

Report on the Administration of the  
Fire Services Department Welfare Fund (FSDWF)  
for the year ended 31 March 2015

Income and Expenditure

The income of the Fund for the year under report amounted to \$5,608,451, an increase of \$4,278,174 compared with the previous year's total of \$1,330,277. The income was derived from the following sources:-

Fees for Firemen's Services: Fire-fighting Training Course provided to non-Fire Services members	\$ 337,140
Interests on loans and fixed deposits	\$ 214,314
Profit on sales of souvenirs financed by FSDWF	\$ 5,005
Donations received from the general public	\$ 2,681,492
Donations for the late Principal Fireman LEUNG Kwok-kei's daughter education expenses	\$ 920,500
Donations for the late Principal Fireman LEUNG Kwok-kei's family living expenses	\$ 450,000
Donations received for setting up the Chow Tai Fook Fund	\$ 1,000,000
	<u>\$ 5,608,451</u>

2. Expenditure increased from last year's figure of \$992,160 to \$2,351,364 and was incurred mainly on the following items:-

Subsidy to welfare functions and activities organized by FSD staff members	\$ 981,431
Stock written off	\$ 1,376
Shaw Run Run Scholarship awarded to the winners	\$ 100,090
Payments to Shek Kip Mei gas explosion injured officers and deceased officer's family	\$ 1,267,900
Bank services charge	\$ 567
	<u>\$ 2,351,364</u>

Loans

3. One member applied for and received General Loans amounting to \$25,000 which remain unchanged over the previous year in dollar terms.

Assets and Liabilities

4. The excess of income over expenditure for the year has increased the accumulated fund from \$28,026,506 in the previous year to the present level of \$31,283,593 (each of the two figures excludes \$2,000,000 of Capital for Frederick Watson Fund and CHENG Yu-tung Fund).

General

5. The income under the General Account has increased by \$1,895,545 in the year mainly due to an increase in donations received from general public as compared with last year. The expenditure has increased by \$1,411,147 mainly due to an increased in staff welfare expenses and payments to Shek Kip Mei gas explosion injured officers and deceased officer's family. As income exceeds expenditure, there is a surplus of \$955,038 for the General Account.

6. The balance of the donations of the late Principal Fireman LEUNG Kwok-kei's daughter education expenses and family living expenses amounted to \$920,500 and \$450,000 respectively. Another donation for establishing a fund to support FS members' higher education, total \$1,000,000 was received from Chow Tai Fook Charity Foundation.

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# Fire Services Department Welfare Fund

Financial statements for the year ended 31 March 2015

# *Report of the Director of Audit*



**Audit Commission**

The Government of the Hong Kong Special Administrative Region

## **Independent Audit Report**

### **To the Legislative Council**

I certify that I have audited the financial statements of the Fire Services Department Welfare Fund set out on pages 3 to 25, which comprise the balance sheet as at 31 March 2015, and the income and expenditure account, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Director of Fire Services Incorporated's responsibility for the financial statements**

The Director of Fire Services Incorporated is responsible for the preparation of financial statements that give a true and fair view in accordance with section 10(1)(b) of the Fire Services Department (Welfare Fund) Regulation (Cap. 95 sub. leg. E) and Hong Kong Financial Reporting Standards, and for such internal control as the Director of Fire Services Incorporated determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **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 11(3) of the Fire Services Department (Welfare Fund) Regulation 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 financial statements that give a true and fair view 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 and the reasonableness of accounting estimates made by the Director of Fire Services Incorporated, 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 give a true and fair view of the financial position of the Fire Services Department Welfare Fund as at 31 March 2015, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with section 10(1)(b) of the Fire Services Department (Welfare Fund) Regulation.



TEO Wing-on  
Principal Auditor  
for Director of Audit

10 September 2015

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

**Fire Services Department Welfare Fund  
Balance Sheet as at 31 March 2015**

	Note	2015 HK\$	2014 HK\$
<b>GENERAL ACCOUNT</b>			
<b>NON-CURRENT ASSETS</b>			
General loans	3(a)	1,250	-
<b>CURRENT ASSETS</b>			
Stock of souvenirs		291,608	282,835
General loans	3(a)	95,000	111,550
Amount due from Widows and Dependants Scheme, Frederick Watson Fund and Cheng Yu-tung Fund		300	-
Accrued bank interest		38,375	41,665
Accrued loan interest		22	51
Bank deposits		4,771,581	4,756,114
Cash and cash equivalents	3(b)	18,972,067	17,933,118
		24,168,953	23,125,333
<b>CURRENT LIABILITIES</b>			
Fees collected in advance		38,400	-
Accounts payable		51,432	-
		89,832	-
<b>NET CURRENT ASSETS</b>			
		24,079,121	23,125,333
		24,080,371	23,125,333
<b>ACCUMULATED FUND</b>			
Accumulated surplus		24,080,371	23,125,333

	Note	2015 HK\$	2014 HK\$
<b>WIDOWS AND DEPENDANTS SCHEME</b>	4		
<b>CURRENT ASSETS</b>			
Accrued bank interest		1,786	236
Bank deposits		958,785	958,373
Cash and cash equivalents	4(a)	<u>1,603</u>	<u>1,603</u>
		<u>962,174</u>	<u>960,212</u>
<b>CURRENT LIABILITIES</b>			
Amount due to General Account		<u>100</u>	<u>-</u>
<b>NET CURRENT ASSETS</b>		<u><u>962,074</u></u>	<u><u>960,212</u></u>
<b>ACCUMULATED FUND</b>			
Accumulated surplus		<u><u>962,074</u></u>	<u><u>960,212</u></u>
<b>FREDERICK WATSON FUND</b>	5		
<b>CURRENT ASSETS</b>			
Accrued bank interest		4,482	4,559
Cash and cash equivalents	5(a)	<u>2,611,174</u>	<u>2,590,456</u>
		<u>2,615,656</u>	<u>2,595,015</u>
<b>CURRENT LIABILITIES</b>			
Amount due to General Account		<u>100</u>	<u>-</u>
<b>NET CURRENT ASSETS</b>		<u><u>2,615,556</u></u>	<u><u>2,595,015</u></u>
<b>ACCUMULATED FUND</b>			
Capital		1,000,000	1,000,000
Accumulated surplus		<u>1,615,556</u>	<u>1,595,015</u>
		<u><u>2,615,556</u></u>	<u><u>2,595,015</u></u>

	Note	2015 HK\$	2014 HK\$
<b>CHENG YU-TUNG FUND</b>	6		
<b>CURRENT ASSETS</b>			
Accrued bank interest		5,040	4,473
Bank deposits		2,705,469	2,696,700
Cash and cash equivalents	6(a)	<u>6,173</u>	<u>6,173</u>
		<u>2,716,682</u>	<u>2,707,346</u>
<b>CURRENT LIABILITIES</b>			
Amount due to General Account		<u>100</u>	<u>-</u>
<b>NET CURRENT ASSETS</b>		<u><u>2,716,582</u></u>	<u><u>2,707,346</u></u>
<b>ACCUMULATED FUND</b>			
Capital		1,000,000	1,000,000
Accumulated surplus		<u>1,716,582</u>	<u>1,707,346</u>
		<u><u>2,716,582</u></u>	<u><u>2,707,346</u></u>
<b>SHAW RUN RUN FUND</b>	7		
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	7(a)	<u>538,510</u>	<u>638,600</u>
<b>ACCUMULATED FUND</b>			
Accumulated surplus		<u>538,510</u>	<u>638,600</u>



	Note	2015 HK\$	2014 HK\$
<b>DONATIONS FOR THE LATE PRINCIPAL FIREMAN LEUNG KWOK KEI'S DAUGHTER EDUCATION EXPENSES</b>	8		
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	8(a)	<u>920,500</u>	<u>-</u>
<b>ACCUMULATED FUND</b>			
Accumulated surplus		<u>920,500</u>	<u>-</u>
<b>DONATIONS FOR THE LATE PRINCIPAL FIREMAN LEUNG KWOK KEI'S FAMILY LIVING EXPENSES</b>	9		
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	9(a)	<u>450,000</u>	<u>-</u>
<b>ACCUMULATED FUND</b>			
Accumulated surplus		<u>450,000</u>	<u>-</u>

	Note	2015 HK\$	2014 HK\$
<b>CHOW TAI FOOK FUND</b>	10		
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	10(a)	<u>1,000,000</u>	<u>-</u>
<b>ACCUMULATED FUND</b>			
Accumulated surplus		<u>1,000,000</u>	<u>-</u>

The accompanying notes 1 to 14 form part of these financial statements.

(LAI Man-hin)  
Director of Fire Services Incorporated  
10 September 2015

**Fire Services Department Welfare Fund**  
**Income and Expenditure Account for the year ended 31 March 2015**

	Note	2015 HK\$	2014 HK\$
<b>GENERAL ACCOUNT</b>			
<b>INCOME</b>			
Fees for firemen's services		337,140	863,598
Profit on sales of souvenirs		5,005	4,669
Bank interest		181,940	124,807
Loan interest	2(e)	368	987
Donations		2,681,492	296,339
Civil Service Award		-	20,000
		3,205,945	1,310,400
<b>EXPENDITURE</b>			
Entertainment and social gathering		482,120	467,563
Other staff welfare		499,311	337,422
Loan written off		-	20,890
Stock written off		1,376	13,885
Bank services charge		200	-
Payments to Shek Kip Mei gas explosion injured officers and deceased officer's family	11	1,267,900	-
		2,250,907	839,760
<b>SURPLUS FOR THE YEAR</b>		955,038	470,640
Other comprehensive income		-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		955,038	470,640

	Note	2015 HK\$	2014 HK\$
<b>WIDOWS AND DEPENDANTS SCHEME</b>			
<b>INCOME</b>			
Bank interest		2,029	479
<b>EXPENDITURE</b>			
Bank services charge		<u>167</u>	<u>-</u>
<b>SURPLUS FOR THE YEAR</b>		1,862	479
Other comprehensive income		<u>-</u>	<u>-</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u><u>1,862</u></u>	<u><u>479</u></u>
<b>FREDERICK WATSON FUND</b>			
<b>INCOME</b>			
Bank interest		20,641	10,543
<b>EXPENDITURE</b>			
Grants		-	81,000
Bank services charge		<u>100</u>	<u>-</u>
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>		20,541	(70,457)
Other comprehensive income		<u>-</u>	<u>-</u>
<b>TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR</b>		<u><u>20,541</u></u>	<u><u>(70,457)</u></u>

	Note	2015 HK\$	2014 HK\$
<b>CHENG YU-TUNG FUND</b>			
<b>INCOME</b>			
Bank interest		9,336	8,855
<b>EXPENDITURE</b>			
Bank services charge		<u>100</u>	<u>-</u>
<b>SURPLUS FOR THE YEAR</b>		9,236	8,855
Other comprehensive income		<u>-</u>	<u>-</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u><u>9,236</u></u>	<u><u>8,855</u></u>
<b>SHAW RUN RUN FUND</b>			
<b>INCOME</b>			
		-	-
<b>EXPENDITURE</b>			
Scholarship		<u>100,090</u>	<u>71,400</u>
<b>DEFICIT FOR THE YEAR</b>		(100,090)	(71,400)
Other comprehensive income		<u>-</u>	<u>-</u>
<b>TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR</b>		<u><u>(100,090)</u></u>	<u><u>(71,400)</u></u>

	Note	2015 HK\$	2014 HK\$
<b>DONATIONS FOR THE LATE PRINCIPAL FIREMAN LEUNG KWOK KEI'S DAUGHTER EDUCATION EXPENSES</b>			
<b>INCOME</b>			
Donations		920,500	-
<b>EXPENDITURE</b>			
		<u>-</u>	<u>-</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>			
		<u>920,500</u>	<u>-</u>

**DONATIONS FOR THE LATE PRINCIPAL  
FIREMAN LEUNG KWOK KEI'S FAMILY  
LIVING EXPENSES**

<b>INCOME</b>			
Donations		450,000	-
<b>EXPENDITURE</b>			
		<u>-</u>	<u>-</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>			
		<u>450,000</u>	<u>-</u>

**CHOW TAI FOOK FUND**

<b>INCOME</b>			
Donations		1,000,000	-
<b>EXPENDITURE</b>			
		<u>-</u>	<u>-</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>			
		<u>1,000,000</u>	<u>-</u>

The accompanying notes 1 to 14 form part of these financial statements.

**Fire Services Department Welfare Fund**  
**Statement of Changes in Equity for the year ended 31 March 2015**

	<b>GENERAL ACCOUNT</b>	<b>WIDOWS AND DEPENDANTS SCHEME</b>	<b>FREDERICK WATSON FUND</b>			<b>CHENG YU-TUNG FUND</b>			<b>SHAW RUN RUN FUND</b>	<b>DONATIONS FOR THE LATE PRINCIPAL FIREMAN LEUNG KWOK KEI'S DAUGHTER EDUCATION EXPENSES</b>	<b>DONATIONS FOR THE LATE PRINCIPAL FIREMAN LEUNG KWOK KEI'S FAMILY LIVING EXPENSES</b>	<b>CHOW TAI FOOK FUND</b>	<b>TOTAL</b>
	<b>ACCUMULATED SURPLUS HK\$</b>	<b>ACCUMULATED SURPLUS HK\$</b>	<b>CAPITAL HK\$</b>	<b>ACCUMULATED SURPLUS HK\$</b>	<b>TOTAL HK\$</b>	<b>CAPITAL HK\$</b>	<b>ACCUMULATED SURPLUS HK\$</b>	<b>TOTAL HK\$</b>	<b>ACCUMULATED SURPLUS HK\$</b>	<b>ACCUMULATED SURPLUS HK\$</b>	<b>ACCUMULATED SURPLUS HK\$</b>	<b>ACCUMULATED SURPLUS HK\$</b>	<b>HK\$</b>
Balance at 1.4.2013	22,654,693	959,733	1,000,000	1,665,472	2,665,472	1,000,000	1,698,491	2,698,491	710,000	-	-	-	29,688,389
Total comprehensive income/(expense) for 2013-2014	470,640	479	-	(70,457)	(70,457)	-	8,855	8,855	(71,400)	-	-	-	338,117
Balance at 31.3.2014	23,125,333	960,212	1,000,000	1,595,015	2,595,015	1,000,000	1,707,346	2,707,346	638,600	-	-	-	30,026,506
Balance at 1.4.2014	23,125,333	960,212	1,000,000	1,595,015	2,595,015	1,000,000	1,707,346	2,707,346	638,600	-	-	-	30,026,506
Total comprehensive income/(expense) for 2014-2015	955,038	1,862	-	20,541	20,541	-	9,236	9,236	(100,090)	920,500	450,000	1,000,000	3,257,087
Balance at 31.3.2015	24,080,371	962,074	1,000,000	1,615,556	2,615,556	1,000,000	1,716,582	2,716,582	538,510	920,500	450,000	1,000,000	33,283,593

The accompanying notes 1 to 14 form part of these financial statements.

**Fire Services Department Welfare Fund**  
**Statement of Cash Flows for the year ended 31 March 2015**

	<b>2015</b>	<b>2014</b>
	<b>HK\$</b>	<b>HK\$</b>
<b>GENERAL ACCOUNT</b>		
Cash flows from operating activities		
Surplus for the year	955,038	470,640
Bank interest	(181,940)	(124,807)
Loan interest	(368)	(987)
Bad debts expenses	-	20,890
(Increase)/Decrease in stock of souvenirs	(8,773)	47,724
Decrease in general loans	15,300	154,550
Increase in amount due from Widows and Dependants Scheme, Frederick Watson Fund and Cheng Yu-tung Fund	(300)	-
Decrease in account receivable on special service	-	3,560
Increase/(Decrease) in fees collected in advance	38,400	(57,600)
Increase in accounts payable	51,432	-
	<u>868,789</u>	<u>513,970</u>
Net cash from operating activities		
Cash flows from investing activities		
Bank interest received	185,230	109,030
Loan interest received	397	1,065
Net increase in bank deposits with maturity over three months	(15,467)	(18,954)
	<u>170,160</u>	<u>91,141</u>
Net cash from investing activities		
Net increase in cash and cash equivalents	1,038,949	605,111
Cash and cash equivalents at beginning of year	17,933,118	17,328,007
Cash and cash equivalents at end of year	<u>18,972,067</u>	<u>17,933,118</u>



	<b>2015</b>	<b>2014</b>
	<b>HK\$</b>	<b>HK\$</b>
<b>WIDOWS AND DEPENDANTS SCHEME</b>		
Cash flows from operating activities		
Surplus for the year	1,862	479
Bank interest	(2,029)	(479)
Increase in amount due to General Account	<u>100</u>	<u>-</u>
Net cash used in operating activities	<u>(67)</u>	<u>-</u>
Cash flows from investing activities		
Bank interest received	479	479
Net increase in bank deposits with maturity over three months	<u>(412)</u>	<u>(479)</u>
Net cash from investing activities	<u>67</u>	<u>-</u>
Net increase in cash and cash equivalents	-	-
Cash and cash equivalents at beginning of year	<u>1,603</u>	<u>1,603</u>
Cash and cash equivalents at end of year	<u><u>1,603</u></u>	<u><u>1,603</u></u>

	<b>2015</b>	<b>2014</b>
	<b>HK\$</b>	<b>HK\$</b>
<b>FREDERICK WATSON FUND</b>		
Cash flows from operating activities		
Surplus/(Deficit) for the year	20,541	(70,457)
Bank interest	(20,641)	(10,543)
Increase in amount due to General Account	<u>100</u>	<u>-</u>
Net cash used in operating activities	<u>-</u>	<u>(81,000)</u>
Cash flows from investing activities		
Bank interest received	<u>20,718</u>	<u>7,689</u>
Net cash from investing activities	<u>20,718</u>	<u>7,689</u>
Net increase/(decrease) in cash and cash equivalents	20,718	(73,311)
Cash and cash equivalents at beginning of year	<u>2,590,456</u>	<u>2,663,767</u>
Cash and cash equivalents at end of year	<u><u>2,611,174</u></u>	<u><u>2,590,456</u></u>

	<b>2015</b>	<b>2014</b>
	<b>HK\$</b>	<b>HK\$</b>
<b>CHENG YU-TUNG FUND</b>		
Cash flows from operating activities		
Surplus for the year	9,236	8,855
Bank interest	(9,336)	(8,855)
Increase in amount due to General Account	100	-
	<u>          </u>	<u>          </u>
Net cash from operating activities	<u>          -</u>	<u>          -</u>
Cash flows from investing activities		
Bank interest received	8,769	10,747
Net increase in bank deposits with maturity over three months	(8,769)	(10,747)
	<u>          </u>	<u>          </u>
Net cash from investing activities	<u>          -</u>	<u>          -</u>
Net increase in cash and cash equivalents	-	-
Cash and cash equivalents at beginning of year	<u>6,173</u>	<u>6,173</u>
Cash and cash equivalents at end of year	<u><u>6,173</u></u>	<u><u>6,173</u></u>

	<b>2015</b>	<b>2014</b>
	<b>HK\$</b>	<b>HK\$</b>
<b>SHAW RUN RUN FUND</b>		
Cash flows from operating activities		
Deficit for the year	<u>(100,090)</u>	<u>(71,400)</u>
Net cash used in operating activities	<u>(100,090)</u>	<u>(71,400)</u>
Net decrease in cash and cash equivalents	(100,090)	(71,400)
Cash and cash equivalents at beginning of year	<u>638,600</u>	<u>710,000</u>
Cash and cash equivalents at end of year	<u><u>538,510</u></u>	<u><u>638,600</u></u>

**DONATIONS FOR THE LATE PRINCIPAL  
FIREMAN LEUNG KWOK KEI'S DAUGHTER  
EDUCATION EXPENSES**

Cash flows from operating activities		
Surplus for the year	<u>920,500</u>	<u>-</u>
Net cash from operating activities	<u>920,500</u>	<u>-</u>
Net increase in cash and cash equivalents	920,500	-
Cash and cash equivalents at beginning of year	<u>-</u>	<u>-</u>
Cash and cash equivalents at end of year	<u><u>920,500</u></u>	<u><u>-</u></u>

	<b>2015</b> <b>HK\$</b>	<b>2014</b> <b>HK\$</b>
<b>DONATIONS FOR THE LATE PRINCIPAL FIREMAN LEUNG KWOK KEI'S FAMILY LIVING EXPENSES</b>		
Cash flows from operating activities		
Surplus for the year	<u>450,000</u>	<u>-</u>
Net cash from operating activities	<u>450,000</u>	<u>-</u>
Net increase in cash and cash equivalents	450,000	-
Cash and cash equivalents at beginning of year	<u>-</u>	<u>-</u>
Cash and cash equivalents at end of year	<u><u>450,000</u></u>	<u><u>-</u></u>

### **CHOW TAI FOOK FUND**

Cash flows from operating activities		
Surplus for the year	<u>1,000,000</u>	<u>-</u>
Net cash from operating activities	<u>1,000,000</u>	<u>-</u>
Net increase in cash and cash equivalents	1,000,000	-
Cash and cash equivalents at beginning of year	<u>-</u>	<u>-</u>
Cash and cash equivalents at end of year	<u><u>1,000,000</u></u>	<u><u>-</u></u>

The accompanying notes 1 to 14 form part of these financial statements.

# Fire Services Department Welfare Fund

## Notes to the Financial Statements

### 1. General

The Fire Services Department Welfare Fund (the Fund) was established for the purposes of providing and maintaining amenities for the use and enjoyment of, and making loans, grants, allowances and gifts to beneficiaries including Fire Services employees, former Fire Services employees, dependants of deceased Fire Services employees and dependants of deceased former Fire Services employees in accordance with section 19D of the Fire Services Ordinance (Cap. 95).

The address of the Fund's principal place of business is 11<sup>th</sup> Floor, Fire Services Headquarters Building, No. 1 Hong Chong Road, Tsim Sha Tsui East, Kowloon.

### 2. Significant accounting policies

#### (a) Statement of compliance

The financial statements have been prepared in accordance with section 10(1)(b) of the Fire Services Department (Welfare Fund) Regulation (Cap. 95 sub. leg. E) and all applicable Hong Kong Financial Reporting Standards (HKFRSs) issued by the Hong Kong Institute of Certified Public Accountants.

#### (b) Basis of preparation

The financial statements have been prepared on an accrual basis and under the historical cost convention.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenditure. The estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

There are no critical accounting judgements involved in the application of the Fund's accounting policies. There are neither key assumptions concerning the future nor other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next year.

(c) Adoption of new/revised HKFRSs

The Fund has adopted all new/revised HKFRSs which are effective and relevant to the Fund for the current accounting period.

The Fund has not early adopted any amendments, new standards and interpretations which are not yet effective for the current accounting period. The Fund is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial adoption. So far, it has concluded that the adoption of them is unlikely to have a significant impact on the Fund's results of operations and financial position.

(d) Valuation of souvenir stock

The cost of souvenir stock is calculated on a first-in-first-out basis. Souvenir stock is stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated selling expenses. Obsolete stock is written off.

(e) Loan interest

(i) At the discretion of the Director of Fire Services Incorporated, loans on General Account were subject to the payment of interest at the rate of 1.395% per annum from 1 April 2014 to 31 March 2015 (2014: 1.674% per annum from 1 April 2013 to 30 September 2013 and 1.395% per annum from 1 October 2013 to 31 March 2014), calculated monthly on the balance outstanding at the end of each month until the loan was repaid in full. The interest was payable within one month after the date on which the previous instalment became payable.

(ii) Loans on Bulk Purchase Scheme are interest-free.

(f) Revenue recognition

(i) Fees for firemen's services are recognised when services are provided.

(ii) Revenue from sales of souvenirs is recognised on an accrual basis.

(iii) Interest income from bank deposits is recognised as it accrues using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or, when appropriate, a shorter period to the net carrying amount of the financial asset.

(iv) Interest income from loans is recognised in accordance with the terms set out in the individual loan agreements.

(g) Loans and receivables

Loans and receivables are stated at cost. Where the repayment of a debt becomes doubtful, a provision is made and charged to the income and expenditure account.

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value, having been within three months of maturity when acquired.

3. General Account	2015 HK\$	2014 HK\$
(a) General loans		
Balance at beginning of year	111,550	286,787
Add: Loans made during the year	25,000	25,000
	<u>136,550</u>	<u>311,787</u>
Less: Loans repaid during the year	40,300	179,550
Less: Loan written off during the year	-	20,687
Balance at end of year	<u>96,250</u>	<u>111,550</u>
Loans repayable:		
- after 1 year (non-current assets)	1,250	-
- within 1 year (current assets)	95,000	111,550
	<u>96,250</u>	<u>111,550</u>
(b) Cash and cash equivalents		
Bank deposits with original maturity within three months	16,876,675	16,706,912
Cash with the Director of Accounting Services	2,095,392	940,771
Cash at bank	-	285,435
	<u>18,972,067</u>	<u>17,933,118</u>



4. **Widows and Dependants Scheme**

The Scheme was created in October 1979 to make regular grants in the form of supplementary pension to the widows and dependants of Fire Services employees killed/disabled as a result of active duty at emergency incidents.

	<b>2015</b> <b>HK\$</b>	<b>2014</b> <b>HK\$</b>
(a) Cash and cash equivalents		
Cash with the Director of Accounting Services	1,603	-
Cash at bank	-	1,603
	<u>1,603</u>	<u>1,603</u>

5. **Frederick Watson Fund**

The Frederick Watson Fund was created in August 1983 in recognition of the services of the former Director, Mr. F. M. Watson. The interest yielded from the fund is used for the welfare of Fire Services employees, former Fire Services employees who have retired on pension, or dependants of deceased Fire Services employees or former Fire Services employees as the Director of Fire Services Incorporated sees fit.

	<b>2015</b> <b>HK\$</b>	<b>2014</b> <b>HK\$</b>
(a) Cash and cash equivalents		
Bank deposits with original maturity within three months	2,588,509	2,567,791
Cash with the Director of Accounting Services	22,665	-
Cash at bank	-	22,665
	<u>2,611,174</u>	<u>2,590,456</u>

6. **Cheng Yu-tung Fund**

The Cheng Yu-tung Fund was created in December 1985. The interest yielded from the fund is used as the Director of Fire Services Incorporated sees fit in accordance with section 19D of the Fire Services Ordinance.

	<b>2015</b> <b>HK\$</b>	<b>2014</b> <b>HK\$</b>
(a) Cash and cash equivalents		
Cash with the Director of Accounting Services	6,173	-
Cash at bank	-	6,173
	<u>6,173</u>	<u>6,173</u>

7. **Shaw Run Run Fund**

In appreciation of the dedication and commitment of the uniformed, civilian and contract members of the Fire Services Department in their provision of firefighting, rescue and ambulance services to Hong Kong, Mr. Shaw Run Run donated an amount of HK\$1,000,000 to the Welfare Fund on 10 October 2008 as a scholarship fund for the dependants of the members of the Fire Services Department who have achieved outstanding academic results. Similarly, personal excellence through school records and involvement in extra-curricular activities or community services would also be taken into account.

	<b>2015</b>	<b>2014</b>
	<b>HK\$</b>	<b>HK\$</b>
(a) Cash and cash equivalents		
Cash with the Director of Accounting Services	538,510	638,600
	<u>538,510</u>	<u>638,600</u>

8. **Donations for the late Principal Fireman Leung Kwok-kei's daughter education expenses**

The late Principal Fireman Leung Kwok-kei sacrificed his life on 4 December 2014 after attending a gas explosion in Shek Kip Mei. Donations totalling HK\$920,500 for education expenses of the surviving daughter were received after his death.

	<b>2015</b>	<b>2014</b>
	<b>HK\$</b>	<b>HK\$</b>
(a) Cash and cash equivalents		
Cash with the Director of Accounting Services	920,500	-
	<u>920,500</u>	<u>-</u>

9. **Donations for the late Principal Fireman Leung Kwok-kei's family living expenses**

Donations of HK\$450,000 were also received for the living expenses of the surviving family of the late Principal Fireman Leung Kwok-kei.

	<b>2015</b>	<b>2014</b>
	<b>HK\$</b>	<b>HK\$</b>
(a) Cash and cash equivalents		
Cash with the Director of Accounting Services	450,000	-
	<u>450,000</u>	<u>-</u>

10. **Chow Tai Fook Fund**

Chow Tai Fook Charity Foundation Limited donated an amount of HK\$1,000,000 to the Welfare Fund on 5 January 2015 for establishing a fund to support members of the Fire Services Department in pursuit of higher education.

	<b>2015</b>	<b>2014</b>
	<b>HK\$</b>	<b>HK\$</b>
(a) Cash and cash equivalents		
Cash with the Director of Accounting Services	1,000,000	-
	<u>1,000,000</u>	<u>-</u>

11. **Payments to Shek Kip Mei gas explosion injured officers and deceased officer's family**

The gas explosion in Shek Kip Mei caused one officer sacrificed and 8 officers injured. Donations of HK\$1,267,900 from general public received via the Welfare Fund were paid to the injured officers and deceased officer's family.

12. **Capital management**

The capital structure of the Fund consists of capital and accumulated surplus. The Fund's objectives when managing capital are:

- (a) to comply with the Fire Services Department (Welfare Fund) Regulation; and
- (b) to maintain a capital base for carrying out the purposes of the Fund as stated in note 1 above.

The Fund manages capital to ensure that its level is adequate to fund future issue of loans and expenditure, taking into account its projected cash flow requirements, future financial obligations and commitments.

13. **Financial risk management**

The Fund's major financial instruments include bank deposits and cash with the Director of Accounting Services. The risks associated with these financial instruments are set out below.

- (a) Credit risk

The Fund's maximum exposure to credit risk as at the balance sheet date in relation to each class of financial assets is the carrying amount of those assets as stated in the balance sheet. The Fund limits its exposure to credit risk by transacting with reputable banks in Hong Kong and places its surplus funds in

short-term bank deposits. The credit risk in respect of cash with the Director of Accounting Services is considered minimal. For loan receivables, the Fund considers that adequate provision has been made against all amounts owing to the Fund which are known or expected to be irrecoverable.

(b) Interest rate risk

Interest rate risk is the risk of loss arising from changes in market interest rates. This can be further classified into fair value interest rate risk and cash flow interest rate risk.

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Since the Fund's bank deposits bear interest at fixed rates, their fair value will fall when market interest rates increase. As they are stated at amortised cost, changes in market interest rates will not affect their carrying amounts and the Fund's surplus and equity.

Cash flow interest rate risk is the risk that future cash flow of a financial instrument will fluctuate because of changes in market interest rates. The Fund is not exposed to cash flow interest rate risk as it has no financial instruments bearing interest at floating rates.

(c) Liquidity risk

In the management of liquidity risk, the Fund maintains a level of cash and cash equivalents that is considered adequate to finance its operations and mitigate the effect of fluctuations in cash flows.

14. **Fair values of financial assets and liabilities**

The fair values of the Fund's financial assets and liabilities approximate their carrying amounts at the balance sheet date.