

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><u>3,342.3</u></u> | <u><u>3,568.3</u></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 | Effluent Surcharge \$M | 2025 Total \$M | 2024 Total \$M |
|--------------------------------------|-------------------------|------------------------------|----------------------|----------------------|
| Revenue | 1,289.5 | 231.2 | 1,520.7 | 1,252.5 |
| Expenditure (excluding 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.

Sewage Services

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2025

| | Note | 2025 | 2024 |
|----------------------------|-----------------------|------------------------|------------------------|
| | | \$M | \$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

- (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

- (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.

Sewage Services

NOTES TO THE ACCOUNTS

(d) 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.

(ii) The annual rates of depreciation used are -

| | |
|--|-------------|
| 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 | 2% |
| | |
| Leasehold improvements | 33% - 35% |
| | |
| Computer systems, equipment and vehicles | 12.5% - 20% |
| | |
| (iii) No depreciation is provided on projects under development. | |

Sewage Services

NOTES TO THE ACCOUNTS

| 2. Revenue | 2025 \$M | 2024 \$M |
|---------------------------------------|----------------|----------------|
| Sewage charge | 1,216.3 | <i>1,120.7</i> |
| Supplies to Government establishments | 73.2 | <i>69.7</i> |
| Trade effluent surcharge | 231.2 | <i>62.1</i> |
| Miscellaneous services | 53.5 | <i>55.4</i> |
| | 1,574.2 | <i>1,307.9</i> |

| 3. Expenditure | 2025 \$M | 2024 \$M |
|------------------------------------|----------------|----------------|
| Staff costs | 755.8 | <i>748.9</i> |
| Light and power | 418.5 | <i>429.1</i> |
| Sludge disposal | 87.7 | <i>79.1</i> |
| Chemicals | 347.3 | <i>347.1</i> |
| Operation and maintenance expenses | 1,200.8 | <i>1,198.7</i> |
| Rental and management charges | 29.7 | <i>34.0</i> |
| General operating expenses | 302.9 | <i>305.2</i> |
| Depreciation | 1,773.8 | <i>1,734.1</i> |
| | 4,916.5 | <i>4,876.2</i> |

4. Subsidy by Government

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.

Sewage Services

NOTES TO THE ACCOUNTS

5. Fixed Assets

| | Sewage Treatment Works | Pumping Stations | Tunnel, Sewers and Outfalls | Sludge Treatment Facilities | Leasehold Improvements | Computer Systems, Equipment and Vehicles | Projects Under Development | Total |
|---|------------------------|------------------|-----------------------------|-----------------------------|------------------------|--|----------------------------|-----------------|
| 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 | 35,368.3 | 10,181.1 | 20,224.9 | 5,041.1 | 2.4 | 617.4 | 20,696.6 | 92,131.8 |
| 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 | 12,921.6 | 4,274.9 | 6,954.2 | 907.4 | 2.4 | 592.4 | - | 25,652.9 |
| Net Book Value | | | | | | | | |
| At 31 March 2025 | 22,446.7 | 5,906.2 | 13,270.7 | 4,133.7 | - | 25.0 | 20,696.6 | 66,478.9 |
| <i>At 1 April 2024</i> | <i>20,452.9</i> | <i>6,134.8</i> | <i>12,844.0</i> | <i>4,233.6</i> | <i>-</i> | <i>35.8</i> | <i>19,704.1</i> | <i>63,405.2</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.

Sewage Services

NOTES TO THE ACCOUNTS

| | 2025 | | 2024 | |
|---|--|--|-----------------|--|
| | \$M | | \$M | |
| 6. Current Assets | | | | |
| Stocks in hand | 198.2 | | 218.2 | |
| Debtors | 355.6 | | 350.1 | |
| | <u>553.8</u> | | <u>568.3</u> | |
| 7. Current Liabilities | | | | |
| 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>-</u> | | <u>-</u> | |
| | <u>29,511.8</u> | | <u>32,052.3</u> | |