

SCOUT ASSOCIATION OF HONG KONG
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31ST MARCH 2009

INDEPENDENT AUDITOR'S REPORT TO THE COUNCIL OF SCOUT ASSOCIATION OF HONG KONG

We have audited the financial statements of Scout Association of Hong Kong (the "Association") set out on pages 3 to 35, which comprise the balance sheet as at 31st March 2009, and the statement of income and expenditure, statement of changes in funds and reserves and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Responsibility of the Executive Committee for the financial statements

The Executive Committee is responsible for the preparation 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. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation 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 in accordance with our agreed terms of engagement, 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 judgement, 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 controls relevant to the entity's preparation 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Executive Committee, 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 COUNCIL OF
SCOUT ASSOCIATION OF HONG KONG (CONTINUED)**

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Association as at 31st March 2009 and of its surplus and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards.

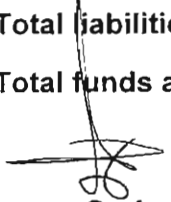
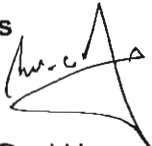
PricewaterhouseCoopers
PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 9 JUL 2009

SCOUT ASSOCIATION OF HONG KONG

(All amounts in Hong Kong dollar thousands unless otherwise stated)

BALANCE SHEET

		As at 31st March	
	Note	2009	2008
ASSETS			
Non-current assets			
Leasehold land	5	20,090	20,615
Property, plant and equipment	6	168,252	178,201
Available-for-sale financial assets	7	95,291	85,718
Held-to-maturity financial assets	8	16,030	44,214
		<u>299,663</u>	<u>328,748</u>
Current assets			
Inventories	9	4,683	3,503
Held-to-maturity financial assets	8	15,755	49,861
Receivables, deposits and prepayments	10	17,728	15,122
Amounts due from related parties	21	813	1,480
Bank deposits with original maturity over three months	11	1,265	-
Cash and cash equivalents	11	224,119	153,928
		<u>264,363</u>	<u>223,894</u>
Total assets		<u>564,026</u>	<u>552,642</u>
FUNDS AND LIABILITIES			
Accumulated Fund	12	119,658	121,174
Internal designated funds	12	152,431	146,133
Investment Revaluation Reserve	12	(23,465)	16,351
Replacement Reserve	12	68,206	55,885
Replacement Amortisation Reserve	12	71,095	84,568
Sinking Fund	12	104,300	70,300
		<u>492,225</u>	<u>494,411</u>
Designated funds	13	9,680	8,328
Total funds		<u>501,905</u>	<u>502,739</u>
Current liabilities			
Trade and other payables	14	45,597	39,073
Amounts due to other Scout units	21	16,524	10,830
Total liabilities		<u>62,121</u>	<u>49,903</u>
Total funds and liabilities		<u>564,026</u>	<u>552,642</u>
			
Leung On-fook Chairman of Executive Committee			
	Paul Ho Treasurer		

The notes on pages 7 to 35 are an integral part of these financial statements.

SCOUT ASSOCIATION OF HONG KONG

(All amounts in Hong Kong dollar thousands unless otherwise stated)

STATEMENT OF INCOME AND EXPENDITURE

	Note	Year ended 31st March	
		2009	2008
Turnover	15	231,343	228,407
Cost of sales	17	(66,943)	(65,134)
Gross surplus		164,400	163,273
Other income and gains	16	22,479	22,464
Departmental and programme expenses	17	(7,678)	(15,042)
General and administrative expenses	17	(141,571)	(122,196)
Surplus for the year		37,630	48,499
Allocated as follows:			
Replacement Reserve	12	(16,000)	(19,616)
Replacement Amortisation Reserve	12	17,151	16,137
Sinking Fund	12	(34,000)	(29,800)
Internal designated funds	12	(6,878)	(10,958)
Accumulated Fund	12	2,097	(4,262)
		(37,630)	(48,499)

The notes on pages 7 to 35 are an integral part of these financial statements.

SCOUT ASSOCIATION OF HONG KONG

(All amounts in Hong Kong dollar thousands unless otherwise stated)

STATEMENT OF CHANGES IN FUNDS AND RESERVES

	Note	Year ended 31st March	
		2009	2008
Balance as at 1st April		494,411	449,677
Fair value loss on investment financial assets	12	(39,816)	(3,765)
Surplus for the year	12	37,630	48,499
Balance as at 31st March		<u>492,225</u>	<u>494,411</u>

The notes on pages 7 to 35 are an integral part of these financial statements.

SCOUT ASSOCIATION OF HONG KONG

(All amounts in Hong Kong dollar thousands unless otherwise stated)

CASH FLOW STATEMENT

		<u>Year ended 31st March</u>	
	Note	2009	2008
Cash flows from operating activities			
Cash generated from operations	19	<u>79,707</u>	<u>68,779</u>
Cash flows from investing activities			
Purchases of property, plant and equipment	6	(16,786)	(16,806)
Purchases of held-to-maturity financial assets		(36)	-
Purchases of available-for-sale financial assets		(73,042)	(56,444)
Proceeds on disposals of available-for-sale financial assets		24,498	19,948
Proceeds on disposals of held-to-maturity financial assets		50,038	-
Dividend income from investment financial assets and interest from fixed deposits		6,414	7,103
Increase in bank deposits with original maturity over three months		(1,265)	-
Interest income		663	1,478
Net cash used in investing activities		<u>(9,516)</u>	<u>(44,721)</u>
Net increase in cash and cash equivalents		70,191	24,058
Cash and cash equivalents at beginning of the year		<u>153,928</u>	<u>129,870</u>
Cash and cash equivalents at end of the year	11	<u><u>224,119</u></u>	<u><u>153,928</u></u>

The notes on pages 7 to 35 are an integral part of these financial statements.

SCOUT ASSOCIATION OF HONG KONG

(All amounts in Hong Kong dollar thousands unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

1 General information

1.1 Organisation and activities

Scout Association of Hong Kong (the "Association") is a body corporate with perpetual succession established under Scout Association of Hong Kong Ordinance (Chapter 1005 of the Laws of Hong Kong) for the purpose of furthering and promoting the Scout Movement in the Hong Kong Special Administrative Region ("HKSAR").

Scout Association of Hong Kong established The Hong Kong Scout Foundation in accordance with Scout Association of Hong Kong Ordinance. On cessation or dissolution of the Foundation Management Committee, Scout Association of Hong Kong would be the legal owner of all funds and assets under the name of the Foundation.

1.2 Operations included in the financial statements

The financial statements include the operations of the following:

- (a) Headquarters of Scout Association of Hong Kong ("Scout Headquarters"),
- (b) The Hong Kong Scout Foundation ("the Foundation"),
- (c) The Scout Shop of Hong Kong,
- (d) B P International House ("Hostel operation"),
- (e) Hong Kong Island Region, Kowloon Region, East Kowloon Region, New Territories Region and New Territories East Region (collectively known as "Five Regions"),
- (f) Gilwell Campsite, Pak Sha Wan Tam Wah Ching Sea Activity Centre, Tai Tam Scout Centre, Tung Tze Scout Centre, Shatin Scout Centre and Tai Mei Tuk Sea Activity Centre (collectively known as "Six Campsites").

Their principal activities are as follows:

Scout Headquarters, Five Regions, and Six Campsites:

- furthering and promoting the Scout Movement in the HKSAR;

Hong Kong Scout Foundation:

- managing any funds assigned by the Executive Committee of Scout Association of Hong Kong;
- receiving any donations for the Foundation; and
- managing the surplus generated from the investment of the funds;

Scout Shop of Hong Kong:

- selling of Scout uniforms and other accessories.

B P International House

- operating a hostel

These financial statements are presented in thousands of units of Hong Kong dollar unless otherwise stated. These financial statements have been approved and authorised for issue by the Executive Committee on 9th July 2009.

SCOUT ASSOCIATION OF HONG KONG

(All amounts in Hong Kong dollar thousands unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and under the historical cost convention, as modified by the revaluation of the available-for-sale financial assets which are carried at fair value.

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 Association's 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 note 4.

- (a) Amendments and interpretations to existing HKFRS which are effective in 2008 but are not relevant to the Association's operation

The Hong Kong Institute of Certified Public Accountants has issued a number of new/revised HKFRS which are effective for the annual accounting periods beginning on or after 1st January 2008. After assessment, the Executive Committee are of the view that they do not have any impact on the Association's financial statements since they are either not relevant or not applicable to the Association's operation.

- (b) Standards, amendments and interpretations to existing HKFRS that are not yet effective

Certain new standards, amendments and interpretations to existing HKFRS (collectively, the "Amendments") have been published that are mandatory for the annual accounting periods beginning on or after 1st April 2009. Some of the Amendments are relevant and applicable to the Association; however, they have not been early adopted in these financial statements. The Association has commenced, but not yet completed, an assessment of the impact of the applicable Amendments on its results of operations and financial position. The Executive Committee are of the view that the impact on the financial statements will not be significant other than certain additional disclosures.

SCOUT ASSOCIATION OF HONG KONG

(All amounts in Hong Kong dollar thousands unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.2 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the Association are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Hong Kong dollar, which is the functional and presentation currency of the Association.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of income and expenditure.

2.3 Property, plant and equipment

Buildings comprise mainly hostel premises and offices. All property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Leasehold improvements is depreciated over the shorter of the estimated useful lives and the period of the lease. Depreciation of other 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:

- Building	50 years
- Machinery and equipment	15 years
- Furniture and fixtures	4 - 5 years
- Motor vehicles	4 years
- Computer equipment	3 years
- Programme and training equipment	4 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of income and expenditure.

SCOUT ASSOCIATION OF HONG KONG

(All amounts in Hong Kong dollar thousands unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.4 Impairment of non-financial assets

Assets 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).

2.5 Financial assets

The Association classifies its investment financial assets in the following categories: available-for-sale and held-to-maturity. The classification depends on the purposes for which the financial assets were acquired. The Association determines the classification of its investment financial assets at initial recognition.

(a) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Association has the positive intention and ability to hold to maturity. If the Association were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities of less than 12 months from the balance sheet date, which are classified as current assets.

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are designated in this category. They are included in non-current assets unless the Association intends to dispose of the investment within 12 months of the balance sheet date.

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Association commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Association has transferred substantively all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the statement of income and expenditure as 'gains and losses from investment financial assets'.

Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the right to receive payments is established.

The fair values of quoted investments are based on current bid prices.

SCOUT ASSOCIATION OF HONG KONG

(All amounts in Hong Kong dollar thousands unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.5 Financial assets (Continued)

The Association assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in the statement of income and expenditure. Impairment losses recognised in the statement of income and expenditure on equity instruments are not reversed through the statement of income and expenditure. Impairment testing of trade receivables is described in note 2.7.

2.6 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods comprises purchase costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.7 Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Association will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of income and expenditure. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited against the statement of income and expenditure.

2.8 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

SCOUT ASSOCIATION OF HONG KONG

(All amounts in Hong Kong dollar thousands unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.9 Leases

- (a) As the lessee for operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are expensed in the statement of income and expenditure on a straight-line basis over the period of the lease.

- (b) As the lessor for operating leases

When assets are leased out under an operating lease, the asset is included in the balance sheet based on the nature of asset.

Lease income from operating lease is recognised over the term of the lease on a straight-line basis.

2.10 Designated funds

Designated funds are funds established from specific donations which are earmarked for specific purposes at the request of the donors.

- (i) Foundation Fund for The Aged

The Foundation Fund for The Aged is represented by funds available for functions organised for the aged.

- (ii) Lam Kwok Hing Fund

The Lam Kwok Hing Fund is represented by funds available for the purpose of purchasing equipment for Pak Sha Wan Tam Wah Ching Sea Activity Centre.

- (iii) Lee Kui Nang Foundation

The Lee Kui Nang Foundation is represented by funds available for scout development and camping activities.

- (iv) New Territories East Regional Headquarters Fund

The New Territories East Regional Headquarters Fund is represented by funds available for repair, maintenance and other operating expenses of New Territories East Regional Headquarters.

- (v) Ng Tor Tai Scout Fund

The Ng Tor Tai Scout Fund is represented by funds available for provision of financial assistance for activities with the aim of developing the Scout Movement of the East Kowloon Region.

SCOUT ASSOCIATION OF HONG KONG

(All amounts in Hong Kong dollar thousands unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.10 Designated funds (Continued)

(vi) Patrick Chung's Scholarship Fund

The Patrick Chung's Scholarship Fund is represented by funds available for personal development of Scouts.

(vii) Promoting and Developing Scout Fund

The Promoting and Developing Scout Fund is represented by funds available for assisting the Association to promote and develop scouting.

(viii) Promoting and Developing Scout Fund Amortisation

The Promoting and Developing Scout Fund Amortisation is represented by the net book value of property, plant and equipment funded by the Promoting and Developing Scout Fund. Transfers from the Promoting and Developing Scout Fund represent additions during the year.

(ix) Scout Performing Arts Foundation

The Scout Performing Arts Foundation is represented by funds available for assisting the Association for performing arts development of Scouts.

(x) Samson Sun Scouting Fund

The Samson Sun Scouting Fund is represented by funds available for provision of subsidies for the procurement of uniforms for under-privileged youth members of the Association.

(xi) Sichuan Relief Fund

The Sichuan Relief Fund is represented by funds available for donation to support the rehabilitation work and related service plans for earthquake victims in Sichuan.

2.11 Internal designated funds

Internal designated funds are funds established by the Association and are earmarked for special purposes.

(i) Amortisation Reserves

The Amortisation Reserves are represented by the net book value of property, plant and equipment funded by various Internal designated funds. Transfers from the Internal designated funds represent additions during the year. Transfers to the statement of income and expenditure represent the corresponding depreciation charged for the year.

SCOUT ASSOCIATION OF HONG KONG

(All amounts in Hong Kong dollar thousands unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.11 Internal designated funds (Continued)

(ii) Baden-Powell Scout Fund

The Baden-Powell Scout Fund is represented by funds available for provision of grants, loans or revolving funds for major units of the Scout Movement in the HKSAR.

(iii) Building Fund

The Building Fund is represented by funds available for future renovation, decoration and repair of Scout Headquarters. If any amount is expended on capital expenditure from this fund and which is capitalised as property, plant and equipment, the same amount will be transferred out of this fund into the Building Fund Amortisation.

(iv) Chau Cham Son World Jamboree Fund

The Chau Cham Son World Jamboree Fund is represented by funds available for subsidising Scout members to participate in the World Jamboree.

(v) Development Fund

The Development Fund is represented by funds available for provision of funds and assistance for the development of the Scout Movement in the HKSAR and Tung Tsz Scout Centre.

(vi) District Fund

The District Fund is represented by funds available for subsidising District activities in the Kowloon Region.

(vii) General Project Fund

The General Project Fund is represented by funds available for provision of grants, loans or revolving funds for the Scout Movement in the Kowloon Region.

(viii) International Brotherhood Fund

The International Brotherhood Fund is represented by funds available for the development of the Scout Movement in other countries, especially for developing countries.

(ix) New Territories East Region Training Team Development Fund

The New Territories East Region Training Team Development Fund is represented by funds available for provision of funds and assistance for the development of the training team of New Territories East Region.

SCOUT ASSOCIATION OF HONG KONG

(All amounts in Hong Kong dollar thousands unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.11 Internal designated funds (Continued)

(x) New Territories East Regional Scout Fund

The New Territories East Regional Scout Fund is represented by funds available for supporting scouting activities, development and operations of the New Territories East Region.

(xi) New Territories Regional Scout Fund

The New Territories Regional Scout Fund is represented by funds available for the operations of New Territories Region.

(xii) Programme and Training Project Fund

The Programme and Training Project Fund is available for provision of funds for supporting programmes and training of the Scout Movement of Kowloon and East Kowloon Regions.

(xiii) Regional Headquarters Decoration Fund

The Regional Headquarters' Decoration Fund is represented by funds available for maintenance of the New Territories Regional Headquarters.

(xiv) Regional Headquarters Maintenance Fund

The Regional Headquarters Maintenance Fund is represented by funds available for operations of Hong Kong Island Region and New Territories Region.

(xv) Scout Development Fund

The Scout Development Fund is represented by funds available for financing scouting activities for the purpose of retaining and/or expanding membership in District and Scout Groups.

(xvi) Staff Welfare Fund

The Staff Welfare Fund is represented by funds available for staff welfare and recreation.

(xvii) Tai Tam Redevelopment Fund

The Tai Tam Redevelopment Fund is represented by funds available for future redevelopment of Tai Tam Scout Centre.

SCOUT ASSOCIATION OF HONG KONG

(All amounts in Hong Kong dollar thousands unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.11 Internal designated funds (Continued)

(xviii) Tai Tam Scout Centre Development Fund

The Tai Tam Scout Centre Development Fund is represented by funds available for development of Tai Tam Scout Centre.

(xix) Tse Sui Luen Award Project Fund

The Tse Sui Luen Award Project Fund is available for provision of funds for supporting development of the Scout Movement of Kowloon Region.

(xx) Wong Fuk Hong Memorial Fund

The Wong Fuk Hong Memorial Fund is represented by funds available for the development of the Scout Movement in the HKSAR.

(xxi) Wong Siu Sang Leadership Training Institute Reserve Fund

The Wong Siu Sang Leadership Training Institute Reserve Fund is represented by funds available for supporting programmes and training of Wong Siu Sang Leadership Training Institute.

2.12 Replacement Reserve

The Replacement Reserve is to provide for future capital expenditure of B P International House. Amount of provision for current year is HK\$16,000,000 (2008: HK\$16,000,000) which has been approved by the Board of Management of B P International House. Interest income attributable to the funds in the Replacement Reserve will be credited to statement of income and expenditure if the interest income is not invested for other purposes at the discretion of the Board of Management of B P International House. If any amount is expended on capital expenditure from these funds and which is capitalised as property, plant and equipment, the same amount will be transferred out of this reserve into the Replacement Amortisation Reserve.

The sales proceeds from the disposal of property, plant and equipment are credited to the statement of income and expenditure. The net book value of the disposed assets is debited to the Replacement Amortisation Reserve.

2.13 Replacement Amortisation Reserve

The Replacement Amortisation Reserve is represented by the net book value of property, plant and equipment funded by the Replacement Reserve. Transfers from the Replacement Reserve represent additions during the year. Transfers to the statement of income and expenditure represent the corresponding depreciation charged for the year.

SCOUT ASSOCIATION OF HONG KONG

(All amounts in Hong Kong dollar thousands unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.14 Sinking Fund

The Sinking Fund is represented by funds provided for future redevelopment of the Hong Kong Scout Centre building of the Association.

2.15 Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) Pension obligations

The Association operates a defined contribution retirement scheme under the Occupational Retirement Schemes Ordinance ("ORSO scheme") and a mandatory provident fund scheme ("MPF scheme") in Hong Kong, the assets of which are held in separate trustee-administered funds. Both the Association and the employees are required to contribute a fixed percentage of the employees' basic salaries and relevant income per month. The Association has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

2.16 Income recognition

Income is accounted for on an accruals basis, except for donations and raffle income which are accounted for when the right to receive payment is established.

Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and the title has passed.

Hostel revenue from rooms and other ancillary services is recognised when the services are rendered.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

Donations not designated for any specific purpose are utilised at the discretion of the Executive Committee.

2.17 Taxation

The Association is exempted from Hong Kong taxation under Section 88 of the Inland Revenue Ordinance.

SCOUT ASSOCIATION OF HONG KONG

(All amounts in Hong Kong dollar thousands unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

3 Financial risk and capital risk management

3.1 Financial risk factors

The Association's activities expose it to a variety of financial risks as follows:

(a) Foreign exchange risk

Foreign exchange risk arises where future commercial transactions, recognised assets and liabilities are denominated in a currency that is not the functional currency of the Association. The Association mainly operates in Hong Kong and is exposed to foreign exchange risk primarily with respect to the United States dollar on held-to-maturity financial assets. In the opinion of the Executive Committee, the Hong Kong dollar is reasonably stable with the United States dollar under the Linked Exchange Rate System. At 31st March 2009, if United States dollar had weakened/strengthened by 1% (2008: 1%) against the United States dollar with all other variables held constant, post-tax profit would have been HK\$317,850 (2008: HK\$442,140) higher/lower, arising mainly from foreign exchange gains on translation of held-to-maturity financial assets.

(b) Price risk

The Association is exposed to equity securities price risk because the Association has investment financial assets classified as available-for-sale. The Association is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Association diversifies its portfolio in equity securities publicly traded on the Hong Kong Stock Exchange.

The equity securities drop in market price in the recent financial crisis is considered not a prolonged decline in their fair value. In addition, the individual average cost of majority of equity securities is below the market price as at 31st March 2009. Accordingly there is no significant impairment or adverse price risk exposure which will have material impact on statement of income and expenditure. Any changes in fair value will be recognised directly in equity.

If the equity price of the securities held by the Group at the balance sheet date had been 20% (2008: 20%) higher/lower, the revaluation reserve would increase/decrease by HK\$19,058 (2008: increase/ decrease by HK\$17,144) as a result of changes in fair value of available-for-sale financial assets.

(c) Credit risk

The credit risk on bank balances and deposits is limited because the counterparties are banks with high credit rating assigned by international credit-rating agencies.

The Association has no other significant credit risk, including risk resulting from counterparty default and risk of concentration. The Association has policies in place for the control and monitoring of relevant credit risk.

SCOUT ASSOCIATION OF HONG KONG

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NOTES TO THE FINANCIAL STATEMENTS

3 Financial risk and capital risk management (Continued)

3.1 Financial risk factors (Continued)

(d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient liquid cash. Due to the nature of the underlying operations, the Association aims to maintain flexibility in funding by keeping sufficient cash and bank balances to fulfill its commitments and current working capital requirements.

The table below analyses the Association's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	2009	2008
Less than one year:		
Trade payables	26,735	25,626
Receipt in advance	10,650	7,963
Accrued expenses, deposits and temporary receipts	2,715	1,649
Amounts due to other Scout units	16,524	10,830
Designated funds	9,680	8,328
	<u>66,304</u>	<u>54,396</u>

(e) Cash flow interest rate risk

The Association has variable-interest-rate deposits placed with banks which exposes the Association to cash flow interest-rate risk. The Executive Committee is of opinion that the risk exposure is not high to the Association because the Association will invest its excessive fund in equity and debt securities in Hong Kong.

3.2 Capital risk management

The Association's objectives when managing capital are to safeguard the Association's ability to continue as a going concern in order to maintain an optimal fund structure.

3.3 Fair value estimation

The fair value of available-for-sale financial assets held by the Association is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Association is the current bid price.

The nominal value less estimated credit adjustments of trade and other payables approximate their fair value. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Association for similar financial instruments.

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NOTES TO THE FINANCIAL STATEMENTS

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Association makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. However, there are no estimates or assumptions used on these financial statements that the Executive Committee expect will have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Held-to-maturity financial assets

The Association follows the guidance of HKAS 39 "Financial Instruments: Recognition and Measurement" on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, the Association evaluates its intention and ability to hold such investments to maturity.

If the Association fails to keep these investments to maturity other than for specific circumstances explained in HKAS 39, it will be required to reclassify the whole class as available-for-sale. The investments would then be measured at fair value instead of amortised cost.

5 Leasehold land

The Association's interests in leasehold land represent prepaid operating lease payments and their net book value is analysed as follows:

	2009	2008
In Hong Kong held on:		
Leases of between 10 to 50 years	20,090	20,615
	<u>20,090</u>	<u>20,615</u>

Leasehold land includes land owned by the Association which was bequeathed by the late Mr Wong Fuk Hong and is held under medium-term lease and situated at Fanling in Demarcation District No. 51 in the New Territories. It is stated at a nominal value of HK\$4 in the financial statements. No amortisation has been provided on this land held on medium-term lease.

Leasehold land included also the following which were donated to the Association in previous years for no consideration. They are stated at a nominal value of HK\$1 in the financial statements.

<u>Location of leasehold land</u>	<u>Lease period</u>
Lot No. 122 in DD 60, Au Tau, Yuen Long, New Territories	Up to year 2009
New Kowloon Inland Lot No. 5956, Kowloon Tong, Kowloon	Up to year 2011
Sha Tin Town Lot No. 272 (Portion), Shatin, New Territories	Up to year 2012
Lot No. 1131 in DD 217, Sai Kung, New Territories	Up to year 2012
Lot No. 154 in DD 195, Mau Tso Ngam, Kowloon	Up to year 2012
4th & 5th Floor of Tang Shiu Kin Scout & Guide Centre, No. 308 Wo Yi Hop Road, Kwai Chung, New Territories	Up to year 2012
Inland Lot No. 8961, North Point, Hong Kong	Up to year 2013
Tai Po Town Lot No. 190, Tai Po, New Territories	Up to year 2025
Flat A & B on 7th Floor, Lee Ka Industrial Building, No. 8 Ng Fong Street, Kowloon	Up to year 2047
Inland Lot No. 8261, Wan Chai, Hong Kong	Up to year 2047
Rural Building Lot No. 873, Tai Tam, Hong Kong	Up to year 2060

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NOTES TO THE FINANCIAL STATEMENTS

6 Property, plant and equipment

	Building	Leasehold improvements	Machinery, motor vehicles, furniture, fixtures and computer equipment	Programme and training equipment	Total
As at 1st April 2007					
Cost	102,450	134,109	102,560	38	339,157
Accumulated depreciation	(24,678)	(33,042)	(89,824)	(9)	(147,553)
Net book amount	<u>77,772</u>	<u>101,067</u>	<u>12,736</u>	<u>29</u>	<u>191,604</u>
Year ended 31st March 2008					
Opening net book amount	77,772	101,067	12,736	29	191,604
Additions	-	11,762	5,044	-	16,806
Disposals	-	(599)	(30)	-	(629)
- Cost	-	(799)	(37)	-	(836)
- Accumulated depreciation	-	200	7	-	207
Transfer	-	-	5	(5)	-
Depreciation	(2,065)	(18,425)	(9,081)	(9)	(29,580)
Closing net book amount	<u>75,707</u>	<u>93,805</u>	<u>8,674</u>	<u>15</u>	<u>178,201</u>
As at 31st March 2008					
Cost	102,450	145,072	107,567	38	355,127
Accumulated depreciation	(26,743)	(51,267)	(98,893)	(23)	(176,926)
Net book amount	<u>75,707</u>	<u>93,805</u>	<u>8,674</u>	<u>15</u>	<u>178,201</u>
Year ended 31st March 2009					
Opening net book amount	75,707	93,805	8,674	15	178,201
Additions	-	11,377	5,395	14	16,786
Depreciation	(2,065)	(19,452)	(5,205)	(13)	(26,735)
Closing net book amount	<u>73,642</u>	<u>85,730</u>	<u>8,864</u>	<u>16</u>	<u>168,252</u>
As at 31st March 2009					
Cost	102,450	156,449	112,962	52	371,913
Accumulated depreciation	(28,808)	(70,719)	(104,098)	(36)	(203,661)
Net book amount	<u>73,642</u>	<u>85,730</u>	<u>8,864</u>	<u>16</u>	<u>168,252</u>

The above Association's building refers to the Hong Kong Scout Centre building.

SCOUT ASSOCIATION OF HONG KONG

(All amounts in Hong Kong dollar thousands unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS**6 Property, plant and equipment (Continued)**

The other buildings of the Association are carried at zero net book value as at both year ends.

Depreciation of HK\$26,735,000 (2008: HK\$29,580,000) has been expensed in general and administrative expenses.

7 Available-for-sale financial assets

Available-for-sale financial assets represent investment in equity securities listed in Hong Kong.

	2009	2008
Beginning of the year	85,718	49,969
Additions	73,042	56,444
Disposals	(23,505)	(16,930)
Impairment of available-for-sale financial assets	(148)	-
Revaluation deficit transfer to fund (note 12)	(39,816)	(3,765)
	<u>95,291</u>	<u>85,718</u>

The maximum exposure to credit risk at the reporting date is the fair value of the equity securities classified as available-for-sale and are denominated in Hong Kong dollar.

None of the available-for-sale financial assets are either past due or impaired.

8 Held-to-maturity financial assets

Held-to-maturity financial assets represent investment in debt securities listed in Hong Kong.

The movement in held-to-maturity financial assets is summarised as follows:

	2009	2008
Beginning of the year	94,075	94,153
Additions	36	-
Disposals	(50,078)	-
Impairment loss of held-to-maturity financial assets	(11,934)	-
Amortisation of premium	(314)	(78)
	<u>31,785</u>	<u>94,075</u>
Less: non-current portion	(16,030)	(44,214)
	<u>15,755</u>	<u>49,861</u>

The fair value of held-to-maturity financial assets is HK\$31,743,000; (2008: HK\$94,799,000) based on quoted market bid prices.

SCOUT ASSOCIATION OF HONG KONG

(All amounts in Hong Kong dollar thousands unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS**8 Held-to-maturity financial assets (Continued)**

Held-to-maturity financial assets are denominated in the following currencies:

	2009	2008
United States dollar	31,785	44,214
Hong Kong dollar	-	49,861
	<u>31,785</u>	<u>94,075</u>

The maximum exposure to credit risk at the reporting date is the carrying amount of held-to-maturity financial assets. The Association does not hold any collateral as security.

9 Inventories

	2009	2008
Food and beverages	717	768
Uniforms and accessories	3,966	2,735
	<u>4,683</u>	<u>3,503</u>

The cost of inventories recognised as expense and included in cost of sales amounted to HK\$66,955,000 (2008: HK\$65,152,000).

The Association has reversed the provision for slow moving and obsolete inventories of HK\$12,000 (2008: reversal of provision of HK\$18,000) during the year. The expense has been included in administrative expenses from Scout Shop operation.

10 Receivables, deposits and prepayments

	2009	2008
Trade receivables (note (a))	7,865	10,179
Other receivables	2,811	3,149
Deposits	520	438
Prepayments	6,532	1,356
	<u>17,728</u>	<u>15,122</u>

Note:

- (a) As at 31st March 2009, trade receivables of Hostel operation of HK\$2,028,000 (2008: HK\$2,465,000) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

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(All amounts in Hong Kong dollar thousands unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS**10 Receivables, deposits and prepayments (Continued)**

	2009	2008
Past due by:		
1 - 30 days	1,722	2,372
31 - 60 days	306	93
	<u>2,028</u>	<u>2,465</u>

(b) The carrying amounts of receivables, deposits and prepayments approximates their fair values for both financial years ended 31st March 2009 and 2008 and all are denominated in Hong Kong dollar.

(c) The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above. The Association does not hold any collateral as security.

11 Bank deposits with original maturity over three months and cash and cash equivalents

	2009	2008
Bank deposits with original maturity less than three months	181,624	122,112
Cash at bank	41,907	30,571
Cash in hand	588	1,245
	<u>224,119</u>	<u>153,928</u>
Cash and cash equivalents	224,119	153,928
Bank deposits with original maturity over three months	1,265	-
	<u>225,384</u>	<u>153,928</u>
Maximum exposure of credit risk	<u>224,796</u>	<u>152,683</u>

The effective interest rate on bank deposits was 0.15% (2008: 1.49%); these deposits have an average maturity of 49 days (2008: 45 days).

SCOUT ASSOCIATION OF HONG KONG

(All amounts in Hong Kong dollar thousands unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

12 Movement in internal designated funds and reserves

	Balance as at 31st March 2008	Net transfer from/(to) statement of income and expenditure	Transfer between funds	Decrease in valuation of investment financial assets	Balance as at 31st March 2009
Amortisation Reserves	4,317	2,923	-	-	7,240
Baden-Powell Scout Fund	3,448	129	-	-	3,577
Building Fund	19,903	(574)	-	-	19,329
Chau Cham Son World Jamboree Fund	1,317	168	-	-	1,485
Development Fund	10,208	338	-	-	10,546
District Fund	200	(48)	-	-	152
General Project Fund	3,042	(247)	(313)	-	2,482
International Brotherhood Fund	219	41	-	-	260
New Territories East Region Training Team Development Fund	154	(4)	-	-	150
New Territories East Regional Scout Fund	1,549	45	-	-	1,594
New Territories Regional Scout Fund	3,385	2,167	-	-	5,552
Programme and Training Project Fund	920	(48)	-	-	872
Regional Headquarters Decoration Fund	-	-	-	-	-
Regional Headquarters Maintenance Fund	8,946	1,440	-	-	10,386
Scout Development Fund	4,592	(1,047)	-	-	3,545
Staff Welfare Fund	2,681	(29)	-	-	2,652
Tai Tam Redevelopment Fund	110	-	-	-	110
Tai Tam Scout Centre Development Fund	2,632	92	-	-	2,724
Tse Sui Luen Award Project Fund	274	(7)	(267)	-	-
Wong Fuk Hong Memorial Fund	78,236	1,210	-	-	79,446
Wong Siu Sang Leadership Training Institute Reserve Fund	-	329	-	-	329
Sub-total of internal designated funds	146,133	6,878	(580)	-	152,431
Accumulated Fund	121,175	(2,097)	580	-	119,658
Investment Revaluation Reserve	16,351	-	-	(39,816)	(23,465)
Replacement Reserve	55,884	16,000	(3,678)	-	68,206
Replacement Amortisation Reserve	84,568	(17,151)	3,678	-	71,095
Sinking Fund	70,300	34,000	-	-	104,300
	<u>494,411</u>	<u>37,630</u>	<u>-</u>	<u>(39,816)</u>	<u>492,225</u>

SCOUT ASSOCIATION OF HONG KONG

(All amounts in Hong Kong dollar thousands unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

12 Movement in internal designated funds and reserves (Continued)

	Balance as at 31st March 2007	Net transfer from/(to) statement of income and expenditure	Transfer between funds	Decrease in valuation of investment financial assets	Balance as at 31st March 2008
Amortisation Reserves	4,235	(875)	957	-	4,317
Baden-Powell Scout Fund	3,142	306	-	-	3,448
Building Fund	16,278	4,582	(957)	-	19,903
Chau Cham Son World Jamboree Fund	1,756	(439)	-	-	1,317
Development Fund	9,339	869	-	-	10,208
District Fund	-	200	-	-	200
General Project Fund	2,862	238	(58)	-	3,042
International Brotherhood Fund	173	46	-	-	219
New Territories East Region Training Team Development Fund	155	(1)	-	-	154
New Territories East Regional Scout Fund	1,488	61	-	-	1,549
New Territories Regional Scout Fund	3,140	245	-	-	3,385
Programme and Training Project Fund	886	34	-	-	920
Regional Headquarters Decoration Fund	-	-	-	-	-
Regional Headquarters Maintenance Fund	8,055	891	-	-	8,946
Scout Development Fund	4,385	207	-	-	4,592
Staff Welfare Fund	2,541	140	-	-	2,681
Tai Tam Redevelopment Fund	110	-	-	-	110
Tai Tam Scout Centre Development Fund	2,236	(100)	496	-	2,632
Tse Sui Luen Award Project Fund	273	1	-	-	274
Wong Fuk Hong Memorial Fund	73,683	4,553	-	-	78,236
Sub-total of internal designated funds	134,737	10,958	438	-	146,133
Accumulated Fund	117,351	4,262	(438)	-	121,175
Investment Revaluation Reserve	20,116	-	-	(3,765)	16,351
Replacement Reserve	36,666	19,616	(398)	-	55,884
Replacement Amortisation Reserve	100,307	(16,137)	398	-	84,568
Sinking Fund	40,500	29,800	-	-	70,300
	<u>449,677</u>	<u>48,499</u>	<u>-</u>	<u>(3,765)</u>	<u>494,411</u>

SCOUT ASSOCIATION OF HONG KONG

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NOTES TO THE FINANCIAL STATEMENTS

13 Movement in designated funds

	Balance as at 31st March 2008	Additions/ receipts for the year	Interest/ dividend income from investments and fixed deposits	Gain on disposal of investment financial assets	Utilisation	Balance as at 31st March 2009
Foundation Fund for The Aged	428	572	43	5	(14)	1,034
Lam Kwok Hing Fund	111	-	-	-	(1)	110
Lee Kui Nang Foundation	722	200	37	-	(50)	909
New Territories East Regional Headquarters Fund	2,018	-	83	-	-	2,101
Ng Tor Tai Scout Fund	443	-	10	-	-	453
Patrick Chung's Scholarship Fund	17	-	-	-	-	17
Promoting and Developing Scout Fund	1,820	344	74	-	(153)	2,085
Promoting and Developing Scout Fund Amortisation	1,038	-	-	-	(14)	1,024
Scout Performing Arts Foundation	194	1	-	-	(3)	192
Samson Sun Scouting Fund	1,537	2	8	67	(7)	1,607
Sichuan Relief Fund	-	149	-	-	(1)	148
Trust accounts for other Scout units	-	-	392	49	(441)	-
	<u>8,328</u>	<u>1,268</u>	<u>647</u>	<u>121</u>	<u>(684)</u>	<u>9,680</u>

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NOTES TO THE FINANCIAL STATEMENTS

13 Movement in designated funds (Continued)

	Balance as at 31st March 2007	Additions/ receipts for the year	Interest/ dividend income from investments and fixed deposits	Gain on disposal of investment financial assets	Utilisation	Balance as at 31st March 2008
Foundation Fund for The Aged	414	-	25	8	(19)	428
Lam Kwok Hing Fund	109	-	2	-	-	111
Lee Kui Nang Foundation	496	200	27	-	(1)	722
New Territories East Regional Headquarters Fund	1,879	-	103	36	-	2,018
Ng Tor Tai Scout Fund	424	-	21	-	(2)	443
Patrick Chung's Scholarship Fund	17	-	-	-	-	17
Promoting and Developing Scout Fund	2,760	250	156	51	(1,397)	1,820
Promoting and Developing Scout Fund Amortisation	-	1,186	-	-	(148)	1,038
Scout Performing Arts Foundation	197	-	5	-	(8)	194
Samson Sun Scouting Fund	1,472	-	90	30	(55)	1,537
Trust accounts for other Scout units	-	-	522	176	(698)	-
	<u>7,768</u>	<u>1,636</u>	<u>951</u>	<u>301</u>	<u>(2,328)</u>	<u>8,328</u>

SCOUT ASSOCIATION OF HONG KONG

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NOTES TO THE FINANCIAL STATEMENTS**14 Trade and other payables**

	2009	2008
Trade payables	26,735	25,626
Receipt in advance	10,650	7,963
Deferred income	5,497	3,835
Accrued expenses, deposits and temporary receipts (note (a))	2,715	1,649
	<u>45,597</u>	<u>39,073</u>

Note:

- (a) Temporary receipts included HK\$993,436 (2008: HK\$800,000) received from the Education Bureau of the HKSAR. During the year, HK\$136,520 (2008: HK\$111,682) has been expended for "Assistance Scheme operated by Uniformed Groups and The Hong Kong Award for Young People for Needy Student Members". As at 31st March 2009, the remaining balance was HK\$623,480 (2008: HK\$566,564).

15 Turnover

	2009	2008
Hostel revenue:		
- Room revenue	166,621	162,350
- Licence fee and car park	22,143	21,950
Scout Shop revenue - sales of goods	7,733	8,237
Subvention and other government grants (note (a))	21,604	21,028
Donations	2,688	4,301
Raffle income (note (b))	741	847
Licence fee, accommodation and equipment fee, air-conditioning and management fee	5,341	5,124
Course fee	2,288	2,195
Camp fee	2,184	2,375
Total turnover	<u>231,343</u>	<u>228,407</u>

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NOTES TO THE FINANCIAL STATEMENTS**15 Turnover (Continued)**

(a) Subvention and other government grants

	Note	2009	2008
Subvention from the Government of the HKSAR for:			
Uniformed units	(i)	17,570	16,457
Campsites and activity centre	(ii)	2,948	2,507
The Friends of Scouting	(iii)	28,337	21,671
		<u>48,855</u>	<u>40,635</u>
Less: Transfer to The Friends of Scouting	(iii)	(28,337)	(21,671)
		<u>20,518</u>	<u>18,964</u>
Other government grants		1,086	2,064
		<u>21,604</u>	<u>21,028</u>

- (i) Subvention is received in respect of Scout Headquarters and Five Regions.
- (ii) Subvention was received in respect of two campsites and one sea activity centre.
- (iii) The Friends of Scouting is a separate body of the Association which supplements the Association's services to the community by conducting training, developmental activities and other programmes with an emphasis on young people who are not uniformed members of the Association. Subvention funds from the Government of the HKSAR are received initially by Scout Headquarters.

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NOTES TO THE FINANCIAL STATEMENTS

15 Turnover (Continued)

(b) Raffle income

	2009	2008
Raffle sales and donations	851	7,531
Less: Expenditure for the year	(91)	(560)
Transfer to Scout Development Fund	(19)	(638)
	<u>741</u>	<u>6,333</u>
Less: Allocation to Districts and Units	-	(5,486)
	<u>741</u>	<u>847</u>

16 Other income and gains

	2009	2008
Dividend income from investment financial assets and interest from fixed deposits	6,414	7,103
Gain on disposal of investment financial assets	751	2,439
Donations and other income of internal designated funds and reserves	10,508	6,099
Interest income	663	1,478
Other income	4,143	5,345
	<u>22,479</u>	<u>22,464</u>

17 Expenses by nature

	2009	2008
Auditor's remuneration	496	501
Amortisation of leasehold land	525	525
Amortisation of premium on acquisition of held-to- maturity financial assets	314	78
Depreciation	26,735	29,580
Impairment on held-to-maturity financial assets	11,934	-
Impairment on available-for-sale financial assets	148	-
Employee benefit expense:		
- Salaries	48,770	44,517
- Contributions to ORSO and MPF schemes	3,041	2,626
- Other staff benefits	4,602	4,571
Reversal of provision for slow moving and obsolete inventories	(12)	(18)
Electricity, water, fuel and gas	9,961	7,478
Government rent, rates and permit fee	5,964	5,614
Hostel management fee	7,197	7,688
Repairs and maintenance	3,446	2,717
Cost of sales - Hostel operation	61,857	59,884
Cost of sales - Scout Shop	5,098	5,268
Other expenses	26,116	31,343
	<u>216,192</u>	<u>202,372</u>

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NOTES TO THE FINANCIAL STATEMENTS**18 Remuneration of Executive Committee members**

None of the Executive Committee members received or will receive any fees or other remuneration in respect of their services rendered to the Association during the year (2008: Nil).

19 Cash generated from operations

	2009	2008
Surplus for the year	37,630	48,499
Adjustments for:		
- Depreciation (note 6)	26,735	29,580
- Amortisation of leasehold land	525	525
- Amortisation of held-to-maturity financial assets	314	78
- Interest income	(663)	(1,478)
- Impairment of available-for-sales financial assets	148	-
- Impairment of held-to-maturity financial assets	11,934	-
- Loss on disposal of property, plant and equipment	-	629
- Gain on disposal of investment financial assets	(953)	(3,096)
- Dividend income from investment financial assets and interest income from fixed deposits	(6,414)	(7,103)
- Net receipt of various designated funds	1,352	637
Changes in working capital:		
- Inventories	(1,180)	(421)
- Receivables, deposits and prepayments	(2,606)	1,331
- Trade and other payables	6,524	(112)
- Net amounts due to Scout units	6,361	(290)
Cash generated from operations	<u>79,707</u>	<u>68,779</u>

20 Commitments**(a) Capital commitments**

Capital expenditure at the balance sheet date but not yet incurred is as follows:

	2009	2008
Authorised but not contracted for		
- Purchase of property, plant and equipment and improvement projects	604	4,695
	<u>604</u>	<u>4,695</u>
Contracted but not provided for		
- Purchase of property, plant and equipment and improvement projects	9,805	-
- Network and property management system installation of BP International House	742	-
- Renovation of Hong Kong Scout Centre	-	402
	<u>10,547</u>	<u>402</u>
	<u>11,151</u>	<u>5,097</u>

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NOTES TO THE FINANCIAL STATEMENTS**20 Commitments (Continued)**

(b) Operating lease commitments - where the Association is the lessee

The future aggregate minimum lease payments under non-cancellable operating leases in respect of site premises are as follows:

	2009	2008
No later than one year	1,887	1,887
Later than one year and no later than five years	-	1,887
	<u>1,887</u>	<u>3,774</u>

All lease agreements are held in the name of the Association. All obligations and commitments in respect of these lease agreements are borne by other Scout units.

(c) Operating lease commitments - where the Association is the lessor

The future aggregate minimum lease receipts under non-cancellable operating leases in respect of catering areas are as follows:

	2009	2008
No later than one year	5,236	5,871
Later than one year and no later than five years	-	4,620
	<u>5,236</u>	<u>10,491</u>

21 Amounts due from/to related parties

Related parties include other Scout units, mainly the Friends of Scouting, Commissioners' Club, and New Territories Scout Development Fund and Education Centre.

The amounts due from other Scout units are unsecured, interest-free and repayable on demand. The amounts due are not past due or impaired. The carrying amounts of the amounts due approximate their fair values for both financial years ended 31st March 2009 and 2008 and are all denominated in Hong Kong dollar.

The maximum exposure to credit risk on the amounts due from other Scout units at the reporting date is the fair value of the amounts due. The Association does not hold any collateral as security.

The amounts due to other Scout units are interest free, unsecured and repayable on demand.

SCOUT ASSOCIATION OF HONG KONG

(All amounts in Hong Kong dollar thousands unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

22 Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

	2009				2008			
	Loans and receivables	Available-for-sale	Held-to-maturity	Total	Loans and receivables	Available-for-sale	Held-to-maturity	Total
Assets as per balance sheet:								
Held-to-maturity financial assets (note 8)	-	-	31,785	31,785	-	-	94,075	94,075
Available-for-sale financial assets (note 7)	-	95,291	-	95,291	-	85,718	-	85,718
Receivables (note 10)	10,676	-	-	10,676	13,328	-	-	13,328
Deposits (note 10)	520	-	-	520	438	-	-	438
Amounts due from Scout units	813	-	-	813	1,480	-	-	1,480
Cash and cash equivalents (note 11)	225,384	-	-	225,384	153,928	-	-	153,928
	<u>237,393</u>	<u>95,291</u>	<u>31,785</u>	<u>364,469</u>	<u>169,174</u>	<u>85,718</u>	<u>94,075</u>	<u>348,967</u>

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(All amounts in Hong Kong dollar thousands unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

22 Financial instruments by category (Continued)

	2009 Other financial liabilities	2008 Other financial liabilities
Liabilities as per balance sheet:		
Designated funds (note 13)	9,680	8,328
Trade payables (note 14)	26,735	25,626
Receipt in advance (note 14)	10,650	7,963
Accrued expenses, deposits and temporary receipts (note 14)	2,715	1,649
Amounts due to Scout units	16,524	10,830
	<u>66,304</u>	<u>54,396</u>