

**THE NEIGHBOURHOOD ADVICE-ACTION COUNCIL**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED 31 MARCH 2021**

**REPORT(S) AND ACCOUNTS**



**陳李羅會計師事務所有限公司**

**Chan, Li, Law CPA Limited**

香港執業會計師

CERTIFIED PUBLIC ACCOUNTANTS (PRACTISING)

HONG KONG

**THE NEIGHBOURHOOD ADVICE-ACTION COUNCIL  
REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2021**

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## **THE NEIGHBOURHOOD ADVICE-ACTION COUNCIL REPORT OF THE EXECUTIVE COMMITTEE**

The Executive Committee members have pleasure in submitting their annual report together with the audited financial statements of The Neighbourhood Advice-Action Council (the “Council”) for the year ended 31 March 2021.

### **PRINCIPAL ACTIVITY**

The principal activity of the Council during the year was the provision of social services to the community.

### **RESULTS**

The financial performance and cash flows of the Council for the year ended 31 March 2021 and the financial position of the Council at that date are set out in the financial statements on pages 11 to 50.

### **EXECUTIVE COMMITTEE MEMBERS**

The Executive Committee members who held office during the financial year and up to the date of this report are :-

Chairman	Mr. YEN Yuen Ho, Tony, SBS	
Vice Chairmen	Mr. AU Hang Yee	
	Mr. TAI Keen Man	
	Mr. WONG Eng Beng	
	Mr. YEUNG Yiu Shing, Gary	
Honorary Secretary	Mr. AU Kwok Yee, Benjamin	
Honorary Treasurer	Mr. YIP Ching Shan	
Committee Members	Mr. LAM Kin Lai, JP	
	Dr. WAN Tack Fan	
	Mr. CHEUNG Kin Chun	
	Ms. KWONG Sum Yee, Anna, MH	
	Dr. HO Chui Fong, Mimi	
	Dr. LI Siu Kei	
	Mr. LAI Tung Chai	
	Mr. SUI Wai Keung, GBS, JP	
	Mr. SIU Yu Bun, Alan, SBS	
	Ms. WONG Yeung Fong, Fonia	(Appointed on 14 November 2020)
	Mr. TUNG Chi Fat, MH	(Appointed on 14 November 2020)
	Mr. TSUI Hau Leung	(Deceased on 8 July 2020)
Dr. WONG Ka Hing	(Resigned on 4 July 2020)	
Dr. HUNG Ying Ho, Billy	(Resigned on 10 August 2021)	

Dr. WONG Ka Hing and HUNG Ying Ho, Billy resigned as Executive Committee member of the Council due to their personal reasons. They have confirmed that they have no disagreement with the Executive Committee and nothing relating to the affairs of the Executive Committee needed to be brought to the attention of the members of the Executive Committee.

In accordance with article 41 of the Council’s articles of association, all remaining Executive Committee members shall retire from office in the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

## **EXECUTIVE COMMITTEE MEMBERS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS**

No transactions, arrangements or contracts of significance to which the Council was a party, and in which an Executive Committee member of the Council had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## **EXECUTIVE COMMITTEE MEMBERS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

At no time during the year was the Council a party to any arrangement to enable the Executive Committee members of the Council to acquire benefits by means of the acquisition of shares in or debentures of the Council or any other body corporate.

## **MANAGEMENT CONTRACTS**

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

## **PERMITTED INDEMNITY PROVISIONS**

A permitted indemnity provision (for the benefit of the executive committee members of the Council) is currently in force and was in force throughout this year.

## **BUSINESS REVIEW**

### *Description of the Business*

The Council, as a registered charitable non-government organisation, provides diversified services to meet the needs of different ages and walks of life. The Council currently operates and provides professional advice to 85 service units in Hong Kong and the Mainland. The nine service divisions under the Council include Family and Child Welfare Service, Children and Youth Service, Elderly Service, Rehabilitation Service, Community Development, Mainland Service, Education Service, Health Care Service and Social Enterprise.

### External Environment and Major Funding Bodies

External Environment and major funding bodies of the Council during the period are as follows:

	Percentage of the Council's Total Income (%)
Social Welfare Department	76.4
Lotteries Fund	4.4
Education Bureau	3.8
Hospital Authority	1.2
Four largest funding bodies in aggregate	85.8
	85.8

### *Financial Performance*

Since the outbreak of coronavirus in 2019-20, the COVID-19 pandemic and the related public health measures pose a lot of challenges to the Council's operational capacities. These require the Council to change and adapt to the new approaches in its work.

Total income and expenditure for the year are HK\$805 million (2019-20: HK\$776 million) and HK\$732 million (2019-20: HK\$709 million) respectively. Hence a surplus of HK\$73 million was recorded for the year, an increase of HK\$6 million over the surplus in the preceding financial year.

Putting health and safety of our stakeholders at top priority, NAAC quickly recognised the need to adopt different working arrangements and introduced proactive initiatives to ease the pressure on our services and continued to provide quality service to the needy. This resulted in a mild rise in total expenditure when compared with an increase in total income.

The continuous effects of COVID-19 pandemic and the series of Government policies and measures had resulted in the restriction of centre operation and cancellation of programmes. The difficulties in hiring professional staff had led to some inadvertent savings. In the end, the Council recorded a surplus for the financial year 2020-21.

In the reporting period, the rise in total income was mainly due to the increase in Lump Sum Grant Subvention from Social Welfare Department (SWD), and the special grants from the government and external parties to support our daily operation. SWD had provided around 76.4% of our total income. Additional subventions for various services in our subsidised service units during the year also contributed to the increase in total income.

### *Environmental Policies and Performance*

The Council places great importance on environmental concerns and energy conservation in our daily work. There are various measures to improve energy efficiency, promote energy conservation and minimise negative environmental impacts.

In order to achieve better management practices on environmental protection, renovation works of our Tung Chung Integrated Services Centre -- Tai O Sub-office has adopted the Building Environmental Assessment Method (BEAM) throughout the building design, material selection, and site monitoring process which fit the rating standards of BEAM Plus Interiors. In addition, the "Jockey Club Solar Care Project" at our Harmony Manor which is targeted to serve as a service platform to accelerate the use of solar energy in local communities would be launched in the coming financial year with support from the Architectural Services Department.

#### *Compliance with the Relevant Laws and Regulations*

The Council is a Hong Kong incorporated company limited by guarantee and is subject to laws and regulations of the HKSAR. The Council's service quality standards comply with the requirements of the service performance monitoring systems and subvention manuals of our funding bodies. Our Corporate Governance & Board Function Sub-committee, under the Executive Committee is tasked to maintain agency compliances.

#### *Relationship with Employees, Funding Bodies and Service Users*

##### Employees

Overall, the Council maintains a good working relationship with its employees. Our staff's salaries follow generally the Civil Service Pay Scale. Salary adjustments are made in line with the salary adjustments announced by SWD from time to time. As recognition to the efforts of our staff during COVID-19 pandemic period, a one-off special allowance has been granted to staff of our residential and home care services units. Furthermore, the Council continues to provide medical insurance, one off employer contribution to staff MPF accounts; and one-off annual performance incentives for all eligible staff. We have also reduced the weekly working hours of our frontline staff and have introduced a second MPF provider to enhance staff choices.

##### Service Users

The Council always gives priority in caring and serving our service users. There were no serious complaint or material incidents in the reporting period. Nevertheless, the Council will continue to improve the quality and quantity of our services through various channels. Several value-added programmes were conducted during the year.

In light of the severe pandemic situation, there is apparently physical and mental impact on young people due to prolong home bounding and reduced in social activities. Our youth service has highlighted programmes and activities for children & youth mental well-being such as Relaxation Youth Club. Youth entrepreneurship is another core theme to engage young people to develop their aspiration on careers and social impacts building. Business Operation Simulation is organised for our youth workers to experience practical knowledge on pricing & market strategies, income & cost control etc. "Young Entrepreneurs: Dare to be Different" has been launched as a follow up programme for young people to have a feel about business operation by trial running an online flower boutique.

Our Council stresses the inherent strength and talent of our mentally/physically handicapped service users. We believe in their faith, insistence and capacity. The Rehabilitation Service Division of our Council has launched a “Nearby online shop” which is a window to show case the abilities and talents of our members. In order to continue joyful living in our residential hostels during the pandemic, we set up Christmas / Lunar New Year thematic activities in the hostels. Our newly established Excelsior Manor in Tung Chung has used “Finland Santa Clause Village theme” to create joyful experiences to all of their members which is so well received in social or mainstream media.

Although face to face activities are limited under the pandemic, large-scale on-line programmes are organized to keep up the healthy and happy momentum of the elderlies such as Jockey Club E-Health On-line exercise day; Pilot Project on Telemedicine; On-line Health Check & Promotion Day; Cheer Up our Carers On-Line Recognition programme. Equal attention is paid to non-technology literate elders. “Make the Call: Used smart phones for needy elders” was launched by mobilising telecom companies to donate smart phones and as well as pairing up secondary school students to support these elders. When the pandemic situation become less severe, muscle and physiotherapy trainings have been organized to enable the elders to rebuild their physical strength.

Promoting the spirit of neighbourliness and enhance community integration is one of the Council’s key objectives. In view of the uncertain economic situation and tense atmosphere, our Family and Community Service units will jointly organise a “Care among Communities” Programme within different communities groups. Residents are encouraged to send self-designed postcard with positive message to each other.

#### Funding Bodies

The Council has been proactively carrying out regular financial or operational checking to address any practical or potential concerns of the funders. These included regular inspections and surprise checks. The Council has put efforts in complying with funders’ requirements. Service Quality Standards is one of the major tools to ensure service qualities and accountabilities.

#### *Principal Risks and Uncertainties*

SWD contributes around 76.4% of the Council’s annual revenue. The Council will continue with its close working relationship with this major stakeholder in the delivery of the subvented services.

As most of the funds and reserves of the Council are deposited in Hong Kong Dollar accounts with different local banks, the financial risk of the Council is relatively low.

#### *Particulars of Important Events After the Financial Year*

With the global pandemic impact, the Council will continue to render various tangible supports to disadvantaged people. We collect various kinds of donations such as facial masks, cleansing products, fresh food and deliver these to those in need. Information technology device and data cards are also the main target for donation.

### *Indication of Likely Future Development*

#### Future Development Strategy

With the new socio-economical and pandemic situation in Hong Kong, it is expected that these will lead to more complicated and diversified social needs and demands. The Council will adopt the following strategies in its future development:

1. We will work closely with our key stakeholders, which include government departments like SWD and other established public bodies and to align with their policies and requirements.
2. The Council will continue to pioneer new services through self-finance mode such as fund raising campaigns like high-end products charity sales, charity film shows or interactive flag days to create diversified funding sources.
3. With over 50 year's solid contribution in Hong Kong, we will revisit our role as an energetic NGO, and engage change makers from different background to further enhance our operations.
4. The Council will continue our mission of "Extension", and highlighting share values to enhance social harmony, inclusion and happiness.

#### Future Service Development

In accordance with the Council's guiding principle of "people-oriented", our Council will endeavour to serve the people in need as follows.

With our strong service history in neighbourhood level community, district level service interfacing will be one of the key strategies to enhance service comprehension and increase service impact. Interaction with different target groups will also be promoted to further develop and strengthen neighbourhood relationship.

With the support from Hong Kong Jockey Club, a new information technology system for Special Child Care centres / services will be excelled. The project will be allied with other NGOs with similar service needs. Regarding to education services, our Yuen Long Day Nursery took the lead to form its Parent-Teacher Association. Our three other kindergarten-child care centres are paving ways to form their Parent-Teacher Associations. This will further promote the spirit of parent participation.

#### **AUDITORS**

The financial statements were audited by Chan, Li, Law CPA Limited, Certified Public Accountants (Practising), which retires and, being eligible, offers itself for re-appointment.

On behalf of the Executive Committee



Mr. YEN Yuen Ho, Tony, SBS  
Chairman  
Hong Kong, 6 October 2021



*Chan, Li, Law CPA Limited*  
*Certified Public Accountants (Practising)*  
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**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF  
THE NEIGHBOURHOOD ADVICE-ACTION COUNCIL  
(incorporated in Hong Kong with liability limited by guarantee)**

**Report on the Audit of the Financial Statements**

***Opinion***

We have audited the financial statements of The Neighbourhood Advice-Action Council (the "Council") set out on pages 11 to 50, which comprise the statement of financial position as at 31 March 2021, and the statement of comprehensive income and expenditure, statement of changes in funds and reserves 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 Council as at 31 March 2021, and of the financial performance and cash flows of the Council 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 ("HKSAAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Council 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.

***Information Other than the Financial Statements and Auditor's Report Thereon***

The Executive Committee members are responsible for the other information. The other information comprises all the information included in the report of the Executive Committee set out on pages 1 to 6, but does not include the financial statements and our auditor's 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.

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 Executive Committee Members for the Financial Statements***

The Executive Committee members are responsible for the preparation of the 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 Executive Committee members 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 Executive Committee members are responsible for assessing the Council'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 Executive Committee members either intend to liquidate the Council or to cease operations, or have no realistic alternative but to do so.

The Executive Committee members are responsible for overseeing the Council's financial reporting process.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of the report. 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 auditor's 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 HKSAs 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 HKSAs, we exercise professional judgment and maintain professional skepticism 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 Council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Executive Committee members.
- Conclude on the appropriateness of the Executive Committee members' 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 Council's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Council 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 the Executive Committee members 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.

### **Report on Compliance with the Reporting Requirements of Community Care Fund**

We have examined the income and expenditure of four Council's projects (collectively referred to herein as the "CCF Projects") subsidised by Community Care Fund and co-operated with Social Welfare Department ("SWD") for the year ended 31 March 2021 as stated below and disclosed on note 6 to the financial statements :-

- The assistance programme under Community Care Fund - Pilot Scheme on Living Allowance for Carers of Elderly Persons from Low-Income Families (letter of approval reference SWD/CCF/10-20/2014/1/1) ;
- The assistance programme under Community Care Fund - Pilot Scheme on Living Allowance for Low-Income Carers of Persons with Disabilities (letter of approval reference SWD/CCF/10-20/2016/7/1) ;
- The assistance programme under Community Care Fund - Pilot Scheme on Home Care and Support for Elderly Persons with Mild Impairment (letter of approval reference SWD/CCF/10-20/2017/13/1) ; and

- The assistance programme under Community Care Fund - One-off Living Subsidy for Low-Income Households Not Living in Public Housing and Not Receiving Comprehensive Social Security Assistance.

Our responsibility is to express our factual findings on the income and expenditure account of the CCF Projects based on our examination and to report our findings solely to you, in order to satisfy the requirement to report the income and expenditure of the CCF Projects to the SWD under the respective letters of approval issued by SWD.

We conducted our examination in accordance with Hong Kong Standards on Related Services 4400, "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants. The procedures were performed solely to ascertain whether the income and expenditure of the CCF Projects were arising from the assistance programme under Community Care Fund and in accordance with all service specification of the assistance programme and the guidelines issued by SWD.

Based on our examination we report that the Council has complied with the requirements as stipulated by SWD and Community Care Fund on implementing the CCF Projects.

Because our examination to the CCF Projects do not constitute an assurance engagement made in accordance with HKSAAs, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements, we do not express any assurance on the income and expenditure account of the CCF Projects.



Chan, Li, Law CPA Limited  
Certified Public Accountants (Practising)  
Hong Kong, 6 October 2021

Kwok Wai Choi Eddie  
Practising Certificate No.: P05451

**THE NEIGHBOURHOOD ADVICE-ACTION COUNCIL**  
**STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE**  
**FOR THE YEAR ENDED 31 MARCH 2021**  
*(Expressed in Hong Kong dollars)*

	<u>Note</u>	<u>2021</u> HK\$	<u>2020</u> HK\$
<b>Revenue</b>	7	803,863,217	774,856,624
Other income	8	791,939	673,443
Administrative and operating expenses		(730,354,751)	(707,260,867)
Finance costs	11	(972,628)	(1,424,681)
<b>Surplus for the year</b>	10	<u>73,327,777</u>	<u>66,844,519</u>
<b>Other comprehensive income for the year</b>		-	-
<b>Total comprehensive income for the year</b>		<u><u>73,327,777</u></u>	<u><u>66,844,519</u></u>

The notes on pages 17 to 50 form part of these financial statements.

**THE NEIGHBOURHOOD ADVICE-ACTION COUNCIL**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2021**  
*(Expressed in Hong Kong dollars)*

	<u>Note</u>	<u>2021</u> HK\$	<u>2020</u> HK\$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	12,512,953	24,847,237
Listed securities	14	91,000	88,300
Investment property	15	4,600,000	4,500,000
		<u>17,203,953</u>	<u>29,435,537</u>
<b>Current assets</b>			
Inventories	16	154,273	89,243
Accounts and other receivables		19,457,044	31,609,534
Deposit and prepayment		2,608,623	2,651,409
Fixed deposit (pledged)	33	1,505,993	1,496,043
Cash and bank balances	30(a)	268,091,163	199,040,870
		<u>291,817,096</u>	<u>234,887,099</u>
<b>Current liabilities</b>			
Accounts and other payables		21,693,444	36,453,670
Receipt in advance		6,235,845	4,313,672
Deposits received		578,205	548,888
Lease liabilities	17	12,605,334	12,386,182
		<u>41,112,828</u>	<u>53,702,412</u>
<b>Net current assets</b>		<u>250,704,268</u>	<u>181,184,687</u>
<b>Total assets less current liabilities</b>		<u>267,908,221</u>	<u>210,620,224</u>
<b>Less : Non-current liabilities</b>			
Lease liabilities	17	598,286	13,177,040
<b>NET ASSETS</b>		<u>267,309,935</u>	<u>197,443,184</u>

The notes on pages 17 to 50 form part of these financial statements.

**THE NEIGHBOURHOOD ADVICE-ACTION COUNCIL**  
**STATEMENT OF FINANCIAL POSITION (continued)**  
**AS AT 31 MARCH 2021**  
*(Expressed in Hong Kong dollars)*

	<u>Note</u>	<u>2021</u> HK\$	<u>2020</u> HK\$
<b>FUNDS AND RESERVES</b>			
Lotteries Fund - Block Grant Reserve	18	2,729,352	2,433,245
Lotteries Fund - Pilot Scheme on Community Care Service Voucher for the Elderly	19	(701,407)	(48,289)
SWD Lump Sum Grant Reserve	20	160,762,384	109,094,713
SWD Central Item Reserve	21	3,012,673	3,845,560
SWD Social Welfare Subvention surplus account	22	(2,579,296)	(1,858,674)
SWD Provident Fund Reserve	23	65,451,390	58,070,208
SWD Child Development Fund	24	(226,438)	(480,624)
SWD Social Welfare Development Fund	25	1,979,441	3,212,148
Naming-after donation for work and furniture and equipment procurement	27	1,807	41,947
Day Nursery Fund	28	14,790,028	-
Other funds	29	4,215,884	4,218,486
General fund	26	17,874,117	18,914,464
		<u>267,309,935</u>	<u>197,443,184</u>
		=====	=====

Approved and authorised for issue by the Executive Committee on 6 October 2021



Mr. YEN Yuen Ho, Tony, SBS  
Chairman



Mr. YIP Ching Shan  
Honorary Treasurer

The notes on pages 17 to 50 form part of these financial statements.

**THE NEIGHBOURHOOD ADVICE-ACTION COUNCIL**  
**STATEMENT OF CHANGES IN FUNDS AND RESERVES**  
**FOR THE YEAR ENDED 31 MARCH 2021**  
*(Expressed in Hong Kong dollars)*

	Lotteries Fund - Pilot Scheme on Community	Lotteries Fund - Block Grant Reserve	Lotteries Fund Care Service Voucher for the Elderly	SWD Lump Sum Grant Reserve	SWD Central Item Reserve	SWD Social Welfare Subvention surplus account	SWD Provident Fund Reserve	SWD Child Development Fund	SWD Social Welfare Development Fund	Naming-after donation for work and furniture and equipment procurement	Day Nursery Fund	Other funds	General fund	Total
	HK\$ Note 19	HK\$ Note 18	HK\$ Note 19	HK\$ Note 20	HK\$ Note 21	HK\$ Note 22	HK\$ Note 23	HK\$ Note 24	HK\$ Note 25	HK\$ Note 27	HK\$ Note 28	HK\$ Note 29	HK\$ Note 26	HK\$
Balance at 1 April 2019	(365,124)	2,393,332	(365,124)	62,631,672	709,172	(1,162,709)	49,998,558	(670,623)	3,361,575	384,912	-	4,067,646	12,980,643	134,329,054
Total comprehensive income/ (expense) for the year	316,835	1,380	316,835	47,488,816	2,670,650	(1,312,503)	8,593,436	525,010	(149,427)	1,197	-	(15,981)	8,725,106	66,844,519
Grant received/(utilised), net	-	(13,227)	-	-	-	-	79,290	-	-	(344,768)	-	166,821	-	(111,884)
Clawback amount and adjustments, net	-	-	-	(3,114,041)	510,463	(78,840)	(601,076)	(335,011)	-	-	-	-	-	(3,618,505)
Transferred from/(to) General fund	-	51,760	-	2,083,925	(44,725)	-	-	-	-	606	-	-	(2,091,566)	-
Effect of HKFRS 16 absorbed by General fund	-	-	-	4,341	-	695,378	-	-	-	-	-	-	(699,719)	-
Balance at 31 March 2020	(48,289)	2,433,245	(48,289)	109,094,713	3,845,560	(1,858,674)	58,070,208	(480,624)	3,212,148	41,947	-	4,218,486	18,914,464	197,443,184
Total comprehensive income/ (expense) for the year	(936,910)	48	(936,910)	50,672,040	1,858,360	(580,906)	8,233,742	254,186	(1,145,791)	-	4,545,446	(35,110)	10,462,672	73,327,777
Grant received/(utilised), net	-	296,059	-	-	-	-	241,586	-	-	(40,144)	-	32,508	-	530,009
Clawback amount and adjustments, net	-	-	-	-	(2,691,247)	(118,726)	(1,094,146)	-	(86,916)	-	-	-	-	(3,991,035)
Transferred from/(to) General fund	283,792	-	283,792	1,000,000	-	-	-	-	-	4	10,244,582	-	(11,528,378)	-
Effect of HKFRS 16 absorbed by General fund	-	-	-	(4,369)	-	(20,990)	-	-	-	-	-	-	25,359	-
Balance at 31 March 2021	(701,407)	2,729,352	(701,407)	160,762,384	3,012,673	(2,579,296)	65,451,390	(226,438)	1,979,441	1,807	14,790,028	4,215,884	17,874,117	267,309,935

The notes on pages 17 to 50 form part of these financial statements.

**THE NEIGHBOURHOOD ADVICE-ACTION COUNCIL**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 MARCH 2021**  
*(Expressed in Hong Kong dollars)*

	<u>Note</u>	<u>2021</u> HK\$	<u>2020</u> HK\$
<b>Cash flows from operating activities</b>			
Surplus for the year		73,327,777	66,844,519
Adjustments for :-			
Bank interest income	8	(347,485)	(712,943)
Depreciation	13	12,334,290	11,361,975
Finance costs	11	972,628	1,424,681
(Gain)/loss on fair value change of listed securities	8	(2,700)	39,500
Gain on fair value change of investment property	8	(100,000)	-
Write off of property, plant and equipment	13	42,411,541	50,583,250
<b>Operating surplus before changes in working capital</b>		<u>128,596,051</u>	<u>129,540,982</u>
(Increase)/decrease in inventories		(65,030)	9,118
Decrease/(increase) in accounts and other receivables		12,152,490	(7,518,901)
Decrease/(increase) in deposit and prepayment		42,786	(396,024)
(Decrease)/increase in accounts and other payables		(14,760,226)	20,370,635
Increase in receipt in advance		1,922,173	328,677
Increase/(decrease) in deposits received		29,317	(5,765)
<b>Net cash generated from operating activities</b>		<u>127,917,561</u>	<u>142,328,722</u>
<b>Cash flows from investing activities</b>			
Bank interest income		347,485	712,943
Payments to acquire property, plant and equipment		(42,411,547)	(50,583,255)
Decrease/(increase) in time deposits with original maturity over three months		5,986,352	(6,278,228)
<b>Net cash used in investing activities</b>		<u>(36,077,710)</u>	<u>(56,148,540)</u>
<b>Net cash generated from operating and investing activities - page 16</b>		<u>91,839,851</u>	<u>86,180,182</u>

The notes on pages 17 to 50 form part of these financial statements.

**THE NEIGHBOURHOOD ADVICE-ACTION COUNCIL**  
**STATEMENT OF CASH FLOWS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2021**  
*(Expressed in Hong Kong dollars)*

	<u>Note</u>	<u>2021</u> HK\$	<u>2020</u> HK\$
<b>Net cash generated from operating and investing activities - page 15</b>		91,839,851	86,180,182
		-----	-----
<b>Cash flows from financing activities</b>			
Lotteries Fund - Block Grant received, net		296,059	(13,227)
Refund received of SWD Lump Sum Grant Reserve		-	(3,114,041)
Clawback of and adjustment to SWD Central Item Reserve, net		(2,691,247)	510,463
Clawback of and adjustment to SWD Social Welfare Subvention surplus account, net		(118,726)	(78,840)
SWD Provident Fund received, net		241,586	-
Clawback of and adjustment to SWD Provident Fund Reserve, net		(1,094,146)	(521,786)
Clawback of and adjustment to SWD Social Welfare Development Fund, net		(86,916)	-
Clawback of and adjustment to SWD Child Development Fund, net		-	(335,011)
Naming-after donation for work and furniture and equipment procurement received		(40,144)	(344,768)
Other funds received		32,508	166,821
Additions of rights-of-use assets		-	(10,136)
Increase in fixed deposit (pledged)		(9,950)	(25,553)
Capital element of lease rentals paid	30(b)	(12,359,602)	(10,642,251)
Interest element of lease rentals paid	30(b)	(972,628)	(1,424,681)
<b>Net cash used in financing activities</b>		(16,803,206)	(15,833,010)
		-----	-----
<b>Net increase in cash and cash equivalents</b>		75,036,645	70,347,172
<b>Cash and cash equivalents at the beginning of the year</b>		183,896,102	113,548,930
<b>Cash and cash equivalents at the end of the year</b>	30(a)	258,932,747	183,896,102
		=====	=====

The notes on pages 17 to 50 form part of these financial statements.

**THE NEIGHBOURHOOD ADVICE-ACTION COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2021**  
*(Expressed in Hong Kong dollars)*

**1. GENERAL INFORMATION**

The Neighbourhood Advice-Action Council (the “Council”) is a company with limited liability by guarantee and incorporated in Hong Kong, and is a government subvented and charitable organisation. The registered office of the Council is located at Room 704, Duke of Windsor Social Service Building, 15 Hennessy Road, Wanchai, Hong Kong. The principal activity of the Council during the year was the provision of social services to the community.

**2. LIABILITIES OF MEMBERS**

In accordance with the memorandum of association of the Council, every member shall, in the event of the Council being wound up, contribute such amount as may be required to meet the Council’s liabilities but not exceeding HK\$100.

**3. SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Statement of compliance

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong, the requirements of the Hong Kong Companies Ordinance and the guidelines issued by the Social Welfare Department (“SWD”).

(b) Basis of preparation of financial statements

The measurement basis used in the preparation of the financial statements is the historical cost basis.

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 expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (b) Basis of preparation of financial statements (continued)

The estimates and underlying assumptions are reviewed on a going concern basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

#### (c) Changes in accounting policies and disclosures

The HKFRSs has issued certain amendments to HKFRSs that are first effective for the current accounting period of the Company. None of these impact on the accounting policies of the Company.

The Company has not applied any standards or amendments to HKFRSs that is not yet effective for the current accounting period.

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

Property, plant and equipment with future economic benefits to the Council are stated at cost less accumulated depreciation and impairment losses, if any. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance costs, is normally charged to the Statement of Comprehensive Income and Expenditure in the period in which it is incurred. In situation where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of the asset.

The costs of property, plant and equipment have been written down to HK\$1 for each service location and office during the year of acquisition due to the unpredictable future economic benefits from the use of the newly acquired assets.

The gain or loss on disposal or retirement of an asset is the difference between the net sales proceeds and the carrying amount of the relevant asset and is recognised in the Statement of Comprehensive Income and Expenditure.

#### (e) Investment property

Investment property is land and/or buildings which is owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use.

Investment property is stated at fair value, unless it is still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably determined at that time.

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (e) Investment property (continued)

On initial recognition, the investment property is measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in the Statement of Comprehensive Income and Expenditure for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposal. 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 asset) is included in the Statement of Comprehensive Income and Expenditure in the year in which the item is derecognised.

#### (f) Investments in securities

Investments in securities are recognised / derecognised on the date the Council commits to purchase / sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss ("FVPL") for which transaction costs are recognised directly in surplus or deficit. For an explanation of how the Council determines fair value of financial instruments, see note 34(e). These investments are subsequently accounted for as follows, depending on their classification.

##### (i) Investments other than equity investments

Non-equity investments held by the Council are classified into one of the following measurement categories :

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (note 3(q)(iii)).
- fair value through other comprehensive income ("FVOCI") – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in surplus or deficit of expected credit losses ("ECLs"), interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from the Statement of Comprehensive Income and Expenditure.

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (f) Investments in equity securities (continued)

##### (i) Investments other than equity investments (continued)

Non-equity investments held by the Council are classified into one of the following measurement categories : (continued)

- fair value at profit or loss (“FVPL”) if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in the Statement of Comprehensive Income and Expenditure.

##### (ii) Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Council makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer’s perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to accumulated fund. It is not recycled through the Statement of Comprehensive Income and Expenditure.

#### (g) Accounts and other receivables

A receivable is recognised when the Council’s right to consideration is unconditional. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (note 3(i)(i)).

#### (h) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have been within three months of maturity at acquisition.

For the purpose of statement of cash flows, bank overdrafts that are repayable on demand and form an integral part of the Council’s cash management are also included as a component of cash and cash equivalents. Cash and cash equivalents are assessed for ECLs in accordance with the policy set out in note 3(i)(i).

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (i) Impairment of assets

##### (i) Credit loss from financial assets

The Council recognises loss allowances for ECLs on accounts and other receivables, fixed deposits (pledged) and cash and bank balances.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Council in accordance with the contract and the cash flows that the Council expects to receive). The expected cash shortfalls are discounted at an approximation to the assets' original effective interest rate where the effect of discounting is material.

The ECLs are measured on either of the following bases: (1) 12-months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Council is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Council considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Council's historical experience and informed credit assessment and including forward-looking information.

The Council assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Council has elected to measure loss allowances for finance lease receivables and trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Council has established a provision matrix that is based on the Council's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For factoring receivables and other debt financial assets, the ECLs are based on the 12-months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non-credit-impaired financial assets interest income is calculated based on the gross carrying amount.

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (i) Impairment of assets (continued)

#### (ii) Impairment of non-financial assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that right-of-use assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased.

If any such indication exists, the asset's recoverable amount is estimated.

#### (a) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

#### (b) Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

#### (c) Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the Statement of Comprehensive Income and Expenditure in the year in which the reversals are recognised.

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (j) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchases and, where applicable, costs of conversion and other costs that are incurred in bringing the inventories to their present location and condition, is calculated using the first-in-first-out basis method. Net realisable value represents the estimated selling price in ordinary course of operation less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

#### (k) Accounts and other payables

Accounts and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial in which case they are stated at cost.

#### (l) Provisions and contingencies

Provision are recognised when there is a present obligation, legal or constructive, as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed regularly and adjusted to reflect the current best estimate. Where the time value of money is material, provision are the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (m) Related parties

- (a) A person, or a close member of that person's family, is related to the Council if that person :-
- (i) has control or joint control over the Council ;
  - (ii) has significant influence over the Council ; or
  - (iii) is a member of the key management personnel of the Council or a parent of the Council.
- (b) An entity is related to the Council if any of the following conditions applies :-
- (i) The entity and the Council are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Council or an entity related to the Council.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a).
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Council or to the parent of the Council.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

#### (n) Employee benefits

- (a) Salaries, annual bonuses, annual leave and allowances are accrued and recognised as an expense in the year in which the associated services are rendered by employees of the Council.
- (b) Contributions to defined contributions retirement schemes, including Mandatory Provident Funds as required under the Mandatory Provident Fund Schemes Ordinance, are recognised as an expense in the Statement of Comprehensive Income and Expenditure as incurred.

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (o) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in the Statement of Comprehensive Income and Expenditure, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which is recognised directly in the Statement of Comprehensive Income and Expenditure.

Non-monetary assets and liabilities that are measured in term of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Council initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

#### (p) Leased assets

At inception of a contract, the Council assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

##### (i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Council has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Council recognises a right-of-use asset and a lease liability for the rights and obligations created by all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low-value assets. When the Council enters into a lease in respect of a low-value asset, the Council decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (p) Leased assets (continued)

##### (i) As a lessee (continued)

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to the Statement of Comprehensive Income and Expenditure in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see note 3(i)(ii)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Council's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Council will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in income and expenditure if the carrying amount of the right-of-use asset has been reduced to zero.

The Council presents right-of-use asset in property, plant and equipment (note 3(d)) and lease liability separately in the statement of financial position.

##### (ii) As a lessor

When the Council acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Leased assets (continued)

(ii) As a lessor (continued)

When a contract contains lease and non-lease components, the Council allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with note 3(q)(vi).

When the Council is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Council applies the exemption, then the Council classifies the sub-lease as an operating lease.

(q) Revenue and other income recognition

The Council recognises revenue from contracts with customers when (or as) the Council satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset. When (or as) a performance obligation is satisfied, the Council recognises as revenue the amount of the transaction price (which excludes estimates of variable consideration that are constrained in accordance with HKFRS 15) that is allocated to that performance obligation.

Further details of the Council's revenue and other income recognition policies are as follows :-

- (i) Income from government and related organisations in the form of transfer of resources in return for past or future compliance with certain conditions relating to the operating activities of the Council are recognised when there is reasonable assurance that the conditions have been complied with ;
- (ii) Income from Community Care Fund is recognised on cash basis ;
- (iii) Operating income including membership fee, program fee, service, food, transportation and hostel income are recognised on cash basis ;
- (iv) Donations are recognised when the rights to receive payment are established ;
- (v) Designated donation income are recognised upon the relevant designated expenses were paid ;
- (vi) Rental income from operating leases is recognised on the accrual and straight line bases over their respective period of the leases ;

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (q) Revenue and other income recognition (continued)

Further details of the Council's revenue and other income recognition policies are as follows :- (continued)

- (vii) Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Council will comply with the conditions attaching to them. Grants that compensate the Council for expenses incurred are recognised as income in the Statement of Comprehensive Income and Expenditure on a systematic basis in the same periods in which the expenses are incurred ; and
- (viii) Interest income is recognised on a time apportionment basis on the principal outstanding and at the rates applicable.

### 4. INCOME AND EXPENDITURE OF DIRECT CASH ASSISTANCE

Income and expenditure accounts by distinct of the Direct Cash Assistance under District Support Scheme for Children and Youth Development pursuant to the requirement of the SWD are presented as follows:

	<u>Note</u>	<u>Central Western, Southern and Islands District</u>	
		<u>2021</u> HK\$	<u>2020</u> HK\$
Allocated Sum of the Year	7	414,000	406,000
Actual Expenditure		(414,000)	(406,000)
Unspent Allocation		<u>-</u>	<u>-</u>
		=====	=====

**5. TRAINING SUBSIDY PROGRAMME FOR CHILDREN ON WAITING LIST FOR SUBVENTED PRE-SCHOOL REHABILITATION SERVICE PROGRAMME SUBSIDISED BY CENTRAL ITEM**

Training Subsidy Programme for Children on Waiting List for Subvented Pre-School Rehabilitation Service was granted to the Council during the current and preceding years. Separate accounts of such subsidy are presented as follows pursuant to the requirements of the SWD :

	<u>2021</u> HK\$	<u>2020</u> HK\$
<b>INCOME</b>		
Training subsidy	436,144	782,955
	-----	-----
<b>EXPENDITURE</b>		
Staff salaries and MPF	445,626	296,335
Telephone, fax and internet	277	543
Printing and stationery	6,538	5,528
Other expenses :-		
- Administrative fee	22,372	24,359
- Cleaning materials	105	2,037
- Consumable expenses	116	93
- Service fee expenses	5,660	167,300
- Teaching materials	1,635	70,495
- Utilities	4,031	10,205
<b>Total expenditure</b>	<u>486,360</u>	<u>576,895</u>
<b>(DEFICIT)/SURPLUS FOR THE YEAR</b>	<u>(50,216)</u>	<u>206,060</u>
	-----	-----
Cumulated income brought forward	2,563,587	1,780,632
Cumulated expenditure brought forward	(2,528,394)	(1,951,499)
<b>CUMULATED SURPLUS/(DEFICIT) BROUGHT FORWARD</b>	<u>35,193</u>	<u>(170,867)</u>
	-----	-----
<b>CUMULATED (DEFICIT)/SURPLUS CARRIED FORWARD</b>	<u>(15,023)</u>	<u>35,193</u>
	=====	=====

**6. PROJECTS SUBSIDISED BY COMMUNITY CARE FUND**

The Council has implemented four Community Care Fund (“CCF”) assistance programmes as at year end with accumulated income over HK\$250,000. According to the requirement of CCF, the Council is required to disclose the income and expenditure for each programme in its financial statements.

Project 1 : Community Care Fund - Pilot Scheme on Living Allowance for Carers of Elderly Persons from Low-Income Families

Project 2 : Community Care Fund - Pilot Scheme on Living Allowance for Low-Income Carers of Persons with Disabilities

Project 3 : Community Care Fund - Pilot Scheme on Home Care and Support for Elderly Persons with Mild Impairment

Project 4 : Community Care Fund - One-off Living Subsidy for Low-Income Households Not Living in Public Housing and Not Receiving Comprehensive Social Security Assistance

## 6. PROJECTS SUBSIDISED BY COMMUNITY CARE FUND (continued)

	2021				2020			
	Project 1 HK\$	Project 2 HK\$	Project 3 HK\$	Project 4 HK\$	Project 1 HK\$	Project 2 HK\$	Project 3 HK\$	Project 4 HK\$
<b>BALANCE AT THE BEGINNING OF YEAR</b>	598,874	517,757	(1,126,201)	-	494,534	528,581	(982,894)	-
<b>Income</b>								
Subsidy from CCF	330,960	397,200	5,699,254	465,250	551,160	477,960	4,564,713	-
Subsidy from CCF (Prior Year 2018-19) **	-	-	10,535	-	-	-	-	-
Other government and related subvention	-	54,000	-	-	-	-	-	-
Fee income received from participants	-	-	647,472	-	-	-	511,167	-
<b>Total income</b>	<b>330,960</b>	<b>451,200</b>	<b>6,357,261</b>	<b>465,250</b>	<b>551,160</b>	<b>477,960</b>	<b>5,075,880</b>	<b>-</b>
<b>Expenditure</b>								
Salaries and allowances	95,364	461,450	4,486,798	-	79,905	450,340	3,986,450	-
Provident fund contributions	5,768	32,802	280,179	-	3,996	26,573	244,756	-
Stores and equipment	-	-	84,725	3,517	-	-	18,005	-
Repair and maintenance	-	-	-	-	-	-	117	-
Publicity expenses	-	-	-	22,750	-	-	-	-
Transportation and travelling	-	-	34,150	-	-	-	25,727	-
Miscellaneous	-	100	83,870	-	-	100	4,920	-
Services related expenses	-	-	906,457	-	-	-	831,151	-
Other expenditure: -								
- Insurance	1,148	3,368	34,356	-	970	5,022	36,001	-
- Management fee	134,612	6,968	82,748	173,400	361,949	6,749	72,060	-
<b>Total expenditure</b>	<b>236,892</b>	<b>504,688</b>	<b>5,993,283</b>	<b>199,667</b>	<b>446,820</b>	<b>488,784</b>	<b>5,219,187</b>	<b>-</b>
<b>Surplus/(deficit) for the year</b>	<b>94,068</b>	<b>(53,488)</b>	<b>363,978</b>	<b>265,583</b>	<b>104,340</b>	<b>(10,824)</b>	<b>(143,307)</b>	<b>-</b>
Surplus/(deficit) brought forward from previous year	598,874	517,757	(1,126,201)	-	494,534	528,581	(982,894)	-
<b>BALANCE AT THE END OF YEAR</b>	<b>692,942</b>	<b>464,269</b>	<b>(762,223)</b>	<b>265,583</b>	<b>598,874</b>	<b>517,757</b>	<b>(1,126,201)</b>	<b>-</b>

Remark \*\*: Restated income received from CCF for Year 2018-19, total \$2,307,030

## 7. REVENUE

	<u>Note</u>	<u>2021</u> HK\$	<u>2020</u> HK\$
Income from government and related organisations :-			
Community Care Fund		7,061,892	5,786,083
Education Bureau		30,481,150	28,851,360
Employees Retraining Board		256,496	45,420
Home Affairs Department		5,366,276	5,685,825
Hong Kong Housing Authority and Housing Department		1,371,340	1,459,127
Hospital Authority		9,414,000	9,157,000
Labour and Welfare Bureau		2,080,176	3,105,112
Lotteries Fund		35,531,260	49,210,672
Student Financial Assistance Agency		4,708,295	4,860,481
Social Welfare Department :-			
- Central Items		8,550,060	10,852,363
- Child Care Centre Subsidy Scheme		5,601,552	4,711,891
- Child Development Fund		2,003,760	2,061,840
- Direct Cash Assistance	4	414,000	406,000
- Lump Sum Grant		562,651,356	524,145,687
- Social Welfare Development Fund		243,428	989,063
- Subvention for manpower enhancement		1,196,860	1,246,930
- Subvention for rent and rates		16,676,313	15,555,797
- One-off subsidy		3,931,156	5,164,697
- Other subsidies		13,116,889	2,510,866
Employment Support Scheme		5,789,684	-
Other government and related subvention		1,052,179	1,722,999
		<u>717,498,122</u>	<u>677,529,213</u>
Income from other sources – page 33		86,365,095	97,327,411
		<u>803,863,217</u>	<u>774,856,624</u>

In 2020, the Council successfully applied for funding support from the Employment Support Scheme under the Anti-epidemic Fund, set up by the Government of Hong Kong Special Administrative Region (“Hong Kong Government”). The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Council is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees.

**7. REVENUE (continued)**

	<u>Note</u>	<u>2021</u> HK\$	<u>2020</u> HK\$
Income from other sources :-			
Flag day income	9	869,144	884,605
Community Chest – other donations		1,778,200	431,137
Designated donations and grants		5,767,727	6,377,325
General donations		859,609	1,565,217
Operating income		67,096,076	81,759,483
Sundry income		850,495	2,985,279
The Hong Kong Jockey Club Charities Trust :-			
- Donation on upgraded furniture and equipment replacement of existing furniture and equipment items of Martha Baker Social Centre for Elderly		-	27,752
- Grant for upgraded furniture and equipment under JCEFMS		336,376	339,801
- Funds to implement Frailty Prevention Programme for Older People		751,245	345,000
- Grant to implement Extension of Jockey Club Community eHealth Care Project		2,564,300	-
- Funds on Jockey Club Age-Friendly City Project Territory-Wide Programme: Home Modification		600,000	-
- Grant on Jockey Club JoyAge Project for Elderly Mental Wellness Project Extension		1,355,713	-
- Other donations		3,536,210	2,611,812
Income from other sources – page 32		<u>86,365,095</u>	<u>97,327,411</u>

**8. OTHER INCOME**

	<u>Note</u>	<u>2021</u> HK\$	<u>2020</u> HK\$
Bank interest income		347,485	712,943
Exchange gain, net		341,754	-
Gain/(loss) on fair value change of listed securities		2,700	(39,500)
Gain on fair value change of investment property	15	100,000	-
		<u>791,939</u>	<u>673,443</u>

## 9. NET PROCEEDS FROM FLAG DAY FUND RAISING ACTIVITIES

During the year ended 31 March 2020, the Council held a flag sale fund-raising activity in public places of Kowloon region on 21 September 2019. During the year ended 31 March 2021, in view of the health risk caused by the COVID-19, flag sale activities in public places on 5 August 2020 were cancelled. The Council continued the fund-raising activities through other means in non-public areas and direct donation contributed to the Council.

	<u>Note</u>	<u>2021</u> HK\$	<u>2020</u> HK\$
<b>INCOME</b>			
Flag selling		-	547,610
Flag day appeal		869,144	336,995
	7	<u>869,144</u>	<u>884,605</u>
<b>EXPENDITURE</b>			
Administrative expenses		(82,890)	(72,182)
<b>NET PROCEEDS</b>		<u>786,254</u>	<u>812,423</u>

The net proceeds of the flag day fund raising activities had been used for operating :-

	<u>2021</u> HK\$	<u>2020</u> HK\$
NAAC Martha Baker Social Centre for the Elderly	353,814	292,472
NAAC Sau Mau Ping Social Centre for the Elderly	353,814	316,845
NAAC Pak Tin Social Centre for the Elderly	78,626	203,106
	<u>786,254</u>	<u>812,423</u>

## 10. SURPLUS FOR THE YEAR

	<u>Note</u>	<u>2021</u> HK\$	<u>2020</u> HK\$
Surplus for the year is arrived at after charging :-			
Auditors' remuneration		356,580	303,250
Cost of inventories sold		1,696,000	1,794,764
Depreciation on right-of-use assets	13	12,334,290	11,361,975
Exchange loss, net		-	289,537
Staff costs			
- Salaries, wages and other benefits		517,525,257	487,924,399
- Contributions to defined contribution retirement plan		35,906,539	32,826,219
Write off of property, plant and equipment	13	42,417,309	50,583,250

**11. FINANCE COSTS**

	<u>2021</u> HK\$	<u>2020</u> HK\$
Interest on lease liabilities	972,628	1,424,681

**12. INCOME TAX**

No provision for Hong Kong profits tax has been made as the Council is an approved charitable organisation and is exempt from tax under section 88 of the Hong Kong Inland Revenue Ordinance.

**13. PROPERTY, PLANT AND EQUIPMENT**

	<u>Note</u>	Properties leased <u>for own use</u> HK\$	Furniture and <u>equipment</u> HK\$	<u>Total</u> HK\$
Cost :-				
At 1 April 2019		278,713	63	278,776
Additions		35,930,431	50,583,255	86,513,686
Written off against surplus or deficit	10	-	(50,583,250)	(50,583,250)
At 31 March 2020		36,209,144	68	36,209,212
Additions		-	42,417,315	42,417,315
Written off against surplus or deficit	10	-	(42,417,309)	(42,417,309)
Written off upon lease termination		(10,608)	-	(10,608)
At 31 March 2021		36,198,536	74	36,198,610
Accumulated depreciation :-				
At 1 April 2019		-	-	-
Charge for the year	10	11,361,975	-	11,361,975
At 31 March 2020		11,361,975	-	11,361,975
Charge for the year	10	12,334,290	-	12,334,290
Written off upon lease termination		(10,608)	-	(10,608)
At 31 March 2021		23,685,657	-	23,685,657
Net book value :-				
At 31 March 2021		12,512,879	74	12,512,953
At 31 March 2020		24,847,169	68	24,847,237

**13. PROPERTY, PLANT AND EQUIPMENT (continued)**

The Council's right-of-use assets represented by the properties leased for own use carried at depreciation cost. The Council has obtained the right to use the properties as its services centres through tenancy agreements. The lease typically run for an initial period of 2 to 3 years.

	<u>Note</u>	<u>2021</u> HK\$	<u>2020</u> HK\$
Interest on lease liabilities	11	972,628	1,424,681
Additions to right-of-use assets		-	35,930,431
Carrying amount of right-of-use assets		12,512,879	24,847,169
Depreciation on right-of-use assets		12,334,290	11,361,975
Total cash outflow for leases	30(c)	<u>13,334,593</u>	<u>12,322,465</u>

**14. LISTED SECURITIES**

	<u>2021</u> HK\$	<u>2020</u> HK\$
Equity securities listed in Hong Kong, at fair value	<u>91,000</u>	<u>88,300</u>

The securities were donated by an unrelated third party to the Council. The dividends generated by these securities shall be used to subsidise elderly projects conducted by the Council.

**15. INVESTMENT PROPERTY**

	<u>Note</u>	<u>2021</u> HK\$	<u>2020</u> HK\$
At the beginning of the year		4,500,000	4,500,000
Fair value adjustment	8	100,000	-
At the end of the year		<u>4,600,000</u>	<u>4,500,000</u>

- (a) The investment property was donated by an ex-member of the Council. The Council intends to hold the investment property as long term investment for generating rental income to subsidise non-subservent elderly services of the Council in Hong Kong. The rental income generated during the year amounted to HK\$160,000 (2020: HK\$168,000).
- (b) The investment property is situated in Hong Kong and located on the lands held under long leases.
- (c) Fair value model is adopted for the measurement of the investment property.

**15. INVESTMENT PROPERTY (continued)****(d) Fair value measurement of properties (continued)****(i) Fair value hierarchy**

As defined in HKFRS 13 – Fair value measurement, the level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows :-

- Level 1 valuations : Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations : Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations : Fair value measured using significant unobservable inputs

During the financial year ended 31 March 2021, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Council's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The investment property of the Council was revalued as at 31 March 2021 using Level 2 inputs. The valuation was carried out by an independent registered professional valuer, who have among their staff with recent experience in the location and category of property being valued.

**(ii) Valuation techniques and inputs used in Level 2 fair value measurements**

The fair value of investment properties and properties held for own use located in Hong Kong is determined using market comparison approach by reference to recent sales price of comparable properties on a price per square foot basis using market data which is publicly available.

## 16. INVENTORIES

	<u>2021</u> HK\$	<u>2020</u> HK\$
School uniform	10,915	13,843
School bags	46,378	65,346
Electric pots	740	2,590
Books	3,840	7,464
Staff uniform	92,400	-
	<u>154,273</u>	<u>89,243</u>

There were no inventories held at their net realisable value at the end of reporting period.

## 17. LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Council's lease liabilities at the end of the current and previous reporting periods :-

	<u>2021</u>		<u>2020</u>	
	<u>Present value of the minimum lease payments</u> HK\$	<u>Total minimum lease payments</u> HK\$	<u>Present value of the minimum lease payments</u> HK\$	<u>Total minimum lease payments</u> HK\$
Within 1 year	12,605,334	13,541,592	12,386,182	13,360,172
After 1 year but within 5 years	598,286	-	13,177,040	13,513,650
	<u>13,203,620</u>	<u>13,541,592</u>	<u>25,563,222</u>	<u>26,873,822</u>
Less : Total future interest expenses		(337,972)		(1,310,600)
Present value of the lease liabilities		<u>13,203,620</u>		<u>25,563,222</u>

**18. LOTTERIES FUND – BLOCK GRANT RESERVE**

Movement of the Furniture and Equipment Replenishment and Minor Works Block Grant Reserve :-

	<u>Note</u>	<u>2021</u> HK\$	<u>2020</u> HK\$
At the beginning of the year		2,433,245	2,393,332
		-----	-----
Add : Block Grant received during the year		8,291,000	7,440,000
Interest income		48	1,380
Adjustment	26	-	51,760
		-----	-----
		8,291,048	7,493,140
		-----	-----
Less : Minor works projects		3,998,718	3,452,086
Purchase of furniture and equipment		3,055,554	3,413,205
Vehicle overhauling		940,669	587,936
		-----	-----
	(a)	7,994,941	7,453,227
		-----	-----
At the end of the year		2,729,352	2,433,245
		=====	=====

Note:

- (a) Expenditure charged to Block Grant during the year should be full expenditure amount, i.e. the actual expenditure incurred in 2020-21.
- (b) Surplus from the Block Grant can only be used for the replenishment of furniture and equipment and minor works. At 31 March 2021, the outstanding commitments in respect of Block Grant Reserve are as follows :-

	<u>2021</u> HK\$	<u>2020</u> HK\$
Contracted for but not provided in the financial statements	84,417	619,740
Authorised but not contracted for	-	-
	-----	-----
	84,417	619,740
	=====	=====

**19. LOTTERIES FUND - PILOT SCHEME ON COMMUNITY CARE SERVICE VOUCHER FOR THE ELDERLY**

	<u>Note</u>	<u>2021</u> HK\$	<u>2020</u> HK\$
At the beginning of the year		(48,289)	(365,124)
(Deficit)/surplus for the year		(936,910)	316,835
Transferred from General fund	26	283,792	-
At the end of the year		<u>(701,407)</u>	<u>(48,289)</u>

**20. SWD LUMP SUM GRANT RESERVE**

	<u>Note</u>	<u>2021</u> HK\$	<u>2020</u> HK\$
At the beginning of the year		109,094,713	62,631,672
Surplus for the year		50,672,040	47,488,816
Refund from Government		-	16,899
Transferred from General fund	26	1,000,000	2,083,925
Unspent balance refunded to SWD		-	(3,130,940)
Effect of HKFRS 16 adsorbed by General fund	26	(4,369)	4,341
At the end of the year		<u>160,762,384</u>	<u>109,094,713</u>

The Social Welfare Department had announced that the clawback arrangement regarding the 25% cap would be resumed for the unused balance of Lump Sum Grant received starting from the year 2007/08. The accumulated unused balance of Lump Sum Grant Reserve subject to the clawback arrangement was HK\$131,188,897 (2020: HK\$79,521,227).

**21. SWD CENTRAL ITEM RESERVE**

	<u>Note</u>	<u>2021</u> HK\$	<u>2020</u> HK\$
At the beginning of the year		3,845,560	709,172
Surplus for the year		1,858,360	327,911
Special allowance		-	2,342,739
Refund from Government		-	668,371
Unspent balance refunded to SWD		(2,691,247)	(157,908)
Transferred to General fund	26	-	(44,725)
At the end of the year		<u>3,012,673</u>	<u>3,845,560</u>

Unspent balance of the Central Item Reserve is subject to clawback arrangement of the Social Welfare Department.

**22. SWD SOCIAL WELFARE SUBVENTION SURPLUS ACCOUNT**

	<u>Note</u>	<u>2021</u> HK\$	<u>2020</u> HK\$
At the beginning of the year		(1,858,674)	(1,162,709)
Deficit for the year		(580,906)	(1,312,503)
Refund from Government		-	11,352
Unspent balance refunded to SWD		(118,726)	(90,192)
Effect of HKFRS 16 adsorbed by General fund	26	(20,990)	695,378
At the end of the year		<u>(2,579,296)</u> =====	<u>(1,858,674)</u> =====

Deficit on SWD Social Welfare Subvention surplus account is expected to be recovered from the Social Welfare Department.

**23. SWD PROVIDENT FUND RESERVE**

	<u>2021</u> HK\$	<u>2020</u> HK\$
At the beginning of the year	58,070,208	49,998,558
Surplus for the year	8,233,742	8,593,436
Adjustment to previous clawback amount	241,586	79,290
Unspent balance refunded to SWD	(1,094,146)	(601,076)
At the end of the year	<u>65,451,390</u> =====	<u>58,070,208</u> =====

Unspent balance of the SWD Provident Fund Reserve for Snapshot Staff which is not eligible for transferring to SWD Provident Fund Reserve for non-Snapshot Staff is subject to clawback arrangement of the Social Welfare Department. At 31 March 2021, the accumulated unused balance of SWD Provident Fund Reserve for Snapshot Staff subject to the clawback arrangement was HK\$1,513,939 (2020 : HK\$1,869,431).

**24. SWD CHILD DEVELOPMENT FUND**

	<u>2021</u> HK\$	<u>2020</u> HK\$
At the beginning of the year	(480,624)	(670,623)
Surplus for the year	254,186	525,010
Unspent balance refunded to SWD	-	(335,011)
At the end of the year	<u>(226,438)</u> =====	<u>(480,624)</u> =====

**25. SWD SOCIAL WELFARE DEVELOPMENT FUND**

	<u>2021</u> HK\$	<u>2020</u> HK\$
At the beginning of the year	3,212,148	3,361,575
Surplus/(deficit) for the year :-		
- allocated for administrative support	-	114,563
- allocated for Non-IT projects	243,428	581,250
- allocated for IT projects	-	293,250
- interest income	66	1,401
- expenditure for training and professional development programmes under Scope A	(359,214)	(565,998)
- expenditure for business system upgrading projects (IT projects) under Scope B	(726,445)	(421,341)
- expenditure for studies aiming at enhancing services delivery under Scope C	(250,000)	-
- expenditure for administrative support	(53,626)	(152,552)
Unspent balance refunded to SWD – Phase 2	(86,916)	-
At the end of the year	<u>1,979,441</u>	<u>3,212,148</u>

**26. GENERAL FUND**

	<u>Note</u>	<u>2021</u> HK\$	<u>2020</u> HK\$
At the beginning of the year		18,914,464	12,987,108
Impact on initial application of HKFRS 16		-	(6,465)
Surplus for the year		10,462,672	8,725,106
Transfer to Lotteries Fund – Block Grant Reserve	18	-	(51,760)
Transferred to Lotteries Fund – Pilot Scheme on Community Care Service Voucher for the Elderly	19	(283,792)	-
Transferred to SWD Lump Sum Grant Reserve	20	(1,000,000)	(2,083,925)
Transferred from SWD Central Item Reserve	21	-	44,725
Transferred to Naming-after donation for work and furniture and equipment procurement	27	(4)	(606)
Transferred to Day Nursery Fund Reserve	28	(10,244,582)	-
Effect of HKFRS 16 adsorbed by General fund	20 and 22	25,359	(699,719)
At the end of the year		<u>17,874,117</u>	<u>18,914,464</u>

**27. MOVEMENT OF NAMING-AFTER DONATION FOR WORKS AND FURNITURE AND EQUIPMENT PROCUREMENT**

**NAAC Mr and Mrs Lam Sum Wan Day Care Centre for the Elderly**

**Date of approval for naming the service unit after the donor: 16 October 2018**

	<u>2021</u> HK\$	<u>2020</u> HK\$
<b>(A1) Donation for naming-after purpose (note (a))</b>		
(i) Amount of donation designated for naming-after purpose	-	-
(ii) Contribution to the Lotteries Fund	-	-
(iii) Donation retained for upgrading the service unit [(iii) = (i) – (ii)]	<u>-</u>	<u>-</u>
<b>(A2) Balance of donation for naming-after purpose brought forward from previous financial year (note (a))</b>	41,947	384,912
<b>(B) Interest income received</b>	-	1,197
<b>Total income: [A1(iii)/A2 + B]</b>	<u>41,947</u>	<u>386,109</u>
	-----	-----
<b>(C) Expenditure during the year for upgrading the project (note (b))</b>		
(i) Minor Works	-	-
(ii) Furniture and Equipment	40,144	344,768
<b>Total expenditure</b>	<u>40,144</u>	<u>344,768</u>
	-----	-----
Transfer from General Fund (note 26)	1,803 4	41,341 606
<b>Balance carried forward to next financial year</b>	<u>1,807</u>	<u>41,947</u>
	=====	=====

Note :

- (a) The approval date was within current financial year, therefore (A2) balance of donation for naming-after purpose brought forward from previous financial year is not applicable.
- (b) The donation retained by the Council must be used within the ambit of Lotteries Fund to meet the capital costs on works and purchase of furniture and equipment for upgrading the facilities of the subvented service of the service unit concerned within 18 months after commencement of service or after approval of the donation by the Social Welfare Department for existing service unit.

**28. DAY NURSERY FUND**

	<u>Note</u>	<u>2021</u> HK\$	<u>2020</u> HK\$
At the beginning of the year		-	-
Surplus for the year		4,545,446	-
Transfer from General fund	26	10,244,582	-
At the end of the year		<u>14,790,028</u>	<u>-</u>

The Council has successively commenced four day nurseries since 1997. The reserves of these day nurseries were included in General fund in previous years. As the accumulated reserve of these day nurseries at the end of the reporting period had reached a material level, for the benefit of the users of the financial statements, the Council separately disclosed in the financial statements the surplus of these day nurseries for the year and transferred the accumulated reserve brought forward from General fund to Day Nursery Fund during the current year.

The reserve balances for the four day nurseries as at 31 August 2020 as per the audited financial statements dated 13 January 2021 are as below:

	<u>KGES</u> HK\$	<u>School Funds</u> HK\$	<u>Total</u> HK\$
Tung Yan Day Nursery	863,993	1,573,519	2,437,512
Tung Chung Day Nursery	1,181,774	1,690,985	2,872,759
Yuen Long Day Nursery	35,837	4,345,395	4,381,232
Fanling Day Nursery	887	699,718	700,605
	<u>2,082,491</u>	<u>8,309,617</u>	<u>10,392,108</u>

Kindergarten Education Scheme Funds ("KGES") and School Funds represent "income from government subsidies/grants" and "non-government funds" respectively as stated in the Education Bureau Circular No. 7/2016 and related circulars of the scheme.

**29. OTHER FUNDS**

	<u>Note</u>	<u>2021</u> HK\$	<u>2020</u> HK\$
Staff Welfare and Development Fund	(a)	2,493,116	2,492,515
Home Maintenance Elderly Fund	(b)	31,086	31,586
Neighbourhood Cafe Fund	(c)	242,535	245,267
Friends of the Practice, Research and Training Centre on Autism Fund	(d)	1,449,147	1,449,118
		<u>4,215,884</u>	<u>4,218,486</u>

## 29. OTHER FUNDS (continued)

(a)	Movement of Staff Welfare and Development Fund		
		<u>2021</u>	<u>2020</u>
		HK\$	HK\$
	At the beginning of the year	2,492,515	2,337,783
	Contribution income	22,195	145,147
	Service income	13,545	27,090
	Expenditure	(35,139)	(17,505)
	At the end of the year	<u>2,493,116</u>	<u>2,492,515</u>
		=====	=====
(b)	Movement of Home Maintenance Elderly Fund		
		<u>2021</u>	<u>2020</u>
		HK\$	HK\$
	At the beginning of the year	31,586	31,586
	Expenditure	(500)	-
	At the end of the year	<u>31,086</u>	<u>31,586</u>
		=====	=====
(c)	Movement of Neighbourhood Cafe Fund		
		<u>2021</u>	<u>2020</u>
		HK\$	HK\$
	At the beginning of the year	245,267	250,683
	Sales and commission income	308	539
	Expenditure	(3,040)	(5,955)
	At the end of the year	<u>242,535</u>	<u>245,267</u>
		=====	=====
(d)	Movement of Friends of the Practice, Research and Training Centre on Autism Fund		
		<u>2021</u>	<u>2020</u>
		HK\$	HK\$
	At the beginning of the year	1,449,118	1,447,594
	Interest income	29	1,524
	At the end of the year	<u>1,449,147</u>	<u>1,449,118</u>
		=====	=====

**30. OTHER CASH FLOW INFORMATION**

(a) Cash and cash equivalents comprise :-

	<u>2021</u> HK\$	<u>2020</u> HK\$
Cash at bank and on hand	233,760,475	165,029,275
Time deposits	34,330,688	34,011,595
Cash and bank balances	<u>268,091,163</u>	<u>199,040,870</u>
Less: time deposits with original maturities more than three months	(9,158,416)	(15,144,768)
Cash and cash equivalents	<u><u>258,932,747</u></u>	<u><u>183,896,102</u></u>

(b) Reconciliation of liabilities arising from financing activities is as follows :-

	<u>Lease liabilities</u> HK\$
At 1 April 2019	285,178
Changes from financing cash flows :-	
Capital element of lease rentals paid	(10,642,251)
Interest element of lease rentals paid	(1,424,681)
	<u>(12,066,932)</u>
Other changes :-	
Increase in lease liabilities from entering into new leases during the year	35,920,295
Interest on lease liabilities	1,424,681
	<u>37,344,976</u>
At 31 March 2020	<u><u>25,563,222</u></u>
Changes from financing cash flows :-	
Capital element of lease rentals paid	(12,359,602)
Interest element of lease rentals paid	(972,628)
	<u>(13,332,230)</u>
Other change :-	
Interest on lease liabilities	972,628
At 31 March 2021	<u><u>13,203,620</u></u>

**30. OTHER CASH FLOW INFORMATION (continued)**

(c) Cash outflow for leases included in the statement of cashflows comprise the following :-

	<u>2021</u> HK\$	<u>2020</u> HK\$
Within operating cash flows	2,363	245,397
Within financing cash flows	13,332,230	12,077,068
	<u>13,334,593</u>	<u>12,322,465</u>

These amounts relate to the lease rentals paid.

**31. CAPITAL COMMITMENTS**

As at 31 March 2021, the outstanding commitments in respect of capital expenditure of the Council were as follows :-

	<u>2021</u> HK\$	<u>2020</u> HK\$
Contracted for but not provided in the financial statements	17,954,333	20,070,715
Authorised but not contracted for	-	-
	<u>17,954,333</u>	<u>20,070,715</u>

**32. BENEFITS AND INTEREST OF EXECUTIVE COMMITTEE MEMBERS**

No benefits and interest of Executive Committee members required to be disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance was incurred by the Council during the current and preceding years.

**33. BANKING FACILITIES**

During the year, bank guarantee of HK\$1,119,160 (2020: HK\$1,119,160) was given to the Council and was secured by a bank fixed deposit of HK\$1,505,993 (2020: HK\$1,496,043) placed by the Council. The bank guarantee was used to support the Council in operating a project with the Hospital Authority.

### 34. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

The Council's financial assets comprise mainly cash and cash equivalents and accounts and other receivables, which represent the Council's maximum exposure to market risk, cash flow interest rate risk and credit risk in relation to financial assets. The Council's financial liabilities comprise mainly accounts and other payables and lease liabilities which represent the Council's maximum exposure to credit risk, arise in the normal course of the Council's activities.

(a) Market risk

Market risk represents the potential loss that can be caused by a change in the market value of financial instruments. The Council's exposure to market risk is determined by a number of factors, including interest rates, foreign currency exchange rates and market volatility. The Council conducts its investment operations in a manner that seeks to exploit the potential gains in the market, while limiting its exposure to market declines.

(b) Cash flow interest rate risk

The Council's exposure to change in interest rate relates primarily to interest bearing bank deposits.

(c) Credit risk

Credit risk represents the potential loss that the Council would incur if counter parties fail to perform pursuant to the terms of their obligations to the Council. The Council has guidelines and procedures governing the process of granting credit in the operation. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

(d) Liquidity risk

The Council's funding requirements and liquidity risks are managed with the objective of meeting its operation obligations in a timely manner. The Council achieves this by using appropriate management measures and monitoring its cash flow commitments on a regular basis.

### 34. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

#### (e) Fair values

The following table presents the carrying value of the financial instruments measured at fair value at the end of reporting period across the three levels of the fair value hierarchy defined in HKFRS 7 “Financial Instruments: Disclosures”, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined in note 15(d)(i).

	<u>Level 1</u> HK\$	<u>Level 2</u> HK\$	<u>Level 3</u> HK\$	<u>Total</u> HK\$
<u>2021</u>				
Assets				
Listed securities	91,000	-	-	91,000
	=====	=====	=====	=====
<u>2020</u>				
Assets				
Listed securities	88,300	-	-	88,300
	=====	=====	=====	=====

During the years ended 31 March 2021 and 2020, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Council’s policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

All other financial instruments are carried at amounts not materially different from their fair values at 31 March 2021 and 2020.

### 35. CAPITAL MANAGEMENT

The capital structure of the Council consists of debt, cash and cash equivalents and funds. The Council has no written capital risk management policies and guidelines and the Council manages its capital mainly to ensure the Council will be able to continue as a going concern through the optimisation of the debt and fund balances. No changes were made in the overall strategy during the years ended 31 March 2021 and 31 March 2020. The Executive Committee of the Council regularly reviews and manages its capital to ensure adequacy for both operational and capital need.

### 36. COMPARATIVE FIGURES

Certain comparative figures have been re-classified to conform to the current year’s presentation.

**37. HONG KONG FINANCIAL REPORTING STANDARDS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR**

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard, HKFRS 17, Insurance contracts, which are not yet effective for the year ended 31 March 2021 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Council :

	Effective for accounting period <u>beginning on or after</u>
Amendment to HKFRS 16, Covid-19-Related Rent Concessions	1 June 2020
Amendments to HKFRS 3, Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 16, Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37, Onerous Contracts — Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to HKFRSs 2018–2020 Cycle	1 January 2022

The Council is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the financial statements.

