
青 鳥
Action for Reach Out

財 務 報 告
Financial Statements

二零一八年六月三十日

30th June 2018

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

ACTION FOR REACH OUT

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青鳥 ACTION FOR REACH OUT

REPORT OF THE EXECUTIVE COMMITTEE

The executive committee has pleasure in submitting their annual report together with the audited financial statements for the year ended 30th June 2018.

REPORTING ENTITY

Action for Reach Out (the "Association") was incorporated under the Hong Kong Companies Ordinance on 23rd May 1995 and is limited by guarantee without a share capital. In accordance with the constitutional documents 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 2018, the Association had 33 members (2017: 41 members). 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 2018 and the state of its affairs at that date is set out in the attached financial statements.

BUSINESS REVIEW

The Association falls within reporting exemption for the financial year. Accordingly, the Association is exempted from preparing a business review.

EXECUTIVE COMMITTEE MEMBERS

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

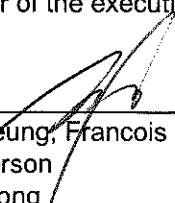
Cheuk Chiu Man, Victoria	(retired on 31st March 2018)
Fong Yeung, Francois	
Ho Wai Ming	(retired on 31st March 2018)
Kam Man Fai	
Lau Tsz Chun	
Leung Lui Mo Ching, Nancy	(retired on 31st March 2018)
Moyreen Tilbrook	
Pang Sui Fong	
Yuen Wing Yan Winnie	

In accordance with articles 42 and 43 of the Association's articles of association, all executive committee members who have served for 2 years shall retire from office and being eligible, offer themselves for re-election, provided that no executive committee member shall act as such for more than 6 years consecutively. Accordingly Moyreen Tilbrook will retire as an executive committee member in the forthcoming annual general meeting without re-appointment.

AUDITORS

The financial statements have been audited by Messrs. Stephen Law & Company, Certified Public Accountants.

By order of the executive committee



Fong Yeung, Francois
Chairperson
Hong Kong
18 JAN 2019

INDEPENDENT AUDITOR'S REPORT

To the Members of Action For Reach Out
(incorporated in Hong Kong and limited by guarantee)

Opinion

We have audited the financial statements of Action for Reach Out ("the Association") set out on pages 4 to 13, which comprise the statement of financial position as at 30th June 2018, and the income statement and statement of changes in funds for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements of the Association are prepared, in all material respects, in accordance with the Hong Kong Small and Medium-sized Entity Financial Reporting Standard ("SME-FRS") 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") and with reference to Practice Note 900 (Revised), *Audit of Financial Statements Prepared in Accordance with the Small and Medium-sized Entity Financial Reporting Standard* 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 Association 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.

Other Information

The executive committee members are responsible for the other information. The other information comprises the information included in the report of the executive committee, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Executive Committee Members for the Financial Statements

The executive committee members are responsible for the preparation of financial statements in accordance with the SME-FRS 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 Association'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 Association 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 judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association'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 Association'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 Association to cease to continue as a going concern.

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.


STEPHEN LAW & COMPANY
Certified Public Accountants
Hong Kong

18 JAN 2019

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ACTION FOR REACH OUT

INCOME STATEMENT

For the year ended 30th June 2018

(Expressed in Hong Kong Dollars)

	<u>Note</u>	<u>2018</u>	<u>2017</u>
<u>INCOME</u>			
Donations received		331,098	300,091
Project fund income		1,799,856	1,327,486
Income from sales		249,349	225,692
Service income		9,000	117,520
Income from clinic		117,995	65,645
Membership fees income		3,145	1,775
Income from workshops and talk		-	360
Sundry income		172	2
		<u>2,510,615</u>	<u>2,038,571</u>
<u>EXPENDITURE</u>			
Accountancy fee		-	1,800
Audit fee		14,800	14,800
Cost of sales of condoms and clinic supplies and medicine consumed	2	277,260	224,064
Computer expenses		13,055	10,324
Depreciation		981	1,059
Insurance		24,098	22,317
Local and overseas traveling expenses		500	1,676
Outreach material expenses		3,050	1,804
Project expenses		1,794,856	1,322,485
Postage, stationeries and printing		23,980	17,012
Rent, rates and management fee	3	202,450	204,850
Repairs and maintenance	4	2,790	-
Salaries and mandatory provident fund contributions		142,730	239,000
Sundry expenses		20,066	38,407
Telephone, fax and internet		12,855	15,228
Water and electricity		8,173	9,256
Website expenses		5,316	4,500
		<u>2,546,959</u>	<u>2,127,239</u>
Deficit for the year	5	<u>(36,344)</u>	<u>(88,668)</u>

The accompanying Accounting Policies and Explanatory Notes form an integral part of, and should be read in conjunction with, these financial statements.

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ACTION FOR REACH OUT
STATEMENT OF FINANCIAL POSITION


As at 30th June 2018

(Expressed in Hong Kong Dollars)

	<u>Note</u>	<u>2018</u>	<u>2017</u>
NON-CURRENT ASSETS			
Property, plant and equipment	8	<u>3,922</u>	<u>4,234</u>
CURRENT ASSETS			
Inventories	9	44,508	62,265
Account and other receivables	10	58,366	107,646
Reimbursable project costs	11	314,410	2,094
Cash and cash equivalents		<u>1,191,731</u>	<u>1,418,021</u>
		<u>1,609,015</u>	<u>1,590,026</u>
Less: CURRENT LIABILITIES			
Account payable		-	35,306
Accrued charges		42,760	49,938
Project funds not yet utilised	12	<u>819,872</u>	<u>722,367</u>
		<u>862,632</u>	<u>807,611</u>
Net current assets		<u>746,383</u>	<u>782,415</u>
NET ASSETS		<u>750,305</u>	<u>786,649</u>
FUNDS			
Accumulated surplus		<u>750,305</u>	<u>786,649</u>

Approved and authorised for issue by the board of executive committee on 18 JAN 2019


 Fong Yeung, Francois
 Chairperson


 Pang Sui Fong
 Treasurer

The accompanying Accounting Policies and Explanatory Notes form an integral part of, and should be read in conjunction with, these financial statements.

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ACTION FOR REACH OUT
STATEMENT OF CHANGES IN FUNDS

For the year ended 30th June 2018

(Expressed in Hong Kong Dollars)

	<u>Accumulated surplus</u>
At 1st July 2016	875,317
Deficit for the year	<u>(88,668)</u>
At 30th June 2017 and 1st July 2017	786,649
Deficit for the year	<u>(36,344)</u>
At 30th June 2018	<u>750,305</u>

The accompanying Accounting Policies and Explanatory Notes form an integral part of, and should be read in conjunction with, these financial statements.

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ACTION FOR REACH OUT

**ACCOUNTING POLICE AND EXPLANATORY
NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30th June 2018

(Expressed in Hong Kong Dollars)

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Association qualifies for the reporting exemption as a small guarantee company under section 359(1)(a) of the Hong Kong Companies Ordinance and is therefore entitled to prepare and present its financial statements in accordance with the Small and Medium-sized Entity Financial Reporting Standard (SME-FRS) issued by the Hong Kong Institute of Certified Public Accountants.

These financial statements comply with the SME-FRS and have been prepared under the accrual basis of accounting and on the basis that the Association is a going concern.

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

a. Revenue recognition

Revenue is recognized when it is probable that the economic benefits will flow to the Association and when the revenue can be measured reliably on the following bases:

- (i) donations are recorded as income upon receipt except for donations received for specific project;
- (ii) project fund income and subvention income and donations received for specific project are recognised on the basis as set out in note 1b;
- (iii) income from sales of goods is recognised when the goods are delivered and the risks and rewards of ownership have passed to the customer;
- (iv) service income and income from clinic are recognised upon the provision of service;
- (v) membership fees income is recognised on a cash basis;
- (vi) Income from workshops and talk are recognised when the events are completed; and
- (vii) interests income is recognised on a time proportion basis taking into account the principal outstanding and the interest applicable.

b. 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 income statement 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.

c. Foreign exchange

Foreign currency transactions are converted at the exchange rate applicable at the transaction date. Foreign currency monetary items are translated into Hong Kong Dollars using exchange rates applicable at the end of the reporting period. Gains and losses on foreign exchange are recognised in the income statements.

d. Property, plant and equipment

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

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ACTION FOR REACH OUT

**ACCOUNTING POLICE AND EXPLANATORY
NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30th June 2018

(Expressed in Hong Kong Dollars)

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

d. Property, plant and equipment (continued)

The depreciation amount of an item of property, plant and equipment is allocated on a systematic basis over its estimated useful life using the reducing balance method. The principal annual rates used for depreciation are as follows:

Furniture and office equipment	20%
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An assessment is made at the end of each reporting period to determine whether there is any indication of impairment or reversal of previous impairment of items of property, plant and equipment. In the event that an asset's carrying amount exceeds its recoverable amount, the carrying amount is reduced to recoverable amount and an impairment loss is recognised in the income statement. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount, however not to an amount higher than the carrying amount that would have been determined (net of depreciation), had no impairment losses been recognised for the asset in prior years.

e. Leased assets

Leases that transfer substantially all the rewards and risks of ownership of assets to the Association, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the income statement.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leases where substantially all the risks and rewards of ownership of assets are not transferred to the lessee are accounted for as operating leases. Annual rents applicable to such operating leases are charged to the income statement on a straight-line basis over the lease term.

f. Inventories

Inventories are stated at the lower of cost (using a first-in-first-out basis) and net realisable value.

g. Account and other receivables

Accounts and other receivables are stated at estimated realisable value after each debt has been considered individually. Where the payment of a debt becomes doubtful a provision is made and charged to the income statement.

h. Cash and cash equivalents

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

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ACTION FOR REACH OUT

**ACCOUNTING POLICE AND EXPLANATORY
NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30th June 2018

(Expressed in Hong Kong Dollars)

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

i. Project funds not yet utilised

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

j. 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 in surplus or deficit as incurred.

**2. COST OF SALES OF CONDOMS AND CLINIC SUPPLIES AND
MEDICINE CONSUMED**

	<u>2018</u>	<u>2017</u>
Opening inventories	62,265	40,520
Purchases	225,968	234,452
<u>Less: Closing inventories</u>	<u>(44,508)</u>	<u>(62,265)</u>
	243,725	212,707
<u>Add: Other direct expenditure</u>		
Salaries	-	600
Travelling and other expenses	33,538	10,757
	<u>277,263</u>	<u>224,064</u>

3. RENT, RATES AND MANAGEMENT FEE

	<u>2018</u>	<u>2017</u>
Rent, rates and management fee	317,500	310,400
<u>Less: Subvention</u>	<u>(115,050)</u>	<u>(105,550)</u>
	<u>202,450</u>	<u>204,850</u>

4. REPAIRS AND MAINTENANCE

	<u>2018</u>	<u>2017</u>
Repair and maintenance	80,790	-
<u>Less: Subvention</u>	<u>(78,000)</u>	-
	<u>2,790</u>	<u>-</u>

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ACTION FOR REACH OUT

**ACCOUNTING POLICE AND EXPLANATORY
NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30th June 2018

(Expressed in Hong Kong Dollars)

5. DEFICIT FOR THE YEAR

	<u>2018</u>	<u>2017</u>
Deficit for the year is arrived at after charging:		
Staff costs	1,316,062	1,166,473
Operating lease rentals	<u>317,500</u>	<u>310,400</u>

6. EXECUTIVE COMMITTEE MEMBERS' EMOLUMENTS

The executive committee members received no remuneration for their services to the Association during the years ended 30th June 2017 and 2018.

7. INCOME TAX

No provision has been made for Hong Kong profits tax as the Association is an approved charitable organisation which exempted from all tax under section 88 of the Hong Kong Inland Revenue Ordinance (2017: the same).

8. PROPERTY, PLANT AND EQUIPMENT

	<u>Furniture and office equipment</u>
Cost	
At 1st July 2017	80,551
Additions	669
At 30th June 2018	<u>81,220</u>
Accumulated depreciation and impairment loss	
At 1st July 2017	76,317
Charge for the year	981
At 30th June 2018	<u>77,298</u>
Net book value	
At 30th June 2018	<u>3,922</u>
At 30th June 2017	<u>4,234</u>

9. INVENTORIES

	<u>2018</u>	<u>2017</u>
Condoms	35,428	44,141
Clinic supplies and medicine	9,080	18,124
	<u>44,508</u>	<u>62,265</u>

10. ACCOUNT AND OTHER RECEIVABLES

	<u>2018</u>	<u>2017</u>
Account receivable	5,000	54,280
Deposits and prepayment	53,366	53,366
	<u>55,366</u>	<u>107,646</u>

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ACTION FOR REACH OUT

ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2018

(Expressed in Hong Kong Dollars)

11. REIMBURSABLE PROJECT COSTS

The Association has been given grants from various sources to fund projects. The balance as at 30th June 2018 of HK\$314,410 (2017: HK\$2,094) represented reimbursable project costs at the end of reporting period and would be carried forward to the next financial year.

	At 1st July 2016	Funds received	Funds utilised	Transfer to account payable	At 30th June 2017 and 1st July 2017	Funds received	Funds utilised	Reimbursable costs incurred	At 30th June 2018
a. Beat Drugs Fund	13,061	(398,160)	349,793	35,306	-	(328,183)	505,351	-	177,168
b. AIDS Trust Fund - PPE 672 PM	-	-	-	-	-	-	-	47,587	47,587
c. S.K.Yee Medical Foundation	-	-	-	-	-	-	-	86,875	86,875
d. Apple Daily Charitable Foundation	-	(50,123)	52,217	-	2,094	(98,931)	99,617	-	2,780
	<u>13,061</u>	<u>(448,283)</u>	<u>402,011</u>	<u>35,306</u>	<u>2,094</u>	<u>(427,114)</u>	<u>604,968</u>	<u>134,462</u>	<u>314,410</u>

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ACTION FOR REACH OUT

ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2018

(Expressed in Hong Kong Dollars)

12. PROJECT FUNDS NOT YET UTILISED

The Association has been given grants from various sources to fund projects. The balance as at 30th June 2018 of HK\$819,872 (2017: HK\$722,367) represented project funds not yet utilized at the end of reporting period and would be carried forward to the next financial year.

	<u>At 1st July 2016</u>	<u>Funds received</u>	<u>Funds utilised</u>	<u>Transfer to account payable</u>	<u>At 30th June 2017 and 1st July 2017</u>	<u>Funds received</u>	<u>Funds utilised</u>	<u>At 30th June 2018</u>
a. The Sir Robert Ho Tung Charitable Fund	-	-	-	-	-	78,000	(78,000)	-
b. AIDS Trust Fund	578,925	66	(628,271)	49,280	-	-	-	-
- PPE 652 PM	-	859,896	(221,554)	-	638,342	55	(638,397)	-
- PPE 672 PM	-	-	-	-	-	1,074,875	(255,003)	819,872
- PPE 681 PM	-	-	-	-	-	-	-	-
c. Sedan Chair Charities Fund	-	53,100	(26,550)	-	26,550	-	(26,550)	-
d. S.K. Yee Medical Foundation	-	101,575	(44,100)	-	57,475	-	(57,475)	-
	<u>578,925</u>	<u>1,014,637</u>	<u>(920,475)</u>	<u>49,280</u>	<u>722,367</u>	<u>1,152,930</u>	<u>(1,055,425)</u>	<u>819,872</u>

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ACTION FOR REACH OUT

ACCOUNTING POLICE AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2018

(Expressed in Hong Kong Dollars)

13. 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 Association'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 for 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\$30,000. Contributions to the plan vest immediately.

14. OPERATING LEASE ARRANGEMENTS

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>2018</u>	<u>2017</u>
Not later than one year	144,782	308,718
Later than one year	-	144,782
	<u>144,782</u>	<u>453,500</u>

15. 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>2018</u>	<u>2017</u>
Received donations from executive committee members	6,000	9,890
Received membership fees from executive committee members	825	450