

FOUNDATION THEODORA
AUDITED FINANCIAL STATEMENTS

For the year ended 31 March 2012

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Morrison CPA Limited Certified Public Accountants

馬禮遜會計師事務所有限公司

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF
FOUNDATION THEODORA

We have audited the financial statements of Foundation Theodora (the "Trust") set out on pages 2 to 9 which comprises the statement of financial position as at 31 March 2012, the statement of comprehensive income, the statement of changes in funds and the statement of cash flow for the year then ended and a summary of significant accounting policies and other explanatory notes.

Trustees' responsibilities for the financial statements

The Trustees of the Trust are responsible for the preparation and the true and fair presentation of these financial statements in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and for such internal control as the Trustees determine is necessary to enable the preparation of 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 financial statements based on our audit. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and presentation of financial statements 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 Trustees, as well as evaluating the overall presentation of the financial statements.

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 financial statements give a true and fair view of the state of the Trust's affairs as at 31 March 2012 and of its deficit and cash flows for the year ended 31 March 2012 in accordance with Hong Kong Financial Reporting Standards.

Morrison CPA Limited

Morrison CPA Limited
Certified Public Accountant
Hong Kong,

18 October 2012

Morrison CPA Limited 馬禮遜會計師事務所有限公司

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FOUNDATION THEODORA

STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE

For the year ended 31 March 2012

	2012	2011
	HK\$	HK\$
REVENUE		
Donation income		
CLP Power Hong Kong Limited	150,000	60,000
Camp Quality	116,063	-
The Ohel Leah Synagogue Charity	100,000	100,000
ISS Hong Kong Services Limited	30,000	119,200
Foundation Theodora, Switzerland	126,770	-
Others	28,713	7,800
	<u>551,546</u>	<u>287,000</u>
Bank deposit interest income	14	47
	<u>551,560</u>	<u>287,047</u>
EXPENDITURE		
Clown doctor services fees	(570,520)	(445,192)
Clown training fees	(36,866)	(38,099)
Administration and accounting fee	(60,156)	(67,706)
Auditor's remuneration	(10,000)	(35,000)
Miscellaneous	(5,122)	(11,598)
	<u>(682,664)</u>	<u>(597,595)</u>
DEFICIT FROM OPERATIONS	(131,104)	(310,548)
Finance costs : interest on bank overdraft	(307)	-
DEFICIT FOR THE YEAR	(131,411)	(310,548)
Other comprehensive income	-	-
TOTAL COMPREHENSIVE EXPENDITURE FOR THE YEAR	<u>(131,411)</u>	<u>(310,548)</u>

The accompanying Accounting Policies and Explanatory Notes form an integral part of, and should be read in conjunction with, these financial statements.

FOUNDATION THEODORA

STATEMENT OF FINANCIAL POSITION
31 March 2012

	2012 HK\$	2011 HK\$
ASSETS		
Current assets		
Prepayments	404	7,615
Cash and bank balances	706,437	940,026
	<u>706,8741</u>	<u>947,641</u>
Current liabilities		
Accounts payables & accruals	(55,000)	(164,389)
NET ASSETS	<u>651,841</u>	<u>783,252</u>
 FUNDS		
Set up fund	617,038	617,038
General fund	34,803	166,214
TOTAL FUNDS	<u>651,841</u>	<u>783,252</u>

Approved by:



TRUSTEE



TRUSTEE

The accompanying Accounting Policies and Explanatory Notes form an integral part of, and should be read in conjunction with, these financial statements.

FOUNDATION THEODORA

STATEMENT OF CHANGES IN FUNDS

For the year ended 31 March 2012

	Set-up fund HK\$	General fund HK\$	Total funds HK\$
Balance at 1 April 2010	617,038	476,762	1,093,800
Deficit for 2011	-	(310,548)	(310,548)
Balance at 31 March 2011	<u>617,038</u>	<u>166,214</u>	<u>783,252</u>
Deficit for 2012	-	(131,411)	(131,411)
Balance at 31 March 2012	<u>617,038</u>	<u>34,803</u>	<u>651,841</u>

The accompanying Accounting Policies and Explanatory Notes form an integral part of, and should be read in conjunction with, these financial statements.

FOUNDATION THEODORA

STATEMENT OF CASH FLOWS

For the year ended 31 March 2012

	2012 HK\$	2011 HK\$
OPERATING ACTIVITIES		
Deficit for the year	(131,411)	(310,548)
Adjustment for:		
Bank deposit interest income	(14)	(47)
Finance costs : interest on bank overdraft	307	-
Deficit before working capital changes	(131,118)	(310,595)
Decrease in prepayments	7,211	(7,615)
Decrease in accounts payables and accruals	(109,389)	104,330
Net cash used in operating activities	<u>(233,296)</u>	<u>(213,880)</u>
INVESTING ACTIVITIES		
Bank deposit interest income	14	47
Net cash generated from investing activities	<u>14</u>	<u>47</u>
FINANCING ACTIVITIES		
Interest on bank overdraft	(307)	-
Net cash used in financing activities	<u>(307)</u>	<u>-</u>
Net decrease in cash and cash equivalents	(233,589)	(213,883)
Cash and cash equivalents at 1 April	940,026	1,153,859
Cash and cash equivalents at 31 March	<u>706,437</u>	<u>940,026</u>

The accompanying Accounting Policies and Explanatory Notes form an integral part of, and should be read in conjunction with, these financial statements.

1. CORPORATE INFORMATION

Foundation Theodora (the "Trust") was established pursuant to a Trust Deed dated 20 April 2002. The Trust is established for offering joy and happiness to hospitalised children through the visits of professional artists, "the clown doctors", specially trained to work in a hospital environment.

The Trust's registered office and principal place of operation is located at 2303-7 Dominion Centre, 43-59 Queen's Road East, Hong Kong

The Trust is exempted from Hong Kong tax under Section 88 of the Inland Revenue Ordinance as a charitable organization, subject to certain rules and conditions in relation to source and application of its profits and income.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include 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. They have been prepared under the historical cost convention and are presented in Hong Kong dollars.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS

The HKICPA has issued a number of new standards, amendments and interpretations to existing HKFRSs which are mandatory for the Trust's accounting period beginning on 1 Apr 2011, but they are not relevant to the Trust's operations.

4. IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Foundation has not early applied any new or revised HKFRSs, which have been issued but are not yet effective for the accounting year ended 31 December 2012, in these financial statements. The Trust has commenced, but not yet completed, an assessment of the impact of the applicable Amendments on its results of operations and financial positions. The Trustees are of the view that the impact, if any, on the financial statements would not be significant.

5. ACCOUNTING POLICIES ADOPTED

Revenue

Donation income from corporate donors is recognised when the right to receive payment is established. Donation income from the general public is recognised when it is received by the Trust.

Bank deposit interest income is recognised on a time-proportion basis using the effective interest rate method.

5. ACCOUNTING POLICIES ADOPTED *(Continued)*

Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at banks with original maturities of three months or less.

Financial assets

The Trust's financial assets include cash and bank balances. They are recognized initially at their fair value and are subsequently measured at amortized cost, using the effective interest rate method.

Financial liabilities

The Trust's financial liabilities include accounts payables and accruals. They are recognized initially at their fair value and subsequently measured at amortized cost, using the effective interest rate method, unless the effect of discounting would be immaterial, in which case they are stated at cost. Accounts payables and accruals are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle if longer). If not, they are presented as non-current liabilities.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realize the net asset and settle and liability simultaneously.

Functional and presentation currency

Items included in the financial statements of the Trust are measured using the currency of the primary economic environment in which the Trust operates ("the functional currency"). The financial statements are presented in Hong Kong dollars, which is the Trust's functional and presentation currency.

Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

6. REMUNERATION OF THE TRUSTEE (ALSO REGARDED AS KEY MANAGEMENT COMPENSATION)

None of the Trustees received or will receive any fees or other emoluments in respect of their services to the Trust during the year (2011: Nil).

7. FINANCIAL RISK MANAGEMENT

The Trust's activities potentially expose it to certain financial risks. The Trust recognizes the unpredictability of changes to these financial risks. It seeks to minimise potential adverse effects on the Trust's financial performance by close monitoring of such changes and by adopting a conservative approach in the management of its financial assets and liabilities.

Foreign exchange risk

The Trust has minimal exposure to foreign currency risk as its transactions, assets and liabilities are denominated in Hong Kong dollars.

Credit risk

Credit risk arises from cash deposits with a bank. The credit risk on liquid funds is limited because the bank is with high credit ratings assigned by international credit rating agencies.

The Trust's cash deposits with a bank are eligible deposits under the Hong Kong Deposit Protection Scheme and therefore entitled to compensation up to a limit of HK\$500,000 should the bank fails.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

Liquidity risk

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

All of the Trust's financial liabilities as at 31 March 2012 totalling HK\$55,000 (2011: HK\$164,389) are maturing within 1 year.

Cash flow and fair value interest rate risk

The Trust's interest rate risk mainly arises from bank balances and time deposits which expose the Trust to cash flow interest-rate risk. In the opinion of the Trustees, the interest income derived is relatively insignificant to the Trust's operations and therefore, its income and operating cash flows are generally independent of changes in market interest rates. Accordingly, the Trustees are of the opinion that the Trust does not have significant cash flow and fair value interest rate risk and no sensitivity analysis is performed.

Fund risk management

The Trust's objectives when managing fund are to safeguard the Trust's ability to continue as a going concern in order to promote the objectives of the Trust. The Trust's overall strategy remains unchanged from prior years.

The fund structure of the Trust comprises the set up fund and general fund.

8. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments at end of the year are as follows:

	2012 HK\$	2011 HK\$
Financial assets:		
Cash and bank balances	706,437	940,026
Financial liabilities:		
Accounts payables and accruals	55,000	164,389

The carrying amounts of the Trust's financial assets and financial liabilities are reflected in the financial statements approximating to their respective fair values.

9. SET UP FUND

Foundation Theodora has provided its services in Hong Kong since July 1996 but it was formally set up as the Trust in April 2002. Prior to the set up of the Trust, the operation was run by Playright Children's Play Association under the supervision of Theodora Switzerland.

The set up fund represents the surplus generated by Playright Children's Play Association before the Trust was set up.

The utilisation of the fund is at the discretion of the Trustees.