

**STEWARDS LIMITED**  
**香港神託會有限公司**

(Limited by Guarantee)

**Report and Combined Financial Statements**

**For the year ended 31 March 2012**

**STEWARDS LIMITED**  
**香港神託會有限公司**

**Report and Combined Financial Statements**  
**For the year ended 31 March 2012**

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華強會計師事務所

**LKY CHINA**

Certified Public Accountants (Practising), HONG KONG

Partners:

甄達華會計師  
JOSEPH T. W. YAN  
FCPA (Practising), ACA,  
FCCA, FTIHK, MSCA

高志強會計師  
ALBERT C. K. KO  
FCPA (Practising), ACA,  
ASA, FTIHK, BBA, MA

蔡少芬會計師  
NATALIE S. F. CHOY  
CPA (Practising), FCCA,  
MA (Acctg)

**Report on Combined Financial Statements  
To the Members of STEWARDS LIMITED 香港神託會有限公司  
(Incorporated in Hong Kong with liability limited by guarantee)**

We have audited the combined financial statements of Stewards Limited (“the Company”) and together with its affiliate Arm Services Company Limited (“the affiliate”) as a whole (collectively referred to as “the Group”) set out on pages 3 to 18 which comprise the combined statement of financial position as at 31 March 2012, and the combined statement of comprehensive income, combined statement of changes in reserves and combined statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. The combined financial statements have been prepared by directors of the Company based on the combination of the audited accounts of the Company and the affiliate for the same financial year.

**Responsibility of the directors of the Company for the Financial Statements**

The directors of the Company are responsible for the preparation of the 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 for such internal control as the directors of the Company 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, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of the 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 about 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 of the Company, 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 combined financial statements give a true and fair view of the financial position of the Group as at 31 March 2012, and of their financial performance and their cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards.



華強會計師事務所

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CPA (Practising), FCCA,  
MA (Acctg)

**Report on Combined Financial Statements (cont'd)**  
**To the Members of STEWARDS LIMITED 香港神託會有限公司**  
**(Incorporated in Hong Kong with liability limited by guarantee)**

**Basis of Accounting**

Without modifying our opinion, we draw attention to Note 1 to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the Company to exhibit the financial position and financial performance of the Company together with the affiliate as a whole. As a result, the financial statements may not be suitable for another purpose.

**Other Matter**

The Company has prepared a separate set of financial statements for the year ended 31 March 2012 in accordance with Hong Kong Financial Reporting Standards on which we issued a separate auditor's report to the members of the Company dated

LKY China  
Certified Public Accountants (Practising)

Hong Kong, 28 SEP 2012

**STEWARDS LIMITED**  
**香港神託會有限公司**

**Combined Statement of Comprehensive Income**  
**For the year ended 31 March 2012**

	Note	<u>2012</u> HK\$	<u>2011</u> HK\$
<b>Income</b>	5	<u>157,388,296</u>	<u>146,396,020</u>
Expenditure			
- Staff cost		(98,118,279)	(86,702,454)
- Operating cost		(37,438,585)	(38,914,099)
- Property cost		(5,430,292)	(5,554,884)
		<u>(140,987,156)</u>	<u>(131,171,437)</u>
Surplus before tax	6	16,401,140	15,224,583
Income tax	7	-	-
<b>Surplus for the year</b>		<u>16,401,140</u>	<u>15,224,583</u>
<b>Other comprehensive item (Page 5)</b>		(542,841)	(763,441)
<b>Total comprehensive income for the year</b>		<u>15,858,299</u>	<u>14,461,142</u>



**STEWARDS LIMITED**  
香港神託會有限公司

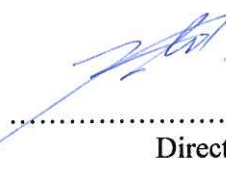
**Combined Statement of Financial Position as at 31 March 2012**

	<u>Notes</u>	<u>2012</u> <u>HK\$</u>	<u>2011</u> <u>HK\$</u>
<b>Non-current assets</b>			
Property, furniture and equipment	8	15,106,249	17,802,668
Investments in securities and fund	9	310,510	370,799
Investment in unlisted securities	9	100,000	100,000
		<u>15,516,759</u>	<u>18,273,467</u>
<b>Current assets</b>			
Inventories	3(e)	169,940	149,497
Accounts receivable		2,309,969	2,529,192
Deposits and prepayments		804,366	1,810,872
Time deposits		66,679,175	45,924,772
Bank balances and cash		25,904,091	25,008,868
		<u>95,867,541</u>	<u>75,423,201</u>
<b>Current liabilities</b>			
Accounts payable and accrued expenses		5,788,424	4,994,897
Social Welfare Department /Education Bureau surplus		1,058,681	1,263,907
Receipt in advance		1,159,644	1,354,689
		<u>8,006,749</u>	<u>7,613,493</u>
<b>Net current assets</b>		<u>87,860,792</u>	<u>67,809,708</u>
<b>Net assets</b>		<u>103,377,551</u>	<u>86,083,175</u>
<b>Reserves</b>			
Accumulated fund	10	59,194,886	50,903,715
Designated funds	11	21,980,469	19,498,179
Flag day funds	12	4,058,652	3,508,921
Lump sum grant reserve	13	15,844,269	10,486,182
Block grant reserve	14	2,452,671	1,779,285
Investment revaluation reserve	15	(153,396)	(93,107)
		<u>103,377,551</u>	<u>86,083,175</u>

The combined financial statements together with accompany notes set out on pages 3 to 18 were approved and authorized for issue by the Board of Directors of Stewards Limited on **28 SEP 2012** and are signed on its behalf by:



.....  
Director



.....  
Director

**STEWARDS LIMITED**  
香港神託會有限公司

**Combined Statement of Changes in Reserves**  
**For the year ended 31 March 2012**

	Accumulated fund (Note 10) HK\$	Designated fund (Note 11) HK\$	Flag day funds (Note 12) HK\$	Lump sum grant reserve (Note 13) HK\$	Block grant allocation (Note 14) HK\$	Investment revaluation reserve (Note 15) HK\$	Total HK\$
At 1 April 2010	38,835,714	18,925,314	3,211,520	9,493,225	1,171,203	(108,826)	71,528,150
Surplus for the year	15,224,583	-	-	-	-	-	15,224,583
Other comprehensive item	-	-	-	-	-	-	-
Surplus arising on revaluation of investment	-	-	-	-	-	12,239	12,239
Reversal of negative reserve on disposal of investment	-	-	-	-	-	3,480	3,480
Income directly dealt with in the fund	-	1,673,372	-	-	-	-	1,673,454
Expenditure directly dealt with in the fund	-	(627,115)	(509,748)	-	82	-	(1,136,863)
Reverse of accumulated fund brought forward on cessation of Pooi Yin Primary School	(1,315,751)	-	-	-	-	-	(1,315,751)
<b>Total comprehensive income for the year</b>	<b>13,908,832</b>	<b>1,046,257</b>	<b>(509,748)</b>	<b>-</b>	<b>82</b>	<b>15,719</b>	<b>(763,441)</b>
Transfer from Education Bureau and Social Welfare Department surplus account	167,581	-	-	-	-	-	167,581
Other transfers	(73,698)	-	-	-	-	-	(73,698)
Transfer between funds	(1,934,714)	(473,392)	807,149	992,957	608,000	-	-
Net movement during the year	12,068,001	572,865	297,401	992,957	608,082	15,719	14,555,025
At 1 April 2011	50,903,715	19,498,179	3,508,921	10,486,182	1,779,285	(93,107)	86,083,175
Surplus for the year	16,401,140	-	-	-	-	-	16,401,140
Other comprehensive item	-	-	-	-	-	-	-
Deficit arising on revaluation of investment	-	-	-	-	-	(60,289)	(60,289)
Income directly dealt with in the fund	-	511,789	-	-	14,862	-	526,651
Expenditure directly dealt with in the fund	-	(957,349)	(51,854)	-	-	-	(1,009,203)
<b>Total comprehensive income for the year</b>	<b>16,401,140</b>	<b>(445,560)</b>	<b>(51,854)</b>	<b>-</b>	<b>14,862</b>	<b>(60,289)</b>	<b>15,858,299</b>
Transfer from Education Bureau and Social Welfare Department surplus account	1,296,031	-	-	-	-	-	1,296,031
Other transfers	140,046	-	-	-	-	-	140,046
Transfer between funds	(9,546,046)	2,927,850	601,585	5,358,087	658,524	-	-
Net movement during the year	8,291,171	2,482,290	549,731	5,358,087	673,386	(60,289)	17,294,376
At 31 March 2012	59,194,886	21,980,469	4,058,652	15,844,269	2,452,671	(153,396)	103,377,551

**STEWARDS LIMITED**  
香港神託會有限公司

**Combined Statement of Cash Flows**  
**For the year ended 31 March 2012**

	<u>2012</u> <u>HK\$</u>	<u>2011</u> <u>HK\$</u>
<b>Cash flows from operating activities</b>		
Surplus for the year	16,401,140	15,224,583
Income directly dealt with in reserve	526,651	1,673,454
Expenditure directly dealt with in reserve	(1,009,203)	(1,136,863)
Adjustment:		
- Reverse of accumulated fund brought forward on cessation of Pooi Yin Primary School	-	(1,315,751)
- Transfer from Social Welfare Department/Education Bureau surplus account	1,296,031	167,581
- Other transfer	140,046	(73,698)
- Loss on disposal of property, furniture and equipment	23,642	335,515
- Depreciation	5,602,194	5,027,606
- Interest income	(684,522)	(171,453)
	<u>22,295,979</u>	<u>19,730,974</u>
Operating cash flows before working capital changes		
(Increase)/ decrease in inventories	(20,443)	261,957
Decrease in accounts receivable	219,223	120,653
Decrease/ (increase) in deposits and prepayments	1,006,506	(608,611)
Increase in accounts payable and accrued expenses	793,527	2,230,708
(Decrease)/increase in Social Welfare Department/ Education Bureau surplus account	(205,226)	506,229
Decrease in receipt in advance	(195,045)	(86,834)
Net cash generated from operating activities	<u>23,894,521</u>	<u>22,155,076</u>
<b>Cash flow from investing activities</b>		
Interest received	684,522	171,453
Proceeds on disposal of investment	-	100,000
Additions to property, furniture and equipment	(2,929,417)	(15,643,546)
Net cash used in investing activities	<u>(2,244,895)</u>	<u>(15,372,093)</u>
<b>Net increase in cash and cash equivalents</b>	21,649,626	6,782,983
<b>Cash and cash equivalents at</b>		
As at 1 April	70,933,640	64,150,657
As at 31 March	<u>92,583,266</u>	<u>70,933,640</u>
<b>Analysis of the balances of cash and cash equivalents</b>		
Time deposits	66,679,175	45,924,772
Bank balances and cash	25,904,091	25,008,868
	<u>92,583,266</u>	<u>70,933,640</u>



**STEWARDS LIMITED**  
**香港神託會有限公司**

**Notes to the combined financial statements**  
**For the year ended 31 March 2012**

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**1. General information**

- (a) Stewards Limited is a charitable organization incorporated in Hong Kong with liabilities of members limited by guarantee. Pursuant to the Memorandum of the Association, the liability of each member is limited to HK\$100. The address of registered office and principal place of operation of the Company is 145 Hong Ning Road, Kwun Tong, Kowloon, Hong Kong. The functional currency of the Company is Hong Kong dollars, and its financial statements are presented in Hong Kong dollars accordingly.

The affiliate is Arm Services Company Limited, which is a charitable organization limited by guarantee. In the opinion of the directors, the affiliate is under the common control in its financial and operating activities with the Company. Therefore, these combined financial statements of the audited financial statements of the Company together with the audited financial statements of its affiliate have been prepared accordingly to exhibit the combined financial position and financial performance of the Group as a whole.

- (b) The principal activities of the Company and the Group is continued to provide services to the local community including education, medical and dental services, rehabilitation, and children and youth activities during the year. The Company operated the following units during and at the end of the financial year:

**Central Administration**

Central Administration Office  
Accounting Support

**Clinics**

Peace Medical Centre

**Kindergartens**

Stewards Pooi Chun Kindergarten (“Pooi Chun Kindergarten”)  
Stewards Pooi Yan Kindergarten (“Pooi Yan Kindergarten”)

**Schools**

Stewards Pooi Kei College (“Pooi Kei College”)

**Social services**

Adult Education Programme  
After School Care Services  
Alpha Resources Development  
Arm Services Company Limited  
Stewards High Rock Centre  
Youth Online – Stewards Integrated Services Centre for Young People  
School Social Work Services  
Sha Kok Youth & Children’s Centre  
Sunnyway On Job Training for Young People  
Supervisory Support for Rehabilitation Services Units  
Supported Employment Programme  
Work Extension Programme  
Yiu On Commercially – Hired Vehicle  
Yiu On Halfway House  
Yiu On Integrated Rehabilitation Service Centre  
Yiu Tsuen Sheltered Workshop  
Visiting Medical Practitioner Scheme  
Men Community & Reach Out Services  
Syner-bright Zone (Integrated Community Centre for Mental Wellness)  
Take Your Way Clubhouse (Integrated Community Centre for Mental Wellness)

**Notes to the combined financial statements**  
**For the year ended 31 March 2012**

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**2. Adoption of new and revised Hong Kong Reporting Standards**

The combined 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. A summary of significant accounting policies is set out in note 3.

In 2012, the Company has initially applied the new and revised HKFRSs issued by the HKICPA that are first effective for accounting periods beginning on or after 1 January 2011, including:

HKFRSs (Amendments)	Improvements to HKFRSs
HKAS 24 (revised)	Related party disclosures

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

**3. Summary of significant accounting policies**

The financial statements have been prepared on the historical cost basis and in accordance with HKFRS issued by the HKICPA.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the respective notes, if appropriate.

The followings are the specific accounting policies that are necessary for a proper understanding of the financial statements,

**a. Basis of combined account**

The combined financial statements incorporate the financial statements of the Company and its affiliate made up to 31 March of each year.

Where necessary, adjustments are made to the financial statements of affiliate to bring their accounting policies in line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated on preparation of combined account.

**b. Affiliate**

An affiliate is an entity under the common control in the financial and operating activities of the Company.

**STEWARDS LIMITED**  
**香港神託會有限公司**

**Notes to the combined financial statements**  
**For the year ended 31 March 2012**

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**3. Summary of significant accounting policies (cont'd)**

c. Property, furniture and equipment

Property, furniture and equipment are stated in the statement of financial position at cost or carrying value less accumulated depreciation and impairment losses, if any.

Depreciation is calculated to write off the cost of items of property, furniture and equipment, less their estimated residual value, if any, on a straight-line basis over their estimated useful lives.

The residual value and the useful life of an asset are reviewed at least at each financial year-end.

The Group assesses at each end of reporting date whether there is any indication that any items of property, furniture and equipment may be impaired and that an impairment loss recognised in prior periods for an item may have decreased. If any such indication exists, the Group 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.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

Gain or loss arising from the derecognition of an item of property, furniture 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.

d. Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

- (i) Accounts 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 following receivables:

Short-term receivables with no stated interest rate and the effect of discounting being immaterial, that are measured at their original invoice amount less impairment losses for bad and doubtful debt, if any.

- (ii) Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

- (iii) Account 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 their original invoice amount.

e. Inventories

Inventories, of which all are finished goods, are carried at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on estimated selling price in the ordinary course of business less estimated costs to be incurred for completion, selling and distribution.

**Notes to the combined financial statements**  
**For the year ended 31 March 2012**

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**3. Summary of significant accounting policies (cont'd)**

**f. Provisions and contingent liabilities**

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

**g. Impairment of assets**

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

**h. Revenue recognition**

Revenue is recognised when it is possible that the economic benefits will flow to the Company and whom the revenue can be measured reliably, on the following bases:

- (i) Subventions from government and other agencies is recognised when the subvention is received.
- (ii) Dental and medical service income is recognised when the services are rendered.
- (iii) School and programme fee is recognised upon completion of services.
- (iv) Revenue from sale of goods is recognised when the goods are delivered to customers and title has passed.
- (v) Revenue from provision of services is recognised when services are rendered.
- (vi) Revenue arising from various donation is recognised when donation is received.
- (vii) Bank interest income is recognised on a time- proportion basis.

**i. Retirement benefit costs**

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

**j. Operating leases**

Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

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**Notes to the combined financial statements**  
**For the year ended 31 March 2012**

**4. Critical accounting estimates and judgement**

The Group's management makes assumptions, estimates and judgements in the process of applying the Group'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.

a. 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 18. In the opinion of directors of the Company, there is no other key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the financial year.

b. Critical judgments in applying the Group's accounting policies

In the opinion of directors of the Company, there is no critical judgments in applying the Group's accounting policies.

**5. Income**

Income received during the year are as follows:

	<u>2012</u>	<u>2011</u>
	<u>HK\$</u>	<u>HK\$</u>
Subvention from Education Bureau	46,786,516	41,943,050
Subvention from Social Welfare Department	51,949,441	44,416,791
Subvention from Community Chest	2,282,962	1,988,834
Fee income from medical services	5,493,715	5,303,896
Fee income from kindergartens and schools	22,600,140	19,669,447
Fee income from social services	22,853,659	22,310,691
Donation received	4,737,341	10,591,858
Bank interest received	684,522	171,453
	<u>157,388,296</u>	<u>146,396,020</u>

**6. Surplus for the year**

Surplus from operation for the year is stated after charging/(crediting),

	<u>2012</u>	<u>2011</u>
	<u>HK\$</u>	<u>HK\$</u>
Directors' remuneration		
- director fee	-	-
- salaries and allowance	-	-
	<u>-</u>	<u>-</u>
Auditor's remuneration	97,000	90,000
Depreciation	5,602,194	5,027,606
Loss on disposal of property, furniture and equipment	23,642	335,515
Hire of premises under operating lease	3,284,177	4,308,349
Staff cost	<u>98,118,279</u>	<u>86,702,454</u>

**STEWARDS LIMITED**  
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**Notes to the combined financial statements**  
**For the year ended 31 March 2012**

**7. Income tax**

No provision for Hong Kong profits tax has been made as the Group being a charitable institution is exempted from tax under Section 88 of Inland Revenue Ordinance.

**8. Property, furniture and equipment**

	Leasehold land and buildings HK\$	Furniture and fixtures, and equipment HK\$	Leasehold improvements HK\$	Motor vehicle HK\$	Total HK\$
<b>Cost/carrying value</b>					
As at 1.4.2010	1	15,913,586	4,664,199	205,263	20,783,049
Additions during the year	-	3,425,338	12,218,208	-	15,643,546
Disposals during the year	-	(1,692,472)	(205,530)	-	(1,898,002)
As at 1.4.2011	1	17,646,452	16,676,877	205,263	34,528,593
Additions during the year	-	2,237,304	196,300	495,813	2,929,417
Disposals during the year	-	(967,418)	(26,100)	(1)	(993,519)
As at 31.3.2012	1	18,916,338	16,847,077	701,075	36,464,491
<b>Accumulated Depreciation</b>					
As at 1.4.2010	-	10,642,985	2,522,032	95,789	13,260,806
Charge for the year	-	2,224,293	2,762,261	41,052	5,027,606
Disposals written back	-	(1,429,365)	(133,122)	-	(1,562,487)
As at 1.4.2011	-	11,437,913	5,151,171	136,841	16,725,925
Charge for the year	-	2,427,716	3,083,844	90,634	5,602,194
Disposals written back	-	(943,777)	(26,100)	-	(969,877)
As at 31.3.2012	-	12,921,852	8,208,915	227,475	21,358,242
<b>Carrying amount</b>					
As at 31.3.2012	1	5,994,486	8,638,162	473,600	15,106,249
As at 31.3.2011	1	6,208,539	11,525,706	68,422	17,802,668

The leasehold land and buildings held by the Company are situated in Hong Kong and held under medium-term lease. They are stated at the carrying value of HK\$1.

Depreciation is calculated on straight line basis at the annual rate of 20%.



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**9. Investment in securities**

The investments in securities are held for long term purposes. At 31 March 2012, the investments in securities comprise:

	<u>2012</u> <u>HK\$</u>	<u>2011</u> <u>HK\$</u>
Original purchase consideration		
Listed equity securities	370,799	463,906
Unlisted equity securities	<u>100,000</u>	<u>100,000</u>
	<u>470,799</u>	<u>563,906</u>
 Carrying Value		
Listed equity securities carried at fair value	310,510	370,799
Unlisted equity securities carried at cost	<u>100,000</u>	<u>100,000</u>
	<u>410,510</u>	<u>470,799</u>

The fair values of the investment fund and listed equity securities are based on quoted market prices.

The unlisted equity securities amounting to HK\$100,000 are investment in a company incorporated in Hong Kong limited by shares. They do not have a quoted market price in an active market are measured at cost less any impairment losses because the necessary information for determining their fair values reliably is not available.

In the opinion of directors of the Company, no provision for diminution in value is required for investments held.

**10. Accumulated fund**

Accumulated fund attributable to services group are as follows:

	<u>2012</u> <u>HK\$</u>	<u>2011</u> <u>HK\$</u>
Central Administration Office	(7,612,857)	(5,492,674)
Clinics	4,021,808	3,762,764
Kindergarten	(1,856,212)	(2,390,085)
Schools	56,751,003	44,612,324
Social Services	<u>7,891,144</u>	<u>10,411,386</u>
	<u>59,194,886</u>	<u>50,903,715</u>

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**11. Designated funds**

The designated funds are set up for the designated purpose and are used at the discretion of the Board of Directors of the Company. Their details are as follows:

	<u>2012</u>	<u>2011</u>
	<u>HK\$</u>	<u>HK\$</u>
Education funds	12,649,507	11,635,070
Workshop funds	4,165,766	2,844,868
Gang Yun Foundation	87,766	87,766
Maintenance and utilities fund	(179,303)	(208,991)
Membership fund	26,300	23,100
Ministry fund	39,841	39,841
Quarters fund	154,940	155,157
Reserve and development fund	2,458,971	2,906,731
Social service fund	1,564,552	1,553,168
Walkathon fund	525,294	-
Yiu Tsuen fund	60,717	63,696
Fund for Peace Medical Centre	113,498	13,498
Fund for High Rock Christian Centre	312,620	384,275
	<u>21,980,469</u>	<u>19,498,179</u>

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**12. Flag day funds**

	<u>2012</u> <u>HK\$</u>	<u>2011</u> <u>HK\$</u>
Designated Flag Day fund		
Balance as at 1 April	2,611,157	1,770,048
Donations from flag day fund raising event held on 25 February 2012	1,597,396	-
Donations from flag day fund raising event held on 29 January 2011	-	1,547,080
	<u>4,208,553</u>	<u>3,317,128</u>
Flag Day expenses	<u>(118,167)</u>	<u>(146,884)</u>
	<u>4,090,386</u>	<u>3,170,244</u>
Usage of Flag day fund		
Health programme	(7,351)	-
After school care programme	(27,515)	(28,222)
Counselling services	(226,121)	(523,198)
Rehabilitation services	(4,762)	(1,395)
Middle aged women employment services	(17,747)	(2,547)
Middle aged and senior male services	(163,804)	(3,725)
Youth life education and adventure programme	(10,567)	-
Youth menal health services	(10,920)	-
Recurrent expenses of central administration	<u>(408,857)</u>	<u>-</u>
	<u>(877,644)</u>	<u>(559,087)</u>
Balance as at 31 March	<u>3,212,742</u>	<u>2,611,157</u>
General Flag Day fund		
Balance as at 1 April	<u>897,764</u>	<u>1,441,472</u>
Funds allocated to		
- High Rock Christian Centre	-	(115,950)
- Ma Ko Pan Memorial College	(10,000)	(198,598)
- Pooi Kei Primary School	(41,854)	(65,450)
- Pooi Tun Secondary Primary School	-	(129,750)
- Sha Kok Youth and Children's Centre	-	(16,400)
- Yiu On Halfway House	-	(17,560)
	<u>(51,854)</u>	<u>(543,708)</u>
Balance as at 31 March	<u>845,910</u>	<u>897,764</u>
Total balance of flag day funds as at 31 March	<u>4,058,652</u>	<u>3,508,921</u>

The net proceeds collected from the flag day held on 25 February 2012 is HK\$1,479,228.80. This amount is not yet utilized and will be carried forward and will be used for the purposes of (i) rehabilitation service; (ii) counseling service; (iii) after school care service; (iv) life education services; (v) adventure training for youth and (vi) recurrent expenses of central administration.

For the remaining net proceeds collected from the flag days held on 13 February 2008, 2 May 2009 and 29 January 2011 brought forward, the usage of HK\$877,644.01 were used as disclosed above. The unused balance of HK\$1,733,513.22 will be carried forward and will be used for the purposes of (i) youth mental health service; (ii) middle-aged and senior male pilot project; (iii) rehabilitation service; (iv) counseling service; (v) after school care service; (vi) middle-aged women employment service; and (vii) improvement of Company's website.

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**13. Lump sum grant reserve**

	<u>2012</u>	<u>2011</u>
	<u>HK\$</u>	<u>HK\$</u>
Income		
Lump sum grant	45,116,810	37,419,990
Fee income	1,170,678	666,472
Other income	358,015	304,562
Interest received	90,157	31,521
	<u>46,735,660</u>	<u>38,422,545</u>
Expenditure		
Personal emoluments	37,567,888	32,830,508
Other charges	4,520,738	4,599,080
	<u>42,088,626</u>	<u>37,429,588</u>
Surplus for the year transferred from accumulated fund	4,647,034	992,957
Adjustment as per SWD amount inspection reply letter dated 15 Sep 11	711,053	-
Balance to beginning of the year	10,486,182	9,493,225
Balance at end of year	<u>15,844,269</u>	<u>10,486,182</u>
The components of the reserve are as follows:		
Lump sum grant reserve (excluding provident fund)	11,622,812	7,213,435
Surplus of provident fund subvention	4,221,457	3,272,747
	<u>15,844,269</u>	<u>10,486,182</u>

**14. Block grant reserve**

Movements of the block grant allocation from Social Welfare Department for property, furniture and equipment and minor works:

	<u>2012</u>	<u>2011</u>
	<u>HK\$</u>	<u>HK\$</u>
Balance at beginning of year	1,779,285	1,171,203
Bank interest income	14,862	82
	<u>1,794,147</u>	<u>1,171,285</u>
Block grant received	701,000	608,000
Expenditure for furniture and equipment	(42,476)	-
Transfer from accumulated fund and other funds	658,524	608,000
Balance at end of year	<u>2,452,671</u>	<u>1,779,285</u>

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**15. Investment revaluation reserve**

	<u>2012</u> <u>HK\$</u>	<u>2011</u> <u>HK\$</u>
Balance as at 1 April	(93,107)	(108,826)
Reverse of negative reserves on disposal	-	3,480
Increase in the fair value of investments in securities	<u>(60,289)</u>	<u>12,239</u>
Balance as at 31 March	<u>(153,396)</u>	<u>(93,107)</u>

**16. Operating lease commitment**

At 31 March 2012, the Group's total future minimum leases payment under non-cancellable operating leases of premises are payable as follows,

	<u>2012</u> <u>HK\$</u>	<u>2011</u> <u>HK\$</u>
Within one year	3,350,733	3,536,509
After one year but within five years	<u>1,094,152</u>	<u>3,189,385</u>
	<u>4,444,885</u>	<u>6,725,894</u>

**17. Capital disclosure**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, in order to carry out its principal activities. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of accumulated surplus for service projects. In order to maintain or adjust the capital structure, the Group may appeal for the subvention from Hong Kong Government and donations from the general public.

**18. Financial instruments**

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

	<u>2012</u> <u>HK\$</u>	<u>2011</u> <u>HK\$</u>
Account receivable and sundry debtors	2,309,969	2,529,192
Deposits and prepayments	804,366	1,810,872
Time deposits	66,679,175	45,924,772
Bank balances and cash	<u>25,904,091</u>	<u>25,008,868</u>
	<u>95,697,601</u>	<u>75,273,704</u>

The Group has classified its financial liabilities in the following categories:

	<u>2012</u> <u>HK\$</u>	<u>2011</u> <u>HK\$</u>
Financial liabilities at amortised cost		
Accounts payable and accrued expenses	5,788,424	4,994,897
Social Welfare/Education Bureau surplus account	1,058,681	1,263,907
Receipt in advance	<u>1,159,644</u>	<u>1,354,689</u>
	<u>8,006,749</u>	<u>7,613,493</u>

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**18. Financial instruments (cont'd)**

All other financial instruments are carried at amounts not materially different from their fair values as at 31 March 2011 and 2012.

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

a. Credit risk

The Group is exposed to credit risk on financial assets, mainly attributable to deposit and accounts receivable at 31 March 2012, the Group has no concentration of risk and the maximum exposure to credit risk is represented by the carrying amount of each financial assets.

b. Liquidity risk

The Group 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.

c. Interest rate risk

The Group has exposure on cash flow interest rate risk which is mainly arising from its deposits with banks.

**19. 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 Group's operations and financial statements:

		Effective for annual periods beginning on or after
HKAS 1 (Revised)	Presentation of items of other comprehensive income	1 July 2012
HKFRS 9	Financial instruments	1 January 2013

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