

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 2016.

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 2016 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. Lau Lincoln

Mr. Lam Roger Lap Yen

Mr. Christopher Chan

Mr. Edmond Li

Ms. Siu Sky Ka Yan

(Appointed on 17 October 2016)

Rev. Christopher Ranjit Kumar Ponniah

(Appointed on 28 February 2017)

Ms. Bellita Limbu

(Resigned on 13 July 2016)

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 MINITRIES 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:

Lam Roger Lap Yen
Director

Hong Kong,

INDEPENDENT AUDITOR'S REPORT

TO INNER CITY MINITRIES LIMITED

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We have audited the financial statements of Inner City Minitries Limited (the "Association") set out on pages 6 to 14, which comprise the statement of financial position as at 31 December 2016, 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 director's 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 MINTRIES LIMITED

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

- 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 2016**

	Note	2016 HK\$	2015 HK\$
Income			
Donations	3	1,838,492	2,267,092
Other income		3,700	3,084
		<u>1,842,192</u>	<u>2,270,176</u>
Expenditure			
Auditors' remuneration		9,000	9,000
Bank charges		1,802	1,390
Depreciation		118,079	161,019
Electricity		15,851	16,931
Insurances		20,902	10,860
Mandatory provident fund contributions		58,836	55,446
Ministries and other mission expenses		188,329	421,055
Operating lease rental for premiums		426,790	406,000
Printing, postage and stationery		8,779	8,276
Professional fees		5,110	300
Salaries and allowances		1,209,520	1,150,920
Sundry expenses		25,237	22,284
Telephone		5,360	13,358
		<u>2,093,595</u>	<u>2,276,839</u>
Deficit and total comprehensive loss for the year	4	<u>(251,403)</u>	<u>(6,663)</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 2016**

	Note	2016 HK\$	2015 HK\$
Non-current assets			
Fixed assets	6	197,894	301,900
Current assets			
Rental and utility deposits		80,200	80,200
Cash and cash equivalents		318,724	486,230
		<u>398,924</u>	<u>566,430</u>
Total assets		<u>596,818</u>	<u>868,330</u>
Capital and reserves			
Accumulated funds	7	477,901	729,304
Current liabilities			
Receipt in advance		100,000	100,000
Accounts payable		18,917	39,026
		<u>118,917</u>	<u>139,026</u>
Total equity and liabilities		<u>596,818</u>	<u>868,330</u>

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

and signed on its

Lam Roger Lap Yen
Director

Christopher Chan
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 2016

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 private 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 2016**

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

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

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) 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.

(h) 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.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) 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.

(j) 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.

(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).

INNER CITY MINISTRIES LIMITED

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

3 Revenue

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

4 DEFICIT FOR THE YEAR

Deficit for the year is arrived at after charging:

	2016 HK\$	2015 HK\$
Directors' remuneration	-	-
Key management personnel's remuneration	315,120	306,760

5 TAXATION

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

INNER CITY MINISTRIES LIMITED

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016****6 PLANT AND EQUIPMENT**

	Furniture HK\$	Office equipment HK\$	Leasehold improvements HK\$	Total HK\$
Cost				
At 1 January 2016	34,140	134,744	423,791	592,675
Additions	-	14,073	-	14,073
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2016	34,140	148,817	423,791	606,748
Accumulated depreciation				
At 1 January 2016	34,140	115,435	141,200	290,775
Charges for the year	-	12,179	105,900	118,079
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2016	34,140	127,614	247,100	408,854
Net book value				
At 31 December 2016	-	21,203	176,691	197,894
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2015	-	19,309	282,591	301,900
	<hr/>	<hr/>	<hr/>	<hr/>

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 2016****7 CAPITAL AND RESERVES**

	Accumulated funds HK\$
Balance at 31 December 2015	729,304
Deficit for the year	<u>(251,403)</u>
Balance at 31 December 2016	<u><u>477,901</u></u>

8 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:

	2016 HK\$	2015 HK\$
Within one year	427,800	396,000
In the second to fifth year inclusive	<u>285,200</u>	<u>713,000</u>
	<u><u>713,000</u></u>	<u><u>1,109,000</u></u>

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

In addition 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 2016**

			Dr HK\$	Cr HK\$	Adjusted P/L (Dr)/Cr HK\$
1	11	Restricted fund	274.29		(274.29)
	7	Rent & utility deposit	25.71		
	15	Accounts payable		300.00	
		Being opening adjustment made.			
2	15	Accounts payable	20,333.50		
	41	Repairs & maint.		20,333.50	20,333.50
		Being settlement of accrual wrongly recorded in repairs & maintenance.			
3	52	Depreciation	118,079.00		(118,079.00)
	2	Acc depn - equipment		12,179.00	
	6	Acc depn - lease imp		105,900.00	
		Being depreciation provided for the year.			
4	48	Sundries	100.00		(100.00)
	51	Legal & professional		100.00	100.00
		Being reallocation of legal and professional from general expenses.			
5	50	Audit	9,000.00		(9,000.00)
	15	Accounts payable		9,000.00	
		Being audit fee provided for the year.			
		Total			<u>(107,019.79)</u>
		Accumulated funds per draft accounts			<u>584,920.55</u>
		Accumulated funds per audited accounts			<u><u>477,900.76</u></u>

Approved by

Director