

# Securities and Futures Commission Financial Statements

## Auditors' Report to the Securities and Futures Commission (the SFC)

(Established in Hong Kong under the Securities and Futures Ordinance)

We have audited the financial statements on pages 79 to 91 which have been prepared in accordance with International Financial Reporting Standards promulgated by the International Accounting Standards Board.

### Respective responsibilities of directors and auditors

The Hong Kong Securities and Futures Ordinance (the Ordinance) requires the SFC to prepare financial statements and the directors of the SFC do so on the basis that these financial statements should give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently, that judgements and estimates are made which are prudent and reasonable and that the reasons for any significant departure from applicable accounting standards are stated.

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

### Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the SFC in the preparation of the financial statements, and of whether the accounting policies are appropriate to the SFC's circumstances, have been consistently applied and are adequately disclosed.

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

### Opinion

In our opinion, the financial statements give a true and fair view of the state of the SFC's financial position at 31 March 2003 and of its deficit and cash flows for the year then ended, and have been properly prepared in accordance with International Financial Reporting Standards promulgated by the International Accounting Standards Board.

### KPMG

Certified Public Accountants  
Hong Kong

6 May 2003

## Income and Expenditure Account

For the year ended 31 March 2003 (Expressed in Hong Kong dollars)

	Note	2003 \$'000	2002 \$'000
<b>Income</b>			
Levies		186,166	202,620
Fees and charges		116,915	117,481
Investment income	5	32,773	41,399
Other income	6	1,319	1,485
		<u>337,173</u>	<u>362,985</u>
<b>Expenses</b>			
Staff costs	7	302,398	313,445
Premises			
rent		20,010	20,010
other		11,267	11,215
Other expenses	8	38,216	46,958
		<u>371,891</u>	<u>391,628</u>
Depreciation		23,662	25,563
		<u>395,553</u>	<u>417,191</u>
<b>Deficit for the year</b>		<b>(58,380)</b>	(54,206)
<b>Accumulated surplus brought forward</b>		<b>581,153</b>	635,359
<b>Accumulated surplus carried forward</b>		<b>522,773</b>	581,153

We have not prepared a separate statement of recognised gains and losses as the deficit for the year would be the only component of such a statement.

The notes on pages 82 to 91 form part of these financial statements.

## Balance Sheet

At 31 March 2003 (Expressed in Hong Kong dollars)

	Note	2003 \$'000	2002 \$'000
<b>Non-current assets</b>			
Fixed assets	9	30,976	39,868
Held-to-maturity debt securities	10	388,794	298,110
<b>Current assets</b>			
Held-to-maturity debt securities	10	39,036	319,113
Bank deposits		178,371	38,815
Debtors, deposits and prepayments	12	25,749	24,049
Cash at bank and in hand		421	1,076
		<b>243,577</b>	<b>383,053</b>
<b>Current liabilities</b>			
Provision for contribution to the Unified Exchange Compensation Fund	18	–	30,000
Fees received in advance		31,557	33,301
Creditors and accrued charges		66,177	33,737
		<b>97,734</b>	<b>97,038</b>
<b>Net current assets</b>		<b>145,843</b>	<b>286,015</b>
<b>Net assets</b>		<b>565,613</b>	<b>623,993</b>
<b>Funding and reserves</b>			
<b>Initial funding by Government</b>	14	<b>42,840</b>	42,840
<b>Income and expenditure account</b>		<b>522,773</b>	581,153
		<b>565,613</b>	<b>623,993</b>

Approved and authorised for issue by the Commission on 6 May 2003 and signed on its behalf by

**Andrew L T Sheng**  
Chairman

**T Brian Stevenson**  
Non-executive Director

The notes on pages 82 to 91 form part of these financial statements.

## Cash Flow Statement

For the year ended 31 March 2003 (Expressed in Hong Kong dollars)

	<b>2003</b>	2002
	<b>\$'000</b>	\$'000
<b>Net cash outflow from operating activities</b>	<b>(34,812)</b>	(67,011)
<b>Returns on investments</b> – interest received	<b>33,103</b>	40,425
<b>Payment to the Unified Exchange Compensation Fund</b>	<b>(30,000)</b>	(36,174)
<b>Investing activities</b>		
Held-to-maturity debt securities bought	<b>(132,002)</b>	(246,935)
Held-to-maturity debt securities redeemed	<b>319,700</b>	277,000
Fixed assets bought	<b>(17,095)</b>	(34,600)
Fixed assets sold	<b>7</b>	93
<b>Net cash inflow/(outflow) from investing activities</b>	<b>170,610</b>	(4,442)
Increase/(decrease) in cash and cash equivalents	<b>138,901</b>	(67,202)
Cash and cash equivalents at beginning of the year	<b>39,891</b>	107,093
<b>Cash and cash equivalents at end of the year</b>	<b>178,792</b>	39,891

### Reconciliation of deficit for the year to net cash outflow from operating activities:

	<b>2003</b>	2002
	<b>\$'000</b>	\$'000
Deficit for the year	<b>(58,380)</b>	(54,206)
Investment income	<b>(32,773)</b>	(41,399)
Depreciation	<b>23,662</b>	25,563
Profit on sale of fixed assets	<b>(6)</b>	(43)
(Increase)/decrease in debtors, deposits and prepayments	<b>(335)</b>	6,708
Increase/(decrease) in creditors and accrued charges	<b>34,764</b>	(5,664)
(Decrease)/increase in fees received in advance	<b>(1,744)</b>	2,030
<b>Net cash outflow from operating activities</b>	<b>(34,812)</b>	(67,011)

### Analysis of the balance of cash and cash equivalents as shown in the balance sheet:

	<b>2003</b>	2002
	<b>\$'000</b>	\$'000
Bank deposits	<b>178,371</b>	38,815
Cash at bank and in hand	<b>421</b>	1,076
	<b>178,792</b>	39,891

# Notes to the Financial Statements

For the year ended 31 March 2003 (Expressed in Hong Kong dollars)

## 1. Status and principal activities

The Hong Kong Securities and Futures Commission Ordinance (the SFC Ordinance) established and governs the SFC. Since 1 April 2003, the SFC Ordinance was repealed by the Hong Kong Securities and Futures Ordinance (the SFO). Since then, the SFC is governed by Part II of the SFO. Under the SFO, the SFC has the duty to ensure an efficient, fair and transparent market and, to promote public confidence and investor awareness in Hong Kong's securities, futures and related financial markets. In performing its duty, the SFC is required to act in the interest of the public and ensure that improper and illegal market activities are properly investigated.

## 2. Income

Details of the funding of the SFC are set out in Sections 52 to 54 of the SFC Ordinance. With effect from 1 April 2003, Section 14 and Sections 394 to 396 of the SFO applies. Major sources of funding include:

- (a) a share of the levies collected by The Stock Exchange of Hong Kong Limited and Hong Kong Futures Exchange Limited on transactions recorded on the Exchanges at rates specified by the Chief Executive in Council; and
- (b) fees and charges in relation to its functions and services according to the provision of subsidiary legislation.

In each financial year, the SFC is eligible to receive an appropriation from the Government. Since the financial year ended 31 March 1994, the SFC has requested the Government not to make appropriations to it.

## 3. Significant accounting policies

The SFC prepares its financial statements in accordance with International Financial Reporting Standards (IFRSs) promulgated by the International Accounting Standards Board (IASB). We set out below a summary of our significant accounting policies.

### Basis of preparation of the financial statements

We have prepared these financial statements using the historical cost basis.

### Recognition of income

*Levies* We record levies from the two Exchanges as income on an accrual basis.

*Fees and charges* We record annual fees as income on a straight-line basis over the periods to which they relate. We record other fees and charges as income when they are receivable.

*Investment Income* We record investment income on an accrual basis. It comprises (a) interest earned on bank deposits and held-to-maturity debt securities; (b) the amortisation of premium or discount on purchases of held-to-maturity debt securities on a straight-line basis over the periods to redemption; and (c) the gain or loss on disposal of held-to-maturity debt securities.

### Operating leases

We treat the rent payable under operating leases as an expense on a straight-line basis over the life of the lease. We recognise lease incentives received in the income and expenditure account as an integral part of the total lease expense.

### Retirement benefits

We recognise obligations for contributions to defined contribution schemes as an expense in the income and expenditure account when they are payable.

### Fixed assets and depreciation

We state fixed assets at cost less accumulated depreciation and any impairment losses, which is calculated to write off their costs over their anticipated useful lives on a straight-line basis. We use the following useful lives:

Leasehold improvements	–	3 years or if shorter the life of the respective leases
Furniture and fixtures	–	3 years
Office equipment	–	5 years
Personal computers and software	–	3 years
Mainframe computers and application systems	–	4 years
Motor vehicles	–	4 years

### Investments

We state our investments in debt securities, which we intend to hold to maturity, at cost adjusted for the amortisation of premiums and discounts on purchase over the periods to redemption less any provisions for impairments (see the accounting policies in respect of “impairment” and “reversals of impairment” on page 84). We account for purchases and sales of debt securities on the settlement date.

We recognise profits or losses on sale of debt securities when they arise.

### Related parties

For the purpose of these financial statements, we consider that the following are related parties of the SFC:

- (a) parties that the SFC has the ability, directly or indirectly, to control or to significantly influence in making financial and operating decisions;
- (b) parties that have the ability, directly or indirectly, to control or to significantly influence the SFC in making financial and operating decisions; and
- (c) parties that are subject to common control or common significant influence.

Related parties may be individuals or corporate entities. As the SFC is an entity controlled by the Government of the Hong Kong Special Administrative Region, we are not required by the International Accounting Standards 24 to disclose transactions with other government controlled enterprises in the financial statements.

### Translation of foreign currencies

We translate foreign currency transactions during the year into Hong Kong dollars at the exchange rates ruling at the transaction dates. We translate monetary assets and liabilities denominated in foreign currencies into Hong Kong dollars at the exchange rates ruling at the balance sheet date. We record exchange gains and losses as income and expenses when they occur.

## Notes to the Financial Statements (cont'd)

For the year ended 31 March 2003 (Expressed in Hong Kong dollars)

### **Other receivables**

We state other receivables at their cost less impairment losses.

### **Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and call deposits.

### **Other payables**

We state other payables at their cost.

### **Impairment**

We review the carrying amounts of the SFC's assets at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, we estimate the asset's recoverable amount. We recognise in the income and expenditure account an impairment loss whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

### **Calculation of recoverable amount**

We calculate the recoverable amount of the SFC's investments in held-to-maturity debt securities and receivables by discounting their expected future cash flows to their present value at the original effective interest rate inherent in the asset. We do not discount receivables with a short duration in the calculation of their recoverable amount.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, we discount the estimated future cash flows to their present value at a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, we determine the recoverable amount for the cash-generating unit to which the asset belongs.

### **Reversals of impairment**

We reverse an impairment loss in respect of an asset if the circumstances and events that have led to the write down or write-off cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

We reverse an impairment loss only to the extent that the asset's carrying amount does not exceed the carrying amount that we would have determined, net of depreciation or amortisation, if we had not recognised any impairment loss.

### **Provisions and contingent liabilities**

We recognise a provision in the balance sheet when the SFC has a legal or constructive obligation as a result of a past event, and it is probable that the SFC will require an outflow of economic benefits to settle the obligation. If the effect is material, we determine provisions by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, we disclose the obligation as a contingent liability, unless the probability of outflow of economic benefits is remote. We also disclose possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events as contingent liabilities unless the probability of outflow of economic benefits is remote.

#### 4. Taxation

Section 3(3) of the SFC Ordinance exempts the SFC from Hong Kong taxes. With effect from 1 April 2003, Section 3(3) of the SFO governs the tax exemption provision of the SFC.

#### 5. Investment income

	<b>2003</b>	2002
	<b>\$'000</b>	\$'000
Interest income	<b>34,468</b>	41,362
Premium on held-to-maturity debt securities	<b>(2,397)</b>	(589)
Discount on held-to-maturity debt securities	<b>702</b>	626
	<b>32,773</b>	41,399

#### 6. Other income

	<b>2003</b>	2002
	<b>\$'000</b>	\$'000
Legal costs recovered	<b>91</b>	241
Investigation costs awarded	<b>708</b>	585
Sale of SFC publications	<b>444</b>	535
Profit on sale of fixed assets	<b>6</b>	43
Others	<b>70</b>	81
	<b>1,319</b>	1,485

#### 7. Staff costs

	<b>2003</b>	2002
	<b>\$'000</b>	\$'000
Directors' fees	<b>1,404</b>	1,433
Directors' salaries, allowances and gratuities	<b>22,850</b>	26,327
Directors' bonuses/variable pay	<b>400</b>	1,263
Directors' retirement benefits	<b>212</b>	267
Staff salaries and allowances	<b>258,053</b>	264,730
Retirement benefits	<b>10,486</b>	11,062
Medical and life insurance	<b>8,709</b>	7,451
Overtime pay	<b>284</b>	912
	<b>302,398</b>	313,445

## Notes to the Financial Statements (cont'd)

For the year ended 31 March 2003 (Expressed in Hong Kong dollars)

### Directors' emoluments fell within these ranges:

	<b>2003</b> <b>No. of</b> <b>directors</b>	2002 No. of directors
\$0 to \$1,000,000	<b>6</b>	7
\$1,500,001 to \$2,000,000	–	1
\$2,000,001 to \$2,500,000	–	2
\$2,500,001 to \$3,000,000	–	1
\$3,000,001 to \$3,500,000	–	1
\$3,500,001 to \$4,000,000	<b>1</b>	–
\$4,000,001 to \$4,500,000	<b>3</b>	2
\$6,500,001 to \$7,000,000	<b>1</b>	1
	<b>11</b>	15

Emoluments paid to independent non-executive directors during the year amounted to \$1,404,000 (2002: \$1,433,000).

Aggregate remuneration of the five highest paid individuals in 2002/2003, representing the emoluments of five executive directors, was \$23,462,000 (2001/2002: \$22,214,000 for four executive directors and a senior staff).

### Retirement benefits

We provide retirement benefits to our staff through a defined contribution scheme under the Occupational Retirement Schemes Ordinance (ORSO Scheme) and a Mandatory Provident Fund Scheme (MPF Scheme):

(a) *ORSO Scheme*

*General grade staff* For general grade staff, we make monthly contributions equal to 12% of the basic pay of each staff member. We reinvest forfeited contributions for general grade staff, who leave the SFC prior to qualifying for 100% disbursement of the contributions, into the total pool of contributions that will be shared by the existing members in the scheme at the end of the scheme year. The amount so reinvested during the year was \$113,000 (2002: \$86,000).

*Professional staff* For professional staff, we make monthly contributions equal to 5% of their fixed pay subject to a cap of \$4,166 per month. We use forfeited contributions in respect of professional staff, who leave the SFC prior to qualifying for 100% disbursement of the contributions, to offset the SFC's future contributions. The amount so forfeited during the year was \$743,000 (2002: \$456,000) and the amount so forfeited available at the balance sheet date was \$57,000 (2002: \$145,000).

This scheme has obtained an exemption under Section 5 of the MPF Schemes Ordinance.

(b) *MPF Scheme*

We have participated in a master trust MPF Scheme since December 2000 and made contributions to the MPF Scheme in accordance with the statutory requirements of the MPF Schemes Ordinance.

## 8. Other expenses

	<b>2003</b>	2002
	<b>\$'000</b>	\$'000
Training and development	<b>2,511</b>	4,380
Legal and professional services	<b>8,357</b>	14,048
Legal claims and costs awarded	<b>2,347</b>	(2,500)
Information and systems services	<b>15,956</b>	15,672
Auditors' remuneration	<b>160</b>	160
General office and insurance	<b>4,524</b>	4,824
SCEFI (Steering Committee on the Enhancement of Financial Infrastructure)	<b>2,729</b>	7,214
External relations	<b>1,632</b>	3,160
	<b>38,216</b>	46,958

## 9. Fixed assets

	Furniture, fixtures and leasehold improvements \$'000	Office equipment \$'000	Mainframe computers and application systems \$'000	Personal computers and software \$'000	Motor vehicles \$'000	Total \$'000
Cost						
At 1 April 2002	34,316	9,173	86,806	20,631	1,456	152,382
Additions	19	397	13,563	792	-	14,771
Disposals	(191)	(97)	(96)	(295)	-	(679)
<b>At 31 March 2003</b>	<b>34,144</b>	<b>9,473</b>	<b>100,273</b>	<b>21,128</b>	<b>1,456</b>	<b>166,474</b>
Depreciation						
At 1 April 2002	32,033	7,495	55,326	16,204	1,456	112,514
Charge for the year	1,280	728	18,005	3,649	-	23,662
Written back on disposals	(191)	(96)	(96)	(295)	-	(678)
<b>At 31 March 2003</b>	<b>33,122</b>	<b>8,127</b>	<b>73,235</b>	<b>19,558</b>	<b>1,456</b>	<b>135,498</b>
Net book value						
<b>At 31 March 2003</b>	<b>1,022</b>	<b>1,346</b>	<b>27,038</b>	<b>1,570</b>	<b>-</b>	<b>30,976</b>
Net book value						
At 31 March 2002	2,283	1,678	31,480	4,427	-	39,868

## Notes to the Financial Statements (cont'd)

For the year ended 31 March 2003 (Expressed in Hong Kong dollars)

### 10. Held-to-maturity debt securities

	<b>2003</b>	2002
	<b>\$'000</b>	\$'000
Maturing after one year		
In the second to third years – unlisted	<b>120,034</b>	145,138
– listed outside Hong Kong	<b>254,184</b>	138,376
After three years – unlisted	<b>14,576</b>	14,596
	<b>388,794</b>	298,110
Maturing within one year		
– unlisted	<b>25,030</b>	310,116
– listed in Hong Kong	–	8,997
– listed outside Hong Kong	<b>14,006</b>	–
	<b>39,036</b>	319,113
	<b>427,830</b>	617,223
Cost at 31 March		
– unlisted	<b>159,640</b>	469,850
– listed in Hong Kong	–	8,997
– listed outside Hong Kong	<b>268,190</b>	138,376
	<b>427,830</b>	617,223
Market value at 31 March		
– unlisted	<b>187,827</b>	487,196
– listed in Hong Kong	–	9,074
– listed outside Hong Kong	<b>259,735</b>	136,719
	<b>447,562</b>	632,989

### 11. Investments in subsidiaries

We recognised our investment in FinNet Limited (FinNet) and Investor Compensation Company Limited (ICC) after 1 April 2002.

The SFC formed FinNet on 6 November 2000 with an authorised share capital of \$10,000 and issued share capital of \$2 and ICC on 11 September 2002 with an authorised share capital of \$1,000 and issued share capital of \$0.2.

The objective of FinNet is to operate an electronic network to facilitate payment and delivery transactions and interconnection of all financial institutions and financial entities in Hong Kong.

The objective of ICC is to perform functions relating to the compensation of investors and other functions under Parts III and XII of the SFO.

Both companies are wholly owned subsidiaries of the SFC. However, they were not shown on the face of the balance sheet which was expressed in thousand dollars.

Both companies have not commenced operation. The balance sheets of the companies as at 31 March 2003 and the income and expenditure accounts for the year then ended were immaterial. Therefore, we have not prepared consolidated financial statements.

### 12. Debtors, deposits and prepayments

The maximum balance of outstanding loans to executive staff for initial settling-in purposes during the year was nil (2002: \$77,000).

Included in debtors was an amount of \$1,258,000 due from ICC for the payment of its set up costs (2002: nil).

### 13. Ageing analysis of debtors and creditors

There was no material debtor balance and creditor balance included in “debtors, deposits and prepayments” and “creditors and accrued charges” respectively as at 31 March 2003. Therefore we do not provide ageing analysis on debtors and creditors.

### 14. Initial funding by Government

The Government provided funds to pay for the SFC’s initial non-recurrent and capital expenditure. These funds are not repayable to the Government.

### 15. Capital commitments

Capital commitments outstanding at 31 March 2003 not provided for in the financial statements were as follows:

	<b>2003</b>	2002
	<b>\$'000</b>	\$'000
Authorised and contracted for	<b>15,990</b>	24,225
Authorised but not contracted for	<b>11,969</b>	10,868

## Notes to the Financial Statements (cont'd)

For the year ended 31 March 2003 (Expressed in Hong Kong dollars)

### 16. Commitment to pay rents for offices

Our Landlord informed us that our existing lease for our offices in Edinburgh Tower will be terminated by 30 June 2003.

We have entered into a new operating lease for office premises for 10 years starting 1 July 2003. As we have negotiated rent free periods for both the existing and the new leases, the Commission will not have to pay any rent during the next year.

The new lease is subject to a rent review on 1 July 2008. The rent we will have to pay after 1 July 2008 will be fixed in 2008 based on the market rent prevailing in 2008 but subject to a cap set out in the lease agreement.

At 31 March 2003 the minimum amount we are committed to pay in rent for our offices up to 30 June 2008 is as follows:

	<b>2003</b>	2002
	<b>\$'000</b>	\$'000
Payable next year	–	25,059
Payable in one to five years	<b>93,825</b>	33,411
Payable in more than five years	<b>6,623</b>	–
	<b>100,448</b>	<b>58,470</b>

During the year ended 31 March 2003, \$20,010,000 was recognised as an expense in the income and expenditure account in respect of operating leases (2002: \$20,010,000). Other than office rents we have no obligations relating to operating leases.

### 17. Related party transactions

We have a related party relationship with the Unified Exchange Compensation Fund, the Commodity Exchange Compensation Fund, Securities Ordinance (Chapter 333) – Dealers' Deposits Fund, Commodities Trading Ordinance (Chapter 250) – Dealers' Deposits Fund and Securities Ordinance (Chapter 333) – Securities Margin Financiers' Security Fund. We do not have any significant related party transactions during the year except for the matters disclosed in notes 18 and 20.

## 18. Contribution to the Unified Exchange Compensation Fund (the Compensation Fund)

As a result of legislation amendments in November 1998, the maximum liability of the Compensation Fund to claims of each default case can exceed the normal \$8 million limit. In order to permit the Compensation Fund to meet the possible additional claims arising from these legislation amendments, the Stock Exchange of Hong Kong Limited (the Exchange) and the SFC each committed to make a contribution of \$150 million to the Compensation Fund in the financial year ended 31 March 1999. The SFC made further commitments of \$150 million and \$30 million in the financial years ended 31 March 2000 and 2001 respectively.

Our provision for contributions to the Compensation Fund was:

	2003 \$'000	2002 \$'000
Balance at beginning of year	30,000	66,174
Amount utilised	(30,000)	(36,174)
Balance at end of year	–	30,000

## 19. Financial instruments

Financial assets of the SFC comprise held-to-maturity debt securities.

### (a) Credit risk

The Financial Secretary has approved our investment policy which only allows the SFC to invest in dated securities or in bank deposits with banks. The policy also limits the exposure to each organisation and each country, except for US Treasury, to not more than 15% and 20% of the total investment respectively. During the year, the SFC complied with the above investment policy and, as a result, was not exposed to significant credit risk.

### (b) Interest rate risk

The activities of the SFC do not expose it to significant interest rate risk.

### (c) Exchange rate risk

The Financial Secretary has approved our investment policy which also allows the SFC to invest in US dollar dated securities. As the HK dollar is pegged with the US dollar, the SFC was not exposed to significant foreign exchange risk.

## 20. Contingent liabilities

The SFC has given an undertaking to the Government to make refunds for overpayment of Special Levy as a condition for the transfer of the Special Levy surplus of \$2 million plus accrued interest to the Compensation Fund. No provision has been made in these financial statements in respect of such undertaking, as the likelihood of a claim being made for a refund of an overpayment is considered to be remote.