

THE NEW ZEALAND SOCIETY OF HONG KONG

Report of the Committee Members and Financial Statements

Year ended 31 December 2009

**The New Zealand Society of Hong Kong
Report and Financial Statements
Year ended 31 December 2009**

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**The New Zealand Society of Hong Kong
Report of the Committee Members
Year ended 31 December 2009**

The Committee Members present their report and the audited financial statements of the Society for the year ended 31 December 2009.

Principal activities

The New Zealand Society of Hong Kong (the Society) is a non-profit making organisation. The Society's principal activities are to encourage the interests of New Zealand and promote fellowship among New Zealanders who are resident in Hong Kong by holding social and cultural activities.

Results

The Society's results for the year ended 31 December 2009 and its state of affairs as of 31 December 2009 are set out in the financial statements on pages 5 to 15.

Committee Members

The Committee Members of the Society during the year and up to the date of this report were:

President	Travis Pittman
Vice President	Sean Purdie
Honorary Secretary	Tammy Munroe (appointed on 5 May 2009)
Honorary Treasurer	Roger Bailey
Membership Secretary	John Morgan (resigned on 5 May 2009)
Other Committee Members	Stefi Hall (appointed 5 May 2009) Peter Rae (appointed 5 May 2009) Kelly Richards (appointed 5 May 2009)

In accordance with the Society's constitution all committee members resign at each Annual General Meeting of the Society and may stand for re-election subject to eligibility.

Committee Members' interests in contracts and emoluments

No Committee Member had a beneficial interest in any material contracts to which the Society was a party during the year. No amounts were paid in respect of emoluments to any Committee Member. No pension or any compensation in respect of loss of office has been paid to any Committee Member or past Committee Member.

Donation

The following donations were made during the year:

2009 Red Cross Bush Fire Appeal for Victoria Australia	HK\$10,000
Home of Loving Faithfulness	HK\$5,000
Hope for Children (Hong Kong) Limited	<u>HK\$40,000</u>
	HK\$55,000

**The New Zealand Society of Hong Kong
Report of the Committee Members
Year ended 31 December 2009**

Auditor

The financial statements were audited by Chan Mei Ling Certified Public Accountant who now retires, and being eligible, offers herself for re-appointment in the next annual meeting.

ON BEHALF OF THE COMMITTEE

President

30 April 2010

CHAN MEI LING CERTIFIED PUBLIC ACCOUNTANT

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE NEW ZEALAND SOCIETY OF HONG KONG (A Society registered under the Hong Kong Societies Ordinance)

I have audited the financial statements of The New Zealand Society of Hong Kong set out on pages 5 to 15, which comprise the Society's balance sheet as at 31 December 2009, and the income statement, the statement of changes in equity and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Committee Members' responsibility for the financial statements

The Committee Members 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. 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.

Auditor's responsibility

My responsibility is to express an opinion on these financial statements based on my audit. This report is made solely to you, as a body, and for no other purpose. I do not assume responsibility towards or accept liability to any other person for the contents of this report.

I conducted my audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that I 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 auditor's 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 true and fair presentation of the 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 directors, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

CHAN MEI LING CERTIFIED PUBLIC ACCOUNTANT

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**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF THE NEW ZEALAND SOCIETY OF HONG KONG
(A Society registered under the Hong Kong Societies Ordinance)**

Opinion

In my opinion, the financial statements give a true and fair view of the state of affairs of the Society as at 31 December 2009 and of its surplus and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards.

Hong Kong

30 April 2010

**The New Zealand Society of Hong Kong
Statement of Comprehensive Income
Year ended 31 December 2009**

	Notes	2009 HK\$	2008 HK\$
Membership subscriptions	5	60,300	62,750
Net surplus on activities	7	2,397	13,072
Other income	6	28,472	17,213
General and administrative expenses	8	(82,870)	(47,863)
Surplus for the year	9	<u>8,299</u>	<u>45,172</u>

The accompanying notes form an integral part of these financial statements.

**The New Zealand Society of Hong Kong
Statement of Financial Position
31 December 2009**

	Notes	2009 HK\$	2008 HK\$
NON-CURRENT ASSETS			
Investments	10	198,289	155,360
CURRENT ASSETS			
Cash and cash equivalents		143,124	144,709
Prepayments		5,000	5,000
		<u>148,124</u>	<u>149,709</u>
CURRENT LIABILITIES			
Accruals		28,199	10,078
Sundry creditors		-	-
Subscriptions in advance		600	20,900
		<u>28,799</u>	<u>30,978</u>
NET CURRENT ASSETS		<u>119,325</u>	<u>118,731</u>
NET ASSETS		<u>317,614</u>	<u>274,091</u>
FUNDS AND RESERVES			
General fund		209,109	200,810
Investment revaluation reserve		108,505	73,281
		<u>317,614</u>	<u>274,091</u>

The accompanying notes form an integral part of these financial statements.

**The New Zealand Society of Hong Kong
Statement of Changes in Equity
Year ended 31 December 2009**

	General Fund	Investment revaluation reserve	Total
	HK\$		HK\$
At 1 January 2008	155,638	195,205	350,843
Changes in fair value of available-for-sale investments	-	(121,924)	(121,924)
Surplus for the year	45,172	-	45,172
At 31 December 2008 and 1 January 2009	200,810	73,281	274,091
Changes in fair value of available-for-sale investments		35,224	35,224
Surplus for the year	8,299		8,299
At 31 December 2009	209,109	108,505	317,614

The accompanying notes form an integral part of these financial statements.

The New Zealand Society of Hong Kong
Statement of Cash Flow
Year ended 31 December 2009

	2009	2008
	HK\$	HK\$
Cash flows from operating activities		
Surplus for the year	8,299	45,172
Adjustments for:		
Interest income	-	(17)
Dividend income	(7,900)	(14,757)
Operating profit before working capital changes	<u>399</u>	<u>30,398</u>
Decrease in prepayments	-	24,840
(Decrease) in sundry creditors	-	(49,680)
Increase in accruals	18,121	10,078
(Decrease)/increase in subscriptions in advance	(20,300)	1,200
	<u> </u>	<u> </u>
Net cash (used in)/generated from operating activities	<u>(1,780)</u>	<u>16,836</u>
Investing activities		
Interest income	-	17
Dividend income	195	214
	<u> </u>	<u> </u>
Net cash generated from investing activities	195	231
	<u> </u>	<u> </u>
Net (decrease)/increase in cash and cash equivalents	(1,585)	17,067
Cash and cash equivalents at beginning of year	<u>144,709</u>	<u>127,642</u>
Cash and cash equivalents at end of year	<u><u>143,124</u></u>	<u><u>144,709</u></u>

Supplementary note for non-cash transaction:

During the year the Society has non-cash transactions in respect of stock dividends received of HK\$7,705 (2008: HK\$14,543)

The accompanying notes form an integral part of these financial statements.

The New Zealand Society of Hong Kong
Notes to the Financial Statements
Year ended 31 December 2009

1. GENERAL

THE NEW ZEALAND SOCIETY OF HONG KONG (“The Society”) has been active in Hong Kong since 1957. Its principal activity is to encourage the interests of New Zealand and promote fellowship among New Zealanders who are resident in Hong Kong by holding social and cultural activities.

The Society is a non-profit making organization. Its registered office is located at 4/F., Monarch House II, 501 Hennessy Road, Causeway Bay, Hong Kong.

The functional currency and presentation currency of the Society is Hong Kong dollar.

2. PRINCIPAL ACCOUNTING POLICIES

(a) Statement of compliance

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations (hereinafter collectively referred to as the “HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

(b) Basis of preparation

The financial statements have been prepared under the historical cost basis

(c) Foreign currencies

Transactions entered into by the Society in a currency other than the currency of the primary economic environment in which it operates (the “functional currency”) are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are similarly recognised immediately in the income statement.

(d) Financial instruments

The Society classifies its financial instruments into the following categories at inception, depending on the purpose for which the assets were acquired or the liabilities were incurred. Purchases and sales of the financial assets are recognised using trade date accounting.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognized at fair value plus any directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest method, less any identified impairment losses.

The New Zealand Society of Hong Kong
Notes to the Financial Statements
Year ended 31 December 2009

2. PRINCIPAL ACCOUNTING POLICIES - continued

(d) Financial instruments-continued

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity securities that are designated as available-for-sale or are not classified in any of the other financial assets categories.

Available-for-sale financial assets are initially measured at fair value plus directly attributable transaction costs. Subsequently, they are re-measured at fair value with changes in fair value recognised in equity until the securities are either sold or impaired. On disposal of available-for-sale securities, cumulative gains or losses previously recognised in equity are recognised through the income statement. If an available-for-sale financial asset measured at fair value is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. Impairment losses on equity instruments classified as available-for-sale are not reversed in the income statement. Impairment loss on debt instruments are reversed through the income statement, if the increase in the fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the income statement.

If there is objective evidence that an impairment loss on such unquoted equity securities has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

(iii) Other financial liabilities

The Society's financial liabilities comprise advance payments received from members for activities and membership subscriptions received in advance. The financial liabilities are recognised initially at their fair value and subsequently measured at amortised cost, using effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

(iv) Derecognition

The Society derecognises a financial asset where the contractual rights to the future cash flows in relation to the investment expire or where the financial asset has been transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss. Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

**The New Zealand Society of Hong Kong
Notes to the Financial Statements
Year ended 31 December 2009**

2. PRINCIPAL ACCOUNTING POLICIES - continued

(e) Revenue recognition

- (i) Annual subscription fees are recognized on straight line basis over subscription period.
- (ii) Interest income is recognized as it accrues using the effective interest method.
- (iii) Dividend income from investments is recognized when the right to receive payment is established.

(f) Provisions

A provision is recognized when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognized for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

3. Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Committee of the Society makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. There are no estimates or assumptions used on these financial statements that committee of the Society expects will have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

The New Zealand Society of Hong Kong
Notes to the Financial Statements
Year ended 31 December 2009

4. POTENTIAL IMPACT ARISING ON THE NEW ACCOUNTING STANDARDS NOT YET EFFECTIVE

The Society has not yet applied the following new HKFRSs that have been issued but are not effective for the year. The Committee Members of the Society anticipate that the application of these new HKFRSs will have no material impact on the financial statements of the Society.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs ¹
HKFRSs (Amendments)	Improvements to HKFRSs 2009 ²
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards ¹
Amendments to HKAS 32	Classification of Rights Issues ⁴
Amendment to HKAS 39	Eligible Hedged Items ¹
Amendments to HKFRS 2	Share-based Payment – Group Cash-settled Share-based Payment Transactions ³
Amendment to HK(IFRIC) – Interpretation 14	Prepayments of a Minimum Funding Requirements ⁶
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ¹
HKFRS 3 (Revised)	Business Combinations ¹
HK(IFRIC) – Interpretation 17	Distributions of Non-cash Assets to Owners ¹
HK(IFRIC) – Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments ⁵
HKAS 24 (Revised)	Related Party Disclosures ⁶
HKFRS 9	Financial Instruments ⁷

¹ Effective for annual periods beginning on or after 1 July 2009

² Effective for annual periods beginning on or after 1 July 2009 and 1 January, 2010, as appropriate.

³ Effective for annual periods beginning on or after 1 January 2010

⁴ Effective for annual periods beginning on or after 1 February 2010

⁵ Effective for annual periods beginning on or after 1 July 2010

⁶ Effective for annual periods beginning on or after 1 January 2011

⁷ Effective for annual periods beginning on or after 1 January 2013

5. Membership subscriptions

Membership subscriptions represent gross annual subscription fees from members.

6. Other income

	2009	2008
	HK\$	HK\$
Bank interest income	-	17
Dividend income	7,900	14,757
Other investment income	19,972	-
Miscellaneous income	600	2,439
	<u>28,472</u>	<u>17,213</u>

The New Zealand Society of Hong Kong
Notes to the Financial Statements
Year ended 31 December 2009

7. Net surplus on activities

	2009	2008
	HK\$	HK\$
Surplus activities:		
Waitangi Day	6,459	2,873
Bowling and BBQ (2008 only)	-	1,571
Olympic BBQ (2008 only)	-	250
Junk trip (2008 only)	-	2,561
Wine and cheese	2,248	6,827
Tram parties	828	3,296
Auction and donation at Consul General farewell (2008 only)	-	4,100
Auction at Xmas party		3,900
Xmas party (2009 deficit)		5,001
Great Race	4,849	-
Vietnam Cruise and Beijing Tour	5,769	-
	<u>20,153</u>	<u>30,379</u>
Deficit and breakeven activities		
Rugby 7's tickets	1,079	-
Rugby 10' party/reception	953	168
Bledisloe Cup rugby	-	1,200
Anzac Ball	1,858	-
Anzac Day wreaths	480	960
AGM and Kiwi dinner	915	1,113
Luau function	822	550
Farewell banquet NZ Consul General	-	1,188
Kiwi Konnectionz	6,096	12,128
Xmas party	3,600	-
SJMGC cultural night	1,953	-
	<u>17,756</u>	<u>17,307</u>
Net surplus from activities	<u>2,397</u>	<u>13,072</u>

The New Zealand Society of Hong Kong
Notes to the Financial Statements
Year ended 31 December 2009

8. General and administrative expenses

	2009	2008
	HK\$	HK\$
Accounting fees	4,000	9,000
Audit fee	12,000	-
Bank charges	285	366
Custody charge	180	300
Donations**	55,000	25,000
Insurance	-	-
Local travel	-	129
Meeting expenses	7,968	8,720
Miscellaneous	-	122
Printing	-	1,590
Postage and delivery	606	613
Stationeries	1,249	53
Website	1,582	1,970
	<u>82,870</u>	<u>47,863</u>

**Donations for the year:

	2009	2008
	HK\$	HK\$
Hong Kong Red Cross China Earthquake 2008 appeal	-	25,000
2009 Red Cross Bush Fire Appeal for Victoria Australia	10,000	-
Home of Loving Faithfulness	5,000	-
Hope for Children (Hong Kong) Limited	40,000	-
	<u>55,000</u>	<u>25,000</u>

9. Surplus for the year

The surplus for the year is after charging the expenses listed under note 8 above. No amounts were paid in respect of emoluments to any Committee Members. No pension or any compensation in respect of loss of office has been paid to Committee Members or past Committee Members.

10. Investments

	2009	2008
	HK\$	HK\$
Available-for-sales equity securities:		
Listed in Hong Kong, at market value		
- 2,218 (2008: 2,108) shares in HSBC Holding Plc	<u>198,289</u>	<u>155,360</u>

The fair values of listed securities are determined on the basis of their quoted market prices at the balance sheet date.

The New Zealand Society of Hong Kong
Notes to the Financial Statements
Year ended 31 December 2009

12. Financial risk management objectives and policies

The Society does not have written risk management policies and guidelines. Generally, the Society employs a conservative strategy regarding risk management. Being a member-based association, the Committee of the Society considers that the Society's exposure to market risk is minimal and the Society does not use any derivatives or other instruments for hedging purposes. The Society does not hold derivative financial instruments for trading purposes.

The financial instruments of the Society comprises primarily of equity investment and other types of contractual monetary assets and liabilities.

The Society's exposure to foreign currency risk is minimal.

The Society does not have any significant exposure to interest rate risk as the Society has no interest-bearing borrowings.

13. Approval of financial statements

The financial statements were approved and authorised for issue by the Committee on 30 April 2010.

HSBC SHARES IN NZSHK ACCOUNTS

The HSBC Shares acquired by the Society a number of years ago are classified in the accounts as Available-for-Sale financial assets. This has been the case since at least 2005 and they have continued to be classified as such in the accounts of the Society up-to-now.

Under IAS39 (see below) debt investments and equity investments are classified as trading securities, available-for-sale securities, or, in the case of debt investments, held-to-maturity securities. The classification is based on the intent of the organisation as to the length of time it will hold each investment.

Debt and equity investments classified as **trading securities** are those which were bought for the purpose of selling them within a short time of their purchase. These investments are considered short-term assets and are revalued at each balance sheet date to their current fair market value. Any gains or losses due to changes in fair market value during the period are reported as gains or losses on the income statement because, by definition, a trading security will be sold in the near future at its market value.

When the Society purchased the HSBC shares the intention to our understanding was as an alternative investment to cash for the surpluses generated by the Society. There was no intention to buy and quickly sell shares – therefore the HSBC shares should not be classified as trading securities.

Debt and equity investments that are not classified as trading securities or held-to-maturity securities are called **available-for-sale securities**. This is how the HSBC shares have been classified in the accounts. Whereas trading securities are always short-term, available-for-sale securities may be classified as either short-term or long-term assets based on management's intention of when to sell the securities. **Available-for-sale securities are also valued at fair market value.** Any resulting gain or loss is recorded to an unrealized gain and loss account that is reported as a separate line item in the stockholders' equity section of the balance sheet. The gains and losses for available-for-sale securities are not reported on the income statement until the securities are sold. Unlike trading securities that will be sold in the near future, there is a longer time before available-for-sale securities will be sold, and therefore, greater potential exists for changes in the fair market value

International Accounting Standard 39 Classification of Financial Instruments

The accounting treatment for a particular financial instrument (e.g. whether it is carried

at historical cost or fair value and whether any re-measurement gains are reported immediately in profit or loss or initially in equity) depends on its classification:

There are four types of financial assets are defined as follows:

- 1) ***Financial assets at fair value through profit or loss***- financial instruments that are either classified as held for trading, or are designed as such on initial recognition. This category was introduced in the Dec 2003, version of IAS39. It incorporated the previous “held for trading” category but, in addition, financial instruments may be designated into it- this is often referred to as the “fair value option”. The basic accounting requirement for all instruments included in this category is that they are recorded on the balance sheet at fair value and any changes in value are reported in profit or loss. Associated gains and losses should be recognized in profit or loss. Assets held for trading are defined as those that:
 - a) Are acquired for the purpose of sale or repurchase in the near term;
 - b) On initial recognition are part of a portfolio of identified financial instruments that are managed together and of which there is evidence of a recent actual pattern of short-term profit-taking;

Trading generally reflects active and frequent buying and selling, and financial instruments held for trading are normally used with the objective of generating a profit from short-term fluctuations in price or a dealer’s margin.

- 2) ***Held-to-maturity***-financial assets with fixed or determinable payments and fixed maturity, other than loans and receivables, for which there is a positive intention and ability to hold to maturity and which have not been designated “at fair value through profit or loss” or as “available-for-sale”.
- 3) ***Loans and receivables*** – financial assets with fixed or determinable payments that are not quoted in an active market, do not qualify as “trading” assets and have not been designated “at fair value through profit or loss” or as “available-for-sale”;
- 4) ***Available-for-sale- financial assets*** – financial assets that are designated as “available-for-sale or are not classified as “loans and receivables”, “held to maturity investments’ or “at fair value through profit or loss”. Originally, a financial asset was classified as “available-for-sale” if it did not properly belong in one of the three categories of financial assets – held for trading, held-to-maturity and loans and receivables. The ability to designate instruments within certain categories means that available-for-sale is no longer quite the “default” classification that it was.