

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 2011

STEWARDS LIMITED
香港神託會有限公司

Report and Combined Financial Statements
For the year ended 31 March 2011

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華強會計師事務所

LKY CHINA

Certified Public Accountants (Practising), Hong Kong

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)

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)

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 2011, and the combined statement of comprehensive income, the combined statement of changes in reserves and the 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 2011, 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

LKY CHINA

Certified Public Accountants (Practising), Hong Kong

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)

Partners:

甄達華會計師

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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 2011 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, 19 OCT 2011

STEWARDS LIMITED
香港神託會有限公司

Combined Statement of Comprehensive Income
For the year ended 31 March 2011

	Note	<u>2011</u> HK\$	<u>2010</u> HK\$
Income	5	146,396,020	137,200,635
Expenditure			
- Staff cost		(86,702,454)	(85,073,952)
- Operating cost		(38,914,099)	(35,923,119)
- Property cost		(5,554,884)	(5,366,260)
		<u>(131,171,437)</u>	<u>(126,363,331)</u>
Surplus before tax	6	15,224,583	10,837,304
Income Tax	7	-	-
Surplus for the year		<u>15,224,583</u>	<u>10,837,304</u>
Other comprehensive item (Page 5)		(669,558)	144,741
Total comprehensive income for the year		<u>14,555,025</u>	<u>10,982,045</u>

STEWARDS LIMITED
香港神託會有限公司

Combined Statement of Financial Position as at 31 March 2011

	<u>Notes</u>	<u>2011</u> <u>HK\$</u>	<u>2010</u> <u>HK\$</u>
Non-current assets			
Property, furniture and equipment	8	17,802,668	7,522,243
Investments in securities and fund	9	370,799	455,080
Investment in unlisted securities	9	100,000	100,000
		18,273,467	8,077,323
Current assets			
Inventories	3(e)	149,497	411,454
Accounts receivable		2,529,192	2,649,845
Deposits and prepayments		1,810,872	1,202,261
Time deposits		45,924,772	37,822,174
Bank balances and cash		25,008,868	26,328,483
		75,423,201	68,414,217
Current liabilities			
Accounts payable and accrued expenses		4,994,897	2,764,189
Social Welfare Department /Education and Manpower Bureau surplus		1,263,907	757,678
Receipt in advance		1,354,689	1,441,523
		7,613,493	4,963,390
Net current assets		67,809,708	63,450,827
Net assets		86,083,175	71,528,150
Reserves			
Accumulated fund	10	50,903,715	38,835,714
Designated funds	11	19,498,179	18,925,314
Flag day funds	12	3,508,921	3,211,520
Lump sum grant reserve	13	10,486,182	9,493,225
Block grant reserve	14	1,779,285	1,171,203
Investment revaluation reserve	15	(93,107)	(108,826)
		86,083,175	71,528,150

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 **19 OCT 2011** and are signed on its behalf by:

Marius Chiu

.....
Director

[Signature]

.....
Director

STEWARDS LIMITED
香港神託會有限公司

Combined Statement of Changes in Reserves
For the year ended 31 March 2011

	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 2009	31,059,845	17,361,497	2,320,014	9,417,144	718,813	(331,208)	60,546,105
Surplus for the year	10,837,304	-	-	-	-	-	10,837,304
Other comprehensive item	-	-	-	-	-	-	-
Surplus arising on revaluation of investment	-	-	-	-	-	171,188	171,188
Reversal of negative reserve on disposal of investment	-	-	-	-	-	51,194	51,194
Income directly dealt with in the fund	-	458,764	-	-	55	-	458,819
Expenditure directly dealt with in the fund	-	(368,958)	(156,679)	-	-	-	(525,637)
Transfer from Education and Manpower Bureau and Social Welfare Department surplus account	687,610	-	-	(55,507)	-	-	632,103
Other transfers	(642,926)	-	-	-	-	-	(642,926)
	44,684	89,806	(156,679)	(55,507)	55	222,382	144,741
Total comprehensive income for the year	10,881,988	89,806	(156,679)	(55,507)	55	222,382	10,982,045
Transfer between funds	(3,106,119)	1,474,011	1,048,185	131,588	452,335	-	-
Net movement during the year	7,775,869	1,563,817	891,506	76,081	452,390	222,382	10,982,045
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	-	-	82	-	1,673,454
Expenditure directly dealt with in the fund	-	(627,115)	(509,748)	-	-	-	(1,136,863)
Transfer from Education and Manpower Bureau and Social Welfare Department surplus account	167,581	-	-	-	-	-	167,581
Other transfers	(73,698)	-	-	-	-	-	(73,698)
Reverse of accumulated fund brought forward on cessation of Pooi Yin Primary School	(1,315,751)	-	-	-	-	-	(1,315,751)
	(1,221,868)	1,046,257	(509,748)	-	82	15,719	(669,558)
Total comprehensive income for the year	14,002,715	1,046,257	(509,748)	-	82	15,719	14,555,025
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 31 March 2011	50,903,715	19,498,179	3,508,921	10,486,182	1,779,285	(93,107)	86,083,175

STEWARDS LIMITED
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Combined Statement of Cash Flows
For the year ended 31 March 2011

	<u>2011</u> <u>HK\$</u>	<u>2010</u> <u>HK\$</u>
Cash flows from operating activities		
Surplus for the year	15,224,583	10,837,304
Income directly dealt with in reserve	1,673,454	458,819
Expenditure directly dealt with in reserve	(1,136,863)	(525,637)
Adjustment:		
- Reverse of accumulated fund brought forward on cessation of Pooi Yin Primary School	(1,315,751)	-
- Transfer from Social Welfare Department/Education and Manpower Bureau surplus account	167,581	632,103
- Other transfer	(73,698)	(642,926)
- Gain on disposal of investment	-	(522,848)
- Loss on disposal of property, furniture and equipment	335,515	656,148
- Depreciation	5,027,606	3,742,949
- Interest income	(171,453)	(184,626)
	<u>19,730,974</u>	<u>14,451,286</u>
Operating cash flows before working capital changes		
Decrease in inventories	261,957	42,978
Decrease/(increase) in accounts receivable	120,653	(1,013,428)
(Increase)/decrease in deposits and prepayments	(608,611)	26,495
Increase/(decrease) in accounts payable and accrued expenses	2,230,708	(1,582,502)
Increase/(decrease) in Social Welfare Department/ Education and Manpower Bureau surplus account	506,229	(1,105,550)
(Decrease)/increase in receipt in advance	(86,834)	636,711
Net cash generated from operating activities	<u>22,155,076</u>	<u>11,455,990</u>
Cash flow from investing activities		
Interest received	171,453	184,626
Proceeds on disposal of investment	100,000	2,045,714
Investment in securities	-	(37,324)
Additions to property, furniture and equipment	(15,643,546)	(2,569,851)
Net cash used in investing activities	<u>(15,372,093)</u>	<u>(376,835)</u>
Net increase in cash and cash equivalents	<u>6,782,983</u>	<u>11,079,155</u>
Cash and cash equivalents at		
As at 1 April	64,150,657	53,071,502
As at 31 March	<u>70,933,640</u>	<u>64,150,657</u>
Analysis of the balances of cash and cash equivalents		
Time deposits	45,924,772	37,822,174
Bank balances and cash	25,008,868	26,328,483
	<u>70,933,640</u>	<u>64,150,657</u>

STEWARDS LIMITED
香港神託會有限公司

Notes to the combined financial statements
For the year ended 31 March 2011

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 2011

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 2011, the Group 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 2010, including:

HKFRSs (Amendments) Improvements to HKFRSs

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.

Notes to the combined financial statements
For the year ended 31 March 2011

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 2011

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.

STEWARDS LIMITED
香港神託會有限公司

Notes to the combined financial statements
For the year ended 31 March 2011

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>2011</u> <u>HK\$</u>	<u>2010</u> <u>HK\$</u>
Subvention from Education and Manpower Bureau	41,943,050	38,091,884
Subvention from Social Welfare Department	44,416,791	41,340,085
Subvention from Community Chest	1,988,834	2,664,208
Fee income from medical services	5,303,896	5,773,461
Fee income from kindergartens and schools	19,669,447	22,981,703
Fee income from social services	22,310,691	22,167,515
Donation received	10,591,858	3,997,153
Bank interest received	171,453	184,626
	<u>146,396,020</u>	<u>137,200,635</u>

6. Surplus for the year

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

	<u>2011</u> <u>HK\$</u>	<u>2010</u> <u>HK\$</u>
Gain on disposal of investment	-	(522,848)
Directors' remuneration		
- director fee	-	-
- salaries and allowance	-	-
	<u>-</u>	<u>-</u>
Auditor's remuneration	90,000	115,950
Depreciation	5,027,606	3,742,949
Loss on disposal of property, furniture and equipment	335,515	656,148
Hire of premises under operating lease	4,308,349	4,255,305
Staff cost	<u>86,702,454</u>	<u>85,073,952</u>

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Notes to the combined financial statements
For the year ended 31 March 2011

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\$
Cost/carrying value					
As at 1.4.2009	1	14,538,254	4,676,469	205,263	19,419,987
Additions during the year	-	1,728,131	841,720	-	2,569,851
Disposals during the year	-	(352,799)	(853,990)	-	(1,206,789)
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 31.3.2011	1	17,646,452	16,676,877	205,263	34,528,593
Accumulated Depreciation					
As at 1.4.2009	-	8,156,564	1,857,198	54,737	10,068,499
Charge for the year	-	2,710,771	991,126	41,052	3,742,949
Disposals written back	-	(224,350)	(326,292)	-	(550,642)
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 31.3.2011	-	11,437,913	5,151,171	136,841	16,725,925
Carrying amount					
As at 31.3.2011	1	6,208,539	11,525,706	68,422	17,802,668
As at 31.3.2010	1	5,270,601	2,142,167	109,474	7,522,243

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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Notes to the combined financial statements
For the year ended 31 March 2011

9. Investment in securities

The investments in securities are held for long term purposes. At 31 March 2011, the investments in securities comprise:

	<u>2011</u> HK\$	<u>2010</u> HK\$
Original purchase consideration		
Unlisted investment fund	-	100,000
Listed equity securities	463,906	463,906
Unlisted equity securities	<u>100,000</u>	<u>100,000</u>
	<u>563,906</u>	<u>663,906</u>
Carrying Value		
Unlisted investment fund carried at fair value	-	96,520
Listed equity securities carried at fair value	<u>370,799</u>	<u>358,560</u>
	370,799	455,080
Unlisted equity securities carried at cost	<u>100,000</u>	<u>100,000</u>
	<u>470,799</u>	<u>555,080</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>2011</u> HK\$	<u>2010</u> HK\$
Central Administration Office	(5,492,674)	(5,515,930)
Clinics	3,762,764	3,587,185
Kindergarten	(2,390,085)	(2,653,848)
Schools	44,612,324	38,279,739
Social Services	<u>10,411,386</u>	<u>5,138,568</u>
	<u>50,903,715</u>	<u>38,835,714</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>2011</u>	<u>2010</u>
	<u>HK\$</u>	<u>HK\$</u>
Education funds	11,635,070	9,899,665
Workshop funds	2,844,868	2,223,407
Gang Yun Foundation	87,766	87,766
Maintenance and utilities fund	(208,991)	(192,191)
Membership fund	23,100	20,100
Ministry fund	39,841	39,841
Quarters fund	155,157	173,812
Reserve and development fund	2,906,731	3,320,916
Social service fund	1,553,168	1,546,781
Walkathon fund	-	608,824
Yiu Tsuen fund	63,696	66,224
Fund for central administration office	-	732,396
Fund for Peace Medical Centre	13,498	13,498
Fund for High Rock Christian Centre	384,275	384,275
	<u>19,498,179</u>	<u>18,925,314</u>

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12. Flag day funds

	<u>2011</u>	<u>2010</u>
	<u>HK\$</u>	<u>HK\$</u>
Designated Flag Day fund		
Balance as at 1 April	1,770,048	704,117
Donations from flag day fund raising event held on 2 May 2009	-	1,374,790
Donations from flag day fund raising event held on 29 January 2011	1,547,080	-
	<u>3,317,128</u>	<u>2,078,907</u>
Flag Day expenses	<u>(146,884)</u>	<u>(70,464)</u>
	<u>3,170,244</u>	<u>2,008,443</u>
Usage of Flag day fund		
Health programme	-	(3,949)
After school care programme	(28,222)	(25,799)
Counselling services	(523,198)	-
Rehabilitation services	(1,395)	-
Middle aged women employment services	(2,547)	-
Middle aged and senior male services	(3,725)	-
Recurrent expenses of central administration	-	(208,647)
	<u>(559,087)</u>	<u>(238,395)</u>
Balance as at 31 March	<u>2,611,157</u>	<u>1,770,048</u>
General Flag Day fund		
Balance as at 1 April	<u>1,441,472</u>	<u>1,615,897</u>
Funds allocated to		
- Central Administration Office	-	(3,680)
- High Rock Christian Centre	(115,950)	(34,312)
- Ma Ko Pan Memorial College	(198,598)	(90,000)
- Pooi Kei Primary School	(65,450)	(32,367)
- Pooi Tun Secondary Primary School	(129,750)	-
- School Social Work	-	(1,830)
- Sha Kok Youth and Children's Centre	(16,400)	-
- Yiu On Halfway House	(17,560)	(12,236)
	<u>(543,708)</u>	<u>(174,425)</u>
Balance as at 31 March	<u>897,764</u>	<u>1,441,472</u>
Total balance of flag day funds as at 31 March	<u>3,508,921</u>	<u>3,211,520</u>

The purposes of the flag day fund raising event held on 29 January 2011 are to raise fund for: (i) rehabilitation service; (ii) counseling service; (iii) after school care service, (iv) middle-aged women employment service; (v) life education and adventure training; (vi) youth mental health service; and (vii) recurrent expenses of central administration.

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13. Lump sum grant reserve

	<u>2011</u>	<u>2010</u>
	<u>HK\$</u>	<u>HK\$</u>
Income		
Lump sum grant	37,419,990	34,260,585
Fee Income	666,472	685,626
Other Income	304,562	309,632
Interest Received	31,521	27,013
	<u>38,422,545</u>	<u>35,282,857</u>
Expenditure		
Personal Emoluments	32,830,508	30,719,621
Other Charges	4,599,080	4,548,157
	<u>37,429,588</u>	<u>35,267,778</u>
Surplus for the year transferred from accumulated fund	992,957	15,079
Deficit in voluntary retirement scheme transferred from accumulated fund	-	116,509
Surplus transferred to Social Welfare Department subvention surplus to cover the salary adjustment	-	(55,507)
Balance to beginning of the year	<u>9,493,225</u>	<u>9,417,144</u>
Balance at end of year	<u>10,486,182</u>	<u>9,493,225</u>
 The components of the reserve are as follows:		
Lump sum grant reserve (excluding provident fund)	7,213,435	6,879,984
Surplus of provident fund subvention	<u>3,272,747</u>	<u>2,613,240</u>
	<u>10,486,182</u>	<u>9,493,225</u>

14. Block grant reserve

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

	<u>2011</u>	<u>2010</u>
	<u>HK\$</u>	<u>HK\$</u>
Balance at beginning of year	1,171,203	718,813
Bank interest income	82	55
	<u>1,171,285</u>	<u>718,868</u>
Block grant received	608,000	608,300
Expenditure for minor work projects	-	(155,965)
Transfer from accumulated fund and other funds	<u>608,000</u>	<u>452,335</u>
Balance at end of year	<u>1,779,285</u>	<u>1,171,203</u>

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15. Investment revaluation reserve

	<u>2011</u>	<u>2010</u>
	HK\$	HK\$
Balance as at 1 April	(108,826)	(331,208)
Reverse of negative reserves on disposal	3,480	51,194
Increase in the fair value of investments in securities	12,239	171,188
Balance as at 31 March	<u>(93,107)</u>	<u>(108,826)</u>

16. Operating lease commitment

At 31 March 2011, the Group's total future minimum leases payment under non-cancellable operating leases of premises are payable as follows,

	<u>2011</u>	<u>2010</u>
	HK\$	HK\$
Within one year	3,536,509	3,053,743
After one year but within five years	3,189,385	3,856,080
	<u>6,725,894</u>	<u>6,909,823</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>2011</u>	<u>2010</u>
	HK\$	HK\$
Account receivable and sundry debtors	2,529,192	2,649,845
Deposits and prepayments	1,810,872	1,202,261
Time deposits	45,924,772	37,822,174
Bank balances and cash	25,008,868	26,328,483
	<u>75,273,704</u>	<u>68,002,763</u>

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

	<u>2011</u>	<u>2010</u>
	HK\$	HK\$
Financial liabilities at amortised cost		
Accounts payable and accrued expenses	4,994,897	2,764,189
Social Welfare/Education Bureau surplus account	1,263,907	757,678
Receipt in advance	1,354,689	1,441,523
	<u>7,613,493</u>	<u>4,963,390</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 2010 and 2011.

The Group is exposed to credit risk, liquidity risk and market 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 2011, 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
HKFRSs (Amendments)	Improvements to HKFRSs 2010	1 January 2011
HKFRS 9 (Revised)	Financial instruments	1 January 2013
HKAS 24 (Revised)	Related party disclosures	1 January 2011

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.