

**PROJECT SMILE LIMITED**  
(Incorporated in the Republic of Singapore)  
(Reg. No. : 201406530G)

**AUDITED FINANCIAL STATEMENTS - 31 DECEMBER 2020**

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**PROJECT SMILE LIMITED**  
**(Incorporated in the Republic of Singapore)**

**CORPORATE INFORMATION**

COMPANY REGISTRATION NUMBER : 201406530G

BOARD OF DIRECTORS : Selvam S/O Varathappan  
Gunasundari D/O Sathu Nair  
Suchitra Vipin Chandran Mrs Suchitra Bhaskaran  
Rajalaximi D/O Gurusamy  
Vinita M Choolani

COMPANY SECRETARY : Madhavan Peter

REGISTERED OFFICE : 26 Norris Road  
Singapore 208268

INDEPENDENT AUDITOR : MGI N Rajan Associates  
Public Accountants and  
Chartered Accountants  
10 Jalan Besar,  
#10-12 Sim Lim Tower  
Singapore 208787

PRINCIPAL BANKER : OCBC Bank

## **PROJECT SMILE LIMITED**

*(Incorporated in the Republic of Singapore)*

### **DIRECTORS' STATEMENT FOR THE FINANCIAL YEAR ENDED 31 DECMEBER 2020**

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The directors are pleased to present their statement to the members together with the audited financial statements of Project Smile Limited (the "Company") for the financial year ended 31 December 2020.

#### **In the opinion of the directors,**

- (a) the accompanying financial statements together with the notes thereto are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2020, and the financial performance, changes in fund and cash flows of the Company for the year then ended in accordance with the provisions of the Charities Act, Chapter 37 and other relevant regulations, the Companies Act, Chapter 50 and Financial Reporting Standards in Singapore; 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.

#### **Directors**

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

Selvam S/O Varathappan  
Gunasundari D/O Sathu Nair  
Suchitra Vipin Chandran Mrs Suchitra Bhaskaran  
Vinita M Choolani  
Somasundaram Uma

#### **Arrangements to enable directors to acquire shares or debentures**

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 any other corporate.

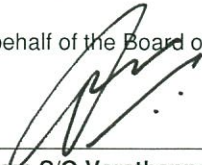
#### **Other matter**

As the Company is a company limited by guarantee and does not have a share capital, matters relating to the directors' interests in shares, debentures and share options of the Company are not applicable.

#### **Auditor**

MGI N Rajan Associates has expressed its willingness to accept re-appointment as auditor.

On behalf of the Board of Directors

  
\_\_\_\_\_  
Selvam S/O Varathappan  
Director

  
\_\_\_\_\_  
Gunasundari D/O Sathu Nair  
Director

Singapore

Date 25 MAY 2021



**MGI N RAJAN ASSOCIATES**  
PUBLIC ACCOUNTANTS AND  
CHARTERED ACCOUNTANTS SINGAPORE

**INDEPENDENT AUDITOR'S REPORT  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PROJECT SMILE LIMITED**

**Report on the Audit of the Financial Statements**

***Opinion***

We have audited the accompanying financial statements of Project Smile Limited (the "Company"), which comprise the statement of financial position of the Company as at 31 December 2020, the statement of financial activities, statement of changes in funds and statement of cash flows of the Company for the year then ended, and notes to the financial statements, including a summary of 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), the Charities Act, Chapter 37 and other relevant regulations (the Charities Act and Regulations) and 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 2020 and of the financial performance, changes in funds and cash flows of the Company for the financial 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 Directors' Statement set out on page 3.

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.

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G. Natarajan, P.S. Somasekharan, D. Govindaraj

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Each member firm undertakes no responsibility for the activities, work, opinions or service of the other member firms.

**INDEPENDENT AUDITOR'S REPORT (CONTINUED)  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PROJECT SMILE LIMITED (Cont'd...)**

***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 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's skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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.
- 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.

**INDEPENDENT AUDITOR'S REPORT (CONTINUED)  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

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**Report on the Audit of the Financial Statements (Cont'd)**

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**

During the course of our audit, nothing has come to our attention that causes us to believe that during the reporting year:

- (a) The use of the donation moneys was not in accordance with the objectives of the Company as required under regulation 11 of the Charities (Institutions of a Public Character) Regulations; and
- (b) The Company has not complied with the requirements of Regulation 15 (fund-raising expenses) of the Charities (Institutions of a Public Character) Regulations.

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

*M G I N Rajan Assoc*

**MGI N RAJAN ASSOCIATES  
PUBLIC ACCOUNTANTS AND  
CHARTERED ACCOUNTANTS  
SINGAPORE**

**DATE: 25 MAY 2021**

**PROJECT SMILE LIMITED**  
(Incorporated in the Republic of Singapore)

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2020**

	Note	2020 S\$	2019 S\$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Right of use Asset	17	77,879	-
<b>Current assets</b>			
Cash and cash equivalents	10	441,956	252,391
Deposits		15,900	-
<b>Total current assets</b>		<u>457,856</u>	<u>252,391</u>
<b>TOTAL ASSETS</b>		<u>535,735</u>	<u>252,391</u>
<b>LIABILITIES AND FUNDS</b>			
<b>Non-current liabilities</b>			
Lease liability	17	50,623	-
<b>Current liabilities</b>			
Lease liability	17	27,378	-
Accruals		4,120	4,220
<b>Total current liabilities</b>		<u>31,498</u>	<u>4,220</u>
<b>TOTAL LIABILITIES</b>		<u>82,121</u>	<u>4,220</u>
<b>FUNDS</b>			
Unrestricted general fund		428,745	228,178
Restricted funds		24,869	19,993
<b>TOTAL FUNDS</b>		<u>453,614</u>	<u>248,171</u>
<b>TOTAL LIABILITIES AND FUNDS</b>		<u>535,735</u>	<u>252,391</u>

(The annexed notes form an integral part and should be read in conjunction with these financial statements.)

**PROJECT SMILE LIMITED**  
(Incorporated in the Republic of Singapore)

**STATEMENT OF FINANCIAL ACTIVITIES**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

UNRESTRICTED GENERAL FUND	Note	2020 S\$	2019 S\$
<b>INCOME</b>			
Donations	4	225,585	52,817
Charity show income	5	-	11,714
Special project income	6	33,674	6,800
Other income	7	20,443	12,212
		279,702	83,543
<b>EXPENSES</b>			
Charity show expenses	5	-	(3,873)
Special project expenses	6	(25,353)	(4,727)
Festival allowances		(2,900)	(3,500)
Financial aid		(1,050)	(1,900)
Other expenses	8	(49,832)	(41,702)
<b>Surplus for the year, representing total comprehensive income for the year</b>		200,567	27,841
<b>RESTRICTED FUNDS</b>			
		2020	2019
<b><u>Education Bursary Fund</u></b>		S\$	S\$
<b>INCOME</b>			
Donations		-	10,000
		-	10,000
<b>EXPENSES</b>			
Disbursements		-	(10,000)
<b>Surplus for the year, representing total comprehensive income for the year</b>		-	-
		2020	2019
<b><u>Silver Volunteer Fund</u></b>		S\$	S\$
<b>INCOME</b>			
Donations (non-tax exempt)		22,049	50,142
		22,049	50,142
<b>EXPENSES</b>			
Operating expenses		(17,173)	(30,149)
<b>Surplus for the year, representing total comprehensive income for the year</b>		4,876	19,993

(The annexed notes form an integral part and should be read in conjunction with these financial statements.)



**PROJECT SMILE LIMITED**  
(Incorporated in the Republic of Singapore)

**STATEMENT OF CHANGES IN FUNDS FOR THE  
FINANCIAL YEAR ENDED 31 DECEMBER 2020**

	UNRESTRICTED GENERAL FUND	EDUCATION BURSARY FUND	SILVER VOLUNTEER FUND
	S\$	(Restricted Funds) S\$	
At 1 January 2019	200,337	-	-
Surplus for the year, representing total comprehensive income for the year	27,841	-	19,993
<b>At 31 December 2019 and 01 January 2020</b>	<b>228,178</b>	<b>-</b>	<b>19,993</b>
Surplus for the year, representing total comprehensive income for the year	200,567	-	4,876
<b>At 31 December 2020</b>	<b>428,745</b>	<b>-</b>	<b>24,869</b>

(The annexed notes form an integral part and should be read in conjunction with these financial statements.)

**PROJECT SMILE LIMITED**  
(Incorporated in the Republic of Singapore)

**STATEMENT OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

	Note	2020 S\$	2019 S\$
<b>Cash flows from operating activities</b>			
Surplus for the year			
- Unrestricted general fund		200,567	27,841
- Silver volunteer fund		4,876	19,993
Adjustments for			
Depreciation	17	7,080	
Interest on lease	17	542	
<b>Operating surplus before working capital changes</b>		<b>213,065</b>	<b>47,834</b>
Changes in working capital			
Deposits		(15,900)	-
Accruals		(100)	2,520
<b>Net cash flows from operating activities</b>		<b>197,065</b>	<b>50,354</b>
<b>Cash flows from financing activities</b>			
Payment of principal portion of lease liabilities	17	(6,958)	-
Payment of interest on lease liabilities	17	(542)	-
<b>Net cash flows (used in) financing activities</b>		<b>(7,500)</b>	<b>-</b>
<b>Net increase in cash and cash equivalents</b>		<b>189,565</b>	<b>50,354</b>
Cash and cash equivalents at the beginning of the year		252,391	202,037
<b>Cash and cash equivalents at the end of the year</b>	<b>10</b>	<b>441,956</b>	<b>252,391</b>

(The annexed notes form an integral part and should be read in conjunction with these financial statements.)

# PROJECT SMILE LIMITED

(Incorporated in the Republic of Singapore)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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These notes form an integral part of and should be read in conjunction with the financial statements.

### 1. GENERAL INFORMATION

Project Smile Limited (the "Company") is a public company limited by guarantee and not having a share capital, is incorporated and domiciled in the Republic of Singapore.

The registered office of the Company is at 26 Norris Road, Singapore 208268.

The Company is registered as a charity under the Charities Act, Chapter 37. The Company is an approved institution of a public character (IPC) in accordance with Section 37 of the Income Tax Act. The IPC is valid from 04 August 2020 to 03 August 2021.

The Company is established to help all people, to give relief to anyone in hardship, disaster or need.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Basis of preparation

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS"). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollars (S\$), which is the Company's functional currency.

#### Covid 19

Since January 2020, the outbreak of Novel Coronavirus ("COVID-19") has impacted the global business environment. Up to the date of these financial statements, COVID-19 has not resulted in material impact to the Company.

#### 2.2 Adoption of new and revised standards

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Company has adopted all the new and amended standards which are relevant to its operations and effective for annual periods beginning on or after 1 January 2020. The adoption of these standards does result in changes to the Company's accounting policies and has no material effect on the amounts reported for the current year.

Management has determined that there is no material uncertainty that casts doubt on the Company's ability to continue as a going concern. It expects that COVID-19 might have some impact, though not significant, for example, in relation to expected future performance, or the effects on some future asset valuations.

#### 2.3 Foreign currency transactions and balances

Transactions in foreign currencies are measured in the functional currency of the Company and are recorded on initial recognition in the functional currency at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONT'D...**

**2.3 Foreign currency transactions and balances cont'd...**

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting period are recognised in statement of financial activities.

**2.4 Financial instruments**

**a) Financial assets**

The Company's financial assets are cash and cash equivalents.

**Initial recognition and measurement**

Financial assets are recognised when, and only when the entity becomes party to the contractual provisions of the instruments.

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in statement of financial activities.

**Subsequent measurement**

***Debt instruments***

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the contractual cash flow characteristics of the asset. The three measurement categories for classification of debt instruments are amortised cost, FVOCI and FVPL. The Company only has debt instruments at amortised cost.

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost.

Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognized in statement of financial activities when the assets are derecognised or impaired, and through the amortisation process.

**De-recognition**

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received (and, where applicable, any cumulative gain or loss that has been recognised in other comprehensive income) is recognised in profit or loss.

**Impairment**

The Company recognises an allowance for expected credit losses ("ECLs") for financial assets carried at amortised cost. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONT'D...**

**2.4 Financial instruments cont'd...**

**b) Financial assets cont'd...**

**Impairment cont'd...**

The impairment methodology applied depends on whether there has been a significant increase in credit risk. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

If the Company has measured the loss allowance for a financial asset at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Company measures the loss allowance at an amount equal to 12-month ECL at the current statement of financial position date. The Company recognises an impairment gain or loss in statement of financial activities for all financial assets with a corresponding adjustment to their carrying amount through a loss allowance account.

**b) Financial liabilities**

**Initial recognition and measurement**

Financial liabilities are recognised when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at FVPL, directly attributable transaction costs.

**Subsequent measurement**

After initial recognition, financial liabilities that are not carried at FVPL are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in statement of financial activities when the liabilities are derecognised, and through the amortisation process.

**De recognition**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in statement of financial activities.

**2.5 Cash and cash equivalents**

Cash and cash equivalents comprise of cash at bank and on hand and fixed deposit and are subject to an insignificant risk of changes in value.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONT'D...**

**2.6 Revenue recognition**

Donation income is recognised on receipt basis.

Income from charity activities and shows is recognized in the period in which the event takes place.

Sale of merchandise is recognised when the goods are delivered to the customer and all criteria for acceptance have been satisfied.

Interest income is recognized using effective interest method.

**2.7 Related parties**

A related party is an entity or person that directly or indirectly through one or more intermediary controls, is controlled by, or is under common or joint control with the entity in governing the financial and operating policies, or that has an interest in the entity that gives it significant influence over the entity in financial and operating decisions. It also includes members of the key management personnel or close members of the family of any individual referred to herein and others who have the ability to control, jointly control or significantly influence by or for which significant voting power in such entity resides with, directly or indirectly, any such individual. The transactions are entered on terms agreed by the parties concerned.

**2.8 Employee benefits**

**a) Short-term employee benefits**

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

**2.9 Provision**

**General**

Provisions are recognised when the Company has 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 the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONT'D...**

**2.10 Leases**

**Company as a lessee**

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

**a. Right-of-use assets**

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

The Company depreciates its right of use asset over 3 years (the lease period).

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment in accordance to accounting policy in Note 2.12.

**b. Lease liabilities**

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

## **PROJECT SMILE LIMITED**

(Incorporated in the Republic of Singapore)

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

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#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONT'D...**

##### **2.10 Leases cont'd...**

##### **c. Short-term leases and leases of low-value assets cont'd...**

The Company applies the short-term lease recognition exemption to its short-term leases of premises and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value.

Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

##### **2.11 Funds**

Unless specifically indicated, fund balances are not represented by any specific accounts, but are represented by all assets of the Company.

##### **Unrestricted funds**

Unrestricted funds are funds that are expendable at the discretion of the Company for achieving their overall objectives.

##### **Restricted funds**

Restricted funds are funds that are set up for specific purposes which may be imposed by the donor or have specific restriction on the management's discretion regarding the utilisation of funds.

##### **2.12 Impairment of non-financial assets**

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses are recognised in statement of financial activities.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in statement of comprehensive income.



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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

**3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES**

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

The management is of the opinion that there are no significant judgments made in applying accounting estimates and policies that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

**4. DONATIONS**

	2020 S\$	2019 S\$
Donations received (Note 15)	225,585	52,817
	<u>225,585</u>	<u>52,817</u>

Donations during the year included a donation of S\$150,000 from a single donor.

**5. CHARITY SHOW**

	2020 S\$	2019 S\$
Income received	-	11,714
Less: Expenses incurred	-	(3,873)
	<u>-</u>	<u>7,841</u>

**6. SPECIAL PROJECT INCOME**

	2020 S\$	2019 S\$
Income received	33,674	6,800
Less: Expenses incurred	(25,353)	(4,727)
	<u>8,321</u>	<u>2,073</u>

**7. OTHER INCOME**

	2020 S\$	2019 S\$
Sale of items	20,338	11,960
Interest on fixed deposit	105	252
	<u>20,443</u>	<u>12,212</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

**8. OTHER EXPENSES**

	2020	2019
	S\$	S\$
Other expenses include the following:		
Salaries and CPF	9,890	12,000
Purchase of materials	13,880	1,856
Training allowance	8,304	13,165
Trainers allowance	-	3,721
Depreciation of right of use asset (Note 17)	7,080	-
Interest on lease (Note 17)	542	-

No Board members receives remuneration for their Board services.

**9. TAXATION**

No provision for income tax has been made in the financial statements as the Company is a registered charity under the Charities Act, Cap.37, and is exempted from income tax under Section 13(1)(zm) of the Income Tax Act (Cap 134).

**10. CASH AND CASH EQUIVALENTS**

	2020	2019
	S\$	S\$
Cash at bank	365,833	181,249
Cash at bank – C3A	24,869	19,993
Cash on hand	500	500
Fixed deposit with bank	50,754	50,649
	<u>441,956</u>	<u>252,391</u>

Fixed deposit is held with the bank maturing on December 2021 and carries interest @ 0.50% (2019: 0.50%) p.a.

**11. FINANCIAL RISK MANAGEMENT**

The Company's activities expose it to a variety of financial risks from its operation. The key financial risks include credit risk and liquidity risk.

**a) Credit risk**

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a loss to the Company with no history of default.

The Company has no concentration of credit risk. The Company has no significant exposure to credit risk as the Company has no significant financial assets. Cash is held with financial institutions of good standing and established financial institution with high credit rating and no history of default.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

**11. FINANCIAL RISK MANAGEMENT (CONTD.,)**

**b) Market risk**

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the Company's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

**(i) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of the Company's financial instruments will fluctuate because of changes in market interest rates.

The Company is not exposed to any significant interest rate risk out of its very low rate interest bearing fixed deposits and has no floating interest bearing financial instruments.

**(ii) Foreign currency risk**

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Company has no significant foreign currency risk as majority of its transactions are denominated in Singapore dollars.

**c) Liquidity risk**

Liquidity risk refers to the risk that the Company will encounter difficulties in meeting its short-term obligations due to shortage of funds. The Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Company manages its liquidity risk by matching the payment and receipt cycle, as well as ensuring the availability of funding through committed continuing financial and operational support from its donors. The directors are satisfied that funds are available to finance the operations of the Company.

The table below summarises the maturity profile of the Company's lease liabilities at the reporting date based on contractual undiscounted repayment obligations, including estimated interest payments:

2020	Carrying amount S\$	Contractual cash flows	One year or less	More than one year to five years S\$
Lease liabilities	78,001	78,001	27,378	50,623

2019: Nil

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

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**12. FINANCIAL INSTRUMENTS BY CATEGORY**

At the reporting date, the aggregate carrying amounts of financial assets at amortised cost and financial liabilities at amortised cost were as follows:

	2020	2019
	S\$	S\$
<b>Financial assets at amortised cost</b>		
Cash and cash equivalents (Note 10)	441,956	252,391
Deposits	15,900	
<b>Total financial assets at amortised cost</b>	<u>457,856</u>	<u>252,391</u>
<b>Financial liabilities at amortised cost</b>		
Lease liabilities (Note 17)	78,001	-
Accruals	4,220	4,120
<b>Total financial liabilities at amortised cost</b>	<u>82,121</u>	<u>4,120</u>

**13. FAIR VALUES**

The carrying amounts of cash and cash equivalents, deposits and accruals approximate their fair values due to the short term nature of these balances.

For lease liabilities, which is calculated based on the present value of future cash flows, discounted at the weighted average incremental borrowing rate at the initial recognition date.

**14. FUND MANAGEMENT**

The Company's objectives when managing funds are to safeguard the Company's ability to maintain adequate working capital to promote its objective to lead and uphold the public interest.

The Company is a company limited by guarantee with no issued capital. The funds of the Company include restricted funds and unrestricted general fund in its operation fund.

There were no changes in the Company's approach to fund management during the year.

The Company is not subject to externally imposed capital requirements.

**15. TAX-EXEMPT RECEIPTS**

The Company enjoys a concessionary tax treatment whereby qualifying donors are granted 2.5 times tax deduction for the donations made to the Company. The quantum of the tax deduction for each calendar year may vary as announced in the Singapore Budget. The Institutions of a Public Character status granted to the Company for donations is for the period from 4 August 2020 to 3 August 2021.

	<b>2020</b>
	<b>S\$</b>
During the Financial year, the Company issued tax-exempt receipts amounting to	194,936

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

**16. STANDARDS ISSUED BUT NOT YET EFFECTIVE**

The Company has not adopted the following standards applicable to the Company that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
Amendment to FRS 116 Leases: Covid-19-related rent concessions	1 June 2020
Annual Improvements to FRSs 2018-2020	1 January 2022
Amendments to FRS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current	1 January 2023

The directors expect that the adoption of the standards above will have no material impact on the financial statements in the period of initial application.

**17. LEASES**

**Company as a lessee**

The Company has one lease contract for premise used in its operations. Lease have lease term of 3 years. The Company's obligations under its leases are secured by the lessor's title to the leased assets. The lease contract does not include extension option.

The Company applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for leases with lease terms of 12 months or less and leases of low-value assets.

(a) Set out below are the carrying amounts of right-of-use assets (included under non-current asset) recognised and the movements during the year:

<b>RIGHT OF USE ASSET</b>	<b>2020</b>
<b>Cost</b>	<b>S\$</b>
Beginning of the financial year	-
Additions	84,959
End of the financial year	<u>84,959</u>
<b>Accumulated depreciation</b>	<b>S\$</b>
Beginning of the financial year	-
Amortised during the year	7,080
End of the financial year	<u>7,080</u>
<b>Net carrying value, as at end of the financial year</b>	<u>77,879</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

**17. LEASES (CONTINUED)**

(b) Set out below are the carrying amounts of lease liabilities (included under current and non-current liabilities) and the movements during the year:

LEASE LIABILITIES	2020 S\$
Beginning of the financial year	-
Additions	84,959
Payments	(6,958)
End of the financial year	<u>78,001</u>
Current	27,378
Non-current	<u>50,623</u>
	<u>78,001</u>

(c) The following are the amounts recognised in statement of financial activities:

	2020 S\$
Depreciation expense of right-of-use asset	7,080
Interest expenses on lease liabilities	542
Total amount recognised in statement of comprehensive income	<u>7,622</u>

(d) The Company had total cash outflows for leases of S\$7,500 in 2020. The Company does not have any non-cash additions to right-of-use assets and lease liabilities in 2020.

A reconciliation of liabilities arising from the Company's financing activities is as follows:

	1 Jan 2020 S\$	Additions S\$	Cash flows S\$	Accretion of interest S\$	Others S\$	31 Dec 2020 S\$
<b>Lease liabilities</b>						
- Current	-	84,959	(7,500)	542	(50,623)	27,378
- Non-current	-	-	-	-	50,623	50,623
	-	<u>84,959</u>	<u>(7,500)</u>	<u>542</u>	<u>-</u>	<u>78,001</u>

The other column relates to reclassification of non-current portion of lease liabilities due to passage of time.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

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**18. RELATED PARTY TRANSACTIONS**

For the purpose of financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

A related party includes the Board members and key management personnel of the Company. It also includes an entity or person that directly or indirectly controls, is controlled by, or is under common or joint control with these persons. It also includes close members of the family of any individuals referred to herein and others who have the ability to control, jointly control or significantly influence by or for which significant voting power in such entity resides with directly or indirectly, any such individual. Key management personnel include the directors, managers and key executives.

There are no transactions and arrangements between the Company and related parties.

There are no employees (including the key management personnel) whose remuneration including CPF amount is over S\$50,000 during the financial year.

**19. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE**

The financial statements for the financial year ended 31 December 2020 were authorised for issue in accordance with a resolution of the Board of Directors of the Company on the date of the Directors' statement.

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*This does not form part of the audited financial statements*

**DETAILED STATEMENT OF FINANCIAL ACTIVITIES  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

	2020	2019
	S\$	S\$
<b>RESTRICTED AND UNRESTRICTED FUNDS</b>		
<b>Items of Income</b>		
Donation Income	225,585	52,817
Sale of beneficiary items	20,338	11,960
Income from charity show	-	11,714
Receipts towards education bursary	-	10,000
SVF project fund	22,049	50,142
Special project allowance	33,674	6,800
Interest Income	105	252
	<b>301,751</b>	<b>143,685</b>
<b>Items of expense</b>		
Audit fees	3,930	3,320
Bank charges	730	351
Salaries	9,890	12,000
Charity show expenses	-	3,873
Depreciation of right of use asset	7,080	-
Education bursary	-	10,000
Festival allowances	2,900	3,500
Financial aid	1,050	1,900
General expenses	1,820	1,970
Interest on lease	542	-
Purchase of materials	13,880	1,856
Refreshments	168	791
Rental and maintenance	3,282	-
Secretarial fees	-	3,964
Special project expenses	25,353	4,727
Training allowance	8,304	13,165
SVF project expenses	17,173	30,149
Trainers Allowances	-	3,721
Telephone	206	359
Web page hosting charges	-	205
	<b>96,308</b>	<b>95,851</b>
<b>Surplus for the year</b>	<b>205,443</b>	<b>47,834</b>