

Angkor Hospital for Children Limited

**Directors' report and audited financial statements
for the year ended 31 December 2016**



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 2016.

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 2016

The Company's income for the year was USD6,354,464 which is a decrease by approximately 4.1% as compared to the previous year. The organisation continues to seek out and secure support from a diverse group of donors, however the reliance of the organisation upon voluntary contributions from third parties means the hospital remains exposed to changes in donor priorities and scope in addition to regional and global economic trends.

The Company's operating expenses for the year were USD6,050,464 which is a decrease by approximately 1.2% as compared to the previous year. The reduction in operating expenses is due to the implementation of various cost efficiency initiatives during the year to control indirect expenses, while protecting the quality of patient care.

The surplus and total comprehensive income for the year was USD303,624 which is an increase by approximately 40% as compared to the previous year. The surplus is comprised of USD566,705 of funds received from donors and subsequently used to purchase capital items, together with an operating deficit after depreciation of USD263,082.

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 USD1,727,496 (2015: USD1,286,124), which represents around four months (2015: three months) of hospital operating costs. The directors recognise the importance of a free cash reserve to ensure the sustainability of the Company and in the management of fundraising risk.

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

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

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

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

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

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

Directors

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

Alexander Stuart Davy	
Alistair James Thompson	(Resigned on 20 October 2016)
Chanpheaktra Ngoun	
Daniel Simmons	(Appointed on 14 July 2016)
Jean Marie Canan	
Katja Van't Ende	(Resigned on 17 April 2016)
Kenro Izu	
Lindsay William Ernest Cooper	
Lisa Katherine Genasci	
Manila Prak	
Navy Tep	
Nicholas Philip John Day	
Robert Andrew Gazzi	
Yeung Shun May	

Angkor Hospital for Children Limited

Directors' report (continued)

Directors (continued)

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

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

29 March 2017



**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 23, which comprise the statement of financial position as at 31 December 2016, and the statement of profit or loss and other comprehensive income, the statement of changes in equity 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 consolidated financial position of the Company as at 31 December 2016 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 HKSAAs 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 HKSAAs, 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, 29 March 2017

Andrew David Ross

Practising certificate number P01183

Angkor Hospital for Children Limited
Statement of comprehensive income
for the year ended 31 December 2016
(Expressed in United States dollars)

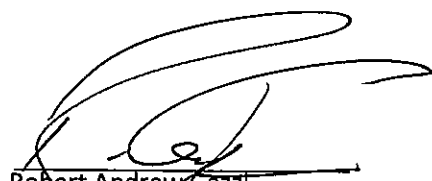
	Note	2016 USD	2015 USD
Income			
Contributions received from third parties		5,925,196	6,094,908
Overseas government grants		256,388	357,310
Donations in kind	3	43,114	54,900
Sale of goods		12,903	15,715
Provision of services		90,358	88,643
Other income	4	<u>26,505</u>	<u>14,703</u>
		6,354,464	6,626,179
Expenditure			
Operating expenses		<u>(6,050,840)</u>	<u>(6,123,570)</u>
Surplus and total comprehensive income for the year	5	<u><u>303,624</u></u>	<u><u>502,609</u></u>
Of which:			
Unrestricted surplus		78,774	223,631
Restricted surplus		<u>224,850</u>	<u>278,978</u>
		<u><u>303,624</u></u>	<u><u>502,609</u></u>

The accompanying notes form part of these financial statements.

Angkor Hospital for Children Limited
Balance sheet as at 31 December 2016
(Expressed in United States dollars)

	Note	2016 USD	2015 USD
Non-current asset			
Fixed assets	8	<u>4,091,347</u>	<u>3,928,041</u>
Current assets			
Inventories	9	371,310	587,159
Accounts receivable	10	146,295	250,355
Cash and cash equivalents		<u>2,170,720</u>	<u>1,751,643</u>
		<u>2,688,325</u>	<u>2,589,157</u>
Current liabilities			
Accounts payable and accruals	11	147,807	166,661
Deferred grant income	12	<u>443,223</u>	<u>465,519</u>
		<u>591,030</u>	<u>632,180</u>
Net current assets		<u>2,097,295</u>	<u>1,956,977</u>
NET ASSETS		<u>6,188,642</u>	<u>5,885,018</u>
Funds employed			
Unrestricted funds		6,188,642	4,111,364
Restricted funds		<u>-</u>	<u>1,773,654</u>
TOTAL FUNDS		<u>6,188,642</u>	<u>5,885,018</u>

Approved and authorised for issue by the board of directors on 29 March 2017.


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 2016
(Expressed in United States dollars)

	Note	Unrestricted funds USD	Restricted funds USD	Total USD
Balance at 1 January 2015		3,887,733	1,494,676	5,382,409
Surplus and total comprehensive income for the year		<u>223,631</u>	<u>278,978</u>	<u>502,609</u>
Balance at 31 December 2015 and 1 January 2016		4,111,364	1,773,654	5,885,018
Surplus and total comprehensive income for the year		78,774	224,850	303,624
Transfer		<u>1,998,504</u>	<u>(1,998,504)</u>	<u>-</u>
Balance at 31 December 2016	16	<u>6,188,642</u>	<u>-</u>	<u>6,188,642</u>

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

The transfer to unrestricted funds in the period relates to assets which have been purchased from restricted fund donations, but which are held for general charitable purchase and not a restricted purpose.

The accompanying notes form part of these financial statements.

Angkor Hospital for Children Limited
Cash flow statement
for the year ended 31 December 2016
(Expressed in United States dollars)

	Note	2016 USD	2015 USD
Operating activities			
Surplus for the year		303,624	502,609
Adjustments for:			
- Depreciation	5	380,142	412,294
- Interest income	4	(439)	(140)
- (Gain)/loss on disposal of fixed assets	5	(2,834)	71,170
- Donations in kind of fixed assets		(43,114)	(54,900)
- Provision for impairment of inventories	9	59,609	49,172
- Written off of accounts receivables	5	-	11,699
Operating surplus before working capital changes		696,988	991,904
Decrease in inventories		156,240	188,788
Decrease in accounts receivables		104,060	154,832
(Decrease)/increase in accounts payables and accruals		(18,854)	81,956
Decrease in deferred grant income		(22,296)	(545,837)
Net cash generated from operating activities		<u>916,138</u>	<u>871,643</u>
Investing activities			
Interest income received		439	140
Payment for the purchase of fixed assets		(519,870)	(366,915)
Proceed on disposal of fixed assets		22,370	3,753
Net cash used in investing activities		<u>(497,061)</u>	<u>(363,022)</u>
Net increase in cash and cash equivalents		419,077	508,621
Cash and cash equivalents at beginning of year		<u>1,751,643</u>	<u>1,243,022</u>
Cash and cash equivalents at end of year		<u>2,170,720</u>	<u>1,751,643</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 and has its registered office at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

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

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

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

2 Significant accounting policies

(a) Statement of compliance

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

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

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

(b) Basis of preparation of the financial statements

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

Angkor Hospital for Children Limited

Notes to the financial statements (continued)

(Expressed in United States dollars)

2 Significant accounting policies (continued)

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

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

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

(c) Fixed assets

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

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

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

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

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

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

Angkor Hospital for Children Limited

Notes to the financial statements (continued)

(Expressed in United States dollars)

2 Significant accounting policies (continued)

(d) Impairment of assets

(i) Impairment of receivables

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

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

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

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

Impairment losses are written off against the corresponding assets directly.

(ii) Impairment of fixed assets

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

Angkor Hospital for Children Limited

Notes to the financial statements (continued)

(Expressed in United States dollars)

2 Significant accounting policies (continued)

(d) Impairment of assets (continued)

(ii) Impairment of fixed assets (continued)

- Calculation of recoverable amount

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

- Recognition of impairment losses

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

- Reversals of impairment losses

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

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

(e) Leased assets

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

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

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

2 Significant accounting policies (continued)

(f) Inventories

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

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

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

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

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

(g) Receivables

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

(h) Payables

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

(i) Cash and cash equivalents

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

(j) Employee benefits

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

Angkor Hospital for Children Limited

Notes to the financial statements (continued)

(Expressed in United States dollars)

2 Significant accounting policies (continued)

(k) Provisions and contingent liabilities

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

(l) Revenue recognition

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

(i) Contributions received from third parties and government subventions

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

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

(ii) Donations in kind

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

(iii) Sales of goods

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

(iv) Provision of services

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

(v) Interest income

Interest income is recognised as it accrues.

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

2 Significant accounting policies (continued)

(m) Funds employed

(i) Unrestricted Funds

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

(ii) Restricted Funds

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

3 Donations in kind

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

Fixed assets donations are usually the result of specific requests made to donors for equipment needed for a defined immediate use in the hospital and for which the value is known. Donated fixed assets are valued at amounts which would be expected to be paid on the open market for equipment of a similar specification and age. The carrying value of donated fixed assets at 31 December 2016 was USD187,918 (2015: USD149,192).

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

	2016 USD	2015 USD
Interest income	439	140
Sundry income	<u>26,066</u>	<u>14,563</u>
	<u>26,505</u>	<u>14,703</u>

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

(Expressed in United States dollars)

5 Surplus for the year

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

	2016 USD	2015 USD
(a) Staff costs:		
Directors' remuneration (note 6)	55,739	28,400
Salaries, allowances and other benefits	<u>3,787,589</u>	<u>3,480,712</u>
	<u>3,843,328</u>	<u>3,509,112</u>
(b) Other items:		
Auditor's remuneration	10,323	10,064
Depreciation	380,142	412,294
Exchange losses, net	935	101
(Gain)/loss on disposal of fixed assets	(2,834)	71,170
Operating lease charges: minimum lease payments in respect of land and buildings	8,080	8,240
Written off of accounts receivables	<u>-</u>	<u>11,699</u>

6 Directors' remuneration

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

	2016 USD	2015 USD
Emoluments in respect of position as Directors of the Company	-	-
Salary in respect of management of Angkor Hospital for Children, Siem Reap	<u>55,739</u>	<u>28,400</u>
	<u>55,739</u>	<u>28,400</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 equipmen t USD	Motor vehicles USD	Total USD
Cost:						
At 1 January 2015	2,405,355	459,616	1,491,989	209,699	138,184	4,704,843
Additions	176,438	-	207,518	12,859	25,000	421,815
Disposals	-	-	(158,830)	(6,412)	(49,000)	(214,242)
At 31 December 2015 and 1 January 2016	2,581,793	459,616	1,540,677	216,146	114,184	4,912,416
Additions	127,229	-	204,928	161,527	69,300	562,984
Disposals	-	-	(91,502)	(119,698)	(19,000)	(230,200)
31 December 2016	<u>2,709,022</u>	<u>459,616</u>	<u>1,654,103</u>	<u>257,975</u>	<u>164,484</u>	<u>5,245,200</u>
Accumulated depreciation:						
At 1 January 2015	101,997	8,416	452,838	80,312	67,837	711,400
Charge for the year	56,789	9,194	277,212	40,499	28,600	412,294
Eliminated on disposals	-	-	(98,599)	(4,303)	(36,417)	(139,319)
At 31 December 2015 and 1 January 2016	158,786	17,610	631,451	116,508	60,020	984,375
Charge for the year	61,320	9,194	246,945	37,801	24,882	380,142
Eliminated on disposals	-	-	(75,775)	(115,889)	(19,000)	(210,664)
31 December 2016	<u>220,106</u>	<u>26,804</u>	<u>802,621</u>	<u>38,420</u>	<u>65,902</u>	<u>1,153,853</u>
Net carrying value:						
At 31 December 2016	<u>2,488,916</u>	<u>432,812</u>	<u>851,482</u>	<u>219,555</u>	<u>98,582</u>	<u>4,091,347</u>
At 31 December 2015	<u>2,423,007</u>	<u>442,006</u>	<u>909,226</u>	<u>99,638</u>	<u>54,164</u>	<u>3,928,041</u>

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

9 Inventories

(a) Inventories in the balance sheet comprise:

	2016 USD	2015 USD
Medicines	118,212	198,328
Medical supplies	226,904	365,246
Office and housekeeping supplies	<u>26,194</u>	<u>23,585</u>
	<u>371,310</u>	<u>587,159</u>

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

	2016 USD	2015 USD
Operating expenses:		
Medicines	368,915	336,815
Medical supplies	450,935	503,195
Provision for impairment of inventories	59,609	49,172
Office and housekeeping supplies	<u>75,756</u>	<u>86,908</u>
	<u>955,215</u>	<u>976,090</u>

10 Accounts receivable

	2016 USD	2015 USD
Contributions receivable	35,628	155,665
Prepayments	49,293	45,051
Other receivables	<u>61,374</u>	<u>49,639</u>
	<u>146,295</u>	<u>250,355</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)

Ageing analysis

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

	2016 USD	2015 USD
Within one month	<u>35,628</u>	<u>155,665</u>

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

11 Accounts payable and accruals

	2016 USD	2015 USD
Accounts payable	126,749	131,549
Accrued expenses	<u>21,058</u>	<u>35,112</u>
	<u>147,807</u>	<u>166,661</u>

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

12 Deferred grant income

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

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

13 Operating lease commitments

At 31 December 2016, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2016 USD	2015 USD
Within one year	<u>2,960</u>	<u>3,160</u>

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

Angkor Hospital for Children Limited

Notes to the financial statements (continued)

(Expressed in United States dollars)

14 Funds management

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

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

(b) Liquidity risk

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

All of the Company's accounts payables and accruals are expected to be settled within one year. All financial liabilities of the Company are carried at amounts not materially different from their contractual undiscounted cash flows as at 31 December 2016 and 2015.

(c) Interest rate risk

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

(d) Currency risk

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

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

15 Financial risk management and fair values (continued)

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. (continued)

(e) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2016 and 2015.

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.

The USD303,624 surplus for the year is comprised of USD566,705 of funds received from donors and subsequently used to purchase capital items, together with operating deficit after depreciation of USD263,082.

The USD6,188,642 closing reserve as of 31 December 2016 is comprised of USD4,091,347 of fixed assets at net book value, and net current assets of USD2,097,295.

The transfer to unrestricted funds in the period relates to assets which have been purchased from restricted fund donations, but which are held for the general charitable purpose and not a restricted purpose.

17 Possible impact of amendments, and new standards and interpretations issued but not yet effective for the year ended 31 December 2016

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 2016 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.