

THE RED PENCIL (SINGAPORE)

(Formerly known as The Red Pencil Ltd.)

(Reg. No. : 201113675E)

(Public Company Limited by Guarantee, Incorporated in Singapore)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2014

Robert Tan & Co.

Chartered Accountants, Singapore

陳萬勝會計公司

THE RED PENCIL (SINGAPORE)
(Reg. No. : 201113675E)

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THE RED PENCIL (SINGAPORE)
(Reg. No. : 201113675E)

DIRECTORS' REPORT

The directors present their report together with the audited financial statements of the company for the year ended 31 December 2014. On 9 September 2014, the company changed its name from The Red Pencil Ltd. to The Red Pencil (Singapore).

1. The directors of the company in office at the date of this report are :-

Alain Vandendorre
De Groote Vandendorre Laurence Marie
Leber Charlotte Christine Elfriede
Chong Huai Seng
Jacobsen Anette Sundfor
Ng Ka Luon Eddee

(Appointed on 10 September 2014)

2. Neither at the end of the financial year, nor at any time during the year, did there subsist any arrangement to which the company is a party, whereby directors might acquire benefits by means of the acquisition of shares in, or debentures of, any other body corporate.
3. Except for Alain Vandendorre, De Groote Vandendorre Laurence Marie and Chong Huai Seng, none of the directors holding office at the end of the financial year are members of the company at the beginning of the year or date of appointment and at the end of the financial year.
4. Since the beginning of the financial year, no director has received or has become entitled to receive a benefit by reason of a contract made by the company with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except as disclosed in the financial statements.
5. No person has been granted option to become a member of the company.
6. The auditors, Messrs Robert Tan & Co., Public Accountants and Chartered Accountants, Singapore, have expressed their willingness to accept re-appointment.

On behalf of the Board,

Alain Vandendorre
Director

De Groote Vandendorre Laurence Marie
Director

24 APR 2015

THE RED PENCIL (SINGAPORE)
(Reg. No. : 201113675E)

STATEMENT BY DIRECTORS

In the opinion of the directors :

- (a) the accompanying statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows together with the notes thereto are drawn up so as to give a true and fair view of the state of affairs of the company as at 31 December 2014 and of the results of the business, changes in equity and cash flows of the company for the year ended on that date; and
- (b) at the date of this statement, there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due.

On behalf of the Board,



Alain Vandendorre
Director

De Grooté Vandendorre Laurence Marie
Director



24 APR 2015

Robert Tan & Co.

Chartered Accountants, Singapore

陳萬勝會計公司

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE RED PENCIL (SINGAPORE) (Reg. No. : 201113675E)

Report on the Financial Statements

We have audited the accompanying financial statements of **THE RED PENCIL (SINGAPORE)**, which comprise the statement of financial position as at 31 December 2014, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair statements of profit or loss and other comprehensive income and financial position and to maintain accountability of assets.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

.....Cont'd

Robert Tan & Co.

Chartered Accountants, Singapore

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
THE RED PENCIL (SINGAPORE)
(Reg. No. : 201113675E)
(Continued)**

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the company as at 31 December 2014 and of the results, changes in equity and cash flows of the company for the year ended on that date.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the company have been properly kept in accordance with the provisions of the Act.



Robert Tan & Co.
Public Accountants and
Chartered Accountants,
Singapore

24 APR 2015

THE RED PENCIL (SINGAPORE)
(Reg. No. : 201113675E)

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014**

	<u>Note</u>	<u>2014</u> \$	<u>2013</u> \$
Revenue - Donations	3	224,752	84,733
- Auction		14,000	17,864
- Merchandise sales		5,485	1,370
Purchase of merchandise		(529)	(309)
Event expenses		(3,413)	(9,590)
Interest income		28	53
Exchange gain		1,514	-
Art materials		(1,889)	(5,989)
Art therapy services		(60,915)	(19,920)
Employee benefits	4	(24,008)	-
Incentive		(1,300)	-
Professional fees		(43)	(4,046)
Student sponsorship		(18,000)	-
Other operating expenses		(5,536)	(4,212)
		<hr/>	<hr/>
Profit before tax		130,146	59,954
Income tax expense	5	-	-
		<hr/>	<hr/>
Profit for the year		130,146	59,954
Other comprehensive income		-	-
		<hr/>	<hr/>
Total comprehensive income for the year		<u>130,146</u>	<u>59,954</u>

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014**

	<u>Accumulated surplus</u> \$
Balance at 31 December 2012	66,208
Total comprehensive income for 2013	59,954
	<hr/>
Balance at 31 December 2013	126,162
Total comprehensive income for 2014	130,146
	<hr/>
Balance at 31 December 2014	<u>256,308</u>

The attached notes to financial statements form
an integral part of these financial statements.

THE RED PENCIL (SINGAPORE)
(Reg. No. : 201113675E)

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

	<u>Note</u>	<u>2014</u> \$	<u>2013</u> \$
ASSETS			
Current assets			
Inventory		-	367
Other receivable		1,320	480
Prepayment		1,125	2,811
Bank balances	6	265,991	122,904
		<u>268,436</u>	<u>126,562</u>
Total assets		<u>268,436</u>	<u>126,562</u>
 EQUITY AND LIABILITIES			
Reserves			
Accumulated surplus		256,308	126,162
 Current liabilities			
Expenses payable		12,128	400
		<u>268,436</u>	<u>126,562</u>
Total equity and liabilities		<u>268,436</u>	<u>126,562</u>

The attached notes to financial statements form
an integral part of these financial statements.

THE RED PENCIL (SINGAPORE)
(Reg. No. : 201113675E)

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2014

	<u>2014</u>	<u>2013</u>
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	130,146	59,954
<i>Changes in working capital :</i>		
Inventory	367	(367)
Other receivable & prepayment	846	(3,291)
Expenses payable	11,728	(200)
	<u>143,087</u>	<u>56,096</u>
<i>Net cash from operating activities</i>		
	<u>143,087</u>	<u>56,096</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	 -	 -
	<u>-</u>	<u>-</u>
 CASH FLOWS FROM FINANCING ACTIVITIES	 -	 -
	<u>-</u>	<u>-</u>
 NET INCREASE IN BANK BALANCES	 143,087	 56,096
BANK BALANCES AT BEGINNING OF YEAR	122,904	66,808
	<u>122,904</u>	<u>66,808</u>
BANK BALANCES AT END OF YEAR	<u>265,991</u>	<u>122,904</u>

The attached notes to financial statements form
an integral part of these financial statements.

THE RED PENCIL (SINGAPORE)
(Reg. No. : 201113675E)

NOTES TO FINANCIAL STATEMENTS - 31 DECEMBER 2014

1. GENERAL

The company is incorporated in Singapore as a Public company limited by guarantee and is registered as a charity under the Charities Act, Cap. 37. The registered office is situated at 20 Upper Circular Road, #02-01 The Riverwalk, Singapore 058416.

The financial statements are authorised for issue by the directors on the date stated on the Statement by Directors on page 3.

The principal activities of the company are to reach out to all situations where children, especially from low income families, are being stricken by diseases, traumas or disabilities and where art-therapy could help to alleviate their burden and also to provide bursaries, overseas training, research opportunities and financial support for students whose own financial means would not allow them to cover those costs.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) *Basis of accounting*

The financial statements of the company have been prepared under the historical cost convention except as disclosed in the accounting policies below. The fair values of financial assets and liabilities approximate their carrying amounts recorded in the financial statements.

The financial statements of the company comply with Singapore Financial Reporting Standards (FRS). During the year, the company adopted, where applicable, the new or revised FRS and Interpretations to FRS (INT FRS) that are effective for the current accounting period. The adoption did not result in any change in accounting policies. For new FRS and INT FRS that are not yet mandatory, there is no impact on the financial statements.

(b) *Accounting estimates and judgements*

The preparation of financial statements in conformity with FRS 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 reviewed on an on-going basis and 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 amounts of assets and liabilities that are not readily apparent from other sources. These estimates and assumptions are not expected to have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

THE RED PENCIL (SINGAPORE)
(Reg. No. : 201113675E)

NOTES TO FINANCIAL STATEMENTS - 31 DECEMBER 2014

(c) ***Revenue recognition***

Revenue from merchandise sales and auction are recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer, usually on delivery of goods, and the amount of revenue and costs incurred or to be incurred in respect of the transaction can be measured reliably, and that the economic benefits associated with the transaction will flow to the company and the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

Donations and interest income are recognised upon receipt.

(d) ***Inventories***

Inventories consist of stationeries used for charity sales purpose are stated at the lower of cost incurred in bringing the inventories to the present location and condition, determined on the first-in, first-out basis, and net realisable value.

Net realisable value represents the estimated selling price less anticipated cost of disposal and after allowing for obsolete and slow moving inventories.

(e) ***Trade and other receivables***

Trade and other receivables are classified and accounted for as loans and receivables and are initially recognised at invoiced values or amounts paid and, where applicable, subsequently measured at amortised cost using the effective interest method except that short-duration non-interest bearing receivables are not usually re-measured unless the effect of imputing interest would be significant. An allowance is made for uncollectible amounts when there is objective evidence that the company will not be able to collect the debt. Bad debts are written off when identified.

(f) ***Trade and other payables***

Trade payables are initially recognised at invoiced values or amounts estimated to be payable and are not usually re-measured as their settlement is short-term.

Other payables refer to other borrowings and are initially recognised at amounts received and subsequently measured at amortised cost using the effective interest method, where applicable. Gains and losses are recognised in the statement of profit or loss and other comprehensive income when the liabilities are discharged or cancelled or expired as well as through the amortisation process.

(g) ***Employee benefits***

Defined contribution plan

The company contributes to Central Provident Fund ("CPF"), a defined contribution plan regulated and managed by the Singapore Government. The company's obligation in regard to CPF is limited to the amount it has to contribute to it. CPF contributions are recognised as an expense in the same period as the employment that gives rise to the contributions.

THE RED PENCIL (SINGAPORE)
(Reg. No. : 201113675E)

NOTES TO FINANCIAL STATEMENTS - 31 DECEMBER 2014

(h) ***Foreign currencies***

The management has determined the currency that best reflects the economic substance of the underlying events and circumstances to be Singapore dollars (S\$) and the financial statements are presented in S\$.

Transactions in foreign currencies i.e. currencies other than S\$, are measured and recorded on initial recognition in S\$ using the exchange rates approximating those ruling at the transaction dates. At the end of each reporting period, foreign currency monetary items are reported using exchange rates approximating those ruling at the end of the reporting period. Foreign currency non-monetary items that are measured at fair value are reported using exchange rates approximating those ruling at the date when the fair value was determined.

Exchange differences arising from the settlement of monetary items or from translating monetary items at the end of the reporting period are recognised in the statement of profit or loss and other comprehensive income. Exchange differences arising from translating non-monetary items measured at fair value are recognised in the same manner as the fair value changes, i.e. either in profit or loss or other comprehensive income.

3. REVENUE - DONATIONS

This includes \$62,575 received from a company in which certain directors of the company are also directors thereof.

4. EMPLOYEE BENEFITS

	<u>2014</u>	<u>2013</u>
	\$	\$
Staff -		
Salaries	22,029	-
CPF	1,604	-
Insurance	375	-
	<u>24,008</u>	<u>-</u>

The directors are the key management personnel of the company.

5. INCOME TAX EXPENSE

As the company is a registered charity, its profits for the year is exempt from income tax.

THE RED PENCIL (SINGAPORE)
(Reg. No. : 201113675E)

NOTES TO FINANCIAL STATEMENTS - 31 DECEMBER 2014

6. BANK BALANCES

These include the following balances denominated in foreign currencies :-

	<u>2014</u>	<u>2013</u>
	\$	\$
<i>Denominated in :</i>		
US\$	45,998	43,747
€	<u>12,354</u>	<u>10,916</u>

7. CAPITAL

The company is limited by guarantee and the liability of each member is limited to \$1. As at 31 December 2014, the company had 3 (2013 : 3) members.

8. FINANCIAL RISKS AND MANAGEMENT

(i) *Interest rate risk*

The company has no exposure to interest rate risk.

(ii) *Credit risk*

The company has no significant concentration of credit risk. There are procedures in place to ensure on-going credit evaluation and active account monitoring to minimise bad debt risk.

(iii) *Foreign exchange risk*

The company has exposure to foreign exchange risk from transactions denominated in foreign currencies. The company does not enter into foreign exchange contracts for hedging and speculative purposes but reviews periodically to ensure that its net exposure is kept at an acceptable level.

Sensitivity analysis for foreign exchange risk

At the end of the reporting period, the company had small bank balances denominated in US\$ and €. Any reasonable possible change in their exchange rates against S\$ with all other variables held constant will not have any significant impact on the company's results.

(iv) *Liquidity risk*

The company monitors and maintains sufficient working capital to fund its operations.

9. CAPITAL MANAGEMENT

The company is not subject to any externally imposed capital requirements. In view of the operations and financial status of the company, there are no relevant comments on its capital management.

**THE FOLLOWING SCHEDULE DOES NOT FORM
PART OF THE AUDITED STATUTORY FINANCIAL STATEMENTS**

THE RED PENCIL (SINGAPORE)
(Reg. No. : 201113675E)

**DETAILED PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2014**

	<u>2014</u>	<u>2013</u>
	\$	\$
Revenue - Donations	224,752	84,733
- Auction	14,000	17,864
- Merchandise sales	5,485	1,370
	<u>244,237</u>	<u>103,967</u>
Deduct : Cost of events & sales		
Merchandise	529	309
Events	3,413	9,590
	<u>3,942</u>	<u>9,899</u>
Gross profit	240,295	94,068
Add : Other income		
Interest income	28	53
Exchange gain	1,514	-
	<u>241,837</u>	<u>94,121</u>
Deduct : Operating expenses		
Audit fee	1,684	200
Art materials	1,889	5,989
Bank charges	184	116
General expenses	444	-
Incentive	1,300	-
IT expenses	513	228
Laselle student services	2,370	1,260
Postages	91	47
Printing & stationery	1,992	3,621
Professional fees	43	4,046
Staff - Salaries	22,029	-
- CPF & SDL	1,672	-
- Insurance	375	-
Student sponsorship	18,000	-
Therapist services	58,545	18,660
Transportation	560	-
	<u>111,691</u>	<u>34,166</u>
Profit before tax	<u>130,146</u>	<u>59,954</u>

This schedule does not form part of the audited financial statements.