

Angkor Hospital for Children Limited

**Directors' report
and
audited financial statements
for the year ended 31 December 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 2022.

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 2022

The Company's income for the year was USD5,155,865, which represented a decrease of 3% as compared to the previous year. The organisation continues to seek out and secure support from a diverse group of donors, however the reliance of the organisation upon voluntary contributions from third parties means the Company remains exposed to changes in donor priorities and scope in addition to regional and global economic trends.

The Company's operating expenses for the year were USD4,838,364, which is a comparable with the previous year.

The surplus for the year was USD317,501 compared to restated surplus of USD472,099 in 2021. The surplus for the year is comprised of a USD296,936 net reduction in property, plant and equipment and a USD614,437 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 USD2,351,964, 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
Lina Saem Stoey
Lindsay William Ernest Cooper
Nicholas Philip John Day
Robert Andrew Gazzi
Sambath Soum
Wing Hoy Lawrence Tsang
Shun May Yeung
Sokleang Chea (Appointed on 1 April 2023)
Vireak Va (Appointed on 1 April 2023)
Lisa Katherine Genasci (Resigned on 1 April 2023)

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

A permitted indemnity provision provided by the Company for the benefit of the directors of the Company is currently in force and was in force throughout the year.

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

22 SEP 2023

**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 29, which comprise the statement of financial position as at 31 December 2022, and the statement of income and expenditure and other comprehensive income, 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 2022 and of its financial performance and cash flows for year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the 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 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 judgement 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, 22 SEP 2023

Ng Tsz Man

Practising certificate number P07892

Angkor Hospital for Children Limited
Statement of income and expenditure and other comprehensive income
for the year ended 31 December 2022

(Expressed in United States dollars)

	Note	2022 USD	2021 USD (restated)
Income			
Contributions received from third parties		4,575,099	5,071,362
Overseas government grants		194,199	127,802
Donations in kind	5	3,000	2,700
Sale of goods		7,344	12,847
Provision of services		302,308	54,412
Other income	6	<u>73,915</u>	<u>55,838</u>
		5,155,865	5,324,961
Expenditure			
Operating expenses		<u>(4,838,364)</u>	<u>(4,852,862)</u>
Surplus and total comprehensive income for the year	7	<u>317,501</u>	<u>472,099</u>
Of which:			
Unrestricted surplus		<u>317,501</u>	<u>472,099</u>
		<u>317,501</u>	<u>472,099</u>

The notes on pages 11 to 29 form part of these financial statements.

Angkor Hospital for Children Limited
Statement of financial position as at 31 December 2022
(Expressed in United States dollars)

	Note	2022 USD	2021 USD (restated)
Non-current asset			
Property, plant and equipment	10	<u>3,085,543</u>	<u>3,205,859</u>
Current assets			
Inventories	11	240,934	201,755
Accounts and other receivables	12	237,063	112,634
Cash and cash equivalents		<u>3,979,534</u>	<u>3,388,772</u>
		<u>4,457,531</u>	<u>3,703,161</u>
Current liabilities			
Accounts payables and accruals	13	91,931	110,456
Deferred grant income	14	1,739,192	1,209,786
Seniority payment obligations	15	<u>33,510</u>	<u>52,462</u>
		<u>1,864,633</u>	<u>1,372,704</u>
Net current assets		<u>2,592,898</u>	<u>2,330,457</u>
Total assets less current liabilities		<u>5,678,441</u>	<u>5,536,316</u>
Non-current liability			
Seniority payment obligations	15	<u>378,266</u>	<u>553,642</u>
NET ASSETS		<u>5,300,175</u>	<u>4,982,674</u>
Fund employed			
Unrestricted funds		<u>5,300,175</u>	<u>4,982,674</u>
TOTAL FUNDS		<u>5,300,175</u>	<u>4,982,674</u>

Approved and authorised for issue by the board of directors on

22 SEP 2023



Sambath Soum
Director



Tsang Wing Hoy Lawrence
Director

The notes on pages 11 to 29 form part of these financial statements.

Angkor Hospital for Children Limited
Statement of changes in funds
for the year ended 31 December 2022
(Expressed in United States dollars)

	Note	Unrestricted funds USD
Balance at 1 January 2021		4,510,575
Surplus and total comprehensive income for the year, as restated	3	<u>472,099</u>
Balance at 31 December 2021 and 1 January 2022, as restated	3	4,982,674
Surplus and total comprehensive income for the year		<u>317,501</u>
Balance at 31 December 2022	18	<u><u>5,300,175</u></u>

The notes on pages 11 to 29 form part of these financial statements.

Angkor Hospital for Children Limited
Statement of cash flows
for the year ended 31 December 2022

(Expressed in United States dollars)

	Note	2022 USD	2021 USD (restated)
Operating activities			
Surplus for the year		317,501	472,099
Adjustments for:			
- Depreciation of property, plant and equipment	7(b)	291,166	296,236
- Donations in kind of property, plant and equipment	5	(3,000)	(2,700)
- Interest income	6	(3,616)	(1,167)
- Reversal of seniority payment obligations	6	(68,716)	(38,889)
- Reversal of write-down of inventories	6	-	(12,099)
- Seniority payment obligations adjustments	7(a)	(85,155)	41,629
- Write-off of property, plant and equipment	7(b)	<u>5,770</u>	<u>2,860</u>
Operating surplus before working capital changes		453,950	757,969
(Increase)/decrease in inventories		(39,179)	88,840
Increase in accounts and other receivables		(124,429)	(55,981)
Decrease in accounts payables and accruals		(18,525)	(145,728)
Increase/(decrease) in deferred grant income		529,406	(273,380)
Payment for seniority payment obligations		(<u>40,457</u>)	(<u>28,972</u>)
Net cash generated from operating activities		<u>760,766</u>	<u>342,748</u>
Investing activities			
Interest income received		3,616	1,167
Payment for the purchase of property, plant and equipment		(<u>173,620</u>)	(<u>81,970</u>)
Net cash used in investing activities		(<u>170,004</u>)	(<u>80,803</u>)
Net increase in cash and cash equivalents		590,762	261,945
Cash and cash equivalents at 1 January		<u>3,388,772</u>	<u>3,126,827</u>
Cash and cash equivalents at 31 December		<u>3,979,534</u>	<u>3,388,772</u>

The notes on pages 11 to 29 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 Company’s operation is principally located in Cambodia.

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 and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance.

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 or revised HKFRS that is not yet effective for the current accounting period (see note 19).

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 4.

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(e)(ii)).

Depreciation is calculated to write-off the cost of items of property, plant and equipment, 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 property, plant and equipment 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.

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. When the Company enters into a lease in respect of a low-value asset, the Company decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a straight-line basis over the lease term.

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)

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentive received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see note 2(e)(ii)). Depreciation is calculated to write-off the cost of right-of-use assets using the straight-line method over the lease term.

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.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

(e) Credit loss and impairment of assets

(i) Credit losses from financial assets

The Company recognises a loss allowance for expected credit losses ("ECLs") on the financial assets measured at amortised cost (including accounts and 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 at the original effective interest rate, where the effect of discounting is material.

Angkor Hospital for Children Limited

Notes to the financial statements (continued)

(Expressed in United States dollars)

2 Significant accounting policies (continued)

(e) Credit loss and impairment of assets (continued)

(i) Credit losses from financial assets (continued)

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk. 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 asset since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs which result from all possible default events over the expected lives of these financial assets. The 12-month ECLs are losses that are expected to result from possible default events within the 12 months after the end of the reporting period.

In assessing whether the credit risk of a financial asset has increased significantly since initial recognition, the Company compares the risk of default occurring on the financial asset assessed at the end of reporting period with that assessed at the date of initial recognition. In making this reassessment, the Company considers that a default event occurs when the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held). The Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of non-current assets

Internal and external sources of information are reviewed at the end of the reporting period to identify indications that the property, plant and equipment 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)

(e) Credit loss and impairment of assets (continued)

(ii) Impairment of non-current assets (continued)

- 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.

(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.

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.

Angkor Hospital for Children Limited

Notes to the financial statements (continued)

(Expressed in United States dollars)

2 Significant accounting policies (continued)

(f) Inventories (continued)

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

(g) Receivables

A receivable is recognised when the Company has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 2(e)(i)).

(h) 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(e)(i).

(i) Payables

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

(j) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(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.

Angkor Hospital for Children Limited

Notes to the financial statements (continued)

(Expressed in United States dollars)

2 Significant accounting policies (continued)

(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, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

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

(m) Revenue recognition

Revenue is recognised when control over a service or product is transferred to the customer at the amount of promised consideration to which the Company is expected to be entitled, excluding those amounts collected on behalf of third parties.

Further details of the Company's revenue and other income recognition policies are 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 and other 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

Revenue is recognised at a point in time when the customer take possession of and accepts the products.

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

(Expressed in United States dollars)

2 Significant accounting policies (continued)

(m) Revenue recognition (continued)

(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.

(o) Translation of foreign currencies

These financial statements are presented in United States dollars ("USD"), which is also the functional currency of the Company.

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

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

2 Significant accounting policies (continued)

(p) Related parties

- (a) A person, or a close member of that person's family, is related to the Company if that person:
 - (i) has control or joint control of the Company;
 - (ii) has significant influence over the Company; or
 - (iii) is a member of the key management personnel of the Company.
- (b) An entity is related to the Company if any of the following conditions applies:
 - (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint venture of a third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealing with the entity.

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

(Expressed in United States dollars)

3 Prior year restatement

During the course of preparing the Company's financial statements for the year ended 31 December 2022, it has come to the attention of the management of the Company that certain provision of USD123,135 for certain operating expenses was over-provided in the financial statements for the year ended 31 December 2021.

The following tables disclose the restatement that has been made to rectify the error stated above to the line items in the statement of income and expenditure and other comprehensive income for the year ended 31 December 2021 and the statement of financial position as at 31 December 2021. This restatement does not have impact on the Company's statement of financial position as at 1 January 2021.

Statement of income and expenditure and other comprehensive income for the year ended 31 December 2021

	As previously reported USD	Effect of prior year restatements USD	As restated USD
Income			
Contributions received from third parties	5,071,362	-	5,071,362
Overseas government grants	127,802	-	127,802
Donations in kind	2,700	-	2,700
Sale of goods	12,847	-	12,847
Provision of services	54,412	-	54,412
Other income	<u>55,838</u>	<u>-</u>	<u>55,838</u>
	5,324,961	-	5,324,961
Expenditure			
Operating expenses	<u>(4,975,997)</u>	<u>123,135</u>	<u>(4,852,862)</u>
Surplus and other comprehensive income for the year	<u>348,964</u>	<u>123,135</u>	<u>472,099</u>
Of which:			
Unrestricted surplus	<u>348,964</u>	<u>123,135</u>	<u>472,099</u>
	<u>348,964</u>	<u>123,135</u>	<u>472,099</u>

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

3 Prior year restatement (continued)

Statement of financial position as at 31 December 2021

	As previously reported USD	Effect of prior year restatements USD	As restated USD
Non-current asset			
Property, plant and equipment	<u>3,205,859</u>	-	<u>3,205,859</u>
Current assets			
Inventories	201,755	-	201,755
Accounts receivable	112,634	-	112,634
Cash and cash equivalents	<u>3,388,772</u>	-	<u>3,388,772</u>
	<u>3,703,161</u>	-	<u>3,703,161</u>
Current liabilities			
Accounts payable and accruals	233,591	(123,135)	110,456
Deferred grant income	1,209,786	-	1,209,786
Seniority payment obligations	<u>52,462</u>	-	<u>52,462</u>
	<u>1,495,839</u>	(123,135)	<u>1,372,704</u>
Net current assets	<u>2,207,322</u>	<u>123,135</u>	<u>2,330,457</u>
Total assets less current liabilities	<u>5,413,181</u>	<u>123,135</u>	<u>5,536,316</u>
Non-current liability			
Seniority payment obligations	<u>553,642</u>	-	<u>553,642</u>
NET ASSETS	<u>4,859,539</u>	<u>123,135</u>	<u>4,982,674</u>
Fund employed			
Unrestricted funds	<u>4,859,539</u>	<u>123,135</u>	<u>4,982,674</u>
TOTAL FUNDS	<u>4,859,539</u>	<u>123,135</u>	<u>4,982,674</u>

Angkor Hospital for Children Limited

Notes to the financial statements (continued)

(Expressed in United States dollars)

4 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.

5 Donations in kind

The Company receives donations in kind of property, plant and equipment amounted to USD3,000 (2021: USD2,700), medical supplies and medicines from donors.

Property, plant and equipment 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 property, plant and equipment 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 property, plant and equipment at 31 December 2022 was USD78,999 (2021: USD103,696).

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.

6 Other income

	2022	2021
	USD	USD
Interest income	3,616	1,167
Exchange gains, net	-	1,235
Sundry income	1,583	2,448
Reversal of seniority payment obligations	68,716	38,889
Reversal of write down of inventories	<u>-</u>	<u>12,099</u>
	<u>73,915</u>	<u>55,838</u>

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

(Expressed in United States dollars)

7 Surplus for the year

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

	2022 USD	2021 USD
(a) Staff costs (including directors' remuneration)		
Salaries, allowances and other benefits	3,129,254	3,250,541
Contribution to defined contribution retirement plan	154,455	161,449
Seniority payment obligations adjustments	<u>(85,155)</u>	<u>41,629</u>
	<u>3,198,554</u>	<u>3,453,619</u>
(b) Other items:		
Auditor's remuneration	22,290	11,460
Cost of inventories recognised as expense (see note 11(b))	577,015	568,688
Depreciation of property, plant and equipment	291,166	296,236
Exchange losses, net	6,732	-
Expenses relating to leases of low-value assets under HKFRS 16	13,180	13,200
Write-off of property, plant and equipment	<u>5,770</u>	<u>2,860</u>

8 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 received, or will 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 (2021: USDnil).

9 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)

10 Property, plant and equipment

	Leasehold land and building USD	Leasehold improvements USD	Medical equipment USD	Office equipment USD	Motor vehicles USD	Total USD
Cost:						
At 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
Write-off	-	-	(24,691)	(4,080)	(31,680)	(60,451)
At 31 December 2021 and 1 January 2022	2,410,789	662,962	1,274,468	379,834	244,914	4,972,967
Reclassification	117,525	(51,313)	(28,534)	(37,678)	-	-
Additions	-	-	139,924	31,476	5,220	176,620
Write-off	-	(4,840)	(296,944)	-	(10,654)	(312,438)
At 31 December 2022	<u>2,528,314</u>	<u>606,809</u>	<u>1,088,914</u>	<u>373,632</u>	<u>239,480</u>	<u>4,837,149</u>
Accumulated depreciation:						
At 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
Eliminated on write-off	-	-	(21,831)	(4,080)	(31,680)	(57,591)
At 31 December 2021 and 1 January 2022	447,142	98,583	845,134	225,917	150,332	1,767,108
Reclassification	117,525	(51,313)	(28,534)	(37,678)	-	-
Charge for the year	58,853	16,012	132,061	50,711	33,529	291,166
Eliminated on write-off	-	(250)	(295,764)	-	(10,654)	(306,668)
At 31 December 2022	<u>623,520</u>	<u>63,032</u>	<u>652,897</u>	<u>238,950</u>	<u>173,207</u>	<u>1,751,606</u>
Carrying value:						
At 31 December 2022	<u>1,904,794</u>	<u>543,777</u>	<u>436,017</u>	<u>134,682</u>	<u>66,273</u>	<u>3,085,543</u>
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>

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

(Expressed in United States dollars)

11 Inventories

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

	2022 USD	2021 USD
Medicines	110,229	80,628
Medical supplies	103,865	90,508
Office and housekeeping supplies	<u>26,840</u>	<u>30,619</u>
	<u>240,934</u>	<u>201,755</u>

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

	2022 USD	2021 USD
Operating expenses:		
Medicines	244,987	240,902
Medical supplies	260,746	261,583
Office and housekeeping supplies	<u>71,282</u>	<u>66,203</u>
	<u>557,015</u>	<u>568,688</u>

12 Accounts and other receivables

	2022 USD	2021 USD
Contribution receivables	112,330	61,118
Other receivables and deposits	81,058	28,443
Prepayments	<u>43,675</u>	<u>23,073</u>
	<u>237,063</u>	<u>112,634</u>

All accounts and other receivables are expected to be recovered or recognised as expenses within one year.

13 Accounts payables and accruals

	2022 USD	2021 USD (restated)
Accounts payable	42,489	70,643
Accrued expenses	<u>49,442</u>	<u>39,813</u>
	<u>91,931</u>	<u>110,456</u>

All of the accounts payable are expected to be settled within one year.

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

(Expressed in United States dollars)

14 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.

15 Seniority payment obligations

The Company assessed the impact of seniority back payment, and estimated the liabilities of USD411,776 (2021: USD606,104) and recognised in the financial statement accordingly.

	2022 USD	2021 USD
Current portion	33,510	52,462
Non-current portion	<u>378,266</u>	<u>553,642</u>
	<u>411,776</u>	<u>606,104</u>

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

	2022	2021
Discount rate per annum	3.94%	6.58%
Staff turnover rate per annum	<u>15.74%</u>	<u>19.17%</u>

16 Fund management

The Company defines "capital" as including all components of members' funds.

The Company's primary objective when managing capital is to safeguard its ability to continue as a going concern, so that it is able to carry out hospital activities and meet its objectives. The company manages capital by regularly monitoring its current and expected liquidity requirements.

The company is not subject to either internally or externally imposed capital requirements.

Angkor Hospital for Children Limited

Notes to the financial statements (continued)

(Expressed in United States dollars)

17 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

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. The Company's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are financial institutions that have sound credit ratings. The directors consider that no loss allowance is necessary in respect of the receivables as the probability of default is assessed to be insignificant.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

(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.

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.

	Carrying amount USD	Contractual undiscounted cash outflow				
		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
2022:						
Accounts payable and accruals	91,931	91,931	91,931	-	-	-
Deferred grant income	1,739,192	1,739,192	1,739,192	-	-	-
Seniority payment obligations	<u>411,776</u>	<u>588,411</u>	<u>33,510</u>	<u>32,842</u>	<u>94,017</u>	<u>428,042</u>
	<u>2,242,899</u>	<u>2,419,534</u>	<u>1,864,633</u>	<u>32,842</u>	<u>94,017</u>	<u>428,042</u>

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

(Expressed in United States dollars)

17 Financial risk management and fair values (continued)

(b) Liquidity risk (continued)

	Carrying amount USD	Contractual undiscounted cash outflow				
		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: (restated)						
Accounts payable and accruals	110,456	110,456	110,456	-	-	-
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>1,926,346</u>	<u>1,963,516</u>	<u>1,407,612</u>	<u>84,309</u>	<u>225,391</u>	<u>246,204</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.

(e) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2022 and 2021.

18 Reserves

The opening and closing balances of each component of the Company's fund and a reconciliation between these amounts are set out in the statement of changes in fund.

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

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

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

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

(Expressed in United States dollars)

19 Possible impact of amendments, and new standards and interpretations issued but not yet effective for the year ended 31 December 2022

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, and a new standard which are not yet effective for the year ended 31 December 2022 and which have not been adopted in these financial statements.

The Company is assessing what the impact of these developments is expected to be in the period of initial application. So far it has concluded that their adoption will not have a significant impact on the Company's financial statements.

20 Comparative figures

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