

**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2016**

	Note	2016 HK\$'000	2015 HK\$'000
ASSETS			
Cash at bank		2	1
Deposits with banks	3	275,768	413,495
Interest receivable	4	382	210
Placement with the Exchange Fund	5	80,000	-
Total assets		356,152	413,706
LIABILITIES			
Grants payable - due within one year	6	(34,255)	(55,460)
Grants payable - due after one year	6	(11,645)	(20,416)
Total liabilities		(45,900)	(75,876)
Net assets		310,252	337,830
Representing:			
FUND BALANCE			
Capital		700,000	700,000
Accumulated deficit		(389,748)	(362,170)
		310,252	337,830

The accompanying Notes 1 to 14 form part of these financial statements.

The Financial Secretary Incorporated
The Trustee of the AIDS Trust Fund

Paul MP CHAN
Financial Secretary

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2016**

	Note	2016 HK\$'000	2015 HK\$'000
Income	7	6,582	5,456
Expenditure	8	(34,160)	(52,708)
Deficit for the year		<u>(27,578)</u>	<u>(47,252)</u>
Other comprehensive income		-	-
Total comprehensive loss for the year		<u><u>(27,578)</u></u>	<u><u>(47,252)</u></u>

The accompanying Notes 1 to 14 form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2016**

	Capital HK\$'000	Accumulated deficit HK\$'000	Total HK\$'000
Balance at 1 April 2014	700,000	(314,918)	385,082
Total comprehensive loss for the year 2014-15	-	(47,252)	(47,252)
Balance at 31 March 2015	<u>700,000</u>	<u>(362,170)</u>	<u>337,830</u>
Total comprehensive loss for the year 2015-16	-	(27,578)	(27,578)
Balance at 31 March 2016	<u>700,000</u>	<u>(389,748)</u>	<u>310,252</u>

The accompanying Notes 1 to 14 form part of these financial statements.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2016**

	Note	2016 HK\$'000	2015 HK\$'000
Net cash used in operating activities	9	(61,630)	(28,353)
Net cash (used in)/from investing activities	10	(11,947)	146,492
Net (decrease)/increase in cash and cash equivalents		<u>(73,577)</u>	<u>118,139</u>
Cash and cash equivalents at beginning of year		122,999	4,860
Cash and cash equivalents at end of year	11	<u>49,422</u>	<u>122,999</u>

The accompanying Notes 1 to 14 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 (the Trust) made by The Financial Secretary Incorporated (the Trustee) following the Finance Committee of the Legislative Council (the Finance Committee)'s approval of a grant of \$350 million on 16 April 1993 to set up the Fund. 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. The Council also endorsed in April 2005 the payment of additional recurrent supplements within the ambit and funding approved for the Fund. On 6 December 2013, the Finance Committee approved an injection of \$350 million into the Fund. 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 (HKFRSs), which is a collective term that includes all applicable individual HKFRSs, 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.

(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, deposits with banks and placement with the Exchange Fund. 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 interest rates on deposits with banks and placement with the Exchange Fund represent the effective interest rates on such interest-bearing assets.

(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

	2016 HK\$'000	2015 HK\$'000
Interest accrued on deposits and bank balances	223	210
Interest accrued on placement with the Exchange Fund	159	-
	382	210

5. PLACEMENT WITH THE EXCHANGE FUND

The balance of the placement with the Exchange Fund amounted to HK\$80,000,000, being the placement amount made on 10 March 2016. The term of the placement is six years from the date of placement, during which the amount of original placement cannot be withdrawn.

Interest on the placement is payable at a fixed rate determined every January. The rate is the average annual investment return of the Exchange Fund's Investment Portfolio for the past six years or the average annual yield of three-year government bond for the previous year subject to a minimum of zero percent, whichever is the higher. The interest rate has been fixed at 3.3% per annum for the year 2016.

6. GRANTS PAYABLE

	2016 HK\$'000	2015 HK\$'000
Publicity and public education	35,126	51,489
Medical and support services	10,774	24,387

AIDS Trust Fund

	<u>45,900</u>	<u>75,876</u>
Amount due within one year	34,255	55,460
Amount due after one year	11,645	20,416
	<u>45,900</u>	<u>75,876</u>
7. INCOME		
	2016	2015
	HK\$'000	HK\$'000
Interest on deposits and bank balances	3,917	5,261
Interest on placement with the Exchange Fund	159	-
Refund of grants	30	63
Other income	2,476	132
	<u>6,582</u>	<u>5,456</u>
8. EXPENDITURE		
	2016	2015
	HK\$'000	HK\$'000
Grants		
Publicity and public education	21,917	26,332
Medical and support services	4,011	18,544
Ex-gratia payment	8,232	7,832
	<u>34,160</u>	<u>52,708</u>
9. RECONCILIATION OF DEFICIT TO NET CASH USED IN OPERATING ACTIVITIES		
	2016	2015
	HK\$'000	HK\$'000
Deficit for the year	(27,578)	(47,252)
Interest income	(4,076)	(5,261)
(Decrease)/Increase in grants payable	(29,976)	24,160
Net cash used in operating activities	<u>(61,630)</u>	<u>(28,353)</u>
10. NET CASH (USED IN)/FROM INVESTING ACTIVITIES		
	2016	2015
	HK\$'000	HK\$'000

AIDS Trust Fund

Interest received	3,904	6,003
Decrease in deposits with banks with original maturity over three months	64,149	140,489
Placement with the Exchange Fund	<u>(80,000)</u>	<u>-</u>
Net cash (used in)/from investing activities	<u><u>(11,947)</u></u>	<u><u>146,492</u></u>

11. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS

	2016 HK\$'000	2015 HK\$'000
Cash at bank	2	1
Deposits with banks with original maturity within three months	<u>49,420</u>	<u>122,998</u>
	<u><u>49,422</u></u>	<u><u>122,999</u></u>

Reconciliation with the statement of financial position:

	2016 HK\$'000	2015 HK\$'000
Amounts in the statement of financial position:		
Cash at bank	2	1
Deposits with banks	<u>275,768</u>	<u>413,495</u>
	<u>275,770</u>	<u>413,496</u>
Less: Amounts with original maturity over three months	<u>(226,348)</u>	<u>(290,497)</u>
Cash and cash equivalents in the statement of cash flows	<u><u>49,422</u></u>	<u><u>122,999</u></u>

12. 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.

13. 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 and placement with the Exchange Fund. The Fund selects counterparty with good credit standing, strong financial strength and sizeable capital. The exposure to the credit risk of bank balances, accrued interest and placement with the Exchange Fund is considered to be low. 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:

	2016	2015
	HK\$'000	HK\$'000
Cash at bank	2	1
Deposits with banks	275,768	413,495
Interest receivable	382	210
Placement with the Exchange Fund	80,000	-
	<u>356,152</u>	<u>413,706</u>

The credit quality of cash at bank and deposits with banks, analysed by the ratings designated by Moody's or their equivalents, at the end of the reporting period is shown below:

	2016	2015
	HK\$'000	HK\$'000
Cash at bank and deposits with banks, by credit rating:		
Aa1 to Aa3	110,816	107,469
A1 to A3	164,954	306,027
	<u>275,770</u>	<u>413,496</u>

(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:

	Repricing Period		
	Up to 3 months HK\$'000	Over 3 months HK\$'000	Total HK\$'000
2016			
Deposits with banks	49,420	226,348	275,768
2015			
Deposits with banks	122,998	290,497	413,495

14. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2016

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 2016 and which have not been early adopted in the financial statements. The Fund is in the process of making an assessment of the impact expected of these amendments, new standards and interpretations in the period of initial application. So far, it has concluded that the adoption of them is unlikely to have a significant impact on the Fund's financial performance and financial position.

The following development may result in new or amended disclosures in future financial statements:

	Effective for accounting periods beginning on or after
HKFRS 9, Financial Instruments	1 January 2018