



AIDS Trust Fund

Financial statements for the year ended 31 March 2021

Report of the Director of Audit



Audit Commission
The Government of the Hong Kong Special Administrative Region

Independent Auditor's Report To the Legislative Council

Opinion

I have audited the financial statements of the AIDS Trust Fund set out on pages 4 to 14, which comprise the statement of financial position as at 31 March 2021, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the financial statements give a true and fair view of the financial position of the AIDS Trust Fund as at 31 March 2021, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in accordance with Clause 12 of the Declaration of Trust made by the Financial Secretary Incorporated on 30 April 1993.

Basis for opinion

I conducted my audit in accordance with Clause 12 of the Declaration of Trust and the Audit Commission auditing standards. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of my report. I am independent of the AIDS Trust Fund in accordance with those standards, and I have fulfilled my other ethical responsibilities in accordance with those standards. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Director of Accounting Services' responsibilities for the financial statements

The Director of Accounting Services is responsible for the preparation of the financial statements that give a true and fair view in accordance with Clause 12 of the Declaration of Trust and HKFRSs issued by the HKICPA, and for such internal control as the Director of Accounting Services determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Accounting Services is responsible for assessing the AIDS Trust Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Audit Commission auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Audit Commission auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit 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 AIDS Trust Fund's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Director of Accounting Services;

- conclude on the appropriateness of the Director of Accounting Services' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the AIDS Trust Fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the AIDS Trust Fund to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



Ms Hildy Chan
Assistant Director of Audit
for Director of Audit

17 March 2022

Audit Commission
6th Floor, High Block
Queensway Government Offices
66 Queensway
Hong Kong

**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2021**

	Note	2021 HK\$'000	2020 HK\$'000
ASSETS			
Cash at bank		2	2
Deposits with banks	3	91,769	116,171
Interest receivable	4	1,209	1,678
Placement with the Exchange Fund	5	94,251	90,888
Total assets		187,231	208,739
LIABILITIES			
Grants and other payables - due within one year	6	(42,215)	(24,252)
Grants payable - due after one year	6	(22,693)	(19,507)
Total liabilities		(64,908)	(43,759)
Net assets		122,323	164,980
Representing:			
FUND BALANCE			
Capital		700,000	700,000
Accumulated deficit		(577,677)	(535,020)
		122,323	164,980

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



Ms Susanna CHEUNG
Director of Accounting Services
17 March 2022

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2021**

	Note	2021 HK\$'000	2020 HK\$'000
Income	7	6,921	9,050
Expenditure	8	(49,578)	(49,709)
Deficit for the year		(42,657)	(40,659)
Other comprehensive income		—	—
Total comprehensive loss for the year		(42,657)	(40,659)

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

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2021**

	Capital HK\$'000	Accumulated deficit HK\$'000	Total HK\$'000
Balance at 1 April 2019	700,000	(494,361)	205,639
Total comprehensive loss for the year 2019-20	—	(40,659)	(40,659)
Balance at 31 March 2020	<u>700,000</u>	<u>(535,020)</u>	<u>164,980</u>
Total comprehensive loss for the year 2020-21	—	(42,657)	(42,657)
Balance at 31 March 2021	<u>700,000</u>	<u>(577,677)</u>	<u>122,323</u>

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

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2021**

	Note	2021 HK\$'000	2020 HK\$'000
Net cash used in operating activities	9	(26,614)	(39,039)
Net cash from investing activities	10	19,614	46,340
Net (decrease)/increase in cash and cash equivalents		<u>(7,000)</u>	<u>7,301</u>
Cash and cash equivalents at beginning of year		11,002	3,701
Cash and cash equivalents at end of year	11	<u><u>4,002</u></u>	<u><u>11,002</u></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 historical cost.

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 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 reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next year.

(c) Financial assets and financial liabilities

(i) Initial recognition and measurement

The Fund's financial assets comprise cash at bank, deposits with banks, interest receivable and placement with the Exchange Fund.

The Fund's financial liabilities comprise grants and other payables.

The Fund recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument. At initial recognition, financial assets and financial liabilities are measured at fair value plus or minus transaction costs that are directly attributable to the acquisition of financial assets and the issue of financial liabilities.

(ii) Classification and subsequent measurement

Financial assets measured at amortised cost

The Fund classifies all financial assets as subsequently measured at amortised cost using the effective interest method, on the basis that they are held within a business model whose objective is to hold them for collection of contractual cash flows which represent solely payments of principal and interest. The measurement of loss allowances for financial assets is based on the expected credit loss model as described in Note 2(c)(iv).

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating and recognising 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 asset or financial liability to the gross carrying amount of the financial asset or to the amortised cost of the financial liability. When calculating the effective interest rate, the Fund estimates the expected cash flows by considering all contractual terms of the financial instruments but does not consider the expected 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.

Financial liabilities measured at amortised cost

The Fund classifies all financial liabilities as subsequently measured at amortised cost using the effective interest method.

(iii) Derecognition

A financial asset is derecognised when the contractual rights to receive the cash flows from the financial asset expire, or where the financial asset together with substantially all the risks and rewards of ownership have been transferred.

A financial liability is derecognised when the obligation specified in the contract is discharged, is cancelled or when it expires.

(iv) Impairment of financial assets

For financial assets measured at amortised cost, the Fund measures the expected credit losses to determine the loss allowance required to be recognised.

Expected credit losses are a probability-weighted estimate of credit losses. They are based on the difference between the contractual cash flows due in accordance with the contract and the cash flows that the Fund expects to receive, discounted at the effective interest rate. They are measured on either of the following bases:

- 12-month expected credit losses (for financial instruments for which there has not been a significant increase in credit risk since initial recognition): these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime expected credit losses (for financial instruments for which there has been a significant increase in credit risk since initial recognition): these are losses that are expected to result from all possible default events over the expected life of the financial instruments.

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Fund compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this assessment, the Fund considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Fund in full; or (ii) the financial asset is 90 days past due. The Fund considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(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 having a maturity of three months or less when placed.

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

	2021 HK\$'000	2020 HK\$'000
Interest accrued on deposits and bank balances	116	841
Interest accrued on placement with the Exchange Fund	1,093	837
	<u>1,209</u>	<u>1,678</u>

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 reporting date:

	2021 HK\$'000	2020 HK\$'000
Principal sum	80,000	80,000
Interest paid but not yet withdrawn	14,251	10,888
	<u>94,251</u>	<u>90,888</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 4.7% per annum for the calendar year 2021 and at 3.7% per annum for the calendar year 2020.

6. GRANTS AND OTHER PAYABLES

	2021 HK\$'000	2020 HK\$'000
Publicity and public education *	49,482	30,319
Medical and support services *	15,426	13,440
	<u>64,908</u>	<u>43,759</u>
Amount due within one year *	42,215	24,252
Amount due after one year	22,693	19,507
	<u>64,908</u>	<u>43,759</u>

* A sum of \$17,523,000 (including payment of \$15,538,000 and \$1,985,000 for publicity and public education, and medical and support services respectively) was paid to grantees on 29 and 30 March 2021 by the Government on behalf of the Fund. The Fund repaid the sum to the Government in April 2021.

7. INCOME

	2021 HK\$'000	2020 HK\$'000
Interest on deposits and bank balances	1,487	3,408
Interest on placement with the Exchange Fund	3,619	2,766
Refund of grants	328	1,411
Other income	1,487	1,465
	<u>6,921</u>	<u>9,050</u>

8. EXPENDITURE

	2021 HK\$'000	2020 HK\$'000
Grants		
Publicity and public education	32,900	27,624
Medical and support services	8,356	13,293
Ex-gratia payment	8,322	8,792
	<u>49,578</u>	<u>49,709</u>

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

	2021	2020
	HK\$'000	HK\$'000
Deficit for the year	(42,657)	(40,659)
Interest income	(5,106)	(6,174)
Increase in grants and other payables	21,149	7,794
Net cash used in operating activities	<u>(26,614)</u>	<u>(39,039)</u>

10. NET CASH FROM INVESTING ACTIVITIES

	2021	2020
	HK\$'000	HK\$'000
Interest received	5,575	6,183
Decrease in deposits with banks having a maturity of more than three months when placed	17,402	42,718
Increase in placement with the Exchange Fund	(3,363)	(2,561)
Net cash from investing activities	<u>19,614</u>	<u>46,340</u>

11. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS

	2021	2020
	HK\$'000	HK\$'000
Cash at bank	2	2
Deposits with banks having a maturity of three months or less when placed	4,000	11,000
	<u>4,002</u>	<u>11,002</u>

Reconciliation with the statement of financial position:

Amounts in the statement of financial position:

Cash at bank	2	2
Deposits with banks	91,769	116,171
	91,771	116,173
Less: Amounts having a maturity of more than three months when placed	(87,769)	(105,171)
Cash and cash equivalents in the statement of cash flows	<u>4,002</u>	<u>11,002</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 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 one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Fund's credit risk is primarily attributable to cash at bank, deposits with banks, interest receivable and placement with the Exchange Fund. The Fund has a credit policy in place and the exposure to these credit risks is monitored on an ongoing basis. To minimise credit risks, all fixed deposits are placed with licensed banks in Hong Kong. These financial assets are considered to have a low credit risk. The loss allowances are measured at amounts equal to 12-month expected credit losses. The Fund has estimated that 12-month expected credit losses on these financial instruments are immaterial and considers that no loss allowance is required.

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

	2021 HK\$'000	2020 HK\$'000
Cash at bank and deposits with banks, by credit rating:		
Aa1 to Aa3	2	1
A1 to A3	91,769	116,172
	91,771	116,173

The maximum exposure to credit risk of the financial assets of the Fund is equal to their carrying amounts at the reporting date.

(c) Liquidity risk

Liquidity risk is the risk that the Fund may not have sufficient funds available to meet its obligations associated with financial liabilities. 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 fair 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 fund balance 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 holding of 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 changes 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 year would have been increased/decreased by HK\$470,000 (2020: HK\$455,000).

(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 2021

Up to the date of issue of these 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 2021 and which have not been early adopted in these 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 financial statements.