

Loan Fund

REPORT OF THE DIRECTOR OF AUDIT



Audit Commission

The Government of the Hong Kong Special Administrative Region

Independent Audit Report To the President of the Legislative Council

I certify that I have examined and audited the financial statements of the Loan Fund set out on pages 82 to 88, which comprise the statement of assets and liabilities as at 31 March 2013, and the statement of receipts and payments for the year then ended, and a summary of significant accounting policies and other explanatory information.

Director of Accounting Services' responsibility for the financial statements

In accordance with section 16(1) of the Public Finance Ordinance (Cap. 2), the Director of Accounting Services is responsible for the compilation and supervision of the accounts of the Government of the Hong Kong Special Administrative Region, for the management of accounting operations and procedures, and for ensuring that all regulations, directions or instructions made or given under the Public Finance Ordinance relating thereto and in respect of the safe custody of public moneys and its accounting are complied with.

Auditor's responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with section 12(1) of the Audit Ordinance (Cap. 122) and the Audit Commission auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used by the Director of Accounting Services, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements of the Loan Fund for the year ended 31 March 2013 are prepared, in all material respects, in accordance with the Public Finance Ordinance and section 11(1) of the Audit Ordinance.

David Sun
Director of Audit

28 October 2013

Audit Commission
26th Floor
Immigration Tower
7 Gloucester Road
Wanchai, Hong Kong

Loan Fund

STATEMENT OF ASSETS AND LIABILITIES AS AT 31 MARCH 2013

	Note	2013 HK\$'000	2012 HK\$'000
Assets			
Loans Outstanding	3		
Housing Loans		3,115,810	3,084,860
Education Loans		12,911,039	12,361,535
Other Loans		3,323,327	3,434,893
		19,350,176	18,881,288
Net Current Assets			
Current Assets			
Investments with the Exchange Fund	4	2,181,926	2,235,441
Cash and bank balances		16,384	24,655
		2,198,310	2,260,096
Current Liabilities			
Deposits	5	(11,959)	(10,350)
		2,186,351	2,249,746
		21,536,527	21,131,034
Representing:			
Total Fund Balance			
Applied Fund	6	19,350,176	18,881,288
Available Fund	7		
Balance at beginning of year		2,249,746	1,922,076
(Deficit)/Surplus for the year		(63,395)	327,670
Balance at end of year		2,186,351	2,249,746
	8	21,536,527	21,131,034

Notes 1 to 11 form part of these financial statements.

Mrs Lesley Y C WONG
Director of Accounting Services
15 August 2013



Loan Fund

STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 31 MARCH 2013

	Note	2013 HK\$'000	2012 HK\$'000
Cash and bank balances at beginning of year		24,655	20,396
Revenue	9	2,239,979	2,388,641
Expenditure	10	(2,303,374)	(2,060,971)
(Deficit)/Surplus for the year		(63,395)	327,670
Other cash movements	11	55,124	(323,411)
Cash and bank balances at end of year		16,384	24,655

Notes 1 to 11 form part of these financial statements.

Mrs Lesley Y C WONG
Director of Accounting Services
15 August 2013



Loan Fund

NOTES TO THE FINANCIAL STATEMENTS

1. Purpose and Legislation

The Loan Fund finances loans and advances for schemes of developments in Hong Kong and loans to students under schemes approved by the Finance Committee. It was established with effect from 1 April 1990 by a Resolution (hereinafter referred to as the Resolution) passed by the Legislative Council under section 29(1) of the Public Finance Ordinance (Cap. 2) on 14 March 1990.

2. Accounting Policies

- (i) Subject to (ii) below, the accounts of the Loan Fund are kept on a cash basis. Transactions are recorded when moneys are received or paid.
- (ii) The Statement of Assets and Liabilities is structured to show the overall financial position of the Fund including the total outstanding loans.
- (iii) For the purposes of these financial statements, a contingent liability is defined as:
 - (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Government; or
 - (b) a present obligation that arises from past events but is not recognised because:
 - it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - the amount of the obligation cannot be measured with sufficient reliability.

3. Loans Outstanding

	2013			2012		
	Housing Loans HK\$'000	Education Loans HK\$'000	Other Loans HK\$'000	Housing Loans HK\$'000	Education Loans HK\$'000	Other Loans HK\$'000
Balance at beginning of year	3,084,860	12,361,535	3,434,893	3,136,946	12,119,397	3,504,463
Additions						
Loan payments	179,459	2,041,079	82,836	94,243	1,874,893	91,835
Capitalised interest	160	-	87,059	74	-	82,862
	179,619	2,041,079	169,895	94,317	1,874,893	174,697
Deductions						
Loan repayments	(21,250)	(1,489,384)	(268,595)	(28,530)	(1,630,760)	(238,967)
Loans written off	(608)	(2,191)	(12,866)	-	(1,995)	(5,300)
Proceeds from sale of loans	(126,811)	-	-	(117,873)	-	-
	(148,669)	(1,491,575)	(281,461)	(146,403)	(1,632,755)	(244,267)
Balance at end of year	3,115,810	12,911,039	3,323,327	3,084,860	12,361,535	3,434,893

Further analysis of loans appears on pages 213 to 215 of the Supporting Statements.

Loan Fund

4. Investments with the Exchange Fund

(i) These are investments and deposits held under paragraph 8 of the Resolution:

	2013	2012
	HK\$'000	HK\$'000
Investments (Note (ii) below)	2,181,903	2,235,291
Deposits	23	150
	<u>2,181,926</u>	<u>2,235,441</u>

(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 2013 was HK\$136 million (2012: HK\$131 million).

5. 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:

	2013	2012
	HK\$'000	HK\$'000
Students	11,823	10,225
Others	136	125
	<u>11,959</u>	<u>10,350</u>

6. Applied Fund

This represents the outstanding loans made from the Fund under paragraph 6 of the Resolution.

7. Available Fund

This represents funds available for making loans under paragraph 6 of the Resolution.

8. Contingent Liabilities

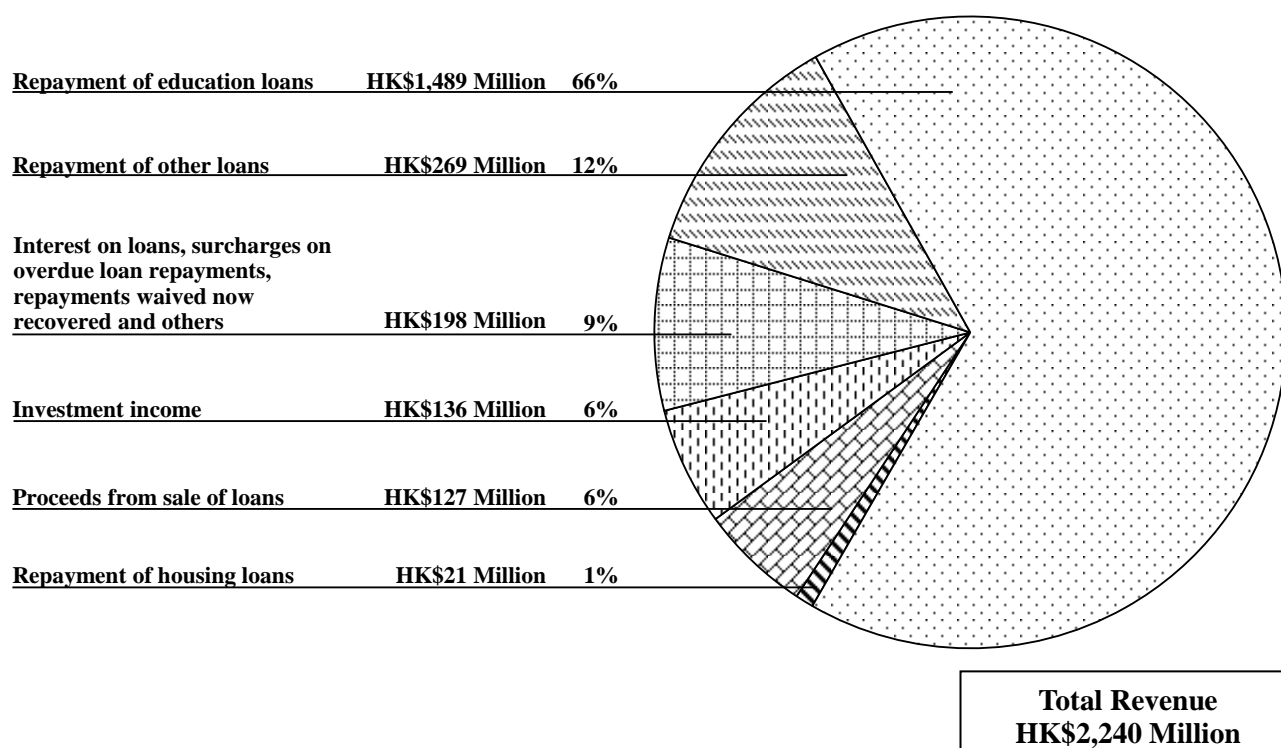
As at 31 March 2013, the amount of guarantees provided for a commercial loan of the Ocean Park Corporation was HK\$1,388 million (2012: HK\$1,388 million).

Loan Fund

9. Revenue

	2013		2012
	Original Estimate HK\$'000	Actual HK\$'000	Actual HK\$'000
Loan repayments			
Housing loans	27,756	21,250	28,530
Education loans	1,790,550	1,489,384	1,630,760
Other loans	260,199	268,595	238,967
	2,078,505	1,779,229	1,898,257
Interest on loans	274,130	194,664	238,657
Investment income			
Investments with the Exchange Fund	-	136,148	131,282
Others	-	4	3
	96,000	136,152	131,285
Surcharges on overdue loan repayments	2,800	3,050	2,536
Proceeds from sale of loans	110,515	126,811	117,873
Repayments waived now recovered	-	49	8
Others	-	24	25
Transfer from General Revenue	1,000,000	-	-
	3,561,950	2,239,979	2,388,641

Analysis of Revenue for the year ended 31 March 2013

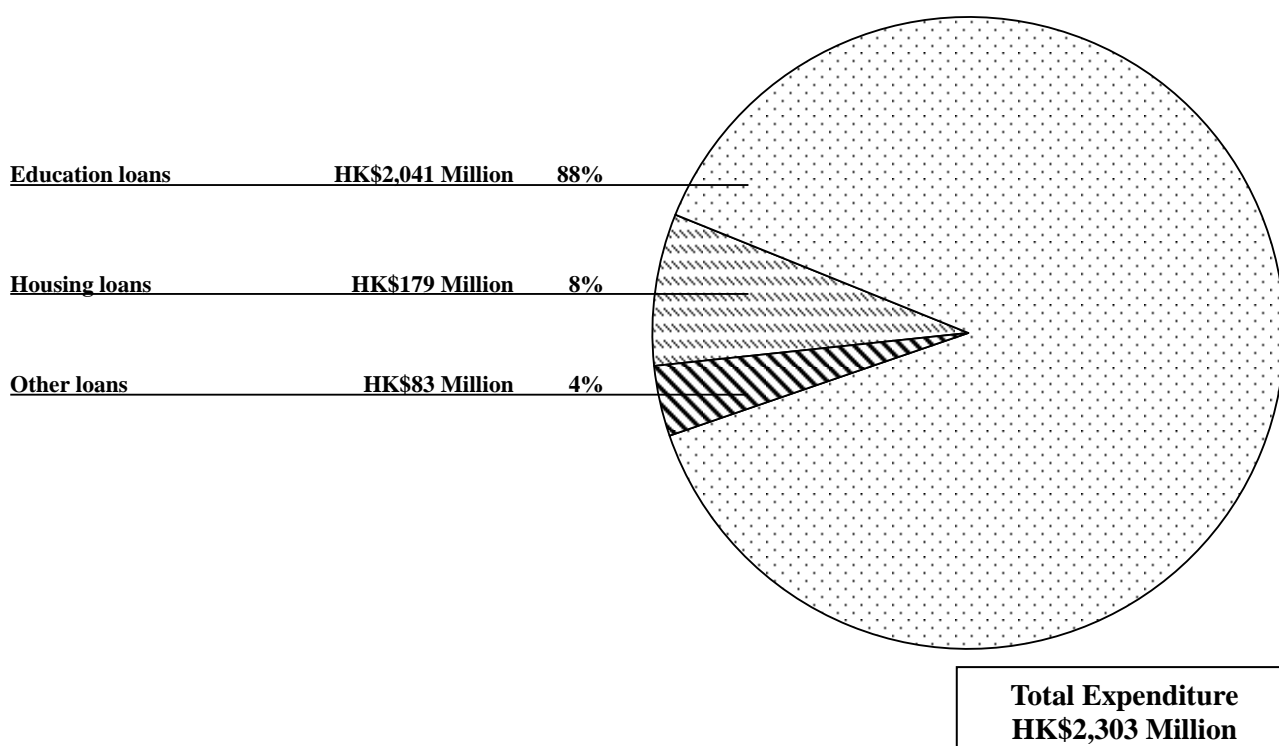


Loan Fund

10. Expenditure

	2013		2012
	Original Estimate HK\$'000	Actual HK\$'000	Actual HK\$'000
Loan payments			
Housing loans	156,400	179,459	94,243
Education loans	2,743,332	2,041,079	1,874,893
Other loans	124,595	82,836	91,835
	3,024,327	2,303,374	2,060,971
Additional commitments	771,654	-	-
	<u>3,795,981</u>	<u>2,303,374</u>	<u>2,060,971</u>

Analysis of Expenditure for the year ended 31 March 2013



Loan Fund

11. Other Cash Movements

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

	2013 HK\$'000	2012 HK\$'000
Reduction/(Increase) in Assets		
Investments with the Exchange Fund	53,515	(326,017)
Increase in Liabilities		
Deposits	1,609	2,606
	<u>55,124</u>	<u>(323,411)</u>

Revenue, Expenditure and Available Fund Balance for the years ended 31 March 2004 to 2013

HK\$Million

