

**CONFEDERATION OF ASIAN AND PACIFIC
ACCOUNTANTS LIMITED
("THE CONFEDERATION")**

**REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**



WONG BROTHERS CPA LIMITED
CERTIFIED PUBLIC ACCOUNTANTS (PRACTISING)

CONFEDERATION OF ASIAN AND PACIFIC ACCOUNTANTS LIMITED
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

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CONFEDERATION OF ASIAN AND PACIFIC ACCOUNTANTS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

The directors submit their report and the audited financial statements of the Confederation for the year ended 31 December 2023.

Principal activity

The principal activity of the Confederation is to be an inspirational leader for the accountancy profession in the region, actively developing, coordinating and advancing the profession to be relevant and respected, trusted and valued by governments and businesses, and recognised for contributing to the development of sustainable financial markets and economies. There was no significant change in the nature of the activity during the year.

Results and financial position

The results of the Confederation for the year ended 31 December 2023 are set out in the statement of profit or loss and other comprehensive income on page 6.

The financial position of the Confederation as at 31 December 2023 is set out in the statement of financial position on page 7.

Reporting exemption

The Confederation falls within the reporting exemption under section 359 of the Hong Kong Companies Ordinance Cap 622 as it qualifies as a small guarantee company and therefore exempted from preparing a business review and other disclosures required by the Companies Ordinance Cap 622.

Directors

The directors who held office during the year and up to the date of this report are as follows:-

James Knafo	
Prafulla Chhajed	
Priya Dharshini Terumalay	
Satsuki Miyahara	
Wynton Gill Cox	
Yong Sok Jhun	
Aniket Sunil Talati	(Appointed on 6 October 2023)
Md Shahadat Hossain	(Appointed on 6 October 2023)
Randy Bisa Blanza	(Appointed on 6 October 2023)
Richard Lekep Kuna	(Appointed on 6 October 2023)
Tishan Harendranath Subasinghe	(Appointed on 6 October 2023)
Subasinghe Mudiyansele	
Wenxiang Wan	(Appointed on 6 October 2023)
Yuddha Raj Oli	(Appointed on 6 October 2023)
Ashfaq Yousuf Tola	(Appointed on 16 January 2023 and resigned on 2 May 2023)
Muhammad Ali Latif	(Appointed on 2 May 2023 and retired on 6 October 2023)
Jafar Husain	(Resigned on 16 January 2023)
Huihao Shu	(Resigned on 5 September 2023)
Nancy Foran	(Retired on 6 October 2023)
Nasir Uddin Ahmed	(Retired on 6 October 2023)
Singappuli Mudiyansele	(Retired on 6 October 2023)
Susantha Sanjaya Bandara	
Suvod Kumar Karn	(Retired on 6 October 2023)

CONFEDERATION OF ASIAN AND PACIFIC ACCOUNTANTS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

Management contracts

The Confederation has not entered into any contract whereby the management and administration of the whole or any substantial part of the Confederation's business has been undertaken by a party other than the Confederation's directors, executives or employees.

Permitted indemnity provisions

No permitted indemnity provision (as defined in section 469 of the Hong Kong Companies Ordinance) for the benefit of the directors of the Confederation is currently in force and was in force throughout the year.

Auditors

A resolution proposing that Wong Brothers CPA Limited, Certified Public Accountants (Practising), be reappointed as auditors of the Confederation will be put to the Annual General Meeting.

On behalf of the Board



Prafulla Chhajed
Director

Dated 6 MAR 2024



Independent Auditors' Report to the Members of
CONFEDERATION OF ASIAN AND PACIFIC ACCOUNTANTS LIMITED
(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the financial statements of Confederation of Asian and Pacific Accountants Limited set out on pages 6 to 25, which comprise the statement of financial position as at 31 December 2023, and the statement of profit or loss and other comprehensive income, the statement of changes in accumulated funds and the statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the financial statements give a true and fair view of the financial position of the Confederation as at 31 December 2023 and of its financial performance and cash flows for the 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 Cap 622.

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 auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Confederation 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.

Information other than the financial statements and auditors' report thereon

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 auditors' 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.

WONG BROTHERS CPA LIMITED

CERTIFIED PUBLIC ACCOUNTANTS (PRACTISING)

Independent Auditors' Report to the Members of

CONFEDERATION OF ASIAN AND PACIFIC ACCOUNTANTS LIMITED (Incorporated in Hong Kong with limited liability)

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

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance Cap 622, 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 Confederation'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 Confederation or to cease operations, or have no realistic alternative but to do so.

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

Auditors' 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 auditors' 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 Cap 622, 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 Confederation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

WONG BROTHERS CPA LIMITED

CERTIFIED PUBLIC ACCOUNTANTS (PRACTISING)

Independent Auditors' Report to the Members of

CONFEDERATION OF ASIAN AND PACIFIC ACCOUNTANTS LIMITED (Incorporated in Hong Kong with limited liability)

Auditors' responsibilities for the audit of the financial statements (Cont'd)

- 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 Confederation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Confederation 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, if any, that we identify during our audit.



Wong Brothers CPA Limited
Certified Public Accountants (Practising)

Albert Wing Wa, Chui
Practising Certificate Number: P06952

Hong Kong, 6 MAR 2024

CONFEDERATION OF ASIAN AND PACIFIC ACCOUNTANTS LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 US\$	2022 US\$
Revenue	5	586,595	559,588
Other income	5	51,236	9,738
Administrative and general expenses		(535,994)	(475,241)
Finance costs		<u>(562)</u>	<u>(551)</u>
Surplus before tax	6	101,275	93,534
Income tax expense	9	<u>--</u>	<u>--</u>
Surplus for the year		101,275	93,534
Other comprehensive income		<u>--</u>	<u>--</u>
Total comprehensive income for the year		<u><u>101,275</u></u>	<u><u>93,534</u></u>

CONFEDERATION OF ASIAN AND PACIFIC ACCOUNTANTS LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

	Notes	2023 US\$	2022 US\$
ASSETS			
Non-current assets			
Property, plant and equipment	10	3,716	1,299
Right-of-use assets	11	<u>7,787</u>	<u>13,690</u>
Total non-current assets		<u>11,503</u>	<u>14,989</u>
Current assets			
Inventory of souvenirs		854	878
Accounts and other receivables	12	9,551	5,142
Bank and cash balances	13	<u>1,431,115</u>	<u>1,415,586</u>
Total current assets		<u>1,441,520</u>	<u>1,421,606</u>
Total assets		<u>1,453,023</u>	<u>1,436,595</u>
EQUITY AND LIABILITIES			
Accumulated funds attributable to Members			
Accumulated funds		<u>1,350,934</u>	<u>1,249,659</u>
Non-current liabilities			
Lease liabilities	14	<u>2,079</u>	<u>8,112</u>
Current liabilities			
Accounts and other payables		27,627	22,963
Contract liabilities	15	66,350	150,122
Lease liabilities	14	<u>6,033</u>	<u>5,739</u>
Total current liabilities		<u>100,010</u>	<u>178,824</u>
Total liabilities		<u>102,089</u>	<u>186,936</u>
Total equity and liabilities		<u>1,453,023</u>	<u>1,436,595</u>

Approved by the board of directors
on 6 MAR 2024

Prafulla Chhajed
Director

Yong Sok Jhun
Director

CONFEDERATION OF ASIAN AND PACIFIC ACCOUNTANTS LIMITED

STATEMENT OF CHANGES IN ACCUMULATED FUNDS

FOR THE YEAR ENDED 31 DECEMBER 2023

	Accumulated funds	
	2023	2022
	US\$	US\$
At beginning of year	1,249,659	1,156,125
Total comprehensive income for the year	<u>101,275</u>	<u>93,534</u>
At end of year	<u>1,350,934</u>	<u>1,249,659</u>

CONFEDERATION OF ASIAN AND PACIFIC ACCOUNTANTS LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 US\$	2022 US\$
Cash flows from operating activities			
Surplus before tax		101,275	93,534
Adjustments for:			
Depreciation of property, plant and equipment		2,030	1,276
Depreciation of right-of-use assets		5,903	5,274
Interest income		(51,236)	(9,738)
Interest expenses on lease liabilities		562	551
Operating profit before working capital changes		58,534	90,897
Decrease in inventory of souvenirs		24	444
Increase in accounts and other receivables		(4,409)	(391)
(Decrease)/increase in accounts, other payables and contract liabilities		(79,108)	63,986
Net cash (outflow)/inflow from operating activities		(24,959)	154,936
Cash flows from investing activities			
Payments to acquire property, plant and equipment		(4,447)	-
(Increase)/decrease in time deposits matured over 3 months		(496,564)	4,065
Interest received		51,236	9,738
Net cash (outflow)/inflow from investing activities		(449,775)	13,803
Cash flows from financing activities			
Repayments of principal portion lease liabilities	14	(5,739)	(5,598)
Interest paid on lease liabilities		(562)	(551)
Net cash outflow from financing activities		(6,301)	(6,149)
Net (decrease)/increase in cash and cash equivalents		(481,035)	162,590
Cash and cash equivalents at beginning of year		546,605	384,015
Cash and cash equivalents at end of year	13	65,570	546,605

CONFEDERATION OF ASIAN AND PACIFIC ACCOUNTANTS LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

1. LEGAL STATUS

The Confederation is incorporated under the predecessor Hong Kong Companies Ordinance Cap 32 and its liability is limited by guarantee. Under the provisions of the Confederation's Articles of Association, every member organisation shall, in the event of the Confederation being wound up, contribute to the assets of the Confederation to the extent of HK\$100 (equivalent to US\$13).

2. GENERAL INFORMATION

The Confederation does not have a principal place of business in Hong Kong. It has a regional office approved by the relevant authorities in Malaysia to carry out permissible activities in Malaysia. The address of its registered office is Units 801-2, 8/F., Western Centre, No. 40-50 Des Voeux Road West, Hong Kong.

The principal activity of the Confederation is to be an inspirational leader for the accountancy profession in the region, actively developing, coordinating and advancing the profession to be relevant and respected, trusted and valued by governments and businesses, and recognised for contributing to the development of sustainable financial markets and economies.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below and have been consistently applied during the year, unless otherwise stated.

3.1 Statement of compliance and basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which 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, and the requirements of the Hong Kong Companies Ordinance (Cap 622).

The measurement basis used in preparing the financial statements is historical cost, except where otherwise stated in the accounting policies below.

(b) Impact of new and revised HKFRS

(i) Standards, interpretations and amendments effective since 1 January 2023

In the current year, the Confederation adopted all the new and revised HKFRSs if they are relevant to its operations and effective for its accounting year beginning on 1 January 2023. The adoption of these new and revised HKFRSs did not result in significant changes to the Confederation's accounting policies, presentation of the Confederation's financial statements and amounts reported for the current year and prior years.

CONFEDERATION OF ASIAN AND PACIFIC ACCOUNTANTS LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Cont'd)

3.1 Statement of compliance and basis of preparation (Cont'd)

(b) Impact of new and revised HKFRS (Cont'd)

(ii) Impact of standards, amendments and interpretations yet to be adopted

Up to the date of approval of these financial statements, the HKICPA has issued a number of new/revised standards, amendments and new/revised interpretations, which are not yet effective and which have not been early adopted by the Confederation for the year ended 31 December 2023. The directors are in the process of making an assessment and are not yet in a position to determine the impact of these new/revised standards, amendments and new/revised interpretations to the results and financial position of the Confederation upon adoption.

3.2 Property, plant and equipment

Property, plant and equipment are stated at cost less aggregate depreciation and impairment losses where appropriate. The cost of an asset comprises its purchase price and any directly attributable cost of bringing the asset to its present working condition and location for its intended use. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Confederation and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to surplus or deficit during the year in which they are incurred. When assets are sold or retired, their cost and aggregate depreciation/impairment losses are eliminated from the accounts and any gain or loss resulting from their disposal is included in surplus or deficit.

Depreciation is provided to write off the cost less residual value of each item of property, plant and equipment over its expected useful life of 3 years on a straight-line basis. The useful lives are reviewed and adjusted if appropriate, at the end of each reporting period.

3.3 Impairment of non-financial assets

Internal and external sources of information are reviewed at the end of each reporting date to identify indications that non-financial 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. The recoverable amount of an asset is the greater of its net selling price and value in use. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

An impairment loss is reversed if there has been a change in the estimates resulting in an increase of the recoverable amount. A reversal of impairment losses 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 surplus and deficit in the year in which the reversals are recognised.

CONFEDERATION OF ASIAN AND PACIFIC ACCOUNTANTS LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Cont'd)

3.4 Inventory of souvenirs

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. Net realisable value is the estimated selling price less applicable variable selling expenses.

3.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Confederation operates (“the functional currency”). The financial statements are presented in United States dollars (“US\$”), which is the Confederation’s functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions during the year are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are retranslated at the rates prevailing at the reporting date. Foreign exchange gains and losses arising from foreign currency transaction and translation differences are recognised in surplus or deficit.

3.6 Financial instruments

Financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Accordingly, financial assets are recognised if the Confederation has a contractual right to receive cash or other financial assets from another entity. Financial liabilities are recognized if Confederation has a contractual obligation to transfer cash or other financial assets to another entity.

(a) Financial assets carried at amortised cost

These are non-derivative financial assets that are held as part of a business model that aims to collect contractual cash flows and that additionally fulfill the cash flow condition, i.e. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets under this category include accounts and other receivables and bank balances. They are initially measured at fair value and subsequently at amortised cost using the effective interest method.

(b) Financial liabilities

Financial liabilities generally comprise non-derivative financial liabilities.

Non-derivative financial liabilities such as accounts and other payables and contract liabilities are initially measured at fair value and subsequently at amortised cost using the effective interest method.

CONFEDERATION OF ASIAN AND PACIFIC ACCOUNTANTS LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Cont'd)

3.6 Financial instruments (Cont'd)

(c) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(d) Impairment of financial assets

The Confederation performs impairment assessment under Expected Credit Loss (“ECL”) model on financial assets which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant financial assets. In contrast, 12-month ECL (“12m ECL”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment is done based on the Confederation’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

Contributions receivable

The Confederation always recognizes lifetime ECL for contributions receivable without significant financing component. The ECL on these assets is assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

Other financial assets

For all other instruments, the Confederation measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Confederation recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

In assessing whether the credit risk of other financial assets has increased significantly since initial recognition, the Confederation compares the risk of a default occurring on them as at the reporting date with the risk of a default as at the date of initial recognition. In making this assessment, the Confederation 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.

CONFEDERATION OF ASIAN AND PACIFIC ACCOUNTANTS LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Cont'd)

3.6 Financial instruments (Cont'd)

(d) Impairment of financial assets (Cont'd)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Confederation presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Confederation has reasonable and supportable information that demonstrates otherwise.

For internal credit risk management, the Confederation considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors in full (without taking into account any collaterals held by the Confederation).

Irrespective of the above, the Confederation considers that default has occurred when a financial asset, other than contributions receivable, is more than 90 days past due unless the Confederation has reasonable and supportable information to demonstrate that a more lagging default criterion is appropriate.

The Confederation writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. A write-off constitutes a de-recognition event. Any subsequent recoveries are recognised in surplus or deficit.

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Confederation in accordance with the contract and the cash flows that the Confederation expects to receive, discounted at the effective interest rate determined at initial recognition.

CONFEDERATION OF ASIAN AND PACIFIC ACCOUNTANTS LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Cont'd)

3.7 Accounts and other receivables

A receivable is recognised when the Confederation 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. If revenue has been recognised before the Confederation has an unconditional right to receive consideration, the amount is presented as a contract asset.

3.8 Leases

At inception of a contract, the Confederation 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 Confederation 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 Confederation enters into a lease in respect of a low-value asset, the Confederation 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 systematic basis over the lease term.

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. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The lease liability is remeasured when there is a change in future lease payments arising from a change in interest rate, or there is a change in the Confederation'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 Confederation 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 surplus or deficit if the carrying amount of the right-of-use asset has been reduced to zero.

The right-of-use asset recognised 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 the 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 incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses. Expected useful lives are determined by reference to comparable owned assets or the lease term, if shorter. Depreciation is provided to write off the cost over its expected lease term.

CONFEDERATION OF ASIAN AND PACIFIC ACCOUNTANTS LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Cont'd)

3.9 Employee benefits

Short-term employee benefits including 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 value.

3.10 Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Confederation 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 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.

3.11 Revenue recognition

Revenue is recognised when control over a service is transferred at the amount of promised consideration to which the Confederation is expected to be entitled in exchange for those services. Revenue recognition policies of the Confederation are as follows:-

(a) Membership contributions

Contributions from member organisations apply to a calendar year and are due and payable in January and are recognised as revenue on a straight-line basis. Contributions paid before January are treated as contract liabilities (Note 15).

(b) Interest income

Interest income is recognised as it is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

(c) Donated services

A variety of member representative services, including from directors, are provided by highly qualified volunteers. The Confederation does not recognise these services in the financial statements as their value cannot be reliably measured.

CONFEDERATION OF ASIAN AND PACIFIC ACCOUNTANTS LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Cont'd)

3.12 Contract liabilities

A contract liability is recognised when member organisations pay consideration before the Confederation recognises the related revenue. A contract liability would also be recognised if the Confederation has an unconditional right to receive consideration before the Confederation recognises the related revenue.

3.13 Cash and cash equivalents

Cash equivalents represent short-term, highly liquid investments that are readily convertible into known amounts of cash which are subject to an insignificant risk of change in value. Cash and cash equivalents include cash in hand and deposits held with a bank and other short-term highly liquid investments with original maturities of three months or less.

3.14 Related parties

A related party is:-

- (a) A person or a close member of that person's family is related to the Confederation if that person:
 - (i) Has control or joint control over the Confederation;
 - (ii) Has significant influence over the Confederation; or
 - (ii) Is a member of key management personnel of the Confederation.

- (b) An entity is related to the Confederation if any of the following conditions applies:
 - (i) The entity and the Confederation are members of the same group.
 - (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 the Confederation and the entity are joint ventures of the same 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 the employees of the Confederation or an entity related to the Confederation. If the Confederation is itself such a plan, the sponsoring employers are also related to the Confederation.
 - (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 key management personnel 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 Confederation.

CONFEDERATION OF ASIAN AND PACIFIC ACCOUNTANTS LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Categories of financial instruments

	2023	2022
	US\$	US\$
Financial assets at amortised cost		
Accounts and other receivables	9,551	5,142
Bank and cash balances	<u>1,431,115</u>	<u>1,415,586</u>
	<u>1,440,666</u>	<u>1,420,728</u>
Financial liabilities at amortised cost		
Accounts and other payables	27,627	22,963
Lease liabilities	<u>8,112</u>	<u>13,851</u>
	<u>35,739</u>	<u>36,814</u>

The directors considered that the above financial assets and liabilities recognised in the financial statements approximated their fair value.

The Confederation's activities are exposed to credit risk, liquidity risk, foreign currency risk and interest rate risk, which are closely monitored by the directors. The Confederation's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on these risks.

(a) Credit risk

Credit risk is the risk of counterparties defaulting, resulting in financial losses to the Confederation. The directors consider that the only credit risk is cash at a bank of US\$1,430,439 (2022: US\$1,414,866). The risk is minimal as the counterparties are the bank with high credit ratings and quality.

CONFEDERATION OF ASIAN AND PACIFIC ACCOUNTANTS LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

(b) Liquidity risk

The Confederation exercises prudent liquidity and cash flow risk management policies and aims at maintaining sufficient liquidity and cash flow at all times. The following table indicates the remaining contractual maturities of the financial liabilities of the Confederation at the end of the reporting period. The amounts of repayments are based on undiscounted cash flows and the earliest date of repayments.

2023	Carrying value US\$	Total contractual undiscounted cash flow US\$	Repayable within 1 year or on demand US\$	Repayable within 2 to 5 years US\$
Accounts and other payables	27,627	27,627	27,627	--
Lease liabilities	8,112	8,402	6,301	2,101
	<u>35,739</u>	<u>36,029</u>	<u>33,928</u>	<u>2,101</u>
2022	Carrying value US\$	Total contractual undiscounted cash flow US\$	Repayable within 1 year or on demand US\$	Repayable within 2 to 5 years US\$
Accounts and other payables	22,963	22,963	22,963	--
Lease liabilities	13,851	14,703	6,301	8,402
	<u>36,814</u>	<u>37,666</u>	<u>29,264</u>	<u>8,402</u>

CONFEDERATION OF ASIAN AND PACIFIC ACCOUNTANTS LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

(c) Foreign currency risk

The Confederation is exposed to foreign currency risk arising from recognised assets and liabilities denominated in a currency other than the functional currency of the Confederation to which they relate. The currency giving rise to this risk was primarily Malaysian Ringgit (“MYR”).

The following table details the Confederation’s exposure to foreign currency risk at the end of the reporting period arising from assets denominated in Malaysian Ringgit.

	2023	2022
	MYR	MYR
Bank and cash balances	<u>374,889</u>	<u>414,252</u>

The following table indicates the approximate change in the Confederation’s surplus or deficit and accumulated funds in response to a reasonably possible change in the foreign exchange rate of Malaysian Ringgit:-

	2023		2022	
	Increase/ (decrease) in foreign exchange rate by	Increase/ (decrease) in surplus or deficit and accumulated funds US\$	Increase/ (decrease) in foreign exchange rate by	Increase/ (decrease) in surplus or deficit and accumulated funds US\$
Malaysian Ringgit	5%	4,100	5%	4,700
Malaysian Ringgit	<u>(5%)</u>	<u>(4,100)</u>	<u>(5%)</u>	<u>(4,700)</u>

The sensitivity analysis has been determined assuming that changes in foreign exchange rates occurred at the end of the reporting period and that all other variables, in particular interest rates, remained constant. The changes represent management’s assessment of a reasonably possible change in the foreign exchange rate over the period until the end of the next financial year. The analysis is performed on the same basis as used for 2022.

CONFEDERATION OF ASIAN AND PACIFIC ACCOUNTANTS LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

(d) Interest rate risk

The Confederation has placed surplus funds at a bank to earn interest at floating rates. Interest rate risk arises as fluctuation of market interest rates would affect the Confederation's future level of interest income. Interest rate risk is managed on an ongoing basis. The following table details the floating rate interest bearing time deposits of the Confederation at the end of the reporting period:-

	2023 US\$	2022 US\$
Time deposits	<u>1,365,545</u>	<u>868,981</u>

It is estimated by the directors for the sensitivity analysis of interest rate risk that if there is a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, the profit for the year would have increased/decreased by approximately US\$14,000 (2022: US\$9,000). The sensitivity analysis for interest rate risk has been determined assuming that the change in interest rates had occurred at 31 December 2023.

The increase/decrease of basis points estimated by the directors are based on the directors' assessment of a reasonably possible change in interest rates over the period until the next annual reporting date. The analysis is performed on the same basis for 2022.

5. REVENUE AND OTHER INCOME

	2023 US\$	2022 US\$
Revenue		
Contributions from member organisations recognised over time	586,595	559,588
Other income		
Bank interest income	<u>51,236</u>	<u>9,738</u>
	<u>637,831</u>	<u>569,326</u>

6. SURPLUS BEFORE TAX

	2023 US\$	2022 US\$
Surplus before tax is stated after charging:		
Auditors' remuneration	3,974	3,976
Depreciation of property, plant and equipment	2,030	1,276
Depreciation of right-of-use assets	5,903	5,274
Foreign currency exchange loss	4,336	5,325
Interest on lease liabilities	562	551
Staff costs (Note 7)	<u>436,689</u>	<u>418,315</u>

CONFEDERATION OF ASIAN AND PACIFIC ACCOUNTANTS LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

7. STAFF COSTS

	2023	2022
	US\$	US\$
Staff remuneration	414,129	407,515
Provident fund	21,763	10,362
Social security contribution	797	438
	<u>436,689</u>	<u>418,315</u>

Staff remuneration represents short-term employee benefits including salaries and bonuses to employees and the chief executive of the Confederation. Remuneration of the chief executive reflects the terms of a consultancy contract with the Confederation. Provident fund and social security contributions apply to Malaysian employees.

8. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 383 of the Companies Ordinance (Cap 622) and Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap 622G) for the year is US\$Nil (2022: US\$ Nil).

The key management personnel are the directors of the Confederation.

9. INCOME TAX EXPENSE

The directors, after making reasonable inquiries, consider that the Confederation is not subject to income tax in Hong Kong (where incorporated) nor Malaysia (location of regional office), and therefore no provision for income tax has been made in the accounts.

10. PROPERTY, PLANT AND EQUIPMENT

	Furniture, fixtures and equipment	
	2023	2022
	US\$	US\$
Cost		
At beginning of year	20,793	38,239
Additions	4,447	--
Disposals	--	(17,446)
	<u>25,240</u>	<u>20,793</u>
Aggregate depreciation		
At beginning of year	19,494	35,664
Depreciation charge for the year	2,030	1,276
Eliminated on disposals	--	(17,446)
	<u>(21,524)</u>	<u>(19,494)</u>
Net book value	<u>3,716</u>	<u>1,299</u>

CONFEDERATION OF ASIAN AND PACIFIC ACCOUNTANTS LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

11. RIGHT-OF-USE ASSETS

	Office premises	
	2023 US\$	2022 US\$
Cost		
At beginning of year	17,521	16,147
Expiry	--	(16,147)
Renewal	--	17,521
	17,521	17,521
Aggregate depreciation		
At beginning of year	3,831	14,704
Charge for the year	5,903	5,274
Eliminated on expiry	--	(16,147)
	(9,734)	(3,831)
Net book value	7,787	13,690

The Confederation has obtained the office premises through lease agreement. The lease term is 3 years from May 2022.

12. ACCOUNTS AND OTHER RECEIVABLES

	2023 US\$	2022 US\$
Contributions receivable	--	860
Deposits and prepayments	9,551	4,282
	9,551	5,142

The following is an aging analysis of the contributions receivable net of loss allowance at the end of the reporting period:-

	2023 US\$	2022 US\$
12 months or less	--	860

CONFEDERATION OF ASIAN AND PACIFIC ACCOUNTANTS LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

13. BANK AND CASH BALANCES

	2023	2022
	US\$	US\$
Bank current accounts	64,894	545,885
Time deposits matured over 3 months	1,365,545	868,981
Cash in hand	<u>676</u>	<u>720</u>
	1,431,115	1,415,586
Time deposits matured over 3 months	<u>(1,365,545)</u>	<u>(868,981)</u>
Cash and cash equivalents	<u><u>65,570</u></u>	<u><u>546,605</u></u>

Time deposits have terms for six months to 1 year (2022: six months) and carry interest ranging from 2.85% to 5.06% (2022: 0% to 4.6%).

14. LEASE LIABILITIES

	2023	2022
	US\$	US\$
Lease payments -		
Within one year	6,301	6,301
Within two to five years	<u>2,101</u>	<u>8,402</u>
	8,402	14,703
Future interest expense	<u>(290)</u>	<u>(852)</u>
	<u><u>8,112</u></u>	<u><u>13,851</u></u>

Classification in the statement of financial position:-

	2023	2022
	US\$	US\$
Non-current liabilities	2,079	8,112
Current liabilities	<u>6,033</u>	<u>5,739</u>
	<u><u>8,112</u></u>	<u><u>13,851</u></u>

Reconciliation of changes in liabilities arising from financing activities

	Lease liabilities	
	2023	2022
	US\$	US\$
At beginning of year	13,851	1,928
Additions	--	17,521
Changes from financing cash flows	<u>(5,739)</u>	<u>(5,598)</u>
At end of year	<u><u>8,112</u></u>	<u><u>13,851</u></u>

CONFEDERATION OF ASIAN AND PACIFIC ACCOUNTANTS LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

15. CONTRACT LIABILITIES

	2023	2022
	US\$	US\$
Prepaid contributions by member organisations	<u>66,350</u>	<u>150,122</u>

Revenue recognised during the year that was included in the contract liabilities balances at the beginning of the year were:-

	2023	2022
	US\$	US\$
Prepaid contributions by member organisations	<u>150,122</u>	<u>80,230</u>