

**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, 2007**

**Hong Kong Office:**

Suite 2707, 27/F., Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong, P.R.C.

香港灣道6-8號瑞安中心27樓2707室

(852) 2780 7231 Fax : (852) 2780 8717

<http://www.kpccpa.com.hk>

**Shanghai Office:**

Suite 1607, 16/F., Cloud Nine Plaza, 1118 Yan An Xi Road, Shanghai, P.R.C.

中國上海市延安西路1118號龍之夢麗晶大廈16樓1607室

Tel: (86) 21 5230 0981 / 5230 0982 Fax: (86) 21 6391 7697

<http://www.kpccpa.com.cn>

CHILD WELFARE SCHEME LIMITED  
(LIMITED BY GUARANTEE)  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 15TH JULY, 2007

CONTENTS

	<u>Pages</u>
Directors' report	1 - 2
Independent auditors' report	3 - 4
Income and expenditure account	5
Balance sheet	6
Cash flow statement	7
Notes	8 - 13

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, 2007.

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, 2007, 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 5 to 13.

DIRECTORS

The directors who held office during the year were :-

Oldham, Gordon David Michael George

D'Auriol, Sandra Nicola

Maclagan, Douglas Hubert

Picard, Marie France - appointed on 9.1.2007

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.

CHILD WELFARE SCHEME LIMITED

(LIMITED BY GUARANTEE)

DIRECTORS' REPORT

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.

19 DEC 2007

On behalf of the Board



Chairman

# K.P. CHENG & CO.

Certified Public Accountants

鄭錦波會計師事務所

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF CHILD WELFARE SCHEME LIMITED

(LIMITED BY GUARANTEE)

We have audited the financial statements of Child Welfare Scheme Limited set out on pages 5 to 13 which comprise the balance sheet as at 15th July, 2007, the income and expenditure account, and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

## DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit 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.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

### Hong Kong Office:

Room 2707, 27/F., Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong, P.R.C.

中國香港港灣道6-8號瑞安中心27樓2707室

Tel: (852) 2780 7231 Fax: (852) 2780 8717

<http://www.kpccpa.com.hk>

### Shanghai Office:

Suite 1607, 16/F., Cloud Nine Plaza, 1118 Yan An Xi Road, Shanghai, P.R.C.

中國上海市延安西路1118號龍之夢麗晶大廈16樓1607室

Tel: (86) 21 5230 0981 / 5230 0982 Fax: (86) 21 6391 7697

<http://www.kpccpa.com.cn>



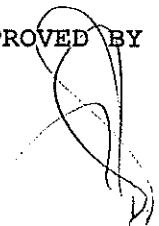
CHILD WELFARE SCHEME LIMITED  
(LIMITED BY GUARANTEE)  
INCOME AND EXPENDITURE ACCOUNT  
FOR THE YEAR ENDED 15TH JULY, 2007  
(EXPRESSED IN HONG KONG DOLLARS)

	<u>Note</u>	<u>2007</u>	<u>2006</u>
REVENUE	4	\$ 4,639,044	\$ 2,829,374
OTHER REVENUE	5	<u>571,205</u>	<u>433,521</u>
TOTAL REVENUE		5,210,249	3,262,895
DIRECT EXPENSES FOR FUND RAISING ACTIVITIES		( 590,626)	( 134,659)
GENERAL AND ADMINISTRATIVE EXPENSES		<u>( 349,234)</u>	<u>( 350,555)</u>
NET REVENUE		4,270,389	2,777,681
TRANSFER TO CHILD WELFARE SCHEME NEPAL		<u>( 2,933,344)</u>	<u>( 2,510,710)</u>
SURPLUS FOR THE YEAR	6	1,337,045	266,971
ACCUMULATED SURPLUS BROUGHT FORWARD		<u>1,883,199</u>	<u>1,616,228</u>
ACCUMULATED SURPLUS CARRIED FORWARD		<u>\$ 3,220,244</u>	<u>\$ 1,883,199</u>

CHILD WELFARE SCHEME LIMITED  
(LIMITED BY GUARANTEE)  
BALANCE SHEET AS AT 15TH JULY, 2007  
(EXPRESSED IN HONG KONG DOLLARS)

	Note	<u>2007</u>	<u>2006</u>
<b>NON-CURRENT ASSET</b>			
Property, plant and equipment	8	\$ -	\$ 1,596
<b>CURRENT ASSET</b>			
Cash at bank		<u>3,233,244</u>	<u>1,892,103</u>
<b>TOTAL ASSETS</b>		<u>\$ 3,233,244</u>	<u>\$ 1,893,699</u>
<b>LIABILITY AND RESERVE</b>			
<b>CURRENT LIABILITY</b>			
Accruals		\$ 13,000	\$ 10,500
<b>RESERVE</b>			
ACCUMULATED SURPLUS		<u>3,220,244</u>	<u>1,883,199</u>
<b>TOTAL LIABILITY AND RESERVE</b>		<u>\$ 3,233,244</u>	<u>\$ 1,893,699</u>

APPROVED BY THE BOARD OF DIRECTORS ON 19 DEC 2007

  
\_\_\_\_\_  
DIRECTOR

  
\_\_\_\_\_  
DIRECTOR



CHILD WELFARE SCHEME LIMITED  
(LIMITED BY GUARANTEE)  
CASH FLOW STATEMENT  
FOR THE YEAR ENDED 15TH JULY, 2007  
(EXPRESSED IN HONG KONG DOLLARS)

	<u>Note</u>	<u>2007</u>	<u>2006</u>
NET CASH INFLOW FROM OPERATING ACTIVITIES	9	\$ 1,341,141	\$ 270,231
CASH AND CASH EQUIVALENTS AT 16TH JULY		<u>1,892,103</u>	<u>1,621,872</u>
CASH AND CASH EQUIVALENTS AT 15TH JULY	10	<u>\$ 3,233,244</u>	<u>\$ 1,892,103</u>

CHILD WELFARE SCHEME LIMITED  
(LIMITED BY GUARANTEE)  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 15TH JULY, 2007  
(EXPRESSED IN HONG KONG DOLLARS)

NOTES

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

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. 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.

2. BASIS OF PREPARATION

The financial statements have been prepared under the historical cost convention, except those items explained in the following notes.

3. 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.

CHILD WELFARE SCHEME LIMITED  
(LIMITED BY GUARANTEE)  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 15TH JULY, 2007  
(EXPRESSED IN HONG KONG DOLLARS)

NOTES

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(b) Revenue recognition

Donations income are recognised as income on cash receipt basis.

(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 at 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.

CHILD WELFARE SCHEME LIMITED

(LIMITED BY GUARANTEE)

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 15TH JULY, 2007

(EXPRESSED IN HONG KONG DOLLARS)

NOTES

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(e) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, demand deposits and short-term highly liquid investments which are readily convertible into known amount of cash and which are within three months of maturity when acquired.

4. REVENUE

Revenue represents the donations received during the year.

5. OTHER REVENUE

Other revenue comprises :-

	<u>2007</u>	<u>2006</u>
Grants	\$ 509,931	\$ 419,650
Interest income	52,194	13,871
Exchange gain	9,080	-
	<u>\$ 571,205</u>	<u>\$ 433,521</u>

6. SURPLUS FOR THE YEAR

Surplus has been arrived at after charging :-

	<u>2007</u>	<u>2006</u>
Directors' emoluments		
- fee	\$ -	\$ -
- others	-	-
Auditors' remuneration	-	-
Depreciation	1,596	4,788
Staff cost	<u>304,500</u>	<u>251,275</u>

CHILD WELFARE SCHEME LIMITED  
(LIMITED BY GUARANTEE)  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 15TH JULY, 2007  
(EXPRESSED IN HONG KONG DOLLARS)

NOTES

7. 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.

8. PROPERTY, PLANT AND EQUIPMENT

	<u>Office equipment</u>
Cost :-	
At 16.7.2005, 15.7.2006 and 15.7.2007	\$ 15,960
	-----
LESS: Aggregate depreciation :-	
At 16.7.2005	9,576
Charge for the year	4,788
At 15.7.2006	<u>14,364</u>
Charge for the year	1,596
At 15.7.2007	<u>15,960</u>
	-----
Net book value :-	
At 15.7.2007	<u>\$ -</u>
At 15.7.2006	<u>\$ 1,596</u>

CHILD WELFARE SCHEME LIMITED  
(LIMITED BY GUARANTEE)  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 15TH JULY, 2007  
(EXPRESSED IN HONG KONG DOLLARS)

NOTES

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

	<u>2007</u>	<u>2006</u>
Surplus for the year	\$ 1,337,045	\$ 266,971
Interest received	( 52,194)	( 13,871)
Depreciation	<u>1,596</u>	<u>4,788</u>
Surplus before working capital changes	1,286,447	257,888
Increase/(decrease) in accruals	<u>2,500</u>	<u>( 1,528)</u>
Cash inflow from operations	1,288,947	256,360
Interest received	<u>52,194</u>	<u>13,871</u>
Net cash inflow from operating activities	<u>\$ 1,341,141</u>	<u>\$ 270,231</u>

10. ANALYSIS OF THE BALANCE OF CASH AND CASH  
EQUIVALENTS AS SHOWN IN BALANCE SHEET

	<u>2007</u>	<u>2006</u>
Cash at bank	<u>\$ 3,233,244</u>	<u>\$ 1,892,103</u>

11. 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 \$12,000. (2006: \$11,250)

CHILD WELFARE SCHEME LIMITED  
(LIMITED BY GUARANTEE)  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 15TH JULY, 2007  
(EXPRESSED IN HONG KONG DOLLARS)

NOTES

12. 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, 2007

(EXPRESSED IN HONG KONG DOLLARS)

	<u>2007</u>	<u>2006</u>
INCOME		
Donations, restricted	\$ 3,158,661	\$ 1,122,796
Donations, unrestricted	<u>1,480,383</u>	<u>1,706,578</u>
	4,639,044	2,829,374
GRANTS		
	509,931	419,650
INTEREST INCOME	52,194	13,871
EXCHANGE GAIN	<u>9,080</u>	-
	571,205	<u>433,521</u>
TOTAL INCOME	<u>5,210,249</u>	<u>3,262,895</u>
LESS : DIRECT EXPENSES		
Fund raising expenses	48,282	67,540
Expenses for Annapurna Challenge Trek	153,064	-
Expenses for Lamma Fun Day	26,324	18,958
Expenses for Himalaya nights	354,146	-
Expenses for China project	-	8,970
Expenses for Himalaya Trek	-	37,338
Expenses for Funkraiser	8,610	1,853
Expenses for Borrett Road Market Fair	<u>200</u>	-
	590,626	<u>134,659</u>
LESS : GENERAL AND ADMINISTRATIVE EXPENSES		
Sundry expenses	1,030	726
Office supplies	1,500	2,140
Telephone and facsimiles	7,961	7,615
Postage and courier	5,843	-
Printing and publications	1,899	39,375
Travelling expenses	2,480	4,648
Entertainment	-	2,361
Bank charges	2,402	6,898
Computer expenses	3,303	698
MPF contributions	12,000	11,250
Salaries	292,500	196,000
Staff commission	-	44,025
Accommodation	1,660	-
Depreciation	1,596	4,788
Packaging expenses	-	18,031
Donation to China	-	12,000
Equipment rental	3,700	-
Legal and professional fees	2,505	-
Meals	5,733	-
Trip expenses	1,097	-
Transportation	<u>2,025</u>	-
	349,234	<u>350,555</u>
NET INCOME	4,270,389	2,777,681
LESS : TRANSFER TO CHILD WELFARE SCHEME NEPAL	<u>2,933,344</u>	<u>2,510,710</u>
SURPLUS FOR THE YEAR	<u>\$ 1,337,045</u>	<u>\$ 266,971</u>