

**STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2011**

	Note	2011 HK\$'000	2010 HK\$'000
<b>ASSETS</b>			
Cash at bank		76	20
Deposits with banks	3	170,850	200,980
Interest receivable	4	33	105
<b>Total assets</b>		<b>170,959</b>	201,105
<b>LIABILITIES</b>			
Grants payable - due within one year	5	(14,867)	(24,575)
Grants payable - due after one year	5	(11,826)	(12,865)
<b>Total liabilities</b>		<b>(26,693)</b>	(37,440)
<b>Net assets</b>		<b>144,266</b>	163,665
<b>Representing:</b>			
<b>FUND BALANCE</b>			
Capital		350,000	350,000
Accumulated deficit		(205,734)	(186,335)
		<b>144,266</b>	163,665

The accompanying Notes 1 to 13 form part of these financial statements.

The Financial Secretary Incorporated  
The Trustee of the AIDS Trust Fund

**John C TSANG**  
Financial Secretary

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 MARCH 2011**

	Note	2011 HK\$'000	2010 HK\$'000
<b>Income</b>	<b>6</b>	<b>2,078</b>	3,932
<b>Expenditure</b>	<b>7</b>	<b>(21,477)</b>	(22,727)
Deficit for the year		<b>(19,399)</b>	(18,795)
<b>Other comprehensive income</b>		<b>—</b>	—
Total comprehensive loss for the year		<b>(19,399)</b>	(18,795)

The accompanying Notes 1 to 13 form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 MARCH 2011**

	<b>Capital HK\$'000</b>	<b>Accumulated deficit HK\$'000</b>	<b>Total HK\$'000</b>
Balance at 1 April 2009	350,000	(167,540)	182,460
Total comprehensive loss for the year 2009-10	—	(18,795)	(18,795)
Balance at 31 March 2010	<u>350,000</u>	<u>(186,335)</u>	<u>163,665</u>
Total comprehensive loss for the year 2010-11	—	<b>(19,399)</b>	<b>(19,399)</b>
Balance at 31 March 2011	<u><b>350,000</b></u>	<u><b>(205,734)</b></u>	<u><b>144,266</b></u>

The accompanying Notes 1 to 13 form part of these financial statements.

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 MARCH 2011**

	Note	2011 HK\$'000	2010 HK\$'000
Net cash used in operating activities	8	(31,041)	(24,441)
Net cash from / (used in) investing activities	9	35,967	(34,533)
Net increase / (decrease) in cash and cash equivalents		<u>4,926</u>	<u>(58,974)</u>
Cash and cash equivalents at beginning of year		166,000	224,974
Cash and cash equivalents at end of year	10	<u>170,926</u>	<u>166,000</u>

The accompanying Notes 1 to 13 form part of these financial statements.

## **NOTES TO THE FINANCIAL STATEMENTS**

### **1. GENERAL**

The AIDS Trust Fund (the Fund) was established on 30 April 1993 by a Declaration of Trust (hereinafter referred to as the Trust) made by The Financial Secretary Incorporated (the Trustee). The principal activities of the Fund are the financing of ex-gratia payments for persons infected with the HIV through the transfusion in Hong Kong of blood products prior to August 1985, medical and support services for HIV-infected patients and publicity and public education on AIDS. In 1993, the Council for the AIDS Trust Fund (the Council) started providing one-off payments to eligible HIV-infected persons in line with the ex-gratia payment scheme approved by the Finance Committee of the Legislative Council. The Council also endorsed in April 2005 the payment of additional recurrent supplements within the ambit and funding approved for the Fund and in 2006 the launching of a Special Project Fund for HIV prevention projects targeting men who have sex with men. The financial statements of the Fund are prepared in accordance with Clause 12 of the Trust.

### **2. SIGNIFICANT ACCOUNTING POLICIES**

#### **(a) Statement of compliance**

The financial statements of the Fund have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, which is a collective term that includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), and accounting principles generally accepted in Hong Kong.

#### **(b) Basis of preparation of the financial statements**

The measurement basis used in the preparation of the financial statements is the historical cost basis.

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

There are no critical accounting judgements involved in the application of the Fund's accounting policies. There are also no key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next reporting period.

The HKICPA has issued a number of new and revised HKFRSs that are effective for the current accounting period. There have been no significant changes to the accounting policies applied in these financial statements for the years presented as a result of these developments.

The Fund has not applied any new HKFRSs that are not yet effective for the current accounting period (note 13).

(c) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which the Fund has no intention of trading. This category includes cash at bank and deposits with banks. Loans and receivables are carried at amortised cost using the effective interest method.

(d) Interest income recognition

Interest income is recognised on an accrual basis using the effective interest method. The bank interest rates on deposits with banks, the only interest-bearing assets, represent the effective interest rates on such deposits.

(e) Grants

Grants, including multi-year grants, are recognised as expenses and payables when they are approved.

(f) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents include cash at bank and deposits with banks with a maturity of three months or less from the date of placement.

### 3. DEPOSITS WITH BANKS

These are Hong Kong dollar deposits placed with licensed banks in Hong Kong for investment under Clause 5 of the Trust.

### 4. INTEREST RECEIVABLE

This is interest accrued on deposits and bank balances.

### 5. GRANTS PAYABLE

	2011 HK\$'000	2010 HK\$'000
Publicity and public education	18,828	25,799
Medical and support services	7,865	11,225
Special project fund	—	416
	<b>26,693</b>	<b>37,440</b>
Amount due within one year	14,867	24,575
Amount due after one year	11,826	12,865
	<b>26,693</b>	<b>37,440</b>

### 6. INCOME

	2011 HK\$'000	2010 HK\$'000
Interest on deposits and bank balances	895	488
Refund of grants	969	3,444
Other income	214	—
	<b>2,078</b>	<b>3,932</b>

## 7. EXPENDITURE

	2011 HK\$'000	2010 HK\$'000
Grants		
Publicity and public education	10,018	9,564
Medical and support services	3,750	5,531
Ex-gratia payment	7,693	7,592
Special project fund	16	40
	21,477	22,727

## 8. RECONCILIATION OF DEFICIT TO NET CASH USED IN OPERATING ACTIVITIES

	2011 HK\$'000	2010 HK\$'000
Deficit for the year	(19,399)	(18,795)
Interest income	(895)	(488)
Decrease in grants payable	(10,747)	(5,158)
Net cash used in operating activities	(31,041)	(24,441)

## 9. NET CASH FROM / (USED IN) INVESTING ACTIVITIES

	2011 HK\$'000	2010 HK\$'000
Interest received	967	467
Decrease / (Increase) in deposits with banks with original maturity over three months	35,000	(35,000)
Net cash from / (used in) investing activities	35,967	(34,533)

## 10. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS

	2011 HK\$'000	2010 HK\$'000
Cash at bank	76	20
Deposits with banks with original maturity within three months	170,850	165,980
	170,926	166,000

Reconciliation with the statement of financial position:

	<b>2011</b>	<b>2010</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Amounts in the statement of financial position:		
Cash at bank	76	20
Deposits with banks	<b>170,850</b>	200,980
	<b>170,926</b>	201,000
Less: Amounts with original maturity over three months	—	(35,000)
Cash and cash equivalents in the statement of cash flows	<b>170,926</b>	166,000

## 11. CAPITAL RISK MANAGEMENT

The capital of the Fund, which may be expended specifically for the purposes of the Fund, is managed prudently to generate income for the purposes of the Fund. The financial risks in investment portfolio are monitored on a continuous basis to ensure that such risks are covered before funding is considered for the purposes of the Fund.

## 12. FINANCIAL RISK MANAGEMENT

### (a) Investment management and control

The Director of Accounting Services has been appointed as the agent for the Trustee to implement decisions concerning investments of the Fund and to generally manage such investments.

### (b) Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to pay amounts in full when due. The Fund's financial assets which are potentially subject to credit risk consist principally of bank balances. The Fund selects counterparty with good credit standing, strong financial strength and sizeable capital. The exposure to the credit risk of bank balances and accrued interest on deposits is minimal. Hence the Fund does not have significant exposures to credit risk.

The Fund's maximum exposure to the credit risk at the end of the reporting period without taking account of collateral held or other credit enhancements, if any, is shown below:

	<b>2011</b>	<b>2010</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Cash at bank	76	20
Deposits with banks	<b>170,850</b>	200,980
Interest receivable	<b>33</b>	105
	<b>170,959</b>	201,105

The credit quality of major financial assets, analysed by the ratings designated by Moody's or their equivalents, at the end of the reporting period is shown below:

	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
Cash at bank and deposits with banks, by credit rating:		
Aa1 to Aa3	<b>67,706</b>	93,140
A1 to A3	<b>103,220</b>	107,860
	<b>170,926</b>	201,000

(c) Liquidity risk

Liquidity risk is the risk that the Fund may not have sufficient funds available to meet its obligations as they fall due. The Fund monitors the liquidity requirements on a continuous basis and maintains a level of short term deposits and cash to pay grants as necessary. Hence the Fund does not have significant exposures to liquidity risk.

(d) Interest rate risk

Interest rate risk is the risk of loss arising from changes in market interest rates. This can be further classified into fair value interest rate risk and cash flow interest rate risk.

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Since all the Fund's deposits with banks bear interest at fixed rates, their fair values will fall when market interest rates increase. However, as they are all stated at amortised cost, changes in market interest rates will not affect their carrying amounts and the Fund's deficit and equity.

Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund is not exposed to material cash flow interest rate risk because it has no major financial instruments bearing interest at a floating rate.

The Fund's exposure to interest rate risk, based on the major interest bearing assets stated at carrying amounts at the end of the reporting period and categorised by the earlier of contractual repricing dates or maturity dates, is shown below:

	<b>Repricing Period</b>		
	<b>Up to 3 months</b>	<b>Over 3 months to 1 year</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000
<b>2011</b>			
Deposits with banks	170,850		170,850
<b>2010</b>			
Deposits with banks	180,980	20,000	200,980

**13. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2011**

Up to the date of issue of the financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 March 2011 and which have not been early adopted in the financial statements.

The Fund is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial adoption. So far, it has concluded that the adoption of them is unlikely to have a significant impact on the Fund's results of operations and financial position.

The following amendments/new standards may result in amended or new disclosures in future financial statements:

	<b>Effective for annual periods beginning on or after</b>
Amendments to HKAS 1 (Revised) – Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income	1 July 2012
HKFRS 9 – Financial Instruments	1 January 2013
HKFRS 13 – Fair Value Measurement	1 January 2013