

Report on the Administration of the
Fire Services Department Welfare Fund (FSDWF)
for the year ended 31 March 2016

Income and Expenditure

The income of the Fund for the year under report amounted to \$3,291,669, a decrease of \$2,316,782 compared with the previous year's total of \$5,608,451. The income was derived from the following sources:-

Fees for Firemen's Services: Fire-fighting Training Course provided to non-Fire Services members	\$ 255,725
Interests on loans and fixed deposits	\$ 212,717
Profit on sales of souvenirs financed by FSDWF	\$ 7,384
Donations received from the general public	\$ 2,300,843
Donations received from the Shaw Run Run Fund	\$ 460,000
Civil Service Award	\$ 55,000
	<u>\$ 3,291,669</u>

2. Expenditure decreased from last year's figure of \$2,351,364 to \$1,408,397 and was incurred mainly on the following items:-

Subsidy to welfare functions and activities organized by FSD staff members	\$ 845,975
Shaw Run Run Scholarship awarded to the winners	\$ 230,000
Payments to Shek Kip Mei gas explosion injured officers and deceased officer's family	\$ 24,000
Education expenses for the late Principal Fireman LEUNG Kwok-kei's daughter	\$ 58,422
Living expenses for the late Principal Fireman LEUNG Kwok-kei's family	\$ 150,000
Dr. Cheng Yu-tung Education Fund (Formerly named as "Chow Tai Fook Fund") Scholarship awarded to the successful applicants	\$ 100,000
	<u>\$ 1,408,397</u>

Loans

3. No member applied for and received General Loans for the year.

Assets and Liabilities

4. The excess of income over expenditure for the year has increased the accumulated fund from \$31,283,593 in the previous year to the present level of \$33,166,865 (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 \$424,437 in the year mainly due to a decrease in donations received from general public as compared with last year. The expenditure has decreased by \$1,380,932 mainly due to a decreased 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 \$1,911,533 for the General Account.

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Fire Services Department Welfare Fund

Financial statements for the year ended 31 March 2016

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 26, which comprise the balance sheet as at 31 March 2016, 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 2016, 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

9 September 2016

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

Fire Services Department Welfare Fund
Balance Sheet as at 31 March 2016

	Note	2016 HK\$	2015 HK\$
GENERAL ACCOUNT			
NON-CURRENT ASSETS			
General loans	3(a)	----- -	----- 1,250
CURRENT ASSETS			
Stock of souvenirs		231,645	291,608
General loans	3(a)	81,250	95,000
Amount due from Widows and Dependants Scheme, Frederick Watson Fund and Cheng Yu-tung Fund		-	300
Accrued bank interest		29,518	38,375
Accrued loan interest		3	22
Other receivable		95	-
Bank deposits		7,223,510	4,771,581
Cash and cash equivalents	3(b)	<u>18,431,334</u>	<u>18,972,067</u>
		25,997,355	24,168,953
CURRENT LIABILITIES			
Fees collected in advance		-	38,400
Accounts payable		<u>5,451</u>	<u>51,432</u>
		<u>5,451</u>	<u>89,832</u>
NET CURRENT ASSETS		<u>25,991,904</u>	<u>24,079,121</u>
		<u>25,991,904</u>	<u>24,080,371</u>
ACCUMULATED FUND			
Accumulated surplus		<u>25,991,904</u>	<u>24,080,371</u>

	Note	2016 HK\$	2015 HK\$
WIDOWS AND DEPENDANTS SCHEME	4		
CURRENT ASSETS			
Accrued bank interest		1,422	1,786
Bank deposits		967,958	958,785
Cash and cash equivalents	4(a)	<u>1,503</u>	<u>1,603</u>
		<u>970,883</u>	<u>962,174</u>
CURRENT LIABILITIES			
Amount due to General Account		<u>-</u>	<u>100</u>
NET CURRENT ASSETS		<u><u>970,883</u></u>	<u><u>962,074</u></u>
ACCUMULATED FUND			
Accumulated surplus		<u><u>970,883</u></u>	<u><u>962,074</u></u>
FREDERICK WATSON FUND	5		
CURRENT ASSETS			
Accrued bank interest		3,103	4,482
Cash and cash equivalents	5(a)	<u>2,628,948</u>	<u>2,611,174</u>
		<u>2,632,051</u>	<u>2,615,656</u>
CURRENT LIABILITIES			
Amount due to General Account		<u>-</u>	<u>100</u>
NET CURRENT ASSETS		<u><u>2,632,051</u></u>	<u><u>2,615,556</u></u>
ACCUMULATED FUND			
Capital		1,000,000	1,000,000
Accumulated surplus		<u>1,632,051</u>	<u>1,615,556</u>
		<u><u>2,632,051</u></u>	<u><u>2,615,556</u></u>

	Note	2016 HK\$	2015 HK\$
CHENG YU-TUNG FUND	6		
CURRENT ASSETS			
Accrued bank interest		4,011	5,040
Bank deposits		2,731,355	2,705,469
Cash and cash equivalents	6(a)	<u>6,073</u>	<u>6,173</u>
		<u>2,741,439</u>	<u>2,716,682</u>
CURRENT LIABILITIES			
Amount due to General Account		<u>-</u>	<u>100</u>
NET CURRENT ASSETS		<u>2,741,439</u>	<u>2,716,582</u>
ACCUMULATED FUND			
Capital		1,000,000	1,000,000
Accumulated surplus		<u>1,741,439</u>	<u>1,716,582</u>
		<u>2,741,439</u>	<u>2,716,582</u>
SHAW RUN RUN FUND	7		
CURRENT ASSETS			
Cash and cash equivalents	7(a)	<u>768,510</u>	<u>538,510</u>
ACCUMULATED FUND			
Accumulated surplus		<u>768,510</u>	<u>538,510</u>

	Note	2016 HK\$	2015 HK\$
DONATIONS FOR THE LATE PRINCIPAL FIREMAN LEUNG KWOK KEI'S DAUGHTER EDUCATION EXPENSES	8		
CURRENT ASSETS			
Cash and cash equivalents	8(a)	<u>862,078</u>	<u>920,500</u>
ACCUMULATED FUND			
Accumulated surplus		<u>862,078</u>	<u>920,500</u>
DONATIONS FOR THE LATE PRINCIPAL FIREMAN LEUNG KWOK KEI'S FAMILY LIVING EXPENSES	9		
CURRENT ASSETS			
Cash and cash equivalents	9(a)	<u>300,000</u>	<u>450,000</u>
ACCUMULATED FUND			
Accumulated surplus		<u>300,000</u>	<u>450,000</u>

	Note	2016 HK\$	2015 HK\$
DR. CHENG YU TUNG EDUCATION FUND (Formerly named as "CHOW TAI FOOK FUND")	10		
CURRENT ASSETS			
Cash and cash equivalents	10(a)	<u>900,000</u>	<u>1,000,000</u>
ACCUMULATED FUND			
Accumulated surplus		<u>900,000</u>	<u>1,000,000</u>

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

(LI Kin-yat)
Director of Fire Services Incorporated
9 September 2016

Fire Services Department Welfare Fund
Income and Expenditure Account for the year ended 31 March 2016

	Note	2016 HK\$	2015 HK\$
GENERAL ACCOUNT			
INCOME			
Fees for firemen's services		255,725	337,140
Profit on sales of souvenirs		7,384	5,005
Bank interest		162,425	181,940
Loan interest	2(e)	131	368
Donations		2,300,843	2,681,492
Civil Service Award		55,000	-
		2,781,508	3,205,945
EXPENDITURE			
Entertainment and social gathering		475,438	482,120
Other staff welfare		370,537	499,311
Stock written off		-	1,376
Bank services charge		-	200
Payments to Shek Kip Mei gas explosion injured officers and deceased officer's family	11	24,000	1,267,900
		869,975	2,250,907
SURPLUS FOR THE YEAR		1,911,533	955,038
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,911,533	955,038

	Note	2016 HK\$	2015 HK\$
WIDOWS AND DEPENDANTS SCHEME			
INCOME			
Bank interest		8,809	2,029
EXPENDITURE			
Bank services charge		<u>-</u>	<u>167</u>
SURPLUS FOR THE YEAR		8,809	1,862
Other comprehensive income		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u><u>8,809</u></u>	<u><u>1,862</u></u>

FREDERICK WATSON FUND

INCOME

Bank interest	16,495	20,641
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EXPENDITURE

Bank services charge	<u>-</u>	<u>100</u>
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SURPLUS FOR THE YEAR

16,495	20,541
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Other comprehensive income	<u>-</u>	<u>-</u>
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TOTAL COMPREHENSIVE INCOME FOR THE YEAR

<u><u>16,495</u></u>	<u><u>20,541</u></u>
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	Note	2016 HK\$	2015 HK\$
CHENG YU-TUNG FUND			
INCOME			
Bank interest		24,857	9,336
EXPENDITURE			
Bank services charge		<u>-</u>	<u>100</u>
SURPLUS FOR THE YEAR		24,857	9,236
Other comprehensive income		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u><u>24,857</u></u>	<u><u>9,236</u></u>
SHAW RUN RUN FUND			
INCOME			
Donations		460,000	-
EXPENDITURE			
Scholarship		<u>230,000</u>	<u>100,090</u>
SURPLUS/(DEFICIT) FOR THE YEAR		230,000	(100,090)
Other comprehensive income		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		<u><u>230,000</u></u>	<u><u>(100,090)</u></u>

	Note	2016 HK\$	2015 HK\$
DONATIONS FOR THE LATE PRINCIPAL FIREMAN LEUNG KWOK KEI'S DAUGHTER EDUCATION EXPENSES			
INCOME			
Donations		-	920,500
EXPENDITURE			
Education expenses		<u>58,422</u>	<u>-</u>
(DEFICIT)/SURPLUS FOR THE YEAR		(58,422)	920,500
Other comprehensive income		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		<u><u>(58,422)</u></u>	<u><u>920,500</u></u>

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

INCOME			
Donations		-	450,000
EXPENDITURE			
Living expenses		<u>150,000</u>	<u>-</u>
(DEFICIT)/SURPLUS FOR THE YEAR		(150,000)	450,000
Other comprehensive income		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		<u><u>(150,000)</u></u>	<u><u>450,000</u></u>

	Note	2016 HK\$	2015 HK\$
DR. CHENG YU TUNG EDUCATION FUND			
(Formerly named as "CHOW TAI FOOK FUND")			
INCOME			
Donations		-	1,000,000
EXPENDITURE			
Scholarship		<u>100,000</u>	<u>-</u>
(DEFICIT)/SURPLUS FOR THE YEAR		(100,000)	1,000,000
Other comprehensive income		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		<u><u>(100,000)</u></u>	<u><u>1,000,000</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 2016**

	GENERAL ACCOUNT	WIDOWS AND DEPENDANTS SCHEME	FREDERICK WATSON FUND			CHENG YU-TUNG FUND			SHAW RUN RUN FUND	DONATIONS FOR THE LATE PRINCIPAL FIREMAN LEUNG KWOK KEI'S DAUGHTER EDUCATION EXPENSES	DONATIONS FOR THE LATE PRINCIPAL FIREMAN LEUNG KWOK KEI'S FAMILY LIVING EXPENSES	DR. CHENG YU TUNG EDUCATION FUND (Formerly named as "CHOW TAI FOOK 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\$	ACCUMULATED SURPLUS HK\$	ACCUMULATED SURPLUS HK\$	ACCUMULATED SURPLUS HK\$	HK\$
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/(loss) 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
Balance at 1.4.2015	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
Total comprehensive income/(loss) for 2015-2016	1,911,533	8,809	-	16,495	16,495	-	24,857	24,857	230,000	(58,422)	(150,000)	(100,000)	1,883,272
Balance at 31.3.2016	25,991,904	970,883	1,000,000	1,632,051	2,632,051	1,000,000	1,741,439	2,741,439	768,510	862,078	300,000	900,000	35,166,865

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 2016

	Note	2016 HK\$	2015 HK\$
GENERAL ACCOUNT			
Cash flows from operating activities			
Surplus for the year		1,911,533	955,038
Bank interest		(162,425)	(181,940)
Loan interest		(131)	(368)
Decrease/(Increase) in stock of souvenirs		59,963	(8,773)
Decrease in general loans		15,000	15,300
Decrease/(Increase) in amount due from Widows and Dependants Scheme, Frederick Watson Fund and Cheng Yu-tung Fund		300	(300)
Increase in other receivable		(95)	-
(Decrease)/Increase in fees collected in advance		(38,400)	38,400
(Decrease)/Increase in accounts payable		(45,981)	51,432
		<u>1,739,764</u>	<u>868,789</u>
Net cash from operating activities			
Cash flows from investing activities			
Bank interest received		171,282	185,230
Loan interest received		150	397
Net increase in bank deposits with maturity over three months		(2,451,929)	(15,467)
		<u>(2,280,497)</u>	<u>170,160</u>
Net cash (used in)/from investing activities			
Net (decrease)/increase in cash and cash equivalents		(540,733)	1,038,949
Cash and cash equivalents at beginning of year		<u>18,972,067</u>	<u>17,933,118</u>
Cash and cash equivalents at end of year	3(b)	<u><u>18,431,334</u></u>	<u><u>18,972,067</u></u>

	Note	2016 HK\$	2015 HK\$
WIDOWS AND DEPENDANTS SCHEME			
Cash flows from operating activities			
Surplus for the year		8,809	1,862
Bank interest		(8,809)	(2,029)
(Decrease)/Increase in amount due to General Account		<u>(100)</u>	<u>100</u>
Net cash used in operating activities		<u>(100)</u>	<u>(67)</u>
Cash flows from investing activities			
Bank interest received		9,173	479
Net increase in bank deposits with maturity over three months		<u>(9,173)</u>	<u>(412)</u>
Net cash from investing activities		<u>-</u>	<u>67</u>
Net decrease in cash and cash equivalents		(100)	-
Cash and cash equivalents at beginning of year		<u>1,603</u>	<u>1,603</u>
Cash and cash equivalents at end of year	4(a)	<u><u>1,503</u></u>	<u><u>1,603</u></u>

	Note	2016 HK\$	2015 HK\$
FREDERICK WATSON FUND			
Cash flows from operating activities			
Surplus for the year		16,495	20,541
Bank interest		(16,495)	(20,641)
(Decrease)/Increase in amount due to General Account		<u>(100)</u>	<u>100</u>
Net cash used in operating activities		<u>(100)</u>	<u>-</u>
Cash flows from investing activities			
Bank interest received		<u>17,874</u>	<u>20,718</u>
Net cash from investing activities		<u>17,874</u>	<u>20,718</u>
Net increase in cash and cash equivalents		17,774	20,718
Cash and cash equivalents at beginning of year		<u>2,611,174</u>	<u>2,590,456</u>
Cash and cash equivalents at end of year	5(a)	<u><u>2,628,948</u></u>	<u><u>2,611,174</u></u>

	Note	2016 HK\$	2015 HK\$
CHENG YU-TUNG FUND			
Cash flows from operating activities			
Surplus for the year		24,857	9,236
Bank interest		(24,857)	(9,336)
(Decrease)/Increase in amount due to General Account		<u>(100)</u>	<u>100</u>
Net cash used in operating activities		<u>(100)</u>	<u>-</u>
Cash flows from investing activities			
Bank interest received		25,886	8,769
Net increase in bank deposits with maturity over three months		<u>(25,886)</u>	<u>(8,769)</u>
Net cash from investing activities		<u>-</u>	<u>-</u>
Net decrease in cash and cash equivalents		(100)	-
Cash and cash equivalents at beginning of year		<u>6,173</u>	<u>6,173</u>
Cash and cash equivalents at end of year	6(a)	<u><u>6,073</u></u>	<u><u>6,173</u></u>

	Note	2016 HK\$	2015 HK\$
SHAW RUN RUN FUND			
Cash flows from operating activities			
Surplus/(Deficit) for the year		<u>230,000</u>	<u>(100,090)</u>
Net cash from/(used in) operating activities		<u>230,000</u>	<u>(100,090)</u>
Net increase/(decrease) in cash and cash equivalents		230,000	(100,090)
Cash and cash equivalents at beginning of year		<u>538,510</u>	<u>638,600</u>
Cash and cash equivalents at end of year	7(a)	<u><u>768,510</u></u>	<u><u>538,510</u></u>

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

Cash flows from operating activities			
(Deficit)/Surplus for the year		<u>(58,422)</u>	<u>920,500</u>
Net cash (used in)/from operating activities		<u>(58,422)</u>	<u>920,500</u>
Net (decrease)/increase in cash and cash equivalents		(58,422)	920,500
Cash and cash equivalents at beginning of year		<u>920,500</u>	<u>-</u>
Cash and cash equivalents at end of year	8(a)	<u><u>862,078</u></u>	<u><u>920,500</u></u>

	Note	2016 HK\$	2015 HK\$
DONATIONS FOR THE LATE PRINCIPAL FIREMAN LEUNG KWOK KEI'S FAMILY LIVING EXPENSES			
Cash flows from operating activities			
(Deficit)/Surplus for the year		<u>(150,000)</u>	<u>450,000</u>
Net cash (used in)/from operating activities		<u>(150,000)</u>	<u>450,000</u>
Net (decrease)/increase in cash and cash equivalents		(150,000)	450,000
Cash and cash equivalents at beginning of year		<u>450,000</u>	<u>-</u>
Cash and cash equivalents at end of year	9(a)	<u><u>300,000</u></u>	<u><u>450,000</u></u>

**DR. CHENG YU TUNG EDUCATION FUND
(Formerly named as "CHOW TAI FOOK FUND")**

Cash flows from operating activities			
(Deficit)/Surplus for the year		<u>(100,000)</u>	<u>1,000,000</u>
Net cash (used in)/from operating activities		<u>(100,000)</u>	<u>1,000,000</u>
Net (decrease)/increase in cash and cash equivalents		(100,000)	1,000,000
Cash and cash equivalents at beginning of year		<u>1,000,000</u>	<u>-</u>
Cash and cash equivalents at end of year	10(a)	<u><u>900,000</u></u>	<u><u>1,000,000</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 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 1.395% per annum from 1 April 2015 to 30 September 2015 and 1.282% per annum from 1 October 2015 to 31 March 2016 (2015: 1.395% per annum from 1 April 2014 to 31 March 2015), 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) Donation income is recognised once cash is received and approval for acceptance obtained.

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

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

(iv) 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.

(v) 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**

	2016 HK\$	2015 HK\$
(a) General loans		
Balance at beginning of year	96,250	111,550
Add: Loans made during the year	-	25,000
	<u>96,250</u>	<u>136,550</u>
Less: Loans repaid during the year	15,000	40,300
Balance at end of year	<u>81,250</u>	<u>96,250</u>
Loans repayable:		
- after 1 year (non-current assets)	-	1,250
- within 1 year (current assets)	81,250	95,000
	<u>81,250</u>	<u>96,250</u>
(b) Cash and cash equivalents		
Bank deposits with original maturity within three months	16,996,028	16,876,675
Cash with the Director of Accounting Services	1,435,306	2,095,392
	<u>18,431,334</u>	<u>18,972,067</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.

	2016 HK\$	2015 HK\$
(a) Cash and cash equivalents		
Cash with the Director of Accounting Services	1,503	1,603
	<u>1,503</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.

	2016 HK\$	2015 HK\$
(a) Cash and cash equivalents		
Bank deposits with original maturity within three months	2,606,383	2,588,509
Cash with the Director of Accounting Services	22,565	22,665
	<u>2,628,948</u>	<u>2,611,174</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.

	2016 HK\$	2015 HK\$
(a) Cash and cash equivalents		
Cash with the Director of Accounting Services	6,073	6,173
	<u>6,073</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. In addition, an amount of HK\$460,000 was donated on 17 June 2015 to the Welfare Fund.

	2016	2015
	HK\$	HK\$
(a) Cash and cash equivalents		
Cash with the Director of Accounting Services	768,510	538,510
	<u>768,510</u>	<u>538,510</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.

	2016	2015
	HK\$	HK\$
(a) Cash and cash equivalents		
Cash with the Director of Accounting Services	862,078	920,500
	<u>862,078</u>	<u>920,500</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.

	2016	2015
	HK\$	HK\$
(a) Cash and cash equivalents		
Cash with the Director of Accounting Services	300,000	450,000
	<u>300,000</u>	<u>450,000</u>

10. **Dr. Cheng Yu-tung Education Fund
(Formerly named as "Chow Tai Fook Fund")**

Chow Tai Fook Charity Foundation Limited donated an amount of HK\$1,000,000 to the Welfare Fund on 10 February 2015 for establishing a fund to support members of the Fire Services Department in pursuit of higher education.

	2016	2015
	HK\$	HK\$
(a) Cash and cash equivalents		
Cash with the Director of Accounting Services	<u>900,000</u>	<u>1,000,000</u>
	<u>900,000</u>	<u>1,000,000</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\$24,000 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 licensed 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.