

**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2017**

	Note	2017 HK\$'000	2016 HK\$'000
ASSETS			
Cash at bank		1	2
Deposits with banks	3	230,290	275,768
Interest receivable	4	903	382
Placement with the Exchange Fund	5	82,142	80,000
Total assets		313,336	356,152
LIABILITIES			
Grants payable - due within one year	6	(18,775)	(34,255)
Grants payable - due after one year	6	(4,925)	(11,645)
Total liabilities		(23,700)	(45,900)
Net assets		289,636	310,252
Representing:			
FUND BALANCE			
Capital		700,000	700,000
Accumulated deficit		(410,364)	(389,748)
		289,636	310,252

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 2017**

	Note	2017 HK\$'000	2016 HK\$'000
Income	7	9,516	6,582
Expenditure	8	(30,132)	(34,160)
Deficit for the year		<u>(20,616)</u>	<u>(27,578)</u>
Other comprehensive income		—	—
Total comprehensive loss for the year		<u>(20,616)</u>	<u>(27,578)</u>

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

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2017**

	Capital HK\$'000	Accumulated deficit HK\$'000	Total HK\$'000
Balance at 1 April 2015	700,000	(362,170)	337,830
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>
Total comprehensive loss for the year 2016-17	—	(20,616)	(20,616)
Balance at 31 March 2017	<u>700,000</u>	<u>(410,364)</u>	<u>289,636</u>

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

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2017**

	Note	2017 HK\$'000	2016 HK\$'000
Net cash used in operating activities	9	(47,977)	(61,630)
Net cash from/(used in) investing activities	10	21,256	(11,947)
Net decrease in cash and cash equivalents		<u>(26,721)</u>	<u>(73,577)</u>
Cash and cash equivalents at beginning of year		49,422	122,999
Cash and cash equivalents at end of year	11	<u>22,701</u>	<u>49,422</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 HK\$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 HK\$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. A summary of the significant accounting policies adopted by the Fund is set out below.

(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 in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenditure. 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 neither key assumptions concerning the future nor 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, placement with the Exchange Fund and interest receivable. Loans and receivables are initially recognised at fair value. They are subsequently carried at amortised cost using the effective interest method less impairment losses, if any (Note 2(g)).

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Fund estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees received or paid between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

(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 recognition

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.

(g) Impairment of financial assets

The carrying amounts of loans and receivables are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. If any such evidence exists, an impairment loss is recognised in the statement of comprehensive income as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. If in a subsequent period the amount of such impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the statement of comprehensive income. A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior reporting periods.

(h) Impact of new and revised HKFRSs

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period. There have been no changes to the accounting policies applied in the 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 14).

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

	2017 HK\$'000	2016 HK\$'000
Interest accrued on deposits and bank balances	336	223
Interest accrued on placement with the Exchange Fund	567	159
	903	382

5. PLACEMENT WITH THE EXCHANGE FUND

These represent the principal sum placed with the Exchange Fund and interest paid but not yet withdrawn at the end of the reporting period:

	2017	2016
	HK\$'000	HK\$'000
Principal sum	80,000	80,000
Interest paid but not yet withdrawn	2,142	—
	<u>82,142</u>	<u>80,000</u>

The term of the placement is six years from the date of placement, during which the principal sum 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 2.8% for the calendar year 2017 and at 3.3% for the calendar year 2016.

6. GRANTS PAYABLE

	2017	2016
	HK\$'000	HK\$'000
Publicity and public education	15,588	35,126
Medical and support services	8,112	10,774
	<u>23,700</u>	<u>45,900</u>
Amount due within one year	18,775	34,255
Amount due after one year	4,925	11,645
	<u>23,700</u>	<u>45,900</u>

7. INCOME

	2017	2016
	HK\$'000	HK\$'000
Interest on deposits and bank balances	2,611	3,917
Interest on placement with the Exchange Fund	2,550	159
Refund of grants	1,661	30
Other income	2,694	2,476
	<u>9,516</u>	<u>6,582</u>

8. EXPENDITURE

	2017 HK\$'000	2016 HK\$'000
Grants		
Publicity and public education	17,589	21,917
Medical and support services	3,873	4,011
Ex-gratia payment	8,670	8,232
	30,132	34,160

9. RECONCILIATION OF DEFICIT TO NET CASH USED IN OPERATING ACTIVITIES

	2017 HK\$'000	2016 HK\$'000
Deficit for the year	(20,616)	(27,578)
Interest income	(5,161)	(4,076)
Decrease in grants payable	(22,200)	(29,976)
Net cash used in operating activities	(47,977)	(61,630)

10. NET CASH FROM/(USED IN) INVESTING ACTIVITIES

	2017 HK\$'000	2016 HK\$'000
Interest received	4,640	3,904
Decrease in deposits with banks with original maturity over three months	18,758	64,149
Increase in placement with the Exchange Fund	(2,142)	(80,000)
Net cash from/(used in) investing activities	21,256	(11,947)

11. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS

	2017 HK\$'000	2016 HK\$'000
Cash at bank	1	2
Deposits with banks with original maturity within three months	22,700	49,420
	22,701	49,422

Reconciliation with the statement of financial position:

	2017	2016
	HK\$'000	HK\$'000
Amounts in the statement of financial position:		
Cash at bank	1	2
Deposits with banks	230,290	275,768
	230,291	275,770
Less: Amounts with original maturity over three months	(207,590)	(226,348)
Cash and cash equivalents in the statement of cash flows	22,701	49,422

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 the Fund's investment portfolios 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, interest receivable and placement with the Exchange Fund is considered to be low. Hence the Fund does not have significant exposure to credit risk.

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

	2017	2016
	HK\$'000	HK\$'000
Cash at bank	1	2
Deposits with banks	230,290	275,768
Interest receivable	903	382
Placement with the Exchange Fund	82,142	80,000
	313,336	356,152

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:

	2017	2016
	HK\$'000	HK\$'000
Cash at bank and deposits with banks, by credit rating:		
Aa1 to Aa3	13,443	110,816
A1 to A3	216,848	164,954
	230,291	275,770

(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 exposure to liquidity risk.

(d) Interest rate risk

Interest rate risk refers to 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 and are all stated at amortised cost, their carrying amounts and the Fund's income and accumulated funds will not be affected by changes in market interest rates.

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 has no exposure to cash flow interest rate risk because it has no financial instruments bearing interest at rates determined by reference to market interest rates.

(e) Other financial risk

The Fund is exposed to financial risk arising from change in the interest rate on the placement with the Exchange Fund which is determined every January (Note 5). If the interest rate had increased/decreased by 50 basis points with all other variables held constant, the interest income on the placement for the reporting period would have been increased/decreased by HK\$411,000 (2016: HK\$24,000).

(f) Fair values

All financial assets and liabilities are stated in the statement of financial position at amounts equal to or not materially different from their fair values.

14. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2017

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 2017 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