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# Waterworks

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## *OPERATING ACCOUNTS*

*FOR THE YEAR ENDED 31 MARCH 2023*

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## *REVIEW OF THE YEAR 2022-23*

### **ACTIVITIES**

- Metered fresh water consumption decreased by 0.9% to 671 million cubic metres

### **FINANCIAL PERFORMANCE**

- Revenue decreased by 1.0%
- Expenditure increased by 2.3%
- Deficit before taxation increased from \$2,060.0 million in 2021-22 to 2,413.4 million in 2022-23.
- Return on Average Net Fixed Assets decreased from -2.9% in 2021-22 to -3.2% in 2022-23.

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## *OPERATING ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2023*

	Note	2023 \$M	2022 \$M
Revenue	2	9,245.5	9,340.9
Expenditure	3	<u>11,658.9</u>	<u>11,400.9</u>
Deficit before taxation		(2,413.4)	(2,060.0)
Taxation	1(e) and 4	<u>-</u>	<u>-</u>
Deficit after taxation	1(i)	<u>(2,413.4)</u>	<u>(2,060.0)</u>

## FINANCIAL PERFORMANCE MEASURES

Average net fixed assets (ANFA)	1(h) and 5	75,014.2	70,301.0
Actual return		(2,413.4)	(2,060.0)
Target return		1,125.2	1,827.8
Actual return as % of ANFA	1(g)	(3.2%)	(2.9%)
Target return as % of ANFA		1.5%	2.6%

*The annexed notes form part of these accounts.*

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## *STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2023*

	Note	2023 \$M	2022 \$M
<b>Net assets employed</b>			
Fixed assets	1(b), 1(c) and 5	77,792.6	72,235.8
Current assets	1(d) and 6	2,843.6	2,894.1
Current liabilities	7	(2,890.6)	(2,838.5)
Net current assets		<u>(47.0)</u>	<u>55.6</u>
		<u>77,745.6</u>	<u>72,291.4</u>
<b>Financed by</b>			
Public capital account	1(i) and 8	<u>77,745.6</u>	<u>72,291.4</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	<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%-33.33%</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%-33.33%	Motor vehicles	10%-20%
Tunnels, dams, resumption and afforestation, etc.	1%																
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Mechanical/electrical works, plant and machinery	4%-20%																
Meters	8.33%																
Computer hardware, software and system	10%-33.33%																
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 they are material.																
(e) Taxation	<p>Notional profits tax is excluded from reporting with effect from 2022-23. Prior to 2022-23, notional profits tax was reported in the operating accounts in accordance with the following accounting policies –</p> <p>Notional profits tax was 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 had been made in the accounts as the utility had no taxable surplus for the year. No provision for deferred tax in respect of all material temporary differences had been made in the accounts as the utility had no taxable surplus against which the temporary differences could be utilised.</p>																

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## NOTES TO THE ACCOUNTS

(f) 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.
(g) Actual Return on ANFA	This is calculated as a percentage of surplus/deficit before taxation (2022: after taxation) 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 accumulated depreciation.
(i) 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.

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## NOTES TO THE ACCOUNTS

### 2. Revenue

	<b>2023</b>	<i>2022</i>
	<b>\$M</b>	<i>\$M</i>
Chargeable supplies	2,110.8	<i>2,193.6</i>
Contribution from rates	2,864.7	<i>2,888.1</i>
Government contribution on concessions*	2,938.9	<i>2,897.1</i>
Government contribution on free allowance to consumers <sup>#</sup>	1,084.1	<i>1,171.5</i>
Supplies to Government establishments	169.8	<i>162.1</i>
Fees, licences and reimbursable works	26.6	<i>25.7</i>
Interest from deposits	50.6	<i>2.8</i>
	<u>9,245.5</u>	<u><i>9,340.9</i></u>

\* The Government contribution on concessions comprises two parts:

- (i) Government contribution on concession of rates of \$2,252.6M in 2021-22 and \$2,285.4M in 2022-23 to cover the shortfall in contribution from rates resulting from the concession of rates granted during the years; and
- (ii) Government contribution on concession of water charges of \$644.5M in 2021-22 and \$653.5M in 2022-23 to cover the shortfall in chargeable supplies resulting from concession of water charges for water consumption for non-domestic purposes from 1 April 2021 to 31 March 2023.

<sup>#</sup> The calculation of Government contribution on free allowance to consumers is based on the fresh water net unit production cost of \$12.7 and \$11.4 for the years 2021-22 and 2022-23 respectively, which has included a target return on ANFA of \$2.8 and \$1.4 per unit for the respective years, multiplied by the quantity of metered fresh water consumption within the free allowance quantity.

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## NOTES TO THE ACCOUNTS

### 3. Expenditure

	2023 \$M	2022 \$M
Staff costs**	1,973.1	1,973.0
Operating and administration expenses**	2,454.1	2,389.8
Dongjiang water purchase cost	4,965.3	4,856.6
Depreciation	2,266.4	2,181.5
	<u>11,658.9</u>	<u>11,400.9</u>

\*\* The expenditure relating to Job Creation Scheme funded under the Anti-epidemic Fund have been excluded.

### 4. Taxation

The Water Authority is no longer required to report notional profits tax with effect from 2022-23. Accordingly, no notional profits tax has been provided by the Water Authority for the year ended 31 March 2023.

The taxation charged to the Operating Account for the year ended 31 March 2022 represented –

	\$M
Notional profits tax charge for the year	<u>0.0</u>
Deferred tax assets/(liabilities) not recognized in respect of:	
Unused tax loss	<u>49,920.4</u>
Material temporary difference arising from depreciation allowances	<u>(29,025.8)</u>



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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 2022	73,160.1	234.2	491.2	15,211.7	702.0	1,661.2	461.3	106.1	13,605.3	105,633.1
Additions	-	12.7	0.8	-	-	-	-	2.0	7,820.9	7,836.4
Transfers	4,218.4	2.7	33.3	1,424.5	-	-	-	10.4	(5,689.3)	-
Disposals	(0.3)	(7.4)	(0.1)	(45.8)	-	-	(18.1)	(5.3)	-	(77.0)
<b>At 31 March 2023</b>	<b>77,378.2</b>	<b>242.2</b>	<b>525.2</b>	<b>16,590.4</b>	<b>702.0</b>	<b>1,661.2</b>	<b>443.2</b>	<b>113.2</b>	<b>15,736.9</b>	<b>113,392.5</b>
<b>Accumulated Depreciation</b>										
At 1 April 2022	23,166.4	164.9	393.8	7,462.0	495.1	1,302.6	350.4	62.1	-	33,397.3
Charge for the year	1,584.8	10.9	19.2	576.5	9.3	28.5	27.5	9.7	-	2,266.4
Written back on Disposals	(0.2)	(7.3)	(0.1)	(33.2)	-	-	(18.1)	(4.9)	-	(63.8)
<b>At 31 March 2023</b>	<b>24,751.0</b>	<b>168.5</b>	<b>412.9</b>	<b>8,005.3</b>	<b>504.4</b>	<b>1,331.1</b>	<b>359.8</b>	<b>66.9</b>	<b>-</b>	<b>35,599.9</b>
<b>Net Book Value</b>										
<b>At 31 March 2023</b>	<b>52,627.2</b>	<b>73.7</b>	<b>112.3</b>	<b>8,585.1</b>	<b>197.6</b>	<b>330.1</b>	<b>83.4</b>	<b>46.3</b>	<b>15,736.9</b>	<b>77,792.6</b>
<i>At 31 March 2022</i>	<i>49,993.7</i>	<i>69.3</i>	<i>97.4</i>	<i>7,749.7</i>	<i>206.9</i>	<i>358.6</i>	<i>110.9</i>	<i>44.0</i>	<i>13,605.3</i>	<i>72,235.8</i>

The capital expenditure relating to the relocation of fresh water and salt water service reservoirs and water treatment works into caverns have been excluded.

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## NOTES TO THE ACCOUNTS

### 6. Current Assets

	<b>2023</b> <b>\$M</b>	<i>2022</i> <i>\$M</i>
Stocks in Hand	156.5	<i>157.5</i>
Debtors	297.6	<i>398.9</i>
Current Account with the Treasury	<u>2,389.5</u>	<u><i>2,337.7</i></u>
	<u>2,843.6</u>	<u><i>2,894.1</i></u>

### 7. Current Liabilities

	<b>2023</b> <b>\$M</b>	<i>2022</i> <i>\$M</i>
Consumers' and contractors' deposits	2,379.5	<i>2,327.7</i>
Creditors	<u>511.1</u>	<u><i>510.8</i></u>
	<u>2,890.6</u>	<u><i>2,838.5</i></u>

### 8. Public Capital Account

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

	<b>2023</b> <b>\$M</b>	<i>2022</i> <i>\$M</i>
Balance as at 1 April	72,291.4	<i>68,462.3</i>
Deficit for the year	(2,413.4)	<i>(2,060.0)</i>
Additional cash investment by the Government	<u>7,867.6</u>	<u><i>5,889.1</i></u>
Balance as at 31 March	<u>77,745.6</u>	<u><i>72,291.4</i></u>

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## NOTES TO THE ACCOUNTS

### 9. Commitments

Outstanding commitments as at 31 March 2023 and 31 March 2022 not provided for in the operating accounts were as follows:

	<b>2023</b>	<i>2022</i>
	<b>\$M</b>	<i>\$M</i>
(i) Capital works projects, property, plant and equipment and capital subvention	26,061.5	29,391.8
(ii) Non-recurrent expenditure	-	-
(iii) Investments	-	-
(iv) Loans and non-recurrent grants	-	-
	<u>26,061.5</u>	<u>29,391.8</u>