

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 2015.

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 2015 are set out in the income statement on page 4.

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

Mr. Hurricks Peter Brian (Resigned on 15 October 2015)

Ms. Bellita Limbu (Appointed on 15 October 2015)

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.

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 THE MEMBERS OF INNER CITY MINISTRIES LIMITED

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

We have audited the financial statements of Inner City Ministries Limited (the "Association") set out on pages 4 to 12, which comprise the statement of financial position as at 31 December 2015, the income statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation of the 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 and 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit 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. We conducted our audit in accordance with Hong Kong Standards on Auditing and with reference to Practice Note 900 (Revised) "Audit of Financial Statements Prepared in Accordance with the Small and Medium-sized Entity Financial Reporting Standard" 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 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 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.

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

INDEPENDENT AUDITOR'S REPORT (continued)

**TO THE MEMBERS OF
INNER CITY MINISTRIES LIMITED**

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Opinion

In our opinion, the financial statements of the Association for the year ended 31 December 2015 are prepared, in all material respect, in accordance with the SME-FRS and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

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 2015**

	Note	2015 HK\$	2014 HK\$
Income			
Donation	3	2,267,092	2,400,039
Other income		<u>3,084</u>	<u>19,099</u>
		2,270,176	2,419,138
Expenditure			
Auditors' remuneration		9,000	8,800
Bank charges		1,390	1,429
Depreciation		161,019	120,400
Electricity		16,931	32,759
Insurance		10,860	9,360
Mandatory provident fund contributions		55,446	52,950
Ministries and other mission expenses		421,055	200,290
Operating lease rental for premiums		406,000	443,030
Printing, postage and stationery		8,276	5,136
Professional fee		300	4,955
Salaries and allowances		1,150,920	1,044,500
Sundry expenses		22,284	30,793
Telephone		13,358	9,285
		<u>(2,276,839)</u>	<u>(1,963,687)</u>
(Deficit)/surplus and total comprehensive (loss)/income for the year	4	<u><u>(6,663)</u></u>	<u><u>455,451</u></u>

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

INNER CITY MINISTRIES LIMITED

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**STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2015**

	Note	2015 HK\$	2014 HK\$
Non-current assets			
Plant and equipment	6	301,900	454,998
Current assets			
Accounts receivable		-	1,000
Rental and utility deposits		80,200	97,200
Prepayments		-	900
Cash and cash equivalents		486,230	320,203
		<u>566,430</u>	<u>419,303</u>
Total assets		<u><u>868,330</u></u>	<u><u>874,301</u></u>
Capital and reserves			
Accumulated funds	7	729,304	735,967
Current liabilities			
Receipts in advance		100,000	100,000
Accrued expenses		39,026	38,334
		<u>139,026</u>	<u>138,334</u>
Total equity and liabilities		<u><u>868,330</u></u>	<u><u>874,301</u></u>

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

and signed on

Lam Roger Lap Yen
Director

Christopher Chan
Director

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

INNER CITY MINISTRIES LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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 (Cap. 622). 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.

The association's financial statements for the year ended 31 December 2015 are its first annual financial statements prepared under accounting policies that comply with the SME-FRS. The association applied full Hong Kong Financial Reporting Standards prior to the application of the SME-FRS.

The adoption of SME-FRS had no effect on these financial statements.

(b) Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

INNER CITY MINISTRIES LIMITED

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

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.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

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 remaining balance of the liability. Finance charges are charged to 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 2015

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.

(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).

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

3 REVENUE

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

4 (DEFICIT)/SURPLUS FOR THE YEAR

(Deficit)/surplus for the year is arrived at after charging/(crediting):

	2015 HK\$	2014 HK\$
Directors' remuneration	-	-
Key management personnel's remuneration	306,760	303,500

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 2015****6 PLANT AND EQUIPMENT**

	Furniture HK\$	Office equipment HK\$	Leasehold improvements HK\$	Total HK\$
Cost				
At 1 January 2015	34,140	126,823	755,622	916,585
Additions	-	7,921	-	7,921
Written off	-	-	(331,831)	(331,831)
	<u>34,140</u>	<u>134,744</u>	<u>423,791</u>	<u>592,675</u>
At 31 December 2015	34,140	134,744	423,791	592,675
Accumulated depreciation				
At 1 January 2015	34,140	103,347	324,100	461,587
Charge for the year	-	12,088	148,931	161,019
Elimination on disposal	-	-	(331,831)	(331,831)
	<u>34,140</u>	<u>115,435</u>	<u>141,200</u>	<u>290,775</u>
At 31 December 2015	34,140	115,435	141,200	290,775
Net book value				
At 31 December 2015	<u>-</u>	<u>19,309</u>	<u>282,591</u>	<u>301,900</u>
At 31 December 2014	<u>-</u>	<u>23,476</u>	<u>431,522</u>	<u>454,998</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.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

7 CAPITAL AND RESERVES

	Accumulated funds
Balances at 31 December 2014	735,967
Deficit for the year	<u>(6,663)</u>
Balances at 31 December 2015	<u><u>729,304</u></u>

8 OPERATING LEASE COMMITMENT

At the end of each 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:

	2015 HK\$	2014 HK\$
Within one year	396,000	431,500
In the second to fifth year inclusive	<u>713,000</u>	<u>1,103,600</u>
	<u><u>1,109,000</u></u>	<u><u>1,535,100</u></u>

9 RELATED PARTY TRANSACTION

Except the transactions and balances disclosed elsewhere in these financial statements, the association had no other material related party transactions during the year.

10 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to current year's presentation.