1. Significant Accounting Policies

A. Basis of Preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants. They have been prepared under the historical cost convention except that, as disclosed in the accounting policies below, certain other investments are stated at fair value.

In the current year, the Group adopted Statement of Standard Accounting Practice (SSAP) No. 12 (Revised) "Income Taxes" issued by the Hong Kong Society of Accountants, which is effective for accounting periods commencing on or after 1 January 2003. The change to the Group's accounting policy and the effect of adopting this revised policy on the accounts is set out in Note 1(Q) – Deferred Taxation.

B. Scheme of Control (SoC)

The financial operations of the Company's major subsidiary company, CLP Power Hong Kong Limited (CLP Power Hong Kong), and its jointly controlled entity, Castle Peak Power Company Limited (CAPCO), are governed by a SoC Agreement entered into with the Hong Kong Government. Whilst the current SoC Agreement will expire on 30 September 2008, the accounts are prepared on the basis that there will be no material changes to the current regulatory framework in the foreseeable future. The main features of the SoC are summarised on page 142.

C. Basis of Consolidation

The consolidated accounts of the Group incorporate the accounts of the Company and its subsidiary companies made up to the balance sheet date and include the Group's interests in jointly controlled entities and associated companies on the basis set out in Notes 1(E) and 1(F) below, respectively.

The results of subsidiary companies acquired during the year are included in the consolidated profit and loss account from the effective date of acquisition.

All significant inter-company transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiary companies.

D. Subsidiary Companies

A subsidiary company is a company which is controlled by the Company and in which the Company has an interest, directly or indirectly, in more than 50% of the issued equity as defined in the Hong Kong Companies Ordinance. Control represents the power to govern the financial and operating policies of that company.

Investments in subsidiary companies are carried on the balance sheet of the Company at cost of equity capital together with advances from and loans to the Company, less provision for impairment. Provisions for investments in, and advances to, subsidiary companies are made when the subsidiary company carries net assets lower than the Company's respective cost of investment and the diminution is considered not to be recoverable in the near future. The results of subsidiary companies are accounted for by the Company on the basis of dividends received and receivable.

E. Jointly Controlled Entities

A jointly controlled entity is a joint venture in which the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

1. Significant Accounting Policies (continued)

E. Jointly Controlled Entities (continued)

The consolidated profit and loss account includes the Group's share of the results of the jointly controlled entities for the year, and the consolidated balance sheet includes the Group's share of the net assets of the jointly controlled entities and goodwill/negative goodwill (net of accumulated amortisation) on acquisition.

F. Associated Companies

An associated company is a company, not being a subsidiary company or jointly controlled entity, in which the Group holds equity share capital for the long term and can exercise significant influence in its management.

The consolidated profit and loss account includes the Group's share of the results of the associated companies for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associated companies and goodwill/negative goodwill (net of accumulated amortisation) on acquisition.

G. Goodwill/Negative Goodwill

Goodwill arising on consolidation represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary company, jointly controlled entity or associated company at the date of acquisition, and negative goodwill represents the excess of the fair value of the Group's share of the net assets acquired over the cost of acquisition.

Goodwill and negative goodwill are amortised on a straight-line basis over their estimated useful economic lives.

H. Turnover

Turnover represents sales of electricity, other electricity-related revenue, property income, and supply and maintenance service fees. Sales of electricity are based on either actual and accrued consumption derived from meter readings or the amount billed in accordance with the terms of the contractual agreements where applicable during the year. Other revenue is recognised when services are rendered or sales are completed.

I. Fixed Assets and Depreciation

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Major renewals and improvements which will result in future economic benefits, in excess of the originally assessed standard of performance of the existing assets, are capitalised, while maintenance and repair costs are charged to the profit and loss account in the year in which they are incurred.

Depreciation of fixed assets used for the electricity business in Hong Kong is based on the rates authorised under the SoC which reflect the pattern in which the assets' economic benefits are consumed. During the 1998 SoC interim review, agreement was reached with the Hong Kong Government to extend the useful life of overhead lines (132kV and above) from 30 years to 35 years. As a result, the net book value of these overhead lines as at 30 September 1998 is being written off uniformly over the remainder of their extended useful lives.

Except for the above, the following bases apply to SoC fixed assets. The cost will be written off uniformly over the useful lives of the assets commencing from the date of commissioning.

Buildings	33 years
Overhead lines (132 kV and above)	35 years
Overhead lines (below 132 kV) and cables	30 years
Generating plant, switchgear and transformers	25 years
Meters, system control equipment, furniture, tools, communication and office equipment	10 years
Computers and office automation equipment other than those forming part of the generating plant	5 years
Motor vehicles	5 years

1. Significant Accounting Policies (continued)

I. Fixed Assets and Depreciation (continued)

Fixed assets used for the non-SoC businesses are depreciated on a straight-line basis over their estimated useful lives set out below:

Buildings	30 – 31 years
Generating plant, switchgear and transformers	17 – 31 years
Mining machines and equipment	10 – 30 years
Furniture, fittings and other equipment	5 – 10 years
Computers and office equipment	3 – 7 years
Motor vehicles	3 – 8 years

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

J. Impairment of Long-Lived Assets and Goodwill

The Group reviews the carrying amounts of long-lived assets and goodwill for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such assets are considered to be impaired, the impairment to be recognised is measured by the amount by which the carrying amount of the assets exceeds the recoverable amount.

K. Properties under Development

Properties under development comprise land cost and development expenses including professional charges and are stated at the lower of cost and net realisable value. The income from the sale of development properties is recognised only when the property or any portion thereof contracted for sale is completed and the relevant occupation permit is issued.

L. Investments in Securities

(i) Held-to-maturity securities

Held-to-maturity securities are stated in the balance sheet at cost plus/less any discount/premium amortised to date. The discount or premium is amortised over the period to maturity and included as interest income/expense in the profit and loss account.

The carrying amounts of individual held-to-maturity securities or holdings of the same securities are reviewed at the balance sheet date in order to assess the credit risk and whether the carrying amounts are expected to be recovered. Provisions are made when carrying amounts are not expected to be recovered and are recognised in the profit and loss account as an expense immediately.

(ii) Investment securities

Investment securities are stated at cost less any provision for impairment. Impairment is assessed in accordance with other long-lived assets.

(iii) Fixed-income securities

Fixed-income securities, which are intended to be held for an identified long-term purpose, are accounted for using the benchmark treatment and classified as investment securities. Investment securities are stated at cost less any provision for impairment.

(iv) Other investments

Other investments are carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of other investments are recognised in the profit and loss account. Profits or losses on disposal of other investments, representing the difference between net sales proceeds and the carrying amounts, are recognised in the profit and loss account as they arise.

1. Significant Accounting Policies (continued)

M. Inventories

Inventories comprise stores and fuel and are valued at the lower of cost and net realisable value. Cost is calculated on the weighted average basis for stores and the first-in, first-out or weighted average basis as appropriate for fuel. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

N. Cash and cash equivalents

Cash and cash equivalents are carried at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash at banks and on hand, demand deposits with banks and other financial institutions, short-term, highly liquid investments that are readily convertible to cash and with a maturity of three months or less from date of investment, and bank overdrafts.

O. Foreign Currencies

Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the rates of exchange prevailing at the balance sheet date or at the relevant forward contract rates where applicable. Exchange differences are included in the profit and loss account. Transactions during the year are converted into Hong Kong dollars at the rates of exchange ruling at the dates of transactions.

The accounts of subsidiary companies, jointly controlled entities or associated companies denominated in foreign currencies are translated into Hong Kong dollars using the year end rates of exchange for balance sheet items and the average rates of exchange for the year for the profit and loss items. Exchange differences are dealt with as a movement in reserves.

P. Employee Benefits

(i) Retirement benefits

The Group operates and participates in a number of defined contribution plans, the assets of which are held in separate trustee-administered funds. The pension plans are funded by payments from employees and by the Group.

Commencing from 1 January 2003, the retirement benefit plans for staff employed by Group companies in Hong Kong are regarded as defined contribution schemes. Contributions to the defined contribution retirement plans, including contributions to Mandatory Provident Funds (MPF) as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance, are recognised in the year to which the contributions relate.

For defined benefit plans in place prior to 1 January 2003, retirement benefit costs were assessed using the projected unit credit method. Under this method the regular cost of providing retirement benefits is spread over the service lives of employees in accordance with the advice of qualified actuaries who carry out periodic valuations of the plans. The retirement benefit obligation is measured based upon the estimated future cash outflows, discounted by reference to market yields on high quality corporate bonds which have a similar term to the related liabilities. Plan assets are measured at fair value. Actuarial gains and losses are recognised over the average remaining service lives of employees. The surplus of plan assets over the present value of benefit obligations, if recognised, is restricted to the present value of economic benefits available to the Group.

(ii) Incentive bonus and employee leave entitlement

Provisions are made for the estimated liability for incentive bonus and annual leave as a result of services rendered by employees up to the balance sheet date.

1. Significant Accounting Policies (continued)

Q. Deferred Taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiary companies, jointly controlled entities and associated companies, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Previously, the Group accounted for deferred taxation in the SoC business on a full provision basis in respect of timing differences attributable to accelerated depreciation at the taxation rate in force in the year in which the differences arose. In the non-SoC business, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future.

The adoption of the SSAP No. 12 (Revised) represents a change in accounting policy, which has been applied retrospectively so that the comparative figures presented have been restated to conform to the changed policy. The principal temporary differences recognised upon adoption by the Group arise from the restatement of assets to fair value on acquisition, withholding taxation on retained profits of overseas investments and tax losses carried forward.

As disclosed in the consolidated statement of changes in equity, as at 1 January 2002 and 2003, the retained profits have been increased by HK$63 million and HK$88 million respectively and the other reserves increased by HK$1 million and HK$13 million respectively. These changes have resulted in a reduction in deferred tax liabilities as at 31 December 2002 of HK$111 million, with the corresponding adjustments to i) increase the Group's share of net assets of jointly controlled entities by HK$579 million, ii) decrease the Group's share of net assets of associated companies by HK$22 million, iii) reduce positive goodwill and create negative goodwill on jointly controlled entities by HK$56 million and HK$396 million respectively and iv) increase other payables by HK$115 million. The impact of SSAP No. 12 (Revised) on the profit and loss account for the year ended 31 December 2002 has been an increase in reported net profit of HK$25 million. In addition, the 2002 earnings per share including Hok Un redevelopment profit/property disposal gain has been increased from HK$2.94 to HK$2.95 per share (an increase from HK$2.71 to HK$2.72 per share if excluding Hok Un redevelopment profit/property disposal gain).

R. Borrowing Costs

Borrowing costs include interest and other costs incurred in connection with the borrowing of funds. Borrowing costs are charged to the profit and loss account in the year in which they are incurred, except to the extent that they are capitalised when they are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to complete.

S. Related Parties

Related parties are individuals and companies, where the individual or company has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

T. Comparatives

Where necessary, comparative figures have been restated to conform with changes in presentation in the current financial year.

2. Acquisition of Additional Interests in Yallourn Energy and GPEC

Pursuant to an agreement entered into with Powergen UK plc (Powergen) in November 2002 to acquire all of its remaining interests in BLCP Power Limited (BLCP), Yallourn Energy Pty Limited (Yallourn Energy) and Gujarat Paguthan Energy Corporation Private Limited (GPEC), the acquisitions of these additional interests were completed on 10 January 2003, 16 April 2003 and 11 June 2003 respectively. After these acquisitions, the Group owns 50% of BLCP, the developer of a 1,434MW coal-fired power project in Thailand; 92% of Yallourn Energy, the owner-operator of a 1,480MW coal-fired power station and a coal mine in Victoria, Australia; and 100% of GPEC, the owner-operator of a 655MW combined cycle power station in Gujarat, India.

The Group assumed control of Yallourn Energy and GPEC from the date on which the acquisition of additional interests were completed and accordingly these companies were reclassified from jointly controlled entities to subsidiary companies of the Group on the respective acquisition dates. BLCP remains as a jointly controlled entity of the Group.

The total cost of the acquisition of Powergen's remaining interests in Yallourn Energy (18.4%) and in GPEC (20%) was HK$836 million. Negative goodwill of HK$457 million has been recognised and is being amortised over 16 to 29 years from the respective date of acquisition. Details of the fair value of net assets acquired are as follows:

	HK$M
Fixed assets, net	**12,504**
Deferred tax assets	**808**
Trade and other receivables	**2,260**
Other assets	**140**
Cash and cash equivalents	**482**
Trade and other payables	**(1,079)**
Other liabilities	**(450)**
Deferred tax liabilities	**(222)**
Loans and other borrowings	**(7,745)**
Minority interest	**(227)**
Net assets previously recorded as jointly controlled entities	**(5,178)**
Fair value of net assets acquired	**1,293**
Negative goodwill attributable to subsidiary companies acquired	**(457)**
Total consideration paid *(Note 30(B))*	**836**

2. Acquisition of Additional Interests in Yallourn Energy and GPEC (continued)

The effect of the consolidation of Yallourn Energy and GPEC on the Group's operating profit and financial position is analysed as follows:

(A) Operating Profit

	2003			2002
	Acquisitions of Yallourn Energy and GPEC HK$M	**Existing Operations HK$M**	**Total HK$M**	HK$M
Turnover	2,268	25,980	**28,248**	26,134
Expenses				
Purchases of electricity [(a)]	–	15,873	**15,873**	15,586
Staff expenses	146	1,011	**1,157**	945
Fuel and other net operating costs	800	1,449	**2,249**	1,331
Depreciation	372	1,985	**2,357**	1,749
	1,318	20,318	**21,636**	19,611
Property disposal gain	–	–	**–**	313
Operating profit	950	5,662	**6,612**	6,836

Note (a): Represents the purchases of electricity for the SoC business, details of which are disclosed in Note 33.

(B) Financial Position

	2003			2002
	Acquisitions of Yallourn Energy and GPEC HK$M	**Existing Operations HK$M**	**Total HK$M**	HK$M
Fixed assets	14,687	39,470	**54,157**	36,550
Goodwill	–	(1,017)	**(1,017)**	–
Investments in jointly controlled entities, associated companies and investment securities	–	16,289	**16,289**	20,695
Deferred tax assets	952	–	**952**	–
Employee retirement benefit plan assets	–	–	**–**	1,138
	15,639	54,742	**70,381**	58,383
Deposits, bank balances and cash	338	449	**787**	516
Trade and other receivables	3,153	1,271	**4,424**	1,256
Other current assets	158	82	**240**	738
	3,649	1,802	**5,451**	2,510
Total assets	19,288	56,544	**75,832**	60,893
Current liabilities	1,625	7,280	**8,905**	7,168
Long-term loans and other borrowings	7,525	10,077	**17,602**	8,727
Deferred tax liabilities	317	4,297	**4,614**	3,610
SoC reserve accounts	–	3,607	**3,607**	4,500
Other non-current liabilities	369	101	**470**	–
	8,211	18,082	**26,293**	16,837
Total liabilities	9,836	25,362	**35,198**	24,005

3. Turnover and Segment Information

An analysis of the Group's turnover, contribution to operating profit and profit before financing and taxation for the year, by principal activities, is as follows:

	Turnover		**Operating Profit/(Loss)** (A)		**Profit/(Loss) Before Financing and Taxation** (B)	
	2003 HK$M	2002 HK$M	**2003 HK$M**	2002 HK$M	**2003 HK$M**	2002 HK$M
SoC business	**25,739**	25,844	**6,311**	7,147	**8,027**	8,719
Power projects outside Hong Kong	**2,310**	35	**708**	(214)	**2,560**	1,315
Telecom business	**25**	71	**(20)**	(175)	**(86)**	(182)
Other businesses	**174**	184	**(16)**	278	**274**	544
Unallocated Group expenses	**–**	–	**(371)**	(200)	**(371)**	(200)
	28,248	26,134	**6,612**	6,836	**10,404**	10,196

(A) Operating Profit/(Loss) is stated before taking into account the Group's share of profits less losses of jointly controlled entities and associated companies.

(B) Profit/(Loss) Before Financing and Taxation is stated after taking into account the Group's share of profits less losses of jointly controlled entities and associated companies.

The following shows the carrying amount of segment assets and capital expenditure incurred by business segments:

	Total Assets		**Capital Expenditure** [(a)]	
	2003 HK$M	2002 HK$M	**2003 HK$M**	2002 HK$M
SoC business	**40,735**	38,466	**5,125**	4,923
Power projects outside Hong Kong	**17,367**	1,109	**466**	187
Other businesses	**290**	350	**2**	18
Unallocated items	**208**	560	**1**	6
	58,600	40,485	**5,594**	5,134
Investments in jointly controlled entities	**14,687**	18,982		
Investments in associated companies	**1,593**	1,426		
Tax assets	**952**	–		
Total assets	**75,832**	60,893		

Note (a): Includes additions of fixed assets and other segment assets.

3. Turnover and Segment Information (continued)

The Group operates, through its subsidiary companies, jointly controlled entities and associated companies, in three major geographical regions – Hong Kong, the Chinese mainland and the Asia-Pacific region. Information about the Group's operations by geographical regions is as follows:

2003	Hong Kong HK$M	Chinese Mainland HK$M	Asia-Pacific Region HK$M	Unallocated Items HK$M	Total HK$M
Turnover	25,935	–	2,310	3	**28,248**
Segment results	6,275	(145)	853	(371)	**6,612**
Hok Un redevelopment profit	291	–	–	–	**291**
Share of profits less losses of jointly controlled entities	1,715	1,290	394	–	**3,399**
Share of profits less losses of associated companies	(66)	–	168	–	**102**
Profit/(Loss) before financing and taxation	8,215	1,145	1,415	(371)	**10,404**
Finance costs					**(688)**
Finance income					**48**
Taxation					**(1,712)**
Profit after taxation					**8,052**
Transfers under SoC					**(365)**
Earnings for the year					**7,687**
Capital expenditure [(a)]	5,127	2	464	1	**5,594**
Depreciation	1,978	2	375	2	**2,357**
Amortisation of goodwill/negative goodwill and cost of investment	16	38	(15)	–	**39**
Impairment charges	62	–	–	–	**62**
As at 31 December 2003					
Segment assets	41,025	16	17,351	208	**58,600**
Investments in jointly controlled entities	6,845	6,400	1,442	–	**14,687**
Investments in associated companies	84	–	1,509	–	**1,593**
Tax assets	–	–	952	–	**952**
Consolidated total assets	47,954	6,416	21,254	208	**75,832**
Segment liabilities	10,232	78	1,441	72	**11,823**
Total borrowings	–	–	8,051	10,646	**18,697**
Tax liabilities	4,334	–	344	–	**4,678**
Consolidated total liabilities	14,566	78	9,836	10,718	**35,198**

Note (a): Includes additions of fixed assets and other segment assets.

3. Turnover and Segment Information (continued)

2002	Hong Kong HK$M	Chinese Mainland HK$M	Asia-Pacific Region HK$M	Unallocated Items HK$M	Total HK$M
Turnover	26,096	–	35	3	26,134
Segment results	7,250	(118)	(96)	(200)	6,836
Hok Un redevelopment profit	282	–	–	–	282
Share of profits less losses of jointly controlled entities	1,556	1,086	350	–	2,992
Share of profits less losses of associated companies	(7)	–	93	–	86
Profit/(Loss) before financing and taxation	9,081	968	347	(200)	10,196
Finance costs					(189)
Finance income					33
Taxation					(1,293)
Profit after taxation					8,747
Transfers under SoC					(1,643)
Earnings for the year					7,104
Capital expenditure [(a)]	4,941	1	186	6	5,134
Depreciation	1,743	2	2	2	1,749
Amortisation of goodwill/negative goodwill and cost of investment	9	49	18	–	76
Impairment charges	97	–	–	–	97
As at 31 December 2002					
Segment assets	38,816	97	1,012	560	40,485
Investments in jointly controlled entities	6,232	6,291	6,459	–	18,982
Investments in associated companies	150	–	1,276	–	1,426
Consolidated total assets	45,198	6,388	8,747	560	60,893
Segment liabilities	10,773	48	29	52	10,902
Total borrowings	–	–	–	9,297	9,297
Tax liabilities	3,806	–	–	–	3,806
Consolidated total liabilities	14,579	48	29	9,349	24,005

Note (a): Includes additions of fixed assets and other segment assets.

4. Operating Profit

	2003 HK$M	2002 HK$M
Operating profit is stated after charging/(crediting) the following:		
Charging		
Staff costs (A)		
Salaries and other costs	**1,447**	1,275
Retirement benefits costs *(Note 9)*	**129**	87
Auditors' remuneration (B)	**10**	4
Impairment loss and write back	**13**	70
Loss on disposal of fixed assets	**152**	79
Loss on disposal of other investments	**12**	–
Loss on curtailment of employee retirement benefit plan	**–**	83
Crediting		
Other net exchange gains	**(15)**	(6)
Net rental income from properties	**(15)**	(16)
Gain on disposal of staff quarters at Ho Man Tin Hill Road	**–**	(313)
Capital gains on disposal of other properties	**–**	(8)
Gain on realisation of retirement benefit plan asset *(Note 9)*	**(17)**	–
Amortisation of goodwill and negative goodwill	**(40)**	–

(A) Staff costs include amounts recharged to jointly controlled entities for services provided.

(B) The amount shown in 2003 includes audit fees of HK$3 million for companies re-classified as subsidiary companies in 2003.

5. Finance Costs and Income

	2003 HK$M	2002 HK$M
Finance costs:		
Interest expenses on bank loans and overdrafts	**563**	127
Interest expenses on other loans		
wholly repayable within five years	**165**	166
not wholly repayable within five years	**107**	62
Interest expenses on customers' deposits and others	**31**	23
Finance charges	**43**	36
Exchange losses/(gains)	**37**	(22)
	946	392
Less: amount capitalised	**(258)**	(203)
	688	189
Finance income:		
Net interest income from investment securities (A)	**18**	11
Interest income on bank deposits	**20**	5
Interest income on advance to a jointly controlled entity	**10**	17
	48	33

(A) The net interest income relates to interest income on A$160 million floating rate notes issued by Mezzco Pty Ltd. Mezzco Pty Ltd is a wholly-owned subsidiary company of AusPower Holdings Pty Ltd, which is the immediate holding company of Yallourn Energy. This interest income relates to the period during which Yallourn Energy was accounted for as a jointly controlled entity.

6. Hok Un Redevelopment Profit/Property Disposal Gain

	2003 HK$M	2002 HK$M
Property disposal gain	–	313
Hok Un redevelopment profit (A)		
Share of profit before taxation	**291**	282
Taxation	**(51)**	(49)
Share of profit after taxation	**240**	233
	240	546

(A) During the year, the Group recorded its share of profit arising from the sale of the remaining units of Phases 4 and 5 and car parking spaces at Laguna Verde.

7. Directors' Remuneration

The CLP Holdings' Board is currently composed of thirteen Non-executive Directors and four Executive Directors.

Remuneration for all Directors in 2003 totalled HK$27 million (2002: HK$37 million). Details of directors' remuneration are disclosed in Sections 3, 6 and 7 of the Remuneration Report on pages 91, 94 and 95 respectively.

8. Emoluments of Highest Paid Employees

The nine highest paid individuals in the Group during the year included three (2002: three) who served as Directors for the full year and one (2002: one) who served as a Director for part of the year. Total remuneration for these four Directors and the other five highest paid individuals was HK$54 million (2002: HK$72 million). Further details are disclosed in Section 9 of the Remuneration Report on page 96.

9. Retirement Benefits

For 2002

The Group operated two retirement funds, one for professional and general staff and the other for industrial staff employed by Group Companies in Hong Kong. Both funds were established under trust with the assets of the funds held separately from those of the Group by an independent trustee, and were Mandatory Provident Fund (MPF) exempted schemes under the Occupational Retirement Schemes Ordinance. Commencing 1 December 2000, the Group also participated in a master trust MPF scheme in Hong Kong operated by an independent service provider.

9. Retirement Benefits (continued)

The fund for professional and general staff consisted of three programmes: the defined benefit programme, the segregated fund programme and the defined contribution programme (introduced on 1 December 2000). The defined benefit programme provided benefits that were linked to final pay and required member contributions of 5% of base compensation. Both the defined contribution programme and the segregated fund programme provided benefits linked to contributions and investments thereon. The defined contribution programme required member contributions of at least 2.5% of base compensation, whereas members were not required to contribute under the segregated fund programme. The defined benefit programme and the segregated fund programme were closed to new employees as from 1 December 2000.

The fund for industrial staff consisted of two programmes: the defined benefit programme and the defined contribution programme (introduced on 1 December 2000). The defined benefit programme provided benefits that were linked to final pay and did not require member contributions. The defined contribution programme provided benefits linked to contributions and investments thereon. The defined contribution programme required members to contribute at least 2.5% of base compensation (waived for existing members who opted to join the defined contribution programme at inception). The defined benefit programme was closed to new employees as from 1 December 2000.

Upon the close of business on 31 December 2002, all the remaining members in the defined benefit programmes were transferred to the defined contribution programmes under respective retirement funds. At the same time, the Group obtained the relevant approvals in principle to enable the winding up of the defined benefit programmes. This represented a curtailment of the defined benefit programmes. Accordingly, all actuarial losses of HK$83 million arising during the year were recognised in the profit and loss account.

For 2003

From 1 January 2003, after the curtailment of the defined benefit programmes, the Group's two retirement funds in Hong Kong consisted of defined contribution programmes only. On 25 June 2003, upon winding up of the two retirement funds, the Group established a new consolidated CLP Group Provident Fund Scheme (GPFS). All the members in the previous retirement funds automatically become members of the GPFS. The required rate of contribution by members is comparable to the defined contribution programmes under the previous retirement funds. The transfer is based on the principle that there is no change in benefits (past and future) for members. Pursuant to the Deeds of Termination dated 30 April 2003, the two previous retirement funds were terminated on 24 June 2003. In accordance with their Trust Deeds, upon winding up of the retirement funds, the surplus assets after meeting the obligation to the members were returned to the Group. The surplus assets realised were HK$1,155 million, including a gain of HK$17 million.

The new GPFS is a MPF exempted scheme under the Occupational Retirement Schemes Ordinance. The new GPFS comprises a defined contribution scheme which provides benefits linked to contributions and investment returns made on the scheme. Contributions to defined contribution schemes, including GPFS and MPF as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance, totalled HK$175 million in 2003 (2002: HK$2 million), of which HK$58 million (2002: nil) was capitalised.

The employees employed by subsidiary companies outside Hong Kong are covered by appropriate local arrangements. Total contributions amounted to HK$12 million in 2003 (2002: nil). The Group's financial obligations to these arrangements are not material.

9. Retirement Benefits (continued)

Movement in the retirement benefit plan assets recognised in the balance sheet is as follows:

	2003 HK$M	2002 HK$M
As at 1 January	**1,138**	1,194
Contributions paid	**–**	158
Expenses recognised before curtailment	**–**	(131)
Gain/(Loss) on curtailment of the programmes	**17**	(83)
	1,155	1,138
Realisation of surplus assets	**(1,155)**	–
As at 31 December	**–**	1,138

The defined benefit programmes were curtailed upon business close on 31 December 2002. The amount recognised in the balance sheet as at 31 December 2002 was determined as follows:

	2002 HK$M
Fair value of plan assets	5,757
Present value of funded obligations	(4,619)
Net retirement benefit plan assets as at 31 December	1,138

The amounts for defined benefit programmes recognised in the profit and loss account were as follows:

	2002 HK$M
Current service cost	162
Interest cost	295
Expected return on plan assets	(326)
Total expenses before curtailment	131
Less: amount capitalised	(46)
Total, included in staff costs *(Note 4)*	85
Loss on curtailment of the programmes	83
Total costs	168

The principal actuarial assumptions used were as follows:

	2002 %
Discount rate	6.5
Expected rate of return on plan assets	5.6
Expected rate of future base compensation increases	4.0

10. Taxation

	2003 HK$M	2002 HK$M
Taxation in the consolidated profit and loss account represents:		
Company and subsidiary companies		
– Hong Kong		
current	**674**	769
deferred	**343**	330
– outside Hong Kong		
current	**16**	8
deferred	**108**	–
	1,141	1,107
Jointly controlled entities		
– Hong Kong		
current	**281**	261
deferred	**(37)**	(203)
– outside Hong Kong		
current	**210**	135
deferred	**81**	(17)
	535	176
Associated company		
– outside Hong Kong		
current	**15**	2
deferred	**21**	8
	36	10
	1,712	1,293

In 2003, the Hong Kong Government enacted a change in the profits tax rate from 16% to 17.5% for the fiscal year 2003/2004. Hong Kong profits tax has therefore been provided at the rate of 17.5% (2002: 16%) on the estimated assessable profit for the year.

Taxation on profits assessable outside Hong Kong has been provided at the rates prevailing in the respective jurisdictions.

10. Taxation (continued)

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the Hong Kong profits tax rate as follows:

	2003 HK$M	2002 HK$M
Profit before taxation	**9,764**	10,040
Calculated at a taxation rate of 17.5% (2002: 16%)	**1,709**	1,606
Effect of different taxation rates in other countries	**(161)**	(114)
Income not subject to taxation	**(3)**	(60)
Expenses not deductible for taxation purposes	**7**	17
Tariff rebates deductible for taxation purposes	**(220)**	(275)
Under-provision in prior years	**35**	5
Tax losses not recognised	**173**	120
Witholding/dividend distribution tax	**172**	(6)
Taxation charge	**1,712**	1,293

11. Transfers under Scheme of Control

The financial operations of CLP Power Hong Kong are governed by a SoC Agreement. In accordance with the Agreement, transfers required under the SoC are shown below:

	2003 HK$M	2002 HK$M
Transfers under SoC		
To Development Fund	**(572)**	(1,420)
From special provision account	**494**	96
To rate reduction reserve	**(287)**	(319)
	(365)	(1,643)

The Development Fund, special provision account and rate reduction reserve of CLP Power Hong Kong are collectively referred to as SoC reserve accounts in the consolidated balance sheet and the respective balances at the end of the year are:

	2003 HK$M	2002 HK$M
SoC reserve accounts		
Development Fund (A)	**2,960**	3,372
Special provision account (B)	**176**	670
Rate reduction reserve (C)	**471**	458
	3,607	4,500

11. Transfers under Scheme of Control (continued)

Movements in the SoC reserve accounts are as follows:

		2003 HK$M	2002 HK$M
(A)	Development Fund		
	As at 1 January	**3,372**	3,177
	Transfer from profit and loss account	**572**	1,420
	One-off rebates *(note a)*	**(308)**	(558)
	Business relief rebate *(note b)*	**(42)**	(41)
	Special rebate to customers *(note c)*	**(634)**	(626)
	As at 31 December	**2,960**	3,372

		2003 HK$M	2002 HK$M
(B)	Special provision account		
	As at 1 January	**670**	766
	Transfer to profit and loss account	**(494)**	(96)
	As at 31 December	**176**	670

CLP Power Hong Kong and its jointly controlled generating company, Castle Peak Power Company Limited, agreed with the Hong Kong Government in December 1999 to further defer construction of Units 7 and 8 of the Black Point Power Station. It was also agreed that a total of HK$803 million be set aside from the Development Fund to a special provision account to which the deferral premium incurred will be charged. The deferral premium is a contractual obligation that corresponds to additional costs incurred by the vendors for delayed delivery of the two generating units. Under the arrangement, there is no permitted return to be earned on the deferral premium. During the year, HK$494 million (2002: HK$96 million) of deferral premium was charged to the special provision account.

		2003 HK$M	2002 HK$M
(C)	Rate reduction reserve		
	As at 1 January	**458**	411
	Transfer from profit and loss account	**287**	319
	One-off rebates *(note a)*	**(101)**	(101)
	Rebate to customers *(note c)*	**(173)**	(171)
	As at 31 December	**471**	458

Notes:

(a) CLP Power Hong Kong provided each customer with a special one-off rebate which was equivalent to one half of the bill for electricity consumed in March 2003, up to a maximum rebate of HK$200 for each residential customer and HK$10,000 for each non-residential customer, in May 2003. It further provided each customer as at 31 December 2003 with a one-off rebate determined on the basis of HK¢1.7 per unit of electricity consumption during 2003. These rebates were funded by the Development Fund and related accounts.

(b) A business relief rebate of HK¢0.2 per unit (2002: HK¢0.2 per unit) was made to non-residential customers.

(c) A special rebate of HK¢2.2 per unit (2002: HK¢2.2 per unit) and a rebate of HK¢0.6 per unit (2002: HK¢0.6 per unit) were made to customers during the year.

12. Earnings

Of the consolidated earnings of HK$7,687 million (2002: HK$7,104 million), HK$4,727 million (2002: HK$7,607 million) has been dealt with in the accounts of the Company.

13. Non-SoC Operating Earnings

	2003 HK$M	2002 HK$M
Income from power projects outside Hong Kong		
Chinese mainland	**935**	827
Asia-Pacific region	**710**	348
	1,645	1,175
Sales to Chinese mainland	**82**	64
Telecom business	**(86)**	(182)
Other businesses	**(41)**	(59)
	1,600	998

14. Dividends

	2003		2002	
	HK$ per share	**HK$M**	HK$ per share	HK$M
Interim dividends paid	**1.23**	**2,962**	1.14	2,746
Final dividend proposed	**0.65**	**1,565**	0.51	1,228
Special final dividend proposed	**0.10**	**241**	0.23	554
	1.98	**4,768**	1.88	4,528

At the Board meeting held on 25 February 2004, the Directors recommended a final dividend of HK$0.65 per share and a special final dividend of HK$0.10 per share. The proposed dividends are not reflected as dividends payable in these accounts, but as a separate component of the shareholders' funds for the year ended 31 December 2003.

15. Earnings per Share

The prescribed figure for earnings per share which includes the Hok Un redevelopment profit/property disposal gain (Note 6) is computed as follows:

	2003	2002
Earnings for the year (HK$M)	**7,687**	7,104
Weighted average number of shares in issue (thousand shares)	**2,408,246**	2,408,783
Earnings per share (HK$)	**3.19**	2.95

15. Earnings per Share (continued)

To enable investors to understand better the Group's results, an additional earnings per share figure, excluding the Hok Un redevelopment profit/property disposal gain, is provided below:

	2003 HK$M	2002 HK$M
Earnings for the year	**7,687**	7,104
Less: Hok Un redevelopment profit/property disposal gain	**(240)**	(546)
Earnings excluding Hok Un redevelopment profit/property disposal gain	**7,447**	6,558
Earnings per share excluding Hok Un redevelopment profit/property disposal gain (HK$)	**3.09**	2.72

Fully diluted earnings per share is not included as the Company did not have any diluting equity instruments as at 31 December 2003 (2002: nil).

16. Fixed Assets

Group

	Land HK$M	**Buildings HK$M**	**Plant, Machinery and Equipment HK$M**	**Total HK$M**
Cost				
As at 1 January 2003	2,157	5,739	44,183	52,079
Acquisition of subsidiaries	85	373	15,932	16,390
Additions	101	908	4,585	5,594 [(a)]
Transfers and disposals	(30)	(40)	(577)	(647)
Exchange differences	17	37	2,736	2,790
As at 31 December 2003	2,330	7,017	66,859	76,206
Accumulated depreciation				
As at 1 January 2003	–	1,336	14,193	15,529
Acquisition of subsidiaries	–	99	3,787	3,886
Charge for the year	–	159	2,198	2,357
Transfers and disposals	–	(11)	(403)	(414)
Impairment charge	–	–	9	9
Exchange differences	–	8	674	682
As at 31 December 2003	–	1,591	20,458	22,049
Net book value				
As at 31 December 2003	**2,330**	**5,426**	**46,401**	**54,157 [(b)]**
As at 31 December 2002	2,157	4,403	29,990	36,550

Notes:

(a) Capital expenditure incurred for the SoC business totalled HK$5,125 million (2002: HK$4,923 million).

(b) Fixed assets employed for the SoC business and non-SoC business amounted to HK$39,258 million (2002: HK$36,273 million) and HK$14,899 million (2002: HK$277 million) respectively. For the non-SoC business, HK$14,687 million (2002: nil) was attributed to Yallourn Energy and GPEC.

16. Fixed Assets (continued)

Included in fixed assets is equipment awaiting installation and plant under construction, the book values of which as at 31 December 2003 were HK$335 million and HK$7,594 million respectively (2002: HK$356 million and HK$5,926 million respectively) for the Group.

The tenure of the land of the Group is as follows:

	2003 HK$M	2002 HK$M
Held in Hong Kong:		
On long-term leases (over 50 years)	**155**	176
On medium-term leases (10-50 years)	**2,071**	1,979
On short-term leases (less than 10 years)	**2**	2
	2,228	2,157
Held outside Hong Kong:		
Freehold	**101**	–
On long-term leases (over 50 years)	**1**	–
	102	–
	2,330	2,157

Company

The fixed assets of the Company were HK$6 million (2002: HK$8 million), comprising mainly office furniture, fittings and equipment. The additions and depreciation for the year were HK$1 million and HK$2 million respectively.

17. Goodwill

Goodwill and negative goodwill arising from acquisition of interests in Yallourn Energy and GPEC are as follows:

	Goodwill HK$M	Negative Goodwill HK$M	Total HK$M
Gross amount			
As at 1 January 2003	–	–	–
Transfer from jointly controlled entities	220	(419)	(199)
Acquisition of subsidiaries	–	(457)	(457)
Fair value adjustments	(196)	(49)	(245)
Exchange differences	4	(184)	(180)
As at 31 December 2003	28	(1,109)	(1,081)
Accumulated amortisation			
As at 1 January 2003	–	–	–
Transfer from jointly controlled entities	(11)	23	12
Credit for the period	8	32	40
Exchange differences	–	12	12
As at 31 December 2003	(3)	67	64
Net carrying value			
As at 31 December 2003	**25**	**(1,042)**	**(1,017)**

The above figures comprise the negative goodwill arising from the acquisition of additional interests in Yallourn Energy and GPEC in April and June 2003 respectively and the goodwill and negative goodwill arising from the past acquisitions which were included previously in the carrying value of the Group's investments in jointly controlled entities.

The goodwill and negative goodwill are being amortised over 16 to 31 years from the respective date of acquisition. The amortisation charge/credit is included within "fuel and other net operating costs" in the consolidated profit and loss account.

The provisional fair values recorded as at the respective date of acquisition have subsequently been updated primarily for the recoverability of receivables and related deferred tax.

18. Investments in Subsidiary Companies

	2003 HK$M	2002 HK$M
Unlisted shares, at cost	**23,589**	23,673
Provisions for impairment losses	**(100)**	(100)
Advances to subsidiary companies, less provisions	**11,356**	10,592
Advances from subsidiary companies	**(16)**	(33)
	34,829	34,132

The advances to/from subsidiary companies are unsecured, interest free and have no fixed repayment terms except an advance from CLP Properties Group of HK$16 million (2002: HK$14 million), which is repayable on demand and bears interest of 1.25% (2002: 1.75%) per annum.

The table below lists the principal subsidiary companies of the Group:

Name	Issued Share Capital	Percentage of Issued Capital Held in 2003	Place of Incorporation/ Operation	Principal Activity
CLP Power Hong Kong Limited	2,488,320,000 shares of HK$5 each	100	Hong Kong	Generation and Supply of Electricity
Hong Kong Nuclear Investment Company Limited	300,000 shares of HK$1,000 each	100	Hong Kong/ Chinese mainland	Power Project Investment Holding
CLP Engineering Limited	410 shares of HK$10,000 each	100	Hong Kong	Engineering Services
CLP Power Asia Limited	1,000 shares of US$1 each	100	British Virgin Islands/International and Chinese mainland	Power Projects Investment Holding
CLP Power China Limited	192,000,000 shares of US$1 each	100*	British Virgin Islands/Chinese mainland	Power Projects Investment Holding
CLP Power International Limited	192,000 shares of US$1,000 each	100*	British Virgin Islands/International	Power Projects Investment Holding
CLP Properties Limited	15,000,000 shares of HK$10 each	100	Hong Kong	Property Investment Holding
CLP Telecommunications Limited	10,000,000 shares of HK$10 each	100	Hong Kong	Telecommunications
CLP Research Institute Limited	1 share of US$1	100	British Virgin Islands/Hong Kong	Research and Development
Yallourn Energy Pty Limited	15 shares of A$1 each	92*	Australia	Generation and Supply of Electricity
Gujarat Paguthan Energy Corporation Private Limited	728,000,000 shares of Rs.10 each	100*	India	Generation and Supply of Electricity

* Indirectly held

19. Investments in Jointly Controlled Entities

The table below lists the share of net assets of the jointly controlled entities of the Group:

	2003 HK$M	2002 HK$M
Castle Peak Power Company Limited (A)		
Share of net assets	**215**	175
Advances	**5,690**	4,856
Special loan	**78**	78
	5,983	5,109
Guangdong Nuclear Power Joint Venture Company, Limited (B)		
Share of net assets	**3,075**	3,071
CLP Powergen joint venture – Gujarat Paguthan Energy Corporation Private Limited (C)		
Share of net assets other than goodwill	**–**	2,598
Unamortised goodwill on acquisition	**–**	209
	–	2,807
CLP Powergen joint venture – Yallourn Energy Pty Limited (D)		
Share of net assets other than goodwill	**–**	2,600
Unamortised goodwill on acquisition	**–**	(396)
Advances	**–**	221
	–	2,425
Shandong Zhonghua Power Company Limited (E)		
Share of net assets	**1,341**	1,373
Ho-Ping Power Company (F)		
Share of net assets other than goodwill	**1,054**	968
Unamortised goodwill on acquisition	**240**	242
	1,294	1,210
CLP Guohua Power Company Limited (G)		
Share of net assets other than goodwill	**924**	834
Unamortised goodwill on acquisition	**125**	132
	1,049	966
Hok Un joint venture (H)		
Share of net assets	**560**	825
Hong Kong Pumped Storage Development Company, Limited (I)		
Share of net assets	**12**	12
Advances	**306**	300
	318	312
Others (J)		
Share of net assets other than goodwill	**688**	544
Unamortised goodwill on acquisition	**77**	65
Advances	**302**	313
Impairment charge	**–**	(38)
	1,067	884
	14,687	18,982

19. Investments in Jointly Controlled Entities (continued)

The purchased goodwill of jointly controlled entities is being amortised on a straight-line basis over its estimated useful economic life. Movement of goodwill is shown below:

	2003 HK$M	2002 HK$M
Gross amount, as previously reported	**746**	463
Accumulated amortisation, as previously reported	**(42)**	(8)
Adjustment on adoption of SSAP No. 12 (Revised)	**(452)**	(360)
Balance at beginning of year, as restated	**252**	95
Transfer upon acquisition of subsidiary companies	**187**	–
Addition	**42**	213
Disposal	**(31)**	–
Amortisation	**(20)**	(18)
Exchange differences	**12**	(38)
Gross amount	**484**	268
Accumulated amortisation	**(42)**	(16)
Balance at end of year	**442**	252

(A) Castle Peak Power Company Limited (CAPCO) is 40% owned by CLP Power Hong Kong and 60% owned by ExxonMobil Energy Limited and is incorporated in Hong Kong. Its principal activity is the generation of electricity for the sole supply to CLP Power Hong Kong. While CAPCO owns the power generation assets, CLP Power Hong Kong builds and operates all CAPCO's power stations and is the sole offtaker.

Under the terms of the revised CAPCO Deed of Subordination, in the event of the winding up of CAPCO, CLP Power Hong Kong's advances to it would be subordinated to certain loans of CAPCO. CLP Power Hong Kong's advances to CAPCO may be withdrawn only to the extent that the shareholders' funds exceed two-thirds of the aggregate principal amount outstanding of the said loans. In this context the shareholders' funds represent the sum of the issued share capital, shareholders' advances, special advances, deferred taxation, retained profits and any proposed dividend.

The Special Loan to CAPCO is unsecured, interest free and repayable in full on 30 September 2008.

19. Investments in Jointly Controlled Entities (continued)

In view of the significance of this investment, an extract of the accounts of CAPCO for the years ended 31 December is set out as follows:

	2003 HK$M	2002 HK$M
Results for the year		
Turnover	**10,523**	10,262
Profit before taxation	**4,278**	3,917
Group's share of profit before taxation for the year	**1,716**	1,572
Net assets as at year end		
Fixed assets	**27,449**	26,836
Current assets	**1,536**	1,392
Current liabilities	**(4,348)**	(5,330)
Deferred taxation	**(2,827)**	(2,540)
Long-term liabilities	**(7,011)**	(7,733)
	14,799	12,625

(B) Guangdong Nuclear Power Joint Venture Company, Limited (GNPJVC) is 25% owned by the Group and 75% owned by Guangdong Nuclear Investment Company, Limited and is incorporated in the Chinese mainland. This company constructed and operates the Guangdong Daya Bay Nuclear Power Station and its principal activity is the generation of electricity for supply to Hong Kong and Guangdong Province.

In view of the significance of this investment, an extract of the management accounts of GNPJVC, after making adjustment to conform with the Group's significant accounting policies, for the years ended 31 December is set out as follows:

	2003 HK$M	2002 HK$M
Results for the year		
Turnover	**7,348**	7,146
Profit before taxation	**3,308**	3,028
Group's share of profit before taxation for the year	**827**	757
Net assets as at year end		
Fixed assets	**16,034**	17,646
Current assets	**4,232**	3,404
Current liabilities	**(1,386)**	(2,166)
Long-term liabilities	**(6,566)**	(6,599)
	12,314	12,285

19. Investments in Jointly Controlled Entities (continued)

(C) On 20 February 2002, the Group acquired an 80% interest in a newly formed joint venture company (with the remaining 20% held by Powergen UK plc (Powergen)) which during the period acquired a 100% equity interest in Gujarat Paguthan Energy Corporation Private Limited (GPEC). GPEC owns and operates a combined cycle 655MW power station in Gujarat, India and has entered into a 20-year (1998-2018) power purchase agreement with Gujarat Electricity Board.

On 11 June 2003, the Group acquired Powergen's remaining interest (20%) in GPEC for a consideration of HK$328 million. The participation of Powergen in the operation and management of GPEC then ceased and GPEC became a wholly-owned subsidiary company of the Group. Details of the acquisition of the additional interest in GPEC and its effects on the Group's operating profit and financial position upon becoming a subsidiary company of the Group are discussed in Note 2.

(D) Prior to April 2003, the Group held an 80% interest in two joint venture companies, with the remaining 20% held by Powergen. In February 2001, these joint venture companies completed the acquisition of a 92% interest in Yallourn Energy Pty Limited (Yallourn Energy), which owns and operates a 1,480MW coal-fired plant and dedicated coal mine in Victoria, Australia.

On 16 April 2003, the Group acquired Powergen's remaining interest (18.4%) in Yallourn Energy for a consideration of HK$508 million. The participation of Powergen in the operation and management of Yallourn Energy then ceased and the Group's effective interest in Yallourn Energy increased to 92%. Details of the acquisition of the additional interest in Yallourn Energy and its effects on the Group's operating profit and financial position upon becoming a subsidiary company of the Group are discussed in Note 2.

(E) Shandong Zhonghua Power Company Limited is 29.4% owned by the Group and is incorporated in the Chinese mainland. This company owns four power stations totalling 3,000MW. Three of the power stations, Shiheng I, Shiheng II and Heze II, are in commercial operation and the remaining one, Liaocheng, is in trial operation. All power generated is for supply to the Shandong Grid.

(F) The Group has an interest in 40% of the issued share capital of Ho-Ping Power Company (Ho-Ping), a company which is incorporated in Taiwan. This company has constructed, owns and operates a coal-fired power station and an associated 53km of 345kV transmission line at Ho-Ping in eastern Taiwan. Unit 1 and Unit 2 of the plant commenced operation in June and September 2002 respectively. All power generated is supplied to Taiwan Power Company (Taipower), the government-owned utility of Taiwan. Goodwill associated with the acquisition of Ho-Ping is being amortised over a period of 25 years, which is the term of the power purchase agreement signed with Taipower.

(G) CLP Guohua Power Company Limited, the joint stock company with 51% owned by Beijing Guohua Electric Power Corporation and 49% by the Group, is incorporated in the Chinese mainland. It holds interests in three coal-fired power stations, namely Beijing Yire Power Station in Beijing, Panshan Power Station in Tianjin and Sanhe Power Station in Hebei, with a combined installed capacity of 2,100MW, of which the joint stock company owns 1,285 equity MW. Goodwill is being amortised over 20 years from the date of acquisition.

19. Investments in Jointly Controlled Entities (continued)

(H) The Group entered into a joint venture agreement with a wholly-owned subsidiary company of Cheung Kong (Holdings) Limited in 1991 to develop the Hok Un site at Hung Hom (named Laguna Verde). Under the agreement, the Group has the right to share 50% of profits arising from the project, with a minimum overall profit guaranteed by the subsidiary company of Cheung Kong (Holdings) Limited which also provides all the necessary funding.

In 1999, the joint venture acquired additional Plot Ratio from the Hong Kong Government. Under a separate agreement with the subsidiary company of Cheung Kong (Holdings) Limited, the Group shares 50% of the net proceeds of sale from this additional gross floor area and bears 50% of associated land premium, development and marketing costs.

(I) Hong Kong Pumped Storage Development Company, Limited is 49% owned by the Group and is incorporated in Hong Kong. This company has the right to use 50% of the capacity of Phase I of the Guangzhou Pumped Storage Power Station in Guangdong Province until 2034.

(J) The Group's other investments include:

- 41.5% interest in a number of hydro power projects in Huaiji County, Guangdong Province;
- 50% interest in a joint venture undertaken with a subsidiary company of Cheung Kong (Holdings) Limited in Hong Kong to provide second mortgage financing to purchasers of Laguna Verde;
- 49% interest in CLP Guohua Shenmu, which is incorporated in the Chinese mainland and holds an interest in a coal-fired power station, Shenmu Power Station, with an installed capacity of 200MW. Goodwill is being amortised over 18 years from the date of acquisition;
- 70% interest in Guizhou CLP Power, which is incorporated in the Chinese mainland and holds an interest in a coal-fired power station in Guizhou, Anshun II Power Station, with an installed capacity of 600MW. Full commercial operation will commence in 2004. Under the joint venture agreement, none of the joint venture partners has unilateral control over the economic activity of the joint venture company. Hence, the Group's interest is accounted for as jointly controlled entity;
- 40% interest in Ho-Ping Power Services Corporation to provide operation and maintenance services to Ho-Ping; and
- 50% (2002: 40%) interest in BLCP Power Limited (BLCP) which owns and will operate a 1,434MW coal-fired power station currently under construction in Thailand. Goodwill associated with the acquisition of BLCP is to be amortised over a period of 25 years from the date of commercial operation, which is the term of the power purchase agreement signed with Electricity Generating Authority of Thailand.

During the year, the Group disposed of its 40% interest in Precision Marketing Inc., which provides customer database management services in Hong Kong, Taiwan and the Chinese mainland.

The advances to jointly controlled entities are unsecured, interest free and have no fixed repayment terms except for an advance of HK$302 million (2002: HK$298 million) to a joint venture undertaken with a subsidiary company of Cheung Kong (Holdings) Limited, of which HK$25 million bears interest based on Hong Kong prime rate.

20. Investments in Associated Companies

	2003 HK$M	2002 HK$M
Electricity Generating Public Company Limited (A)		
Share of net assets other than goodwill	**1,346**	1,111
Unamortised goodwill on acquisition	**163**	165
	1,509	1,276
PowerCom Network Hong Kong Limited (B)		
Share of net losses	**(3)**	(2)
Unamortised goodwill on acquisition	**87**	152
	84	150
	1,593	1,426

The purchased goodwill of associated companies is being amortised on a straight-line basis over its estimated useful economic life of 10 to 16 years. Movement of goodwill is shown as below:

	2003 HK$M	2002 HK$M
Gross amount	**1,373**	1,212
Accumulated amortisation	**(1,056)**	(1,037)
Balance at beginning of year	**317**	175
Addition	**–**	157
Amortisation	**(31)**	(19)
Impairment charge	**(49)**	–
Exchange differences	**13**	4
Gross amount	**1,386**	1,373
Accumulated amortisation	**(1,136)**	(1,056)
Balance at end of year	**250**	317

(A) Electricity Generating Public Company Limited (EGCO) is 22.4% (2002: 22.4%) owned by the Group and is incorporated and listed in Thailand. Its principal activity is the generation of electricity for supply to the Electricity Generating Authority of Thailand. The Group has nominated 4 directors to the EGCO Board out of the total of 13 Board members. The market value as at 31 December 2003 was HK$2,080 million (2002: HK$800 million).

(B) PowerCom Network Hong Kong Limited (PowerCom) is 19% owned by the Group and 81% held by Cheung Kong Enterprises Limited. It is a private limited liability company incorporated in the British Virgin Islands. Its principal activity is the provision of broadband Internet access and communication services, using powerline telecommunication technology. Because the Group can exercise significant influence over PowerCom's management, the investment is accounted for as an associated company.

The Group has performed a review of the carrying value of PowerCom at the end of the year. Based on this valuation, the Directors consider it appropriate to provide for an impairment loss of HK$49 million.

21. Investment Securities

	2003 **HK$M**	2002 HK$M
Equity securities listed in Hong Kong (A)	**–**	14
Unlisted shares (B)	**4**	4
Held-to-maturity securities (C)	**–**	264
Fixed-income securities	**5**	5
	9	287

(A) The Group holds a 5.23% interest in DataSys Technology Holdings Limited (DataSys), a listed company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. During the year, the Group reclassified the investment in DataSys from long-term investment to other investments under current assets (Note 23(A)).

(B) The Group owns a 6.4% shareholding in StorageBank Inc., an unlisted company in Taiwan which provides storage systems, backup and disaster recovery of computer systems.

(C) The Group holds 100% (A$160 million) of the floating rate notes issued by Mezzco Pty Ltd. This is a wholly-owned subsidiary company of AusPower Holdings Pty Ltd., which is the immediate holding company of Yallourn Energy. Following the acquisition of the additional interest in Yallourn Energy during the year, the Group consolidated both Yallourn Energy and Mezzco Pty Ltd. into its consolidated accounts; the Group's investment in the floating rates notes was eliminated against the liability of Mezzco Pty Ltd.

22. Deposits, Bank Balances and Cash

	2003 **HK$M**	2002 HK$M
Trust fund for unclaimed dividends (A)	**21**	25
Deposits, bank balances and cash	**766**	491
	787	516

(A) As part of the restructuring arrangements in relation to the transfer of HK$10,116,789,910 from the share premium account to distributable reserves approved by the court in 2002, a trust fund was set up to cover unclaimed dividends. The Company has an obligation to pay such dividends until they can be forfeited after 6 years from the date they were declared.

23. Other Investments

	2003 HK$M	2002 HK$M
Equity securities at market value		
– listed in Hong Kong (A)	**10**	–
– listed outside Hong Kong (B)	**–**	671
	10	671

(A) During the year, the Directors changed their intention regarding the Group's shareholding in DataSys. Accordingly, it was reclassified from investment securities held for the long-term (Note 21(A)) to other investments within current assets and valued at its market price of HK$10 million (market value at 2002: HK$16 million). As a result, a loss of HK$4 million was recognised.

(B) The Group sold its 5% interest in YTL Power International Berhad, a listed company in Malaysia, to YTL Corporation for a total consideration of RM320,985,313 (approximately HK$659 million) or RM2.75 per share in 2003.

24. Trade and Other Receivables

	2003 HK$M	2002 HK$M
Group		
Trade receivables (ageing analysis is shown below)	**3,201**	605
Deposits and prepayments	**1,161**	601
Current accounts with jointly controlled entities	**62**	50
	4,424	1,256
Company		
Debtors, deposits and prepayments	**7**	6
Current accounts with subsidiary companies	**1**	1
	8	7

The Group has established credit policies for customers in each of its core businesses. CLP Power Hong Kong's credit policy in respect of receivables arising from its principal electricity business is to allow customers to settle their electricity bills within 15 to 17 days after issue. Customers' receivable balances are generally secured by cash deposits or bank guarantees. For Yallourn Energy and GPEC, the credit term for trade receivables ranges from 30 to 60 days.

As at 31 December 2003, HK$3,153 million of trade and other receivables was attributed to Yallourn Energy and GPEC. GPEC has obtained payment for some of its receivables from Gujarat Electricity Board through bill discounting with recourse. Details of these financing arrangements are disclosed in Note 32(B).

The ageing analysis of the trade receivables as at 31 December is as follows:

	2003 HK$M	2002 HK$M
Below 30 days	**2,011**	573
31 – 60 days	**169**	17
61 – 90 days	**40**	6
Over 90 days	**981**	9
	3,201	605

25. Fuel Clause Account

Costs of fuel consumed by CLP Power Hong Kong are passed on to the customers. The variations between the actual cost of fuel and the fuel cost billed are captured in the Fuel Clause Account. The balance on the account (inclusive of interest) represents amounts over-recovered and is an amount due to customers of CLP Power Hong Kong.

26. Trade and Other Payables

	2003 HK$M	2002 HK$M
Group		
Trade payables (ageing analysis is shown below)	**1,719**	1,404
Other payables and accruals	**1,152**	752
Current accounts with jointly controlled entities	**1,123**	1,050
	3,994	3,206
Company		
Creditors	**72**	53
Current accounts with subsidiary companies	**6**	8
	78	61

The ageing analysis of the trade payables as at 31 December is as follows:

	2003 HK$M	2002 HK$M
Below 30 days	**1,671**	1,341
31 – 60 days	**41**	5
61 – 90 days	**7**	1
Over 90 days	**–**	57
	1,719	1,404

27. Share Capital

	2003		2002	
	Number of Shares of HK$5 Each	**Amount HK$M**	Number of Shares of HK$5 Each	Amount HK$M
Authorised				
As at 31 December	**3,000,000,000**	**15,000**	3,000,000,000	15,000
Issued and fully-paid				
As at 1 January	**2,408,245,900**	**12,041**	2,421,486,400	12,107
Shares repurchased during the year	**–**	**–**	(13,240,500)	(66)
As at 31 December	**2,408,245,900**	**12,041**	2,408,245,900	12,041

28. Bank Loans and Other Borrowings

	Group 2003 HK$M	Group 2002 HK$M	Company 2003 HK$M	Company 2002 HK$M
Total facilities available				
Bank overdrafts	**703**	499	**–**	–
Bank loans	**21,610**	12,033	**7,000**	7,000
US Dollar Notes due 2006 (US$300 million)	**2,340**	2,340	**–**	–
US Dollar Notes due 2012 (US$300 million)	**2,340**	2,340	**–**	–
HK Dollar Notes due 2013	**1,000**	–	**–**	–
	27,993	17,212	**7,000**	7,000
Utilised as at 31 December				
Bank loans				
Wholly repayable within five years	**7,082**	4,617	**2,776**	2,113
Not wholly repayable within five years	**5,935**	–	**–**	–
	13,017	4,617	**2,776**	2,113
Other borrowings				
Wholly repayable within five years	**2,340**	2,340	**–**	–
Not wholly repayable within five years	**3,340**	2,340	**–**	–
	5,680	4,680	**–**	–
	18,697	9,297	**2,776**	2,113
Included in current liabilities				
Short-term loans	**567**	567	**–**	11
Current portion of long-term loans and borrowings	**528**	3	**–**	–
	1,095	570	**–**	11
Long-term loans and borrowings, repayable				
within one year	**528**	3	**–**	–
between one and two years	**770**	2	**–**	–
between two and five years	**10,696**	6,385	**2,776**	2,102
after five years	**6,136**	2,340	**–**	–
	18,130	8,730	**2,776**	2,102
Less: current portion of long-term loans and borrowings	**(528)**	(3)	**–**	–
	17,602	8,727	**2,776**	2,102
	18,697	9,297	**2,776**	2,113

Of the total bank loan facilities available, HK$19,326 million (2002: HK$9,543 million) are committed.

28. Bank Loans and Other Borrowings (continued)

The total borrowings of HK$18,697 million as at 31 December 2003 (2002: HK$9,297 million) comprised the following:

(i) US Dollar Notes of HK$2,340 million due 2006 (2002: HK$2,340 million) with a coupon rate of 7.50% (2002: 7.50%) per annum; this liability was fully swapped into Hong Kong Dollars, at an average fixed rate of 7.07% per annum;

(ii) US Dollar Notes of HK$2,340 million due 2012 (2002: HK$2,340 million) with a coupon rate of 6.25% per annum; this liability was fully swapped into Hong Kong Dollars, with HK$1,000 million further swapped into 5-year fixed rate of 6.12% per annum and the balance kept at floating rate;

(iii) Hong Kong Dollar Notes of HK$1,000 million due 2013 (2002: nil), of which two tranches of HK$500 million Notes were issued at coupon rates of 4.45% and 5.00% per annum respectively;

(iv) Australian dollar bank loans of HK$9,336 million (2002: HK$2,190 million), with interest rates at a fixed margin over Australian dollar LIBOR or Australian Bank Bill Swap Rates. HK$6,444 million (2002: nil) of the loans were attributed to Yallourn Energy, with 95% swapped into fixed rate on a rolling 5-year basis and are secured by a fixed and floating charge over the assets of Yallourn Energy;

(v) Bank loans totalling HK$1,607 million (2002: nil), which principally comprised floating rate loans in Euros and Indian Rupees, were attributed to GPEC. Part of the loans (HK$620 million) are secured by a fixed and floating charge over the assets of GPEC; and

(vi) Others include floating rate loans of HK$2,070 million (2002: HK$2,421 million) and a fixed rate bank loan of HK$4 million (2002: HK$6 million).

29. Deferred Taxation

Deferred taxation is calculated in full on temporary differences under the liability method using the taxation rates enacted or substantively enacted by the balance sheet date in the respective jurisdictions.

Movement in the deferred tax assets account is as follows:

	Tax Losses HK$M	Accelerated Tax Depreciation HK$M	Provisions HK$M	Others HK$M	Total HK$M
As at 1 January 2003	–	–	–	–	–
Acquisition of subsidiaries	2,909	(2,194)	70	23	808
Fair value adjustment	–	–	(22)	1	(21)
(Charged)/credited to profit and loss account	240	(280)	12	17	(11)
Exchange differences	691	(513)	9	(11)	176
As at 31 December 2003	**3,840**	**(2,987)**	**69**	**30**	**952**

No comparative figures are shown as all of the deferred tax assets relate to Yallourn Energy and GPEC, which became subsidiary companies of the Group in 2003.

Movement in the deferred tax liabilities account is as follows:

	Accelerated Tax Depreciation		Withholding/Dividend Distribution Tax		Total	
	2003 HK$M	2002 HK$M	**2003 HK$M**	2002 HK$M	**2003 HK$M**	2002 HK$M
As at 1 January, as previously reported	**3,721**	3,391	**–**	–	**3,721**	3,391
Adjustment on adoption of SSAP No. 12 (Revised)	**(111)**	(111)	**–**	–	**(111)**	(111)
As at 1 January, as restated	**3,610**	3,280	**–**	–	**3,610**	3,280
Acquisition of subsidiaries	**–**	–	**222**	–	**222**	–
Fair value adjustment	**–**	–	**3**	–	**3**	–
Charged to profit and loss account	**343**	330	**97**	–	**440**	330
Effect of change in tax rate	**338**	–	**–**	–	**338**	–
Exchange differences	**–**	–	**1**	–	**1**	–
As at 31 December	**4,291**	3,610	**323**	–	**4,614**	3,610

30. Notes to the Consolidated Cash Flow Statement

(A) Reconciliation of profit before taxation to net cash inflow from operations

	2003 HK$M	2002 HK$M
Profit before taxation	**9,764**	10,040
Adjustments for:		
Operating interests	**622**	184
Finance income	**(48)**	(33)
Hok Un redevelopment profit	**(291)**	(282)
Share of profits less losses of jointly controlled entities	**(3,399)**	(2,992)
Share of profits less losses of associated companies	**(102)**	(86)
Depreciation	**2,357**	1,749
Amortisation of goodwill and negative goodwill	**(40)**	–
Impairment loss on investments in jointly controlled entities	**–**	38
Impairment loss on long-lived assets	**9**	59
Loss on disposal of fixed assets	**152**	79
Capital gain arising from disposal of properties	**–**	(321)
Dividend income from investments	**–**	(34)
Net loss/(gain) on other investments	**16**	(27)
(Realised gain)/unrealised loss on retirement benefit plan assets	**(17)**	83
Exchange losses/(gains)	**32**	(28)
SoC items		
Increase in customers' deposits	**194**	234
Increase in fuel clause account	**894**	258
One-off rebates	**(1,368)**	(439)
Business relief rebate	**(42)**	(41)
Special rebate	**(634)**	(626)
Rebate to customers under SoC	**(173)**	(171)
	(1,129)	(785)
Operating profit before working capital changes	**7,926**	7,644
Increase in debtors and prepayments	**(158)**	(150)
Increase in retirement benefit plan assets	**–**	(27)
Increase in creditors and other liabilities	**29**	248
Increase in current accounts due to jointly controlled entities	**61**	134
Net cash inflow from operations	**7,858**	7,849

(B) Analysis of the net cash outflow in respect of the acquisition of Yallourn Energy and GPEC

	2003 HK$M	2002 HK$M
Cash consideration *(Note 2)*	**836**	–
Cash and cash equivalents acquired	**(482)**	–
Net cash outflow in respect of the acquisitions	**354**	–

31. Commitments

(A) Capital expenditure authorised but not brought into the accounts is as follows:

	Group		Company	
	2003	2002	**2003**	2002
	HK$M	HK$M	**HK$M**	HK$M
Contracted but not provided for	**2,984**	3,056	**–**	–
Authorised but not contracted for	**9,411**	8,402	**10**	1
	12,395	11,458	**10**	1

(B) In respect of the investment in the Anshun II Power Project in Guizhou, the Group is required to contribute share capital of RMB440 million (approximately HK$414 million). As at 31 December 2003, RMB154 million (approximately HK$145 million) had been contributed. The remainder of the share capital will be paid by April 2004.

(C) Under the Equity Contribution Agreement relating to the BLCP Power project, the Group is required to make equity contributions of US$162 million (approximately HK$1,258 million). As at 31 December 2003, the Group's obligation as to US$17 million (approximately HK$132 million) had been fulfilled. The remainder will be contributed by 2007.

(D) Pursuant to the relevant loan agreements entered into on 27 February 2001 for the refinancing of Yallourn Energy, shareholders of AusPower Holdings Pty Limited, the immediate holding company of Yallourn Energy, agreed to provide the lenders with contingent equity support up to the sum of A$200 million in respect of a senior debt facility. The contribution of contingent equity depends on certain minimum requirements regarding the availability of cash flows for debt service within five years from 27 February 2001.

With higher than expected capital expenditure requirements over the next few years, Yallourn Energy forecasts that in order to meet the debt service cover ratios as stipulated in the loan agreements, it may require contingent equity support to be provided by its shareholders. For 2004, the total equity support required by Yallourn Energy is estimated to be about A$60 million based on a 100% ownership.

32. Contingent Liabilities

(A) China Energy Investment Company Limited (CEIC), a wholly-owned subsidiary company of the Group, is a shareholder of the Shandong Zhonghua Power Company Limited formed to develop, own and operate the Shiheng I, Shiheng II, Heze II and Liaocheng Power Stations totalling 3,000MW in the Shandong Province of the Chinese mainland. As part of the security package for the project, the Company has provided a Letter of Support to the finance parties to procure that CEIC will perform its contractual obligations.

32. Contingent Liabilities (continued)

The contingent financial liabilities as at 31 December 2003 to be assumed by the Company, in respect of the performance by CEIC of its contractual obligations, are estimated to be as follows:

	2003 HK$M	2002 HK$M
Sponsor support for completion	**699**	702
Liability under engineering, procurement and construction contracts for Heze II and Liaocheng Power Stations	**1,898**	2,472
Dividend escrow	**799**	618
	3,396	3,792

(B) GPEC has obtained payment for some of its receivables from Gujarat Electricity Board (GEB) through bill discounting with recourse. The potential effect on the Group as at 31 December 2003 if these financing arrangements are not settled by GEB is that GPEC would be required to pay HK$538 million (2002: HK$254 million). There is no recourse to the Group beyond GPEC from these arrangements and to date there has been no incident where recourse to GPEC has been necessary.

The Directors are of the opinion that no provision is required to be made in the financial statements in respect of the matters described above.

33. Related Party Transactions

In the normal course of business, the Group undertakes on an arm's length basis a wide variety of transactions with related parties. The more significant of such transactions during the year ended 31 December 2003 are described below:

(A) Purchases of electricity

	2003 HK$M	2002 HK$M
Purchases of electricity from CAPCO (I)	**10,431**	10,191
Purchases of nuclear electricity (II)	**5,134**	4,976
Pumped storage service fee (III)	**308**	419
Purchases of electricity	**15,873**	15,586

(I) Under the Electricity Supply Contract between CLP Power Hong Kong and CAPCO, CLP Power Hong Kong is obligated to purchase all of CAPCO's generating capacity. The Electricity Supply Contract provides that the price paid by CLP Power Hong Kong to CAPCO is sufficient to cover all of CAPCO's operating expenses, including fuel cost, depreciation, interest expenses and current and deferred taxes, as well as CAPCO's share of the return permitted under the SoC.

(II) Under the offtake and resale contracts, CLP Power Hong Kong is obligated to purchase the Group's 25% equity share of the output from Guangdong Daya Bay Nuclear Power Station (GNPS) and an additional 45% of such output from Guangdong Nuclear Investment Company, Limited. The price paid by CLP Power Hong Kong for electricity generated by GNPS throughout the terms of the power purchase agreements is determined by a formula based on GNPS's operating costs and a calculation of profits by reference to shareholders' funds and the capacity factor for that year.

33. Related Party Transactions (continued)

(A) Purchases of electricity (continued)

(III) Under a capacity purchase contract, Hong Kong Pumped Storage Development Company, Limited (PSDC) has the right to use 50% of the 1,200MW capacity of Phase 1 of the Guangzhou Pumped Storage Power Station. CLP Power Hong Kong has entered into a contract with PSDC to make use of this capacity. The price paid by CLP Power Hong Kong to PSDC is sufficient to cover all of PSDC's operating expenses and net return. PSDC's net return is based on a percentage of its net fixed assets in a manner analogous to the SoC.

(B) In accordance with the CAPCO Operating Service Agreement between CLP Power Hong Kong and CAPCO, CLP Power Hong Kong is responsible to CAPCO for the efficient and proper construction, commissioning, operation and maintenance of the electricity generating facilities of CAPCO. In return, CAPCO reimburses CLP Power Hong Kong for all costs incurred in performance of the agreement. The charges from CLP Power Hong Kong to CAPCO during the year amounted to HK$1,025 million (2002: HK$970 million) and a portion of the charges which is accounted for as operating expenses by CAPCO is covered under the Electricity Supply Contract.

34. Statement of Indebtedness, Contingent Liabilities and Capital Commitments of Affiliated Companies

The Company has obtained a waiver from The Stock Exchange of Hong Kong Limited under Paragraph 3.10 of Practice Note 19 of the Listing Rules from disclosing a proforma combined balance sheet of affiliated companies. Affiliated companies include the Group's jointly controlled entities and associated companies. Instead, in accordance with Practice Note 19, the Company discloses the following alternative information in relation to the affiliated companies as at 31 December 2003. This information has been extracted from the relevant audited accounts or management accounts of all affiliated companies.

	2003 HK$M	2002 HK$M
The Group's share of total indebtedness of affiliated companies is analysed as follows:		
Bank borrowings	**15,050**	18,468
Other borrowings including loans from shareholders	**1,352**	3,074
	16,402	21,542
The Group's share of contingent liabilities of affiliated companies	**301**	667
The Group's share of capital commitments of affiliated companies		
Contracted but not provided for	**4,129**	1,934
Authorised but not contracted for	**1,012**	2,943
	5,141	4,877

The Group's share of total indebtedness was significantly reduced mainly due to the exclusion of the borrowings of Yallourn Energy and GPEC which were reflected as part of the Group's borrowings on its balance sheet as at 31 December 2003 as both entities were reclassified from jointly controlled entities to subsidiary companies in 2003.

35. Approval of Accounts

The accounts were approved by the Board of Directors on 25 February 2004.