

僱員補償援助基金管理局
Employees Compensation
Assistance Fund Board

2012 - 2013

年報 Annual Report

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Introduction

The Employees Compensation Assistance Fund Board (hereafter “the Board”) was established on 1 July 1991 under the Employees Compensation Assistance Ordinance (Cap. 365) (hereafter “the Ordinance”). Its function is to administer the Employees Compensation Assistance Fund (hereafter “the Fund”) for the protection of the entitlement of employees or dependants of a deceased employee to compensation and damages for work injury.

The Fund is financed by a levy payable by employers under the Employees’ Compensation Insurance Levies Ordinance (hereafter “the Levies Ordinance”) – Employers are required to pay a levy at the rate of a certain percentage on the premium of their employees’ compensation insurance policies. The levy is collected by the Employees’ Compensation Insurance Levies Management Board (hereafter “the ECILMB”). In the current year under review the total levy rate is 5.8%, 3.1% of which is used on the Board, 2% for the Occupational Safety and Health Council and 0.7% for the Occupational Deafness Compensation Board.

Statutory Functions of the Board

- a) To hold the Fund in trust and to administer it for the benefit of those eligible for compensation under the Fund;
- b) To receive monies collected from insurers by the ECILMB;
- c) To assess and determine the eligibility of applications for payment from or relief under the Fund;
- d) To regularly advise the ECILMB on the amounts required to meet known and anticipated claims against the Fund; and
- e) To carry out other functions assigned to it under the Ordinance.

Board Membership

Appointed by the Chief Executive of the Hong Kong Special Administrative Region, the nine-member Board represents various interests and responsible parties in employees compensation. It comprises:

- 1 chairman;
- 2 members representing employers;
- 2 members representing employees;
- 1 expert member in the insurance trade;
- 1 expert member in the accounting, investment or law field; and
- 2 public officers representing the Commissioner for Labour and the Director of Legal Aid.

Term of appointment is two year, and the current term started on 1 July 2012.

The Board’s secretariat function is provided for by the Occupational Safety and Health Council at a mutually agreed charge and set of terms.

Board Membership (7/2010 - 6/2012)

Chairman

Ms WONG Pui-sze, Priscilla, JP

Members

Employers' Representatives

Mr Allan CHAN Sau-kit
Mr CHEUNG Sing-hung, BBS

Employees' Representatives

Ms Juan LEUNG Chung-yan
Ms NG Wai-ye, MH

Professional Representatives

Mr CHENG Kwok-ping
Ms LING Kit-sum

Public Officers

Commissioner for Labour or his representative
Director of Legal Aid or his representative

Secretary of the Board

Ms Patricia YIM

Board Membership (7/2012 - 6/2014)

Chairman

Ms WONG Pui-sze, Priscilla, JP

Members

Employers' Representatives

Mr CHEUNG Sing-hung, BBS

Mr YU Shek-man, Ringo

Employees' Representatives

Ms LAM Suk-fun

Ms LIU Po-chu

Professional Representatives

Mr CHENG Kwok-ping

Ms LAW Elizabeth, MH, JP

Public Officers

Commissioner for Labour or his representative

Director of Legal Aid or his representative

Secretary of the Board

Ms Patricia YIM

The Employees Compensation Assistance Scheme

The Employees Compensation Assistance Scheme (hereinafter, the “Scheme”) was established with the Employees Compensation Assistance Board (the “Board”) and came into effect on 1 July 1991. The Scheme was set up to enable eligible applicants to apply for assistance from the Employees Compensation Assistance Fund (the “Fund”), which is the last resort through which employees can claim legitimate compensation. Regardless of the existence of the Fund, it must be reminded that employers will continue to bear the ultimate responsibility for paying any compensation or damages as determined by the legal system. Under the terms of the Scheme, the Board may take any action it sees necessary against an employer or insurer to recover the payments it has made.

Eligible Parties

Employees or dependants of deceased employees who fail to receive compensation or damages after exhausting all legal and financially viable means of recovery from the employer or insurer in question. Only claimants suffering from work-related injuries that occurred on or after 1 January 1984 are eligible for compensation or damages under the Scheme.

Employers who have paid the levy imposed under the Employees’ Compensation Insurance Levies Ordinance (the “Levies Ordinance”), and who have failed to obtain indemnity from their insurer declared insolvent before 1 April 2004 in respect of a claim made against them.

Available Benefits

The Board is responsible for assessing all applications for the Fund and can award the following benefits:

Employees or dependants of deceased employees

- Compensation for work-related injuries or fatalities covered by the Employees’ Compensation Ordinance;
- Relief payment for damages in respect of such injuries or fatalities; and
- Costs incurred in pursuing such compensation.

Employers

- Reimbursement to the employer, or payment to the employee on behalf of the employer, of the amount the insurer would have been liable for under law as agreed under the terms of the employees’ compensation insurance policies; and
- Costs incurred by the employer in the course of pursuing compensation or being pursued for compensation. The amount payable in both cases is to be decided at the Board’s discretion.

Scheme Operation

Eligible claimants should apply to the Board using the formats outlined below. In assessing applications, the Board will conduct all inquiries and investigations it sees fit to determine its recommendations. Applicants are required to submit the following documentation when submitting their claims:

Applicants For Assistance With Employees' Compensation Or Damages

- A Judgement or Order issued by a Hong Kong law court or tribunal; or
- A Certificate of Compensation Assessment or a Certificate of Review of Compensation Assessment under Section 16A of the Employees' Compensation Ordinance; or
- A Certificate of Compensation Assessment for Fatal Case or Review Certificate of Compensation Assessment for Fatal Case under Section 6(1) of the Employees' Compensation Ordinance.

Applicants For Assistance With Medical Expenses

A Certificate issued by the Commissioner for Labour under Section 10B (1) or (2) of the Employees' Compensation Ordinance together with any other relevant documents (such as insurance policies, Certificate of Costs etc.) that will assist the Board in its investigations.

Applicants With Special Circumstances

The Scheme also provides for applicants who are unable to make successful claim against their employer in cases where:

- the employer cannot be identified or located; or
- the employer is insolvent; or
- the employer is deceased; or
- the company has been dissolved, wound up or struck off the Company Register;
- the employer cannot be served with a summons; or
- the employee is not covered by a valid employees' compensation insurance policy.

Under such circumstances, employees are entitled to proceed to court and make claims against the Board as if it were the employer in question.

Scheme Operation (continued)

Applicants Whose Claims Are Submitted Too Late

In exceptional cases where an employee is unable to apply for compensation from the Fund because the claim against the employer was made after the statutory time limit, the Board may make an ex-gratia payment from the Fund pursuant to Section 30 of the Ordinance.

Payments Made In Anticipation of Successful Applications

The Board may grant payments to applicants who are either found or anticipated to be entitled to compensation in order to protect the Fund against unnecessary legal costs or interest payments.

Payments Resulting From Early Intervention Under Section 28 : In order to safeguard the Fund against avoidable expense, the Board has the power to use Section 28 of the Employees Compensation Assistance Ordinance to negotiate out-of-court settlements with claimants. This practice benefits both parties as it enables claimants to receive their compensation earlier while saving the Board the cost of legal proceedings and interest payments.

For applicants who commences by writ proceedings in respect of a claim for compensation or damage, he should serve in accordance with Section 25B on the Board a written notice of proceedings not later than 30 days after the writ is filed with the court, and so the Board may make the necessary investigation and inquiry as early as possible for the protection of the Fund.

Note:

Applicants who have received assistance from the Fund are not entitled to make further claims against their employer or insurer. Applicants' rights and remedies in respect of such compensation or damages will pass to and be vested in the Board for the benefit of the Fund pursuant to Section 37 of the Ordinance. The Board may then take such action as it sees fit to recover the payment from the employer or insurer in question.

Status of the Fund in 2012 – 2013

Number of Applications Received: During the year, the Board paid \$12.38 million to 40 successful **employees compensation** applications, in addition to the payment of \$24.18 million to 28 successful applications for **common law damages**. Besides, the Board paid \$10.49 million for 48 applications seeking assistance for **legal costs** incurred.

Level of Assistance: Last year has seen a decrease in assistance compensation as outlined in Appendix 2. The total payment granted for the year was \$47.05 million.

Income: The Board's total income for the year was \$167.52 million, a 15% rise over the previous year's \$146.36 million resulted from an increase of distributions received from the ECILMB.

Of this year's income, 98% came from the levy, 1% from the recovered payments for exercising the subrogation rights after assistance payments and the dividend payments from provisional liquidation of 3 insurers, while the remaining 1% was generated by bank interests and surcharges levied on the law-breaking employers who did not take out employees' compensation insurance policy for its employees. Over the past years, the income was insufficient to meet the ever-increasing number of claims and claims amount. With the depletion of the accumulated reserves in August 2001, the continued operation of the Board was made financially viable by the complete drawing down of \$280 million from the Government bridging loans in 2004-2005. A full detail of income trends of the Employees Compensation Assistance Fund is shown in Appendix 1.

In exercising its right to reclaim assistance payments made to claimants from employers or insurers as well as collecting a surcharge from those employers who did not take out employees' compensation insurance policy for its employees, the Board recovered a total of \$1.65 million during the year.

Industry Profile of Applications: The construction industry has consistently been the main source of all applications. Of the 2,216 applications processed since the Scheme was first set up, 44% were Construction-related. The complex sub-contracting network that prevails in the Construction sector makes it difficult for employees to pursue claims against their employers. Other major sources of claims included the Personal Services and Transport industries. A detailed breakdown of claimants by economic sector can be seen in Appendix 3.

Status of the Fund in 2012 – 2013 (continued)

Since the Board's establishment in mid 1991, a total of about \$1,061.16 million has been awarded to 2,216 claimants. Of these cases, 1,533 claimants received payments of less than \$250,000, while claimants in 9 cases received more than \$8 million each. A breakdown of assisted compensation by amount is shown in *Appendix 4*.

Improved Financial Viability

Although there is an increase in income over the previous year, the Fund has continued to face financial difficulties owing to the large payments awarded by the courts, as well as the provisional liquidation and insolvency of 3 local insurance companies. As two of the companies concerned were involved in underwriting employees' compensation insurance policies, the misfortune increased the Board's liabilities by some \$500 million. The Board depleted its accumulated reserves in August 2001. Though the first bridging loan of \$60 million from the Government was drawn down in full in July 2001, it was prudently projected that the Board could not meet all its financial obligations unless the Government implemented new revitalizing strategy for the Scheme.

The Government approved and gazetted an increase of 1% in the levy rate to 6.3% and the redistributed proportion of the net resources of 2.5% with effect from 1 July 2002. The Government in 2010 approved and gazetted a **levy rate adjustment** to 5.8% as well as a **redistributed proportion of the net resources** to 3.1%. The increased net resources distribution proportion has effectively improved the Fund's income in the coming years.

Besides, the Board had successfully entered into **an additional loan agreement** with the Government through the Economic Development and Labour Bureau in December 2002, through which the Fund received a much-needed relief of \$220 million. With the 4 drawings of \$20 million, \$15 million, \$20 million and \$165 million each made in February 2003, August 2003, September 2004 and March 2005, this additional loan had been fully drawn down before 31 March 2005.

Under the terms of this additional loan agreement, the Government will charge a "no-gain-no-loss" interest rate that remains 1.674% as of end March 2013.

The Board will repay the entire loan (including the first bridging loan with an outstanding loan principal of \$50 million and the second additional loan of \$220 million) in ten equal installments. The first \$32 million, the second \$37 million, the third \$37 million, the fourth to the sixth each \$33 million and the seventh to the eighth each \$32 million repayment was respectively made in the April of 2006 - 2013 whilst the ninth to tenth each \$32.05 million repayment will be made on 1 April 2014 and 1 April 2015 respectively.

Revision on ECA Ordinance

As remedies for the Board's financial ills, the Employees Compensation Assistance (Amendment) Ordinance 2002 was passed in June and came into operation on 1 July 2002 with some major revisions including:

- (i) The Board would grant **relief payments** to injured employees who are unable to receive common law damages from an employer or insurer following an award by the court on or after 1 July 2002. In cases involving sums of \$1.5 million or less, a one-off payment is recommended. In cases involving sums of more than \$1.5 million, an initial sum of \$1.5 million, together with additional monthly payments of \$10,000 or the wage of the injured worker at the time the injury was sustained, whichever is the higher, until the balance is paid off.
- (ii) There are clear provisions in the Amendment Ordinance requiring the applicants to serve **notifications of writ proceedings**, and notice of obtaining judgment or entering claims settlement agreement, on the Board in a specified form and within a specified period. Such provisions would assist the Board to timely participate in the legal proceedings if deemed appropriate.

Overcoming Challenges Through Co-operation

The Board extends its sincere gratitude to the Government for the granting of the two loans that have enabled it to carry on compensating injured workers. In order to keep the Fund viable in the current economic downturn, what the Board needs most is for employers to properly insure their employees. The Board also needs the Insurance industry to stay sound, healthy and competitive so that it too can shoulder its legal responsibility in compensating the injured. Perhaps most important of all, the Board requires the cooperation of both employers and employees in minimizing the work injuries that are the root of the problem.

The Board will continue to work in tandem with both the Labour Department, Legal Aid Department, Labour and Welfare Bureau and members of the Hong Kong Federation of Insurers to ensure that the Scheme continues to provide a viable last resort for injured parties.

Report of the Auditor

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EMPLOYEES COMPENSATION ASSISTANCE FUND BOARD (Established under the Employees Compensation Assistance Ordinance Cap.365)

We have audited the financial statements of Employees Compensation Assistance Fund held on trust by the Board set out on pages 35 to 43, which comprise the Statement of Financial Position as at 31 March 2013, and Statement of Comprehensive Income, Statement of Changes in Accumulated Surplus and Statement of Cash Flows for the year ended, and a summary of significant accounting policies and other explanatory information.

The Board's responsibility for the financial statements

The Board is responsible for the preparation of financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the Employees Compensation Assistance Ordinance, and for such internal control as the Board 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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we 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 the 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 Board, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the state of the Employees Compensation Assistance Fund held on trust by the Board as at 31 March 2013 and of its surplus and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Employees Compensation Assistance Ordinance.

T. D. Tam & Company
Certified Public Accountants (Practising), Hong Kong
Date: 24 June 2013

**Financial Statements – Statements of Comprehensive Income
and Changes in Accumulated Surplus**

**Statement of Comprehensive Income
For the Year ended 31 March 2013**

	Note	2013 HK\$	2012 HK\$
Income			
Distributions income	3	164,228,020	129,840,803
Interest income		1,650,061	2,016,288
Other income	4	<u>1,639,756</u>	<u>14,504,718</u>
		<u>167,517,837</u>	<u>146,361,809</u>
Expenditure			
Claims		47,053,112	50,889,916
Administrative expenses	5	1,540,000	1,460,000
Audit fee		34,900	34,200
Claims processing expenses and professional advisory fees		12,827,613	9,919,671
Interest expense on bridging loan		<u>1,557,032</u>	<u>2,151,857</u>
		<u>63,012,657</u>	<u>64,455,644</u>
Surplus for the Year		<u>104,505,180</u>	<u>81,906,165</u>

**Statement of Changes in Accumulated Surplus
For the Year ended 31 March 2013**


Balance at beginning of the financial year	232,758,670	150,852,505
Total comprehensive income for the year	<u>104,505,180</u>	<u>81,906,165</u>
Balance at end of the financial year	<u>337,263,850</u>	<u>232,758,670</u>

Financial Statements – Statement of Financial Position

	Note	2013 HK\$	2012 HK\$
Current assets			
Fixed deposits and cash at banks	7	449,868,333	369,924,989
Interest receivable		<u>242,434</u>	<u>102,259</u>
		<u>450,110,767</u>	<u>370,027,248</u>
Current liabilities			
Claims payable		16,169,482	11,390,889
Accrued expenses		2,107,712	398,450
Bridging loan (unsecured) – due within one year	8	32,047,996	32,466,548
		<u>50,325,190</u>	<u>44,255,887</u>
Net current assets		399,785,577	325,771,361
Non-current liability			
Bridging loan (unsecured) – due after one year	8	<u>62,521,727</u>	<u>93,012,691</u>
Net assets		<u>337,263,850</u>	<u>232,758,670</u>
Represented by:			
Accumulated surplus		<u>337,263,850</u>	<u>232,758,670</u>

The accompanying notes on pages 38 to 43 form an integral part of these financial statements.

The financial statements on pages 35 to 43 were approved and authorised for issue by Members of the Board on 24 June 2013 and were signed on its behalf by:



WONG Pui-sze, Priscilla, JP
Chairman

Financial Statements –Statement of Cash Flows

	Note	2013 HK\$	2012 HK\$
OPERATING ACTIVITIES			
Surplus for the year		104,505,180	81,906,165
Adjustments for:			
Interest income		(1,650,061)	(2,016,288)
Interest expense on bridging loan		<u>1,557,032</u>	<u>2,151,857</u>
Operating cash flows before changes in working capital		104,412,151	82,041,734
Increase in claims payable		4,778,593	4,064,004
Increase/(Decrease) in accrued expenses		<u>1,709,262</u>	<u>(32,017)</u>
NET CASH GENERATED FROM OPERATING ACTIVITIES		110,900,006	86,073,721
INVESTING ACTIVITIES			
Interest received		1,509,886	1,972,154
FINANCING			
Bridging loan repayment		<u>(32,466,548)</u>	<u>(32,466,549)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		79,943,344	55,579,326
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		<u>369,924,989</u>	<u>314,345,663</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	7	<u>449,868,333</u>	<u>369,924,989</u>

**Employees Compensation Assistance Fund Board
Notes to Financial Statements - 31 March 2013**

1. Legal status and Registered office

Legal status

Employees Compensation Assistance Fund Board (the “Board”) is established under the Employees Compensation Assistance Ordinance Cap.365 (the "Ordinance") to:

- (a) hold the Employees Compensation Assistance Fund (the "Fund") on trust and to administer the Fund in accordance with the objects of the Ordinance;
- (b) receive on behalf of the Fund any sum representing the net resources of the Employees' Compensation Insurance Levies Management Board (the "Levies Management Board") distributed to the Board pursuant to Section 7 of the Employees' Compensation Insurance Levies Ordinance (the "Levies Ordinance");
- (c) consider applications from persons applying for payment from or relief under the Fund, under part IV of the Ordinance;
- (d) advise the Levies Management Board with respect to the amounts of known and anticipated claims against the Fund; and
- (e) perform such other functions as may be assigned to it under the Ordinance.

According to Section 3 of the Ordinance, the Board has perpetual succession.

The financial statements have been prepared on a going concern basis since the members of the Board are satisfied that the Fund will be able to meet in full its financial obligations as they fall due for foreseeable future in accordance with Section 26 of the Ordinance and as further explained in note 9 to the financial statements. The Board is expected to have sufficient funds in view of the increased distributions from the Levies Management Board.

Registered office

The registered office of the Board is located at OSHC OSH Academy, 62 Chung Mei Road, Tsing Yi, New Territories, Hong Kong Special Administrative Region (“HKSAR”).

2. Principal accounting policies

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by Hong Kong Institute of Certified Public Accountants. These financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Board's accounting policies. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The principal accounting policies and the related critical accounting estimates and assumptions are summarized as below:

(a) Revenue, interest income and other income recognition

(i) Distributions income

Pursuant to Section 14 of the Levies Ordinance, a levy known as the Employees' Compensation Insurance Levy is payable to the Levies Management Board on every premium payable by an insured in respect of any insurance policy issued by an insurer, for the purposes of Part IV of the Levies Ordinance (the "Premiums Payable"), on or after 1 July 1990.

Pursuant to Section 7 of the Levies Ordinance, the Levies Management Board distributes its net resources to specified bodies, which include the Board.

Distributions from the Levies Management Board, being the revenue of the Fund, are recognised as income when they are received by the Fund. Distributions become payable by the Levies Management Board, two months after the end of each quarter.

(ii) Interest income

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and applicable effective interest rate, which is the rate that discounts the estimate future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(iii) Surcharge fee and payment recovery

Surcharge fee and payment recovery are recognized as income when the right to receive is established, the amount is reasonably determined and the collectability is reasonably ascertained.

(b) **Claims**

The Board closely reviews and assesses the status of claims on an on-going basis and does not recognize as liability for claims payable until such determination has been made. Accordingly, the Board does not make any provision for the estimated costs of settling reported or unreported claims, which have been incurred but not yet determined.

(c) **Financial instruments**

Financial assets and financial liabilities are recognized when the Board becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are recognized at cost.

(i) Financial assets

Financial assets are classified as receivables, bank fixed deposits, cash and bank balances, which are recognized, where appropriate, at cost and are readily convertible to a known amount of cash.

(ii) Financial liabilities

Financial liabilities include payables, government bridging loan and other monetary liabilities. All financial liabilities are measured at cost.

(i) Derecognition of financial assets and financial liabilities

Financial assets are derecognized when the rights to receive cash flow from the assets have expired; or where the Board has transferred its contractual rights to receive the cash flow of the financial assets and has transferred substantially all the risks and rewards of ownership; or where control is not retained.

Financial liabilities are derecognized when they are extinguished, i.e., when the obligations are discharged, cancelled or expired.

(d) Financial risk management

Financial instruments consist of receivables, bank fixed deposits, cash and bank balances, payables, government bridging loan and accrued expenses. Being a statutory entity financed by the Employees' Compensation Insurance Levy, the Board carries as little risk from financial instruments as practicable. The Board is exposed to various financial risks which are discussed below:

(i) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Any fluctuation in the prevailing levels of market interest rates will have an impact on the interest income. The Board's exposure to interest rate fluctuation is limited to interest receivable on its short term deposits and savings accounts as at 31 March 2013 given the low interest rate in financial market. The interest payment of bridging loan is subject to Government's no-gain-no-loss interest rate policy; therefore, the related interest rate risk is insignificant.

(ii) Credit risk

Credit risk is the risk that a counterparty is unable to pay amounts in full when due.

The Board's surplus funds have been deposited to banks approved by the Financial Secretary on fixed term or call deposits or in a savings account in accordance with Section 11 of the Ordinance. The Board considers the risk associated with the fixed deposits and bank balances is minimal because they are placed with reputable banks.

(iii) Liquidity risk

Liquidity risk is defined as the risk that the Board encounters difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Board manages liquidity risk by maintaining adequate reserve of cash. The Board performs periodically cash flow forecasts to monitor future cash flow. The current strength of the Board poses no threat of liquidity to the Board.

(iv) Foreign currency risk

The Board is not exposed to any foreign currency risk as all transactions, monetary assets and monetary liabilities are denominated in Hong Kong Dollars.

3. Distributions income

For the year ended 31 March 2013, the Board received distributions from the Levies Management Board at effective rate of 3.1% (2012: 3.1%).

4. Other income

	2013	2012
	HK\$	HK\$
Dividend payments recovered from liquidated insurer, in accordance with the Scheme of Arrangement for Provisional Liquidation (Note 10)	-	12,128,869
Recovery of payments from Official Receiver in the bankruptcy proceedings after the Board rendered assistance and exercised the subrogation rights pursuant to Section 37 of the Ordinance	1,315,189	1,969,457
Surcharge fee	331,237	406,392
Surplus dividend payment refunded to the applicants under Sections 17 and 18 of the Ordinance	(6,670)	-
	<u>1,639,756</u>	<u>14,504,718</u>

5. Administrative expenses

An agreement has been entered into between the Board and the Occupational Safety and Health Council ("OSHC") whereby OSHC provides administrative support services to the Board for a fee of HK\$1,540,000 for the year ended 31 March 2013. (2012: HK\$1,460,000).

6. Taxation

No provision for taxation has been made in financial statements as the Board has been exempted from taxation under Section 88 of the Hong Kong Inland Revenue Ordinance.

7. Cash and Cash equivalents

	2013	2012
	HK\$	HK\$
Bank fixed deposits with maturity dates within 3 months	330,391,477	298,881,591
Cash at banks	119,476,856	71,043,398
	<u>449,868,333</u>	<u>369,924,989</u>

8. Bridging loan (unsecured)

The loan was obtained from the Government of the HKSAR in amount of HK\$280,000,000. The outstanding balance of the loan as at 31 March 2013 was HK\$94,569,723. The interest charged by the Government of the HKSAR was 1.674% to 2.099% (2012: 2.099%) per annum. The loan will be payable in 3 annual installments from 1 April 2013. The proceeds of the loan have been used to make those payments as required under the Ordinance.

Details of the repayment terms are as follows:

	2013	2012
	HK\$	HK\$
Within one year	32,047,996	32,466,548
In the second to fourth years inclusive	<u>62,521,727</u>	<u>93,012,691</u>
	<u>94,569,723</u>	<u>125,479,239</u>

9. Contingent liability

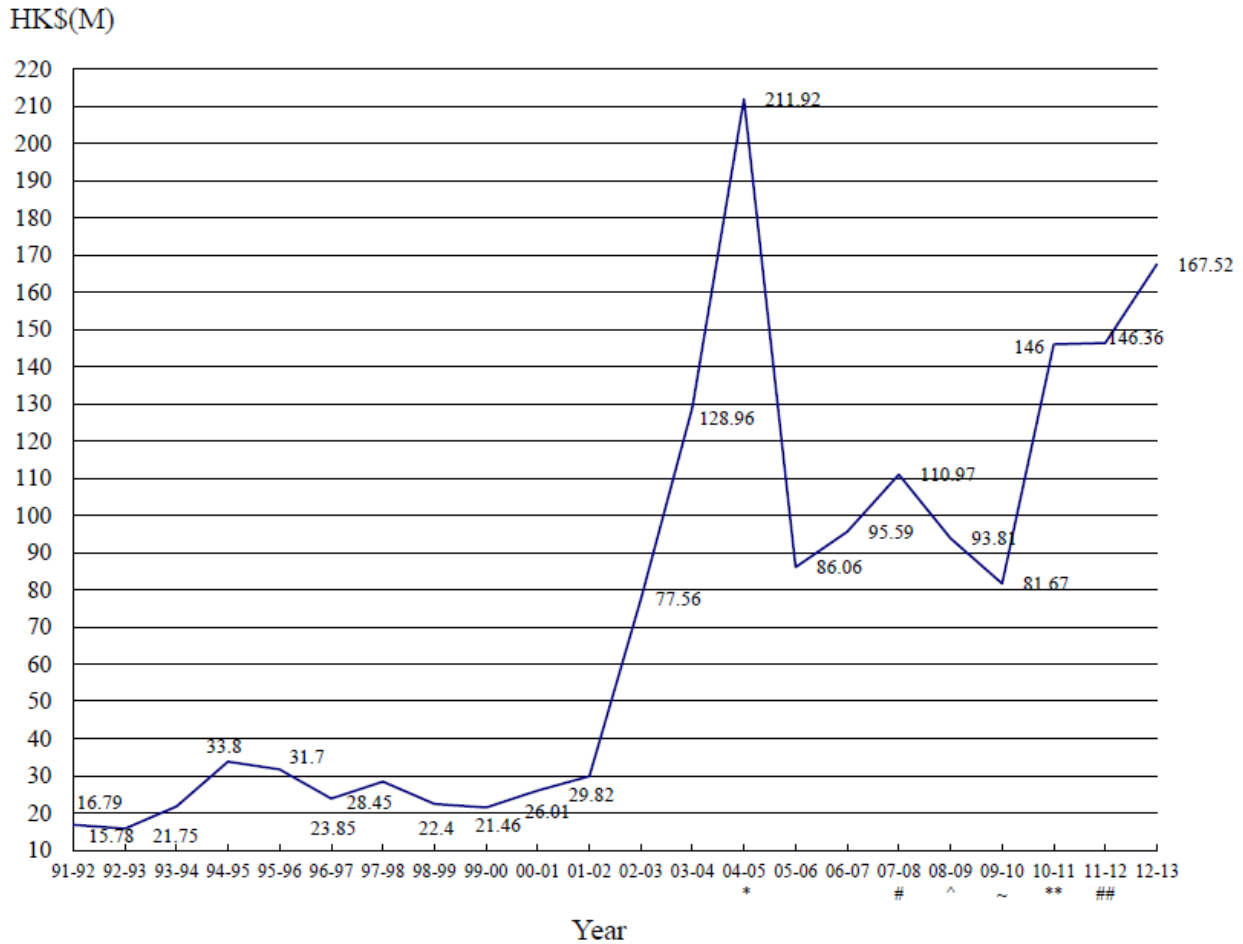
The Board estimates that the total claims reported but not yet determined as at 31 March 2013 amount to approximately HK\$185,984,092 (2012: HK\$205,025,626). In the opinion of the Board, the applicants to the claims are not entitled to apply under the relevant sections of the Ordinance. Accordingly, this amount has not been provided in the financial statements.

Pursuant to Section 26 of the Ordinance, where an amount is able to be paid from the Fund, no part of such amount becomes payable by the Board unless and until there are sufficient moneys available to the Fund to pay the whole of such amount.

10. Dividend payments recovered

HIH Group was declared insolvent by the Insurance Authority on 9 April 2001 and put under the provisional liquidation thereafter. Pursuant to Sections 17 and 18 of the Ordinance, the Board took over the statutory obligations to settle eligible applications arising from HIH Group's insolvency. After over 12 years of paying assistance to those HIH-related applications, the Appointed Provisional Liquidators had distributed a total dividend of HK\$212,073,889 (2012: HK\$212,073,889) to the Board up to 31 March 2013 in accordance with the approved Scheme of Arrangement for Provisional Liquidation.

Appendix 1 – Income analysis of the Employees Compensation Assistance Fund (1991 – 2013)



Income Received (1991 – 2013)

Total : \$1,618.24 million

Lowest : \$15.78 million

Highest : \$211.92 million *

* Inclusion of a dividend payment of \$115.85 million from the Appointed Provisional Liquidators of the 3 insolvent insurers

Inclusion of a dividend payment of \$25.45 million from the Appointed Provisional Liquidators of the 3 insolvent insurers

^ Inclusion of a dividend payment of \$20.63 million from the Appointed Provisional Liquidators of the 3 insolvent insurers

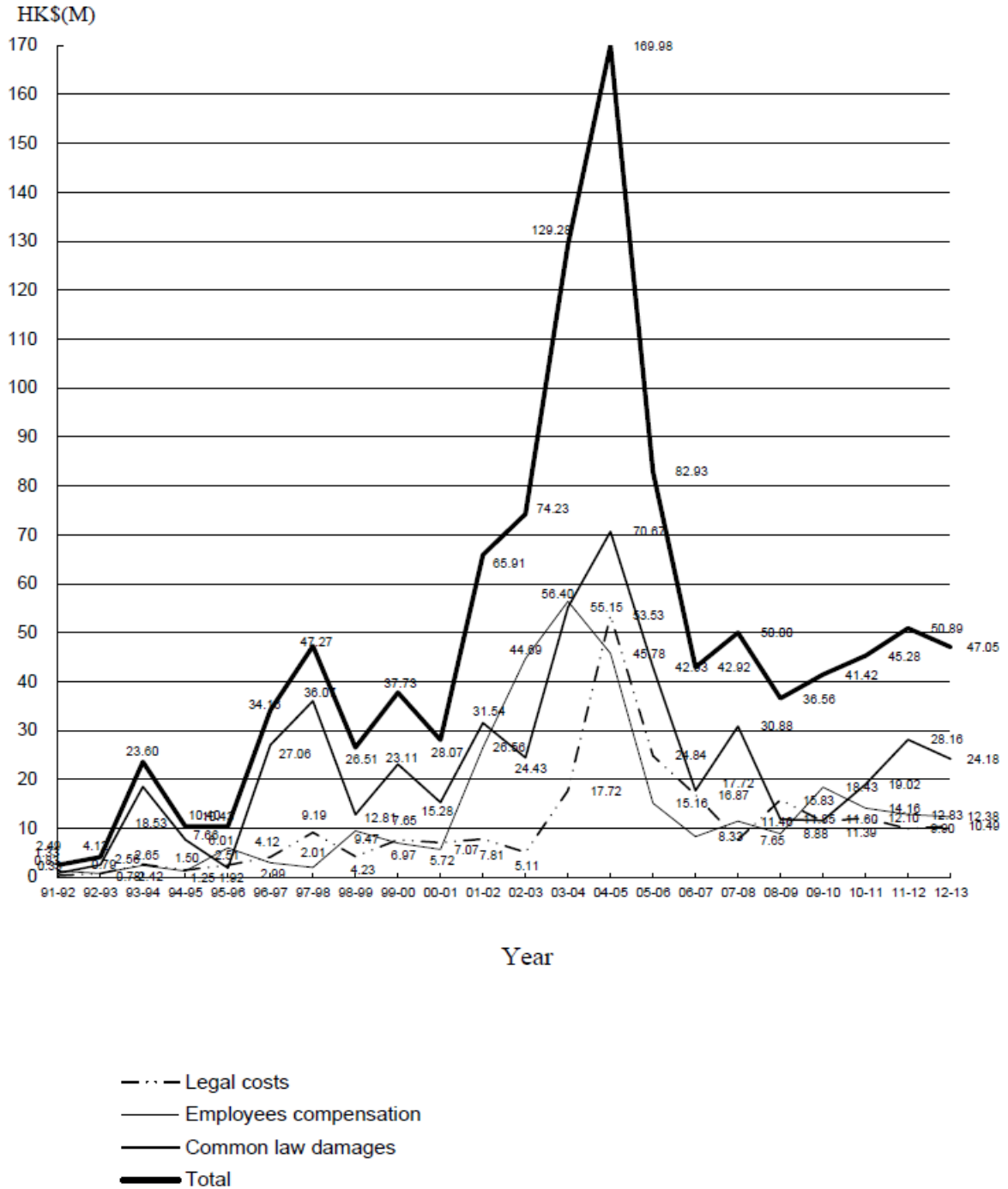
~ Inclusion of a dividend payment of \$0.35 million from the Appointed Provisional Liquidators of the 3 insolvent insurers

** Inclusion of a dividend payment of \$37.67 million from the Appointed Provisional Liquidators of the 3 insolvent insurers

Inclusion of a dividend payment of \$12.13 million from the Appointed Provisional Liquidators of the 3 insolvent insurers

**Appendix 2 – Assistance payment analysis of the
Employees Compensation Assistance Fund (1991 – 2013)**

(a) Amount of assistance paid



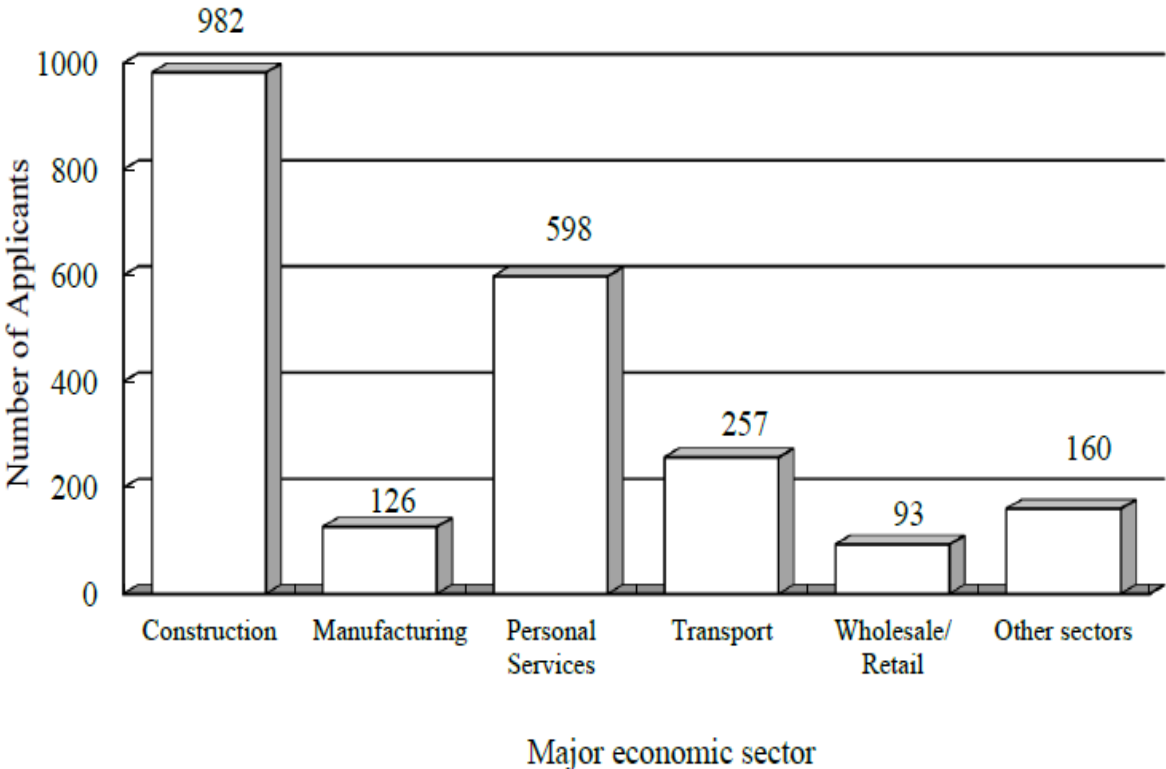
**Appendix 2 – Assistance payment analysis of the
Employees Compensation Assistance Fund (1991 – 2013)**

(b) Number of assisted applicants

Year	Total
2012 – 13	67
2011 – 12	55
2010 – 11	66
2009 – 10	57
2008 – 09	52
2007 – 08	62
2006 – 07	65
2005 – 06	123
2004 – 05	232
2003 – 04	469
2002 – 03	680
2001 – 02	469
2000 – 01	34
1999 – 00	45
1998 – 99	35
1997 – 98	27
1996 – 97	22
1995 – 96	26
1994 – 95	21
1993 – 94	14
1992 – 93	32
1991 – 92	27
Total	2,680*

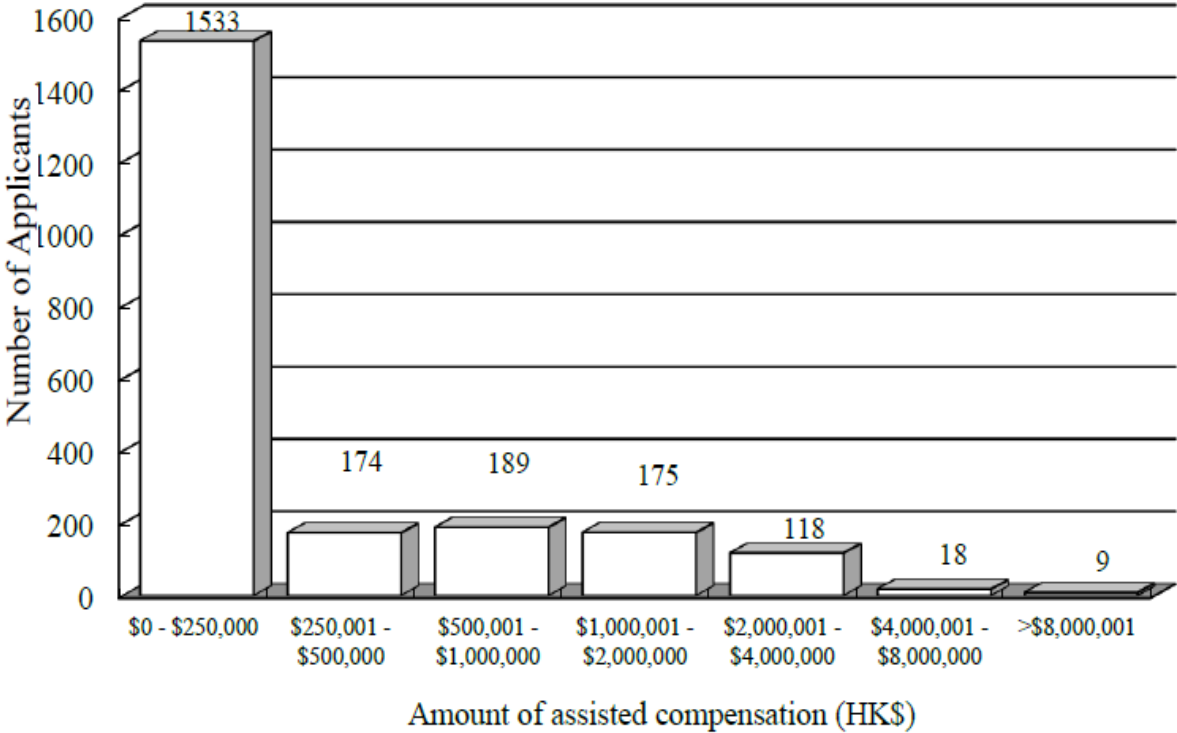
* The Board had assisted 2,216 applicants since establishment of which 464 applicants were approved to receive the assistance for statutory compensation, common law damages and legal costs in different financial years.

Appendix 3 – Number of assisted applicants by economic sector (1991 – 2013)



Total number of assisted applicants: 2,216

**Appendix 4 – Number of assisted applicants by amount of compensation
(1991 – 2013)**



Amount of Assisted Compensation (1991 – 2013)

Total : \$1,061,163,985
 Average : \$478,865
 Lowest : \$93
 Highest : \$18,178,705

僱員補償援助基金管理局
Employees Compensation Assistance Fund Board

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