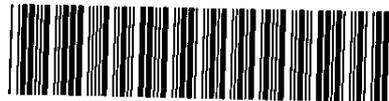


**KELY SUPPORT GROUP LIMITED  
(LIMITED BY GUARANTEE)**

DIRECTORS' REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31ST MARCH 2021



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**KELY SUPPORT GROUP LIMITED  
(LIMITED BY GUARANTEE)**

**REPORT OF THE DIRECTORS**

The directors submit their report together with the audited financial statements of KELY Support Group Limited (the "Organisation") for the year ended 31st March 2021.

**PRINCIPAL ACTIVITY**

KELY Support Group Limited, as a non-profit making company, is a non-government funded bilingual charity which provides empathetic, non-judgemental, confidential and inclusive support to youth between the ages of 14 to 24 in Hong Kong.

**RESULTS AND BUSINESS REVIEW**

The results for the year ended 31st March 2021 are set out in the statement of comprehensive income on pages 7 and 25 of the financial statements.

Income for the financial year ended 31st March 2021 has increased about 35% compared to the previous year. Donation income, Designated funding and grants increased by 144% & 28% respectively due to an increase in donor engagement & several one off specific donations as well as some new programme grants being approved. Donation income from fund raising activities has recorded a decrease because of cancellation of some fundraising events relating to Covid-19.

Overall expenses for the financial year ended 31st March 2021 also increased about 13% compared to the previous year. Staff costs recorded a slight increase. Expenses for designated programmes increased by 176% due to school programmes resuming & two COVID related initiatives funded by starting at the financial year. On the other hand, Fundraising costs and Administrative and other operating expenses decreased by 57% and 35% respectively due to less fundraising events and organisational efforts to streamline operational efficiency.

There was an operating surplus of HK\$1,389,634 for the financial year ending on 31st March 2021.

**FUTURE PLANNING**

KELY Support Group ("KELY") is a Hong Kong-based non-profit organisation whose mission since 1991 is to equip young people with the skills, knowledge, and opportunities needed to support themselves and each other. We envision a world where young people are empowered to reach their full potential.

We collaborate with schools and other partners to offer programmes to Chinese- and English-speaking youth between the ages of 14 and 24 around our three core focus areas: Drug and Alcohol Awareness, Mental Health and Wellbeing, and Positive Youth Development.

**- Drug and Alcohol Awareness**

At KELY, we work to prevent and reduce the harm associated with drugs and alcohol abuse. Our Drug and Alcohol Awareness programmes equip young people with the skills and knowledge needed to avoid using drugs and alcohol, protect themselves and make healthy choices, and support their peers.

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## FUTURE PLANNING (CONT'D)

### - Mental Health and Wellbeing

We take a preventative approach to our Mental Health and Wellbeing programmes and focus on helping young people to understand their own emotions, cope with stress, and know how to help themselves as well as their peers. In situations where we identify additional mental health needs, we work with a strong network of referral organisations that can provide in-depth one-on-one counselling.

### - Positive Youth Development

Our Positive Youth Development programmes create opportunities for young people to explore and develop life skills and creative expressions, increasing their aspirations for the future. We focus specifically on disadvantaged youth, who typically don't have access to skills-building programmes of this nature.

COVID has affected much of our work, however, we have seen it also as an opportunity to grow our services across our three core focus areas of work. In the coming years as we adapt around the needs of the youth, we anticipate that general donations, fund raising as well as designated funding and grants (including Community Chest) will continue to be our main sources of income. Given that our work is service-based, we will continue to employ experts and experienced team members to facilitate our core business so staff costs and expenses of designated programmes will continue to be the main expense categories.

Total income and total expenditure for the next financial year will be expected to increase slightly and the surplus can be kept.

## PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment are shown in Note 12 to the financial statements.

## DIRECTORS

The directors during the year and up to the date of this report were:

Tchen Pao Shan, Paul

Antonio Bruno

Dr. Timothy Woo

Cheng Shu Hang

Andrew Nigel Jones

Fern Ngai

Rebecca Turner Lentchner

(resigned on 16th December 2020)

Dr. Ng Michelle Hew Lyn

Sit Maria, Yan

Karen Liu

David Simpson

Pilar Danielle Morais

Whisenhunt Whitney Nye

(appointed on 30th January 2021)

In accordance with Article 30 of the Organisation's Articles of Association, the remaining directors retire at the forthcoming annual general meeting but, being eligible, offer themselves for re-election.

The Organisation falls within reporting exemption for the financial year. Accordingly, the Organisation is exempted from disclosing the reason for director resigning.

## DIRECTORS' INTERESTS

No contracts of significance in relation to the Organisation's operation to which the Organisation was a party and in which a director of the Organisation had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

At no time during the year was the Organisation a party to any arrangements to enable the directors of the Organisation to acquire benefits by means of admission of membership in the Organisation or any other body corporate.

## PERMITTED INDEMNITY PROVISIONS

At any time during the year and up to the date of this report, there were no permitted indemnity provisions in force for the benefit of any of the directors of the Organisation.

## MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the operation of the Organisation were entered into or existed during the year.

## AUDITORS

The financial statements have been audited by Vincent Kwok & Co. who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board



Fern Ngai  
Chairman

HONG KONG, - 3 DEC 2021



Units A - E, 25/F., Seabright Plaza,  
No. 9-23 Shell Street, North Point, Hong Kong.  
Tel: 2553 3828 Fax: 2553 9128  
E-mail: accounting@sunwell.hk

郭志燊會計師事務所  
香港北角蜆殼街九至二十三號  
秀明中心二十五樓A至E室  
電話：二五五三—三八二八  
傳真：二五五三—九一二八

INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF  
KELY SUPPORT GROUP LIMITED  
(incorporated in Hong Kong and limited by guarantee)

**Opinion**

We have audited the financial statements of KELY Support Group Limited set out on pages 7 to 25, which comprise the statement of financial position as at 31st March 2021, and the statement of income and expenditure and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Organisation as at 31st March 2021, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

**Basis for Opinion**

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Organisation in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Other Information**

The directors are responsible for the other information. The other information comprises the information included in the directors' report and detailed statement of income and expenditure, other than the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

## **Other Information (Cont'd)**

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Responsibilities of Directors and Those Charged with Governance for the Financial Statements**

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Organisation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Organisation or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organisation's financial reporting process.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

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

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organisation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

0028

## Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organisation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Organisation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Vincent Kwok & Co.

Certified Public Accountants

Honorary Auditors

HONG KONG, - 3 DEC 2021

0029

KELY SUPPORT GROUP LIMITED  
(LIMITED BY GUARANTEE)

STATEMENT OF INCOME AND EXPENDITURE AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31ST MARCH 2021

	Note	2021 HK\$	2020 HK\$
REVENUE	8	8,840,413	6,907,242
OTHER INCOME	8	711,793	156,415
		<u>9,552,206</u>	<u>7,063,657</u>
DEPRECIATION		(73,661)	(54,753)
STAFF COSTS		(5,193,885)	(4,825,603)
ADMINISTRATIVE AND OTHER OPERATING EXPENSES		(100,095)	(152,879)
EXPENSES FOR FUND RAISING ACTIVITIES		(536,648)	(1,259,441)
EXPENSES FOR OTHER PROGRAMMES		(48,000)	(159,529)
EXPENSES FOR DESIGNATED PROGRAMMES		(2,210,283)	(801,963)
		<u>(8,162,572)</u>	<u>(7,254,168)</u>
SURPLUS/ (DEFICIT) FOR THE YEAR	9	1,389,634	(190,511)
OTHER COMPREHENSIVE INCOME FOR THE YEAR		-	-
		<u>1,389,634</u>	<u>(190,511)</u>
SURPLUS/ (DEFICIT) AND TOTAL COMPREHENSIVE INCOME/ (EXPENSE) FOR THE YEAR		1,389,634	(190,511)
ACCUMULATED SURPLUS BROUGHT FORWARD		2,354,047	2,544,558
		<u>3,743,681</u>	<u>2,354,047</u>
ACCUMULATED SURPLUS CARRIED FORWARD		<u>3,743,681</u>	<u>2,354,047</u>

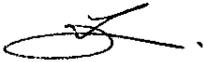
0033

KELY SUPPORT GROUP LIMITED  
(LIMITED BY GUARANTEE)

STATEMENT OF FINANCIAL POSITION  
AS AT 31ST MARCH 2021

	Note	2021 HK\$	2020 HK\$
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	12	818,932	77,279
<b>CURRENT ASSETS</b>			
Fees and donations receivable		503,295	374,961
Cash and bank balances		3,852,285	2,631,970
		4,355,580	3,006,931
<b>CURRENT LIABILITIES</b>			
Accruals and other payables		876,647	77,360
Deferred income		554,184	652,803
		1,430,831	730,163
<b>NET CURRENT ASSETS</b>		2,924,749	2,276,768
<b>NET ASSETS</b>		3,743,681	2,354,047
Represented by:			
<b>ACCUMULATED SURPLUS</b>		3,743,681	2,354,047

The financial statements on pages 7 to 25 were approved and authorised for issue by the Board of Directors on - 3 DEC 2021 and signed on its behalf by:

  
.....  
Fern Ngai  
Chairman

  
.....  
Antonio Bruno  
Treasurer

KELY SUPPORT GROUP LIMITED  
(LIMITED BY GUARANTEE)

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

	Accumulated surplus HK\$
At 1st April 2019	2,544,558
Total comprehensive expense for the year	(190,511)
At 31st March 2020	<u>2,354,047</u>
Total comprehensive income for the year	1,389,634
At 31st March 2021	<u><u>3,743,681</u></u>

KELY SUPPORT GROUP LIMITED  
(LIMITED BY GUARANTEE)

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

	2021 HK\$	2020 HK\$
NET CASH FROM OPERATING ACTIVITIES (Note 13)	2,035,574	4,354
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(815,314)	(15,400)
Bank interest income received	55	2,415
NET CASH USED IN INVESTING ACTIVITIES	(815,259)	(12,985)
DECREASE IN CASH AND BANK BALANCES	1,220,315	(8,631)
CASH AND BANK BALANCES AT 1ST APRIL 2020/ 2019	2,631,970	2,640,601
CASH AND BANK BALANCES AT 31ST MARCH 2021/ 2020	3,852,285	2,631,970

0038

KELY SUPPORT GROUP LIMITED  
(LIMITED BY GUARANTEE)

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL

KELY Support Group Limited is a non-profit making company incorporated in Hong Kong limited by guarantee and not having share capital. The Organisation's registered office is located at 2/F., East Wing, 12 Borrett Road, Central, Hong Kong.

The financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Organisation.

KELY Support Group Limited, as a non-profit making company, is a non-government funded bilingual charity which provides empathetic, non-judgemental, confidential and inclusive support to youth between the ages of 14 to 24 in Hong Kong.

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all HKFRSs, Hong Kong Accounting Standards ("HKASs") and Hong Kong (IFRIC) Interpretations ("HK(IFRIC)-Int")) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and the Hong Kong Companies Ordinance.

3 APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Organisation has applied the following new and revised HKFRSs issued by the HKICPA:

HKFRS 3 (Amendments)	Business Combinations
HKAS 1 and HKAS 8 (Amendments)	Presentation of Financial Statements and Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 39, HKFRS 7 and HKFRS 9 (Amendments)	Interest Rate Benchmark Reform

### 3 APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONT'D)

The application of the HKFRSs has no material impact on the Organisation's financial performance and financial position for the current and prior years.

The Organisation has not early applied the following new and revised HKFRSs issued by the HKICPA that have been issued but are not yet effective:

HKFRS 17 (Amendments)	Insurance Contracts <sup>4</sup>
HKAS 28 and HKFRS 10 (Amendments)	Sale or Contribution of Assets between an investor and its Associate or Joint Venture <sup>1</sup>
HKFRS 3 (Amendments)	Reference to the Conceptual Framework <sup>5</sup>
HKFRS 16 (Amendments)	Issuance of Covid-19-Related Rent Concessions <sup>3</sup>
HKAS 1 (Amendments)	Presentation of Financial Statements – Classification of Liabilities as Current or Non-current <sup>4</sup>
HKAS 1 (Amendments)	Presentation of Financial Statements – Classification by the borrower of a Term Loan that Contains a Repayment on Demand Clause (HK Int 5(2020)) <sup>4</sup>
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>4</sup>
HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform – Phrase 2 <sup>2</sup>
HKAS 16 (Amendments)	Property, Plant and Equipment – Proceed before Intended Use <sup>5</sup>
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract <sup>5</sup>
HKFRS (Amendments)	Annual Improvements to HKFRSs 2018-2020 Cycle <sup>5</sup>

1 Original effective date has been deferred to a date yet to be determined

2 Effective for annual periods beginning on or after 1st January 2021

3 Effective for annual periods beginning on or after 1st June 2020

4 Effective for annual periods beginning on or after 1st January 2023

5 Effective for annual periods beginning on or after 1st January 2022

The directors are now assessing the impact of the new and revised standards, amendments or interpretations on the financial statements, which may give rise to the changes in presentation, disclosure and measurement of certain items in the financial statements.

#### 4 SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention. The significant accounting policies adopted are as follows:

##### (a) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Organisation and when the revenue can be measured reliably, on the following basis:

- (i) donations in cash for general purposes are recognised when the rights to receive payments have been established. Donations designed for specific purposes are deferred and recognised in statement of income and expenditure and other comprehensive income over the period necessary to match with the costs they are intended to compensate;
- (ii) income from fund raising projects is recognised when the functions are held;
- (iii) function income is recognised when the function takes place and funds are received;
- (iv) Grant from Employment Support Scheme is recognised when there is a reasonable assurance that they will be received and all attached conditions are complied with; and
- (v) bank interest income is recognised on an accrual basis.

##### (b) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives, and after taking into account of their estimated residual values, using the straight-line basis, at the following annual rates:

Leasehold improvements	25%
Furniture and fixtures	25%
Office equipment	25%

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued used of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income and expenditure in the year in which the item is derecognised.

#### 4 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

##### (c) Foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the statement of financial position date are translated at rates of exchange ruling at the statement of financial position date. Exchange differences arising in these cases are dealt with in the statement of income and expenditure and other comprehensive income. In preparing the financial statements of the Organisation, transactions in currencies other than the functional currency of the entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the Organisation operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing on the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences arising on the settlements of monetary items, and on the retranslation of monetary items, are recognised in income and expenditure in the year in which they arise.

##### (d) Impairment of assets

At the end of each reporting period, the Organisation reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

#### 4 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

##### (e) Employee benefits

###### (i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Employee entitlements to sick leave and maternity are not recognised until the time of leave.

###### (ii) Retirement benefit obligations

The Organisation contributes to a mandatory provident fund scheme which is available to all employees. Contributions to the scheme by the Organisation and employees are calculated as a percentage of employees' basic salaries. The mandatory provident fund scheme cost charged to the statement of income and expenditure and other comprehensive income represents contributions payable by the Organisation to the scheme.

The Organisation's contributions to the mandatory provident fund scheme are expensed as incurred. The assets of the scheme are held separately from those of the Organisation in independently administered funds.

##### (f) Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Organisation becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through income and expenditure) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through income and expenditure are recognised immediately in income and expenditure.

#### 4 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

##### (f) Financial instruments (Cont'd)

###### **Financial assets**

The Organisation's financial assets are generally classified as loans and receivables and financial assets at fair value through income and expenditure. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of financial assets at fair value through income and expenditure and loans and receivables are set out below.

###### *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

###### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables including fees and donation receivables and cash and bank balances are carried at amortised cost using the effective interest method, less any identified impairment losses.

Interest expense is recognised on an effective interest basis.

###### *Classification and subsequent measurement of financial assets*

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flow; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

###### *Impairment of financial assets*

Financial assets, other than those at fair value through income and expenditure, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

000032

#### 4 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

##### (f) Financial instruments (Cont'd)

###### **Financial assets (Cont'd)**

For financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

For financial assets carried at amortised cost, an impairment loss is recognised in income and expenditure when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial assets is reduced by the impairment loss directly for all financial assets.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decrease and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through income and expenditure to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

###### **Financial liabilities and equity instruments**

Financial liabilities and equity instruments issued by the Organisation are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Organisation after deducting all of its liabilities. The Organisation's financial liabilities are generally classified as other financial liabilities.

###### *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

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#### 4 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

##### (f) Financial instruments (Cont'd)

###### *Other financial liabilities*

Other financial liabilities including accruals and other payable are subsequently measured at amortised cost, using the effective interest method.

###### *Equity Instruments*

Equity instruments issued by the Organisation are recorded at the proceeds received, net of direct issue cost.

##### (g) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Organisation has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in income and expenditure. If the Organisation retains substantially all the risks and rewards of ownership of a transferred financial asset, the Organisation continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial assets are recognised when the difference between the asset's carrying amount and the sum of the consideration received and receivables and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in income and expenditure.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in income and expenditure.

#### 5 CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Organisation's accounting policies, management makes various estimates and judgements (other than those involving estimates) based on past experience and expectations of the future, and other information. Actual results may differ from these estimates. The key source of estimation uncertainty and the critical judgement that can significantly affect the amounts recognised in the financial statements within next year is discussed below:

##### Depreciation

The Organisation depreciates its property, plant and equipment over its estimated useful lives and using the straight-line method. The estimated useful lives reflect the directors' estimate of the periods that the Organisation intends to derive future economic benefits from the use of the Organisation's property, plant and equipment and if the expectation differs from the original estimate, such a difference may impact the depreciation in the period the estimate is changed and the future periods.

6 FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2021 HK\$	2020 HK\$
Financial assets:		
Loans and receivables	503,295	374,961
Cash and bank balances	3,852,285	2,631,970
	-----	-----
	4,355,580	3,006,931
	=====	=====
Financial liabilities:		
Other financial liabilities at amortised cost	876,647	77,360
	=====	=====

(b) Financial risk management objective and policies

The Organisation's major financial instruments include fees and donation receivable, cash and bank balances, and accruals and other payables. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risks (interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

**Market risk**

(i) **Interest rate risk**

The Organisation has exposure to cash flow interest rate risk as its bank balances and lease liabilities are subject to floating interest rate. The Organisation currently does not have any interest rate hedging policy. However, from time to time, if interest rate fluctuates significantly, appropriate measures would be taken to manage interest rate exposure.

*Interest rate sensitivity*

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments including bank balances financial instruments, the analysis is prepared assuming the amount of financial instruments outstanding at the end of the reporting period is outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rate.

If interest rates had been 50 basis points higher/ lower and all other variables were held constant, the Organisation's surplus for the year ended 31st March 2021 and the accumulated surplus would increase or decrease by HK\$16,437 (2020: HK\$11,431).

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(b) Financial risk management objective and policies (Cont'd)**(ii) Foreign currency risk**

Since most of the Organisation's transactions are denominated in United States dollars ("USD") and Hong Kong dollars ("HKD"). As United States Dollars is pegged to Hong Kong Dollars, the management does not expect any significant movements in the USD/ HKD exchange rate and consider that the exposure to currency risk is minimal. Accordingly, no foreign currency sensitivity analysis is presented.

**Credit risk**

At 31st March 2021, the Organisation's maximum exposure to credit risk which will cause a financial loss to the Organisation due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the statement of financial position.

The Organisation has concentration credit risk on fees and donation receivable at the end of the reporting period. In order to minimise the credit risk, the management of the Organisation is responsible for monitoring procedures to ensure that follow-up action is taken to recover debts. In addition, the Organisation reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Organisation consider that the Organisation's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings and good reputation in Hong Kong.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings and trade debtors as mentioned above, the Organisation does not have any other significant concentration of credit risk.

**Liquidity risk**

The Organisation practises prudent liquidity risk management to minimise the mismatch of financial assets and financial liabilities and to maintain sufficient funds for the requirement of working capital. For the management of the liquidity risk, the Organisation monitors and maintains a level of cash and cash equivalent deemed adequate by the management to finance the Organisation's operations and mitigate the effects of fluctuations in cash flows.

The following tables detail the Organisation's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The tables have been drawn up based on the undiscounted cash flows of financial liabilities on the earliest date on which the Organisation can be required to pay. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of reporting period. The tables include both interest and principal cash flows:

## 6 FINANCIAL INSTRUMENTS (CONT'D)

### (b) Financial risk management objective and policies

#### Liquidity risk (Cont'd)

	Within 1 year or on demand HK\$	Within 2-5 Years HK\$	Total undiscounted cash flow HK\$	Carrying amount HK\$
At 31st March 2021				
Accruals and other payables	876,647	-	876,647	876,647
	=====	=====	=====	=====

	Within 1 year or on demand HK\$	Within 2-5 Years HK\$	Total undiscounted cash flow HK\$	Carrying amount HK\$
At 31st March 2020				
Accruals and other payables	77,360	-	77,360	77,360
	=====	=====	=====	=====

#### Fair value

The fair value of financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

## 7 CAPITAL RISK MANAGEMENT

The Organisation manages its capital to ensure that the Organisation will be able to continue as a going concern. The Organisation's overall strategy remains unchanged from the prior year. The finance committee reviews the capital structure on an on-going basis.

The capital structure of the Organisation consists of equity attributable to the Organisation, comprising fund and accumulated surplus as disclosed in the financial statements.

The directors of the Organisation review the capital structure on a regular basis. As part of the review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the organisation will balance its overall capital structure through the redemption of existing debts, if any.

## 8 REVENUE AND OTHER INCOME

KELY Support Group Limited, as a non-profit making company, is a non-government funded bilingual charity which provides empathetic, non-judgemental, confidential and inclusive support to youth between the ages of 14 to 24 in Hong Kong. Total amounts of revenue and other income recognised during the year are as follows:

	2021 HK\$	2020 HK\$
Revenue		
General donations	2,554,200	1,046,574
Designated funding and grants	2,006,456	2,408,992
Grants from The Hong Kong Jockey Club Charities Trust	1,717,000	465,000
Grants from Community Chest	972,960	787,100
Donation income from fund raising activities	1,488,245	2,025,900
Other programmes income	101,552	173,676
	<u>8,840,413</u>	<u>6,907,242</u>
Other income		
Bank interest income	55	2,415
Grants from Employment Support Scheme	708,738	-
Sundry income	3,000	154,000
	<u>711,793</u>	<u>156,415</u>
Revenue and other income	<u><u>9,552,206</u></u>	<u><u>7,063,657</u></u>

## 9 SURPLUS/ (DEFICIT) FOR THE YEAR

	2021 HK\$	2020 HK\$
Surplus/ (deficit) for the year is stated after charging the following:		
Depreciation	73,661	42,236
Staff costs		
Recruitment and training	6,094	8,667
Salaries and wages	4,964,765	4,588,499
Staff welfare	15,910	38,833
Mandatory provident fund contributions	207,116	189,604
	<u>5,193,885</u>	<u>4,825,603</u>

10 INCOME TAX EXPENSE

No Hong Kong profits tax has been provided as the Organisation, being a charitable institution of a public character, is exempted from tax under section 88 of the Inland Revenue Ordinance.

Deferred tax is not provided.

11 DIRECTORS' EMOLUMENTS

Directors' remuneration disclosed pursuant to section 383 of the Hong Kong Companies Ordinance (Cap. 622) and Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) for the year is HK\$Nil (2020: HK\$Nil).

12 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$	Furniture and fixtures HK\$	Office equipment HK\$	Total HK\$
<b>Cost</b>				
At 1st April 2020	224,375	90,470	317,433	632,278
Additions	678,398	-	136,916	815,314
At 31st March 2021	<u>902,773</u>	<u>90,470</u>	<u>454,349</u>	<u>1,447,592</u>
<b>Accumulated depreciation</b>				
At 1st April 2020	190,810	67,430	296,759	554,999
Charge for the year	28,518	23,040	22,103	73,661
At 31st March 2021	<u>219,328</u>	<u>90,470</u>	<u>318,862</u>	<u>628,660</u>
<b>Net book value</b>				
At 31st March 2021	<u>683,445</u>	<u>-</u>	<u>135,487</u>	<u>818,932</u>
At 31st March 2020	<u>33,565</u>	<u>23,040</u>	<u>20,674</u>	<u>77,279</u>

12 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Leasehold improvements HK\$	Furniture and fixtures HK\$	Office equipment HK\$	Total HK\$
<b>Cost</b>				
At 1st April 2019	224,375	90,470	302,033	616,878
Additions	-	-	15,400	15,400
	<u>224,375</u>	<u>90,470</u>	<u>317,433</u>	<u>632,278</u>
At 31st March 2020	<u>224,375</u>	<u>90,470</u>	<u>317,433</u>	<u>632,278</u>
<b>Accumulated depreciation</b>				
At 1st April 2019	176,425	41,763	282,058	500,246
Charge for the year	14,385	25,667	14,701	54,753
	<u>190,810</u>	<u>67,430</u>	<u>296,759</u>	<u>554,999</u>
At 31st March 2020	<u>190,810</u>	<u>67,430</u>	<u>296,759</u>	<u>554,999</u>
<b>Net book value</b>				
At 31st March 2020	<u>33,565</u>	<u>23,040</u>	<u>20,674</u>	<u>77,279</u>
At 31st March 2019	<u>47,950</u>	<u>48,707</u>	<u>19,975</u>	<u>116,632</u>

### 13 NOTE TO THE STATEMENT OF CASH FLOWS

Reconciliation of surplus/ (deficit) for the year to net cash from operating activities:

	2021 HK\$	2020 HK\$
Surplus/ (deficit) for the year	1,389,634	(190,511)
Adjustments for:		
Depreciation	73,661	54,753
Bank interest income	(55)	(2,415)
	-----	-----
Operating profit/ (deficit) before working capital changes	1,463,240	(138,173)
Increase in fees and donations receivable	(128,334)	(26,939)
Increase in accruals and other payables	799,287	44,262
(Decrease)/ increase in deferred income	(98,619)	125,204
	-----	-----
Net cash from operating activities	2,035,574	4,354
	=====	=====

### 14 STATUS OF ORGANISATION

The Organisation is a non-profit making incorporated company which is limited by guarantee and not having a share capital. In the event of this Organisation being wound up, any person being a member or within one year thereafter, should be required to contribute to the deficit of the Organisation for a sum not exceeding Hong Kong ten dollars.