

THE NEIGHBOURHOOD ADVICE-ACTION COUNCIL

2024

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 2024**

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THE NEIGHBOURHOOD ADVICE-ACTION COUNCIL REPORT OF THE EXECUTIVE COMMITTEE

The Executive Committee members submit herewith their annual report together with the audited financial statements of The Neighbourhood Advice-Action Council (the “Council”) for the year ended 31 March 2024.

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 2024 and the financial position of the Council at that date are set out in the financial statements on pages 11 to 53.

EXECUTIVE COMMITTEE MEMBERS

The Executive Committee members who held office during the financial year were :-

Chairman	Mr. TAI Keen Man	
Vice Chairmen	Mr. LAM Kin Lai, JP	
	Dr. WAN Tack Fan	
	Mr. YIP Ching Shan	
	Mr. SUI Wai Keung, GBS, JP	
	Dr. CHEUNG Kwok Wah	
Honorary Secretary	Mr. AU Kwok Yee, Benjamin	
Honorary Treasurer	Mr. SIU Yu Bun, Alan, SBS	
Committee Members	Mr. CHEUNG Kin Chun	
	Ar. KWONG Sum Yee, Anna, MH	
	Mr. YEUNG Yiu Shing, Gary	
	Dr. HO Chui Fong, Mimi	
	Dr. LI Siu Kei	
	Mr. TUNG Chi Fat, MH	
	Ms. WONG Yeung Fong	
	Ms. LI Kit Yu	(Appointed on 18 November 2023)
	Dr. KWAN Ka Hung, Julian	(Appointed on 18 November 2023)
	Mr. WONG Chu Kee, Daniel	(Appointed on 18 November 2023)
	Mr. YEN Yuen Ho, Tony, SBS	(Resigned on 18 November 2023)
	Mr. AU Hang Yee	(Resigned on 18 November 2023)
	Mr. WONG Eng Beng	(Resigned on 18 November 2023)

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.

Mr. YEN Yuen Ho, Tony, SBS, Mr. AU Hang Yee and Mr. WONG Eng Beng resigned as Executive Committee member of the Council due to the tenure of office expired. They have confirmed that they have no disagreement with the Executive Committee and nothing relating to the affairs of the Executive Committee needed to be brought to the attention of the members of the Executive Committee.

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, a registered charitable non-governmental organization, delivers a wide range of services to cater to individuals of all ages and backgrounds. Currently, the Council operates and provides expert guidance to 81 service units across Hong Kong and Mainland China. The Council's nine service divisions encompass Family and Child Welfare, Children and Youth, Elderly, Rehabilitation, Community Development, Mainland Services, Education, Health Care, and Social Enterprise.

External Environment and Major Funding Bodies

External Environment and major funding bodies of the Council during the period between 1 April 2023 and 31 March 2024 ("reporting period") are as follows:

	Percentage of the Council's Total Income (%)
Social Welfare Department	78.5
Education Bureau	3.1
Lotteries Fund	1.7
Health Bureau	1.5
Hospital Authority	1.3
Five largest funding bodies in aggregate	<u>86.1</u>

Financial Performance

Total income and expenditure for the year are HK\$921 million (2022-23: HK\$859 million) and HK\$886 million (2022-23: HK\$826 million) respectively. Hence a surplus of HK\$35 million was recorded for the year and an increase of \$2 million over the surplus compared with the previous financial year.

In the reporting period, the revenue increased mainly attribute from 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 subsidized 78.5% of our total income, which represented 2% increase as compared with that of the previous year. Additional subventions for various services in our subsidized service units.

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.

Harmony Manor has been selected as one of the participating organizations for the Green Rehabilitation Bus Pilot Scheme which is funded by HSBC together with The Conservancy Association. The scheme is a pioneer project that aims to switch to electric vehicles when providing transport for people with mobility difficulties, and an important step contributing to Hong Kong's low-carbon transition. The project is in the preparation state for electric facilities and vehicle selection.

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. Beside complying with service quality standards (SQS), the Council is paying special attention to educate the importance and content of National Security Law from Board to staff and service members' level. 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, anti-corruption, 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

The Council fosters a positive working relationship with its employees. All staff salaries are aligned with the Civil Service Pay Scale, with adjustments made in accordance with the periodic announcements by the Social Welfare Department. Additionally, the Council offers comprehensive benefits, including medical insurance, a one-time employer contribution to staff MPF accounts, and annual performance incentives for all eligible employees. Having actively committed ourselves to adopt employee-oriented family-friendly employment practices, the Council has been awarded the Certificate of GEC 2024.

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 and email account, annual users' meeting, Service Quality Standard visit and designated email channel.

The Council partnered again with Café de Coral Holdings Limited (SEHK: 0341) expanded the scope of its food assistance programme "Bon Appétit Café" in 2023, reaching 4,000 beneficiaries with an emphasis on supporting carers. The programme provided a total subsidy of HK\$12 million by offering each beneficiary a Bon Appétit card, which was allowed to enjoy HK\$3,000 worth of free meals at Café de Coral stores within three months. The programme will help alleviate financial pressure on carers, supporting them to take better care of their physical and mental needs.

Since April 2022, the George A. Spence Foundation has been donating the operating costs for The Council's Health and Wellness Mobile Chinese Medicine Service in Lantau Island and Tung Chung on a self-financing basis. As of December 2023, the service has reached a total of 7,596 visits. In April 2023, the George A. Spence Foundation also donated a brand new and modern Chinese medicine vehicle to be put into service. The new Chinese medicine vehicle is equipped with a consultation room and a waiting area, including acupuncture facilities. It aims to provide quality Chinese internal medicine and acupuncture services to patients.

"The Oscar and Partners Capital Limited (OP Capital) Presents: Neighbourhood Tribute Charity Luncheon 2024", inviting over 1,000 grassroots elderly, families, and disabled individuals to celebrate Father's and Mother's Day. The event also aimed to raise funds for the Council's non-government funded services for the elderly, disabled, and Chinese medicine services. The event was honored to have Mr. TANG Ping-keung, GBS, PDSM, JP, Secretary for Security of the Hong Kong Special Administrative Region, and Mr. Zhou He, Deputy Director of the Social Work Department, Liaison Office of the Central People's Government in the Hong Kong Special Administrative Region, as the officiating guests.

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 advocacy.
2. The Council will proactively put forward tripartite collaboration approach to create synergy between social, commercial, academic and government sectors.
3. With years of solid connection to local communities and practise, we will play an active role in service consolidation and share with the discipline.
4. The Council will continue our mission of "Extension", highlighting shared values to promote internal and external NEIGHBOURHOOD spirit of "one step further" to fill potential service gaps.

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.

Promoting Carer networks to promote locality support of Carers from various perspectives. 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 promote mutual support.

With the increase in complexity of social needs and lacking of manpower in social sector, capacity building of practitioners and staff in agility and innovation is crucial. Application of technology in service creating efficiency and enhance GLOCAL (global and local) perspectives is an important direction. It is important to carry forward the agency culture of Extension, Excellence and Equity into a contemporary context and illustration.

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. TAI Keen Man

Chairman

Hong Kong, 16 October 2024



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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**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 53, which comprise the statement of financial position as at 31 March 2024, 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 material accounting policy information.

In our opinion, the financial statements give a true and fair view of the financial position of the Council as at 31 March 2024, 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 ("HKSAs") 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 HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional 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 three 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 2024 as stated below and disclosed on note 6 to the financial statements :-

- The assistance programme under Community Care Fund - Pilot Scheme on Living Allowance for Carers of Elderly Persons from Low-Income Families (letter of approval reference SWD/CCF/10-20/2021/1/1/1) ;
- 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) ; and
- 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).



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 HKSA's, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements, we do not express any assurance on the income and expenditure account of the CCF Projects.

Chan, Li, Law CPA Limited

Chan, Li, Law CPA Limited
Certified Public Accountants (Practising)
Hong Kong, 16 October 2024

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 2024
(Expressed in Hong Kong dollars)

	<u>Note</u>	<u>2024</u> HK\$	<u>2023</u> HK\$
Revenue	7	917,177,897	857,776,219
Other income and net gain	8	3,343,031	858,770
Administrative and operating expenses		(884,656,215)	(824,057,749)
Finance costs	10	(1,110,222)	(1,654,289)
Surplus for the year	11	<u>34,754,491</u>	<u>32,922,951</u>
Other comprehensive income for the year		-	-
Total comprehensive income for the year		<u><u>34,754,491</u></u>	<u><u>32,922,951</u></u>

The notes on pages 17 to 53 form part of these financial statements.

THE NEIGHBOURHOOD ADVICE-ACTION COUNCIL
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2024
(Expressed in Hong Kong dollars)

	<u>Note</u>	<u>2024</u> HK\$	<u>2023</u> HK\$
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	15,122,788	27,815,141
Listed securities	15	122,300	106,400
Investment property	16	4,100,000	4,700,000
		<u>19,345,088</u>	<u>32,621,541</u>
Current assets			
Inventories	13	326,829	363,626
Accounts and other receivables		6,454,214	15,422,167
Deposit and prepayment		3,300,333	3,172,641
Fixed deposit (pledged)	35	1,570,266	1,531,715
Cash and bank balances	32(a)	394,207,400	337,629,395
		<u>405,859,042</u>	<u>358,119,544</u>
Current liabilities			
Accounts and other payables		32,626,513	19,363,403
Receipt in advance		6,594,097	7,207,883
Deposits received		563,220	518,483
Provision for severance and long service payment	18	1,464,445	-
Lease liabilities	17	14,698,032	14,117,907
		<u>55,946,307</u>	<u>41,207,676</u>
Net current assets		<u>349,912,735</u>	<u>316,911,868</u>
Total assets less current liabilities		<u>369,257,823</u>	<u>349,533,409</u>
Less : Non-current liability			
Lease liabilities	17	1,144,337	14,468,519
NET ASSETS		<u>368,113,486</u>	<u>335,064,890</u>

The notes on pages 17 to 53 form part of these financial statements.

THE NEIGHBOURHOOD ADVICE-ACTION COUNCIL
STATEMENT OF FINANCIAL POSITION (continued)
AS AT 31 MARCH 2024
(Expressed in Hong Kong dollars)

	<u>Note</u>	<u>2024</u> HK\$	<u>2023</u> HK\$
FUNDS AND RESERVES			
Lotteries Fund - Block Grant Reserve	19	7,754,408	6,686,577
Lotteries Fund - Pilot Scheme on Community Care Service Voucher for the Elderly	20	(320,263)	(1,258,117)
SWD Lump Sum Grant Reserve	21	178,642,587	149,214,769
SWD Holding Account	22	29,573,485	29,573,485
SWD Central Items Reserve	23	2,153,143	196,026
SWD Social Welfare Subvention surplus account	24	(3,530,059)	(2,787,559)
SWD Provident Fund Reserve	25	90,342,208	82,177,460
SWD Child Development Fund	26	378,553	(216,888)
SWD Social Welfare Development Fund	27	2,051,662	2,051,662
Day Nursery Fund	30	16,616,259	17,001,776
DHC Express - Islands District	29	15,095,432	11,039,243
Other funds	31	4,559,304	4,304,802
General fund	28	24,796,767	37,081,654
		<u>368,113,486</u>	<u>335,064,890</u>

Approved and authorised for issue by the Executive Committee on 16 October 2024



Mr. TAI Keen Man
Chairman



Mr. SIU Yu Bun, Alan, SBS
Honorary Treasurer

The notes on pages 17 to 53 form part of these financial statements.

THE NEIGHBOURHOOD ADVICE-ACTION COUNCIL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2024
(Expressed in Hong Kong dollars)

	<u>Note</u>	<u>2024</u> HK\$	<u>2023</u> HK\$
Cash flows from operating activities			
Surplus for the year		34,754,491	32,922,951
Adjustments for :-			
Bank interest income	8	(4,165,294)	(1,344,000)
Depreciation of right-of-use assets	11	14,544,998	14,273,243
Finance costs	10	1,110,222	1,654,289
(Gain)/loss on fair value change of listed securities	8	(15,900)	2,000
Loss on fair value change of investment property	8	600,000	100,000
Provision of long service payment	18	1,464,445	-
Write off of property, plant and equipment	11	23,125,683	20,926,534
Operating surplus before changes in working capital		<u>71,418,645</u>	<u>68,535,017</u>
Decrease/(increase) in inventories		36,797	(183,351)
Decrease in accounts and other receivables		8,967,953	12,732,708
Increase in deposit and prepayment		(127,692)	(193,480)
Increase/(decrease) in accounts and other payables		13,263,110	(28,646,746)
Decrease in receipt in advance		(613,786)	(29,786,877)
Increase in deposits received		44,737	22,855
Net cash generated from operating activities		<u>92,989,764</u>	<u>22,480,126</u>
Cash flows from investing activities			
Bank interest income		4,165,294	1,344,000
Payments to acquire property, plant and equipment		(23,125,681)	(20,926,533)
(Increase)/decrease in time deposits with original maturity over three months		(33,604,974)	4,378,963
Net cash used in investing activities		<u>(52,565,361)</u>	<u>(15,203,570)</u>
Net cash generated from operating and investing activities - page 16		<u><u>40,424,403</u></u>	<u><u>7,276,556</u></u>

The notes on pages 17 to 53 form part of these financial statements.

THE NEIGHBOURHOOD ADVICE-ACTION COUNCIL
STATEMENT OF CASH FLOWS (continued)
FOR THE YEAR ENDED 31 MARCH 2024
(Expressed in Hong Kong dollars)

	<u>Note</u>	<u>2024</u> HK\$	<u>2023</u> HK\$
Net cash generated from operating and investing activities - page 15		40,424,403	7,276,556
Cash flows from financing activities			
Lotteries Fund - Block Grant received, net		1,025,604	1,356,192
Clawback of and adjustment to SWD Lump Sum Grant Reserve, net		(1,405,984)	-
Clawback of and adjustment to SWD Central Item Reserve, net		(239,986)	(1,291,449)
Clawback of and adjustment to SWD Social Welfare Subvention surplus account, net		(518,528)	(564,387)
SWD Provident Fund received, net		245,290	125,359
Clawback of and adjustment to SWD Provident Fund Reserve, net		(1,046,038)	(738,654)
Other funds received		247,130	313,643
Clawback of and adjustment to General Fund		(13,383)	(17,883)
Modification of rights-of-use assets		(1,428)	(7,004)
Increase in fixed deposit (pledged)		(38,551)	(22,210)
Capital element of lease rentals paid	32(b)	(14,595,276)	(13,798,435)
Interest element of lease rentals paid	32(b)	(1,086,819)	(1,654,289)
Interest element of provision for long service payment	18	(23,403)	-
Net cash used in financing activities		(17,451,372)	(16,299,117)
Net increase/(decrease) in cash and cash equivalents		22,973,031	(9,022,561)
Cash and cash equivalents at the beginning of the year		326,076,276	335,098,837
Cash and cash equivalents at the end of the year	32(a)	349,049,307	326,076,276

The notes on pages 17 to 53 form part of these financial statements.

THE NEIGHBOURHOOD ADVICE-ACTION COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024
(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. MATERIAL ACCOUNTING POLICIES

(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”), 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, except that the investment property and the listed securities are stated at fair value.

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. MATERIAL 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

(i) New and amended HKFRSs

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.

(ii) New HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism

In June 2022 the Hong Kong SAR Government (the “Government”) gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the “Amendment Ordinance”), which will come into effect from 1 May 2025 (the “Transition Date”). Once the Amendment Ordinance takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory contributions to mandatory provident fund (“MPF”) scheme to reduce the long service payment (“LSP”) in respect of an employee’s service from the Transition Date (the abolition of the “offsetting mechanism”). In addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee’s monthly salary immediately before the Transition Date and the years of service up to that date.

In July 2023, the HKICPA published “Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong” that provides accounting guidance relating to the offsetting mechanism and the abolition of the mechanism. In particular, the guidance indicates that entities may account for the accrued benefits derived from mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed contributions by that employee towards the LSP.

3. MATERIAL ACCOUNTING POLICIES (continued)

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

(ii) New HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism (continued)

However, applying this approach, upon the enactment of the Amendment Ordinance in June 2022, it is no longer permissible to apply the practical expedient in paragraph 93(b) of HKAS 19 that previously allowed such deemed contributions to be recognised as reduction of service cost (negative service cost) in the period the contributions were made; instead these deemed contributions should be attributed to periods of service in the same manner as the gross LSP benefit.

To better reflect the substance of the abolition of the offsetting mechanism, the Council has applied the above HKICPA guidance and changed its accounting policy in connection with its LSP liability.

The Council assessed that the cumulative catch-up adjustment in profit and loss for the service costs, interest expense and remeasurement effect from changes in actuarial assumptions and the corresponding adjustment to the LSP obligation for the year ended 31 March 2023 are immaterial. This change in accounting policy (i) did not have any impact on the opening balance of reserves at 1 April 2022 and the cash flows for the year ended 31 March 2023, and (ii) did not have material impact on the profit for the year ended 31 March 2023 and the financial position as at 31 March 2023. In light of the immaterial impact, the Council did not apply the change in its accounting policy retrospectively.

(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.

Except for properties leased for own use, 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.

3. MATERIAL ACCOUNTING POLICIES (continued)

(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.

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 36(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)(viii)).

3. MATERIAL ACCOUNTING POLICIES (continued)

(f) Investments in 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 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.
- 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) Receivables

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)).

3. MATERIAL ACCOUNTING POLICIES (continued)

(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).

(i) Credit losses and impairment of assets

(i) Credit losses from financial assets

The Council recognises loss allowances for expected credit losses ("ECLs") on financial assets measured at amortised cost including accounts and other receivables and cash and cash equivalents.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Generally, credit losses are measured as the present value of all expected cash shortfalls between the contractual and expected amounts.

In respect of the Council's fixed-rate financial assets and accounts and other receivables, the expected cash shortfalls are discounted using the effective interest rate determined at initial recognition or an approximation thereof if the effect is material.

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

The ECLs are measured on either of the following bases:

- 12 months ECLs: these are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date; and
- lifetime ECLs: these are the ECLs that result from all possible default events over the expected lives of the financial assets to which the ECL model applies.

The Council measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-months:

- financial assets that are determined to have low credit risk at the reporting date; and
- other financial assets for which credit risk has not increased significantly since initial recognition.

3. MATERIAL ACCOUNTING POLICIES (continued)

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

(i) Credit losses from financial assets (continued)

Loss allowances for accounts receivables are always measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

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

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

The Council considers a financial asset to be in default when:

- the debtor 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
- the financial asset is 90 days past due.

The Council considers a financial instrument to have low credit risk rating is equivalent to the globally understood definition of "investment grade".

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.

Credit-impaired financial assets

At each reporting date, the Council assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Write-off policy

The gross carrying amount of a financial asset is written off to the extent that there is no realistic prospect of recovery. This is generally the case when the asset become long past due or when the Council otherwise 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. MATERIAL ACCOUNTING POLICIES (continued)

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

(ii) Impairment loss on non-financial assets

At each reporting date, the Council reviews the carrying amounts of its non-financial assets, including property, plant and equipment and right-of-use assets, to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("CGU"s).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, 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 or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. An impairment loss is reversed only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(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.

3. MATERIAL ACCOUNTING POLICIES (continued)

(k) Payables

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.

(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.

3. MATERIAL ACCOUNTING POLICIES (continued)

(m) Related parties (continued)

- (b) An entity is related to the Council if any of the following conditions applies :- (continued)
- (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

- (i) Salaries, annual bonuses, paid annual leave, contribution to defined contribution plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.
- (ii) The Council participates in approved defined contribution scheme for retirement benefits of employees – Mandatory Provident Fund (MPF) under the Hong Kong Mandatory Provident Fund Schemes Ordinance. The contributions payable to the Council's defined contribution scheme are charged to surplus or deficit as incurred.
- (iii) The Council recognises long service payments to be made by the Council to its employees upon the termination of services as a defined benefit plan under post-employment benefits. The cost of providing benefits is measured using projected unit credit method with actuarial valuations to determine its present value and service cost. When the calculation results in a benefit to the Council, the recognised asset is limited to lower of the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan and the asset ceiling. The net defined benefit liabilities recognised in the statement of financial position represent the present value of the obligation under defined benefit plan minus the fair value of plan assets. The Council carried out comprehensive actuarial valuation at the end of reporting period. The remeasurements of the net defined benefit liabilities during a period are recognised as cost of defined benefit plan during the period.

3. MATERIAL ACCOUNTING POLICIES (continued)

(o) Translation of foreign currencies

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

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

(p) Leased assets

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

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Council has elected 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.

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.

3. MATERIAL ACCOUNTING POLICIES (continued)

(p) Leased assets (continued)

(i) As a lessee (continued)

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)).

Refundable rental deposits are accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in non-equity securities carried at amortised cost (see notes 3(f)(i), 3(q)(viii) and 3(i)(i)). Any excess of the nominal value over the initial fair value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

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. MATERIAL 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. 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.

(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. MATERIAL 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:

		Central Western, Southern and Islands District	
	<u>Note</u>	<u>2024</u> HK\$	<u>2023</u> HK\$
Allocated sum of the year	7	414,000	408,000
Actual expenditure		(414,000)	(408,000)
Unspent allocation		<u>-</u>	<u>-</u>

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

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

	<u>2024</u> HK\$	<u>2023</u> HK\$
INCOME		
Training subsidy	441,659	393,189
	-----	-----
EXPENDITURE		
Staff salaries and MPF	541,305	453,157
Telephone, fax and internet	434	395
Printing and stationery	7,639	3,304
Other expenses :-		
- Administrative fee	27,612	23,164
- Teaching materials	35,747	31,076
- Utilities	10,510	9,719
Total expenditure	<u>623,247</u>	<u>520,815</u>
	-----	-----
DEFICIT FOR THE YEAR	<u>(181,588)</u>	<u>(127,626)</u>
	-----	-----
Cumulated income brought forward	4,063,483	3,670,294
Cumulated expenditure brought forward	(4,195,632)	(3,674,817)
CUMULATED DEFICIT BROUGHT FORWARD	<u>(132,149)</u>	<u>(4,523)</u>
	-----	-----
CUMULATED DEFICIT CARRIED FORWARD	<u>(313,737)</u>	<u>(132,149)</u>
	=====	=====

6. PROJECTS SUBSIDISED BY COMMUNITY CARE FUND

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

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

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

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

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

6. PROJECTS SUBSIDISED BY COMMUNITY CARE FUND (continued)

	2024				2023			
	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	695,276	464,269	3,399,913	-	695,276	464,269	59,760	265,583
Income								
Subsidy from CCF	236,280	422,160	-	-	379,800	592,440	7,672,972	-
Subsidy from CCF (Programme 2021)	-	-	-	-	-	-	-	80
Fee income received from participants	-	-	-	-	-	-	611,283	-
Total income	236,280	422,160	-	-	379,800	592,440	8,284,255	80
Expenditure								
Salaries and allowances	-	71,548	-	-	-	31,835	3,614,777	-
Provident fund contributions	-	3,577	-	-	-	1,592	181,411	-
Stores and equipment	-	-	-	-	-	-	630	-
Transportation and travelling	-	-	-	-	-	-	26,485	-
Miscellaneous	-	1,615	-	-	-	(2,626)	17,996	-
Services related expenses	-	-	-	-	-	-	754,239	-
Other expenditure: -								
- Insurance	4	2,015	-	-	1,201	1,628	113,131	-
- Management fee	236,276	343,405	-	-	378,599	560,011	235,433	-
Total expenditure	236,280	422,160	-	-	379,800	592,440	4,944,102	-
Surplus for the year	-	-	-	-	-	-	3,340,153	80
Surplus brought forward from previous year Transferred to General Fund	695,276	464,269	3,399,913	-	695,276	464,269	59,760	265,583
BALANCE AT THE END OF YEAR	695,276	464,269	3,399,913	-	695,276	464,269	3,399,913	(265,663)

7. REVENUE

	<u>Note</u>	<u>2024</u> HK\$	<u>2023</u> HK\$
Income from government and related organisations :-			
Community Care Fund		790,903	8,727,727
Education Bureau		28,740,036	29,139,104
Employees Retraining Board		160,763	281,205
Health Bureau/Food and Health Bureau		13,415,997	10,061,998
Home Affairs Department		5,103,373	7,105,741
Hong Kong Housing Authority and Housing Department		248,815	122,503
Hospital Authority		12,275,000	10,338,000
Labour and Welfare Bureau		3,387,667	4,090,889
Lotteries Fund		15,317,083	13,646,275
Student Financial Assistance Agency		3,327,231	3,358,710
Social Welfare Department :-			
- Central Items		10,615,393	7,318,431
- Child Care Centre Subsidy Scheme		6,602,649	6,260,460
- Child Development Fund		2,256,716	2,406,316
- Direct Cash Assistance	4	414,000	408,000
- Lump Sum Grant		671,630,164	595,862,832
- Social Welfare Development Fund		-	70,800
- Subvention for manpower enhancement		1,600,507	1,122,600
- Subvention for rent and rates		18,906,135	17,145,528
- One-off subsidy		534,804	14,570,917
- Other subsidies		9,600,649	8,906,284
Employment Support Scheme (note)		-	1,603,200
Other government and related subvention		2,054,619	1,235,279
		<u>806,982,504</u>	<u>743,782,799</u>
Income from other sources – page 34		110,195,393	113,993,420
		<u>917,177,897</u>	<u>857,776,219</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. The purpose of the funding is to provide financial support to retain their current employees or hire more employees when the business revives. Under the terms of the grant, the Council is required to employ a sufficient number of employees with reference to its purposed employee headcounts in each subsidy month.

7. REVENUE (continued)

	<u>Note</u>	<u>2024</u> HK\$	<u>2023</u> HK\$
Income from other sources :-			
Flag day income	9	1,483,765	-
Community Chest – other donations		291,128	528,718
Designated donations and grants		6,198,355	8,695,362
General donations		3,094,602	3,007,134
Operating income		89,039,252	85,505,247
Sundry income		856,601	864,019
The Hong Kong Jockey Club Charities Trust :-			
- Grant to implement Extension of Jockey Club Community eHealth Care Project		1,993,000	3,164,500
- Funds on Jockey Club Age-Friendly City Project Territory-Wide Programme: Home Modification		-	266,527
- Grant on Jockey Club JoyAge Project for Elderly Mental Wellness Project Extension		-	1,192,717
- Funds to carry out the “Pathway to Healthy Ageing” Project for older people at risk of “accelerated ageing”		437,886	251,543
- Funds to develop and operate the Pre-school Rehabilitation Services Information Technology System		1,670,090	1,248,847
- Funds to organise a pilot project on health support for families of ethnic minority		-	333,631
- Grant on NAAC Jockey Club “STEP bySTEP” Blended Families Support Project		3,386,206	864,773
- Grant to implement the advance Information and Communications Technology in Family Services		95,813	992,261
- Grant to 21st Century Integrated Children and Youth Services Centres		144,082	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
- Funds to implement "Jockey Club Digital Tablet and Online Support Programme for Homebound Elderly"		163,930	-
- Grant on Jockey Club "Reach to Bridge" Community Elderly Support Project		1,150,000	-
- Other donations		190,683	2,894,141
Income from other sources – page 33		<u>110,195,393</u>	<u>113,993,420</u>

8. OTHER INCOME AND NET GAIN

	<u>Note</u>	<u>2024</u> HK\$	<u>2023</u> HK\$
Bank interest income		4,165,294	1,344,000
Exchange loss, net		(238,163)	(383,230)
Gain/(loss) on fair value change of listed securities		15,900	(2,000)
Loss on fair value change of investment property	16	(600,000)	(100,000)
		<u>3,343,031</u>	<u>858,770</u>

9. NET PROCEEDS FROM FLAG DAY FUND RAISING ACTIVITIES

During the year ended 31 March 2024, the Council held a Flag Day fund raising activities in public places of territory-wide region on 30 December 2023. During the year ended 31 March 2023, no flag day fund raising activities were held.

	<u>Note</u>	<u>2024</u> HK\$	<u>2023</u> HK\$
Balance at the beginning of year		-	-
INCOME			
Street collections		735,020	-
Other forms of appeals		748,745	-
	7	<u>1,483,765</u>	<u>-</u>
EXPENDITURE			
Administrative expenses		(92,196)	-
NET PROCEEDS		<u>1,391,569</u>	<u>-</u>
The net proceeds of the flag day fund raising activities had been used for operating :-			
NAAC Martha Baker Social Centre for the Elderly	40%	(556,628)	-
NAAC Sau Mau Ping Social Centre for the Elderly	40%	(556,628)	-
NAAC Pak Tin Social Centre for the Elderly	20%	(278,313)	-
		<u>(1,391,569)</u>	<u>-</u>
Balance at end of the year		<u>-</u>	<u>-</u>

10. FINANCE COSTS

	<u>Note</u>	<u>2024</u> HK\$	<u>2023</u> HK\$
Interest on lease liabilities	14	1,086,819	1,654,289
Interest on provision for severance and long service payments	18	23,403	-
		<u>1,110,222</u>	<u>1,654,289</u>

11. SURPLUS FOR THE YEAR

	<u>Note</u>	<u>2024</u> HK\$	<u>2023</u> HK\$
Surplus for the year is arrived at after charging :-			
Auditors' remuneration		430,956	400,100
Cost of inventories sold		1,812,087	1,632,907
Depreciation of right-of-use assets	14	14,544,998	14,273,243
Staff costs			
- Salaries, wages and other benefits		622,083,450	572,894,827
- Contributions to defined contribution retirement plan		41,868,666	36,855,597
Write off of property, plant and equipment	14	<u>23,125,683</u>	<u>20,926,534</u>

12. INCOME TAX

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

13. INVENTORIES

	<u>2024</u> HK\$	<u>2023</u> HK\$
School uniform	9,447	9,447
School bags	69,333	75,481
Books	16,944	20,916
Staff uniform	231,105	257,782
	<u>326,829</u>	<u>363,626</u>

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

14. PROPERTY, PLANT AND EQUIPMENT

	<u>Note</u>	<u>Properties leased for own use</u> HK\$	<u>Furniture and equipment</u> HK\$	<u>Total</u> HK\$
Cost :-				
At 1 April 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
Additions		1,852,647	23,125,681	24,978,328
Written off against surplus or deficit	11	-	(23,125,683)	(23,125,683)
At 31 March 2024		80,834,130	74	80,834,204
Accumulated depreciation :-				
At 1 April 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
Charge for the year	11	14,544,998	-	14,544,998
At 31 March 2024		65,711,416	-	65,711,416
Net book value :-				
At 31 March 2024		15,122,714	74	15,122,788
At 31 March 2023		27,815,065	76	27,815,141

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>2024</u> HK\$	<u>2023</u> HK\$
Interest on lease liabilities	10	1,086,819	1,654,289
Additions to right-of-use assets		923,039	-
Modification to right-of-use assets		929,608	31,066,149
Carrying amount of right-of-use assets		15,122,714	27,815,065
Depreciation of right-of-use assets		14,544,998	14,273,243
Expense relating to short-term leases		69,156	40,183
Total cash outflow for leases	32(c)	15,751,251	15,492,907

15. LISTED SECURITIES

	<u>2024</u> HK\$	<u>2023</u> HK\$
Equity securities listed in Hong Kong, at fair value	122,300	106,400

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.

16. INVESTMENT PROPERTY

	<u>Note</u>	<u>2024</u> HK\$	<u>2023</u> HK\$
At the beginning of the year		4,700,000	4,800,000
Fair value adjustment	8	(600,000)	(100,000)
At the end of the year		4,100,000	4,700,000

- (a) The investment property was donated by an ex-member of the Council. The Council intends to held the investment property as long term investment for generating rental income to subsidise non-subservated elderly services of the Council in Hong Kong. The rental income generated during the year amounted to HK\$150,000 (2023: HK\$109,355).
- (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

16. 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 2024, 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 2024 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.

17. LEASE LIABILITIES

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

	2024		2023	
	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments
	HK\$	HK\$	HK\$	HK\$
Within 1 year	14,698,032	15,089,590	14,117,907	15,252,872
After 1 year but within 5 years	1,144,337	1,166,036	14,468,519	14,743,264
	<u>15,842,369</u>	<u>16,255,626</u>	<u>28,586,426</u>	<u>29,996,136</u>
Less : Total future interest expenses		(413,257)		(1,409,710)
Present value of the lease liabilities		<u>15,842,369</u>		<u>28,586,426</u>

18. PROVISION FOR SEVERANCE AND LONG SERVICE PAYMENT

Hong Kong employees that have been employed continuously for at least five years are entitled to long service payments (“LSP”) in accordance with the Hong Kong Employment Ordinance under certain circumstances. These circumstances include where an employee is dismissed for reasons other than serious misconduct or redundancy, that employee resigns at the age of 65 or above, or the employment contract is of fixed term and expires without renewal. The amount of LSP payable is determined with reference to the employee’s final salary (capped at \$22,500) and the years of service, reduced by the amount of any accrued benefits derived from the Council’s contributions to MPF scheme or ORSO plans, with an overall cap of \$390,000 per employee. Currently, the Council does not have any separate funding arrangement in place to meet its LSP obligation.

In June 2022, the Government gazetted the Amendment Ordinance, which will eventually abolish the statutory right of an employer to reduce its LSP payable to a Hong Kong employee by drawing on its mandatory contributions to the MPF scheme. The Government has subsequently announced that the Amendment Ordinance will come into effect from the Transition Date. Separately, the Government is also expected to introduce a subsidy scheme to assist employers after the abolition.

Among other things, once the abolition of the offsetting mechanism takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory MPF contributions (irrespective of the contributions made before, on or after the Transition Date) to reduce the LSP in respect of an employee’s service from the Transition Date. However, where an employee’s employment commenced before the Transition Date, the employer can continue to use the above accrued benefits to reduce the LSP in respect of the employee’s service up to that date; in addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee’s monthly salary immediately before the Transition Date and the years of service up to that date.

The Council has accounted for the offsetting mechanism and its abolition as disclosed in notes 3(c)(ii) and 3(n)(iii).

The Council has determined that the Amendment Ordinance primarily impacts the Council’s LSP liability with respect to Hong Kong employees that do not participate in the Council’s ORSO plans. The Amendment Ordinance has no material impact on the Council’s LSP liability with respect to employees that participate in the Council’s ORSO plans.

18. PROVISION FOR SEVERANCE AND LONG SERVICE PAYMENT **(continued)**

The present value of unfunded obligation and its movements are as follows :-

	HK\$
At 1 April 2023	-
Remeasurements recognised in other comprehensive income:	
Actuarial losses arising from changes in financial assumptions	-
Expenses recognised in profit or loss:	
Past service cost	727,704
Current service cost	713,338
Interest cost	23,403
At 31 March 2024	<u>1,464,445</u>

The weighted average duration of the defined benefit obligation is 22 years.

Significant actuarial assumptions (expressed as weighted averages) and sensitivity analysis are as follows :-

	<u>2024</u>
Discount rate	3.216%
Future salary increases	3.72%
Expected investment return in offsettable	
MPF accrued benefits	2.56% - 3.34%
ORSO accrued benefits	0.55%

The below analysis shows how the defined benefit obligation would have increased/decreased as a result of 20% change in the significant actuarial assumptions:-

	Increase in 20%	Decrease in 20%
	<u>2024</u>	<u>2024</u>
	HK\$	HK\$
Discount rate	(141,553)	122,415
Future salary increases	54,459	(31,701)
	<u> </u>	<u> </u>

The above sensitivity analysis is based on the assumption that changes in actuarial assumptions are not correlated and therefore it does not take into account the correlations between the actuarial assumptions.

19. LOTTERIES FUND – BLOCK GRANT RESERVE

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

	<u>Note</u>	<u>2024</u> HK\$	<u>2023</u> HK\$
At the beginning of the year		6,686,577	5,328,020
		-----	-----
Add : Block Grant received during the year		9,666,000	9,025,000
Interest income		42,227	2,365
		<u>9,708,227</u>	<u>9,027,365</u>
		-----	-----
Less : Minor works projects		4,553,811	3,157,205
Purchase of furniture and equipment		3,535,736	3,977,757
Vehicle overhauling		550,849	533,846
	(a)	<u>8,640,396</u>	<u>7,668,808</u>
		-----	-----
At the end of the year		<u>7,754,408</u>	<u>6,686,577</u>
		=====	=====

Note:

- (a) Expenditure charged to Block Grant during the year should be full expenditure amount, i.e. the actual expenditure incurred in 2023-24.
- (b) Surplus from the Block Grant can only be used for the replenishment of furniture and equipment and minor works. At 31 March 2024, the outstanding commitments in respect of Block Grant Reserve are as follows :-

	<u>2024</u> HK\$	<u>2023</u> HK\$
Contracted for but not provided in the financial statements	-	200
Authorised but not contracted for	-	-
	<u>-</u>	<u>200</u>
	=====	=====

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

	<u>2024</u> HK\$	<u>2023</u> HK\$
At the beginning of the year	(1,258,117)	(874,074)
Surplus/(deficit) for the year	937,854	(384,043)
At the end of the year	<u>(320,263)</u>	<u>(1,258,117)</u>

21. SWD LUMP SUM GRANT RESERVE

	<u>Note</u>	<u>2024</u> HK\$	<u>2023</u> HK\$
At the beginning of the year		149,214,769	156,525,103
Surplus for the year		29,971,062	20,973,301
Refund to Government		(1,405,984)	-
Transferred from General fund	28	868,579	868,579
Transferred to SWD Holding Account	22	-	(29,573,485)
Transferred from SWD Central Items Reserve	23	-	416,356
Effect of HKFRS 16 absorbed by General fund	28	(5,839)	4,915
At the end of the year		<u>178,642,587</u>	<u>149,214,769</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. During the year ended 31 March 2023, the accumulated unused balance of Lump Sum Grant Reserve subject to the assessment of annual clawback amount was HK\$148,677,364 which had taken into account the above upward adjustments of HK\$868,579 to be made in coming years.

According to the letter issued by SWD on 3 March 2024 regarding the Productivity Enhancement Programme, for the financial year from 2023-24 to 2025-26, if the SWD Lump Sum Grant Reserve exceeds 25% of the operating expenses for that fiscal year, the amount that was originally required to be refunded to the SWD could be retained. The standing clawback arrangement will be reinstated at the end of 2026-27.

22. SWD HOLDING ACCOUNT

	<u>Note</u>	<u>2024</u> HK\$	<u>2023</u> HK\$
At the beginning of the year		29,573,485	-
Transferred from SWD Lump Sum Grant Reserve	21	-	29,573,485
At the end of the year		<u>29,573,485</u>	<u>29,573,485</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.

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 2024, the estimated number of snapshot staff of the Council were 80 (September 2023: 87) 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. Therefore, the HA has been separately disclosed in the financial statements since the year ended 31 March 2023.

Up to 31 March 2024, the Council is in the process of making utilisation plans and financial projections to optimise the use of the reserve.

23. SWD CENTRAL ITEMS RESERVE

	<u>Note</u>	<u>2024</u> HK\$	<u>2023</u> HK\$
At the beginning of the year		196,026	7,003,937
Surplus/(deficit) for the year		2,197,103	(5,100,106)
Unspent balance refunded to SWD		(239,986)	(1,291,449)
Transferred to SWD Lump Sum Grant Reserve	21	-	(416,356)
At the end of the year		<u>2,153,143</u>	<u>196,026</u>

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

24. SWD SOCIAL WELFARE SUBVENTION SURPLUS ACCOUNT

	<u>Note</u>	<u>2024</u> HK\$	<u>2023</u> HK\$
At the beginning of the year		(2,787,559)	(1,686,198)
Deficit for the year		(290,855)	(1,024,473)
Refund from Government		-	4,774
Unspent balance refunded to the SWD		(518,528)	(569,161)
Effect of HKFRS 16 absorbed by General fund	28	66,883	487,499
At the end of the year		<u>(3,530,059)</u>	<u>(2,787,559)</u>

Deficit on SWD Social Welfare Subvention surplus account is expected to be recovered from the Social Welfare Department. During the year, HK\$Nil (2023 : HK\$4,774) was recovered in respect of the previous year.

25. SWD PROVIDENT FUND RESERVE

	<u>2024</u> HK\$	<u>2023</u> HK\$
At the beginning of the year	82,177,460	73,601,690
Surplus for the year	8,965,496	9,189,065
Adjustment to previous clawback amount	245,290	125,359
Unspent balance refunded to the SWD	(1,046,038)	(738,654)
At the end of the year	<u>90,342,208</u>	<u>82,177,460</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 2024, the accumulated unspent balance of SWD Provident Fund Reserve for Snapshot Staff subject to the clawback arrangement was HK\$2,273,983 (2023 : HK\$2,073,581).

26. SWD CHILD DEVELOPMENT FUND

	<u>2024</u> HK\$	<u>2023</u> HK\$
At the beginning of the year	(216,888)	(1,225,164)
Surplus for the year	595,441	1,008,276
At the end of the year	<u>378,553</u>	<u>(216,888)</u>

27. SWD SOCIAL WELFARE DEVELOPMENT FUND

	<u>2024</u> HK\$	<u>2023</u> HK\$
At the beginning of the year	2,051,662	2,195,211
Surplus/(deficit) for the year :-		
- allocated for Non-IT projects	-	70,800
- interest income	-	1,716
- expenditure for training and professional development programmes under Scope A	-	(216,065)
At the end of the year	<u>2,051,662</u>	<u>2,051,662</u>

28. GENERAL FUND

	<u>Note</u>	<u>2024</u> HK\$	<u>2023</u> HK\$
At the beginning of the year		37,081,654	41,258,933
(Deficit)/surplus for the year		(11,341,881)	6,066,449
Transferred to SWD Lump Sum Grant Reserve	21	(868,579)	(868,579)
Transferred to DHC Express - Islands District Reserve	29	-	(8,864,852)
Effect of HKFRS 16 absorbed by General fund	21 and 24	(61,044)	(492,414)
Unspent balance refunded to the SWD		(13,383)	(17,883)
At the end of the year		<u>24,796,767</u>	<u>37,081,654</u>

29. DHC EXPRESS - ISLANDS DISTRICT

	<u>Note</u>	<u>2024</u> HK\$	<u>2023</u> HK\$
At the beginning of the year		11,039,243	-
Surplus for the year		4,056,189	2,174,391
Transferred from General fund	28	-	8,864,852
At the end of the year		<u>15,095,432</u>	<u>11,039,243</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 2022. 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 has disclosed in the financial statements the surplus of the DHC Express and transferred the accumulated reserve brought forward from General fund to DHC Express - Islands District since the year ended 31 March 2023.

30. DAY NURSERY FUND

	<u>2024</u> HK\$	<u>2023</u> HK\$
At the beginning of the year	17,001,776	16,815,164
(Deficit)/surplus for the year	(385,517)	186,612
At the end of the year	<u>16,616,259</u>	<u>17,001,776</u>

The reserve balances for the four day nurseries as at 31 August 2023 as per the audited financial statements dated 28 February 2024 are as below:

	<u>KGES</u> HK\$	<u>School Funds</u> HK\$	<u>Total</u> HK\$
Tung Yan Day Nursery	368,452	2,822,083	3,190,535
Tung Chung Day Nursery	219,511	5,022,700	5,242,211
Yuen Long Day Nursery	67,611	6,260,521	6,328,132
Fanling Day Nursery	24,482	1,168,788	1,193,270
	<u>680,056</u>	<u>15,274,092</u>	<u>15,954,148</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.

31. OTHER FUNDS

	<u>Note</u>	<u>2024</u> HK\$	<u>2023</u> HK\$
Staff Welfare and Development Fund	(a)	3,450,334	3,200,341
Home Maintenance Elderly Fund	(b)	31,086	31,086
Neighbourhood Cafe Fund	(c)	227,006	229,869
Friends of the Practice, Research and Training Centre on Autism Fund	(d)	850,878	843,506
		<u>4,559,304</u>	<u>4,304,802</u>

31. OTHER FUNDS (continued)**(a) Movement of Staff Welfare and Development Fund**

	<u>2024</u> HK\$	<u>2023</u> HK\$
At the beginning of the year	3,200,341	2,910,373
Contribution income	208,359	269,374
Service income	41,634	47,187
Expenditure	-	(26,593)
At the end of the year	<u>3,450,334</u>	<u>3,200,341</u>

(b) Movement of Home Maintenance Elderly Fund

	<u>2024</u> HK\$	<u>2023</u> HK\$
At the beginning and at the end of the year	<u>31,086</u>	<u>31,086</u>

(c) Movement of Neighbourhood Cafe Fund

	<u>2024</u> HK\$	<u>2023</u> HK\$
At the beginning of the year	229,869	232,787
Sales and commission income	725	748
Expenditure	(3,588)	(3,666)
At the end of the year	<u>227,006</u>	<u>229,869</u>

(d) Movement of Friends of the Practice, Research and Training Centre on Autism Fund

	<u>2024</u> HK\$	<u>2023</u> HK\$
At the beginning of the year	843,506	842,250
Interest income	7,372	1,256
At the end of the year	<u>850,878</u>	<u>843,506</u>

32. OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise :-

	<u>2024</u> HK\$	<u>2023</u> HK\$
Cash at bank and on hand	297,691,280	302,360,251
Time deposits	96,516,120	35,269,144
Cash and bank balances	<u>394,207,400</u>	<u>337,629,395</u>
Less: time deposits with original maturities more than three months	(45,158,093)	(11,553,119)
Cash and cash equivalents	<u><u>349,049,307</u></u>	<u><u>326,076,276</u></u>

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

	<u>Lease liabilities</u> HK\$
At 1 April 2022	11,325,716
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>
Changes from financing cash flows :-	
Capital element of lease rentals paid	(14,595,276)
Interest element of lease rentals paid	(1,086,819)
	<u>(15,682,095)</u>
Other changes :-	
Increase in lease liabilities from entering into new leases during the year	1,851,219
Interest on lease liabilities	1,086,819
	<u>2,938,038</u>
At 31 March 2024	<u><u>15,842,369</u></u>

32. OTHER CASH FLOW INFORMATION (continued)

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

	<u>2024</u> HK\$	<u>2023</u> HK\$
Within operating cash flows	69,156	40,183
Within financing cash flows	15,682,095	15,452,724
	<u>15,751,251</u>	<u>15,492,907</u>

These amounts relate to the lease rentals paid.

33. CAPITAL COMMITMENTS

As at 31 March 2024, the outstanding commitments in respect of capital expenditure of the Council were as follows :-

	<u>2024</u> HK\$	<u>2023</u> HK\$
Contracted for but not provided in the financial statements	25,952,944	3,276,351
Authorised but not contracted for	-	-
	<u>25,952,944</u>	<u>3,276,351</u>

34. 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.

35. BANKING FACILITIES

During the year, bank guarantee of HK\$1,182,200 (2023: HK\$1,182,200) was given to the Council and was secured by a bank fixed deposit of HK\$1,570,266 (2023: HK\$1,531,715) placed by the Council. The bank guarantee was used to support the Council in operating a project with the Hospital Authority.

36. 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.

36. 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 16(d)(i).

	<u>Level 1</u> HK\$	<u>Level 2</u> HK\$	<u>Level 3</u> HK\$	<u>Total</u> HK\$
<u>2024</u>				
Assets				
Listed securities	<u>122,300</u>	<u>-</u>	<u>-</u>	<u>122,300</u>
<u>2023</u>				
Assets				
Listed securities	<u>106,400</u>	<u>-</u>	<u>-</u>	<u>106,400</u>

During the years ended 31 March 2024 and 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.

All other financial instruments are carried at amounts not materially different from their fair values at 31 March 2024 and 2023.

37. 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 2024 and 31 March 2023. The Executive Committee of the Council regularly reviews and manages its capital to ensure adequacy for both operational and capital need.

38. 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 2024 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Council.

	Effective for accounting period <u>beginning on or after</u>
Amendments to HKAS 1, Presentation of financial statements: Classification of liabilities as current or non-current and related amendments to Hong Kong Interpretation 5 (“2020 amendments”)	1 January 2024
Amendments to HKAS 1, Presentation of financial statements: Noncurrent liabilities with covenants (“2022 amendments”)	1 January 2024
Amendments to HKFRS 16, Leases: Lease liability in a sale and leaseback	1 January 2024
Amendments to HKAS 7, Statement of cash flows and HKFRS 7, Financial Instruments: Disclosures : Supplier finance arrangements	1 January 2024
Amendments to HKAS 21, The effects of changes in foreign exchange rates: Lack of exchangeability	1 January 2025

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.

