

CHRISTIAN FAMILY SERVICE CENTRE

DIRECTORS' REPORT

The directors present herewith their report and the audited financial statements for the year ended 31st March, 2007.

Principal activities

The Centre's principal activities are the provision of family service, children and youth service, elderly service, rehabilitation service, community development service, health service, etc. to the needy people in Hong Kong with a view to manifesting the love of God and enhancing family life.

Accounts

The results of the Centre's activities for the year ended 31st March, 2007 and the state of affairs of the Centre as at that date are set out in the financial statements on pages 74 to 94

Fixed assets

Particulars of fixed assets are set out in note 5 to the financial statements.

Centre Status

The Centre is a company incorporated in Hong Kong with liability limited by guarantee.

Reserves

The movements in reserves are set out in notes 10 to 16 in the financial statements.

Directors

The directors who held office during the year and up to the date of this report were :-

Mr. Nicholas Chiu Sai-chuen, B.B.S., M.B.E., J.P. (Chairman)
Professor Alex Kwan Yui-huen (Vice-chairman)
Mr. Yeung Po-kwan, O.B.E., O St.J., C.P.M., J.P. (Hon. Treasurer)
Rev. Daniel Li Yat-shing
Her Hon. Judge Maggie Poon Man-kay
Mr. Thomas Tsang Fuk-chuen
Miss Nora Yau Ho-chun, J.P.
Dr. Alice Yuk Tak-fun, J.P.
Rev. Kan Kei-pui
Mr. Wong Sing-chi
Dr. Miranda Chan Lai-foon
Rev. Dr. Li Ping-kwong
Lt-Col. Alfred Tsang Hing-man
Dr. Sophia Chan Siu-chee (appointed on 1st January, 2007)
Dr. Lawrence Yick Kar-lim (appointed on 1st January, 2007)
Mrs. Cheung-Ang Siew-mei (resigned on 31st December, 2006)
Dr. Luk Che-chung (resigned on 31st December, 2006)

The remaining directors in office will continue to hold office for the coming year.



CHRISTIAN FAMILY SERVICE CENTRE

DIRECTORS' REPORT

Directors' interest

No contract of significance in relation to the Centre's operation, to which the Centre was a party and in which a director of the Centre has a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' benefits from rights to acquire share or debenture

At no time during the year was the Centre a party to any arrangements to enable the directors of the Centre to acquire benefits by means of the acquisition of shares in, or debentures of the Centre or any other body corporate.

Auditors

The financial statements have been audited by Messrs. Fan, Chan & Co., Certified Public Accountants, who now retire and offer themselves for re-appointment.

For and on behalf of the Board

Chairman
Dated 18th July, 2007

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF CHRISTIAN FAMILY SERVICE CENTRE**
(incorporated in Hong Kong and limited by guarantee)

We have audited the financial statements of Christian Family Service Centre set out on pages 74 to 94, which comprise the balance sheet as at 31st March, 2007, and the income and expenditure account, statement of changes in reserves and funds and cash flow statement for the year ended 31st March, 2007, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibilities for the financial statements

The directors are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, the Hong Kong Companies Ordinance, the "Lump Sum Grant Manual", the "Guide to Social Welfare Subventions" and other instructions issued by the Director of Social Welfare. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit, and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

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

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



**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF CHRISTIAN FAMILY SERVICE CENTRE**
(incorporated in Hong Kong and limited by guarantee)

Opinion

In our opinion, the financial statements give a true and fair view of the state of the Centre's affairs as at 31st March, 2007 and of its surplus and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance, the "Lump Sum Grant Manual", the "Guide to Social Welfare Subventions" and other instructions issued by the Director of Social Welfare from time to time.

Fan, Chan & Co.

Fan, Chan & Co.
Certified Public Accountants
Hong Kong, 18th July, 2007

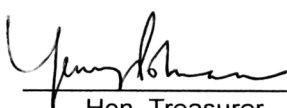
CHRISTIAN FAMILY SERVICE CENTRE
BALANCE SHEET
AT 31ST MARCH, 2007

	Note	2007 HK\$	2006 HK\$
Non-current assets			
Property, plant and equipment	(5)	6,922,891.32	3,229,365.03
Available-for-sale investments	(6)	38,893,079.82	25,918,943.12
		<u>45,815,971.14</u>	<u>29,148,308.15</u>
Current assets			
Debtors, deposits and prepayments	(7)	2,143,017.01	2,205,646.00
Lotteries Fund receivable		1,182,389.77	110,517.17
Cash and cash equivalents	(8)	59,108,698.98	61,115,683.37
		<u>62,434,105.76</u>	<u>63,431,846.54</u>
Current liabilities			
Accounts payable	(9)	5,899,920.43	4,737,691.88
Deferred income		1,284,047.12	335,238.73
		<u>7,183,967.55</u>	<u>5,072,930.61</u>
Net current assets		<u>55,250,138.21</u>	<u>58,358,915.93</u>
Total assets less current liabilities		<u>101,066,109.35</u>	<u>87,507,224.08</u>
Non-current liabilities			
Deferred income		<u>2,359,264.74</u>	<u>549,975.94</u>
Net assets		<u>98,706,844.61</u>	<u>86,957,248.14</u>
Representing : -			
General fund			
- Accumulated Surplus	(10)	6,247,267.27	3,343,469.93
Social Welfare Department Funds			
- SWD subvention fund account	(11)	6,342.00	28,055.05
- SWD Lump Sum Grant reserve fund	(12)	37,299,216.78	34,597,318.15
- SWD provident fund reserve	(13)	7,613,950.80	6,403,978.21
Education and Manpower Bureau reserve	(14)	488,795.35	551,952.16
F & E Replenishment and Minor Works Block			
Grant reserve	(15)	885,251.11	780,991.43
Specific funds	(16)	46,417,256.75	42,151,245.42
Investment revaluation reserve		(251,890.11)	(924,795.01)
Translation reserve		654.66	25,032.80
		<u>98,706,844.61</u>	<u>86,957,248.14</u>

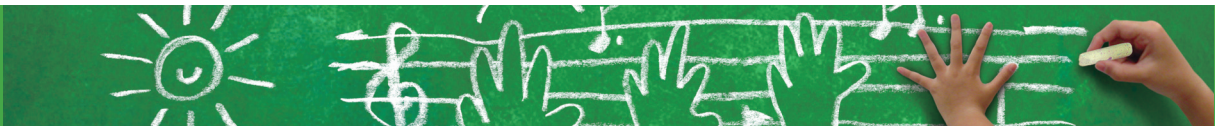
The notes on pages 79 to 94 are an integral part of these financial statements.

Approved by the Board on 18th July, 2007


Chairman


Hon. Treasurer


Chief Executive



CHRISTIAN FAMILY SERVICE CENTRE
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31ST MARCH, 2007

	2007	2006
	HK\$	HK\$
Income		
Social Welfare Department subvention	125,834,563.00	122,390,423.00
Community Chest allocation	1,570,100.00	1,570,100.00
Hong Kong Jockey Club Charities Trust subvention	1,639,000.00	859,000.00
Lotteries Fund grant	115,155.00	127,950.00
Education and Manpower Bureau subvention	1,140,236.35	630,351.80
Fee income	26,314,787.25	25,594,434.90
Program income	14,123,092.08	12,119,414.07
Donations and others	5,718,390.55	5,116,656.98
Interest income	1,711,843.74	813,253.30
	<u>178,167,167.97</u>	<u>169,221,584.05</u>
 Deduct:		
Expenditures		
Personal emoluments	125,856,564.29	120,304,156.52
Utility expenses	4,622,061.13	4,587,614.74
Food	5,821,877.66	5,798,619.83
Administrative expenses	705,342.25	689,116.18
Stores and equipment	4,727,619.88	3,449,489.28
Maintenance for special equipment	525,144.00	558,586.00
Transportation and traveling	1,053,077.01	1,004,395.01
Program expenses	11,235,985.42	10,039,146.08
Allowances for special purpose	175,068.10	148,714.60
Hire of service	1,751,120.15	1,064,930.80
Payment to sub-contractors	-	1,656,194.22
Incentive payment	728,615.00	760,865.50
Infirmity care supplement	383,238.70	380,857.53
Dementia supplement	94,028.20	98,829.64
Visiting medical services	36,550.00	-
Insurance premium	1,394,937.97	1,076,005.88
Rent and rates	7,416,714.50	6,981,814.00
Miscellaneous	1,742,047.58	1,286,416.93
	<u>168,269,991.84</u>	<u>159,885,752.74</u>
Surplus for the year (Note 17)	<u>9,897,176.13</u>	<u>9,335,831.31</u>

CHRISTIAN FAMILY SERVICE CENTRE
STATEMENT OF CHANGES IN RESERVES AND FUNDS
FOR THE YEAR ENDED 31ST MARCH, 2007

	General fund HK\$	SWD subvention fund account HK\$	SWD Lump Sum Grant reserve fund HK\$	SWD provident fund reserve HK\$	Education and Manpower Bureau reserve HK\$	F & E Replenishment and Minor Works Block Grant reserve HK\$	Specific funds HK\$	Investment revaluation reserve HK\$	Translation reserve HK\$	Total HK\$
Balance at 1st April, 2005 as previously reported	1,024,677.70	447,344.87	31,563,198.85	5,370,037.15	-	770,702.06	37,788,059.05	-	-	76,964,019.68
Effects of changes in accounting policy	-	-	-	-	-	-	-	(400,568.02)	-	(400,568.02)
- Loss on available-for-sale investments	-	-	-	-	-	-	-	(400,568.02)	-	76,563,451.66
Balance at 1st April, 2005 as restated	1,024,677.70	447,344.87	31,563,198.85	5,370,037.15	-	770,702.06	37,788,059.05	-	-	76,563,451.66
Loss on available-for-sale investments	-	-	-	-	-	-	-	(524,226.99)	-	(524,226.99)
Adjustment of deficit recovery	(1,378,280.10)	(15,097.15)	1,381,148.85	-	-	-	-	-	-	(12,228.40)
Surplus for the year	9,335,831.31	-	-	-	-	-	-	-	-	9,335,831.31
Surplus attributable to SWD Lump Sum Grant reserve fund	(3,143,262.57)	-	3,143,262.57	-	-	-	-	-	-	-
Funds transfer	(2,442,617.82)	(410,527.30)	-	-	551,952.16	-	2,301,192.96	-	-	-
SWD fund transfer	-	-	(1,033,941.06)	1,033,941.06	-	-	-	-	-	-
Lotteries Fund transfer	(52,878.59)	-	-	-	-	-	-	-	-	(52,878.59)
Interest income	-	6,334.63	-	-	-	12,089.37	-	-	-	18,424.00
Backpayment for previous years	-	-	(42,755.09)	-	-	-	-	-	-	(42,755.09)
Amount refunded to Government	-	-	(413,595.97)	-	-	-	-	-	-	(413,595.97)
Block Grant received	-	-	-	-	-	832,000.00	-	-	-	832,000.00
Block Grant expenditure	-	-	-	-	-	(833,800.00)	-	-	-	(833,800.00)
Receipts from specific funds	-	-	-	-	-	-	3,072,463.50	-	-	3,072,463.50
Payments for specific funds	-	-	-	-	-	-	(1,686,902.50)	-	-	(1,686,902.50)
Reversal of depreciation	-	-	-	-	-	-	676,432.41	-	-	676,432.41
Exchange difference arising on translation of available-for-sale investments	-	-	-	-	-	-	-	25,032.80	-	25,032.80
Net surplus / (deficit)	2,318,792.23	(419,289.82)	3,034,119.30	1,033,941.06	551,952.16	10,289.37	4,363,186.37	(524,226.99)	25,032.80	10,393,796.48
Balance at 31st March, 2006	3,343,469.93	28,055.05	34,597,318.15	6,403,978.21	551,952.16	780,991.43	42,151,245.42	(924,795.01)	25,032.80	86,957,248.14

CHRISTIAN FAMILY SERVICE CENTRE
STATEMENT OF CHANGES IN RESERVES AND FUNDS
FOR THE YEAR ENDED 31ST MARCH, 2007

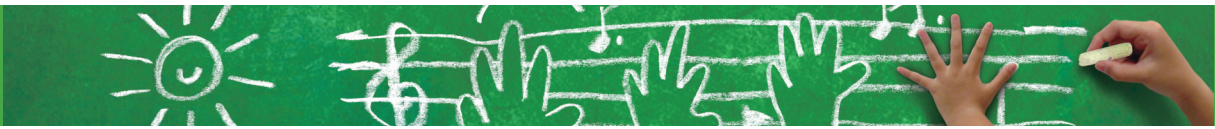
	General fund HK\$	SWD subvention fund account HK\$	SWD Lump Sum Grant reserve fund HK\$	SWD provident fund reserve HK\$	Education and Manpower Bureau reserve HK\$	F & E Replenishment and Minor Works Block Grant reserve HK\$	Specific funds HK\$	Investment revaluation reserve HK\$	Translation reserve HK\$	Total HK\$
Balance at 1st April, 2006	3,343,469.93	28,055.05	34,597,318.15	6,403,978.21	551,952.16	780,991.43	42,151,245.42	(924,795.01)	25,032.80	86,957,248.14
Adjustment of deficit recovery	(1,681.56)	(28,055.05)	873.78	-	-	-	-	-	-	(28,862.83)
Surplus for the year	9,897,176.13	-	-	-	-	-	-	-	-	9,897,176.13
Surplus attributable to SWD Lump Sum Grant reserve fund	(4,691,640.60)	-	4,691,640.60	-	-	-	-	-	-	-
Funds transfer	(2,347,836.74)	-	(63,156.81)	-	(63,156.81)	-	2,410,993.55	-	-	-
SWD fund transfer	-	-	(1,209,972.59)	1,209,972.59	-	-	-	-	-	-
Lotteries Fund transfer	47,780.11	-	-	-	-	-	-	-	-	47,780.11
Interest income	-	6,342.00	-	-	-	31,884.68	-	-	-	38,226.68
Amount refunded to Government	-	-	(780,643.16)	-	-	-	-	-	-	(780,643.16)
Block Grant received	-	-	-	-	-	678,000.00	-	-	-	678,000.00
Block Grant expenditure	-	-	-	-	-	(605,625.00)	-	-	-	(605,625.00)
Receipts from specific funds	-	-	-	-	-	-	4,192,960.77	-	-	4,192,960.77
Payment for specific funds	-	-	-	-	-	-	(2,333,745.39)	-	-	(2,333,745.39)
Reversal of depreciation	-	-	-	-	-	-	(4,197.60)	-	-	(4,197.60)
Exchange difference arising on translation of available-for-sale investments	-	-	-	-	-	-	-	-	(24,378.14)	(24,378.14)
Gain on available-for-sale investments	-	-	-	-	-	-	-	672,904.90	-	672,904.90
Net surplus / (deficit)	2,903,797.34	(21,713.05)	2,701,898.63	1,209,972.59	(63,156.81)	104,259.68	4,266,011.33	672,904.90	(24,378.14)	11,749,596.47
Balance at 31st March, 2007	6,247,267.27	6,342.00	37,299,216.78	7,613,950.80	488,795.35	885,251.11	46,417,256.75	(251,890.11)	654.66	98,706,844.61

CHRISTIAN FAMILY SERVICE CENTRE

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST MARCH, 2007

	2007 HK\$	2006 HK\$
Surplus for the year	9,897,176.13	9,335,831.31
Net payment on SWD subvention fund account	(21,713.05)	(8,762.52)
Net payment on SWD Lump sum grant reserve fund	(780,643.16)	(456,351.06)
Net receipt on F & E replenishment and minor works block grant	104,259.68	10,289.37
Net receipt on specific funds	1,859,215.38	1,385,561.00
Adjustments for:		
(Deficit) / surplus recovery	(807.78)	2,868.75
Currency adjustments not involving cash flows	(24,378.14)	25,032.80
Depreciation	5,523,735.78	2,730,255.00
Interest income	(1,711,843.74)	(813,253.30)
Operating surplus before changes in reserves and funds	14,845,001.10	12,211,471.35
Decrease / (increase) in debtors, deposits and prepayments	62,628.99	(511,415.10)
(Increase) / decrease in Lotteries Fund receivable	(1,024,092.49)	4,836,653.63
Increase / (decrease) in accounts payable	1,162,228.55	(1,178,560.19)
Cash flow from operating activities	<u>15,045,766.15</u>	<u>15,358,149.69</u>
Investing activities		
Interest income	1,711,843.74	813,253.30
Purchase of fixed assets	(6,463,362.48)	(4,397,967.95)
Acquisition of available-for-sale investments	(12,301,231.80)	(12,169,615.68)
Cash flow used in investing activities	<u>(17,052,750.54)</u>	<u>(15,754,330.33)</u>
Net decrease in cash and cash equivalents	(2,006,984.39)	(396,180.64)
Less: Pledge of fixed deposits	10,894.80	356,630.20
Cash and cash equivalents at the beginning of the year	60,759,053.17	61,511,864.01
Cash and cash equivalents at the end of the year	<u>58,741,173.98</u>	<u>60,759,053.17</u>
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	58,490,242.60	60,006,245.14
Money market instruments	618,456.38	1,109,438.23
Pledge of deposit	(367,525.00)	(356,630.20)
	<u>58,741,173.98</u>	<u>60,759,053.17</u>



CHRISTIAN FAMILY SERVICE CENTRE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2007

1. Background information

The Centre was incorporated on 20th July, 1971 as a company limited by guarantee. The address of Centre's registered office and principal place of operation is located at 10/F., 3 Tsui Ping Road, Kwun Tong, Kowloon. The principal activities of the Centre are the provision of family service, children and youth service, elderly service, rehabilitation service, community development service, health service, etc. to the needy people in Hong Kong with a view to manifesting the love of God and enhancing family life.

The Centre's financial statements are presented in Hong Kong dollars because that is the currency of primary economic environment in which the Centre operates.

2. Significant accounting policies

Basis of preparation

The financial statements of the Centre have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations ("HKIFRICs") (hereinafter collectively referred to as "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants, and the requirements of the Hong Kong Companies Ordinance.

The financial statements have been prepared on the historical cost basis. The Centre had not adopted new and revised accounting standards that have been issued but are not yet become effective. The principal accounting policies adopted are set out below.

Property, plant and equipment

The Centre had applied the transitional provision to deem the carrying amount of an item of property, plant and equipment immediately before applying HKAS 16 on 31st March, 2005 as the cost of that item. Depreciation on the deemed cost of an item of property, plant and equipment commences from the time at which HKAS 16 is first applied.

Property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost to their residual values over their estimated useful lives, as follows:

Furniture, fixtures and equipment	3 years
Renovation	5 years
Motor vehicles	5 years

CHRISTIAN FAMILY SERVICE CENTRE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2007

2. Significant accounting policies (continued)

Investment

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transactions costs.

At subsequent reporting dates, debt securities that the Centre has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in surplus or deficit when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Investments other than held-to-maturity debt securities are classified as either investments held for trading or as available-for-sale, and are measured at subsequent reporting dates at fair value. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in surplus or deficit for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in reserve, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in reserve is included in the surplus or deficit for the period. Impairment losses recognised in surplus or deficit for equity investments classified as available-for-sale are not subsequently reversed through surplus or deficit. Impairment losses recognised in surplus or deficit for debt instruments classified as available-for-sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

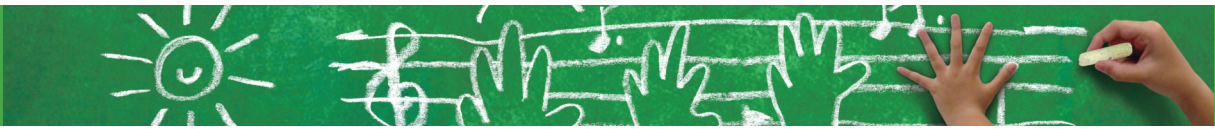
Income recognition

Subvention income are recognised in the accounting period for which generally matched with the related costs incurred.

Donation income and interest income are recognised in the financial statements on cash receipt basis.

Fee income and program income are recognised when the relevant events are rendered.

F& E Replenishment and Minor Works Block Grant and Lotteries fund grants related to depreciable assets are usually recognised as income over the periods and in the proportions in which depreciation on those assets is charged.



CHRISTIAN FAMILY SERVICE CENTRE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2007

2. Significant accounting policies (continued)

Operating leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating lease.

The Centre is treated as lessee. Rental payable under operating leases are charged to the Income and Expenditure Account on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight line basis over the lease term.

Social Welfare Department (“SWD”) funds

SWD subvention fund account

Any surplus from subvented activities excluding Lump Sum Grant (“LSG”) during the year plus interest earned thereon are reflected in the Social Welfare Department subvention fund account. Such surplus from subvented activities not included in LSG is refundable to the Social Welfare Department.

SWD Lump Sum Grant reserve fund

Any surplus from Funding and Service Agreement (FSA) activities under Lump Sum Grant during the year plus interest earned thereon are reflected in the Lump Sum Grant reserve fund. The Centre will implement facilitating measures to withhold the clawback of LSG reserve above the 25% cap for three years for the financial years from 2004/2005 to 2006/2007 to be carried out in 2006/2007 to 2008/2009. The request to extend the period of withholding of clawback for more than three years would need to provide detailed justifications for consideration by SWD on a case by case basis in accordance with the existing provision in the LSG Manual. Formerly, the level of cumulative reserves (including interest but excluding provident fund reserve) at the financial year end will be capped at 25% of the Centre’s operating expenditure (excluding provident fund expenditure) for that year. Any amount above this cap needs to be refunded to the Government in the following financial year, unless the cap is raised by the Director of Social Welfare upon application with justification from the Centre.

SWD provident fund reserve

Any surplus from FSA activities under Lump Sum Grant are reflected in the provident fund reserve. Any surplus of provident fund reserve can only be used for provident fund commitments in the future.

CHRISTIAN FAMILY SERVICE CENTRE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2007

2. Significant accounting policies (continued)

Education and Manpower Bureau (EMB) reserve

Any surplus from aided day creche and day nursery formerly under SWD have been transferred to the kindergartens under EMB on 1st September, 2005. Thereafter, any surplus from the kindergartens under EMB will be kept in EMB reserve until expiry or early termination of the service agreement of the activities.

F & E Replenishment and Minor Works Block Grant reserve

Any unspent balance from Block Grant of the Lotteries Fund during the year plus interest earned thereon are reflected in the F & E Replenishment and Minor Works Block Grant reserve. Such unspent balance can be carried forward to the next financial year for use to facilitate good planning and prudent spending.

Employee benefits

Salaries and the cost to the Centre of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Centre.

The Centre operates two defined contribution schemes, the Occupational Retirement Scheme (the "ORS Scheme"), and the Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") for those employees who are eligible to participate in the Schemes. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income and expenditure account as they become payable in accordance with the rules of the Schemes. The assets of the Schemes are held separately from those of the Centre in an independently administered fund.

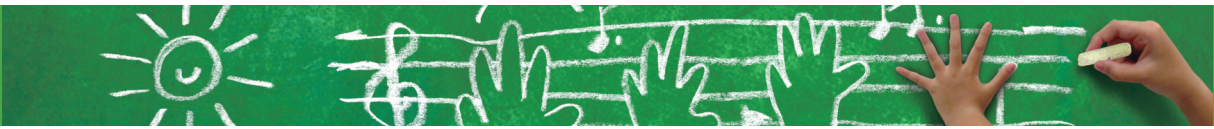
Foreign currencies

Transaction in currencies other than Hong Kong dollars are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on retranslation are included in net surplus or deficit for the year, except for exchange differences arising on non-monetary assets and liabilities where the changes in fair value are recognised directly in reserve.

Impairment of tangible assets

At each balance sheet date, the Centre reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Centre estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.



CHRISTIAN FAMILY SERVICE CENTRE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2007

2. Significant accounting policies (continued)

Impairment of tangible assets (continued)

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in surplus or deficit, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in surplus or deficit, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Accounts receivable

Accounts receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Where the effect of discounting would be immaterial, the receivables are stated at cost less impairment losses for bad and doubtful debts.

Accounts payable

Accounts payable are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial in which case they are stated at cost.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and bank deposits and other short term highly liquid investments.

Contingent liabilities

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.

CHRISTIAN FAMILY SERVICE CENTRE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2007

3. Critical accounting estimates and key sources of estimation uncertainty

The Centre makes estimates and assumptions concerning the future. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Depreciation and amortisation

The Centre's carrying amount of property, plant and equipment as at 31st March, 2007 was HK\$6,922,891.32. The Centre depreciates the property, plant and equipment over the estimated useful lives, as stated in note 2, and after taking into account of their estimated residual value, commencing from the date the property, plant and equipment are placed into operating use. The estimated useful lives and dates that the Centre places the property, plant and equipment into operating use reflects the executive committee's estimate of the periods that the Centre intend to derive future economics benefits from the use of the Centre's property, plant and equipment.

4. Financial instruments

The Centre's major financial instruments include accounts receivables, other receivables and accounts payable. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

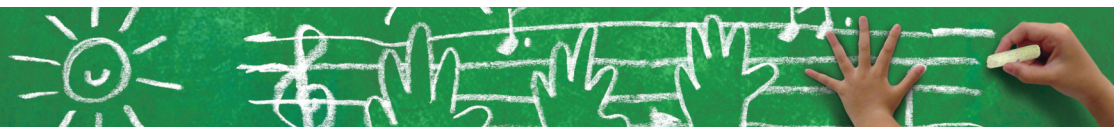
Currency risk

Certain available-for-sale investments of the Centre are denominated in foreign currencies. The Centre currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

Credit risk

The Centre's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31st March, 2007 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the balance sheet. In order to minimise the credit risk, the Board of Directors has delegated the Finance and Personnel Committee responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Centre reviews the recoverable amount of each individual debtors at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regards, the directors of the Centre consider that the Centre's credit risk is significantly reduced.

The Centre has no significant concentration of credit risk, with exposure spread over a number of counterparties.



CHRISTIAN FAMILY SERVICE CENTRE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2007

5. Property, plant and equipment

Centre's headquarters

The Centre's headquarters is situated at 3 Tsui Ping Road, Kwun Tong, Kowloon. The building costs of the headquarters have been financed by specific funds, Lotteries Fund and funds raised from flag day. The building costs of the headquarters are charged immediately against the respective accounts of specific funds, Lotteries Fund and flag day funds. The land of the headquarters was donated to the Centre in previous year and is situated in Hong Kong held on medium lease term. The land of headquarters is stated at nominal value of HK\$1.00

	Building cost of Headquarters HK\$
At cost	
Brought forward and carried forward	93,000,000.00
Charged against specific funds and Lotteries Fund	
Brought forward and carried forward	93,000,000.00
Net book value	
Brought forward	-
Carried forward	-

	Headquarters land HK\$	Furniture, fixtures and equipment HK\$	Motor vehicles HK\$	Renovation HK\$	Total HK\$
Cost					
At 1 st April, 2005	1.00	3.00	1.00	-	5.00
Additions	-	2,167,607.70	-	2,230,360.25	4,397,967.95
At 31 st March, 2006	1.00	2,167,610.70	1.00	2,230,360.25	4,397,972.95
Additions	-	2,314,172.45	-	4,149,190.03	6,463,362.48
At 31 st March, 2007	1.00	4,481,783.15	1.00	6,379,550.28	10,861,335.43
Accumulated depreciation					
At 1 st April, 2005	-	-	-	-	-
Charge for the year	-	722,535.87	-	446,072.05	1,168,607.92
At 31 st March, 2006	-	722,535.87	-	446,072.05	1,168,607.92
Charge for the year	-	1,493,926.03	-	1,275,910.16	2,769,836.19
At 31 st March, 2007	-	2,216,461.90	-	1,721,982.21	3,938,444.11
Net book value					
At 31 st March, 2007	1.00	2,265,321.25	1.00	4,657,568.07	6,922,891.32
At 31 st March, 2006	1.00	1,445,074.83	1.00	1,784,288.20	3,229,365.03

CHRISTIAN FAMILY SERVICE CENTRE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2007

6. Available-for-sale investments

	2007 HK\$	2006 HK\$
At Market value		
Certificate of deposit	4,968,465.16	9,731,944.12
Debt securities, overseas	33,924,614.66	16,186,999.00
	<u>38,893,079.82</u>	<u>25,918,943.12</u>

At 31st March, 2007, the amounts of the Centre's holdings in the following investment exceeded 10% of total assets of the Centre: -

Unlisted debt securities in Lehman Brothers Holdings Inc, Bank of America, HSBC Finance Corporation, Korea Western Power Company Limited and Korea Development Bank managed by Coutts Bank Von Ernst Limited. Unlisted debt securities in G.E.C.C., American Honda Finance Corporation and Vattenfall Treasury are managed by Fortis Private Banking Singapore Limited.

Other particulars required to be disclosed under Section 129(2) of the Companies Ordinance are not available.

7. Debtors, deposits and prepayments

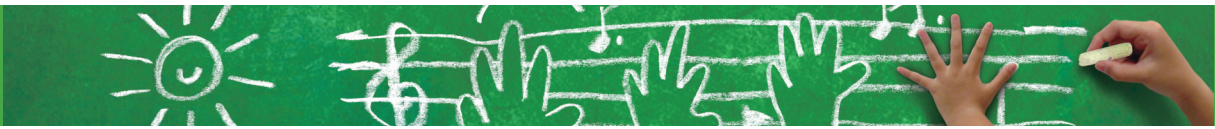
	2007 HK\$	2006 HK\$
Utility deposits	629,719.07	588,719.07
Sundry debtors and prepayments	1,513,297.94	1,616,926.93
	<u>2,143,017.01</u>	<u>2,205,646.00</u>

The directors consider that the carrying amount of debtors, deposits and prepayments approximates to their fair value.

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8. Cash and cash equivalents

	2007 HK\$	2006 HK\$
Bank balances -		
Savings accounts	5,595,632.28	7,412,891.69
Current accounts	1,291,467.81	2,058,747.48
Fixed deposits	51,472,889.64	50,453,181.70
Money market instruments	618,456.38	1,109,438.23
Cash balances	130,252.87	81,424.27
	<u>59,108,698.98</u>	<u>61,115,683.37</u>
Less: Pledged fixed deposits	367,525.00	356,630.20
Cash and cash equivalents	<u>58,741,173.98</u>	<u>60,759,053.17</u>



CHRISTIAN FAMILY SERVICE CENTRE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2007

9. Accounts payable

	2007	2006
	HK\$	HK\$
Receipts in advance and deposits received	673,829.60	607,263.60
Accounts payable and accrued charges	5,226,090.83	4,130,428.28
	<u>5,899,920.43</u>	<u>4,737,691.88</u>

The directors consider that the carrying amount of accounts payable approximates to their fair value.

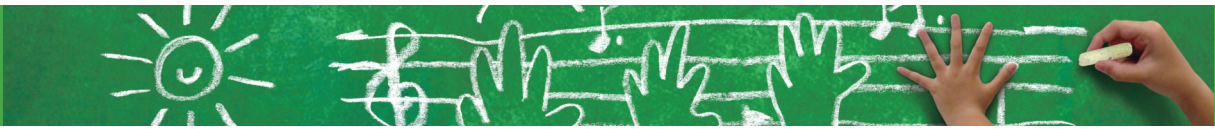
10. General fund

	2007	2006
	HK\$	HK\$
Surplus brought forward	3,343,469.93	1,024,677.70
Adjustment of deficit recovery	(1,681.56)	(1,378,280.10)
	<u>3,341,788.37</u>	<u>(353,602.40)</u>
Surplus for the year	9,897,176.13	9,335,831.31
Transfer to SWD subvention fund account	-	(141,424.86)
Transfer to Lump Sum Grant reserve fund	(4,691,640.60)	(3,143,262.57)
Transfer from / (to) Lotteries Fund	47,780.11	(52,878.59)
Transfer from EMB reserve	63,156.81	-
Transfer to flag day fund (Note 16f)	-	(697,561.27)
Transfer to CFSC designated fund (Note 16a)	(2,271,602.79)	(1,603,631.69)
Transfer to Anti-poverty project for youngster fund (Note 16g)	(139,390.76)	-
	<u>2,905,478.90</u>	<u>3,697,072.33</u>
Surplus carried forward	<u>6,247,267.27</u>	<u>3,343,469.93</u>

CHRISTIAN FAMILY SERVICE CENTRE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2007

11. SWD subvention fund account

	2007 HK\$	2006 HK\$
(a) Other subvented activities		
Balance brought forward	28,055.05	35,617.57
Cheerland Day Nursery and Day Creche surplus	-	800.00
Tak Tin Day Nursery surplus	-	400.00
	<u>28,055.05</u>	<u>36,817.57</u>
Add : Interest income	6,342.00	6,334.63
Less: Surplus recovery by SWD	<u>(28,055.05)</u>	<u>(15,097.15)</u>
Balance carried forward	<u>6,342.00</u>	<u>28,055.05</u>
(b) Aided Day Nursery / Day Creche surplus		
Balance brought forward	-	411,727.30
Surplus for the year	-	140,224.86
	<u>-</u>	<u>551,952.16</u>
Transfer to Education Manpower Bureau reserve (Note 14)	<u>-</u>	<u>(551,952.16)</u>
Balance carried forward	<u>-</u>	<u>-</u>
Total	<u>6,342.00</u>	<u>28,055.05</u>



CHRISTIAN FAMILY SERVICE CENTRE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2007

12. SWD Lump Sum Grant reserve fund

	2007	2006
	HK\$	HK\$
(a) Lump Sum Grant and Tide Over Grant		
Balance brought forward	32,446,802.66	31,389,633.63
Surplus for the year	2,077,835.59	2,133,865.18
Transfer to SWD Provident fund Reserve (Note 13)	(1,209,972.59)	(1,033,941.06)
Backpayment for previous years	-	(42,755.09)
Balance carried forward	<u>33,314,665.66</u>	<u>32,446,802.66</u>
(b) Special One-Off Grant		
Surplus for the year and carried forward	<u>700,247.60</u>	-
(c) Interest income		
Balance brought forward	1,450,598.71	637,345.41
Interest income for the year	<u>1,711,843.74</u>	<u>813,253.30</u>
Balance carried forward	<u>3,162,442.45</u>	<u>1,450,598.71</u>
(d) Rent and rates		
Balance brought forward	(241,490.10)	(1,250,056.90)
(Deficit) / surplus for the year	(188,924.40)	5,570.80
Adjustment in previous years	-	1,358,250.00
Refund to Government	<u>(164,413.04)</u>	<u>(355,254.00)</u>
Balance carried forward	<u>(594,827.54)</u>	<u>(241,490.10)</u>
(e) Central items		
Balance brought forward	941,406.88	786,276.71
Surplus for the year	390,638.07	190,573.29
Top up for the current year	873.78	1,083.99
Adjustment in previous years	-	21,814.86
Refund to Government	<u>(616,230.12)</u>	<u>(58,341.97)</u>
Balance carried forward	<u>716,688.61</u>	<u>941,406.88</u>
Total	<u><u>37,299,216.78</u></u>	<u><u>34,597,318.15</u></u>

13. SWD provident fund reserve

	2007	2006
	HK\$	HK\$
Surplus brought forward	<u>6,403,978.21</u>	<u>5,370,037.15</u>
Transfer from SWD Lump Sum Grant reserve fund (Note 12)		
Existing staff	483,544.69	309,988.29
6.8% and other posts	<u>726,427.90</u>	<u>723,952.77</u>
	<u>1,209,972.59</u>	<u>1,033,941.06</u>
Surplus carried forward	<u><u>7,613,950.80</u></u>	<u><u>6,403,978.21</u></u>

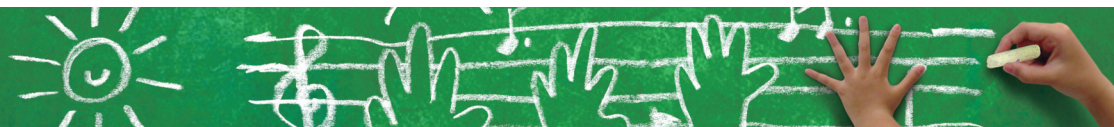
CHRISTIAN FAMILY SERVICE CENTRE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2007

14. Education and Manpower Bureau reserve

	2007 HK\$	2006 HK\$
Balance brought forward	551,952.16	-
Transfer from SWD subvention fund account (Note 11)	-	551,952.16
Transfer from General fund (Note 10)	(63,156.81)	-
Balance carried forward	<u>488,795.35</u>	<u>551,952.16</u>

15. F & E Replenishment and Minor Works Block Grant reserve

	2007 HK\$	2006 HK\$
Balance brought forward	780,991.43	770,702.06
Add : Block Grant received	678,000.00	832,000.00
Interest income received	31,884.68	12,089.37
	<u>1,490,876.11</u>	<u>1,614,791.43</u>
Less: Expenditure during the year		
Minor Works Projects	226,390.00	378,938.00
Furniture & Equipment	379,235.00	454,862.00
	<u>605,625.00</u>	<u>833,800.00</u>
Balance carried forward	<u>885,251.11</u>	<u>780,991.43</u>



CHRISTIAN FAMILY SERVICE CENTRE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2007

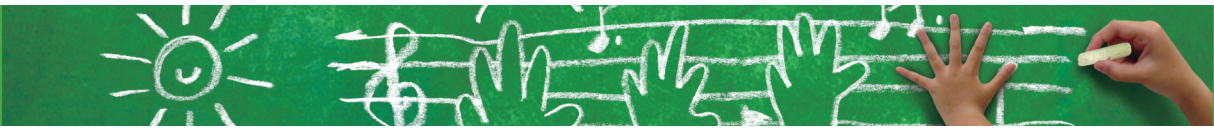
16. Specific funds

	2007	2006
	HK\$	HK\$
(a) CFSC Designated Fund -		
Balance brought forward	19,500,000.21	17,174,951.61
Add : Receipts	1,055,450.77	980,395.82
Transfer from general fund (Note 10)	2,271,602.79	1,603,631.69
	<u>22,827,053.77</u>	<u>19,758,979.12</u>
Less : Payments	234,022.40	731,460.25
	<u>22,593,031.37</u>	<u>19,027,518.87</u>
Reversal of depreciation	7,850.33	472,481.34
Balance carried forward	<u>22,600,881.70</u>	<u>19,500,000.21</u>
(b) Lai Chi Centre Designated Fund -		
Balance brought forward	28,789.03	21,804.86
Add: Receipts	3,876.98	6,984.17
Balance carried forward	<u>32,666.01</u>	<u>28,789.03</u>
(c) Single Parent Family Service -		
Balance brought forward and carried forward	<u>21,388.70</u>	<u>21,388.70</u>
(d) Cottage Repair Fund -		
Balance brought forward	12,693,698.68	12,570,942.96
Add : Receipts	87,453.17	122,755.72
Balance carried forward	<u>12,781,151.85</u>	<u>12,693,698.68</u>
(e) CFSC Development Fund -		
Balance brought forward	1,945,943.57	933,570.97
Add : Receipts	2,033,969.79	1,102,537.88
	<u>3,979,913.36</u>	<u>2,036,108.85</u>
Less : Payments	958,568.57	90,165.28
	<u>3,021,344.79</u>	<u>1,945,943.57</u>
Reversal of depreciation	11,600.00	-
Balance carried forward	<u>3,032,944.79</u>	<u>1,945,943.57</u>
(f) Flag Day Fund -		
Balance brought forward	7,088,384.68	6,346,287.72
Add : Receipts	171,625.14	128,251.62
Transfer from general fund (Note 10)	-	697,561.27
	<u>7,260,009.82</u>	<u>7,172,100.61</u>
Less : Payments	120,107.27	287,667.00
	<u>7,139,902.55</u>	<u>6,884,433.61</u>
Reversal of depreciation	(23,647.93)	203,951.07
Balance carried forward	<u>7,116,254.62</u>	<u>7,088,384.68</u>
(g) Anti-poverty project for youngster fund		
Transfer from general fund (Note 10)	<u>139,390.76</u>	-

CHRISTIAN FAMILY SERVICE CENTRE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2007

16. Specific funds (continued)

	2007 HK\$	2006 HK\$
(h) CFSC Building Redevelopment Fund -		
Balance brought forward	129,015.79	128,586.44
Add : Receipts	1,070.07	429.35
Balance carried forward	<u>130,085.86</u>	<u>129,015.79</u>
(i) Yam Pak Charitable Foundation -		
Balance brought forward	583,447.74	577,587.14
Add : Receipts	15,639.00	5,860.60
Balance carried forward	<u>599,086.74</u>	<u>583,447.74</u>
(j) HKJC Charities Trust (Others) -		
Balance brought forward	154,271.15	36,776.55
Add : Receipts	-	117,494.60
	<u>154,271.15</u>	<u>154,271.15</u>
Less : Payments	269,371.90	-
Balance carried forward	<u>(115,100.75)</u>	<u>154,271.15</u>
(k) Sir David Trench Fund -		
Balance brought forward	(83.60)	-
Add : Receipts	4,118.00	4,947.60
	<u>4,034.40</u>	<u>4,947.60</u>
Less : Payments	57,114.40	5,031.20
Balance carried forward	<u>(53,080.00)</u>	<u>(83.60)</u>
(l) Education and Manpower Bureau (SWD-Youth) -		
Balance brought forward and carried forward	<u>530.50</u>	<u>530.50</u>
(m) AIDS Trust Fund -		
Balance brought forward	-	(30,227.37)
Add : Receipts	-	30,227.37
Balance carried forward	<u>-</u>	<u>-</u>
(n) S.K.Yee Medical Foundation		
Add : Receipts	782,840.00	-
Less : Payments	657,643.00	-
Balance carried forward	<u>125,197.00</u>	<u>-</u>
(o) Miscellaneous Funds -		
Balance brought forward and carried forward	<u>5,858.97</u>	<u>5,858.97</u>
Total	<u>46,417,256.75</u>	<u>42,151,245.42</u>



CHRISTIAN FAMILY SERVICE CENTRE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2007

17. Surplus for the year

	2007	2006
	HK\$	HK\$
Surplus for the year is stated after charging the followings : -		
Staff costs	125,856,564.29	120,304,156.52
- Including: Contribution to MPF scheme and ORSO scheme	8,255,262.73	7,772,120.86
Auditors' remuneration	80,500.00	93,300.00
Depreciation	5,523,735.78	2,730,255.00

18. Directors' emoluments

During the years ended 31st March, 2007 and 2006, no amounts have been paid in respect of directors' emoluments, directors' or past directors' pensions or for any compensation to directors or past directors in respect of loss of office.

19. Taxation

No provision for Hong Kong profits tax has been made in the financial statements as the Centre is exempt from Hong Kong taxation under Section 88 of the Inland Revenue Ordinance.

20. Capital commitment

At the balance sheet date, the outstanding commitments in respect of acquiring fixed assets under F & E Replenishment and Minor Works Block Grant were as follows :-

	2007	2006
	HK\$	HK\$
Contracted for but not provided in the financial statements	-	7,090.00

CHRISTIAN FAMILY SERVICE CENTRE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2007

21. Operating lease arrangements

The centre has leased its hostels and offices under operating leases. The term of the leases are negotiated at an average of three years.

	2007 HK\$	2006 HK\$
Minimum lease payments under operating leases charged in income and expenditure account for the year	<u>5,311,587.00</u>	<u>5,011,146.00</u>

At the balance sheet date, the total future minimum lease payments under non-cancellable operating leases were as follows : -

	2007 HK\$	2006 HK\$
Land and buildings		
- Within one year	5,013,985.00	4,859,498.00
- In the second to fifth year, inclusive	<u>10,055,904.00</u>	<u>72,900.00</u>
	<u>15,069,889.00</u>	<u>4,932,398.00</u>

22. Pledge of assets

The Centre had executed a debenture to pledge the Centre's fixed deposit at approximately HK\$367,000.00 (2006 : HK\$356,000.00) to secure banking guarantee granted for a project of the Centre.

23. Contingent liabilities

At the balance sheet date, the Centre had contingent liabilities as follows :-

	2007 HK\$	2006 HK\$
Staff long service payments not covered by MPF and ORSO Scheme	<u>933,777.17</u>	<u>1,009,141.90</u>