

INNER CITY MINISTRIES LIMITED

(incorporated in Hong Kong with liability limited by guarantee and not having a share capital)

REPORT OF THE DIRECTORS

The directors present herewith their annual report together with the financial statements for the year ended 31 December 2020.

PRINCIPAL ACTIVITY

The principal activity of the association is the provision of Christian services in community activities, vocational training and children's work on a non-profit making basis.

RESULTS

The results of the association for the year ended 31 December 2020 are set out in the income statement on page 6.

DIRECTORS

The directors who held office during the year and up to the date of this report were:

Mr. Wallace Douglas Scott	(Retired and re-elected on 17 June 2020)
Mr. Christopher Chan	(Resigned on 16 December 2020)
Mr. Edmond Li	(Retired and re-elected on 17 June 2020)
Ms. May Tang	(Retired and re-elected on 17 June 2020)
Ms. Tin Sze Wai Tiffany	(Appointed on 15 September 2020)
Ms. Lam Roger Lap Yen	(Resigned on 16 December 2020)
Mr. Shum Michael Ga-Lun	(Retired and re-elected on 17 June 2020) and (Resigned on 30 September 2020)

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the association were entered into or existed during the year.

PERMITTED INDEMNITY PROVISION

Pursuant to the association's articles of association, every director shall be entitled to be indemnified out of the assets of the association against all loss or liabilities which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto.

INNER CITY MINISTRIES LIMITED

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REPORT OF THE DIRECTORS (continued)

AUDITORS

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Fung & Chan as auditor of the association.

Approved by the board of directors and signed on its behalf by:

Wallace Douglas Scott
Director

Hong Kong,

INDEPENDENT AUDITOR'S REPORT

TO INNER CITY MINISTRIES LIMITED

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We have audited the financial statements of Inner City Ministries Limited (the "Association") set out on pages 6 to 14, which comprise the statement of financial position as at 31 December 2020, the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements of the Association are prepared, in all material respects, in accordance with the Hong Kong Small and Medium-Sized Entity Financial Reporting Standard ("SME-FRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") and with reference to PN 900 (Revised) *Audit of Financial Statements Prepared in Accordance with the Small and Medium-sized Entity Financial Reporting Standard* issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Association in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code"), and we have fulfilled our other responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Statements and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the directors' report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT (continued)

TO INNER CITY MINISTRIES LIMITED

(incorporated in Hong Kong with liability limited by guarantee and not having a share capital)

Responsibilities of Directors and Those Charged with Governance for the Financial Statements

The directors are responsible for the preparation of the financial statements in accordance with the SME-FRS issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Association or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion and to report our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

INDEPENDENT AUDITOR'S REPORT (continued)

TO INNER CITY MINISTRIES LIMITED

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- Obtain an understanding of internal control relevant to the audit 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 Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Fung & Chan

Certified Public Accountants

Room 2001-4

China Insurance Group Building

141 Des Voeux Road Central

Hong Kong

INNER CITY MINISTRIES LIMITED

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**INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Note	2020 HK\$	2019 HK\$
Income			
Donations	3	2,578,790	2,314,424
Government subsidies	4	252,000	-
Other income		-	15
		<u>2,830,790</u>	<u>2,314,439</u>
Expenditure			
Auditors' remuneration		11,660	10,500
Bank charges		940	806
Depreciation		8,924	8,100
Electricity		6,255	18,264
Insurances		21,620	10,382
Mandatory provident fund contributions		61,303	65,709
Ministries and other mission expenses		145,908	146,601
Operating lease rental for premiums		480,000	480,000
Printing, postage and stationery		12,070	25,651
Professional fees		2,300	2,755
Salaries and allowances		1,237,944	1,314,176
Sundry expenses		30,794	7,854
Telephone		8,801	6,432
		<u>(2,028,519)</u>	<u>(2,097,230)</u>
Surplus for the year	5	<u><u>802,271</u></u>	<u><u>217,209</u></u>

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

INNER CITY MINISTRIES LIMITED

(incorporated in Hong Kong with liability limited by guarantee and not having a share capital)

**STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2020**

	Note	2020 HK\$	2019 HK\$
Non-current assets			
Fixed assets	7	13,666	14,091
Current assets			
Rental and utility deposits		88,900	88,900
Cash and cash equivalents		1,204,121	465,056
		<u>1,293,021</u>	<u>553,956</u>
Total assets		<u><u>1,306,687</u></u>	<u><u>568,047</u></u>
Capital and reserves			
Accumulated funds	8	1,281,866	479,595
Current liabilities			
Receipt in advance		-	66,667
Accounts payable		24,821	21,785
		<u>24,821</u>	<u>88,452</u>
Total equity and liabilities		<u><u>1,306,687</u></u>	<u><u>568,047</u></u>

Approved and authorised for issue by the board of directors on behalf by:

and signed on its

Wallace Douglas Scott
Director

Tin Sze Wai Tiffany
Director

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

INNER CITY MINISTRIES LIMITED

(incorporated in Hong Kong with liability limited by guarantee and not having a share capital)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1 GENERAL INFORMATION

Inner City Ministries Limited is a company incorporated in Hong Kong with liability limited by guarantee and not having a share capital. The liabilities of the members are limited. Every member of the association undertakes to contribute to the assets of the association in the event of the association being wound up during the time that he or she is a member or within one year afterwards for payment of the debts and liabilities of the association contracted before the time at which he or she ceased to be a member, and of the costs, charges, and expenses of the winding up the association, and for the adjustment of the rights of the contributories amongst themselves, such amount as may be required not exceeding HK\$100.

The association's registered office is located at 138 Nathan Road, Tsim Sha Tsui, Kowloon, Hong Kong. The principal activity of the association is the provision of Christian services in community activities, vocational training and children's work on a non-profit making basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below.

(a) Basis of preparation of the financial statements

The association qualifies for the reporting exemption as small guarantee companies under section 359(1)(a) of the Hong Kong Companies Ordinance. The association is therefore entitled to prepare and present its financial statements in accordance with the Small and Medium-sized Entity Financial Reporting Standard ("SME-FRS") issued by the Hong Kong Institute of Certified Public Accountants.

These financial statements comply with the SME-FRS and have been prepared under the accrual basis of accounting and on the basis that the association is a going concern. The measurement basis adopted is the historical cost convention.

(b) Plant and equipment

Plant and equipment are stated in the statement of financial position at cost less accumulated depreciation and impairment losses, if any.

INNER CITY MINISTRIES LIMITED

(incorporated in Hong Kong with liability limited by guarantee and not having a share capital)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Trade and other receivables

Trade and other receivables are stated at estimated realisable value after each debt has been considered individually. Where the payment of a debt becomes doubtful a provision is made and charged to profit or loss.

(d) Impairment on assets

At the end of each reporting period, the association reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

Recoverable amount is the greater of an asset's net selling price and future net cash flow expected from the continued use of that asset.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

(e) Provision and contingent liabilities

Provisions are recognised when it is probable that an outflow of economic benefits will be required to settle a current legal or constructive obligation as a result of past events, and a reliable estimate can be made of the amount of the obligation.

Contingent liabilities are possible obligations that arise from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the association; or are present obligations that have arisen from past events but are not recognised because it is not probable that settlement will require outflow of economic benefits, or because the amount of the obligations cannot be reliably measured. Contingent liabilities are not recognised in the financial statements but are disclosed unless the probability of settlement is remote.

INNER CITY MINISTRIES LIMITED

(incorporated in Hong Kong with liability limited by guarantee and not having a share capital)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the association and when the revenue can be measured reliably, on the following bases:

Income from donations and sponsorship is recorded as income when received or becomes receivable.

(g) Government grants and subsidies

Government grants and subsidies are recognised where there is a reasonable assurance that the association will comply with the condition attaching to them and the grants or subsidies will be received. The grant or subsidy is recognised as income over the periods necessary to match it with the related costs it is intended to compensate on a systematic basis. Grants or subsidies related to assets are presented in the statement of financial position either by setting up the grant or subsidy as deferred income or by deducting the grant or subsidy in arriving at the carrying amount of the asset.

(h) Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the association are accounted for as finance leases. The leased asset is capitalised, at the inception of a finance lease, as an item of property, plant and equipment at its fair value or, if lower, at the present value of the minimum lease payments and are depreciated over the shorter of its estimated useful life or the lease term. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the profit or loss.

Leases where substantially all the risks and rewards of ownership of assets are not transferred to the lessee are accounted for as operating leases. Rentals applicable to operating leases are dealt with in profit or loss on a straight-line basis over the lease term.

INNER CITY MINISTRIES LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Foreign exchange

The reporting currency of the association is Hong Kong Dollars, which is the currency of the primary economic environment in which the association operates.

Foreign currency transactions are converted at the exchange rate applicable at the transaction date. Foreign currency monetary items are translated into Hong Kong Dollars using exchange rates applicable at the end of the reporting period. Gains and losses on foreign exchange are recognised in profit or loss.

(j) Retirement benefit costs

The association operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees’ basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the association in an independently administered fund. The association’s employer contributions vest fully with the employees when contributed into the MPF Scheme.

(k) Related parties

(a) A person or a close member of that person’s family is related to the association if that person:

- (i) has control or joint control over the association;
- (ii) has significant influence over the association; or
- (iii) is a member of the key management personnel of the association.

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 association.

INNER CITY MINISTRIES LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Related parties (continued)

(b) An entity is related to the association if any of the following conditions applies:

(i) The entity is controlled or jointly controlled by a person identified in (a).

(ii) 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).

3 REVENUE

Revenue represents the net amounts of donations and sponsorships received and receivable during the year.

4 GOVERNMENT SUBSIDIES

These subsidies under the Employment Support Scheme were granted by the government to provide time-limited financial support to employers to retain employees who may otherwise be made redundant due to the economic slowdown caused by the outbreak of COVID-19.

5 SURPLUS/(DEFICIT) FOR THE YEAR

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

	2020 HK\$	2019 HK\$
Directors' remuneration	-	-
Key management personnel's remuneration	323,965	315,000

INNER CITY MINISTRIES LIMITED

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020****6 TAXATION**

The association is exempted from tax under section 88 of the Inland Revenue Ordinance.

7 PLANT AND EQUIPMENT

	Furniture HK\$	Office equipment HK\$	Leasehold improvements HK\$	Total HK\$
Cost				
At 1 January 2020	34,140	167,414	423,791	625,345
Additions	-	8,499	-	8,499
At 31 December 2020	<u>34,140</u>	<u>175,913</u>	<u>423,791</u>	<u>633,844</u>
Accumulated depreciation				
At 1 January 2020	34,140	153,323	423,791	611,254
Charge for the year	-	8,294	-	8,294
At 31 December 2020	<u>34,140</u>	<u>161,617</u>	<u>423,791</u>	<u>619,548</u>
Net book value				
At 31 December 2020	<u>-</u>	<u>14,296</u>	<u>-</u>	<u>14,296</u>
At 31 December 2019	<u>-</u>	<u>14,091</u>	<u>-</u>	<u>14,091</u>

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

Furniture	20% per annum
Office equipment	20% per annum
Leasehold improvements	Over the remaining lease term

The residual value and the useful life of an asset are reviewed at least at the end of each reporting period.

INNER CITY MINISTRIES LIMITED

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

8 CAPITAL AND RESERVES

	Accumulated funds HK\$
Balance at 31 December 2019	479,595
Surplus for the year	<u>802,271</u>
Balance at 31 December 2020	<u><u>1,281,866</u></u>

9 OPERATING LEASE COMMITMENT

At the end of the reporting period, the association had total future minimum lease payments under non-cancellable operating leases with landlords related to land and buildings falling due as follows:

	2020 HK\$	2019 HK\$
Within one year	480,000	320,000
In the second to fifth year inclusive	<u>320,000</u>	<u>-</u>
	<u><u>800,000</u></u>	<u><u>320,000</u></u>

10 RELATED PARTY TRANSACTIONS AND DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Except to the transactions and balances disclosed elsewhere in these financial statements, the directors are of the opinion that no transactions, arrangements and contracts that are significant in relation to the association's business to which the association was a party and in which a director of the association had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

INNER CITY MINISTRIES LIMITED

**AUDIT ADJUSTMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Dr HK\$	Cr HK\$	Adjusted P/L (Dr)/Cr HK\$
1 Depreciation	8,924.00		(8,924.00)
Acc depn - equipment		8,924.00	
Being depreciation provided for the year.			
2 Audit	11,000.00		(11,000.00)
Accounts payable		11,000.00	
Being audit fee provided for the year.			
Total			<u>(19,924.00)</u>
Accumulated funds per draft accounts			<u>1,301,789.61</u>
Accumulated funds per audited accounts			<u><u>1,281,865.61</u></u>

Approved by:

Director