

Report of the Directors and Audited Financial Statements

WORLD VISION HONG KONG
香港世界宣明會

30 September 2020



WORLD VISION HONG KONG
香港世界宣明會

CONTENTS

	Pages
REPORT OF THE DIRECTORS	1 - 5
INDEPENDENT AUDITOR'S REPORT	6 - 8
AUDITED FINANCIAL STATEMENTS	
Statement of comprehensive income	9
Statement of financial position	10 - 11
Statement of changes in equity	12
Statement of cash flows	13 - 14
Notes to financial statements	15 - 46

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of World Vision Hong Kong 香港世界宣明會 (the "Organisation") for the year ended 30 September 2020.

Principal activity

The principal activity of the Organisation is fundraising for charitable purposes. There was no significant change in the nature of the Organisation's principal activity during the year.

Share capital

The Organisation was incorporated under the laws of Hong Kong as a company limited by guarantee and not having a share capital. The details of the liability of its members are set out in note 1 to the financial statements.

Directors

The directors of the Organisation during the year were:

Ho Yin Fong, Julian	
Leung Kit Kan, Ingrid	
Lo Kwan Yee	
Lo Wai Sang	
Lu Yuen Shun, Joseph	
Tsang Enian	
Yeung Benjamin	
Chan Chiu Kong, Edmond	(retired and re-elected on 17 December 2019)
Du Ming Han*	(retired and re-elected on 17 December 2019)
Yuen Sui See	(retired and re-elected on 17 December 2019)
Tang Hing Lun, Helen	(retired on 18 December 2019)
Chan Sze Tong	(appointed on 1 July 2020)

* Du Ming Han is representing the President & Chief Executive Officer of World Vision International ("WVI") in the Organisation's board.

In accordance with the Organisation's new articles of association adopted on 14 June 2010, every director shall be elected for a term of three years. A retiring director shall be eligible for re-election save that a retiring director who has or shall have, immediately preceding his retirement, already served as a director for nine or more consecutive years shall not be eligible for re-election. The restriction on the eligibility for re-election as a director shall not apply where the person is a member of the board of directors of WVI.

REPORT OF THE DIRECTORS (continued)

Directors' interests in transactions, arrangements or contracts

No director had a material beneficial interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Organisation to which the Organisation was a party during the year.

International relief and community development expenditure

During the year, HK\$678,083,185 (2019: HK\$773,044,041) was transferred in the form of cash for the purpose of funding of international relief and community development projects via World Vision International member organisations.

Business Review

Objectives

World Vision Hong Kong ("the Organisation") is a Christian humanitarian organisation working to create lasting change in the lives of children, families and communities living in poverty. The Organisation serves all people regardless of religion, race, ethnicity or gender. As followers of Jesus, the Organisation is dedicated to working with the world's most vulnerable people.

The Organisation focuses on children, because when they are fed, sheltered, schooled, protected, valued and loved, a community thrives. The Organisation also promotes public awareness of global issues such as poverty, hunger, health and child rights.

Our Work

Community Development Programmes

The Organisation works with families, communities, and other World Vision offices in different continents and regions, including Africa, Asia, Latin America, the Middle East and Eastern Europe to implement community development programmes to ensure that children enjoy good health, are educated for life, experience the love of God and love from their neighbours.

Emergency Relief

The Organisation works with other World Vision offices to promptly respond with emergency assistance to the affected people by providing basic necessities required to meet their urgent needs and psychological counselling for survivors in the short-term, and carrying out long-term rehabilitation projects to help them regain their livelihoods and rebuild their communities.

Public Education

The educational services provided by the Organisation aim to raise public awareness of the needs of people living in poverty. The Organisation conducts a wide variety of education activities in schools and churches such as talks, Famine events, educational resources and study trips to encourage students and people in church to understand the needs of the poor. The study trips provide opportunities for participants to take a closer look at the needs of the poor around the world, interact with the poor and gain a new perspective of their life.

REPORT OF THE DIRECTORS (continued)

Business Review (continued)

Financial Performance

The total income of HK\$846 million for 2020 was 9.4% or HK\$87.9 million less than in 2019. It was mainly due to the decrease in grants for emergency relief from the HKSAR government and donations from the public and international relief and development organisations during the year.

Key Financial Performance

- Donations from the public for aid and development programmes amounted to HK\$697 million this year, which was decreased by 8.2% or HK\$62.6 million from last year.
- Donations from the public for emergency relief amounted to HK\$19 million this year, which was decreased by 6.3% or HK\$1.3 million from last year.
- Grants from the HKSAR government for emergency relief amounted to HK\$7 million this year, which was decreased by 76.9% or HK\$21.9 million from last year.
- Donations from international relief and development organisations amounted to HK\$20 million this year, which was decreased by 30.3% or HK\$8.7 million from last year.
- Gifts-in-kind received for relief amounted to HK\$101 million this year, which was increased by 7% or HK\$6.6 million from last year.
- Funds allocated for international relief and community development programmes were close to HK\$779 million, representing 92.1% of the total income.
- Public education expenditure was HK\$10 million, representing 1.2% of the total income.
- Fundraising cost was HK\$30 million, representing 3.6% of the total income.
- Administration cost was HK\$20 million, representing 2.4% of the total income.

A major economic downturn has been recorded in 2020 due to the impacts resulted from the local socio-political situation and COVID-19 pandemic. As a result, fundraising and public engagement activities have been negatively affected. Notwithstanding the Organisation was able to maintain a stable income to support and meet the ministry needs this year, the next fiscal year is expected to be very challenging to the Organisation amid the recent worsening economic sentiment.

Emergency Relief

Donations received from the public for emergency relief were mainly for the Organisation's responses to the COVID-19 pandemic, hunger in Africa and the explosion in Beirut, Lebanon.

Grants from the HKSAR government for emergency relief mainly included the grants for the Organisation's responses to floods in South China and cyclones in India.

Funds Allocation

The Organisation supported 277 projects in 35 countries around the world in 2020, including 106 Area Development Programmes (ADPs) across 26 countries, 95 short- to mid- term projects and 76 relief and rehabilitation projects in different areas.

The Organisation strives to be a good steward of donations, endeavouring to make sure every dollar is well accounted for. In the 2020 financial year, 92.8% of the total income was allocated to international relief and community development programmes. Administration and fundraising costs accounted for 2.4% and 3.6% respectively of the total income, with the remaining 1.2% spent on public education.

REPORT OF THE DIRECTORS (continued)

Business Review (continued)

The Organisation committed HK\$759 million to aid and development projects, in which HK\$658 million was in the form of cash and HK\$101 million was gifts-in-kind. It mainly supported the projects through Child Sponsorship, World Vision China Partners and World Vision Partners to improve the lives of children and assist children and families in distress.

Besides this, the Organisation committed about HK\$25 million to relief and rehabilitation projects to assist people affected by the COVID-19 pandemic, as well as disasters including cyclones in India, floods in China, hunger in Africa, the Syrian Refugee Crisis and the explosion in Lebanon.

Reserves and Surplus Funds

The Organisation commits reserves to international relief and community development projects according to the wishes of its donors. While the surplus is generated from cost savings, that is under-budget spending of operating expenditure, we can utilise the surplus as undesignated funds for local or international ministry projects without sufficient sources of donations. The Organisation keeps its reserves to finance its operation for around 50 days.

Resource Governance

Fund and Project Management

The Organisation has rigorous procedures to manage project funding and ensure the proper use of donations. Before supporting a project, the Organisation ensures the availability of ministry funding and appraises the project plans and budgets based on needs assessments. All funding and budget commitments follow the Organisation's standard policies and procedures, and are monitored by the World Vision International office in the project country. After a project is completed, an evaluation is performed to assess the effectiveness and efficiency of the project for future improvement.

Cost Control

The Organisation's operations are bound by strict cost controls, internal policies and procedures on expenditure are in place in an endeavour to ensure that every dollar raised is properly used.

Administration costs accounted for 2.4% of the Organisation's total income. It represents expenses contributed to Organisation's general management, administration, finance, communication and information technology, which is in line with WiseGiving's recommendations on the administrative cost of a charity.

For donations, excluding governmental grants, towards an emergency appeal, the Organisation would only charge direct fundraising cost against the revenue. For governmental grants, the Organisation would not charge any cost against the grants.

Internal Control

An Audit Committee has been set up by the Board of Directors of World Vision Hong Kong. The Committee comprises three members and its membership is reviewed every two years by the Board. The Committee considers the appointment and the audit fee of the external auditor, discusses internal and external audit matters, and reviews the annual financial statements and internal control system. The Committee also evaluates risk management practices and related processes under the Organisation's risk management framework for effectiveness.

REPORT OF THE DIRECTORS (continued)

Business Review (continued)

The World Vision International Office and the project offices around the world have established their own internal audit departments. The mission of internal audit is to enhance and protect organisational values by providing risk-based and objective assurance, advice and insight. This includes ensuring ministry quality and the proper use of funds, and that internal monitoring mechanisms are properly in place. In general, risk-based integrated audits are conducted at least annually on auditable entities including project offices. The audits are based on the results of an annual risk assessment. The Organisation has also established an internal audit function for over ten years to strengthen internal control and improve cost efficiency and effectiveness.

Green Policy

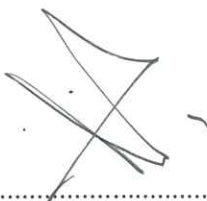
We have seen the effects of climate change and environmental degradation in the countries where we work. We acknowledge that our activities may have an impact on the global environment and that we can modify our operations to reduce the harm to the environment and increase our positive environmental impact. We are committed to improving our environmental performance and reducing our organisational contribution to climate change and environmental degradation. We adopt the following guidelines in pursuance of this commitment:

- We seek to comply with the applicable environmental legislation, standards and regulations;
- We seek to make a positive impact on the environment through developing and implementing an effective green policy aiming at an efficient use of energy and other natural resources and minimising waste or pollution arising from our activities;
- We seek to engage our staff and volunteers in encouraging participation in environmental sustainability;
- We seek to encourage our supporters, suppliers and contractors to adopt similar environmental standards.

Auditor

Ernst & Young retire and a resolution for their reappointment as auditor of the Organisation will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD



.....
Yuen Sui See
Chairman

Hong Kong
16 December 2020



Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

安永會計師事務所
香港中環添美道1號
中信大廈22樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

Independent auditor's report

To the members of World Vision Hong Kong 香港世界宣明會

(Incorporated in Hong Kong and limited by guarantee)

Opinion

We have audited the financial statements of World Vision Hong Kong (the "Organisation") set out on pages 9 to 46, which comprise the statement of financial position as at 30 September 2020, and the statement of comprehensive income, the statement of changes in equity and the 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 Organisation as at 30 September 2020, 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 Organisation 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 directors are responsible for the other information. The other information comprises the information included in the report of the directors.

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 the directors for the financial statements

The directors 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 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 Organisation'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 Organisation or to cease operations or have no realistic alternative but to do so.

Independent auditor's report (continued)**To the members of World Vision Hong Kong 香港世界宣明會**

(Incorporated in Hong Kong and 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 report is made 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 this 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 judgement and maintain professional scepticism 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 Organisation'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 Organisation'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 Organisation 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.



Independent auditor's report (continued)

To the members of World Vision Hong Kong 香港世界宣明會

(Incorporated in Hong Kong and limited by guarantee)

Auditor's responsibilities for the audit of the financial statements (continued)

We communicate with the board of directors 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.

Certified Public Accountants

Hong Kong

16 December 2020

WORLD VISION HONG KONG
香港世界宣明會

STATEMENT OF COMPREHENSIVE INCOME

Year ended 30 September 2020

	Notes	2020 HK\$	2019 HK\$
REVENUE			
Donations	4	742,770,713	835,539,690
Other income and gains	4	2,518,371	2,588,113
Gifts-in-kind	4	101,109,026	96,136,584
		<u>846,398,110</u>	<u>934,264,387</u>
EXPENDITURE			
Administration	5	20,457,848	20,893,570
Fundraising	6	30,209,084	32,337,655
Public education	7	10,193,864	9,508,617
Ministry	8	4,901,891	3,758,980
International relief and community development	9		
- Cash		678,083,185	773,044,041
- Gifts-in-kind		101,109,026	94,475,652
		<u>844,954,898</u>	<u>934,018,515</u>
Interest expense on lease liability	23	9,046	-
		<u>844,963,944</u>	<u>934,018,515</u>
SURPLUS BEFORE TAX	10	1,434,166	245,872
Income tax	13	-	-
SURPLUS AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u><u>1,434,166</u></u>	<u><u>245,872</u></u>

WORLD VISION HONG KONG
香港世界宣明會

STATEMENT OF FINANCIAL POSITION

30 September 2020

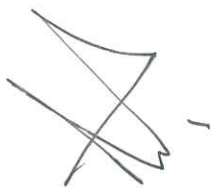
	Notes	2020 HK\$	2019 HK\$
NON-CURRENT ASSETS			
Property, plant and equipment	15	11,315,466	21,462,149
Investment properties	16	3,210,731	3,256,615
Intangible assets	17	151,171	941,015
Right-of-use assets	23	10,916,354	-
Total non-current assets		<u>25,593,722</u>	<u>25,659,779</u>
CURRENT ASSETS			
Other receivables	19	71,960	306,839
Prepayments and deposits	20	1,189,083	992,322
Cash and cash equivalents	21	117,021,757	101,111,641
Total current assets		<u>118,282,800</u>	<u>102,410,802</u>
CURRENT LIABILITIES			
Commitments payable to World Vision International member organisations	18	14,117,918	998,440
Other payables and accruals	22	5,474,021	4,532,956
Lease liability	23	336,826	-
Deferred income	24	1,462,888	1,785,309
Total current liabilities		<u>21,391,653</u>	<u>7,316,705</u>
NET CURRENT ASSETS		<u>96,891,147</u>	<u>95,094,097</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>122,484,869</u>	<u>120,753,876</u>
NON-CURRENT LIABILITY			
Lease liability	23	296,827	-
		<u>296,827</u>	<u>-</u>
Net assets		<u>122,188,042</u>	<u>120,753,876</u>

WORLD VISION HONG KONG
香港世界宣明會

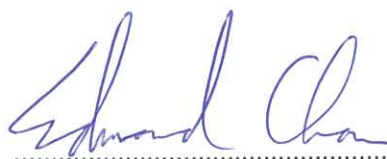
STATEMENT OF FINANCIAL POSITION (continued)

30 September 2020

	Notes	2020 HK\$	2019 HK\$
FUND BALANCES			
General operating fund	14	112,891,306	109,976,083
Designated funds	25	<u>9,296,736</u>	<u>10,777,793</u>
Total fund balances		<u>122,188,042</u>	<u>120,753,876</u>



Yuen Sui See
Director



Chan Chiu Kong, Edmond
Director

WORLD VISION HONG KONG
香港世界宣明會

STATEMENT OF CHANGES IN EQUITY

Year ended 30 September 2020

	General operating fund HK\$	Designated funds HK\$	Total fund balances HK\$
At 1 October 2018	109,596,399	10,911,605	120,508,004
Surplus/(deficit) for the year and total comprehensive income for the year	<u>379,684</u>	<u>(133,812)</u>	<u>245,872</u>
At 30 September 2019 and at 1 October 2019	109,976,083	10,777,793	120,753,876
Surplus/(deficit) for the year and total comprehensive income for the year	<u>2,915,223</u>	<u>(1,481,057)</u>	<u>1,434,166</u>
At 30 September 2020	<u><u>112,891,306</u></u>	<u><u>9,296,736</u></u>	<u><u>122,188,042</u></u>

WORLD VISION HONG KONG
香港世界宣明會

STATEMENT OF CASH FLOWS

Year ended 30 September 2020

	Notes	2020 HK\$	2019 HK\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus before tax		1,434,166	245,872
Adjustments for:			
Interest income	4	(1,988,843)	(2,019,135)
Gain on disposal of items of property, plant and equipment		-	(28,000)
Depreciation	10	2,326,050	3,962,685
Interest expense on lease liability	26	9,046	-
		<u>1,780,419</u>	<u>2,161,422</u>
Movement in balance with World Vision International member organisations		13,119,478	10,980,041
Decrease in other receivables		234,879	222,672
Decrease/(increase) in prepayments and deposits		(196,761)	1,687
Increase in other payables and accruals		941,065	366,244
Increase/(decrease) in deferred income		(322,421)	1,065,312
		<u>15,556,659</u>	<u>14,797,378</u>
Cash generated from operations		15,556,659	14,797,378
Interest element on lease liability	26	(9,046)	-
		<u>15,547,613</u>	<u>14,797,378</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		1,988,843	2,019,135
Purchases of items of property, plant and equipment	15	(1,332,902)	(740,674)
Purchases of intangible assets	17	-	(209,123)
Proceeds from disposal of items of property, plant and equipment		-	28,000
		<u>655,941</u>	<u>1,097,338</u>
Net cash flows from investing activities		655,941	1,097,338
CASH FLOWS FROM A FINANCING ACTIVITY			
Principal portion of lease payments and cash flows used in a financing activity	26	(293,438)	-

WORLD VISION HONG KONG
香港世界宣明會

STATEMENT OF CASH FLOWS (continued)

Year ended 30 September 2020

	Notes	2020 HK\$	2019 HK\$
NET INCREASE IN CASH AND CASH EQUIVALENTS		15,910,116	15,894,716
Cash and cash equivalents at beginning of year		<u>101,111,641</u>	<u>85,216,925</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u><u>117,021,757</u></u>	<u><u>101,111,641</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	21	7,520,794	6,419,719
Non-pledged time deposits with original maturity of less than three months when acquired	21	<u>109,500,963</u>	<u>94,691,922</u>
		<u><u>117,021,757</u></u>	<u><u>101,111,641</u></u>

NOTES TO FINANCIAL STATEMENTS

30 September 2020

1. CORPORATE INFORMATION

World Vision Hong Kong 香港世界宣明會 is a company limited by guarantee and is incorporated in Hong Kong. The registered office and principal place of business of the Organisation is located at 2/F, Mayfair Centre, 4 Anchor Street, Tai Kok Tsui, Kowloon, Hong Kong.

During the year, the Organisation was involved in fundraising activities for charitable purposes in Hong Kong and Macau.

The liability of each member is limited to HK\$100 in the event of the Organisation being wound up while he/she is a member, or within one year after he/she ceases to be a member.

2.1 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all 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 and the Hong Kong Companies Ordinance.

2.2 BASIS OF PREPARATION

These financial statements have been prepared under the historical cost convention. These financial statements are presented in Hong Kong dollars ("HK\$").

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Organisation has adopted the following new and revised HKFRSs for the first time in the current year's financial statements, which are applicable to the Organisation.

HKFRS 16	<i>Leases</i>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i>
<i>Annual Improvements to HKFRSs 2015-2017 Cycle</i>	Amendments to HKAS 12

Other than explained below, the adoption of the above new and revised standards has had no significant financial impact on these financial statements.

NOTES TO FINANCIAL STATEMENTS

30 September 2020

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

HKFRS 16 Leases

HKFRS 16 supersedes HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases - Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17 whereby lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 has not had an impact on leases where the Organisation is the lessor.

For leases previously classified as operating leases applying HKAS 17 and HK(IFRIC)-Int 4 in which the Organisation is the lessee, the Organisation has applied HKFRS 16 retrospectively in accordance with the transitional provisions therein using the modified retrospective approach. Under this approach, the cumulative effect of initially applying HKFRS 16 was recognised as an adjustment to the opening balance of retained profits at 1 October 2019 and the comparative information has not been restated and continued to be reported under HKAS 17. In addition, lease liabilities were recognised at 1 October 2019 and measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate at that date and the corresponding right-of-use assets were measured at the same amount, adjusted by any prepaid or accrued lease payments recognised immediately before 1 October 2019.

The Organisation has elected to use the transitional practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application.

The Organisation has also elected to apply the following practical expedients when applying HKFRS 16 retrospectively to leases previously classified as operating leases applying HKAS 17 and HK(IFRIC)-Int 4 in which the Organisation was the lessee:

- A single discount rate was applied to a portfolio of leases with reasonably similar characteristics; and
- Initial direct costs were excluded from the measurement of the right-of-use asset at 1 October 2019.

In accordance with the transitional provisions of HKFRS 16, the Organisation was not required to make any adjustments on transition for leases in which the Organisation was the lessor and has accounted for those leases applying HKFRS 16 from 1 October 2019.

The adoption of HKFRS 16 on 1 October 2019 by the Organisation has given rise to additional lease liability of HK\$296,827 at 1 October 2019 with corresponding right-of-use asset of HK\$296,827. For the leasehold land previously included in property, plant and equipment, the Organisation has reclassified these lease payments as right-of-use assets. The net carrying amount of asset previously classified as properties, plant and equipment of HK\$10,742,216 was reclassified as right-of-use asset on 1 October 2019. The adoption has had no impact on the Organisation's equity at 1 October 2019.

NOTES TO FINANCIAL STATEMENTS

30 September 2020

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

HKFRS 16 Leases (continued)

The weighted average incremental borrowing rate applied to the lease liability recognised at 1 October 2019 is 3.5%.

There is no significant difference between the amount of the operating lease commitments at 30 September 2019 disclosed applying the previous accounting standards (see note 27), discounted using the incremental borrowing rate at 1 October 2019 and the amount of lease liability recognised in the statement of financial position at 1 October 2019.

2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Organisation has not applied any of the new and revised HKFRSs that have been issued but are not yet effective for the accounting year ended 30 September 2020, in these financial statements. The Organisation is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Organisation is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on the financial performance and financial position of the Organisation.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of comprehensive income in the period in which it arises.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of comprehensive income in the period in which it arises.

NOTES TO FINANCIAL STATEMENTS

30 September 2020

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

A party is considered to be related to the Organisation if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Organisation;
 - (ii) has significant influence over the Organisation; or
 - (iii) is a member of the key management personnel of the Organisation or of a parent of the Organisation;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Organisation are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Organisation are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Organisation or an entity related to the Organisation;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) 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); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Organisation or to the parent of the Organisation.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of comprehensive income in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Organisation recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

NOTES TO FINANCIAL STATEMENTS

30 September 2020

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Owned assets

Freehold land	Not depreciated
Buildings	2% - 3.125%
Leasehold improvements	10%
Office equipment	20%
Office furniture and fixtures	20%
Computer equipment	25%
Motor vehicle	25%

Right-of-use assets

Land	2%
Buildings	3.5%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of comprehensive income in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment properties

Investment properties are interests in land and buildings held to earn rental income, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated in the statement of financial position at cost less subsequent accumulated depreciation and any impairment losses.

NOTES TO FINANCIAL STATEMENTS

30 September 2020

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)

Depreciation is calculated on the straight-line basis to write off the cost of investment properties to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Freehold land	Not depreciated
Buildings	3.125%

Any gains or losses on the retirement or disposal of investment properties are recognised in the statement of comprehensive income in the year of the retirement or disposal.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method for intangible assets with a finite useful life are reviewed at least at each financial year end.

Computer software

Computer software is stated at cost less any impairment loss and is amortised on the straight-line basis over its estimated useful life at an annual rate of 25%.

Leases

Lessee (under HKAS 17)

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset and whether the arrangement conveys a right to use the asset. Finance leases, which transfer to the Organisation substantially all the rewards and risks incidental to ownership of a leased item, are capitalised at the inception of the lease at the fair value of the leased item, or if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction in the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are expensed through the statement of profit or loss. Capitalised leased assets are depreciated over the shorter of the lease terms and the estimated useful lives of the assets. Operating lease payments, net of any incentives received from the lessor, are recognised as an expense in the statement of profit or loss on a straight-line basis over the lease terms.

NOTES TO FINANCIAL STATEMENTS

30 September 2020

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Lessee (under HKFRS 16)

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. All leases with a term of more than 12 months are recognised as assets representing the right of use of the underlying asset and liabilities representing the obligation to make lease payments, unless the underlying asset is of low value. Both the assets and the liabilities are initially measured on a present value basis. Right-of-use assets are recognised under property, plant and equipment and are measured at cost or valuation less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are depreciated on a straight-line basis over the shorter of the useful lives of the assets and the lease terms. Lease liabilities are initially measured at the present value of lease payments to be made under the lease terms and subsequently adjusted by the effect of the interest on and the settlement of the lease liabilities, and the re-measurement arising from any reassessment of the lease liabilities or lease modifications.

The Organisation applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the leases of low-value assets recognition exemption to leases of office equipment that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Lessor (under HKFRS 16)

Where the Organisation is the lessor, assets leased by the Organisation are included in non-current assets, and rentals receivable are credited to the statement of profit or loss on the straight-line basis over the lease terms.

Financial assets

All financial assets are initially recognised at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss. Regular way purchases and sales of financial assets are recognised on the trade date, that is, the date when the Organisation commits to purchase or sell the assets.

(a) Classification and measurement

Debt instruments are measured at amortised cost using the effective interest rate method, subject to impairment if the assets are held for the collection of contractual cash flows where those contractual cash flows represent solely payments of principal and interest.

NOTES TO FINANCIAL STATEMENTS

30 September 2020

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

(b) Impairment

The Organisation applies the expected credit loss model on all the financial assets that are subject to impairment.

For financial assets, impairment allowances are recognised under the general approach where they are classified within the following stages for measurement of expected credit losses:

Stage 1 - Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month expected credit losses

Stage 2 - Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime expected credit losses

Stage 3 - Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime expected credit losses

The Organisation considers a default has occurred when a financial asset is more than 90 days past due unless the Organisation has reasonable and supportable information to demonstrate that a more appropriate default criterion should be applied.

(c) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets have expired; or where the Organisation has transferred its contractual rights to receive the cash flows of the financial assets and has transferred substantially all the risks and rewards of ownership; or where control is not retained.

Financial liabilities

Financial liabilities include commitments payable to World Vision International member organisations and other payables and accruals. They are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, they are subsequently measured at amortised cost using the effective interest rate method.

Financial liabilities are derecognised when they are extinguished, i.e., when the obligation is discharged or cancelled, or expires.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Organisation's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

NOTES TO FINANCIAL STATEMENTS

30 September 2020

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Grants from Government or third parties

Governmental grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Governmental grants received for which related expenditure has not yet been undertaken are included in deferred income in the statement of financial position. Grants relating to purchases of property, plant and equipment are set off against the acquisition cost of the assets.

Revenue recognition

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

- (a) donations, on a cash basis in the period in which the donations are received;
- (b) gifts-in-kind represent food, medical equipment and medicines received from World Food Programme ("WFP") and United Nations Children's Fund ("UNICEF") by other World Vision International ("WVI") member organisations on behalf of the Organisation, which are recorded by the Organisation in accordance with agreements signed between WFP/UNICEF and WVI member organisations of which the Organisation is a member, are recorded in the period in which the gifts-in-kind are received and calculated based on pre-set values for each metric tonnage of foods and quantity of medical equipment and medicines;

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Rental income is recognised on a time proportion basis over the lease terms.

NOTES TO FINANCIAL STATEMENTS

30 September 2020

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits

Paid leave carried forward

The Organisation provides paid annual leave to its employees under their employment contracts. Under certain circumstances, such leave which remains untaken as at the end of the reporting period is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the end of the reporting period for the expected future cost of such paid leave earned during the year by the employees and carried forward.

Pension schemes

The Organisation operates defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of comprehensive income as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Organisation in independently administered fund. The Organisation's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Foreign currency transactions

These financial statements are presented in Hong Kong dollars, which is the Organisation's functional and presentation currency. Foreign currency transactions are initially recorded by the Organisation using the functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are taken to the statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

Fund movement

The Organisation has chosen to present the results and financial position of the Organisation attributable to different funds including general operating fund and designated funds for more informative presentation.

General operating fund includes aid and development and emergency relief. Aid and development represents long-term projects undertaken by the Organisation for lasting change in the lives of children, families and communities living in poverty. Emergency relief represents relief and rehabilitation projects undertaken by the Organisation in response to disasters, bringing urgently needed food and supplies to people in emergency situations as well as rehabilitation of the communities after the crisis.

Designated funds represent particular forms of funds, consisting of amounts which have been allocated or designated for specific purposes.

NOTES TO FINANCIAL STATEMENTS

30 September 2020

2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Organisation's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgments

In the process of applying the Organisation's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Classification between investment properties and owner-occupied properties

The Organisation determines whether a property qualifies as an investment property, and has developed criteria in making that judgment. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Organisation considers whether a property generates cash flows largely independently of the other assets held by the Organisation.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Organisation accounts for the portions separately. If the portions could not be sold separately, the property is investment properties only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgment is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Useful lives and residual values of items of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Organisation has to consider various factors, such as commercial obsolescence arising from changes or improvements, expected usage of an asset, respected physical wear and tear, care or maintenance of the asset. The estimate of the useful life of the asset is based on the experience of the Organisation with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed, at each financial year end, based on changes in circumstances.

NOTES TO FINANCIAL STATEMENTS

30 September 2020

3. FUND MOVEMENT

Based on the allocation agreed by the management, the fund movement for the Organisation's operating results is as follows:

	Year ended 30 September 2020				
	Aid & development HK\$	Emergency relief HK\$	General operating fund HK\$	Designated funds HK\$	Total HK\$
REVENUE					
Donations	717,358,510	25,406,421	742,764,931	5,782	742,770,713
Other income and gains	2,517,916	-	2,517,916	455	2,518,371
Gifts-in-kind	101,109,026	-	101,109,026	-	101,109,026
	<u>820,985,452</u>	<u>25,406,421</u>	<u>846,391,873</u>	<u>6,237</u>	<u>846,398,110</u>
EXPENDITURE					
Administration	20,426,081	-	20,426,081	31,767	20,457,848
Fundraising	30,019,552	189,532	30,209,084	-	30,209,084
Public education	10,192,502	-	10,192,502	1,362	10,193,864
Ministry	4,901,891	-	4,901,891	-	4,901,891
International relief and community development					
- Cash	651,528,581	25,100,439	676,629,020	1,454,165	678,083,185
- Gifts-in-kind	101,109,026	-	101,109,026	-	101,109,026
	<u>818,177,633</u>	<u>25,289,971</u>	<u>843,467,604</u>	<u>1,487,294</u>	<u>844,954,898</u>
Interest expense on lease liability	9,046	-	9,046	-	9,046
	<u>818,186,679</u>	<u>25,289,971</u>	<u>843,476,650</u>	<u>1,487,294</u>	<u>844,963,944</u>
SURPLUS/(DEFICIT) FOR THE YEAR					
	<u>2,798,773</u>	<u>116,450</u>	<u>2,915,223</u>	<u>(1,481,057)</u>	<u>1,434,166</u>

NOTES TO FINANCIAL STATEMENTS

30 September 2020

3. FUND MOVEMENT (continued)

Based on the allocation agreed by the management, the fund movement for the Organisation's operating results is as follows: (continued)

	Year ended 30 September 2019				Total HK\$
	Aid & development HK\$	Emergency relief HK\$	General operating fund HK\$	Designated funds HK\$	
REVENUE					
Donations	786,981,414	48,554,719	835,536,133	3,557	835,539,690
Other income and gains	2,587,713	-	2,587,713	400	2,588,113
Gifts-in-kind	96,136,584	-	96,136,584	-	96,136,584
	<u>885,705,711</u>	<u>48,554,719</u>	<u>934,260,430</u>	<u>3,957</u>	<u>934,264,387</u>
EXPENDITURE					
Administration	20,778,853	-	20,778,853	114,717	20,893,570
Fundraising	31,954,261	383,394	32,337,655	-	32,337,655
Public education	9,485,565	-	9,485,565	23,052	9,508,617
Ministry	3,758,980	-	3,758,980	-	3,758,980
International relief and community development					
- Cash	724,884,639	48,159,402	773,044,041	-	773,044,041
- Gifts-in-kind	94,475,652	-	94,475,652	-	94,475,652
	<u>885,337,950</u>	<u>48,542,796</u>	<u>933,880,746</u>	<u>137,769</u>	<u>934,018,515</u>
SURPLUS/(DEFICIT) FOR THE YEAR					
	<u>367,761</u>	<u>11,923</u>	<u>379,684</u>	<u>(133,812)</u>	<u>245,872</u>

NOTES TO FINANCIAL STATEMENTS

30 September 2020

4. REVENUE, OTHER INCOME AND GAINS

Revenue represents donations and gifts-in-kind received from various fundraising projects during the year.

An analysis of other income and gains is as follows:

	2020 HK\$	2019 HK\$
<u>Other income</u>		
Bank interest income	1,988,843	2,019,135
Rental income from investment properties	529,073	527,976
Others	455	19,596
	<u>2,518,371</u>	<u>2,566,707</u>
<u>Gains</u>		
Foreign exchange differences, net	<u>-</u>	<u>21,406</u>
	<u>2,518,371</u>	<u>2,588,113</u>

5. ADMINISTRATION

This represents all executive, organisational, and clerical costs incurred for common objectives that benefit multiple functions administered by the Organisation, or the Organisation as a whole.

6. FUNDRAISING

This represents all costs associated with acquiring and retaining donors to make voluntary contributions to the Organisation.

7. PUBLIC EDUCATION

This represents funds used to promote awareness among the people of Hong Kong and Macau on social, economic and spiritual factors of developing countries.

8. MINISTRY

This represents funds and gifts used to develop ministry for the long term interest of the communities and in pursuit of the Organisation's mission.

NOTES TO FINANCIAL STATEMENTS

30 September 2020

9. INTERNATIONAL RELIEF AND COMMUNITY DEVELOPMENT

The balances represent cash and gifts-in-kind contributed by the Organisation to WVI member organisations for international relief and community development projects.

An analysis of the use of funds is as follows:

	2020 HK\$	2019 HK\$
Cash paid to WVI member organisations	678,083,185	773,044,041
Gifts-in-kind to WVI member organisations	<u>101,109,026</u>	<u>94,475,652</u>
	<u><u>779,192,211</u></u>	<u><u>867,519,693</u></u>

10. SURPLUS BEFORE TAX

The Organisation's surplus before tax is arrived at after charging:

	Notes	2020 HK\$	2019 HK\$
Depreciation:			
On property, plant and equipment	15	737,369	1,176,039
On investment properties	16	45,884	45,884
On intangible assets	17	789,844	2,740,762
On right-of-use assets	23	<u>752,953</u>	-
		2,326,050	3,962,685
Minimum lease payments under operating leases in respect of land and buildings		-	302,484
Auditor's remuneration		<u>154,500</u>	<u>156,000</u>

NOTES TO FINANCIAL STATEMENTS

30 September 2020

10. SURPLUS BEFORE TAX (continued)

The Organisation's surplus before tax is arrived at after charging: (continued)

	2020 HK\$	2019 HK\$
Employee benefits expense:		
Wages, salaries and allowances		
Administration	13,584,204	14,602,342
Fundraising	17,660,651	15,980,538
Public education	6,220,247	5,732,464
Ministry	3,778,291	3,457,674
	<u>41,243,393</u>	<u>39,773,018</u>
Pension scheme contributions (defined contribution schemes):		
Administration	797,775	1,009,951
Fundraising	981,507	1,022,968
Public education	294,802	282,802
Ministry	226,715	206,282
Net pension scheme contributions	<u>2,300,799</u>	<u>2,522,003</u>
	<u>43,544,192</u>	<u>42,295,021</u>
Governmental grants released for the expenditure incurred during the year*	<u>127,628,563</u>	<u>151,553,283</u>

* Various governmental grants have been received to carry out relief projects in the developing countries for a specific period during the year. Governmental grants received for which the related expenditure has not yet been undertaken are included in deferred income in the statement of financial position.

11. DIRECTORS' REMUNERATION

No director received any fees or emoluments in respect of their services rendered to the Organisation during the year (2019: Nil).

NOTES TO FINANCIAL STATEMENTS

30 September 2020

12. FUND-RAISING ACTIVITIES WITH PUBLIC SUBSCRIPTION PERMITS

According to the requirement of the Public Subscription Permits issued by the Social Welfare Department under Section 4(17)(i) of the Summary Offences Ordinance, Cap 228, the net proceeds from the fundraising activities approved in the Permits are listed as follows:

No fundraising activity was held and approved under the Public Subscription Permits in 2020.

	2019 HK\$
Permit Number 2019/061/1 - 30-Hour Famine For food security, water, sanitation and hygiene (WASH) and livelihood assistance projects for refugees affected by conflicts in South Sudan, Syria and Rakhine State, Myanmar	9,070
Permit Number 2019/137/1 - Used Book Recycling Campaign For early childhood education projects in the provinces of Guangxi and Shaanxi	<u>929,371</u>
	<u>938,441</u>

13. INCOME TAX

The Organisation is a charitable organisation within the meaning of Section 88 of the Hong Kong Inland Revenue Ordinance (Chapter 112) and, accordingly, is exempted from Hong Kong profits tax.

14. GENERAL OPERATING FUND

The balance represents funds intended for use for international relief and community development projects.

WORLD VISION HONG KONG
香港世界宣明會

NOTES TO FINANCIAL STATEMENTS

30 September 2020

15. PROPERTY, PLANT AND EQUIPMENT

	Freehold land HK\$	Buildings HK\$	Leasehold improvements HK\$	Office equipment HK\$	Office furniture and fixtures HK\$	Computer equipment HK\$	Motor vehicle HK\$	Total HK\$
30 September 2020								
At 1 October 2019:								
Cost	3,134,233	36,388,857	3,156,081	2,072,730	150,921	3,333,338	10,000	48,246,160
Accumulated depreciation	-	(19,063,537)	(3,087,792)	(1,865,231)	(150,921)	(2,606,530)	(10,000)	(26,784,011)
Net carrying amount	3,134,233	17,325,320	68,289	207,499	-	726,808	-	21,462,149
At 1 October 2019, net of accumulated depreciation	3,134,233	17,325,320	68,289	207,499	-	726,808	-	21,462,149
Effect of adoption of HKFRS 16	-	(10,742,216)	-	-	-	-	-	(10,742,216)
At 1 October 2019 (restated)	3,134,233	6,583,104	68,289	207,499	-	726,808	-	10,719,933
Additions	-	-	320,000	202,100	-	810,802	-	1,332,902
Depreciation provided during the year	-	(287,090)	(26,397)	(84,006)	-	(339,876)	-	(737,369)
At 30 September 2020, net of accumulated depreciation	3,134,233	6,296,014	361,892	325,593	-	1,197,734	-	11,315,466
At 30 September 2020:								
Cost	3,134,233	13,533,077	3,464,009	2,124,450	33,700	3,930,247	10,000	26,229,716
Accumulated depreciation	-	(7,237,063)	(3,102,117)	(1,798,857)	(33,700)	(2,732,513)	(10,000)	(14,914,250)
Net carrying amount	3,134,233	6,296,014	361,892	325,593	-	1,197,734	-	11,315,466

WORLD VISION HONG KONG
香港世界宣明會

NOTES TO FINANCIAL STATEMENTS

30 September 2020

15. PROPERTY, PLANT AND EQUIPMENT (continued)

	Freehold land HK\$	Buildings HK\$	Leasehold improvements HK\$	Office equipment HK\$	furniture and fixtures HK\$	Office Computer equipment HK\$	Motor vehicle HK\$	Total HK\$
30 September 2019								
At 1 October 2018:								
Cost	3,134,233	36,388,857	3,156,081	2,032,514	151,116	3,612,968	10,000	48,485,769
Accumulated depreciation	-	(18,319,330)	(3,061,057)	(1,860,611)	(151,116)	(3,186,558)	(9,583)	(26,588,255)
Net carrying amount	3,134,233	18,069,527	95,024	171,903	-	426,410	417	21,897,514
At 1 October 2018, net of accumulated depreciation	3,134,233	18,069,527	95,024	171,903	-	426,410	417	21,897,514
Additions	-	-	-	147,290	-	593,384	-	740,674
Depreciation provided during the year	-	(744,207)	(26,735)	(111,694)	-	(292,986)	(417)	(1,176,039)
At 30 September 2019, net of accumulated depreciation	3,134,233	17,325,320	68,289	207,499	-	726,808	-	21,462,149
At 30 September 2019:								
Cost	3,134,233	36,388,857	3,156,081	2,072,730	150,921	3,333,338	10,000	48,246,160
Accumulated depreciation	-	(19,063,537)	(3,087,792)	(1,865,231)	(150,921)	(2,606,530)	(10,000)	(26,784,011)
Net carrying amount	3,134,233	17,325,320	68,289	207,499	-	726,808	-	21,462,149

NOTES TO FINANCIAL STATEMENTS

30 September 2020

15. PROPERTY, PLANT AND EQUIPMENT (continued)

The Organisation's freehold land is situated in Macau and the buildings are situated in Hong Kong and Macau. The buildings as at 30 September 2020 and 30 September 2019 are owner-occupied.

16. INVESTMENT PROPERTIES

	HK\$
30 September 2020	
Cost at beginning of 1 October 2019, net of accumulated depreciation	3,256,615
Depreciation provided during the year	<u>(45,884)</u>
At 30 September 2020, net of accumulated depreciation	<u>3,210,731</u>
At 30 September 2020:	
Cost	3,811,043
Accumulated depreciation	<u>(600,312)</u>
Net carrying amount	<u>3,210,731</u>
30 September 2019	
Cost at beginning of 1 October 2018, net of accumulated depreciation	3,302,499
Depreciation provided during the year	<u>(45,884)</u>
At 30 September 2019, net of accumulated depreciation	<u>3,256,615</u>
At 30 September 2019:	
Cost	3,811,043
Accumulated depreciation	<u>(554,428)</u>
Net carrying amount	<u>3,256,615</u>

The Organisation's investment properties are situated in Macau and their land portions are held under freehold terms. The fair value of the Organisation's investment properties as at 30 September 2020 was HK\$15,570,000 (2019: HK\$14,040,000). The fair value has been arrived at based on a valuation carried out by Triumph Investment Company Limited, a subsidiary of Tai Fung Bank Limited in Macau.

NOTES TO FINANCIAL STATEMENTS

30 September 2020

16. INVESTMENT PROPERTIES (continued)

The fair value of the investment property was measured using the direct comparison method based on market observable transactions of similar properties without any significant adjustments and hence the investment property was classified as Level 2 of the fair value hierarchy.

The investment properties are for the time being surplus to the Organisation's current use and are now being held for rental purpose. During the year, the properties were all leased out under operating leases, further summary details of which are included in note 27 to the financial statements.

17. INTANGIBLE ASSETS

	Computer software HK\$
30 September 2020	
Cost at beginning of 1 October 2019, net of accumulated amortisation	941,015
Amortisation provided during the year	<u>(789,844)</u>
At 30 September 2020, net of accumulated amortisation	<u>151,171</u>
At 30 September 2020:	
Cost	11,205,069
Accumulated amortisation	<u>(11,053,898)</u>
Net carrying amount	<u>151,171</u>
30 September 2019	
Cost at beginning of 1 October 2018, net of accumulated amortisation	3,472,654
Additions	209,123
Amortisation provided during the year	<u>(2,740,762)</u>
At 30 September 2019, net of accumulated amortisation	<u>941,015</u>
At 30 September 2019:	
Cost	11,205,069
Accumulated amortisation	<u>(10,264,054)</u>
Net carrying amount	<u>941,015</u>

NOTES TO FINANCIAL STATEMENTS

30 September 2020

18. COMMITMENTS PAYABLE TO WORLD VISION INTERNATIONAL MEMBER ORGANISATIONS

This represents funding payable to WVI member organisations for the international relief and community development projects committed for the year. The balance is unsecured and interest-free.

19. OTHER RECEIVABLES

Impairment of other receivables

The carrying amount of other receivables approximated to their fair value as at 30 September 2020 and 2019. Their recoverability was assessed with reference to the credit status of the debtors, and the expected credit loss as at 30 September 2020 is considered to be minimal.

As at 30 September 2019, none of the other receivables was either past due or impaired and there was no history of default.

20. PREPAYMENTS AND DEPOSITS

	2020 HK\$	2019 HK\$
Prepayments	969,239	766,481
Deposits	<u>219,844</u>	<u>225,841</u>
	<u>1,189,083</u>	<u>992,322</u>

Impairment of deposits

The carrying amount of deposits approximated to their fair value as at 30 September 2020 and 2019. Their recoverability was assessed with reference to the credit status of the debtors, and the expected credit loss as at 30 September 2020 is considered to be minimal.

As at 30 September 2019, none of the deposits was either past due or impaired and there was no history of default.

NOTES TO FINANCIAL STATEMENTS

30 September 2020

21. CASH AND CASH EQUIVALENTS

	2020 HK\$	2019 HK\$
Cash and bank balances	7,520,794	6,419,719
Time deposits	<u>109,500,963</u>	<u>94,691,922</u>
	<u>117,021,757</u>	<u>101,111,641</u>

Cash at banks earn interest at floating rates based on daily bank deposits rates. Short-term time deposits are made for varying periods of between one week and three months depending on the immediate cash requirements of the Organisation, and earn interest at the respective short-term time deposit rates. The bank balances are deposited with licensed banks with no recent history of default.

22. OTHER PAYABLES AND ACCRUALS

	2020 HK\$	2019 HK\$
Other payables	377,412	424,305
Accruals	<u>5,096,609</u>	<u>4,108,651</u>
	<u>5,474,021</u>	<u>4,532,956</u>

Other payables are non-interest-bearing and have an average term of one month.

23. LEASES

The Organisation as a lessee

The Organisation has a lease contract of a property used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners and no ongoing payments will be made under the terms of these land leases. The leasehold land is held on a long-term lease expiring on 29 January 2078. Lease of property is negotiated for terms of 2 years with no extension or termination options and all the lease payments are fixed. Generally, the Organisation is restricted from assigning and subleasing the leased asset outside the Organisation

NOTES TO FINANCIAL STATEMENTS

30 September 2020

23. LEASES (continued)

(a) Right-of-use assets

The carrying amount of the Organisation's right-of-use assets and the movement during the year is as follows:

	Land HK\$	Property HK\$	Total HK\$
At 1 October 2019	10,742,216	296,827	11,039,043
Lease modification	-	630,264	630,264
Depreciation charge during the year	<u>(457,116)</u>	<u>(295,837)</u>	<u>(752,953)</u>
At 30 September 2020	<u>10,285,100</u>	<u>631,254</u>	<u>10,916,354</u>

(b) Lease liability

The carrying amount of lease liability and the movements during the year are as follows:

	Lease liability HK\$
At 1 October 2019	296,827
Accretion of interest recognised during the year	9,046
Lease modification	630,264
Payments	<u>(302,484)</u>
At 30 September 2020	<u>633,653</u>
Analysed into:	
Current portion	336,826
Non-current portion	<u>296,827</u>

The maturity analysis of lease liability is disclosed in note 32 to the financial statements. The weighted average incremental borrowing rate applied to the lease liability recognised at 30 September 2020 was 3.5%.

NOTES TO FINANCIAL STATEMENTS

30 September 2020

23. LEASES (continued)

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2020 HK\$
Interest on lease liability	9,046
Depreciation charge of right-of-use asset	<u>752,953</u>
Total amount recognised in profit or loss	<u>761,999</u>

The Organisation had total cash outflows for leases of HK\$302,484 in 2020.

24. DEFERRED INCOME

The balance represents governmental grants received for which related expenditure has not yet been undertaken.

25. DESIGNATED FUNDS

The balance represents funds allocated by the Organisation to certain projects or to projects designated by the donors.

26. NOTE TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of liabilities arising from financing activities

	Lease liabilities HK\$
At 1 October 2019	296,827
Changes from financing cash flows	(293,438)
Lease modification	630,264
Interest expense	9,046
Interest paid classified as operating cash flows	<u>(9,046)</u>
At 30 September 2020	<u>633,653</u>

NOTES TO FINANCIAL STATEMENTS

30 September 2020

26. NOTE TO THE STATEMENT OF CASH FLOWS (continued)

(b) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2020 HK\$
Within operating activities	9,046
Within financing activities	<u>293,438</u>
	<u><u>302,484</u></u>

27. OPERATING LEASE ARRANGEMENT

(a) As lessor

The Organisation leases its investment properties (note 16) under operating lease arrangements for two to three years.

At the end of the reporting period, the Organisation had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2020 HK\$	2019 HK\$
Within one year	428,909	296,136
In the second to fifth years, inclusive	<u>304,974</u>	<u>153,053</u>
	<u><u>733,883</u></u>	<u><u>449,189</u></u>

NOTES TO FINANCIAL STATEMENTS

30 September 2020

27. OPERATING LEASE ARRANGEMENT (continued)

(b) As lessee

The Organisation leases a warehouse in Hong Kong under operating lease arrangement for two years.

At 30 September 2019, the Organisation had total future minimum lease payments under non-cancellable operating lease falling due as follows:

	2019 HK\$
Within one year	302,484
In the second to fifth years, inclusive	-
	<u>302,484</u>

28. RELATED PARTY TRANSACTIONS

(a) Compensation of key management personnel of the Organisation:

	2020 HK\$	2019 HK\$
Short term employee benefits	5,234,378	5,605,852
Post-employment benefits	<u>311,097</u>	<u>560,861</u>
Total compensation paid to key management personnel	<u>5,545,475</u>	<u>6,166,713</u>
Average headcount	<u>6</u>	<u>6</u>

NOTES TO FINANCIAL STATEMENTS

30 September 2020

28. RELATED PARTY TRANSACTIONS (continued)

- (b) In addition to the transactions and balances detailed elsewhere in these financial statements, the Organisation had the following material transactions with related parties during the year:

	2020 HK\$	2019 HK\$
International relief and community development – cash, to WVI member organisations	678,083,185	773,044,041
International relief and community development – gifts-in-kind, to WVI member organisations	<u>101,109,026</u>	<u>94,475,652</u>

International relief and community development expenditure to WVI were made on bases determined between the parties involved.

Details of the Organisation's cash and gifts-in-kind contributed to WVI member organisations for international relief and community development projects are also disclosed in notes 9 and 18 to the financial statements, respectively. WVI is the lead organisation in a network of worldwide affiliated organisations under the entire World Vision family throughout the world using the World Vision trademark. The Organisation is a separate affiliated entity, which under the relevant accounting standards are not owned or controlled by WVI.

29. COMMITMENT

The Organisation had the following capital commitment with a service provider at the end of the reporting period:

	2020 HK\$	2019 HK\$
Contracted, but not provided for Intangible assets – computer software	<u>3,210,000</u>	<u>-</u>

NOTES TO FINANCIAL STATEMENTS

30 September 2020

30. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

	Financial assets at amortised cost	
	2020 HK\$	2019 HK\$
Other receivables	71,960	306,839
Financial assets included in prepayments and deposits	219,844	225,841
Cash and cash equivalents	<u>117,021,757</u>	<u>101,111,641</u>
	<u>117,313,561</u>	<u>101,644,321</u>

Financial liabilities

	Financial liabilities at amortised cost	
	2020 HK\$	2019 HK\$
Commitments payable to World Vision International member organisations	14,117,918	998,440
Financial liabilities included in other payables and accruals (note 22)	377,412	424,305
Lease liability	<u>633,653</u>	<u>-</u>
	<u>15,128,983</u>	<u>1,422,745</u>

31. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Fair value hierarchy

The Organisation did not have any financial assets measured at fair value as at 30 September 2020 (2019: Nil).

The Organisation did not have any financial liabilities measured at fair value as at 30 September 2020 (2019: Nil).

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2019: Nil).

NOTES TO FINANCIAL STATEMENTS

30 September 2020

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Organisation's principal financial instruments comprise cash, bank balances and short term deposits. The main purpose of these financial instruments is to provide finance for the Organisation's operations. The Organisation has various other financial assets and liabilities such as other receivables and other payables, which arise directly from its operations.

It is, and has been, throughout the year under review, the Organisation's policy that no trading in financial instruments shall be undertaken.

No changes were made in the objectives, policies or processes for managing capital during the years ended 30 September 2020 and 30 September 2019.

The main risks arising from the Organisation's financial instruments are interest rate risk, foreign currency risk and credit risk. The Organisation manages risks according to the guidelines from the board of directors. The board of directors meets periodically to analyse and formulate measures to manage each of these risks and they are summarised below:

Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Organisation's interest-bearing financial instruments relate primarily to the Organisation's cash and bank balances.

Interest on bank balances will fluctuate according to changes in bank deposits rates. As at 30 September 2020, if the interest rates on bank deposits had increased or decreased by 15 basis points, with all other variables held constant, the surplus for the year would have increased or decreased (as the case may be) by approximately HK\$150,000 (2019: HK\$132,000) as a result of the change in bank interest income.

Foreign currency risk

The Organisation has transactional currency exposures. Such exposures arise from Macau patacas ("MOP") exposures in the daily operations and United States Dollar ("US\$") exposures in the international relief and community development expenditure via WVI in US\$. As the Hong Kong dollar, the Organisation's functional currency, is pegged to both US\$ and MOP with a fluctuation limit, there is limited foreign currency risk to the Organisation.

NOTES TO FINANCIAL STATEMENTS

30 September 2020

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

All the Organisation's cash and cash equivalents are held in major financial institutions located in Hong Kong and Macau, which management believes are of high credit quality.

Maximum exposure

The loss allowance for the financial assets of the Organisation is measured at an amount equal to 12-month expected credit loss.

The credit quality of the financial assets included in other receivables, prepayments and deposits is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. The credit quality of cash and cash equivalents is considered to be "not yet past due".

Liquidity risk

The Organisation monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets and projected cash flows from operations.

The Organisation's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and other interest-bearing borrowings.

Liquidity risk (continued)

The maturity of the Organisation's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	Within 1 year or on demand HK\$	1 to 5 years HK\$	Total HK\$
<u>2020</u>			
Commitments payable to World Vision			
International member organisations	14,117,918	-	14,117,918
Other payables and accruals	377,412	-	377,412
Lease liability	302,484	302,484	604,968
	<u>14,797,814</u>	<u>302,484</u>	<u>15,100,298</u>
<u>2019</u>			
Commitments payable to World Vision			
International member organisations	998,440	-	998,440
Other payables and accruals	424,305	-	424,305
	<u>1,422,745</u>	<u>-</u>	<u>1,422,745</u>

NOTES TO FINANCIAL STATEMENTS

30 September 2020

33. CAPITAL POLICY

The Organisation is incorporated in Hong Kong as a limited company without a share capital. It is a tax-exempt charity recognised by the Inland Revenue Department. Its constitution prohibits the payment of remuneration to its directors, and the distribution of its surplus and assets to its members.

The Organisation manages its general operating fund and designated funds so as to (i) fulfill its commitments to relief and community development ministries; (ii) support its own long-term development; and (iii) meet short-term cash flow requirements.

A summary of the general operating fund and designated funds is set out in the statement of changes in equity on page 12.

34. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 16 December 2020.