

THE RED PENCIL (SINGAPORE)

(Reg. No. : 201113675E)

(Public Company Limited by Guarantee, Incorporated in Singapore)

DIRECTORS' STATEMENT AND FINANCIAL STATEMENTS

31 DECEMBER 2015

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' STATEMENT

The directors present their statement together with the audited financial statements of the company for the year ended 31 December 2015.

1. In the opinion of the directors :
 - (a) the financial statements are drawn up so as to give a true and fair view of the financial position and performance of the company for the year covered by the financial statements; 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.

2. The directors of the company in office at the date of this statement are :-

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

3. Neither at the end of nor at any time during the financial year, was the company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the company to acquire benefits by means of the acquisition of shares in, or debentures of, the company or any other body corporate.
4. 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 and end of the financial year.

THE RED PENCIL (SINGAPORE)
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DIRECTORS' STATEMENT

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

- 7 MAR 2016

Robert Tan & Co.

Chartered Accountants, Singapore

陳萬勝會計公司

61 Club Street Singapore 069436
Tel: (65) 6586 9339 Fax: (65) 6227 7205
Email: ca@rtanco.com
www.rtanco.com

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 2015, 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.

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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 financial position and performance of the company for the year covered by the financial statements.

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

- 7 MAR 2016

THE RED PENCIL (SINGAPORE)
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**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015**

	<u>Note</u>	<u>2015</u> \$	<u>2014</u> \$
Revenue - Donations		473,711	224,752
- Auction		-	14,000
- Merchandise sales		715	5,485
- Workshop		4,760	-
Purchase of merchandise		-	(529)
Endowment fund donations		(125,000)	-
Event expenses		(375)	(3,413)
Other operating income	3	38,660	1,542
Art materials		(1,335)	(1,889)
Art therapy services		(33,930)	(60,915)
Employee benefits	4	(204,146)	(24,008)
Incentive		-	(1,300)
Professional fees		(120)	(43)
Student sponsorship		(6,750)	(18,000)
Other operating expenses		(47,656)	(5,536)
		<u>98,534</u>	<u>130,146</u>
Profit before tax		98,534	130,146
Income tax expense	5	-	-
		<u>98,534</u>	<u>130,146</u>
Profit for the year		98,534	130,146
Other comprehensive income		-	-
		<u>98,534</u>	<u>130,146</u>
Total comprehensive income for the year		<u>98,534</u>	<u>130,146</u>

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015**

	<u>Accumulated surplus</u> \$
Balance at 31 December 2013	126,162
Total comprehensive income for 2014	130,146
	<u>256,308</u>
Balance at 31 December 2014	256,308
Total comprehensive income for 2015	98,534
	<u>354,842</u>
Balance at 31 December 2015	<u>354,842</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 2015

	<u>Note</u>	<u>2015</u> \$	<u>2014</u> \$
ASSETS			
Current assets			
Amount due from related party, non-trade	6	36,194	-
Other receivable		-	1,320
Deposits & prepayment		3,693	1,125
Bank balances	7	327,549	265,991
		<u>367,436</u>	<u>268,436</u>
Total assets		<u>367,436</u>	<u>268,436</u>
 EQUITY AND LIABILITIES			
Reserves			
Accumulated surplus		354,842	256,308
 Current liabilities			
Expenses payable		12,594	12,128
		<u>367,436</u>	<u>268,436</u>
Total equity and liabilities		<u>367,436</u>	<u>268,436</u>

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

THE RED PENCIL (SINGAPORE)
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STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2015

	<u>2015</u>	<u>2014</u>
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	98,534	130,146
<i>Changes in working capital :</i>		
Inventory	-	367
Other receivable, deposits & prepayment	(1,248)	846
Expenses payable	466	11,728
	<u>97,752</u>	<u>143,087</u>
<i>Net cash from operating activities</i>		
 CASH FLOWS FROM INVESTING ACTIVITIES	 <u>-</u>	 <u>-</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
<i>Changes in financing activities :</i>		
Amount due from related party, non-trade	(36,194)	-
	<u>(36,194)</u>	<u>-</u>
<i>Net cash used in financing activities</i>		
 NET INCREASE IN BANK BALANCES	 61,558	 143,087
BANK BALANCES AT BEGINNING OF YEAR	265,991	122,904
BANK BALANCES AT END OF YEAR	<u>327,549</u>	<u>265,991</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 2015

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 Directors' Statement on page 2.

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.

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NOTES TO FINANCIAL STATEMENTS - 31 DECEMBER 2015

(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) **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.

(e) **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.

(f) **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)
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NOTES TO FINANCIAL STATEMENTS - 31 DECEMBER 2015

(g) 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. OTHER OPERATING INCOME

Other operating income include the following credits :-

	<u>2015</u>	<u>2014</u>
	\$	\$
Interest income	32	28
Exchange gain	3,202	1,514
Wage Credit Scheme	894	-
Temporary employment credit	243	-
Red Pencil International Ltd share of expenses	34,289	-
	<u>38,660</u>	<u>1,542</u>

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NOTES TO FINANCIAL STATEMENTS - 31 DECEMBER 2015

4. EMPLOYEE BENEFITS

	<u>2015</u>	<u>2014</u>
	\$	\$
Staff -		
Salaries	190,365	22,029
CPF	12,231	1,604
Insurance	1,125	375
Medical	326	-
Welfare & benefits	99	-
	<u>204,146</u>	<u>24,008</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.

6. AMOUNT DUE FROM RELATED PARTY, non-trade

The related party is Red Pencil International Ltd, which is a director related company.

The amount is unsecured, interest-free and repayable on demand.

7. BANK BALANCES

These include the following balances denominated in foreign currencies :-

	<u>2015</u>	<u>2014</u>
	\$	\$
<i>Denominated in :</i>		
US\$	49,589	45,998
€	<u>12,054</u>	<u>12,354</u>

THE RED PENCIL (SINGAPORE)
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NOTES TO FINANCIAL STATEMENTS - 31 DECEMBER 2015

8. CAPITAL

The company is limited by guarantee and the liability of each member is limited to \$1. As at 31 December 2015, the company had 3 (2014 : 3) members.

9. 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.

10. 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 SCHEDULES DO 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 2015

	<u>2015</u>	<u>2014</u>
	\$	\$
Revenue - Donations	473,711	224,752
- Auction	-	14,000
- Merchandise sales	715	5,485
- Workshop	4,760	-
	<u>479,186</u>	<u>244,237</u>
Deduct : Cost of events & sales		
Merchandise	-	529
Endowment fund donations	125,000	-
Events	375	3,413
	<u>125,375</u>	<u>3,942</u>
Gross profit	353,811	240,295
Add : Other operating income		
Interest income	32	28
Exchange gain	3,202	1,514
Wage Credit Scheme	894	-
Temporary employment credit	243	-
Red Pencil International Ltd share of expenses	34,289	-
	<u>392,471</u>	<u>241,837</u>
Deduct : Operating expenses	293,937	111,691
Profit before tax	<u>98,534</u>	<u>130,146</u>

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

THE RED PENCIL (SINGAPORE)
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OPERATING EXPENSES FOR THE YEAR ENDED 31 DECEMBER 2015

	<u>2015</u>	<u>2014</u>
	\$	\$
Audit fee	912	1,684
Accounting fee	2,568	-
Art materials	1,335	1,889
Bank charges	449	184
General expenses	991	444
Incentive	-	1,300
IT expenses	4,548	513
Lasalle student services	1,711	2,370
Networking & marketing	10,124	-
Office supplies	3,397	-
Office maintenance	516	-
Payroll services	3,167	-
Postages	1,346	91
Printing & stationery	4,506	1,992
Professional fees	120	43
Secretarial fee	807	-
Staff - Wages & salaries	190,365	22,029
- CPF & SDF	12,674	1,672
- Insurance	1,125	375
- Training/seminar	2,407	-
- Medical	326	-
- Welfare & benefits	99	-
Sponsorship - Lasalle	6,750	18,000
Subscription fee	84	-
Therapist services	33,930	58,545
Telephone	7,294	-
Transportation	1,912	560
Travelling	474	-
	<u>293,937</u>	<u>111,691</u>

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