

# Consolidated Account

## STATEMENT OF ASSETS AND LIABILITIES AS AT 31 MARCH 2014

	Note	2014 HK\$'000	2013 HK\$'000
<b>Assets</b>			
Investments with the Exchange Fund	3	766,985,154	746,018,772
Deposits with banks	4	435,603	379,494
Cash and bank balances	5	3,615,364	3,303,765
Advances	6	2,674,114	2,519,239
	7	773,710,235	752,221,270
<b>Liabilities</b>			
Deposits	8	(17,919,152)	(18,226,749)
Suspense Accounts	9	(74,431)	(80,410)
	10	(17,993,583)	(18,307,159)
		<u>755,716,652</u>	<u>733,914,111</u>
<b>Representing:</b>			
<b>Consolidated Fund Balance</b>			
Balance at beginning of year		733,914,111	669,088,614
Surplus for the year		21,802,541	64,825,497
Balance at end of year	11, 12, 13	<u>755,716,652</u>	<u>733,914,111</u>

Notes 1 to 18 form part of these financial statements.

**Martin SIU**  
Director of Accounting Services  
15 August 2014



# Consolidated Account

## STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 31 MARCH 2014

	Note	2014 HK\$'000	2013 HK\$'000
<b>Cash and bank balances at beginning of year</b>		<b>3,303,765</b>	3,263,566
Revenue	14, 15	455,345,520	442,150,110
Expenditure	14, 16	(433,542,979)	(377,324,613)
<b>Surplus for the year before repayment of government bonds and notes</b>	17	<b>21,802,541</b>	64,825,497
Repayment of government bonds and notes		-	-
<b>Surplus for the year after repayment of government bonds and notes</b>	17	<b>21,802,541</b>	64,825,497
<b>Other cash movements</b>	18	<b>(21,490,942)</b>	(64,785,298)
<b>Cash and bank balances at end of year</b>		<b>3,615,364</b>	3,303,765

Notes 1 to 18 form part of these financial statements.

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# 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) Inter-fund transfers as set out in Note 14(i) are eliminated in full on consolidation.
- (iv) Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Foreign currency balances are translated into Hong Kong dollars at weighted average cost.

### 3. Investments with the Exchange Fund

- (i) These are investments and deposits held:

	2014 HK\$'000	2013 HK\$'000
<b>Investments</b>		
General Revenue Account	<b>412,705,816</b>	415,471,751
Capital Works Reserve Fund	<b>81,017,935</b>	78,985,953
Capital Investment Fund	<b>1,994,185</b>	1,393,239
Civil Service Pension Reserve Fund	<b>27,028,846</b>	25,741,758
Disaster Relief Fund	<b>31,228</b>	5,514
Innovation and Technology Fund	<b>1,811,225</b>	2,369,979
Land Fund	<b>219,729,659</b>	209,266,342
Loan Fund	<b>1,373,681</b>	2,181,903
Lotteries Fund	<b>21,230,754</b>	10,287,996
(Note (ii) below)	<b>766,923,329</b>	745,704,435
<b>Deposits</b>		
General Revenue Account	<b>20,011</b>	266,524
Capital Works Reserve Fund	<b>41,352</b>	47,690
Loan Fund	<b>362</b>	23
Lotteries Fund	<b>100</b>	100
	<b>61,825</b>	314,337
	<b>766,985,154</b>	746,018,772

# Consolidated Account

## 3. Investments with the Exchange Fund *(Continued)*

(ii) The investments represent the cost of investments together with the investment income received in the year being reported. Effective from 1 April 2007, the investment income 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. The investment income for the year ended 31 March 2014 was HK\$36.79 billion (2013: HK\$37.75 billion).

## 4. Deposits with Banks

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

	2014 HK\$'000	2013 HK\$'000
General Revenue Account	<u>435,603</u>	<u>379,494</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:

	2014 HK\$'000	2013 HK\$'000
General Revenue Account	3,582,332	3,273,636
Capital Works Reserve Fund	909	1,710
Capital Investment Fund	-	2,925
Innovation and Technology Fund	591	9,109
Loan Fund	31,531	16,384
Lotteries Fund	1	1
	<u>3,615,364</u>	<u>3,303,765</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:

	2014 HK\$'000	2013 HK\$'000
General Revenue Account	<u>2,674,114</u>	<u>2,519,239</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:

	2014 HK\$'000	2013 HK\$'000
<b>Investments</b>		
Capital Investment Fund		
Equity holdings	123,066,450	123,054,913
Other investments	439,710,728	419,792,297
	<b>562,777,178</b>	542,847,210
<b>Loans Outstanding</b>		
Capital Investment Fund		
Loans to investees	2,704,715	2,824,132
Loan Fund		
Housing loans	3,053,320	3,115,810
Education loans	14,755,903	12,911,039
Other loans	3,405,872	3,323,327
	<b>23,919,810</b>	22,174,308
Total	<b>586,696,988</b>	565,021,518

## 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:

	2014 HK\$'000	2013 HK\$'000
General Revenue Account	16,557,997	17,110,200
Capital Works Reserve Fund	1,287,294	1,044,769
Loan Fund	16,076	11,959
Lotteries Fund	57,785	59,821
	<b>17,919,152</b>	18,226,749

## 9. Suspense Accounts

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

	2014 HK\$'000	2013 HK\$'000
Correctional Services Industries (Note (i) below)	17,898	14,281
Government Logistics Department — Unallocated Stores (Note (i) below)	10,534	9,195
The Special Coin (Note (ii) below)	(96,101)	(96,041)
The Financial Secretary Incorporated (Note (iii) below)	(6,762)	(7,845)
	<b>(74,431)</b>	(80,410)

# 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)):

	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Outstanding government bonds and notes (Notes (i) and (ii) below)	<b>11,197,188</b>	11,203,688

- (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. Of the outstanding bonds and notes, repayment of US\$1.25 billion, equivalent to HK\$9.7 billion as at 31 March 2014, was made in July 2014 and the rest denominated in Hong Kong dollars will mature in July 2019. During the financial year, there were payments of interest of HK\$574 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 exchange rate ruling at the end of the reporting period.

## 11. Contingent Liabilities

As at 31 March 2014, 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\$31,397 million *(2013: HK\$29,475 million)*;
- (ii) guarantees provided under the SME Loan Guarantee Scheme amounting to HK\$7,610 million *(2013: HK\$7,452 million)*;
- (iii) guarantees provided under the Special Loan Guarantee Scheme amounting to HK\$41,689 million *(2013: HK\$50,955 million)*;
- (iv) guarantees provided under the SME Financing Guarantee Scheme — Special Concessionary Measures amounting to HK\$26,531 million *(2013: HK\$20,924 million)*;
- (v) legal claims, disputes and proceedings amounting to HK\$6,364 million *(2013: HK\$7,821 million)*;
- (vi) possible capital subscriptions to the Asian Development Bank amounting to HK\$6,577 million *(2013: HK\$6,391 million)*; and
- (vii) guarantees provided for a commercial loan of the Ocean Park Corporation amounting to HK\$1,388 million *(2013: HK\$1,388 million)*.

# Consolidated Account

## 12. Consolidated Fund Balance

The consolidated fund balance comprises the following individual fund balances:

	2014 HK\$'000	2013 HK\$'000
General Revenue Account	402,785,448	404,720,034
Capital Works Reserve Fund	79,772,902	77,990,584
Capital Investment Fund	1,994,185	1,396,164
Civil Service Pension Reserve Fund	27,028,846	25,741,758
Disaster Relief Fund	31,228	5,514
Innovation and Technology Fund	1,811,816	2,379,088
Land Fund	219,729,659	209,266,342
Loan Fund	1,389,498	2,186,351
Lotteries Fund	21,173,070	10,228,276
	<u>755,716,652</u>	<u>733,914,111</u>

## 13. Commitments

### Innovation and Technology Fund

The approved grants that were unpaid as at 31 March 2014 amounted to HK\$1,232 million (2013: HK\$1,164 million).

### Lotteries Fund

The approved grants that were unpaid as at 31 March 2014 amounted to HK\$3,994 million (2013: HK\$3,659 million).

## 14. Revenue and Expenditure

(i) Inter-fund transfers totalling HK\$11,893 million between the General Revenue Account and the eight Funds specified in Note 2(i) are eliminated in full on consolidation.

(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 all receipts of 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 payments 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

	2014		2013
	Original Estimate HK\$'000	Actual HK\$'000	Actual HK\$'000
<b>Operating revenue</b>			
Internal revenue	247,905,970	<b>245,331,115</b>	243,915,466
Duties	8,795,794	<b>9,720,205</b>	8,976,510
General rates	12,971,000	<b>14,911,481</b>	11,204,421
Motor vehicle taxes	7,651,649	<b>8,338,007</b>	7,466,089
Royalties and concessions	3,532,472	<b>4,426,309</b>	2,736,265
Other operating revenue	38,775,012	<b>42,444,817</b>	39,156,768
<b>Operating revenue before investment income</b>	319,631,897	<b>325,171,934</b>	313,455,519
<b>Investment income</b>			
Investments with the Exchange Fund	-	<b>29,915,607</b>	30,909,244
Others	-	<b>204,428</b>	240,975
	29,828,000	<b>30,120,035</b>	31,150,219
<b>Operating revenue after investment income</b>	349,459,897	<b>355,291,969</b>	344,605,738
<b>Capital revenue</b>			
Land premium	69,000,000	<b>84,254,882</b>	69,562,627
Asset sales	237,286	<b>151,012</b>	265,924
Other capital revenue	10,188,204	<b>8,767,415</b>	20,870,930
<b>Capital revenue before investment income</b>	79,425,490	<b>93,173,309</b>	90,699,481
<b>Investment income</b>			
Investments with the Exchange Fund	-	<b>6,875,344</b>	6,839,902
Others	-	<b>4,898</b>	4,989
	6,172,000	<b>6,880,242</b>	6,844,891
<b>Capital revenue after investment income</b>	85,597,490	<b>100,053,551</b>	97,544,372
<b>Total revenue</b>	435,057,387	<b>455,345,520</b>	442,150,110



# Consolidated Account

## 16. Expenditure

	2014		2013
	Original Estimate HK\$'000	Actual HK\$'000	Actual HK\$'000
<b>Operating expenditure</b>			
Recurrent expenditure			
Personal emoluments	60,474,368	<b>60,709,656</b>	58,218,204
Personnel related expenses	30,500,847	<b>28,701,835</b>	26,134,710
Departmental expenses	25,971,183	<b>25,268,269</b>	23,926,392
Other charges	62,709,227	<b>56,719,995</b>	47,933,588
Subventions	110,832,614	<b>112,988,986</b>	106,108,498
Additional commitments	794,000	-	-
Total recurrent expenditure	291,282,239	<b>284,388,741</b>	262,321,392
Non-recurrent expenditure	6,244,481	<b>53,325,525</b>	40,620,828
Additional commitments	54,473,000	-	-
Total non-recurrent expenditure	60,717,481	<b>53,325,525</b>	40,620,828
<b>Operating expenditure</b>	351,999,720	<b>337,714,266</b>	302,942,220
<b>Capital expenditure</b>			
Capital expenditure other than interest and other expenses on government bonds and notes	87,406,656	<b>95,254,645</b>	73,808,938
Interest and other expenses on government bonds and notes	576,581	<b>574,068</b>	573,455
<b>Capital expenditure</b>	87,983,237	<b>95,828,713</b>	74,382,393
<b>Total expenditure</b>	439,982,957	<b>433,542,979</b>	377,324,613

# Consolidated Account

## 17. Surplus/(Deficit)

	2014		2013
	Original Estimate HK\$'000	Actual HK\$'000	Actual HK\$'000
<b>Operating Account</b>			
Operating revenue	349,459,897	<b>355,291,969</b>	344,605,738
Operating expenditure	(351,999,720)	<b>(337,714,266)</b>	(302,942,220)
<b>Operating surplus</b>	(2,539,823)	<b>17,577,703</b>	41,663,518
<b>Capital Account</b>			
Capital revenue	85,597,490	<b>100,053,551</b>	97,544,372
Capital expenditure	(87,983,237)	<b>(95,828,713)</b>	(74,382,393)
<b>Capital surplus</b>	(2,385,747)	<b>4,224,838</b>	23,161,979
<b>Surplus for the year before repayment of government bonds and notes</b>	(4,925,570)	<b>21,802,541</b>	64,825,497
Repayment of government bonds and notes	-	-	-
<b>Surplus for the year after repayment of government bonds and notes</b>	(4,925,570)	<b>21,802,541</b>	64,825,497

## 18. Other Cash Movements

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

	2014 HK\$'000	2013 HK\$'000
<b>Increase in Assets</b>		
Investments with the Exchange Fund	<b>20,966,382</b>	63,932,092
Deposits with banks	<b>56,109</b>	96,337
Advances	<b>154,875</b>	104,062
	<b>21,177,366</b>	64,132,491
<b>Reduction in Liabilities</b>		
Deposits	<b>307,597</b>	608,755
Suspense Accounts	<b>5,979</b>	44,052
	<b>313,576</b>	652,807
	<b>21,490,942</b>	64,785,298

# Consolidated Account

Consolidated Revenue, Expenditure plus Repayment of Government Bonds and Notes, and Fund Balance for the years ended 31 March 2005 to 2014

