

**Angkor Hospital for Children Limited**

**Directors' report and audited financial statements  
for the year ended 31 December 2015**



# Angkor Hospital for Children Limited

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# Angkor Hospital for Children Limited

## Directors' report

The directors have pleasure in submitting their annual report together with the audited financial statements of Angkor Hospital for Children Limited (the "Company") for the year ended 31 December 2015.

## Principal activities

The principal activities of the Company are the provision of quality paediatric health care to Cambodian children and free care to those living in poverty; to work with the Cambodian Ministry of Health to strengthen Cambodia's healthcare system through the training of doctors, nurses and health workers; to play a central role in improving public health for all children.

## Business review

### *Objectives of business*

The Company is an independent non-profit organisation. The Company's mission is to improve healthcare for all of Cambodia's children.

The Company operates Angkor Hospital for Children in Siem Reap Cambodia. Angkor Hospital for Children is a paediatric teaching hospital officially recognised by the Ministry of Health in Cambodia. The strategic priorities of the organisation are:

- Deliver high quality paediatric health care to our community in partnership with the Cambodia Government.
- Become a centre of excellence for education and research within Cambodia
- Develop strong and sustainable teamwork at a hospital, community and national level
- Become a sustainable and replicable model of healthcare in Cambodia

### *Result for the year ended 31 December 2015*

The Company's income for the year was USD6,626,179 which is a decrease by approximately 2.8% as compared to the previous year. The organisation continues to seek out and secure support from a diverse group of donors, however the reliance of the organisation upon voluntary contributions from third parties means the hospital remains exposed to changes in donor priorities and scope in addition to regional and global economic trends.

The Company's operating expenses for the year were USD6,123,570 which is a decrease by approximately 3.5% as compared to the previous year. The reduction in operating expenses is due to the implementation of various cost efficiency initiatives during the year so to control indirect expenses, while protecting the quality of patient care.

The surplus and total comprehensive income for the year was USD502,609 which is an increase by approximately 6.1% as compared to the previous year. The surplus is comprised of USD399,767 of funds received from donors and subsequently used to purchase capital items, together with an operating surplus after depreciation of USD102,841.

# Angkor Hospital for Children Limited

## Directors' report (continued)

### Business review (continued)

#### *Reserves*

At the year end the organisation has an operational free cash reserve of USD1,286,124 (2014: USD625,809), which represents around three months of hospital operating costs (2014: one month). The directors recognise the importance of a free cash reserve to ensure the sustainability of the Company and in the management of fundraising risk.

The Company faces risks and uncertainties in common with other charitable organisations. The key risks to the achievement of the organisation's strategic priorities are:

1. Pressure on funding levels due to current reliance on donor funding. Any significant reduction in funding may lead to a requirement to cut activity.
2. Compliance with laws and regulations within a developing regulatory environment. Any non-compliance with laws and regulations could impinge upon its ability to operate.

The directors monitor and manage these risks with appropriate mitigation plans.

The organisation's key stakeholders include patients, donors, employees, suppliers, and the Cambodian Government. The Company recognises the importance of the involvement of stakeholders in achieving its strategic priorities. The Company regularly engages with stakeholders to ensure that the Company's systems reflect consideration of all stakeholder interests. For example the hospital conducts an annual patient satisfaction survey, involves employees in setting the organisations strategic priorities and maintains regular communications with donors.

In preparing these financial statements, the directors have reported and disclosed all the important events affecting the Company.

The next twelve months will see the continued implementation of the organisations strategic plan which aims to improve healthcare for all of Cambodia's children.

### Directors

The directors during the financial year and up to the date of this report were:

|                               |                                 |
|-------------------------------|---------------------------------|
| Akio Matsushima               | (resigned on 27 January 2015)   |
| Alexander Stuart Davy         |                                 |
| Alistair James Thompson       |                                 |
| Chanpheaktra Ngoun            | (appointed on 21 April 2015)    |
| Francesco Caruso              | (resigned on 22 June 2015)      |
| Hartmut Giesecke              | (resigned on 23 February 2015)  |
| Jean Marie Canan              | (appointed on 23 November 2015) |
| Katja Van't Ende              | (resigned on 17 April 2016)     |
| Kenro Izu                     |                                 |
| Lindsay William Ernest Cooper |                                 |
| Lisa Katherine Genasci        |                                 |
| Manila Prak                   | (appointed on 21 April 2015)    |

## Angkor Hospital for Children Limited

### Directors' report (continued)

#### Directors (continued)

The directors during the financial year and up to the date of this report were: (continued)

Navy Tep (appointed on 21 April 2015)

Nicholas Philip John Day

Robert Andrew Gazzi

Yeung Shun May (appointed on 8 April 2016)

In accordance with Article 41 of the Company's Articles of Association, all directors are appointed for a three year term and are eligible for re-election upon retirement.

#### Directors' right to acquire debentures

At no time during the year was the Company, a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of debentures of the Company or any other body corporate.

#### Permitted indemnity provisions

At no time during the year and up to date of this report, there was or is, any permitted indemnity provision being in force for the benefit of any of directors of the Company (whether made by the Company or otherwise).

#### Auditor

Baker Tilly Hong Kong Limited retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Baker Tilly Hong Kong Limited as auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



Robert Andrew Gazzi

26 APR 2016

**Independent auditor's report to the members of  
Angkor Hospital for Children Limited**

(Incorporated in Hong Kong limited by guarantee)

We have audited the financial statements of Angkor Hospital for Children Limited (the "Company") set out on pages 6 to 22, which comprise the balance sheet as at 31 December 2015, and the statement of comprehensive income, statement of changes in funds and cash flow statement for the year ended 31 December 2015, and a summary of significant accounting policies and other explanatory information.

**Directors' responsibility for the financial statements**

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and Hong Kong Company 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. This report is made solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance. 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 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 Company's preparation of financial statements that give a true and fair view 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. 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 to the members of  
Angkor Hospital for Children Limited (continued)**  
(Incorporated in Hong Kong limited by guarantee)

**Opinion**

In our opinion, the financial statements give a true and fair view of the state of the Company's affairs of as at 31 December 2015 and of its performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the Hong Kong Companies Ordinance.



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Baker Tilly Hong Kong Limited

Certified Public Accountants

Hong Kong, 26 APR 2016

Andrew David Ross

Practising certificate number P01183

**Angkor Hospital for Children Limited**  
**Statement of comprehensive income**  
**for the year ended 31 December 2015**

(Expressed in United States dollars)

|  | Note | 2015<br>USD        | 2014<br>USD        |
|--|------|--------------------|--------------------|
| <b>Income</b>  |      |                    |                    |
| Contributions received from third parties                  |      | 6,094,908          | 6,367,608          |
| Overseas government grants                                 |      | 357,310            | 205,796            |
| Donations in kind  | 3    | 54,900             | 127,223            |
| Sale of goods  |      | 15,715             | 24,696             |
| Provision of services                                      |      | 88,643             | 86,151             |
| Other income   | 4    | <u>14,703</u>      | <u>5,448</u>       |
|  |      | 6,626,179          | 6,816,922          |
| <b>Expenditure</b>   |      |                    |                    |
| Operating expenses   |      | <u>(6,123,570)</u> | <u>(6,343,147)</u> |
| <b>Surplus and total comprehensive income for the year</b> | 5    | <u>502,609</u>     | <u>473,775</u>     |
| Of which:  |      |                    |                    |
| Unrestricted surplus/(deficit)                             |      | 223,631            | (320,323)          |
| Restricted surplus   |      | <u>278,978</u>     | <u>794,098</u>     |
|  |      | <u>502,609</u>     | <u>473,775</u>     |

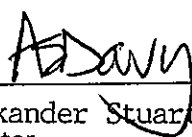
The accompanying notes form part of these financial statements.




**Angkor Hospital for Children Limited**  
**Balance sheet as at 31 December 2015**  
(Expressed in United States dollars)

|                                | Note | 2015<br>USD      | 2014<br>USD      |
|--------------------------------|------|------------------|------------------|
| <b>Non-current asset</b>       |      |                  |                  |
| Fixed assets                   | 8    | <u>3,928,041</u> | <u>3,993,443</u> |
| <b>Current assets</b>          |      |                  |                  |
| Inventories                    | 9    | 587,159          | 825,119          |
| Accounts receivables           | 10   | 250,355          | 416,886          |
| Cash and cash equivalents      |      | <u>1,751,643</u> | <u>1,243,022</u> |
|                                |      | <u>2,589,157</u> | <u>2,485,027</u> |
| <b>Current liabilities</b>     |      |                  |                  |
| Accounts payables and accruals | 11   | 166,661          | 84,705           |
| Deferred grant income          | 12   | <u>465,519</u>   | <u>1,011,356</u> |
|                                |      | <u>632,180</u>   | <u>1,096,061</u> |
| <b>Net current assets</b>      |      | <u>1,956,977</u> | <u>1,388,966</u> |
| <b>NET ASSETS</b>              |      | <u>5,885,018</u> | <u>5,382,409</u> |
| <b>Funds employed</b>          |      |                  |                  |
| Unrestricted funds             |      | 4,111,364        | 3,887,733        |
| Restricted funds               |      | <u>1,773,654</u> | <u>1,494,676</u> |
| <b>TOTAL FUNDS</b>             |      | <u>5,885,018</u> | <u>5,382,409</u> |

Approved and authorised for issue by the board of directors on 26 APR 2016

  
\_\_\_\_\_  
Alexander Stuart Davy  
Director

  
\_\_\_\_\_  
Robert Andrew Gazzi  
Director

The accompanying notes form part of these financial statements.

**Angkor Hospital for Children Limited**  
**Statement of changes in funds**  
**for the year ended 31 December 2015**  
(Expressed in United States dollars)

|  | Unrestricted<br>funds<br>USD | Restricted<br>funds<br>USD | Total<br>USD            |
|--|------------------------------|----------------------------|-------------------------|
| <b>Balance at 1 January 2014</b>                                 | 4,183,282                    | 725,352                    | 4,908,634               |
| (Deficit)/surplus and total comprehensive<br>income for the year | (320,323 )                   | 794,098                    | 473,775                 |
| Transfer   | <u>24,774</u>                | <u>(24,774 )</u>           | <u>-</u>                |
| <b>Balance at 31 December 2014 and<br/>1 January 2015</b>        | 3,887,733                    | 1,494,676                  | 5,382,409               |
| Surplus and total comprehensive<br>income for the year           | <u>223,631</u>               | <u>278,978</u>             | <u>502,609</u>          |
| <b>Balance at 31 December 2015</b>                               | <u><u>4,111,364</u></u>      | <u><u>1,773,654</u></u>    | <u><u>5,885,018</u></u> |

The accompanying notes form part of these financial statements.

**Angkor Hospital for Children Limited**  
**Cash flow statement**  
**for the year ended 31 December 2015**  
(Expressed in United States dollars)

|   | Note | 2015<br>USD      | 2014<br>USD      |
|---|------|------------------|------------------|
| <b>Operating activities</b>                             |      |                  |                  |
| Surplus for the year                                    |      | 502,609          | 473,775          |
| Adjustments for:  |      |                  |                  |
| - Depreciation  | 5    | 412,294          | 394,486          |
| - Interest income                                       | 4    | (140)            | (28)             |
| - Loss on disposal of fixed assets                      | 5    | 71,170           | 43,490           |
| - Donations in kind of fixed assets                     |      | (54,900)         | (127,223)        |
| - Provision for impairment of inventories               | 9    | 49,172           | -                |
| - Written off of accounts receivables                   | 5    | 11,699           | 20,113           |
| <b>Operating surplus before working capital changes</b> |      | <b>991,904</b>   | <b>804,613</b>   |
| Decrease in inventories                                 |      | 188,788          | 27,147           |
| Decrease/(increase) in accounts receivables             |      | 154,832          | (173,572)        |
| Increase/(decrease) in accounts payables and accruals   |      | 81,956           | (177,325)        |
| (Decrease)/increase in deferred grant income            |      | (545,837)        | 568,906          |
| <b>Net cash generated from operating activities</b>     |      | <b>871,643</b>   | <b>1,049,769</b> |
| <b>Investing activities</b>                             |      |                  |                  |
| Interest income received                                |      | 140              | 28               |
| Payment for the purchase of fixed assets                |      | (366,915)        | (764,868)        |
| Proceed on disposal of fixed assets                     |      | 3,753            | 850              |
| <b>Net cash used in investing activities</b>            |      | <b>(363,022)</b> | <b>(763,990)</b> |
| <b>Net increase in cash and cash equivalents</b>        |      | <b>508,621</b>   | <b>285,779</b>   |
| Cash and cash equivalents at beginning of year          |      | 1,243,022        | 957,243          |
| <b>Cash and cash equivalents at end of year</b>         |      | <b>1,751,643</b> | <b>1,243,022</b> |

The accompanying notes form part of these financial statements.

# Angkor Hospital for Children Limited

## Notes to the financial statements

(Expressed in United States dollars)

### 1 Company information

Angkor Hospital for Children Limited was incorporated on 4 February 2013 and has its registered office at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong. The Company is committed to improve the health and well-being of children and their families in Kingdom of Cambodia ("Cambodia").

The mission of the Company is to provide quality paediatric health care to Cambodian children and free care to those living in poverty; to work with the Cambodian Ministry of Health to strengthen Cambodia's healthcare system through the training of doctors, nurses and health workers; to play a central role in improving public health for all children.

The hospital operated by the Company opened in 1999. It is officially recognised as a paediatric teaching hospital by the Ministry of Health in Cambodia. The Medical Education Centre provides continuing medical education to healthcare professionals and nursing students from throughout the country, and has a Memorandum of Understanding with the Ministry of Health to provide such training to every graduate nurse in the country.

The Company is a non-profit making organisation within the meaning of section 88, Chapter 112 of the Inland Revenue Ordinance and, accordingly, is exempted from Hong Kong Profits Tax.

### 2 Significant accounting policies

#### (a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong. A summary of the significant accounting policies adopted by the Company is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Company. There have been no significant changes to the accounting policies applied in these financial statements as a result of these developments.

The Company has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 17).

#### (b) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is the historical cost basis.

**Angkor Hospital for Children Limited**  
**Notes to the financial statements (continued)**  
(Expressed in United States dollars)

**2 Significant accounting policies (continued)**

**(b) Basis of preparation of the financial statements (continued)**

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

**(c) Fixed assets**

Fixed assets are stated at cost less accumulated depreciation and impairment losses (see note 2(d)(ii)).

Depreciation is calculated to write off the cost of items of fixed assets, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

- Leasehold land and buildings 50 years
- Leasehold improvements 50 years
- Medical equipment 7 years
- Office equipment 7 years
- Motor vehicles 7 years

Both the useful life of an asset and its residual value, if any, are reviewed annually.

The carrying amounts of fixed assets are reviewed for indications of impairment at each balance sheet date. An impairment loss is recognised to the extent that the carrying amount of an asset, or the cash-generating unit to which it belongs, is more than its recoverable amount. The recoverable amount of an asset, or of the cash generating unit to which it belongs, is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the assets. An impairment loss is reversed if there has been a favourable change in estimates used to determine the recoverable amount.

Gains or losses arising from the retirement or disposal of an item of fixed assets are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in the income and expenditure account on the date of retirement or disposal.

**Angkor Hospital for Children Limited**  
**Notes to the financial statements (continued)**  
(Expressed in United States dollars)

**2 Significant accounting policies (continued)**

**(d) Impairment of assets**

**(i) Impairment of receivables**

Receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Company about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through income or expense. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly.

**(ii) Impairment of fixed assets**

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased. If any such indication exists, the asset's recoverable amount is estimated.

**Angkor Hospital for Children Limited**  
**Notes to the financial statements (continued)**  
(Expressed in United States dollars)

**2 Significant accounting policies (continued)**

**(d) Impairment of assets (continued)**

(ii) Impairment of fixed assets (continued)

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

An impairment loss is recognised in income or expense if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount.

- Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to income or expense in the year in which the reversals are recognised.

**(e) Leased assets**

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Company determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Where the Company has the use of assets held under operating leases, payments made under the leases are charged to the income or expense in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in income or expense as an integral part of the aggregate net lease payments made. Contingent rentals are charged to income or expense in the accounting period in which they are incurred.

**Angkor Hospital for Children Limited**  
**Notes to the financial statements (continued)**  
(Expressed in United States dollars)

**2 Significant accounting policies (continued)**

**(f) Inventories**

Inventories are stated at the lower of cost and net realisable value.

Cost is calculated using the first-in, first-out basis and comprises all costs of purchase and related freight charges.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are consumed, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The Company receives donated medicines and medical supplies, but has not recorded these in the financial statements because the value of this inventory cannot be reliably estimated.

**(g) Receivables**

Receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 2(d)(i)).

**(h) Payables**

Payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

**(i) Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investment that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

**(j) Employee benefits**

Salaries, annual bonuses and paid annual leave are accrued in the year in which the associated services are rendered by employees.



## **Angkor Hospital for Children Limited**

### **Notes to the financial statements (continued)**

(Expressed in United States dollars)

#### **2 Significant accounting policies (continued)**

##### **(k) Provisions and contingent liabilities**

Provisions are recognised for liabilities of uncertain timing or amount when the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made.

##### **(l) Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Company and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the statement of income and expenditure as follows:

###### **(i) Contributions received from third parties and government subventions**

Contributions received from third parties and government subventions are recognised when there is a reasonable assurance that the Company will comply with all attached conditions and that contributions from third parties and government subventions will be received.

In the statement of comprehensive income, where the revenue item is attributable to restricted funds for specific purposes, the revenue is allocated to the restricted funds category.

###### **(ii) Donations in kind**

Donations in kind are recognised when the goods or equipment are received and where the value can be reliably estimated.

###### **(iii) Sales of goods**

Sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

###### **(iv) Provision of services**

Revenue from provision of services is recognised when the services are rendered.

###### **(v) Interest income**

Interest income is recognised as it accrues.

## Angkor Hospital for Children Limited

### Notes to the financial statements (continued)

(Expressed in United States dollars)

#### 2 Significant accounting policies (continued)

##### (m) Funds employed

###### (i) Unrestricted Funds

Unrestricted funds are available for the purposes of the organisation to be spent as the management sees fit within the stated objectives of the Company.

###### (ii) Restricted Funds

Restricted funds are subject to agreements which limit their use to a specific purpose, declared by the donor or their authority, which is still within the objectives of the Company.

#### 3 Donations in kind

The Company receives donations in kind of fixed assets, medical supplies and medicines from donors.

Fixed assets donations are usually the result of specific requests made to donors for equipment needed for a defined immediate use in the hospital and for which the value is known. Donated fixed assets are valued at amounts which would be expected to be paid on the open market for equipment of a similar specification and age. The carrying value of donated fixed assets at 31 December 2015 was USD559,618 (2014: USD508,680).

Donations of medical supplies and medicines are less specific, and often represent goods that the hospital may not have purchased itself on the open market, and are therefore difficult to value. Donations of medicines and medical supplies are not recorded in the financial statements at 31 December 2015 and 2014 as the amounts cannot be reliably estimated.

#### 4 Other income

|                 | 2015<br>USD   | 2014<br>USD  |
|-----------------|---------------|--------------|
| Interest income | 140           | 28           |
| Sundry income   | <u>14,563</u> | <u>5,420</u> |
|                 | <u>14,703</u> | <u>5,448</u> |

**Angkor Hospital for Children Limited**  
**Notes to the financial statements (continued)**  
(Expressed in United States dollars)

**5 Surplus for the year**

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

|   | 2015<br>USD      | 2014<br>USD      |
|---|------------------|------------------|
| (a) Staff costs:  |                  |                  |
| Directors' remuneration (note 6)  | 28,400           | -                |
| Salaries, allowances and other benefits   | <u>3,480,712</u> | <u>3,410,848</u> |
|   | <u>3,509,112</u> | <u>3,410,848</u> |
| (b) Other items:  |                  |                  |
| Auditor's remuneration  | 10,064           | 10,256           |
| Depreciation  | 412,294          | 394,486          |
| Exchange losses/(gains), net  | 101              | (19)             |
| Loss on disposal of fixed assets  | 71,170           | 43,490           |
| Operating lease charges: minimum lease payments<br>in respect of land and buildings | 8,240            | 12,080           |
| Written off of accounts receivables   | <u>11,699</u>    | <u>20,113</u>    |

**6 Directors' remuneration**

Directors' remuneration disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance, and Part 2 of the Companies (Disclosure of information about benefits of Directors) Regulation is as follows:

|   | 2015<br>USD   | 2014<br>USD |
|---|---------------|-------------|
| Emoluments in respect of position as Director of the company                  | -             | -           |
| Salary in respect of management of Angkor Hospital for Children,<br>Siem Reap | <u>28,400</u> | -           |
|   | <u>28,400</u> | -           |

The director's salaries and other emoluments were paid to the Cambodian executive directors in respect of their employment as management of Angkor Hospital for Children, Siem Reap, Cambodia.

None of the directors receive any salaries or other emoluments in respect of their position as directors of the Company.

**7 Income tax**

The Company is an approved charitable organisation within the meaning of section 88, Chapter 112 of the Inland Revenue Ordinance and, accordingly, it is exempt from Hong Kong Profits Tax.

**Angkor Hospital for Children Limited**  
**Notes to the financial statements (continued)**  
(Expressed in United States dollars)

**8 Fixed assets**

|   | Leasehold<br>land and<br>buildings<br>USD | Leasehold<br>improvements<br>USD | Medical<br>equipment<br>USD | Office<br>equipment<br>USD | Motor<br>vehicles<br>USD | Total<br>USD     |
|---|---|----------------------------------|-----------------------------|----------------------------|--------------------------|------------------|
| <b>Cost:</b>                              |   |                                  |                             |                            |                          |                  |
| At 1 January 2014                         | 2,233,195                                 | 186,107                          | 1,158,472                   | 158,883                    | 137,082                  | 3,873,739        |
| Additions                                 | 172,160                                   | 273,509                          | 390,516                     | 50,816                     | 5,090                    | 892,091          |
| Disposals                                 | -   | -                                | (56,999)                    | -                          | (3,988)                  | (60,987)         |
| At 31 December 2014<br>and 1 January 2015 | 2,405,355                                 | 459,616                          | 1,491,989                   | 209,699                    | 138,184                  | 4,704,843        |
| Additions                                 | 176,438                                   | -                                | 207,518                     | 12,859                     | 25,000                   | 421,815          |
| Disposals                                 | -   | -                                | (158,830)                   | (6,412)                    | (49,000)                 | (214,242)        |
| 31 December 2015                          | <u>2,581,793</u>                          | <u>459,616</u>                   | <u>1,540,677</u>            | <u>216,146</u>             | <u>114,184</u>           | <u>4,912,416</u> |
| <b>Accumulated<br/>depreciation:</b>      |   |                                  |                             |                            |                          |                  |
| At 1 January 2014                         | 49,171                                    | 895                              | 210,110                     | 38,629                     | 34,756                   | 333,561          |
| Charge for the year                       | 52,826                                    | 7,521                            | 258,542                     | 41,683                     | 33,914                   | 394,486          |
| Eliminated on<br>disposals                | -   | -                                | (15,814)                    | -                          | (833)                    | (16,647)         |
| At 31 December 2014<br>and 1 January 2015 | 101,997                                   | 8,416                            | 452,838                     | 80,312                     | 67,837                   | 711,400          |
| Charge for the year                       | 56,789                                    | 9,194                            | 277,212                     | 40,499                     | 28,600                   | 412,294          |
| Eliminated on<br>disposals                | -   | -                                | (98,599)                    | (4,303)                    | (36,417)                 | (139,319)        |
| 31 December 2015                          | <u>158,786</u>                            | <u>17,610</u>                    | <u>631,451</u>              | <u>116,508</u>             | <u>60,020</u>            | <u>984,375</u>   |
| <b>Net carrying value:</b>                |   |                                  |                             |                            |                          |                  |
| At 31 December 2015                       | <u>2,423,007</u>                          | <u>442,006</u>                   | <u>909,226</u>              | <u>99,638</u>              | <u>54,164</u>            | <u>3,928,041</u> |
| At 31 December 2014                       | <u>2,303,358</u>                          | <u>451,200</u>                   | <u>1,039,151</u>            | <u>129,387</u>             | <u>70,347</u>            | <u>3,993,443</u> |

**Angkor Hospital for Children Limited**  
**Notes to the financial statements (continued)**  
(Expressed in United States dollars)

**9 Inventories**

(a). Inventories in the balance sheet comprise:

|                                  | 2015<br>USD    | 2014<br>USD    |
|----------------------------------|----------------|----------------|
| Medicines                        | 149,156        | 306,454        |
| Medical supplies                 | 414,418        | 487,002        |
| Office and housekeeping supplies | <u>23,585</u>  | <u>31,663</u>  |
|                                  | <u>587,159</u> | <u>825,119</u> |

(b) The analysis of the amount of inventories recognised as expenses and included in profit or loss is as follows:

|   | 2015<br>USD    | 2014<br>USD      |
|---|----------------|------------------|
| Operating expenses:                     |                |                  |
| Medicines                               | 336,815        | 439,352          |
| Medical supplies                        | 503,195        | 549,207          |
| Provision for impairment of inventories | 49,172         | -                |
| Office and housekeeping supplies        | <u>86,908</u>  | <u>85,021</u>    |
|   | <u>976,090</u> | <u>1,073,580</u> |

**10 Accounts receivables**

|                          | 2015<br>USD    | 2014<br>USD    |
|--------------------------|----------------|----------------|
| Contributions receivable | 155,665        | 362,676        |
| Prepayments              | 45,051         | 24,084         |
| Other receivables        | <u>49,639</u>  | <u>30,126</u>  |
|                          | <u>250,355</u> | <u>416,886</u> |

The above receivables are denominated in US dollars.

No contributions receivable are due after more than one year.

**Angkor Hospital for Children Limited**  
**Notes to the financial statements (continued)**  
(Expressed in United States dollars)

**10 Accounts receivables (continued)**

Ageing analysis

The ageing profile of contributions receivable at the balance sheet date is as follows:

|                  | 2015<br>USD    | 2014<br>USD    |
|------------------|----------------|----------------|
| Within one month | <u>155,665</u> | <u>362,676</u> |

Contributions receivable are recognised in line with the revenue recognition policy as set out in note 2(l). Further details on the Company's credit policy are set out in note 15(a).

**11 Accounts payable and accruals**

|                  | 2015<br>USD    | 2014<br>USD   |
|------------------|----------------|---------------|
| Accounts payable | 131,549        | 40,075        |
| Accrued expenses | <u>35,112</u>  | <u>44,630</u> |
|                  | <u>166,661</u> | <u>84,705</u> |

All of the accounts payable are expected to be settled or recognised as income within one year.

**12 Deferred grant income**

Deferred grant income represents contributions received from third parties for the Company's future expenditure. The deployment of such contributions is restricted to specific uses and will be recognised as income in the period to which the related restricted expenditure occurs.

The deferred grant income is expected to be recognised as income within one year.

**13 Operating lease commitments**

At 31 December 2015, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

|                 | 2015<br>USD  | 2014<br>USD  |
|-----------------|--------------|--------------|
| Within one year | <u>3,160</u> | <u>1,760</u> |

The Company is the lessee in respect of a number of properties held under operating leases. The leases typically run for an initial period of 1 to 2 years, at the end of which period all terms are renegotiated. No lease includes contingent rentals.

**Angkor Hospital for Children Limited**  
**Notes to the financial statements (continued)**  
(Expressed in United States dollars)

**14 Funds management**

The Company's objectives when managing funds are to safeguard the Company's ability to continue as a going concern in order to provide nurturing paediatric care, medical education and public health promotion among the children and their families in Cambodia.

**15 Financial risk management and fair values**

Exposures to credit, liquidity, interest rate and currency risks arise in the normal course of the Company's operations. The Company's exposure to these risks and the financial risk management policies and practices used by the Company to manage these risks are described below.

(a) Credit risk

The Company's credit risk is primarily attributable to the accounts receivables and cash and cash equivalents. Management has a credit policy in place and the exposures to such credit risks are monitored on an ongoing basis.

Cash and cash equivalents are placed at financial institutions with sound credit ratings.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. Further quantitative disclosures in respect of the Company's exposure to credit risk arising from trade and other receivables are set out in note 10.

(b) Liquidity risk

The Company's policy is to regularly monitor current and expected liquidity and funding requirements to ensure that it maintains sufficient cash to meet its liquidity and funding requirements in the short and longer terms.

All of the Company's accounts payables and accruals are expected to be settled within one year. All financial liabilities of the Company are carried at amounts not materially different from their contractual undiscounted cash flows as at 31 December 2015 and 2014.

(c) Interest rate risk

The Company's interest-bearing financial instruments comprise mainly the cash at bank which is subject to cash flow interest rate risk. It is estimated that a change in the interest rates would not significantly affect the Company's income or expense.

(d) Currency risk

The Company has no significant currency risk as most of the transactions which give rise to receivables and payables, and cash and cash equivalents are denominated in the Company's functional currency.

**Angkor Hospital for Children Limited**  
**Notes to the financial statements (continued)**  
(Expressed in United States dollars)

**15 Financial risk management and fair values (continued)**

(e) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2015 and 2014.

**16 Comparative figures**

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

**17 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2015**

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2015 and which have not been adopted in these financial statements.

The Company is assessing the impact of these amendments, new standards and new interpretations in the period of initial application. So far it has concluded that their adoption is unlikely to have a significant impact on the Company's results of operations and financial position.