

Directors' Report
Audited Financial Statements
International Care Ministries Limited
31 May 2023

International Care Ministries Limited

Directors' report

The directors submit herewith their report and audited financial statements of International Care Ministries Limited (the "Company") for the year ended 31 May 2023.

Principal activity

The principal activity of the Company is to provide care for the poor and those in need through strategic programs and donations of cash and goods.

Results

The results of the Company for the year ended 31 May 2023 are set out in the Statement of Comprehensive Income on page 8.

Review of the Company's business

The work of the Company is targeted toward those living at the absolute bottom of the economic ladder. The Company's work first started in the Philippines, focusing on Filipinos living in "ultrapoverty," on less than US\$0.50 per day. As one of the top 15 most populous countries in the world, the Philippines is home to more than 100 million people. Despite robust economic growth in recent years, more than 25 million Filipinos still live in extreme poverty, on incomes below US\$1.25 per day.

Living on less than US\$0.50 per day means a daily battle for survival. The ultrapoor live in inadequate, crowded shelters. They suffer from chronic hunger and malnutrition. They lack access to clean water and proper sanitation making them highly prone to many types of diseases. They are particularly vulnerable to recurring natural disasters. And they lack access to networks of support that could help them. Living in ultrapoverty means living without hope for a better future. The Company's initiatives are designed specifically to meet the needs of ultrapoor households.

Recently, the Company extended its work to Uganda and Guatemala.

Programs

The Company does its work through its charitable partners primarily in four programs – Transform, Family Academy, Thrive Network and Prevail. Transform is a four-month holistic learning experience in the slum community where the participants live. Family Academy focuses on providing parents with simple teaching materials in order for the parents to teach basic knowledge in a home school setting. The Thrive Network is a network of more than 10,000 pastors with churches in slum communities who provide the Company the ability to reach those living in ultrapoverty cost effectively. Prevail is a program related to Transform. The participants form savings groups under the Transform Program. After the end of Transform, the Company continues to support these newly formed savings groups through monthly "Prevail" meetings where the participants get additional training and accountability.

The Company embraces a business approach to fighting poverty, ensuring the greatest impact while at the same time keeping costs as low as possible:

Maximising Impact

The Company is dedicated to rigorous and detailed measurement of results. The Company is committed to data integrity and employs well-established research methods. It designs programs around results. This allows the Company to report with confidence that the Company is delivering real life change for the ultrapoor.

Minimising Cost

The Company's twenty one years of experience tell us that the key to progress out of poverty is not about giving expensive assets to the poor. The key is the people themselves who are the assets. The Company invites those living in ultrapoverty to hope for a better future and helps them to realise their own potential to reach it. And fortunately that is not expensive.

International Care Ministries Limited

Directors' report

Review of the Company's business (Continued)

Staff

The work of the Company is made possible by its dedicated small team of staff in Hong Kong who works with the Company's charitable partners which have a field team of 661 Filipinos who serve 34 provinces and highly urbanized cities from 13 bases of operations in the Visayas and Mindanao region of the Philippines.

Donors

The Company is supported generously by a wide variety of donors from different countries. The donations from foundations amounted to HK\$16.5 million or 31% of total donations in 2023. Donations from fundraising activities in 2023 were HK\$9.5 million representing 18% of total donations.

In-Kind partners

In the 2022/2023 fiscal year that ended on May 31, 2023, the Company's charitable partners donated 11 containers of close to 3 million meals for the ultrapoor, consisting of protein and micronutrient fortified dehydrated food. The Company also received 88,000 bars of soap for ultrapoor program participants. The Company paid for the shipment of these in-kind gifts from Hong Kong to Uganda and Guatemala and to the Philippines respectively.

Compliance with laws and regulations

The Company is committed to compliance with all applicable laws and regulations in Hong Kong. These laws and regulations include those which apply specifically to charitable organisations, as well as those applicable to general business operation in Hong Kong. The Company encourages responsible and sustainable environmental practices in Hong Kong and in the operations of its charitable partners.

Principal risks & uncertainties facing the Company

The Company has risks with regard to the amount, source and timing of donation income. Uncertainty around global economic developments may impact donors' ability to give. The Company seeks actively to mitigate these risks by diversifying its donor base and by maintaining good contacts with donors to improve the Company's cash flow forecasting.

The Philippines had an election year in 2022 and political developments have the potential to impact on the operations of the Company's charitable partners in the Philippines. Other national, regional and local elections happen regularly and have the potential to impact the operations of the Company's charitable partners in the Philippines. The Company's charitable partners strive to reduce the risks of political developments by maintaining good relations with local government officials and agencies regardless of political affiliation. In addition, local government in the Philippines tends to view the Company's work to transform the lives of the ultrapoor in a positive light and is inclined generally to not stand in the way of these efforts.

Natural disasters, such as typhoons, landslides and earthquakes, are a fact of life across the Asian region. Such disasters have the potential to disrupt the operations of the Company and its charitable partners. The Company has policies to keep staff members safe during inclement weather and the Company's charitable partners conduct training in disaster preparedness not only for the benefit of program participants but also for the benefit and safety of staff of the Company.

Staff turnover may impact operations for the Company. The Company addresses this risk with a rigorous recruitment and staff selection process, regular performance reviews and a competitive compensation and benefits strategy commensurate with the Company's financial means.

Significant subsequent event

The Company is not aware of any significant events affecting the Company since the end of the reporting period and up to the date of this report.

International Care Ministries Limited

Directors' report

Review of the Company's business (Continued)

Future development in the Company's business

In the 2022/2023 fiscal year, the pre-agreed annual grant of two of the Company's largest funding partners were significantly lower than the amounts they provided in the two fiscal years before. This led to an expected decrease in annual revenue for the Company. The Company made loan arrangements in the 2022/2023 fiscal year in order to continue to run its charitable programs at scale. In the upcoming two fiscal years 2023/2024 and 2024/2025, the annual pre-agreed grants of these two funding partners are higher than the amounts they provided in 2022/2023. Therefore, the Company expects that the higher funding from these two partners will provide a stronger financial basis for 2023/2024 and 2024/2025. The Company is actively seeking additional foundational grants and grants from institutional funders to expand the footprints of its poverty alleviation programs.

The Company will continue to follow its current strategy of innovation in program development and delivery as the Company implements its business approach to fighting poverty, ensuring the greatest impact while at the same time keeping costs as low as possible.

Directors

The directors who held office during the year or during the period from the end of the year to the date of this report were:

David Kent Sutherland
Malcolm Ross John Wood
Charles Brian Douglas Caldwell
Andrew Michael Ostrognai
David Lee Simms
Daniel Gabriel Montecillo
Guangjie Hopton Yang
Phua Ai Ching Pamela

In accordance with Articles 38 to 40 of the Company's Articles of Association, David Kent Sutherland, Guangjie Hopton Yang and Phua Ai Ching Pamela will retire by rotation at the annual general meeting and, being eligible, will offer themselves for re-election.

Arrangements for acquisition of shares or debentures

At no time during the year was the Company a party to any arrangements to enable directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other company.

Management contracts

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

Equity-linked agreements

No equity-linked agreements into which the Company entered subsisted at any time during the year.

Permitted indemnity provisions

No permitted indemnity provision was in force during the year, or is in force at the date of this report, for the benefit of a then director or a director of the Company (whether made by the Company or otherwise).

Charitable donations

Charitable donations made by the Company during the year amounted to HK\$41,091,118.


International Care Ministries Limited

Directors' report

Auditor

A resolution will be submitted to the annual general meeting to re-appoint Mazars CPA Limited, *Certified Public Accountants*, as the auditor of the Company.

Approved by the Board of Directors and signed on its behalf by

A handwritten signature in black ink, appearing to read 'D. Sutherland', is written over the printed name.

David Kent Sutherland
Chairman

24 AUG 2023

Independent Auditor's Report

To the members of
International Care Ministries Limited
(incorporated in Hong Kong with liability limited by guarantee)

Opinion

We have audited the financial statements of International Care Ministries Limited (the "Company") set out on pages 8 to 21, which comprise the statement of financial position as at 31 May 2023, the statement of comprehensive income, the statement of changes in funds and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 May 2023, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standard for Private Entities ("HKFRS for Private Entities") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") 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 Company in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical 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.

Other information

The directors of the Company are responsible for the other information. The other information comprises the directors' report.

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

To the members of

International Care Ministries Limited

(incorporated in Hong Kong with liability limited by guarantee)

Material uncertainty related to going concern

We draw attention to note 1 to the financial statements concerning the adoption of the going concern basis on which the financial statements have been prepared. At the end of the reporting period, the Company's total liabilities exceeded its total assets by HK\$956,886, which indicates that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. The validity of the going concern is dependent on the Company's ability to successfully complete its program development plans. The directors have evaluated all the relevant facts available to them and are of the opinion that there are no significant adverse conditions precluding the Company from completing its programs. The financial statements do not include any adjustments that would result from a failure to complete its programs. We consider that appropriate disclosures have been made in this respect. Our opinion is not modified in respect of this matter.

Responsibilities of directors for the financial statements

The directors of the Company are responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRS for Private Entities issued by the HKICPA and the 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 Company'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 Company or to cease operations, or have no realistic alternative but to do so.

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. This report is made solely to you, as a body, in accordance with section 405 of the 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.

Independent Auditor's Report

To the members of

International Care Ministries Limited

(incorporated in Hong Kong with liability limited by guarantee)

Auditor's responsibilities for the audit of the financial statements (Continued)

As part of an audit in accordance with HKSA's, we exercise professional judgement 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.
- 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 Company'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 Company'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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors 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.



Certified Public Accountants

Hong Kong, 24 AUG 2023

The engagement director on the audit resulting in this independent auditor's report is:

Eunice Y M Kwok

Practising Certificate number: P04604

International Care Ministries Limited

Statement of Comprehensive Income

For year ended 31 May 2023

	<i>Note</i>	2023 HK\$	2022 HK\$
Revenue	3	52,468,902	73,437,351
Cost of fund raising activities		<u>(1,501,026)</u>	<u>(1,429,355)</u>
Gross profit		50,967,876	72,007,996
Other income	4	303,110	173,619
Administrative and general expenses		(10,035,277)	(10,470,799)
Donations to ICMMI and ICMFI	6	(36,230,689)	(45,260,877)
Overseas ministries		<u>(16,202,450)</u>	<u>(14,031,037)</u>
(Deficit) Surplus before tax	5	(11,197,430)	2,418,902
Income tax expense	7	<u>-</u>	<u>-</u>
(Deficit) Surplus for the year		(11,197,430)	2,418,902
Other comprehensive income for the year		<u>-</u>	<u>-</u>
Total comprehensive (loss) income for the year		<u>(11,197,430)</u>	<u>2,418,902</u>

International Care Ministries Limited

Statement of Financial Position

At 31 May 2023

	Note	2023 HK\$	2022 HK\$
ASSETS			
Non-current assets			
Property, plant and equipment	8	79,257	121,826
Current assets			
Bank balances and cash		158,144	9,988,930
Loan to a related party	9	11,042,957	-
Deposits, prepayments and other receivables		886,336	139,788
		12,087,437	10,128,718
Total assets		12,166,694	10,250,544
LIABILITIES			
Current liabilities			
Other payables and accruals		1,305,334	10,000
Loans from related parties	9	11,508,246	-
Loan from a director	9	310,000	-
Total liabilities		13,123,580	10,000
FUNDS			
General operating funds		(680,334)	1,099,978
Designated funds		(276,552)	9,140,566
		(956,886)	10,240,544
Total liabilities and funds		12,166,694	10,250,544

These financial statements on pages 8 to 21 were approved and authorised for issue by the Board of Directors on 24 AUG 2023 and signed on its behalf by

David Kent Sutherland
Director

Guangjie Hopton Yang
Director

International Care Ministries Limited

Statement of Changes in Funds

Year ended 31 May 2023

	General operating funds HK\$	Designated funds HK\$	Total funds HK\$
At 1 June 2021	2,258,212	5,563,430	7,821,642
(Deficit) Surplus for the year and total comprehensive (loss) income for the year (<i>Note 12</i>)	<u>(1,158,234)</u>	<u>3,577,136</u>	<u>2,418,902</u>
At 31 May 2022 and 1 June 2022	1,099,978	9,140,566	10,240,544
Deficit for the year and total comprehensive loss for the year (<i>Note 12</i>)	<u>(1,780,312)</u>	<u>(9,417,118)</u>	<u>(11,197,430)</u>
At 31 May 2023	<u>(680,334)</u>	<u>(276,552)</u>	<u>(956,886)</u>

General operating funds represent long-term programs and activities undertaken by the Company for providing care for the poor and those in need.

Designated funds represent funds allocated by the Company to a project designated by the donor.

International Care Ministries Limited

Statement of Cash Flows

Year ended 31 May 2023

	2023 HK\$	2022 HK\$
OPERATING ACTIVITIES		
(Deficit) Surplus before tax	(11,197,430)	2,418,902
Interest income	(5,910)	(119)
Depreciation	101,556	93,131
Changes in working capital:		
(Increase) Decrease in deposits, prepayments and other receivables	(746,548)	177,144
Increase in loan to a related party	(11,042,957)	-
Increase in other payables and accruals	1,295,334	-
Net cash (used in) generated from operating activities	(21,595,955)	2,689,058
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(60,673)	(86,090)
Proceeds from disposal of property, plant and equipment	1,686	-
Interest received	5,910	119
Net cash used in investing activities	(53,077)	(85,971)
FINANCING ACTIVITIES		
Loans from related parties	11,508,246	-
Loan from a director	310,000	-
Net cash from financing activities	11,818,246	-
Net (decrease) increase in cash and cash equivalents	(9,830,786)	2,603,087
Cash and cash equivalents at beginning of year	9,988,930	7,385,843
Cash and cash equivalents at end of year, represented by bank balances and cash	158,144	9,988,930

International Care Ministries Limited

Notes to the Financial Statements

Year ended 31 May 2023

1. GENERAL INFORMATION

International Care Ministries Limited (the "Company") was incorporated in Hong Kong on 26 June 2002 as a company limited by guarantee and not having a share capital.

Every member of the Company undertakes to contribute to the assets of the Company in the event of its being wound up while he is a member, or within 1 year afterwards, for payment of the debts and liabilities of the Company contracted before he ceases to be a member, and the costs, charges and expenses of winding up, and for the adjustment of the rights of the contributories among themselves, such amount as may be required not exceeding HK\$100.

Its registered office is located at Offices B & C, 7th Floor, Gold Union Commercial Building, 71 Connaught Road West, Hong Kong. The principal activity of the Company is to provide care for the poor and those in need through strategic programs and donations of cash and goods.

2. PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standard for Private Entities ("HKFRS for Private Entities") issued by the Hong Kong Institute of Certified Public Accountants and the Companies Ordinance. They have been prepared under the historical cost convention.

These financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2022 financial statements.

A summary of the principal accounting policies adopted by the Company is set out below.

Going concern

The financial statements have been prepared in conformity with the principles applicable to a going concern basis. The applicability of these principles is dependent upon continued availability of adequate finance or attaining profitable operations in the future in view of the net current liabilities and the funds deficiency.

At the end of the reporting period, the Company's total liabilities exceeded its total assets by HK\$956,886. The sustainability of the Company as a going concern is dependent on its ability to successfully complete its program development plans, which are dependent on, among other things, adequate financing being continuously available to the Company to fund the development operations, before sufficient cash flows are generated from such operations. The directors have evaluated all the relevant facts available to them, and are of the opinion that there are no significant adverse conditions precluding the Company from completing its programs. Accordingly, the financial statements have been prepared on a going concern basis.

International Care Ministries Limited

Notes to the Financial Statements

Year ended 31 May 2023

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Company and when the revenue and costs, if applicable, can be measured reliably and on the following basis:

Donation income and revenue from fund raising activities are recognised when they are received.

Foreign currency translation

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

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. 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 surplus or deficit.

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to allocate the cost of assets less their residual values over their estimated useful lives, using the straight-line method. Assets held under finance leases, for which there is no reasonable certainty that the Company will obtain ownership at the end of the lease term, are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the terms of the relevant lease.

The following annual rate is used for the depreciation of property, plant and equipment:

Computer equipment	33%
Leasehold improvements	33%

If there is an indication that there has been a significant change in the depreciation rate, useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year in which the item is derecognised.

Cash and cash equivalents

Cash and cash equivalents include cash at bank and on hand.

Notes to the Financial Statements

Year ended 31 May 2023

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Employee benefits

Short-term employee benefits

Salaries, annual bonuses, paid annual leave and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees.

Defined contribution plan

The obligations for contributions to a defined contribution retirement scheme are recognised as an expense in surplus or deficit as incurred. The assets of the scheme are held separately from those of the Company in an independently administered fund.

Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when and only when the Company becomes a party to the contractual provisions of the instruments and on a trade date basis.

A financial asset is derecognised when and only when (i) the Company's contractual rights to future cash flows from the financial asset expire or (ii) the Company transfers the financial asset and either (a) it transfers substantially all the risks and rewards of ownership of the financial asset, or (b) it neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but it does not retain control of the financial asset.

A financial liability is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

Classification and measurement

Financial assets or financial liabilities are initially recognised at their fair value plus, in the case of financial assets or financial liabilities not carried at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial assets or financial liabilities.

1) Loans and receivables

Loans and receivables including bank balances and cash, loan to a related party and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading. They are measured at amortised cost using the effective interest method, except where receivables are interest-free loans and without any fixed repayment term or the effect of discounting would be insignificant. In such case, the receivables are stated at cost less impairment loss. Amortised cost is calculated by taking into account any discount or premium on acquisition over the period to maturity. Gains and losses arising from derecognition, impairment or through the amortisation process are recognised in profit or loss.

2) Financial liabilities

The Company's financial liabilities include other payables, accruals and loans from related parties and a director. All financial liabilities, except for financial liabilities at fair value through profit or loss, are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

Notes to the Financial Statements

Year ended 31 May 2023

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Impairment of financial assets

At the end of each reporting period, the Company assesses whether there is objective evidence that financial assets are impaired. The impairment loss of financial assets carried at amortised cost is measured as the difference between the assets' carrying amount and the present value of estimated future cash flow discounted at the financial asset's original effective interest rate. Such impairment loss is reversed in subsequent periods through profit or loss when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment of non-financial assets

At the end of each reporting period, property, plant and equipment are reviewed to determine whether there is any indication that these assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If an estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in surplus or deficit.

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset (group of related assets) in prior years. A reversal of an impairment loss is recognised immediately in surplus or deficit.

Government grants

Government grants are recognised at their fair value when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the years necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the Company. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to surplus or deficit on a straight-line basis over the term of the relevant lease.

Borrowing costs

All borrowing costs are expensed in profit or loss in the period in which they are incurred.

International Care Ministries Limited

Notes to the Financial Statements

Year ended 31 May 2023

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Related parties

For the purpose of these financial statements, related party includes a person and entity as defined below:

- (a) A person or a close member of that person's family is related to the Company if that person:
 - (i) has control or joint control over the Company;
 - (ii) has significant influence over the Company; or
 - (iii) is a member of the key management personnel of the Company.
- (b) An entity is related to the Company if any of the following conditions applies:
 - (i) The entity and the Company are members of the same group (which means that each holding company, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) 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 holding company of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the holding company of the Company.

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 entity and include:

- (a) that person's children and spouse or domestic partner;
- (b) children of that person's spouse or domestic partner; and
- (c) dependants of that person or that person's spouse or domestic partner.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

3. REVENUE

	2023 HK\$	2022 HK\$
Donation income	50,037,066	71,122,276
Fund raising activities	2,431,836	2,315,075
	<u>52,468,902</u>	<u>73,437,351</u>

International Care Ministries Limited

Notes to the Financial Statements

Year ended 31 May 2023

4. OTHER INCOME

	2023 HK\$	2022 HK\$
Bank interest income	5,910	119
Government subsidies (*)	263,200	136,000
Other donation income	34,000	37,500
	<u>303,110</u>	<u>173,619</u>

(*) It represented grants received from the Government of the Hong Kong Special Administration Region for Employment Support Scheme under the Anti-epidemic Fund which aimed to retain employment under the COVID-19 environment.

5. (DEFICIT) SURPLUS BEFORE TAX

This is stated after charging:

	2023 HK\$	2022 HK\$
Auditor's remuneration	50,400	47,900
Depreciation	101,556	93,131
Donations to charities grouped in overseas ministries	4,842,457	3,890,170
Exchange losses, net	132,020	187,039
Operating lease payments for premises	401,201	442,580
Staff costs comprising:		
Salaries, wages and other benefits	14,515,768	14,465,416
Contributions to defined contribution retirement plan	259,006	271,057

6. DONATIONS TO ICMMI AND ICMFI

Donations of HK\$124,032 and HK\$36,106,657 (2022: HK\$464,907 and HK\$44,795,970) were paid to ICMManila, Inc. ("ICMMI") and International Care Ministries Foundation Inc. ("ICMFI") respectively during the year for provision of care for the poor and those in need. Both ICMMI and ICMFI are non-stock and non-profit corporations and have been accredited in the Philippines as agencies for assistance for individual in crisis situation and supplemental feeding. The Company, ICMMI and ICMFI have common directors.

International Care Ministries Limited

Notes to the Financial Statements

Year ended 31 May 2023

7. TAXATION

Hong Kong Profits Tax has not been provided as the Company, being a charitable organisation, is exempt from Hong Kong Profits Tax under Section 88 of the Inland Revenue Ordinance.

8. PROPERTY, PLANT AND EQUIPMENT

	Computer equipment HK\$	Leasehold improvements HK\$	Total HK\$
Cost:			
At 1 June 2021	81,852	111,448	193,300
Additions	86,090	-	86,090
At 31 May 2022 and 1 June 2022	167,942	111,448	279,390
Additions	60,673	-	60,673
Disposal	(5,058)	-	(5,058)
At 31 May 2023	223,557	111,448	335,005
Accumulated depreciation:			
At 1 June 2021	27,284	37,149	64,433
Charge for the year	55,981	37,150	93,131
At 31 May 2022 and 1 June 2022	83,265	74,299	157,564
Charge for the year	64,407	37,149	101,556
Disposal	(3,372)	-	(3,372)
At 31 May 2023	144,300	111,448	255,748
Net book value:			
At 31 May 2023	79,257	-	79,257
At 31 May 2022	84,677	37,149	121,826

9. LOANS FROM (TO) RELATED PARTIES / A DIRECTOR

The loans are unsecured, interest-free and repayable on 31 May 2024, except that the loan from a related party of HK\$9,663,746 is interest-bearing at 4.5% per annum. The Company and the related parties have common directors.

International Care Ministries Limited

Notes to the Financial Statements

Year ended 31 May 2023

10. OPERATING LEASE COMMITMENTS

The Company rents office premises under operating lease. The period of the lease is three years, with fixed rentals over the period.

At the end of the reporting period, the Company had outstanding commitments under non-cancellable operating lease that fall due as follows:

	2023 HK\$	2022 HK\$
Within one year	295,161	366,000
In the second to fifth years inclusive	-	295,161
	<u>295,161</u>	<u>661,161</u>

11. RELATED PARTY TRANSACTIONS

In addition to the transactions / information disclosed elsewhere in these financial statements, during the year, the Company had the following transaction with a related party:

Related party relationship	Nature of transaction	2023 HK\$	2022 HK\$
Key management personnel, excluding directors	Salaries and other benefits	<u>720,000</u>	<u>720,000</u>

International Care Ministries Limited

Notes to the Financial Statements

Year ended 31 May 2023

12. FUND MOVEMENT

Based on the allocation basis agreed by the management, the fund movements for the Company's operating result are as follows:

Year ended 31 May 2023

	General operating funds HK\$	Designated funds HK\$	Total HK\$
Revenue			
Donation income and fund raising activities	48,593,902	3,875,000	52,468,902
Other income	303,110	-	303,110
	<u>48,897,012</u>	<u>3,875,000</u>	<u>52,772,012</u>
Cost of fund raising activities	<u>(1,501,026)</u>	<u>-</u>	<u>(1,501,026)</u>
Expenditure			
Program expenses	(40,826,910)	(11,606,229)	(52,433,139)
Administrative and general expenses	(8,349,388)	(1,685,889)	(10,035,277)
	<u>(49,176,298)</u>	<u>(13,292,118)</u>	<u>(62,468,416)</u>
Deficit for the year	<u>(1,780,312)</u>	<u>(9,417,118)</u>	<u>(11,197,430)</u>

Year ended 31 May 2022

	General operating funds HK\$	Designated funds HK\$	Total HK\$
Revenue			
Donation income and fund raising activities	61,812,351	11,625,000	73,437,351
Other income	173,619	-	173,619
	<u>61,985,970</u>	<u>11,625,000</u>	<u>73,610,970</u>
Cost of fund raising activities	<u>(1,429,355)</u>	<u>-</u>	<u>(1,429,355)</u>
Expenditure			
Program expenses	(52,293,772)	(6,998,142)	(59,291,914)
Administrative and general expenses	(9,421,077)	(1,049,722)	(10,470,799)
	<u>(61,714,849)</u>	<u>(8,047,864)</u>	<u>(69,762,713)</u>
(Deficit) Surplus for the year	<u>(1,158,234)</u>	<u>3,577,136</u>	<u>2,418,902</u>

International Care Ministries Limited

Notes to the Financial Statements

Year ended 31 May 2023

13. INFORMATION ABOUT THE BENEFITS OF DIRECTORS

The following disclosures are presented pursuant to section 383 of the Companies Ordinance.

a) Directors' remuneration

There was no directors' remuneration for the years ended 31 May 2023 and 2022.

b) Loans, quasi-loans and other dealings in favour of directors

2023

Borrower	Name of directors and nature of connected-entity connection	Principal terms	Outstanding amount		
			Greatest balance during the year HK\$	At 1 June 2022 US\$	At 31 May 2023 US\$
ICMFI	David Kent Sutherland and Daniel Gabriel Montecillo are directors of ICMFI	Interest-free and repayable on 31 May 2024	11,042,957	-	11,042,957

There were no loans, quasi-loans or other dealings in favour of the directors of the Company that were entered into or subsisted during the year ended 31 May 2022.

c) Directors' material interests in transactions, arrangements or contracts

The directors are of the opinion that no transactions, arrangements and contracts of significance in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the years or at any time during the years ended 31 May 2023 and 2022.

