



**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 2004 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  
3 February 2005



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

LANGUAGE FUND  
BALANCE SHEET AS AT 31 AUGUST 2004

	<u>Note</u>	<u>2004</u> HK\$	<u>2003</u> HK\$
<b>ASSETS</b>			
Short notice and time deposits	3	705,513,582	737,766,895
Bank balances		12,562,026	6,484,103
Accrued bank interest		6,814,868	3,689,827
		<u>724,890,476</u>	<u>747,940,825</u>
Representing :			
<b>ACCUMULATED FUND</b>			
Balance at 1 September 2003		747,940,825	371,394,529
Allocation from the Government		-	400,000,000
		<u>747,940,825</u>	<u>771,394,529</u>
Deficit for the year		(23,050,349)	(23,453,704)
		<u>724,890,476</u>	<u>747,940,825</u>

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



(Mrs. Fanry 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 2004

	<u>Note</u>	<u>2004</u>	<u>2003</u>
		HK\$	HK\$
<b>INCOME</b>			
Interest	2(b)	10,203,673	8,228,155
		10,203,673	8,228,155
<b>EXPENDITURE</b>			
Grants	2(c)	33,243,859	31,634,481
Public education and publicity expenses		10,013	47,378
Bank charges		150	-
		33,254,022	31,681,859
<b>Deficit for the year</b>		<b>(23,050,349)</b>	<b>(23,453,704)</b>

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 2004, commitments for 31 approved grants amounted to approximately HK\$382 million (2003 : HK\$102 million).