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# Water Authority

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*OPERATING ACCOUNTS*  
*FOR THE YEAR ENDED 31 MARCH 1999*

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# Water Authority

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## *REVIEW OF THE YEAR 1998-99*

### **ACTIVITIES**

- Water consumption decreased by 0.2% to 570 million cubic metres

### **FINANCIAL PERFORMANCE**

- Revenue decreased by 9.4%
- Expenditure increased by 7.8%
- Operating results turned from a surplus of \$257.8 million in 1997-98 to a deficit of \$676.9 million in 1998-99
- Return on Average Net Fixed Assets decreased to -3.1%

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## *OPERATING ACCOUNT FOR THE YEAR ENDED 31 MARCH 1999*

	Note	1999 \$M	1998 \$M
Revenue	2	5,040.0	5,560.3
Expenditure	3	<u>5,716.9</u>	<u>5,302.5</u>
Operating surplus before taxation		(676.9)	257.8
Taxation	1(e) and 4	<u>0.0</u>	<u>0.0</u>
Operating surplus/(Deficit) after taxation	1(h)	<u>(676.9)</u>	<u>257.8</u>

### **FINANCIAL PERFORMANCE MEASURES**

Average net fixed assets (ANFA)	1(g) and 5	21,815.3	19,202.5
Actual return		(676.9)	257.8
Target return		1,418.0	1,248.2
Actual return as % of ANFA	1(f)	(3.1%)	1.3%
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 1999*

	Note	1999 \$M	1998 \$M
<b>Net assets employed</b>			
Fixed assets	1(b) & (c) and 5	23,412.3	20,218.4
Advance payment of water charges	6	1,321.3	1,441.5
Current assets	1(d) and 7	1,369.0	1,284.5
Current liabilities	8	(1,331.3)	(1,252.9)
Net current assets		37.7	31.6
Government loan	6	(1,321.3)	(1,441.5)
		<u>23,450.0</u>	<u>20,250.0</u>
<b>Financed by</b>			
Public capital account	1(h) and 9	<u>23,450.0</u>	<u>20,250.0</u>

*The annexed notes form part of these accounts.*

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# Water Authority

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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 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, meters, plant and machinery</td><td>4%</td></tr><tr><td>Motor vehicles</td><td>10% - 20%</td></tr></table>	Tunnels, dams, resumption and afforestation, etc.	1%	Civil engineering works	2%	Water mains - fresh	2%	- salt	5%	Mechanical/electrical works, meters, plant and machinery	4%	Motor vehicles	10% - 20%
Tunnels, dams, resumption and afforestation, etc.	1%												
Civil engineering works	2%												
Water mains - fresh	2%												
- salt	5%												
Mechanical/electrical works, meters, plant and machinery	4%												
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 to average net fixed assets (ANFA). Operating surplus in this context is surplus after taxation.												
(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

<b>2. Revenue</b>	<b>1999</b>	<i>1998</i>
	<b>\$M</b>	<i>\$M</i>
Chargeable supplies	2,378.9	2,377.0
Contribution from rates	1,730.9	2,440.4
Contribution from Government for free allowance to domestic consumers	670.9	488.0
Supplies to Government establishments	148.8	143.6
Fees, licences and reimbursable works	38.1	40.4
Interest from deposits	72.4	70.9
	5,040.0	5,560.3
<b>3. Expenditure</b>	<b>1999</b>	<i>1998</i>
	<b>\$M</b>	<i>\$M</i>
Staff costs	1,602.8	1,474.4
Operating and administration expenses	1,303.0	1,246.5
Bulk purchase of water from Guangdong	2,223.0	2,006.8
Depreciation	469.6	448.3
Interest on Government loan	118.5	126.5
	5,716.9	5,302.5
<b>4. Taxation</b>	<b>1999</b>	<i>1998</i>
	<b>\$M</b>	<i>\$M</i>
Notional profits tax charge for the year 1998-99 is	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 16% is approximately	284.7	392.7

# Water Authority

## 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 Con- struction \$M	Total \$M
<b>Cost or Valuation</b>												
At 1 April 1998	120.0	13,861.0	116.0	1,973.0	132.8	285.9	702.0	1,661.2	255.2	37.8	5,321.2	24,466.1
Additions	-	-	22.7	-	-	-	-	-	21.0	12.4	3,608.5	3,664.6
Transfers	-	581.3	-	169.2	-	-	-	-	-	-	(750.5)	0.0
Disposals	-	(0.1)	-	-	-	-	-	-	(1.9)	(6.0)	-	(8.0)
<b>At 31 March 1999</b>	<b>120.0</b>	<b>14,442.2</b>	<b>138.7</b>	<b>2,142.2</b>	<b>132.8</b>	<b>285.9</b>	<b>702.0</b>	<b>1,661.2</b>	<b>274.3</b>	<b>44.2</b>	<b>8,179.2</b>	<b>28,122.7</b>
<b>Aggregate Depreciation</b>												
At 1 April 1998	55.2	2,426.6	19.9	566.7	65.8	127.3	271.7	602.8	93.8	17.9	-	4,247.7
Charge for the year	1.2	323.5	5.0	81.3	1.7	3.8	9.3	29.2	10.3	4.3	-	469.6
Written back on disposal	-	-	-	-	-	-	-	-	(1.9)	(5.0)	-	(6.9)
<b>At 31 March 1999</b>	<b>56.4</b>	<b>2,750.1</b>	<b>24.9</b>	<b>648.0</b>	<b>67.5</b>	<b>131.1</b>	<b>281.0</b>	<b>632.0</b>	<b>102.2</b>	<b>17.2</b>	<b>-</b>	<b>4,710.4</b>
<b>Net Book Value</b>												
<b>At 31 March 1999</b>	<b>63.6</b>	<b>11,692.1</b>	<b>113.8</b>	<b>1,494.2</b>	<b>65.3</b>	<b>154.8</b>	<b>421.0</b>	<b>1,029.2</b>	<b>172.1</b>	<b>27.0</b>	<b>8,179.2</b>	<b>23,412.3</b>
<i>At 31 March 1998</i>	<i>64.8</i>	<i>11,434.4</i>	<i>96.1</i>	<i>1,406.3</i>	<i>67.0</i>	<i>158.6</i>	<i>430.3</i>	<i>1,058.4</i>	<i>161.4</i>	<i>19.9</i>	<i>5,321.2</i>	<i>20,218.4</i>

The capital expenditure relating to the construction of water supplies facilities under the Airport Core Programme has been excluded.

### 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. Repayment of both the advance and the loan started in January 1995.

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## NOTES ON THE ACCOUNTS

<b>7. Current Assets</b>		<b>1999</b> <b>\$M</b>	<i>1998</i> <i>\$M</i>
	Stock	11.7	<i>11.7</i>
	Debtors	522.9	<i>492.4</i>
	Current account with Treasury	<u>834.4</u>	<u><i>780.4</i></u>
		<u>1,369.0</u>	<u><i>1,284.5</i></u>
<b>8. Current Liabilities</b>		<b>1999</b> <b>\$M</b>	<i>1998</i> <i>\$M</i>
	Consumers' and contractors' deposits	1,094.3	<i>1,004.4</i>
	Creditors	<u>237.0</u>	<u><i>248.5</i></u>
		<u>1,331.3</u>	<u><i>1,252.9</i></u>
<b>9. Public Capital Account</b>	The Public Capital Account represents Government's investment in this utility.		
		<b>1999</b> <b>\$M</b>	<i>1998</i> <i>\$M</i>
	Balance as at 1 April	20,250.0	<i>18,200.0</i>
	Operating surplus/deficit for the year	(676.9)	<i>257.8</i>
	Additional cash investment by the Government	<u>3,876.9</u>	<u><i>1,792.2</i></u>
	Balance as at 31 March	<u>23,450.0</u>	<u><i>20,250.0</i></u>
<b>10. Capital Commitments</b>		<b>1999</b> <b>\$M</b>	<i>1998</i> <i>\$M</i>
	Capital expenditure contracted for	4,590.0	<i>3,804.8</i>
	Capital expenditure authorised but not yet contracted for	<u>5,909.5</u>	<u><i>7,180.5</i></u>
		<u>10,499.5</u>	<u><i>10,985.3</i></u>