

Consolidated Account

STATEMENT OF ASSETS AND LIABILITIES AS AT 31 MARCH 2015

	Note	2015 HK\$'000	2014 HK\$'000
Assets			
Investments with the Exchange Fund	3	838,271,830	766,985,154
Deposits with banks	4	1,210,399	435,603
Cash and bank balances	5	3,127,945	3,615,364
Advances	6	2,877,375	2,674,114
	7	845,487,549	773,710,235
Liabilities			
Deposits	8	(16,926,787)	(17,919,152)
Suspense Accounts	9	(46,644)	(74,431)
	10	(16,973,431)	(17,993,583)
		828,514,118	755,716,652
Representing:			
Consolidated Fund Balance			
Balance at beginning of year		755,716,652	733,914,111
Surplus for the year		72,797,466	21,802,541
Balance at end of year	11, 12, 13	828,514,118	755,716,652

Notes 1 to 18 form part of these financial statements.

Martin SIU
Director of Accounting Services
20 August 2015



Consolidated Account

STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 31 MARCH 2015

	Note	2015 HK\$'000	2014 HK\$'000
Cash and bank balances at beginning of year		3,615,364	3,303,765
Revenue	14, 15	478,668,046	455,345,520
Expenditure	14, 16	(396,182,786)	(433,542,979)
Surplus for the year before repayment of government bonds and notes	17	82,485,260	21,802,541
Repayment of government bonds and notes		(9,687,794)	-
Surplus for the year after repayment of government bonds and notes	17	72,797,466	21,802,541
Other cash movements	18	(73,284,885)	(21,490,942)
Cash and bank balances at end of year		3,127,945	3,615,364

Notes 1 to 18 form part of these financial statements.

Martin SIU
Director of Accounting Services
20 August 2015



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:

	2015 HK\$'000	2014 HK\$'000
Investments		
General Revenue Account	487,049,458	412,705,816
Capital Works Reserve Fund	77,870,016	81,017,935
Capital Investment Fund	1,443,087	1,994,185
Civil Service Pension Reserve Fund	27,028,846	27,028,846
Disaster Relief Fund	15,584	31,228
Innovation and Technology Fund	987,214	1,811,225
Land Fund	219,729,659	219,729,659
Loan Fund	2,471,662	1,373,681
Lotteries Fund	21,621,933	21,230,754
(Notes (ii) and (iii) below)	838,217,459	766,923,329
Deposits		
General Revenue Account	9,072	20,011
Capital Works Reserve Fund	44,661	41,352
Loan Fund	538	362
Lotteries Fund	100	100
	54,371	61,825
	838,271,830	766,985,154

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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 annual investment income is receivable on 31 December of each year.
- (iii) Pursuant to the Financial Secretary's directive in December 2014, the HK\$27.49 billion investment income for the calendar year 2014 was set aside and retained within the Exchange Fund as provision for the Housing Reserve, and not received on 31 December 2014. As explained in the 2015-16 Budget Speech, the Housing Reserve is to provide financial resources to meet the ten-year public housing supply target. The investment income retained within the Exchange Fund earns the same rate of investment return as stipulated in (ii) above and shall be receivable on a date as determined by the Financial Secretary.

4. Deposits with Banks

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

	2015 HK\$'000	2014 HK\$'000
General Revenue Account	<u>1,210,399</u>	<u>435,603</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:

	2015 HK\$'000	2014 HK\$'000
General Revenue Account	3,106,602	3,582,332
Capital Works Reserve Fund	4,101	909
Capital Investment Fund	1	-
Innovation and Technology Fund	183	591
Loan Fund	17,057	31,531
Lotteries Fund	1	1
	<u>3,127,945</u>	<u>3,615,364</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:

	2015 HK\$'000	2014 HK\$'000
General Revenue Account	<u>2,877,375</u>	<u>2,674,114</u>

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7. Assets

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

	2015 HK\$'000	2014 HK\$'000
Investments		
Capital Investment Fund		
Equity holdings	123,077,992	123,066,450
Other investments	454,316,039	439,710,728
	577,394,031	562,777,178
Loans Outstanding		
Capital Investment Fund		
Loans to investees	2,635,126	2,704,715
Loan Fund		
Housing loans	3,121,128	3,053,320
Education loans	15,951,654	14,755,903
Other loans	3,804,839	3,405,872
	25,512,747	23,919,810
Total	602,906,778	586,696,988

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:

	2015 HK\$'000	2014 HK\$'000
General Revenue Account	15,350,634	16,557,997
Capital Works Reserve Fund	1,556,334	1,287,294
Loan Fund	17,375	16,076
Lotteries Fund	2,444	57,785
	16,926,787	17,919,152

9. Suspense Accounts

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

	2015 HK\$'000	2014 HK\$'000
Correctional Services Industries (Note (i) below)	37,521	17,898
Government Logistics Department — Unallocated Stores (Note (i) below)	7,420	10,534
The Special Coin (Note (ii) below)	(91,658)	(96,101)
The Financial Secretary Incorporated (Note (iii) below)	73	(6,762)
	(46,644)	(74,431)

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)):

	2015	2014
	HK\$'000	HK\$'000
Outstanding government bonds and notes (Note (i) below)	1,500,000	11,197,188

- (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 bonds and notes are denominated in Hong Kong dollars with maturity in July 2019. During the financial year, repayments of HK\$9,688 million principal and payments of HK\$325 million interest were made.

11. Contingent Liabilities

As at 31 March 2015, 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\$31,614 million (2014: HK\$31,397 million);
- (ii) guarantees provided under the SME Financing Guarantee Scheme — Special Concessionary Measures amounting to HK\$27,022 million (2014: HK\$26,531 million);
- (iii) guarantees provided under the Special Loan Guarantee Scheme amounting to HK\$20,442 million (2014: HK\$41,689 million);
- (iv) legal claims, disputes and proceedings amounting to HK\$12,773 million (2014: HK\$6,364 million);
- (v) guarantees provided under the SME Loan Guarantee Scheme amounting to HK\$6,406 million (2014: HK\$7,610 million);
- (vi) possible capital subscriptions to the Asian Development Bank amounting to HK\$5,892 million (2014: HK\$6,577 million);
- (vii) guarantees provided under a commercial loan of the Hong Kong Science and Technology Parks Corporation amounting to HK\$2,048 million (2014: Nil); and
- (viii) guarantees provided under a commercial loan of the Ocean Park Corporation amounting to HK\$1,388 million (2014: HK\$1,388 million).

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12. Consolidated Fund Balance

The consolidated fund balance comprises the following individual fund balances:

	2015 HK\$'000	2014 HK\$'000
General Revenue Account	478,855,628	402,785,448
Capital Works Reserve Fund	76,362,444	79,772,902
Capital Investment Fund	1,443,088	1,994,185
Civil Service Pension Reserve Fund	27,028,846	27,028,846
Disaster Relief Fund	15,584	31,228
Innovation and Technology Fund	987,397	1,811,816
Land Fund	219,729,659	219,729,659
Loan Fund	2,471,882	1,389,498
Lotteries Fund	21,619,590	21,173,070
	828,514,118	755,716,652

13. Commitments

Outstanding commitments were as follows:

	2015 HK\$'000	2014 HK\$'000
Capital works	307,642,224	344,999,446
Land acquisition	3,907,116	4,384,099
Capital subventions	36,122,374	38,896,140
Plant, vehicles, systems and equipment	17,093,846	16,767,772
Non-recurrent expenditure	28,924,907	33,676,345
Investments	88,704	100,246
Loans and non-recurrent grants	23,367,143	23,135,551
	417,146,314	461,959,599

14. Revenue and Expenditure

(i) Inter-fund transfers totalling HK\$4,529 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.

Consolidated Account

14. Revenue and Expenditure (Continued)

(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.

15. Revenue

	2015		2014
	Original Estimate HK\$'000	Actual HK\$'000	Actual HK\$'000
Operating revenue			
Internal revenue	242,530,888	301,620,849	245,331,115
Duties	9,321,552	10,009,743	9,720,205
General rates	20,586,000	22,272,387	14,911,481
Motor vehicle taxes	8,127,405	9,548,701	8,338,007
Royalties and concessions	2,866,399	2,915,758	4,426,309
Other operating revenue	43,429,768	47,355,693	42,444,817
Operating revenue before investment income	326,862,012	393,723,131	325,171,934
Investment income			
Investments with the Exchange Fund (Note (i) below)	-	-	29,915,607
Others	-	210,528	204,428
	22,020,000	210,528	30,120,035
Operating revenue after investment income	348,882,012	393,933,659	355,291,969
Capital revenue			
Land premium	70,000,000	77,804,086	84,254,882
Asset sales	177,300	108,231	151,012
Other capital revenue	6,007,471	6,818,322	8,767,415
Capital revenue before investment income	76,184,771	84,730,639	93,173,309
Investment income			
Investments with the Exchange Fund (Note (i) below)	-	-	6,875,344
Others	-	3,748	4,898
	4,980,000	3,748	6,880,242
Capital revenue after investment income	81,164,771	84,734,387	100,053,551
Total revenue	430,046,783	478,668,046	455,345,520

- (i) The HK\$27.49 billion investment income for the calendar year 2014 (comprising HK\$22.75 billion under operating revenue and HK\$4.74 billion under capital revenue) was set aside and retained within the Exchange Fund as provision for the Housing Reserve, and not received on 31 December 2014.

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16. Expenditure

	2015		2014
	Original Estimate HK\$'000	Actual HK\$'000	Actual HK\$'000
Operating expenditure			
Recurrent expenditure			
Personal emoluments	63,221,922	64,581,089	60,709,656
Personnel related expenses	32,814,576	31,781,337	28,701,835
Departmental expenses	26,934,806	27,354,663	25,268,269
Other charges	65,198,195	59,481,895	56,719,995
Subventions	118,090,456	121,890,580	112,988,986
Additional commitments	1,173,000	-	-
Total recurrent expenditure	307,432,955	305,089,564	284,388,741
Non-recurrent expenditure	8,537,983	11,227,471	53,325,525
Additional commitments	9,029,000	-	-
Total non-recurrent expenditure	17,566,983	11,227,471	53,325,525
Operating expenditure	324,999,938	316,317,035	337,714,266
Capital expenditure			
Capital expenditure other than interest and other expenses on government bonds and notes	85,836,050	79,540,625	95,254,645
Interest and other expenses on government bonds and notes	326,737	325,126	574,068
Capital expenditure	86,162,787	79,865,751	95,828,713
Total expenditure	411,162,725	396,182,786	433,542,979

Consolidated Account

17. Surplus/(Deficit)

	2015		2014
	Original Estimate HK\$'000	Actual HK\$'000	Actual HK\$'000
Operating Account			
Operating revenue	348,882,012	393,933,659	355,291,969
Operating expenditure	(324,999,938)	(316,317,035)	(337,714,266)
Operating surplus	23,882,074	77,616,624	17,577,703
Capital Account			
Capital revenue	81,164,771	84,734,387	100,053,551
Capital expenditure	(86,162,787)	(79,865,751)	(95,828,713)
Capital surplus	(4,998,016)	4,868,636	4,224,838
Surplus for the year before repayment of government bonds and notes	18,884,058	82,485,260	21,802,541
Repayment of government bonds and notes	(9,750,000)	(9,687,794)	-
Surplus for the year after repayment of government bonds and notes	9,134,058	72,797,466	21,802,541

18. Other Cash Movements

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

	2015 HK\$'000	2014 HK\$'000
Increase in Assets		
Investments with the Exchange Fund	71,286,676	20,966,382
Deposits with banks	774,796	56,109
Advances	203,261	154,875
	72,264,733	21,177,366
Reduction in Liabilities		
Deposits	992,365	307,597
Suspense Accounts	27,787	5,979
	1,020,152	313,576
	73,284,885	21,490,942

Consolidated Account

Consolidated Revenue, Expenditure plus Repayment of Government Bonds and Notes, and Fund Balance for the years ended 31 March 2006 to 2015

HK\$Billion

