



Oxfam Hong Kong  
樂施會

Consolidated Financial Statements  
for the year ended 31 March 2014

## **Report of the Councillors**

The Councillors have pleasure in submitting their annual report and the audited consolidated financial statements for the year ended 31 March 2014.

### **Principal activity**

The principal activity of Oxfam Hong Kong (“the company”) is to act as a development and relief agency with the objective of relieving poverty, distress and suffering regardless of nationality, race, political system, religion or colour.

The particulars of the subsidiaries are set out in note 11 to the consolidated financial statements.

### **Financial statements**

The results of the company and its subsidiaries (“the group”) for the year ended 31 March 2014 and the state of affairs of the group at that date are set out in the financial statements on pages 6 to 36.

### **Property, plant and equipment**

The movements in fixed assets of the group during the year are set out in note 10 to the consolidated financial statements.

### **Reserves**

Details of movements in the reserves of the group during the year are set out in the consolidated statement of changes in reserves.

The Councillors of the company have adopted a reserve policy based on responsibility for organisational security, and stability of poverty alleviation and relief programmes.

### **Councillors**

The Councillors of the company during the financial year and up to the date of this report were:

Chan, Bernard Charnwut  
Chan, Kar Lok  
Chan, Ying Yang Emily  
Chau, Sze Ngai Jeffrey  
Chesterton, Josephine Mary

## **Councillors (continued)**

The Councillors of the company during the financial year and up to the date of this report were: (continued)

Hodson, David Martin	
Hung, Chi Yin Christine	
Leung, Oi Sie Elsie	
Lo, Chi Kin	
Tan, Siew Boi	
Chan, Choi Ying Virginia	(appointed on 14 September 2013)
Ma Kam Wah	(appointed on 14 September 2013)
Matsui Martin Kaoru	(appointed on 14 September 2013)
Wong Hung	(appointed on 14 September 2013)
Cai, Yongshun	(retired on 14 September 2013)
Hung, King Ming	(retired on 14 September 2013)
Law, Japhet Sebastian	(retired on 14 September 2013)
Tse, Kam Keung	(retired on 14 September 2013)
Wan, Siu Man Monisa	(retired on 14 September 2013)

In accordance with articles 41 to 43 of the company's articles of association, the five members who have served the longest term in office since their last election, namely, Chan, Bernard Charnwut, Chan, Ying Yang Emily, Chau, Sze Ngai Jeffrey, Hodson, David Martin and Leung, Oi Sie Elsie shall retire by rotation this year. All retiring members shall be eligible for re-election.

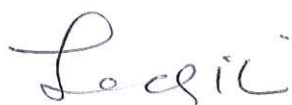
At no time during the year was the group a party to any arrangement to enable the Councillors of the company to acquire benefits by means of the acquisition of debentures, if any, of the group or any other body corporate.

No contract of significance to which the group was a party and in which a Councillor of the group 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 group is to be proposed at the forthcoming Annual General Meeting.

By order of the Council



Councillor

Hong Kong, 24 JUL 2014



## Independent auditor's report to the Councillors of Oxfam Hong Kong

*(Incorporated in Hong Kong and limited by guarantee)*

We have audited the consolidated financial statements of Oxfam Hong Kong ("the company") and its subsidiaries ("the group") set out on pages 6 to 36, which comprise the consolidated and the company balance sheets as at 31 March 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in reserves and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

### *Councillors' responsibilities for the financial statements*

The Councillors of the company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance and for such internal control as the Councillors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 80 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), 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 about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Councillors, as well as evaluating the overall presentation of the financial statements.



## Independent auditor's report to the Councillors of Oxfam Hong Kong (continued)

*(Incorporated in Hong Kong and limited by guarantee)*

### *Auditor's responsibility (continued)*

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the group and the company as at 31 March 2014 and of the group's surplus and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Certified Public Accountants

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

24 JUL 2014

## Consolidated statement of comprehensive income for the year ended 31 March 2014

(Expressed in Hong Kong dollars)

	Note	2014 '000	2013 '000
<b>Income</b>			
Institutional fundraising income	3	\$ 9,398	\$ 5,019
Public fundraising income	4	241,999	208,461
Interest and investment income	5	1,452	1,518
Trading income		2,238	1,586
Other income		849	262
		<u>\$ 255,936</u>	<u>\$ 216,846</u>
<b>Expenditure</b>			
Programme implementation costs		\$ 185,747	\$ 181,313
Programme management costs		26,316	31,668
Fundraising and marketing costs	6	26,715	25,000
Management and administration costs		5,563	7,319
Foreign exchange differences, net		726	101
		<u>\$ 245,067</u>	<u>\$ 245,401</u>
<b>Surplus/(deficit) for the year</b>	7	<u>\$ 10,869</u>	<u>\$ (28,555)</u>
<b>Other comprehensive income for the year</b>			
<i>Items that may be reclassified subsequently to surplus or deficit:</i>			
Available-for-sale investments:			
Changes in fair value		<u>\$ (2,204)</u>	<u>\$ 719</u>
<b>Total comprehensive income for the year</b>		<u>\$ 8,665</u>	<u>\$ (27,836)</u>

The notes on pages 12 to 36 form part of these consolidated financial statements.

## Consolidated balance sheet at 31 March 2014

(Expressed in Hong Kong dollars)

	Note	2014 '000	2013 '000
<b>Non-current assets</b>			
Property, plant and equipment	10	\$ 55,048	\$ 57,391
Available-for-sale investments	12	28,578	30,782
Loan to an affiliate	13	507	592
		<u>\$ 84,133</u>	<u>\$ 88,765</u>
<b>Current assets</b>			
Inventories	14	\$ 3,646	\$ 1,819
Prepayments, deposits and other receivables		2,563	2,776
Loan to an affiliate	13	127	119
Cash and cash equivalents	15	101,989	97,771
		<u>\$ 108,325</u>	<u>\$ 102,485</u>
<b>Current liabilities</b>			
Accounts payable, other payables and accruals	16	\$ 10,133	\$ 21,218
Grants payable	16	4,199	788
Deferred revenue		1,485	1,268
		<u>\$ 15,817</u>	<u>\$ 23,274</u>
<b>Net current assets</b>		<u>\$ 92,508</u>	<u>\$ 79,211</u>
<b>NET ASSETS</b>		<u>\$ 176,641</u>	<u>\$ 167,976</u>
<b>Represented by:</b>			
<b>RESERVES</b>	18	<u>\$ 176,641</u>	<u>\$ 167,976</u>

Approved and authorised for issue by the Councillors on: 24 JUL 2014



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The notes on pages 12 to 36 form part of these consolidated financial statements.



## Balance sheet at 31 March 2014

(Expressed in Hong Kong dollars)

	Note	2014 '000	2013 '000
<b>Non-current assets</b>			
Property, plant and equipment	10	\$ 55,003	\$ 57,391
Investments in subsidiaries	11	-	-
Available-for-sale investments	12	28,578	30,782
Loan to an affiliate	13	507	592
		<u>\$ 84,088</u>	<u>\$ 88,765</u>
<b>Current assets</b>			
Inventories	14	\$ 3,646	\$ 1,819
Prepayments, deposits and other receivables		2,501	2,776
Loan to an affiliate	13	127	119
Cash and cash equivalents	15	100,345	97,771
		<u>\$ 106,619</u>	<u>\$ 102,485</u>
<b>Current liabilities</b>			
Accounts payable, other payables and accruals	16	\$ 10,117	\$ 21,218
Grants payable	16	4,199	788
Deferred revenue		1,485	1,268
Amount due to a subsidiary	17	3,013	472
		<u>\$ 18,814</u>	<u>\$ 23,746</u>
<b>Net current assets</b>		<u>\$ 87,805</u>	<u>\$ 78,739</u>
<b>NET ASSETS</b>		<u>\$ 171,893</u>	<u>\$ 167,504</u>
<b>Represented by:</b>			
<b>RESERVES</b>	18	<u>\$ 171,893</u>	<u>\$ 167,504</u>

Approved and authorised for issue by the Councillors on: 24 JUL 2014



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The notes on pages 12 to 36 form part of these consolidated financial statements.

## Consolidated statement of changes in reserves for the year ended 31 March 2014 (Expressed in Hong Kong dollars)

	Africa development fund (Note 18(b)(i)) '000	China development fund (Note 18(b)(ii)) '000	Sichuan earthquake fund (Note 18(b)(iii)) '000	Education fund (Note 18(b)(iv)) '000	Operation reserve '000	Investment revaluation reserve (Note 18(b)(v)) '000	Total reserves '000
<b>At 1 April 2012</b>	\$ 2,949	\$ 7,128	\$ 20,349	\$ 11,890	\$ 153,496	\$ -	\$ 195,812
<b>Changes in reserves for 2013:</b>							
(Deficit)/surplus for the year	\$ (553)	\$ (33,642)	\$ (19,136)	\$ (6,137)	\$ 30,913	\$ -	\$ (28,555)
Other comprehensive income	-	-	-	-	-	719	719
Total comprehensive income for the year	\$ (553)	\$ (33,642)	\$ (19,136)	\$ (6,137)	\$ 30,913	\$ 719	\$ (27,836)
Transfers	\$ -	\$ 29,581	\$ -	\$ -	\$ (29,581)	\$ -	\$ -
<b>At 31 March 2013 and 1 April 2013</b>	\$ 2,396	\$ 3,067	\$ 1,213	\$ 5,753	\$ 154,828	\$ 719	\$ 167,976
<b>Changes in reserves for 2014:</b>							
Surplus/(deficit) for the year	\$ (2,560)	\$ (28,650)	\$ (4,693)	\$ (5,431)	\$ 52,203	\$ -	\$ 10,869
Other comprehensive income	-	-	-	-	-	(2,204)	(2,204)
Total comprehensive income for the year	\$ (2,560)	\$ (28,650)	\$ (4,693)	\$ (5,431)	\$ 52,203	\$ (2,204)	\$ 8,665
Transfers	\$ 164	\$ 32,720	\$ 3,480	\$ 964	\$ (37,328)	\$ -	\$ -
<b>At 31 March 2014</b>	\$ -	\$ 7,137	\$ -	\$ 1,286	\$ 169,703	\$ (1,485)	\$ 176,641

The notes on pages 12 to 36 form part of these consolidated financial statements.

## Consolidated cash flow statement for the year ended 31 March 2014 *(Expressed in Hong Kong dollars)*

	<i>Note</i>	<i>2014</i> <i>'000</i>	<i>2013</i> <i>'000</i>
<b>Operating activities</b>			
Surplus/(deficit) for the year		\$ 10,869	\$ (28,555)
Adjustments for:			
Bank interest income		(514)	(931)
Other interest income		(35)	(40)
Depreciation		2,951	2,853
Gain on disposals of property, plant and equipment		(121)	(1)
Dividend income from available-for-sale investments		(903)	(547)
Exchange (gain)/loss		(9)	29
<b>Operating surplus/(deficit) before changes in working capital</b>		\$ 12,238	\$ (27,192)
(Increase)/decrease in inventories		(1,861)	99
Decrease in prepayments, deposits and other receivables		213	136
(Decrease)/increase in accounts payable, other payables and accruals		(11,085)	10,471
Increase in grants payable		3,411	108
Increase in deferred revenue		217	1,268
<b>Net cash generated from/(used in) operating activities</b>		\$ 3,133	\$ (15,110)

## Consolidated cash flow statement for the year ended 31 March 2014 (continued) (Expressed in Hong Kong dollars)

	<i>Note</i>	2014 '000	2013 '000
<b>Investing activities</b>			
Interest received		\$ 549	\$ 946
Dividends received		903	547
Purchases of property, plant and equipment		(618)	(2,339)
Proceeds from disposals of property, plant and equipment		128	5
Purchases of available-for-sale investments		-	(30,063)
Decrease in time deposits with original maturity of more than three months when acquired		5,116	27,297
<b>Net cash generated from/(used in) investing activities</b>		<u>\$ 6,078</u>	<u>\$ (3,607)</u>
<b>Financing activity</b>			
Repayment from loan to an affiliate		\$ 123	\$ 119
<b>Net cash generated from financing activity</b>		<u>\$ 123</u>	<u>\$ 119</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		\$ 9,334	\$ (18,598)
<b>Cash and cash equivalents at 1 April</b>		<u>82,685</u>	<u>101,283</u>
<b>Cash and cash equivalents at 31 March</b>	15	<u>\$ 92,019</u>	<u>\$ 82,685</u>

The notes on pages 12 to 36 form part of these consolidated financial statements.

## Notes to the consolidated financial statements

*(Expressed in Hong Kong dollars)*

### **1 Background of the company**

Oxfam Hong Kong is incorporated in Hong Kong as a company limited by guarantee. The registered office of the company is located at 17/F, China United Centre, 28 Marble Road, North Point, Hong Kong.

The company is a non-profit making organisation. The company acts as a development and relief agency with the objective of relieving poverty, distress and suffering regardless of nationality, race, political system, religion or colour.

### **2 Significant accounting policies**

#### **(a) Statement of compliance**

These consolidated 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. These financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), “Accounts and Audit”, which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. A summary of the significant accounting policies adopted by the company and its subsidiaries (“the group”) is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective for the current accounting period of the group. 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 group for the current and prior years presented in the group’s financial statements.

The group has not applied any amendments, new standards or interpretations that are not yet effective for the current accounting period (see note 22).

## 2 Significant accounting policies (continued)

### (b) *Basis of preparation of the financial statements*

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis, except that available-for-sale investments are stated at their fair value as explained in the accounting policy note 2(e).

The preparation of consolidated 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.

### (c) *Changes in accounting policies*

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the company. Of these, the following developments are relevant to the group's financial statements:

- Amendments to HKAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*
- HKFRS 10, *Consolidated financial statements*
- HKFRS 12, *Disclosure of interests in other entities*
- HKFRS 13, *Fair value measurement*

#### **Amendments to HKAS 1, Presentation of financial statements – Presentation of items of other comprehensive income**

The amendments require entities to present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The presentation of other comprehensive income in the consolidated statement of comprehensive income in these financial statements has been modified accordingly.

## **2 Significant accounting policies (continued)**

### **(c) Changes in accounting policies (continued)**

#### **HKFRS 10, Consolidated financial statements**

HKFRS 10 replaces the requirements in HKAS 27, *Consolidated and separate financial statements* relating to the preparation of consolidated financial statements and HK-SIC 12 *Consolidation – Special purpose entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the group in respect of its involvement with other entities as at 1 April 2013.

#### **HKFRS 12, Disclosure of interests in other entities**

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards. To the extent that the requirements are applicable to the group, the group has provided those disclosures in note 11.

#### **HKFRS 13, Fair value measurement**

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. To the extent that the requirements are applicable to the group, the group has provided those disclosures in notes 12 and 19.

### **(d) Subsidiaries**

Subsidiaries are entities controlled by the group. The group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the group has power, only substantive rights (held by the group and other parties) are considered.

## **2 Significant accounting policies (continued)**

### **(d) Subsidiaries (continued)**

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases, except those subsidiaries in which the directors are of the opinion that consolidation would involve expense and delay out of the value to members of the company. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

In the company's balance sheet, investments in subsidiaries are stated at cost less impairment losses.

### **(e) Other investments in debt and equity securities**

Investments in debt and equity securities are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in the statement of comprehensive income as incurred. At the balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in the statement of comprehensive income. The net gain or loss recognised in the statement of comprehensive income does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in notes 2(n)(ii) and (iii).

Dated debt securities that the group have the positive ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated at amortised cost less impairment losses.



## 2 Significant accounting policies (continued)

### (e) *Other investments in debt and equity securities (continued)*

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At the balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the balance sheet at cost less impairment losses. Dividend income from equity securities and interest income from debt securities calculated using the effective interest method are recognised in the statement of comprehensive income in accordance with the policies set out in notes 2(n)(ii) and 2(n)(iii), respectively. Foreign exchange gains and losses resulting from changes in the amortised cost of debt securities are also recognised in the statement of comprehensive income.

### (f) *Property, plant and equipment*

Property, plant and equipment are stated in the consolidated balance sheet at cost less accumulated depreciation and impairment losses.

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

– Leasehold land under finance lease	Over the lease term
– Buildings	50 years
– Leasehold improvements	5 years
– Furniture and fixtures	5 years
– Computer equipment	4 years
– Office equipment and motor vehicles	5 years

Both the useful life of an asset and its residual value, if any, are reviewed annually.

## 2 Significant accounting policies (continued)

### (f) *Property, plant and equipment (continued)*

The carrying amounts of property, plant and equipment are reviewed for indications of impairment at each balance sheet date. An impairment loss is recognised in the statement of comprehensive income if the carrying amount of an asset exceeds its 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 assets. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

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 item and are recognised in the statement of comprehensive income on the date of retirement or disposal.

### (g) *Leased assets*

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

#### (i) Classification of assets leased to the group

Assets that are held by group under leases which transfer to the group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the group are classified as operating leases, with the following exceptions:

- property held under operating leases that would otherwise meet the definition of an investment property is classified as investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and
- land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the group, or taken over from the previous lessee.

## **2 Significant accounting policies (continued)**

### **(g) Leased assets (continued)**

#### **(ii) Assets acquired under finance leases**

Where the group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the group will obtain ownership of the asset, the life of the asset, as set out in note 2(f). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

#### **(iii) Operating lease charges**

Where the group has the use of assets held under operating leases, payments made under the leases are charged to the statement of comprehensive income in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in the statement of comprehensive income as an integral part of the aggregate net lease payments made.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

### **(h) Inventories**

Inventories represents humanitarian supplies.

Humanitarian supplies are valued at cost using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Obsolete inventories are written off. When humanitarian supplies are consumed, the cost of such humanitarian supplies are included in programme implementation costs.

## **2 Significant accounting policies (continued)**

### **(i) *Prepayments, deposits and other receivables***

Prepayments, deposits and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

Impairment losses for bad and doubtful debts are recognised when there is objective evidence of impairment and are measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the asset's original effective interest rate where the effect of discounting is material. Objective evidence of impairment includes observable data that comes to the attention of the group about events that have an impact on the asset's estimated future cash flows such as significant financial difficulty of the debtor.

Impairment losses for debtors included within prepayments, deposits and other receivables whose recovery is considered doubtful but not remote are recorded using an allowance account. When the group is satisfied that recovery is remote, the amount considered irrecoverable is written off against debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in the statement of comprehensive income.

### **(j) *Accounts payable, other payables and accruals***

Accounts payable, other payables and accruals 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.

### **(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 change in value, having been within three months of maturity at acquisition.

### **(l) *Employment benefits***

Salaries, gratuities, 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.

## **2 Significant accounting policies (continued)**

### **(m) Provisions and contingent liabilities**

Provisions are recognised for other liabilities of uncertain timing or amount when the group 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.

### **(n) 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 group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the statement of comprehensive income as follows:

#### **(i) Public fundraising income**

Public fundraising income is recognised when the group becomes entitled to the donations and it is probable that they will be received, which is generally upon the receipt of cash. Any surplus of receipts over expenditure on the group's activities are classified as accounts payable under current liabilities if refundable to respective donors and reserve funds if repayment is not required by donors.

#### **(ii) Dividends**

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

#### **(iii) Interest income**

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

## **2 Significant accounting policies (continued)**

### **(n) Revenue recognition (continued)**

#### **(iv) Institutional fundraising income**

Institutional fundraising income are recognised when there is reasonable assurance that the group will comply with the conditions, if any, attached to them and that the grants will be received. Grants that compensate the group for expenses incurred are recognised as income in the statement of comprehensive income on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in statement of comprehensive income over the useful life of the asset by way of reduced depreciation expense.

### **(o) Foreign currencies**

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies and non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in the statement of comprehensive income.

### **(p) Related parties**

- (a) A person, or a close member of that person's family, is related to the group if that person:
  - (i) has control or joint control over the group;
  - (ii) has significant influence over the group; or
  - (iii) is a member of the key management personnel of the group or the group's parent.
- (b) An entity is related to the group if any of the following conditions applies:
  - (i) The entity and the group 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.

## 2 Significant accounting policies (continued)

### (p) Related parties (continued)

- (b) An entity is related to the group if any of the following conditions applies: (continued)
- (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 group or an entity related to the group.
  - (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).

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.

## 3 Institutional fundraising income

	2014 '000	2013 '000
Oxfam Australia (2014: Nil; 2013: USD11,353)	\$ -	\$ 89
Oxfam Belgium (2014: EUR50,588; 2013: Nil)	521	-
Oxfam Canada (2014: CAD23,863; 2013: Nil)	172	-
Oxfam Great Britain (2014: EUR89,042, USD8,579 and GBP48,598; 2013: USD63,518 and GBP32,719)	1,554	911
Oxfam Intermon (2014: Nil; 2013: EUR23,169)	-	232
Oxfam Novib (2014: EUR179,560; 2013: USD25,814 and EUR40)	1,831	188
Stichting Oxfam International (2014: Nil; 2013: USD2,500)	-	20
Oxfam's international members	\$ 4,078	\$ 1,440
Other institutions	1,917	62
Government	3,403	3,517
	<u>\$ 9,398</u>	<u>\$ 5,019</u>

#### **4 Public fundraising income**

	<i>2014</i> <i>'000</i>	<i>2013</i> <i>'000</i>
Oxfam Trailwalker event *	\$ 29,843	\$ 28,301
Operating income **	4,233	2,444
Other public fundraising revenue	<u>207,923</u>	<u>177,716</u>
	<u>\$ 241,999</u>	<u>\$ 208,461</u>

\* Includes total income of \$18,785,000 (2013: \$17,308,000) from donors for Oxfam Trailwalker of which the relevant participants are eligible for the lottery draw of Oxfam Trailwalker.

\*\* Operating income represents application and registration fees, and corporate sponsorship fees for the Oxfam Trailwalker event, and was recognised when received.

#### **5 Interest and investment income**

	<i>2014</i> <i>'000</i>	<i>2013</i> <i>'000</i>
Dividend income from available-for-sale investments	\$ 903	\$ 547
Bank interest income	514	931
Other interest income	<u>35</u>	<u>40</u>
	<u>\$ 1,452</u>	<u>\$ 1,518</u>

#### **6 Fundraising and marketing costs**

	<i>2014</i> <i>'000</i>	<i>2013</i> <i>'000</i>
Lottery event for Oxfam Trailwalker	\$ 14	\$ 14
Trading costs	592	482
Other fundraising and communication costs	<u>26,109</u>	<u>24,504</u>
	<u>\$ 26,715</u>	<u>\$ 25,000</u>



## 7 Surplus/(deficit) for the year

Surplus/(deficit) for the year is arrived at after charging/(crediting):

	2014 '000	2013 '000
<b>(a) Staff costs</b>		
Contributions to defined contribution retirement plan *	\$ 2,975	\$ 3,161
Salaries, wages and other benefits *	56,903	59,674
	<u>\$ 59,878</u>	<u>\$ 62,835</u>
<b>(b) Other items</b>		
Depreciation *	\$ 2,951	\$ 2,853
Operating lease charges in respect of land and buildings *	2,917	2,601
Auditors' remuneration	392	323
Cost of inventories expensed	9,107	5,296
Gain on disposals of property, plant and equipment	<u>(121)</u>	<u>(1)</u>

\* These respective balances were included in programme implementation costs, programme management costs, fundraising and marketing costs, management and administration costs according to the basis determined by the management:

	2014				
	Programme implementation costs '000	Programme management costs '000	Fundraising and marketing costs '000	Management and administration costs '000	Total '000
<b>(a) Staff costs</b>					
Contributions to defined contribution plan	\$ 937	\$ 927	\$ 903	\$ 208	\$ 2,975
Salaries, wages and other benefits	21,864	16,892	14,391	3,756	56,903
	<u>\$ 22,801</u>	<u>\$ 17,819</u>	<u>\$ 15,294</u>	<u>\$ 3,964</u>	<u>\$ 59,878</u>
<b>(b) Other items</b>					
Depreciation	\$ 487	\$ 1,040	\$ 998	\$ 426	\$ 2,951
Operating lease charges in respect of land and buildings (including management fee and rates of \$1,298,000)	304	1,459	807	347	2,917

## 7 Surplus/(deficit) for the year (continued)

	2013				
	<i>Programme implementation costs '000</i>	<i>Programme management costs '000</i>	<i>Fundraising and marketing costs '000</i>	<i>Management and administration costs '000</i>	<i>Total '000</i>
<b>(a) Staff costs</b>					
Contributions to defined contribution plan	\$ 1,003	\$ 1,084	\$ 783	\$ 291	\$ 3,161
Salaries, wages and other benefits	21,658	19,839	13,245	4,932	59,674
	<u>\$ 22,661</u>	<u>\$ 20,923</u>	<u>\$ 14,028</u>	<u>\$ 5,223</u>	<u>\$ 62,835</u>
<b>(b) Other items</b>					
Depreciation	\$ 484	\$ 1,030	\$ 885	\$ 454	\$ 2,853
Operating lease charges in respect of land and buildings (including management fee and rates of \$1,118,000)	193	1,569	520	319	2,601

## 8 Taxation

No provision for taxation is required in these consolidated financial statements as the company is exempt from taxation pursuant to section 88 of the Hong Kong Inland Revenue Ordinance, and none of its subsidiaries earned any income subject to tax during the year.

## 9 Councillors' remuneration

The Councillors' remuneration disclosed pursuant to section 78 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), for the year is \$Nil (2013: \$Nil).

## 10 Property, plant and equipment

### Group

	<i>Land and buildings '000</i>	<i>Leasehold improvements '000</i>	<i>Furniture and fixtures '000</i>	<i>Computer equipment '000</i>	<i>Office equipment and motor vehicles '000</i>	<i>Total '000</i>
<b>Cost:</b>						
At 1 April 2012	\$ 64,614	\$ 5,252	\$ 1,013	\$ 9,490	\$ 2,427	\$ 82,796
Additions	-	27	6	1,368	938	2,339
Disposals	-	(126)	(7)	(414)	(13)	(560)
At 31 March 2013	<u>\$ 64,614</u>	<u>\$ 5,153</u>	<u>\$ 1,012</u>	<u>\$ 10,444</u>	<u>\$ 3,352</u>	<u>\$ 84,575</u>
At 1 April 2013	\$ 64,614	\$ 5,153	\$ 1,012	\$ 10,444	\$ 3,352	\$ 84,575
Additions	-	47	-	505	66	618
Disposals	-	(16)	(31)	(773)	(296)	(1,116)
At 31 March 2014	<u>\$ 64,614</u>	<u>\$ 5,184</u>	<u>\$ 981</u>	<u>\$ 10,176</u>	<u>\$ 3,122</u>	<u>\$ 84,077</u>
<b>Accumulated depreciation:</b>						
At 1 April 2012	\$ (9,972)	\$ (5,185)	\$ (895)	\$ (6,974)	\$ (1,861)	\$ (24,887)
Charge for the year	(1,292)	(52)	(48)	(1,195)	(266)	(2,853)
Written back on disposals	-	126	7	410	13	556
At 31 March 2013	<u>\$ (11,264)</u>	<u>\$ (5,111)</u>	<u>\$ (936)</u>	<u>\$ (7,759)</u>	<u>\$ (2,114)</u>	<u>\$ (27,184)</u>
At 1 April 2013	\$ (11,264)	\$ (5,111)	\$ (936)	\$ (7,759)	\$ (2,114)	\$ (27,184)
Charge for the year	(1,293)	(23)	(40)	(1,215)	(380)	(2,951)
Written back on disposals	-	16	31	771	288	1,106
At 31 March 2014	<u>\$ (12,557)</u>	<u>\$ (5,118)</u>	<u>\$ (945)</u>	<u>\$ (8,203)</u>	<u>\$ (2,206)</u>	<u>\$ (29,029)</u>
<b>Net book value:</b>						
At 31 March 2014	<u>\$ 52,057</u>	<u>\$ 66</u>	<u>\$ 36</u>	<u>\$ 1,973</u>	<u>\$ 916</u>	<u>\$ 55,048</u>
At 31 March 2013	<u>\$ 53,350</u>	<u>\$ 42</u>	<u>\$ 76</u>	<u>\$ 2,685</u>	<u>\$ 1,238</u>	<u>\$ 57,391</u>

## 10 Property, plant and equipment (continued)

### Company

	<i>Land and buildings '000</i>	<i>Leasehold improvements '000</i>	<i>Furniture and fixtures '000</i>	<i>Computer equipment '000</i>	<i>Office equipment and motor vehicles '000</i>	<i>Total '000</i>
<b>Cost:</b>						
At 1 April 2012	\$ 64,614	\$ 5,252	\$ 1,013	\$ 9,490	\$ 2,427	\$ 82,796
Additions	-	27	6	1,368	938	2,339
Disposals	-	(126)	(7)	(414)	(13)	(560)
At 31 March 2013	<u>\$ 64,614</u>	<u>\$ 5,153</u>	<u>\$ 1,012</u>	<u>\$ 10,444</u>	<u>\$ 3,352</u>	<u>\$ 84,575</u>
At 1 April 2013	\$ 64,614	\$ 5,153	\$ 1,012	\$ 10,444	\$ 3,352	\$ 84,575
Additions	-	19	-	491	57	567
Disposals	-	(16)	(31)	(773)	(296)	(1,116)
At 31 March 2014	<u>\$ 64,614</u>	<u>\$ 5,156</u>	<u>\$ 981</u>	<u>\$ 10,162</u>	<u>\$ 3,113</u>	<u>\$ 84,026</u>
<b>Accumulated depreciation:</b>						
At 1 April 2012	\$ (9,972)	\$ (5,185)	\$ (895)	\$ (6,974)	\$ (1,861)	\$ (24,887)
Charge for the year	(1,292)	(52)	(48)	(1,195)	(266)	(2,853)
Written back on disposals	-	126	7	410	13	556
At 31 March 2013	<u>\$ (11,264)</u>	<u>\$ (5,111)</u>	<u>\$ (936)</u>	<u>\$ (7,759)</u>	<u>\$ (2,114)</u>	<u>\$ (27,184)</u>
At 1 April 2013	\$ (11,264)	\$ (5,111)	\$ (936)	\$ (7,759)	\$ (2,114)	\$ (27,184)
Charge for the year	(1,293)	(18)	(40)	(1,214)	(380)	(2,945)
Written back on disposals	-	16	31	771	288	1,106
At 31 March 2014	<u>\$ (12,557)</u>	<u>\$ (5,113)</u>	<u>\$ (945)</u>	<u>\$ (8,202)</u>	<u>\$ (2,206)</u>	<u>\$ (29,023)</u>
<b>Net book value:</b>						
At 31 March 2014	<u>\$ 52,057</u>	<u>\$ 43</u>	<u>\$ 36</u>	<u>\$ 1,960</u>	<u>\$ 907</u>	<u>\$ 55,003</u>
At 31 March 2013	<u>\$ 53,350</u>	<u>\$ 42</u>	<u>\$ 76</u>	<u>\$ 2,685</u>	<u>\$ 1,238</u>	<u>\$ 57,391</u>

The group's and the company's land held under a finance lease included in property, plant and equipment with a net carrying amount of \$29,988,000 (2013: \$30,721,000) is situated in Hong Kong and is held under a long term lease.

## 11 Investments in subsidiaries

The balance represents investments in unlisted shares, at cost, of \$100 (2013: \$100).

Details of the Company's subsidiaries at 31 March 2014 are as follows:

<i>Name of company</i>	<i>Place of incorporation and operation</i>	<i>Particulars of share capital</i>	<i>Proportion of ownership interest held by the company</i>	<i>Principal activity</i>
Trailwalker Limited*	Hong Kong	\$100	100%	Dormant
Oxfam Hong Kong - Macau Office	Macau	Nil	100%	Relief of poverty, distress and suffering

\* Trailwalker Limited is in the process of applying for de-registration.

## 12 Available-for-sale investments

	<i>Group and Company</i>	
	<i>2014</i>	<i>2013</i>
	<i>'000</i>	<i>'000</i>
Available-for-sale investments:		
– Listed in Hong Kong	<u>\$ 28,578</u>	<u>\$ 30,782</u>

## 13 Loan to an affiliate

The balance is unsecured, interest bearing at 5% per annum and repayable in five equal annual instalments.

## 14 Inventories

	<i>Group and Company</i>	
	<i>2014</i>	<i>2013</i>
	<i>'000</i>	<i>'000</i>
Humanitarian supplies	\$ 3,646	\$ 1,819

## 15 Cash and cash equivalents

	<i>Group</i>		<i>Company</i>	
	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
	<i>'000</i>	<i>'000</i>	<i>'000</i>	<i>'000</i>
Cash at bank and in hand	\$ 50,795	\$ 55,063	\$ 49,151	\$ 55,063
Time deposits with original maturity of less than three months when acquired	<u>41,224</u>	<u>27,622</u>	<u>41,224</u>	<u>27,622</u>
Cash and cash equivalents as stated in the cash flow statement	\$ 92,019	\$ 82,685	\$ 90,375	\$ 82,685
Time deposits with original maturity of more than three months when acquired	<u>9,970</u>	<u>15,086</u>	<u>9,970</u>	<u>15,086</u>
Cash and cash equivalents as stated in the consolidated balance sheet	<u>\$ 101,989</u>	<u>\$ 97,771</u>	<u>\$ 100,345</u>	<u>\$ 97,771</u>

## 16 Accounts payable, other payables, accruals and grants payable

The accounts and other payables are non-interest-bearing and have an average term of one month.

## 17 Amount due to a subsidiary

The amount due to a subsidiary is unsecured, non-interest bearing and repayable on demand.

## 18 Reserves

### (a) Movements in components of reserves

The reconciliation between the opening and closing balances of each component of the group's reserves is set out in the consolidated statement of changes in reserves. Details of the changes in the company's individual components of reserves between the beginning and the end of the year are set out below:

#### Company

	Africa development fund (Note 18(b)(i)) '000	China development fund (Note 18(b)(ii)) '000	Sichuan earthquake fund (Note 18(b)(iii)) '000	Education fund (Note 18(b)(iv)) '000	Operation reserve '000	Investment revaluation reserve (Note 18(b)(v)) '000	Total reserves '000
<b>At 1 April 2012</b>	\$ 2,949	\$ 7,128	\$ 20,349	\$ 11,890	\$ 153,496	\$ -	\$ 195,812
<b>Changes in reserves for 2013:</b>							
(Deficit)/surplus for the year	\$ (553)	\$ (33,847)	\$ (19,136)	\$ (6,138)	\$ 30,647	\$ -	\$ (29,027)
Other comprehensive income	-	-	-	-	-	719	719
Total comprehensive income for the year	\$ (553)	\$ (33,847)	\$ (19,136)	\$ (6,138)	\$ 30,647	\$ 719	\$ (28,308)
Transfers	\$ -	\$ 29,581	\$ -	\$ -	\$ (29,581)	\$ -	\$ -
<b>At 31 March 2013 and 1 April 2013</b>	\$ 2,396	\$ 2,862	\$ 1,213	\$ 5,752	\$ 154,562	\$ 719	\$ 167,504
<b>Changes in reserves for 2014:</b>							
Surplus/(deficit) for the year	\$ (2,683)	\$ (29,713)	\$ (4,693)	\$ (5,547)	\$ 49,229	\$ -	\$ 6,593
Other comprehensive income	-	-	-	-	-	(2,204)	(2,204)
Total comprehensive income for the year	\$ (2,683)	\$ (29,713)	\$ (4,693)	\$ (5,547)	\$ 49,229	\$ (2,204)	\$ 4,389
Transfers	\$ 164	\$ 32,720	\$ 3,480	\$ 964	\$ (37,328)	\$ -	\$ -
<b>At 31 March 2014</b>	\$ (123)	\$ 5,869	\$ -	\$ 1,169	\$ 166,463	\$ (1,485)	\$ 171,893

## 18 Reserves (continued)

### (b) *Nature and purpose of reserves*

Reserves are defined as resources that the group has or can make available to spend for charitable purposes once the group has met its commitments and covered its other planned expenditure. The group follows a reserve policy approved and reviewed annually by the Council. The current policy includes a statement that the group will hold general reserves (net of fixed assets) equivalent to a total of three to six months' unrestricted expenditure that includes both grants and operational expenditure, based on the approved budget. The management has confirmed that such a policy has been complied with throughout the year.

The amounts of the group's reserves and the movements therein for the current and prior years are presented in the statement of changes in reserves.

Donation income is initially recorded in the respective funds according to the designated purpose of the donors.

#### (i) Africa development fund

The Africa development fund represents a commitment towards long-term development work and emergency relief in Africa. Expenses of the Africa development fund include a portion of programme development, management and administration and fundraising costs to reflect the level of activity in connection with the operation of the fund. In the prior year, there was a deficit in this fund which was replenished by transferring funds from the operation reserve.

#### (ii) China development fund

The China development fund represents a commitment towards long-term development work and emergency relief in China. Expenses of the China development fund include a portion of programme development, management and administration and fundraising costs to reflect the level of activity in connection with the operation of the fund. During the current and the prior year, there was a deficit in this fund which was replenished by transferring funds from the operation reserve.

#### (iii) Sichuan earthquake fund

The Sichuan earthquake fund represents a commitment towards long-term development work and emergency relief for Sichuan earthquake. Expenses of the Sichuan earthquake fund only includes programme development costs. No management and administration and fundraising costs are charged to this fund.



## **18 Reserves (continued)**

### **(b) Nature and purpose of reserves (continued)**

#### **(iv) Education fund**

The education fund represents a commitment towards long-term education work in Africa, China and other countries in Asia. Expenses of the education fund include a portion of programme development, management and administration and fundraising costs to reflect the level of activity in connection with the operation of the fund.

Apart from the above specific funds, all the group's unrestricted funds are included in the operation reserve.

#### **(v) Investment revaluation reserve**

The investment revaluation reserve comprises the cumulative net change in fair value of available-for-sale investments held at the end of reporting period and is dealt with in accordance with the accounting policy in note 2(e).

## **19 Financial instruments**

Exposure to credit, liquidity, interest rate, currency and bond price risks arises in the normal course of the group's operations. The group's exposure to these risks and the financial risk management policies and practices used by the group to manage these risks are described below.

### **(a) Credit risk**

The group's credit risk is primarily attributable to loan to an affiliate, cash and cash equivalents and prepayments, deposits and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The group's bank deposits and cash and cash equivalents are placed with major financial institutions.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheet after deducting any impairment allowance. The group does not provide any guarantees which would expose the group to credit risk.

### **(b) Liquidity risk**

The group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

## **19 Financial instruments (continued)**

### **(c) Interest rate risk**

At the balance sheet date, the group did not hold any financial assets or liabilities which are exposed to significant interest rate risk.

### **(d) Currency risk**

The group's operations are principally conducted in Hong Kong and has limited exposure to currency risks which arise from foreign currency receipts and payments for programmes implemented in overseas.

### **(e) Bond price risk**

The group is exposed to bond price changes arising from bond index fund investments classified as available-for-sale investments (see note 12). All of these investments are listed.

Listed investments held in the available-for-sale portfolio have been chosen based on their longer term growth potential and are monitored regularly for performance against expectations.

At 31 March 2014, it is estimated that an increase/(decrease) of 1% in the relevant bond market index (for listed investments), with all other variables held constant, would have increased/decreased the group's reserve by \$286,000 (2013: \$308,000).

The sensitivity analysis indicates the instantaneous change in the group's reserve that would arise assuming that the changes in the bond market index had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the group which expose the group to bond price risk at the end of the reporting period. It is also assumed that the fair values of the group's bond index fund investments would change in accordance with the historical correlation with the relevant bond market index or relevant risk variables, that none of the group's available-for-sale investments would be considered impaired as a result of the decrease in the relevant bond market index or relevant risk variables, and that all other variables remain constant.

## 19 Financial instruments (continued)

### (f) Fair value measurement

#### *Financial assets and liabilities carried at fair value*

The group's financial instruments are measured at the balance sheet date on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement 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

The fair values of the group's financial instruments (other than available-for-sale investments) approximate their carrying amount. The group's available-for-sale investments are categorised as level 1 financial instruments. The fair value of the group's available-for-sale investments was \$28,578,000 (2013: \$30,782,000) as at 31 March 2014 which was based on the quoted market price in the Hong Kong Stock Exchange (see note 12).

During the years ended 31 March 2013 and 2014, there were no transfers between level 1 and level 2, or transfers into or out of level 3. The group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

## 20 Commitments

- (a) *Capital commitments outstanding at 31 March 2014 not provided for in the consolidated financial statements were as follows:*

	2014 '000	2013 '000
Contracted for:		
– Services rendered	\$ 527	\$ 494
– Computer software and hardware	<u>2,222</u>	<u>-</u>
	<u>\$ 2,749</u>	<u>\$ 494</u>
 Grants commitments	 <u>\$ 44,051</u>	 <u>\$ 43,510</u>

- (b) *At 31 March 2014, the total future minimum lease payments under non-cancellable operating leases are payable as follows:*

	2014 '000	2013 '000
Within one year	\$ 875	\$ 1,399
After one year but within five years	<u>441</u>	<u>847</u>
	<u>\$ 1,316</u>	<u>\$ 2,246</u>

The lease typically runs for an initial period of one to three years, with an option to renew the lease when all terms are renegotiated. None of the lease includes contingent rentals.

## 21 Material related party transactions

Apart from the balances disclosed in notes 3 and 13 to the consolidated financial statements, the group entered into the following material related party transactions during the year:

	2014 '000	2013 '000
<b>Donations to Oxfam's international members</b>		
Intermon Oxfam (Spain)	\$ 1,000	\$ 4,242
Oxfam America	1,014	238
Oxfam Australia	3,011	4,174
Oxfam Canada	-	(208)
Oxfam Great Britain	29,277	20,988
Oxfam France	-	16
Oxfam India	3,191	460
Oxfam Novib	1,690	2,709
Oxfam-in-Belgium	18	23
Stichting Oxfam International	3,262	3,206
	<u>\$ 42,463</u>	<u>\$ 35,848</u>

## 22 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 March 2014

Up to the date of issue of these consolidated financial statements, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended 31 March 2014 and which have not been adopted in these consolidated financial statements.

The group is in the process of making an assessment of what the impact of these amendments 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 group's results of operations and consolidated financial position.

In addition, the requirements of Part 9, "Accounts and Audit", of the new Hong Kong Companies Ordinance (Cap. 622) come into operation from the company's first financial year commencing after 3 March 2014 (i.e. the company's financial year which began on 1 April 2014) in accordance with section 358 of that Ordinance. The group is in the process of making an assessment of the expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9. So far it has concluded that the impact is unlikely to be significant and will primarily only affect the presentation and disclosure of information in the consolidated financial statements.