

World Vision Hong Kong
(Limited by Guarantee)
香港世界宣明會

Financial Statements
Year ended 30 September 2022

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 2022.

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	
Lo Kwan Yee	
Tang Hing Lun, Helen	
Tsang Enian	
Yuen Sui See	
Ho Yin Fong, Julian	(retired and re-elected on 15 December 2021)
Leung Kit Kan, Ingrid	(retired and re-elected on 15 December 2021)
Lo Wai Sang	(retired and re-elected on 15 December 2021)
Lu Yuen Shun, Joseph	(retired and re-elected on 15 December 2021)
Yeung Benjamin	(retired and re-elected on 15 December 2021)
Yeung Eirene	(appointed on 1 August 2022)

In accordance with the Organisation's new articles of association adopted on 14 June 2010, all directors 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 World Vision International (“WVI”).

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\$477,221,013 (2021: HK\$626,559,227) was transferred in the form of cash for the purpose of funding of international relief and community development projects via WVI member organisations.

Business review

Objectives

World Vision Hong Kong 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 and empowers their communities through its development works in education, water, health, child protection and livelihoods. 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.

Financial Performance

The total income of HK\$621 million for 2022 was 21.9% or HK\$174 million less than in 2021. It was mainly due to the decrease in donations from the public during the year.

Business review (continued)

Key Financial Performance

- Donations from the public for aid and development programmes amounted to HK\$508 million this year, which was decreased by 19.9% or HK\$126 million from last year.
- Donations from the public for emergency relief amounted to HK\$15 million this year, which was decreased by 10.6% or HK\$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\$9 million this year, which was increased by 14.1% or HK\$1 million from last year.
- Donations from international relief and development organisations amounted to HK\$12 million this year, which was decreased by 60.8% or HK\$18 million from last year.
- Gifts-in-kind received for relief amounted to HK\$76 million this year, which was decreased by 27.9% or HK\$29 million from last year.

Due to the COVID-19 pandemic and stagnant economy, the Organisation's fundraising and public engagement activities have been negatively affected. 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 designated emergency relief were mainly for the Organisation's responses to the COVID-19 pandemic, global hunger and Ukraine crisis.

Grants from the Hong Kong SAR Government for emergency relief mainly included the grants for the Organisation's responses to floods in India, earthquake in Haiti and typhoon in the Philippines.

Funds Allocation

The Organisation supported 215 projects in 36 countries around the world in 2022, including 95 Area Programmes (APs) across 26 countries, 65 short- to mid- term projects and 55 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 2022 financial year, 90.4% of the total income was allocated to global relief and community development programmes. Administration and fundraising costs accounted for 3.1% and 4.7% respectively of the total income, with the remaining 1.8% spent on public education.

The Organisation committed HK\$534 million to aid and development programmes, in which HK\$458 million was in the form of cash and HK\$76 million was gifts-in-kind. It mainly supported the projects through Child Sponsorship, World Vision China Partners and Childhood Rescue to improve the lives of children and assist children and families in distress.

Business review (continued)

Besides this, the Organisation committed about HK\$24 million to relief and rehabilitation projects including to assist people affected by the COVID-19 pandemic, the global hunger crisis, the Ukraine crisis and floods in the Philippines.

Surplus Funds

The Organisation commits reserves to global 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, it can utilise the surplus as undesignated funds for local or international ministry projects without sufficient sources of donations.

Corporate Governance

Governance Structure

World Vision operates as a federal partnership of which the Organisation is a member. Through the Covenant of Partnership, the Organisation agrees to align with World Vision International (WVI) policies, standards and core documents that bind the Partnership together, with adaptations to the local context and supplemented by its own policies. Mutual accountability is enabled by regular peer reviews that evaluate the above alignment.

The World Vision Hong Kong Board, formed by 12 independent and non-executive Directors, carries out important governance work through its five Committees: Audit & Risk Committee, Governance Committee, Strategy Committee, Human Resources & Administration Committee, and Executive Committee.

Cost Control and Accountability

The Organisation is committed to ensuring the proper and effective use of fund entrusted by donors. All projects are appraised, managed and monitored according to standard policies and procedures. Expenditures are carefully managed by strict cost control policies and audits.

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

Risk Management

The Organisation's risk management framework aligns with that of WVI. Key risks are identified annually, analysed, evaluated and treated in a proactive manner. It manages risks systematically according to its risk management policy approved by the Board of Directors and in response to changes within the internal and external environment. The Board has delegated regular scrutiny of risk management to the Audit & Risk Committee.

WVI has internal governance mechanisms monitoring the implementation of controls and risk management practices by project offices, providing feedback loops or escalating compliance issues or risk as appropriate.

Business review (continued)

Audit

The Organisation's internal audit function independently evaluates and improves the effectiveness of its risk management, internal controls and governance processes. It reports to the Audit & Risk Committee which meets at least twice a year to provide risk management oversight, monitor the use of funds, evaluate internal control system, review financial statements and appoint external auditors.

WVI also has a Global Internal Audit (GIA) function to regularly provide audit and assurance on its worldwide operations, including those to which the Organisation provides funding. The mission of the GIA is to enhance and protect organisation 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 adequate and effective. GIA also monitors and reports quarterly on the remediation of audit findings.

Green Policy

The Organisation has seen the effects of climate change and environmental degradation in the countries where it works. It acknowledges that its activities may have an impact on the global environment and that it can modify its operations to reduce the harm to the environment and increase its positive environmental impact. The Organisation is committed to improving its environmental performance and reducing its organisational contribution to climate change and environmental degradation. It adopts the following guidelines in pursuance of this commitment:

- It seeks to comply with the applicable environmental legislation, standards and regulations;
- It seeks 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 its activities;
- It seeks to engage its staff and volunteers in encouraging participation in environmental sustainability; and
- It seeks to encourage its supporters, suppliers and contractors to adopt similar environmental standards.

Auditor

KPMG were first appointed as auditors of the Organisation in 2022 upon the retirement of Ernst & Young. A resolution for the appointment of KPMG as auditors of the Organisation will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Yuen Sui See
Chairman

Hong Kong

14 December 2022

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 10 to 44, which comprise the statement of financial position as at 30 September 2022, the statement of comprehensive income, the statement of changes in equity and the cash flow statement 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 2022, 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 ("HKSAAs") 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 all the information included in the annual report, other than the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent auditor's report to the members of World Vision Hong Kong (continued)

(Incorporated in Hong Kong and limited by guarantee)

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.

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. This 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 HKSAAs 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 HKSAAs, 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.

Independent auditor's report to the members of World Vision Hong Kong (continued)

(Incorporated in Hong Kong and limited by guarantee)

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

- 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.

We communicate with the 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.

KPMG

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

14 December 2022

Statement of comprehensive income for the year ended 30 September 2022 (Expressed in Hong Kong dollars)

	Notes	2022 HK\$	2021 HK\$
Income			
Donations	5	543,495,443	688,094,390
Other income	5	1,203,623	1,250,096
Gifts-in-kind	5	75,820,734	105,099,191
		<u>620,519,800</u>	<u>794,443,677</u>
Expenditure			
Administration	6	19,495,097	19,307,379
Fundraising	7	29,028,960	28,479,309
Public education	8	11,136,227	9,298,542
Ministry	9	5,110,307	4,432,759
International relief and community development			
- Cash	10	477,221,013	626,559,227
- Gifts-in-kind	10	75,820,734	105,099,191
		<u>617,812,338</u>	<u>793,176,407</u>
Interest expense on lease liabilities	26	11,123	15,852
		<u>617,823,461</u>	<u>793,192,259</u>
Surplus before tax	11	2,696,339	1,251,418
Income tax	14	-	-
Surplus and total comprehensive income for the year		<u><u>2,696,339</u></u>	<u><u>1,251,418</u></u>

The notes on pages 16 to 44 form part of these financial statements.

Statement of financial position at 30 September 2022

(Expressed in Hong Kong dollars)

	Notes	2022 HK\$	2021 HK\$
Non-current assets			
Property, plant and equipment	17	11,993,762	12,229,071
Investment properties	18	3,118,965	3,164,848
Intangible assets	19	23,411	75,692
Right-of-use assets	26(a)	9,989,102	10,168,681
Prepayments	22	1,754,720	-
		<u>26,879,960</u>	<u>25,638,292</u>
Current assets			
Advance funding to World Vision International member organisations	20	4,104,454	207
Other receivables	21	944,084	78,294
Prepayments and deposits	22	1,115,726	700,950
Cash and cash equivalents	23	108,507,854	101,771,071
		<u>114,672,118</u>	<u>102,550,522</u>
Current liabilities			
Other payables and accruals	24	4,969,424	4,402,333
Lease liabilities	26(b)	308,681	347,021
Deferred income	25	9,818,515	-
		<u>15,096,620</u>	<u>4,749,354</u>
Net current assets		<u>99,575,498</u>	<u>97,801,168</u>
Total assets less current liabilities		<u>126,455,458</u>	<u>123,439,460</u>
Non-current liabilities			
Lease liabilities	26(b)	319,659	-
		<u>319,659</u>	<u>-</u>
Net assets		<u>126,135,799</u>	<u>123,439,460</u>

Statement of financial position at 30 September 2022
(continued)
(Expressed in Hong Kong dollars)

	Notes	2022 HK\$	2021 HK\$
Fund balances			
General operating fund	15	117,959,423	114,378,067
Designated funds	16	<u>8,176,376</u>	<u>9,061,393</u>
		<u>126,135,799</u>	<u>123,439,460</u>

Approved and authorised for issue by the board of directors on 14 December 2022

Yuen Sui See, Director

Chan Chiu Kong, Edmond, Director

The notes on pages 16 to 44 form part of these financial statements.

Statement of changes in equity
for the year ended 30 September 2022
(Expressed in Hong Kong dollars)

	<i>General operating fund</i> HK\$ (Note 15)	<i>Designated funds</i> HK\$ (Note 16)	<i>Total fund balances</i> HK\$
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 and at 1 October 2021	114,378,067	9,061,393	123,439,460
Surplus/(deficit) for the year and total comprehensive income for the year	<u>3,581,356</u>	<u>(885,017)</u>	<u>2,696,339</u>
At 30 September 2022	<u><u>117,959,423</u></u>	<u><u>8,176,376</u></u>	<u><u>126,135,799</u></u>

The notes on pages 16 to 44 form part of these financial statements.

Cash flow statement for the year ended 30 September 2022 (Expressed in Hong Kong dollars)

	Notes	2022 HK\$	2021 HK\$
Operating activities			
Surplus before tax		2,696,339	1,251,418
Adjustments for:			
Interest income	5	(689,930)	(711,041)
Loss on disposal of items of property, plant and equipment	11(b)	-	3,281
Depreciation and amortisation	11(b)	1,959,026	1,842,023
Interest expense on lease liabilities	26(c)	11,123	15,852
Operating surplus before changes in working capital		3,976,558	2,401,533
Movement in balance with World Vision International member organisations		(4,104,247)	(14,118,125)
Increase in other receivables		(865,790)	(6,334)
(Increase)/decrease in prepayments and deposits		(414,776)	488,133
Increase/(decrease) in other payables and accruals		567,091	(1,071,688)
Increase/(decrease) in deferred income		9,818,515	(1,462,888)
Net cash generated from/(used in) operating activities		8,977,351	(13,769,369)
Investing activities			
Interest received		689,930	711,041
Payment for purchases of property, plant and equipment		(873,240)	(1,889,874)
Payment for purchase of intangible assets		(1,754,720)	-
Net cash used in from investing activities		(1,938,030)	(1,178,833)
Financing activities			
Capital element of lease rentals paid	23(b)	(291,415)	(286,632)
Interest element of lease rentals paid	23(b)	(11,123)	(15,852)
Net cash used in financing activities		(302,538)	(302,484)

Cash flow statement
for the year ended 30 September 2022 (continued)
(Expressed in Hong Kong dollars)

	<i>Notes</i>	<i>2022</i> HK\$	<i>2021</i> HK\$
Net increase/(decrease) in cash and cash equivalents		6,736,783	(15,250,686)
Cash and cash equivalents at beginning of year		<u>101,771,071</u>	<u>117,021,757</u>
Cash and cash equivalents at end of year	23(a)	<u><u>108,507,854</u></u>	<u><u>101,771,071</u></u>

The notes on pages 16 to 44 form part of these financial statements.

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Corporate information

World Vision Hong Kong 香港世界宣明會 (“the Organisation”) 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.

World Vision International (“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 and the Organisation is a separate affiliated entity in the network.

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 Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. Significant accounting policies adopted by the Organisation are disclosed below.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Organisation. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Organisation for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is the historical cost basis. These financial statements are presented in Hong Kong dollars (“HK\$”).

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

2 Significant accounting policies (continued)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

(c) Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Organisation. None of the developments have had a material effect on how the Organisation's results and financial position for the current or prior periods have been prepared or presented. The Organisation has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(d) Property, plant and equipment

Property, plant and equipment, including right-of-use assets arising from leases of underlying property, plant and equipment (see note 2(g)), are stated at cost less accumulated depreciation and impairment losses (see note 2(h)).

Depreciation is calculated to write off the cost of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives with annual rates as follows:

<i>Owned assets</i>	
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%
<i>Right-of-use assets</i>	
Land	2%
Buildings	3.5%

Both the useful life of an asset and its residual value, if any, are reviewed annually. Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss on the date of retirement or disposal.

2 Significant accounting policies (continued)

(e) *Investment properties*

Investment properties are land and/or buildings (including the leasehold property held as right-of-use assets which would otherwise meet the definition of an investment property) which are owned or held under a leasehold interest (see note 2(g)) to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes. Such properties are measured initially at cost, including transaction costs. Subsequent to the initial recognition, investment properties are stated at cost less accumulated depreciation (see note 2(d)) and any impairment losses (see note 2(h)).

The Organisation's investment properties are rented out under an operating lease. The above investment properties are depreciated on a straight-line method over their estimated useful lives with annual rates as follows:

Freehold land	Not depreciated
Buildings	3.125%

(f) *Intangible assets*

Intangible assets that are acquired by the Organisation are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(h)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives from the date they are available for use with annual rates as follows:

Computer software	25%
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Both the period and method of amortisation are reviewed annually.

(g) *Leased assets*

At inception of a contract, the Organisation assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the 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 direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

At the lease commencement date, the Organisation recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Organisation enters into a lease in respect of a low-value asset, the Organisation decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

2 Significant accounting policies (continued)

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation (see note 2(d) and impairment losses (see note 2(h)).

The initial fair value of refundable rental deposits is accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in debt securities carried at amortised cost. Any difference between the initial fair value and the nominal value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Organisation's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Organisation will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

(ii) As a lessor

When the Organisation acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

Where the Organisation is a lessor under operating lease, lease payments from the operating leases is recognised as income on either a straight-line basis or another systematic basis as set out in note 2(l)(v). Costs, including depreciation, incurred in earning the lease income is recognised as expenses in the profit or loss.

2 Significant accounting policies (continued)

(h) Impairment of non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased.

- Property, plant and equipment, including right-of-use assets;
- Investment properties; and
- Intangible assets

If any such indication exists, the asset's recoverable amount is estimated.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

- Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior periods. Reversals of impairment losses are credited to profit or loss in the period in which the reversals are recognised.

(i) Receivables

Receivables are recognised when the Organisation has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Receivables are subsequently stated at amortised cost using the effective interest method and including an allowance for credit losses as determined below:

2 Significant accounting policies (continued)

Measurement of expected credit losses (“ECLs”)

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Organisation in accordance with the contract and the cash flows that the Organisation expects to receive).

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

For all financial instruments, the Organisation recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Organisation compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Organisation considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Organisation in full, without recourse by the Organisation to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Organisation considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument’s external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor’s ability to meet its obligation to the Organisation.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

2 Significant accounting policies (continued)

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Organisation recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

The gross carrying amount of a debtor is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Organisation determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

(j) Payables

Payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECLs in accordance with the policy set out in note 2(i).

(l) Revenue and other income

Income is classified by the Organisation as revenue when it arises from the receipt of donation in the ordinary course of the Organisation's business.

Further details of the Organisation's revenue and other income recognition policies are as follows:

(i) Donations

Donations are recognised when the Organisation becomes entitled to the donations or it is probable that they will be received, which is generally upon the receipt of cash.

(ii) Governmental grants

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.

2 Significant accounting policies (continued)

(iii) 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 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.

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method.

(v) Rental income from operating lease

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term.

(m) Translation of foreign currencies

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

(n) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

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

(ii) Termination benefits

Termination benefits are recognised when, and only when, the Organisation demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(o) Provisions and contingent liabilities

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

2 Significant accounting policies (continued)

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

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

(p) *Related parties*

- (a) A person, or a close member of that person's family, is related to the Organisation if 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 the Organisation's parent.
- (b) An entity is related to the Organisation if any of the following conditions applies:
 - (i) The entity and the Organisation are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities 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).
 - (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 Organisation's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2 Significant accounting policies (continued)

(q) 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.

3 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 income, 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.

(a) 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.

3 Significant accounting judgements and estimates (continued)

(b) 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.

4 Fund movement

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

	<i>General operating fund</i>			<i>Designated funds</i> HK\$	<i>Total</i> HK\$
	<i>Aid & development</i> HK\$	<i>Emergency relief</i> HK\$	<i>Sub-total</i> HK\$		
At 1 October 2021			114,378,067	9,061,393	123,439,460
Movements during the year					
Income					
Donations	519,567,765	23,923,924	543,491,689	3,754	543,495,443
Other income	1,203,623	-	1,203,623	-	1,203,623
Gifts-in-kind	75,820,734	-	75,820,734	-	75,820,734
	596,592,122	23,923,924	620,516,046	3,754	620,519,800
Expenditure					
Administration	19,446,669	-	19,446,669	48,428	19,495,097
Fundraising	28,868,159	160,801	29,028,960	-	29,028,960
Public education	11,136,227	-	11,136,227	-	11,136,227
Ministry	5,110,307	-	5,110,307	-	5,110,307
International relief and community development					
- Cash	452,617,547	23,763,123	476,380,670	840,343	477,221,013
- Gifts-in-kind	75,820,734	-	75,820,734	-	75,820,734
	592,999,643	23,923,924	616,923,567	888,771	617,812,338
Interest expense on lease liability	11,123	-	11,123	-	11,123
	593,010,766	23,923,924	616,934,690	888,771	617,823,461
Surplus/(deficit) for the year	3,581,356	-	3,581,356	(885,017)	2,696,339
At 30 September 2022			117,959,423	8,176,376	126,135,799

4 Fund movement (continued)

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

	<i>General operating fund</i>			<i>Designated funds</i>	<i>Total</i>
	<i>Aid & development</i>	<i>Emergency relief</i>	<i>Sub-total</i>		
	HK\$	HK\$	HK\$	HK\$	HK\$
At 1 October 2020			112,891,306	9,296,736	122,188,042
Movements during the year					
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 liabilities	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>
At 30 September 2021			<u>114,378,067</u>	<u>9,061,393</u>	<u>123,439,460</u>

5 Income

The principal activity of the Organisation is fundraising for charitable purposes. 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:

	2022	2021
	HK\$	HK\$
Bank interest income	689,930	711,041
Rental income from investment properties	513,693	539,052
Others	-	3
	<u>1,203,623</u>	<u>1,250,096</u>

6 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.

7 Fundraising

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

8 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.

9 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.

10 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:

	2022 HK\$	2021 HK\$
Cash paid to WVI member organisations	477,221,013	626,559,227
Gifts-in-kind to WVI member organisations	75,820,734	105,099,191
	<u>553,041,747</u>	<u>731,658,418</u>

11 Surplus before tax

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

	2022 HK\$	2021 HK\$
(a) Employee benefits expenses		
Wages, salaries and allowances		
- Administration	13,687,177	13,540,032
- Fundraising	18,707,248	17,765,112
- Public education	6,892,164	5,897,296
- Ministry	3,292,288	3,331,845
	<u>42,578,877</u>	<u>40,534,285</u>

11 Surplus before tax (continued)

	2022 HK\$	2021 HK\$
Employee Support Scheme (note (i))		
- Administration	(796,000)	(922,107)
- Fundraising	(1,125,600)	(1,135,219)
- Public education	(465,600)	(417,921)
- Ministry	(200,000)	(241,536)
	(2,587,200)	(2,716,783)
Pension scheme contributions (defined contribution schemes)		
- Administration	664,272	714,719
- Fundraising	1,131,322	1,084,119
- Public education	321,108	288,197
- Ministry	221,123	223,375
	2,337,825	2,310,410
	42,329,502	40,127,912
(b) Other items		
Depreciation		
- owned property, plant and equipment (note 17)	1,108,549	972,988
- investment properties (note 18)	45,883	45,883
- intangible assets (note 19)	52,281	75,479
- right-of-use assets (note 26(a))	752,313	747,673
	1,959,026	1,842,023
Auditor's remuneration	415,000	157,500
Loss on disposal of property, plant and equipment	-	3,281
Government grants released for the expenditure incurred during the year (note (ii))	(9,022,486)	(7,910,775)
	(9,022,486)	(7,910,775)

11 Surplus before tax (continued)

Notes:

- (i) During the year ended 30 September 2022, the Organisation successfully applied for funding support of HK\$2,587,200 (2021:HK\$2,716,783) from the Employment Support Scheme under the Anti-epidemic Fund, set up by the Hong Kong SAR Government. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Organisation is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees.
- (ii) Various government grants have been received from the 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 according to the accounting policy as set out in note 2(l)(ii).

12 Directors' remuneration

No director received any fees or emoluments in respect of their services rendered to the Organisation during the year (2021: Nil) pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation.

13 Fund-raising activity with Public Subscription Permit

In 2022, 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:

	2022 HK\$
Permit Number 2022/078/1-"World Vision Hong Kong at 60: Hope is"	
For supporting World Vision Hong Kong's local projects. Through partnerships with professional groups and partners, these projects provide assistance for grass-roots parents to meet their children's needs, including the needs for nutrition and health, experiential learning, mental wellness and a positive living environment, enhancing children's long-term development.	
Income raised	6,488
Expenditure incurred	(4,042)
	2,446
Net proceeds	2,446

There was no fundraising activity held and approved under the Public Subscription Permit during 2021.

14 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.

The Organisation's Macau Branch is a charitable organisation within the meaning of law no. 11/96M of the laws of Macau and, accordingly, is exempted from Macau profits tax.

15 General operating fund

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

16 Designated funds

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

17 Property, plant and equipment

	<i>Freehold land HK\$</i>	<i>Buildings HK\$</i>	<i>Leasehold improvements HK\$</i>	<i>Office equipment HK\$</i>	<i>Office furniture and fixtures HK\$</i>	<i>Computer equipment HK\$</i>	<i>Motor vehicle HK\$</i>	<i>Total HK\$</i>
Cost:								
At 1 October 2020	3,134,233	13,533,077	3,464,009	2,124,450	33,700	3,930,247	10,000	26,229,716
Additions	-	-	1,526,500	151,674	-	211,700	-	1,889,874
Disposal	-	-	-	(688,515)	-	(935,963)	-	(1,624,478)
At 30 September 2021	<u>3,134,233</u>	<u>13,533,077</u>	<u>4,990,509</u>	<u>1,587,609</u>	<u>33,700</u>	<u>3,205,984</u>	<u>10,000</u>	<u>26,495,112</u>
Accumulated depreciation:								
At 1 October 2020	-	7,237,063	3,102,117	1,798,857	33,700	2,732,513	10,000	14,914,250
Charge for the year	-	287,091	165,986	86,792	-	433,119	-	972,988
Written back on disposal	-	-	-	(688,515)	-	(932,682)	-	(1,621,197)
At 30 September 2021	<u>-</u>	<u>7,524,154</u>	<u>3,268,103</u>	<u>1,197,134</u>	<u>33,700</u>	<u>2,232,950</u>	<u>10,000</u>	<u>14,266,041</u>
Net book value:								
At 30 September 2021	<u>3,134,233</u>	<u>6,008,923</u>	<u>1,722,406</u>	<u>390,475</u>	<u>-</u>	<u>973,034</u>	<u>-</u>	<u>12,229,071</u>

17 Property, plant and equipment (continued)

	<i>Freehold land HK\$</i>	<i>Buildings HK\$</i>	<i>Leasehold improvements HK\$</i>	<i>Office equipment HK\$</i>	<i>Office furniture and fixtures HK\$</i>	<i>Computer equipment HK\$</i>	<i>Motor vehicle HK\$</i>	<i>Total HK\$</i>
Cost:								
At 1 October 2021	3,134,233	13,533,077	4,990,509	1,587,609	33,700	3,205,984	10,000	26,495,112
Additions	-	-	229,576	76,624	-	567,040	-	873,240
Disposal	-	-	-	(39,684)	-	-	-	(39,684)
At 30 September 2022	<u>3,134,233</u>	<u>13,533,077</u>	<u>5,220,085</u>	<u>1,624,549</u>	<u>33,700</u>	<u>3,773,024</u>	<u>10,000</u>	<u>27,328,668</u>
Accumulated depreciation:								
At 1 October 2021	-	7,524,154	3,268,103	1,197,134	33,700	2,232,950	10,000	14,266,041
Charge for the year	-	287,091	202,189	121,869	-	497,400	-	1,108,549
Written back on disposal	-	-	-	(39,684)	-	-	-	(39,684)
At 30 September 2022	<u>-</u>	<u>7,811,245</u>	<u>3,470,292</u>	<u>1,279,319</u>	<u>33,700</u>	<u>2,730,350</u>	<u>10,000</u>	<u>15,334,906</u>
Net book value:								
At 30 September 2022	<u>3,134,233</u>	<u>5,721,832</u>	<u>1,749,793</u>	<u>345,230</u>	<u>-</u>	<u>1,042,674</u>	<u>-</u>	<u>11,993,762</u>

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 2022 and 30 September 2021 are owner-occupied.

18 Investment properties

HK\$

Cost:

At 1 October 2020, 30 September 2021 and 30 September 2022 3,811,043

Accumulated depreciation:

At 1 October 2020 600,312
Charge for the year 45,883

At 30 September 2021 646,195

At 1 October 2021 646,195
Charge for the year 45,883

At 30 September 2022 692,078

Net book value:

At 30 September 2021 3,164,848

At 30 September 2022 3,118,965

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 2022 was HK\$15,570,000 (2021: 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.

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 Organisation has adopted the cost model under HKAS 40 to account for its investment properties, and accordingly, the carrying amounts of the investment properties were not adjusted to the revalued amount as at 30 September 2022 and 2021.

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 for 2 to 3 years.

18 Investment properties (continued)

Undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Organisation in the future periods as follows:

	2022 HK\$	2021 HK\$
Within 1 year	507,129	531,672
In the 2 to 5 years, inclusive	420,293	430,607
	<u>927,422</u>	<u>962,279</u>

19 Intangible assets

	<i>Computer software</i> HK\$
Cost:	
At 1 October 2020, 30 September 2021 and 30 September 2022	<u>11,205,069</u>
Accumulated depreciation:	
At 1 October 2020	11,053,898
Charge for the year	75,479
At 30 September 2021	<u>11,129,377</u>
At 1 October 2021	11,129,377
Charge for the year	52,281
At 30 September 2022	<u>11,181,658</u>
Net book value:	
At 30 September 2021	<u>75,692</u>
At 30 September 2022	<u>23,411</u>

20 Advance funding to World Vision International Member Organisations

At 30 September 2022 and 2021, the 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 is expected to be utilised in the following year.

21 Other receivables

All of the other receivables are expected to be recovered or recognised as expense within one year. Details on the Organisation's credit policy are set out in note 29(a).

22 Prepayments and deposits

	2022 HK\$	2021 HK\$
Prepayments	2,586,221	451,106
Deposits	284,225	249,844
	<u>2,870,446</u>	<u>700,950</u>
Less: non-current portion	(1,754,720)	-
	<u>1,115,726</u>	<u>700,950</u>

Except for prepayments of HK\$1,754,720 (2021:HK\$Nil), all of the prepayments and deposits are expected to be recovered within one year. Details on the Organisation's credit policy are set out in note 29(a).

23 Cash and cash equivalents

(a) Cash and cash equivalents comprise:

	2022 HK\$	2021 HK\$
Cash and bank balances	19,339,302	8,835,925
Non-pledged time deposits with original maturity of less than three months when acquired	89,168,552	92,935,146
	<u>108,507,854</u>	<u>101,771,071</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.

23 Cash and cash equivalents (continued)

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Organisation's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the cash flow statement as cash flows from financing activities.

	<i>Lease Liabilities (note 26(b))</i>	
	2022 HK\$	2021 HK\$
At 1 October	347,021	633,653
Changes from financing cash flows		
Capital element of lease rentals paid	(291,415)	(286,632)
Interest element of lease rentals paid	(11,123)	(15,852)
Total changes from financing cash flows	(302,538)	(302,484)
Other changes:		
Lease modification	572,734	-
Interest expense	11,123	15,852
Total other charges	583,857	15,852
At 30 September	628,340	347,021

(c) Total cash outflow for leases

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

	2022 HK\$	2021 HK\$
Within financing activities	302,538	302,484

24 Other payables and accruals

	2022 HK\$	2021 HK\$
Other payables	87,445	347,007
Accruals	4,881,979	4,055,326
	4,969,424	4,402,333

All of the other payables and accruals are expected to be settled within one year.

25 Deferred income

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

26 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 situated in Hong Kong and held on a long-term lease expiring on 29 January 2078. Lease of property is situated in Hong Kong and 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.

(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 2021	9,827,984	340,697	10,168,681
Lease modification	-	572,734	572,734
Depreciation charge during the year	(457,116)	(295,197)	(752,313)
At 30 September 2022	9,370,868	618,234	9,989,102
	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	9,827,984	340,697	10,168,681

26 Leases (continued)

(b) Lease liabilities

At 30 September 2022, the lease liabilities were repayable as follows:

	2022 HK\$	2021 HK\$
Within 1 year	308,681	347,021
After 1 year within 2 years	319,659	-
	<u>628,340</u>	<u>347,021</u>

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

	2022 HK\$	2021 HK\$
Interest on lease liabilities	11,123	15,852
Depreciation charge of right-of-use assets	752,313	747,673
	<u>763,436</u>	<u>763,525</u>

27 Capital commitment

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

	2022 HK\$	2021 HK\$
Contracted, but not provided for Intangible assets-computer software	<u>4,386,800</u>	<u>4,232,800</u>

28 Material related party transactions

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

	2022 HK\$	2021 HK\$
Short term employee benefits	5,903,113	5,339,381
Post-employment benefits	315,124	306,597
	<u>6,218,237</u>	<u>5,645,978</u>
Total compensation paid to key management personnel	<u>6,218,237</u>	<u>5,645,978</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:

	2022 HK\$	2021 HK\$
International relief and community development - cash, to WVI member organisations	477,221,013	626,559,227
International relief and community development - gifts-in-kind, to WVI member organisations	<u>75,820,734</u>	<u>105,099,191</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 10 and 20 to the financial statements. 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 Financial risk management and fair values

Exposure to credit, liquidity and currency risks arises in the normal course of the Organisation's business. The Organisation's exposure to these risks and the financial risk management policies and practices used by the Organisation to manage these risks are described below.

(a) *Credit risk*

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Organisation.

The Organisation's credit risk is primarily attributable to cash and cash equivalents, other receivables, deposits and advance funding to WVI member organisations. Management has a credit policy in place and the exposures to those credit risks are monitored on an ongoing basis.

The Organisation's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are reputable banks and financial institutions with sound credit rating for which the Organisation considers to have insignificant credit risk.

The directors considered the credit risk arising from other receivables and deposits is insignificant in view of the credit status of the debtors.

For advance funding to WVI member organisations, considering the funding will be utilised in the following year, the directors considered the credit risk arising from those balances is also limited.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position after deducting any loss allowance. At 30 September 2022 and 2021, no loss allowance was recognised.

(b) *Liquidity risk*

The Organisation monitors its risk to a shortage of funds using a recurring liquidity planning tool. The tools regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient cash to meet its liquidity requirements in the short and longer term.

The following table shows the remaining contractual maturities at the end of the reporting period of the Organisation's financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the Organisation can be required to pay:

29 Financial risk management and fair values (continued)

	2022			Carrying amount at 30 September HK\$
	<i>Contractual undiscounted cash outflows</i>			
	<i>Within 1 year or on demand</i> HK\$	<i>1 to 5 years</i> HK\$	<i>Total</i> HK\$	
Other payables and accruals	4,969,424	-	4,969,424	4,969,424
Lease liabilities	325,752	325,752	651,504	628,340
	<u>5,295,176</u>	<u>325,752</u>	<u>5,620,928</u>	<u>5,597,764</u>
	2021			Carrying amount at 30 September HK\$
	<i>Contractual undiscounted cash outflows</i>			
	<i>Within 1 year or on demand</i> HK\$	<i>1 to 5 years</i> HK\$	<i>Total</i> HK\$	
Other payables and accruals	4,402,333	-	4,402,333	4,402,333
Lease liabilities	347,021	-	347,021	347,021
	<u>4,749,354</u>	<u>-</u>	<u>4,749,354</u>	<u>4,749,354</u>

(c) **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.

(d) **Fair value measurement**

Fair value hierarchy

HKFRS 13, *Fair value measurement* categorises fair value measurements into a three-level hierarchy. The level into which fair value is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

29 Financial risk management and fair values (continued)

	Fair value at 30 September 2022 \$	Fair value measurements as at 30 September 2022 categorised into		
		Level 1 \$	Level 2 \$	Level 3 \$
Recurring fair value measurements				
<i>Assets:</i>				
Investment properties	15,570,000	-	15,570,000	-
	Fair value at 30 September 2021 \$	Fair value measurements as at 30 September 2021 categorised into		
		Level 1 \$	Level 2 \$	Level 3 \$
Recurring fair value measurements				
<i>Assets:</i>				
Investment properties	15,570,000	-	15,570,000	-

All of the Organisation's financial assets and liabilities are carried at amounts not materially different from their fair values as at 30 September 2022 and 30 September 2021.

30 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.

Movements of the general operating fund and designated funds is set out in the statement of changes in equity on page 13.

31 Comparative amounts

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

32 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 30 September 2022

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard, HKFRS 17, *Insurance contracts*, which are not yet effective for the year ended 30 September 2022 and which have not been adopted in these financial statements. These include the following which may be relevant to the Organisation.

	<i>Effective for accounting periods beginning on or after</i>
Amendments to HKAS 16, <i>Property, plant and equipment: Proceeds before intended use</i>	1 January 2022
Amendments to HKAS 37, <i>Onerous Contracts-cost of fulfilling a contract</i>	1 January 2022
Annual improvements to HKFRSs 2018-2020 cycle	1 January 2022
Amendments to HKAS 1, <i>Classification of liabilities as current or non-current</i>	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2, <i>Disclosure of accounting policies</i>	1 January 2023
Amendments to HKAS 8, <i>Definition of accounting estimates</i>	1 January 2023
Amendments to HKAS 12, <i>Deferred tax related to assets and liabilities arising from a single transaction</i>	1 January 2023

The Organisation is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the financial statements.