

香港航空青年團
HONG KONG AIR CADET CORPS
(Incorporated in Hong Kong)
For the year ended 31st March 2017

REPORTS AND ACCOUNTS

謝煜權會計師事務所有限公司
Raymond Y. K. Tse & Co. CPA Limited
Certified Public Accountants (Practising)
HONG KONG

REPORT OF EXECUTIVE BOARD MEMBERS

The Executive Board Members submit their annual report together with the audited financial statements for the year ended 31st March 2017.

The state of the Corps’ affairs and appropriations

The state of the Corps’ affairs as at 31st March 2017 are set out in the financial statements on pages 1 to 17.

Incorporation

The Corps was incorporated in Hong Kong on 1st September 2008 under the Hong Kong Companies Ordinance. The Corps is limited by guarantee and not having a share capital.

Principal Activity

The Principal activity of the Corps is the provision of aviation education and youth development programmes.

Property, Plant and Equipment

The changes in the property, plant and equipment of the Corps are stated in Note 11 of the accounts.

Executive Board Members

The Executive Board Members in office during the year and up to date of this report were:-

Chau Cham Chiu, Peter	(周湛樵)	
Lo Shung Man	(羅崇文)	(Deceased on 27th March 2017)
Lee Kwok Wing	(李國榮)	
Loh Hogan	(樂可均)	
Lau Wing Chu, Edwin	(劉榮柱)	
Chow Wai Chung, Edmund	(周偉忠)	
Fung Ying Chung, Joe	(馮應聰)	
Lau Hon Wah, Steve	(劉漢華)	(Resigned on 8th December 2016)
Pong Oi Lan, Scarlett	(龐愛蘭)	
Ng Wai Cheong	(吳蔚昌)	
Pang Sung Yuen	(彭詢元)	(Resigned on 8th December 2016)
Wong Ka Lun	(黃家倫)	
Leung Koon Ping	(梁冠平)	
Chan Kwok Chiu	(陳國超)	
Yip Dicky Peter	(葉迪奇)	
Chan Chi Pui, Michael	(陳志培)	
Lee Joseph	(李宗德)	
Yam Tat Wing	(任達榮)	
Cheung Him Wah	(張謙華)	(Appointed on 15th March 2017)
Cheng Ka Kui, Arnold	(鄭家駒)	(Appointed on 15th March 2017 and resigned on 31st May 2017)
Chan Pak Kin, Edmond	(陳柏堅)	(Appointed on 15th March 2017)

In accordance with Article 44 of the Corps' Articles of Association, all the Executive Board Members retire, at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Executive Board Members' Benefits

None of the Executive Board Members had whether directly or indirectly any interest in significant contracts with the Corps during or at the end of the year.

None of the Executive Board Members had any arrangement with the Corps to enable them to acquire benefits by means of the acquisition of shares in or debentures of the Corps or any other body corporate during or at the end of the year.

Auditors

A resolution for the reappointment of Raymond Y. K. Tse & Co. CPA Limited as auditors of the Corps is to be proposed at the forthcoming Annual General Meeting.

By Order of the Executive Board

A handwritten signature in black ink, appearing to read 'Hogan Joe', written over the word 'Chairman'.

Chairman

Dated this Hong Kong : 17 AUG 2017

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF

HONG KONG AIR CADET CORPS

(Incorporated in Hong Kong with liability limited by guarantee and not having a share capital)

Opinion

We have audited the financial statements of Hong Kong Air Cadet Corps ("the Corps") set out on pages 1 to 17, which comprise the statement of financial position as at 31st March 2017, and the income statement and statement of changes in equity and statement of cash flows for the year then ended, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Corps as at 31st March 2017, and of its financial performance and its cash flows for the year then ended in accordance with the Hong Kong Financial Reporting Standard ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis of Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Corps in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Statements and Auditor's Report Thereon

The Executive Board Members are responsible for the other information. The other information comprises all information included in the Executive Board Members' report, but does not include the financial statements and our auditor's report thereon.

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

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

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF

HONG KONG AIR CADET CORPS

(Incorporated in Hong Kong with liability limited by guarantee and not having a share capital)

Responsibilities of Executive Board Members for the Financial Statements

The Executive Board Members are responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the Executive Board Members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Board Members are responsible for assessing the Corps' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Executive Board Members either intend to liquidate the Corps or to cease operations, or have no realistic alternative but to do so.

Executive Board Members are responsible for overseeing the Corps' financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of the report.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF

HONG KONG AIR CADET CORPS

(Incorporated in Hong Kong with liability limited by guarantee and not having a share capital)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Executive Board Members.
- Conclude on the appropriateness of the Executive Board Members' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corps ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corps to cease to continue as a going concern.

We communicate with Executive Board Members regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Raymond Y. K. Tse & Co. CPA Limited
Certified Public Accountants (Practising)

Tse Wing Sing, Victor
Practising Certificate Number : P03617

Dated this Hong Kong : 17 AUG 2017

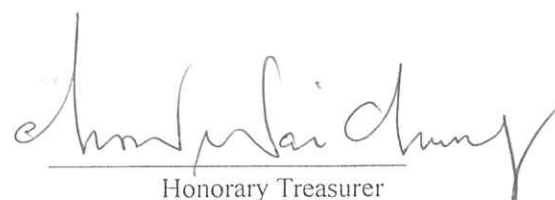


HONG KONG AIR CADET CORPS
STATEMENT OF FINANCIAL POSITION
AS AT 31ST MARCH 2017

	Note	As at 31/3/2017 HK\$	As at 31/3/2016 HK\$
Capital Projects and Equipment Fund	(2)	-	2,316.15
Aviation Education Fund	(3)	250,000.00	250,000.00
Flying Eagle Programme Fund	(4)	67,726.20	67,726.20
HAB Subvention - Happy Family	(5)	376,368.18	376,368.18
HAB Subvention - Happy Family Thematic Project	(5a)	(28,708.32)	(105,443.56)
Yuen Yuen Institute - Ha Fa Shan Campsite	(6)	5,106.83	5,106.83
Hong Kong Jockey Club - Youth Anti-Adversity Project at Ha Fa Shan	(7)	(327,067.32)	(1,015,373.93)
Ha Fa Shan Campsite Projects	(8)	-	(781,901.69)
HAB subvention - Scheme for Needy Student Members	(9)	607,830.00	789,628.00
Accumulated Surplus		<u>6,320,704.30</u>	<u>7,401,429.61</u>
Total Funds		<u><u>7,271,959.87</u></u>	<u><u>6,989,855.79</u></u>
Current Assets			
Cash and bank balances	(10)	2,686,190.89	4,578,361.77
Prepayment, utility and sundry deposit		284,443.80	208,706.87
Stock	(1e)	903,556.15	1,036,043.83
Fixed deposit		<u>2,300,196.82</u>	-
		<u>6,174,387.66</u>	<u>5,823,112.47</u>
Less : Current Liabilities			
Accruals		52,000.00	56,850.00
Deposit and donation received		<u>324,466.46</u>	<u>310,242.28</u>
		<u>376,466.46</u>	<u>367,092.28</u>
Working Capital		<u>5,797,921.20</u>	<u>5,456,020.19</u>
Add : Non-current assets			
Property, Plant and Equipment	(11)	213,036.74	272,833.67
Investment in certificate of deposit	(12)	<u>1,261,001.93</u>	<u>1,261,001.93</u>
		<u>1,474,038.67</u>	<u>1,533,835.60</u>
Total Net Assets		<u><u>7,271,959.87</u></u>	<u><u>6,989,855.79</u></u>

Approved on behalf of the Executive Board Members by:


Chairman


Honorary Treasurer

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

HONG KONG AIR CADET CORPS
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST MARCH 2017

	Capital Projects and Equipment Fund HKS	Aviation Education Fund HKS	Flying Eagle Programme Fund HKS	EDB Scheme for Needy Student Members HKS	HAB Subvention - Happy Family Thematic Project HKS	Yuen Yuen Institute - Ha Fa Shan Campsite HKS	HK Jockey Club - Youth Anti-Adversity Project at Ha Fa Shan HKS	Ha Fa Shan Projects HKS	HAB Subvention - Scheme for Needy Student Members HKS	Accumulated Surplus HKS	Total HKS
As at 31st March 2015	62,816.90	250,000.00	67,726.20	58,554.50	64,188.72	5,106.83	(1,252,569.06)	(60,424.23)	481,024.00	7,149,948.70	7,202,740.74
Additions for the year	-	-	-	-	308,256.00	-	1,340,657.98	-	350,000.00	-	1,998,913.98
Utilisation for the year	(60,500.75)	-	-	-	(413,699.56)	-	(1,544,737.85)	(280,202.46)	(41,396.00)	-	(2,340,536.62)
Surplus for the year	-	-	-	-	-	-	-	-	-	251,480.91	251,480.91
Reclassification of prior year income	-	-	-	-	-	-	441,275.00	(441,275.00)	-	-	-
Refunded to the Government	-	-	-	(58,554.50)	(64,188.72)	-	-	-	-	-	(122,743.22)
As at 31st March 2016	2,316.15	250,000.00	67,726.20	-	(105,443.56)	5,106.83	(1,015,373.93)	(781,901.69)	789,628.00	7,401,429.61	6,989,855.79
Additions for the year	-	-	-	-	261,471.46	-	1,440,397.97	90,232.50	350,000.00	-	2,142,101.93
Utilisation for the year	(2,316.15)	-	-	-	(184,736.22)	-	(752,091.36)	(560,185.54)	(79,942.00)	-	(1,579,271.27)
(Deficit) for the year	-	-	-	-	-	-	-	-	-	(1,080,725.31)	(1,080,725.31)
Refunded to the Government	-	-	-	-	-	-	-	-	(451,856.00)	-	(451,856.00)
Transfer to activities account	-	-	-	-	-	-	-	1,251,854.73	-	-	1,251,854.73
As at 31st March 2017	-	250,000.00	67,726.20	-	(28,708.32)	5,106.83	(327,067.32)	-	607,830.00	6,320,704.30	7,271,959.87

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

HONG KONG AIR CADET CORPS
INCOME STATEMENT
FOR THE YEAR ENDED 31ST MARCH 2017

	Note	Year ended 31/3/2017 HK\$	Year ended 31/3/2016 HK\$
Income			
Subvention income	(13)	3,122,200.00	3,103,400.00
Membership fee income		130,110.00	130,070.00
Endowment		747,085.91	1,262,634.19
Surplus fund from flag day	(14)	590,082.04	371,455.34
Other income		15,017.76	12,792.46
Interest income		64,099.26	70,689.35
Surplus on trading account	(15)	86,352.16	97,516.22
		<u>4,754,947.13</u>	<u>5,048,557.56</u>
Less : Expenditure			
Auditors' remuneration		23,000.00	22,000.00
Bank charges and interest		4,606.19	2,983.60
Building management fee		15,739.00	14,889.00
Cleaning charges		39,958.00	39,087.50
Courier charges		3,595.70	3,734.00
Depreciation		72,604.40	93,219.05
Electricity and water		37,045.90	37,514.90
Entertainment		10,894.00	30,244.00
Exchange loss		36,744.15	27,166.13
Insurance		142,031.88	124,302.06
Licence fee		8,370.00	8,370.00
Loss on written off of general furniture, fixtures and equipment		4,211.53	1,044.42
Minor purchase, repairs and maintenance		59,592.43	176,664.21
Motor vehicles expenses		25,617.88	18,062.54
Net deficit on various activities	(16)	2,925,667.88	1,696,908.83
Postage		1,305.50	3,067.50
Printing and stationery		19,780.63	21,309.55
Provident fund and mandatory provident fund contribution		115,560.99	112,977.14
Rent, rates and utilities charges		37,887.00	36,862.00
Souvenir		95,444.27	63,155.93
Squadron subsidies		165,570.87	142,820.90
Staff salaries and contract end gratuities		1,861,348.70	2,011,032.54
Storage charges		45,225.00	47,662.75
Subscription fee		2,300.00	2,200.00
Sundry expenses		4,912.90	9,376.00
Sundry expenses - claim paid		-	1,000.00
Telephone and internet charges		27,496.26	26,718.00
Travelling expenses		173.10	204.10
Legal and professional fee		15,000.00	22,500.00
Loss on written off of obsolete stock		33,988.28	-
		<u>5,835,672.44</u>	<u>4,797,076.65</u>
(Deficit)/Surplus for the year		<u>(1,080,725.31)</u>	<u>251,480.91</u>

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

HONG KONG AIR CADET CORPS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST MARCH 2017

	Year ended 31/3/2017 HK\$	Year ended 31/3/2016 HK\$
Cash flows from operating activities		
(Deficit)/Surplus for the year	(1,080,725.31)	251,480.91
Depreciation	72,604.40	93,219.05
Interest income	(64,099.26)	(70,689.35)
Bank charges and interest	4,606.19	2,983.60
Loss on written off of general furniture, fixtures and equipment	4,211.53	1,044.42
Operating (deficit)/surplus before working capital changes	(1,063,402.45)	278,038.63
(Increase)/Decrease in prepayment, utility and sundry deposit	(75,736.93)	93,743.30
Decrease in stock	132,487.68	31,144.86
(Decrease)/Increase in accruals	(4,850.00)	8,850.00
Increase in deposit and donation received	14,224.18	90,779.76
Cash (used in)/generated from operation	(997,277.52)	502,556.55
Interest income	64,099.26	70,689.35
Bank charges and interest	(4,606.19)	(2,983.60)
Net cash (used in)/generated from operating activities	(937,784.45)	570,262.30
Cash flows from investing activities		
Payment to acquire property, plant and equipment	(17,019.00)	-
Net cash (used in) investing activities	(17,019.00)	-
Cash flows from financing activities		
Expenditure on the various surplus fund	(1,579,271.27)	(2,340,536.62)
Cash received from donors for the surplus fund	2,142,101.93	1,998,913.98
Refunded to the government	(451,856.00)	(122,743.22)
Transfer to activities account	1,251,854.73	-
Net cash generated from/(used in) financing activities	1,362,829.39	(464,365.86)
Increase in cash and cash equivalents	408,025.94	105,896.44
Cash and cash equivalents brought forward	5,839,363.70	5,733,467.26
Cash and cash equivalents carried forward	6,247,389.64	5,839,363.70
Analysis of the balances of cash and cash equivalents :-		
Cash and bank balances	2,686,190.89	4,578,361.77
Investment in certificate of deposit	1,261,001.93	1,261,001.93
Fixed deposit	2,300,196.82	-
	6,247,389.64	5,839,363.70

HONG KONG AIR CADET CORPS
NOTES TO FINANCIAL STATEMENTS

Reporting entity

Hong Kong Air Cadet Corps ("the Corps") was incorporated in Hong Kong under the Hong Kong Companies Ordinance with limited liabilities. The Corps is limited by guarantee and not having a share capital. The Corps' registered office is located at Room D, 32nd Floor, Lippo Centre, Tower 1, 89 Queensway, Hong Kong. The Corps' principal activity is the provision of aviation education and youth development programmes.

Note 1 Basis of preparation and accounting policies

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standard issued by the Hong Kong Institute of Certified Public Accountants and have been prepared under the accrual basis of accounting and on the basis that the Corps is a going concern.

The financial statements have been prepared on the historical cost basis.

The followings are the specific accounting policies that are necessary for a proper understanding of the financial statements:-

(a) Revenue

Revenue is recognised when it is probable that the economic benefits will flow to the Corps and when the revenue can be measured reliably, on the following bases:-

- (i) Sale of goods is recognised when the goods are delivered and the risks and rewards of ownership have passed to the customer;
- (ii) Interest income is recognised on a time proportion basis taking into account the principal outstanding and the interest applicable;
- (iii) Membership fees is recognised when the income is received and receivable;
- (iv) Government grants is recognised as income over the period necessary to match them with the related cost which they are intended to compensate, on a systematic basis; and
- (v) Endowment income is recognised when the income is received.

HONG KONG AIR CADET CORPS
NOTES TO FINANCIAL STATEMENTS

Note 1 Basis of preparation and accounting policies (Continued)

(b) Property, plant and equipment

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

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

Leasehold improvement	30%
General furniture, fixtures and equipment	25%
Donated furniture, fixtures and equipment	25%
General motor vehicles	25%

(c) Impairment of assets

An assessment is made at each statement of financial position date to determine whether there is any indication of impairment or reversal of previous impairment, including items of property, plant and equipment, intangible assets and long-term investments. In the event that an asset's carrying amount exceeds its recoverable amount, the carrying amount is reduced to recoverable amount and an impairment loss is recognised in the income statement. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount, however not to an amount higher than the carrying amount that would have been determined (net of amortisation or depreciation), had no impairment losses been recognised for the asset in prior period.

(d) Translation of foreign currencies

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities in foreign currencies are translated into Hong Kong dollars at the exchange rates ruling at the statement of financial position date. Exchange gains and losses are dealt with in the income statement.

(e) Stock

Stock are stated at the lower of cost (using a weighted average basis) and net realisable value. In arriving at net realisable value an allowance has been made for deterioration and obsolescence.

(f) Income tax

The Corps being a not-for-profit organisation is exempted from Hong Kong Profits Tax by virtue of Section 88 of the Inland Revenue Ordinance on 1st September 2008.

HONG KONG AIR CADET CORPS
NOTES TO FINANCIAL STATEMENTS

Note 1 Basis of preparation and accounting policies (Continued)

(g) Cash flows

For the purpose of the cash flow statement, cash and cash equivalents includes cash in hand, cash at bank and net of bank overdraft.

(h) Cash equivalents

Cash equivalents represents short-term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired; less advances from banks repayable within three months from the date of the advance.

(i) Operating leases

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

(j) Provision and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Corps has a legal or constructive obligation arising as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(k) Employee benefits

(i) Salaries, wages, contract end gratuities are accrued in the period in which the associated services are rendered by employees of the Corps.

Employee entitlements to sick leave and maternity leave are recognized when the absences occur.

HONG KONG AIR CADET CORPS
NOTES TO FINANCIAL STATEMENTS

Note 1 Basis of preparation and accounting policies (Continued)

(k) Employee benefits (Continued)

- (ii) The Corps operates a defined contribution mandatory provident fund scheme ("MPF Scheme") and provident fund Scheme ("P-Fund Scheme") for its employees in Hong Kong. The assets of the MPF Scheme and P-Fund Scheme are held separately from those of the Corps in independent administered funds.

The Corps and the employees are required to contribute 5% of the employees' relevant income, subject to a maximum of HK\$1,500 per employee per month under the MPF Scheme. The Corps is also required to contribute a maximum of 15% of the employee's relevant income under the P-Fund Scheme. The Corps has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due and prepared contributions are recognised as an asset to the extent that a cash refund is available.

(l) Certificate of deposit

Certificate of deposit are stated at cost subject to the currency fluctuation of Renminbi.

Note 2 Capital Projects and Equipment Fund

	As at 31/3/2017	As at 31/3/2016
	HK\$	HK\$
Balance brought forward	2,316.15	62,816.90
Utilisation during the year	(2,316.15)	(60,500.75)
Balance carried forward	<u>-</u>	<u>2,316.15</u>

The fund is earmarked to finance capital projects and equipment acquisition essential to the ongoing development of the Corps. The fund shall be maintained by transfers from the operational surplus of the Corps and by money generated from fund raising projects.

HONG KONG AIR CADET CORPS
NOTES TO FINANCIAL STATEMENTS

Note 3 Aviation Education Fund

	As at 31/3/2017	As at 31/3/2016
	HK\$	HK\$
Balance brought forward	<u>250,000.00</u>	<u>250,000.00</u>
Balance carried forward	<u>250,000.00</u>	<u>250,000.00</u>

The fund is earmarked to support activities, programmes, projects in relating to aviation education, flying training and aeromodelling in the Corps. The fund shall be maintained by transfers from the operational surplus of the Corps and by money generated from fund raising projects.

Note 4 Flying Eagle Programme Fund

	As at 31/3/2017	As at 31/3/2016
	HK\$	HK\$
Balance brought forward	<u>67,726.20</u>	<u>67,726.20</u>
Balance carried forward	<u>67,726.20</u>	<u>67,726.20</u>

The fund was set up from donations received under the Operation Flying Eagle Corporate Citizenship Programme founded by Specialist Flight Lieutenant Michael Fitzgerald Wong to support educational helicopter flying.

Note 5 HAB Subvention - Happy Family

	As at 31/3/2017	As at 31/3/2016
	HK\$	HK\$
Balance brought forward	<u>376,368.18</u>	<u>376,368.18</u>
Balance carried forward	<u>376,368.18</u>	<u>376,368.18</u>

The fund was provided by Home Affairs Bureau ("HAB") to promote a closer tie between members and their families by engaging the latter in Corps' activities and programmes. The subvention scheme was terminated and the surplus fund of HK\$376,368.18 is retained and fixed for future determination.

HONG KONG AIR CADET CORPS
NOTES TO FINANCIAL STATEMENTS

Note 5a HAB Subvention - Happy Family Thematic Project

	As at 31/3/2017	As at 31/3/2016
	HK\$	HK\$
(Deficit)/Surplus brought forward	(105,443.56)	64,188.72
Reimbursement of last year's (deficit) by HAB	67,499.96 *	-
Refund to Home Affairs Bureau	-	(64,188.72)
	<u>(37,943.60)</u>	<u>-</u>
Add : Non-approved expenditure by HAB transfer to Corps' other activities expenses	37,943.60 *	-
	<u>-</u>	<u>-</u>
Add: Current year's government subvention	193,971.50	308,256.00
	<u>193,971.50</u>	<u>308,256.00</u>
Less : Utilisation during the year	222,679.82	413,699.56
(Deficit) carried forward	<u>(28,708.32)</u>	<u>(105,443.56)</u>

The fund was provided by Home Affairs Bureau ("HAB") to promote a closer tie between members and their families by engaging the latter in Corps' activities and programmes.

The Corps signed a commitment letter (承諾書) on 8th March 2016 and confirmed to receive a 50% subvention in advance. Upon the completion of the project of each year, the Corps is required to file the audited financial statements carried out by a professional body to HAB. The approved remaining deficit/surplus will be reimbursed by/refunded to HAB subject to the approval of the audited financial statement.

- * During the year, HAB has finalised the subvention for the year ended 31st March 2016 and the deficit of HK\$67,449.96 were reimbursed to the Corps. The non-approved expenditure of HK\$37,943.60 were transferred to current year's activities expenditures.

Note 6 Yuen Yuen Institute - Ha Fa Shan Campsite

	As at 31/3/2017	As at 31/3/2016
	HK\$	HK\$
Balance brought forward	5,106.83	5,106.83
Balance carried forward	<u>5,106.83</u>	<u>5,106.83</u>

The fund was provided by Yuen Yuen Institute to construct the Ha Fa Shan campsite and related facilities for use as an outdoor training base by young people of Hong Kong. All expenditures should be approved by the Committee - 下花山營地建設諮詢委員會.

HONG KONG AIR CADET CORPS
NOTES TO FINANCIAL STATEMENTS

Note 7 Hong Kong Jockey Club - Youth Anti-Adversity Project at Ha Fa Shan

The Corps was granted a fund of HK\$3,600,000 from the Hong Kong Jockey Club Charities Trust on 6th June 2013 to support the Youth Anti-Adversity Project at Ha Fa Shan in Tsuen Wan for three years. The approved budgeted funds are divided into three categories as which are detailed as follows:-

	HK\$
1. Capital expenditure	1,270,000.00
2. Purchase of a 7-seater motor van	300,000.00
3. Operating expenses for 3 years	2,030,000.00
Total approved budgeted funds	<u>3,600,000.00</u>

A separate detailed income and expenditure account will be audited to verify the expenses. The following income and expenditure account are summarized as follows:-

	As at 31/3/2016 HK\$	Additions during the year HK\$	As at 31/3/2017 HK\$
Donation received	<u>2,312,604.61</u>	<u>910,004.97</u>	<u>3,222,609.58</u>
Less : Expenditures			
1) Capital expenditure	1,244,919.90	31,711.90	1,276,631.80
2) Purchase of a 7-seater motor van - SM7880	274,757.00	-	274,757.00
3) Year 1 operating expenses	1,534,369.49	-	1,534,369.49
4) Year 2 operating expenses	1,530,574.15	-	1,530,574.15
5) Year 3 operating expenses	-	1,122,667.70	1,122,667.70
	<u>4,584,620.54</u>	<u>1,154,379.60</u>	<u>5,739,000.14</u>
Less : Campsite income			
Year 1	441,275.00	-	441,275.00
Year 2	815,367.00	-	815,367.00
Year 3	-	530,393.00	530,393.00
	<u>1,256,642.00</u>	<u>530,393.00</u>	<u>1,787,035.00</u>
	<u>3,327,978.54</u>	<u>623,986.60</u>	<u>3,951,965.14</u>
	(1,015,373.93)	286,018.37	(729,355.56)
Add : Forecast (deficit) transfer to current year Ha Fa Shan Campsite Project			<u>402,288.24</u>
Balance carried forward which considered to be recoverable from Hong Kong Jockey Club			<u>(327,067.32)</u>

The project was completed and the final subvention sum are pending on the finalization by the Hong Kong Jockey Club.

HONG KONG AIR CADET CORPS
NOTES TO FINANCIAL STATEMENTS

Note 8 Ha Fa Shan Campsite Projects

	Note	As at 31/3/2017 HK\$	As at 31/3/2016 HK\$
Campsite fee income		90,232.50	-
Less : Operating expenses		<u>157,897.30</u>	<u>280,202.46</u>
		(67,664.80)	(280,202.46)
Forecast non-approved operating expenses transfer from Hong Kong Jockey Club-Youth Anti-Advertising project	(7)	<u>(402,288.24)</u>	-
		(469,953.04)	(280,202.46)
Less: Reclassification of last year campsite income		-	(441,275.00)
(Debit) balance brought forward		<u>(781,901.69)</u>	<u>(60,424.23)</u>
		(1,251,854.73)	(781,901.69)
Transferred to current year activities account	(16)	<u>1,251,854.73</u>	-
(Debit) balance carried forward		<u>-</u>	<u>(781,901.69)</u>

The Executive Board Members confirmed that the accumulated deficit of Ha Fa Shan Campsite Projects in the amount of HK\$1,251,854.73 for the 3-year operation were transferred to current year activities account.

Note 9 HAB Subvention - Scheme for Needy Student Members

	As at 31/3/2017 HK\$	As at 31/3/2016 HK\$
Balance brought forward	789,628.00	481,024.00
Fund allocated	<u>350,000.00</u>	<u>350,000.00</u>
	1,139,628.00	831,024.00
Utilisation during the year	<u>(79,942.00)</u>	<u>(41,396.00)</u>
	1,059,686.00	789,628.00
Excess surplus refunded to HAB for year 2015 and 2016	<u>(451,856.00)</u>	-
Balance carried forward	<u>607,830.00</u>	<u>789,628.00</u>

The fund was provided by the Home Affairs Bureau to assist the needy student members of uniformed groups in purchasing uniforms, participating in camping/outing activities and joining leadership training courses.

In accordance with the Memorandum of Administrative Arrangements, the unused surplus carried forward of each year for Uniformed Groups (UGs) should not be more than 50% of the UGs subvention (Cap.) and therefore the Corps refunded HK\$451,856 for year 2015 and 2016.

HONG KONG AIR CADET CORPS
NOTES TO FINANCIAL STATEMENTS

Note 10 Cash and bank balances

	As at 31/3/2017	As at 31/3/2016
	HK\$	HK\$
HSBC - HK Dollar - Current Account No.:-		
#808-620280-001	5,582.21	75,947.98
#808-620280-002	1,254,684.09	995,819.97
#808-620280-003	156,593.70	89,259.44
#808-620280-004	77,813.92	25,490.57
#808-620280-005	37,302.44	113,849.86
#808-620280-006	110,751.60	5,148.06
#808-620280-007	168,875.90	38,725.90
#808-620280-008	25,423.89	5,103.89
#808-620280-009	4,978.11	4,978.11
#817-429079-001	114,003.51	107,769.47
HSBC - HK Dollar - Saving Account No.:-		
#808-620298-292	25,002.09	25,001.62
#808-620280-292	106,654.62	106,652.52
#848-176319-838	74,105.64	2,374,439.04
HSBC - CNY Dollar - Saving Account No.:-		
#848-176319-838	520,440.57	606,196.74
Cash in hand	3,978.60	3,978.60
	<u>2,686,190.89</u>	<u>4,578,361.77</u>

HONG KONG AIR CADET CORPS
NOTES TO FINANCIAL STATEMENTS

Note 11 Property, plant and equipment

At Cost	Leasehold Improvement HK\$	General Furniture, Fixtures and Equipment HK\$	Donated Furniture, Fixtures and Equipment HK\$	General Motor Vehicles HK\$	Total HK\$
As at 31st March 2016	1,311,996.80	1,345,432.44	20,726.00	285,500.00	2,963,655.24
Additions	-	17,019.00	-	-	17,019.00
Less : Written off	-	(86,982.00)	-	-	(86,982.00)
As at 31st March 2017	1,311,996.80	1,275,469.44	20,726.00	285,500.00	2,893,692.24
Less : Accumulated Depreciation					
As at 31st March 2016	1,288,114.57	1,186,885.68	20,655.30	195,166.02	2,690,821.57
Charge for the year	7,164.67	42,838.56	17.67	22,583.50	72,604.40
Less : Written back	-	(82,770.47)	-	-	(82,770.47)
As at 31st March 2017	1,295,279.24	1,146,953.77	20,672.97	217,749.52	2,680,655.50
Net Book Value					
As at 31st March 2017	16,717.56	128,515.67	53.03	67,750.48	213,036.74
As at 31st March 2016	23,882.23	158,546.76	70.70	90,333.98	272,833.67

HONG KONG AIR CADET CORPS
NOTES TO FINANCIAL STATEMENTS

Note 12 Investment in certificate of deposit

The coupon rate of certificate of deposit is 5.50% per annum payable in half-yearly basis and the maturity date is 6th February 2018. The certificate of deposit is not protected by the Deposit Protection Scheme in Hong Kong.

Note 13 Subvention income

	Year ended 31/3/2017	Year ended 31/3/2016
	HK\$	HK\$
Home Affairs Bureau Subvention	2,480,000.00	2,480,000.00
Community Chest	642,200.00	623,400.00
	<u>3,122,200.00</u>	<u>3,103,400.00</u>

Note 14 Surplus fund from flag day

	Year ended 31/3/2017	Year ended 31/3/2016
	HK\$	HK\$
Income		
Appeal letters	117,460.00	115,030.00
Flag day collection	492,998.90	282,624.85
	<u>610,458.90</u>	<u>397,654.85</u>
Less : Expenditure		
Audit fee	2,600.00	2,600.00
Cleaning and repair fees of flag bags	2,127.00	1,515.50
Certificate and souvenirs for helpers	5,040.00	730.00
Insurance	2,200.00	-
Printing and stationery	2,327.00	1,867.00
Postage	1,645.80	598.40
Sundry expenses	853.00	5,250.00
Transportation charges	1,584.06	13,638.61
Octopus handling services charges	2,000.00	-
	<u>20,376.86</u>	<u>26,199.51</u>
Surplus fund transfer to income statement	<u>590,082.04</u>	<u>371,455.34</u>

The Flag Day Appeal of Hong Kong Air Cadet Corps was held on 24th September 2016 under Public Subscription Permit No.: FD/R062/2016 issued by Social Welfare Department on 18th December 2015. The flag day surplus fund account was audited on 30th November 2016. The net proceeds from the flag day has been fully utilised during the financial year 2016-2017 and the fund raised has been used to implement programmes and sustain activities to be conducted in the year 2016-2017.

HONG KONG AIR CADET CORPS
NOTES TO FINANCIAL STATEMENTS

Note 15 Surplus on trading account

	Note	Year ended 31/3/2017	Year ended 31/3/2016
		HK\$	HK\$
Sales		<u>261,312.50</u>	<u>307,424.50</u>
Less : Cost of goods sold			
Opening stock		1,036,043.83	1,067,188.69
Add : Purchase		<u>42,472.66</u>	<u>178,763.42</u>
		1,078,516.49	1,245,952.11
Less : Closing stock	(1e)	<u>903,556.15</u>	<u>1,036,043.83</u>
		<u>174,960.34</u>	<u>209,908.28</u>
Surplus from trading account transfer to income statement		<u>86,352.16</u>	<u>97,516.22</u>

Note 16 Net deficit on various activities

During the year, the Corps has the (surplus)/deficit on the various activities as follows:-

	Note	Year ended 31/3/2017	Year ended 31/3/2016
		HK\$	HK\$
Adult training		(492.57)	(7,753.79)
Advanced Aviation Education Programme (Fixed Wing)		(4,466.19)	(25,624.66)
Advanced Aviation Education Programme (Helicopter)		(53,249.32)	(31,971.89)
Adventure Activities Squadron		61,164.65	14,367.00
Annual parade		134,414.27	111,177.03
Vocational Qualifications Unit		13,071.78	41,065.31
Fund walk		(58,944.50)	(36,585.60)
Liaison Unit activities		81,881.86	19,816.54
International air cadet exchange		371,914.37	409,557.47
International Air Cadet Exchange Association		53,697.95	25,850.69
Mainland and local activities		(41,438.62)	192,594.85
Other activities and courses		123,749.52	125,590.77
Scholarship for training programme		373,692.00	226,157.00
Technical Operations Support Wing		23,800.00	35,392.85
Training activities		398,832.21	305,661.40
UK training team programme		110,144.54	127,994.69
Summer camp		38,465.68	84,289.07
Operations group programmes		19,184.61	79,330.10
Annual dinner		28,390.91	-
Deficit on Ha Fa Shan Campsite projects	(8)	<u>1,251,854.73</u>	-
		<u>2,925,667.88</u>	<u>1,696,908.83</u>

HONG KONG AIR CADET CORPS
NOTES TO FINANCIAL STATEMENTS

Note 17 Executive Board Members' remuneration

Executive Board Members' remuneration disclosed pursuant to section 383(1) of the Companies Ordinance is as follows:-

	Year ended 31/3/2017	Year ended 31/3/2016
	HK\$	HK\$
Fees	-	-
Other emoluments	-	-

Note 18 Approval of financial statements

These financial statements were authorised for issue by the Corps' Executive Board Members on 17 AUG 2017