

BREWIN TRUST FUND

Report of the Brewin Trust Fund Committee on the Administration of the Fund for the year ended 30 June 2014

During the year under report, the composition of the Brewin Trust Fund Committee (the Committee), constituted under Section 5 of the Brewin Trust Fund Ordinance (Chapter 1077), was as follows –

Secretary for Home Affairs (Chairman and ex-officio)

Director of Social Welfare

Commissioner for Labour

Chairman, Board of Directors, Po Leung Kuk –

Dr CHENG Kam-chung, MH, OStJ, JP (up to 31.3.2014)

Ms Angela LEONG (as from 1.4.2014)

Mr CHEUNG Cheuk-yiu, Charles

Ms KWAN Sau-ha

Mr KWOK Wing-chung, Ronald

Dr PANG King-chee, MH

Ms LAM Kwai-lan, Julia

2. The purpose of the Brewin Trust Fund (the Fund) is to provide financial assistance for the maintenance and benefit of –

- (a) widows, widowers and orphans who, being residents in Hong Kong, appear to the Committee to require such maintenance and benefit; and
- (b) workmen, which expression shall include females, who having been employed in Hong Kong and become wholly or in part incapacitated for work by reason of age, sickness, disablement or otherwise, appear to the Committee to require such maintenance and benefit.

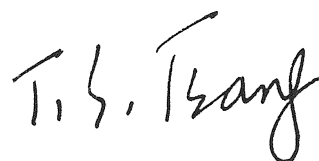
3. The secretarial and accounting work of the Fund was undertaken by the Trust Funds and Temples Joint Secretariat. The Director of Audit was the Auditor of the Fund's account.

4. A copy of the audited Financial Statements for the year ended 30 June 2014 is at the Appendix.

5. The total expenditure for the year under report amounted to HK\$5,788,684, of which HK\$5,398,040 was spent on grants and HK\$390,644 was spent on the administration cost. The major breakdown on grants is as follows –

	<u>HK\$</u>
(a) Grants through the Director of Social Welfare to individuals and families in need of immediate financial assistance.	2,421,899
(b) Grants through the Commissioner for Labour to –	
(i) Needy family members of deceased employees in fatal employees' compensation cases.	2,580,000
(ii) Employees, or family members of deceased employees, who are incapacitated or die due to work-related diseases (other than pneumoconiosis, mesothelioma and occupational deafness) but are not eligible for compensation under the Employees' Compensation Ordinance.	-
(iii) Family members of deceased mesothelioma sufferer (with date of death falling after the Pneumoconiosis and Mesothelioma (Compensation) Ordinance takes effect) or deceased pneumoconiotics who are not eligible for any compensation under the Pneumoconiosis (Compensation) Ordinance, the Pneumoconiosis and Mesothelioma (Compensation) Ordinance or any benefits under the Pneumoconiosis Ex Gratia Scheme and grant from the Brewin Trust Fund has not been made before on account of mesothelioma or pneumoconiosis.	350,000
(iv) Employees who have been dismissed or forced to resign due to old age or sickness before they qualify for long service payment and are not entitled to remedies under Part VIA of the Employment Ordinance.	13,580
(v) Elderly employees who are unable to receive long service payment or terminal payment under Part VIA of the Employment Ordinance by default of their employers.	

	<u>HK\$</u>
(vi) Elderly employees who are dismissed due to redundancy within 6 months before qualifying for severance payment.	-
(vii) Elderly employees who are unable to receive severance payment by default of their employers and have been time-barred to apply ex-gratia payment under the Protection of Wages on Insolvency Ordinance.	-
(viii) Employees who are certified as permanently unfit to continue with their work and are unable to receive long service payment by default of their employers.	-
(ix) Family members of persons who died in work accidents and are alleged to be self-employed.	-
(x) Mesothelioma sufferers for meeting the medical expenses for the use of self-financed drugs in the Hospital Authority Drug Formulary for the treatment of mesothelioma.	32,561
	<hr/>
Total :	5,398,040
	=====



(Tsang Tak-sing)
Secretary for Home Affairs
Chairman
Brewin Trust Fund Committee
11 December 2014



Brewin Trust Fund

Financial Statements for the year ended 30 June 2014

Report of the Director of Audit



Audit Commission

The Government of the Hong Kong Special Administrative Region

Independent Audit Report

To the Legislative Council

I certify that I have audited the financial statements of the Brewin Trust Fund set out on pages 3 to 15, which comprise the balance sheet as at 30 June 2014, and the income and expenditure account, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Secretary for Home Affairs Incorporated's Responsibility for the Financial Statements

The Secretary for Home Affairs Incorporated is responsible for the preparation of financial statements that give a true and fair view in accordance with section 10(1) of the Brewin Trust Fund Ordinance (Cap. 1077) and Hong Kong Financial Reporting Standards, and for such internal control as the Secretary for Home Affairs Incorporated determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with section 10(2) of the Brewin Trust Fund Ordinance and the Audit Commission auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of

the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Secretary for Home Affairs Incorporated, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements give a true and fair view of the financial position of the Brewin Trust Fund as at 30 June 2014, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with section 10(1) of the Brewin Trust Fund Ordinance.



Frederick T C WONG
Principal Auditor
for Director of Audit

11 December 2014

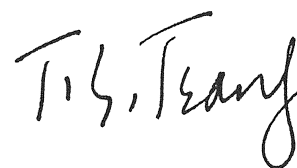
Audit Commission
26th Floor
Immigration Tower
7 Gloucester Road
Wanchai, Hong Kong

BREWIN TRUST FUND

BALANCE SHEET AS AT 30 JUNE 2014

	Note	2014 HK\$	2013 HK\$
NON-CURRENT ASSETS			
Available-for-sale financial assets	3	139,486,828	178,341,052
		-----	-----
CURRENT ASSETS			
Accounts receivable		2,138,414	1,451,941
Bank deposits		117,185,215	73,347,640
Cash at banks		4,674,384	12,857,234
		-----	-----
		123,998,013	87,656,815
CURRENT LIABILITIES			
Provision for staff gratuity	4	(83,609)	(47,656)
Provision for untaken leave		(4,436)	(5,488)
Accounts payable		(5,519)	(7,673)
		-----	-----
		(93,564)	(60,817)
NET CURRENT ASSETS			
		-----	-----
		123,904,449	87,595,998
		-----	-----
		263,391,277	265,937,050
		=====	=====
ACCUMULATED FUND			
Capital reserve		60,000,000	60,000,000
Accumulated surplus		108,049,411	78,799,583
Investment revaluation reserve		95,341,866	127,137,467
		-----	-----
		263,391,277	265,937,050
		=====	=====

The accompanying notes 1 to 9 form part of these financial statements.



(Tsang Tak-sing)
Secretary for Home Affairs Incorporated
Trustee
Brewin Trust Fund
11 December 2014

BREWIN TRUST FUND

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 HK\$	2013 HK\$
INCOME			
Dividends		5,830,711	6,399,271
Interest	5	1,650,986	1,756,703
Gains on disposal of available-for-sale financial assets		27,997,374	837,626
Refund of grants		4,500	350,000
Exchange gain		-	1,045,445
		<hr/> 35,483,571	<hr/> 10,389,045
EXPENDITURE			
Grants		(5,398,040)	(4,822,504)
Staff costs		(390,644)	(346,154)
Exchange loss		(445,059)	-
		<hr/> (6,233,743)	<hr/> (5,168,658)
SURPLUS FOR THE YEAR		<hr/> 29,249,828 =====	<hr/> 5,220,387 =====

The accompanying notes 1 to 9 form part of these financial statements.

BREWIN TRUST FUND

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2014

	2014 HK\$	2013 HK\$
SURPLUS FOR THE YEAR	29,249,828	5,220,387
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified subsequently to income or expenditure :		
Available-for-sale financial assets		
Fair value changes on revaluation	(2,339,619)	25,131,224
Fair value changes on disposal transferred to income and expenditure account	(29,455,982)	382,866
	(31,795,601)	25,514,090
TOTAL COMPREHENSIVE (EXPENSE)/INCOME FOR THE YEAR	(2,545,773)	30,734,477
	=====	=====

The accompanying notes 1 to 9 form part of these financial statements.

BREWIN TRUST FUND**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014**

	Capital Reserve HK\$	Accumulated Surplus HK\$	Investment Revaluation Reserve HK\$	Total HK\$
Balance at 1 July 2012	60,000,000	73,579,196	101,623,377	235,202,573
Total comprehensive income for 2012-13	-	5,220,387	25,514,090	30,734,477
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 30 June 2013	60,000,000	78,799,583	127,137,467	265,937,050
Total comprehensive expense for 2013-14	-	29,249,828	(31,795,601)	(2,545,773)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 30 June 2014	60,000,000	108,049,411	95,341,866	263,391,277
	<hr/>	<hr/>	<hr/>	<hr/>

The accompanying notes 1 to 9 form part of these financial statements.

BREWIN TRUST FUND

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2014

	2014 HK\$	2013 HK\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus for the year	29,249,828	5,220,387
Dividend income	(5,830,711)	(6,399,271)
Interest income	(1,650,986)	(1,756,703)
Gains on disposal of available-for-sale financial assets	(27,997,374)	(837,626)
Exchange loss/(gain)	445,059	(1,045,445)
Increase in accounts receivable	(431,509)	(80,917)
Increase in provision for staff gratuity	35,953	29,755
(Decrease)/ Increase in provision for untaken leave	(1,052)	3,220
Decrease in accounts payable	(2,154)	(1,050)
NET CASH USED IN OPERATING ACTIVITIES	<u>(6,182,946)</u>	<u>(4,867,650)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale proceeds from disposal of available-for-sale financial assets	35,055,997	35,810,862
Dividends received	5,943,917	6,132,937
Interest received	1,282,829	1,960,886
NET CASH FROM INVESTING ACTIVITIES	<u>42,282,743</u>	<u>43,904,685</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	36,099,797	39,037,035
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	86,204,874	46,106,530
Effect of exchange rate changes on cash and cash equivalents	(445,072)	1,061,309
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>121,859,599</u></u>	<u><u>86,204,874</u></u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Deposits with bank with original maturity within three months	117,185,215	73,347,640
Cash at banks	4,674,384	12,857,234
	<u><u>121,859,599</u></u>	<u><u>86,204,874</u></u>

The accompanying notes 1 to 9 form part of these financial statements.

BREWIN TRUST FUND

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL

The Brewin Trust Fund (the Fund) provides assistance for the maintenance and benefit of widows, widowers and orphans who, being resident in Hong Kong, appear to the Brewin Trust Fund Committee (the Committee) to require such maintenance and benefit; and the maintenance and benefit of workmen, which expression shall include females, who having been employed in Hong Kong and become wholly or in part incapacitated for work by reason of age, sickness, disablement or otherwise, appear to the Committee to require such maintenance and benefit in accordance with section 4 of the Brewin Trust Fund Ordinance (Cap. 1077).

The Fund's principal place of business is 34th Floor, Wu Chung House, 213 Queen's Road East, Wan Chai, Hong Kong.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The financial statements have been prepared in accordance with section 10(1) of the Brewin Trust Fund Ordinance and all applicable Hong Kong Financial Reporting Standards (HKFRSs) issued by the Hong Kong Institute of Certified Public Accountants.

(b) Basis of preparation

The financial statements have been prepared on an accrual basis and under the historical cost convention except that available-for-sale financial assets are stated at fair value as explained in the accounting policy set out in note 2(d) below.

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

(c) Adoption of new HKFRS

The Fund has adopted the following new HKFRS for the first time which are applicable to the Fund and effective for the current accounting period:

- HKFRS 13 "Fair Value Measurement"

The adoption of the new HKFRS has had no significant impact on the reported results and the financial position of the Fund.

The Fund has not early adopted any amendments, new standards and interpretations which are not yet effective for the current accounting period. 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 result of operations and financial position.

(d) Available-for-sale financial assets

The Fund's available-for-sale financial assets are classified as non-current assets unless the Committee intends to dispose of the investments within 12 months of the balance sheet date.

Purchases and sales of investments are recognised on trade-date on which the Fund is committed to the transactions. Available-for-sale financial assets are initially recognised at fair value plus transaction costs. At each balance sheet date, the fair value is re-measured and any unrealised holding gain or loss arising from the change in fair value is recognised in other comprehensive income and accumulated separately in the investment revaluation reserve.

When available-for-sale financial assets are sold, gains or losses on disposal include the difference between the net sale proceeds and the carrying amount, as well as the accumulated fair value adjustments released from the investment revaluation reserve to the income and expenditure account.

The fair values of quoted investments are based on current bid-prices.

The Fund assesses at each balance sheet date whether there is objective evidence that a financial asset is impaired. The cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income and expenditure account – is removed from the investment revaluation reserve and recognised in the income and expenditure account. Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses for debt securities are recognised in the income and expenditure account. Impairment losses for equity securities are not reversed through the income and expenditure account. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income and recorded in the investment revaluation reserve.

(e) Foreign currency translation

Hong Kong dollar is the currency of the primary economic environment in which the Fund operates. Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. Exchange gains and losses are dealt with in the income and expenditure account.

(f) Revenue recognition

Interest income is recognised as it accrues using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or, when appropriate, a shorter period to the net carrying amount of the financial asset.

Dividend income is recognised when the Fund's right to receive payment is established.

(g) Cash and cash equivalents

For the purpose of statement of cash flows, cash and cash equivalents comprise cash on hand, demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value, having been within three months of maturity when acquired.

3. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2014 HK\$	2013 HK\$
Equity securities listed in Hong Kong	139,486,828	178,341,052
	<hr/>	<hr/>
Fair value at end of year	139,486,828	178,341,052
	<hr/>	<hr/>
Classified as :		
Non-current assets	139,486,828	178,341,052
	<hr/>	<hr/>

4. PROVISION FOR STAFF GRATUITY

	2014 HK\$	2013 HK\$
Balance at beginning of year	47,656	17,901
Provision for the year	38,490	32,793
Payment during the year	(2,537)	(3,038)
	<hr/>	<hr/>
Balance at end of year	83,609	47,656
	<hr/>	<hr/>

5. INTEREST

	2014 HK\$	2013 HK\$
Interest on bank deposits	1,650,986	829,137
Interest on debt securities	-	927,566
	<hr/>	<hr/>
	1,650,986	1,756,703
	<hr/>	<hr/>

6. FINANCIAL RISK MANAGEMENT

- (a) The Fund's major financial instruments include available-for-sale financial assets, accounts receivable and bank deposits. The major risks associated with these financial instruments are set out below.

(I) 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.

To minimise the credit risks arising from bank deposits, all time deposits are placed with reputable licensed banks in Hong Kong.

For other receivables, the Fund considers that adequate provision has been made, when necessary, for amounts which are expected to be irrecoverable at the balance sheet date.

The maximum exposure to credit risk as at the balance sheet date in relation to each class of financial assets is the carrying amount of those assets as stated in the balance sheet.

(II) Market risk

The Fund is exposed to market risk due to changes in market variables such as equity prices, interest rates and exchange rates.

(i) Equity price risk

To manage equity price risk, the Committee regularly reviews the investment portfolio and the investment guidelines for monitoring the investment activities of the Fund. It is estimated that, as at the balance sheet date, if the market prices of the respective equity securities had been 15% higher/lower (2013: 15%), the balance of the Fund's investment revaluation reserve would have increased/decreased by about HK\$20,923,000 (2013: HK\$26,751,000). The sensitivity analysis was based on the carrying amount of equity securities held by the Fund as at the balance sheet date and on the assumption that all other variables were held constant.

(ii) 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 time 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 surplus 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 interest income from financial instruments bearing interest at a floating rate is not significant.

(iii) Foreign currency risk

(a) Exposure to currency risk

The Fund maintained financial instruments denominated in Renminbi at a total of CNY26,240,022 (2013: CNY 25,526,064) at the balance sheet date. Since no foreign currency rate hedging is made by the Fund, the carrying amounts of the financial instruments in Renminbi represent the maximum exposure of the Fund to foreign currency risk in respect of Renminbi.

(b) Sensitivity analysis

It is estimated that as at 30 June 2014, should the Renminbi strengthen/weaken by 5% (2013: 5%) against the Hong Kong dollar, with all other variables being held constant, the surplus of the Fund would increase/decrease by HK\$1,635,000 (2013: HK\$1,613,000).

The sensitivity analysis above has been determined assuming that the change in foreign exchange rate had occurred at the balance sheet date and for financial instruments in existence at that date. The 5% (2013: 5%) strengthening/weakening in Renminbi represents the assessment by the Fund of a reasonably possible change in foreign exchange rate over the period until the end of next year.

(III) Liquidity risk

In the management of liquidity risk, the Fund maintains a level of cash and cash equivalents that is considered adequate to finance its operations and mitigate the effects of fluctuations in cash flows.

(b) Fair value hierarchy of financial instruments

The following table presents the carrying value of financial instruments measured at fair value at the balance sheet date on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13 Fair Value Measurement.

	2014	
	Level 1	Total
	HK\$	HK\$
Available-for-sale financial assets		
Equity securities - Listed	139,486,828	139,486,828
	=====	=====

	2013	
	Level 1	Total
	HK\$	HK\$
Available-for-sale financial assets		
Equity securities - Listed	178,341,052	178,341,052
	=====	=====

No financial instruments were classified under Level 2 and Level 3. During the year, there were no significant transfers between financial instruments in Level 1 and Level 2.

The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation techniques as follows:

Level 1 valuations: fair value measured using only unadjusted quoted prices in active markets for identical financial instruments at the measurement date.

Level 2 valuations: fair value measured using observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

Level 3 valuations: fair value measured using significant unobservable inputs.

7. CAPITAL MANAGEMENT

The capital structure of the Fund consists of capital reserve, accumulated surplus and investment revaluation reserve. The Fund's objectives when managing capital are:

- to comply with the Brewin Trust Fund Ordinance; and
- to maintain a strong capital base for carrying out the purpose of the Fund as stated in note 1 above.

The Fund manages capital to ensure that its level is sufficient to fund future grants and expenditure, taking into account projected cash flow requirements, future financial obligations and commitments.

8. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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

9. COMMITMENTS

As at 30 June 2014, the Fund had the financial commitments for grants of HK\$6,818,000 (2013: HK\$7,460,000).