

Financial Reports and Accounts

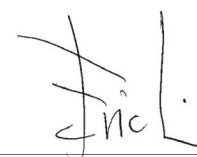
Balance Sheet

AS AT 31 MARCH 2017

	Note	2017 HK\$	2016 HK\$
NON-CURRENT ASSETS			
Property, plant and equipment	3	71,964	41,819
CURRENT ASSETS			
Cash and cash equivalents	4	379,976	365,756
Interest receivable		3	-
Deposit		2,200	2,200
		382,179	367,956
CURRENT LIABILITIES			
Provision for gratuities		(13,298)	(12,422)
Provision for untaken leave		(6,420)	(6,993)
		(19,718)	(19,415)
NET CURRENT ASSETS		362,461	348,541
NET ASSETS		434,425	390,360
Representing:			
GOVERNMENT FUNDS			
Recurrent subvention fund		434,425	390,360

The accompanying notes 1 to 12 form part of these financial statements.

Approved and authorised for issue by the Legal Aid Services Council on 6 September 2017.



(Dr Eric Li Ka Cheung)
Chairman

Income and Expenditure Account

FOR THE YEAR ENDED 31 MARCH 2017

	Note	2017 HK\$	2016 HK\$
INCOME			
Government subventions	6	6,757,360	6,170,957
Interest income		24	10
		6,757,384	6,170,967
EXPENDITURE			
Staff emoluments	7	(4,140,121)	(3,568,785)
Rent and management fees		(1,900,209)	(1,897,829)
Other expenses	8	(282,629)	(313,993)
		(6,322,959)	(5,780,607)
SURPLUS FOR THE YEAR			
		434,425	390,360
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR			
		434,425	390,360

The accompanying notes 1 to 12 form part of these financial statements.

Statement of Changes in Equity

FOR THE YEAR ENDED 31 MARCH 2017

	HK\$
RECURRENT SUBVENTION FUND	
Balance as at 1 April 2015	98,844
Refunded to Government	(98,844)
Total comprehensive income for the year	<u>390,360</u>
Balance as at 31 March 2016	390,360
Refunded to Government	(390,360)
Total comprehensive income for the year	<u>434,425</u>
Balance as at 31 March 2017	<u><u>434,425</u></u>

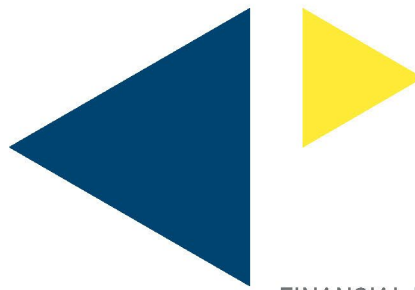
The accompanying notes 1 to 12 form part of these financial statements.

Statement of Cash Flows

FOR THE YEAR ENDED 31 MARCH 2017

	Note	2017 HK\$	2016 HK\$
Cash flows from operating activities			
Surplus for the year		434,425	390,360
Depreciation		19,135	12,585
Interest income		(24)	(10)
Increase in provision for gratuities		876	817
Decrease in provision for untaken leave		(573)	(550)
Net cash generated from operating activities		453,839	403,202
Cash flows from investing activities			
Acquisition of property, plant and equipment		(49,280)	(25,800)
Interest received		21	13
Net cash used in investing activities		(49,259)	(25,787)
Cash flows from financing activities			
Amount refunded to Government		(390,360)	(98,844)
Net cash used in financing activities		(390,360)	(98,844)
Net increase in cash and cash equivalents		14,220	278,571
Cash and cash equivalents at beginning of year		365,756	87,185
Cash and cash equivalents at end of year	4	379,976	365,756

The accompanying notes 1 to 12 form part of these financial statements.



NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Legal Aid Services Council (“the Council”) was established on 1 September 1996 under the Legal Aid Services Council Ordinance (Cap. 489).

The Council is a non-profit-making organization formed for the objective of supervising the provision of legal aid services in Hong Kong provided by the Legal Aid Department and advising the Government on legal aid policy.

The address of its registered office is Room 1601, 16/F, COFCO Tower, 262 Gloucester Road, Causeway Bay, Hong Kong.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

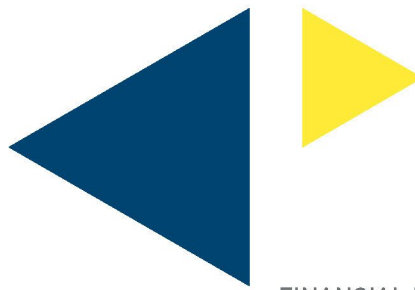
The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs) issued by the Hong Kong Institute of Certified Public Accountants and the requirements of the Legal Aid Services Council Ordinance.

2.2 Basis of preparation

The financial statements have been prepared on an accrual basis and under the historical cost convention.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenditure. The estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.



There are no critical accounting judgements involved in the application of the Council's accounting policies. There are neither key assumptions concerning the future nor other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next year.

2.3 Adoption of new / revised HKFRSs

The Council has adopted all new/revised HKFRSs which are effective and relevant to the Council for the current accounting period.

The Council has not early adopted any amendments, new standards and interpretations which are not yet effective for the current accounting period. The Council is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial adoption. So far, it has concluded that the adoption of them is unlikely to have a significant impact on the Council's result of operations and financial position, except for HKFRS 16 Leases which is effective for accounting periods beginning on or after 1 January 2019. HKFRS 16 will primarily affect the Council's accounting as a lessee of leases for premises which are currently classified as operating leases. The adoption of HKFRS 16 is expected to lead to an increase in both assets and liabilities and affect the timing of expenses recognition in the income and expenditure account over the period of the leases. The Council has yet to assess the impact the standard on its financial statements.

2.4 Revenue recognition

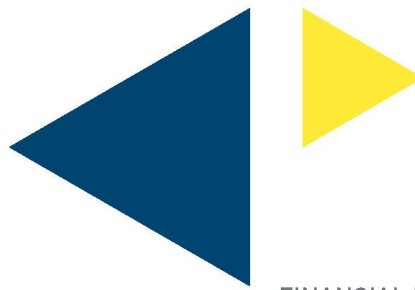
A government subvention is recognised when there is a reasonable assurance that the Council will comply with the conditions attaching to it and that the subvention will be received.

Government subventions relating to income are recognised in the income and expenditure account over the period necessary to match them with the costs they are intended to compensate.

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

2.5 Property, plant and equipment

Property, plant and equipment include furniture and fixtures, office equipment and computer equipment costing HK\$5,000 or more with estimated useful lives longer than one year.



Property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and any impairment losses. Depreciation is calculated to write off the cost of property, plant and equipment, less their estimated residual values, on a straight-line basis over their estimated useful lives as follows:

Furniture and fixtures	10 years
Office equipment	5 years
Computer equipment	3 years

Gains or losses arising from the disposal of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognised in the income and expenditure account at the date of disposal.

2.6 Employee benefits

Contract gratuities, salaries and annual leave entitlements are accrued and recognised as expenditure in the year in which associated services are rendered by the staff. Staff on-costs, including pension and housing benefits provided to the staff by the Government, are charged as expenditure in the year in which the services are rendered.

2.7 Operating lease

Leases in which a significant portion of the risks and rewards of ownership is retained by the lessors are classified as operating leases. Rental payments made under operating leases (net of any incentives received from the lessors) are charged to the income and expenditure account on a straight-line basis over the period of the relevant leases.

2.8 Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand, 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, having been within three months of maturity when acquired.

3. PROPERTY, PLANT AND EQUIPMENT

	Computer equipment HK\$	Office equipment HK\$	Furniture and fixtures HK\$	Total HK\$
Cost				
At 1 April 2015	98,552	51,774	-	150,326
Addition during the year	-	25,800	-	25,800
Disposal during the year	(1,580)	(35,000)	-	(36,580)
At 1 April 2016	96,972	42,574	-	139,546
Addition during the year	-	24,530	24,750	49,280
Disposal during the year	(23,006)	-	-	(23,006)
At 31 March 2017	73,966	67,104	24,750	165,820
Accumulated depreciation				
At 1 April 2015	69,948	51,774	-	121,722
Charge for the year	12,155	430	-	12,585
Written back on disposal	(1,580)	(35,000)	-	(36,580)
At 1 April 2016	80,523	17,204	-	97,727
Charge for the year	9,467	8,431	1,237	19,135
Written back on disposal	(23,006)	-	-	(23,006)
At 31 March 2017	66,984	25,635	1,237	93,856
Net book value				
At 31 March 2017	6,982	41,469	23,513	71,964
At 31 March 2016	16,449	25,370	-	41,819

4. CASH AND CASH EQUIVALENTS

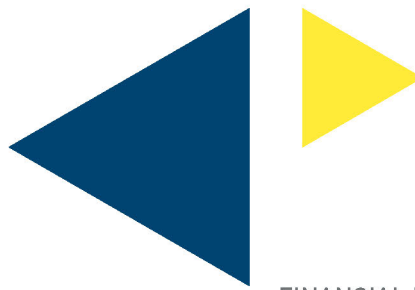
	2017 HK\$	2016 HK\$
Cash at bank	379,029	363,483
Cash in hand	947	2,273
	379,976	365,756

5. CONTINGENCY RESERVE

As agreed in the Director of Administration's letter of 9 June 1999, the Council can carry a contingency reserve. The maximum amount of reserve is the sum of

- (a) bank interests earned in the preceding year; and
- (b) 5% of the surplus of the Council's recurrent subvention (excluding bank interests) over expenditure in the preceding year.

With effect from 2016-17, the reserve ceiling has been varied to 15% of the approved annual recurrent subvention, which refers to the subvention amount stated in the audited financial statements in the preceding year. If the level of the reserve exceeds the ceiling, the Council should return the amount in excess to the Government in the following financial year upon issuance of the audited financial statements.



6. GOVERNMENT SUBVENTIONS

Subventions received from the Government of the Hong Kong Special Administrative Region amounted to HK\$6,757,360 (2016: HK\$6,170,957):

Annual recurrent grant	6,367,000	6,166,000
Contingency grant	390,360	4,957
Subventions from the Government	6,757,360	6,170,957

7. STAFF EMOLUMENTS

	2017 HK\$	2016 HK\$
Civil service staff:		
Staff cost	3,798,662	3,250,052
Non-civil-service contract staff:		
Staff salaries	304,073	283,696
Gratuities	15,763	13,860
Provident fund	15,204	14,185
Provision for untaken leave	6,419	6,992
	341,459	318,733
	4,140,121	3,568,785

8. OTHER EXPENSES

	2017 HK\$	2016 HK\$
Production of annual report/newsletter	63,612	55,647
General publications, periodicals and journals	44,892	44,527
Accountancy fee	40,500	40,500
Conference expenses	8,882	73,695
Other administration expenses	105,608	87,039
Depreciation	19,135	12,585
	<u>282,629</u>	<u>313,993</u>

9. FINANCIAL RISK MANAGEMENT

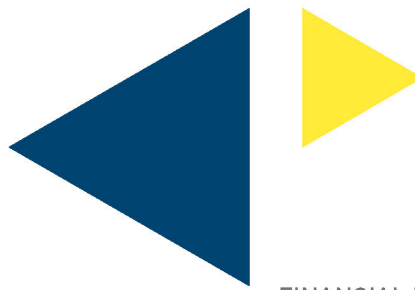
The Council's major financial instruments are cash at bank. The main risk associated with these financial instruments are credit risk and liquidity risk.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. In order to minimise the credit risk, the Council's cash at bank is placed with a major licensed bank in Hong Kong.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Council has laid down a liquidity policy which is reviewed regularly by the Council members. This policy requires the Council to maintain a conservative level of liquid funds on a monthly basis to ensure the availability of adequate liquid funds to meet all obligations.



10. CAPITAL MANAGEMENT

The capital of the Council consists solely of funds from the recurrent government subvention. The Council's objectives when managing capital are:

- to comply with the Legal Aid Services Council Ordinance; and
- to maintain a capital base to fund the operation of the Council for the objective stated in Note 1 above.

The Council manages its capital to ensure that the level is adequate to fund future expenditure, taking into account its projected cash flow requirements, future financial obligations and commitments.

11. COMMITMENTS

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2017 HK\$	2016 HK\$
Within 1 year	909,200	1,691,112
After 1 year but within 5 years	-	909,200
	<u>909,200</u>	<u>2,600,312</u>

In June 2017, the Council has renewed the leases for its office premises. The aggregate minimum lease payment under the renewed leases amounted to HK\$5,179,824 up to October 2020.

12. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

All financial assets and liabilities are stated in the balance sheet at amounts equal to or not materially different from their fair values.