



# TREATS

親切

(Limited by Guarantee)

31 March 2017

## Report of the Executive Committee

The Executive Committee have pleasure in submitting its annual report together with the audited financial statements for the year ended 31 March 2017.

### Principal place of business

TREATS (“the company”) is a company incorporated and domiciled in Hong Kong and has its registered office at 18th Floor, Edinburgh Tower, The Landmark, 15 Queen’s Road, Central, Hong Kong. The company has its principal place of business at 19A, Block F, 3 Lok Man Road, Chai Wan, Hong Kong.

### Principal activities

The principal activities of the company are the provision of integrated recreational, training and educational activities and facilities for the promotion of the development of all underprivileged children and youth and/or children and youth with disabilities, particularly those living in Hong Kong.

### Financial statements

The surplus of the company for the year ended 31 March 2017 and the state of the company’s affairs as at that date are set out in the financial statements on pages 6 to 22.

### Transfer to funds

In accordance with the company’s memorandum of association, distribution of surplus to the members of the company is prohibited. The surplus for the year of HK\$3,553,225 (2016: HK\$2,335,260) has been transferred to general fund and designated funds.

### Executive Committee members

The Executive Committee members, who pursuant to section 2 of the Hong Kong Companies Ordinance are regarded as directors of the company, during the financial year were:

Carol Yau	(Chairperson)
Anna Hui	(Vice Chairperson)
Colin Shaftesley	(Vice Chairperson)
Elaine Ward	(Vice Chairperson)
Barry Chan	(Treasurer)
Jennifer Edwards	
Lee Cheuk Hong	
Atara Sivan	
Christina Sue-Chan	
Amy Tso	

### **Executive Committee members (continued)**

In accordance with article 39 of the company's articles of association, Elaine Ward, Amy Tso, Atara Sivan and Christina Sue-Chan retire from office at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

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

No transaction, arrangement or contract of significance to which the company was a party, and in which an Executive Committee member of the company had a material interest, subsisted at the end of the year or at any time during the year.

### **Auditors**

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the Executive Committee



Carol Yau

Hong Kong, 28 AUG 2017



# Independent auditor's report to the members of TREATS

*(Incorporated in Hong Kong and limited by guarantee)*

## **Opinion**

We have audited the financial statements of TREATS ("the company") set out on pages 6 to 22, which comprise the statement of financial position as at 31 March 2017, the statement of comprehensive income, the statement of changes in funds and the cash flow statement for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the company as at 31 March 2017 and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

## **Basis for opinion**

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company 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 annual report, other than 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.



# Independent auditor's report to the members of TREATS (continued)

*(Incorporated in Hong Kong and limited by guarantee)*

## ***Responsibilities of the 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 company'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 company or to cease operations, or have no realistic alternative but to do so.

## ***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, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.



## Independent auditor's report to the members of TREATS (continued)

*(Incorporated in Hong Kong and limited by guarantee)*

### ***Auditor's responsibilities for the audit of the financial statements (continued)***

- 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 company'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 company'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 company 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.

Certified Public Accountants

8th Floor, Prince's Building  
10 Chater Road  
Central, Hong Kong



28 AUG 2017

## Statement of financial position at 31 March 2017

(Expressed in Hong Kong dollars)

	Note	2017	2016
<b>Non-current assets</b>			
Property, plant and equipment	5	\$ 32,716	\$ 56,387
<b>Current assets</b>			
Inventories	6	\$ 48,779	\$ 50,083
Prepayments and sundry debtors	7	452,883	435,774
Cash at bank and in hand		14,000,647	11,077,829
		<u>\$ 14,502,309</u>	<u>\$ 11,563,686</u>
<b>Current liabilities</b>			
Creditors and accruals	8	615,963	1,254,236
<b>Net current assets</b>		<u>\$ 13,886,346</u>	<u>\$ 10,309,450</u>
<b>NET ASSETS</b>		<u>\$ 13,919,062</u>	<u>\$ 10,365,837</u>
Representing:			
<b>General fund</b>	9	<u>\$ 13,217,256</u>	<u>\$ 9,963,938</u>
<b>Designated funds</b>	10		
Integrated youth development programme fund		\$ 210,300	\$ 167,452
Family work programme fund		10,335	11,829
Community development programme fund		414,207	120,237
Specific non-programme activities fund		41,971	48,388
Specific programme activities fund		22,433	51,433
Membership contingency fund		2,560	2,560
		<u>\$ 701,806</u>	<u>\$ 401,899</u>
		<u>\$ 13,919,062</u>	<u>\$ 10,365,837</u>

Approved and authorised for issue by the Executive Committee on 28 AUG 2017

Carol Yau  )  
 Barry Chan  ) Members of the Executive Committee

The notes on pages 10 to 22 form part of these financial statements.

## Statement of comprehensive income for the year ended 31 March 2017

(Expressed in Hong Kong dollars)

	2017	2016
<b>Income</b>		
General donations and designated donations	\$ 10,523,886	\$ 11,129,012
The Hong Kong Jockey Club Charities Trust	1,450,000	1,450,000
The Community Chest of Hong Kong	1,298,700	1,386,880
Programme income	286,580	240,530
Flag Day Appeal	633,623	-
Interest income	188	155
Membership fee income	-	1,000
Miscellaneous income	-	2,160
	<u>\$ 14,192,977</u>	<u>\$ 14,209,737</u>
<b>Expenditure</b>		
Staff costs	\$ 6,543,087	\$ 6,373,186
Mandatory Provident Fund contribution	294,249	282,975
Programme expenses	2,414,756	2,705,300
Administrative expenses	249,176	268,356
Rates, utilities and management fee	115,238	110,722
Repairs and maintenance	54,455	64,408
Depreciation	30,061	42,697
Staff training	44,282	161,021
Fund raising expenses	775,690	1,796,309
Publicity expenses	21,461	12,715
Governance	59,614	56,788
Flag Day expenses	37,683	-
	<u>\$ 10,639,752</u>	<u>\$ 11,874,477</u>
<b>Surplus and total comprehensive income for the year transferred to designated funds/general fund</b>	<u>\$ 3,553,225</u>	<u>\$ 2,335,260</u>

The notes on pages 10 to 22 form part of these financial statements.



**Statement of changes in funds  
for the year ended 31 March 2017**  
(Expressed in Hong Kong dollars)

	<i>General fund</i>	<i>Designated funds</i>	<i>Total</i>
<b>Balance at 1 April 2015</b>	\$ 7,556,880	\$ 473,697	\$ 8,030,577
Surplus/(Deficit) and total comprehensive income for the year	4,657,058	(2,321,798)	2,335,260
Fund transfer	(2,250,000)	2,250,000	-
<b>Balance at 31 March 2016 and 1 April 2016</b>	\$ 9,963,938	\$ 401,899	\$ 10,365,837
Surplus/(Deficit) and total comprehensive income for the year	5,453,318	(1,900,093)	3,553,225
Fund transfer	(2,200,000)	2,200,000	-
<b>Balance at 31 March 2017</b>	<u>\$ 13,217,256</u>	<u>\$ 701,806</u>	<u>\$ 13,919,062</u>

The notes on pages 10 to 22 form part of these financial statements.

## Cash flow statement for the year ended 31 March 2017

*(Expressed in Hong Kong dollars)*

	2017	2016
<b>Operating activities</b>		
Surplus for the year	\$ 3,553,225	\$ 2,335,260
Adjustments for:		
Depreciation	30,061	42,697
Interest income	(188)	(155)
	\$ 3,583,098	\$ 2,377,802
<b>Operating surplus before changes in working capital</b>	<b>\$ 3,583,098</b>	<b>\$ 2,377,802</b>
Decrease/(increase) in inventories	1,304	(3,110)
Increase in prepayments and sundry debtors	(17,109)	(71,754)
(Decrease)/increase creditors and accruals	(638,273)	86,137
	\$ 2,929,020	\$ 2,389,075
<b>Cash generated from operations and net cash generated from operating activities</b>	<b>\$ 2,929,020</b>	<b>\$ 2,389,075</b>
<b>Investing activities</b>		
Payment for the purchase of property, plant and equipment	\$ (6,390)	\$ (9,274)
Interest received	188	155
	\$ (6,202)	\$ (9,119)
<b>Net cash used in investing activities</b>	<b>\$ (6,202)</b>	<b>\$ (9,119)</b>
<b>Net increase in cash at bank and in hand</b>	<b>\$ 2,922,818</b>	<b>\$ 2,379,956</b>
<b>Cash and cash equivalents at 1 April</b>	<b>11,077,829</b>	<b>8,697,873</b>
<b>Cash and cash equivalents at 31 March</b>	<b>\$ 14,000,647</b>	<b>\$ 11,077,829</b>

The notes on pages 10 to 22 form part of these financial statements.

## Notes to the financial statements

*(Expressed in Hong Kong dollars unless otherwise indicated)*

### 1 Status of the company

The company, which is limited by guarantee, was incorporated on 28 March 1996.

The members of the company are not entitled to the income and property of the company, by way of dividend, bonus or otherwise.

The principal activities of the company are the provision of integrated recreational, training and educational activities and facilities for the promotion of the development of all underprivileged children and youth and/or children and youth with disabilities, particularly those living in Hong Kong.

### 2 Significant accounting policies

#### (a) *Statement of compliance*

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. A summary of the significant accounting policies adopted by the company is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the company. These new and revised HKFRSs have had no effect on reported net surplus, total income and expenditure or net assets of the company for any period presented.

As set out in note 14, the company has not applied any new standard or interpretation that is not yet effective for the current period.

#### (b) *Basis of preparation of the financial statements*

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

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, 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 judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

## 2 Significant accounting policies (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) *Property, plant and equipment*

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

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

#### Furniture and fittings

- |                     |         |
|---------------------|---------|
| – Furniture         | 4 years |
| – Office decoration | 3 years |

#### Office and computer equipment

- |                         |         |
|-------------------------|---------|
| – Office equipment      | 4 years |
| – Computer/IT equipment | 3 years |

Both the useful life of an asset and its residual value, if any, are reviewed annually.

The carrying amounts of property, plant and equipment are reviewed for indications of impairment at the end of each reporting period. An impairment loss is recognised in the surplus or deficit if the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset, or of the cash generating unit to which it belongs, is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the assets. An impairment loss is reversed if there has been a favourable change in estimates used to determine the recoverable amount.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in the surplus or deficit on the date of retirement or disposal.

## 2 Significant accounting policies (continued)

### (d) *Inventories*

Inventories consist of materials and supplies used in provision of training and educational activities and books for resale.

Materials and supplies are valued at using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Inventories that are held for resale are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business 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.

### (e) *Prepayments and sundry debtors*

Prepayments and sundry debtors are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

Impairment losses for bad and doubtful debts are recognised when there is objective evidence of impairment and are measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the asset's original effective interest rate where the effect of discounting is material. Objective evidence of impairment includes observable data that comes to the attention of the company about events that have an impact on the asset's estimated future cash flows such as significant financial difficulty of the debtor.

### (f) *Creditors and accruals*

Creditors and accruals are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

## 2 Significant accounting policies (continued)

### (g) *Cash and cash equivalents*

Cash and cash equivalents are cash at bank and on hand.

### (h) *Employee benefits*

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost to 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.

### (i) *Provisions and contingent liabilities*

Provisions are recognised for liabilities of uncertain timing or amount when the company 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.

### (j) *Funds managed by the company*

#### (i) General fund

General fund is used for the general running and administration of the company and the children and youth integrated recreation programme.

#### (ii) Designated funds

These funds represent donations received which are to be used in accordance with the donor's wishes.

## 2 Significant accounting policies (continued)

### (k) *Income recognition*

Income is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the company and the income and costs, if applicable, can be measured reliably, income is recognised in the surplus or deficit as follows:

#### (i) Donations

General and designated donations are recognised when the company becomes entitled to the donations and it is probable that they will be received, which is generally upon receipt of cash.

Designated donations (being donations specified by the donors for a specific use or those identified by the Executive Committee for designated programmes) relating to the Integrated Youth Development Programme, Family Work Programme and Community Development Programme are recognised in the designated funds. All other donations received which are available to meet the general objectives of the company are recognised in the general fund.

#### (ii) Interest income

Interest income is recognised as it accrues using the effective interest method.

### (l) *Expenditure*

Expenditure is taken up in the financial statements on an accrual basis.

### (m) *Grants and donations*

The company applies the principles of HKAS 20 "Accounting for Government Grants and Disclosure of Government Assistance" in respect of grants and donations received. Specific grants and designated donations received in respect of property, plant and equipment are deducted from the cost of acquisition in arriving at the carrying amount of the assets concerned. All other donations received which are available to meet the general objectives of the company are recognised in the general fund.

### (n) *Related parties*

- (1) A person, or a close member of that person's family, is related to the company if that person:
  - (i) has control or joint control over the company;
  - (ii) has significant influence over the company; or
  - (iii) is a member of the key management personnel of the company.

## 2 Significant accounting policies (continued)

- (2) An entity is related to the company if any of the following conditions applies:
- (i) The entity and the company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the company or an entity related to the company.
  - (vi) The entity is controlled or jointly controlled by a person identified in (1).
  - (vii) A person identified in (1)(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 company or to the company's parent.

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.

## 3 Taxation

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

## 4 Executive Committee members' emoluments

Executive Committee members' emoluments disclosed pursuant to section 383 of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	2017	2016
Executive Committee members' fees	\$ -	\$ -
Salaries, allowances and benefits in kind	-	-
Discretionary bonuses	-	-
Retirement scheme contributions	-	-
	<u>                    </u>	<u>                    </u>



## 5 Property, plant and equipment

	<i>Furnitures and fittings</i>	<i>Office and computer equipment</i>	<i>Total</i>
<b>Cost:</b>			
At 1 April 2015	\$ 107,443	\$ 198,602	\$ 306,045
Additions	-	9,274	9,274
Disposals	-	(9,575)	(9,575)
	<hr/>	<hr/>	<hr/>
At 31 March 2016	\$ 107,443	\$ 198,301	\$ 305,744
	<hr/>	<hr/>	<hr/>
<b>Accumulated depreciation:</b>			
At 1 April 2015	\$ 81,062	\$ 135,173	\$ 216,235
Charge for the year	11,159	31,538	42,697
Written back on disposals	-	(9,575)	(9,575)
	<hr/>	<hr/>	<hr/>
At 31 March 2016	\$ 92,221	\$ 157,136	\$ 249,357
	<hr/>	<hr/>	<hr/>
<b>Net book value:</b>			
At 31 March 2016	\$ 15,222	\$ 41,165	\$ 56,387
	<hr/>	<hr/>	<hr/>
<b>Cost:</b>			
At 1 April 2016	\$ 107,443	\$ 198,301	\$ 305,744
Additions	-	6,390	6,390
	<hr/>	<hr/>	<hr/>
At 31 March 2017	\$ 107,443	\$ 204,691	\$ 312,134
	<hr/>	<hr/>	<hr/>
<b>Accumulated depreciation:</b>			
At 1 April 2016	\$ 92,221	\$ 157,136	\$ 249,357
Charge for the year	4,563	25,498	30,061
	<hr/>	<hr/>	<hr/>
At 31 March 2017	\$ 96,784	\$ 182,634	\$ 279,418
	<hr/>	<hr/>	<hr/>
<b>Net book value:</b>			
At 31 March 2017	\$ 10,659	\$ 22,057	\$ 32,716
	<hr/>	<hr/>	<hr/>

## 6 Inventories

(a) *Inventories in the statement of financial position comprise:*

	2017	2016
Books	\$ <u>48,779</u>	\$ <u>50,083</u>

(b) *The analysis of the amount of inventories recognised as an expense is as follows:*

	2017	2016
Carrying amount of inventories sold or distributed	\$ <u>1,304</u>	\$ <u>4,945</u>

## 7 Prepayments and sundry debtors

Prepayments and sundry debtors are expected to be recovered or recognised as expense within one year.

The company's credit policy is set out in note 12.

## 8 Creditors and accruals

Creditors and accruals are due to be settled within one year or are repayable on demand.

## 9 General fund

General fund is used for the general running and administration of the company and the children and youth integrated recreation programme.

	2017	2016
Balance at beginning of year	\$ 9,963,938	\$ 7,556,880
General donations	\$ 8,922,340	\$ 9,695,376
Designated donations	928,055	802,678
The Hong Kong Jockey Club Charities Trust	1,450,000	1,450,000
Programme income	246,530	203,030
Flag Day Appeal (Note)	633,623	-
Interest income	188	155
Membership fee income	-	990
Miscellaneous income	-	2,160
	<u>\$ 12,180,736</u>	<u>\$ 12,154,389</u>
Expenditure for the year	<u>(6,727,418)</u>	<u>(7,497,331)</u>
Surplus for the year	<u>\$ 5,453,318</u>	<u>\$ 4,657,058</u>
Transfer to designated funds	<u>\$ (2,200,000)</u>	<u>\$ (2,250,000)</u>
Balance at end of year	<u>\$ 13,217,256</u>	<u>\$ 9,963,938</u>

Note: The donations collected from Flag Day Appeal held on 7 January 2017 were fully utilised for supporting service operation including salary and staff cost, administrative expenses, rates, utilities and management fees of TREATS.

**10 Designated funds**

	Integrated youth development programme fund	Family work programme fund	Community development programme fund	Specific non-programme activities fund	Specific programme activities fund	Membership contingency fund (Note)	Total
<b>At 1 April 2015</b>	\$ 196,939	\$ 7,157	\$ 181,266	\$ 49,352	\$ 36,433	\$ 2,550	\$ 473,697
Designated donations	\$ 332,698	-	\$ 279,260	\$ 19,000	\$ -	\$ -	\$ 630,958
The Community Chest of Hong Kong	1,386,880	-	-	-	-	-	1,386,880
Programme income	12,000	5,000	20,500	-	-	-	37,500
Membership fee income	-	-	-	-	-	10	10
<b>Expenditure for the year</b>	\$ 1,731,578	\$ 5,000	\$ 299,760	\$ 19,000	\$ -	\$ 10	\$ 2,055,348
(Deficit)/Surplus for the year	(2,061,065)	(328)	(2,160,789)	(19,964)	(135,000)	-	(4,377,146)
	\$ (329,487)	\$ 4,672	\$ (1,861,029)	\$ (964)	\$ (135,000)	\$ 10	\$ (2,321,798)
Transfer from general fund	\$ 300,000	-	\$ 1,800,000	-	\$ 150,000	-	\$ 2,250,000
<b>At 31 March 2016</b>	\$ 167,452	\$ 11,829	\$ 120,237	\$ 48,388	\$ 51,433	\$ 2,560	\$ 401,899

**10 Designated funds (continued)**

	Integrated youth development programme fund	Family work programme fund	Community development programme fund	Specific non-programme activities fund	Specific programme activities fund	Membership contingency fund (Note)	Total
<b>At 1 April 2016</b>	\$ 167,452	\$ 11,829	\$ 120,237	\$ 48,388	\$ 51,433	\$ 2,560	\$ 401,899
Designated donations	\$ 411,765	-	\$ 259,726	\$ 2,000	-	-	\$ 673,491
The Community Chest of Hong Kong Programme income	1,298,700 16,000	- 13,800	- 10,250	- -	- -	- -	1,298,700 40,050
Expenditure for the year	\$ 1,726,465 (2,083,617)	\$ 13,800 (15,294)	\$ 269,976 (1,776,006)	\$ 2,000 (8,417)	\$ - (29,000)	\$ - -	\$ 2,012,241 (3,912,334)
Deficit for the year	\$ (357,152)	\$ (1,494)	\$ (1,506,030)	\$ (6,417)	\$ (29,000)	\$ -	\$ (1,900,093)
Transfer from general fund	\$ 400,000	-	\$ 1,800,000	-	-	-	\$ 2,200,000
<b>At 31 March 2017</b>	\$ 210,300	\$ 10,335	\$ 414,207	\$ 41,971	\$ 22,433	\$ 2,560	\$ 701,806

## 10 Designated funds (continued)

Note: Under the provision of the company's memorandum and articles of association, every member shall, in the event of the company being wound up, contribute such amount as may be required to meet the liabilities of the company but not exceeding \$10 each. At 31 March 2017, there were 256 members (2016: 256 members) and fund balance represents contributions made by the members.

## 11 Capital management

The company defines "capital" as including all components of funds. On this basis the amount of capital employed as at 31 March 2017 is \$13,919,062 (2016: \$10,365,837).

The company's primary objectives when managing capital are to safeguard the company's ability to continue as a going concern.

The company capital structure is regularly reviewed and managed.

Adjustments are made to the capital structure in light of changes in economic conditions affecting the company, to the extent that these do not conflict with Executive Committee members fiduciary duties towards the company or the requirements of the Hong Kong Companies Ordinance.

## 12 Financial risk management and fair values of financial instruments

Exposure to credit and liquidity risks arises in the normal course of the company's business. The company's exposure to these risks and financial management policies and practices used by the company to manage these risks are described below.

### (a) Credit risk

The company's credit risk is primarily attributable to bank deposits. Management has a credit policy in place and the exposure to this credit risk is monitored on an ongoing basis.

Bank deposits are normally placed in financial institutions with sound credit rating to minimise the credit exposure.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

### (b) Liquidity risk

The company's policy is to regularly monitor liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate funding from major donors to meet its liquidity requirements in the short and longer term.

**12 Financial risk management and fair values of financial instruments  
(continued)**

**(c) Fair values**

The carrying amounts of the company's financial instruments are carried at amounts not materially different from their fair values as at 31 March 2017 and 2016.

**13 Material related party transactions**

Donations received during the year include funds provided by members of \$246,684 (2016: \$273,604).

**14 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 March 2017**

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended 31 March 2017 and which have not been adopted in these financial statements.

The company is in the process of making an assessment of what the impact of these amendments and standards 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 company's results of operations and financial position.