



**REPORT OF THE DIRECTOR OF AUDIT
TO THE PERMANENT SECRETARY FOR
EDUCATION AND MANPOWER INCORPORATED**

I have audited the attached statement of accounts which has been prepared under the accounting policies set out in note 2 to the accounts.

**Respective responsibilities of the Permanent Secretary for
Education and Manpower Incorporated and the Director of Audit**

Under the provisions of section 8(3) of the Permanent Secretary for Education and Manpower Incorporation Ordinance, the Permanent Secretary for Education and Manpower Incorporated is responsible for the preparation of the statement of accounts. In preparing the statement of accounts, the Permanent Secretary for Education and Manpower 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 that statement of accounts and to report my opinion to you.

Basis of opinion

I have audited the statement of accounts referred to above in accordance with the provisions of section 8(5) of the Permanent Secretary for Education and Manpower 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 statement of accounts. It also includes an assessment of the significant estimates and judgements made by the Permanent Secretary for Education and Manpower Incorporated in the preparation of the statement of accounts, 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 statement of accounts is free from material misstatement. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the statement of accounts. I believe that my audit provides a reasonable basis for my opinion.

Opinion

In my opinion the statement of accounts gives a true and fair view of the state of affairs of the Language Fund as at 31 August 2003 and of its income and expenditure for the year then ended and has been properly prepared in accordance with the provisions of section 8(3) of the Permanent Secretary for Education and Manpower Incorporation Ordinance.



Audit Commission
Hong Kong
4 March 2004

(LEUNG Kui-yuen, Patrick)
Assistant Director of Audit
for Director of Audit

LANGUAGE FUND
BALANCE SHEET AS AT 31 AUGUST 2003

	<u>Note</u>	<u>2003</u> HK\$	<u>2002</u> HK\$
ASSETS			
Short notice and time deposits	3	737,766,895	361,556,960
Bank balances		6,484,103	8,205,879
Accrued bank interest		3,689,827	1,631,690
		747,940,825	371,394,529

Representing :

ACCUMULATED FUND

Balance as at 1 September 2002	371,394,529	375,810,658
Allocation from the Government	400,000,000	-
	771,394,529	375,810,658
Deficit for the year	(23,453,704)	(4,416,129)
	747,940,825	371,394,529

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



(Mrs Fanny LAW)

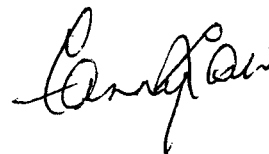
Permanent Secretary for Education and Manpower Incorporated
Trustee of the Language Fund

**LANGUAGE FUND
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 AUGUST 2003**

	<u>Note</u>	<u>2003</u>	<u>2002</u>
INCOME		HK\$	HK\$
Interest	2(b)	8,228,155	9,455,731
		<u>8,228,155</u>	<u>9,455,731</u>
EXPENDITURE			
Grants	2(c)	31,634,481	13,817,827
Public education and publicity expenses		47,378	54,033
		<u>31,681,859</u>	<u>13,871,860</u>
Deficit for the year		<u>(23,453,704)</u>	<u>(4,416,129)</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)

Permanent Secretary for Education and Manpower 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 Permanent Secretary for Education and Manpower Incorporation Ordinance, Cap. 1098.

The Fund was established by a declaration of trust made on 2 May 1994 by the Permanent Secretary for Education and Manpower 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 Permanent Secretary for Education and Manpower Incorporation Ordinance, Cap. 1098.

(4) Commitments for Grant

As at 31 August 2003, commitments for 31 approved grants amounted to approximately HK\$102 million (2002 : HK\$86 million).