

# Independent Auditor's Report and Audited Financial Statements

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## Financial Statements

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## Independent Auditor's Report

### To The Members of the Hospital Authority

We have audited the consolidated financial statements of the Hospital Authority ("HA") and its subsidiaries (together, the "Group") set out on pages 88 to 141, which comprise the consolidated and HA balance sheets as at 31 March 2012, and the consolidated statement of income and expenditure, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in net assets for the year then ended, and a summary of significant accounting policies and other explanatory information.

### The Hospital Authority's Responsibility for the Consolidated Financial Statements

The Hospital Authority is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and for such internal control as the Hospital Authority determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 10 of the Hospital Authority Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.



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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of HA and of the Group as at 31 March 2012 and of the Group's surplus and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards.

A large, stylized handwritten signature in black ink that reads 'PricewaterhouseCoopers'.

**PricewaterhouseCoopers**  
*Certified Public Accountants*

*Hong Kong, 27 September 2012*

## Consolidated Balance Sheet

	Note	Balance at 31 March 2012 HK\$'000	Balance at 31 March 2011 HK\$'000
<b>Non-Current Assets</b>			
Property, plant and equipment	5	3,479,671	3,255,193
Intangible assets	6	415,356	337,457
Loans receivable	7	9,386	12,630
Fixed income instruments	8	300,001	2,030,979
		<b>4,204,414</b>	<b>5,636,259</b>
<b>Current Assets</b>			
Inventories	9	1,048,667	892,890
Loans receivable	7	1,603	1,918
Accounts receivable	10	257,684	224,834
Other receivables	11	78,192	90,990
Deposits and prepayments	12	262,957	231,107
Fixed income instruments	8	1,730,993	-
Bank deposits with maturity over three months	13	4,717,415	6,110,375
Cash and cash equivalents	13	3,717,620	872,240
		<b>11,815,131</b>	<b>8,424,354</b>
<b>Current Liabilities</b>			
Creditors and accrued charges	14	5,770,957	4,496,939
Deposits received	15	158,440	297,802
		<b>5,929,397</b>	<b>4,794,741</b>
<b>Net Current Assets</b>		<b>5,885,734</b>	<b>3,629,613</b>
<b>Total Assets Less Current Liabilities</b>		<b>10,090,148</b>	<b>9,265,872</b>
<b>Non-Current Liabilities</b>			
Death and disability liabilities	16	176,363	142,082
Deferred income	17	506,621	515,884
<b>Net Assets</b>		<b>9,407,164</b>	<b>8,607,906</b>
<b>Capital subventions and donations</b>	18	<b>3,895,027</b>	<b>3,592,650</b>
<b>Designated fund</b>	19	<b>5,077,369</b>	<b>5,077,369</b>
<b>Revenue reserve</b>		<b>434,768</b>	<b>(62,113)</b>
<b>Capital Subventions and Donations, Designated Fund and Reserves</b>		<b>9,407,164</b>	<b>8,607,906</b>



Mr John LEE, JP

Chairman  
Finance Committee



Dr LEUNG Pak-yin, JP

Chief Executive

## Balance Sheet

	Note	Balance at 31 March 2012 HK\$'000	Balance at 31 March 2011 HK\$'000
<b>Non-Current Assets</b>			
Property, plant and equipment	5	3,479,671	3,255,016
Intangible assets	6	414,958	336,794
Loans receivable	7	9,386	12,630
Fixed income instruments	8	300,001	2,030,979
		<b>4,204,016</b>	5,635,419
<b>Current Assets</b>			
Inventories	9	1,048,667	892,890
Loans receivable	7	1,603	1,918
Accounts receivable	10	257,684	224,834
Other receivables	11	78,269	90,990
Deposits and prepayments	12	262,874	231,107
Fixed income instruments	8	1,730,993	-
Bank deposits with maturity over three months	13	4,717,415	6,110,375
Cash and cash equivalents	13	3,717,620	872,240
		<b>11,815,125</b>	8,424,354
<b>Current Liabilities</b>			
Creditors and accrued charges	14	5,770,957	4,496,945
Deposits received	15	158,440	297,802
		<b>5,929,397</b>	4,794,747
<b>Net Current Assets</b>		<b>5,885,728</b>	3,629,607
<b>Total Assets Less Current Liabilities</b>		<b>10,089,744</b>	9,265,026
<b>Non-Current Liabilities</b>			
Death and disability liabilities	16	176,363	142,082
Deferred income	17	506,621	515,884
<b>Net Assets</b>		<b>9,406,760</b>	8,607,060
<b>Capital subventions and donations</b>	18	3,894,629	3,591,810
<b>Designated fund</b>	19	5,077,369	5,077,369
<b>Revenue reserve</b>		434,762	(62,119)
<b>Capital Subventions and Donations, Designated Fund and Reserves</b>		<b>9,406,760</b>	8,607,060

  
Mr John LEE, JP  
Chairman  
Finance Committee

  
Dr LEUNG Pak-yin, JP  
Chief Executive

## Consolidated Statement of Income and Expenditure

	Note	For the year ended 31 March 2012 HK\$'000	For the year ended 31 March 2011 HK\$'000
<b>Income</b>			
Recurrent Government subvention	20	36,847,073	33,065,841
Capital Government subvention		790,108	677,593
Hospital / clinic fees and charges	21	3,029,866	2,993,714
Donations		225	144
Transfers from:			
Designated donation fund	17	144,943	142,966
Training and Welfare Fund	17	-	3,713
Capital subventions	18	711,168	619,350
Capital donations	18	109,149	113,263
Investment income		149,682	104,479
Other income		535,102	457,330
		<b>42,317,316</b>	<b>38,178,393</b>
<b>Expenditure</b>			
Staff costs		(29,616,427)	(26,903,893)
Drugs		(4,068,679)	(3,639,061)
Medical supplies and equipment		(1,845,758)	(1,354,230)
Utilities charges		(969,607)	(917,294)
Repairs and maintenance		(1,269,804)	(1,150,909)
Building projects funded by the Government as set out in note 2(g)(ii) and (iii)		(790,108)	(677,593)
Operating lease expenses – office premises and equipment		(84,611)	(49,510)
Depreciation and amortisation	5, 6	(814,718)	(723,496)
Other operating expenses	22	(2,360,723)	(2,520,293)
		<b>(41,820,435)</b>	<b>(37,936,279)</b>
<b>Surplus for the year</b>		<b>496,881</b>	<b>242,114</b>

## Consolidated Statement of Comprehensive Income

	Note	For the year ended 31 March 2012 HK\$'000	For the year ended 31 March 2011 HK\$'000
<b>Surplus for the year</b>		<b>496,881</b>	242,114
Other comprehensive income			
Additions to capital subventions and donations	18	<b>1,122,694</b>	1,235,143
Transfers to consolidated statement of income and expenditure	18	<b>(820,317)</b>	(732,613)
<b>Total comprehensive income for the year</b>		<b>799,258</b>	744,644

## Consolidated Cash Flow Statement

	Note	For the year ended 31 March 2012 HK\$'000	For the year ended 31 March 2011 HK\$'000
Net cash from operating activities	26	<b>1,302,753</b>	828,310
Investing activities			
Investment income received		<b>149,682</b>	104,479
Purchases of property, plant and equipment	5	<b>(934,150)</b>	(1,089,752)
Purchases of intangible assets	6	<b>(188,544)</b>	(145,391)
Net decrease / (increase) in bank deposits with maturity over three months		<b>1,392,960</b>	(1,861,629)
Net increase in fixed income instruments		<b>(15)</b>	(320,013)
Net cash generated from / (used in) investing activities		<b>419,933</b>	(3,312,306)
Net cash before financing activities		<b>1,722,686</b>	(2,483,996)
Financing activities			
Capital subventions	18	<b>929,549</b>	1,103,825
Capital donations	18	<b>193,145</b>	131,318
Net cash from financing activities		<b>1,122,694</b>	1,235,143
Increase / (decrease) in cash and cash equivalents		<b>2,845,380</b>	(1,248,853)
Cash and cash equivalents at beginning of year		<b>872,240</b>	2,121,093
Cash and cash equivalents at end of year	13	<b>3,717,620</b>	872,240



## Consolidated Statement of Changes in Net Assets

	<b>Capital subventions and donations</b>	<b>Designated Fund</b>	<b>Revenue Reserve</b>	<b>Total</b>
	HK\$'000 [Note 18]	HK\$'000	HK\$'000	HK\$'000
At 1 April 2010	3,090,120	5,077,369	(304,227)	<b>7,863,262</b>
Total comprehensive income for the year	502,530	-	242,114	<b>744,644</b>
At 31 March 2011	3,592,650	5,077,369	(62,113)	<b>8,607,906</b>
Total comprehensive income for the year	302,377	-	496,881	<b>799,258</b>
At 31 March 2012	3,895,027	5,077,369	434,768	<b>9,407,164</b>

## Notes to the Financial Statements

### 1. The Hospital Authority

#### (a) Background

The Hospital Authority (“HA”) and its subsidiaries are collectively referred to as the “Group” in the consolidated financial statements. HA is a statutory body established in Hong Kong on 1 December 1990 under the Hospital Authority Ordinance. The Hospital Authority Ordinance provides HA with the powers to manage and control the delivery of public hospital services in Hong Kong. Under the Hospital Authority Ordinance, HA is responsible for the following:

- advising the Government of the needs of the public for hospital services and of the resources required to meet those needs;
- managing and developing the public hospital system;
- recommending to the Secretary for Food and Health appropriate policies on fees for the use of hospital services by the public;
- establishing public hospitals; and
- promoting, assisting and taking part in education and training of HA staff and research relating to hospital services.

Pursuant to Section 5(a) of the Hospital Authority Ordinance (Cap. 113), an agreement was entered into between the Government of the Hong Kong Special Administrative Region (the “Government”) and the HA on 3 June 2011 (“Agreement”), under which the Government and HA agreed that HA shall be responsible for managing and controlling the government lands and the hospitals, clinics, facilities, buildings and premises established thereon (as set out in Annex A of the Agreement and referred to as “Properties”), as well as the Facilities and Amenities (as set out in Annex B of the Agreement) that may be provided on the Properties. The ownership of the Properties continues to be held by the Government.

HA has also entered into agreements with the individual governing bodies of the ex-subvented hospitals which allowed HA to assume ownership of some operating assets as at 1 December 1991 and to manage and control other assets, the ownership of which remains with the individual governing bodies.

## Notes to the Financial Statements (Continued)

### 1. The Hospital Authority (Continued)

#### (a) Background (Continued)

As a result, HA has assumed full responsibility for the management of the hospital operations since 1 December 1991. Also, all operating and capital commitments outstanding as at 1 December 1991 were assumed by HA, except for the capital works projects funded under the Capital Works Reserve Fund of the Government.

As part of the Government's healthcare reform plan, HA has taken over the management and operation of all general outpatient clinics ("GOPCs") from the Department of Health since July 2003. Under the arrangement, the title and ownership in respect of the related operating assets of the GOPCs were retrospectively transferred to HA in July 2003 after receiving formal approval from the Government in June 2006. These assets were transferred at nil value.

In order to promote the development and research of Chinese medicine in Hong Kong, HA's subsidiary, HACM Limited entered into agreements with 10 non-governmental organisations ("NGOs") to operate 16 Chinese medicine clinics. Under the agreements with the NGOs, the Group has provided an annual subvention to the NGOs for operating Chinese medicine clinics in Hong Kong. These NGO clinics have provided Chinese medicine outpatient services including the prescription of Chinese herbal medicine and related services. For the year ended 31 March 2012, the subvention paid to these NGOs amounted to HK\$26,466,000 (2011: HK\$25,720,000).

In order to support the Government-led electronic health record ("eHR") programme, which is a 10-year-programme and an essential part of the healthcare reform, HA has been engaged to serve as the technical agency to the Government, leveraging its experience and know-how in the Clinical Management System ("CMS"). With this role, HA undertakes multiple streams of eHR related projects, which are funded by the recurrent subvention and other designated funding from the Government. During the financial year 2011/12, HA recognised HK\$179,673,000 (2011: HK\$133,372,000) as other income to match with the expenditure incurred in relation to the eHR related projects.

## Notes to the Financial Statements (Continued)

### 1. The Hospital Authority (Continued)

#### (b) Hospitals and other institutions

At the balance sheet date, HA had under its management and control the following hospitals and institutions:

##### Hospitals:

Alice Ho Miu Ling Nethersole Hospital  
 Bradbury Hospice  
 Caritas Medical Centre  
 Castle Peak Hospital  
 Cheshire Home, Chung Hom Kok  
 Cheshire Home, Shatin  
 The Duchess of Kent Children's Hospital at Sandy Bay  
 Grantham Hospital  
 Haven of Hope Hospital  
 Hong Kong Buddhist Hospital  
 Hong Kong Eye Hospital  
 Kowloon Hospital  
 Kwai Chung Hospital  
 Kwong Wah Hospital  
 MacLehose Medical Rehabilitation Centre  
 North District Hospital  
 Our Lady of Maryknoll Hospital  
 Pamela Youde Nethersole Eastern Hospital  
 Pok Oi Hospital  
 Prince of Wales Hospital  
 Princess Margaret Hospital  
 Queen Elizabeth Hospital  
 Queen Mary Hospital  
 Ruttonjee & Tang Shiu Kin Hospitals  
 Shatin Hospital  
 Siu Lam Hospital  
 St. John Hospital  
 Tai Po Hospital

## Notes to the Financial Statements (Continued)

### 1. The Hospital Authority (Continued)

#### (b) Hospitals and other institutions (Continued)

##### Hospitals (Continued):

Tsan Yuk Hospital  
Tseung Kwan O Hospital  
Tuen Mun Hospital  
Tung Wah Eastern Hospital  
Tung Wah Group of Hospitals Fung Yiu King Hospital  
Tung Wah Group of Hospitals Wong Tai Sin Hospital  
Tung Wah Hospital  
United Christian Hospital  
Wong Chuk Hang Hospital  
Yan Chai Hospital

##### Other Institutions:

eHR HK Limited  
HACare (ceased operation of the long stay care home on 31 December 2004 and has remained inactive thereafter)  
HACM Limited  
Hong Kong Red Cross Blood Transfusion Service  
Rehabaid Centre  
Specialist outpatient clinics  
General outpatient clinics  
Other clinics and associated units

#### (c) Principal office

The address of the principal office of the Hospital Authority is Hospital Authority Building, 147B Argyle Street, Kowloon, Hong Kong.

## Notes to the Financial Statements (Continued)

### 2. Principal accounting policies

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to both years presented, unless otherwise stated.

#### (a) Basis of presentation

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as appropriate to Government subvented and not-for-profit organisations. They have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets which are stated at fair value.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying HA's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

#### (b) Basis of consolidation

The financial statements of the Group include the income and expenditure of the Head Office, subsidiaries, all Hospitals, Specialist Clinics, General Outpatient Clinics and other institutions under its management and control made up to 31 March 2012.

The financial statements reflect the recorded book values of those assets owned by the Group and the liabilities assumed by the Group. Those assets under the management and control of HA, but not owned by HA, are not accounted for in these financial statements.

#### (c) Subsidiaries

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies. Subsidiaries are fully consolidated from the date that control is transferred to the Group. They are de-consolidated from the date that control ceases.

## Notes to the Financial Statements (Continued)

### 2. Principal accounting policies (Continued)

#### (c) Subsidiaries (Continued)

Intra-group transactions, balances and unrealised gains on transactions within the Group have been eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred. The accounting policies of the subsidiaries are consistent with the accounting policies adopted by the Group.

As at 31 March 2012, the principal subsidiary of HA comprises:

Name	Principal activities	Place of incorporation / operation	Effective percentage directly held by the Group
HACM Limited (limited by guarantee)	To steer the development and delivery of Chinese medicine services	Hong Kong	100

#### (d) Adoption of new / revised HKFRSs

The HKICPA has issued a number of new / revised HKFRSs, including interpretations, amendments or improvements to the existing standards, which become effective in the current period. Of these, the Group has adopted the revised HKFRSs below, which are appropriate to its operations:

HKAS 24 (Revised)	Related Party Disclosures (early adopted for the year ended 31 March 2010)
HKFRSs Amendments	Improvements to HKFRSs (2010)

The adoption of the above revised HKFRSs does not have any financial impact to the Group's financial statements.

The HKICPA has also issued a number of new / revised HKFRSs which are effective for accounting period beginning on or after 1 January 2012. The Group has not early adopted these new / revised HKFRSs in the financial statements for the year ended 31 March 2012. The Group is in process of making an assessment but is not yet in a position to quantify the impact of these new / revised HKFRSs on its results of operations and financial position.

## Notes to the Financial Statements (Continued)

### 2. Principal accounting policies (Continued)

#### (e) Recognition of income

Recurrent grants are recognised on an accruals basis. Non-recurrent grants that are spent on expenditure which does not meet the capitalisation policy of property, plant and equipment or intangible assets as set out in note 2(g)(i) and note 2(i) respectively are recognised when incurred.

Hospital / clinic fees and charges are recognised when services are provided.

Designated donations are recognised as income when the amounts have been received or are receivable from the donors and the related expenditure is charged to the statement of income and expenditure. Other donation income is recognised upon receipt of non-designated cash or donations-in-kind not meeting the capitalisation policy of property, plant and equipment or intangible assets as set out in note 2(g)(i) and note 2(i) respectively.

Transfers from the designated donation fund are recognised when the designated donation fund is utilised and the expenditure does not meet the capitalisation policy of property, plant and equipment or intangible assets as set out in note 2(g)(i) and note 2(i) respectively.

Transfers from the Training and Welfare Fund are recognised when the related expenditure is charged to the statement of income and expenditure.

Transfers from capital subventions and capital donations are recognised when depreciation or amortisation and net book value of assets disposed / written off are charged to the statement of income and expenditure.

Investment income from fixed income instruments is recognised as set out in note 2(j).

Investment income from bank deposits is recognised on a time proportion basis using the effective interest method.



## Notes to the Financial Statements (Continued)

### 2. Principal accounting policies (Continued)

#### (f) Donations

##### (i) Donated assets

Properties, computer software and systems donated to the Group with a value below HK\$250,000 each and other donated assets with a value below HK\$100,000 each are recorded as income and expenditure in the year of receipt of the assets.

Properties, computer software and systems donated to the Group with a value of HK\$250,000 or more each and other donated assets with a value of HK\$100,000 or more each are capitalised on receipt of assets according to the policy set out in note 2(g)(i) and note 2(i). The amount of the donated assets is credited to the capital donations account. Each year, an amount equal to the depreciation or amortisation charge for these assets and the net book value of assets disposed is transferred from the capital donations account and credited to the statement of income and expenditure.

##### (ii) Cash donations

Cash donations for specific use as prescribed by the donor are accounted for in the designated donation fund. When the fund is utilised and spent for expenditure not meeting the capitalisation policy as set out in note 2(g)(i) or note 2(i), they are accounted for as expenditure of the designated donation fund and, in the case of capital expenditure, in accordance with the policy for donated assets outlined above.

Non-specified donations for general operating purposes are recorded as donations in the statement of income and expenditure upon receipt of cash donations.

## Notes to the Financial Statements (Continued)

### 2. Principal accounting policies (Continued)

#### (g) Capitalisation of property, plant and equipment

- (i) Effective from 1 December 1991, the following types of assets which give rise to economic benefits have been capitalised:

Building projects costing HK\$250,000 or more; and

All other assets costing HK\$100,000 or more on an individual basis.

The accounting policy for depreciation of property, plant and equipment is set out in note 2(h).

- (ii) For properties which are funded by the Government through HA but are owned by an ex-subvented governing body, the associated expenditure is charged to the statement of income and expenditure in the year as incurred. Under the agreements with ex-subvented governing bodies, the ownership of building projects, although funded by the Government through HA, is vested with the governing bodies. Similar accounting policy has been adopted for the North District Hospital and the Tseung Kwan O Hospital, which are both funded by the Government through HA.
- (iii) For expenditure on subsequent improvement to properties the ownership of which has not been vested with HA, the amount spent is capitalised only if the improvement does not form part of the properties and can be re-used by HA when re-located. Otherwise, the expenditure is charged to the statement of income and expenditure in the year as incurred.
- (iv) Expenditure on furniture, fixtures, equipment, motor vehicles and computer hardware is capitalised (subject to the minimum expenditure limits set out in note 2(g)(i) above) and the corresponding amounts are credited to the capital subventions and capital donations accounts for capital expenditure funded by the Government and donations respectively.
- (v) Property, plant and equipment transferred from the hospitals to HA at 1 December 1991 was recorded at nil value.

## Notes to the Financial Statements (Continued)

### 2. Principal accounting policies (Continued)

#### (h) Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation. Additions represent new or replacement of specific components of an asset. An asset's carrying value is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The historical cost of assets acquired and the value of donated assets received by the Group since 1 December 1991 are depreciated using the straight-line method over the expected useful lives of the assets as follows:

Leasehold improvements	Over the life of the lease to which the improvement relates
Buildings	20–50 years
Furniture, fixtures and equipment	3–10 years
Motor vehicles	5–7 years
Computer equipment	3–6 years

The useful lives of assets are reviewed and adjusted, if appropriate, at each balance sheet date.

The gain or loss arising from disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of income and expenditure.

Capital expenditure in progress is not depreciated until the asset is placed into commission.

#### (i) Intangible assets

Computer software and systems including related development costs costing HK\$250,000 or more each, which give rise to economic benefits are capitalised as intangible assets. Intangible assets are stated at cost less accumulated amortisation and are amortised on a straight line basis over the estimated useful lives of 1 to 3 years.

## Notes to the Financial Statements (Continued)

### 2. Principal accounting policies (Continued)

#### (j) Fixed income instruments

Fixed income instruments are classified as held-to-maturity investments on the basis that the Group has the positive intention and ability to hold the investments to maturity.

Fixed income instruments are recognised on a trade-date basis and stated at amortised cost, less any impairment loss recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of fixed income instruments is aggregated with other investment income receivable over the term of the instrument using the effective interest method.

The Group assesses whether there is objective evidence that fixed income instruments are impaired at each balance sheet date. The amount of the loss is measured as the difference between the carrying amount of the fixed income instruments and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the fixed income instruments is reduced and the amount of the loss is recognised in the statement of income and expenditure.

#### (k) Inventories

Inventories, which comprise drugs, other medical and general consumable stores, are valued at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Where applicable, provision is made for obsolete and slow-moving items. Inventories are stated net of such provision in the balance sheet. Net realisable value is determined with reference to the replacement cost.

## Notes to the Financial Statements (Continued)

### 2. Principal accounting policies (Continued)

#### (l) Accounts receivable

Accounts receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of accounts receivable is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the carrying amount of the accounts receivable and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the accounts receivable is reduced through the use of an allowance account, and the amount of the loss is recognised as an expense in the statement of income and expenditure. Decrease in the previously recognised impairment loss shall be reversed by adjusting the allowance account. When an accounts receivable is uncollectible and eventually written off, the respective uncollectible amount is offset against the allowance account for accounts receivable. Subsequent recoveries of amounts previously written off are credited against the current year's expense in the statement of income and expenditure.

#### (m) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks, and cash investments with a maturity of three months or less from the date of investment.

#### (n) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation. They are tested for impairment at least annually and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

## Notes to the Financial Statements (Continued)

### 2. Principal accounting policies (Continued)

#### (o) Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

#### (p) Provisions and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

#### (q) Employee benefits

##### (i) Retirement benefits costs

Payments to the Group's defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to the Mandatory Provident Fund Scheme are dealt with as payments to defined contribution plans where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit plan. The retirement benefit costs charged in the statement of income and expenditure represent the contributions payable in respect of the current year to the Group's defined contribution retirement benefit plan and the Mandatory Provident Fund Scheme.

##### (ii) Termination benefits costs

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement age or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits costs when there is an obligation to make such payments without possibility of withdrawal.

## Notes to the Financial Statements (Continued)

### 2. Principal accounting policies (Continued)

#### (q) Employee benefits (Continued)

##### (iii) Death and disability benefits costs

The cost of the Group's obligations in respect of death and disability benefits provided to employees is recognised as staff costs in the statement of income and expenditure with reference to annual actuarial valuations performed by an independent qualified actuary.

The death benefits for eligible employees are accounted for as post employment defined benefits. Any cumulative unrecognised actuarial gains and losses exceeding 10% of the greater of the present value of the Group's obligations and the fair value of any qualifying insurance policies are recognised in the statement of income and expenditure over the expected average remaining service lives of the employees.

The disability benefits are accounted for as other long-term employee benefits. Actuarial gains and losses are recognised immediately in the statement of income and expenditure.

Further details of the death and disability liabilities are set out in note 16.

##### (iv) Other employee benefits costs

Other employee benefits such as annual leave and contract gratuity are accounted for as they accrue.

#### (r) Government grants

Subvention grants approved for the year less amounts spent on property, plant and equipment and intangible assets during the year are classified as recurrent grants.

Government subventions of a capital nature ("capital subventions") are credited to the capital subventions account and the corresponding amounts are capitalised as property, plant and equipment or intangible assets as set out in note 2(g)(iv) and note 2(i) respectively. This includes capital expenditure on furniture, fixtures, equipment, motor vehicles, computer hardware, software and systems. Each year, an amount equal to the depreciation or amortisation charge for these assets and net book value of assets disposed is transferred from the capital subventions account and credited to the statement of income and expenditure.

## Notes to the Financial Statements (Continued)

### 2. Principal accounting policies (Continued)

#### (s) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are recognised as expenses in the statement of income and expenditure on a straight line basis over the period of the lease.

#### (t) Translation of foreign currencies

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the Group operates ("the functional currency"). The financial statements are presented in Hong Kong dollars, which is the Group's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Exchange gains and losses are dealt with in the statement of income and expenditure.

#### (u) Related parties

Parties are considered to be related to the Group if the party has the ability, directly or indirectly, to control the Group or exercise significant influence over the Group in making financial and operating decisions, or vice versa. Related parties also include key management personnel having authority and responsibility for planning, directing and controlling the activities of the Group.

For the purpose of these financial statements, transactions between the Group and Government departments, agencies or Government controlled entities, other than those transactions such as the payment of rent and rates, fees etc. that arise in the normal dealings between the Government and the Group, are considered to be related party transactions.



## Notes to the Financial Statements (Continued)

### 3. Financial risk management

#### (a) Financial risk factors

The Group's activities of providing healthcare services to patients, the administration of drugs, the employment of a large workforce and the investment activities are primary areas of risk being mitigated by the Group's financial management process. The Group's underlying principles of financial risk management are to transfer the cost of financing risks of significant level through insurance with a diversity of insurers, to self insure for the operational risks and to comply with regulatory insurance requirements as an employer and owner of a motor fleet.

With regard to investments, in accordance with the Group's policies and guidelines, the primary objectives are to meet liquidity requirements, to protect capital and to provide a reasonable return. The investment portfolio ("Portfolio") as at 31 March 2012 consisted entirely of bank deposits and debt instruments. Based on the risk control measures as summarised below, the risk of default by the counterparties is considered minimal and the Portfolio has no significant concentration of credit risk. Besides, the Portfolio has no significant currency risk because substantially all assets and liabilities are denominated in Hong Kong dollars, the Group's functional and presentation currency. The Group manages its cash flow requirements and risk as disclosed in note 3(c).

##### (i) Bank Deposits

Bank deposits are placed with the Group's approved banks which are of investment grade as determined by Standard and Poor's and Moody's. For bank deposits, banks must meet the minimum credit rating not lower than Moody's Baa3 or equivalent.

##### (ii) Debt Instruments

Debt instruments are subject to the price risk caused by the changes in the market interest rates and perceived credit risks of the issuers. All transactions in debt instruments are settled / paid for upon delivery through approved banks. The credit risks of the issuers are assessed based on the credit ratings determined by Standard and Poor's or Moody's. Investments in debt instruments (i.e. certificate of deposits or bonds) should be with issuers of credit ratings not lower than Moody's A3 or equivalent. Where the maturity is over 2 years, the credit ratings should not be lower than Moody's Aa3 or equivalent at the time of investments.

## Notes to the Financial Statements (Continued)

### 3. Financial risk management (Continued)

#### (a) Financial risk factors (Continued)

##### (ii) Debt Instruments (Continued)

The Portfolio's interest rate risk arises from interest bearing cash at bank, bank deposits and debt instruments. Cash at bank, which earns interest at variable rates, gives rise to cash flow interest rate risk. Fixed rate bank deposits and debt instruments expose the Portfolio to fair value interest rate risk. Sensitivity analyses have been performed by the Group with regard to interest rate risk as at 31 March 2012. If interest rates had been increased or decreased by 50 basis points, which represent management's assessment of a reasonably possible change in those rates, and all other variables were held constant, the effect on the Group's surplus and net assets is insignificant.

##### (iii) Other financial assets and liabilities

Other financial assets and liabilities are substantially denominated in Hong Kong dollars, the Group's functional and presentation currency, and hence will not be exposed to significant currency risk.

#### (b) Fair values of financial assets and liabilities

The fair values of fixed income instruments (including Hong Kong Dollar Bonds and Exchange Fund Notes) are determined based on quoted market prices at the balance sheet date and are summarised as follows:

<b>The Group and HA</b>				
	<b>Carrying Value [Note 8]</b>		<b>Fair Value</b>	
	<b>31 March 2012</b>	<b>31 March 2011</b>	<b>31 March 2012</b>	<b>31 March 2011</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Fixed Income Instruments	<b>2,030,994</b>	2,030,979	<b>2,037,082</b>	2,060,590

The carrying values of other financial assets and liabilities such as cash and bank balances, loans receivable, accounts receivable and trade payable approximate their fair values and accordingly, no disclosure of fair values for these items is presented.

## Notes to the Financial Statements (Continued)

### 3. Financial risk management (Continued)

#### (c) Capital management

Under the Hospital Authority Ordinance, the resources of the Group consist of the following:

- All money paid by the Government to HA and appropriated for that purpose by the Legislative Council and otherwise provided to HA by the Government; and
- All other money and property, including gifts, donations, fees, rent, interest and accumulations of income received by HA.

In this regard, the capital of the Group comprises revenue reserve, designated fund, capital subventions and donations and deferred income as shown in the consolidated balance sheet. As at 31 March 2012, the capital of the Group was HK\$9,913,785,000 (2011: HK\$9,123,790,000).

The Group's objective for managing capital is to safeguard the Group's ability to continue as a going concern to ensure sustainability of the public health care system. As in previous years, the Group undertook a budget planning process to work out a viable budget plan for financial year 2011/12. The 2011/12 budget is compiled by assessing the total resources required for HA to meet its needs on baseline services, pressure areas, as well as programmes approved for the year and other initiatives incorporated in the HA annual plan. The projected requirement has been mapped against the funding indicated by the Government together with other sources of income, including medical and non-medical fee income and alternative sources of income. The Group targeted to achieve a balanced budgetary position by containing the overall expenditure within the annual subvention provided by the Government. To enhance accountability for the appropriate use of resources, key performance indicators have been developed to measure performance of hospitals / clusters and monthly financial report on HA and clusters' performance has been reviewed to monitor the spending level against budget on an ongoing basis.

## Notes to the Financial Statements (Continued)

### 4. Critical accounting estimates and judgments

In preparing the financial statements, management is required to exercise significant judgments in the selection and application of accounting policies, including making estimates and assumptions. The following is a review of the more significant accounting policies that are impacted by judgments and uncertainties and for which different amounts may be reported under a different set of conditions or using different assumptions.

#### (a) Provision for doctors' claims and non-doctors' compensation

165 doctors filed claims against HA for alleged failure to grant rest days, statutory holidays, public holidays and overtime worked over a period going back to 1996 in High Court Action No. 1924 of 2002. In the judgment of the Court of Final Appeal (CFA) on 20 October 2009, the doctors' overtime claim was dismissed. The court declared that doctors and interns are entitled to be granted rest days and statutory holidays in accordance with the Employment Ordinance as well as public holidays and doctors rostered on call on such day are entitled to compensation for an alternative day whether they have worked or not on that day or for how long. Similar claims by other doctors in the Labour Tribunal between 2006 and 2012 were adjourned pending assessment of the High Court claim.

HK\$525,434,000 was paid out during the financial year 2006/07 by HA under a settlement package implemented in 2006. In response to the CFA judgment on 20 October 2009, the HA Board approved another settlement package to eligible doctors in June 2010. Over 90% eligible doctors (including leavers who have submitted interests to receive settlement offer) have accepted their settlement offer and total settlement amount paid out before the end of March 2012 was HK\$221,816,000.

Subsequent to the year end, an assessment of damages for the three lead plaintiffs was heard in June 2012 in the High Court and rulings were made on the calculation of damages, interest and costs for the lead plaintiffs ("Court Rulings").

Meanwhile, in January 2012, based on a framework developed by an external actuarial consultant, HA Board approved a call payment offer to eligible non-doctors in settlement of potential requests for compensation for performing off-site on-call duties during rest days, statutory holidays and public holidays. Nearly 80% eligible non-doctors (including leavers who have submitted interests to receive offer) have accepted the call payment offer and total settlement amount to be paid out to eligible staff during 2012/13 is estimated to be approximately HK\$47,500,000. In addition, further reviews are being conducted for various cases requested by staff who have not accepted the current offer or not received any offer.

## Notes to the Financial Statements (Continued)

### 4. Critical accounting estimates and judgments (Continued)

#### (a) Provision for doctors' claims and non-doctors' compensation (Continued)

Presently, uncertainties remain in relation to the eventual outcome of the above outstanding claims and/or potential claims. The provision of HK\$414,800,000 made in the financial statements as at 31 March 2012 represents management's best estimates after making reference to the Court Rulings and an independent qualified actuary.

#### (b) Provision for medical malpractice claims

The Group co-insures and retains a designated sum for each medical malpractice claim. For those claims in excess of the retained sum, the claims will be borne by the insurer. In view of the complex nature and long development period of the claims, a Claims Review Panel consisting of the participating medical malpractice insurers, the external panel law firms appointed by the insurers and HA's in-house experts review the status of potential and active claims semi-annually and assess the provision required on each significant case. An independent qualified actuary also assists the Group on the assessment of the exposure of other reported cases based on historical development trend of the claims settlement. With reference to the assessments and the analysis by the Claims Review Panel and the external actuarial consultant respectively, management reviews the claims exposure and determines the provision required to cover the Group's exposure at each balance sheet date.

#### (c) Death and disability liabilities

The Group has engaged an independent qualified actuary to assess the present value of obligations for its death and disability scheme at each balance sheet date. Major actuarial assumptions include the discount rate and salary inflation rate which are set out in note 16. The present value of the Group's obligations is discounted with reference to market yields on Hong Kong Exchange Fund Notes, which have terms to maturity approximating the terms of the related obligations. The long-term salary inflation is generally based on the market's long-term expectation of price inflation.

## Notes to the Financial Statements (Continued)

### 5. Property, plant and equipment

The Group					
	Building and improvements	Furniture, fixtures and equipment	Motor vehicles	Computer equipment	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Cost</b>					
At 1 April 2011	1,047,301	7,662,783	154,592	1,090,460	<b>9,955,136</b>
Reclassifications	-	(469)	-	469	-
Additions	522	881,135	5,157	47,336	<b>934,150</b>
Disposals	-	(527,346)	(2,928)	(91,435)	<b>(621,709)</b>
At 31 March 2012	1,047,823	8,016,103	156,821	1,046,830	<b>10,267,577</b>
<b>Accumulated depreciation</b>					
At 1 April 2011	296,161	5,398,045	108,625	897,112	<b>6,699,943</b>
Reclassifications	-	(469)	-	469	-
Charge for the year	22,138	606,643	18,300	60,512	<b>707,593</b>
Disposals	-	(525,354)	(2,928)	(91,348)	<b>(619,630)</b>
At 31 March 2012	318,299	5,478,865	123,997	866,745	<b>6,787,906</b>
<b>Net book value</b>					
At 31 March 2012	729,524	2,537,238	32,824	180,085	<b>3,479,671</b>

## Notes to the Financial Statements (Continued)

### 5. Property, plant and equipment (Continued)

HA					
	Building and improvements	Furniture, fixtures and equipment	Motor vehicles	Computer equipment	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Cost</b>					
At 1 April 2011	1,047,301	7,662,783	154,592	1,087,823	<b>9,952,499</b>
Reclassifications	-	(469)	-	469	-
Additions	522	881,135	5,157	47,336	<b>934,150</b>
Disposals	-	(527,346)	(2,928)	(91,435)	<b>(621,709)</b>
At 31 March 2012	1,047,823	8,016,103	156,821	1,044,193	<b>10,264,940</b>
<b>Accumulated depreciation</b>					
At 1 April 2011	296,161	5,398,045	108,625	894,652	<b>6,697,483</b>
Reclassifications	-	(469)	-	469	-
Charge for the year	22,138	606,643	18,300	60,335	<b>707,416</b>
Disposals	-	(525,354)	(2,928)	(91,348)	<b>(619,630)</b>
At 31 March 2012	318,299	5,478,865	123,997	864,108	<b>6,785,269</b>
<b>Net book value</b>					
At 31 March 2012	729,524	2,537,238	32,824	180,085	<b>3,479,671</b>

## Notes to the Financial Statements (Continued)

### 5. Property, plant and equipment (Continued)

The Group					
	Building and improvements	Furniture, fixtures and equipment	Motor vehicles	Computer equipment	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Cost</b>					
At 1 April 2010	1,045,125	7,054,146	147,269	1,180,100	<b>9,426,640</b>
Reclassifications	-	-	-	163	<b>163</b>
Additions	2,176	1,001,396	13,038	73,142	<b>1,089,752</b>
Disposals	-	(392,759)	(5,715)	(162,945)	<b>(561,419)</b>
At 31 March 2011	1,047,301	7,662,783	154,592	1,090,460	<b>9,955,136</b>
<b>Accumulated depreciation</b>					
At 1 April 2010	273,946	5,197,637	97,341	1,003,126	<b>6,572,050</b>
Reclassifications	-	-	-	163	<b>163</b>
Charge for the year	22,215	585,974	16,998	56,327	<b>681,514</b>
Disposals	-	(385,566)	(5,714)	(162,504)	<b>(553,784)</b>
At 31 March 2011	296,161	5,398,045	108,625	897,112	<b>6,699,943</b>
<b>Net book value</b>					
At 31 March 2011	751,140	2,264,738	45,967	193,348	<b>3,255,193</b>



## Notes to the Financial Statements (Continued)

### 5. Property, plant and equipment (Continued)

HA					
	Building and improvements	Furniture, fixtures and equipment	Motor vehicles	Computer equipment	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Cost</b>					
At 1 April 2010	1,045,125	7,054,146	147,269	1,177,463	<b>9,424,003</b>
Reclassifications	-	-	-	163	<b>163</b>
Additions	2,176	1,001,396	13,038	73,142	<b>1,089,752</b>
Disposals	-	(392,759)	(5,715)	(162,945)	<b>(561,419)</b>
At 31 March 2011	1,047,301	7,662,783	154,592	1,087,823	<b>9,952,499</b>
<b>Accumulated depreciation</b>					
At 1 April 2010	273,946	5,197,637	97,341	1,001,194	<b>6,570,118</b>
Reclassifications	-	-	-	163	<b>163</b>
Charge for the year	22,215	585,974	16,998	55,799	<b>680,986</b>
Disposals	-	(385,566)	(5,714)	(162,504)	<b>(553,784)</b>
At 31 March 2011	296,161	5,398,045	108,625	894,652	<b>6,697,483</b>
<b>Net book value</b>					
At 31 March 2011	751,140	2,264,738	45,967	193,171	<b>3,255,016</b>

## Notes to the Financial Statements (Continued)

### 6. Intangible assets

#### The Group

	Computer software and systems	
	2012	2011
	HK\$'000	HK\$'000
<b>Cost</b>		
At beginning of year	1,337,312	1,295,470
Reclassifications	-	(163)
Additions	188,544	145,391
Disposals	(96,062)	(103,386)
At end of year	1,429,794	1,337,312
<b>Accumulated amortisation</b>		
At beginning of year	999,855	1,059,940
Reclassifications	-	(163)
Charge for the year	107,125	41,982
Disposals	(92,542)	(101,904)
At end of year	1,014,438	999,855
<b>Net book value</b>		
At 31 March	415,356	337,457

#### HA

	Computer software and systems	
	2012	2011
	HK\$'000	HK\$'000
<b>Cost</b>		
At beginning of year	1,331,190	1,290,071
Reclassifications	-	(163)
Additions	188,110	144,668
Disposals	(96,062)	(103,386)
At end of year	1,423,238	1,331,190
<b>Accumulated amortisation</b>		
At beginning of year	994,396	1,054,541
Reclassifications	-	(163)
Charge for the year	106,426	41,922
Disposals	(92,542)	(101,904)
At end of year	1,008,280	994,396
<b>Net book value</b>		
At 31 March	414,958	336,794

## Notes to the Financial Statements (Continued)

### 7. Loans receivable

Certain eligible employees under the Home Loan Interest Subsidy Scheme were offered downpayment loans for the purchase of their residential properties. The repayment period of the loans is the lesser of the mortgage life or 20 years. Interest charged on the downpayment loans is determined by the Group from time to time and is set at 1.674% as at 31 March 2012 (2011: 2.099%). New applications for the downpayment loans have been suspended since April 2002.

As at the balance sheet date, the downpayment loans advanced to eligible staff which are fully secured by charges over the properties are as follows:

#### The Group and HA

	Balance at 31 March 2012	Balance at 31 March 2011
	HK\$'000	HK\$'000
Repayable within one year	1,603	1,918
Repayable after one year	9,386	12,630
	10,989	14,548

The loans receivable is neither past due nor impaired. The maximum exposure to credit risk at the reporting date is the carrying value of receivable mentioned above. According to the terms and conditions of the scheme, the monthly principal repayment and payment of interest in respect of the downpayment loans are deducted from the employees' wages and that any benefits to which an employee will be entitled to receive under the HA Provident Fund Scheme shall stand charged with repayment of downpayment loan and interest thereon if such debt has not been paid by the employee upon resignation or on an agreed date. On this basis, the receivable balance is considered to be fully recoverable.

## Notes to the Financial Statements (Continued)

### 8. Fixed income instruments

The fixed income instruments represent Hong Kong Dollar Bonds and Exchange Fund Notes with maturity periods of no more than 5 years. The overall expected yield of instruments held by the Group is between 1.4% and 2.9% (2011: between 1.4% and 2.9%).

As at the balance sheet date, the fixed income instruments held by the Group and HA are as follows:

The Group and HA		
	Balance at 31 March 2012	Balance at 31 March 2011
	HK\$'000	HK\$'000
Maturing within one year	1,730,993	-
Maturing in the second to fifth year, inclusive	300,001	2,030,979
	<b>2,030,994</b>	<b>2,030,979</b>

The above financial assets are neither past due nor impaired. The credit quality of these assets is disclosed in note 3(a) while the maximum exposure to credit risk at the reporting date is the fair value of these assets as stated in note 3(b). The Group does not hold any collateral as security.

### 9. Inventories

The Group and HA		
	Balance at 31 March 2012	Balance at 31 March 2011
	HK\$'000	HK\$'000
Drugs	839,690	713,070
Medical consumables	182,705	156,150
General consumables	26,272	23,670
	<b>1,048,667</b>	<b>892,890</b>

## Notes to the Financial Statements (Continued)

### 10. Accounts receivable

#### The Group and HA

	Balance at 31 March 2012	Balance at 31 March 2011
	HK\$'000	HK\$'000
Bills receivable [note 10(a)]	282,011	247,405
Accrued income	14,633	20,128
	296,644	267,533
Less: Provision for doubtful debts [note 10(b)]	(38,960)	(42,699)
	257,684	224,834

(a) Aging analysis of bills receivable is set out below:

#### The Group and HA

	Balance at 31 March 2012	Balance at 31 March 2011
	HK\$'000	HK\$'000
Past due by:		
0-30 days	121,716	102,492
31-60 days	48,330	42,374
61-90 days	22,569	24,115
Over 90 days	89,396	78,424
	282,011	247,405

The Group's policy in respect of patient billing is as follows:

- (i) Patients attending outpatient and accident and emergency services are required to pay fees before services are performed.
- (ii) Private patients and non-eligible persons are required to pay deposit on admission to hospital.
- (iii) Interim bills are sent to patients during hospitalisation. Final bills are sent if the outstanding amounts have not been settled on discharge.

## Notes to the Financial Statements (Continued)

### 10. Accounts receivable (Continued)

- (iv) Administrative charge is imposed on late payments of medical fees and charges for medical services provided on or after 1 July 2007. The administrative charge is imposed at 5% of the outstanding fees overdue for 60 days from issuance of the bills, subject to a maximum charge of HK\$1,000 for each bill. An additional 10% of the outstanding fees are imposed if the bills remain outstanding 90 days from issuance of the bills, subject to a maximum additional charge of HK\$10,000 for each bill.
- (v) Legal action will be instituted for outstanding bills where appropriate. Patients who have financial difficulties may be considered for waiver of fees charged.

An aging analysis of receivables that are past due but not impaired is as follows:

#### The Group and HA

	Balance at 31 March 2012 HK\$'000	Balance at 31 March 2011 HK\$'000
Past due by:		
0-30 days	93,032	74,809
31-60 days	38,003	31,741
61-90 days	16,635	18,074
Over 90 days	56,856	44,951
	<b>204,526</b>	<b>169,575</b>

Receivables that are past due but not impaired include outstanding debts to be settled by government departments, charitable organisations or other institutions for whom the credit risk associated with these receivables is relatively low. The Group does not hold any collateral over these balances.

- (b) At 31 March 2012, bills receivable of HK\$77,485,000 (2011: HK\$77,830,000) were impaired by HK\$38,960,000 (2011: HK\$42,699,000) of which HK\$23,194,000 (2011: HK\$23,230,000) was related to receivables individually determined to be impaired. These were mainly related to non-eligible persons, the recoverability of which are considered to be low after taking all possible debt recovery actions. Remaining allowance for impairment of HK\$15,766,000 (2011: HK\$19,469,000) was made by reference to historical past due recovery patterns. It was assessed that a portion of the receivables is expected to be recovered.

## Notes to the Financial Statements (Continued)

### 10. Accounts receivable (Continued)

Movements in the provision for impairment of accounts receivable are as follows:

#### The Group and HA

	2012 HK\$'000	2011 HK\$'000
At beginning of year	42,699	34,471
Provision for impairment of receivables	33,161	37,354
Uncollectible amounts written off	(36,900)	(29,126)
At end of year	38,960	42,699

The maximum exposure to credit risk at the reporting date is the fair value of receivable mentioned above. The Group does not hold any collateral as security.

### 11. Other receivables

#### The Group

	Balance at 31 March 2012 HK\$'000	Balance at 31 March 2011 HK\$'000
Donations receivable	14,182	40,352
Interest receivable	41,620	30,009
Receivable from the Government for reimbursement or refund of expenditure incurred on capital projects	448	451
Other receivables	21,942	20,178
	78,192	90,990

## Notes to the Financial Statements (Continued)

### 11. Other receivables (Continued)

#### HA

	Balance at 31 March 2012	Balance at 31 March 2011
	HK\$'000	HK\$'000
Donations receivable	14,182	40,352
Interest receivable	41,620	30,009
Receivable from the Government for reimbursement or refund of expenditure incurred on capital projects	448	451
Current account with a subsidiary	77	-
Other receivables	21,942	20,178
	<b>78,269</b>	<b>90,990</b>

Other receivables do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security.

### 12. Deposits and prepayments

#### The Group

	Balance at 31 March 2012	Balance at 31 March 2011
	HK\$'000	HK\$'000
Utility and other deposits	11,378	8,602
Prepayments to Government departments	147,874	128,967
Maintenance contracts and other prepayments	103,705	93,538
	<b>262,957</b>	<b>231,107</b>

#### HA

	Balance at 31 March 2012	Balance at 31 March 2011
	HK\$'000	HK\$'000
Utility and other deposits	11,295	8,602
Prepayments to Government departments	147,874	128,967
Maintenance contracts and other prepayments	103,705	93,538
	<b>262,874</b>	<b>231,107</b>



## Notes to the Financial Statements (Continued)

### 12. Deposits and prepayments (Continued)

The above balances do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the fair value of the assets mentioned above. The Group does not hold any collateral as security.

### 13. Cash and bank balances

#### The Group and HA

	Balance at 31 March 2012	Balance at 31 March 2011
	HK\$'000	HK\$'000
Cash at bank and in hand	868,222	295,419
Bank deposits with maturity within three months	2,849,398	576,821
Cash and cash equivalents	3,717,620	872,240
Bank deposits with maturity over three months	4,717,415	6,110,375
	8,435,035	6,982,615

The effective interest rate on short term bank deposits is between 0.001% and 3.80% (2011: 0.01% to 4.35%). These deposits have an average maturity of 51 days (2011: 35 days).

### 14. Creditors and accrued charges

#### The Group

	Balance at 31 March 2012	Balance at 31 March 2011
	HK\$'000	HK\$'000
Trade payables [note 14(a)]	320,048	302,025
Accrued charges and other payables [note 14(b)]	3,631,814	3,379,962
Current account with the Government [note 14(c)]	1,819,095	814,952
	5,770,957	4,496,939

## Notes to the Financial Statements (Continued)

### 14. Creditors and accrued charges (Continued)

#### HA

	Balance at 31 March 2012	Balance at 31 March 2011
	HK\$'000	HK\$'000
Trade payables [note 14(a)]	320,048	302,025
Accrued charges and other payables [note 14(b)]	3,631,814	3,379,962
Current account with the Government [note 14(c)]	1,819,095	814,952
Current account with a subsidiary	-	6
	<b>5,770,957</b>	<b>4,496,945</b>

- (a) Aging analysis of trade payables is set out below:

#### The Group and HA

	Balance at 31 March 2012	Balance at 31 March 2011
	HK\$'000	HK\$'000
0-30 days	263,893	242,675
31-60 days	50,802	49,044
61-90 days	3,722	7,724
Over 90 days	1,631	2,582
	<b>320,048</b>	<b>302,025</b>

All trade payables as at 31 March 2012 are expected to be settled within one year. The Group has maintained adequate cash flows and banking facilities for settlement of trade payable.

- (b) Accrued charges and other payables included accrual for unutilised annual leave of HK\$1,377,685,000 (2011: HK\$1,228,568,000) and contract gratuity accrual of HK\$755,883,000 (2011: HK\$628,013,000). The balance also included a provision for doctors' claims and non-doctors' compensation of HK\$414,800,000 (2011: HK\$556,000,000) as described in note 4(a).
- (c) The balance mainly included Government funding for designated programs / specific items that were already received and will be recognised as income over the periods in which the related expenditure is incurred and charged to the statement of income and expenditure.

## Notes to the Financial Statements (Continued)

### 15. Deposits received

#### The Group and HA

	Balance at 31 March 2012	Balance at 31 March 2011
	HK\$'000	HK\$'000
Patient deposits	84,303	233,626
Deposits received from the Government in respect of building projects	199	73
Other deposits	73,938	64,103
	<b>158,440</b>	<b>297,802</b>

### 16. Death and disability liabilities

Under their terms of employment, HA employees are entitled to death and disability benefit cover. This is funded by HA through the recurrent subvention from the Government.

The amounts recognised in the balance sheet are as follows:

#### The Group and HA

	Balance at 31 March 2012	Balance at 31 March 2011
	HK\$'000	HK\$'000
Present value of funded obligations	184,599	134,858
Fair value of plan assets	(1,307)	(3,878)
	<b>183,292</b>	<b>130,980</b>
Unrecognised actuarial (losses) / gains	(6,929)	11,102
Death and disability liabilities provided	<b>176,363</b>	<b>142,082</b>

Movements in the liabilities recognised in the balance sheet are as follows:

#### The Group and HA

	2012	2011
	HK\$'000	HK\$'000
At beginning of year	142,082	135,928
Total expense	39,302	9,802
Net premiums and benefits paid	(5,021)	(3,648)
At end of year	<b>176,363</b>	<b>142,082</b>

## Notes to the Financial Statements (Continued)

### 16. Death and disability liabilities (Continued)

The movement in the fair value of plan assets in the year is as follows:

The Group and HA		
	2012 HK\$'000	2011 HK\$'000
At beginning of year	3,878	5,241
Actuarial losses	(3,174)	(2,367)
Employer contributions	5,021	3,648
Benefits paid	(4,418)	(2,644)
At end of year	1,307	3,878

The amounts recognised in the consolidated statement of income and expenditure have been calculated by reference to an actuarial valuation and are as follows:

The Group and HA		
	For the year ended 31 March 2012 HK\$'000	For the year ended 31 March 2011 HK\$'000
Current service cost	17,113	16,651
Interest cost	3,833	3,631
Actuarial losses / (gains) recognised	18,356	(10,480)
Total, included in staff costs	39,302	9,802

Principal actuarial assumptions used in the actuarial valuation are as follows:

The Group and HA		
	For the year ended 31 March 2012 %	For the year ended 31 March 2011 %
Discount rate	1.30	2.90
Assumed rate of future salary increases	4.10	3.40

## Notes to the Financial Statements (Continued)

### 16. Death and disability liabilities (Continued)

Historical information:

#### The Group and HA

	2012 HK\$'000	2011 HK\$'000
Present value of death and disability liability obligations	184,599	134,858
Fair value of plan assets	(1,307)	(3,878)
Experience adjustments arising on plan liabilities – gains	4,807	10,547
Experience adjustments arising on plan assets – losses	(3,174)	(2,367)

### 17. Deferred income

#### The Group and HA

	Designated donation fund [Note 2(f)] HK\$'000	North District Hospital Fund [Note 17(a)] HK\$'000	Tseung Kwan O Hospital Fund [Note 17(b)] HK\$'000	Training and Welfare Fund [Note 17(c)] HK\$'000	Total HK\$'000
At 1 April 2010	368,703	1,807	89,991	4,023	464,524
Additions during the year	205,978	-	-	-	205,978
Utilisation during the year	-	-	(2,910)	(310)	(3,220)
Transfers to consolidated statement of income and expenditure	(142,966)	-	-	(3,713)	(146,679)
Return of unspent funds to the Government	-	-	(4,719)	-	(4,719)
At 31 March 2011	431,715	1,807	82,362	-	515,884
Additions during the year	139,924	-	-	-	139,924
Adjustment / (utilisation) during the year	-	350	(2,437)	-	(2,087)
Transfers to consolidated statement of income and expenditure	(144,943)	-	-	-	(144,943)
Return of unspent funds to the Government	-	(2,157)	-	-	(2,157)
At 31 March 2012	426,696	-	79,925	-	506,621

## Notes to the Financial Statements (Continued)

### 17. Deferred income (Continued)

#### (a) North District Hospital Fund

During the financial year 1993/94, the Government advanced to HA a sum of HK\$1,690,350,000 for the construction of the North District Hospital. The sum is held by HA in trust for the Government to meet the construction costs of the North District Hospital which are managed by HA as an agent for the Government. All interest earned from this grant is repaid annually to the Government. The hospital was commissioned in the financial year 1997/98. Subsequently, advances totalling HK\$188,400,000 and the balance payable to the Government as at 31 March 2006 of HK\$26,800,000 were returned to the Government during the financial year 2002/03 and 2006/07 respectively. As at 31 March 2012, the fund was fully spent and the estimated amount of unspent funds of HK\$2,157,000 will be returned to the Government.

#### (b) Tseung Kwan O Hospital Fund

During the financial year 1995/96, the Government advanced HK\$2,047,290,000 to HA for the construction of Tseung Kwan O Hospital. All interest earned from this grant is repaid annually to the Government. The hospital was commissioned in the financial year 1999/2000. Subsequently, an amount of HK\$373,000,000 was returned to the Government during the financial year 2002/03 and the balance payable of HK\$29,497,000 as at 31 March 2008 was returned to the Government during the financial year 2008/09. As at 31 March 2012, the fund balance after deducting the estimated amount of unspent funds to be returned to the Government of HK\$4,719,000 was HK\$79,925,000. The remaining fund balance will be used for project costs and any unspent balance will be repaid to the Government.

#### (c) Training and Welfare Fund

During the financial year 2003/04, the Government made a special grant of HK\$200,000,000 to HA for setting up a Training and Welfare Fund to provide (i) its health care staff with additional training to maintain and enhance their expertise in infectious disease control in the hospital setting, (ii) special recuperation grant and additional compensation for those health care staff who contracted Severe Acute Respiratory Syndrome ("SARS") while on duty, and (iii) for the implementation of other staff welfare initiatives.

The Training and Welfare Fund was fully spent in the financial year 2010/11.

## Notes to the Financial Statements (Continued)

### 18. Capital subventions and donations

#### The Group

	Capital subventions [Note 2(r)]	Capital donations [Note 2(f)]	Total
	HK\$'000	HK\$'000	HK\$'000
At 1 April 2010	2,064,242	1,025,878	3,090,120
Additions during the year	1,103,825	131,318	1,235,143
Transfers to consolidated statement of income and expenditure	(619,350)	(113,263)	(732,613)
At 31 March 2011	2,548,717	1,043,933	3,592,650
Additions during the year	929,549	193,145	1,122,694
Transfers to consolidated statement of income and expenditure	(711,168)	(109,149)	(820,317)
At 31 March 2012	2,767,098	1,127,929	3,895,027

#### HA

	Capital subventions [Note 2(r)]	Capital donations [Note 2(f)]	Total
	HK\$'000	HK\$'000	HK\$'000
At 1 April 2010	2,063,537	1,025,878	3,089,415
Additions during the year	1,103,102	131,318	1,234,420
Transfers to statement of income and expenditure	(618,762)	(113,263)	(732,025)
At 31 March 2011	2,547,877	1,043,933	3,591,810
Additions during the year	929,115	193,145	1,122,260
Transfers to statement of income and expenditure	(710,292)	(109,149)	(819,441)
At 31 March 2012	2,766,700	1,127,929	3,894,629

## Notes to the Financial Statements (Continued)

### 19. Designated Fund – Home Loan Interest Subsidy Scheme

The Group offers eligible employees under the scheme an interest subsidy to finance the purchase of a residence in Hong Kong. Eligibility under the scheme is primarily determined by the employee's length of service. The amount of subsidy generally represents half of the interest rate payable by the eligible employee up to a maximum of 6% per annum. However, eligibility and the maximum amount of subsidies granted are subject to a number of restrictions as further defined in the scheme.

The scheme is funded by HA through the recurrent subvention from the Government. A designated fund has been set aside for the scheme and is maintained in designated bank and investment accounts which are included under cash and bank and fixed income instruments balances respectively.

During the financial year 2011/12, the Group allocated HK\$68,637,000 (2011: HK\$87,264,000), out of its recurrent subvention from the Government, for meeting the related expenditure of the scheme. This amount is included within the recurrent Government subvention for the year in the consolidated statement of income and expenditure and has been fully utilised.

### 20. Recurrent Government subvention

The Group receives annual operating grants from the Government to provide hospital services in Hong Kong. A draft Memorandum of Administrative Agreement ("MAA") with the Government provides a formula for the claw back of the excess of income over expenditure in the reporting period. For the years ended 31 March 2012 and 2011, no provision for claw back was required under the terms of the draft MAA.

### 21. Hospital / clinic fees and charges

The charges for hospital services provided by the Group are levied in accordance with those stipulated in the Gazette. Since the Government has established a set of policies and procedures on granting fee waivers to the needy patients, the hospital / clinic fees and charges recognised as income in the consolidated statement of income and expenditure are stated net of such waivers. The amount of hospital / clinics fees and charges waived for the financial year ended 31 March 2012 amounted to HK\$526,928,000 (2011: HK\$542,095,000).



## Notes to the Financial Statements (Continued)

### 22. Other operating expenses

Other operating expenses comprise office supplies, hospital supplies, non-capitalised project expenditure and other administrative expenses. For the financial year ended 31 March 2012, other operating expenses included an accrual for auditor's remuneration of HK\$2,770,000 (2011: HK\$3,300,000).

### 23. Remuneration of Members of the Board and Five Highest Paid Executives

- (a) No Board members are remunerated in the capacity as Board members.
- (b) The remuneration of the five highest paid executives, which is included in the staff costs for the year, is as follows:

For the year ended 31 March 2012

Current Position / Name of Executives	Basic pay, allowance, retirement scheme contribution and other benefits HK\$'000
Chief Executive Dr Pak Yin LEUNG	4,552
Director (Finance) Ms Nancy TSE	4,252
Cluster Chief Executive (New Territories East) Dr Hong FUNG	4,196
Director (Cluster Services) Dr Wai Lun CHEUNG	4,134
Chief of Service (Pamela Youde Nethersole Eastern Hospital) Dr Wing Mui LEE <sup>^</sup>	3,719
	<b>20,853</b>

Note: All executives do not receive any variable remuneration related to performance.

- <sup>^</sup> Dr Wing Mui LEE retired from her appointment as Chief of Service on 1 March 2012 with a one-off encashment of unutilised annual leave balance of approximately \$450,000.

## Notes to the Financial Statements (Continued)

### 23. Remuneration of Members of the Board and Five Highest Paid Executives (Continued)

For the year ended 31 March 2011

Current Position / Name of Executives	Basic pay, allowance, retirement scheme contribution and other benefits
HK\$'000	
Chief Executive Mr Shane, SOLOMON (1/4/2010 – 24/10/2010) Dr Pak Yin LEUNG (8/11/2010 – 31/3/2011)	2,702 1,716 4,418
Director (Finance)* Ms Nancy TSE	3,871
Cluster Chief Executive (New Territories East) Dr Hong FUNG	3,849
Director (Cluster Services) Dr Wai Lun CHEUNG	3,766
Cluster Chief Executive (Hong Kong East) Dr Loretta YAM	3,735
	19,639

Note: All executives do not receive any variable remuneration related to performance.

- \* Served as Deputised Chief Executive from 25/10/2010 to 7/11/2010 in addition to her duties as Director (Finance).

## Notes to the Financial Statements (Continued)

### 24. Retirement schemes

The Group operates an occupational retirement scheme, the Hospital Authority Provident Fund Scheme ("HAPFS"). In accordance with the Mandatory Provident Fund ("MPF") Schemes Ordinance, the Group set up a MPF Scheme on 1 December 2000 by participating in a master trust scheme provided by INVESCO Strategic MPF Scheme ("MPFS"). Permanent employees can choose between the HAPFS and the MPFS while contract and temporary employees are required to join the MPFS unless otherwise exempted.

#### (a) HA Provident Fund Scheme

The HAPFS is a defined contribution scheme. The scheme was established and governed by its Trust Deed and Rules dated 22 October 1991, and registered under section 18 of the Hong Kong Occupational Retirement Schemes Ordinance ("ORSO"), and was terminated on 1 April 2003 for the purpose of establishing a new provident fund scheme ("the New HAPFS"), with effect from that date. All the funds, assets and monies of the HAPFS as at 1 April 2003 were transferred to the New HAPFS. The New HAPFS was established under a Trust Deed and Rules dated 29 January 2003 and registered under section 18 of the ORSO.

Most employees who have opted for HA terms of employment are eligible to join the HAPFS on a non-contributory basis. The HAPFS is a defined contribution scheme as all benefits are defined in relation to contributions except that a minimum death benefit equating to twelve months' salary applies on the death of a member. However, when the member's account balance is less than his twelve months' scheme salary, the difference will be contributed by the Death and Disability Scheme of the Group.

The monthly normal contribution by the Group is currently set at 15% of each member's monthly basic salary. The percentage of benefit entitlement, receivable by the employee on resignation or retirement, increases with the length of service.

At 31 March 2012, the total membership was 32,672 (2011: 33,585). During the financial year 2011/12, the Group contributed HK\$2,033,235,000 (2011: HK\$1,947,385,000) to the scheme, which is included in the staff costs for the year. The scheme's net asset value as at 31 March 2012 was HK\$44,061,707,000 (2011: HK\$42,798,283,000).

## Notes to the Financial Statements (Continued)

### 24. Retirement schemes (Continued)

#### (b) Mandatory Provident Fund Scheme

Effective from the MPF commencement date of 1 December 2000, HA joined the INVESCO Strategic MPF Scheme which has been registered with the Mandatory Provident Fund Schemes Authority and authorised by the Securities and Futures Commission.

The Group's contributions to MPFS are determined according to each member's terms of employment. Members' mandatory contributions are fixed at 5% of monthly salary up to a maximum of HK\$1,000 per month.

At 31 March 2012, the total membership was 30,126 (2011: 26,676). During the financial year 2011/12, total members' contributions were HK\$214,921,000 (2011: HK\$178,573,000). The Group's contributions to the scheme, including a contribution payable of HK\$25,826,000 as at 31 March 2012 (2011: HK\$21,053,000), totalled HK\$288,471,000 (2011: HK\$242,698,000) which is included in the staff costs for the year. The net asset value as at 31 March 2012, including assets transferred from members' previous employment, was HK\$3,284,148,000 (2011: HK\$3,046,940,000).

### 25. Related party transactions

Significant related party transactions entered into by the Group include the following:

- (a) HA has entered into agreements with the Electrical and Mechanical Services Department ("EMSD") of the Government for providing biomedical and general electronics engineering services, hospital engineering services and health building maintenance services to the Group. According to the terms of agreements, the amounts incurred for these services for the year amounted to HK\$699,526,000 (2011: HK\$633,437,000). Other services provided by the EMSD for the year (e.g. routine maintenance and improvement works) were approximately HK\$248,505,000 (2011: HK\$261,588,000).
- (b) HA has entered into an agreement with the Government to provide serving and retired civil servants, their eligible dependants and other eligible persons with the services and facilities at all public hospitals and clinics free of charge or at the prevailing rates as prescribed in the Civil Service Regulations. For the year ended 31 March 2012, revenue foregone in respect of medical services provided to these persons amounted to HK\$284,400,000 (2011: HK\$291,164,000). The cost of such services has been taken into account in the Government's subvention to the Group.

## Notes to the Financial Statements (Continued)

### 25. Related party transactions (Continued)

#### (c) Remuneration of key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. It comprises the Chief Executive, Cluster Chief Executives, Directors and other division heads of the Head Office.

Total remuneration of the key management personnel is shown below:

	For the year ended 31 March 2012	For the year ended 31 March 2011
	HK\$'000	HK\$'000
Basic pay and other short term employee benefits	46,440	42,415
Post-employment benefits	4,324	4,006
	50,764	46,421

- (d) Other significant related party transactions with the Government include annual recurrent grants (note 20), capital subventions (note 18) and designated funds (notes 17 and 19). Details of transactions relating to the Group's retirement schemes are included in note 24.
- (e) Outstanding balances with the Government as at 31 March 2012 are disclosed in notes 11, 12, 14 and 15. The current account with a subsidiary, HACM Limited, is disclosed in note 11.

## Notes to the Financial Statements (Continued)

### 26. Reconciliation of the surplus for the year to net cash from operating activities

#### The Group

	For the year ended 31 March 2012	For the year ended 31 March 2011
	HK\$'000	HK\$'000
Surplus for the year	496,881	242,114
Investment income	(149,682)	(104,479)
Income transferred from capital subventions and donations	(820,317)	(732,613)
Loss on disposal of property, plant and equipment and intangible assets	5,599	9,117
Depreciation and amortisation	814,718	723,496
Increase in death and disability liabilities	34,281	6,154
(Decrease) / increase in deferred income	(9,263)	51,360
Increase in inventories	(155,777)	(69,574)
Decrease in loans receivable	3,559	5,474
Increase in accounts receivable	(32,850)	(48,498)
Decrease in other receivables	12,798	27,789
Increase in deposits and prepayments	(31,850)	(70,251)
Increase in creditors and accrued charges	1,274,018	720,650
(Decrease) / increase in deposits received	(139,362)	67,571
Net cash from operating activities	1,302,753	828,310

### 27. Funds in trust

At 31 March 2012, funds held in trust (including accrued interest income) for the Government are set out below:

#### The Group and HA

	Balance at 31 March 2012	Balance at 31 March 2011
	HK\$'000	HK\$'000
Health Care and Promotion Fund	50,158	53,089
Health Services Research Fund	1,092	1,126
	51,250	54,215

## Notes to the Financial Statements (Continued)

### 28. Donations from the Hong Kong Jockey Club Charities Trust

During the financial year 2011/12, the Hong Kong Jockey Club Charities Trust made donations totalling HK\$46,147,000 (2011: HK\$24,351,000) to the following institutions:

	HK\$'000
Hospital Authority Head Office	3,389
Queen Mary Hospital	19,908
Queen Elizabeth Hospital	16,600
Caritas Medical Centre	6,250
	<b>46,147</b>

The donations were accounted for in the designated donation fund in accordance with the accounting policy set out in note 2(f)(ii).

### 29. Commitments

As at the balance sheet date, the Group and HA had the following commitments:

#### (a) Capital commitments

##### The Group

	At 31 March 2012 HK\$'000	At 31 March 2011 HK\$'000
Authorised but not contracted for	1,995,786	2,814,895
Contracted for but not provided	2,138,366	618,941
	<b>4,134,152</b>	<b>3,433,836</b>

##### HA

	At 31 March 2012 HK\$'000	At 31 March 2011 HK\$'000
Authorised but not contracted for	1,991,465	2,808,727
Contracted for but not provided	2,136,253	618,623
	<b>4,127,718</b>	<b>3,427,350</b>

## Notes to the Financial Statements (Continued)

### 29. Commitments (Continued)

#### (a) Capital commitments (Continued)

The capital commitments disclosed above include both costs to be capitalised under property, plant and equipment or intangible assets and also costs which are to be charged to the statement of income and expenditure in accordance with the accounting policy set out in note 2(g).

#### (b) Operating lease commitments

As at the balance sheet date, the Group and HA had commitments for future minimum payments under non-cancellable operating leases which fall due as follows:

The Group and HA		
	At 31 March 2012	At 31 March 2011
	HK\$'000	HK\$'000
Buildings		
Within one year	18,540	13,140
In the second to fifth year, inclusive	25,633	9,959
Over five years, inclusive	207	-
	44,380	23,099
Equipment		
Within one year	41,377	7,327
In the second to fifth year, inclusive	115,352	21,614
Over five years, inclusive	-	831
	156,729	29,772



## Notes to the Financial Statements (Continued)

### 30. Judicial Review

On 2 April 2012, the Court of Final Appeal released the judgment for the judicial review case in respect of HA's Obstetric Package charge for the non-eligible persons (NEP). According to the judgment, the Court of Final Appeal decided entirely in favour of HA (and the Government). Accordingly, no provision for liability has been made in the financial statements.

### 31. Taxation

No taxation is provided as HA is exempt from taxation under the Hospital Authority Ordinance.

### 32. Approval of financial statements

The financial statements were approved by members of HA on 27 September 2012.