
Government Toll-Tunnels

REVIEW OF THE YEAR 2017-18

ACTIVITIES

- * Tunnels in use :
 - Aberdeen
 - Lion Rock
 - Shing Mun
 - Tseung Kwan O
 - Route 8K

Remarks : Cross Harbour Tunnel (CHT) and Eastern Harbour Crossing (EHC) were "Build-Operate-Transfer" (BOT) projects and taken over by the Government upon the expiry of BOT franchises. As the capital costs of CHT and EHC were not contributed by the Government, the CHT and EHC are not included in the Operating Accounts of Government Toll-tunnels which are established for performance measurement on recovery of the cost of running the tunnels including the cost of capital.

- * Change in annual traffic :
 - Aberdeen decreased by 4.8%
 - Lion Rock decreased by 1.2%
 - Shing Mun increased by 0.5%
 - Tseung Kwan O increased by 0.9%
 - Route 8K increased by 4.4%

- * Toll charges :

	\$
Aberdeen	5
Lion Rock	8
Shing Mun	5
Tseung Kwan O	3
Route 8K	8

FINANCIAL PERFORMANCE

- * Revenue increased by 1.7%
- * Expenditure decreased by 5.3%
- * Surplus after taxation increased by 24.2%
- * Return on Average Net Fixed Assets increased from 2.2% to 2.8%

Government Toll-Tunnels

OPERATING ACCOUNT FOR THE YEAR ENDED 31 MARCH 2018

	Note	2018 \$M	2017 \$M
Revenue	2	765.4	752.6
Expenditure	2	<u>543.2</u>	<u>573.7</u>
Surplus before taxation		222.2	178.9
Taxation	1(d) and 3	<u>36.7</u>	<u>29.5</u>
Surplus after taxation		<u><u>185.5</u></u>	<u><u>149.4</u></u>

FINANCIAL PERFORMANCE MEASURES

Average net fixed assets (ANFA)	1(g) and 4	6,697.3	6,828.6
Actual return		185.5	149.4
Target return		361.7	450.7
Actual return as % of ANFA	1(f)	2.8%	2.2%
Target return as % of ANFA		5.4%	6.6%

The annexed notes form part of these accounts.

Government Toll-Tunnels

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018

	Note	2018 \$M	2017 \$M
Net assets employed			
Fixed assets	1(b) & (c) and 4	6,647.8	6,746.7
Current assets	5	2,481.0	2,342.4
Current liabilities	6	(6.9)	(6.8)
Net current assets		2,474.1	2,335.6
Deferred tax	1(d), 3 and 7	<u>(395.9)</u>	<u>(359.2)</u>
		<u>8,726.0</u>	<u>8,723.1</u>
Financed by			
Public capital account	8	<u>8,726.0</u>	<u>8,723.1</u>

The annexed notes form part of these accounts.

Government Toll-Tunnels

NOTES TO THE ACCOUNTS

1. Accounting Policies

(a) Basis of Accounting

The Government-built toll-tunnels do not have a separate legal identity. All surpluses are deemed to be distributed to the Government as dividend. The operating accounts are management information to reflect the operating results of the facilities.

The accounts have been prepared on the historical cost basis of accounting modified to include notional receipts and payments.

(b) Fixed Assets

- (i) No cost is included for land except that the cost of resumption is included in the capital cost of tunnel construction and road works for Route 8K.
- (ii) For capital projects, the costs include the actual direct expenditure, staff costs for design, planning and supervision during the construction period.
- (iii) All other fixed assets are stated at costs less accumulated depreciation except capital works/projects in progress which are stated at cost.

(c) Depreciation

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 :-

Tunnel construction and road works	1% (Route 8K) 2% (Other toll-tunnels)
Buildings	2%
Lighting and ventilation	5%-10%
Equipment	3%-10%
Motor vehicles	11%-13%

No depreciation is provided on assets under construction.

(d) Taxation

- (i) Notional profits tax is provided, where necessary, based on the expected taxable surplus for the year, using 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 there is no taxable surplus for the year.
- (ii) 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. Provision for deferred tax has been made in the accounts in respect of all material temporary differences attributable to depreciation allowances on fixed assets and unused tax losses.

(e) 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.

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NOTES TO THE ACCOUNTS

(f) Actual Return on ANFA This is calculated as a percentage of surplus/deficit after taxation to average net fixed assets (ANFA).

(g) Average Net Fixed Assets The average net fixed assets (ANFA) represents the average of the opening and closing value of total fixed assets less accumulated depreciation.

2. Revenue and Expenditure

	Aberdeen	Lion Rock	Shing Mun	Tseung Kwan O	Route 8K	2018 Total \$M	2017 Total \$M
Revenue							
Toll collections	108.6	266.3	98.4	101.0	168.6	742.9	743.3
Toll charges from Government vehicles	0.6	0.7	0.5	0.4	0.7	2.9	2.8
Toll charges from tunnel tickets for people with disabilities	0.3	1.1	0.2	0.2	0.3	2.1	2.0
Miscellaneous receipts	1.2	1.0	0.9	1.1	13.3	17.5	4.5
	<u>110.7</u>	<u>269.1</u>	<u>100.0</u>	<u>102.7</u>	<u>182.9</u>	<u>765.4</u>	<u>752.6</u>
Expenditure							
Staff costs	3.0	3.0	2.5	2.3	3.6	14.4	12.5
Operating and administration expenses	13.9	20.6	5.6	5.7	52.1	97.9	124.7
Management fees to contractors	46.6	35.2	33.6	33.8	104.0	253.2	248.7
Depreciation	16.0	11.1	25.4	14.0	111.2	177.7	187.8
	<u>79.5</u>	<u>69.9</u>	<u>67.1</u>	<u>55.8</u>	<u>270.9</u>	<u>543.2</u>	<u>573.7</u>
Surplus / (deficit) before taxation	<u>31.2</u>	<u>199.2</u>	<u>32.9</u>	<u>46.9</u>	<u>(88.0)</u>	<u>222.2</u>	<u>178.9</u>

3. Taxation

	2018 \$M	2017 \$M
Notional profits tax	-	-
Deferred taxation for the year	<u>36.7</u>	<u>29.5</u>
Taxation for the year	<u>36.7</u>	<u>29.5</u>

No provision for notional profits tax has been made in the accounts as there is no taxable surplus for the year.

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NOTES TO THE ACCOUNTS

4. Fixed Assets

	Tunnel Construction and Road Works \$M	Buildings \$M	Lighting and Ventilation \$M	Equipment \$M	Motor Vehicles \$M	Assets under Construction \$M	Total \$M
At Cost							
At 1 April 2017	6,955.0	697.1	1,065.7	907.9	63.8	67.7	9,757.2
Additions	-	-	-	2.9	-	77.0	79.9
Adjustment	-	-	-	-	(1.1)	-	(1.1)
Transfer	-	-	-	17.7	8.3	(26.0)	-
Disposals	-	-	-	-	(4.0)	-	(4.0)
At 31 March 2018	6,955.0	697.1	1,065.7	928.5	67.0	118.7	9,832.0
Accumulated Depreciation							
At 1 April 2017	1,451.6	155.3	585.2	763.3	55.1	-	3,010.5
Charge for the year	86.2	13.9	45.1	31.0	2.0	-	178.2
Adjustment	-	-	-	-	(0.5)	-	(0.5)
Written back on disposals	-	-	-	-	(4.0)	-	(4.0)
At 31 March 2018	1,537.8	169.2	630.3	794.3	52.6	-	3,184.2
Net Book Value							
At 31 March 2018	5,417.2	527.9	435.4	134.2	14.4	118.7	6,647.8
<i>At 31 March 2017</i>	<i>5,503.4</i>	<i>541.8</i>	<i>480.5</i>	<i>144.6</i>	<i>8.7</i>	<i>67.7</i>	<i>6,746.7</i>

* Adjustment for motor vehicles is the refund of the vehicle cost from Electrical, Mechanical and Services Department.

5. Current Assets

	2018 \$M	2017 \$M
Debtors	31.1	29.9
Current account with Treasury	<u>2,449.9</u>	<u>2,312.5</u>
	<u>2,481.0</u>	<u>2,342.4</u>

6. Current Liabilities

	2018 \$M	2017 \$M
Receipts in advance	<u>6.9</u>	<u>6.8</u>

Government Toll-Tunnels

NOTES TO THE ACCOUNTS

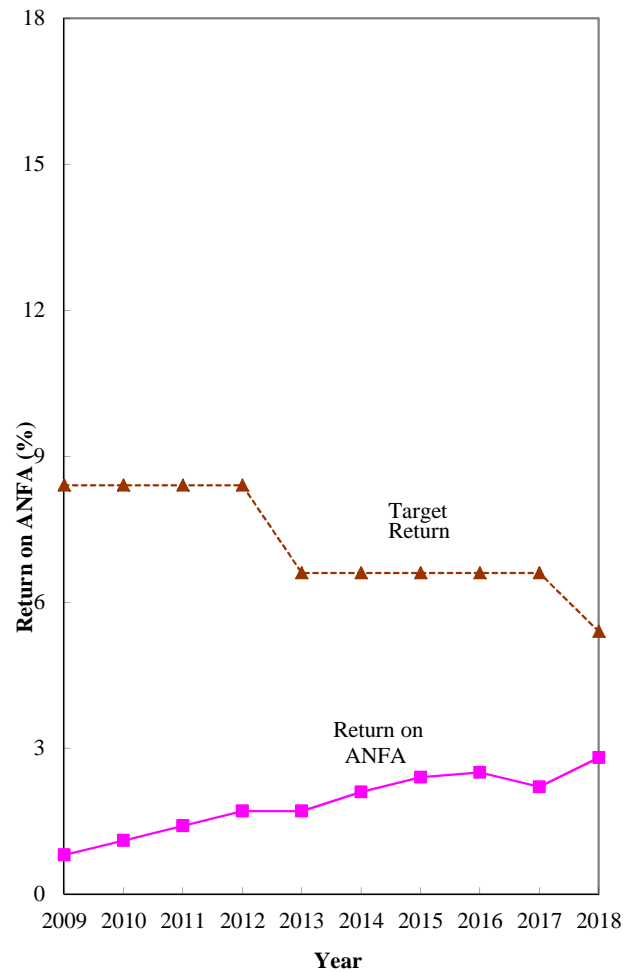
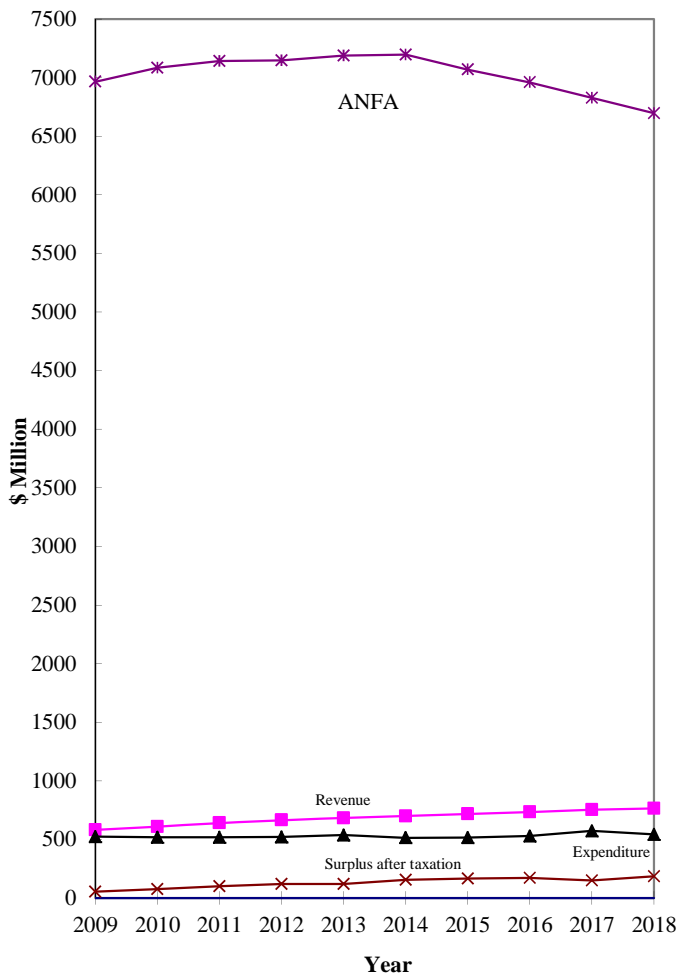
7. Deferred Tax			2018	2017
			\$M	\$M
		Balance as at 1 April	359.2	329.7
		Deferred taxation for the year	36.7	29.5
			<hr/>	<hr/>
		Balance as at 31 March	<u>395.9</u>	<u>359.2</u>
8. Public Capital Account				
		The Public Capital Account represents Government's investment in this utility.		
			2018	2017
			\$M	\$M
		Balance as at 1 April	8,723.1	8,718.0
		Addition	2.9	5.1
			<hr/>	<hr/>
		Balance as at 31 March	<u>8,726.0</u>	<u>8,723.1</u>
9. Commitments				
		Outstanding commitments as at 31 March 2018 and 31 March 2017 not provided for in the operating account were as follows:		
			2018	2017
			\$M	\$M
		Capital works projects, property and plant and equipment	197.5	211.6
			<hr/>	<hr/>

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STATISTICAL HIGHLIGHTS

Financial Statistics

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Revenue	580.9	608.2	641.1	664.7	681.3	699.8	716.7	735.4	752.6	765.4
Expenditure	524.7	517.4	519.1	520.5	538.2	514.5	516.8	528.5	573.7	543.2
Surplus										
after taxation	55.4	75.8	101.9	120.4	119.5	154.7	166.9	172.8	149.4	185.5
Average net fixed										
assets (ANFA)	6,965.4	7,084.0	7,142.1	7,147.8	7,188.4	7,196.4	7,069.7	6,960.0	6,828.6	6,697.3
Return on ANFA (%)	0.8	1.1	1.4	1.7	1.7	2.1	2.4	2.5	2.2	2.8
Target Return on ANFA (%)	8.4	8.4	8.4	8.4	6.6	6.6	6.6	6.6	6.6	5.4



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STATISTICAL HIGHLIGHTS

Operating Statistics

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Number of vehicles using tunnels (million)										
Aberdeen	22.4	22.6	23.1	23.7	23.7	23.7	23.5	23.5	23.0	21.9
Lion Rock	30.6	31.1	31.8	32.3	32.4	33.0	33.2	33.7	33.9	33.5
Shing Mun	17.3	17.2	17.4	17.6	17.9	18.3	18.8	19.3	19.7	19.8
Tseung Kwan O	26.2	26.8	28.5	29.8	30.6	31.2	32.0	32.8	33.6	33.9
Route 8K	6.9	9.4	11.9	13.3	14.7	15.9	17.4	18.6	20.3	21.2
	103.4	107.1	112.7	116.7	119.3	122.1	124.9	127.9	130.5	130.3

