

Report on the Administration of the
Fire Services Department Welfare Fund (FSDWF)
for the year ended 31 March 2014

Income and Expenditure

The income of the Fund for the year under report amounted to \$1,330,277, a decrease of \$355,193 compared with the previous year's total of \$1,685,470. The income was derived from the following sources:-

Fees for Firemen's Services: Fire-fighting Training Course provided to non-Fire Services members	\$ 863,598
Interests on loans and fixed deposits	\$ 145,671
Donations received from the general public	\$ 296,339
Profit on sales of souvenirs financed by FSDWF	\$ 4,669
Civil Service Award	\$ <u>20,000</u>
	\$ <u><u>1,330,277</u></u>

2. Expenditure increased from last year's figure of \$937,477 to \$992,160 and was incurred mainly on the following items: -

Subsidy to welfare functions and activities organized by FSD staff members	\$ 804,985
Loan written off	\$ 20,890
Stock written off	\$ 13,885
Shaw Run Run Scholarship awarded to the winners	\$ 71,400
Grants	\$ <u>81,000</u>
	\$ <u><u>992,160</u></u>

Loans

3. One member applied for and received General Loans amounting to \$25,000 which represents a decrease of \$87,000 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 \$27,688,389 in the previous year to the present level of \$28,026,506 (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 decreased by \$353,407 in the year mainly due to a decrease in fees received for fire fighting training courses as compared with last year. The expenditure has decreased by \$37,702 mainly due to a decrease in written off of stock of souvenirs. As income exceeds expenditure, there is a surplus of \$470,640 for the General Account.

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Fire Services Department Welfare Fund

Financial statements for the year ended 31 March 2014

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 21, which comprise the balance sheet as at 31 March 2014, 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 2014, 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

12 September 2014

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

Fire Services Department Welfare Fund
Balance Sheet as at 31 March 2014

	Note	2014 HK\$	2013 HK\$ (restated)
GENERAL ACCOUNT			
NON-CURRENT ASSETS			
General loans	3(a)	----- -	----- 20,300
CURRENT ASSETS			
Stock of souvenirs		282,835	330,559
General loans	3(a)	111,550	266,487
Account receivable on special service (Lock-out)		-	3,560
Accrued bank interest		41,665	25,888
Accrued loan interest		51	332
Bank deposits		4,756,114	4,737,160
Cash and cash equivalents	3(b)	<u>17,933,118</u>	<u>17,328,007</u>
		23,125,333	22,691,993
CURRENT LIABILITIES			
Fees collected in advance		-	57,600
		<u>-----</u>	<u>-----</u>
		-	57,600
		<u>-----</u>	<u>-----</u>
NET CURRENT ASSETS			
		----- 23,125,333	----- 22,634,393
		<u>23,125,333</u>	<u>22,654,693</u>
ACCUMULATED FUND			
Accumulated surplus		<u>23,125,333</u>	<u>22,654,693</u>

	Note	2014 HK\$	2013 HK\$
WIDOWS AND DEPENDANTS SCHEME	4		
CURRENT ASSETS			
Accrued bank interest		236	236
Bank deposits		958,373	957,894
Cash and cash equivalents	4(a)	<u>1,603</u>	<u>1,603</u>
		<u>960,212</u>	<u>959,733</u>
ACCUMULATED FUND			
Accumulated surplus		<u>960,212</u>	<u>959,733</u>
FREDERICK WATSON FUND	5		
CURRENT ASSETS			
Accrued bank interest		4,559	1,705
Cash and cash equivalents	5(a)	<u>2,590,456</u>	<u>2,663,767</u>
		<u>2,595,015</u>	<u>2,665,472</u>
ACCUMULATED FUND			
Capital		1,000,000	1,000,000
Accumulated surplus		<u>1,595,015</u>	<u>1,665,472</u>
		<u>2,595,015</u>	<u>2,665,472</u>

	Note	2014 HK\$	2013 HK\$
CHENG YU-TUNG FUND	6		
CURRENT ASSETS			
Accrued bank interest		4,473	6,365
Bank deposits		2,696,700	2,685,953
Cash and cash equivalents	6(a)	<u>6,173</u>	<u>6,173</u>
		<u>2,707,346</u>	<u>2,698,491</u>
ACCUMULATED FUND			
Capital		1,000,000	1,000,000
Accumulated surplus		<u>1,707,346</u>	<u>1,698,491</u>
		<u>2,707,346</u>	<u>2,698,491</u>

	Note	2014 HK\$	2013 HK\$
SHAW RUN RUN FUND	7		
CURRENT ASSETS			
Cash and cash equivalents	7(a)	<u>638,600</u>	<u>710,000</u>
ACCUMULATED FUND			
Accumulated surplus		<u>638,600</u>	<u>710,000</u>

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

(LAI Man-hin)
Director of Fire Services Incorporated
12 September 2014

Fire Services Department Welfare Fund
Income and Expenditure Account for the year ended 31 March 2014

	Note	2014 HK\$	2013 HK\$
GENERAL ACCOUNT			
INCOME			
Fees for firemen's services		863,598	1,456,860
Profit on sales of souvenirs		4,669	7,186
Bank interest		124,807	94,770
Loan interest	2(e)	987	1,999
Donations		296,339	102,992
Civil Service Award		20,000	-
		<hr/>	<hr/>
		1,310,400	1,663,807
EXPENDITURE			
Entertainment and social gathering		467,563	451,882
Other staff welfare		337,422	323,274
Loan written off		20,890	6,352
Stock written off		13,885	95,954
		<hr/>	<hr/>
		839,760	877,462
		<hr/>	<hr/>
SURPLUS FOR THE YEAR		470,640	786,345
Other comprehensive income		<hr/> -	<hr/> -
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<hr/> <hr/> 470,640	<hr/> <hr/> 786,345

	2014 HK\$	2013 HK\$
WIDOWS AND DEPENDANTS SCHEME		
INCOME		
Bank interest	479	478
EXPENDITURE	<u>-</u>	<u>-</u>
SURPLUS FOR THE YEAR	479	478
Other comprehensive income	<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u><u>479</u></u>	<u><u>478</u></u>

FREDERICK WATSON FUND

INCOME		
Bank interest	10,543	7,905
EXPENDITURE		
Grants	81,000	-
Bank services charge	<u>-</u>	<u>15</u>
(DEFICIT)/SURPLUS FOR THE YEAR	(70,457)	7,890
Other comprehensive income	<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE (EXPENSE)/INCOME FOR THE YEAR	<u><u>(70,457)</u></u>	<u><u>7,890</u></u>

	2014 HK\$	2013 HK\$
CHENG YU-TUNG FUND		
INCOME		
Bank interest	8,855	13,280
EXPENDITURE	<u>-</u>	<u>-</u>
SURPLUS FOR THE YEAR	8,855	13,280
Other comprehensive income	<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u><u>8,855</u></u>	<u><u>13,280</u></u>
	2014 HK\$	2013 HK\$
SHAW RUN RUN FUND		
INCOME	-	-
EXPENDITURE		
Scholarship	<u>71,400</u>	<u>60,000</u>
DEFICIT FOR THE YEAR	(71,400)	(60,000)
Other comprehensive income	<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR	<u><u>(71,400)</u></u>	<u><u>(60,000)</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 2014

	GENERAL ACCOUNT	WIDOWS AND DEPENDANTS SCHEME	FREDERICK WATSON FUND			CHENG YU-TUNG FUND			SHAW RUN RUN FUND	TOTAL
	ACCUMULATED SURPLUS HK\$	ACCUMULATED SURPLUS HK\$	CAPITAL HK\$	ACCUMULATED SURPLUS HK\$	TOTAL HK\$	CAPITAL HK\$	ACCUMULATED SURPLUS HK\$	TOTAL HK\$	ACCUMULATED SURPLUS HK\$	HK\$
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 as previously stated	22,645,093	959,733	1,000,000	1,665,472	2,665,472	1,000,000	1,698,491	2,698,491	710,000	29,678,789
Prior year adjustment (Note 2(i))	9,600	-	-	-	-	-	-	-	-	9,600
Balance at 31.3.2013 as restated	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
Balance at 1.4.2013 as restated	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

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 2014

	2014	2013
	HK\$	HK\$
GENERAL ACCOUNT		
Cash flows from operating activities		
Surplus for the year	470,640	786,345
Bank interest	(124,807)	(94,770)
Loan interest	(987)	(1,999)
Bad debts expenses	20,890	6,352
Decrease in stock of souvenirs	47,724	109,667
Decrease in general loans	154,550	67,166
Decrease/(Increase) in account receivable on special service (Lock-out)	3,560	(3,560)
(Decrease)/Increase in fees collected in advance	<u>(57,600)</u>	<u>57,600</u>
Net cash from operating activities	<u>513,970</u>	<u>926,801</u>
Cash flows from investing activities		
Bank interest received	109,030	94,293
Loan interest received	1,065	2,178
Net (increase)/decrease in bank deposits with maturity over three months	<u>(18,954)</u>	<u>2,156,497</u>
Net cash from investing activities	<u>91,141</u>	<u>2,252,968</u>
Net increase in cash and cash equivalents	605,111	3,179,769
Cash and cash equivalents at beginning of year	<u>17,328,007</u>	<u>14,148,238</u>
Cash and cash equivalents at end of year	<u><u>17,933,118</u></u>	<u><u>17,328,007</u></u>

	2014 HK\$	2013 HK\$
WIDOWS AND DEPENDANTS SCHEME		
Cash flows from operating activities		
Surplus for the year	479	478
Bank interest	<u>(479)</u>	<u>(478)</u>
Net cash from operating activities	<u>-</u>	<u>-</u>
Cash flows from investing activities		
Bank interest received	479	245
Net increase in bank deposits with maturity over three months	<u>(479)</u>	<u>(245)</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>

	2014 HK\$	2013 HK\$
FREDERICK WATSON FUND		
Cash flows from operating activities		
(Deficit)/surplus for the year	(70,457)	7,890
Bank interest	<u>(10,543)</u>	<u>(7,905)</u>
Net cash used in operating activities	<u>(81,000)</u>	<u>(15)</u>
Cash flows from investing activities		
Bank interest received	<u>7,689</u>	<u>8,009</u>
Net cash from investing activities	<u>7,689</u>	<u>8,009</u>
Net (decrease)/increase in cash and cash equivalents	(73,311)	7,994
Cash and cash equivalents at beginning of year	<u>2,663,767</u>	<u>2,655,773</u>
Cash and cash equivalents at end of year	<u><u>2,590,456</u></u>	<u><u>2,663,767</u></u>

	2014 HK\$	2013 HK\$
CHENG YU-TUNG FUND		
Cash flows from operating activities		
Surplus for the year	8,855	13,280
Bank interest	<u>(8,855)</u>	<u>(13,280)</u>
Net cash from operating activities	<u>-</u>	<u>-</u>
Cash flows from investing activities		
Bank interest received	10,747	10,806
Net increase in bank deposits with maturity over three months	<u>(10,747)</u>	<u>(10,806)</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>

	2014	2013
	HK\$	HK\$
SHAW RUN RUN FUND		
Cash flows from operating activities		
Deficit for the year	(71,400)	(60,000)
	<u> </u>	<u> </u>
Net cash used in operating activities	<u>(71,400)</u>	<u>(60,000)</u>
Net decrease in cash and cash equivalents	(71,400)	(60,000)
Cash and cash equivalents at beginning of year	<u>710,000</u>	<u>770,000</u>
Cash and cash equivalents at end of year	<u><u>638,600</u></u>	<u><u>710,000</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 11th 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 1.674% per annum from 1 April 2013 to 30 September 2013 and 1.395% per annum from 1 October 2013 to 31 March 2014 (2013: 1.674% from 1 April 2012 to 31 March 2013), 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.

(i) Prior year adjustment

In current year, it came to the attention of the Director of Fire Services Incorporated that souvenir stock of \$9,600 was not recorded in the prior year's financial statements due to accounting errors. As a result, the closing stock of souvenirs and the accumulated surplus as at 31 March 2013 were both understated by \$9,600. Accordingly, a prior year adjustment has been made in these financial statements and the financial impact is summarised below:

	HK\$
As at 31 March 2013	
Increase in stock	9,600
Increase in accumulated surplus	9,600

3. General Account	2014 HK\$	2013 HK\$
(a) General loans		
Balance at beginning of year	286,787	353,953
Add: Loans made during the year	25,000	112,000
	<u>311,787</u>	<u>465,953</u>
Less: Loans repaid during the year	179,550	179,166
Less: Loan written off during the year	20,687	-
Balance at end of year	<u><u>111,550</u></u>	<u><u>286,787</u></u>
Loans repayable :		
- after 1 year (non-current assets)	-	20,300
- within 1 year (current assets)	111,550	266,487
	<u><u>111,550</u></u>	<u><u>286,787</u></u>

(b) Cash and cash equivalents

Bank deposits with original maturity within three months	16,706,912	14,116,836
Cash with the Director of Accounting Services	940,771	425,736
Cash at bank	285,435	285,435
Cheque on hand	-	2,500,000
	<u>17,933,118</u>	<u>17,328,007</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.

	2014 HK\$	2013 HK\$
(a) Cash and cash equivalents		
Cash at bank	<u>1,603</u>	<u>1,603</u>
	<u>1,603</u>	<u>1,603</u>

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.

	2014 HK\$	2013 HK\$
(a) Cash and cash equivalents		
Bank deposits with original maturity within three months	2,567,791	2,560,102
Cash at bank	<u>22,665</u>	<u>103,665</u>
	<u>2,590,456</u>	<u>2,663,767</u>

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.

	2014 HK\$	2013 HK\$
(a) Cash and cash equivalents		
Cash at bank	6,173	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.

	2014 HK\$	2013 HK\$
(a) Cash and cash equivalents		
Cash with the Director of Accounting Services	638,600	710,000
	<u>638,600</u>	<u>710,000</u>

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:

	2014 HK\$	2013 HK\$
Deposits with banks		
Repricing Period -		
- up to 3 months	<u>27,685,891</u>	<u>25,057,945</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.