



**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF THE DUTY LAWYER SERVICE**
(incorporated in Hong Kong with liability limited by guarantee)

Opinion

We have audited the financial statements of The Duty Lawyer Service ("the Service") set out on pages 93 to 112, which comprise the statement of financial position as at 31st March, 2017, and the statement of income and expenditure and other comprehensive income, statement of changes in reserves and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of the Service as at 31st March, 2017 and of its financial performance and 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 Service 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 council members are responsible for the other information. The other information comprises the information included in the Report of the Council, 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.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE DUTY LAWYER SERVICE

(incorporated in Hong Kong with liability limited by guarantee)
(Continued)

Council Members' responsibility for the financial statements

The council members 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 council member 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 council members are responsible for assessing the Service'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 council members either intend to liquidate the Service or to cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibilities

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. This report is made solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance (Cap. 622), 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 HKSAs 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 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 Service's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the council members.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE DUTY LAWYER SERVICE

(incorporated in Hong Kong with liability limited by guarantee)

(Continued)

Auditor's responsibilities (Cont'd)

- Conclude on the appropriateness of the council 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 Service'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 Service 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 represent 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.

Paul W. C. Ho & Company

Certified Public Accountants (Practising)

Hong Kong

13th July, 2017



**THE DUTY LAWYER SERVICE
(LIMITED BY GUARANTEE)**

STATEMENT OF FINANCIAL POSITION AS AT 31ST MARCH, 2017

	<u>NOTES</u>	<u>2017</u> HK\$	<u>2016</u> HK\$
CURRENT ASSETS			
Accounts receivable			
– Care or Protection Proceedings Scheme	10/13(a)	434,929	395,045
Accounts receivable			
– Convention Against Torture & Non-Refoulement Claims Scheme	10/14(a)	17,820,356	22,946,335
Accounts receivable – Free Legal Advice Scheme	10/15(a)	72,900	45,000
Deposits and prepayments	10	3,179,201	3,451,289
Fixed deposits with banks	16	17,600,000	10,000,000
Other bank balances and cash	16	3,565,828	4,765,121
		<u>42,673,214</u>	<u>41,602,790</u>
DEDUCT: CURRENT LIABILITIES			
Legal fee payable	11	5,237,120	4,304,400
Legal fee payable and accruals			
– Care or Protection Proceedings Scheme	11/13(a)	132,620	108,697
Legal fee payable and accruals			
– Convention Against Torture & Non-Refoulement Claims Scheme	11/14(a)	4,022,478	12,174,280
Legal fee payable and accruals			
– Free Legal Advice Scheme	11/15(a)	43,500	45,000
Accounts payable and accruals	11	1,002,183	2,695,690
Accrued liabilities for untaken leave of employees	18	20,032,901	18,552,815
		<u>30,470,802</u>	<u>37,880,882</u>
TOTAL NET ASSETS		<u>12,202,412</u>	<u>3,721,908</u>
REPRESENTING:- RESERVES	12	<u>12,202,412</u>	<u>3,721,908</u>

The notes on pages 97 to 112 form an integral part of these financial statements.

The financial statements were approved and authorised for issue by the Council on 13th July, 2017.

Yeung Man Chung, Charles
Council Member

Tse Wah Yuen, Joseph
Council Member

Grace S. Wong
Administrator



**THE DUTY LAWYER SERVICE
(LIMITED BY GUARANTEE)**

**STATEMENT OF INCOME AND EXPENDITURE
AND OTHER COMPREHENSIVE INCOME**

FOR THE YEAR ENDED 31ST MARCH, 2017

	<u>NOTES</u>	<u>2017</u> HK\$	<u>2016</u> HK\$
OPERATING INCOME	6	135,972,100	124,227,650
OTHER INCOME		<u>184,303</u>	<u>135,683</u>
TOTAL INCOME		136,156,403	124,363,333
LEGAL COST		(60,285,367)	(65,925,823)
ADMINISTRATIVE EXPENSES		<u>(67,390,532)</u>	<u>(60,712,302)</u>
SURPLUS/(DEFICIT) FOR THE YEAR	7	8,480,504	(2,274,792)
OTHER COMPREHENSIVE INCOME FOR THE YEAR		<u>---</u>	<u>---</u>
TOTAL COMPREHENSIVE SURPLUS/ (DEFICIT) FOR THE YEAR		<u>8,480,504</u>	<u>(2,274,792)</u>

The notes on pages 97 to 112 form an integral part of these financial statements.



THE DUTY LAWYER SERVICE
(LIMITED BY GUARANTEE)

STATEMENT OF CHANGES IN RESERVES

FOR THE YEAR ENDED 31ST MARCH, 2017

	Capital reserve	Revenue reserve	Government reserve	Total
	HK\$	HK\$	HK\$	HK\$
At 1/4/2015	3,226,117	2,770,583	3,136,413	9,133,113
Deficit for the year	---	(2,274,792)	---	(2,274,792)
Amount transferred to recurrent subvention	---	---	(3,136,413)	(3,136,413)
At 31/3/2016 and 1/4/2016	3,226,117	495,791	---	3,721,908
Surplus for the year	---	8,480,504	---	8,480,504
At 31/3/2017	<u>3,226,117</u>	<u>8,976,295</u>	<u>---</u>	<u>12,202,412</u>

The notes on pages 97 to 112 form an integral part of these financial statements.



THE DUTY LAWYER SERVICE
(LIMITED BY GUARANTEE)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST MARCH, 2017

	2017	2016
	HK\$	HK\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus/(deficit) for the year	8,480,504	(2,274,792)
Adjustments for:		
Amount transferred to recurrent subvention from		
Government reserve	---	(3,136,413)
Interest income	<u>(59,997)</u>	<u>(66,534)</u>
	8,420,507	(5,477,739)
Decrease/(increase) in accounts receivable	5,058,195	(5,178,587)
Decrease/(increase) in deposits and prepayments	272,088	(541,700)
(Decrease)/increase in legal fee payable, accounts payable and accruals	(8,890,166)	(4,901,893)
Increase in accrued liabilities for untaken leave of employees	<u>1,480,086</u>	<u>1,157,096</u>
CASH GENERATED FROM/(USED IN) OPERATIONS	6,340,710	(14,942,823)
Interest received	<u>59,997</u>	<u>66,534</u>
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	<u>6,400,707</u>	<u>(14,876,289)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	6,400,707	(14,876,289)
CASH AND CASH EQUIVALENTS AT 1/4/2016 (Note 16)	<u>14,765,121</u>	<u>29,641,410</u>
CASH AND CASH EQUIVALENTS AT 31/3/2017 (Note 16)	<u><u>21,165,828</u></u>	<u><u>14,765,121</u></u>

The notes on pages 97 to 112 form an integral part of these financial statements.



THE DUTY LAWYER SERVICE (LIMITED BY GUARANTEE)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2017

(1) GENERAL INFORMATION

The Law Society Legal Advice and Duty Lawyer Schemes were incorporated in Hong Kong under the predecessor Hong Kong Companies Ordinance (Cap. 32) as The Duty Lawyer Service (the “Service”) on 17th August, 1993 as a company limited by guarantee and with no share capital. The registered office of the Service is located at Suites 808-809, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong.

The principal activities of the Service during the year were operation of the Duty Lawyer Scheme, the Free Legal Advice Scheme, the Tel-Law Scheme, the Care or Protection Scheme and the CAT & Non-Refoulement Claims Scheme.

The Service is fully subvented by the Hong Kong Special Administrative Region Government (“the Government”) and is independently managed and administered jointly by the Hong Kong Bar Association and the Law Society of Hong Kong through the Council of the Service.

(2) STATEMENT OF COMPLIANCE WITH HONG KONG FINANCIAL REPORTING STANDARDS

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), the collective term which 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”) and accounting principles generally accepted in Hong Kong and requirements of the Hong Kong Companies Ordinance. A summary of the significant accounting policies adopted by the Service is set out in Note 3.

In 2017, the Service has initially applied the new and revised HKFRSs issued by the HKICPA that are first effective for accounting periods beginning on or after 1st January, 2016. A summary of the changes in accounting policies resulting from the Service’s application of these HKFRSs is set out in Note 4.



(3) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

These financial statements have been prepared in conformity with the principles applicable to a going concern as the Service is an organisation fully subvented by the Government.

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

(b) ACCOUNTS RECEIVABLE, DEPOSITS AND PREPAYMENTS

Accounts receivable, deposits and prepayments are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less impairment losses, if any. At the end of each reporting period, the Service assesses whether there is any objective evidence that a receivable or group of receivables is impaired. The objective evidence includes observable data that the Service will not be able to collect all amounts due according to the original terms of receivables. The amount of the impairment loss 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 amount of the impairment loss is recognised in the statement of income and expenditure and other comprehensive income.

(c) ACCOUNTS PAYABLE, LEGAL FEE PAYABLE AND ACCRUALS

Accounts payable, legal fee payable and accruals are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, unless the effect of discounting is immaterial, in which case they are stated at cost.

(d) PROVISIONS AND CONTINGENT LIABILITIES

Provisions are recognised for liabilities of uncertain timing or amount when the Service has a present 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 of the amount of obligation can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are stated at the present value of the expenditures expected to be required 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.



(3) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Service and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the statement of income and expenditure and other comprehensive income as follows:

- (i) Subvention income is recognised when the approval has been given by the Government and there is reasonable assurance that the subvention income will be received.
- (ii) Handling fee income arising from handling defendant cases are accounted for when the services are rendered.
- (iii) Interest income is recognised as it accrues using the effective interest method.

(f) OPERATING LEASES

Leases which do not transfer substantially all the risks and rewards of ownership of assets to the Service are classified as operating leases.

Payments made under operating leases are charged to the statement of income and expenditure and other comprehensive income in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset.



(3) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) RELATED PARTIES

- (i) A person, or a close member of that person's family, is related to the Service if that person:
 - (a) has control or joint control over the Service;
 - (b) has significant influence over the Service; or
 - (c) is a member of the key management personnel of the Service.

- (ii) An entity is related to the Service if any of the following conditions applies:
 - (a) The entity is a post-employment benefit plan for the benefit of employees of either the Service or an entity related to the Service.
 - (b) The entity is controlled or jointly controlled by a person identified in Note (3)(g)(i).
 - (c) A person identified in note (3)(g)(i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (d) The entity, or any member of a group of which it is a part, provides key management personnel services to the Service.

(h) EMPLOYEE BENEFITS

Salaries, housing allowance, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Service. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(i) 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 and form an integral part of the Service's cash management are included as a component of cash and cash equivalents.



(4) CHANGES IN ACCOUNTING POLICIES

In the financial statements of 2017, the Service has initially applied the new and revised HKFRSs issued by the HKICPA that are first effective for accounting periods beginning on or after 1st January, 2016, including:

- Annual Improvements to HKFRSs 2012-2014 Cycle
- HKAS 1 (Amendment) Disclosure Initiative
- Amendments to HKAS 16 and HKAS 38 (Amendment) Clarification of Acceptable Methods of Depreciation and Amortisation

The application of the new and revised HKFRSs has no material effects on the Service's financial performance and positions.

(5) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Service makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. There are no estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

(6) OPERATING INCOME

	<u>2017</u>	<u>2016</u>
	HK\$	HK\$
Operating income represents recurrent subvention from the Government and handling fee income and is analysed as follows:		
Recurrent subvention	133,811,000	122,025,000
Handling fee income	<u>2,161,100</u>	<u>2,202,650</u>
	<u>135,972,100</u>	<u>124,227,650</u>



(7) SURPLUS/(DEFICIT) FOR THE YEAR

	2017	2016
	HK\$	HK\$
Surplus/(Deficit) for the year is arrived at after charging:		
Auditors' remuneration	80,000	82,500
Minimum lease payments on properties under operating leases	3,958,222	3,314,482
Less: Amount reimbursed by CAT & Non-Refoulement Claims Scheme (Note 14)	<u>(1,513,450)</u>	<u>(1,418,290)</u>
Amount charged to statement of income and expenditure and other comprehensive income	2,444,772	1,896,192
Employee benefit expenses:		
Contributions to defined contribution retirement plans	9,753,653	8,967,603
Less: Amount reimbursed by CAT & Non-Refoulement Claims Scheme (Note 14)	(3,622,444)	(3,256,097)
Amount reimbursed by C or P Scheme (Note 13)	<u>(330,629)</u>	<u>(300,127)</u>
Amount charged to statement of income and expenditure and other comprehensive income	5,800,580	5,411,379
Salaries, allowances and other employee benefits	85,215,518	78,770,280
Less: Amount reimbursed by CAT & Non-Refoulement Claims Scheme (Note 14)	(33,550,658)	(30,786,862)
Amount reimbursed by C or P Scheme (Note 13)	<u>(2,659,088)</u>	<u>(2,487,030)</u>
Amount charged to statement of income and expenditure and other comprehensive income	49,005,772	45,496,388
Net increase in accrued liabilities for untaken leave of employee	<u>1,480,086</u>	<u>1,157,096</u>
and after crediting:-		
Interest income	<u>59,997</u>	<u>66,534</u>



(8) DISCLOSURE OF BENEFITS AND INTERESTS OF COUNCIL MEMBERS PURSUANT TO THE HONG KONG COMPANIES ORDINANCE

(A) Council members' emoluments

Remuneration of the council members of the Service disclosed pursuant to Section 383(1) of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

	<u>2017</u>	<u>2016</u>
	HK\$	HK\$
Fees and other emoluments	---	---

(B) Material interests of council members in transactions, arrangements or contracts

There were no transactions, arrangements or contracts of significance entered into or subsisted during the year to which the Service was a party and in which a council member of the Service had, directly or indirectly, a material interest.

(9) TAXATION

The Service has been granted tax exemption under Section 88 of the Hong Kong Inland Revenue Ordinance. Accordingly, no provision for Hong Kong profits tax is required to be made.

(10) ACCOUNTS RECEIVABLE, DEPOSITS AND PREPAYMENTS

Accounts receivable, deposits and prepayments are expected to be recovered within one year and as the discounting effect will be immaterial, their carrying amounts are reasonable approximations of their fair values.

(11) ACCOUNTS PAYABLE, LEGAL FEE PAYABLE AND ACCRUALS

Accounts payable, legal fee payable and accruals are due to be settled within one year and as the discounting effect will be immaterial, their carrying amounts are reasonable approximations of their fair values.



(12) RESERVES

	Capital reserve (Note a) HK\$	Revenue reserve (Note b) HK\$	Government reserve (Note c) HK\$	Total HK\$
At 1/4/2015	3,226,117	2,770,583	3,136,413	9,133,113
Deficit and total comprehensive deficit for the year	---	(2,274,792)	---	(2,274,792)
Amount transferred to recurrent subvention	---	---	(3,136,413)	(3,136,413)
At 31/3/2016 and 1/4/2016	3,226,117	495,791	---	3,721,908
Surplus and total comprehensive surplus for the year	---	8,480,504	---	8,480,504
At 31/3/2017	<u>3,226,117</u>	<u>8,976,295</u>	<u>---</u>	<u>12,202,412</u>

Notes:

- (a) The Capital reserve represents the fair value of the net assets of The Law Society Legal Advice and Duty Lawyer Schemes which were transferred to the Service on the date of its incorporation for no consideration.
- (b) The Revenue reserve represents the accumulated surplus or deficit generated by the Service. The accumulated surplus is restricted to a maximum amount that can be carried by the Service in accordance with the terms of the Memorandum of Administrative Arrangements issued by the Government from time to time.
- (c) The Government reserve represents the excess surplus transferred from Revenue reserve and will be transferred to the subvention account as instructed by the Government.



(13) LEGAL REPRESENTATION SCHEME FOR CHILDREN/JUVENILES IN CARE OR PROTECTION PROCEEDINGS

- (a) The balances represent the receivable and payable on behalf of the Legal Representation Scheme for Children/Juveniles in Care or Protection Proceedings (“C or P Scheme”).
- (b) The Service received subvention from the Labour and Welfare Bureau of the Government and paid the related expenses on their behalf for the running of the C or P Scheme. The relevant subvention and expenditures for the year are as follows:

	<u>2017</u> HK\$	<u>2016</u> HK\$
Subvention – C or P Scheme	4,396,724	4,428,846
Capital expenditure	---	---
Personal emoluments	(2,989,717)	(2,787,157)
Legal cost and operating cost	<u>(1,407,007)</u>	<u>(1,641,689)</u>
	<u>---</u>	<u>---</u>

- (c) Apart from the above, the Labour and Welfare Bureau also paid an amount of HK\$290,638 (2016: HK\$271,370) to the Home Affairs Bureau for their share of the common costs in operation of the C or P Scheme and the Service’s schemes subvented by the Home Affairs Bureau.



(14) LEGAL ASSISTANCE SCHEME FOR CAT & NON-REFOULEMENT CLAIMS SCHEME

- (a) The balances represent the receivable and payable on behalf of the Legal Assistance Scheme for CAT & Non-Refoulement Claims Scheme.
- (b) The Service received subvention from the Home Affairs Bureau of the Government and paid the related expenses on their behalf for the running of the CAT & Non-Refoulement Claims Scheme. The relevant subvention and expenditures for the year are as follows:

	<u>2017</u> HK\$	<u>2016</u> HK\$
Subvention		
– CAT & Non-Refoulement Claims Scheme	114,446,631	109,540,769
Litigation costs for judicial review cases recovered	---	675,600
Capital expenditure	---	(875,085)
Personal emoluments	(37,173,102)	(34,042,959)
Legal cost and operating cost	<u>(77,273,529)</u>	<u>(75,298,325)</u>
	<u>---</u>	<u>---</u>

(15) FREE LEGAL ADVICE SCHEME

- (a) The balances represent the receivable and payable on behalf of the Free Legal Advice Scheme (“FLAS Scheme”).
- (b) The Service received volunteer lawyers allowances from the Home Affairs Bureau of the Government and paid the allowances to the volunteer lawyers on their behalf for the running of the FLAS Scheme. The amount of allowances received and paid for the year are as follows:

	<u>2017</u> HK\$	<u>2016</u> HK\$
Reimbursement of volunteer lawyers allowances for the FLAS Scheme	443,700	442,200
Volunteer lawyers allowances	<u>(443,700)</u>	<u>(442,200)</u>
	<u>---</u>	<u>---</u>



(16) CASH AND CASH EQUIVALENTS

	<u>2017</u> HK\$	<u>2016</u> HK\$
Fixed deposits with banks	17,600,000	10,000,000
Other bank balances and cash	<u>3,565,828</u>	<u>4,765,121</u>
	<u>21,165,828</u>	<u>14,765,121</u>

(17) FINANCIAL INSTRUMENTS

Exposure to currency, credit, liquidity and interest rate risks arises in the normal course of the Service's business. These risks are limited by the Service's financial management policies and practices described below:

(i) Foreign currency risk

The Service has no foreign currency risk as the Service has no significant foreign currency assets and liabilities at the end of the reporting period.

(ii) Credit risk

The Service's principal financial assets are fixed deposits, bank balances and accounts receivable.

The credit risk on liquid funds is limited because the counterparty is an authorised financial institution listed in the Hong Kong Stock Exchange and regulated under the Hong Kong Banking Ordinance.

The Service's credit risk is primarily attributable to its accounts receivable and the amount is stated in the statement of financial position.



(17) FINANCIAL INSTRUMENTS (CONT'D)

(iii) Liquidity risk

The table below summarises the maturity profile of the Service's financial liabilities at the end of each reporting period based on contractual undiscounted payments.

	Within <u>1 year</u> HK\$	2 nd to 5 th <u>years</u> HK\$	<u>Total</u> HK\$
<u>2017</u>			
Legal fee payable	5,237,120	---	5,237,120
Legal fee payable and accruals			
- Care or Protection Proceedings Scheme	132,620	---	132,620
Legal fee payable and accruals	---		
- CAT & Non-Refoulement Claims Scheme	4,022,478	---	4,022,478
Legal fee payable and accruals			
- Free Legal Advice Scheme	43,500	---	43,500
Accounts payable and accruals	1,002,183	---	1,002,183
Accrued liabilities for untaken leave of employees	20,032,901	---	20,032,901
	<u>30,470,802</u>	<u>---</u>	<u>30,470,802</u>
	Within <u>1 year</u> HK\$	2 nd to 5 th <u>years</u> HK\$	<u>Total</u> HK\$
<u>2016</u>			
Legal fee payable	4,304,400	---	4,304,400
Legal fee payable and accruals			
- Care or Protection Proceedings Scheme	108,697	---	108,697
Legal fee payable and accruals	---		
- CAT & Non-Refoulement Claims Scheme	12,174,280	---	12,174,280
Legal fee payable and accruals			
- Free Legal Advice Scheme	45,000	---	45,000
Accounts payable and accruals	2,695,690	---	2,695,690
Accrued liabilities for untaken leave of employees	18,552,815	---	18,552,815
	<u>37,880,882</u>	<u>---</u>	<u>37,880,882</u>



(17) FINANCIAL INSTRUMENTS (CONT'D)

(iv) Interest rate risk

The Service's exposure to interest rate risk relates primarily to the Service's cash holdings. The Service manages its interest rate exposure on certain cash holdings through placing them into fixed rate savings accounts.

The following table demonstrates the sensitivity to a reasonable change in interest rates, with all other variables held constant, of the Service's surplus (through the impact on cash in banks which earns interest at floating rates).

	Increase/ (decrease) in basis point	Increase/ (decrease) in surplus HK\$	Increase/ (decrease) in equity HK\$
<u>2017</u> HKD	100/(100)	176,000/(176,000)	176,000/(176,000)
	Increase/ (decrease) in basis point	Increase/ (decrease) in surplus HK\$	Increase/ (decrease) in equity HK\$
<u>2016</u> HKD	100/(100)	100,000/(100,000)	100,000/(100,000)



(18) ACCRUED LIABILITIES FOR UNTAKEN LEAVE OF EMPLOYEES

	<u>2017</u> HK\$	<u>2016</u> HK\$
Accrued liabilities for untaken leave of employees	<u>20,032,901</u>	<u>18,552,815</u>

The accrued liabilities for untaken leave of employees is calculated with reference to the accumulated untaken leave entitled by the employees and based on the applicable salary and allowances and the amount of contributions payable to the defined contribution retirement plan.

(19) OPERATING LEASE COMMITMENTS

At 31st March, 2017, the Service had total future minimum lease payments in respect of land and buildings under non-cancellable operating leases which are payable as follows:

	<u>2017</u> HK\$	<u>2016</u> HK\$
Not later than one year	3,291,080	2,886,860
Later than one year and not later than five years	<u>6,027,054</u>	<u>68,538</u>
	<u>9,318,134</u>	<u>2,955,398</u>



(20) RESERVES MANAGEMENT

The Duty Lawyer Service is an organisation fully subvented by the Government. The Service is a company with liability limited by guarantee and its capital structure comprises of all the reserves as detailed in Note (12) above.

The Service's primary objectives when managing reserves are to safeguard the Service's ability to continue as a going concern, so that it can continue to maintain the government subvented operations of the legal assistance schemes. The Governing Council of the Service meets regularly to oversee and direct the Service's operations generally, formulate and review existing policy so as to ensure that the Service effectively and efficiently operates these schemes.

As in prior years, the Service maintains the amount of reserves according to their designated purposes, which comprises of all capital reserve, revenue reserve and government reserve. According to the Memorandum of Administrative Arrangements between the Government and the Duty Lawyer Service, the total cumulative reserve carried by the Service shall not exceed fifteen percent (15%) of the approved annual recurrent subvention in that year. If at the end of a financial year the level of reserve exceeds the approved level, the excess amount will be, at the direction of the Government, netted off against the following year's subvention.

The reserves of the Service at 31st March, 2017 amounted to HK\$12,202,412 (2016: HK\$3,721,908). Movements of the reserves of the Service are detailed in Note (12) above.



(21) HONG KONG FINANCIAL REPORTING STANDARDS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31ST MARCH, 2017

HKFRSs that have been issued but are not yet effective for the year include the following HKFRSs which may be relevant to the Service's operations and financial statements:

	Effective for accounting periods beginning on or after
Amendments to HKAS 7, <i>Statement of cash flows: Disclosure initiative</i>	1 st January, 2017
HKFRS 9, <i>Financial instruments</i>	1 st January, 2018
HKFRS 15, <i>Revenue from contracts with customers</i>	1 st January, 2018
HKFRS 16, <i>Leases</i>	1 st January, 2019

The Service has not early adopted these HKFRSs. Initial assessment has indicated that the adoption of these HKFRSs would not have a significant impact on the Service's financial statements in the year of initial application. The Service will be continuing with the assessment of the impact of these HKFRSs and other significant changes may be identified as a result.