

**Angkor Hospital for Children Limited**

**Directors' report and audited financial statements  
for the year ended 31 December 2018**

# 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 2018.

## 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 2018*

The Company's income for the year was USD5,950,941 which is an increase by 9% 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 Company 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 USD6,118,331 which is an increase by approximately 2% as compared to the previous year. The increase in operating expenses is principally due to the launch of the Saving Babies Lives Program in Preah Vihear during the year. In line with the Company's strategic plan this program aims to reduce neonatal mortality in one of Cambodia's most rural provinces through providing training, mentorship and support to the Government healthcare system there.

The deficit for the year was USD167,390 which is a decrease of approximately 68% as compared to the previous year. The deficit for the year is comprised of a USD231,419 net reduction in fixed assets and a USD64,029 operational surplus.

# 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 USD1,328,991 (2017: USD1,310,990), which represents around three months (2017: three months) of hospital operating costs. The directors recognise the importance of a free cash reserve to ensure the Company's sustainability 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:

Alexander Stuart Davy

Daniel Ross Simmons

Jean Marie Canan

(Resigned on 4 January 2019)

Kenro Izu

Lina Saem Stoej

(Appointed on 6 February 2018)

Lindsay William Ernest Cooper

Lisa Katherine Genasci

Nicholas Philip John Day

Robert Andrew Gazzi

Tsang Wing Hoy Lawrence

(Appointed on 16 January 2019)

Yeung Shun May

## **Angkor Hospital for Children Limited**

### **Directors' report (continued)**

#### **Directors (continued)**

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.

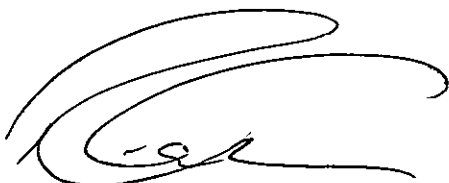
#### **Permitted indemnity provisions**

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

A handwritten signature in black ink, appearing to read 'Robert Andrew Gazzi', written over a large, stylized, looping flourish.

Robert Andrew Gazzi

26 APR 2019

**Independent auditor's report to the members of  
Angkor Hospital for Children Limited**  
(Incorporated in Hong Kong limited by guarantee)

**Opinion**

We have audited the financial statements of Angkor Hospital for Children Limited (the "Company") set out on pages 7 to 25, which comprise the statement of financial position as at 31 December 2018, and the statement of income and expenditure, 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 December 2018 and of its financial performance and cash flows for year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

**Basis for opinion**

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") 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 are responsible for the other information. The other information comprises all the information included in the directors' report, other than the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Independent auditor's report to the members of Angkor Hospital for Children Limited (continued)**

(Incorporated in Hong Kong limited by guarantee)

### **Responsibilities of directors and those charged with governance for the financial statements**

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

In preparing the financial statements, the directors are responsible for assessing the 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.

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

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

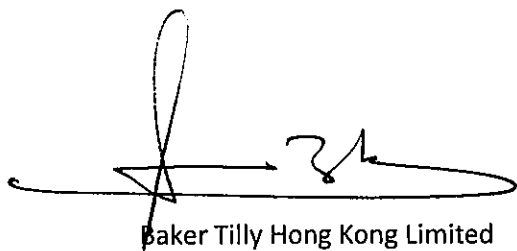
## **Independent auditor's report to the members of Angkor Hospital for Children Limited (continued)**

(Incorporated in Hong Kong limited by guarantee)

### **Auditor's responsibilities for the audit of the financial statements (continued)**

- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

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



Baker Tilly Hong Kong Limited

Certified Public Accountants

Hong Kong, 26 APR 2019

Lo Wing See

Practising certificate number P04607



**Angkor Hospital for Children Limited**  
**Statement of income and expenditure**  
**for the year ended 31 December 2018**  
(Expressed in United States dollars)

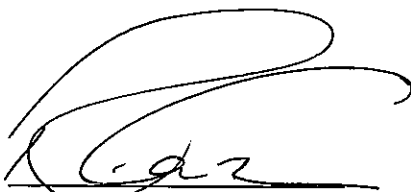
	Note	2018 USD	2017 USD
<b>Income</b>			
Contributions received from third parties		5,522,410	5,089,105
Overseas government grants		280,027	242,198
Donations in kind	3	31,208	23,144
Sale of goods		32,568	24,056
Provision of services		71,506	64,930
Other income	4	<u>13,222</u>	<u>17,329</u>
		5,950,941	5,460,762
<b>Expenditure</b>			
Operating expenses		<u>(6,118,331)</u>	<u>(5,982,004)</u>
<b>Deficit for the year</b>	5	<u>(167,390)</u>	<u>(521,242)</u>
Of which:			
Unrestricted deficit		<u>(167,390)</u>	<u>(521,242)</u>
		<u>(167,390)</u>	<u>(521,242)</u>

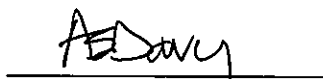
The accompanying notes form part of these financial statements.

**Angkor Hospital for Children Limited**  
**Statement of financial position as at 31 December 2018**  
(Expressed in United States dollars)

	Note	2018 USD	2017 USD
<b>Non-current asset</b>			
Fixed assets	8	<u>3,809,936</u>	<u>4,041,355</u>
<b>Current assets</b>			
Inventories	9	320,351	344,466
Accounts receivable	10	177,679	123,311
Cash and cash equivalents		<u>1,818,844</u>	<u>2,567,372</u>
		<u>2,316,874</u>	<u>3,035,149</u>
<b>Current liabilities</b>			
Accounts payable and accruals	11	136,947	152,722
Deferred grant income	12	<u>489,853</u>	<u>1,256,382</u>
		<u>626,800</u>	<u>1,409,104</u>
<b>Net current assets</b>		<u>1,690,074</u>	<u>1,626,045</u>
<b>NET ASSETS</b>		<u>5,500,010</u>	<u>5,667,400</u>
<b>Fund employed</b>			
Unrestricted funds		<u>5,500,010</u>	<u>5,667,400</u>
<b>TOTAL FUNDS</b>		<u>5,500,010</u>	<u>5,667,400</u>

Approved and authorised for issue by the board of directors on 26 APR 2019

  
Robert Andrew Gazzi  
Director

  
Alexander Stuart Davy  
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 2018**  
(Expressed in United States dollars)

	Note	Unrestricted funds USD
<b>Balance at 1 January 2017</b>		6,188,642
Deficit and total comprehensive expenses for the year		<u>(521,242 )</u>
<b>Balance at 31 December 2017 and 1 January 2018</b>		5,667,400
Deficit and total comprehensive expenses for the year		<u>(167,390 )</u>
<b>Balance at 31 December 2018</b>	16	<u><u>5,500,010</u></u>

The objectives when managing funds are to safeguard the hospital's ability to continue as a going concern in order to carry out hospital activities.

The accompanying notes form part of these financial statements.

**Angkor Hospital for Children Limited**  
**Statement of cash flows**  
**for the year ended 31 December 2018**  
(Expressed in United States dollars)

	Note	2018 USD	2017 USD
<b>Operating activities</b>			
<b>Deficit for the year</b>		(167,390)	(521,242)
Adjustments for:			
- Depreciation	5	363,773	377,762
- Interest income	4	(2,135)	(441)
- Loss on disposal of fixed assets	5	18,760	29,726
- Write off of fixed assets	5	20,189	-
- Donations in kind of fixed assets		(31,208)	(23,144)
- Provision for impairment of inventories	5	1,386	-
<b>Operating surplus/(deficit) before working capital changes</b>		203,375	(137,339)
Decrease in inventories		22,729	26,844
(Increase)/decrease in accounts receivables		(54,368)	22,984
(Decrease)/increase in accounts payables and accruals		(15,775)	4,915
(Decrease)/increase in deferred grant income		(766,529)	813,159
<b>Net cash (used in)/generated from operating activities</b>		<u>(610,568)</u>	<u>730,563</u>
<b>Investing activities</b>			
Interest income received		2,135	441
Payment for the purchase of fixed assets		<u>(140,095)</u>	<u>(334,352)</u>
<b>Net cash used in investing activities</b>		<u>(137,960)</u>	<u>(333,911)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		(748,528)	396,652
Cash and cash equivalents at beginning of year		<u>2,567,372</u>	<u>2,170,720</u>
<b>Cash and cash equivalents at end of year</b>		<u>1,818,844</u>	<u>2,567,372</u>

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. On 12 September 2018, the Company has its registered office changed from Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong to Room 1901, 19th Floor, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong.

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.

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. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Company for the current and prior accounting periods reflected in these financial statements.

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

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

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

## **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 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) Changes in accounting policies**

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. Of these, HKFRS 9, Financial instruments ("HKFRS 9") replaces the "incurred loss" model in HKAS 39, Financial instruments: recognition and measurement, with the "expected credit loss" (ECL) model. The adoption of ECL model under HKFRS 9 has not resulted in the recognition of any additional credit losses at 1 January 2018. Apart from this change, there have been no significant changes to the accounting policies applied in these financial statements as a result of these developments.

##### **(d) Fixed assets**

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

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)**

**(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.

**(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**

A receivable is recognised when the Company has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Receivables are stated at amortised cost less allowance for credit losses (see note 2(h)(i)).

## Angkor Hospital for Children Limited

### Notes to the financial statements (continued)

(Expressed in United States dollars)

#### 2 Significant accounting policies (continued)

##### (h) Credit loss and impairment of assets

##### (i) Credit losses

*Policy applicable from 1 January 2018:*

The Company recognises a loss allowance for expected credit losses (“ECLs”) on the financial assets measured at amortised cost (including contributions receivable, other receivables and cash and cash equivalents).

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive), discounted when the effect of discounting is material.

In measuring ECLs, the Company takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

The Company recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

ECLs are remeasured at each reporting date to reflect changes in the financial asset’s credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Company recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

*Policy applicable prior to 1 January 2018:*

Prior to 1 January 2018, an “incurred loss” model was used to measure impairment losses on financial assets not classified as at fair value through profit or loss. Under the “incurred loss” model, an impairment loss was recognised only when there was objective evidence of impairment. If any such evidence existed, an impairment loss was determined and recognised 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, where the effect of discounting was material.



## **Angkor Hospital for Children Limited**

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

(Expressed in United States dollars)

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

##### **(h) Credit loss and impairment of assets (continued)**

##### **(ii) Impairment of fixed assets**

Internal and external sources of information are reviewed at the end of the reporting period to identify indications that the fixed 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.

##### - Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal 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 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 profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable), or value in use (if determinable).

##### - 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 profit or loss in the year in which the reversals are recognised.

##### **(i) 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.

## **Angkor Hospital for Children Limited**

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

(Expressed in United States dollars)

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

##### **(j) 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. Cash and cash equivalents are assessed for ECLs in accordance with the accounting policy set out in note 2(h)(i).

##### **(k) Employee benefits**

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

##### **(l) 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.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

##### **(m) Revenue recognition**

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 income and expenditure, 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.

## **Angkor Hospital for Children Limited**

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

(Expressed in United States dollars)

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

##### **(m) Revenue recognition (continued)**

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

Revenue is recognised when the customer take possession of and accepts the products. In the comparative period, sale of goods was recognised on the transfer of risks and rewards of ownership, which generally coincided with the time when the goods were delivered to customers and title had passed.

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

Service income is recognised over time in accordance with terms of the underlying agreements. In the comparative period, revenue from provision of services was recognised when the services were rendered.

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

Interest income is recognised as it accrues using the effective interest method.

##### **(n) 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 2018 was USD128,585 (2017: USD150,159).

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 as the amounts cannot be reliably estimated.

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

**4 Other income**

	2018 USD	2017 USD
Interest income	2,135	441
Sundry income	<u>11,087</u>	<u>16,888</u>
	<u><u>13,222</u></u>	<u><u>17,329</u></u>

**5 Deficit for the year**

Deficit for the year is arrived at after charging:

	2018 USD	2017 USD
(a) Staff costs:		
Directors' remuneration (note 6)	-	57,501
Salaries, allowances and other benefits	<u>4,017,301</u>	<u>3,951,043</u>
	<u><u>4,017,301</u></u>	<u><u>4,008,544</u></u>
(b) Other items:		
Auditor's remuneration	10,323	10,323
Depreciation	363,773	377,762
Exchange losses, net	163	119
Loss on disposal of fixed assets	18,760	29,726
Write off of fixed assets	20,189	-
Operating lease charges: minimum lease payments in respect of land and buildings	19,172	9,652
Provision for impairment of inventories	<u>1,386</u>	<u>-</u>

**Angkor Hospital for Children Limited**  
**Notes to the financial statements (continued)**

(Expressed in United States dollars)

**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:

	2018 USD	2017 USD
Emoluments in respect of position as Directors of the Company	-	-
Salary in respect of management of Angkor Hospital for Children, Siem Reap	-	<u>57,501</u>
	<u>-</u>	<u>57,501</u>

The directors' 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 land and buildings USD	Leasehold improvements USD	Medical equipment USD	Office equipment USD	Motor vehicles USD	Total USD
<b>Cost:</b>						
At 1 January 2017	2,709,022	459,616	1,654,103	257,975	164,484	5,245,200
Additions	-	211,136	69,910	76,450	-	357,496
Disposals	-	-	(486,483)	(8,914)	(1,150)	(496,547)
At 31 December 2017 and 1 January 2018	2,709,022	670,752	1,237,530	325,511	163,334	5,106,149
Additions	-	48,918	99,822	6,043	16,520	171,303
Reclassification	-	(49,500)	-	-	49,500	-
Disposals/write off	(12,119)	(4,983)	(166,325)	(17,320)	-	(202,447)
31 December 2018	<u>2,696,903</u>	<u>665,187</u>	<u>1,171,027</u>	<u>314,234</u>	<u>227,654</u>	<u>5,075,005</u>
<b>Accumulated depreciation:</b>						
At 1 January 2017	220,106	26,804	802,621	38,420	65,902	1,153,853
Charge for the year	61,653	9,194	230,188	53,758	22,969	377,762
Eliminated on disposals	-	-	(456,757)	(8,914)	(1,150)	(466,821)
At 31 December 2017 and 1 January 2018	281,759	35,998	576,052	83,264	87,721	1,064,794
Charge for the year	55,271	18,227	205,925	55,380	28,970	363,773
Eliminate on disposals/ write off	(1,378)	(540)	(150,822)	(9,226)	(1,532)	(163,498)
31 December 2018	<u>335,652</u>	<u>53,685</u>	<u>631,155</u>	<u>129,418</u>	<u>115,159</u>	<u>1,265,069</u>
<b>Net carrying value:</b>						
At 31 December 2018	<u>2,361,251</u>	<u>611,502</u>	<u>539,872</u>	<u>184,816</u>	<u>112,495</u>	<u>3,809,936</u>
At 31 December 2017	<u>2,427,263</u>	<u>634,754</u>	<u>661,478</u>	<u>242,247</u>	<u>75,613</u>	<u>4,041,355</u>

**Angkor Hospital for Children Limited**  
**Notes to the financial statements (continued)**

(Expressed in United States dollars)

**9 Inventories**

(a) Inventories in the statement of financial position comprise:

	2018 USD	2017 USD
Medicines	103,135	118,106
Medical supplies	190,469	198,733
Office and housekeeping supplies	<u>26,747</u>	<u>27,627</u>
	<u>320,351</u>	<u>344,466</u>

(b) An analysis of inventories recognised as expenses, and included in profit or loss, is as follows:

	2018 USD	2017 USD
Operating expenses:		
Medicines	336,090	305,523
Medical supplies	343,084	369,732
Office and housekeeping supplies	76,205	74,752
Provision for impairment of inventories	<u>1,386</u>	<u>-</u>
	<u>756,765</u>	<u>750,007</u>

**10 Accounts receivable**

	2018 USD	2017 USD
Contributions receivable	96,108	47,341
Prepayments	48,862	51,352
Other receivables	<u>32,709</u>	<u>24,618</u>
	<u>177,679</u>	<u>123,311</u>

The above receivable 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 receivable (continued)**

Aging analysis

The ageing profile of contributions receivable at the date of reporting period is as follows:

	2018 USD	2017 USD
Within one month	<u>96,108</u>	<u>47,341</u>

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

**11 Accounts payable and accruals**

	2018 USD	2017 USD
Accounts payable	110,843	127,194
Accrued expenses	<u>26,104</u>	<u>25,528</u>
	<u>136,947</u>	<u>152,722</u>

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

**12 Deferred grant income**

These amounts represent contributions received from third parties against future expenditure of the Company. The deployment of such contributions is restricted to specific uses and will be recognised as income in the period to which the restricted expenditure relates.

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



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

**13 Operating lease commitments**

At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2018 USD	2017 USD
Within one year	16,017	2,960
After one year but within five years	<u>9,600</u>	<u>-</u>
	<u>25,617</u>	<u>2,960</u>

The Company is the lessee of a number of properties held under operating leases. The leases typically run for an initial period of 1 to 3 years (2017: 1 year), at the end of which period all terms are renegotiated. No lease includes contingent rentals.

**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 achieve its mission.

**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.

In respect of contributions receivable, individual credit evaluations are performed on donors by evaluating the donors' past history of making payments when due. As the Company does not have significant historical credit loss experience, the Management are of the opinion that the Company exposes to insignificant credit risk in this regard. As at 31 December 2018, 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)

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

(a) Credit risk (continued)

Other receivables, representing mainly deposits paid to supplier, are considered by the directors to be fully recoverable.

The Company assessed that there is no significant loss allowance recognised in accordance with HKFRS 9 as at 31 December 2018 and 2017.

(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 2018 and 2017.

(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.

(e) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2018 and 2017.

**16 Reserves**

Reserves are not available for distribution to members and are held solely for the objectives of the Company.

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.

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.

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

**16 Reserves (continued)**

The deficit and total comprehensive expenses for the year was USD167,390 which is a decrease of 68% over the previous year. The deficit is comprised of a USD231,419 net reduction in fixed assets and a USD64,029 operational surplus.

The USD5,500,010 closing reserve as of 31 December 2018 is comprised of USD3,809,936 of fixed assets at net book value, and net current assets of USD1,690,074.

**17 Contingent liabilities**

On 26 June 2018, the Royal Government of Cambodia issued an amendment to Chapter IV of the Labour Law (the "Law"), in pursuant to which the severance payment for employees under unfixed duration contract ("Eligible Employees") will be replaced by seniority payment, with effect from 1 January 2019. Simultaneously, the Law required a retrospective seniority remuneration ("Back Payment") to the Eligible Employees who had worked before 2019. On 24 December 2018, the Ministry of Labour and Vocational Training of the Royal Government of Cambodia announced the creation of a technical working group, including members of the business community in Cambodia (the "Working Group"), to develop an effective calculation method regarding the implementation of the Back Payment. As at 31 December 2018 and up to the approval date of these financial statements, the Working Group is still in process of working out the basis of Back Payment and therefore the Company is unable to estimate the amount of the Back Payment to be provided due to the uncertainty regarding the implementation of the amendment to the Law.

**18 Possible impact of amendments, and new standards and interpretations issued but not yet effective for the year ended 31 December 2018**

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, and new standards which are not yet effective for the year ended 31 December 2018 and which have not been adopted in these financial statements.

The Company is assessing the impact of these amendments, and new standards 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.