

K.P. CHENG & CO.

Certified Public Accountants

鄭錦波會計師事務所

CHILD WELFARE SCHEME LIMITED

(LIMITED BY GUARANTEE)

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 15TH JULY, 2006

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CHILD WELFARE SCHEME LIMITED
(LIMITED BY GUARANTEE)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 15TH JULY, 2006

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CHILD WELFARE SCHEME LIMITED

(LIMITED BY GUARANTEE)

DIRECTORS' REPORT

The directors have pleasure in presenting their annual report together with the audited financial statements for the year ended 15th July, 2006.

PRINCIPAL ACTIVITIES

The company is a HKSAR registered charity organization engaged in fund raising and transferring funds to Child Welfare Scheme Nepal, a non-government organization set up under Nepalese law working with communities for the relief of poverty for children from deprived and disadvantaged backgrounds.

FINANCIAL STATEMENTS

The surplus of the company for the year ended 15th July, 2006, and the state of affairs at that date and cash flows for the year then ended are set out in the financial statements on pages 4 to 11.

DIRECTORS

The directors who held office during the year were :-

Oldham, Gordon David Michael George
D'Auriol, Sandra Nicola
Maclagan, Douglas Hubert

CHILD WELFARE SCHEME LIMITED

(LIMITED BY GUARANTEE)

DIRECTORS' REPORT

DIRECTORS (CONTINUED)

In accordance with article 44 of the company's articles of association, all directors shall hold office until the next annual general meeting but shall be eligible for re-election.

DIRECTORS' INTERESTS IN CONTRACTS

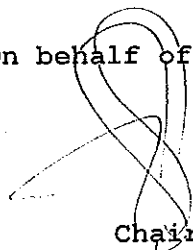
No contracts of significance to which the company was a party and in which a director had a material interest subsisted at the end of the year or at any time during the year.

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

AUDITORS

A resolution to re-appoint the retiring auditors, Messrs K.P. Cheng & Co., is to be proposed at the forthcoming annual general meeting.

On behalf of the Board



Chairman

31 OCT 2006

K.P. CHENG & CO.

Certified Public Accountants

鄭錦波會計師事務所

AUDITORS' REPORT TO THE MEMBERS OF

CHILD WELFARE SCHEME LIMITED

(LIMITED BY GUARANTEE)

We have audited the financial statements on pages 4 to 11 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Companies Ordinance requires the directors to prepare financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, in accordance with Section 141 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.

BASIS OF OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view, in all material respects, of the state of the company's affairs as at 15th July, 2006 and of its surplus and cash flows for the year then ended have been properly prepared in accordance with the Companies Ordinance.

K. P. Cheng & Co.

K. P. Cheng & Co
Certified Public Accountants
Hong Kong

31 OCT 2006

Hong Kong Office:

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CHILD WELFARE SCHEME LIMITED
(LIMITED BY GUARANTEE)
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 15TH JULY, 2006
(EXPRESSED IN HONG KONG DOLLARS)

	Note	<u>2006</u>	<u>2005</u>
REVENUE	3	\$ 2,829,374	\$ 3,836,757
OTHER REVENUE		<u>433,521</u>	<u>87</u>
TOTAL REVENUE		3,262,895	3,836,844
DIRECT EXPENSES FOR FUND RAISING ACTIVITIES		(134,659)	(463,044)
GENERAL AND ADMINISTRATIVE EXPENSES		<u>(350,555)</u>	<u>(367,022)</u>
NET REVENUE		2,777,681	3,006,778
TRANSFER TO CHILD WELFARE SCHEME NEPAL		<u>(2,510,710)</u>	<u>(1,786,937)</u>
SURPLUS FOR THE YEAR	4	266,971	1,219,841
ACCUMULATED SURPLUS BROUGHT FORWARD		<u>1,616,228</u>	<u>396,387</u>
ACCUMULATED SURPLUS CARRIED FORWARD		<u>\$ 1,883,199</u>	<u>\$ 1,616,228</u>

CHILD WELFARE SCHEME LIMITED


(LIMITED BY GUARANTEE)

BALANCE SHEET AS AT 15TH JULY, 2006

(EXPRESSED IN HONG KONG DOLLARS)

	Note	<u>2006</u>	<u>2005</u>
NON-CURRENT ASSET			
Property, plant and equipment	6	\$ 1,596	\$ 6,384
CURRENT ASSET			
Cash at bank		<u>1,892,103</u>	<u>1,621,872</u>
TOTAL ASSETS		<u>\$ 1,893,699</u>	<u>\$ 1,628,256</u>
LIABILITY AND RESERVE			
CURRENT LIABILITY			
Accruals		\$ 10,500	\$ 12,028
RESERVE			
ACCUMULATED SURPLUS		<u>1,883,199</u>	<u>1,616,228</u>
TOTAL LIABILITY AND RESERVE		<u>\$ 1,893,699</u>	<u>\$ 1,628,256</u>

APPROVED BY THE BOARD OF DIRECTORS ON 31 OCT 2006



 DIRECTOR



 DIRECTOR

CHILD WELFARE SCHEME LIMITED
(LIMITED BY GUARANTEE)
CASH FLOW STATEMENT
FOR THE YEAR ENDED 15TH JULY, 2006
(EXPRESSED IN HONG KONG DOLLARS)

	<u>Note</u>	<u>2006</u>	<u>2005</u>
NET CASH INFLOW FROM OPERATING ACTIVITIES	7	\$ 270,231	\$ 1,225,186
CASH AND CASH EQUIVALENT AT 16TH JULY		<u>1,621,872</u>	<u>396,686</u>
CASH AND CASH EQUIVALENT AT 15TH JULY	8	<u>\$ 1,892,103</u>	<u>\$ 1,621,872</u>

CHILD WELFARE SCHEME LIMITED
(LIMITED BY GUARANTEE)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 15TH JULY, 2006
(EXPRESSED IN HONG KONG DOLLARS)

NOTES

1. STATUS OF THE COMPANY

The company is limited by guarantee and not having a share capital. In accordance with clause 6 of the memorandum of association, every member undertakes to contribute to the company an amount not exceeding \$1.

2. PRINCIPAL 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. A summary of the significant accounting policies adopted by the company is set out below.

(b) Revenue recognition

Donations income are recognised as income on cash receipt basis.

CHILD WELFARE SCHEME LIMITED
(LIMITED BY GUARANTEE)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 15TH JULY, 2006
(EXPRESSED IN HONG KONG DOLLARS)

NOTES

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(c) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less aggregate depreciation.

Depreciation is calculated to write off the cost of property, plant and equipment over their estimated useful lives to the company on a straight line basis 30% per annum.

(d) Employee benefits - pension obligation

The company operates a defined contribution pension scheme in accordance with the local conditions and practices in Hong Kong in which it operates. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

3. REVENUE

Revenue represents the donations received during the year.

CHILD WELFARE SCHEME LIMITED
(LIMITED BY GUARANTEE)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 15TH JULY, 2006
(EXPRESSED IN HONG KONG DOLLARS)

NOTES

4. SURPLUS FOR THE YEAR

	2006	2005
Surplus has been arrived at after charging :-		
Directors' emoluments		
- fee	\$ -	\$ -
- others	-	-
Auditors' remuneration	-	-
Depreciation	4,788	4,788
Staff cost	251,275	273,400
	251,275	273,400

5. TAXATION

No provision for Hong Kong profits tax is required as the company being a charitable institution, is exempted from Hong Kong profits tax under Section 88 of the Inland Revenue Ordinance.

6. PROPERTY, PLANT AND EQUIPMENT

	<u>Office equipment</u>
Cost :-	
At 16.7.2005 and at 15.7.2006	\$ 15,960

LESS: Aggregate depreciation :-	
At 16.7.2005	9,576
Charge for the year	4,788
At 15.7.2006	14,364

Net book value :-	
At 15.7.2006	\$ 1,596
At 15.7.2005	\$ 6,384

CHILD WELFARE SCHEME LIMITED
(LIMITED BY GUARANTEE)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 15TH JULY, 2006
(EXPRESSED IN HONG KONG DOLLARS)

NOTES

7. RECONCILIATION OF SURPLUS TO NET CASH
INFLOW FROM OPERATING ACTIVITIES

	<u>2006</u>	<u>2005</u>
Surplus for the year	\$ 266,971	\$ 1,219,841
Bank charges and interest	6,898	2,940
Interest received	(13,871)	(87)
Depreciation	<u>4,788</u>	<u>4,788</u>
Surplus before working capital changes	264,786	1,227,482
Decrease in prepayment	-	250
(Decrease)/increase in accruals	<u>(1,528)</u>	<u>307</u>
Cash inflow from operations	263,258	1,228,039
Bank charges and interest	(6,898)	(2,940)
Interest received	<u>13,871</u>	<u>87</u>
Net cash inflow from operating activities	<u>\$ 270,231</u>	<u>\$ 1,225,186</u>

8. ANALYSIS OF THE BALANCE OF CASH AND CASH
EQUIVALENT AS SHOWN IN BALANCE SHEET

	<u>2006</u>	<u>2005</u>
Cash at bank	<u>\$ 1,892,103</u>	<u>\$ 1,621,872</u>

CHILD WELFARE SCHEME LIMITED
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FINANCIAL STATEMENTS
FOR THE YEAR ENDED 15TH JULY, 2006
(EXPRESSED IN HONG KONG DOLLARS)

NOTES

9. PENSION SCHEME

The company has arranged for its employees in Hong Kong to join the Mandatory Provident Fund Scheme (the "MPF Scheme"). Under the MPF Scheme, the company and each of the employees make monthly contributions to the scheme at 5% of the employee's earnings and subject to a ceiling of \$1,000 as defined under the relevant legislation. During the year, the aggregate amount of employer's contributions made by the company to the MPF Scheme was \$11,250. (2005: \$7,000)

10. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.

THE FOLLOWING DETAILED INCOME AND EXPENDITURE ACCOUNT
HAS BEEN PREPARED FOR MANAGEMENT PURPOSES ONLY AND
DOES NOT FORM PART OF THE AUDITED FINANCIAL STATEMENTS

CHILD WELFARE SCHEME LIMITED

(LIMITED BY GUARANTEE)

DETAILED INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 15TH JULY, 2006

(EXPRESSED IN HONG KONG DOLLARS)

	<u>2006</u>	<u>2005</u>
INCOME		
Donations, restricted	\$ 1,122,796	\$ 480,588
Donations, unrestricted	<u>1,706,578</u>	<u>3,356,169</u>
	2,829,374	3,836,757
	-----	-----
OTHER INCOME	419,650	-
INTEREST INCOME	<u>13,871</u>	<u>87</u>
	433,521	87
	-----	-----
TOTAL INCOME	<u>3,262,895</u>	<u>3,836,844</u>
	-----	-----
LESS : DIRECT EXPENSES		
Fund raising expenses	67,540	68,643
Expenses for JYOTI student	-	1,000
Expenses for Lamma Fun Day	18,958	10,361
Expenses for Himalaya nights	-	383,040
Expenses for China project	8,970	-
Expenses for Himalaya Trek	37,338	-
Expenses for Funkraiser 2006	<u>1,853</u>	<u>-</u>
	134,659	463,044
	-----	-----
LESS : GENERAL AND ADMINISTRATIVE EXPENSES		
Sundry expenses	726	2,466
Office supplies	2,140	21,453
Telephone and facsimiles	7,615	15,414
Postage and courier	-	4,420
Printing and publications	39,375	26,133
Travelling expenses	4,648	14,465
Entertainment	2,361	-
Bank charges	6,898	2,940
Computer expenses	698	1,036
MPF contributions	11,250	7,000
Salaries	196,000	120,000
Staff commission	44,025	146,400
Exchange loss	-	507
Depreciation	4,788	4,788
Packaging expenses	18,031	-
Donation to China	<u>12,000</u>	<u>-</u>
	350,555	367,022
	-----	-----
NET INCOME	2,777,681	3,006,778
LESS : TRANSFER TO CHILD WELFARE SCHEME NEPAL	<u>2,510,710</u>	<u>1,786,937</u>
SURPLUS FOR THE YEAR	<u>\$ 266,971</u>	<u>\$ 1,219,841</u>