



REPORT OF THE DIRECTOR OF AUDIT TO THE LEGISLATIVE COUNCIL

I have audited the attached financial statements which have been prepared under the accounting policies set out in note 2 to the accounts.

Respective responsibilities of the Director of Education Incorporated and the Director of Audit

Under the provisions of section 8(3) of the Director of Education Incorporation Ordinance, the Director of Education Incorporated is responsible for the preparation of financial statements. In preparing the financial statements, the Director of Education Incorporated has to select appropriate accounting policies and to apply them consistently.

It is my responsibility to form an independent opinion, based on my audit, on those statements and to report my opinion to you.

Basis of opinion

I have audited the financial statements referred to above in accordance with the provisions of section 8(5) of the Director of Education Incorporation Ordinance and the Audit Commission auditing standards. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Director of Education Incorporated in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Language Fund, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements. I believe that my audit provides a reasonable basis for my opinion.

Opinion

In my opinion the financial statements give a true and fair view of the state of affairs of the Language Fund as at 31 August 2002 and of its income and expenditure for the year then ended and have been properly prepared in accordance with the provisions of section 8(3) of the Director of Education Incorporation Ordinance.



Audit Commission
Hong Kong
7 April 2003

(LEUNG Moon-tong, David)
Assistant Director of Audit
for Director of Audit

LANGUAGE FUND
BALANCE SHEET AS AT 31 AUGUST 2002

	<u>Note</u>	<u>2002</u> HK\$	<u>2001</u> HK\$
ASSETS			
Short notice and time deposits	3	361,556,960	356,097,080
Bank balances		8,205,879	13,181,767
Accrued bank interest		1,631,690	6,531,811
		<u>371,394,529</u>	<u>375,810,658</u>

Representing :

ACCUMULATED FUND

Balance at 1 September 2001	375,810,658	183,053,596
Allocation from the Government	-	200,000,000
	<u>375,810,658</u>	<u>383,053,596</u>
Deficit for the year	(4,416,129)	(7,242,938)
Balance at 31 August 2002	<u>371,394,529</u>	<u>375,810,658</u>

The accompanying Notes 1 to 4 form part of these accounts.



(Mrs. Fanny LAW)
Director of Education Incorporated
Trustee of the Language Fund

LANGUAGE FUND
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 AUGUST 2002

	Notes	<u>2002</u>	<u>2001</u>
		HK\$	HK\$
INCOME			
Interest	2(b)	<u>9,455,731</u>	<u>13,899,465</u>
		9,455,731	13,899,465
EXPENDITURE			
Grants	2(c)	<u>13,817,827</u>	<u>20,577,161</u>
Public education and publicity expenses		<u>54,033</u>	<u>565,042</u>
Bank charges		<u>-</u>	<u>200</u>
		13,871,860	21,142,403
Deficit for the year		<u><u>(4,416,129)</u></u>	<u><u>(7,242,938)</u></u>

There were no recognised gains or losses other than the deficit for the year.

The accompanying Notes 1 to 4 form part of these accounts.



(Mrs. Fanny LAW)
 Director of Education Incorporated
 Trustee of the Language Fund

LANGUAGE FUND

Notes to the Accounts

(1) General

The Language Fund accounts are prepared in accordance with section 8 of the Director of Education Incorporation Ordinance, Cap. 1098.

The Fund was established by a declaration of trust made on 2 May 1994 by the Director of Education Incorporated who is the Trustee of the Fund. The object of the Fund is to promote proficiency in the use of Chinese (including Putonghua) and English languages.

(2) Accounting Policies

(a) Basis of accounting

The accounts are prepared on an accrual basis.

(b) Interest income

Interest income from bank deposits is recognised in the period in which it is earned.

(c) Grants

Payments of grants are recognised when grants are paid.

(3) Short Notice and Time Deposits

These are Hong Kong dollar deposits placed with banks for investment under section 5(1) of the Director of Education Incorporation Ordinance, Cap. 1098.

(4) Commitments for Grant

As at 31 August 2002, commitments for 20 approved grants amounted to approximately HK\$86 million (2001 : HK\$112 million).