form part of these accounts.*

---

# Waterworks

---

## *Statement of Financial Position as at 31 MARCH 2017*

	Note	2017 \$M	2016 \$M
<b>Net assets employed</b>			
Fixed assets	1(b) & (c) and 5	60,912.1	58,476.9
Current assets	1(d) and 6	2,719.2	2,633.9
Current liabilities	7	(2,536.5)	(2,449.1)
Net current assets		182.7	184.8
		<hr/>	<hr/>
		<u>61,094.8</u>	<u>58,661.7</u>
<b>Financed by</b>			
Public capital account	1(j) and 8	<u>61,094.8</u>	<u>58,661.7</u>

*The annexed notes form part of these accounts.*

---

# Waterworks

---

## 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	<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 cost less accumulated depreciation except assets under construction which are stated at cost.</p>																
(c) Depreciation	<p>(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 :-</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%-20%</td></tr><tr><td>Meters</td><td>8.33%</td></tr><tr><td>Computer hardware, software and system</td><td>10%</td></tr><tr><td>Motor vehicles</td><td>10%-20%</td></tr></table> <p>(ii) No depreciation is provided on assets under construction.</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%-20%	Meters	8.33%	Computer hardware, software and system	10%	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%-20%																
Meters	8.33%																
Computer hardware, software and system	10%																
Motor vehicles	10%-20%																
(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.																

## 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>2017</b>	<i>2016</i>
	<b>\$M</b>	<i>\$M</i>
Chargeable supplies	2,674.9	2,654.9
Contribution from rates	3,187.1	3,409.5
Contribution from Government on concessions	1,576.1	1,164.9
Contribution from Government on free allowance to consumers	1,067.4	1,009.2
Supplies to Government establishments	156.4	158.9
Fees, licences and reimbursable works	37.1	32.1
Interest from deposits	7.4	5.0
	<u>8,706.4</u>	<u>8,434.5</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.

The calculation of contribution from Government on free allowance to consumers is based on the fresh water net unit production cost of \$11.5 and \$12.0 for the year 2015-16 and 2016-17 respectively, which has included a target return on ANFA of \$2.9 and \$3.0 per unit for the respective years, multiplied by the quantity of metered fresh water consumption within the free allowance quantity.

---

# Waterworks

---

## NOTES TO THE ACCOUNTS

### 3. Expenditure

	<b>2017</b>	<i>2016</i>
	<b>\$M</b>	<i>\$M</i>
Staff costs	1,729.6	1,659.2
Operating and administration expenses	1,948.7	1,918.7
Purchase cost of Dongjiang water	4,569.7	4,296.1
Depreciation	1,815.7	1,699.1
	<u>10,063.7</u>	<u>9,573.1</u>

### 4. Taxation

	<b>2017</b>	<i>2016</i>
	<b>\$M</b>	<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>34,557.5</u>	<u>31,931.5</u>
Material temporary difference arising from depreciation allowances	<u>(22,626.7)</u>	<u>(21,305.8)</u>

# Waterworks

## NOTES TO THE ACCOUNTS

### 5. Fixed Assets

	Buildings, Filters, Mains, etc.	Plant and Machi nery	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 2016	55,894.4	368.6	378.5	11,766.6	702.0	1,661.2	509.1	84.6	8,791.6	80,156.6
Additions	-	5.4	10.0	-	-	-	57.0	15.2	4,224.5	4,312.1
Transfers	3,296.1	2.4	8.3	750.5	-	-	-	-	(4,057.3)	-
Disposals/Write off	(102.6)	(4.4)	(0.0)	(34.9)	-	-	(21.3)	(5.9)	(29.7)	(198.8)
<b>At 31 March 2017</b>	<b>59,087.9</b>	<b>372.0</b>	<b>396.8</b>	<b>12,482.2</b>	<b>702.0</b>	<b>1,661.2</b>	<b>544.8</b>	<b>93.9</b>	<b>8,929.1</b>	<b>84,269.9</b>
<b>Accumulated Depreciation</b>										
At 1 April 2016	15,083.3	215.3	311.3	4,229.4	439.3	1,129.7	221.6	49.8	-	21,679.7
Charge for the year	1,191.5	34.2	13.3	486.6	9.3	29.3	43.1	8.4	-	1,815.7
Written back on Disposals/Write off	(72.4)	(3.6)	(0.0)	(34.7)	-	-	(21.3)	(5.6)	-	(137.6)
<b>At 31 March 2017</b>	<b>16,202.4</b>	<b>245.9</b>	<b>324.6</b>	<b>4,681.3</b>	<b>448.6</b>	<b>1,159.0</b>	<b>243.4</b>	<b>52.6</b>	<b>-</b>	<b>23,357.8</b>
<b>Net Book Value</b>										
<b>At 31 March 2017</b>	<b>42,885.5</b>	<b>126.1</b>	<b>72.2</b>	<b>7,800.9</b>	<b>253.4</b>	<b>502.2</b>	<b>301.4</b>	<b>41.3</b>	<b>8,929.1</b>	<b>60,912.1</b>
<i>At 31 March 2016</i>	<i>40,811.1</i>	<i>153.3</i>	<i>67.2</i>	<i>7,537.2</i>	<i>262.7</i>	<i>531.5</i>	<i>287.5</i>	<i>34.8</i>	<i>8,791.6</i>	<i>58,476.9</i>

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.



---

# Waterworks

---

## NOTES TO THE ACCOUNTS

### 6. Current Assets

	<b>2017</b> <b>\$M</b>	<i>2016</i> <i>\$M</i>
Stocks in Hand	104.2	<i>104.9</i>
Debtors	486.8	<i>521.3</i>
Current Account with Treasury	<u>2,128.2</u>	<u><i>2,007.7</i></u>
	<u>2,719.2</u>	<u><i>2,633.9</i></u>

### 7. Current Liabilities

	<b>2017</b> <b>\$M</b>	<i>2016</i> <i>\$M</i>
Consumers' and contractors' deposits	2,089.6	<i>2,030.0</i>
Creditors	<u>446.9</u>	<u><i>419.1</i></u>
	<u>2,536.5</u>	<u><i>2,449.1</i></u>

### 8. Public Capital Account

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

	<b>2017</b> <b>\$M</b>	<i>2016</i> <i>\$M</i>
Balance as at 1 April	58,661.7	<i>55,620.8</i>
Deficit for the year	(1,357.3)	<i>(1,138.6)</i>
Additional cash investment by the Government	<u>3,790.4</u>	<u><i>4,179.5</i></u>
Balance as at 31 March	<u>61,094.8</u>	<u><i>58,661.7</i></u>

---

# Waterworks

---

## NOTES TO THE ACCOUNTS

### 9. Commitments

Outstanding commitments as at 31 March 2017 and 31 March 2016 not provided for in the operating accounts were as follows:-

	<b>2017</b> <b>\$M</b>	<i>2016</i> <i>\$M</i>
(i) Capital works projects, property, plant and equipment and capital subvention	10,839.8	<i>12,201.5</i>
(ii) Non-recurrent expenditure	-	-
(iii) Investments	-	-
(iv) Loans and non-recurrent grants	-	-
	<u>10,839.8</u>	<u><i>12,201.5</i></u>