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# Marine Ferry Terminals

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## *REVIEW OF THE YEAR 2005-06*

### **ACTIVITIES**

- Existing terminals : Central  
Tsimshatsui
- Net registered tonnage of vessels berthed increased by 5.0 %
- Number of departing passengers increased by 1.8 %

### **FINANCIAL PERFORMANCE**

- Revenue increased by 2.6 %\*
- Expenditure decreased by 7.8 %
- Operating surplus after taxation increased by 18.2 %\*
- Return on Average Net Fixed Assets increased from 19.8 %\* to 22.9 %

\* With effect from 1 April 2005, rental income from the helipad has been excluded from the operating revenue. For comparative purpose, income for 2004-05 has been adjusted in these accounts to exclude rental income from the helipad (\$10m). Before the adjustment, revenue is decreased by 0.7%, operating surplus after taxation is increased by 9.1% and return on ANFA is increased from 21.5% to 22.9%.

# Marine Ferry Terminals

## OPERATING ACCOUNT FOR THE YEAR ENDED 31 MARCH 2006

	Note	2006 \$M	2005 \$M
Revenue	2	307.3	299.4
Expenditure	2	<u>165.0</u>	<u>179.0</u>
Operating surplus before taxation		142.3	120.4
Taxation	1(d) and 3	<u>24.9</u>	<u>21.1</u>
Operating surplus after taxation	1(h)	<u><u>117.4</u></u>	<u><u>99.3</u></u>

## FINANCIAL PERFORMANCE MEASURES

Average net fixed assets (ANFA)	1(g) and 4	511.8	500.5
Actual return		117.4	99.3
Target return		56.3	55.1
Actual return as % of ANFA	1(f)	22.9%	19.8%
Target return as % of ANFA		11.0%	11.0%

*The annexed notes form part of these accounts.*

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# Marine Ferry Terminals

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## *BALANCE SHEET AS AT 31 MARCH 2006*

	Note	2006 \$M	2005 \$M
<b>Net assets employed</b>			
Fixed assets	1(b) & (c) and 4	511.8	511.7
Current assets	5	51.4	48.5
Current liabilities	6	(18.3)	(16.0)
Net current assets		33.1	32.5
Deferred tax	1(d), 3 and 7	<u>(26.8)</u>	<u>(26.1)</u>
		<u>518.1</u>	<u>518.1</u>
<b>Financed by</b>			
Public capital account	8	<u>518.1</u>	<u>518.1</u>

*The annexed notes form part of these accounts.*

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# Marine Ferry Terminals

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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) The seabed areas of the permanent ferry terminals are taken as areas covered by terminal structures and the costs included are assessed on the best alternative use assuming commercial retail purposes. The valuation was carried out in 1985 and 1987 for Central Terminal and Tsimshatsui Terminal respectively.</p> <p>(ii) For capital projects of the permanent ferry terminals, the costs include the actual direct expenditure, 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 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 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>Buildings</td><td>2% - 15%</td></tr><tr><td>Plant and equipment</td><td>7% - 10%</td></tr><tr><td>Fixtures and fittings</td><td>15%</td></tr><tr><td>Pontoons</td><td>11%</td></tr></table> <p>(ii) Seabeds are regarded as non-depreciating assets.</p> <p>(iii) No depreciation is provided on assets under construction.</p>	Buildings	2% - 15%	Plant and equipment	7% - 10%	Fixtures and fittings	15%	Pontoons	11%
Buildings	2% - 15%								
Plant and equipment	7% - 10%								
Fixtures and fittings	15%								
Pontoons	11%								
(d) Taxation	<p>(i) Notional profit tax is provided, where necessary, based on the expected taxable surplus for the year, using tax rates prevailing at the balance sheet date, and any adjustments to tax payable in respect of previous years. Provision for notional profits tax has been made in the accounts at the rate of 17.5% on the surplus for the year calculated on the basis of the provisions of the Inland Revenue Ordinance.</p> <p>(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 utilized. Provision for deferred tax has been made in the accounts in respect of all material temporary differences attributable to depreciation allowances on fixed assets.</p>								
(e) Employee Benefits	Employee benefits including salaries, gratuities, pensions, housing benefits and annual leave are accrued and recognized as an expense in the year in which the associated services are rendered by employees.								
(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 Marine Ferry Terminals do not have a separate legal identity, their financial resources form part of the General Revenue. All surpluses after taxation are deemed to be distributed to the Government as dividend.								

# Marine Ferry Terminals

## NOTES ON THE ACCOUNTS

2. Revenue and Expenditure	Terminals		2006	2005
	Central \$M	Tsimshatsui \$M	Total \$M	Total \$M
<b>Revenue</b>				
Berthing fee	16.7	24.1	40.8	39.0
Embarkation fee	102.8	78.6	181.4	188.0
Rental income*	31.4	53.4	84.8	72.1
Miscellaneous receipts	0.3	-	0.3	0.3
	<b>151.2</b>	<b>156.1</b>	<b>307.3</b>	<b>299.4</b>
<b>Expenditure</b>				
Staff costs	13.7	10.3	24.0	25.0
Operating and administration expenses	56.8	60.5	117.3	134.0
Depreciation	9.0	14.7	23.7	20.0
	<b>79.5</b>	<b>85.5</b>	<b>165.0</b>	<b>179.0</b>
Operating surplus before taxation	<b>71.7</b>	<b>70.6</b>	<b>142.3</b>	<b>120.4</b>

\* With effect from 1 April 2005, rental income from the helipad has been excluded from the operating revenue. For comparative purpose, rental income for 2004-05 has been adjusted to exclude rental income from the helipad (\$10m).

# Marine Ferry Terminals

## NOTES ON THE ACCOUNTS

3. Taxation		2006 \$M	2005 \$M
Notional profits tax charged for the year		24.2	18.1
Deferred taxation for the year		<u>0.7</u>	<u>3.0</u>
Taxation for the year		<u>24.9</u>	<u>21.1</u>

  

4. Fixed Assets	Seabeds	Terminal Buildings	Plant & Equipment	Fixtures & Fittings	Pontoons	Asset under Construction	Total
	\$M	\$M	\$M	\$M	\$M	\$M	\$M
<b>Cost or Valuation</b>							
At 1 April 2005	135.0	433.4	123.7	1.6	4.4	20.5	718.6
Additions	-	2.0	8.2	-	-	13.6	23.8
Transfers	-	22.7	5.0	-	-	(27.7)	-
Disposal	-	-	(10.3)	-	-	-	(10.3)
<b>At 31 March 2006</b>	<b>135.0</b>	<b>458.1</b>	<b>126.6</b>	<b>1.6</b>	<b>4.4</b>	<b>6.4</b>	<b>732.1</b>
<b>Aggregate Depreciation</b>							
At 1 April 2005	-	145.5	55.4	1.6	4.4	-	206.9
Charge for the year	-	14.0	9.7	-	-	-	23.7
Written back on disposals	-	-	(10.3)	-	-	-	(10.3)
<b>At 31 March 2006</b>	<b>-</b>	<b>159.5</b>	<b>54.8</b>	<b>1.6</b>	<b>4.4</b>	<b>-</b>	<b>220.3</b>
<b>Net Book Value</b>							
<b>At 31 March 2006</b>	<b>135.0</b>	<b>298.6</b>	<b>71.8</b>	<b>-</b>	<b>-</b>	<b>6.4</b>	<b>511.8</b>
<i>At 31 March 2005</i>	<i>135.0</i>	<i>287.9</i>	<i>68.3</i>	<i>-</i>	<i>-</i>	<i>20.5</i>	<i>511.7</i>

# Marine Ferry Terminals

## NOTES ON THE ACCOUNTS

<b>5. Current Assets</b>	<b>2006 \$M</b>	<i>2005 \$M</i>
Debtors and prepayments	23.9	31.0
Current account with Treasury	27.5	17.5
	51.4	48.5
<b>6. Current Liabilities</b>	<b>2006 \$M</b>	<i>2005 \$M</i>
Creditors	1.9	1.8
Deposits received	16.4	14.2
	18.3	16.0
<b>7. Deferred Tax</b>	<b>2006 \$M</b>	<i>2005 \$M</i>
Balance as at 1 April	26.1	23.1
Transfer from Operating Account	0.7	3.0
Balance as at 31 March	26.8	26.1
<b>8. Public Capital Account</b>	<b>2006 \$M</b>	<i>2005 \$M</i>
The Public Capital Account represents the Government's investment in the Marine Ferry Terminals.		
Balance as at 31 March	518.1	518.1

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# Marine Ferry Terminals

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## NOTES ON THE ACCOUNTS

### 9. Capital Commitments

As at 31 March 2006, the Marine Ferry Terminals had capital commitments, so far as not provided for in the Operating Accounts, as follows:

	<b>2006</b>	<i>2005</i>
	<b>\$M</b>	<i>\$M</i>
Capital expenditure contracted for	-	8.2
Capital expenditure authorised but not yet contracted for	<u>54.3</u>	<u>60.0</u>
	<u>54.3</u>	<u>68.2</u>

### 10. Comparative Figures

Comparative figures have been revised so as to conform with the current year's presentation. See Note 2 for details.