

Press Release

Accrual-based Consolidated Government Accounts for 2005-06

The Government published today (27 December) its accrual-based consolidated accounts for the financial year 2005-06.

A government spokesman said that the accrual-based accounts differed from the cash-based ones in the purposes they served. “The cash-based accounts serve mainly to demonstrate that public money has been paid within the limits and ambits approved by the legislature. The accrual-based accounts, on the other hand, aim to present the financial position and performance of the Government,” he said.

The cash-based accounts cover the General Revenue Account and the Funds established under section 29 of the Public Finance Ordinance. In addition to these Funds, the accrual-based accounts include the Exchange Fund, the Housing Authority, government business enterprises such as MTR Corporation Limited and Kowloon-Canton Railway Corporation, and other government funds such as the Quality Education Fund. There are also more comprehensive disclosures of the Government’s assets and liabilities in the accrual-based accounts, e.g. fixed assets, the provision for pensions, and government debts.

The key figures shown in the accrual-based accounts as compared with those in the cash-based accounts are highlighted below –

	2005-06	
	Cash-based \$ billion	Accrual-based \$ billion
Financial results		
• Fiscal surplus	14.0	
• Net surplus		47.6
Reserves		
• Fiscal Reserves	310.7	
• General Reserve		185.5
• Exchange Fund Reserve		453.9
• Capital Expenditure Reserve		271.3
	310.7	910.7
Net assets	310.7	910.7

The accrual-based Consolidated Statement of Financial Performance reports a surplus of \$47.6 billion, \$33.6 billion more than the cash-based surplus of \$14.0 billion. This is mainly due to inclusion of the surplus of the Exchange Fund and government business enterprises, as well as the one-off gain on the divestment of Housing Authority's retail and carparking facilities, partly offset by the provision for expenses (such as pensions) in arriving at the accrual-based surplus.

According to the accrual-based Consolidated Statement of Financial Position, the Government's net assets were \$910.7 billion as at 31 March 2006. These net assets were represented by three reserves: General Reserve of \$185.5 billion,

Exchange Fund Reserve of \$453.9 billion and Capital Expenditure Reserve of \$271.3 billion.

“The General Reserve represents the net financial assets of the Government. The Exchange Fund Reserve refers to the net assets of the Exchange Fund whose use is governed by the Exchange Fund Ordinance, whereas the Capital Expenditure Reserve represents money already spent on fixed assets,” the government spokesman explained.

“The Government’s General Reserve as at 31 March 2006 was \$185.5 billion, \$125.2 billion less than the Fiscal Reserves of \$310.7 billion reported in the cash-based accounts. The difference arises because the net financial assets of the Government in the accrual-based accounts take into account the Government’s liabilities such as government bonds and notes, pensions and untaken leave of staff, offset partly by financial assets such as investments in MTR Corporation Limited and the Airport Authority. The cash resources available for the Government’s spending remain to be the Fiscal Reserves, which stood at \$310.7 billion as at 31 March 2006,” he continued.

The public can access the accrual-based and the cash-based accounts at Treasury’s website: www.try.gov.hk.

Ends/Wednesday, December 27, 2006