

Trustee's Report

on the Administration of the Education Scholarships Fund

for the year ended 31 August 2013

The Permanent Secretary for Education, Trustee of the Education Scholarships Fund, has pleasure in presenting this report and the statement of the accounts of the Fund for the year ended 31 August 2013.

2. During the year, net current assets of the Fund decreased by \$8,511 and stood at \$6,496,199 as at 31 August 2013. Of this figure, \$6,400,000 (99%) was in fixed deposits.

3. Income from deposits, amounting to \$77,939, represented a decrease of 3% as compared with \$80,078 for last year. The decrease in income was attributed to relatively lower interest rates during the year. The table below summarizes the income from deposits covering the scholarships referred to in Parts I & II and Part III of the Register for these two years : -

Source	Register	Income	
		Year ended 31 August 2013	Year ended 31 August 2012
Deposits		HK\$	HK\$
	Parts I & II	42,479	43,484
	Part III	<u>35,460</u>	<u>36,594</u>
	Total :	<u>77,939</u>	<u>80,078</u>

4. As at 31 August 2013, the total number of scholarships under the Fund's administration stood at 181 (169 in Parts I & II of the Register and 12 in Part III of the Register).
5. During the year, 40 awards amounting to \$28,420 were given to students under Parts I & II and 53 awards amounting to \$58,030 were given under Part III of the Register.
6. The financial statements for the year ended 31 August 2013 have been audited by the Director of Audit.



(Ms Michelle LI)

Permanent Secretary for Education,
Trustee of the Education Scholarships Fund

Date : 13 JANUARY 2014



Education Scholarships Fund

Financial Statements for the year ended 31 August 2013

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 Education Scholarships Fund set out on pages 3 to 11, which comprise the balance sheet as at 31 August 2013, 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.

Permanent Secretary for Education's Responsibility for the Financial Statements

The Permanent Secretary for Education is responsible for the preparation of financial statements that give a true and fair view in accordance with section 9(4) of the Education Scholarships Fund Ordinance (Cap. 1085) and Hong Kong Financial Reporting Standards, and for such internal control as the Permanent Secretary for Education 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 9(5) of the Education Scholarships Fund Ordinance 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 Permanent Secretary for Education, 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 Education Scholarships Fund as at 31 August 2013, 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 9(4) of the Education Scholarships Fund Ordinance.



Frederick T C WONG
Principal Auditor
for Director of Audit

13 January 2014

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

EDUCATION SCHOLARSHIPS FUND
BALANCE SHEET AS AT 31 AUGUST 2013

		2013			2012
	Note	Parts I & II	Part III	Total	Total
		HK\$	HK\$	HK\$	HK\$
Current Assets					
Bank interest receivable		18,144	15,083	33,227	42,798
Fixed deposits		3,494,946	2,905,054	6,400,000	6,380,000
Cash and cash equivalents	3	9,815	55,157	64,972	81,912
		<u>3,522,905</u>	<u>2,975,294</u>	<u>6,498,199</u>	<u>6,504,710</u>
Current Liabilities					
Accounts payable		<u>-</u>	<u>(2,000)</u>	<u>(2,000)</u>	<u>-</u>
Net Current Assets		<u>3,522,905</u>	<u>2,973,294</u>	<u>6,496,199</u>	<u>6,504,710</u>
Capital and Reserves					
General Capital	5	3,317,673	-	3,317,673	3,317,673
Separate Capital	6	-	2,516,004	2,516,004	2,516,004
General Reserve Fund	7	205,232	-	205,232	191,173
Separate Reserve Fund	8	<u>-</u>	<u>457,290</u>	<u>457,290</u>	<u>479,860</u>
		<u>3,522,905</u>	<u>2,973,294</u>	<u>6,496,199</u>	<u>6,504,710</u>

The accompanying notes 1 to 11 form part of these financial statements.



(Ms Michelle LI)
Permanent Secretary for Education
Trustee,



(Ms Rhoda CHAN)
Treasurer,

Education Scholarships Fund

Date : 13 JANUARY 2014

**EDUCATION SCHOLARSHIPS FUND
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 AUGUST 2013**

	2013			2012
	Parts I & II	Part III	Total	Total
	HK\$	HK\$	HK\$	HK\$
Income				
Interest	42,479	35,460	77,939	80,078
Expenditure				
Payment of awards	<u>(28,420)</u>	<u>(58,030)</u>	<u>(86,450)</u>	<u>(94,040)</u>
Surplus / (Deficit) for the year	14,059	(22,570)	(8,511)	(13,962)
Other comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive income / (expense) for the year	<u>14,059</u>	<u>(22,570)</u>	<u>(8,511)</u>	<u>(13,962)</u>

The accompanying notes 1 to 11 form part of these financial statements.

EDUCATION SCHOLARSHIPS FUND
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 AUGUST 2013

	General Capital HK\$	Separate Capital HK\$	General Reserve Fund HK\$	Separate Reserve Fund HK\$	Total HK\$
Balance at 1 September 2011	3,317,673	2,516,004	187,659	497,336	6,518,672
Total comprehensive income / (expense)					
for 2011-12	-	-	3,514	(17,476)	(13,962)
Balance at 31 August 2012	3,317,673	2,516,004	191,173	479,860	6,504,710
Total comprehensive income / (expense)					
for 2012-13	-	-	14,059	(22,570)	(8,511)
Balance at 31 August 2013	<u>3,317,673</u>	<u>2,516,004</u>	<u>205,232</u>	<u>457,290</u>	<u>6,496,199</u>

The accompanying notes 1 to 11 form part of these financial statements.

**EDUCATION SCHOLARSHIPS FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 AUGUST 2013**

		2013		2012
	Note	Parts I & II	Part III	Total
		HK\$	HK\$	HK\$
Cash flows from operating activities				
Surplus / (Deficit) for the year		14,059	(22,570)	(8,511)
Interest income		(42,479)	(35,460)	(77,939)
Increase / (Decrease) in accounts payable		-	2,000	2,000
Net cash used in operating activities		<u>(28,420)</u>	<u>(56,030)</u>	<u>(84,450)</u>
Cash flows from investing activities				
Net (increase) / decrease in bank deposits with original maturity over 3 months		(26,902)	6,902	(20,000)
Interest received		47,599	39,911	87,510
Net cash from / (used in) investing activities		<u>20,697</u>	<u>46,813</u>	<u>67,510</u>
Net decrease in cash and cash equivalents				
		(7,723)	(9,217)	(16,940)
Cash and cash equivalents at beginning of year		17,538	64,374	81,912
Cash and cash equivalents at end of year	3	<u>9,815</u>	<u>55,157</u>	<u>64,972</u>
				<u>81,912</u>

The accompanying notes 1 to 11 form part of these financial statements.

EDUCATION SCHOLARSHIPS FUND
NOTES TO THE FINANCIAL STATEMENTS

1. General

The Education Scholarships Fund (the Fund) was established for the payment of scholarships in accordance with section 4 of the Education Scholarships Fund Ordinance (Cap. 1085). The Fund consists of three parts:

- (a) Part I refers to 29 scholarships which were donated before the vesting day (1 April 1956) in respect of which the amounts donated and the conditions of award as laid down by the donors are unknown.
- (b) Part II refers to:
 - (i) 16 scholarships which were donated before the vesting day and one scholarship which was donated after the vesting day, of which the amounts donated and the conditions of award as laid down by the donors are known; and
 - (ii) 123 scholarships transferred from Part III since 1 September 1990.
- (c) Part III refers to the Fung Ping Shan Scholarship and eleven scholarships which were donated after the vesting day.

The address of the Fund's principal place of business is 12th Floor Cheung Sha Wan Government Offices, 303 Cheung Sha Wan Road, Kowloon.

2. Significant Accounting Policies

(a) Statement of compliance

The financial statements have been prepared in accordance with section 9(4) of the Education Scholarships Fund Ordinance 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 judgments, estimates and assumptions that affect the application of policies and

EDUCATION SCHOLARSHIPS FUND
NOTES TO THE FINANCIAL STATEMENTS

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 judgments 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 judgments 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) Revenue recognition

Interest income is recognized 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.

EDUCATION SCHOLARSHIPS FUND
NOTES TO THE FINANCIAL STATEMENTS

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash at banks, deposits with banks 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. Cash and cash equivalents

	2013	2012
	HK\$	HK\$
Cash at banks	<u>64,972</u>	<u>81,912</u>

4. Financial Risk Management

The Fund's major financial instruments include the bank deposits and the interest receivable. The major risks associated with these financial instruments are set out below.

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Fund's maximum exposure to credit risk as at the balance sheet date in relation to the financial assets is the carrying amount of the assets as stated in the balance sheet. The Fund limits its exposure to credit risk arising from the bank deposits and the interest receivable by transacting with reputable licensed banks in Hong Kong.

(b) Market risk

The Fund is exposed to market risk due to changes in interest rates. 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 all the Fund's time deposits with banks bear interest at fixed rates, their fair values will fall when market interest rates increase. However, as they are all stated at amortised cost, changes in market interest

EDUCATION SCHOLARSHIPS FUND
NOTES TO THE FINANCIAL STATEMENTS

rates will not affect their carrying amounts and the Fund's deficit and equity.

Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund is not exposed to material cash flow interest rate risk because interest income from financial instruments bearing interest at a floating rate is not significant.

The Fund's exposure to interest rate risk, based on the major interest-bearing assets stated at carrying amounts at the balance sheet date and categorised by the earlier of contractual repricing dates or maturity dates, is shown below:

	2013	2012
	HK\$	HK\$
	Fixed Deposits	
Repricing Period - over 3 months to 1 year	<u>6,400,000</u>	<u>6,380,000</u>

(c) Liquidity risk

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

5. General Capital

General Capital is the moneys and assets from which the income is available for payment of the scholarships under Parts I and II.

6. Separate Capital

Separate Capital is the moneys and assets from which the income is available for payment of the scholarships under Part III.

7. General Reserve Fund

General Reserve Fund is for scholarships under Parts I and II.

EDUCATION SCHOLARSHIPS FUND
NOTES TO THE FINANCIAL STATEMENTS

8. Separate Reserve Fund

Separate Reserve Fund is for scholarships under Part III.

9. Capital Management

The capital structure of the Fund consists of the General Capital, the Separate Capital, the General Reserve Fund and the Separate Reserve Fund. The Fund's objectives when managing capital are:

- (a) to comply with the Education Scholarships Fund Ordinance; and
- (b) to maintain a strong capital base for carrying out the purpose of the Fund as stated in note 1 above.

The Fund manages capital to ensure that its level is sufficient to fund future awards, taking into account its projected cash flow requirements, future financial obligations and commitments.

10. Cost of Administration

The cost of administering the Fund has been borne by the Government of the Hong Kong Special Administrative Region in accordance with section 21 of the Education Scholarships Fund Ordinance.

11. Fair Values of Financial Assets and Liabilities

All financial assets and liabilities are stated in the balance sheet at amounts equal to or not materially different from their fair values.