

THE RAY OF HOPE INITIATIVE LIMITED

(Registration No: 201229333H)

Statement by Directors and Financial Statements

Year Ended 31 December 2016

RSM Chio Lim LLP

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THE RAY OF HOPE INITIATIVE LIMITED

Statement by Directors and Financial Statements

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THE RAY OF HOPE INITIATIVE LIMITED

Statement by Directors

The directors of the company are pleased to present the audited financial statements of the company for the reporting year ended 31 December 2016.

1. Opinion of the directors

In the opinion of the directors,

- (a) the accompanying financial statements are drawn up so as to give a true and fair view of the financial position as of 31 December 2016 and performance of the company for the reporting 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. Directors

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

Abdul Jabbar Bin Karam Din
Ang Boo Chye Dominic (appointed on 20 June 2017)
Kenneth Kan Shung Kei (appointed on 11 November 2016)
Thung Hock Lai, Brian Tumengan (Tang Fulai, Brian Tumengan)
Wong Mun Hoong, Mark (Huang MinXiong, Mark)
Yong Ming Chong (Yang Mingzhang) (appointed on 11 November 2016)

3. Contractual benefits of directors

Since the beginning of the reporting year, no director of the company has received or become entitled to receive a benefit which is required to be disclosed under section 201(8) of the Companies Act, Chapter 50, by reason of a contract made by the company or a related corporation 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, saved as disclosed in the financial statements.

4. Arrangements to enable directors to acquire benefits by means of the acquisition of shares and debentures

The company is a company limited by guarantee and has no share capital.

5. Options

The company is a company limited by guarantee. As such, there are no share options or unissued shares under option.

THE RAY OF HOPE INITIATIVE LIMITED

6. Independent auditor

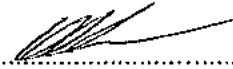
RSM Chio Lim LLP has expressed their willingness to accept re-appointment.

The board of directors approved and authorised these financial statements for issue.

On behalf of the directors



.....
Thung Hock Lai, Brian Tumengan
(Tang Fulai, Brian Tumengan)
Director



.....
Kenneth Kan Shung Kei
Director

29 June 2017

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**Independent Auditor's Report to the Members of
THE RAY OF HOPE INITIATIVE LIMITED**

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of The Ray of Hope Initiative Limited, which comprise the statement of financial position as at 31 December 2016, and the statement of financial activities, and statement of cash flows for the reporting year then ended, and notes to the financial statements, including the significant accounting policies.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and the Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the financial position of the company as at 31 December 2016 and of the financial performance, changes in funds and cash flows of the company for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). 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 Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises the statement by directors but does not include 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
THE RAY OF HOPE INITIATIVE LIMITED**

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Responsibilities of management and directors 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 Act and FRSs, 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 financial statements and to maintain accountability of assets.

In preparing the financial statements, management is 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 management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs 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 SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- a) 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.
- b) 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.
- c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

**Independent Auditor's Report to the Members of
THE RAY OF HOPE INITIATIVE LIMITED**

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Auditor's responsibilities for the audit of the financial statements (cont'd)

- d) Conclude on the appropriateness of management's 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.
- e) 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 the directors 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.

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.

The engagement partner on the audit resulting in this independent auditor's report is Woo E-Sah.


RSM Chio Lim LLP
Public Accountants and
Chartered Accountants
Singapore

29 June 2017

THE RAY OF HOPE INITIATIVE LIMITED

**Statement of Financial Activities
Year Ended 31 December 2016**

| | <u>Notes</u> | <u>2016</u> \$ | <u>2015</u> \$ |
|---|--------------|-------------------|-------------------|
| Income | | | |
| Donation income | | 340,601 | 93,686 |
| Interest income | | – | 12 |
| Other income | | 1,986 | 1,182 |
| Total Income | | <u>342,587</u> | <u>94,880</u> |
| Expenditure | | | |
| Cost of charitable activities (grant disbursements) | 4 | (63,442) | (52,663) |
| Employee benefits expenses | 5 | (108,094) | (56,217) |
| Governance costs | | (5,700) | (4,810) |
| Other expenditure | | (52,626) | (24,127) |
| Total Expenditure | | <u>(229,862)</u> | <u>(137,817)</u> |
| Profit (loss) for the year before income tax | | 112,725 | (42,937) |
| Income tax income | 6 | 151 | – |
| Net profit (loss) for the year | | <u>112,876</u> | <u>(42,937)</u> |
| Total (loss) funds brought forward | | <u>(6,945)</u> | <u>35,992</u> |
| Total funds (loss) carried forward | | <u>105,931</u> | <u>(6,945)</u> |

The accompanying notes form an integral part of these financial statements.

THE RAY OF HOPE INITIATIVE LIMITED

Statement of Financial Position As at 31 December 2016

| | <u>Notes</u> | <u>2016</u> \$ | <u>2015</u> \$ |
|-----------------------------------|--------------|-------------------|-------------------|
| ASSETS | | | |
| <u>Current assets</u> | | | |
| Other receivables | 7 | 17,472 | 11,530 |
| Other assets | 8 | - | 2,375 |
| Cash and cash equivalents | 9 | 119,821 | 1,175 |
| Total current assets | | <u>137,293</u> | <u>15,080</u> |
| Total assets | | <u>137,293</u> | <u>15,080</u> |
| FUNDS AND LIABILITIES | | | |
| <u>Funds</u> | | | |
| Accumulated fund (loss) | | 105,931 | (6,945) |
| Total fund | | <u>105,931</u> | <u>(6,945)</u> |
| <u>Current liabilities</u> | | | |
| Other payables and accruals | 10 | 31,362 | 22,025 |
| Total current liabilities | | <u>31,362</u> | <u>22,025</u> |
| Total liabilities | | <u>137,293</u> | <u>15,080</u> |

The accompanying notes form an integral part of these financial statements.

THE RAY OF HOPE INITIATIVE LIMITED

**Statement of Cash Flows
Year Ended 31 December 2016**

| | <u>2016</u> | <u>2015</u> |
|--|-----------------------|---------------------|
| | \$ | \$ |
| <u>Cash flows from operating activities</u> | | |
| Profit (loss) before tax | 112,725 | (42,937) |
| Adjustments for: | | |
| Interest income | – | (12) |
| | <hr/> | <hr/> |
| Operating cash flows before changes in working capital | 112,725 | (42,949) |
| Trade and other receivables | (5,942) | (8,710) |
| Other assets | 2,375 | 1,028 |
| Other payables and accruals | 9,337 | 11,307 |
| | <hr/> | <hr/> |
| Net cash flows from (used in) operations | 118,495 | (39,324) |
| Income taxes refunded | 151 | – |
| | <hr/> | <hr/> |
| Net cash flows from (used in) operating activities | <u>118,646</u> | <u>(39,324)</u> |
| <u>Cash flows from investing activities</u> | | |
| Interest received | – | 12 |
| | <hr/> | <hr/> |
| Net cash flows generated from investing activities | <u>–</u> | <u>12</u> |
| Net increase (decrease) in cash and cash equivalents | 118,646 | (39,312) |
| Cash and cash equivalents, statement of cash flows, beginning balance | 1,175 | 40,487 |
| | <hr/> | <hr/> |
| Cash and cash equivalents, statement of cash flows, ending balance (Note 9) | <u>119,821</u> | <u>1,175</u> |

The accompanying notes form an integral part of these financial statements.

THE RAY OF HOPE INITIATIVE LIMITED

Notes to the Financial Statements 31 December 2016

1. General

The company is incorporated in Singapore as a company limited by guarantee. The financial statements are presented in Singapore dollars.

The board of directors approved and authorised these financial statements for issue on the date of the statement by directors.

The principal activities of the company are to provide assistance to deserving individuals or families in Singapore who may otherwise have no other source or insufficient source of financial support.

Each member of the company has undertaken to contribute such amounts not exceeding \$1 to the assets of the company in the event the company is wound up and the monies are required for payment of the liabilities of the company. The company has 3 members at the end of the reporting year.

The memorandum and articles of the company restricts the use of company monies to the furtherance of the objects of the company. They prohibit the payment of dividends to members.

The registered office address is: 9 Battery Road, #15-01 Straits Trading Building, Singapore 049910. The company is situated in Singapore.

Accounting convention

The financial statements have been prepared in accordance with the Financial Reporting Standards in Singapore ("FRS") and the related Interpretations to FRS ("INT FRS") as issued by the Singapore Accounting Standards Council and the Companies Act, Chapter 50. The financial statements are prepared on a going concern basis under the historical cost convention except where an FRS requires an alternative treatment (such as fair values) as disclosed where appropriate in these financial statements. The accounting policies in FRSs may not be applied when the effect of applying them is immaterial. The disclosures required by FRSs need not be provided if the information resulting from that disclosure is not material. Other comprehensive income comprises items of income and expense (including reclassification adjustments) that are not recognised in the income statement, as required or permitted by FRS. Reclassification adjustments are amounts reclassified to profit or loss in the income statement in the current period that were recognised in other comprehensive income in the current or previous periods.

THE RAY OF HOPE INITIATIVE LIMITED

1. General (cont'd)

Basis of preparation of the financial statements

The preparation of financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates. The estimates and assumptions are reviewed on an ongoing basis. Apart from those involving estimations, management has made judgements in the process of applying the entity's accounting policies. The areas requiring management's most difficult, subjective or complex judgements, or areas where assumptions and estimates are significant to the financial statements, are disclosed at the end of this footnote, where applicable.

2. Significant accounting policies and other explanatory information

2A. Significant accounting policies

Revenue recognition

Revenues including donations, gifts and grants that provide core funding or are of general nature are recognised where there is (a) entitlement (b) certainty and (c) sufficient reliability of measurement. Such income is only deferred when: the donor specifies that the grant or donation must only be used in future accounting periods; or the donor has imposed conditions which must be met before the Fund has unconditional entitlement. The revenue amount from services is the fair value of the consideration received or receivable from the gross inflow of economic benefits during the period arising from the course of the ordinary activities of the Fund and it is shown net of related goods and services tax and subsidies.

Employee benefits

Contributions to a defined contribution retirement benefit plan are recorded as an expense as they fall due. The entity's legal or constructive obligation is limited to the amount that it agrees to contribute to an independently administered fund (such as the Central Provident Fund in Singapore, a government managed defined contribution retirement benefit plan). For employee leave entitlement the expected cost of short-term employee benefits in the form of compensated absences is recognised in the case of accumulating compensated absences, when the employees render service that increases their entitlement to future compensated absences; and in the case of non-accumulating compensated absences, when the absences occur. A liability for bonuses is recognised where the entity is contractually obliged or where there is constructive obligation based on past practice.

Gifts-in-kind

A gift-in-kind (if any) is included in the statement of financial activities based on an estimate of the fair value at the date of the receipt of the gift of the non-monetary asset or the grant of a right to the monetary asset. The gift is recognised if the amount of the gift can be measured reliably and there is no uncertainty that it will be received. No value is ascribed to volunteer services.

THE RAY OF HOPE INITIATIVE LIMITED

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Foreign currency transactions

The functional currency is the Singapore dollar as it reflects the primary economic environment in which the entity operates. Transactions in foreign currencies are recorded in the functional currency at the rates ruling at the dates of the transactions. At each end of the reporting year, recorded monetary balances and balances measured at fair value that are denominated in non-functional currencies are reported at the rates ruling at the end of the reporting year and fair value measurement dates respectively. All realised and unrealised exchange adjustment gains and losses are dealt with in profit or loss except when recognised in other comprehensive income and if applicable deferred in equity such as for qualifying cash flow hedges. The presentation is in the functional currency.

Income tax

The income taxes are accounted using the asset and liability method that requires the recognition of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequence of events that have been recognised in the financial statements or tax returns. The measurements of current and deferred tax liabilities and assets are based on provisions of the enacted or substantially enacted tax laws; the effects of future changes in tax laws or rates are not anticipated. Tax expense (tax income) is the aggregate amount included in the determination of profit or loss for the reporting year in respect of current tax and deferred tax. Current and deferred income taxes are recognised as income or as an expense in profit or loss unless the tax relates to items that are recognised in the same or a different period outside profit or loss. For such items recognised outside profit or loss the current tax and deferred tax are recognised (a) in other comprehensive income if the tax is related to an item recognised in other comprehensive income and (b) directly in equity if the tax is related to an item recognised directly in equity. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same income tax authority. The carrying amount of deferred tax assets is reviewed at each end of the reporting year and is reduced, if necessary, by the amount of any tax benefits that, based on available evidence, are not expected to be realised. A deferred tax amount is recognised for all temporary differences, unless the deferred tax amount arises from the initial recognition of an asset or liability in a transaction which (i) is not a business combination; and (ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

Financial assets

Initial recognition, measurement and derecognition:

A financial asset is recognised on the statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument. The initial recognition of financial assets is at fair value normally represented by the transaction price. The transaction price for financial asset not classified at fair value through profit or loss includes the transaction costs that are directly attributable to the acquisition or issue of the financial asset. Transaction costs incurred on the acquisition or issue of financial assets classified at fair value through profit or loss are expensed immediately. The transactions are recorded at the trade date.

THE RAY OF HOPE INITIATIVE LIMITED

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Financial assets (cont'd)

Irrespective of the legal form of the transactions performed, financial assets are derecognised when they pass the "substance over form" based on the derecognition test prescribed by FRS 39 relating to the transfer of risks and rewards of ownership and the transfer of control. Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is currently a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Subsequent measurement:

Subsequent measurement based on the classification of the financial assets in one of the following categories under FRS 39 is as follows:

1. Financial assets at fair value through profit or loss: As at end of the reporting year, there were no financial assets classified in this category.
2. Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Assets that are for sale immediately or in the near term are not classified in this category. These assets are carried at amortised costs using the effective interest method (except that short-duration receivables with no stated interest rate are normally measured at original invoice amount unless the effect of imputing interest would be significant) minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility. Impairment charges are provided only when there is objective evidence that an impairment loss has been incurred as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The methodology ensures that an impairment loss is not recognised on the initial recognition of an asset. Losses expected as a result of future events, no matter how likely, are not recognised. For impairment, the carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. Typically the trade and other receivables are classified in this category.
3. Held-to-maturity financial assets: As at end of the reporting year, there were no financial assets classified in this category.
4. Available-for-sale financial assets: As at end of the reporting year, there were no financial assets classified in this category.

Cash and cash equivalents

Cash and cash equivalents include bank and cash balances, on demand deposits and any highly liquid debt instruments purchased with an original maturity of three months or less. For the statement of cash flows the item includes cash and cash equivalents less cash subject to restriction and bank overdrafts payable on demand that form an integral part of cash management.

THE RAY OF HOPE INITIATIVE LIMITED

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Financial liabilities

Initial recognition, measurement and derecognition:

A financial liability is recognised on the statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument and it is derecognised when the obligation specified in the contract is discharged or cancelled or expires. The initial recognition of financial liability is at fair value normally represented by the transaction price. The transaction price for financial liability not classified at fair value through profit or loss includes the transaction costs that are directly attributable to the acquisition or issue of the financial liability. Transaction costs incurred on the acquisition or issue of financial liability classified at fair value through profit or loss are expensed immediately. The transactions are recorded at the trade date.

Subsequent measurement:

Subsequent measurement based on the classification of the financial liabilities in one of the following two categories under FRS 39 is as follows:

1. **Liabilities at fair value through profit or loss:** Liabilities are classified in this category when they are incurred principally for the purpose of selling or repurchasing in the near term (trading liabilities) or are derivatives (except for a derivative that is a designated and effective hedging instrument) or have been classified in this category because the conditions are met to use the "fair value option" and it is used. All changes in fair value relating to liabilities at fair value through profit or loss are charged to profit or loss as incurred.
2. **Other financial liabilities:** All liabilities, which have not been classified as in the previous category fall into this residual category. These liabilities are carried at amortised cost using the effective interest method.

THE RAY OF HOPE INITIATIVE LIMITED

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Fair value measurement

Fair value is taken to be the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (that is, an exit price). It is a market-based measurement, not an entity-specific measurement. When measuring fair value, management uses the assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. The entity's intention to hold an asset or to settle or otherwise fulfil a liability is not taken into account as relevant when measuring fair value. In making the fair value measurement, management determines the following: (a) the particular asset or liability being measured (these are identified and disclosed in the relevant notes below); (b) for a non-financial asset, the highest and best use of the asset and whether the asset is used in combination with other assets or on a stand-alone basis; (c) the market in which an orderly transaction would take place for the asset or liability; and (d) the appropriate valuation techniques to use when measuring fair value. The valuation techniques used maximise the use of relevant observable inputs and minimise unobservable inputs. These inputs are consistent with the inputs a market participant may use when pricing the asset or liability.

The fair value measurements and related disclosures categorise the inputs to valuation techniques used to measure fair value by using a fair value hierarchy of three levels. These are recurring fair value measurements unless stated otherwise in the relevant notes to the financial statements. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. The level is measured on the basis of the lowest level input that is significant to the fair value measurement in its entirety. Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of the reporting year. If a financial instrument measured at fair value has a bid price and an ask price, the price within the bid-ask spread or mid-market pricing that is most representative of fair value in the circumstances is used to measure fair value regardless of where the input is categorised within the fair value hierarchy. If there is no market, or the markets available are not active, the fair value is established by using an acceptable valuation technique.

The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value. The fair values of non-current financial instruments may not be disclosed separately unless there are significant differences at the end of the reporting year and in the event the fair values are disclosed in the relevant notes to the financial statements.

THE RAY OF HOPE INITIATIVE LIMITED

2. Significant accounting policies and other explanatory information (cont'd)

2B. Other explanatory information

Provisions

A liability or provision is recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. A provision is made using best estimates of the amount required in settlement and where the effect of the time value of money is material, the amount recognised is the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense. Changes in estimates are reflected in profit or loss in the reporting year they occur.

Funds

Fund balances restricted by outside sources are so indicated and are distinguished from unrestricted funds allocated to specific purposes, if any, by action of the management. Externally restricted funds may only be utilised in accordance with the purposes established by the source of such funds or through the terms of an appeal and are in contrast with unrestricted funds over which management retains full control to use in achieving any of its institutional purposes. An expense resulting from the operating activities of a fund that is directly attributable to the fund is charged to that fund. Common expenses, if any, are allocated on a reasonable basis to the funds based on a method most suitable to that common expense unless impractical to do so.

2C. Critical judgements, assumptions and estimation uncertainties

There were no critical judgements made in the process of applying the accounting policies that have the most significant effect on the amounts recognised in the financial statements. There were no key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting year.

3. Related party relationships and transactions

FRS 24 on related party disclosures requires the reporting entity to disclose: (a) transactions with its related parties; and (b) relationships between parents and subsidiaries irrespective of whether there have been transactions between those related parties. A party is related to a party if the party controls, or is controlled by, or can significantly influence or is significantly influenced by the other party.

All members, directors and staff members of the company are required to read and understand the conflict of interest policy in place and make full disclosure of interests and relationships that could potentially result in conflict of interests. When a conflict of interest situation arises, the members, directors or staff shall abstain from participating in the discussion, decision making and voting on the matter.

The directors who performed their board responsibilities did not receive remuneration, or other benefits, from the company for board services which they are responsible.

THE RAY OF HOPE INITIATIVE LIMITED

3. Related party relationships and transactions (cont'd)

3A. Related parties:

There are transactions and arrangements between the reporting entity and related parties and the effects of these on the basis determined between the parties are reflected in these financial statements. The related party balances and financial guarantees if any are unsecured, without fixed repayment terms and interest or charge unless stated otherwise.

Significant related party transactions:

In addition to the transactions and balances disclosed elsewhere in the notes to the financial statements, this item includes the following: -

| | <u>2016</u> | <u>2015</u> |
|--|--------------|--------------|
| | \$ | \$ |
| Rendering of services from corporation of which a director has an interest | <u>2,241</u> | <u>1,725</u> |

3B. Key management compensation:

Key management personnel are the directors having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly. The directors did not receive any remuneration.

4. Cost of charitable activities

| | <u>2016</u> | <u>2015</u> |
|-------------------------------------|---------------|---------------|
| | \$ | \$ |
| Financial assistance to individuals | 60,187 | 52,002 |
| Donation handling charges | <u>3,255</u> | <u>661</u> |
| Total cost of charitable activities | <u>63,442</u> | <u>52,663</u> |

5. Employee benefits expense

| | <u>2016</u> | <u>2015</u> |
|--|----------------|---------------|
| | \$ | \$ |
| Employee benefits expense | 91,612 | 46,900 |
| Other benefits | 764 | 1,227 |
| Contributions to defined contribution plan | <u>15,718</u> | <u>8,090</u> |
| Total employee benefits expense | <u>108,094</u> | <u>56,217</u> |

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6. Income tax

6A. Components of tax expense (income) recognised in profit or loss include:

| | <u>2016</u> | <u>2015</u> |
|--|--------------|-------------|
| | \$ | \$ |
| <u>Current tax expense (income):</u> | | |
| Current tax expense | 4,388 | – |
| Over adjustment in respect of prior year | (151) | – |
| Subtotal | <u>4,237</u> | <u>–</u> |
| <u>Deferred tax expense (income):</u> | | |
| Previously unrecognised deferred tax assets recognised this year | (4,388) | – |
| Total income tax income | <u>(151)</u> | <u>–</u> |

The income tax in profit or loss varied from the amount of income tax amount determined by applying the Singapore income tax rate of 17% (2015: 17%) to profit before income tax as a result of the following differences:

| | <u>2016</u> | <u>2015</u> |
|--|----------------|-----------------|
| | \$ | \$ |
| Profit (loss) before tax | <u>112,725</u> | <u>(42,937)</u> |
| Income tax expense at the above rate | 19,163 | (7,299) |
| Tax exemptions and rebate | (14,775) | – |
| Deferred tax asset not recognised | – | 7,299 |
| Previously unrecognised deferred tax assets recognised this year | (4,388) | – |
| Over adjustment in respect of prior year | (151) | – |
| Total income tax income | <u>(151)</u> | <u>–</u> |

There are no income tax consequences of dividends to owners of the company.

6B. Deferred tax balance in the statement of financial position:

| | <u>Statement of Financial Position</u> | | <u>Net change in Statement of Financial Activities</u> | |
|---|--|-------------|--|-------------|
| | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> |
| | \$ | \$ | \$ | \$ |
| <u>Deferred Taxes:</u> | | | | |
| Tax loss carryforwards | 2,911 | 7,299 | (4,388) | 7,299 |
| Net deferred tax asset valuation | (2,911) | (7,299) | 4,388 | (7,299) |
| Net deferred tax asset / (liability) recognised | <u>–</u> | <u>–</u> | <u>–</u> | <u>–</u> |

The above deferred tax assets for the tax losses that have not been recognised are in respect of the remaining balance, as the future profit streams are not probable against which the deductible temporary difference can be utilised. The realisation of the future income tax benefits from tax loss carryforwards and temporary differences from capital allowances is available for an unlimited future period subject to the conditions imposed by law including the retention of majority shareholders as defined.

THE RAY OF HOPE INITIATIVE LIMITED

| | | | |
|------------|---|----------------|---------------|
| 7. | Other receivables | <u>2016</u> | <u>2015</u> |
| | | \$ | \$ |
| | Accrual donation income | <u>17,472</u> | <u>11,530</u> |
| | | | |
| 8. | Other asset | <u>2016</u> | <u>2015</u> |
| | | \$ | \$ |
| | Prepayments | <u>-</u> | <u>2,375</u> |
| | | | |
| 9. | Cash and cash equivalents | <u>2016</u> | <u>2015</u> |
| | | \$ | \$ |
| | Not restricted in use | <u>119,821</u> | <u>1,175</u> |
| | | | |
| 10. | Other payables and accruals | <u>2016</u> | <u>2015</u> |
| | | \$ | \$ |
| | Outside parties and accrued liabilities | <u>31,362</u> | <u>22,025</u> |

11. Financial instruments: information on financial risks

11A. Categories of financial assets and liabilities

The following table categorises the carrying amount of financial assets and liabilities recorded at the end of the reporting year:

| | | |
|-------------------------------|---------------|---------------|
| | <u>2016</u> | <u>2015</u> |
| | \$ | \$ |
| <u>Financial assets:</u> | | |
| Other receivables | <u>17,472</u> | <u>11,530</u> |
| | | |
| <u>Financial liabilities:</u> | | |
| Other payables and accruals | <u>31,362</u> | <u>22,025</u> |

Further quantitative disclosures are included throughout these financial statements.

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11. Financial instruments: information on financial risks (cont'd)

11B. Financial risk management

The main purpose for holding or issuing financial instruments is to raise and manage the finances for the entity's operating, investing and financing activities. There are exposures to the financial risks on the financial instruments such as credit risk, liquidity risk and market risk comprising interest rate, currency risk and price risk exposures. The management has certain practices for the management of financial risks. However these are not documented in formal written documents. The following guidelines are followed: All financial risk management activities are carried out and monitored by senior management staff. All financial risk management activities are carried out following good market practices.

There have been no changes to the exposures to risks; the objectives, policies and processes for managing the risk and the methods used to measure the risk.

11C. Fair values of financial instruments

The analyses of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 are disclosed in the relevant notes to the financial statements. These include both the significant financial instruments stated at amortised cost and at fair value in the statement of financial position. The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value.

11D. Credit risk on financial assets

Financial assets that are potentially subject to concentrations of credit risk and failures by counterparties to discharge their obligations in full or in a timely manner consist principally of cash balances with banks, cash equivalents and receivables. The maximum exposure to credit risk is: the total of the fair value of the financial assets; the maximum amount the entity could have to pay if the guarantee is called on; and the full amount of any payable commitments at the end of the reporting year. Credit risk on cash balances with banks and any other financial instruments is limited because the counter-parties are entities with acceptable credit ratings. For credit risk on receivables an ongoing credit evaluation is performed on the financial condition of the debtors and a loss from impairment is recognised in profit or loss. The exposure to credit risk is low because a member has undertaken to provide adequate fund for the company to meet its obligation as any when they fall due.

11E. Liquidity risk – financial liabilities maturity analysis

All the non-derivative financial liabilities comprising trade and other payables have remaining contractual maturity (contractual and undiscounted cash flows) of less than 1 year.

The liquidity risk refers to the difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. It is expected that all the liabilities will be paid at their contractual maturity. The average credit period taken to settle trade payables is about 30 days. The other payables are with short-term durations. The classification of the financial assets is shown in the statement of financial position as they may be available to meet liquidity needs and no further analysis is deemed necessary.

The funding of the company is provided by a member who has undertaken to provide adequate fund for the company to meet its obligation as and when they fall due.

THE RAY OF HOPE INITIATIVE LIMITED

11. Financial instruments: information on financial risks (cont'd)

11F. Interest rate risk

The interest rate risk exposure is from changes in fixed interest rates and floating interest rates and it mainly concerns financial liabilities. The interest from financial assets including cash balances is not significant.

11G. Foreign currency risk

The company has no significant exposure to foreign currencies as its operations are substantially denominated in Singapore dollar, which is also its functional currency.

12. Changes and adoption of financial reporting standards

For the current reporting year new or revised Financial Reporting Standards in Singapore and the related Interpretations to FRS ("INT FRS") were issued by the Singapore Accounting Standards Council. Those applicable to the reporting entity are listed below. These applicable new or revised standards did not require any modification of the measurement methods or the presentation in the financial statements.

| <u>FRS No.</u> | <u>Title</u> |
|----------------|--|
| FRS 1 | Amendments to FRS 1: Disclosure Initiative |
| Various | Improvements to FRSs (Issued in November 2014) |
| | FRS 107 Financial Instruments: Disclosures - Servicing contracts |
| | FRS 19 Employee Benefits - Discount rate: regional market issue |

13. New or amended standards in issue but not yet effective

For the future reporting years new or revised Financial Reporting Standards in Singapore and the related Interpretations to FRS ("INT FRS") were issued by the Singapore Accounting Standards Council and these will only be effective for future reporting years. Those applicable to the reporting entity for future reporting years are listed below. The transfer to the applicable new or revised standards from the effective dates is not expected to result in material adjustments to the financial position, results of operations, or cash flows for the following year.

| <u>FRS No.</u> | <u>Title</u> | <u>Effective date for periods beginning on or after</u> |
|----------------|---------------------------------------|---|
| FRS 115 | Revenue from Contracts with Customers | 1 Jan 2017 |
| FRS 109 | Financial Instruments | 1 Jan 2018 |

THE RAY OF HOPE INITIATIVE LIMITED

The Accompanying Supplementary Statement of Financial Activities

Has Been Prepared For Management Purposes Only

And Does Not Form Part Of The Audited Financial Statements

THE RAY OF HOPE INITIATIVE LIMITED

Supplementary Statement of Financial Activities
Year Ended 31 December 2016

| | <u>Notes</u> | <u>2016</u> \$ | <u>2015</u> \$ |
|---|--------------|-------------------|-------------------|
| Income | | | |
| Donation income | | 340,601 | 93,686 |
| Interest income | | – | 12 |
| Other income | | 1,986 | 1,182 |
| Total Income | | <u>342,587</u> | <u>94,880</u> |
| Expenditure | | | |
| Cost of charitable activities (grant disbursements) | 4 | (63,442) | (52,663) |
| Employee benefits expenses | 5 | (108,094) | (56,217) |
| Governance costs | | (5,700) | (4,810) |
| Other expenditure | | (52,626) | (24,127) |
| Total Expenditure | | <u>(229,862)</u> | <u>(137,817)</u> |
| Profit (loss) for the year before income tax | | 112,725 | (42,937) |
| Income tax income | 6 | 151 | – |
| Net profit (loss) for the year | | <u>112,876</u> | <u>(42,937)</u> |
| Total (loss) funds brought forward | | <u>(6,945)</u> | <u>35,992</u> |
| Total funds (loss) carried forward | | <u>105,931</u> | <u>(6,945)</u> |

Not Part Of Audited Financial Statements

THE RAY OF HOPE INITIATIVE LIMITED

**Supplementary Statement of Financial Activities
Year Ended 31 December 2016**

| <u>Revenue</u> | <u>2016</u> | <u>2015</u> |
|--|--------------------|--------------------|
| | \$ | \$ |
| Donation income | <u>340,601</u> | <u>93,686</u> |
| | | |
| <u>Interest Income</u> | <u>2016</u> | <u>2015</u> |
| | \$ | \$ |
| Interest income | <u>-</u> | <u>12</u> |
| | | |
| <u>Governance costs</u> | <u>2016</u> | <u>2015</u> |
| | \$ | \$ |
| Accounting fees | 1,200 | 700 |
| Auditors' remuneration | <u>4,500</u> | <u>4,110</u> |
| | <u>5,700</u> | <u>4,810</u> |
| | | |
| <u>Employee benefits expenses</u> | <u>2016</u> | <u>2015</u> |
| | \$ | \$ |
| Employee benefits expense | 91,612 | 46,900 |
| Contributions to defined contribution plan | 764 | 1,227 |
| Other benefits | <u>15,718</u> | <u>8,090</u> |
| Total employee benefits expense | <u>108,094</u> | <u>56,217</u> |

THE RAY OF HOPE INITIATIVE LIMITED

**Supplementary Statement of Financial Activities
Year Ended 31 December 2016**

| <u>Other expenditure</u> | <u>2016</u> | <u>2015</u> |
|---------------------------------|--------------------|--------------------|
| | \$ | \$ |
| Advertising | 25,929 | 141 |
| Bank charges | 769 | 52 |
| Course fees | 80 | 2,889 |
| Intern pays | 10,220 | 8,400 |
| Postage and courier | – | 34 |
| General expenses | 2,036 | 632 |
| Secretarial fees | 2,241 | 1,725 |
| Telephone expense | 242 | |
| Transportation | 4,608 | 2,894 |
| Website development fee | 6,501 | 7,360 |
| | <u>52,626</u> | <u>24,127</u> |