

**Angkor Hospital for Children Limited**

**Directors' report  
and  
audited financial statements  
for the year ended 31 December 2021**

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BAKER TILLY HONG KONG LIMITED  
Certified Public Accountants  
Hong Kong 16 AUG 2022

# 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 2021.

### 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.

#### *Results for the year ended 31 December 2021*

The Company's income for the year was USD5,324,961, which represented a decrease of 7.1% as compared to the previous year. COVID has had an impact on our fundraising events. 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 USD4,975,997, which is a decrease of approximately 20.7% as compared to the previous year.

The surplus for the year was USD348,964 compared to a deficit of USD547,168 in 2020. The surplus for the year is comprised of a USD214,426 net reduction in fixed assets and a USD563,390 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 (net current assets excluding inventories) of USD2,005,567 (2020: USD1,390,532), which represents more than three months of 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 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.

# Angkor Hospital for Children Limited

## Directors' report (continued)

### Directors

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

Alexander Stuart Davy

Billy Gorter

Daniel Ross Simmons

Jean-Gaetan Guillemaud

Kenro Izu

Lundi Keo

(Appointed on 11 October 2021)

Lina Saem Stoey

Lindsay William Ernest Cooper

Lisa Katherine Genasci

Nicholas Philip John Day

Robert Andrew Gazzi

Sambath Soum

Wing Hoy Lawrence Tsang

Shunmay Yeung

In accordance with Article 57 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' interests in transactions, arrangements and contracts

No transactions, arrangements and contract of significance in relation to the Company's operation to which the Company was a party, and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

### 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



Sambath Soum

16 AUG 2022

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

(Incorporated in Hong Kong limited by guarantee)

### **Opinion**

We have audited the financial statements of Angkor Hospital for Children Limited (the "Company") set out on pages 7 to 25, which comprise the statement of financial position as at 31 December 2021, 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 2021 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 ("HKASs") 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.

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, 16 AUG 2022

Ryan James Swann

Practising certificate number P07119



**Angkor Hospital for Children Limited**  
**Statement of income and expenditure**  
**for the year ended 31 December 2021**  
(Expressed in United States dollars)

	Note	2021 USD	2020 USD
<b>Income</b>			
Contributions received from third parties		5,071,362	5,355,169
Overseas government grants		127,802	182,391
Donations in kind	4	2,700	76,700
Sale of goods		12,847	9,849
Provision of services		54,412	88,146
Other income	5	<u>55,838</u>	<u>16,681</u>
		5,324,961	5,728,936
<b>Expenditure</b>			
Operating expenses		<u>(4,975,997)</u>	<u>(6,276,104)</u>
<b>Surplus/(deficit) for the year</b>	6	<u>348,964</u>	<u>( 547,168)</u>
Of which:			
Unrestricted surplus/(deficit)		<u>348,964</u>	<u>( 547,168)</u>
		<u>348,964</u>	<u>( 547,168)</u>

The accompanying notes form part of these financial statements.

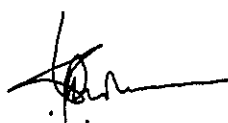
**Angkor Hospital for Children Limited**  
**Statement of financial position as at 31 December 2021**  
(Expressed in United States dollars)

	Note	2021 USD	2020 USD
<b>Non-current asset</b>			
Fixed assets	9	<u>3,205,859</u>	<u>3,420,285</u>
<b>Current assets</b>			
Inventories	10	201,755	278,496
Accounts receivable	11	112,634	56,653
Cash and cash equivalents		<u>3,388,772</u>	<u>3,126,827</u>
		<u>3,703,161</u>	<u>3,461,976</u>
<b>Current liabilities</b>			
Accounts payable and accruals	12	233,591	256,184
Deferred grant income	13	1,209,786	1,483,166
Seniority payment obligations	14	<u>52,462</u>	<u>53,598</u>
		<u>1,495,839</u>	<u>1,792,948</u>
<b>Net current assets</b>		<u>2,207,322</u>	<u>1,669,028</u>
<b>Total assets less current liabilities</b>		<u>5,413,181</u>	<u>5,089,313</u>
<b>Non-current liability</b>			
Seniority payment obligations	14	<u>553,642</u>	<u>578,738</u>
<b>NET ASSETS</b>		<u>4,859,539</u>	<u>4,510,575</u>
<b>Fund employed</b>			
Unrestricted funds		<u>4,859,539</u>	<u>4,510,575</u>
<b>TOTAL FUNDS</b>		<u>4,859,539</u>	<u>4,510,575</u>

Approved and authorised for issue by the board of directors on 16 AUG 2022



Sambath Soum  
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 2021**  
(Expressed in United States dollars)

	Note	Unrestricted funds USD
<b>Balance at 1 January 2020</b>		5,057,743
Deficit and total comprehensive expense for the year		<u>( 547,168 )</u>
<b>Balance at 31 December 2020 and 1 January 2021</b>		4,510,575
Surplus and total comprehensive expense for the year		<u>348,964</u>
<b>Balance at 31 December 2021</b>	17	<u><u>4,859,539</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 2021**  
(Expressed in United States dollars)

	Note	2021 USD	2020 USD
<b>Operating activities</b>			
<b>Surplus/(deficit) for the year</b>		348,964	( 547,168)
Adjustments for:			
- Depreciation	6	296,236	330,574
- Interest income	5	( 1,167)	( 7,377)
- Loss on disposal of fixed assets	6	2,860	384,301
- Donations in kind of fixed assets		( 2,700)	( 76,700)
- (Reversal of)/provision for impairment of inventories	6	( 12,099)	15,191
- Reversal of seniority payment obligations	6	( 38,889)	-
- Seniority payment obligations adjustments		<u>41,629</u>	<u>39,057</u>
<b>Operating surplus before working capital changes</b>		634,834	137,878
Decrease in inventories		88,840	21,116
(Increase)/decrease in accounts receivables		( 55,981)	220,762
(Decrease)/increase in accounts payables and accruals		( 22,593)	110,996
(Decrease)/increase in deferred grant income		( 273,380)	575,396
Payment for seniority payment obligations		<u>( 28,972)</u>	<u>-</u>
<b>Net cash generated from operating activities</b>		<u>342,748</u>	<u>1,066,148</u>
<b>Investing activities</b>			
Interest income received		1,167	7,377
Payment for the purchase of fixed assets		<u>( 81,970)</u>	<u>( 293,749)</u>
<b>Net cash used in investing activities</b>		<u>( 80,803)</u>	<u>( 286,372)</u>
<b>Net increase in cash and cash equivalents</b>		261,945	779,776
Cash and cash equivalents at beginning of year		<u>3,126,827</u>	<u>2,347,051</u>
<b>Cash and cash equivalents at end of year</b>		<u>3,388,772</u>	<u>3,126,827</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.

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 18).

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

#### (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.

Judgements made by the directors in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

##### (c) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses (see note 2(g)(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
- Leasehold improvements	Over the lease terms
- 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.

##### (d) 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.

As a lessee

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.

## **Angkor Hospital for Children Limited**

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

(Expressed in United States dollars)

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

##### **(d) Leased assets (continued)**

As a lessee (continued)

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(g)(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.

##### **(e) 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.

Net realisable value is the estimated selling price in the ordinary course of business less 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.

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

**2 Significant accounting policies (continued)**

**(f) 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(g)(i)).

**(g) 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

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.



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

**2 Significant accounting policies (continued)**

**(g) Credit loss and impairment of assets (continued)**

**(ii) Impairment of fixed assets**

Internal and external sources of information are reviewed at the end of the reporting period to identify indications that the fixed assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased.

If any such indication exists, the asset's recoverable amount is estimated.

- Calculation of recoverable amount

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

- Recognition of impairment losses

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

- Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

**(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.

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

**2 Significant accounting policies (continued)**

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

**(j) Employee benefits**

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

**(k) Seniority payment obligations**

Seniority payment obligations are recognised at the present value of defined obligation at the reporting period using the projected unit credit method to better estimate the ultimate cost to the Company that employees have earned in return for their service in the current and prior period. That obligations arises as employees render the services that the Company expected to pay in the future reporting periods. The present value of the seniority back payment is determined by discounting the estimated future payments.

**(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.

(iv) Provision of services

Service income is recognised over time in accordance with terms of the underlying agreements.

(v) Interest income

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

**(n) Funds employed**

(i) Unrestricted Funds

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

(ii) Restricted Funds

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

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

**3 Critical accounting judgements and estimates**

The directors make estimates and assumptions concerning the future. The resulting accounting estimates may not equal the related actual results. Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

Seniority payment obligations

The present value of the seniority payment obligations depends on a number of factors that are determined on a basis using a number of assumptions. The assumptions used in determining the ultimate cost for seniority payment include the staff turnover and discount rate. Any changes in these assumptions will impact the carrying amount of seniority payment obligations. The Company used the discount rate to determine the present value of the estimated future cash outflows expected to be required to settle the seniority payment obligation.

**4 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 2021 was USD103,696 (2020: USD132,096).

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.

**5 Other income**

	2021 USD	2020 USD
Interest income	1,167	7,377
Exchange gains, net	1,235	466
Sundry income	2,448	8,838
Reversal of provision for impairment of inventories	12,099	-
Reversal of seniority payment obligations	<u>38,889</u>	<u>-</u>
	<u>55,838</u>	<u>16,681</u>

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

**6 Surplus/(deficit) for the year**

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

	2021 USD	2020 USD
(a) Staff costs:		
Directors' remuneration (note 7)	-	-
Salaries, allowances and other benefits	3,411,990	3,992,808
Seniority payment obligations adjustments	<u>41,629</u>	<u>39,057</u>
	<u>3,453,619</u>	<u>4,031,865</u>
(b) Other items:		
Auditor's remuneration	11,460	15,854
Depreciation charge on owned property, plant and equipment	296,236	330,574
Exchange gains, net	( 1,235)	( 466)
Expenses relating to leases of low-value assets under HKFRS 16	13,200	15,832
Loss on disposal of fixed assets	2,860	384,301
(Reversal of)/provision for impairment of inventories	( 12,099)	15,191
Reversal of seniority payment obligations	<u>( 38,889)</u>	<u>-</u>

**7 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 (2020: USDnil).

**8 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)

**9 Fixed assets**

	Leasehold land and building USD	Leasehold improvements USD	Medical equipment USD	Office equipment USD	Motor vehicles USD	Total USD
<b>Cost:</b>						
At 1 January 2020	2,784,239	667,494	1,220,839	323,243	268,164	5,263,979
Additions	29,023	8,935	228,670	72,691	31,130	370,449
Disposals/write off	( 414,613)	( 23,763)	( 171,131)	( 51,173)	( 25,000)	( 685,680)
At 31 December 2020 and 1 January 2021	2,398,649	652,666	1,278,378	344,761	274,294	4,948,748
Additions	12,140	10,296	20,781	39,153	2,300	84,670
Disposals/write off	-	-	( 24,691)	( 4,080)	( 31,680)	( 60,451)
At 31 December 2021	<u>2,410,789</u>	<u>662,962</u>	<u>1,274,468</u>	<u>379,834</u>	<u>244,914</u>	<u>4,972,967</u>
<b>Accumulated depreciation:</b>						
At 1 January 2020	400,999	69,587	713,735	171,917	143,030	1,499,268
Charge for the year	66,669	16,391	168,914	48,402	30,198	330,574
Eliminate on disposals/ write off	( 79,059)	( 3,352)	( 158,577)	( 35,391)	( 25,000)	( 301,379)
At 31 December 2020 and 1 January 2021	388,609	82,626	724,072	184,928	148,228	1,528,463
Charge for the year	58,533	15,957	142,893	45,069	33,784	296,236
Eliminate on disposals/ write off	-	-	( 21,831)	( 4,080)	( 31,680)	( 57,591)
At 31 December 2021	<u>447,142</u>	<u>98,583</u>	<u>845,134</u>	<u>225,917</u>	<u>150,332</u>	<u>1,767,108</u>
<b>Net carrying value:</b>						
At 31 December 2021	<u>1,963,647</u>	<u>564,379</u>	<u>429,334</u>	<u>153,917</u>	<u>94,582</u>	<u>3,205,859</u>
At 31 December 2020	<u>2,010,040</u>	<u>570,040</u>	<u>554,306</u>	<u>159,833</u>	<u>126,066</u>	<u>3,420,285</u>

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

(Expressed in United States dollars)

**10 Inventories**

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

	2021 USD	2020 USD
Medicines	80,628	108,459
Medical supplies	90,508	132,002
Office and housekeeping supplies	<u>30,619</u>	<u>38,035</u>
	<u>201,755</u>	<u>278,496</u>

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

	2021 USD	2020 USD
Operating expenses:		
Medicines	240,902	338,622
Medical supplies	261,583	276,272
Office and housekeeping supplies	<u>40,233</u>	<u>53,296</u>
	<u>542,718</u>	<u>668,190</u>

**11 Accounts receivable**

	2021 USD	2020 USD
Contributions receivable	61,118	24,403
Prepayments	23,073	22,053
Other receivables	<u>28,443</u>	<u>10,197</u>
	<u>112,634</u>	<u>56,653</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)

**11 Accounts receivable (continued)**

Aging analysis

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

	2021 USD	2020 USD
Within one month	<u>61,118</u>	<u>24,403</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 16(a).

**12 Accounts payable and accruals**

	2021 USD	2020 USD
Accounts payable	63,564	108,357
Accrued expenses	<u>170,027</u>	<u>147,827</u>
	<u>233,591</u>	<u>256,184</u>

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

**13 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.

**14 Seniority payment obligations**

The Company assessed the impact of seniority back payment, and estimated the liabilities of USD606,104 (2020: USD632,336) and recognised in the financial statement accordingly.

	2021 USD	2020 USD
Current portion	52,462	53,598
Non-current portion	<u>553,642</u>	<u>578,738</u>
	<u>606,104</u>	<u>632,336</u>



## Angkor Hospital for Children Limited

### Notes to the financial statements (continued)

(Expressed in United States dollars)

#### 14 Seniority payment obligations (continued)

The assumptions used in determining the ultimate cost for seniority payment include:

	2021	2020
Discount rate per annum	6.6%	6.6%
Staff turnover rate per annum	<u>19.2%</u>	<u>19.2%</u>

#### 15 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.

#### 16 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 2021, no contributions receivable are due after more than one year.

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 2021 and 2020.

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

(Expressed in United States dollars)

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

(b) Liquidity risk (continued)

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.

The following table details the Company's remaining contractual maturity for its financial liabilities based on the agreed repayment liabilities in accordance with the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

	Contractual undiscounted cash outflow					
	Carrying amount USD	Total contractual undiscounted cash flow USD	Within one year or on demand USD	More than one year but less than two years USD	More than two years but less than five years USD	More than five years USD
2021:						
Accounts payable and accruals	233,591	233,591	233,591	-	-	-
Deferred grant income	1,209,786	1,209,786	1,209,786	-	-	-
Seniority payment obligations	<u>606,104</u>	<u>643,274</u>	<u>87,370</u>	<u>84,309</u>	<u>225,391</u>	<u>246,204</u>
	<u>2,049,481</u>	<u>2,086,651</u>	<u>1,530,747</u>	<u>84,309</u>	<u>225,391</u>	<u>246,204</u>
2020:						
Accounts payable and accruals	256,184	256,184	256,184	-	-	-
Deferred grant income	1,483,166	1,483,166	1,483,166	-	-	-
Seniority payment obligations	<u>632,336</u>	<u>698,007</u>	<u>93,969</u>	<u>90,891</u>	<u>241,755</u>	<u>271,392</u>
	<u>2,371,686</u>	<u>2,437,357</u>	<u>1,833,319</u>	<u>90,891</u>	<u>241,755</u>	<u>271,392</u>

(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)

#### **16 Financial risk management and fair values (continued)**

##### (e) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2021 and 2020.

#### **17 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 surplus and total comprehensive expense for the year was USD348,964 compared to the deficit and total comprehensive income of USD547,168 in 2020. The surplus for the year is comprised of a USD214,426 net reduction in fixed assets and a USD563,390 operational surplus.

The USD4,859,539 closing reserve as of 31 December 2021 comprised of USD3,205,859 of fixed assets at net book value, net current assets of USD2,207,322 and non-current seniority payment obligations of USD553,642.

#### **18 Possible impact of amendments, and new standards and interpretations issued but not yet effective for the year ended 31 December 2021**

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 2021 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.