

MORNING STAR COMMUNITY SERVICES

(REGISTERED IN THE REPUBLIC OF SINGAPORE)

UEN T02SS0153L

**STATEMENT OF ACCOUNTS
FOR THE FINANCIAL YEAR ENDED
31 JANUARY 2010**

EDWARD LEE & CO.
PUBLIC ACCOUNTANTS AND
CERTIFIED PUBLIC ACCOUNTANTS,
SINGAPORE

STATEMENT BY BOARD MEMBERS

We, Gerald Tan and Alan Ow, being President and Treasurer of MORNING STAR COMMUNITY SERVICES ("MSCS"), do hereby state that, in the opinion of the Board Members,

- (1) the accompanying statement of financial position, statement of comprehensive income, statement of changes in accumulated funds and statement of cash flows, together with the notes thereon are drawn up so as to give a true and fair view of the state of affairs of the MSCS as at 31 January 2010 and of the results of the business, changes in accumulated funds and cash flows of the MSCS for the financial year ended on that date, and
- (2) at the date of this statement there are reasonable grounds to believe that the MSCS will be able to pay its debts as and when they fall due.

The Board Members has on the date of this statement authorized these financial statements for issue.

On behalf of the Board,



GERALD TAN
PRESIDENT

Singapore

26 March 2010



ALAN OW
TREASURER

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MORNING STAR COMMUNITY SERVICES

We have audited the accompanying financial statements of MORNING STAR COMMUNITY SERVICES (the "MSCS") set out on pages 3 to 13, which comprise the statement of financial position of the MSCS as at 31 January 2010, the statement of comprehensive income, the statement of changes in accumulated funds and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of Societies Act, Cap. 311 (the "Act") and Singapore Financial Reporting Standards ("FRS"). This responsibility includes:

- (a) devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets;
- (b) selecting and applying appropriate accounting policies; and
- (c) 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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation 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.

In our opinion,

- (i) the financial statements of MSCS are properly drawn up in accordance with the provisions of the Act and Financial Reporting Standards so as to give a true and fair view of the state of affairs as at 31 January 2010 and the results, changes in accumulated funds and cash flow of MSCS for the year then ended on that date; and
- (ii) the accounting and other records required by the Act to be kept by MSCS have been properly kept in accordance with the provisions of the Act.



EDWARD LEE & CO
Public Accountants and
Certified Public Accountants

Singapore
26 March 2010

MORNING STAR COMMUNITY SERVICES
 (REGISTERED IN THE REPUBLIC OF SINGAPORE)
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STATEMENT OF FINANCIAL POSITION AS AT 31 JANUARY 2010

	<u>Note</u>	<u>2010</u> \$	<u>2009</u> \$
ASSETS			
Non-Current Asset			
Property, plant and equipment	4	36,842	116,621
CURRENT ASSETS			
Cash and Bank Balances		262,589	6,547
Fixed Deposits		1,253,563	900,000
Deposits		2,455	1,810
Other Debtors		9,628	16,639
Total Current Assets		<u>1,528,235</u>	<u>924,996</u>
TOTAL ASSETS		<u>1,565,077</u>	<u>1,041,617</u>
FUNDS AND LIABILITIES			
Funds			
Building Fund	5	2,480	47,503
Play Equipment Fund	6	13,886	30,554
Hardship Fund	7	50,000	50,000
Training & Development Fund	8	13,000	13,000
Nova Project Fund	9	35,000	50,000
CSCC* ¹ Grant	10	-	-
Advent Fund	11	5,700	30,650
South East CDC* ² Grant	12	8,388	11,184
Accumulated Fund	13	1,274,657	641,539
Total Funds		<u>1,403,111</u>	<u>874,430</u>
CURRENT LIABILITIES			
Refundable Deposits		80,922	72,969
Other Creditors	14	27,293	32,482
Accrued Liabilities		53,751	61,736
Total Current Liabilities		<u>161,966</u>	<u>167,187</u>
TOTAL FUND AND LIABILITIES		<u>1,565,077</u>	<u>1,041,617</u>

*1 CSCC – Caritas Singapore Community Council

*2 CDC – Community Development Council

The accompanying notes form an integral part of the accounts.

MORNING STAR COMMUNITY SERVICES

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**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 JANUARY 2009**

	<u>Note</u>	<u>2010</u> \$	<u>2009</u> \$
INCOME			
Building Fund Transferred	5	45,023	45,024
CSCC Grant Transferred	10	648,878	394,282
Job Credit Scheme		80,108	-
South East CDC Grant Transferred	12	2,796	2,773
Donations	3	11,638	37,506
VCF* ¹ Rebate received		-	11,400
Family Enhancement Programmes		229,325	261,474
Interest Income		2,965	11,048
Nova Income		118,636	103,960
Play Equipment Fund Transferred	6	16,668	16,668
SCS* ² services		866,330	638,060
		<u>2,022,367</u>	<u>1,522,195</u>
Less: Staff Cost			
Salaries, Bonus & CPF Contribution		984,701	923,601
Staff Welfare		8,579	6,447
Training & Development Activities		14,274	10,568
	15	<u>1,007,554</u>	<u>940,616</u>
Depreciation of Property, Plant and Equipment	4	84,666	112,269
Less: Other Operating Expenses			
Auditors' Remuneration		1,200	1,200
Bank Charges		1,125	412
Food & Beverages		50,042	37,491
General Expenses		36,366	34,334
Honorarium		31,578	39,115
Insurance		12,047	8,968
Office Maintenance		11,394	10,867
Printing and Stationery		25,083	29,521
Professional Fees		-	5,000
Programme Expense		32,847	9,277
Rental		43,854	30,468
Telephone & Faxes		4,844	3,579
Transport		11,223	8,687
Upkeep of Premises		10,143	9,217
Water & Electricity		25,284	21,434
		<u>297,030</u>	<u>249,570</u>
SURPLUS / (DEFICIT) FOR THE YEAR		<u>633,117</u>	<u>219,740</u>

*1 VCF – VVOs - Charities Capability Fund

*2 SCS – Student Care Services

The income received by MSCS is below the taxable threshold for GST.

The accompanying notes form an integral part of the accounts.

MORNING STAR COMMUNITY SERVICES
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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 JANUARY 2010

	<u>Note</u>	<u>2010</u>	<u>2009</u>
		\$	\$
CASH FLOW FROM OPERATING ACTIVITIES			
Surplus / (deficit) for the year		633,117	219,740
Adjustments for:			
Building Fund Transferred		(45,023)	(45,024)
Depreciation of Property, Plant and Equipment		84,666	112,269
Donations Received		(11,638)	(37,506)
South East CDC Grant Transferred		(2,796)	(2,773)
Play Equipment Fund Transferred		(16,668)	(16,668)
Surplus / (Deficit) Before Working Capital Changes		<u>641,658</u>	<u>230,038</u>
(Increase) in Other Receivables		6,367	(16,082)
(Decrease) in Other Payables		(5,221)	34,925
Cash Generated from Operating Activities		<u>642,804</u>	<u>248,881</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment		(4,888)	(34,146)
Total Cash Flow From Investing Activities		<u>(4,888)</u>	<u>(34,146)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Capital Grant Received		15,606	523,239
Donation Received		11,638	37,506
Disbursement of Funds		(55,555)	(445,600)
Total Cash Flow From Financing Activities		<u>28,311</u>	<u>115,145</u>
Net Increase/ (Decrease) in Cash and cash equivalents		609,605	329,880
Cash and cash equivalents at beginning of the year		<u>906,547</u>	<u>576,667</u>
Cash and cash equivalents at end of the year		<u><u>1,516,152</u></u>	<u><u>906,547</u></u>

The accompanying notes form an integral part of the accounts.

MORNING STAR COMMUNITY SERVICES

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2010

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

1. GENERAL

The Morning Star Community Services (MSCS) is registered and operates in the Republic of Singapore. Its registered office is located at 4 Lorong Low Koon, Singapore 536450. It also provides services at another location at Blk 261B, Sengkang East Way, #01-400, Singapore 542261 and Blk 95 #01-1415 Bedok North Ave 4 Singapore 460095.

MSCS is set up for the purpose of providing student care services as well as facilities and activities to improve and strengthen family life in Singapore.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards and the provisions of Societies Act, Cap. 311.

b) Basis of preparation of financial statements

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (FRS) as required by the Societies Act.

The MSCS has adopted all of the new or revised FRS and Interpretations to FRS ("INT FRS") that are mandatory for application from accounting periods beginning on or after 1 January 2009.

The adoption of these FRS and INT FRS did not result in any substantial changes to the MSCS's accounting policies.

Certain new accounting standards have been published that are effective for accounting periods beginning on 1 January 2010. The Board Members anticipate that the adoption of these Standards in future periods will have no material impact on the financial statements of the MSCS.

c) Functional and Presentation Currency

Functional currency is the currency used in measuring transactions and as the currency of the primary economic environment in which the MSCS operates and it mainly influences prices for services rendered and costs of providing these services and other costs of the MSCS. The items included in the financial statements of the MSCS are measured using the currency Singapore Dollar (SGD) of the primary economic environment in which the MSCS operates. (i.e. Functional Currency)

The financial statements of the MSCS are presented in Singapore Dollar, which is the presentation currency of the company.

d) Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JANUARY 2010

2. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

d) Property, plant and equipment

All items of property, plant and equipment is written off upon disposal or when no economics benefits are expected from its use or disposal. Any gain or loss arising from any write-off of the asset is included in the income and expenditure statement in the year the asset is written off.

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is provided on the straight line method so as to write off the cost of the fixed assets over their estimated useful lives as follows:

	<u>No. of Year(s)</u>
Furniture and Fittings	1 - 3
Office Equipment	1
Motor Vehicles	4
Renovation	5

The residual values and useful lives of the asset are reviewed and adjusted as appropriate, at each balance sheet date.

Fully depreciated assets are retained in the accounts until they are no longer in use.

e) Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances, including short term fixed deposit.

f) Impairment of assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that an asset may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment losses are taken into the statement of income and expenditure.

Assets acquired by finance leases are capitalized and stated at an amount equal to the lower of its fair value or the present value of the minimum lease payments at the inception of the lease, less accumulated depreciation.

Reversals of impairment losses are taken to the statement of income and expenditure.

g) Income recognition

Income from contributions, donations and public assistance are taken into account when received.

Income from student care services (SCS), learning support programme and family enhancement programme (FEP) are recognized when services are rendered.

All other income is recognized on an accrual basis.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2010**

2. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

h) Specific fund

Donations received for specific purposes are taken up in specific funds and transferred to the Income Statement when relevant expenditure is incurred.

i) Employee benefits

Employee entitlements to annual leave are recognized when they accrue to employees. An accrual is made for the estimated liability for unutilized annual leave as a result of services rendered by employees up to the balance sheet date.

j) Financial risk management

The activities of the MSCS are not exposed to any foreign exchange and credit risk. The MSCS maintains sufficient cash and funding requirements are met by the CSCC and CDC.

k) Operating lease

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term are classified as operating leases.

Operating lease payments are charged to the statement of income and expenditure on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which termination takes place.

l) Deferred capital donation

Donations and grant received for the purchase of capital assets are accounted for in the respective capital fund accounts. Amounts utilised for purchase of property, plant and equipment are transferred from deferred capital grant account and amortised over the useful life of the related assets to match the depreciation of the assets purchased with the related donations/grants.

m) Significant accounting estimates and judgments

Estimates, assumptions concerning the future and judgments are made in the preparation of the financial statements. They affect the application of the MSCS's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2010**

3. DONATIONS

	2010	2009
	\$	\$
Donations received during the year		
Tax deductible donations	11,470	37,300
Non-tax deductible donations	168	206
	<u>11,638</u>	<u>37,506</u>
Donations are allocated as per the following :-		
Statement of Income and Expenditure	<u>11,638</u>	<u>37,506</u>
	<u>11,638</u>	<u>37,506</u>

4. PROPERTY, PLANT AND EQUIPMENT

	Renovation	Office Equipment	Motor Vehicle	Furniture & Fittings	Total
<u>Cost</u>	\$	\$	\$	\$	\$
As at 31.01.2008	253,267	22,522	29,397	114,054	419,240
Additions	-	4,078	-	30,068	34,146
As at 31.01.2009	253,267	26,600	29,397	144,122	453,386
Additions	-	-	-	4,888	4,888
As at 31.01.2010	<u>253,267</u>	<u>26,600</u>	<u>29,397</u>	<u>149,010</u>	<u>458,274</u>
<u>Accumulated Depreciation</u>					
As at 31.01.2008	137,248	19,975	23,259	44,014	224,496
Depreciation for the Year	50,688	5,899	744	54,939	112,270
As at 31.01.2009	187,936	25,874	24,003	98,953	336,766
Depreciation for the Year	50,664	726	744	32,532	84,666
As at 31.01.2010	<u>238,600</u>	<u>26,600</u>	<u>24,747</u>	<u>131,485</u>	<u>421,432</u>
<u>Net Book Value</u>					
As at 31.01.2010	<u>14,667</u>	-	4,650	17,525	36,842
As at 31.01.2009	<u>65,331</u>	726	5,394	45,169	116,620

5. BUILDING FUND

The fund includes government subsidies received from Community Development Council for capital expenditure of Sengkang Centre. The fund will be allocated to income over the lives of the assets which is 5 years commencing from 1 February 2005.

	2010	2009
	\$	\$
Balance at Beginning of the year	47,503	92,527
Fund Released to Income Statement during the year	(45,023)	(45,024)
Balance at End of the year	<u>2,480</u>	<u>47,503</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2010**

6. PLAY GROUND EQUIPMENT FUND

The Play Ground Equipment Fund is a one-off grant received from Lee Foundation for the capital expenditure of the playground equipment installed at our Hougang Centre. The fund will be allocated to income over the lives of the asset which is 3 years commencing from 1 December 2007.

	2010	2009
	\$	\$
Balance at Beginning of Year	30,554	47,222
Fund Released to Income Statement during the year	<u>(16,668)</u>	<u>(16,668)</u>
Balance at End of Year	<u>13,886</u>	<u>30,554</u>

7. HARDSHIP FUND

The fund is set up for the purpose of providing financial assistance to families whose children are attending the centres' student care service and fee subsidy for family enhancement programme.

	2010	2009
	\$	\$
Balance at Beginning of Year	50,000	20,850
Add: Donation Received		
St Vincent De Paul Society	6,300	8,400
CSCC Grant	<u>4,370</u>	<u>33,897</u>
	50,000	63,147
Less: Disbursement during the Year	<u>(10,670)</u>	<u>(13,147)</u>
Balance at End of Year	<u>50,000</u>	<u>50,000</u>

8. TRAINING AND DEVELOPMENT FUND

The fund is set up for the purpose of financing the sponsorship of approved courses for staff.

	2010	2009
	\$	\$
Balance at Beginning of Year	13,000	13,000
Add: CSCC Grant	<u>473</u>	<u>-</u>
	13,473	13,000
Less: Disbursement (Course Fee)	<u>(473)</u>	<u>-</u>
Balance at End of Year	<u>13,000</u>	<u>13,000</u>

9. NOVA PROJECT FUND

The fund is set up for the purpose of financing Mission Nova – the learning support programme for children with learning difficulties.

	2010	2009
	\$	\$
Balance at Beginning of Year	50,000	50,000
Add: CSCC Grant	<u>4,463</u>	<u>21,821</u>
	54,463	71,821
Less: Disbursement during the Year	<u>(19,463)</u>	<u>(21,821)</u>
Balance at End of Year	<u>35,000</u>	<u>50,000</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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10. CSCC GRANT

The fund is set up for the purpose of funding the programmes of the centre and as subsidy to the poor and needy. The fund can be used for expenditure on manpower and other operating expenditure for purpose of these programmes.

	2010	2009
	\$	\$
Balance at Beginning of Year	-	-
Add: Grant Received	<u>658,183</u>	<u>500,000</u>
	<u>658,183</u>	<u>500,000</u>
Less: Allocation of Funds to :-		
Advent Fund	-	50,000
Training & Development Fund	473	-
Hardship Fund	4,369	33,897
Nova Project Fund	4,463	21,821
Transferred to Statement of Income and Expenditure	<u>648,878</u>	<u>394,282</u>
	<u>(658,183)</u>	<u>(500,000)</u>
Balance at End of Year	<u>-</u>	<u>-</u>

11. ADVENT FUND

The Advent Fund is set up for the purpose of providing financial aid to the cases we serve under our Case Management Service (CMS).

	2010	2009
	\$	\$
Balance at Beginning of Year	30,650	(3,000)
Add: CSCC Grant Transferred	<u>-</u>	<u>50,000</u>
	<u>30,650</u>	<u>47,000</u>
Less: Disbursement during the Year	<u>(24,950)</u>	<u>(16,350)</u>
Balance at End of Year	<u>5,700</u>	<u>30,650</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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12. SOUTH EAST CDC GRANT

The South East CDC Grant is for the purpose of capital expenditure of student care centre at St. Gabriel's Primary School. The fund will be allocated to building fund over 5 years commencing from 1 February 2008.

	2010	2009
	\$	\$
Balance at Beginning of Year	11,184	-
Add: South East CDC Grant received	-	13,957
	<u>11,184</u>	<u>13,957</u>
Less: Allocation of funds to:		
Building Fund	(2,796)	(2,773)
Balance at End of Year	<u>8,388</u>	<u>11,184</u>

13. ACCUMULATED FUND

	2010	2009
	\$	\$
Balance at Beginning of Year	641,539	421,799
Rounding up figure adjustment	1	-
Surplus/(Deficit) during the Year	633,117	219,740
Balance at End of Year	<u>1,274,657</u>	<u>641,539</u>

14. OTHER CREDITORS

	2010	2009
	\$	\$
Other payables	-	3,142
Payment received in advance	4,830	6,266
Reimbursable CDC subsidy	17,277	20,745
Assistance Fund	5,186	2,329
Balance at End of Year	<u>27,293</u>	<u>32,482</u>

15. EMPLOYEE BENEFIT

	2010	2009
	\$	\$
Salaries	707,747	704,896
Bonus	177,369	125,061
CPF Contribution	93,750	89,460
SDL & FWL	5,835	4,184
Staff Welfare	8,579	6,447
Training & Development Activities	14,274	10,568
	<u>1,007,554</u>	<u>940,616</u>

The top 3 executive's remuneration for the year was in the following categories: -

	2010	2009
Less than \$100,000	3	3
\$100,001 to \$150,000	-	-
\$150,001 to \$200,000	-	-
More than \$200,001	-	-
	<u>3</u>	<u>3</u>

The Board Members did not receive any remuneration during the year.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2010****16. INCOME TAX**

There is no provision for income tax in the MSCS's financial statements. MSCS has been exempted from tax under Section 13 (1) (zm) of the Income Tax Act.

17. LEASE COMMITMENT

Commitments in relation to non-cancellable operating leases for photocopier machines and licence agreement for the use of premises contracted during the accounting year but not recognized as liabilities, are payable as follows:

	<u>2010</u>	<u>2009</u>
	\$	\$
Not later than one financial year	1,719	2,860
Later than one financial year but not later than five financial years	2,997	220

Rental expenses were \$2,319 and \$5,280 for the year ended 31 January 2010 and 2009 respectively.

18. FINANCIAL RISK MANAGEMENT

The main risks arising from the centre's financial instruments are interest rate risk and credit risk. MSCS does not use derivatives and other instruments in its risk management activities. The MSCS does not hold or issue derivative financial instruments for trading purposes. The Board reviews and agrees with the policies for managing each of these risks and they are summarized as below.

Interest rate risk

The MSCS's exposure to changes in interest rates relates primarily to its holding of fixed deposits. The MSCS's policy is to obtain favorable interest rates that are available.

Credit risk

The carrying amount of cash and cash equivalents and other debtors represent the centre's maximum exposure to credit risk in relation to financial assets. No other financial assets carry a significant exposure to credit risk.

The MSCS has no significant concentration to credit risk and placed its surplus funds with licensed banks in Singapore.