

Sewage Services

OPERATING ACCOUNTS

2024-25

Sewage Services

OPERATING ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2025

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Sewage Services

REVIEW OF THE YEAR 2024-25

ACTIVITIES

- Volume of sewage treated is 1,044 million cubic metres, representing an increase of 1.1% over the previous year.

FINANCIAL PERFORMANCE

- Revenue increased by 20.4%
- Expenditure increased by 0.8%
- Deficit decreased by 6.3%
- Deficit as percentage of expenditure decreased from 73.2% in 2023-24 to 68.0% in 2024-25

Sewage Services

OPERATING ACCOUNT FOR THE YEAR ENDED 31 MARCH 2025

	Note	2025 \$M	2024 \$M
Revenue	2	1,574.2 *	1,307.9 *
Expenditure	3	<u>4,916.5</u>	<u>4,876.2</u>
Deficit	1(g) & 4	<u>(3,342.3)</u>	<u>(3,568.3)</u>
<i>Representing :</i>			
Subsidy by Government	4	<u>3,342.3</u>	<u>3,568.3</u>

* The figures represent the net revenue, after deducting the concessions of \$2.5M in 2024-25 and \$299.6M in 2023-24 for Sewage Charge and Trade Effluent Surcharge.

FINANCIAL PERFORMANCE MEASURES

Deficit as percentage of expenditure	68.0%	73.2%
Increase/(Decrease) in deficit (\$M)	(226.0)	9.3

COST RECOVERY RATES FOR SEWAGE CHARGE AND TRADE EFFLUENT SURCHARGE (EXCLUDING DEPRECIATION)

	Sewage Charge \$M	Trade Effluent Surcharge \$M	2025 Total \$M	2024 Total \$M
Revenue	1,289.5	231.2	1,520.7	1,252.5
Expenditure (exluding depreciation)	2,662.6	426.9	3,089.5	3,087.0
% of cost recovery	48.4%	54.2%	49.2%	40.6%

The annexed notes form part of these accounts.

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STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2025

	Note	2025 \$M	2024 \$M
Net assets employed			
Fixed assets	1(b), (c) & (d) and 5	66,478.9	63,405.2
Current assets	1(e) and 6	553.8	568.3
Current liabilities	7	(21,316.8)	(19,762.8)
Net current liabilities		(20,763.0)	(19,194.5)
		<u>45,715.9</u>	<u>44,210.7</u>
Financed by			
Public capital account	1(g) and 8	<u>45,715.9</u>	<u>44,210.7</u>

The annexed notes form part of these accounts.

Sewage Services

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. Although the Sewage Services has incurred deficits since inception, the accounts are prepared on a going concern basis on the assumption that the deficit will be met by a corresponding subsidy from the Government. |
| (b) Fixed Assets | <ul style="list-style-type: none">(i) No cost is included for land.(ii) By a Resolution passed by the Legislative Council on 26 July 1995, the assets comprising the public sewerage systems and sewage disposal facilities under the control of the Director of Drainage Services on 31 March 1995 as set out in the document titled “Inventory of Public Sewerage Systems and Sewage Disposal Facilities as at 31 March 1995” were appropriated to the Sewage Services Trading Fund (SSTF) at a zero valuation. Upon closure of the SSTF, these assets have been reverted to the Government. The net book values of these assets are shown in note 5.(iii) All sewerage projects, or part thereof, are accounted for as fixed assets upon commissioning and subject to depreciation.(iv) All fixed assets are stated at cost less accumulated depreciation except projects under development which are stated at cost. |
| (c) Projects under Development | <ul style="list-style-type: none">(i) For capital projects, the costs include the actual direct expenditure, and staff costs for design, planning and supervision during the construction period.(ii) Expenditure incurred on all sewerage projects funded under the expenditure vote of Drainage Services Department and other works departments is capitalised as projects under development. Upon commissioning of the projects or part thereof, the related expenditure incurred will be transferred to the respective categories of fixed assets. |

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NOTES TO THE ACCOUNTS

(d) Depreciation	<p data-bbox="483 396 1479 465">(i) Depreciation is provided on a straight-line basis to amortise the cost of fixed assets less residual value over their estimated useful lives.</p> <p data-bbox="483 506 1054 544">(ii) The annual rates of depreciation used are -</p> <table data-bbox="555 577 1294 1265"><tr><td colspan="2" data-bbox="555 577 842 616">Sewage treatment works</td></tr><tr><td data-bbox="555 616 794 654">• Civil works</td><td data-bbox="1137 616 1182 654">2%</td></tr><tr><td data-bbox="555 654 1086 692">• Electrical and mechanical equipment</td><td data-bbox="1137 654 1203 692">6.7%</td></tr><tr><td colspan="2" data-bbox="555 725 762 763">Pumping stations</td></tr><tr><td data-bbox="555 763 794 801">• Civil works</td><td data-bbox="1137 763 1182 801">2%</td></tr><tr><td data-bbox="555 801 1086 840">• Electrical and mechanical equipment</td><td data-bbox="1137 801 1182 840">4%</td></tr><tr><td data-bbox="555 840 810 878">• Rising mains</td><td data-bbox="1137 840 1182 878">4%</td></tr><tr><td colspan="2" data-bbox="555 911 799 949">Infrastructural assets</td></tr><tr><td data-bbox="555 949 826 987">• Tunnel sewers</td><td data-bbox="1137 949 1182 987">1%</td></tr><tr><td data-bbox="555 987 740 1025">• Sewers</td><td data-bbox="1137 987 1203 1025">2.5%</td></tr><tr><td data-bbox="555 1025 751 1064">• Outfalls</td><td data-bbox="1137 1025 1182 1064">2%</td></tr><tr><td colspan="2" data-bbox="555 1097 863 1135">Sludge treatment facilities</td></tr><tr><td colspan="2" data-bbox="555 1169 852 1207">Leasehold improvements</td></tr><tr><td colspan="2" data-bbox="555 1240 1062 1279">Computer systems, equipment and vehicles</td></tr><tr><td data-bbox="1137 1097 1182 1135">2%</td><td data-bbox="1137 1169 1273 1207">33% - 35%</td></tr><tr><td data-bbox="1137 1240 1294 1279">12.5% - 20%</td><td></td></tr></table>	Sewage treatment works		• Civil works	2%	• Electrical and mechanical equipment	6.7%	Pumping stations		• Civil works	2%	• Electrical and mechanical equipment	4%	• Rising mains	4%	Infrastructural assets		• Tunnel sewers	1%	• Sewers	2.5%	• Outfalls	2%	Sludge treatment facilities		Leasehold improvements		Computer systems, equipment and vehicles		2%	33% - 35%	12.5% - 20%	
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(e) Stocks in Hand	<p data-bbox="483 1373 1479 1518">Stocks in hand are valued at cost using the weighted average cost method subject to any write-off or write-down that may be necessary to reflect the individual losses in value as a result of obsolescence, damage and/or deterioration. Stocks include mechanical, electronic and electrical spare parts, and chemicals.</p>																																
(f) Employee Benefits	<p data-bbox="483 1552 1479 1664">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.</p>																																
(g) Deficit	<p data-bbox="483 1697 1479 1798">Since the Sewage Services 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.</p>																																

Sewage Services

NOTES TO THE ACCOUNTS

2. Revenue		2025 \$M	2024 \$M
	Sewage charge	1,216.3	1,120.7
	Supplies to Government establishments	73.2	69.7
	Trade effluent surcharge	231.2	62.1
	Miscellaneous services	53.5	55.4
		<u>1,574.2</u>	<u>1,307.9</u>
3. Expenditure		2025 \$M	2024 \$M
	Staff costs	755.8	748.9
	Light and power	418.5	429.1
	Sludge disposal	87.7	79.1
	Chemicals	347.3	347.1
	Operation and maintenance expenses	1,200.8	1,198.7
	Rental and management charges	29.7	34.0
	General operating expenses	302.9	305.2
	Depreciation	1,773.8	1,734.1
		<u>4,916.5</u>	<u>4,876.2</u>
4. Subsidy by Government	<p>The subsidy by the Government is to cover the costs of provision of free allowance to domestic consumers, concessions for Sewage Charge and Trade Effluent Surcharge as part of the relief measures by the Government to sustain the support for businesses, and part of the operating costs for the provision of Sewage Services.</p>		

Sewage Services

NOTES TO THE ACCOUNTS

5. Fixed Assets

	Sewage Treatment Works \$M	Pumping Stations \$M	Tunnel, Sewers and Outfalls \$M	Sludge Treatment Facilities \$M	Leasehold Improvements \$M	Computer Systems, Equipment and Vehicles \$M	Projects Under Development \$M	Total \$M
At Cost								
At 1 April 2024	32,415.9	10,128.9	19,376.9	5,040.0	2.4	617.2	19,704.1	87,285.4
Additions	73.5	18.8	-	1.1	-	0.4	4,753.7	4,847.5
Transfers from projects under development	2,878.9	33.4	848.0	-	-	0.9	(3,761.2)	-
Disposals	-	-	-	-	-	(1.1)	-	(1.1)
At 31 March 2025	<u>35,368.3</u>	<u>10,181.1</u>	<u>20,224.9</u>	<u>5,041.1</u>	<u>2.4</u>	<u>617.4</u>	<u>20,696.6</u>	<u>92,131.8</u>
Accumulated Depreciation								
At 1 April 2024	11,963.0	3,994.1	6,532.9	806.4	2.4	581.4	-	23,880.2
Charge for the year	958.6	280.8	421.3	101.0	-	12.1	-	1,773.8
Written back on Disposals	-	-	-	-	-	(1.1)	-	(1.1)
At 31 March 2025	<u>12,921.6</u>	<u>4,274.9</u>	<u>6,954.2</u>	<u>907.4</u>	<u>2.4</u>	<u>592.4</u>	<u>-</u>	<u>25,652.9</u>
Net Book Value								
At 31 March 2025	<u>22,446.7</u>	<u>5,906.2</u>	<u>13,270.7</u>	<u>4,133.7</u>	<u>-</u>	<u>25.0</u>	<u>20,696.6</u>	<u>66,478.9</u>
<i>At 1 April 2024</i>	<i><u>20,452.9</u></i>	<i><u>6,134.8</u></i>	<i><u>12,844.0</u></i>	<i><u>4,233.6</u></i>	<i><u>-</u></i>	<i><u>35.8</u></i>	<i><u>19,704.1</u></i>	<i><u>63,405.2</u></i>

(a) As referred to in note 1(b)(ii), the assets which were appropriated to the SSTF at a zero valuation and reverted to the Government upon its closure are included in the accounts as zero value. These assets have a net book value as at 1 April 2024 of \$1,712.8M. After taking into account depreciation of \$115.9M and rounding adjustment \$0.1M for 2024-25, the net book value of these assets as at 31 March 2025 was \$1,596.8M.

(b) The capital expenditure relating to (i) the feasibility study for the relocation of Sha Tin, Sham Tseng and Sai Kung sewage treatment works into caverns and (ii) investigation, design as well as related construction for relocating Sha Tin sewage treatment works into cavern has been excluded.

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NOTES TO THE ACCOUNTS

6. Current Assets		2025	2024
		\$M	\$M
	Stocks in hand	198.2	218.2
	Debtors	355.6	350.1
		<u>553.8</u>	<u>568.3</u>
7. Current Liabilities		2025	2024
		\$M	\$M
	Creditors	170.9	144.6
	Current account with Treasury	21,145.9	19,618.2
		<u>21,316.8</u>	<u>19,762.8</u>
8. Public Capital Account	The Public Capital Account represents Government's investment in Sewage Services.		
		2025	2024
		\$M	\$M
	Balance as at 1 April	44,210.7	42,913.0
	Deficit for the year	(3,342.3)	(3,568.3)
	Addition	4,847.5	4,866.0
	Balance as at 31 March	<u>45,715.9</u>	<u>44,210.7</u>
9. Commitments	Outstanding commitments as at 31 March 2025 and 31 March 2024 not provided for in the operating accounts were as follows -		
		2025	2024
		\$M	\$M
	(i) Capital works projects, property, plant and equipment and capital subventions	29,511.8	32,052.3
	(ii) Non-recurrent expenditure	-	-
	(iii) Investments	-	-
	(iv) Loans and non-recurrent grants	-	-
		<u>29,511.8</u>	<u>32,052.3</u>