

Report of the Directors and Audited Financial Statements

WORLD VISION HONG KONG
香港世界宣明會

30 September 2021



WORLD VISION HONG KONG
香港世界宣明會

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WORLD VISION HONG KONG
香港世界宣明會

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 2021.

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:

Chan Chiu Kong, Edmond

Chan Sze Tong

Ho Yin Fong, Julian

Leung Kit Kan, Ingrid

Lo Wai Sang

Lu Yuen Shun, Joseph

Yeung Benjamin

Yuen Sui See

Lo Kwan Yee

(retired and re-elected on 17 December 2020)

Tsang Enian

(retired and re-elected on 17 December 2020)

Tang Hing Lun Helen

(appointed on 1 January 2021)

Du Ming Han*

(resigned on 31 March 2021)

* 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 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\$626,559,227 (2020: HK\$678,083,185) 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\$794 million for 2021 was 6.1% or HK\$52 million less than in 2020. It was mainly due to the decrease in donations from the public during the year.

Key Financial Performance

- Donations from the public for aid and development programmes amounted to HK\$634 million this year, which was decreased by 9.1% or HK\$63.3 million from last year.
- Donations from the public for emergency relief amounted to HK\$17 million this year, which was decreased by 11.6% or HK\$2.2 million from last year.
- Grants from the Hong Kong Special Administrative Region Government (the "Hong Kong SAR Government") for emergency relief amounted to HK\$8 million this year, which was increased by 20.6% or HK\$1.4 million from last year.
- Donations from international relief and development organisations amounted to HK\$29 million this year, which was increased by 47.6% or HK\$9.5 million from last year.
- Gifts-in-kind received for relief amounted to HK\$105 million this year, which was increased by 4% or HK\$4 million from last year.
- Funds allocated for international relief and community development projects were close to HK\$732 million, representing 92.1% of the total income.
- Public education expenditure was HK\$9 million, representing 1.2% of the total income.
- Fundraising cost was HK\$28 million, representing 3.6% of the total income.
- Administration cost was HK\$19 million, representing 2.4% of the total income.

As the COVID 19 pandemic continues to flare in 2021, the Organisation's fundraising and public engagement activities have been negatively affected. While the Organisation sought 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, pending a full economic recovery.

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 Haiti earthquake.

Grants from the Hong Kong SAR Government for emergency relief mainly included the grants for the Organisation's responses to cyclone in India, as well as floods in Bangladesh and Vietnam.

Funds Allocation

The Organisation supported 251 projects in 34 countries around the world in 2021, including 103 Area Development Programmes (ADPs) across 26 countries, 86 short- to mid- term projects and 62 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 2021 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\$712 million to aid and development programmes, in which HK\$607 million was in the form of cash and HK\$105 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\$24 million to relief and rehabilitation projects to assist people affected by the COVID-19 pandemic, as well as disasters including hunger in Africa, the Syrian refugee crisis and the Haiti earthquake.

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.

Resource Governance

Fund and Project Management

The Organisation has rigorous procedures to manage project funding and ensure the proper use of donations. Before deciding to support 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 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 has very strict cost control policies and procedures to ensure that every dollar raised is properly used.

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 the Organisation. 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. World Vision Hong Kong has also established locally an internal audit function for over ten years to strengthen internal control and to improve cost efficiency and effectiveness.

REPORT OF THE DIRECTORS (continued)

Business Review (continued)

World Vision International (WVI) established the Global Internal Audit (GIA) as an independent assurance and advisory function. The mission of the GIA is to enhance and protect organisational values and assist WVI to accomplish its objectives by providing risk-based and objective assurance, advice and insight to improve the effectiveness of WVI governance, risk management and internal control processes. 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 focusing on high risk areas of WVI.

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

15 December 2021



Ernst & Young
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Independent auditor's report
To the members of World Vision Hong Kong
(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 44, which comprise the statement of financial position as at 30 September 2021, 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 2021, 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 ("HKSAs") 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
(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 HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with HKSA's, we exercise professional 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
(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
15 December 2021

WORLD VISION HONG KONG
香港世界宣明會

STATEMENT OF COMPREHENSIVE INCOME

Year ended 30 September 2021

	Notes	2021 HK\$	2020 HK\$
INCOME			
Donations	4	688,094,390	742,770,713
Other income	4	1,250,096	2,518,371
Gifts-in-kind	4	105,099,191	101,109,026
		<u>794,443,677</u>	<u>846,398,110</u>
EXPENDITURE			
Administration	5	19,307,379	20,457,848
Fundraising	6	28,479,309	30,209,084
Public education	7	9,298,542	10,193,864
Ministry	8	4,432,759	4,901,891
International relief and community development	9		
- Cash		626,559,227	678,083,185
- Gifts-in-kind		105,099,191	101,109,026
		<u>793,176,407</u>	<u>844,954,898</u>
Interest expense on lease liability	22	15,852	9,046
		<u>793,192,259</u>	<u>844,963,944</u>
SURPLUS BEFORE TAX	10	1,251,418	1,434,166
Income tax	12	-	-
SURPLUS AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u><u>1,251,418</u></u>	<u><u>1,434,166</u></u>

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STATEMENT OF FINANCIAL POSITION

30 September 2021

	Notes	2021 HK\$	2020 HK\$
NON-CURRENT ASSETS			
Property, plant and equipment	14	12,229,071	11,315,466
Investment properties	15	3,164,848	3,210,731
Intangible assets	16	75,692	151,171
Right-of-use assets	22	10,168,681	10,916,354
Total non-current assets		<u>25,638,292</u>	<u>25,593,722</u>
CURRENT ASSETS			
Advance funding to World Vision International member organisations	17	207	-
Other receivables	18	78,294	71,960
Prepayments and deposits	19	700,950	1,189,083
Cash and cash equivalents	20	101,771,071	117,021,757
Total current assets		<u>102,550,522</u>	<u>118,282,800</u>
CURRENT LIABILITIES			
Commitments payable to World Vision International member organisations	17	-	14,117,918
Other payables and accruals	21	4,402,333	5,474,021
Lease liability	22	347,021	286,632
Deferred income	23	-	1,462,888
Total current liabilities		<u>4,749,354</u>	<u>21,341,459</u>
NET CURRENT ASSETS		<u>97,801,168</u>	<u>96,941,341</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>123,439,460</u>	<u>122,535,063</u>
NON-CURRENT LIABILITY			
Lease liability	22	-	347,021
		<u>-</u>	<u>347,021</u>
Net assets		<u>123,439,460</u>	<u>122,188,042</u>

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STATEMENT OF FINANCIAL POSITION (continued)

30 September 2021

	Notes	2021 HK\$	2020 HK\$
FUND BALANCES			
General operating fund	13	114,378,067	112,891,306
Designated funds	24	<u>9,061,393</u>	<u>9,296,736</u>
Total fund balances		<u>123,439,460</u>	<u>122,188,042</u>



Yuen Sui See
Director



Chan Chiu Kong, Edmond
Director

WORLD VISION HONG KONG
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STATEMENT OF CHANGES IN EQUITY

Year ended 30 September 2021

	General operating fund HK\$	Designated funds HK\$	Total fund balances HK\$
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 and at 1 October 2020	112,891,306	9,296,736	122,188,042
Surplus/(deficit) for the year and total comprehensive income for the year	<u>1,486,761</u>	<u>(235,343)</u>	<u>1,251,418</u>
At 30 September 2021	<u><u>114,378,067</u></u>	<u><u>9,061,393</u></u>	<u><u>123,439,460</u></u>

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STATEMENT OF CASH FLOWS

Year ended 30 September 2021

	Notes	2021 HK\$	2020 HK\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus before tax		1,251,418	1,434,166
Adjustments for:			
Interest income	4	(711,041)	(1,988,843)
Loss on disposal of items of property, plant and equipment		3,281	-
Depreciation	10	1,842,023	2,326,050
Interest expense on lease liability	25	<u>15,852</u>	<u>9,046</u>
		2,401,533	1,780,419
Movement in balance with World Vision International member organisations		(14,118,125)	13,119,478
Decrease/(increase) in other receivables		(6,334)	234,879
Decrease/(increase) in prepayments and deposits		488,133	(196,761)
Increase/(decrease) in other payables and accruals		(1,071,688)	941,065
Decrease in deferred income		<u>(1,462,888)</u>	<u>(322,421)</u>
Cash generated from/(used in) operations		(13,769,369)	15,556,659
Interest element on lease liability	25	<u>(15,852)</u>	<u>(9,046)</u>
Net cash flows from/(used in) operating activities		<u>(13,785,221)</u>	<u>15,547,613</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		711,041	1,988,843
Purchases of items of property, plant and equipment	14	<u>(1,889,874)</u>	<u>(1,332,902)</u>
Net cash flows from/(used in) investing activities		<u>(1,178,833)</u>	<u>655,941</u>
CASH FLOWS FROM A FINANCING ACTIVITY			
Principal portion of lease payments and cash flows used in a financing activity	25	<u>(286,632)</u>	<u>(293,438)</u>

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STATEMENT OF CASH FLOWS (continued)

Year ended 30 September 2021

	Notes	2021 HK\$	2020 HK\$
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(15,250,686)	15,910,116
Cash and cash equivalents at beginning of year		<u>117,021,757</u>	<u>101,111,641</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u>101,771,071</u>	<u>117,021,757</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	20	8,835,925	7,520,794
Non-pledged time deposits with original maturity of less than three months when acquired	20	<u>92,935,146</u>	<u>109,500,963</u>
		<u>101,771,071</u>	<u>117,021,757</u>

NOTES TO FINANCIAL STATEMENTS

30 September 2021

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 *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time in the current year's financial statements, which are applicable to the Organisation.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendments to HKAS1 and HKAS 8	<i>Definition of Material</i>

The adoption of the *Conceptual Framework for Financial Reporting 2018* and the above revised standards has had no significant financial impact on these financial statements.

NOTES TO FINANCIAL STATEMENTS

30 September 2021

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 2021 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 2021

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 2021

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.

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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

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.

Lessor

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.

NOTES TO FINANCIAL STATEMENTS

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2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

(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.

NOTES TO FINANCIAL STATEMENTS

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2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

Donations

Donations are recognised when the organisation becomes entitled to the donations or it is probable that they will be received.

Gifts-in-kind

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

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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

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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.

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NOTES TO FINANCIAL STATEMENTS

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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 2021				
	Aid & development HK\$	Emergency relief HK\$	General operating fund HK\$	Designated funds HK\$	Total HK\$
INCOME					
Donations	663,511,931	24,575,287	688,087,218	7,172	688,094,390
Other income	1,250,093	-	1,250,093	3	1,250,096
Gifts-in-kind	105,099,191	-	105,099,191	-	105,099,191
	<u>769,861,215</u>	<u>24,575,287</u>	<u>794,436,502</u>	<u>7,175</u>	<u>794,443,677</u>
EXPENDITURE					
Administration	19,274,261	-	19,274,261	33,118	19,307,379
Fundraising	28,327,281	152,028	28,479,309	-	28,479,309
Public education	9,298,542	-	9,298,542	-	9,298,542
Ministry	4,432,759	-	4,432,759	-	4,432,759
International relief and community development					
- Cash	601,979,529	24,370,298	626,349,827	209,400	626,559,227
- Gifts-in-kind	105,099,191	-	105,099,191	-	105,099,191
	<u>768,411,563</u>	<u>24,522,326</u>	<u>792,933,889</u>	<u>242,518</u>	<u>793,176,407</u>
Interest expense on lease liability	15,852	-	15,852	-	15,852
	<u>768,427,415</u>	<u>24,522,326</u>	<u>792,949,741</u>	<u>242,518</u>	<u>793,192,259</u>
SURPLUS/(DEFICIT) FOR THE YEAR	<u>1,433,800</u>	<u>52,961</u>	<u>1,486,761</u>	<u>(235,343)</u>	<u>1,251,418</u>

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NOTES TO FINANCIAL STATEMENTS

30 September 2021

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 2020				
	Aid & development HK\$	Emergency relief HK\$	General operating fund HK\$	Designated funds HK\$	Total HK\$
INCOME					
Donations	717,358,510	25,406,421	742,764,931	5,782	742,770,713
Other income	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>

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4. INCOME

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

An analysis of other income is as follows:

	2021 HK\$	2020 HK\$
Other income		
Bank interest income	711,041	1,988,843
Rental income from investment properties	539,052	529,073
Others	3	455
	<u>1,250,096</u>	<u>2,518,371</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.

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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:

	2021 HK\$	2020 HK\$
Cash paid to WVI member organisations	626,559,227	678,083,185
Gifts-in-kind to WVI member organisations	<u>105,099,191</u>	<u>101,109,026</u>
	<u>731,658,418</u>	<u>779,192,211</u>

10. SURPLUS BEFORE TAX

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

	Notes	2021 HK\$	2020 HK\$
Depreciation:			
On property, plant and equipment	14	972,988	737,369
On investment properties	15	45,883	45,884
On intangible assets	16	75,479	789,844
On right-of-use assets	22	<u>747,673</u>	<u>752,953</u>
		1,842,023	2,326,050
Auditor's remuneration		<u>157,500</u>	<u>154,500</u>

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10. SURPLUS BEFORE TAX (continued)

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

	2021 HK\$	2020 HK\$
Employee benefits expense:		
Wages, salaries and allowances		
Administration	13,540,032	13,584,204
Fundraising	17,765,112	17,660,651
Public education	5,897,296	6,220,247
Ministry	3,331,845	3,778,291
	<u>40,534,285</u>	<u>41,243,393</u>
Employee Support Scheme#		
Administration	(922,107)	-
Fundraising	(1,135,219)	-
Public education	(417,921)	-
Ministry	(241,536)	-
	<u>(2,716,783)</u>	<u>-</u>
Pension scheme contributions (defined contribution schemes):		
Administration	714,719	797,775
Fundraising	1,084,119	981,507
Public education	288,197	294,802
Ministry	223,375	226,715
Net pension scheme contributions	<u>2,310,410</u>	<u>2,300,799</u>
	<u>40,127,912</u>	<u>43,544,192</u>
Government grants released for the expenditure incurred during the year*	<u>7,910,775</u>	<u>6,559,166</u>

In October 2020, the Organisation received wage subsidy under "Employment Support Scheme" (ESS) of the "Anti-epidemic Fund" from the Hong Kong SAR Government. There are no unfulfilled conditions or contingencies relating to the grants.

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

NOTES TO FINANCIAL STATEMENTS

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11. DIRECTORS' REMUNERATION

No director received any fees or emoluments in respect of their services rendered to the Organisation during the year (2020: Nil).

12. 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.

13. GENERAL OPERATING FUND

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

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NOTES TO FINANCIAL STATEMENTS

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14. 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 2021								
At 1 October 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
At 1 October 2020, net of accumulated depreciation	3,134,233	6,296,014	361,892	325,593	-	1,197,734	-	11,315,466
Additions	-	-	1,526,500	151,674	-	211,700	-	1,889,874
Disposals	-	-	-	-	-	(3,281)	-	(3,281)
Depreciation provided during the year	-	(287,091)	(165,986)	(86,792)	-	(433,119)	-	(972,988)
At 30 September 2021, net of accumulated depreciation	3,134,233	6,008,923	1,722,406	390,475	-	973,034	-	12,229,071
At 30 September 2021:								
Cost	3,134,233	13,533,077	4,990,509	1,587,609	33,700	3,205,984	10,000	26,495,112
Accumulated depreciation	-	(7,524,154)	(3,268,103)	(1,197,134)	(33,700)	(2,232,950)	(10,000)	(14,266,041)
Net carrying amount	3,134,233	6,008,923	1,722,406	390,475	-	973,034	-	12,229,071

NOTES TO FINANCIAL STATEMENTS

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14. PROPERTY, PLANT AND EQUIPMENT (continued)

30 September 2020

	Freehold land HK\$	Buildings HK\$	Leasehold improvements HK\$	Office equipment HK\$	Office furniture and fixtures HK\$	Computer equipment HK\$	Motor vehicle HK\$	Total HK\$
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 Effect of adoption of HKFRS 16	3,134,233	17,325,320	68,289	207,499	-	726,808	-	21,462,149
	-	(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

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14. 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 2021 and 30 September 2020 are owner-occupied.

15. INVESTMENT PROPERTIES

	HK\$
30 September 2021	
Cost at beginning of 1 October 2020, net of accumulated depreciation	3,210,731
Depreciation provided during the year	<u>(45,883)</u>
At 30 September 2021, net of accumulated depreciation	<u>3,164,848</u>
At 30 September 2021:	
Cost	3,811,043
Accumulated depreciation	<u>(646,195)</u>
Net carrying amount	<u>3,164,848</u>
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>

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 2021 was HK\$15,570,000 (2020: HK\$15,570,000). The fair value has been arrived at based on a valuation carried out by Tak Kei Limited, a subsidiary of Tai Fung Bank Limited in Macau.

NOTES TO FINANCIAL STATEMENTS

30 September 2021

15. 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 26 to the financial statements.

16. INTANGIBLE ASSETS

	Computer software HK\$
30 September 2021	
Cost at beginning of 1 October 2020, net of accumulated amortisation	151,171
Amortisation provided during the year	(75,479)
At 30 September 2021, net of accumulated amortisation	<u>75,692</u>
At 30 September 2021:	
Cost	11,205,069
Accumulated amortisation	(11,129,377)
Net carrying amount	<u>75,692</u>
30 September 2020	
Cost at beginning of 1 October 2019, net of accumulated amortisation	941,015
Amortisation provided during the year	(789,844)
At 30 September 2020, net of accumulated amortisation	<u>151,171</u>
At 30 September 2020:	
Cost	11,205,069
Accumulated amortisation	(11,053,898)
Net carrying amount	<u>151,171</u>

NOTES TO FINANCIAL STATEMENTS

30 September 2021

17. ADVANCE FUNDING/(COMMITMENTS PAYABLE) TO WORLD VISION INTERNATIONAL MEMBER ORGANISATIONS

Current year's balance represents advance funding to WVI member organisations for the international relief and community development projects of the following year. The balance is unsecured, interest-free and repayable on demand.

Last year's balance represents funding payable to WVI member organisations for the international relief and community development projects committed for the year. The balance is unsecured, interest-free and repayable on demand.

18. OTHER RECEIVABLES

Impairment of other receivables

The carrying amount of other receivables approximated to their fair value as at 30 September 2021 and 2020. Their recoverability was assessed with reference to the credit status of the debtors, and the expected credit loss as at 30 September 2021 and 2020 is considered to be minimal.

19. PREPAYMENTS AND DEPOSITS

	2021 HK\$	2020 HK\$
Prepayments	451,106	969,239
Deposits	<u>249,844</u>	<u>219,844</u>
	<u>700,950</u>	<u>1,189,083</u>

Impairment of deposits

The carrying amount of deposits approximated to their fair value as at 30 September 2021 and 2020. Their recoverability was assessed with reference to the credit status of the debtors, and the expected credit loss as at 30 September 2021 and 2020 is considered to be minimal.

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20. CASH AND CASH EQUIVALENTS

	2021 HK\$	2020 HK\$
Cash and bank balances	8,835,925	7,520,794
Time deposits	<u>92,935,146</u>	<u>109,500,963</u>
	<u>101,771,071</u>	<u>117,021,757</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.

21. OTHER PAYABLES AND ACCRUALS

	2021 HK\$	2020 HK\$
Other payables	347,007	377,412
Accruals	<u>4,055,326</u>	<u>5,096,609</u>
	<u>4,402,333</u>	<u>5,474,021</u>

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

22. LEASES

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 2021

22. 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 2020	10,285,100	631,254	10,916,354
Depreciation charge during the year	(457,116)	(290,557)	(747,673)
At 30 September 2021	<u>9,827,984</u>	<u>340,697</u>	<u>10,168,681</u>
	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	(457,116)	(295,837)	(752,953)
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:

	2021 Lease liability HK\$	2020 Lease liability HK\$
At beginning of year	633,653	296,827
Accretion of interest recognised during the year	15,852	9,046
Lease modification	-	630,264
Payments	<u>(302,484)</u>	<u>(302,484)</u>
At end of year	<u>347,021</u>	<u>633,653</u>
Analysed into:		
Current portion	347,021	286,632
Non-current portion	<u>-</u>	<u>347,021</u>

NOTES TO FINANCIAL STATEMENTS

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22. LEASES (continued)

(b) Lease liability (continued)

The maturity analysis of lease liability is disclosed in note 31 to the financial statements. The weighted average incremental borrowing rate applied to the lease liability recognised at 30 September 2021 was 3.5%.

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

	2021 HK\$	2020 HK\$
Interest on lease liability	15,852	9,046
Depreciation charge of right-of-use asset	<u>747,673</u>	<u>752,953</u>
Total amount recognised in profit or loss	<u>763,525</u>	<u>761,999</u>

The Organisation had total cash outflows for leases of HK\$302,484 in 2021.

23. DEFERRED INCOME

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

24. DESIGNATED FUNDS

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

NOTES TO FINANCIAL STATEMENTS

30 September 2021

25. NOTE TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of liabilities arising from financing activities

	2021 Lease Liabilities HK\$	2020 Lease Liabilities HK\$
At beginning of year	633,653	296,827
Changes from financing cash flows	(286,632)	(293,438)
Lease modification	-	630,264
Interest expense	15,852	9,046
Interest paid classified as operating cash flows	<u>(15,852)</u>	<u>(9,046)</u>
At end of year	<u>347,021</u>	<u>633,653</u>

(b) Total cash outflow for leases

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

	2021 HK\$	2020 HK\$
Within operating activities	15,852	9,046
Within financing activities	<u>286,632</u>	<u>293,438</u>
	<u>302,484</u>	<u>302,484</u>

NOTES TO FINANCIAL STATEMENTS

30 September 2021

26. OPERATING LEASE ARRANGEMENT

As lessor

The Organisation leases its investment properties (note 15) 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:

	2021 HK\$	2020 HK\$
Within one year	531,672	428,909
In the second to fifth years, inclusive	<u>430,607</u>	<u>304,974</u>
	<u>962,279</u>	<u>733,883</u>

27. RELATED PARTY TRANSACTIONS

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

	2021 HK\$	2020 HK\$
Short term employee benefits	5,339,381	5,234,378
Post-employment benefits	<u>306,597</u>	<u>311,097</u>
Total compensation paid to key management personnel	<u>5,645,978</u>	<u>5,545,475</u>
Average headcount	<u>6</u>	<u>6</u>

(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:

	2021 HK\$	2020 HK\$
International relief and community development – cash, to WVI member organisations	626,559,227	678,083,185
International relief and community development – gifts-in-kind, to WVI member organisations	<u>105,099,191</u>	<u>101,109,026</u>

NOTES TO FINANCIAL STATEMENTS

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27. 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: (continued)

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 17 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.

28. COMMITMENT

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

	2021 HK\$	2020 HK\$
Contracted, but not provided for		
Intangible assets – computer software	<u>4,232,800</u>	<u>3,210,000</u>

NOTES TO FINANCIAL STATEMENTS

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29. 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	
	2021	2020
	HK\$	HK\$
Other receivables	78,294	71,960
Financial assets included in prepayments and deposits	249,844	219,844
Cash and cash equivalents	101,771,071	117,021,757
	<u>102,099,209</u>	<u>117,313,561</u>

Financial liabilities

	Financial liabilities at amortised cost	
	2021	2020
	HK\$	HK\$
Commitments payable to World Vision International member organisations	-	14,117,918
Financial liabilities included in other payables and accruals (note 21)	347,007	377,412
Lease liability	347,021	633,653
	<u>694,028</u>	<u>15,128,983</u>

30. 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 2021 (2020: Nil).

The Organisation did not have any financial liabilities measured at fair value as at 30 September 2021 (2020: 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 (2020: Nil).

NOTES TO FINANCIAL STATEMENTS

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31. 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 2021 and 30 September 2020.

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 2021, 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\$152,000 (2020: HK\$150,000) 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.

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".

NOTES TO FINANCIAL STATEMENTS

30 September 2021

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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.

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>2021</u>			
Other payables and accruals	347,007	-	347,007
Lease liability	302,484	-	302,484
	<u>649,491</u>	<u>-</u>	<u>649,491</u>
<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>

32. 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.

NOTES TO FINANCIAL STATEMENTS

30 September 2021

33. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment.

34. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 15 December 2021.