KPMG

Variety - The Children's Charity Hong Kong Limited

30 September 2021

Directors' Report

The directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 30 September 2021.

Principal place of business

The company is incorporated and domiciled in Hong Kong and has its registered office and principal place of business at 6th floor, Wyndham Place, 40-44 Wyndham Street, Central, Hong Kong.

Principal activities

The company is a charitable institution limited by guarantee to provide assistance and support to children in Hong Kong who are physically, mentally, socially or economically disadvantaged.

Directors

The directors during the financial year and up to the date of the report were:

Lam, Wai Man Virginia	
Lam, Mei Ling May	
Lam, Wai Yee	
Kok, Chui Lai Joy	
Yu, Wing Yee Monique	
Tsang, Tze Har Esther	(appointed on 06 May 2021)
Chan, Kon Hang	(appointed on 06 May 2021)
Molyneux-Webb, Steven Alexander Edwin	(appointed on 06 May 2021)
Hess, Donald James	(resigned on 06 May 2021)
Blurton, Daniel Stuart	(resigned on 06 May 2021)
Loughnan, Kenneth Vincent	(resigned on 06 May 2021)
Mundy, Kirsten Dominica	(resigned on 31 July 2021)

Lam Wai Yee and Yu Wing Yee Monique will retire from the board in accordance with Article 12.8 of the Company's Articles of Association at the forthcoming Annual General Meeting ("AGM"). The retiring directors, being eligible, offer themselves for re-election.

At no time during the year was the company a party to any arrangement to enable the directors of the company to acquire benefits by means of the acquisition of shares in or debentures of the company or any other body corporate.

Indemnity of directors

A permitted indemnity provision (as defined in section 469 of the Hong Kong Companies Ordinance) for the benefit of the directors of the company is currently in force and was in force throughout this year.

Directors' interests in transactions, arrangements or contracts

No contract of significance to which the company, or any of its holding company or fellow subsidiaries was a party, and in which a director of the company had a material interest, subsisted at the end of the year or at any time during the year.

Auditors

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

Lam, Wai Man Virginia
Director

Hong Kong, 03 MAY 2022

Independent auditor's report to the members of Variety - The Children's Charity Hong Kong Limited ("the company")

(Incorporated in Hong Kong and limited by guarantee)

Opinion

We have audited the financial statements of Variety – The Children's Charity Hong Kong Limited ("the company") set out on pages 6 to 16, which comprise the statement of financial position as at 30 September 2021, the income and expenditure account, the statement of changes in reserve 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 company 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 company 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 Variety - The Children's Charity Hong Kong Limited ("the company") (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 company'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 company 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 HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company 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,

03 MAY 2022

Income and expenditure account for the year ended 30 September 2021

(Expressed in Hong Kong dollars)

	Note	*Year ended 30 September 2021*	*Year ended 30 September 2020*
Income			
Donations	2	$ 5,088,281	$ 4,631,761
Interest income		16	141
		$ 5,088,297	$ 4,631,902
Expenditure			
Grants expenditure		$ (3,009,497)	$ (2,785,536)
Administrative and other operating expenses		(205,211)	(194,741)
Bank charges		(3,415)	(5,018)
		$ (3,218,123)	$ (2,985,295)
Surplus and total comprehensive income for the year		$ 1,870,174	$ 1,646,607

The notes on pages 10 to 16 form part of the financial statements.

Statement of financial position at 30 September 2021

(Expressed in Hong Kong dollars)

	Note	2021	2020
Current asset			
Cash at bank		$ 5,481,296	$ 2,012,409
Donation receivable	8	800,000	1,406,250
Other receivables		46,413	12,800
		$ 6,327,709	$ 3,431,459
Current liabilities			
Amount due to a director	6	$ (192,758)	$ -
Other payables		(300,544)	(429,825)
Deferred income	7	(1,371,610)	(409,011)
		$ (1,864,912)	$ (838,836)
NET ASSETS		$ 4,462,797	$ 2,592,623
General reserve		$ 4,462,797	$ 2,592,623

Approved and authorised for issue by the board of directors on 03 MAY 2022

Lam, Wai Man Virginia)
Tsang, Tze Har Esther) Directors

The notes on pages 10 to 16 form part of the financial statements.

Statement of changes in reserve for the year ended 30 September 2021

(Expressed in Hong Kong dollars)

		General reserve
At 1 October 2019	$	946,016
Surplus and total comprehensive income		1,646,607
At 30 September 2020 and 1 October 2020	$	2,592,623
Surplus and total comprehensive income		1,870,174
At 30 September 2021	$	4,462,797

The notes on pages 10 to 16 form part of the financial statements.

Cash flow statement
for the year ended 30 September 2021
(Expressed in Hong Kong dollars)

	Year ended 30 September 2021	*Year ended 30 September 2020*
Operating activities		
Surplus for the year	$ 1,870,174	$ 1,646,607
Adjustment for:		
Interest income	(16)	(141)
Operating surplus before changes in working capital	$ 1,870,158	$ 1,646,466
Decrease/(increase) in donation receivable	606,250	(1,406,250)
Increase in other receivables	(33,613)	(12,800)
(Decrease)/increase in other payables	(129,281)	156,915
Increase/(decrease) in deferred income	962,599	(1,054,507)
Increase in amount due to a director	192,758	-
Net cash generated from/(used in) operating activities	$ 3,468,871	$ (670,176)
Investing activity		
Interest received and net cash generated from investing activity	$ 16	$ 141
Net increase/(decrease) in cash and cash equivalents	$ 3,468,887	$ (670,035)
Cash and cash equivalents at 1 October	2,012,409	2,682,444
Cash and cash equivalents at 30 September	$ 5,481,296	$ 2,012,409

Cash and cash equivalents represent cash at bank.

The notes on pages 10 to 16 form part of the financial statements.

Notes to the financial statements
(Expressed in Hong Kong dollars)

1 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") and accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. Significant accounting policies adopted by the company 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 company. Note 1(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 company 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.

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.

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.

1 Significant accounting policies (continued)

(c) Changes in accounting polices

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the company. None of the developments have had a material effect on how the company's results and financial position for the current and prior periods have been prepared or presented.

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

(d) Payables

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

(e) Donation and other receivables

A receivable is recognised when the company 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 initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost, using the effective interest method and including an allowance for credit losses as determined below:

For donation and other receivables, the company recognises loss allowances equal to 12-month expected credit losses ("ECLs") unless there has been a significant increase in credit risk since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs. The loss allowance is estimated using a provision matrix based on the company's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

ECLs are remeasured at each reporting date with any changes recognised as an impairment gain or loss in income and expenditure account. The company recognises impairment gain or loss with a corresponding adjustment to the carrying amount of receivables through a loss allowance account.

The gross carrying amount of receivable 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 company 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.

(f) 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.

1 Significant accounting policies (continued)

(g) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the company 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. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

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

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.

(i) Revenue recognition

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

Donations in cash and cash equivalents or other investment instruments for general purpose are recognised as income at fair values when it is probable that they will be received, which is generally upon receipt of cash. Donations for special purposes designated by the donors are initially recognised as deferred income when received, and then as income when the specific purposes are met.

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset.

1 Significant accounting policies (continued)

(k) Related parties

(a) A person, or a close member of that person's family, is related to the company if that person:

(i) has control or joint control over the company;

(ii) has significant influence over the company; or

(iii) is a member of the key management personnel of the company or the company's parent.

(b) An entity is related to the company if any of the following conditions applies:

(i) The entity and the company 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 company or an entity related to the company.

(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 company or to the company'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 Donations

The amount represents donations income recognised for charity purpose.

The amount of each significant category of donation income is as follows:

	2021	*2020*
General	$ 239,297	$ 1,684,725
Programs specific donation for Variety Butterfly Program and Variety Falcon Program	4,848,984	2,947,036
	$ 5,088,281	$ 4,631,761

3 Taxation

The company is exempt under section 88 of the Hong Kong Inland Revenue Ordinance from any tax by reason of being a charitable institution or trust of a public character. Accordingly, no provision for Hong Kong taxation is required in these financial statements.

4 Directors' remuneration

All directors acted in honorary capacity and no director received any remuneration during the year.

5 Reserve

Capital management

The company is a charitable institution limited by guarantee and has no share capital.

The company's primary objectives when managing capital are to safeguard the company's ability to continue as a going concern, so that it can continue to provide assistance and support to children in Hong Kong who are physically, mentally, socially or economically disadvantaged.

The company defines "capital" as including general reserve maintained by the company. The company actively and regularly reviews and manages its capital structure to ensure effective use of reserve and sound financial status of the company.

6 Amount due to a director

The balance represented the reimbursement of staff costs paid by a director on behalf of the company, which is unsecured, interest-free and repayable on demand.

7 Deferred income

The deferred income represented the balance of donations designated for the sponsorship of Variety Butterfly Program and Variety Falcon Program and are expected to be recognised as income and credited to the statement of income and expenditure when related expenditure was incurred.

8 Donation receivable

The donation receivable represented the balance of donations expected to be received from donor before year end as stated in donation agreement. The amount was subsequently received in March 2022 (2020: November 2020).

9 Financial risk management

Exposure to credit and liquidity risks arises in the normal course of the company's operations.

The company's exposure to these risks and the financial risk management policies and practices used by the company to manage these risks are described below.

(a) Credit risk

The company's credit risk is primarily attributable to cash at bank deposited with financial institutions and donation receivable, the maximum exposure of which at the end of the reporting period is their carrying amounts.

Credit risk in respect of cash at bank is considered to be low because cash at bank are placed with major financial institutions with sound credit ratings. Donation receivable is reviewed regularly, for which the company considers to have a low credit risk. The company measure loss allowance for donation receivable in accordance with note 1(e), with reference to the recent historical credit loss experience and forward looking factor, the loss allowance is considered insignificant.

(b) Liquidity risk

The company's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserve of cash and funding lines to meet its liquidity requirements in the short and longer term.

The contractual maturities at the end of the reporting period of the company's financial liabilities, which are based on contractual undiscounted cash flows and the earliest date on which the company can be required to pay, are within one year or on demand.

10 Related party transactions

In addition to the transactions and balances disclosed elsewhere in these financial statements, the company entered into the following material related party transactions:

		2021		*2020*
Donations received from the company's directors	$	70,500	$	25,500
Consultancy fee paid/payable to a company's director		234,725		282,777

11 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 30 September 2021

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard which are not yet effective for the year ended 30 September 2021 and which have not been adopted in these financial statements.

The company 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 company's result of operations and financial position.