

SINGAPORE CHILDREN'S SOCIETY

Unique Entity Number: S62SS0057G

REPORT & FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

LO HOCK LING & CO

Chartered Accountants Singapore

盧鶴齡會計公司



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SINGAPORE CHILDREN'S SOCIETY

CORPORATE INFORMATION 2014

1. INSTRUMENT OF SETTING UP THE SOCIETY

Constitution of Singapore Children's Society

2. UNIQUE ENTITY NUMBER OF THE SOCIETY

S62SS0057G

3. INSTITUTION OF A PUBLIC CHARACTER

IPC 000460

4. REGISTERED ADDRESS

298 Tiong Bahru Road #09-05 Central Plaza Singapore 168730

5. KEY EXECUTIVE COMMITTEE

<u>Name</u>	<u>Designation</u>
Mr Koh Choon Hui	Chairman
Professor Ho Lai Yun	Vice-Chairman
Mr Tan Suee Chieh	Vice-Chairman
Ms Tan Khiaw Ngoh	Honorary Secretary
Mr Ho Lon Gee	Honorary Treasurer
Mrs Maria Shiu	Honorary Assistant Secretary
Ms Theresa Sim May Ling	Honorary Assistant Treasurer

6. AUDIT COMMITTEE

Mr Tan Suee Chieh
Mr Harry Chua Chin Nam
Mr Philip Tan Seng Leong

7. INVESTMENT COMMITTEE

Mr Ho Lon Gee
Mr Koh Choon Hui
Professor Ho Lai Yun
Ms Theresa Sim May Ling
Mr Gwee Lian Kheng
Mr Wee Chorng Kien, Kurt

8. PRINCIPAL BANKERS

CIMB Bank
Credit Suisse AG
DBS Bank Limited
Oversea-Chinese Banking Corporation Limited
UBS AG
United Overseas Bank Limited

9. INDEPENDENT AUDITORS

Lo Hock Ling & Co.
Chartered Accountants Singapore

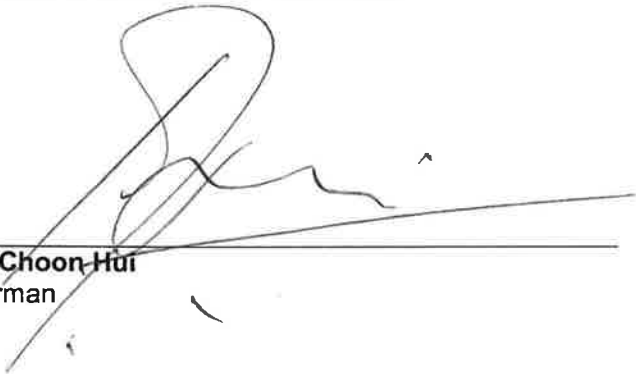
SINGAPORE CHILDREN'S SOCIETY

(Registered under the Societies Act, Chapter 311)

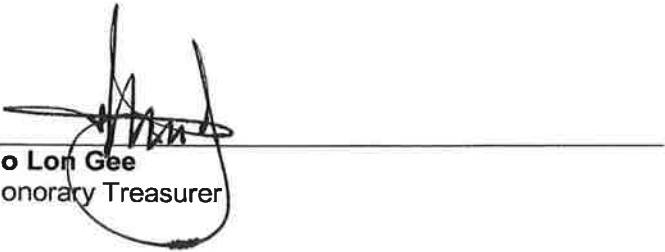
Statement by Executive Committee

In our opinion, the financial statements set out on pages 5 to 28 are drawn up in accordance with Singapore Financial Reporting Standards and the Societies Act, Cap. 311 so as to present fairly, in all material respects, the state of affairs of Singapore Children's Society (the "Society") as at 31 December 2014 and the income and expenditure, changes in funds and cash flows of the Society for the year ended on that date.

On behalf of the Executive Committee



Koh Choon Hui
Chairman



Ho Lon Gee
Honorary Treasurer

Singapore, 31 March 2015

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
SINGAPORE CHILDREN'S SOCIETY

(Registered under the Societies Act, Chapter 311)

Report on the Financial Statements

We have audited the accompanying financial statements of Singapore Children's Society (the "Society") set out on pages 5 to 28, which comprise the balance sheet as at 31 December 2014, and the statement of comprehensive income, statement of changes in funds and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Singapore Financial Reporting Standards and the Societies Act, Cap. 311, 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 profit and loss accounts and balance sheets and to maintain accountability of assets.

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 about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
SINGAPORE CHILDREN'S SOCIETY

(Registered under the Societies Act, Chapter 311)

(continued)

Opinion

In our opinion, the financial statements are properly drawn up in accordance with Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Society as at 31 December 2014 and the results, changes in funds and cash flows of the Society for the year ended on that date.

Report on Other Legal and Regulatory Requirements

In our opinion,

- (a) the accounting and other records required by the regulations enacted under the Societies Act to be kept by the Society have been properly kept in accordance with those regulations; and
- (b) the fund-raising appeal held during the year has been carried out in accordance with regulation 6 of the Societies Regulations issued under the Societies Act Chapter 311 and proper accounts and other records have been kept of the fund-raising appeal.

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

- (i) the use of the donation moneys was not in accordance with the objectives of the Society as required under regulation 16 of the Charities (Institutions of a Public Character) Regulations; and
- (ii) the Society has not complied with the requirements of regulation 15 (Fund-raising expenses) of the Charities (Institutions of a Public Character) Regulations.



LO HOCK LING & CO.
PUBLIC ACCOUNTANTS AND
CHARTERED ACCOUNTANTS SINGAPORE

Singapore, 31 March 2015

SINGAPORE CHILDREN'S SOCIETY

(Registered under the Societies Act, Chapter 311)

Balance Sheet as at 31 December 2014

	<u>Notes</u>	<u>2014</u>	<u>2013</u>
		\$	\$
Non-current assets			
Property, plant and equipment	3	857,000	396,310
Available-for-sale financial assets	4	14,350,421	14,537,828
		15,207,421	14,934,138
Current assets			
Available-for-sale financial assets	4	13,388,945	-
Inventories	5	12,987	9,208
Receivables	6	899,118	570,601
Fixed deposits with financial institutions	7	34,461,958	45,018,981
Cash and bank balances		9,419,148	7,385,620
		58,182,156	52,984,410
Total assets		<u>73,389,577</u>	<u>67,918,548</u>
Funds and reserves			
Accumulated fund	8	48,549,723	44,237,562
Professor S.S. Ratnam Memorial Fund	8	247,752	246,273
Children's Medical Fund	8	20,283,970	20,458,863
iNSPIRE Fund	8	-	7,130
Madam Ho Yun Wai Fund	8	504,435	504,505
Fair value reserve	9	2,477,490	1,367,310
Total funds and reserves		72,063,370	66,821,643
Non-current liabilities			
Provision for restoration costs	10	117,000	112,500
		117,000	112,500
Current liabilities			
Payables	11	1,020,813	948,044
Deferred income	12	188,394	36,361
		1,209,207	984,405
Total liabilities		<u>1,326,207</u>	<u>1,096,905</u>
Total funds, reserves and liabilities		<u>73,389,577</u>	<u>67,918,548</u>

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

SINGAPORE CHILDREN'S SOCIETY

(Registered under the Societies Act, Chapter 311)

Statement of Comprehensive Income for the year ended 31 December 2014

	<u>Notes</u>	<u>2014</u>	<u>2013</u>
		\$	\$
Income			
Donations and fund raising income	13	12,676,503	13,720,566
Grants		3,163,355	2,918,480
Other income	14	1,344,840	1,135,685
		17,184,698	17,774,731
Expenditure			
Administrative expenses		1,545,928	1,389,397
Children's home expenses		1,411,994	1,270,947
Children's medical fund expenses		363,846	387,795
Fund raising expenses	15	2,578,085	3,209,514
Information and corporate communications expenses		239,954	199,831
Research and advocacy expenses		1,163,480	1,068,749
Social work service expenses		5,749,864	4,710,359
	16	13,053,151	12,236,592
Surplus of income over expenditure		4,131,547	5,538,139
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets			
- Fair value gains	9	1,113,892	307,604
- Reclassification	9	(3,712)	-
Other comprehensive income for the year		1,110,180	307,604
Total comprehensive income for the year		5,241,727	5,845,743
Total comprehensive income attributable to:			
Unrestricted funds:			
Accumulated fund	8	4,312,161	5,318,778
Restricted funds:			
Professor S.S. Ratnam Memorial Fund	8	1,479	(553)
Children's Medical Fund	8	(174,893)	(253,781)
iNSPIRE Fund	8	(7,130)	(30,810)
Madam Ho Yun Wai Fund	8	(70)	504,505
		4,131,547	5,538,139
Fair value reserve	9	1,110,180	307,604
		5,241,727	5,845,743

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

SINGAPORE CHILDREN'S SOCIETY

(Registered under the Societies Act, Chapter 311)

Statement of Changes in Funds for the year ended 31 December 2014

		← (Unrestricted)	(Restricted)	→			
	\$	\$	\$	\$	\$		
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Total</u>		
	Accumulated	Professor S.S. Ratnam Memorial	Children's Medical	INSPIRE	Madam Ho Yun Wai		
	Fund	Fund	Fund	Fund	Fund		
	Fair Value				Reserve		
	Reserve				Total		
Balance as at 1 January 2013	38,918,784	246,826	20,712,644	37,940	-	1,059,706	60,975,900
Total comprehensive income/(loss) for the year	5,318,778 (553) (253,781) (30,810)	504,505	307,604	5,845,743
Balance as at 31 December 2013 and 1 January 2014	44,237,562	246,273	20,458,863	7,130	504,505	1,367,310	66,821,643
Total comprehensive income/(loss) for the year	4,312,161	1,479 (174,893) (7,130) (70)	1,110,180	5,241,727
Balance as at 31 December 2014	48,549,723	247,752	20,283,970	-	504,435	2,477,490	72,063,370

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

SINGAPORE CHILDREN'S SOCIETY

(Registered under the Societies Act, Chapter 311)

Statement of Cash Flows for the year ended 31 December 2014

	<u>Notes</u>	<u>2014</u>	<u>2013</u>
		\$	\$
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Surplus of income over expenditure		4,131,547	5,538,139
Adjustments for:			
Depreciation on property, plant and equipment	3	242,524	157,797
Property, plant and equipment written off		9,679	5,079
Unrealised exchange loss		22,917	-
Amortisation of premium		-	1,452
Gain on disposal of investments		(40,598)	(80,373)
Dividend income		(454,530)	(405,438)
Interest income		(475,487)	(474,080)
		(695,495)	(795,563)
Operating surplus before working capital changes		3,436,052	4,742,576
Increase in receivables		(112,203)	(15,779)
(Increase)/decrease in inventories		(3,779)	5,596
Increase in payables		191,294	160,412
Changes in working capital		75,312	150,229
Net cash from operating activities		3,511,364	4,892,805
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Dividends received		194,771	406,988
Interest received		278,442	549,587
Proceeds from redemption of held-to-maturity financial assets		-	6,319,875
Proceeds from disposal of available-for-sale financial assets		2,196,827	500,000
Purchase of available-for-sale financial assets		(13,990,141)	(2,195,254)
Purchase of property, plant and equipment	3	(712,893)	(343,807)
Net cash (used in)/from investing activities		(12,032,994)	5,237,389
Net (decrease)/increase in cash and cash equivalents		(8,521,630)	10,130,194
Cash and cash equivalents at beginning of the year		52,404,601	42,274,407
Effect of exchange rates changes		(1,865)	-
Cash and cash equivalents at end of the year	18	<u>43,881,106</u>	<u>52,404,601</u>

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

SINGAPORE CHILDREN'S SOCIETY

(Registered under the Societies Act, Chapter 311)

NOTES TO THE FINANCIAL STATEMENTS - 31 December 2014

The following notes form an integral part of the financial statements.

1. GENERAL

Singapore Children's Society (the "Society") is a society registered in the Republic of Singapore under the Societies Act, Cap. 311. It is also an approved charity and registered Institution of a Public Character (IPC) under the Charities Act, Cap. 37. The Society's current IPC status is for a period of 4 years from 1 July 2013 to 30 June 2017. Its registered office is located at 298 Tiong Bahru Road, #09-05 Central Plaza, Singapore 168730.

The principal activities of the Society are those of promoting the welfare of children in Singapore, as well as assisting and co-operating with the general public and all government, voluntary, religious and philanthropic bodies concerned for the welfare of children.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The Society presents its financial statements in Singapore dollars, which is also its functional currency.

These financial statements are prepared in accordance with the historical cost convention, except as disclosed in the accounting policies below, and comply with Singapore Financial Reporting Standards (FRS), including related Interpretations promulgated by the Accounting Standards Council.

During the financial year, the Society adopted all the applicable new/revised FRSs which are effective on or before 1 January 2014.

The adoption of these new/revised FRSs did not have any material effect on the Society's financial statements and did not result in substantial changes to the Society's accounting policies.

(b) 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 Society's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an ongoing basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

(A) *Key sources of estimation uncertainty*

Depreciation of Property, Plant and Equipment

The costs of property, plant and equipment are depreciated on a straight line basis over their estimated useful lives. Management's estimates of the useful lives of these property, plant and equipment are disclosed in note 2(d). Changes in the expected usage and technological developments could impact the economic useful lives and the residual values of these assets. Therefore, future depreciation charges could be revised. The carrying amount of property, plant and equipment and the depreciation charge for the year are disclosed in note 3 to the financial statements.

SINGAPORE CHILDREN'S SOCIETY

(Registered under the Societies Act, Chapter 311)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Significant Accounting Estimates and Judgments (continued)

(B) *Critical judgments made in applying accounting policies*

Impairment of investments and financial assets

The Society follows the guidance of FRS 39 on determining when an investment or financial asset is other-than-temporarily impaired. This determination requires significant judgment. The Society evaluates, among other factors, the duration and extent to which the fair value of an investment or financial assets is less than its cost; the financial health of and near-term business outlook for the investment or financial asset, including factors such as industry and sector performance, changes in technology and operational and financial cash flow.

(c) FRS and INT FRS not yet effective

The Society has not applied any new FRS or INT FRS (Interpretations of Financial Reporting Standards) that has been issued as at the balance sheet date but is not yet effective.

(d) Property, Plant and Equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Society and the cost of the item can be measured reliably.

Property, plant and equipment are stated at cost less accumulated depreciation and impairment loss, if any.

Any estimated costs of dismantling and removing the property, plant and equipment and reinstating the site to its original condition (restoration costs) are capitalised as part of the cost of the property, plant and equipment.

Depreciation is calculated on the straight line basis so as to write off the cost, less the residual value, of the assets over their estimated useful lives. The estimated useful lives are as follows:

Renovations	3 years
Office equipment, furniture and fittings	3 to 5 years
Motor vehicles	5 years

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

The residual values, useful lives and depreciation methods of property, plant and equipment are reviewed, and adjusted as appropriate, at each financial year end.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the assets is recognised in profit or loss in the year the asset is derecognised.

SINGAPORE CHILDREN'S SOCIETY

(Registered under the Societies Act, Chapter 311)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Financial Assets

(A) Classification and Measurement

The Society classifies its financial assets in the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the investments are acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date, with the exception that the designation of financial assets at fair value through profit or loss is not revocable.

(i) Financial assets at fair value through profit or loss

A financial asset is classified as at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. A financial asset is classified as held for trading if it is acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Financial assets designated as at fair value through profit or loss at inception are those that are managed and their performances are evaluated on a fair value basis. Assets in this category are presented as current assets if they are either held for trading or are expected to be realised within 12 months after the balance sheet date.

Financial assets at fair value through profit or loss are initially recognised at fair value. Transaction costs are recognised immediately as expenses. Changes in the fair values of financial assets at fair value through profit or loss including the effects of currency translation and interest are recognised in profit or loss when the changes arise.

Derivative Financial Instruments

A derivative financial instrument is initially recognised at its fair value on the date the contract is entered into and is subsequently carried at its fair value. Fair value changes on derivatives that are not designated or do not qualify for hedge accounting are recognised in profit or loss when the changes arise.

(ii) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Society has the positive intention and ability to hold to maturity.

Held-to-maturity financial assets are recognised initially at fair value plus transaction costs, and subsequently carried at amortised cost using the effective interest method.

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Society provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for those maturing more than 12 months after the balance sheet date. These are classified as non-current assets.

SINGAPORE CHILDREN'S SOCIETY

(Registered under the Societies Act, Chapter 311)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Financial Assets (continued)

(A) Classification and Measurement (continued)

(iii) Loans and receivables (continued)

Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Receivables with a short duration are not discounted.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose the investment within 12 months from the balance sheet date.

Available-for-sale financial assets are recognised initially at fair value plus transaction costs, and subsequently carried at fair value. Unrealised gains and losses arising from changes in fair value of these financial assets are recognised directly in other comprehensive income and accumulated in a separate component of funds and reserves as fair value reserve.

When available-for-sale financial assets are sold or impaired, the cumulative fair value adjustments in the fair value reserve is reclassified from funds and reserves to profit or loss.

(B) Recognition and Derecognition

Financial assets are recognised on the balance sheet when the Society becomes a contractual party to the contractual provisions of the financial instrument. Purchases and sales of investments are recognised on trade-date, that is, the date on which the Society commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Society has transferred substantially all risks and rewards of ownership.

(C) Determination of Fair Value

The fair values of quoted financial assets are based on bid price as at balance sheet date.

(D) Impairment of Financial Assets

The Society assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

(i) Impairment of loans and receivables and held-to-maturity financial assets

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity 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 original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). The carrying amount of the asset shall be reduced either directly

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(Registered under the Societies Act, Chapter 311)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Financial Assets (continued)

(D) Impairment of Financial Assets (continued)

- (i) Impairment of loans and receivables and held-to-maturity financial assets (continued)

or through the use of an allowance account. The amount of the loss shall be recognised in profit or loss.

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 carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

- (ii) Impairment of available-for-sale financial assets

A significant or prolonged decline in the fair value of an available-for-sale equity investment is considered in determining whether the investment is impaired. If any such evidence exists, the cumulative loss that was previously recognised in other comprehensive income is reclassified to profit or loss. The cumulative loss is measured as the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any impairment loss previously recognised as an expense. The impairment losses recognised as an expense on equity securities are not reversed through profit or loss.

(f) Offsetting of Financial Instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(g) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost formula and comprises all cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(h) Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand and cash at bank, including fixed deposits that are readily convertible into known amount of cash, which are subject to insignificant risks of changes in value. Cash equivalents are stated at amounts at which they are convertible into cash.

(i) Financial Liabilities

Financial liabilities are recognised on the balance sheet when the Society becomes a party to the contractual provisions of the financial instrument.

Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transaction costs.

SINGAPORE CHILDREN'S SOCIETY

(Registered under the Societies Act, Chapter 311)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Financial Liabilities (continued)

Subsequent to initial recognition, all financial liabilities are measured at amortised cost using the effective interest method, except for derivatives, which are measured at fair value. Financial liabilities with a short duration are not discounted.

A financial liability is derecognised when the obligation under the liability is extinguished. For financial liabilities other than derivatives, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process. Any gains or losses arising from changes in fair value of derivatives are recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

(j) Funds

Unrestricted funds are available for general use for the furtherance of the Society's objectives.

Restricted funds are those donated for a particular cause, the use of which is restricted to that cause.

(k) Grants

Grants are only recognised when there is reasonable assurance that the conditions attached to the grant are met and the right to receive payment is established.

(i) Grants related to assets

Grants which are designated for property, plant and equipment purchases are taken to deferred income in the period of receipt. The deferred income is recognised as income over the useful life of the property, plant and equipment by crediting to profit or loss an amount so as to match the related depreciation expense.

(ii) Grants related to income

Grants that compensate the Society for expenses incurred are recognised as income in profit or loss on a systematic basis in the same period in which the expenses are incurred.

(l) Revenue Recognition

(i) Donation and Fund Raising Income

Provided there is evidence of entitlement, as expressed in writing, donations and income from fund raising events are recognised in profit or loss in the period of receipt or when they become receivable.

Donations-in-kind are recognised when the fair value of the assets received can be reasonably ascertained.

(ii) Interest Income

Interest income is recognised on a time-proportion basis, using the effective interest method.

(iii) Dividend Income

Dividend income is recognised in profit or loss when the shareholder's right to receive payment is established.

SINGAPORE CHILDREN'S SOCIETY

(Registered under the Societies Act, Chapter 311)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Employee Benefits

(i) Defined Contribution Plans

The Society makes contributions to the state provident fund (Central Provident Fund). Such contributions are recognised as compensation expenses in the same period as the employment that gave rise to the contributions.

(ii) Short-term Compensated Absences

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for employee entitlements to annual leave as a result of services rendered by employees up to the balance sheet date.

(n) Impairment of Non-Financial Assets

The carrying amounts of the Society's assets subject to impairment are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and its value in use. The value in use is the present value of estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life.

An impairment loss on a non-revalued asset is recognised in profit or loss. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount or when there is an indication that the impairment loss recognised for the asset no longer exists or decreases. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

(o) Provisions

Provisions are recognised when the Society has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

(p) Operating Leases

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

When the Society is the lessee, operating lease payments are recognised as an expense on a straight line basis over the lease term.

(q) Income Tax

As a registered charity under the Charities Act, Cap. 37, the Society is exempt from income tax under Section 13(1)(zm) of the Income Tax Act, Cap 134.

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3. PROPERTY, PLANT AND EQUIPMENT

	<u>Renovations</u>	<u>Office equipment, furniture and fittings</u>	<u>Motor vehicles</u>	<u>Total</u>
	\$	\$	\$	\$
<u>Cost</u>				
At 1 January 2013	1,140,773	1,415,338	90,000	2,646,111
Additions	30,398	313,409	-	343,807
Disposals	(83,759)	(103,340)	-	(187,099)
At 31 December 2013 and 1 January 2014	1,087,412	1,625,407	90,000	2,802,819
Additions	341,146	371,747	-	712,893
Disposals	(170,493)	(262,530)	-	(433,023)
At 31 December 2014	<u>1,258,065</u>	<u>1,734,624</u>	<u>90,000</u>	<u>3,082,689</u>
<u>Accumulated depreciation</u>				
At 1 January 2013	1,136,278	1,220,204	74,250	2,430,732
Charge for the year	6,804	140,493	10,500	157,797
Disposals	(83,759)	(98,261)	-	(182,020)
At 31 December 2013 and 1 January 2014	1,059,323	1,262,436	84,750	2,406,509
Charge for the year	47,514	189,760	5,250	242,524
Disposals	(167,452)	(255,892)	-	(423,344)
At 31 December 2014	<u>939,385</u>	<u>1,196,304</u>	<u>90,000</u>	<u>2,225,689</u>
<u>Carrying amount</u>				
At 31 December 2014	<u>318,680</u>	<u>538,320</u>	<u>-</u>	<u>857,000</u>
At 31 December 2013	<u>28,089</u>	<u>362,971</u>	<u>5,250</u>	<u>396,310</u>

4. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<u>2014</u>	<u>2013</u>
	\$	\$
Balance as at 1 January	14,537,828	9,261,974
Reclassified from held-to-maturity financial assets	-	3,273,018
Additions	14,247,587	2,195,254
Disposal	(2,159,941)	(500,022)
Fair value adjustment	1,113,892	307,604
Balance as at 31 December	<u>27,739,366</u>	<u>14,537,828</u>

Available-for-sale financial assets are classified as follows:

	<u>2014</u>	<u>2013</u>
	\$	\$
- current	13,388,945	-
- non-current	<u>14,350,421</u>	<u>14,537,828</u>
	<u>27,739,366</u>	<u>14,537,828</u>

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4. AVAILABLE-FOR-SALE FINANCIAL ASSETS (continued)

The Society appointed a professional investment manager to manage two new investment portfolios in accordance with the investment guidelines set by the Investment Committee. These two investment portfolios amount to \$13,388,945 (2013: Nil) as at 31 December 2014. The Society utilises forward foreign currency contracts to manage exposures to foreign exchange risks arising from these investment activities (note 21 (v)).

Available-for-sale financial assets are analysed as follows:

	<u>2014</u>	<u>2013</u>
	\$	\$
<u>Quoted equity securities</u>		
Singapore	11,774,522	11,175,307
US	2,710,129	-
Europe	1,170,080	-
UK	385,573	-
Others	1,233,611	-
	17,273,915	11,175,307
<u>Quoted debt securities</u>		
Singapore	10,061,044	3,362,521
US	404,407	-
	10,465,451	3,362,521
	27,739,366	14,537,828

5. INVENTORIES

Inventories, comprising merchandise held for sale at future fund-raising events, are carried at lower of cost and net realisable value.

6. RECEIVABLES

	<u>2014</u>	<u>2013</u>
	\$	\$
Deposits	151,767	147,947
Prepayments	118,826	92,995
Interest receivable	286,318	89,273
Grants/donations receivable	273,074	68,036
Other receivables	52,177	172,350
* Derivative financial instruments	16,956	-
	899,118	570,601

* Derivatives financial instruments represent unrealised exchange gain arising from forward foreign exchange contracts. These forward foreign exchange contracts have maturity dates of less than 3 months. Derivative financial instruments are denominated in the following currencies:

	<u>2014</u>	<u>2013</u>
	\$	\$
Euro	3,972	-
GBP	669	-
Other currencies	12,315	-
	16,956	-

The total contract notional amount for the above forward foreign exchange contracts is \$1,591,379 (2013: Nil).

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7. FIXED DEPOSITS WITH FINANCIAL INSTITUTIONS

The fixed deposits earn interest at rates ranging from 0.6% to 1.6% (2013: 0.1% to 1.1%) per annum. Interest rates reprice at intervals of one week to twelve months (2013: one week to twelve months).

8. RESTRICTED AND UNRESTRICTED FUNDS

As at the balance sheet date, the Society has the following funds:

(i) Unrestricted funds

Accumulated fund

	<u>2014</u>	<u>2013</u>
	\$	\$
Balance as at 1 January	44,237,562	38,918,784
Income	16,964,817	17,134,255
Expenses	(12,652,656)	(11,815,477)
	4,312,161	5,318,778
Balance as at 31 December	48,549,723	44,237,562

This represents cumulative surpluses available for general use for the furtherance of the Society's objectives.

(ii) Restricted funds

(a) Professor S.S. Ratnam Memorial Fund

	<u>2014</u>	<u>2013</u>
	\$	\$
Balance as at 1 January	246,273	246,826
Interest income	2,469	1,956
Funds utilised	(990)	(2,509)
	1,479	(553)
Balance as at 31 December	247,752	246,273

The objective of this fund is to support education of children.

(b) Children's Medical Fund (CMF)

	<u>2014</u>	<u>2013</u>
	\$	\$
Balance as at 1 January	20,458,863	20,712,644
Interest income	163,953	134,005
Donation received	25,000	10
Funds utilised	(363,846)	(387,796)
	(174,893)	(253,781)
Balance as at 31 December	20,283,970	20,458,863

The objective of this fund is to provide subsidies for treatment and rehabilitative care of chronic illnesses for children.

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13. DONATIONS AND FUND RAISING INCOME

	<u>2014</u>	<u>2013</u>
	\$	\$
Outright donations and direct appeals	10,256,008	7,556,277
Income from fund raising events	2,367,455	6,119,417
Donations-in-kind	<u>53,040</u>	<u>44,872</u>
	<u>12,676,503</u>	<u>13,720,566</u>

Income from fund raising events for 2014 include gross donations of \$1,143,496 that was raised from a Gala Dinner held during the year. No Gala Dinner was held in 2013. The related expenses incurred for the event was \$212,801. The net sum raised will be used to fund the normal operations of the Society.

Total gross donations (including donations received during fund raising events) received which qualified for tax deduction amounted to \$11,365,548 (2013: \$10,888,292).

Total expenses incurred on public fund-raising appeals in the financial year did not exceed 30% of total donations collected through the public appeals in the same year. The Society had complied with the requirements of the 30/70 fund-raising rule set out in Regulation 15 of the Charities (Institutions of A Public Character) Regulations.

14. OTHER INCOME

	<u>2014</u>	<u>2013</u>
	\$	\$
Interest income - arising from:		
- Accumulated Fund	303,606	333,614
- Professor S.S.Ratnam Memorial Fund	2,469	1,956
- Children's Medical Fund	163,953	134,005
- Madam Ho Yun Wai Fund	5,459	4,505
	475,487	474,080
Dividend income	454,530	405,438
Gain on disposal of investments	40,598	80,373
Employment grants	191,935	13,998
Amortisation of discount	-	1,350
Others	<u>182,290</u>	<u>160,446</u>
	<u>1,344,840</u>	<u>1,135,685</u>

15. FUND RAISING EXPENSES

	<u>2014</u>	<u>2013</u>
	\$	\$
Direct costs incurred for:		
- Direct appeals	1,125,788	653,813
- Fund raising events	428,101	1,605,855
	1,553,889	2,259,668
Fund raising department expenses	<u>1,024,196</u>	<u>949,846</u>
	<u>2,578,085</u>	<u>3,209,514</u>

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16. TOTAL EXPENDITURE

Included in total expenditure are the following items:

	<u>2014</u>	<u>2013</u>
	\$	\$
Amortisation of premium	-	2,802
Audit fees	29,750	29,750
Depreciation on property, plant and equipment	242,524	157,797
Operating lease expenses	542,556	507,522
Property, plant and equipment written off	9,679	5,079
Foreign exchange loss, net	70,935	-
Employee benefits expense (note 17)	8,142,957	7,019,444

17. EMPLOYEE BENEFITS EXPENSE

	<u>2014</u>	<u>2013</u>
	\$	\$
Salaries and related costs	7,142,039	6,173,793
Employer's contributions to Central Provident Fund	<u>1,000,918</u>	<u>845,651</u>
	<u>8,142,957</u>	<u>7,019,444</u>

18. CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the statement of cash flows comprise the following amounts as shown in the balance sheet:

	<u>2014</u>	<u>2013</u>
	\$	\$
Cash and bank balances	9,419,148	7,385,620
Fixed deposits with financial institutions (note 7)	<u>34,461,958</u>	<u>45,018,981</u>
	<u>43,881,106</u>	<u>52,404,601</u>

Cash and cash equivalents are denominated in the following currencies:

	<u>2014</u>	<u>2013</u>
	\$	\$
Singapore dollars	43,443,055	52,404,601
Euro	436,646	-
Other currencies	<u>1,405</u>	<u>-</u>
	<u>43,881,106</u>	<u>52,404,601</u>

19. OPERATING LEASE COMMITMENTS

The Society leases office and operating premises from non-related parties under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

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19. OPERATING LEASE COMMITMENTS (continued)

As at the balance sheet date, the Society has commitments for future minimum lease payments under non-cancellable operating leases as follows:

	<u>2014</u>	<u>2013</u>
	\$	\$
Operating lease payments due		
- Within 1 year	515,683	537,445
- After 1 year but not later than 5 years	543,689	1,006,215
	<u>1,059,372</u>	<u>1,543,660</u>

The above operating lease commitments are based on known rental rates as at the date of this report and do not include any revision in rates which may be determined by the lessor.

20. RELATED PARTIES

For the purposes of these financial statements, parties are considered to be related to the Society if the Society 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 Society and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Society is governed by the Executive Committee which is the final authority and has overall responsibility for policy making and determination of all activities. Members of the Executive Committee are volunteers and receive no monetary remuneration for their contribution, except for reimbursement of out-of-pocket expenses.

The Society has in place a conflict of interests' policy in its code of conduct. All members of the Executive Committee and senior management are required to declare their interests yearly.

Key management personnel compensation

	<u>2014</u>	<u>2013</u>
Short-term employee benefits	\$ <u>1,529,866</u>	\$ <u>1,347,427</u>
* Number of key management personnel	<u>14</u>	<u>12</u>

* These key management personnel represent the senior management of the Society.

The annual remuneration (comprising basic salary, bonuses, allowances, and employer's contributions to Central Provident Fund) of the three highest paid staff classified by remuneration bands are as follows:-

	<u>No. of staff</u>	
	<u>2014</u>	<u>2013</u>
Annual remuneration		
- \$100,001 to \$150,000	2	1
- \$150,001 to \$200,000	0	1
- \$200,001 to \$250,000	1	1

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21. FINANCIAL RISK MANAGEMENT

Risk management is integral to the whole business of the Society. The Society has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risk. Management continually monitors the Society's risk management process to ensure that an appropriate balance between risk and control is achieved.

(i) Credit Risk

Credit risk is the potential risk of financial loss resulting from the failure of customers or other counterparties to settle their financial and contractual obligations to the Society as and when they fall due. Cash and fixed deposits are placed with financial institutions which are regulated in Singapore. The Society limits its credit risk exposure in respect of investment by only investing with counterparties that have a sound credit rating. Management does not expect any counterparties to fail to meet its obligations.

At the balance sheet date, Management believes that there is no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

There are no financial assets which are past due or impaired as at the balance sheet date.

(ii) Liquidity Risk

Liquidity risk is the risk that the Society will encounter difficulty in meeting financial obligations due to shortage of funds.

The Society monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by Management to finance the Society's operations and to mitigate the effects of fluctuations in cash flows.

All financial liabilities at the balance sheet date mature within one year.

(iii) Investment Price Risk

Exposure to investment price risk relates primarily to the Society's investment portfolio comprising quoted equity securities and debt securities. All investments are approved by the Society's Investment Committee which is tasked with the responsibility to review the investment operations of the Society and to make appropriate investment decisions. The Investment Committee works within the guidelines of the Society's Investment Policy.

The Investment Committee meets regularly to assess and review the risks as well as performance of the investments.

At the balance sheet date, the Society held quoted equity securities and debt securities as available-for-sale financial assets.

Sensitivity analysis for securities price risk

A 10% increase/(decrease) in the underlying securities prices at the balance sheet date would increase/(decrease) the fair value reserve and surplus by the following amount:

	<u>10% increase</u>		<u>10% decrease</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	\$	\$	\$	\$
Fair value reserve	2,773,937	1,453,783	(2,773,937)	(1,453,783)
Surplus	-	-	-	-

This analysis assumes that all other variables remain constant.

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21. FINANCIAL RISK MANAGEMENT (continued)

(iv) Interest Rate Risk

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

The Society's exposure to changes in interest rates relates primarily to interest-earning cash and cash equivalents and investments in debt securities which are exposed to a risk of change in their fair value due to changes in interest rates.

Information relating to the Society's interest rate exposures is disclosed in the notes to the financial statements. The Society does not enter into derivatives to hedge its interest rate risk.

The following table presents the carrying amounts of the Society's financial instruments and their interest rate profile:

	Non-interest bearing	<u>Floating rates</u>	<u>Fixed rates</u>	<u>Total</u>
	\$	\$	\$	\$
<u>At 31 December 2014</u>				
<u>Financial Assets</u>				
Cash and bank balances	6,325,773	3,093,375	-	9,419,148
Fixed deposits	-	-	34,461,958	34,461,958
Receivables	780,292	-	-	780,292
Investments in available- for-sale financial assets	<u>27,739,366</u>	<u>-</u>	<u>-</u>	<u>27,739,366</u>
	<u>34,845,431</u>	<u>3,093,375</u>	<u>34,461,958</u>	<u>72,400,764</u>
<u>At 31 December 2013</u>				
<u>Financial Assets</u>				
Cash and bank balances	3,795,326	3,590,294	-	7,385,620
Fixed deposits	-	-	45,018,981	45,018,981
Receivables	477,606	-	-	477,606
Investments in available- for-sale financial assets	<u>14,537,828</u>	<u>-</u>	<u>-</u>	<u>14,537,828</u>
	<u>18,810,760</u>	<u>3,590,294</u>	<u>45,018,981</u>	<u>67,420,035</u>

Interest on financial instruments classified under floating rates is repriced at intervals of less than one year. Interest on financial instruments classified under fixed rates is fixed until the maturity of the instruments. The other financial instruments of the Society that are included in the above tables are non-interest bearing and are therefore not subject to interest rate risk.

All of the Society's financial liabilities are non-interest bearing and are therefore not subject to interest rate risk.

Sensitivity analysis for interest rate risk

Assuming the variable interest rate financial assets at the balance sheet date were held for the whole year and that all other variables remain constant, a change of 100 basis points (bp) in interest rate at the balance sheet date would increase / (decrease) surplus and reserves by the amounts shown below.

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21. FINANCIAL RISK MANAGEMENT (continued)

(iv) Interest Rate Risk (continued)

Sensitivity analysis for interest rate risk

	<u>Increase / (decrease) in surplus and reserves</u>	
	<u>Interest rate increase</u>	<u>Interest rate decrease</u>
	<u>100 bp</u>	<u>100 bp</u>
	\$	\$
31 December 2014	30,934	(30,934)
31 December 2013	35,903	(35,903)

(v) Foreign exchange risk

The Society is primarily exposed to fluctuations in the Sterling Pound (GBP), United States Dollar (USD) and Euro exchange rates arising from cash flows from anticipated transactions. The Society reviews periodically monetary assets and liabilities held in currencies other than its functional currency to ensure that net exposure is kept at an acceptable level. The Society utilises forward foreign currency contracts to manage exposures to foreign exchange risks arising from investment activities. Exposures to foreign exchange risks are hedged by a matching sale or purchase of a matching asset or liability of the same currency. In the process, increases or decreases in the Society's foreign currency denominated financial assets and liabilities are offset by gains and losses on the forward foreign currency contracts. The Society does not use forward foreign currency contracts for speculative or trading purpose.

The significant foreign currency amounts held by the Society are as follows:

	<u>GBP</u>	<u>USD</u>	<u>EURO</u>
	\$	\$	\$
<u>2014</u>			
<u>Financial Assets</u>			
Available-for-sale financial assets	385,573	3,114,536	1,170,080
Cash and cash equivalents	-	-	436,646
	<u>385,573</u>	<u>3,114,536</u>	<u>1,606,726</u>
Less: foreign currency contracts	(370,938)	(2,290,506)	(1,529,675)
Net currency exposure	<u>14,635</u>	<u>824,030</u>	<u>77,051</u>

Sensitivity analysis

A 10% strengthening of the Singapore Dollar against the following currencies at the balance sheet date would increase/(decrease) surplus and reserves by the amounts shown below. This analysis assumes that all other variables, in particular, interest rates and quoted securities prices, remain constant.

	<u>Reserves</u>	<u>Surplus</u>
	\$	\$
<u>2014</u>		
Sterling Pound	(38,623)	(66)
United States Dollar	(308,348)	3,105
Euro	(160,811)	(43,803)

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21. FINANCIAL RISK MANAGEMENT (continued)

(v) Foreign exchange risk (continued)

A 10% weakening of the Singapore Dollar against the above currencies would have had the equal but opposite effects on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

The Society did not have exposure to foreign exchange risk in 2013.

(vi) Fair Value Measurement

The Society categorizes financial instruments which are carried at fair value using a three-level fair value measurement hierarchy based on the valuation inputs used. The different levels are defined as follows:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - valuation techniques using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Fair Value of Financial Instruments

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	\$	\$	\$	\$
<u>At 31 December 2014</u>				
Available-for-sale financial assets	27,739,366	-	-	27,739,366
Derivative financial instruments:				
- assets	-	16,956	-	16,956
- liabilities	-	(38,008)	-	(38,008)
<u>At 31 December 2013</u>				
Available-for-sale financial assets	14,537,828	-	-	14,537,828
Derivative financial instruments	-	-	-	-

The fair value of available-for-sale financial assets traded in active markets is based on quoted market prices (bid price) at the balance sheet date. The fair value of quoted debt securities are determined by reference to market valuation reports provided by the fund managers and the banks at the balance sheet date. These instruments are included in Level 1.

The fair value of forward foreign currency exchange contracts is determined using quoted foreign currency rates at the balance sheet date. These investments are classified as Level 2, and comprise derivative financial instruments.

During the year, there were no transfers between instruments in Level 1, Level 2 and Level 3.

Other Financial Assets and Liabilities

The carrying amounts of financial assets and liabilities with maturity of less than one year (including receivables, cash and cash equivalents, and payables) are assumed to approximate their fair values due to their short period to maturity.

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21. FINANCIAL RISK MANAGEMENT (continued)

(vii) Financial Instruments By Category

The aggregate carrying amounts of financial instruments are as disclosed in note 21(vi) to the financial statements, except for the following:

	<u>2014</u>	<u>2013</u>
	\$	\$
Loans and receivables	44,644,442	52,882,207
Financial liabilities at amortised cost	(982,805)	(948,044)

22. RESERVES MANAGEMENT

The primary objective of the Society's reserves management policy is to ensure that it maintains strong and healthy capital ratios in order to support its operations and potential initiatives.

The Society targets to maintain an optimum level of accumulated fund which is equivalent to five years of its budgeted operating expenditure. This excludes restricted funds. The Society regularly reviews and manages its reserves to ensure optimal capital structure, taking into consideration the future capital requirements of the Society and capital efficiency, projected income and operating cash flows.

The Management and Investment Committee closely monitor the investment of surplus funds and reserves on a periodic basis. The Investment Committee provides strategic direction on the long term financial and assets development of the Society.

The Society is not subject to externally imposed capital requirements.

There were no changes to the Society's approach to reserves management during the year.

23. COMPARATIVE FIGURES

The Society has reclassified the following items in the financial statements to conform with the current year's presentation, which more meaningfully reflects the nature of the respective items:

	<u>2013</u>		<u>2013</u>
	<u>Previously reported</u>	<u>Reclassifications</u>	<u>Restated</u>
	\$	\$	\$
<u>Balance Sheet</u>			
<u>Current Liabilities</u>			
Payables	984,405	(36,361)	948,044
Deferred income	-	36,361	36,361
	<u>984,405</u>	<u>-</u>	<u>984,405</u>

24. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements of the Society for the year ended 31 December 2014 were authorised for issue in accordance with a resolution of the Executive Committee dated 31 March 2015.

