
青 鳥
Action for Reach Out

財 務 報 告
Financial Statements

二零一二年六月三十日

30th June 2012

羅 思 雲 會 計 師 行
Stephen Law & Company
CERTIFIED PUBLIC ACCOUNTANTS

ACTION FOR REACH OUT

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ACTION FOR REACH OUT

REPORT OF THE EXECUTIVE COMMITTEE

30th June 2012

The executive committee has pleasure in submitting their annual report together with the audited financial statements for the year ended 30th June 2012.

GENERAL INFORMATION

Action for Reach Out (the association) was incorporated under the Hong Kong Companies Ordinance on 23rd May 1995 and is limited by guarantee without share capital. In accordance with the association's memorandum and articles of the association, every member of the association undertakes to contribute to the association in the event of its being wound up during the time that she is a member, or within one year afterwards, for such amount as may be required not exceeding HK\$50. The address of the association's registered office and principal place of business is Room 502, Block A, Bell House, 525-543 Nathan Road, Kowloon, Hong Kong. At 30th June 2012, the Association had 43 members (2011: 43 members).

PRINCIPAL ACTIVITY

The principal activity of the association during the year continues to be engaged in activities assisting women working in the commercial sex industry in Hong Kong.

RESULTS AND STATE OF AFFAIRS

The results of the association for the year ended 30th June 2012 and the state of its affairs at that date is set out in the attached financial statements.

EXECUTIVE COMMITTEE MEMBERS

The executive committee members who held office during the financial year were:-

Cheuk Chiu Man, Victoria	(appointed on 10th December 2011)
Chiu Hung	(resigned on 10th December 2011)
Choi Yuk Ping	(appointed on 10th December 2011)
Fong Yeung, Francois	
Ho Wai Ming	(appointed on 10th December 2011)
Leung Lui Mo Ching, Nancy	
Moyreen Tilbrook	(resigned on 10th December 2011)
Ng Au Tip Yee	

In accordance with articles 42 and 43 of the association's articles of association, all members of the executive committee who have served for 2 years shall retire from office and being eligible, offer themselves for re-election, provided that no member of the executive committee shall act as such for more than 6 years consecutively.

EXECUTIVE COMMITTEE MEMBERS' INTERESTS

No contract of significance to which the association was a party and in which an executive committee member had a material interest subsisted at the end of the year or at any time during the year.

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

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REPORT OF THE EXECUTIVE COMMITTEE

30th June 2012

AUDITORS

The financial statements have been audited by Messrs. Stephen Law & Company, Certified Public Accountants, who retire, and being eligible, offer themselves for re-election.

By order of the executive committee



Chairperson
Hong Kong
14 DEC 2012

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF ACTION FOR REACH OUT**
(incorporated in Hong Kong and limited by guarantee)

We have audited the financial statements of Action for Reach Out ("the Association") set out on pages 4 to 22, which comprise the statement of financial position as at 30th June 2012, and the statement of comprehensive income, statement of changes in accumulated surplus and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Executive Committee Members' Responsibility for the Financial Statements

The executive committee members are responsible for the preparation of financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 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. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the state of the Association's affairs as at 30th June 2012 and of its deficit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.


STEPHEN LAW & COMPANY
Certified Public Accountants
Hong Kong

14 DEC 2012

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ACTION FOR REACH OUT

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30th June 2012

(Expressed in Hong Kong Dollars)

	<u>Note</u>	<u>2012</u>	<u>2011</u>
<u>INCOME</u>			
Donations received	5	753,153	672,282
Donations box income		16,704	19,884
Income from sales of toys, stationery, household products, clothes, etc.		17,066	33,153
Surplus on sales of condoms	6	42,362	17,610
Service income		7,220	296,313
Membership fees income		2,175	4,125
Income from workshops		1,900	5,700
Gain on exchange (net)		-	179,222
Interests income		5,522	33,516
Sundry income		3,288	4,370
Net clinic income	7	15,294	-
		<u>864,684</u>	<u>1,266,175</u>
<u>EXPENDITURE</u>			
Accountancy fee		18,780	22,000
Advertising		2,456	-
Audit fee		7,000	7,000
Bank charges		1,987	1,610
Cleaning		6,344	9,257
Computer expenses		6,753	6,664
Courses fee		2,285	-
Depreciation		1,453	1,815
Food and refreshment		2,683	3,081
Insurance		19,707	17,938
Local and overseas traveling expenses		11,601	13,555
Mandatory provident fund contribution		34,928	72,553
Outreach material expenses		20,964	19,230
Postage, stationeries and printing		33,515	29,688
Rent, rates and management fee		243,600	250,700
Salaries and allowance		425,733	833,699
Sundry expenses		14,855	15,194
Telephone, fax and internet		13,319	10,129
Water and electricity		9,010	9,229
Web-site expenses		19,686	3,600
		<u>896,659</u>	<u>1,326,942</u>
Deficit for the year	9	(31,975)	(60,767)
Other comprehensive income for the year		-	-
Total comprehensive income for the year		<u>(31,975)</u>	<u>(60,767)</u>

The accompanying notes form part of these financial statements

青鳥
ACTION FOR REACH OUT
STATEMENT OF FINANCIAL POSITION

As at 30th June 2012


(Expressed in Hong Kong Dollars)

	<u>Note</u>	<u>2012</u>	<u>2011</u>
ASSETS			
NON CURRENT ASSETS			
Fixed assets - property, plant and equipment	12	<u>5,810</u>	<u>7,263</u>
CURRENT ASSETS			
Inventories	13	73,609	22,223
Account and other receivables	16	45,094	73,104
Cash and cash equivalents	18	<u>1,800,065</u>	<u>1,918,535</u>
		<u>1,918,768</u>	<u>2,013,862</u>
Less: CURRENT LIABILITIES			
Project funds not yet utilised	15	11,642	38,464
Account and other payables	19	<u>20,415</u>	<u>58,165</u>
		<u>32,057</u>	<u>96,629</u>
Net current assets		<u>1,885,711</u>	<u>1,917,233</u>
NET ASSETS		<u>1,892,521</u>	<u>1,924,496</u>
 ACCUMULATED SURPLUS		 <u>1,892,521</u>	 <u>1,924,496</u>

Approved and authorised for issue by the board of executive committee on 14 DEC 2012



 Chairperson



 Treasurer

The accompanying notes form part of these financial statements

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ACTION FOR REACH OUT

STATEMENT OF CHANGES IN ACCUMULATED SURPLUS

30th June 2012

(Expressed in Hong Kong Dollars)

At 1st July 2010	<u>1,985,263</u>
Change in equity for the year	
Deficit for the year	(60,767)
Other comprehensive income for the year	<u>-</u>
Total comprehensive income for the year	<u>(60,767)</u>
At 30th June 2011 and 1st July 2011	<u>1,924,496</u>
Change in equity for the year	
Deficit for the year	(31,975)
Other comprehensive income for the year	<u>-</u>
Total comprehensive income for the year	<u>(31,975)</u>
At 30th June 2012	<u>1,892,521</u>

The accompanying notes form part of these financial statements

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ACTION FOR REACH OUT
STATEMENT OF CASH FLOWS

30th June 2012

(Expressed in Hong Kong Dollars)

	<u>Note</u>	<u>2012</u>	<u>2011</u>
Cash flows from operating activities			
Deficit of the year		(31,975)	(60,767)
Adjustments for:			
Depreciation		1,453	1,815
Interests income		(5,522)	(33,516)
Operating deficit before working capital changes		<u>(36,044)</u>	<u>(92,468)</u>
Increase in inventories		(51,386)	(10,050)
Decrease in reimbursable project costs		-	3,010
Decrease in account and other receivables		28,010	77,814
Increase/(decrease) in project funds not yet utilised		(26,822)	20,589
Increase/(decrease) in account and other payables		(37,750)	38,874
Net cash from/(used in) operating activities		<u>(123,992)</u>	<u>37,769</u>
Cash flows from investing activities			
Acquisition of property, plant and equipment		-	16,426
Subsidies received for acquisition of property, plant and equipment		-	(16,426)
Interests received		5,522	33,516
Cash flows from investing activities		<u>5,522</u>	<u>33,516</u>
Net increase/(decrease) in cash and cash equivalents		(118,470)	71,285
Cash and cash equivalents at beginning of the year		<u>1,918,535</u>	<u>1,847,250</u>
Cash and cash equivalents at end of the year	18	<u>1,800,065</u>	<u>1,918,535</u>

The accompanying notes form part of these financial statements

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ACTION FOR REACH OUT
NOTES TO THE FINANCIAL STATEMENTS

30th June 2012

(Expressed in Hong Kong Dollars)

1. STATEMENT OF COMPLIANCE

The association's financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which 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 significant accounting policies is set out in note 2.

During the reporting period, the association has initially applied the new and revised HKFRSs issued by HKICPA that are first effective for accounting periods beginning on or after 1st January 2011. A summary of the changes in accounting policies resulting from the association's application of these HKFRSs is set out in note 3.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of preparation of the financial statements

The financial statements are prepared on the basis that the association will continue to exist as a going concern.

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

b. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the association. Provided that it is probable that the economic benefits associated with the revenue transaction will flow to the association and the revenue and the costs, if any, in respect of the transaction can be measured reliably, revenue is recognised as follows:

- (i) Donations are recorded as income upon receipt except for donations received for specific project.
- (ii) Income from sales of goods is recognised when the goods are delivered and the risks and rewards of ownership have passed to the customer.
- (iii) Service income is recognised upon the provision of service.
- (iv) Membership fees income is recognised on a cash basis.
- (v) Interests income is recognised on a time proportion basis, using the effective interest method.
- (vi) Activities income is recognised when the events are held.

c. Grants and donations from third parties

Grants or donations from third parties, which are earmarked for specific purposes, are initially recognised as deferred income and then they are recognised in the statement of comprehensive income over the period necessary to match with the related costs which they are intended to compensate.

Grants or donations related to assets are deducted from the cost of the assets at their carrying amount to the extent of the grants received and receivable at the end of the reporting period.

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ACTION FOR REACH OUT

NOTES TO THE FINANCIAL STATEMENTS

30th June 2012

(Expressed in Hong Kong Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

d. Fixed assets - property, plant and equipment

Fixed assets represent property, plant and equipment and are stated in the statement of financial position at cost less accumulated depreciation and impairment losses, if any.

Depreciation is calculated to write off the total cost of items of property, plant and equipment, less their estimated residual value, if any, on a reducing balance basis at the following annual rates:

Furniture and office equipment	20%
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The residual value and the useful life of an asset are reviewed at the end of each reporting period.

Gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised and is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

The carrying amounts of the fixed assets were deducted by the amount of grant and donations related to such assets.

e. Intangible assets

Intangible assets that are acquired by the association are stated in the statement of financial position at cost less accumulated amortisation (where the estimated useful life is other than indefinite) and impairment losses, if any.

Amortisation of intangible assets is charged to surplus or deficit on a straight-line basis over the assets' estimated useful lives (unless such lives are indefinite) at the following annual rates:

Computer software	100%
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Both the period and method of amortisation and any conclusion that the useful life of an intangible asset is indefinite are reviewed annually.

f. Impairment of assets

The association assesses at the end of each reporting period whether there is any indication that any items of property, plant and equipment and intangible assets may be impaired and that an impairment loss recognised in prior periods for an item may have decreased. If any such indication exists, the association estimates the recoverable amount of the item. An impairment loss, being the amount by which the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount, or a reversal of impairment loss is recognised immediately in surplus or deficit.

g. Leased assets

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time. Determining whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Leases of assets are classified as finance leases when the leases transfer substantially all risks and rewards incidental to ownership of the assets to the association. All other leases are classified as operating leases.

Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term. Contingent rents are charged as an expense in the period in which they are incurred.

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ACTION FOR REACH OUT

NOTES TO THE FINANCIAL STATEMENTS

30th June 2012

(Expressed in Hong Kong Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

h. Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition and is assigned by using the first in, first out cost formula. Net realisable value is the estimated selling price in ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When the 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, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

i. Reimbursable project costs

The deficit of projects is reflected in the reimbursable project costs. The deficit of projects completed is reimbursable from funding sources.

j. Account and other receivables

Account and other receivables are initially measured at fair value and, after initial recognition, at amortised cost less impairment losses for bad and doubtful debts, if any, except for the short-term receivables with no stated interest rate and the effect of discounting being immaterial, that are measured at cost less impairment losses for bad and doubtful debts, if any.

At the end of each reporting period, the association assesses whether there is any objective evidence that a receivable or group of receivables is impaired. Impairment losses on account and other receivables are recognised in surplus or deficit when there is objective evidence that an impairment loss has been incurred and are measured as the difference between the receivable's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at its original effective interest rate, i.e. the effective interest rate computed at initial recognition.

k. Cash and cash equivalents

Cash comprises cash on hand and at bank and demand deposits with bank. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purpose of statement of cash flows, bank overdrafts which are repayable on demand form an integral part of the association's cash management are included as a component of cash and cash equivalents.

l. Project funds not yet utilised

The surplus of projects is reflected in the project funds not yet utilised. The surplus of projects completed is refundable to the funding sources.

m. Accounts and other payables

Account and other payables are initially measured at fair value and, after initial recognition, at amortised cost, except for short-term payables with no stated interest rate and the effect of discounting being immaterial, that are measured at cost.

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ACTION FOR REACH OUT

NOTES TO THE FINANCIAL STATEMENTS

30th June 2012

(Expressed in Hong Kong Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

n. Foreign currency translation

Foreign currency transactions during the reporting period 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 of exchange ruling at the end of reporting period.

Exchange gains and losses are recognised in surplus or deficit.

o. Related parties

A party is considered to be related to the association if:

- (i) the party is a person or a close member of that person's family and that person:
 - (a) has control or joint control over the association;
 - (b) has significant influence over the association; or
 - (c) is a member of the key management personnel of the association or of a parent of the association; or
- (ii) the party is an entity where any of the following conditions applies:
 - (a) the entity and the association are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (b) 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);
 - (c) the entity and the association are joint ventures of the same third party;
 - (d) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (e) the entity is a post-employment benefit plan for the benefit of employees of either the association or an entity related to the association;
 - (f) the entity is controlled or jointly controlled by a person identified in (i); or
 - (g) a person identified in (i)(a) 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).

p. Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the association has a legal or constructive obligation arising as a result of a past event and 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 expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow 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 is remote.

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NOTES TO THE FINANCIAL STATEMENTS

30th June 2012

(Expressed in Hong Kong Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

q. Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution plans and the cost of non-monetary benefits are accrued in the reporting period 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) Retirement benefits

Obligations for contributions to defined contribution retirement plans, including contributions payable under the Hong Kong Mandatory Provident Fund Schemes Ordinance, are recognised as in surplus or deficit as incurred.

The association's net obligation in respect of lump sum long service amounts payable on cessation of employment in certain circumstances under the Hong Kong Employment Ordinance is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method, discounted to its present value, and the fair value of any related plan assets is deducted. The discount rate is the yield at the end of the reporting period on high quality bond issued by Hong Kong Monetary Authority that have maturity date approximating to the terms of the association's obligations.

3. CHANGES OF ACCOUNTING POLICIES

During the year, the association has initially applied the new and revised HKFRSs issued by the HKICPA that are first effective for accounting periods beginning on or after 1st January 2011, including:

- HKAS 24 (Revised) *Related Party Disclosures*
- Improvement to HKFRSs 2010, including HKFRS 7 *Financial Instruments: Disclosures* and HKAS 1 *Presentation of Financial Statements*

The application of the new and revised HKFRSs has no material effects on the association's financial performance and positions.

HKAS 24 (Revised) amends the definition of a related party. After re-assessing the identification of related parties, the Association is of opinion that the amendment does not have any material impact on its related party disclosures.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT

The association's management makes assumptions, estimates and judgements in the process of applying the association's accounting policies that affect the assets, liabilities, income and expenses in the financial statements prepared in accordance with HKFRSs. The assumptions, estimates and judgements are based on historical experience and other factors that are believed to be reasonable under the circumstances. While the management reviews their judgements, estimates and assumptions continuously, the actual results will seldom equal to the estimates.

Key assumption and other key sources of estimation uncertainty

Certain key assumptions and risk factors in respect of the financial risk management are set out in note 23.

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NOTES TO THE FINANCIAL STATEMENTS

30th June 2012

(Expressed in Hong Kong Dollars)

	<u>2012</u>	<u>2011</u>
5. DONATIONS RECEIVED		
Lee Hysan Foundation	400,000	400,000
Barry & Martin's Trust	12,119	-
Global Fund for Women	-	116,272
Others	341,034	156,010
	<u>753,153</u>	<u>672,282</u>
6. SURPLUS ON SALES OF CONDOMS		
Sales	293,383	194,775
<u>Less:</u> Cost of sales		
Opening inventories	22,223	12,173
Purchase	262,603	162,977
<u>Less:</u> Closing inventories	<u>(60,849)</u>	<u>(22,223)</u>
	223,976	152,927
<u>Less:</u> Expenditure		
Salaries	22,880	19,260
Traveling and other expenses	4,165	4,978
	<u>27,045</u>	<u>24,238</u>
	<u>42,362</u>	<u>17,610</u>
7. NET CLINIC INCOME		
Clinic income	37,920	-
<u>Less:</u> Cost of clinic supplies & medicine consumed		
Purchase	35,386	-
<u>Less:</u> Closing inventories	<u>(12,760)</u>	-
	22,626	-
	<u>15,294</u>	<u>-</u>
8. SURPLUS ON THE PROJECT		
Project grant income	469,628	184,882
<u>Less:</u> Project expenses	<u>469,628</u>	<u>184,882</u>
	-	-
9. DEFICIT FOR THE YEAR		
Deficit for the year is arrived at after charging:		
Staff costs		
Salaries, allowance and other benefits in kind	424,486	833,699
Provident fund and mandatory provident fund contributories	34,928	72,553
	459,414	906,252
Cost of inventories sold	223,976	152,927
Auditors' remuneration	7,000	7,000
Operating lease rentals		
Land and building	243,600	250,700
Depreciation of fixed assets	1,453	1,815

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NOTES TO THE FINANCIAL STATEMENTS

30th June 2012

(Expressed in Hong Kong Dollars)

10. EXECUTIVE COMMITTEES' EMOLUMENTS

During the years ended 30th June 2011 and 2012, no amount has been paid in respect of executive committees' emoluments, executive committees' or past executive committees' pensions or for any compensation to executive committees or past executive committees in respect of loss of office.

11. INCOME TAX

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

12. FIXED ASSETS - PROPERTY, PLANT AND EQUIPMENT

	<u>Furniture and office equipment</u>	
Cost		
At 1st July 2010	76,793	
Additions	16,426	
Subsidy by the grants and donation	<u>(16,426)</u>	
At 30th June 2011 and 1st July 2011	76,793	
Additions	-	
Subsidy by the grants and donation	-	
At 30th June 2012	<u>76,793</u>	
Accumulated depreciation and impairment loss		
At 1st July 2010	67,715	
Charge for the year	1,815	
At 30th June 2011 and 1st July 2011	<u>69,530</u>	
Charge for the year	1,453	
At 30th June 2012	<u>70,983</u>	
Net book value		
at 30th June 2012	<u>5,810</u>	
at 30th June 2011	<u>7,263</u>	

13. INVENTORIES

	<u>2012</u>	<u>2011</u>
Merchandise	<u>73,609</u>	<u>22,223</u>

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NOTES TO THE FINANCIAL STATEMENTS

30th June 2012

(Expressed in Hong Kong Dollars)

14. REIMBURSABLE PROJECT COSTS

The association has been given grants from various sources to fund projects. The balance as at 30th June 2012 was nil (2011: The balance of nil represented reimbursable project costs at the end of reporting period and would be carried forward to the next financial year).

	At 1st July 2010	Funds received	Funds utilised	At 30th June 2011 and 1st July 2011	Funds received/receivable	Funds utilised	At 30th June 2012
a. Apple Daily Charitable Foundation							
- 蘋果外展綜合健康教育計劃	-	-	-	-	-	-	-
- 性工作者資訊科技技能提升計劃	2,680	(2,680)	-	-	-	-	-
b. The Chinese University of HK							
- Establish a community-based outreach service for sex-workers to prevent HIV/STI in H.K.	330	(330)	-	-	-	-	-
	<u>3,010</u>	<u>(3,010)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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15. PROJECT FUNDS NOT YET UTILISED

The association has been given grants from various sources to fund projects. The balance of HK\$11,603 as at 30th June 2012 (2011: HK\$38,464) represented project funds not yet utilised at the end of reporting period and would be carried forward to the next financial year.

	At 1st July 2010	Funds received	Funds utilised	At 30th June 2011 and 1st July 2011	Funds received	Funds utilised	At 30th June 2012
a. Apple Daily Charitable Foundation							
- 青鳥綜合服務計劃	(17,874)	(24,898)	42,772	-	-	-	-
- 風雨同路-青鳥朋輩教育及支援計劃	-	(102,791)	64,327	(38,464)	(25,698)	64,161	-
b. The Sir Robert Ho Tung Charitable Fund							
- Computer replacement	-	(17,000)	17,000	-	-	-	-
- Purchase medical equipment	-	-	-	-	(13,100)	13,100	-
c. AIDS Trust Fund							
- Increase outreach coverage and strengthen HIV education	-	-	-	-	(403,969)	392,366	(11,603)
	<u>(17,874)</u>	<u>(144,689)</u>	<u>124,099</u>	<u>(38,464)</u>	<u>(442,766)</u>	<u>469,627</u>	<u>(11,603)</u>

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	<u>2012</u>	<u>2011</u>
16. ACCOUNT AND OTHER RECEIVABLES		
Account receivable	500	35,230
Deposits and prepayment	44,594	37,874
	45,094	73,104

17. AMOUNT DUE FROM A RELATED ASSOCIATION

Amount due from a related association disclosed is as follows:

Name of Association	Association for Reach Out (Macau)	
Loan amount	350,000	
Interest rate	Nil	
Security	None	
Repayment term	Repayable on 30th June 2012	

	<u>2012</u>	<u>2011</u>
Balance at 1st July 2011/2010	-	-
Advance	350,000	-
Repayment	350,000	-
Balance at 30th June 2012/2011	-	-
Maximum balance outstanding during the year	350,000	-

There was no amount due but unpaid, nor any provision made against the amounts due from related association at 30th June 2011 and 2012.

	<u>2012</u>	<u>2011</u>
18. CASH AND CASH EQUIVALENTS		
Time deposits with banks	-	1,000,000
Cash at bank and in hand	1,800,065	918,535
	1,800,065	1,918,535

19. ACCOUNT AND OTHER PAYABLE

Accrued charges	20,415	58,165
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20. EMPLOYEE BENEFIT OBLIGATIONS

a. Long service payments

Under the Hong Kong Employment Ordinance, the association is obliged to make lump sum payments on cessation of employment in certain circumstances to certain employees who have completed at least five years of service with the association. The amount payable is dependent on the employees' final salaries and years of service, and is reduced by entitlements accrued under the company's retirement plan that are attributable to contributions made by the association. The association does not set aside any assets to fund any remaining obligations.

The present value of unfunded obligation to make long-service payment under the Hong Kong Employment Ordinance are immaterial, the association does not account the provision for the obligation.

b. Defined contribution retirement plan

The association participates in a Mandatory Provident Fund Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance (the MPF scheme) for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the scheme, the employer and its employees are required to make contributions to the plan at 5% each of the employees' relevant income, but subject to a cap of monthly relevant income of HK\$25,000. Contributions to the plan vest immediately.

21. OPERATING LEASE ARRANGEMENTS

The association is a lessee under an operating lease of land and buildings. The lease runs for two years. The lease payments are fixed during the lease period. The lease does not have contingent rentals.

At the end of the reporting period, the association had total future minimum lease payment under non-cancellable operating leases following due as follows:-

	<u>2012</u>	<u>2011</u>
	<u>Land and buildings</u>	<u>Land and buildings</u>
Not later than one year	200,823	243,600
Later than one year and not later than five years	<u>7,677</u>	<u>4,500</u>
	<u>208,500</u>	<u>248,100</u>

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22. RELATED PARTY TRANSACTIONS

In addition to the details disclosed elsewhere in these financial statements, the association had following material related party transaction during the reporting period.

	<u>2012</u>	<u>2011</u>
Received donations from executive committee members	10,600	13,900
Received membership fees from executive committee members	600	900

The executive committee members of the association are of the opinion that the above transactions were entered into at terms agreed by both parties.

23. FUND MANAGEMENT

The association's objective when managing fund is to safeguard the association's ability to continue as a going concern, so that it can continue to operate and provide benefits for its members.

The association manages the fund structure and makes adjustments to it in the light of changes in economic conditions and the surplus arising from its activities. In order to maintain or adjust the fund structure, the association may adjust the amount of membership fees collectible from its members, or expenditure on its activities. No changes were made in the objective, policies and processes during the years ended 30th June 2011 and 2012.

The association monitored its fund by reviewing the level of accumulated surplus. The association's policy is to keep the accumulated surplus at a reasonable level. The accumulated surplus as at 30th June 2012 was HK\$1,892,560 (2011: HK\$1,924,496).

24. FINANCIAL INSTRUMENTS

The association has classified its financial assets in the following categories:

	<u>Loan and receivable</u>	
	<u>2012</u>	<u>2011</u>
Account and other receivables	32,500	67,230
Cash and cash equivalents	<u>1,795,018</u>	<u>1,911,000</u>
	<u>1,827,518</u>	<u>1,978,230</u>

The association has classified its financial liabilities in the following categories.

	<u>Financial liabilities at cost/amortised cost</u>	
Account and other payables	<u>20,415</u>	<u>58,165</u>

All financial instruments are carried at amounts not materially different from their fair values as at 30th June 2011 and 2012.

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24. **FINANCIAL INSTRUMENTS (cont'd)**

The association is exposed to credit risk, liquidity risk and market risk arising in the normal course of its activities and financial instruments. The association's risk management objectives, policies and processes mainly focus on minimising the potential adverse effects of these risks on its financial performance and position by closely monitoring the individual exposure.

a. **Credit risk**

The association is exposed to credit risk on financial assets, mainly attributable to time deposits with banks and cash at bank. As the counterparties are considered to have high creditworthiness, the association's exposure to credit risk is limited.

<u>Summary quantitative data</u>	<u>2012</u>	<u>2011</u>
Account receivable (note 15)	500	35,230
Deposits (note 15)	32,000	31,000
Time deposits with banks (note 16)	-	1,000,000
Cash at bank (note 16)	<u>1,795,018</u>	<u>911,001</u>
	<u>1,827,518</u>	<u>1,977,231</u>

At 30th June 2011 and 2012, the association's maximum exposure to credit risk is represented by the carrying amount of each financial asset at that date.

b. **Liquidity risk**

The association is exposed to liquidity risk on financial liabilities. It manages its funds conservatively by maintaining a comfortable level of cash and cash equivalents in order to meet continuous operational need.

Summary quantitative data

	<u>2012</u>		<u>2011</u>	
	<u>Not later than 1 year</u>	<u>Carrying amount</u>	<u>Not later than 1 year</u>	<u>Carrying amount</u>
Account and other payables	<u>20,415</u>	<u>20,415</u>	<u>58,165</u>	<u>58,165</u>

c. **Market risk**

(i) **Interest rate risk**

The association's exposure on fair value interest rate risk and cash flow interest rate risk mainly arises from its time deposits with banks and cash at bank respectively.

As the association mainly holds time deposits with banks with maturity within 12 months after the end of the reporting period and the interest rate is maintained at a minimum level, its exposure on fair value interest rate risk and cash flow interest rate risk is considered insignificant.

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24. **FINANCIAL INSTRUMENTS (cont'd)**

c. **Market risk (cont'd)**

(i) **Interest rate risk (cont'd)**

	<u>2012</u>	<u>2011</u>
<u>Summary quantitative data</u>		
<u>Floating-rate financial assets</u>		
Cash at bank (note 16)	1,282,723	742,618
<u>Fixed-rate financial assets</u>		
Time deposits with banks (note 16)	-	1,000,000
Total interest-bearing assets	<u>1,282,723</u>	<u>1,742,618</u>

No sensitivity analysis for the association's exposure to interest rate risk is prepared since the management's assessments of potential effects of reasonably changes in interest rate is insignificant.

(ii) **Currency risk**

The association's operations and financial instruments are mainly denominated in its functional currency, i.e. HK dollars, except for certain time deposits and bank balance were denominated in various foreign currencies, including US dollars (USD), Sterling (GBP) and Australian dollar (AUD). The association closely and continuously monitors the exposure on currency risk.

Summary quantitative data

	Denominated in			Total
	<u>USD</u> HK\$	<u>GBP</u> HK\$	<u>AUD</u> HK\$	
<u>2012</u>				
Time deposits with bank (note 16)	-	-	-	-
Cash at bank (note 16)	1	13,030	593	13,624
	<u>1</u>	<u>13,030</u>	<u>593</u>	<u>13,624</u>
<u>2011</u>				
Time deposits with bank (note 16)	-	-	-	-
Cash at bank (note 16)	1	1,046	311	1,358
	<u>1</u>	<u>1,046</u>	<u>311</u>	<u>1,358</u>

No sensitivity analysis for the association's exposure to currency risk is prepared since the management's assessment of reasonably changes in value of the HK dollar against the foreign currencies is insignificant.

(iii) **Equity price risk**

The association's exposure to price risk is minimal because it does not have investments in equity securities which are accounted for as financial instruments. As such, relevant sensitivity analysis is not prepared for the years ended 30th June 2011 and 2012.

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

HKFRSs that have been issued but are not yet effective for the year include the following HKFRSs which may be relevant to the Foundation's operations and financial statements:

	<u>Effective for annual periods beginning on or after</u>
Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Transfer of Financial Assets</i>	1st July 2011
Amendments to HKAS 1 (Revised) <i>Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income</i>	1st July 2012
Amendments to HKFRS 7 <i>Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities</i>	1st January 2013
HKFRS 13 Fair Value Measurement	1st January 2013
Amendments to HKFRS 7 <i>Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities</i>	1st January 2013
Amendments to HKAS 32 <i>Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities</i>	1st January 2014
HKFRS 9 Financial Instruments	1st January 2015
Amendments to HKFRS 9 <i>Financial Instruments and HKFRS 7 – Financial Instruments: Disclosures - Mandatory Effective Date of HKFRS9 and Transition Disclosures</i>	1st January 2015

The association has not early adopted these HKFRSs. Initial assessment has indicated that the adoption of these HKFRSs would not have a significant impact on the association's financial statements in the year of initial application. The association will be continuing with the assessment of the impact of these HKFRSs and other significant changes may be identified as a result.