

THE NEIGHBOURHOOD ADVICE-ACTION COUNCIL

2023

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 2023**

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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 2023.

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 2023 and the financial position of the Council at that date are set out in the financial statements on pages 11 to 52.

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 Ar. KWONG Sum Yee, Anna, MH Dr. HO Chui Fong, Mimi Dr. LI Siu Kei Mr. SUI Wai Keung, GBS, JP Mr. SIU Yu Bun, Alan, SBS Mr. TUNG Chi Fat, MH Ms. WONG Yeung Fong Mr. CHEUNG Kwok Wah

In accordance with article 41 of the Council's articles of association, all 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 86 service units throughout 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 between 1 April 2022 and 31 March 2023 ("reporting period") are as follows:

	Percentage of the Council's Total Income (%)
Social Welfare Department	76.3
Lotteries Fund	1.6
Education Bureau	3.4
Hospital Authority	1.2
	<hr/>
Four largest funding bodies in aggregate	82.5
	<hr/> <hr/>

Financial Performance

The novel coronavirus pandemic situation had been brought under control, with economic activities and daily life gradually getting back to normal. Nevertheless, the challenges and uncertainty of the epidemic situation were less volatile than anticipated and operations stabilised. The Council navigated through these challenges with optimism, resilience, and strong leadership to provide high-quality services to service users.

Total income and expenditure for the year are HK\$859 million (2021-22: HK\$871 million) and HK\$826 million (2021-22: HK\$836 million) respectively. Hence a surplus of HK\$33 million was recorded for the year and a decrease of HK\$2 million over the surplus compared with the previous financial year.

Putting health and safety of our service users at top priority, the Council quickly recognised the need to adopt different working arrangements and therefore introduced proactive initiatives to ease the pressure on our services and continued to provide quality services to the needy.

Even Government started to drop most of the Covid-19 restrictions in December 2022, the continuous effect of the novel coronavirus pandemic had resulted in the restriction of centre operation and cancellation of programmes for nine months. The difficulties in hiring professional staff led to some inadvertent savings. In the end, the Council recorded a surplus for the financial year 2022-23.

In the reporting period, the revenue slightly decreased mainly because of a cut of overall subvention from Social Welfare Department (SWD) by 1%, a drop in capital works and renovation reimbursement from Lotteries Fund (HK\$13.6 million in 2022/23 and HK\$22.8 million in 2021/22), offset by the increase in Lump Sum Grant Subvention from SWD, and the special grants from the government and external parties to support our daily operation. SWD subsidised 76.3% of our total income, which represented 2% increase as compared with that of the previous year. Additional subventions for various services in our subsidised service units. Total income was HK\$859 million, dropped by 1.4% as compared with last year.

Environmental Policies and Performance

Environmental protection is always our Council's priority. There are various measures to address energy saving, materials efficiency and reducing environmental impacts.

The Hong Kong Jockey Club Charities Trust had approved a grant of HK\$22 million to support the modernisation project for Tuen Mun Integrated Employment Service Centre which is in the design phase. The design and build concept of the renovation is also on Green and Healthy workplace. The proper use of natural lighting and energy efficiency ideas are implanted such as CFL or LED lighting. Airflow-friendly office, natural upcycled wood material furniture and common indoor plants will be considered to reduce air pollutants and enhance fresh air circulation, which also resonance with a warm and green vibe.

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 strictly comply with the requirements of the service performance monitoring systems and subvention manuals of funding bodies. Our Corporate Governance & Board Function Sub-committee under the Executive Committee is tasked to maintain proper agency compliances and governance.

Workshops regarding National Security Law, personal data and privacy, training on corporate governance for senior staff and Board members were held to ensure that our staff adhere to relevant laws when providing services.

Relationship with Employees, Funding Bodies and Service Users

Employees

Overall, the Council maintains a good working relationship with its employees. Most of the staff's salaries generally follow the Civil Service Pay Scale. Salary adjustments are made in line with the salary adjustments announced by Social Welfare Department from time to time. The Council continues to provide medical insurance, one-off employer contribution to staff's MPF accounts; and one-off annual performance incentives for all eligible staff.

Service Users

The Council always gives priority to caring and serving our service users. There were no serious complaints nor material incidents during the reporting period. Nevertheless, the Council will continue to improve the quality and quantity of our services through different channels which covers opinion box, annual users' meeting, Service Quality Standard visit and designated email channel.

Under the influence of COVID-19, the "Charity Dinner for Parents in our Neighbourhood" was again changed to a non-meal event. Sponsored by Belton Technology Holdings Limited, we successfully kicked off the ceremony of "Belton Technology Charity Loving Bags for Parents in Our Neighbourhood 2022 – Plant for Your Care", and gave out 3,000 luck bags and plants to elderly, disabled, and families with financial difficulties. Adding to the warmth of Mother's Day and Father's Day, we gave out stuffed goodie bags to underprivileged families.

In the meantime, we raised more than HK\$160,000 donation for self-financed services of the Council, including elderly services, hostels for persons with disabilities, and Chinese medicine service.

The global pandemic had come to an end. Our Council hereby expressed gratitude to all generous donors for giving out millions of surgical masks, over 80,000 bottles of hand sanitizers as well as 30,000 Rapid Antigen Test (RAT) kits. Besides, we were grateful to be able to join hands with numerous charitable bodies to implement support schemes and received over a million-dollar donation. Working as a team, we sailed through a storm.

Last year, we were honored to be sponsored by Emperor Group to offer vocational training for young people who were interested in becoming baristas. They received a total of 8-day professional training at Coffee Bunnies, the social enterprise of our Council, where they learned about daily operations of running a coffee shop. After training, they had a chance to be hired as a staff of Coffee Bunnies to develop potential and set a direction for future

To further enhance recognition of the abilities of disabled, the rehabilitation service division curated an exhibition at 618 Shanghai Street. The establishment of Uni@rt (an art platform) enabled disabled artists to express their thoughts in art pieces, meanwhile, the public could have a glimpse into the inner world of disabled persons. There were four highlights in the exhibition: gallery of arts by 10 disabled artists, immersive experience zone, floating glass herbarium workshop and charity flea market. In the immersive experience zone allowed audience to interact with artwork by touch screening. The public could participate in our weekend workshops to hand craft Japanese style floating glass herbarium or a pen. There was a charity flea market selling handmade accessories by our service users and limited-edition watches, supporting disabled artists and do good to society. The event attracted 8,453 audience in total, and 129 workshops were organised at the exhibition period. Apart from admiring the talents of people with disabilities, many visitors were interested in learning more about the lives of disabled persons and social support.

Indication of Likely Future Development

Future Development Strategy

Under the current socio-economical and pandemic situation in Hong Kong, it is expected that more complicated and diversified social needs are arising. The Council will adopt the following strategies in its future work:

1. We will work closely with our key stakeholders, which include governmental departments like SWD and other established public bodies, and align with their policies and requirements.
2. The Council will proactively put forward tripartite collaboration approach to create synergy between social, commercial and government sectors.
3. With over 55 years of solid connection to local communities, we will play an active role as an energetic and innovative NGO to deliver services with digital transformation concept.

4. The Council will continue our mission of “Extension”, highlighting shared values to enhance social harmony, inclusion and promote the NEIGHBOURHOOD spirit of mutual help.

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.

Care for Carers will certainly be an important focus in coming year as it covers a wide range of people in the communities. They are facing great caring pressure in daily caring work for their family members include elderlies, rehabilitating personnel or young children. Strong community and neighbourhood support will certainly help to relieve their stress and give them a self-charging time to go for a longer journey in life.

With the increase in complexity of social needs and lacking of manpower in social sector, the use of technology in service is an important direction. Application of technology can both in administrative efficiency and streamlining, and so as to enhance the user experience and interaction to promote better communication and service transparency.

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, 18 October 2023

**INDEPENDENT AUDITOR'S REPORT
TO THE EXECUTIVE COMMITTEE 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 52, which comprise the statement of financial position as at 31 March 2023, 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 2023, 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 ("HKSA") 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

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. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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 2023 as stated below and disclosed on note 7 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/10-20/2021/1/1/1) ;
- 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.



Chan, Li, Law CPA Limited
Certified Public Accountants (Practising)
陳李羅會計師事務所有限公司

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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 HKSAs, 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.

CL CPA Ltd.

Chan, Li, Law CPA Limited
Certified Public Accountants (Practising)
Hong Kong, 18 October 2023

Wong Yuk Kwan Jennifer
Practising Certificate No.: P07743

THE NEIGHBOURHOOD ADVICE-ACTION COUNCIL
STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE
FOR THE YEAR ENDED 31 MARCH 2023
(Expressed in Hong Kong dollars)

	<u>Note</u>	<u>2023</u> HK\$	<u>2022</u> HK\$
Revenue	8	857,776,219	870,222,835
Other income and net gain	9	858,770	576,963
Administrative and operating expenses		(824,057,749)	(835,282,676)
Finance costs	12	(1,654,289)	(490,737)
Surplus for the year	11	<u>32,922,951</u>	<u>35,026,385</u>
Other comprehensive income for the year		-	-
Total comprehensive income for the year		<u><u>32,922,951</u></u>	<u><u>35,026,385</u></u>

The notes on pages 17 to 52 form part of these financial statements.

THE NEIGHBOURHOOD ADVICE-ACTION COUNCIL
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2023
(Expressed in Hong Kong dollars)

	<u>Note</u>	<u>2023</u> HK\$	<u>2022</u> HK\$
ASSETS			
Non-current assets			
Property, plant and equipment	15	27,815,141	11,022,236
Listed securities	16	106,400	108,400
Investment property	17	4,700,000	4,800,000
		<u>32,621,541</u>	<u>15,930,636</u>
		-----	-----
Current assets			
Inventories	14	363,626	180,275
Accounts and other receivables		15,422,167	28,154,875
Deposit and prepayment		3,172,641	2,979,161
Fixed deposit (pledged)	36	1,531,715	1,509,505
Cash and bank balances	33(a)	337,629,395	351,030,919
		<u>358,119,544</u>	<u>383,854,735</u>
		-----	-----
Current liabilities			
Accounts and other payables		19,363,403	48,010,149
Receipt in advance		7,207,883	36,994,760
Deposits received		518,483	495,628
Lease liabilities	18	14,117,907	4,514,199
		<u>41,207,676</u>	<u>90,014,736</u>
		-----	-----
Net current assets		<u>316,911,868</u>	<u>293,839,999</u>
		-----	-----
Total assets less current liabilities		<u>349,533,409</u>	<u>309,770,635</u>
		-----	-----
Less : Non-current liability			
Lease liabilities	18	14,468,519	6,811,517
NET ASSETS		<u>335,064,890</u>	<u>302,959,118</u>
		=====	=====

The notes on pages 17 to 52 form part of these financial statements.

THE NEIGHBOURHOOD ADVICE-ACTION COUNCIL
STATEMENT OF FINANCIAL POSITION (continued)
AS AT 31 MARCH 2023
(Expressed in Hong Kong dollars)

	<u>Note</u>	<u>2023</u> HK\$	<u>2022</u> HK\$
FUNDS AND RESERVES			
Lotteries Fund - Block Grant Reserve	19	6,686,577	5,328,020
Lotteries Fund - Pilot Scheme on Community Care Service Voucher for the Elderly	20	(1,258,117)	(874,074)
SWD Lump Sum Grant Reserve	21	149,214,769	156,525,103
SWD Holding Account	22	29,573,485	-
SWD Central Item Reserve	23	196,026	7,003,937
SWD Social Welfare Subvention surplus account	24	(2,787,559)	(1,686,198)
SWD Provident Fund Reserve	25	82,177,460	73,601,690
SWD Child Development Fund	26	(216,888)	(1,225,164)
SWD Social Welfare Development Fund	27	2,051,662	2,195,211
Day Nursery Fund	31	17,001,776	16,815,164
DHC Express - Islands District	29	11,039,243	-
Other funds	32	4,304,802	4,016,496
General fund	28	37,081,654	41,258,933
		<u>335,064,890</u>	<u>302,959,118</u>
		=====	=====

Approved and authorised for issue by the Executive Committee on 18 October 2023



Mr. YEN Yuen Ho, Tony, SBS
Chairman



Mr. YIP Ching Shan
Honorary Treasurer

The notes on pages 17 to 52 form part of these financial statements.

THE NEIGHBOURHOOD ADVICE-ACTION COUNCIL
STATEMENT OF CHANGES IN FUNDS AND RESERVES
FOR THE YEAR ENDED 31 MARCH 2023
(Expressed in Hong Kong dollars)

	Lotteries Fund - Pilot Scheme on Community		SWD Lump Sum Grant		SWD Holding Account		SWD Central Item Reserve		SWD Social Welfare Subvention surplus account		SWD Child Development Fund		SWD Social Welfare Development Fund		Naming-after donation for work and furniture and equipment procurement		Day Nursery Fund		DHC Express - Islands District		Other funds		Total	
	Block Grant Reserve	Care Service Voucher for the Elderly	Reserve	Reserve	Account	Account	Reserve	Reserve	Account	Account	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
	Note 19	Note 20	Note 21	Note 22	Note 23	Note 24	Note 25	Note 26	Note 27	Note 28	Note 29	Note 30	Note 31	Note 32	Note 33	Note 34	Note 35	Note 36	Note 37	Note 38	Note 39	Note 40	Note 41	Note 42
Balance at 1 April 2021	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									
Total comprehensive income/ (expense) for the year	49	(172,667)	(4,011,332)	-	4,285,457	1,905,357	8,767,608	(998,726)	215,770	1	2,025,136	-	(50,817)	23,060,549	35,026,385									
Grant received/(utilised), net	2,598,619	-	-	-	-	-	157,975	-	-	(1,808)	-	-	458,355	-	3,213,141									
Clawback amount and adjustments, net	-	-	(1,095,118)	-	(294,193)	(425,749)	(775,283)	-	-	-	-	-	-	-	(2,590,343)									
Transferred from/(to) General fund	-	-	868,579	-	-	-	-	-	-	-	-	-	-	-	-									
Effect of HKFRS 16 absorbed by General fund	-	-	590	-	-	(586,510)	-	-	-	-	-	-	-	-	-									
Balance at 31 March 2022	5,328,020	(874,074)	156,525,103	-	7,003,937	(1,686,198)	73,601,690	(1,225,164)	2,195,211	-	16,815,164	-	4,016,496	41,258,933	302,959,118									
Total comprehensive income/ (expense) for the year	2,365	(384,043)	20,973,301	-	(5,100,106)	(1,024,473)	9,189,065	1,008,276	(143,549)	-	186,612	-	(25,337)	6,066,449	32,922,951									
Grant received, net	1,356,192	-	-	-	-	-	125,359	-	-	-	-	-	313,643	-	1,795,194									
Clawback amount and adjustments, net	-	-	-	-	(1,291,449)	(564,387)	(738,654)	-	-	-	-	-	-	-	(2,612,373)									
Transferred from/(to) General fund	-	-	868,579	-	-	-	-	-	-	-	-	-	-	-	-									
Transferred from/(to) SWD Lump Sum Grant Reserve	-	-	(29,157,129)	29,573,485	(416,356)	-	-	-	-	-	-	-	-	-	-									
Effect of HKFRS 16 absorbed by General fund	-	-	4,915	-	-	487,499	-	-	-	-	-	-	-	-	-									
Balance at 31 March 2023	6,686,577	(1,258,117)	149,214,769	29,573,485	196,026	(2,787,559)	82,177,460	(216,888)	2,051,662	-	17,001,776	11,039,243	4,304,802	37,081,654	335,064,890									

The notes on pages 17 to 52 form part of these financial statements.

THE NEIGHBOURHOOD ADVICE-ACTION COUNCIL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2023
(Expressed in Hong Kong dollars)

	<u>Note</u>	<u>2023</u> HK\$	<u>2022</u> HK\$
Cash flows from operating activities			
Surplus for the year		32,922,951	35,026,385
Adjustments for :-			
Bank interest income	9	(1,344,000)	(131,799)
Depreciation of right-of-use assets	11	14,273,243	13,210,700
Finance costs	12	1,654,289	490,737
Loss/(gain) on fair value change of listed securities	9	2,000	(17,400)
Loss/(gain) on fair value change of investment property	9	100,000	(200,000)
Write off of property, plant and equipment	15	20,926,534	42,131,200
Operating surplus before changes in working capital		<u>68,535,017</u>	<u>90,509,823</u>
Increase in inventories		(183,351)	(26,002)
Decrease/(increase) in accounts and other receivables		12,732,708	(8,697,831)
Increase in deposit and prepayment		(193,480)	(370,538)
(Decrease)/increase in accounts and other payables		(28,646,746)	26,316,705
(Decrease)/increase in receipt in advance		(29,786,877)	30,758,915
Increase/(decrease) in deposits received		22,855	(82,577)
Net cash generated from operating activities		<u>22,480,126</u>	<u>138,408,495</u>
Cash flows from investing activities			
Bank interest income		1,344,000	131,799
Payments to acquire property, plant and equipment		(20,926,533)	(42,131,203)
Decrease/(increase) in time deposits with original maturity over three months		4,378,963	(6,773,666)
Net cash used in investing activities		<u>(15,203,570)</u>	<u>(48,773,070)</u>
Net cash generated from operating and investing activities - page 16		<u>7,276,556</u>	<u>89,635,425</u>

The notes on pages 17 to 52 form part of these financial statements.

THE NEIGHBOURHOOD ADVICE-ACTION COUNCIL
STATEMENT OF CASH FLOWS (continued)
FOR THE YEAR ENDED 31 MARCH 2023
(Expressed in Hong Kong dollars)

	<u>Note</u>	<u>2023</u> HK\$	<u>2022</u> HK\$
Net cash generated from operating and investing activities - page 15		7,276,556	89,635,425
		-----	-----
Cash flows from financing activities			
Lotteries Fund - Block Grant received, net		1,356,192	2,598,619
Clawback of and adjustment to SWD Lump Sum Grant Reserve, net		-	(1,095,118)
Clawback of and adjustment to SWD Central Item Reserve, net		(1,291,449)	(294,193)
Clawback of and adjustment to SWD Social Welfare Subvention surplus account, net		(564,387)	(425,749)
SWD Provident Fund received, net		125,359	157,975
Clawback of and adjustment to SWD Provident Fund Reserve, net		(738,654)	(775,283)
Naming-after donation for work and furniture and equipment procurement utilised		-	(1,808)
Other funds received		313,643	458,355
Clawback of and adjustment to General Fund		(17,883)	-
Modification of rights-of-use assets		(7,004)	(11,545)
Increase in fixed deposit (pledged)		(22,210)	(3,512)
Capital element of lease rentals paid	33(b)	(13,798,435)	(13,586,339)
Interest element of lease rentals paid	33(b)	(1,654,289)	(490,737)
		-----	-----
Net cash used in financing activities		(16,299,117)	(13,469,335)
		-----	-----
Net increase in cash and cash equivalents		(9,022,561)	76,166,090
		-----	-----
Cash and cash equivalents at the beginning of the year		335,098,837	258,932,747
		-----	-----
Cash and cash equivalents at the end of the year	33(a)	326,076,276	335,098,837
		=====	=====

The notes on pages 17 to 52 form part of these financial statements.

**THE NEIGHBOURHOOD ADVICE-ACTION COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023**
(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 an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

(c) Changes in accounting policies and disclosures

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Council. None of these impact on the accounting policies of the Council.

The Council 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 37(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) Credit losses and impairment of assets

(i) Credit losses from financial assets

The Council recognises a loss allowance for expected credit losses (“ECLs”) on financial assets measured at amortised cost (including accounts and other receivables, fixed deposit (pledged) and cash and bank balances).

Measurement of ECLs

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), discounted at an approximation to the assets’ original effective interest rate, where the effect of discounting is material.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Council is exposed to credit risk.

In measuring ECLs, the Council takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

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.

Loss allowances for accounts receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Council’s historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Council recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Credit losses and impairment of assets (continued)

(i) Credit losses from financial assets (continued)

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Council compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition.

In making this reassessment, the Council considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Council in full, without recourse by the Council to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Council considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Depending on the nature of the financial assets, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Council recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income

Interest income recognised in accordance with note 3(q) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Council determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Credit losses and 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 property, plant and equipment, including 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.

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 Hospital of assets that generates cash inflows independently (i.e. a cash-generating unit).

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 Hospital of units) and then, to reduce the carrying amount of the other assets in the unit (or Hospital 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).

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 profit or loss 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

Provisions are recognised when the Council has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure 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.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

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 and include (i) that person's children and spouse or domestic partner; (ii) children of that person's spouse or domestic partner; and (iii) dependents of that person or that person's spouse or domestic partner.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Employee benefits (continued)

- (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.

(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 to separate non-lease components from lease component and accounted for by applying other applicable standards.

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 lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of HKFRS 16 Leases. In such cases, the Council has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred. In the statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Leased assets (continued)

(i) As a lessee (continued)

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.

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 ;

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)

- (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 ;
- (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>	Central Western, Southern and Islands District	
		<u>2023</u> HK\$	<u>2022</u> HK\$
Allocated sum of the year	8	408,000	426,000
Actual expenditure		(408,000)	(426,000)
Unspent allocation		<u> -</u>	<u> -</u>
		<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>2023</u> HK\$	<u>2022</u> HK\$
INCOME		
Training subsidy	393,189	670,563
	-----	-----
EXPENDITURE		
Staff salaries and MPF	453,157	597,135
Telephone, fax and internet	395	463
Printing and stationery	3,304	3,483
Other expenses :-		
- Administrative fee	23,164	30,785
- Service fee expenses	-	12,500
- Teaching materials	31,076	5,502
- Utilities	9,719	10,195
	-----	-----
Total expenditure	520,815	660,063
	-----	-----
(DEFICIT)/SURPLUS FOR THE YEAR	(127,626)	10,500
	-----	-----
Cumulated income brought forward	3,670,294	2,999,731
Cumulated expenditure brought forward	(3,674,817)	(3,014,754)
	-----	-----
CUMULATED DEFICIT BROUGHT FORWARD	(4,523)	(15,023)
	-----	-----
CUMULATED DEFICIT CARRIED FORWARD	(132,149)	(4,523)
	=====	=====

**6. INCOME AND EXPENDITURE ACCOUNT OF THE ACTIVITY:
DONATION BOX AT SHKP MALLS' CUSTOMER CARE CENTRE**

Donation box at SHKP malls' customer care centre (the "Activity") was organised for the purpose of raise funding for self-financed services of the Council, including elderly, family, people with disability and Chinese medicine services. The Council held the Activity during the period from 7 February 2021 to 31 July 2021. According to the requirement of Public Subscription Permit No. 2021/013/1, the Council is required to disclose the income and expenditure for the Activity in its financial statements.

	<u>2023</u> HK\$	<u>2022</u> HK\$
INCOME		
Donation box income	-	16,212
	-----	-----
EXPENDITURE		
Auditors' remuneration	-	2,000
Bank charges	-	100
Total expenditure	-----	-----
	-	2,100
	-----	-----
SURPLUS FOR THE YEAR	-----	-----
	-	14,112
	=====	=====

7. 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

7. PROJECTS SUBSIDISED BY COMMUNITY CARE FUND (continued)

	2023				2022			
	Project 1 HK\$	Project 2 HK\$	Project 3 HK\$	Project 4 HK\$	Project 1 HK\$	Project 2 HK\$	Project 3 HK\$	Project 4 HK\$
BALANCE AT THE BEGINNING OF YEAR	<u>695,276</u>	<u>464,269</u>	<u>59,760</u>	<u>265,583</u>	<u>692,942</u>	<u>464,269</u>	<u>(762,223)</u>	<u>265,583</u>
Income								
Subsidy from CCF	379,800	592,440	7,672,972	-	488,280	626,760	6,989,681	-
Subsidy from CCF (Programme 2020)	-	-	-	-	-	-	-	2,000
Subsidy from CCF (Programme 2021)	-	-	-	80	-	-	-	219,890
Fee income received from participants	-	-	611,283	-	-	-	638,752	-
Total income	<u>379,800</u>	<u>592,440</u>	<u>8,284,255</u>	<u>80</u>	<u>488,280</u>	<u>626,760</u>	<u>7,628,433</u>	<u>221,890</u>
Expenditure								
Salaries and allowances	-	31,835	3,614,777	-	92,157	134,650	5,072,896	-
Provident fund contributions	-	1,592	181,411	-	4,608	6,733	258,335	-
Stores and equipment	-	-	630	-	-	-	2,476	-
Repair and maintenance	-	-	-	-	-	-	64	-
Transportation and travelling	-	-	26,485	-	-	-	50,823	-
Miscellaneous	-	(2,626)	17,996	-	-	3,595	82,206	-
Services related expenses	-	-	754,239	-	-	-	947,601	-
Other expenditure: -								
- Insurance	1,201	1,628	113,131	-	1,141	5,857	67,932	-
- Management fee	378,599	560,011	235,433	-	388,040	475,925	324,117	221,890
Total expenditure	<u>379,800</u>	<u>592,440</u>	<u>4,944,102</u>	<u>-</u>	<u>485,946</u>	<u>626,760</u>	<u>6,806,450</u>	<u>221,890</u>
Surplus for the year	<u>-</u>	<u>-</u>	<u>3,340,153</u>	<u>80</u>	<u>2,334</u>	<u>-</u>	<u>821,983</u>	<u>-</u>
Surplus/(deficit) brought forward from previous year Transferred to General Fund	695,276	464,269	59,760	265,583 (265,663)	692,942	464,269	(762,223)	265,583
BALANCE AT THE END OF YEAR	<u>695,276</u>	<u>464,269</u>	<u>3,399,913</u>	<u>-</u>	<u>695,276</u>	<u>464,269</u>	<u>59,760</u>	<u>265,583</u>

8. REVENUE

	<u>Note</u>	<u>2023</u> HK\$	<u>2022</u> HK\$
Income from government and related organisations :-			
Community Care Fund		8,727,727	8,406,411
Education Bureau		29,139,104	31,299,212
Employees Retraining Board		281,205	305,753
Health Bureau/Food and Health Bureau		10,061,998	17,285,997
Home Affairs Department		7,105,741	6,102,129
Hong Kong Housing Authority and Housing Department		122,503	1,470,164
Hospital Authority		10,338,000	10,296,000
Labour and Welfare Bureau		4,090,889	5,205,082
Lotteries Fund		13,646,275	22,781,048
Student Financial Assistance Agency		3,358,710	3,947,483
Social Welfare Department :-			
- Central Items		7,318,431	15,353,079
- Child Care Centre Subsidy Scheme		6,260,460	6,239,437
- Child Development Fund		2,406,316	372,680
- Direct Cash Assistance	4	408,000	426,000
- Lump Sum Grant		595,862,832	586,015,630
- Social Welfare Development Fund		70,800	1,067,486
- Subvention for manpower enhancement		1,122,600	1,090,464
- Subvention for rent and rates		17,145,528	18,650,061
- One-off subsidy		14,570,917	1,607,340
- Other subsidies		8,906,284	15,666,068
Employment Support Scheme (note)		1,603,200	-
Other government and related subvention		1,235,279	2,355,199
		<u>743,782,799</u>	<u>755,942,723</u>
Income from other sources – page 34		113,993,420	114,280,112
		<u>857,776,219</u>	<u>870,222,835</u>

Note: In 2023, 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.

8. REVENUE (continued)

	<u>Note</u>	<u>2023</u> HK\$	<u>2022</u> HK\$
Income from other sources :-			
Flag day income	10	-	1,548,134
Community Chest -- other donations		528,718	609,461
Designated donations and grants		8,695,362	9,136,168
General donations		3,007,134	1,809,338
Operating income		85,505,247	80,404,302
Sundry income		864,019	1,546,499
The Hong Kong Jockey Club Charities Trust :-			
- Funds to implement Frailty Prevention Programme for Older People		-	726,692
- Grant to implement Extension of Jockey Club Community eHealth Care Project		3,164,500	2,879,569
- Funds on Jockey Club Age-Friendly City Project Territory-Wide Programme: Home Modification		266,527	300,000
- Grant on Jockey Club JoyAge Project for Elderly Mental Wellness Project Extension		1,192,717	1,176,058
- Funds to carry out the "Pathway to Healthy Ageing" Project for older people at risk of "accelerated ageing"		251,543	261,000
- Funds to develop and operate the Pre-school Rehabilitation Services Information Technology System		1,248,847	628,000
- Funds to organise a pilot project on health support for families of ethnic minority		333,631	1,543,000
- Grant on NAAC Jockey Club "STEP bySTEP" Blended Families Support Project		864,773	5,887,367
- Grant to implement the advance Information and Communications Technology in Family Services		992,261	-
- Grant to 21st Century Integrated Children and Youth Services Centres		1,105,000	-
- Funds to implement Community Support for Elderly Singletons and Doubletons		1,863,000	-
- Funds to support isolated elderly through gerontechnology		403,000	-
- Grant on integrated support project For Elderly With Mild Cognitive Impairment		813,000	-
- Other donations		2,894,141	5,824,524
Income from other sources – page 33		<u>113,993,420</u> =====	<u>114,280,112</u> =====

9. OTHER INCOME AND NET GAIN

	<u>Note</u>	<u>2023</u> HK\$	<u>2022</u> HK\$
Bank interest income		1,344,000	131,799
Exchange (loss)/gain, net		(383,230)	227,764
(Loss)/gain on fair value change of listed securities		(2,000)	17,400
(Loss)/gain on fair value change of investment property	17	(100,000)	200,000
		<u>858,770</u>	<u>576,963</u>

10. NET PROCEEDS FROM FLAG DAY FUND RAISING ACTIVITIES

During the year ended 31 March 2022, in view of the Hong Kong Observatory issued Gale or Storm Signal No. 8 on 9 October 2021, flag sale activities in public places on 9 October 2021 were cancelled. The proceeds received during the year ended 31 March 2022 were raised through other means in non-public areas and direct donation contributed to the Council. During the year ended 31 March 2023, no flag day fund raising activities were held.

	<u>Note</u>	<u>2023</u> HK\$	<u>2022</u> HK\$
INCOME			
Flag day appeal	8	-	1,548,134
EXPENDITURE			
Administrative expenses		-	(143,122)
NET PROCEEDS		<u>-</u>	<u>1,405,012</u>

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

	<u>2023</u> HK\$	<u>2022</u> HK\$
NAAC Martha Baker Social Centre for the Elderly	-	632,255
NAAC Sau Mau Ping Social Centre for the Elderly	-	632,255
NAAC Pak Tin Social Centre for the Elderly	-	140,502
	<u>-</u>	<u>1,405,012</u>

11. SURPLUS FOR THE YEAR

	<u>Note</u>	<u>2023</u> HK\$	<u>2022</u> HK\$
Surplus for the year is arrived at after charging :-			
Auditors' remuneration		400,100	334,500
Cost of inventories sold		1,632,907	1,673,293
Depreciation of right-of-use assets	15	14,273,243	13,210,700
Staff costs			
- Salaries, wages and other benefits		572,894,827	574,424,982
- Contributions to defined contribution retirement plan		36,855,597	36,855,568
Write off of property, plant and equipment	15	20,926,534	42,131,200
		=====	=====

12. FINANCE COSTS

	<u>2023</u> HK\$	<u>2022</u> HK\$
Interest on lease liabilities	1,654,289	490,737
	=====	=====

13. 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.

14. INVENTORIES

	<u>2023</u> HK\$	<u>2022</u> HK\$
School uniform	9,447	10,357
School bags	75,481	83,989
Books	20,916	24,756
Staff uniform	257,782	61,173
	=====	=====
	363,626	180,275
	=====	=====

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

15. PROPERTY, PLANT AND EQUIPMENT

	<u>Note</u>	Properties leased for own use HK\$	Furniture and equipment HK\$	<u>Total</u> HK\$
Cost :-				
At 1 April 2021		36,198,536	74	36,198,610
Additions		4,221,697	42,131,203	46,352,900
Modification		7,498,283	-	7,498,283
Written off against surplus or deficit	11	-	(42,131,200)	(42,131,200)
Written off upon lease termination		(3,182)	-	(3,182)
At 31 March 2022		47,915,334	77	47,915,411
Additions		-	20,926,533	20,926,533
Modification		31,066,149	-	31,066,149
Written off against surplus or deficit	11	-	(20,926,534)	(20,926,534)
At 31 March 2023		78,981,483	76	78,981,559
Accumulated depreciation :-				
At 1 April 2021		23,685,657	-	23,685,657
Charge for the year	11	13,210,700	-	13,210,700
Written off upon lease termination		(3,182)	-	(3,182)
At 31 March 2022		36,893,175	-	36,893,175
Charge for the year	11	14,273,243	-	14,273,243
At 31 March 2023		51,166,418	-	51,166,418
Net book value :-				
At 31 March 2023		27,815,065	76	27,815,141
At 31 March 2022		11,022,159	77	11,022,236

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 4 years.

	<u>Note</u>	<u>2023</u> HK\$	<u>2022</u> HK\$
Interest on lease liabilities	12	1,654,289	490,737
Additions to right-of-use assets		-	4,221,697
Modification to right-of-use assets		31,066,149	7,498,283
Carrying amount of right-of-use assets		27,815,065	11,022,159
Depreciation of right-of-use assets		14,273,243	13,210,700
Total cash outflow for leases	33(c)	15,492,907	14,120,363

16. LISTED SECURITIES

	<u>2023</u> HK\$	<u>2022</u> HK\$
Equity securities listed in Hong Kong, at fair value	106,400	108,400
	=====	=====

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.

17. INVESTMENT PROPERTY

	<u>Note</u>	<u>2023</u> HK\$	<u>2022</u> HK\$
At the beginning of the year		4,800,000	4,600,000
Fair value adjustment	9	(100,000)	200,000
At the end of the year		4,700,000	4,800,000
		=====	=====

- (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-subsided elderly services of the Council in Hong Kong. The rental income generated during the year amounted to HK\$109,355 (2022: HK\$151,000).
- (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.
- (d) Fair value measurement of properties
- (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

17. INVESTMENT PROPERTY (continued)

(d) Fair value measurement of properties (continued)

(i) Fair value hierarchy (continued)

- Level 3 valuations : Fair value measured using significant unobservable inputs

During the financial year ended 31 March 2023, 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 2023 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.

18. 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 :-

	2023		2022	
	Present value of the minimum lease payments HK\$	Total minimum lease payments HK\$	Present value of the minimum lease payments HK\$	Total minimum lease payments HK\$
Within 1 year	14,117,907	15,252,872	4,514,199	4,956,364
After 1 year but within 5 years	14,468,519	14,743,264	6,811,517	7,101,044
	<u>28,586,426</u>	<u>29,996,136</u>	<u>11,325,716</u>	<u>12,057,408</u>
Less : Total future interest expenses		(1,409,710)		(731,692)
Present value of the lease liabilities		<u>28,586,426</u>		<u>11,325,716</u>

19. LOTTERIES FUND – BLOCK GRANT RESERVE

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

	<u>Note</u>	<u>2023</u> HK\$	<u>2022</u> HK\$
At the beginning of the year		5,328,020	2,729,352
		-----	-----
Add : Block Grant received during the year		9,025,000	8,820,000
Interest income		2,365	49
		-----	-----
		9,027,365	8,820,049
		-----	-----
Less : Minor works projects		3,157,205	2,630,677
Purchase of furniture and equipment		3,977,757	3,171,370
Vehicle overhauling		533,846	419,334
		-----	-----
	(a)	7,668,808	6,221,381
		-----	-----
At the end of the year		6,686,577	5,328,020
		=====	=====

Note:

- (a) Expenditure charged to Block Grant during the year should be full expenditure amount, i.e. the actual expenditure incurred in 2022-23.
- (b) Surplus from the Block Grant can only be used for the replenishment of furniture and equipment and minor works. At 31 March 2023, the outstanding commitments in respect of Block Grant Reserve are as follows :-

	<u>2023</u> HK\$	<u>2022</u> HK\$
Contracted for but not provided in the financial statements	200	-
Authorised but not contracted for	-	-
	-----	-----
	200	-
	=====	=====

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

	<u>2023</u> HK\$	<u>2022</u> HK\$
At the beginning of the year	(874,074)	(701,407)
Deficit for the year	(384,043)	(172,667)
At the end of the year	<u>(1,258,117)</u>	<u>(874,074)</u>

21. SWD LUMP SUM GRANT RESERVE

	<u>Note</u>	<u>2023</u> HK\$	<u>2022</u> HK\$
At the beginning of the year		156,525,103	160,762,384
Surplus/(deficit) for the year		20,973,301	(4,011,332)
Refund to Government		-	(1,095,118)
Transferred from General fund	28	868,579	868,579
Transferred to SWD Holding Account	22	(29,573,485)	-
Transferred from SWD Central Item Reserve	23	416,356	-
Effect of HKFRS 16 adsorbed by General fund	28	4,915	590
At the end of the year		<u>149,214,769</u>	<u>156,525,103</u>

According to the letter issued by Social Welfare Department (“SWD”) dated 14 September 2020, the Council is required to make an upward adjustment to SWD Lump Sum Grant Reserve with an amount of HK\$5,214,157 in which HK\$1,608,420 representing the overspent capital expenditure arising from 2014 to 2018 had been made to the opening balance in the 2020 and the remaining HK\$3,605,737 arising from the capital expenditure on Healthy Manor would be made by 4 instalments (i.e. HK\$1,000,000 in 2021, HK\$868,579 in 2022, HK\$868,579 in 2023 and HK\$868,579 in 2024) as the Council’s funding-raising income has been adversely affected by COVID-19 in the past few years.

The SWD 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 assessment of annual clawback amount was HK\$148,677,364 (2022: HK\$128,688,775) which had taken into account the above upward adjustments of HK\$868,579 (2022: HK\$1,737,158) to be made in coming years.

22. SWD HOLDING ACCOUNT

	<u>Note</u>	<u>2023</u> HK\$	<u>2022</u> HK\$
At the beginning of the year		-	-
Transferred from SWD Lump Sum Grant Reserve	21	29,573,485	-
At the end of the year		<u>29,573,485</u>	<u>-</u>

Upon the implementation of Lump Sum Grant Subvention System (“LSGSS”), SWD put forward certain financial assistance scheme and measures to assist non-governmental organisations (the “NGOs”) in meeting their contractual commitments towards the Snapshot Staff as well as enhancing their human resources practices. One of the facilitating measures for NGOs was to withhold the claw-back of Lump Sum Grant (“LSG”) Reserve above the 25% cap for the three years from 2004-05 to 2006-07. The amount of the cumulative LSG Reserve as at 31 March 2007 can be kept in a holding account (“SWD Holding Account” or “HA”), while the use of this reserve has to be in line with the requirements as stipulated in the LSG Manual and/or prevailing policies. As at 31 March 2022, the HA balances of HK\$29,573,485 was included in SWD LSG Reserve.

According to the Review of Enhancement of LSGSS issued in 2022, when the position of Snapshot Staff comes to zero as reported in September of a year, the Council will be required to merge the HA with SWD LSG Reserve. As at September 2023, the estimated number of snapshot staff of the Council were 87 (September 2022: 105) and therefore, under the aforesaid review, the NGOs were recommended to improve the management of the HA, and formulate utilisation plans and financial projections (including to honor the contractual commitments towards the Snapshot Staff and enhance human resource arrangements, etc.) to optimise the use of the reserve. The HA were therefore separately disclosed in the financial statements for the year ended 31 March 2023.

Up to 31 March 2023, the Council is in the process of making utilisation plans and financial projections to optimise the use of the reserve.

23. SWD CENTRAL ITEM RESERVE

	<u>Note</u>	<u>2023</u> HK\$	<u>2022</u> HK\$
At the beginning of the year		7,003,937	3,012,673
(Deficit)/surplus for the year		(5,100,106)	4,285,457
Unspent balance refunded to SWD		(1,291,449)	(294,193)
Transferred to SWD Lump Sum Grant Reserve	21	(416,356)	-
At the end of the year		<u>196,026</u>	<u>7,003,937</u>

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

24. SWD SOCIAL WELFARE SUBVENTION SURPLUS ACCOUNT

	<u>Note</u>	<u>2023</u> HK\$	<u>2022</u> HK\$
At the beginning of the year		(1,686,198)	(2,579,296)
(Deficit)/surplus for the year		(1,024,473)	1,905,357
Refund from Government		4,774	35,141
Unspent balance refunded to the SWD		(569,161)	(460,890)
Effect of HKFRS 16 adsorbed by General fund	28	487,499	(586,510)
At the end of the year		<u>(2,787,559)</u>	<u>(1,686,198)</u>

Deficit on SWD Social Welfare Subvention surplus account is expected to be recovered from the Social Welfare Department. During the year, HK\$4,774 (2022 : HK\$35,141) was recovered in respect of the previous year.

25. SWD PROVIDENT FUND RESERVE

	<u>2023</u> HK\$	<u>2022</u> HK\$
At the beginning of the year	73,601,690	65,451,390
Surplus for the year	9,189,065	8,767,608
Adjustment to previous clawback amount	125,359	157,975
Unspent balance refunded to the SWD	(738,654)	(775,283)
At the end of the year	<u>82,177,460</u>	<u>73,601,690</u>

Unspent balance of the the SWD Provident Fund Reserve for Snapshot Staff which is not eligible for transferring to the SWD Provident Fund Reserve for non-Snapshot Staff is subject to clawback arrangement of the SWD. At 31 March 2023, the accumulated unspent balance of SWD Provident Fund Reserve for Snapshot Staff subject to the clawback arrangement was HK\$2,073,581 (2022 : HK\$1,784,694).

26. SWD CHILD DEVELOPMENT FUND

	<u>2023</u> HK\$	<u>2022</u> HK\$
At the beginning of the year	(1,225,164)	(226,438)
Surplus/(deficit) for the year	1,008,276	(998,726)
At the end of the year	<u>(216,888)</u>	<u>(1,225,164)</u>

27. SWD SOCIAL WELFARE DEVELOPMENT FUND

	<u>2023</u> HK\$	<u>2022</u> HK\$
At the beginning of the year	2,195,211	1,979,441
Surplus/(deficit) for the year :-		
- allocated for Non-IT projects	70,800	1,067,486
- interest income	1,716	63
- expenditure for training and professional development programmes under Scope A	(216,065)	(436,550)
- expenditure for business system upgrading projects (IT projects) under Scope B	-	(415,229)
At the end of the year	<u>2,051,662</u>	<u>2,195,211</u>

28. GENERAL FUND

	<u>Note</u>	<u>2023</u> HK\$	<u>2022</u> HK\$
At the beginning of the year		41,258,933	17,874,117
Surplus for the year		6,066,449	23,060,549
Transferred to SWD Lump Sum Grant Reserve	21	(868,579)	(868,579)
Transferred from Friends of the Practice, Research and Training Centre on Autism Fund	32(d)	-	606,926
Transferred to DHC Express - Islands District Reserve	29	(8,864,852)	-
Effect of HKFRS 16 adsorbed by General fund	21 and 24	(492,414)	585,920
Unspent balance refunded to the SWD		(17,883)	-
At the end of the year		<u>37,081,654</u>	<u>41,258,933</u>

29. DHC EXPRESS - ISLANDS DISTRICT

	<u>Note</u>	<u>2023</u> HK\$	<u>2022</u> HK\$
At the beginning of the year		-	-
Surplus for the year		2,174,391	-
Transferred from General fund	28	8,864,852	-
At the end of the year		<u>11,039,243</u>	<u>-</u>

The Council has successively commenced "District Health Centre Express" ("DHC Express") in Islands District since 2022. The reserve of the DHC Express was included in General fund in previous year. As the accumulated reserve of the DHC Express 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 the DHC Express for the year and transferred the accumulated reserve brought forward from General fund to DHC Express - Islands District during the year ended 31 March 2023.

30. 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>2023</u> HK\$	<u>2022</u> HK\$
(A1) Donation for naming-after purpose		
(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>
(A2) Balance of donation for naming-after purpose brought forward from previous financial year	-	1,807
(B) Interest income received	-	1
Total income: [A1(iii)/A2 + B]	<u>-</u>	<u>1,808</u>
	-----	-----
(C) Expenditure during the year for upgrading the project (note)		
(i) Minor Works	-	-
(ii) Furniture and Equipment	-	1,808
Total expenditure	<u>-</u>	<u>1,808</u>
	-----	-----
Transfer from General Fund	-	-
Balance carried forward to next financial year	<u>-</u>	<u>-</u>
	=====	=====

Note: 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.

31. DAY NURSERY FUND

	<u>2023</u> HK\$	<u>2022</u> HK\$
At the beginning of the year	16,815,164	14,790,028
Surplus for the year	186,612	2,025,136
At the end of the year	<u>17,001,776</u>	<u>16,815,164</u>

The reserve balances for the four day nurseries as at 31 August 2022 as per the audited financial statements dated 28 February 2023 are as below:

	<u>KGES</u> HK\$	<u>School Funds</u> HK\$	<u>Total</u> HK\$
Tung Yan Day Nursery	1,188,069	2,134,902	3,322,971
Tung Chung Day Nursery	1,340,536	4,836,258	6,176,794
Yuen Long Day Nursery	58,258	5,941,693	5,999,951
Fanling Day Nursery	20,588	1,454,608	1,475,196
	<u>2,607,451</u>	<u>14,367,461</u>	<u>16,974,912</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.

32. OTHER FUNDS

	<u>Note</u>	<u>2023</u> HK\$	<u>2022</u> HK\$
Staff Welfare and Development Fund	(a)	3,200,341	2,910,373
Home Maintenance Elderly Fund	(b)	31,086	31,086
Neighbourhood Cafe Fund	(c)	229,869	232,787
Friends of the Practice, Research and Training Centre on Autism Fund	(d)	843,506	842,250
		<u>4,304,802</u>	<u>4,016,496</u>

32. OTHER FUNDS (continued)

(a)	Movement of Staff Welfare and Development Fund		
		<u>2023</u>	<u>2022</u>
		HK\$	HK\$
	At the beginning of the year	2,910,373	2,493,116
	Contribution income	269,374	304,896
	Service income	47,187	163,207
	Expenditure	(26,593)	(50,846)
	At the end of the year	<u>3,200,341</u>	<u>2,910,373</u>
		=====	=====
(b)	Movement of Home Maintenance Elderly Fund		
		<u>2023</u>	<u>2022</u>
		HK\$	HK\$
	At the beginning and at the end of the year	31,086	31,086
		=====	=====
(c)	Movement of Neighbourhood Cafe Fund		
		<u>2023</u>	<u>2022</u>
		HK\$	HK\$
	At the beginning of the year	232,787	242,535
	Sales and commission income	748	609
	Expenditure	(3,666)	(10,357)
	At the end of the year	<u>229,869</u>	<u>232,787</u>
		=====	=====
(d)	Movement of Friends of the Practice, Research and Training Centre on Autism Fund		
		<u>2023</u>	<u>2022</u>
		HK\$	HK\$
	At the beginning of the year	842,250	1,449,147
	Interest income	1,256	29
	Transferred to general fund (note)	-	(606,926)
	At the end of the year	<u>843,506</u>	<u>842,250</u>
		=====	=====

Note: In previous years, the Friends of Practice, Research and Training Center on Autism Fund (the "Friends of PRTA Fund") was set up for fund raising for a specialty store of Autism. Afterwards, the Council terminated the services of the specialty store and reached an agreement with the committee members of this fund to use part of the fund as the naming after donation for the Chan Yin Chuen Child Enrichment Centre. However, the Council had used the General fund to deal with the payment for the aforesaid naming after donation at that time. In 2022, the Council's members have approved the transfer of HK\$606,926 from the Friends of PRTA Fund to the General fund.

33. OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise :-

	<u>2023</u> HK\$	<u>2022</u> HK\$
Cash at bank and on hand	302,360,251	313,139,304
Time deposits	35,269,144	37,891,615
Cash and bank balances	<u>337,629,395</u>	<u>351,030,919</u>
Less: time deposits with original maturities more than three months	(11,553,119)	(15,932,082)
Cash and cash equivalents	<u><u>326,076,276</u></u>	<u><u>335,098,837</u></u>

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

	<u>Lease liabilities</u> HK\$
At 1 April 2021	13,203,620
Changes from financing cash flows :-	
Capital element of lease rentals paid	(13,586,339)
Interest element of lease rentals paid	(490,737)
	<u>(14,077,076)</u>
Other changes :-	
Increase in lease liabilities from entering into new leases during the year	11,708,435
Interest on lease liabilities	490,737
	<u>12,199,172</u>
At 31 March 2022	<u>11,325,716</u>
Changes from financing cash flows :-	
Capital element of lease rentals paid	(13,798,435)
Interest element of lease rentals paid	(1,654,289)
	<u>(15,452,724)</u>
Other changes :-	
Increase in lease liabilities from entering into new leases during the year	31,059,145
Interest on lease liabilities	1,654,289
	<u>32,713,434</u>
At 31 March 2023	<u><u>28,586,426</u></u>

33. OTHER CASH FLOW INFORMATION (continued)

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

	<u>2023</u> HK\$	<u>2022</u> HK\$
Within operating cash flows	40,183	43,287
Within financing cash flows	15,452,724	14,077,076
	<u>15,492,907</u> =====	<u>14,120,363</u> =====

These amounts relate to the lease rentals paid.

34. CAPITAL COMMITMENTS

As at 31 March 2023, the outstanding commitments in respect of capital expenditure of the Council were as follows :-

	<u>2023</u> HK\$	<u>2022</u> HK\$
Contracted for but not provided in the financial statements	3,276,351	7,225,192
Authorised but not contracted for	-	-
	<u>3,276,351</u> =====	<u>7,225,192</u> =====

35. 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.

36. BANKING FACILITIES

During the year, bank guarantee of HK\$1,182,200 (2022: HK\$1,119,160) was given to the Council and was secured by a bank fixed deposit of HK\$1,531,715 (2022: HK\$1,509,505) placed by the Council. The bank guarantee was used to support the Council in operating a project with the Hospital Authority.

37. 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.

37. 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 17(d)(i).

	<u>Level 1</u> HK\$	<u>Level 2</u> HK\$	<u>Level 3</u> HK\$	<u>Total</u> HK\$
<u>2023</u>				
Assets				
Listed securities	106,400	-	-	106,400
	=====	=====	=====	=====
<u>2022</u>				
Assets				
Listed securities	108,400	-	-	108,400
	=====	=====	=====	=====

During the years ended 31 March 2023 and 2022, 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 2023 and 2022.

38. 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 2023 and 31 March 2022. The Executive Committee of the Council regularly reviews and manages its capital to ensure adequacy for both operational and capital need.

39. 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 new or amended standards, which are not yet effective for the year ended 31 March 2023 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Council.

	<u>Effective for accounting period beginning on or after</u>
Amendments to HKAS 1, Presentation of financial statements and HKFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies	1 January 2023
Amendments to HKAS 8, Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates	1 January 2023
Amendments to HKAS 12, Income taxes: Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
Amendments to HKAS 1, Presentation of financial statements: Classification of Liabilities as Current or Non-Current	1 January 2024
Amendments to HKFRS 16, Lease : Lease liabilities in a sale and leaseback	1 January 2024

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.