



Hong Kong Rotary Club Students' Loan Fund

Financial Statements for the year ended 31 August 2015

Report of the Director of Audit



Audit Commission

The Government of the Hong Kong Special Administrative Region

Independent Audit Report

To the Permanent Secretary for Education Incorporated

I certify that I have audited the financial statements of the Hong Kong Rotary Club Students' Loan Fund set out on pages 3 to 12, which comprise the balance sheet as at 31 August 2015, and the income and expenditure account, 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.

Permanent Secretary for Education Incorporated's Responsibility for the Financial Statements

The Permanent Secretary for Education Incorporated is responsible for the preparation of financial statements that give a true and fair view in accordance with section 8(3) of the Permanent Secretary for Education Incorporation Ordinance (Cap. 1098) and Hong Kong Financial Reporting Standards, and for such internal control as the Permanent Secretary for Education 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 8(5) of the Permanent Secretary for Education Incorporation 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.

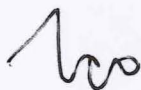
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the

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 Permanent Secretary for Education 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 Hong Kong Rotary Club Students' Loan Fund as at 31 August 2015, 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 8(3) of the Permanent Secretary for Education Incorporation Ordinance.



TEO Wing-on
Principal Auditor
for Director of Audit

24 February 2016

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


HONG KONG ROTARY CLUB STUDENTS' LOAN FUND
BALANCE SHEET AS AT 31 AUGUST 2015

| | Note | 2015 | 2014 |
|---------------------------|------|-----------------------|-----------------------|
| | | HK\$ | HK\$ |
| Non-current assets | | | |
| Interest-free loans | 3 | <u>61,612</u> | <u>94,953</u> |
| Current assets | | | |
| Interest-free loans | 3 | 9,048 | 11,905 |
| Bank interest receivable | | 1,344 | 2,389 |
| Fixed deposits | | 270,000 | 260,000 |
| Cash and cash equivalents | 4 | <u>127,970</u> | <u>87,907</u> |
| | | <u>408,362</u> | <u>362,201</u> |
| Total assets | | <u><u>469,974</u></u> | <u><u>457,154</u></u> |
| Accumulated fund | | <u><u>469,974</u></u> | <u><u>457,154</u></u> |

The accompanying notes 1 to 7 form part of these financial statements.



(Mrs Marion Lai)
Permanent Secretary for Education Incorporated
Trustee,



(Ms Rhoda Chan)
Treasurer,

Hong Kong Rotary Club Students' Loan Fund

Date: 24.2.2016

HONG KONG ROTARY CLUB STUDENTS' LOAN FUND
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 AUGUST 2015

| | Note | 2015 | 2014 |
|---|------|---------------|----------------|
| | | HK\$ | HK\$ |
| Income | | | |
| Interest on bank deposits | | 2,953 | 3,424 |
| Amortisation credit on interest-free loans | 3 | 10,002 | - |
| | | <u>12,955</u> | <u>3,424</u> |
| Expenditure | | | |
| Amortisation charge on interest-free loans | 3 | - | (5,450) |
| Bank charge | | (135) | (125) |
| | | <u>(135)</u> | <u>(5,575)</u> |
| Surplus/(Deficit) for the year | | 12,820 | (2,151) |
| Other comprehensive income | | <u>-</u> | <u>-</u> |
| Total comprehensive income/(loss) for the year | | <u>12,820</u> | <u>(2,151)</u> |

The accompanying notes 1 to 7 form part of these financial statements.

HONG KONG ROTARY CLUB STUDENTS' LOAN FUND
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 AUGUST 2015

| | Accumulated fund |
|--|-----------------------------|
| | HK\$ |
| Balance at 1 September 2013 | 459,305 |
| Total comprehensive loss for 2013-14 | <u>(2,151)</u> |
| Balance at 31 August 2014 | 457,154 |
| Total comprehensive income for 2014-15 | <u>12,820</u> |
| Balance at 31 August 2015 | <u><u>469,974</u></u> |

The accompanying notes 1 to 7 form part of these financial statements.

HONG KONG ROTARY CLUB STUDENTS' LOAN FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 AUGUST 2015

| | Note | 2015 | 2014 |
|---|------|----------|----------|
| | | HK\$ | HK\$ |
| Cash flows from operating activities | | | |
| Surplus/(Deficit) for the year | | 12,820 | (2,151) |
| Interest income | | (2,953) | (3,424) |
| Amortisation (credit)/charge on interest-free loans | | (10,002) | 5,450 |
| Decrease/(Increase) in interest-free loans | | 46,200 | (24,800) |
| Net cash from/(used in) operating activities | | 46,065 | (24,925) |
| Cash flows from investing activities | | | |
| Net (increase)/decrease in bank deposits with original maturity over 3 months | | (10,000) | 80,000 |
| Interest received | | 3,998 | 1,706 |
| Net cash (used in)/from investing activities | | (6,002) | 81,706 |
| Net increase in cash and cash equivalents | | 40,063 | 56,781 |
| Cash and cash equivalents at beginning of year | | 87,907 | 31,126 |
| Cash and cash equivalents at end of year | 4 | 127,970 | 87,907 |

The accompanying notes 1 to 7 form part of these financial statements.

HONG KONG ROTARY CLUB STUDENTS' LOAN FUND
NOTES TO THE FINANCIAL STATEMENTS

1. General

The Hong Kong Rotary Club Students' Loan Fund (the Fund) was established for the purpose of granting interest-free loans to assist certain persons resident in Hong Kong in pursuing courses of study in places of higher education in Hong Kong in accordance with the Trust Deed made by the then Director of Education Incorporated on 1 February 1964.

The address of the Fund's principal place of business is 12th Floor Cheung Sha Wan Government Offices, 303 Cheung Sha Wan Road, Kowloon.

2. Significant Accounting Policies

(a) Statement of compliance

The financial statements of the Fund have been prepared in accordance with section 8(3) of the Permanent Secretary for Education Incorporation Ordinance (Cap. 1098) 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 interest-free loans are stated 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 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.

HONG KONG ROTARY CLUB STUDENTS' LOAN FUND
NOTES TO THE FINANCIAL STATEMENTS

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/revised HKFRSs

The Fund has adopted all new/revised HKFRSs which are effective and relevant to the Fund for the current accounting period.

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 results of operations and financial position.

HONG KONG ROTARY CLUB STUDENTS' LOAN FUND
NOTES TO THE FINANCIAL STATEMENTS

(d) Interest-free loans

Interest-free loans are non-derivative financial assets with fixed or determinable payments that are not quoted in the active market. They are included in non-current assets, except for maturities less than 12 months after the balance sheet date which are classified as current assets.

(e) Revenue recognition

Interest income is recognised as it accrues using the effective interest method.

(f) Cash and cash equivalents

For the purpose of the 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.

(g) Impairment of financial assets

An impairment of interest-free loans is established when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms of loans. An impairment loss is 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. Impairment losses are recognised in the income and expenditure account.

For loans which have been overdue for more than six months, provision for bad and doubtful debts will be made at the end of the financial year for an amount of 50% of the outstanding balances of these loans.

HONG KONG ROTARY CLUB STUDENTS' LOAN FUND
NOTES TO THE FINANCIAL STATEMENTS

3. Interest-free Loans

| | 2015 | 2014 |
|---|-----------------|-----------------|
| | HK\$ | HK\$ |
| Balance at beginning of year | 125,600 | 100,800 |
| Loans granted during the year | <u>41,700</u> | <u>43,500</u> |
| | 167,300 | 144,300 |
| Loans repaid during the year | <u>(87,900)</u> | <u>(18,700)</u> |
| | 79,400 | 125,600 |
| Amortisation charge at beginning of year | (18,742) | (13,292) |
| Amortisation credit/(charge) for the year | <u>10,002</u> | <u>(5,450)</u> |
| Amortisation charge at end of year | (8,740) | (18,742) |
| Balance at end of year | <u>70,660</u> | <u>106,858</u> |
| Classified as : | | |
| Non-current assets | 61,612 | 94,953 |
| Current assets | <u>9,048</u> | <u>11,905</u> |
| | <u>70,660</u> | <u>106,858</u> |

4. Cash and Cash Equivalents

| | 2015 | 2014 |
|---------------|----------------|---------------|
| | HK\$ | HK\$ |
| Cash at banks | <u>127,970</u> | <u>87,907</u> |

HONG KONG ROTARY CLUB STUDENTS' LOAN FUND
NOTES TO THE FINANCIAL STATEMENTS

5. Financial Risk Management

The Fund's major financial instruments include interest-free loans and bank deposits. The risks associated with these financial instruments are set out below.

(a) 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 maximum exposure to credit risk as at the balance sheet date in relation to the financial instruments is the carrying amount of these assets as stated in the balance sheet. The Fund limits its exposure to credit risk arising from the bank deposits by transacting with reputable licensed banks in Hong Kong. For the interest-free loans, the Fund considers that adequate provision has been made, where necessary, for amounts which are expected to be irrecoverable.

(b) Market risk

The Fund is exposed to market risk due to changes in interest rates.

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 the Fund's deposits with banks bear interest at fixed rates, their fair values will fall when market interest rates increase. However, as deposits with banks are stated at amortised cost, changes in market interest rates will not affect their carrying amounts and the Fund's surplus and other comprehensive income.

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's exposure to cash flow interest rate risk is small as interest income from financial instruments bearing interest at a floating rate is not significant.

HONG KONG ROTARY CLUB STUDENTS' LOAN FUND
NOTES TO THE FINANCIAL STATEMENTS

(c) 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 effect of fluctuations in cash flows.

6. Capital Management

The capital structure of the Fund consists solely of the accumulated fund. The Fund's objectives when managing capital are:

- (a) to comply with the Permanent Secretary for Education Incorporation Ordinance; and
- (b) 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 loans and expenditure, taking into account its projected cash flow requirements, future financial obligations and commitments.

7. Fair Values of Financial Assets

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