

Consolidated Account

STATEMENT OF ASSETS AND LIABILITIES AS AT 31 MARCH 2012

	Note	2012 HK\$'000	2011 HK\$'000
Assets			
Investments with the Exchange Fund	3	682,086,680	610,267,936
Deposits with banks	4	283,157	297,678
Cash and bank balances	5	3,263,566	2,576,029
Advances	6	2,415,177	2,491,695
	7	688,048,580	615,633,338
Liabilities			
Deposits	8	(18,835,504)	(20,158,985)
Suspense Accounts	9	(124,462)	(71,717)
	10	(18,959,966)	(20,230,702)
		<u>669,088,614</u>	<u>595,402,636</u>
Representing:			
Consolidated Fund Balance			
Balance at beginning of year		595,402,636	520,281,406
Surplus for the year		73,685,978	75,121,230
Balance at end of year	11, 12, 13	<u>669,088,614</u>	<u>595,402,636</u>

Notes 1 to 18 form part of these financial statements.

Mrs Lesley Y C WONG
 Director of Accounting Services
 15 August 2012



Consolidated Account

STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 31 MARCH 2012

	Note	2012 HK\$'000	2011 HK\$'000
Cash and bank balances at beginning of year		2,576,029	3,261,286
Revenue	14, 15	437,722,961	376,481,603
Expenditure	14, 16	(364,036,983)	(301,360,373)
Surplus for the year before repayment of government bonds and notes	17	73,685,978	75,121,230
Repayment of government bonds and notes		-	-
Surplus for the year after repayment of government bonds and notes	17	73,685,978	75,121,230
Other cash movements	18	(72,998,441)	(75,806,487)
Cash and bank balances at end of year		3,263,566	2,576,029

Notes 1 to 18 form part of these financial statements.

Mrs Lesley Y C WONG
Director of Accounting Services
15 August 2012



Consolidated Account

NOTES TO THE FINANCIAL STATEMENTS

1. Purpose

The Consolidated Account gives an overview of the financial position and cash resources of the Government of the Hong Kong Special Administrative Region.

2. Accounting Policies

- (i) The Consolidated Account covers the General Revenue Account and the following eight Funds: Capital Works Reserve Fund, Capital Investment Fund, Civil Service Pension Reserve Fund, Disaster Relief Fund, Innovation and Technology Fund, Land Fund, Loan Fund and Lotteries Fund. It excludes the Bond Fund, the balance of which is not part of the fiscal reserves.
- (ii) The Consolidated Account is prepared on a cash basis. Fixed assets and liabilities including those in the Capital Investment Fund and the Loan Fund are not shown in the Statement of Assets and Liabilities of the Consolidated Account but are shown by way of note (Notes 7 and 10).
- (iii) The Consolidated Account excludes inter-fund transfers as set out in Note 14(i).
- (iv) Currency balances other than Hong Kong dollars are stated at weighted average cost.

3. Investments with the Exchange Fund

- (i) These are investments and deposits held:

	2012 HK\$'000	2011 HK\$'000
Investments		
General Revenue Account	372,446,696	341,361,468
Capital Works Reserve Fund	71,150,504	43,431,335
Capital Investment Fund	1,193,350	1,618,937
Civil Service Pension Reserve Fund	24,373,123	22,993,513
Disaster Relief Fund	6,651	35,071
Innovation and Technology Fund	2,847,444	3,271,800
Land Fund	198,140,097	186,924,620
Loan Fund	2,235,291	1,909,323
Lotteries Fund	9,388,130	8,519,934
(Notes (ii) and (iii) below)	681,781,286	610,066,001
Deposits		
General Revenue Account	257,644	153,602
Capital Works Reserve Fund	47,500	48,132
Loan Fund	150	101
Lotteries Fund	100	100
	305,394	201,935
	682,086,680	610,267,936

- (ii) The investments represent the cost of investments together with interest of HK\$36.96 billion received in the year ended 31 March 2012.
- (iii) Effective from 1 April 2007, the return on the investments is calculated on the basis of the average annual investment return of the Exchange Fund's Investment Portfolio for the past six years or the average annual yield of three-year Exchange Fund Notes for the previous year subject to a minimum of zero percent, whichever is the higher.

Consolidated Account

4. Deposits with Banks

These are Hong Kong dollar and foreign currency deposits placed with licensed banks in Hong Kong:

	2012	2011
	HK\$'000	HK\$'000
General Revenue Account	283,157	297,610
Capital Works Reserve Fund	-	68
	<u>283,157</u>	<u>297,678</u>

5. Cash and Bank Balances

These balances cover cash in hand, in transit, with banks and agents, and with public officers for operating standing or special imprest accounts as provided under section 22 of the Public Finance Ordinance:

	2012	2011
	HK\$'000	HK\$'000
General Revenue Account	3,228,912	2,552,907
Capital Works Reserve Fund	887	300
Capital Investment Fund	1	2
Innovation and Technology Fund	9,111	11
Loan Fund	24,655	20,396
Lotteries Fund	-	2,413
	<u>3,263,566</u>	<u>2,576,029</u>

6. Advances

These are moneys paid out from time to time to individuals or organisations for a variety of reasons and are either recoverable or chargeable to expenditure upon authority being given:

	2012	2011
	HK\$'000	HK\$'000
General Revenue Account	2,415,177	2,414,333
Capital Works Reserve Fund	-	77,362
	<u>2,415,177</u>	<u>2,491,695</u>

Consolidated Account

7. Assets

Apart from those assets shown in the Statement of Assets and Liabilities (Note 2(ii)), there are also the following assets:

	2012 HK\$'000	2011 HK\$'000
Investments		
Capital Investment Fund		
Equity holdings	122,879,572	122,118,451
Other investments	416,364,974	405,220,504
	539,244,546	527,338,955
Loans Outstanding		
Capital Investment Fund		
Loans to investees	2,275,177	2,977,299
Loan Fund		
Housing loans	3,084,860	3,136,946
Education loans	12,361,535	12,119,397
Other loans	3,434,893	3,504,463
	21,156,465	21,738,105
Total	560,401,011	549,077,060

8. Deposits

These are moneys received from time to time from individuals or organisations for a variety of reasons and are in due course either repayable or transferable to revenue:

	2012 HK\$'000	2011 HK\$'000
General Revenue Account	17,847,586	19,150,921
Capital Works Reserve Fund	918,854	906,241
Loan Fund	10,350	7,744
Lotteries Fund	58,714	94,079
	18,835,504	20,158,985

9. Suspense Accounts

These Suspense Accounts are established under Resolutions passed by the Legislative Council under section 30 of the Public Finance Ordinance:

	2012 HK\$'000	2011 HK\$'000
Correctional Services Industries (Note (i) below)	20,329	24,663
Government Logistics Department — Unallocated Stores (Note (i) below)	8,374	6,011
The Special Coin (Note (ii) below)	(95,867)	(95,743)
The Financial Secretary Incorporated (Note (iii) below)	(57,298)	(6,648)
	(124,462)	(71,717)

Consolidated Account

9. Suspense Accounts *(Continued)*

- (i) The balances on the Correctional Services Industries Suspense Account and the Government Logistics Department — Unallocated Stores Suspense Account represent the cost of stocks in hand.
- (ii) The balance on The Special Coin Suspense Account represents the unutilised balance of net proceeds arising from issuing and dealing with special and commemorative coins.
- (iii) The balance on The Financial Secretary Incorporated Suspense Account represents the net amount arising from dealing with the regrant or renewal of Government Leases and managing the properties comprised therein.

10. Liabilities

The following outstanding liabilities under the Loans Ordinance (Cap. 61) are not included in the Statement of Assets and Liabilities (Note 2(ii)):

	2012	2011
	HK\$'000	HK\$'000
Outstanding government bonds and notes (Notes (i) and (ii) below)	11,207,500	11,230,313

- (i) Following a resolution passed under section 3(1) of the Loans Ordinance, the Government issued in July 2004 bonds and notes totalling HK\$20 billion to retail and institutional investors. These include institutional notes of US\$1.25 billion denominated in United States dollar. The net proceeds were credited to the Capital Works Reserve Fund. The outstanding institutional notes will mature within the period from August 2014 to July 2019. During the financial year, there were payments of interest of HK\$575 million on the notes but no repayment of principal.
- (ii) The institutional notes denominated in United States dollar are translated into Hong Kong dollar at the rate of exchange ruling on the last working day of the year.

11. Contingent Liabilities

As at 31 March 2012, the Government had the following contingent liabilities:

- (i) guarantee to the Hong Kong Export Credit Insurance Corporation for liabilities under contracts of insurance amounting to HK\$23,751 million (2011: HK\$22,693 million);
- (ii) guarantees provided under the SME Loan Guarantee Scheme amounting to HK\$7,012 million (2011: HK\$5,862 million);
- (iii) guarantees provided under the Special Loan Guarantee Scheme amounting to HK\$62,751 million (2011: HK\$68,563 million);
- (iv) litigation amounting to HK\$3,168 million (2011: HK\$4,232 million);
- (v) possible capital subscriptions to the Asian Development Bank amounting to HK\$6,607 million (2011: HK\$6,753 million);
- (vi) guarantees provided for a commercial loan of the Ocean Park Corporation amounting to HK\$1,388 million (2011: HK\$1,388 million); and
- (vii) guarantees provided under a special finance scheme for small and medium enterprises amounting to HK\$16 million (2011: HK\$16 million).

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12. Consolidated Fund Balance

The consolidated fund balance comprises the following individual fund balances:

	2012 HK\$'000	2011 HK\$'000
General Revenue Account	360,659,538	327,557,282
Capital Works Reserve Fund	70,280,037	42,650,956
Capital Investment Fund	1,193,351	1,618,939
Civil Service Pension Reserve Fund	24,373,123	22,993,513
Disaster Relief Fund	6,651	35,071
Innovation and Technology Fund	2,856,555	3,271,811
Land Fund	198,140,097	186,924,620
Loan Fund	2,249,746	1,922,076
Lotteries Fund	9,329,516	8,428,368
	<u>669,088,614</u>	<u>595,402,636</u>

13. Commitments

Innovation and Technology Fund

The approved grants that were unpaid as at 31 March 2012 amounted to HK\$877 million.

Lotteries Fund

The approved grants that were unpaid as at 31 March 2012 amounted to HK\$2,912 million.

14. Revenue and Expenditure

(i) The consolidated revenue and expenditure exclude inter-fund transfers totalling HK\$1,800 million between the General Revenue Account and the eight Funds specified in Note 2(i).

(ii) Revenue

Revenue comprises operating revenue and capital revenue.

Operating revenue comprises all revenue items of the General Revenue Account (except certain items such as disposal proceeds of government quarters and other assets, estate duty, loan repayments received and recovery from Housing Authority, etc. which are classified as capital revenue) and the Land Fund.

Capital revenue comprises all receipts of the other seven Funds and capital revenue items of the General Revenue Account.

(iii) Expenditure

Expenditure comprises operating expenditure and capital expenditure.

Operating expenditure comprises all expenditure of the General Revenue Account, except equipment, works and capital subventions of a minor nature which are classified as capital expenditure.

Capital expenditure comprises all expenditure of the Capital Works Reserve Fund (excluding repayment of government bonds and notes), Capital Investment Fund, Disaster Relief Fund, Innovation and Technology Fund, Loan Fund and Lotteries Fund and capital expenditure items of the General Revenue Account.

Consolidated Account

15. Revenue

	2012		2011
	Original Estimate HK\$'000	Actual HK\$'000	Actual HK\$'000
Operating revenue			
Internal revenue	201,719,118	238,885,961	210,584,391
Duties	7,797,868	7,724,742	7,551,086
General rates	11,011,000	9,722,268	8,955,850
Motor vehicle taxes	7,493,607	7,070,073	6,657,392
Royalties and concessions	2,410,173	4,849,249	2,451,443
Other operating revenue	35,399,846	39,847,793	34,698,129
Operating revenue before investment income	265,831,612	308,100,086	270,898,291
Investment income	30,498,000	31,320,750	28,902,018
Operating revenue after investment income	296,329,612	339,420,836	299,800,309
Capital revenue			
Land premium	62,000,000	84,644,418	65,544,560
Asset sales	158,350	117,873	154,442
Other capital revenue	6,266,750	7,614,829	5,950,966
Capital revenue before investment income	68,425,100	92,377,120	71,649,968
Investment income	4,961,000	5,925,005	5,031,326
Capital revenue after investment income	73,386,100	98,302,125	76,681,294
Total revenue	369,715,712	437,722,961	376,481,603

Consolidated Account

16. Expenditure

	2012		2011
	Original Estimate HK\$'000	Actual HK\$'000	Actual HK\$'000
Operating expenditure			
Recurrent expenditure			
Personal emoluments	53,161,890	54,689,661	51,017,671
Personnel related expenses	23,862,701	23,605,829	21,594,142
Departmental expenses	23,581,833	22,614,423	21,005,637
Other charges	46,547,045	44,887,879	41,475,718
Subventions	93,209,064	96,698,352	88,080,333
Additional commitments	1,782,000	-	-
Total recurrent expenditure	242,144,533	242,496,144	223,173,501
Non-recurrent expenditure	4,124,944	53,949,396	16,119,941
Additional commitments	58,831,000	-	-
Total non-recurrent expenditure	62,955,944	53,949,396	16,119,941
Operating expenditure	305,100,477	296,445,540	239,293,442
Capital expenditure			
Capital expenditure other than interest and other expenses on government bonds and notes	72,538,360	67,016,095	61,492,087
Interest and other expenses on government bonds and notes	577,002	575,348	574,844
Capital expenditure	73,115,362	67,591,443	62,066,931
Total expenditure	378,215,839	364,036,983	301,360,373

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17. Surplus/(Deficit)

	2012		2011
	Original Estimate HK\$'000	Actual HK\$'000	Actual HK\$'000
Operating Account			
Operating revenue	296,329,612	339,420,836	299,800,309
Operating expenditure	(305,100,477)	(296,445,540)	(239,293,442)
Operating surplus	(8,770,865)	42,975,296	60,506,867
Capital Account			
Capital revenue	73,386,100	98,302,125	76,681,294
Capital expenditure	(73,115,362)	(67,591,443)	(62,066,931)
Capital surplus	270,738	30,710,682	14,614,363
Surplus for the year before repayment of government bonds and notes	(8,500,127)	73,685,978	75,121,230
Repayment of government bonds and notes	-	-	-
Surplus for the year after repayment of government bonds and notes	(8,500,127)	73,685,978	75,121,230

18. Other Cash Movements

These are cash movements arising from changes in other assets and liabilities.

	2012 HK\$'000	2011 HK\$'000
Reduction/(Increase) in Assets		
Investments with the Exchange Fund	(71,818,744)	(76,462,931)
Deposits with banks	14,521	5,712
Advances	76,518	(43,462)
	(71,727,705)	(76,500,681)
Increase/(Reduction) in Liabilities		
Deposits	(1,323,481)	699,348
Suspense Accounts	52,745	(5,154)
	(1,270,736)	694,194
	(72,998,441)	(75,806,487)

Consolidated Account

Consolidated Revenue, Expenditure plus Repayment of Government Bonds and Notes, and Fund Balance for the years ended 31 March 2003 to 2012

HK\$Billion

