

RAPHA FOUNDATION LIMITED

REPORTS AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019



W. M. LAU & COMPANY

Certified Public Accountants

劉偉明會計師事務所

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(EXPRESSED IN HONG KONG DOLLAR)

RAPHA FOUNDATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEES

FOR THE YEAR ENDED JUNE 30, 2019

The management committees have pleasure in submitting their report together with the audited financial statements for the year ended June 30, 2019.

PRINCIPAL ACTIVITIES

The Charity's principal activities are to provide the financial assistance to those who need but unable to afford professional counseling, to work closely with churches to equip them to provide a healing ministry for those who are wounded psychologically for the benefit of the public, and to practise a healing concept that is integrated with Christian faith for the benefit of the public. There were no significant changes in the nature of the Charity's principal activities during the year.

RESULTS

The results of the Charity for the year ended June 30, 2019 and the state of affairs of the Charity as that date are set out in the financial statements on pages 5 to 19.

MANAGEMENT COMMITTEES

The following persons were management committees of the Charity during the year and up to date of the report:

Kot Lam Kat Katherine
Tsang Po Yee
Wong Lai Wa

(Appointed on September 13, 2019)

MANAGEMENT COMMITTEES' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENT AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE CHARITY'S BUSINESS

There were no contracts of significance in relation to the business of the Charity to which the Charity was a party, and in which a management committee of the Charity had a material interest, whether directly or indirectly, subsisted at the end of the year, or at any time during the year.

MANAGEMENT COMMITTEES' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Charity, a party to any arrangement to enable the management committees of the Charity (including their spouse and children under 18 year of age) to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Charity or its specified undertaking or other associated corporation.

BUSINESS REVIEW

The Charity falls within reporting exemption for the year. Accordingly, the Charity is exempted from preparing a business review.

...../To be continued

...../Continued

RAPHA FOUNDATION LIMITED
REPORT OF THE MANAGEMENT COMMITTEES
FOR THE YEAR ENDED JUNE 30, 2019

PERMITTED INDEMNITY PROVISION

At no time during the year and up to the date of this report, there was or is, any permitted indemnity provision being in force for the benefit of any of the management committees of the Charity (whether made by the Charity or otherwise) or an associated company (if made by the Charity).

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Charity were entered into or existed during the year.

AUDITORS

A resolution will be submitted to the annual general meeting to re-appoint W. M. Lau & Company, Certified Public Accountants.

FOR AND ON BEHALF OF THE BOARD



Kot Lam Kat Katherine
CHAIRMAN

Hong Kong
August 31, 2020



INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF
RAPHA FOUNDATION LIMITED
(Incorporated in Hong Kong with liability limited by guarantee)

Opinion

We have audited the financial statements of Rapha Foundation Limited ("the Charity") set out on pages 5 to 19, which comprise the statement of financial position as at June 30, 2019, and the statement of profit or loss and other comprehensive income, statement of changes in fund and statement of cash flows for the year then ended, and notes to the financial statements, 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 Charity as at June 30, 2019, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("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 for 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 Charity 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.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the directors' 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 express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information 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, 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.

Responsibilities of Directors and Those Charged with Governance for the Financial Statements

The directors are responsible for the preparation of 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 directors 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 directors are responsible for assessing the Charity's 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 directors either intend to liquidate the Charity or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Charity's financial reporting process.

..... / To be continued



..... /Continued

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF
RAPHA FOUNDATION LIMITED
(Incorporated in Hong Kong with liability limited by guarantee)

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. Our opinion is 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with HKSA's, 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 Charity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' 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 Company's 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 Charity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance 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.



W. M. Lau & Company
Certified Public Accountants (Practising)

Hong Kong
August 31, 2020

RAPHA FOUNDATION LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2019

| Income | <i>Notes</i> | 2019 HK\$ | 2018 HK\$ |
|------------------------------------|--------------|-----------------------|-----------------------|
| Donation received | 5 | <u>80,589</u> | <u>65,129</u> |
| Training course fee received | 5 | 126,220 | 172,922 |
| Training course subsidy granted | | -- | (7,635) |
| Training course and event expenses | | <u>(8,520)</u> | <u>(7,980)</u> |
| | | <u>117,700</u> | <u>157,307</u> |
| Camp fee received | 5 | 167,838 | 122,263 |
| Camp expenses | | -- | (6,506) |
| | | <u>167,838</u> | <u>115,757</u> |
| Sales of books, CDs and DVDs | 5 | 165,045 | 147,004 |
| Cost of sales | 6 | <u>(55,408)</u> | <u>(50,282)</u> |
| | | <u>109,637</u> | <u>96,722</u> |
| Counseling income | 5 | 105,925 | 26,570 |
| Counseling expense | | (11,271) | (5,819) |
| Counseling subsidy | | -- | (6,800) |
| | | <u>94,654</u> | <u>13,951</u> |
| Bank interest income | 6 | 424 | 104 |
| Other income | | 25,692 | 21,095 |
| Royalty income | | -- | 112,031 |
| Exchange gain | | -- | 8,516 |
| | | <u>26,116</u> | <u>141,746</u> |
| Total income | | <u>596,534</u> | <u>590,612</u> |

RAPHA FOUNDATION LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2019

| | <i>Notes</i> | 2019 <i>HK\$</i> | 2018 <i>HK\$</i> |
|--|--------------|---------------------|---------------------|
| Less: Expenditure | | | |
| Accounting fee | | 4,500 | 8,972 |
| Auditors' remuneration | 6 | 6,800 | 6,600 |
| Bank charge | | 1,940 | 3,080 |
| Building management fee | | 97,392 | 68,970 |
| Cleaning | | 8,050 | 7,875 |
| Computer expenses | | — | 2,782 |
| Depreciation | 6 | 480,721 | 482,396 |
| Design fee | | — | 3,000 |
| Exchange difference | | 296 | — |
| Government rent and rates | | 7,938 | 10,949 |
| Insurance | | 1,948 | — |
| Loan interest | | 26,125 | 1,425 |
| Local traveling | | 324 | 7,704 |
| Membership fee | | 1,100 | — |
| Office expense | | 3,580 | 6,775 |
| Printing and stationery | | 11,078 | 12,321 |
| Postage and courier | | — | 5,924 |
| Provident fund contributions | 7 | 7,969 | 5,589 |
| Professional fee | | — | 5,000 |
| Rental expense | | — | 24,000 |
| Repair and maintenance | | — | 9,100 |
| Staff costs | 6, 7 | 206,215 | 197,080 |
| Staff welfare & messing | | — | 1,556 |
| Sundry expenses | | 3,928 | 1,617 |
| Telephone | | 4,448 | 3,813 |
| Utility | | 5,848 | 4,818 |
| | | <u>880,200</u> | <u>881,346</u> |
| Deficit for the year | 6 | <u>(283,666)</u> | <u>(290,734)</u> |
| <u>Books translation and printing fund</u> | | | |
| Donation received | 5 | <u>15,171</u> | <u>11,100</u> |
| <u>Professional counseling subsidy fund</u> | | | |
| Donation received | 5 | 23,200 | 50,114 |
| Income received | | — | 2,900 |
| Subsidy provided | | (55,735) | (2,660) |
| Expenditure | | — | (8,300) |
| | | <u>(32,535)</u> | <u>42,054</u> |
| <u>Exchange subsidy fund</u> | | | |
| Donation received | 5 | 98,775 | 3,472 |
| Expenditure | | (33,986) | (14,477) |
| | | <u>64,789</u> | <u>(11,005)</u> |

RAPHA FOUNDATION LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2019

| | <i>Notes</i> | 2019 HK\$ | 2018 HK\$ |
|--|--------------|----------------------------|----------------------------|
| Development fund | | | |
| Donation received | 5 | <u>86,825</u> | <u>72,597</u> |
| Course subsidy fund | | | |
| Course subsidy expenditure | 5 | <u>(8,115)</u> | <u>--</u> |
| China ministry fund | | | |
| Donation received | 5 | 20,069 | 1,770 |
| Donation expense | | (4,563) | -- |
| China ministry income | 5 | 78,980 | 75,570 |
| Subsidy provided | | -- | (1,080) |
| Expenditure | | <u>(2,163)</u> | <u>(559)</u> |
| | | <u>92,323</u> | <u>75,701</u> |
| Office building fund | | | |
| Donation received | 5 | 181,195 | 741,621 |
| Gain on disposal of property | 6 | -- | 4,691,111 |
| | | <u>181,195</u> | <u>5,432,732</u> |
| Overseas ministry fund | | | |
| Donation received | 5 | 37,950 | 18,489 |
| Overseas ministry course received | 5 | 159,925 | 27,158 |
| Overseas ministry camp received | | -- | 37,475 |
| Overseas ministry subsidy | | -- | (6,032) |
| Expenditure | | <u>(9,935)</u> | <u>(11,045)</u> |
| | | <u>187,940</u> | <u>66,045</u> |
| Total surplus and other comprehensive income for the year | | <u>303,927</u> | <u>5,398,490</u> |

The notes on pages 11 to 19 form part of these financial statements.

RAPHA FOUNDATION LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2019

| | Books translation and printing fund HK\$ | Professional counseling subsidy fund HK\$ | Exchange subsidy fund HK\$ | Development fund HK\$ | Media fund HK\$ | Course subsidy fund HK\$ | Office building fund HK\$ | China ministry fund HK\$ | Overseas ministry fund HK\$ | Accumulated surplus HK\$ | Total HK\$ |
|---|--|---|----------------------------|-----------------------|-----------------|--------------------------|---------------------------|--------------------------|-----------------------------|--------------------------|------------|
| At June 30, 2017 | 262,767 | 253,548 | (1,350) | 925,629 | 14,000 | 128,180 | 2,446,363 | 409,567 | 626,295 | 560,049 | 5,625,048 |
| Surplus/(deficit) and total other comprehensive income for the year | 11,100 | 42,054 | (11,005) | 72,597 | - | - | 5,432,732 | 75,701 | 66,045 | (290,734) | 5,398,490 |
| At June 30, 2018 | 273,867 | 295,602 | (12,355) | 998,226 | 14,000 | 128,180 | 7,879,095 | 485,268 | 692,340 | 269,315 | 11,023,538 |
| Surplus/(deficit) and total other comprehensive income for the year | 15,171 | (32,535) | 64,789 | 86,825 | - | (8,115) | 181,195 | 92,323 | 187,940 | (283,666) | 303,927 |
| At June 30, 2019 | 289,038 | 263,067 | 52,434 | 1,085,051 | 14,000 | 120,065 | 8,060,290 | 577,591 | 880,280 | (14,351) | 11,327,465 |

The notes on pages 11 to 19 form part of these financial statements.

RAPHA FOUNDATION LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2019

| | <i>Notes</i> | 2019 <i>HK\$</i> | 2018 <i>HK\$</i> |
|--------------------------------------|--------------|---------------------|---------------------|
| Non-current assets | | | |
| Property, plant and equipment | 9 | 10,902,002 | 11,382,723 |
| Current assets | | | |
| Account receivable | | 3,739 | -- |
| Deposit and prepayment | | 31,914 | 16,914 |
| Cash and bank balances | | 860,291 | 530,004 |
| | | 895,944 | 546,918 |
| Current liabilities | | | |
| Accruals and other payable | | 70,481 | 106,103 |
| Other loan | 10 | 400,000 | -- |
| | | 470,481 | 106,103 |
| Net current assets | | 425,463 | 440,815 |
| Non-current liabilities | | | |
| Other loan | 10 | -- | 800,000 |
| Net assets | | 11,327,465 | 11,023,538 |
| Reserves | | | |
| Accumulated (deficit)/surplus | | (14,351) | 269,315 |
| Books translation and printing fund | | 289,038 | 273,867 |
| Professional counseling subsidy fund | | 263,067 | 295,602 |
| Exchange subsidy fund | | 52,434 | (12,355) |
| Development fund | | 1,085,051 | 998,226 |
| Course subsidy fund | | 120,065 | 128,180 |
| Media fund | | 14,000 | 14,000 |
| Office building fund | | 8,060,290 | 7,879,095 |
| China ministry fund | | 577,591 | 485,268 |
| Overseas ministry fund | | 880,280 | 692,340 |
| | | 11,327,465 | 11,023,538 |

Approved and authorised for issue by the Management Committee on August 31, 2020.


Kot Lam Kat Katherine
MANAGEMENT COMMITTEE


Tsang Po Yee
MANAGEMENT COMMITTEE

The notes on pages 11 to 19 form part of these financial statements.

RAPHA FOUNDATION LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2019

| | <i>Notes</i> | 2019 <i>HK\$</i> | 2018 <i>HK\$</i> |
|--|--------------|---------------------|---------------------|
| Cash flows from operating activities | | | |
| Total comprehensive income for the year | | 303,927 | 5,398,490 |
| Adjustments for: | | | |
| - Depreciation | 6 | 480,721 | 482,396 |
| - Bank interest income | 6 | (424) | (104) |
| - Gain on disposal of property, plant and equipment | | -- | (4,691,111) |
| | | <hr/> | <hr/> |
| Operating surplus before working capital change | | 784,224 | 1,189,671 |
| Decrease in inventories | | -- | 1,135 |
| Decrease/(increase) in deposits and prepayment | | (15,000) | 1,830,387 |
| Decrease in accounts payable | | (3,739) | -- |
| (Decrease)/increase in accruals and other payables | | (35,622) | (22,313) |
| (Decrease)/increase in deposit received | | -- | (795,000) |
| (Decrease)/increase receipt in advance | | -- | (28,900) |
| (Decrease) in amount due to director | | -- | -- |
| | | <hr/> | <hr/> |
| Net cash generated from operating activities | | 729,863 | 2,174,980 |
| Cash flows from investing activities | | | |
| Interest received | | 424 | 104 |
| Acquisition of property, plant and equipment | | -- | (11,861,064) |
| Proceed from sales of property, plant and equipment | | -- | 7,950,000 |
| | | <hr/> | <hr/> |
| Net cash generated from/(used in) from investing activities | | 424 | (3,910,960) |
| Cash flows from financing activities | | | |
| Borrowing loan | | -- | 3,100,000 |
| Loan repayment | | (400,000) | (2,300,000) |
| | | <hr/> | <hr/> |
| Net cash (used in)/generated from financing activities | | (400,000) | 800,000 |
| Net increase/(decrease) in cash and cash equivalents | | 330,287 | (935,980) |
| Cash and cash equivalents at beginning of the year | | 530,004 | 1,465,984 |
| | | <hr/> | <hr/> |
| Cash and cash equivalents at end of the year | | 860,291 | 530,004 |
| | | <hr/> | <hr/> |
| Analysis of cash and cash equivalents | | | |
| Cash and bank balances | | 860,291 | 530,004 |
| | | <hr/> | <hr/> |

The notes on pages 11 to 19 form part of these financial statements.

RAPHA FOUNDATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

1. GENERAL INFORMATION

Rapha Foundation Limited is incorporated in Hong Kong under the Hong Kong Companies Ordinance on March 5, 2007 as a charity limited by guarantee. The address of its registered office and principal place of business is Unit No.5, 4th Floor Tower B of Hunghom Commercial Centre, No.37 Ma Tau Wai Road, Kowloon. Its principal activities are to provide the financial assistance to those who need but unable to afford professional counseling, to work closely with churches to equip them to provide a healing ministry for those who are wounded psychologically for the benefit of the public, and to practise a healing concept that is integrated with Christian faith for the benefit of the public.

2. STATEMENT OF COMPLIANCE WITH HONG KONG FINANCIAL REPORTING STANDARDS

The Charity's financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong. A summary of the significant accounting policies adopted by the Charity is set out in note 3.

The HKICPA has issued certain new and revised HKFRSs that are first effective for the current accounting period of the Charity. None of these developments have had a material effect on how the Charity's results and financial position for the current or prior periods have been prepared or presented.

The Charity has not applied any new standard or interpretation that is not yet effective for the current accounting year.

RAPHA FOUNDATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation of the financial statement

The measurement basis used in preparing the financial statements is historical cost convention.

Property, plant and equipment

Property, plant and equipment are stated in the statement of financial position at cost less accumulated depreciation and accumulated impairment loss, if any.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, on a straight-line basis over their estimated useful lives as follows:

| | |
|-----------------------------|---|
| Leasehold land and building | 50 years or the unexpired term of lease, if any and shorter |
| Leasehold improvement | 5 years |
| Furniture and fixtures | 5 years |
| Office equipment | 5 years |

The residual value and the useful life of an asset are reviewed at least at each financial year-end.

The Charity assesses at each reporting date whether there is any indication that any items of property, plant and equipment may be impaired and that an impairment loss recognised in prior periods for an item may have decreased. If any such indication exists, the Charity estimates the recoverable amount of the item. An impairment loss, being the amount by which the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount or a reversal of impairment loss is recognised immediately in statement of profit or loss.

Gain or loss arising from the de-recognition of an item of property, plant and equipment is included in statement of profit or loss when the item is derecognised and is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Impairment loss

At each reporting date, the Charity reviews carrying amount of tangible assets to determine whether the carrying amounts of its tangible asset have suffered an impairment loss or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its net selling price and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Charity estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. a cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

RAPHA FOUNDATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment loss (continued)

A reversal of impairment losses is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior years. Reversal of impairment losses is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost, which comprises all costs of purchase and, where applicable, other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the first in, first out method. Net realizable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Cash and cash equivalents

Cash comprises cash on hand and at bank and demand deposits with bank. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purpose of statement of cash flows, bank overdrafts which are repayable on demand form an integral part of the Charity's cash management are included as a component of cash and cash equivalents.

Accounts payable

Accounts payable are initially measured at fair value and, after initial recognition, at amortised cost, except for short-term payables with no stated interest rate and the effect of discounting being immaterial, that are measured at their original invoice amount.

Provisions and contingent liabilities

Provisions are recognized for liabilities of uncertain timing or amount when the Charity has legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the same 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.

RAPHA FOUNDATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable taking into account the amount of any discounts and rebates allowed by the Charity. Provided that it is probable that the economic benefits associated with the revenue transaction will flow to the Charity and the revenue and the costs, if any, in respect of the transaction can be measured reliably, revenue is recognised as follows:

Donation income is recognised on the cash basis.

Course fee income is recognised upon the completion of the courses for the attendants.

Revenue from the sales of books is recognised when the Charity has delivered the books to the customers and the customer has accepted the books together with the risks and rewards of ownership of the books.

Bank interest income is accrued on a time proportion basis on the principal outstanding and at the interest rate applicable.

Borrowing costs

Borrowing costs are recognized as an expense in the period in which they are incurred.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT

The Charity's management makes assumptions, estimates and judgments in the process of applying the account's accounting policies that affect the assets, liabilities, income and expenses in the financial statements prepared in accordance with HKFRSs. The assumptions, estimates and judgments are based on historical experience and other factors that are believed to be reasonable under the circumstances. While the management reviews their judgments, estimates and assumptions continuously, the actual results will seldom equal to the estimates.

Key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out as follows:

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account the estimated residual value. The Charity assesses annually the residual value and the useful life of the property, plant and equipment and if the expectation differs from the original estimates, such differences from the original estimates will impact the depreciation charges in the year in which the estimates change.

RAPHA FOUNDATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT (CONTINUED)

Impairment of property, plant and equipment

Items of property, plant and equipment are tested for impairment if there is any indication that the carrying value of these assets may not be recoverable and the assets are subject to an impairment loss. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The value-in-use calculation requires the Charity to estimate the future cash flows expected to arise from the relevant cash-generating unit and a suitable discount rate is used in order to calculate the present value.

5. TURNOVER

The turnover of the Charity for the year represents the donation received, sales income and services income. The amount of each significant category of revenue recognised during the year is as follows:

| | 2019 <i>HK\$</i> | 2018 <i>HK\$</i> |
|--------------------------------------|-------------------------|-------------------------|
| Turnover | | |
| Donation received | 80,589 | 65,129 |
| Training course fee received | 126,220 | 172,922 |
| Camp fee received | 167,838 | 122,263 |
| Sales income | 165,045 | 147,004 |
| Counseling income | 105,925 | 26,570 |
| Books translation and printing fund | 15,171 | 11,100 |
| Professional counseling subsidy fund | 23,200 | 53,014 |
| Exchange subsidy fund | 98,775 | 3,472 |
| Development fund | 86,825 | 72,597 |
| Office building fund | 181,195 | 741,621 |
| China ministry fund | 20,069 | 1,770 |
| Overseas ministry fund | 37,950 | 18,489 |
| China ministry income | 78,980 | 75,570 |
| Overseas ministry donation received | 37,950 | 18,489 |
| Overseas ministry course received | 159,925 | 27,158 |
| Overseas ministry camp received | — | 37,475 |
| | <u>1,385,657</u> | <u>1,594,643</u> |

RAPHA FOUNDATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

6. SURPLUS FOR THE YEAR

| | 2019 | 2018 |
|--|----------------|------------------|
| | HK\$ | HK\$ |
| Surplus for the year is stated at after charging: | | |
| Auditors' remuneration | 6,800 | 6,600 |
| Cost of sales | 55,408 | 50,282 |
| Depreciation | 480,721 | 482,396 |
| Staff costs | <u>214,184</u> | <u>202,669</u> |
| And after crediting: | | |
| Bank interest income | 424 | 104 |
| Gain on disposal of property, plant and equipment | <u>--</u> | <u>4,691,111</u> |

7. STAFF COSTS AND MANAGEMENT COMMITTEES' REMUNERATION

| | 2019 | 2018 |
|------------------------------|----------------|----------------|
| | HK\$ | HK\$ |
| Salaries and allowances | 206,215 | 197,080 |
| Provident fund contributions | <u>7,969</u> | <u>5,589</u> |
| | <u>214,184</u> | <u>202,669</u> |

MANAGEMENT COMMITTEES' REMUNERATION

None of the management committees received any remuneration in respect of their services rendered for the year (2018: Nil).

8. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Charity is exempted from Hong Kong profits tax under Section 88 of the Inland Revenue Ordinance (2018: Nil).

RAPHA FOUNDATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

9. PROPERTY, PLANT AND EQUIPMENT

| | Land and buildings <i>HK\$</i> | Leasehold improvement <i>HK\$</i> | Furniture and fixtures <i>HK\$</i> | Office equipment <i>HK\$</i> | Total <i>HK\$</i> |
|-------------------------------|--------------------------------------|---|---|------------------------------------|----------------------|
| Cost | | | | | |
| At June 30, 2017 | 3,879,630 | 52,720 | 2,805 | 81,272 | 4,016,427 |
| Disposal for the year | (3,879,630) | (52,720) | -- | -- | (3,932,350) |
| Additional for the year | 11,434,952 | 410,000 | 11,852 | 4,260 | 11,861,064 |
| At June 30, 2018 | <u>11,434,952</u> | <u>410,000</u> | <u>14,657</u> | <u>85,532</u> | <u>11,945,141</u> |
| Aggregate depreciation | | | | | |
| At July 1, 2017 | 620,741 | 52,720 | 2,805 | 77,217 | 753,483 |
| Charge for the year | 394,309 | 82,000 | 2,370 | 3,717 | 482,396 |
| Disposal for the year | (620,741) | (52,720) | -- | -- | (673,461) |
| At June 30, 2018 | <u>394,309</u> | <u>82,000</u> | <u>5,175</u> | <u>80,934</u> | <u>562,418</u> |
| Carrying amount | | | | | |
| At June 30, 2018 | <u>11,040,643</u> | <u>328,000</u> | <u>9,482</u> | <u>4,598</u> | <u>11,382,723</u> |
| Cost | | | | | |
| At June 30, 2018 and 2019 | <u>11,434,952</u> | <u>410,000</u> | <u>14,657</u> | <u>85,532</u> | <u>11,945,141</u> |
| Aggregate depreciation | | | | | |
| At July 1, 2018 | 394,309 | 82,000 | 5,175 | 80,934 | 562,418 |
| Charge for the year | <u>394,309</u> | <u>82,000</u> | <u>2,371</u> | <u>2,041</u> | <u>480,721</u> |
| At June 30, 2019 | <u>788,618</u> | <u>164,000</u> | <u>7,546</u> | <u>82,975</u> | <u>1,043,139</u> |
| Carrying amount | | | | | |
| At June 30, 2019 | <u>10,646,334</u> | <u>246,000</u> | <u>7,111</u> | <u>2,557</u> | <u>10,902,002</u> |

The Charity's land and buildings are situated in Hong Kong and are held under medium-term lease.

10. OTHER LOAN

| 2019 <i>HK\$</i> | 2018 <i>HK\$</i> |
|---------------------|---------------------|
| <u>400,000</u> | <u>800,000</u> |

The Charity's loans from 3rd parties are not secured and not repayable within twelve months.

RAPHA FOUNDATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

11. FINANCIAL RISK MANAGEMENT

The Charity is exposed to various kinds of risks in its operation and financial instruments. The Charity's risk management objectives and policies mainly focus on minimizing the potential adverse effects of these risks on the charity by closely monitoring the individual exposure as follows:

Market risk and currency risk

The Charity seldom involves in purchasing and selling of foreign currencies. The exposure currency risk is considered not significant.

Liquidity risk

The Charity manages its funds conservatively by maintaining a comfortable level of cash and cash equivalents in order to meet continuous operational need.

The table below summaries the maturity profile of the Charity's financial liabilities at June 30 based on contractual undiscounted payments including interest payments computed using contractual rates or, if floating, based on rates current at the reporting date.

| As at June 30, 2019 | On demand HK\$ | Less than 3 months HK\$ | 3 to 12 months HK\$ | 1 to 5 years HK\$ | Over 5 years HK\$ | Total HK\$ |
|----------------------------|----------------------|-------------------------------|---------------------------|-------------------------|-------------------------|----------------|
| Other loan | -- | -- | 400,000 | -- | -- | 400,000 |
| Accruals and other payable | 70,481 | -- | -- | -- | -- | 70,481 |
| | <u>70,481</u> | <u>--</u> | <u>400,000</u> | <u>--</u> | <u>--</u> | <u>470,481</u> |
| As at June 30, 2018 | On demand HK\$ | Less than 3 months HK\$ | 3 to 12 months HK\$ | 1 to 5 years HK\$ | Over 5 years HK\$ | Total HK\$ |
| Other loan | -- | -- | -- | 800,000 | -- | 800,000 |
| Accruals and other payable | 106,103 | -- | -- | -- | -- | 106,103 |
| | <u>106,103</u> | <u>--</u> | <u>--</u> | <u>800,000</u> | <u>--</u> | <u>906,103</u> |

Cash flow interest rate risk

The Charity's exposure on cash flow interest rate risk mainly arises from its deposits with banks and cash and cash equivalents and the exposure of which is considered not significant.

RAPHA FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

11. FINANCIAL RISK MANAGEMENT (CONTINUED)

Fair value

The carrying amounts of the Charity's financial assets and financial liabilities as reflected in the statement of financial position approximate their respective fair values.

12. FINANCIAL INSTRUMENTS CATEGORIES

| | 2019 | 2018 |
|---|----------------|----------------|
| | HK\$ | HK\$ |
| Financial assets: | | |
| Financial assets at amortised cost | <u>931,223</u> | <u>546,918</u> |
| Financial liabilities: | | |
| Financial liabilities at amortised cost | <u>470,481</u> | <u>906,103</u> |