

Financial Summary

Commentary on variances in the Consolidated Profit and Loss Account and Balance Sheet

Consolidated Profit and Loss Account	2006 HK\$M	2005 HK\$M	Increase/ (Decrease) HK\$M	%	Commentary
Turnover	12,181	11,622	559	4.8	The increase is mainly due to the lower special subsidy for electricity sales in Hong Kong.
Other Revenue and Net Income	1,044	1,059	(15)	-1.4	The decrease is mainly due to lower interest income from the Australian associates as a result of the disposal of a 22.07% attributable interest in 2005, but partly offset by an increase in interest income from cash deposits and higher dividend income from Northern Gas Networks.
Direct and Other Operating Costs	4,891	4,926	(35)	-0.7	The decrease is mainly due to lower operating and staff costs but partly offset by higher depreciation.
Finance Costs	420	588	(168)	-28.6	The decrease is mainly due to a reduction in the Group's external borrowings for the Australian associates due to the lower attributable interest.
Profit on Disposal of Interest in Associates	–	1,560	(1,560)	–	It represents the extraordinary profit on disposal of a 22.07% attributable interest in Australian associates in 2005.
Share of Profits less Losses of Associates	229	1,050	(821)	-78.2	The decrease is mainly due to the disposal of a 22.07% attributable interest in the Australian associates in 2005.
Income Tax	1,301	1,215	86	7.1	The increase is mainly due to higher assessable income.
Scheme of Control Transfers	–	–	–	–	
Profit Attributable to Equity Shareholders					
– Local Activities	6,173	5,508	665	12.1	This increase is mainly contributed by the lower special subsidy for sales of electricity and an increase in interest income earned from cash deposits.
– Overseas Activities	669	3,054	(2,385)	-78.1	This decrease is mainly due to the decrease in share of profits in the Australian associates due to the lower attributable interest and the extraordinary profit on disposal of a 22.07% attributable interest in the Australian associates recorded in 2005.
Profit for the Year	6,842	8,562	(1,720)	-20.1	

Consolidated Balance Sheet	2006 HK\$M	2005 HK\$M	Increase/ (Decrease) HK\$M	%	Commentary
Fixed Assets	46,496	46,258	238	0.5	The Group's capital expenditure for the year amounted to HK\$2,305 million, invested principally in generation, transmission and distribution assets. Depreciation and amortisation charges for the year were HK\$2,019 million. Total disposals of fixed assets amounted to HK\$48 million (net book value).
Interest in Associates	6,339	5,780	559	9.7	The increase is mainly due to profit retained in the Australian associates and a stronger Australian dollar.
Other Assets	14,944	9,070	5,874	64.8	The increase is mainly due to higher deposit balance.
Bank Loans and Other Borrowings	14,689	10,645	4,044	38.0	The increase is mainly due to financing requirements for the Hong Kong electricity business.
Current and Deferred Taxation	5,983	5,602	381	6.8	The increase is mainly due to higher assessable income.
Other Liabilities	3,022	3,176	(154)	-4.8	The decrease is mainly due to the reduction in derivative financial instrument liabilities.
Rate Reduction Reserve and Development Fund	-	-	-	-	
Net Assets	44,085	41,685	2,400	5.8	
Net Gains Not Recognised in Consolidated Profit and Loss Account			510		Exchange differences arising on the translation of the Group's investment in overseas subsidiaries and associates, cash flow hedge derivative financial instruments and actuarial gains and losses on employee retirement benefit schemes which were credited directly to reserves.
Dividends Paid			(4,952)		Previous year's final dividend and current year's interim dividend, which were approved and paid during 2006.
Profit for the Year			6,842		