

Report on the Administration of the  
Fire Services Department Welfare Fund (FSDWF)  
for the year ended 31 March 2013

Income and Expenditure

The income of the Fund for the year under report amounted to \$1,685,470, an increase of \$357,929 compared with the previous year's total of \$1,327,541. The income was derived from the following sources:-

Fees for Firemen's Services: Fire-fighting Training Course provided to non-Fire Services members	\$ 1,456,860
Interests on loans and fixed deposits	\$ 118,432
Donation received from the general public	\$ 102,992
Profit on sales of souvenirs financed by FSDWF	\$ 7,186
	<u>\$ 1,685,470</u>

2. Expenditure decreased from last year's figure of \$1,085,539 to \$937,477 and was incurred mainly on the following items: -

Subsidy to welfare functions and activities organized by FSD staff members	\$ 775,156
Bank Services Charge	\$ 15
Loan written off	\$ 6,352
Stock written off	\$ 95,954
Shaw Run Run Scholarship awarded to the winner	\$ 60,000
	<u>\$ 937,477</u>

Loans

3. A total of 7 members applied for and received General Loans amounting to \$112,000 which represents a decrease of \$161,000 over the previous year in dollar terms.

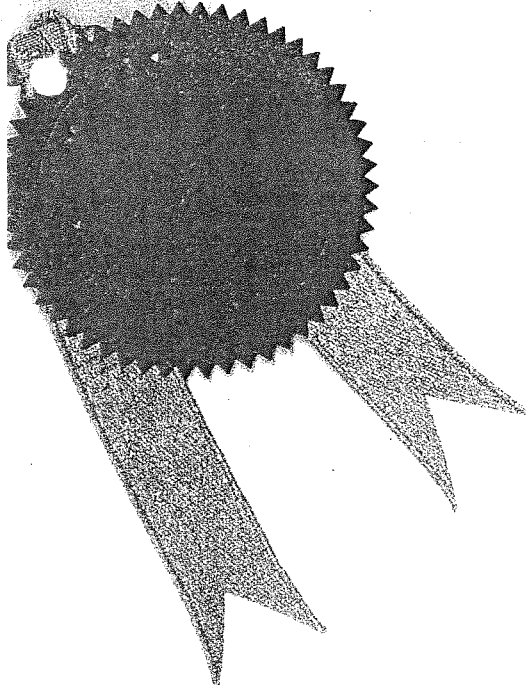
Assets and Liabilities

4. The excess of income over expenditure for the year has increased the accumulated fund from \$26,930,796 in the previous year to the present level of \$27,678,789 (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 \$351,623 in the year mainly due to an increase in fees received for fire fighting training courses and an increase in interest income on fixed deposits as compared with last year. The expenditure has increased by \$120,039 mainly due to an increase in subsidy to staff welfare functions and activities. As income exceeds expenditure, there is a surplus of \$786,345 for the General Account.

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# Fire Services Department Welfare Fund

Financial statements for the year ended 31 March 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 Fire Services Department Welfare Fund set out on pages 3 to 22, which comprise the balance sheet as at 31 March 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.

### **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 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 10(1)(b) of the Fire Services Department (Welfare Fund) Regulation.



Frederick T C WONG  
Principal Auditor  
for Director of Audit

17 September 2013

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

**Fire Services Department Welfare Fund  
Balance Sheet as at 31 March 2013**

	Note	2013 HK\$	2012 HK\$
<b>GENERAL ACCOUNT</b>			
<b>NON-CURRENT ASSETS</b>			
General loans	3(a)	20,300	18,600
<b>CURRENT ASSETS</b>			
Stock of souvenirs		320,959	430,626
General loans	3(a)	266,487	335,353
Loans on Bulk Purchase Scheme	3(b)	-	6,352
Account receivable on special service (Lock-out)		3,560	-
Accrued bank interest		25,888	25,411
Accrued loan interest		332	511
Bank deposits		18,853,996	18,759,703
Cash with the Director of Accounting Services		425,736	1,996,757
Cash at bank		285,435	285,435
Cheques on hand		2,500,000	-
		22,682,393	21,840,148
<b>CURRENT LIABILITIES</b>			
Fees collected in advance		57,600	-
		57,600	-
<b>NET CURRENT ASSETS</b>		22,624,793	21,840,148
		22,645,093	21,858,748
<b>ACCUMULATED FUND</b>			
Accumulated surplus		22,645,093	21,858,748

	Note	2013 HK\$	2012 HK\$
<b>WIDOWS AND DEPENDANTS SCHEME</b>	4		
<b>CURRENT ASSETS</b>			
Accrued bank interest		236	3
Bank deposits		957,894	957,649
Cash at bank		<u>1,603</u>	<u>1,603</u>
		<u>959,733</u>	<u>959,255</u>
<b>ACCUMULATED FUND</b>			
Accumulated surplus		<u>959,733</u>	<u>959,255</u>
<b>FREDERICK WATSON FUND</b>	5		
<b>CURRENT ASSETS</b>			
Accrued bank interest		1,705	1,809
Bank deposits		2,560,102	2,652,093
Cash at bank		<u>103,665</u>	<u>3,680</u>
		<u>2,665,472</u>	<u>2,657,582</u>
<b>ACCUMULATED FUND</b>			
Capital		1,000,000	1,000,000
Accumulated surplus		<u>1,665,472</u>	<u>1,657,582</u>
		<u>2,665,472</u>	<u>2,657,582</u>

	Note	2013 HK\$	2012 HK\$
<b>CHENG YU-TUNG FUND</b>	6		
<b>CURRENT ASSETS</b>			
Accrued bank interest		6,365	3,891
Bank deposits		2,685,953	2,675,147
Cash at bank		<u>6,173</u>	<u>6,173</u>
		<u>2,698,491</u>	<u>2,685,211</u>
<b>ACCUMULATED FUND</b>			
Capital		1,000,000	1,000,000
Accumulated surplus		<u>1,698,491</u>	<u>1,685,211</u>
		<u>2,698,491</u>	<u>2,685,211</u>



	<b>Note</b>	<b>2013 HK\$</b>	<b>2012 HK\$</b>
<b>SHAW RUN RUN FUND</b>	7		
<b>CURRENT ASSETS</b>			
Cash with the Director of Accounting Services		<u>710,000</u>	<u>770,000</u>
<b>ACCUMULATED FUND</b>			
Accumulated surplus		<u>710,000</u>	<u>770,000</u>

The accompanying notes 1 to 10 form part of these financial statements.

(CHAN Chor-kam)  
Director of Fire Services Incorporated  
17 September 2013

**Fire Services Department Welfare Fund**  
**Income and Expenditure Account for the year ended 31 March 2013**

	Note	2013 HK\$	2012 HK\$
<b>GENERAL ACCOUNT</b>			
<b>INCOME</b>			
Fees for firemen's services		1,456,860	482,520
Profit on sales of souvenirs		7,186	5,135
Bank interest		94,770	59,843
Loan interest	2(e)	1,999	2,710
Donations		102,992	640,370
Civil Service Award		-	15,000
Long service payment written back		-	106,606
		1,663,807	1,312,184
<b>EXPENDITURE</b>			
Entertainment and social gathering		451,882	440,212
Other staff welfare		323,274	267,211
Loan written off		6,352	50,000
Stock written off		95,954	-
		877,462	757,423
<b>SURPLUS FOR THE YEAR</b>		786,345	554,761
Other comprehensive income		-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		786,345	554,761

	<b>2013 HK\$</b>	<b>2012 HK\$</b>
<b>WIDOWS AND DEPENDANTS SCHEME</b>		
<b>INCOME</b>		
Bank interest	478	480
<b>EXPENDITURE</b>	<u>-</u>	<u>-</u>
<b>SURPLUS FOR THE YEAR</b>	478	480
Other comprehensive income	<u>-</u>	<u>-</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u><u>478</u></u>	<u><u>480</u></u>

#### **FREDERICK WATSON FUND**

##### **INCOME**

Bank interest	7,905	5,314
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##### **EXPENDITURE**

Bank services charge	<u>15</u>	<u>-</u>
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##### **SURPLUS FOR THE YEAR**

7,890	5,314
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Other comprehensive income	<u>-</u>	<u>-</u>
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##### **TOTAL COMPREHENSIVE INCOME FOR THE YEAR**

<u><u>7,890</u></u>	<u><u>5,314</u></u>
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	<b>2013</b> <b>HK\$</b>	<b>2012</b> <b>HK\$</b>
<b>CHENG YU-TUNG FUND</b>		
<b>INCOME</b>		
Bank interest	13,280	9,443
<b>EXPENDITURE</b>	<u>-</u>	<u>-</u>
<b>SURPLUS FOR THE YEAR</b>	13,280	9,443
Other comprehensive income	<u>-</u>	<u>-</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u><u>13,280</u></u>	<u><u>9,443</u></u>

**DONATIONS FOR THE FAMILY OF THE LATE  
ACTING PRINCIPAL FIREMAN CHIU SHUN-ON**

<b>INCOME</b>		
Bank interest on donations		
Living expenses	-	110
Education expenses	<u>-</u>	<u>10</u>
	<u>-</u>	<u>120</u>
<b>EXPENDITURE</b>		
Charge for Commission	-	45
Payment to beneficiary		
Living expenses	-	132,742
Education expenses	<u>-</u>	<u>125,329</u>
	<u>-</u>	<u>258,116</u>
<b>DEFICIT FOR THE YEAR</b>	-	(257,996)
Other comprehensive income	<u>-</u>	<u>-</u>
<b>TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR</b>	<u><u>-</u></u>	<u><u>(257,996)</u></u>

	<b>2013</b> <b>HK\$</b>	<b>2012</b> <b>HK\$</b>
<b>SHAW RUN RUN FUND</b>		
<b>INCOME</b>	-	-
<b>EXPENDITURE</b>		
Scholarship	<u>60,000</u>	<u>70,000</u>
<b>DEFICIT FOR THE YEAR</b>	(60,000)	(70,000)
Other comprehensive income	<u>-</u>	<u>-</u>
<b>TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR</b>	<u><u>(60,000)</u></u>	<u><u>(70,000)</u></u>

The accompanying notes 1 to 10 form part of these financial statements.

**Fire Services Department Welfare Fund**  
**Statement of Changes in Equity for the year ended 31 March 2013**

	<b>GENERAL ACCOUNT</b>	<b>WIDOWS AND DEPENDANTS SCHEME</b>	<b>FREDERICK WATSON FUND</b>			<b>CHENG YU-TUNG FUND</b>			<b>DONATIONS FOR THE FAMILY OF THE LATE ACTING PRINCIPAL FIREMAN CHIU SHUN-ON</b>	<b>SHAW RUN RUN 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>HK\$</b>
Balance at 1.4.2011	21,303,987	958,775	1,000,000	1,652,268	2,652,268	1,000,000	1,675,768	2,675,768	257,996	840,000	28,688,794
Total comprehensive income/(expense) for 2011-2012	554,761	480	-	5,314	5,314	-	9,443	9,443	(257,996)	(70,000)	242,002
Balance at 31.3.2012	<u>21,858,748</u>	<u>959,255</u>	<u>1,000,000</u>	<u>1,657,582</u>	<u>2,657,582</u>	<u>1,000,000</u>	<u>1,685,211</u>	<u>2,685,211</u>	<u>-</u>	<u>770,000</u>	<u>28,930,796</u>
Balance at 1.4.2012	21,858,748	959,255	1,000,000	1,657,582	2,657,582	1,000,000	1,685,211	2,685,211	-	770,000	28,930,796
Total comprehensive income/(expense) for 2012-2013	786,345	478	-	7,890	7,890	-	13,280	13,280	-	(60,000)	747,993
Balance at 31.3.2013	<u>22,645,093</u>	<u>959,733</u>	<u>1,000,000</u>	<u>1,665,472</u>	<u>2,665,472</u>	<u>1,000,000</u>	<u>1,698,491</u>	<u>2,698,491</u>	<u>-</u>	<u>710,000</u>	<u>29,678,789</u>

The accompanying notes 1 to 10 form part of these financial statements.

**Fire Services Department Welfare Fund**  
**Statement of Cash Flows for the year ended 31 March 2013**

	<b>2013</b>	<b>2012</b>
	<b>HK\$</b>	<b>HK\$</b>
<b>GENERAL ACCOUNT</b>		
Cash flows from operating activities		
Surplus for the year	786,345	554,761
Bank interest	(94,770)	(59,843)
Loan interest	(1,999)	(2,710)
Decrease/(Increase) in stock of souvenirs	109,667	(16,753)
Decrease/(Increase) in general loans	67,166	(22,470)
Decrease in loans on Bulk Purchase Scheme	6,352	5,000
Increase in account receivable on special service (Lock-out)	(3,560)	-
Increase/(Decrease) in fees collected in advance	57,600	(78,765)
Decrease in provision for long service payment	-	(106,606)
	<u>926,801</u>	<u>272,614</u>
Cash flows from investing activities		
Bank interest received	94,293	51,200
Loan interest received	2,178	2,639
Net decrease/(increase) in bank deposits with maturity over three months	2,156,497	(25,629)
	<u>2,252,968</u>	<u>28,210</u>
Net cash from investing activities	<u>2,252,968</u>	<u>28,210</u>
Net increase in cash and cash equivalents	3,179,769	300,824
Cash and cash equivalents at beginning of year	<u>14,148,238</u>	<u>13,847,414</u>
Cash and cash equivalents at end of year	<u>17,328,007</u>	<u>14,148,238</u>
Analysis of the balances of cash and cash equivalents		
Bank deposits with original maturity within three months	14,116,836	11,866,046
Cash with the Director of Accounting Services	425,736	1,996,757
Cash at bank	285,435	285,435
Cheques on hand	2,500,000	-
	<u>17,328,007</u>	<u>14,148,238</u>

	<b>2013</b>	<b>2012</b>
	<b>HK\$</b>	<b>HK\$</b>
<b>WIDOWS AND DEPENDANTS SCHEME</b>		
Cash flows from operating activities		
Surplus for the year	478	480
Bank interest	<u>(478)</u>	<u>(480)</u>
Net cash from operating activities	<u>-</u>	<u>-</u>
Cash flows from investing activities		
Bank interest received	245	480
Net increase in bank deposits with maturity over three months	<u>(245)</u>	<u>(480)</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>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>
Analysis of the balances of cash and cash equivalents		
Cash at bank	<u><u>1,603</u></u>	<u><u>1,603</u></u>



	<b>2013</b>	<b>2012</b>
	<b>HK\$</b>	<b>HK\$</b>
<b>FREDERICK WATSON FUND</b>		
Cash flows from operating activities		
Surplus for the year	7,890	5,314
Bank interest	<u>(7,905)</u>	<u>(5,314)</u>
Net cash used in operating activities	<u>(15)</u>	<u>-</u>
Cash flows from investing activities		
Bank interest received	<u>8,009</u>	<u>4,528</u>
Net cash from investing activities	<u>8,009</u>	<u>4,528</u>
Net increase in cash and cash equivalents	7,994	4,528
Cash and cash equivalents at beginning of year	<u>2,655,773</u>	<u>2,651,245</u>
Cash and cash equivalents at end of year	<u><u>2,663,767</u></u>	<u><u>2,655,773</u></u>
Analysis of the balances of cash and cash equivalents		
Bank deposits with original maturity within three months	2,560,102	2,652,093
Cash at bank	<u>103,665</u>	<u>3,680</u>
	<u><u>2,663,767</u></u>	<u><u>2,655,773</u></u>

	<b>2013</b>	<b>2012</b>
	<b>HK\$</b>	<b>HK\$</b>
<b>CHENG YU-TUNG FUND</b>		
Cash flows from operating activities		
Surplus for the year	13,280	9,443
Bank interest	<u>(13,280)</u>	<u>(9,443)</u>
Net cash from operating activities	<u>-</u>	<u>-</u>
Cash flows from investing activities		
Bank interest received	10,806	11,332
Net increase in bank deposits with maturity over three months	<u>(10,806)</u>	<u>(11,332)</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>
Analysis of the balances of cash and cash equivalents		
Cash at bank	<u><u>6,173</u></u>	<u><u>6,173</u></u>

	<b>2013</b>	<b>2012</b>
	<b>HK\$</b>	<b>HK\$</b>
<b>DONATIONS FOR THE FAMILY OF THE LATE ACTING PRINCIPAL FIREMAN CHIU SHUN-ON</b>		
Cash flows from operating activities		
Deficit for the year	-	(257,996)
Bank interest	-	(120)
	<u>-</u>	<u>(258,116)</u>
Net cash used in operating activities	<u>-</u>	<u>(258,116)</u>
Cash flows from investing activities		
Bank interest received	-	282
	<u>-</u>	<u>282</u>
Net cash from investing activities	<u>-</u>	<u>282</u>
Net decrease in cash and cash equivalents	-	(257,834)
Cash and cash equivalents at beginning of year	-	257,834
	<u>-</u>	<u>257,834</u>
Cash and cash equivalents at end of year	<u>-</u>	<u>-</u>
Analysis of the balances of cash and cash equivalents		
Bank deposits with original maturity within three months	-	-
Cash at bank	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

	<b>2013</b>	<b>2012</b>
	<b>HK\$</b>	<b>HK\$</b>
<b>SHAW RUN RUN FUND</b>		
Cash flows from operating activities		
Deficit for the year	(60,000)	(70,000)
	<u>          </u>	<u>          </u>
Net cash used in operating activities	<u>(60,000)</u>	<u>(70,000)</u>
Net decrease in cash and cash equivalents	(60,000)	(70,000)
Cash and cash equivalents at beginning of year	<u>770,000</u>	<u>840,000</u>
Cash and cash equivalents at end of year	<u><u>710,000</u></u>	<u><u>770,000</u></u>
Analysis of the balances of cash and cash equivalents		
Cash with the Director of Accounting Services	<u><u>710,000</u></u>	<u><u>770,000</u></u>

The accompanying notes 1 to 10 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.

(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 1.674% per annum from 1 April 2012 to 31 March 2013 (2012: 2.099% from 1 April 2011 to 30 September 2011 and 1.674% from 1 October 2011 to 31 March 2012), 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

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash 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. <b>General Account</b>	<b>2013</b> <b>HK\$</b>	<b>2012</b> <b>HK\$</b>
<b>(a) General loans</b>		
Balance at beginning of year	353,953	331,483
Add: Loans made during the year	112,000	273,000
	<u>465,953</u>	<u>604,483</u>
Less: Loans repaid during the year	179,166	200,530
Less: Loan written off during the year	-	50,000
Balance at end of year	<u>286,787</u>	<u>353,953</u>
Loans repayable :		
- after 1 year (non-current assets)	20,300	18,600
- within 1 year (current assets)	266,487	335,353
	<u>286,787</u>	<u>353,953</u>
<b>(b) Loans on Bulk Purchase Scheme</b>		
Balance at beginning of year	6,352	11,352
Add: Loans made during the year	-	-
	<u>6,352</u>	<u>11,352</u>
Less: Loans repaid during the year	-	5,000
Less: Loans written off during the year	6,352	-
Balance at end of year	<u>-</u>	<u>6,352</u>
Loans repayable :		
- within 1 year (current assets)	<u>-</u>	<u>6,352</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.

5. **Frederick Watson Fund**

The 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.

6. **CHENG Yu-tung Fund**

The 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.

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.

8. **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.

9. **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.

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:

	<b>2013</b>	<b>2012</b>
	<b>HK\$</b>	<b>HK\$</b>
<b>Deposits with banks</b>		
Repricing Period -		
- up to 3 months	25,057,945	24,086,943
- over 3 months to 1 year	-	957,649
	<u>25,057,945</u>	<u>25,044,592</u>

(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.

10. **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.