

Angkor Hospital for Children Limited

**Directors' report
and
audited financial statements
for the year ended 31 December 2019**

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 2019.

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:

- Be a leading secondary and tertiary care centre delivering paediatric specialist services to children across Cambodia
- Build capacity in Cambodia's healthcare system that extends beyond AHC's walls.
- Run the organisation with exemplary governance.

Result for the year ended 31 December 2019

The Company's income for the year was USD6,294,620, which is an increase by 5.8% 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 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 USD6,143,608, which is an increase of approximately 0.4% as compared to the previous year.

The surplus for the year was USD151,012 compared to a deficit of USD167,390 in 2018. The surplus for the year is comprised of a USD45,225 net reduction in fixed assets and a USD196,237 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 USD1,439,281 (2018: USD1,328,991), which represents around three months of operating costs (2018: three months). 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 reduce 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, the involvement of employees in setting the organisations strategic priorities and the maintenance of 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 Stoey

Lindsay William Ernest Cooper

Lisa Katherine Genasci

Nicholas Philip John Day

Robert Andrew Gazzi

Sambath Soum

(appointed on 7 February 2020)

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.

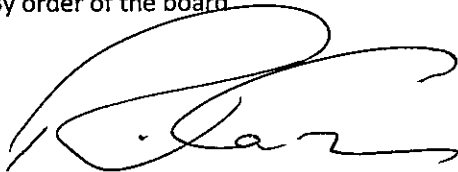
Permitted indemnity provisions

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



Robert Andrew Gazzi

10 MAR 2020

**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 26, which comprise the statement of financial position as at 31 December 2019, 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 2019 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, 10 MAR 2020

Lo Wing See

Practising certificate number P04607

Angkor Hospital for Children Limited
Statement of income and expenditure
for the year ended 31 December 2019
(Expressed in United States dollars)

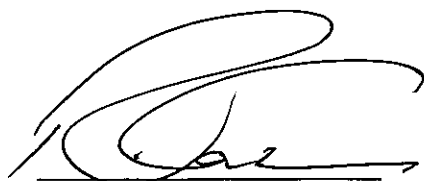
	Note	2019 USD	2018 USD
Income			
Contributions received from third parties		5,881,647	5,522,410
Overseas government grants		247,782	280,027
Donations in kind	3	10,720	31,208
Sale of goods		27,407	32,568
Provision of services		95,576	71,506
Other income	4	<u>31,488</u>	<u>13,222</u>
		6,294,620	5,950,941
Expenditure			
Operating expenses		<u>(6,143,608)</u>	<u>(6,118,331)</u>
Surplus/(deficit) for the year	5	<u>151,012</u>	<u>(167,390)</u>
Of which:			
Unrestricted surplus/(deficit)		<u>151,012</u>	<u>(167,390)</u>
		<u>151,012</u>	<u>(167,390)</u>

The accompanying notes form part of these financial statements.

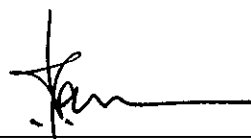
Angkor Hospital for Children Limited
Statement of financial position as at 31 December 2019
(Expressed in United States dollars)

	Note	2019 USD	2018 USD
Non-current asset			
Fixed assets	8	<u>3,764,711</u>	<u>3,809,936</u>
Current assets			
Inventories	9	314,803	320,351
Accounts receivable	10	277,415	177,679
Cash and cash equivalents		<u>2,347,051</u>	<u>1,818,844</u>
		<u>2,939,269</u>	<u>2,316,874</u>
Current liabilities			
Accounts payable and accruals	11	145,188	136,947
Deferred grant income	12	<u>907,770</u>	<u>489,853</u>
		<u>1,052,958</u>	<u>626,800</u>
Net current assets		<u>1,886,311</u>	<u>1,690,074</u>
NET ASSETS		<u>5,651,022</u>	<u>5,500,010</u>
Fund employed			
Unrestricted funds		<u>5,651,022</u>	<u>5,500,010</u>
TOTAL FUNDS		<u>5,651,022</u>	<u>5,500,010</u>

Approved and authorised for issue by the board of directors on **10 MAR 2020**



Robert Andrew Gazzi
Director



Tsang Wing Hoy Lawrence
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 2019
(Expressed in United States dollars)

	Note	Unrestricted funds USD
Balance at 1 January 2018		5,667,400
Deficit and total comprehensive expenses for the year		<u>(167,390)</u>
Balance at 31 December 2018 and 1 January 2019		5,500,010
Surplus and total comprehensive income for the year		<u>151,012</u>
Balance at 31 December 2019	16	<u><u>5,651,022</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 2019
(Expressed in United States dollars)

	Note	2019 USD	2018 USD
Operating activities			
Surplus/(deficit) for the year		151,012	(167,390)
Adjustments for:			
- Depreciation	5	334,045	363,773
- Interest income	4	(22,453)	(2,135)
- Loss on disposal of fixed assets	5	4,172	18,760
- Write off of fixed assets	5	-	20,189
- Donations in kind of fixed assets		(10,720)	(31,208)
- Provision for impairment of inventories	5	-	1,386
		<u>456,056</u>	<u>203,375</u>
Operating surplus before working capital changes		456,056	203,375
Decrease in inventories		5,548	22,729
Increase in accounts receivables		(99,736)	(54,368)
Increase/(decrease) in accounts payables and accruals		8,241	(15,775)
Increase/(decrease) in deferred grant income		<u>417,917</u>	<u>(766,529)</u>
Net cash generated from/(used in) operating activities		<u>788,026</u>	<u>(610,568)</u>
Investing activities			
Interest income received		22,453	2,135
Payment for the purchase of fixed assets		<u>(282,272)</u>	<u>(140,095)</u>
Net cash used in investing activities		<u>(259,819)</u>	<u>(137,960)</u>
Net increase/(decrease) in cash and cash equivalents		528,207	(748,528)
Cash and cash equivalents at beginning of year		<u>1,818,844</u>	<u>2,567,372</u>
Cash and cash equivalents at end of year		<u><u>2,347,051</u></u>	<u><u>1,818,844</u></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 (the “Company”) was incorporated on 4 February 2013 and has its registered office at 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.

The Company has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 18).

(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 a new HKFRS, HKFRS 16 “Leases” (“HKFRS 16”), and a number of amendments to HKFRSs that are first effective for the current accounting period of the Company. Except for HKFRS 16, none of the developments have had a material effect on how the Company’s results and financial position for the current or prior periods have been prepared or presented.

HKFRS 16 replaces HKAS 17 “Leases” and the related interpretations. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less (“short-term leases”) and leases of low-value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

The Company has initially applied HKFRS 16 as from 1 January 2019. The Company has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

The adoption of HKFRS 16 has not resulted in the recognition of any additional right-of-use assets and lease liabilities at 1 January 2019.

The following table reconciles the operating lease commitments as disclosed in note 13 as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	1 January 2019 USD
Operating lease commitments at 31 December 2018	25,617
Less: commitments relating to leases exempt from capitalisation	
- short-term leases and other leases with remaining lease term ending on or before 31 December 2019	6,417
- leases of low-value assets	<u>19,200</u>
Total lease liabilities recognised at 1 January 2019	<u><u>-</u></u>

Angkor Hospital for Children Limited

Notes to the financial statements (continued)

(Expressed in United States dollars)

2 Significant accounting policies (continued)

(c) Changes in accounting policies (continued)

Upon adoption of HKFRS 16, the Company has assessed and reclassified the leasehold land and building as right-of-use assets with the depreciation basis of leasehold land and buildings and leasehold improvements changed from straight-line method over 50 years to straight-line method over the lease terms from 1 January 2019. As a result of this change, depreciation expense for the year ended 31 December 2019 and the net carrying value of property, plant and equipment as at 31 December 2019 has increased and decreased by USD8,158, respectively.

Further details of the Company's accounting policy for leased assets are set out in note 2(e).

(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 Over the lease terms (2018: 50 years)
- Leasehold improvements Over the lease terms (2018: 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.

(e) Leased assets

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

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

2 Significant accounting policies (continued)

(e) Leased assets (continued)

As a lessee

Policy applicable from 1 January 2019

At the lease commencement date, the Company recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate.

After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see note 2(h)(ii)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Company will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Policy applicable prior to 1 January 2019

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

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)).

(h) Credit loss and impairment of assets

(i) Credit losses

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

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)

(i) Credit losses (continued)

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.

(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)

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 (continued)

- 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.

(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.

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

(Expressed in United States dollars)

2 Significant accounting policies (continued)

(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.

(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.

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

2 Significant accounting policies (continued)

(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 2019 was USD93,173 (2018: USD128,585).

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.

4 Other income

	2019 USD	2018 USD
Interest income	22,453	2,135
Sundry income	<u>9,035</u>	<u>11,087</u>
	<u>31,488</u>	<u>13,222</u>

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

5 Surplus/(deficit) for the year

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

	2019 USD	2018 USD
(a) Staff costs:		
Directors' remuneration (note 6)	-	-
Salaries, allowances and other benefits	<u>4,081,713</u>	<u>4,017,301</u>
	<u>4,081,713</u>	<u>4,017,301</u>
(b) Other items:		
Auditor's remuneration	10,770	10,323
Depreciation charge on owned property, plant and equipment	334,045	363,773
Exchange losses, net	1,045	163
Expenses relating to leases of low-value assets under HKRFS 16*	21,401	-
Loss on disposal of fixed assets	4,172	18,760
Provision for impairment of inventories	-	1,386
Total minimum lease payments for leases previously classified as operating leases under HKAS 17*	-	19,172
Write off of fixed assets	<u>-</u>	<u>20,189</u>

* The Company has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. Under this approach, the comparative information is not restated (note 2(c)).

6 Directors' remuneration

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, no directors receive any salaries or other emoluments in respect of their position as directors of the Company or management of Angkor Hospital for Children, Siem Reap during the year (2018: USD nil).

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

	Right-of-use assets# USD	Leasehold improvements USD	Medical equipment USD	Office equipment USD	Motor vehicles USD	Total USD
Cost:						
At 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)
At 31 December 2018 and 1 January 2019	2,696,903	665,187	1,171,027	314,234	227,654	5,075,005
Additions	87,336	11,547	148,000	5,599	40,510	292,992
Reclassification	-	(9,240)	-	9,240	-	-
Disposals/write off	-	-	(98,188)	(5,830)	-	(104,018)
At 31 December 2019	<u>2,784,239</u>	<u>667,494</u>	<u>1,220,839</u>	<u>323,243</u>	<u>268,164</u>	<u>5,263,979</u>
Accumulated depreciation:						
At 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)
At 31 December 2018 and 1 January 2019	335,652	53,685	631,155	129,418	115,159	1,265,069
Charge for the year	65,347	16,120	177,075	47,632	27,871	334,045
Reclassification	-	(218)	-	218	-	-
Eliminate on disposals/ write off	-	-	(94,495)	(5,351)	-	(99,846)
At 31 December 2019	<u>400,999</u>	<u>69,587</u>	<u>713,735</u>	<u>171,917</u>	<u>143,030</u>	<u>1,499,268</u>
Net carrying value:						
At 31 December 2019	<u>2,383,240</u>	<u>597,907</u>	<u>507,104</u>	<u>151,326</u>	<u>125,134</u>	<u>3,764,711</u>
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>

Upon adoption of HKFRS 16, the Company has assessed and reclassified the leasehold land and building as right-of-use assets with the depreciation basis of leasehold land and buildings and leasehold improvements changed from straight-line method over 50 years to straight-line method over the lease terms from 1 January 2019.

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:

	2019 USD	2018 USD
Medicines	123,902	103,135
Medical supplies	161,121	190,469
Office and housekeeping supplies	<u>29,780</u>	<u>26,747</u>
	<u>314,803</u>	<u>320,351</u>

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

	2019 USD	2018 USD
Operating expenses:		
Medicines	323,411	336,090
Medical supplies	327,446	343,084
Office and housekeeping supplies	67,700	76,205
Provision for impairment of inventories	<u>-</u>	<u>1,386</u>
	<u>718,557</u>	<u>756,765</u>

10 Accounts receivable

	2019 USD	2018 USD
Contributions receivable	187,506	96,108
Prepayments	48,022	48,862
Other receivables	<u>41,887</u>	<u>32,709</u>
	<u>277,415</u>	<u>177,679</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 receivable (continued)

Aging analysis

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

	2019 USD	2018 USD
Within one month	<u>187,506</u>	<u>96,108</u>

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

11 Accounts payable and accruals

	2019 USD	2018 USD
Accounts payable	126,657	110,843
Accrued expenses	<u>18,531</u>	<u>26,104</u>
	<u>145,188</u>	<u>136,947</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:

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

The Company is the lessee in respect of a number of properties which were previously classified as operating leases under HKAS 17. The Company has initially applied HKFRS 16 using the modified retrospective approach. From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position in accordance with the accounting policies set out in note 2(e).

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 2019, 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 2019 and 2018.

(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 2019 and 2018.

(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 2019 and 2018.

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 surplus and total comprehensive income for the year was USD151,012 compared to a deficit of USD167,390 in 2018. The surplus is comprised of a USD45,225 net reduction in fixed assets and a USD196,237 operational surplus.

The USD5,651,022 closing reserve as of 31 December 2019 is comprised of USD3,764,711 of fixed assets at net book value, and net current assets of USD1,886,311.

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") commencing during 2019 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 (the "Ministry") 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. On the 22 March 2019 the Ministry announced that implementation of the Back Payment shall be delayed until December 2021.

As at 31 December 2019 and up to the approval date of these financial statements the Company is unable to reliably estimate the amount of the Back Payment to be provided due to continuing uncertainties 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 2019

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 2019 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.

Angkor Hospital for Children Limited

**Analysis of expenditure
for the year ended 31 December 2019**

For Management Information Only

Angkor Hospital for Children Limited
Analysis of expenditure
for the year ended 31 December 2019
(Expressed in United States Dollars)

For Management Information Only

	2019 USD	2018 USD
Operating expenses		
Auditor's remuneration	10,770	10,323
Bank charges	10,625	11,458
Customs duties and storage	24,216	34,630
Depreciation	334,045	363,773
Entertainment	13,959	12,923
Exchange losses, net	1,045	163
External medical expenses for patients	26,687	16,121
Insurance	19,176	17,706
Legal and professional fees	17,854	24,322
Loss on disposal of fixed assets	4,172	18,760
Marketing, fund raising and event expenses	76,810	89,553
Meeting expenses	11,953	7,307
Medicines	323,411	336,090
Medical air	49,517	51,451
Medical supplies	327,446	343,084
Motor vehicle expenses	21,287	16,838
Non-capital equipment purchases	91,977	80,114
Office and housekeeping supplies	67,700	76,205
Other supplies	48,604	79,870
Patient care expenses	288,786	176,507
Postage and delivery	26,053	23,621
Printing and stationery	15,397	19,118
Provision for impairment of inventories	-	1,386
Repairs and maintenance	62,069	73,764
Rental expenses	23,337	19,216
Salaries and fringe benefits	4,081,713	4,017,301
Sundry expenses	7,736	11,401
Telecommunication expenses	16,825	23,782
Training	73,495	70,183
Travelling	38,990	30,247
Utilities	27,953	40,925
Write off of fixed assets	-	20,189
	<u>6,143,608</u>	<u>6,118,331</u>