

For Lotus

LOTUS CULTURE LTD.
(Incorporated in Singapore)
Company Registration No: 201015087C

REPORT OF THE DIRECTORS AND AUDITED FINANCIAL STATEMENTS

FINANCIAL PERIOD ENDED DECEMBER 31, 2010

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LOTUS CULTURE LTD.
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REPORT OF THE DIRECTORS

The directors are pleased to present their report together with the audited financial statements of Lotus Culture Ltd for the financial period since date of incorporation July 16, 2010 to December 31, 2010.

1. **DIRECTORS**

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

Lee Pak Kheng
Sylvia Chan Mrs Sylvia Lee
Weon Lai Har

2. **ARRANGEMENT TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES**

Neither at the end of the financial period nor at any time during that period did there subsist any arrangement whose object is to enable the directors of the company to acquire benefits by means of the acquisition of shares or debentures in the company or any other body corporate.

3. **DIRECTORS' INTEREST IN SHARES**

The directors who are also members of the company, do not have any beneficial interest in the company that requires disclosure under Section 164 of the Companies Act, Cap. 50.

4. **DIRECTORS' CONTRACTUAL BENEFITS**

Since the date of incorporation, no director has received or become entitled to receive a benefit by reason of a contract made by the company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

5. **OPTIONS**

There were no options granted during the financial period to subscribe for unissued shares of the company. No shares have been issued during the financial period by virtue of the exercise of options to take up unissued shares of the company.

There were no unissued shares of the company under option at the end of financial period.

6. **AUDITORS**

The auditors, Goh Hwee Cheng & Co., Certified Public Accountants, have expressed their willingness to accept re-appointment.

On behalf of the Board of Directors



Lee Pak Kheng
Director



Sylvia Lee
Director

Date: **March 9, 2011**


LOTUS CULTURE LTD.
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Company Registration No: 201015087C


REPORT OF THE DIRECTORS

We, Lee Pak Kheng and Sylvia Lee, being two of the directors of Lotus Culture Ltd., do hereby state that, in the opinion of the directors:

- (a) the accompanying statement of financial position, statement of comprehensive income, statement of funds balances and statement of cash flows together with the notes thereto are drawn up so as to give a true and fair view of the state of affairs of the company as at December 31, 2010 and of the results of the business, changes in equity and cash flow of the company for the period then ended; and
- (b) at the date of this statement, there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors


Lee Pak Kheng
Director


Sylvia Lee
Director

Date: March 9, 2011

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

LOTUS CULTURE LTD.
(Incorporated in Singapore)
Company Registration No: 201015087C

We have audited the accompanying financial statements of **LOTUS CULTURE LTD.**, which comprise the Statement of financial position of the Company as at December 31, 2010, the statement of comprehensive income, statement of funds balances and statement of cash flows of the Company for the financial period ended December 31, 2010 and a summary of significant accounting policies and other explanatory notes, as set out on pages 6 to 17.

Managements' Responsibility for the Financial Statements

The management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Goh Hwee Cheng & Co.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

LOTUS CULTURE LTD.
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Opinion

In our opinion:

- (a) the financial statements are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the company as at December 31, 2010 and the results, changes in equity and cash flows of the company for the financial period ended on that date; and
- (b) 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.



GOH HWEE CHENG & CO
Public Accountants and
Certified Public Accountants

Singapore

Date: March 9, 2011

LOTUS CULTURE LTD.
(Incorporated in Singapore)
Company Registration No: 201015087C

STATEMENT OF FINANCIAL POSITION
December 31, 2010
(Expressed in Singapore Dollars)

	<u>Note</u>	<u>2010</u> <u>SS</u>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	4	16,720
Total current assets		<u>16,720</u>
Non-current assets:		
Total non-current assets		-
TOTAL ASSETS		<u>16,720</u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
Current liabilities:		
Other payables	5	9,600
Total current liabilities		<u>9,600</u>
TOTAL LIABILITIES		<u>9,600</u>
Fund balances:		
Retained earnings		7,120
Total capital and reserves		<u>7,120</u>
TOTAL LIABILITIES AND FUND BALANCES		<u>16,720</u>

See accompanying notes

LOTUS CULTURE LTD.
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STATEMENT OF COMPREHENSIVE INCOME

For the financial period since date of incorporation July 16, 2010 to December 31, 2010
(Expressed in Singapore Dollars)

	<u>Note</u>	<u>2010</u> SS
Revenue:		
Donations received from locals		6,600
Donations received from foreigners		6,228
Donations received from members		3,641
Total income		16,469
Costs and expenses:		
Social Enterprise expense		(5,518)
Other expenses	8	(3,831)
Total costs and expenses		(9,349)
Surplus before income tax		7,120
Income tax	6	-
Surplus after income tax		7,120
Other comprehensive income:		
Other comprehensive income		-
Other comprehensive income, net of tax		-
Total comprehensive income		7,120

See accompanying notes

LOTUS CULTURE LTD.
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STATEMENT OF FUNDS BALANCES
Financial period ended December 31, 2010
(Expressed in Singapore Dollars)

	<u>Retained earnings</u> S\$	<u>Total</u> S\$
Balance at 16.07.2010 (date of incorporation)	-	-
Total comprehensive income	7,120	7,120
Balance at 31.12.2010	<u>7,120</u>	<u>7,120</u>

See accompanying notes

LOTUS CULTURE LTD.
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STATEMENT OF CASH FLOWS
For the financial period ended December 31, 2010
(Expressed in Singapore Dollars)

	<u>Note</u>	<u>2010</u> <u>SS</u>
Cash flows from operating activities		
Surplus before income tax		7,120
Adjustments:		-
Operating surplus before working capital changes		<u>7,120</u>
Cash generated from operating activities		<u>7,120</u>
Net cash generated from operating activities		<u>7,120</u>
Cash flows from investing activities		-
Cash flows from financing activities		
Increase in amounts owing to Directors		<u>9,600</u>
Net cash generated from financing activities		<u>9,600</u>
Net increase in cash and cash equivalents		16,720
Cash and cash equivalents at beginning of financial period		-
Cash and cash equivalents at end of financial period	4	<u><u>16,720</u></u>

See accompanying notes

LOTUS CULTURE LTD.
(Incorporated in Singapore)
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NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010

1. ORGANISATION AND OBJECTIVES

Lotus Culture Ltd. is a company incorporated under the Companies Act, Cap. 50 as a company limited by guarantee and not having a share capital. Its registered office is situated at 108 Cairnhill Road, Singapore 229698.

The company's principal objectives is to create sustainable livelihoods for the poor and the disadvantaged by pursuing projects which:-

- develop literacy and life skills
- instil and rebuild self esteem and self worth
- create employment opportunities

The Memorandum of Association of the company provides that the liability of the members is limited and each member undertakes to contribute not more than \$1/- to the assets of the company in the event of its being wound up. The guarantee totalled \$3/- for the period ended December 31, 2010.

The Memorandum of Association also prohibits the payment of dividend to members. Upon winding-up of the company, all assets after satisfaction of all its debts and liabilities shall be transferred to other charitable body or bodies having objects similar to those of the company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

The financial statements, are drawn up in accordance with the Singapore Financial Reporting Standards (FRS) and the applicable requirements of the Singapore Companies Act.

The financial statements, expressed in Singapore dollars, are prepared under the historical cost convention except where a FRS require an alternative treatment (such as fair values) as disclosed where appropriate in these financial statements.

2.2 CRITICAL JUDGEMENTS, ASSUMPTIONS AND ESTIMATION UNCERTAINTIES

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

2.2 CRITICAL JUDGEMENTS, ASSUMPTIONS AND ESTIMATION UNCERTAINTIES - CONT'D

There were no critical judgements made in the process of applying the entity's 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 balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

2.3 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are defined as cash on hand and at bank, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For purposes of the cash flow statement, cash and cash equivalents consist of bank balances.

2.4 FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION

(i) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The financial statements are presented in Singapore dollars, which is the company's functional and presentation currency.

(ii) Transactions and balances

Transactions in currency other than the functional currency are measured and recorded in functional currency by use of the exchange rate in effect at the date of transaction. At each balance sheet date, recorded monetary balances that are denominated in a foreign currency are adjusted to reflect the rate at the balance sheet date. All realised and unrealised exchange adjustment gains and losses are taken to the income statement.

2.5 FINANCIAL ASSETS

Financial assets are recognised on the balance sheet when, and only when, the Company becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that has been recognised directly in equity is recognised in the income statement.

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

2.5 FINANCIAL ASSETS – CONT'D

Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, and through the amortisation process.

2.6 IMPAIRMENT OF FINANCIAL ASSETS

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset is impaired.

(a) Assets carried at amortised cost

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in the income statement.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the company considers factors such as the probability of insolvency of significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in the income statement.

(b) Assets carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

2.7 FINANCIAL LIABILITIES

Financial liabilities at fair value through profit or loss when recognised initially are measured at fair value. Financial liabilities not at fair value through profit or loss are measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial liability. After initial recognition financial liabilities at fair value through profit or loss, including derivatives that are financial liabilities, are measured at fair value. Other financial liabilities not at fair value through profit or loss are measured at amortised cost and any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of borrowings using the effective interest method.

Financial liabilities including bank and other borrowings are classified as current liabilities unless there is an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date. Items classified within trade and other payables are not usually re-measured, as the obligation is usually known with a high degree of certainty and settlement is short-term.

2.8 LIABILITIES AND PROVISIONS

A liability and 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. These include trade and other payables 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.

2.9 FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying values of cash, accounts receivable, other current financial assets, short-term borrowings, accounts payable and other current financial liabilities approximate their fair values due to the short-term maturity of these instruments. Those financial assets and liabilities that have a fixed maturity are measured at amortised cost using the effective interest rate method. Those that do not have a fixed maturity are measured at cost. All financial assets are subject to review for impairment.

2.10 REVENUE RECOGNITION

Revenue from donations are recognised when cash is received.

2.11 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

<u>Description</u>	<u>Effective for annual periods beginning on or after</u>
Amendments to FRS 32 Financial Instruments: Presentation – Classification of Rights Issues	1.2.2010
INT FRS 119 Extinguishing Financial Liabilities with Equity Instruments	1.7.2010
Revised FRS 24 Related Party Disclosures	1.1.2011
Amendments to INT FRS 114 Prepayments of a Minimum Funding Requirement	1.1.2011
INT FRS 115 Agreements for the Construction of Real Estate	1.1.2011

Except for the revised FRS 24, the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of the revised FRS 24 is described below.

Revised FRS 24 Related Party Disclosures

The revised FRS 24 clarifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised FRS 24 expands the definition of a related party and would treat two entities as related to each other whenever a person (or a close member of that person's family) or a third party has control or joint control over the entity, or has significant influence over the entity. The revised standard also introduces a partial exemption of disclosure requirements for government-related entities. The Company is currently determining the impact of the changes to the definition of a related party has on the disclosure of related party transaction. As this is a disclosure standard, it will have no impact on the financial position or financial performance of the Company when implemented in 2011.

3. PRINCIPAL ACTIVITIES

The principal activities of the company are to raise funds and together with volunteers with the requisite expertise to contribute to the various projects in Cambodia to develop employability and create employment opportunities through social enterprise.

4. CASH AND CASH EQUIVALENTS

	<u>2010</u>
	SS
Bank balances	<u>16,720</u>

5. OTHER PAYABLES

	<u>2010</u>
	SS
Amounts owing to Directors	<u>9,600</u>
Total other payables	<u>9,600</u>
Total financial liabilities carried at amortised cost	<u>9,600</u>

The amounts owing to Directors are non interest bearing and are repayable on demand.

6. TAXATION

	<u>2010</u>
	SS
Based on result for the year- current year	<u>-</u>

No provision for tax is necessary.

7. SIGNIFICANT RELATED PARTY DISCLOSURES

(a) Identity of Related Parties

For the purpose of these 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 the 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.

(b) Transactions with Directors

	<u>2010</u>
	SS
Loans to the company	9,600
Expenses paid for the company matched by Donations	<u>3,641</u>
	<u>13,241</u>

8. **OTHER EXPENSES**

Other expenses include the following significant charges:

	<u>2010</u>
	SS
Incorporation expenses	618
Travelling expenses	2,396

9. **FINANCIAL RISK MANAGEMENT**

The company is exposed to various common financial risk arising in the normal course of business.

The company does not hold or issue derivative financial instruments for trading purposes or to hedge against fluctuations in interest and foreign exchange rates.

The company's management policies and guidelines are summarised below.

a) Foreign Currency Exchange Risk

The company does not have a formal policy to manage its foreign exchange risk resulting from cash flows from transactions denominated in the currencies other than its functional currency.

As at balance sheet date, the company's currency exposures are insignificant.

b) Interest Rate Risk

The company has no exposure to interest rate risk.

c) Credit Risk

The company has no significant concentration of credit risk. The company has policies in place to ensure that transactions are entered into only with counter parties that are of acceptable credit quality.

The maximum exposure to credit risk is represented by the net carrying amount of financial assets recorded in the financial statements.

d) Liquidity Risk

The company ensures that there are adequate funds and availability of funding to meet all its operational requirements.

e) Market Rate Risk

The company has no exposure to market rate risk.

9. **FINANCIAL RISK MANAGEMENT – CONT'D**

f) Fair Values

As at December 31, 2010 the carrying amount of the financial assets and liabilities of the company approximate their fair values due to the relatively short-term maturity of these financial instruments.

10. **COMPARATIVES**

This being the first financial period, no comparative figures are available.

11. **AUTHORISATION OF FINANCIAL STATEMENTS**

The financial statements for the financial period ended December 31, 2010 were authorised for issue in accordance with a resolution of the directors on March 9, 2011.