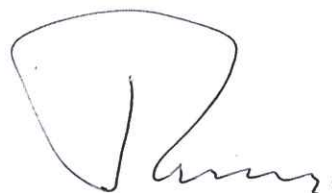


REPORT ON THE SAMARITAN FUND

The Samaritan Fund has been taken over by the Hospital Authority ("HA") from the Hospital Services Department since 1 December 1991 and administered by the HA since then. Its financial support depends mainly on donations from charitable organizations and grants from the Government. The purpose of the Fund is to provide short-term relief to needy patients and their families when assistance cannot be readily obtained from other sources. On the recommendation of Medical Social Workers, financial assistance will be given to those needy patients and their families who experience difficulties as a result of illness, injury, child-birth, death and other medical or social situation.

Included in the income of HK\$383,711,585 for the year ended 31 March 2016 are general donations received of HK\$2,261,146, reimbursements of HK\$51,234,133 from the Social Welfare Department, Government grants of HK\$275,146,932, interest income of HK\$51,257,607, and other income of HK\$3,811,767 (e.g. recovered subsidy after post approval checking). The expenditure for the same period amounted to HK\$383,711,585 which represents financial assistance provided to needy patients and their families.



Prof John LEONG Chi-yan, SBS, JP
Chairman
Hospital Authority

Samaritan Fund

Financial Statements for the year ended 31 March 2016

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 Samaritan Fund set out on pages 3 to 14, which comprise the balance sheet as at 31 March 2016, and the income and expenditure account, statement of changes in fund and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Hospital Authority's Responsibility for the Financial Statements

The Hospital Authority is responsible for the preparation of financial statements that give a true and fair view in accordance with item 5(1) of the Schedule to the Resolution of the Legislative Council on the Samaritan Fund (L. N. 70 of 1969) and Hong Kong Financial Reporting Standards, and for such internal control as the Hospital Authority 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 item 5(2) of the Schedule to the Resolution of the Legislative Council on the Samaritan Fund 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 Hospital Authority, 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 Samaritan Fund as at 31 March 2016, 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 item 5(1) of the Schedule to the Resolution of the Legislative Council on the Samaritan Fund.



TEO Wing-on
Principal Auditor
for Director of Audit

17 November 2016

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

**SAMARITAN FUND
BALANCE SHEET
AS AT 31 MARCH 2016**

	<u>Note</u>	<u>2016</u> HK\$	<u>2015</u> HK\$
NON-CURRENT ASSET			
Balance with Hospital Authority	3	<u>6,000,000,000</u>	<u>6,000,000,000</u>
CURRENT ASSETS			
Accounts receivable	4	86,604,402	91,045,592
Balance with Hospital Authority	3	999,630,305	669,971,814
Bank deposits with original maturity over three months		4,152,815,175	4,446,369,706
Cash and cash equivalents	5	<u>42,714,308</u>	<u>3,010,887</u>
		<u>5,281,764,190</u>	<u>5,210,397,999</u>
CURRENT LIABILITIES			
Accounts payable and accruals	6	(6,902,460)	(17,859,842)
Provisions	7	(299,758,340)	(271,946,326)
Deferred income - government grants	8	<u>(4,975,103,390)</u>	<u>(4,920,591,831)</u>
		<u>(5,281,764,190)</u>	<u>(5,210,397,999)</u>
NET CURRENT ASSETS		<u>-</u>	<u>-</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		6,000,000,000	6,000,000,000
NON-CURRENT LIABILITY			
Deferred income – government grants	8	<u>(6,000,000,000)</u>	<u>(6,000,000,000)</u>
NET ASSETS		<u>-</u>	<u>-</u>
FUND			
ACCUMULATED FUND		<u>-</u>	<u>-</u>
TOTAL FUND		<u>-</u>	<u>-</u>

The accompanying notes 1 to 12 form part of these financial statements.



Prof John LEONG Chi-yan, SBS, JP
Chairman, Hospital Authority
17 November 2016

SAMARITAN FUND
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2016

	<u>Note</u>	<u>2016</u> HK\$	<u>2015</u> HK\$
INCOME			
Donations from:			
Tung Wah Group of Hospitals		2,000,000	7,000,000
The Hospital Authority Charitable Foundation		238,000	500,000
Li Po Chun Charitable Trust Fund		-	100,000
Others		23,146	6,000
		2,261,146	7,606,000
Government grants	8	275,146,932	224,783,978
Reimbursements from Social Welfare Department		51,234,133	52,690,117
Interest income		51,257,607	71,830,418
Other income	9	3,811,767	5,625,835
		<u>383,711,585</u>	<u>362,536,348</u>
EXPENDITURE			
Grants to needy patients for temporary maintenance, travelling and incidental expenses		(27,007)	(32,166)
Purchase of medical or surgical appliances:			
Percutaneous Transluminal Coronary Angioplasty (PTCA) and other consumables for interventional cardiology		(80,506,653)	(88,906,460)
Pacemakers		(10,724,083)	(11,399,434)
Wheelchairs		(164,690)	(408,007)
Equipment for home use		(705,355)	(505,925)
Orthopaedic appliances		(440,407)	(592,534)
Intraocular lenses		(1,704,690)	(1,335,500)
Automatic implantable cardioverter defibrillators		(14,496,314)	(17,991,159)
		(108,742,192)	(121,139,019)
Gamma knife surgeries		-	(87,000)
Cost of harvesting bone marrow in overseas countries		(5,839,167)	(1,439,340)
Drugs		(268,931,851)	(239,742,877)
Other expenses		(171,368)	(95,946)
		<u>(383,711,585)</u>	<u>(362,536,348)</u>
Surplus for the year		-	-
Other comprehensive income		-	-
Total comprehensive income for the year		<u>-</u>	<u>-</u>

The accompanying notes 1 to 12 form part of these financial statements.

SAMARITAN FUND
STATEMENT OF CHANGES IN FUND
FOR THE YEAR ENDED 31 MARCH 2016

	<u>2016</u> HK\$	<u>2015</u> HK\$
Total fund at beginning of year	-	-
Total comprehensive income	-	-
Total fund at end of year	<u>-</u>	<u>-</u>

The accompanying notes 1 to 12 form part of these financial statements.

SAMARITAN FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2016

	<u>Note</u>	<u>2016</u> HK\$	<u>2015</u> HK\$
Cash flows from operating activities			
Surplus for the year		-	-
Adjustments for:			
Interest income		(51,257,607)	(71,830,418)
Increase in accounts receivable		(6,832,288)	(12,158,307)
Decrease in accounts payable and accruals		(10,957,382)	(72,316,511)
Increase in provisions		27,812,014	23,645,126
Transfer from deferred income – government grants		(275,146,932)	(224,783,978)
Net cash used in operating activities		<u>(316,382,195)</u>	<u>(357,444,088)</u>
Cash flows from investing activities			
Interest received		62,531,085	81,335,068
Net decrease in bank deposits with original maturity over three months		293,554,531	274,942,748
Net cash from investing activities		<u>356,085,616</u>	<u>356,277,816</u>
Net increase / (decrease) in cash and cash equivalents		39,703,421	(1,166,272)
Cash and cash equivalents at beginning of year		<u>3,010,887</u>	<u>4,177,159</u>
Cash and cash equivalents at end of year	5	<u>42,714,308</u>	<u>3,010,887</u>

The accompanying notes 1 to 12 form part of these financial statements.

SAMARITAN FUND

NOTES TO FINANCIAL STATEMENTS

1. GENERAL

The Samaritan Fund (the Fund) was established for the purpose of providing monetary grants for the benefit of needy patients. The administration of the Fund was transferred from the Hospital Services Department to the Hospital Authority (HA) on 1 December 1991 upon the take-over of the management and control of public hospitals by the HA under the Hospital Authority Ordinance (Cap. 113). The address of the Fund's principal place of business is Hospital Authority Building, 147B Argyle Street, Kowloon.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with item 5(1) of the Schedule to the Resolution of the Legislative Council (L.N. 70 of 1969) and all applicable Hong Kong Financial Reporting Standards (HKFRSs) issued by the Hong Kong Institute of Certified Public Accountants.

(b) Basis of preparation

These financial statements have been prepared on an accrual basis and under the historical cost convention.

The preparation of financial statements in conformity with HKFRSs requires management to make judgments, 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 judgments 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 revision and future periods if the revision affects both current and future periods.

There are no critical accounting judgments 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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. These new/revised HKFRSs have no material impact on the Fund's financial statements.

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.

(d) Revenue recognition

Provided it is probable that the economic benefits will flow to the Fund and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the Income and Expenditure Account as follows:

(i) Donation income

Donation income is recognised as income upon receipt.

(ii) Government grants

Government grants are recognised in the Income and Expenditure Account over the period necessary to match them with the costs they are intended to compensate.

(iii) Interest income

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.

Interest income on the government grants received and placed with the Exchange Fund through HA is recognised as deferred income - government grants in the Balance Sheet.

(iv) Reimbursements from Social Welfare Department

Expenditure incurred for patients who are recipients of the Comprehensive Social Security Assistance are reimbursed by the Social Welfare Department. The reimbursements are recognised as income and receivable when the entitlement is earned.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Accounts receivable

Accounts receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less impairment. An impairment of accounts receivable 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 the receivables. The amount of impairment is calculated based on the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank, 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) Accounts payable and accruals

Accounts payable and accruals are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(h) Provisions

Provisions are recognised when the Fund has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made. Where the Fund expects a provision to be reimbursed, the reimbursement is recognised as a separate asset when the reimbursement is virtually certain.

(i) Related parties

For the purposes of these financial statements, parties are considered to be related to the Fund if the party has the ability, directly or indirectly, to control the Fund or exercise significant influence over the Fund in making financial and operating decisions, or vice versa, or where the Fund and the party are subject to common control or common significant influence.

3. BALANCE WITH HOSPITAL AUTHORITY

In June 2012, the Finance Committee of the Legislative Council approved a grant of HK\$10 billion to support the continued operation of the Fund. In September 2012, the grant was received by the HA. Of the HK\$10 billion grant received, the Government directed that HK\$4 billion be vested immediately in the Fund, and HK\$6 billion be passed to the HA for placement with the Exchange Fund. The term of the placement is six years from the date of placement, during which the amount of the original placement cannot be withdrawn. Interest on the placement is at a rate determined annually in January and payable annually in arrears on 31 December. Prior to 1 January 2016, the rate was the average annual rate of return of the Exchange Fund's Investment Portfolio for the past six years or the average annual yield of three-year Exchange Fund Notes in the previous year subject to a minimum of zero percent, whichever is the higher. With effect from 1 January 2016, the above formula for determining the rate has been revised by replacing the "three-year Exchange Fund Notes" with "three-year government bond" due to the cessation of the issuance of Exchange Fund Notes with tenor of three years or more starting from January 2015. The interest rate has been fixed at 5.5% per annum for January to December 2015 and 3.3% per annum for January to December 2016.

The balance with HA is analysed as follow:

	<u>2016</u> HK\$	<u>2015</u> HK\$
Balance of the placement with the Exchange Fund		
(i) Original placement with the Exchange Fund	6,000,000,000	6,000,000,000
(ii) Interest earned but not withdrawn at the end of the reporting period	<u>942,666,297</u>	<u>580,726,347</u>
	6,942,666,297	6,580,726,347
Accrued interest	<u>56,964,008</u>	<u>89,245,467</u>
Balance at end of year	<u><u>6,999,630,305</u></u>	<u><u>6,669,971,814</u></u>
Classified as:		
Non-current asset	6,000,000,000	6,000,000,000
Current asset	<u>999,630,305</u>	<u>669,971,814</u>
	<u><u>6,999,630,305</u></u>	<u><u>6,669,971,814</u></u>

The interest earned but not withdrawn and the accrued interest stated above, amounted to HK\$999,630,305 (2015: HK\$669,971,814) was classified as current asset and recognised and recorded as deferred income - government grants in the Balance Sheet, as shown in note 8 below. It is the intention of the management of the Fund not to withdraw the interest generated from the Exchange Fund during the term of the placement (i.e. rollover the principal and interest) and the required cash outflows would be supported by the existing fund balance, including HK\$4 billion received from the Government in September 2012.

4. ACCOUNTS RECEIVABLE

	<u>2016</u> HK\$	<u>2015</u> HK\$
Reimbursements from Social Welfare Department:		
(a) amount billed	21,510,816	21,072,280
(b) amount not yet billed	46,598,222	40,925,012
	68,109,038	61,997,292
Interest receivable	17,499,113	28,772,591
Other receivables	996,251	275,709
Balance at end of year	<u>86,604,402</u>	<u>91,045,592</u>

The Fund considers that the above receivables are neither past due nor impaired. The credit quality of these receivables is disclosed in note 11(b)(i). The maximum exposure to credit risk at the balance sheet date is the carrying amount of the receivables mentioned above.

5. CASH AND CASH EQUIVALENTS

	<u>2016</u> HK\$	<u>2015</u> HK\$
Cash at bank	178,617	152,727
Cash with Director of Social Welfare	-	180,159
Bank deposits with original maturity within three months	<u>42,535,691</u>	<u>2,678,001</u>
Balance at end of year	<u>42,714,308</u>	<u>3,010,887</u>

The effective interest rate on short-term bank deposits is between 0.01% to 0.75% (2015: 0.32%). These deposits have an average maturity of 81 days (2015: 18 days).

6. ACCOUNTS PAYABLE AND ACCRUALS

	<u>2016</u> HK\$	<u>2015</u> HK\$
Consumables for PTCA operations	1,961,396	4,295,763
Pacemakers	841,925	2,082,025
Wheelchairs	26,500	21,700
Equipment for home use	151,100	52,800
Orthopaedic appliances	-	33,726
Intraocular lenses	53,580	52,170
Automatic implantable cardioverter defibrillators	1,623,000	2,036,642
Cost for harvesting bone marrow in overseas countries	8,900	-
Drugs	2,233,407	9,256,021
Miscellaneous	<u>2,652</u>	<u>28,995</u>
Balance at end of year	<u>6,902,460</u>	<u>17,859,842</u>

The balance included accounts payable to HA hospitals of HK\$3,950,882 as at 31 March 2016 (2015: HK\$13,344,228).

7. PROVISIONS

	<u>2016</u> HK\$	<u>2015</u> HK\$
Balance at beginning of year	271,946,326	248,301,200
Provisions made	282,791,679	259,853,932
Provisions utilised	<u>(254,979,665)</u>	<u>(236,208,806)</u>
Balance at end of year	<u>299,758,340</u>	<u>271,946,326</u>

Provisions were made at end of year for expenditure to be incurred on approved financial assistance to patients for purchase of drugs, medical and surgical items.

8. DEFERRED INCOME - GOVERNMENT GRANTS

	<u>2016</u> HK\$	<u>2015</u> HK\$
Balance at beginning of year	10,920,591,831	10,883,841,796
Transfer to Income and Expenditure Account	(275,146,932)	(224,783,978)
Interest income from the placement with the Exchange Fund	<u>329,658,491</u>	<u>261,534,013</u>
Balance at end of year	<u>10,975,103,390</u>	<u>10,920,591,831</u>
Classified as:		
Non-current liability	6,000,000,000	6,000,000,000
Current liability	<u>4,975,103,390</u>	<u>4,920,591,831</u>
	<u>10,975,103,390</u>	<u>10,920,591,831</u>

HK\$275,146,932 (2015: HK\$224,783,978) of government grants have been transferred to the Income and Expenditure Account to cover expenditure incurred in the current financial year.

9. OTHER INCOME

	<u>2016</u> HK\$	<u>2015</u> HK\$
Provision for cost of harvesting bone marrow in overseas countries written back	-	3,580,022
Others	<u>3,811,767</u>	<u>2,045,813</u>
	<u>3,811,767</u>	<u>5,625,835</u>

10. RELATED PARTY TRANSACTIONS

Significant related party transactions with the government and the HA include balance with HA (note 3), reimbursements from Social Welfare Department (note 4), accounts payable to HA hospitals (note 6) and government grants (note 8).

11. FINANCIAL RISK MANAGEMENT

(a) Financial Risk Factors

Reliance of the Fund on income from government grants and donations, increasing expenditure due to continuous advancement in medical technology and rising demand from the aging population, and investment activities are primary areas of risks. These risks are limited by the Fund's financial management practices. The Fund mitigates its financial risks by closely monitoring the income and expenditure and investing funds in excess of its cash flow requirements at reasonable rates of return.

(b) Financial Instruments

The Fund's major financial instruments are accounts receivable, balance with HA (i.e. placement with the Exchange Fund), bank deposits and cash. The major risks associated with these financial instruments are set out below.

(i) Credit risk/counterparty 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 is exposed to credit risk arising from accounts receivable, balance with HA (i.e. placement with the Exchange Fund) and deposits with banks. The accounts receivable of the Fund comprise the reimbursements due from the Social Welfare Department for recipients of Comprehensive Social Security Assistance. The Fund has considered the risk involved not significant. For the balance with HA (i.e. placement with the Exchange Fund), the credit risk is considered to be low.

The credit risk from bank deposits is limited because the Fund's bank deposits are placed with reputable licensed banks in Hong Kong. In view of the volatility of financial markets, surplus funds are currently placed in bank deposits to mitigate the exposure to counterparty risk.

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.

11. FINANCIAL RISK MANAGEMENT (Continued)

(b) Financial Instruments (Continued)

(ii) Interest rate risk

Interest rate risk is the risk of loss arising from changes in market interest rate. 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 value will fall when market interest rates increase. However, as they are stated at amortised cost, changes in market interest rates will not affect their carrying amounts and the Fund's accumulated fund.

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.

(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.

(iv) Currency risk

The Fund's financial assets and liabilities are denominated in Hong Kong dollar, the Fund's functional and presentation currency, and hence will not be exposed to currency risk.

(v) Other financial risk

The Fund is exposed to financial risk arising from balance with HA due to changes in the interest rate on the placement with the Exchange Fund which is determined every January (note 3). It was estimated that, as at 31 March 2016, a 50 basis point increase/decrease in the interest rates for 2015 and 2016, with all other variables held constant, would increase/decrease the surplus and accumulated fund by HK\$34.7 million (2015: HK\$32.9 million).

12. 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.