

CHUA CHU KANG TOWN COUNCIL
(Established under the Town Councils, Cap. 329A)

**AUDITED FINANCIAL STATEMENTS
FOR FINANCIAL YEAR ENDED 31 MARCH 2013**

CHUA CHU KANG TOWN COUNCIL

(Established under the Town Councils Act, Cap 329A)

AUDITED FINANCIAL STATEMENTS

FOR FINANCIAL YEAR ENDED 31 MARCH 2013

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MAKING LIFE BETTER IN CHUA CHU KANG TOWN

As we continue our drive to improve the quality of life for our residents in the Chua Chu Kang GRC and Hong Kah North SMC, FY 12/13 has seen the upgrading of many physical and social structures.

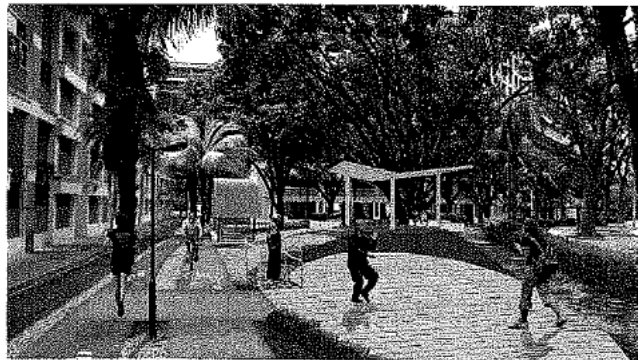
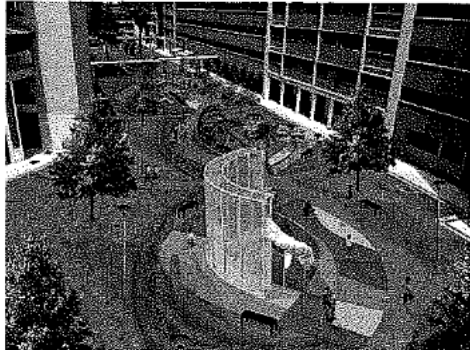
FACILITIES UPGRADING

The needs of our residents are constantly changing. To improve our residents' living environment and bring them greater convenience, a total of 91 town improvement projects were carried out in FY12/13, costing approximately \$3.2m. Of this sum, \$2.9m is funded by the Ministry of National Development (MND) under the Community Involvement Programmes Committee (CIPC) scheme.

More covered linkways and drop-off porches have been built. We have also upgraded children's playgrounds and fitness corners for the enjoyment of our residents.



NEIGHBOURHOOD RENEWAL PROGRAMME (NRP)



The Neighbourhood Renewal Programme was introduced in August 2007 as part of the government's initiative to transform the heartland. The NRP is fully funded by the government and implemented by the Town Council.

We are pleased to let our residents know that NRP projects in our town are on track.

Currently in progress in Hong Kah North are two NRP projects: NRP Batch 2 at Blocks 337 to 346 (Bukit Batok St 34); and NRP Batch 3 at Blocks 402 to 411 and 413 to 417 (Bukit Batok West Ave 4/7).

NRP Batch 5 is well underway for Blocks 101 to 124 (Teck Whye Lane) as it is currently in the tender stage. Work is scheduled to begin in the first quarter of 2014. Residents of Blocks 933 to 950, 952 and 953 (Jurong West St 92) are one step closer to enjoying new facilities in their neighbourhood as this project is currently awaiting tender evaluation. Also in Jurong West, NRP Batch 6 for Blocks 711 to 731 (Jurong West St 71/72) is currently in the consultation stage.



At this juncture, the Town Council would like to encourage residents to support the NRP and to share any suggestions they may have concerning the preliminary designs so that they will best meet the needs of all.

TOWN COUNCIL LIFT UPGRADING PROGRAMME (TCLUP)

Since 2011, a total of 6 blocks have undergone the TCLUP: Blocks 101, 107, 108, 109, 120 and 144 in Teck Whye Lane. All blocks have been completed except for Block 101, which is expected to be completed in the first quarter of 2014.

BUILDING THE "HEARTWARE"

As we upgrade the physical infrastructure, we also need to foster a community spirit of caring and taking ownership and responsibility for our living environment.

The Town Council plays a supportive role, working in close collaboration with the various agencies and voluntary welfare organizations to strengthen this community spirit.

MY BLOCK SPARKLES COMPETITION 2013

My Block Sparkles Competition 2013 was conceived by the Chua Chu Kang Town Council to encourage residents to keep their estates litter-free and clear from corridor clutter and potential killer litter. Initiated on 1 June 2013, this competition is part of the Town Council's continuous effort to encourage residents to do their part to keep their estate clean. By means of this competition, the Town Council hopes that residents will make a commitment to take ownership of their surroundings, including the common areas, and keep their estate looking attractive. Each resident has a responsibility to work hand in hand with the Town Council and grassroots leaders to make the environment a better home for all. This is a pilot project for the Town Council. If proven effective, the Council may consider making this an annual competition.

iTown@SG SMARTPHONE APPLICATION

In line with our ongoing efforts to better serve residents, the Chua Chu Kang Town Council, together with the other PAP town councils, has launched iTown@SG. This is a new mobile application which provides an additional

avenue for residents to give feedback on matters related to the maintenance and upkeep of public housing estates.

With iTown@SG, our residents and the general public alike can use their iPhone or Android to take photos of any maintenance or cleanliness deficiencies in Chua Chu Kang Town, and with a "click" submit their feedback to the Town Council.

FINANCIAL REVIEW

At the end of Financial Year 2012/13, our Town Council enjoyed a small financial surplus, which was due to the increase of S&CC on 1st September 2012. However, this amount will cater for the increase in operating costs which have been rising rapidly, especially in the area of conservancy work due to manpower costs. This is in line with observations across the industry where cleaning costs have seen a 30% increase on average.

As operating costs have increased over the years, our challenge is to maintain and deliver a consistently high standard of estate management whilst keeping any S&CC increases to a minimum. We are constantly working towards reducing the risks of any such cost increases, one of them being electricity costs, by installing energy saving devices. We continue to do so to ensure that our residents' S&CC can be used prudently and effectively.

As of 31 March 2013 we transferred \$2.5 million from the accumulated surplus to the Town Improvement Fund. This is because the Town Council has made plans for some forthcoming projects which will benefit most of our residents of all age groups. We have also catered for the lift upgrading programme which is ongoing at this stage and will take up a substantial amount from our sinking fund.

As cyclical work is carried out based on MND guidelines on schedules governing such work, our excess funds have been placed with the investment arms of our local banks. Town Councils are also governed by investment rules which stipulate that 65% of our total funds have to be placed in fixed deposits and securities issued by the Singapore government. The remaining 35% is placed with fund managers in Balance Mandate Portfolios for investment in corporate bonds and equities. Our intentions are made explicit to the fund managers, in that we aim to achieve capital preservation and obtain better rates than those offered by fixed deposits, to serve as a hedge against rising inflation.

MOVING FORWARD

Moving forward, the Chua Chu Kang Town Council will continue to keep up with the growing needs and aspirations of its residents, and strive to implement projects which will benefit the community while maintaining a healthy financial position.

I would like to thank our residents for their support and look forward to their continued cooperation so that we can keep our estate in tip-top condition to ensure a happy and vibrant community.

I would also like to thank the grassroots leaders, Town Councilors and staff for their dedicated commitment and contributions. We have achieved many milestones together and we will continue to endeavour to meet the needs of our residents to the best of our ability.

A handwritten signature in black ink, appearing to read 'Zaqy Mohamad', with a large, sweeping loop at the end.

Zaqy Mohamad

Chairman

Chua Chu Kang Town Council

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
CHUA CHU KANG TOWN COUNCIL**

(Established under the Town Councils Act, Cap 329A)



Report on the Financial Statements

We have audited the accompanying financial statements of Chua Chu Kang Town Council (the "Town Council"), which comprise the statement of financial position as at 31 March 2013, the income and expenditure statement, statement of comprehensive income, the statement of changes in Town Council funds and statement of cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes. The audited financial statements of the Town Council for the financial year ended 31 March 2012 were audited by another firm of independent public accountants, whose report dated 28 August 2012 expressed an unmodified audit opinion.

Management's Responsibility for the Financial Statements

The Town Council's management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Town Councils Act, Cap. 329A (the "Act") and Singapore Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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.

Opinion

In our opinion, the financial statements of the Town Council are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to present fairly, in all material respects, the state of affairs of the Town Council as at 31 March 2013, and the results, changes in Town Council funds and statement of cash flows for the financial year ended on that date.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
CHUA CHU KANG TOWN COUNCIL**

(Established under the Town Councils Act, Cap 329A)

ATADLER
Chartered Accountants

Report on Other Legal and Regulatory Requirements

Management's Responsibility for Compliance with Legal and Regulatory Requirements

The Town Council's management is responsible for ensuring that the receipts, expenditure, investment of moneys and the acquisition and disposal of assets, are in accordance with the provisions of the Act. This responsibility includes implementing accounting and internal controls as management determines are necessary to enable compliance with the provisions of the Act.

Auditor's Responsibility

Our responsibility is to express an opinion on the Town Council's management compliance based on our audit of the financial statements. We conducted our audit in accordance with Singapore Standards on Auditing. We planned and performed the compliance audit to obtain reasonable assurance about whether the receipts, expenditure, investment of moneys and the acquisition and disposal of assets, are in accordance with the provisions of the Act.

Our compliance audit includes obtaining an understanding of the internal control relevant to the receipts, expenditure, investment of moneys and the acquisition and disposal of assets; and assessing the risks of material misstatement of the financial statements from non-compliance, if any, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Because of the inherent limitations in any accounting and internal control system, non-compliances may nevertheless occur and not be detected.

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

Opinion

In our opinion:

- (a) the receipts, expenditure, investment of moneys and the acquisition and disposal of assets by the Town Council during the financial year ended 31 March 2013 are, in all material respects, in accordance with the provisions of the Act; and
- (b) proper accounting and other records have been kept, including records of all assets of the Town Council whether purchased, donated or otherwise.



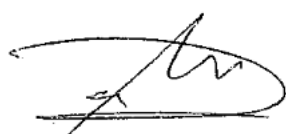
AT ADLER

Public Accountants and Chartered Accountants

Singapore, 29 August 2013

CHUA CHU KANG TOWN COUNCIL
(Established under the Town Councils Act, Cap 329A)
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2013

	Note	2013 S\$	2012 S\$
TOWN COUNCIL FUNDS			
RESIDENTIAL PROPERTY FUNDS			
Accumulated Surplus	4	32,006	65,501
Sinking Funds	5	138,105,175	134,130,169
Town Improvement and Project Funds	6	751,289	715,667
		138,888,470	134,911,337
COMMERCIAL PROPERTY FUNDS			
Accumulated Surplus	4	1,723,597	1,477,227
Sinking Funds	5	21,155,847	21,724,486
Town Improvement and Project Funds	6	4,679,688	2,556,806
		27,559,132	25,758,519
CARPARK			
Accumulated Surplus	4	-	1,224,911
NEIGHBOURHOOD RENEWAL PROGRAMME FUND	7	37,062	57,362
		166,484,664	161,952,129
Represented by:			
NON-CURRENT ASSETS			
Plant and Equipment	8	81,433	12,920
Held-to-maturity Financial Assets	9	40,000,000	39,000,000
		40,081,433	39,012,920
CURRENT ASSETS			
Held-to-maturity Financial Assets	9	2,000,000	6,250,000
Financial Assets at Fair Value through Profit or Loss	10	28,380,245	35,318,758
Conservancy and Service Receivables	11	1,884,542	1,656,201
Other Receivables	12	8,042,254	8,366,218
Interest Receivable		886,810	813,340
Cash and cash equivalents	13	92,445,121	76,908,425
		133,638,972	129,312,942
Total Assets		173,720,405	168,325,862
Less:			
CURRENT LIABILITIES			
Conservancy and Service Fees Received in Advance		565,252	507,050
Payables and Accrued Expenses	14	5,385,390	5,252,064
Income Tax Payable		1,285,099	614,619
		7,235,741	6,373,733
NET ASSETS		166,484,664	161,952,129



ZAQY MOHAMAD
CHAIRMAN



CHAN KIM MUN
GENERAL MANAGER / SECRETARY

Date : 29 August 2013

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

CHUA CHU KANG TOWN COUNCIL
(Established under the Town Councils Act, Cap 329A)
INCOME AND EXPENDITURE STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013

	Note	2013 S\$	2012 S\$
OPERATING INCOME			
Conservancy and service fees	4	47,185,707	45,092,990
Less: Operating income transfer to Sinking Funds (minimum required by law)	4, 5	16,351,970	15,631,288
		30,833,737	29,461,702
Agency fees	15	4,453,719	4,302,580
Other income	16	3,333,061	2,958,088
		38,620,517	36,722,370
Less:			
OPERATING EXPENDITURE			
Cleaning works		6,604,320	6,297,113
Managing agent's fees	17	4,539,207	4,530,828
Lift maintenance		5,704,024	5,613,699
Other works and maintenance		6,571,660	6,185,436
Water and electricity		15,539,693	15,586,633
General and administrative expenditure	18	1,801,352	1,705,800
		40,760,256	39,919,509
OPERATING DEFICIT		(2,139,739)	(3,197,139)
ADD: NON OPERATING INCOME			
Investment income	19	49,195	155,343
DEFICIT BEFORE TAXATION AND GOVERNMENT GRANTS		(2,090,544)	(3,041,796)
Less:			
Goods and Services Tax	20	256,487	313,756
Income Tax Expense	21	360,160	74,446
DEFICIT BEFORE GOVERNMENT GRANTS		(2,707,191)	(3,429,998)
Add: Government grants	22	9,217,276	10,076,665
Less: Transfer to Sinking Funds	5	2,141,005	2,094,257
Transfer to Town Improvement and Project Funds	6	2,881,116	3,884,571
		4,195,155	4,097,837
SURPLUS FOR THE FINANCIAL YEAR		1,487,964	667,839

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

CHUA CHU KANG TOWN COUNCIL
 (Established under the Town Councils Act, Cap 329A)
STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013

	Note	2013 S\$	2012 S\$
SURPLUS/(DEFICIT) FOR THE FINANCIAL YEAR			
Accumulated Surplus	4	1,487,964	667,839
Sinking Funds	5	3,406,367	2,008,985
Town Improvement & Project Funds	6	(341,496)	(2,389,513)
Neighbourhood Renewal Programme Funds	7	(20,300)	(277,602)
		<u>4,532,535</u>	<u>9,709</u>
OTHER COMPREHENSIVE INCOME		-	-
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO TOWN COUNCIL FUNDS		<u><u>4,532,535</u></u>	<u><u>9,709</u></u>

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

CHUA CHU KANG TOWN COUNCIL
(Established under the Town Councils Act, Cap 329A)
STATEMENT OF CHANGES IN TOWN COUNCIL FUNDS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013

	Total S\$	Residential Property Funds S\$	Commercial Property Funds S\$
Balance as at 1 April 2011	161,942,420	133,491,517	23,524,291
COMPREHENSIVE INCOME FOR THE YEAR			
Surplus/(deficit) for the year	9,709	(3,169,987)	2,234,228
Other comprehensive income	-	-	-
Total comprehensive income/(loss) for the year	9,709	(3,169,987)	2,234,228
Transfer from carpark to residential	-	4,589,807	-
Balance as at 31 March 2012	161,952,129	134,911,337	25,758,519
Balance as at 1 April 2011	161,952,129	134,911,337	25,758,519
COMPREHENSIVE INCOME FOR THE YEAR			
Surplus/(deficit) for the year	4,532,535	1,418,870	1,800,613
Other comprehensive income	-	-	-
Total comprehensive income/(loss) for the year	4,532,535	1,418,870	1,800,613
Transfer from carpark to residential	-	2,558,263	-
Balance as at 31 March 2013	166,484,664	138,888,470	27,559,132

The surplus/(deficit) for the financial year comprises the following :

	<u>Note</u>	<u>2013</u> S\$	<u>2012</u> S\$
Accumulated Surplus	4	1,487,964	667,839
Sinking Funds	5	3,406,367	2,008,985
Town Improvement & Project Funds	6	(341,496)	(2,389,513)
Neighbourhood Renewal Programme Funds	7	(20,300)	(277,602)
		<u>4,532,535</u>	<u>9,709</u>

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

CHUA CHU KANG TOWN COUNCIL
(Established under the Town Councils Act, Cap 329A)
STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013

	<u>Note</u>	<u>2013</u> S\$	<u>2012</u> S\$
OPERATING ACTIVITIES			
Deficit before income tax and Government Grant (after Goods and Services Tax)		(2,347,031)	(3,355,552)
Adjustments for :			
Depreciation	8	13,655	6,050
Provision for doubtful debts		177,513	149,387
Operating transfer to Sinking Fund		16,351,970	15,631,288
Investment income of routine fund (included in investing activities)		(49,195)	(155,343)
Operating cash inflows before movements in working capital		14,146,912	12,275,830
Operating receivables		(1,829,273)	(397,015)
Operating payables		191,256	856,395
Cash generated from operations		12,508,895	12,735,210
Income tax paid	21	(118,255)	(583,687)
Sinking Fund expenditure inclusive of goods and services tax		(18,151,687)	(16,690,314)
Sinking Fund income received		821	202
Town Improvement and Project expenditure		(3,222,612)	(6,274,084)
Neighbourhood Renewal Programme Fund (net)		(20,300)	(277,602)
Net cash used in operating activities		(9,003,138)	(11,090,275)
INVESTING ACTIVITIES			
Purchase of plant and equipment	8	(82,168)	(1,500)
Proceeds from redemption of bonds		6,250,000	-
Proceeds from redemption of Funds with Fund manager		13,045,820	12,580,494
Purchases of bond (held-to-maturity)		(3,000,000)	(10,000,000)
Interest received		1,830,716	1,438,251
Net cash generated from investing activities		18,044,368	4,017,245
FINANCING ACTIVITIES			
Government Grants Received		9,206,800	8,309,560
Government grant received for GST subvention		1,729,969	1,682,114
Net Cash generated from financing activities		10,936,769	9,991,674
Net increase in cash and cash equivalents		19,977,999	2,918,644
Cash and cash equivalents at the beginning of the year		71,546,073	68,627,429
Cash and cash equivalents at the end of the year (Note 13)		91,524,072	71,546,073

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013**

1. General information

Hong Kah Town Council ("Town Council") was formed on 5 July 1989 under the Town Councils Act (Chapter 329A). The functions of the Town Council are to control, manage, maintain and improve the common property of residential and commercial property in the housing estates of the Housing and Development Board (HDB) within the Town. The Town consists of the Hong Kah Group Representation Constituency and Chua Chu Kang Single Member Constituency. The principal place of operation is at 309, Choa Chu Kang Ave 4, #02-02 Choa Chu Kang Centre, Singapore 680309.

According to the Town Councils Act (Chapter 329A) Town Councils (Declaration of Towns) order 2011 and Town Councils (Establishment) order 2011 published on 27 May 2011, the Town Council of Hong Kah shall be known as the Town Council for the Town of Chua Chu Kang as from 27 May 2011. Chua Chu Kang Town Council ("Town Council") consists of the Chua Chu Kang Group Representation Constituency and Hong Kah North Single Member Constituency.

The financial statements of the Town Council for the financial year ended 31 March 2013 were authorised for issue by the management of the Town Council on 29 August 2013.

2. Summary of significant accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS") including all related Interpretations to FRS ("INT FRS") as issued by the Singapore Accounting Standards Council and the provisions of the Town Councils Act, Cap 329A.

The financial statements have been prepared on a historical cost basis except as disclosed in the accounting policies set out below.

In the current financial year, the Town Council has adopted all the new and revised FRS and INT FRS that are relevant to its operations and effective for the current financial year. The adoption of these new/revised FRS and INT FRS does not result in changes to the Town Council's accounting policies and has no material effect on the amounts reported for the current or prior years.

2.2 Significant accounting estimates and judgements

The preparation of financial statements in conformity with FRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates. The estimates and assumptions are reviewed on an ongoing basis.

Apart from those involving estimations, the management has made judgements in the process of applying the Town Council's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

2.3 Town Council Funds

In accordance with Section 33(1) of the Town Councils Act, separate funds are established to account for the management of the different types of properties. The types of properties currently under the management of the Town Council are as follows:

Residential Property

Commercial Property

Car parks are managed by the Town Council for the HDB on an agency basis

These routine funds related to properties under management, together with Sinking Funds, Town Improvement and Project Funds and Neighbourhood Renewal Programme Fund form the Town Council fund.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013**

2. Summary of significant accounting policies (Continued)

2.3 Town Council Funds (Continued)

All monies received by the Town Council are paid into and related expenditure is met out of the appropriate funds set up for each property type managed.

Assets and liabilities of the various funds of the Town Council are pooled in the statement of financial position.

Sinking funds

In accordance with Section 33(4) of the Town Councils Act, separate Sinking Funds are established for improvement to, management and maintenance of residential and commercial properties. These Sinking Funds are maintained as part of the Town Council's Fund.

Under the Town Councils Act, the Minister of National Development may, from time to time, prescribe the minimum amounts of conservancy and service fees and grants-in-aid to be paid into the Sinking Funds.

The minimum amounts to be paid, by property type, into the Sinking Funds are as follows:

(i)	1-room to 3-rooms	30% of the conservancy and service fees and grants-in-aid
(ii)	4-rooms	35% of the conservancy and service fees and grants-in-aid
(iii)	5-rooms	35% of the conservancy and service fees
(iv)	Executive	35% of the conservancy and service fees
(v)	Shop with living accommodation	35% of the conservancy and service fees
(vi)	Commercial property	35% of the conservancy and service fees

These minimum contributions are treated as operating income transfers and are deducted from conservancy and service fees and government grants in the income and expenditure statement.

The Sinking Funds are utilised for cyclical major repainting, renewal or replacement of roofing system, water tanks, pumps and water supply system, lightning protection system, lifts, installation of any sensor and starter controller to the time-controlled booster pumping system, installation or replacement of any video monitoring devices in lifts, major repairs and maintenance of the common area and contributions to the HDB in respect of general upgrading works carried out on the common property as defined under the Housing and Development Act.

Town improvement and project funds

Town Improvement and Project Funds ("TIPF") are established and maintained as part of the Town Council Fund. These funds are utilised for improvement and development works in the Town.

The Town Improvement and Project Funds comprise the amounts set aside for projects to be carried out in the next financial year. All expenditures on town improvement and projects are appropriated from these reserves.

The funds are set up by transfer of funds from the accumulated surplus to fund specific projects to be carried out. In addition, the Town Council receives funding for approved projects under the Community Improvement Projects Committee ("CIPC") scheme. These funds are paid through the Citizens' Consultative Committees ("CCC").

Neighbourhood renewal programme fund

The Neighbourhood Renewal Programme ("NRP") was introduced in Aug 2007 in response to feedback received from residents during the Forum on HDB Heartware for more active consultation on the improvements to be provided in their precincts.

The NRP, which replaces the Interim Upgrading Programme (IUP) Plus, focuses on block and neighbourhood improvements. It is implemented on a larger area basis of 2 or more contiguous precincts.

Blocks built up to 1989 and have not undergone the Main Upgrading Programme (MUP), Interim Upgrading Programme (IUP) or IUP Plus are eligible for NRP.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013**

2. Summary of significant accounting policies (Continued)

2.3 Town Council Funds (Continued)

Neighbourhood renewal programme fund (Continued)

The funding for the NRP is provided by the government for the specified use of projects under the programme. The grant is subject to a budget allocation of \$3,400 per dwelling unit for NRP works, as well as \$150 per dwelling unit or \$125,000, whichever is higher for miscellaneous expenditure. However, if the cost of project works incurred exceeds the grants provided, the Town Council will have to bear the cost of the excess expenditure.

2.4 Inter-fund transfers

Under Section 33(9) of the Town Councils Act, the Town Council may transfer an amount not exceeding the surplus from any of its funds constituting the Town Council Funds, to a fund which is in deficit.

2.5 Allocation of general overheads

Expenditure not specifically related to any property type managed, for example, administrative overheads, tree planting and pruning are allocated to the various property types using equivalent dwelling units as follows:

<u>Property Type</u>	<u>Equivalent Dwelling Unit(s)</u>
1 Residential Property Unit	1
1 Commercial Property Unit	2
6 Car Lots	1
36 Motor Cycle Lots	1
4 Lorry Lots	1

No overhead is allocated to the Sinking Funds, Town Improvement and Project Funds and Neighbourhood Renewal Programme Fund.

2.6 Government grants

The Town Council receives four types of grants from the Government, namely, Service and Conservancy Charges ("S&CC") Grant, Payment from CCC and GST Subvention Grant.

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the statement of financial position and is amortised to income and expenditure statement over the expected useful life of the relevant asset by equal annual instalment.

Payments from CCC are given as reimbursement claims under the Community Improvement Projects Committee Scheme.

GST Subvention Grants are given as grants-in-aid to the Town Council to assist the Town Council in absorbing the GST increases in service and conservancy charges for HDB residential flats.

Service and Conservancy Charge operating grants to meet the current year's operating expenditure are taken to the income and expenditure statement.

2.7 Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of plant and equipment includes its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Dismantlement, removal or restoration costs are included as part of the cost of plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013

2. Summary of significant accounting policies (Continued)

2.7 Plant and equipment (Continued)

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method, on the following bases:

■ Furniture, fixtures and fittings	5 years
■ Office equipment	5 years

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

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

The gain or loss, being the difference between the sales proceeds and the carrying amount of the asset, arising on disposal or retirement of an item of plant and equipment is recognised in income and expenditure statement.

Fully depreciated plant and equipment are retained in the financial statements until they are no longer in use.

2.8 Financial assets

Initial recognition, measurement and derecognition of financial assets

The Town Council classifies its investments in financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables and held-to-maturity financial assets. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets 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.

The initial recognition of financial assets at fair value is normally represented by the transaction price. The transaction price for financial asset not classified at fair value through profit or loss includes the transaction costs that are directly attributable to the acquisition or issue of the financial asset. Transaction costs incurred on the acquisition or issue of financial assets classified at fair value through profit or loss are expensed off immediately. The transactions are recorded at the trade date.

Irrespective of the legal form of the transactions performed, financial assets are derecognised when they pass the "substance over form" based derecognition test prescribed by FRS 39 Financial Instruments: Recognition and Measurement relating to the transfer of risks and rewards of ownership and the transfer of control.

Subsequent measurement

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

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

Assets are classified in this category when they are principally incurred for the purpose of selling or repurchasing in the near term (trading assets) or are derivatives (except for a derivative that is a designated and effective hedging instrument) or have been classified in this category because the conditions are met to use the "fair value option" and it is used. These assets are carried at fair value by reference to the transaction price or current bid prices in an active market. All changes in fair value are recognised directly in the income and expenditure/sinking fund statement. They are classified as non-current assets unless management intends to dispose of the investment within 12 months from the reporting date. Investments in equities, bonds and unit trusts are classified under this category.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013

2. Summary of significant accounting policies (Continued)

2.8 Financial assets (Continued)

Subsequent measurement (Continued)

(ii) Loans and receivables:

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Assets that are for sale immediately or in the near term are not classified in this category. These assets are carried at amortised costs using the effective interest method (except that short-duration receivables with no stated interest rate are normally measured at original invoice amount unless the effect of imputing interest would be significant) minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility. Impairment charges are provided only when there is objective evidence that an impairment loss has been incurred as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Losses expected as a result of future events, no matter how likely, are not recognised. For impairment, the carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in the income and expenditure statement.

(iii) 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 Town Council's management has the positive intention and ability to hold to maturity. Held-to-maturity financial assets are initially recognised at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest rate method, less impairment losses. Gains and losses are recognised in the income and expenditure statement when the held-to-maturity investments are derecognised or impaired, and through the amortisation process. The Town Council's held-to-maturity investments include investments in government bonds with fixed interest rate.

Impairment of financial assets

The Town Council assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment losses recognised in the income and expenditure/sinking fund statement on equity investments are not reversed through income and expenditure/sinking fund statement, until the equity investments are disposed of.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

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, net of depreciation or amortisation, if no impairment loss had been recognised.

2.9 Impairment of non-financial assets

At each reporting date, the Town Council reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

Where it is not possible to estimate the recoverable amount of an individual asset, the Town Council estimates the recoverable amount of the cash-generating unit to which the asset belongs. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013**

2. Summary of significant accounting policies (Continued)

2.10 Funds with fund managers

Funds with fund managers represent the cost of the portfolio of assets placed with fund managers at the beginning of each management term plus investment income less management fees payable during the management term.

Funds with fund managers comprise mainly of equities, bonds and exchange traded products cash and fixed deposits. Equities and bonds are stated on an aggregated portfolio basis.

2.11 Conservancy and service fees receivables

After initial recognition at fair value, conservancy and service fees receivable are measured at amortised cost using the effective interest method but short-duration receivables with no stated interest rate are measured at original amount unless the effect of imputing interest would be significant. Conservancy and service fees receivable are stated after allowance for impairment.

Allowance for impairment is made if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition and that the loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. The carrying amounts of conservancy and service fees receivable approximate their fair value. The amount of the impairment allowance is recognised in the income and expenditure statement.

2.12 Other receivables

Other receivables recognised initially at fair value and subsequently at amortised cost using the effective interest method, less any impairment losses.

2.13 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, bank overdrafts and other short term highly liquid investments which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents exclude those managed by the fund manager.

2.14 Financial liabilities

Initial recognition, measurement and derecognition of financial liabilities

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

The Town Council derecognises financial liability when, and only when, its obligations are discharged, cancelled or expired.

Subsequent measurement

Subsequent measurement based on the classification of financial liabilities of the respective categories under FRS 39 is as follows:

- (i) Liabilities at fair value through profit or loss: As at the reporting date, there were no financial liabilities classified under this category.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013**

2. Summary of significant accounting policies (Continued)

2.14 Financial liabilities (Continued)

Subsequent measurement (Continued)

- (ii) Other financial liabilities: All liabilities, which have not been classified in the previous category fall into this residual category. These liabilities are carried at amortised cost using the effective interest method. Payables and borrowings are classified under this category. Items classified within current payables are not usually re-measured, as the obligation is usually known with a high degree of certainty and settlement is short-term.

2.15 Fair value of financial instruments

The carrying values of current financial assets and financial liabilities approximate their fair values due to the short-term maturity of these instruments. The fair value of a financial instrument is derived from an active market. The appropriate quoted market price for an asset held or liability to be issued is usually the current bid price without any deduction for transaction costs that may be incurred on sale or other disposal and, for an asset to be acquired or liability held, the asking price.

2.16 Payables and accrued expenses

Liabilities for trade and other amounts payable, which are generally settled on 30-90 days terms, are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to Town Council.

2.17 Provisions

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

2.18 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable from the gross inflow of economic benefits during the year arising from the course of the ordinary activities of the Town Council and it is shown net of related tax, estimated returns and rebates.

(i) Conservancy and service fee

Conservancy and service fees are recognised when due.

(ii) Agency fees

Agency fees for routine maintenance of HDB's carparks are recognised when due.

(iii) Interest income

Interest income from fixed deposits is recognised on a time proportion basis using the effective interest rates.

Income from funds placed with fund managers is recognised based on fair value through profit or loss.

(iv) Other income

Other income comprises mainly licence fees ("TOL") income, liquidated damages claims and other miscellaneous income and are recognised when earned.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013**

2. Summary of significant accounting policies (Continued)

2.19 Lease as a lessee

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases. For operating leases, lease payments are recognised as an expense in the income and expenditure statement on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the lessee's benefit, even if the payments are not on that basis. Lease incentives received are recognised in the income and expenditure statement as an integral part of the total lease expense.

2.20 Income tax

Tax is provided on the following income:

- (i) Interest income derived from investments and bank deposits;
- (ii) Fees, rent and other charges received from non-residents or non-owners of properties in the Town for the use of common property and maintenance of carparks where the Town Council opts to manage and maintain them;
- (iii) Donations from non-residents or non-owners of properties in the Town; and
- (iv) Agency fees derived from acting as agent for the HDB.

Income tax is accounted using the asset and liability method that requires the recognition of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequence of events that have been recognised in the financial statements or tax returns. The measurements of current and deferred tax liabilities and assets are based on provisions of the enacted or substantially enacted tax laws, and the effects of future changes in tax laws or rates are not anticipated. Income tax expense represents the sum of the tax currently payable and deferred tax. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same income tax authority. The carrying amount of deferred tax assets is reviewed at each reporting date and is reduced, if necessary, by the amount of any tax benefits that, based on available evidence, are not expected to be realised. Deferred taxes are recognised for all temporary differences.

2.21 Foreign currency transactions and translation

The financial statements of the Town Council are measured and presented in Singapore dollars, which is the currency of the primary economic environment in which the Town Council operates (its functional currency).

In preparing the financial statements of the Town Council, transactions in currencies other than the Town Council's functional currency are recorded at the rates of exchange prevailing on the date of the transaction. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the reporting date.

3. Critical accounting judgments and key sources of estimation uncertainty

Estimates and judgements are currently evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Apart from information disclosed elsewhere in these financial statements, the following summarises estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year and significant judgements made in the process of applying the Town Council's accounting policies.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013

3. Critical accounting judgments and key sources of estimation uncertainty (Continued)

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are detailed below.

(i) Allowance for doubtful conservancy and service fees receivables

Allowance for doubtful conservancy and service debts amounting to \$796,326 (2012: \$633,457) has been estimated on the basis of age of debts, result of recovery efforts and historical experience. The identification of doubtful receivables requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying amount of the receivables and the allowance for impairment in the financial year in which such estimate has been changed.

Other receivables mainly consists of grants receivables from the Citizens' Consultative Committees (CCC) for approved projects and no allowance has been provided for. Allowance is applied to other receivables if events or changes in circumstances indicate that the balances may not be collectible.

(ii) Useful lives of plant and equipment

The cost of plant and equipment for the Town Council is depreciated on the straight-line basis over the plant and equipment's estimated economic useful lives. Changes in the expected useful lives and the 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 the Town Council's plant and equipment at the end of each reporting period is \$81,433 (2012: \$12,920).

(iii) Impairment of financial and non-financial assets

The Town Council adopts the guidance of FRS 36 Impairment of Assets and FRS 39 Financial Instruments: Recognition and Measurement in determining when an asset is impaired. This assessment requires certain level of judgement. The Town Council evaluates, among other factors, the duration and extent to which the fair value of the asset is less than its cost, and the financial health of and near-term economic benefit for the asset, changes in technology and operational and financing cash flows.

(iv) Income tax

The Town Council is subject to income taxes in Singapore. Judgement is required in determining the deductibility of certain expenses during the estimation of the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of operations. The Town Council recognises liabilities for expected tax issues based on estimate of whether additional taxes will be due. Where the final tax outcome of these matters differs from the amounts that were initially recognised, such differences will impact the income tax provisions in the period in which such determination is made. As at 31 March 2013 the tax payable by the Town Council was \$1,285,099 (2012: \$614,619).

The 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, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

CHUA CHU KANG TOWN COUNCIL
(Established under the Town Councils Act, Cap 329A)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013**

4. ACCUMULATED SURPLUS

The (deficit)/surplus for the year attributable to the various activities is carried forward as Accumulated Surplus in the respective funds as follows :

	Note	Total		Residential Property	
		2013 S\$	2012 S\$	2013 S\$	2012 S\$
OPERATING INCOME					
Conservancy and service fees		47,185,707	45,092,990	45,358,620	43,370,183
Less: Operating transfer to Sinking Funds (minimum required by law)	5	16,351,970	15,631,288	15,712,489	15,028,305
		30,833,737	29,461,702	29,646,131	28,341,878
Agency fees	15	4,453,719	4,302,580	-	-
Other income	16	3,333,061	2,958,088	1,077,733	1,000,565
		38,620,517	36,722,370	30,723,864	29,342,443
Less: Operating Expenditure		40,760,256	39,919,509	36,714,597	35,928,029
OPERATING (DEFICIT)/SURPLUS		(2,139,739)	(3,197,139)	(5,990,733)	(6,585,586)
Add: Investment Income	19	49,195	155,343	43,016	135,832
(DEFICIT)/SURPLUS BEFORE INCOME TAX AND GOVERNMENT GRANTS		(2,090,544)	(3,041,796)	(5,947,717)	(6,449,754)
Less:					
Goods & Services Tax	20	256,487	313,756	224,272	274,348
Income Tax Expense	21	360,160	74,446	314,924	65,096
(DEFICIT)/SURPLUS BEFORE GOVERNMENT GRANTS		(2,707,191)	(3,429,998)	(6,486,913)	(6,789,198)
Add: Government grants	22	9,217,276	10,076,665	9,217,276	10,003,893
Less: Transfer to Sinking Funds					
Sinking Funds	5	2,141,005	2,094,257	2,141,005	2,094,257
Town Improvement and Project Funds	6	2,881,116	3,884,571	2,881,116	3,811,799
		4,195,155	4,097,837	4,195,155	4,097,837
SURPLUS/(DEFICIT) FOR THE YEAR		1,487,964	667,839	(2,291,758)	(2,691,361)
ACCUMULATED SURPLUS AT 1 APRIL		2,767,639	11,683,155	65,501	-
Add/(less):					
Transfer from carpark to residential		-	-	2,558,263	4,589,807
Transfer to Sinking Fund at 18 April 2011	5	-	(7,583,355)	-	(832,945)
Appropriation to Town Improvement and Project Funds	6	(2,500,000)	(2,000,000)	(300,000)	(1,000,000)
ACCUMULATED SURPLUS AT 31 MARCH		1,755,603	2,767,639	32,006	65,501

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013 (CONT'D)

5. SINKING FUNDS

Note	Total		Residential Property	
	2013	2012	2013	2012
	S\$	S\$	S\$	S\$
Balance at 1 April	155,854,655	146,262,315	134,130,169	131,854,655
Transfer from Accumulated Surplus at 18 April 2011	4	-	7,583,355	-
Add:				
Investment Income	19	3,492,833	1,365,770	3,422,976
Other Income		821	202	821
Operating transfer from conservancy and services fees	4	16,351,970	15,631,288	15,712,489
Government grants	4, 22	2,141,005	2,094,257	2,141,005
		21,986,629	19,091,517	21,277,291
Less:				
Expenditure		18,037,056	16,441,944	16,769,944
Goods and Services tax	20	114,631	248,370	112,338
Income tax	21	428,575	392,218	420,003
		18,580,262	17,082,532	17,302,285
Surplus for the year		3,406,367	2,008,985	3,975,006
Balance at 31 March		159,261,022	155,854,655	138,105,175
Represented by:				
		2013	2012	
		S\$	S\$	
Non-Current Assets				
Held-to-maturity financial assets		40,000,000	35,000,000	
Current Asset				
Held-to-maturity financial assets		2,000,000	6,250,000	
Conservancy and service receivables		653,079	350,540	
Other receivables		327,598	410,833	
Interest receivable		880,292	775,919	
Financial assets at fair value through profit or loss	10	28,380,245	35,318,758	
Cash and cash equivalents		84,179,225	75,687,012	
Due from accumulated surplus		5,364,022	4,827,359	
		121,784,461	123,620,421	
Total Assets		161,784,461	158,620,421	
Current Liabilities				
Conservancy and services fees received in advance		195,885	177,468	
Payables and accrued expenses		1,483,475	2,106,655	
Income tax payable		844,079	481,643	
		2,523,439	2,765,766	
NET ASSETS		159,261,022	155,854,655	

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013 (CONT'D)

6. TOWN IMPROVEMENT AND PROJECT FUNDS

Note	Total		Residential Properties	
	2013 S\$	2012 S\$	2013 S\$	2012 S\$
Balance at 1 April	3,272,473	3,661,986	715,667	2,946,319
Add/(Less):				
Government grants	2,881,116	3,884,571	2,881,116	3,884,571
Expenditure	(3,222,612)	(6,274,084)	(3,145,494)	(6,274,084)
Deficit for the year	(341,496)	(2,389,513)	(264,378)	(2,389,513)
Appropriation from accumulated surplus	2,500,000	2,000,000	300,000	1,700,000
Balance at 31 March	5,430,977	3,272,473	751,289	2,946,319
Represented by:				
	2013 S\$	2012 S\$		
Current assets				
Grants receivable	3,996,543	6,114,577		
Other receivables	759,634	-		
Amount due from accumulated surplus	1,839,994	-		
Total assets	6,596,171	6,114,577		
Current liabilities				
Payables and accrued expenses	1,165,194	1,202,821		
Amount due to accumulated surplus	-	1,639,283		
Total liabilities	1,165,194	2,842,104		
NET ASSETS	5,430,977	3,272,473		

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013 (CONT'D)**

7. NEIGHBOURHOOD RENEWAL PROGRAMME FUND

	2013	2012
	S\$	S\$
Balance at 1 April 2012	57,362	334,964
Funding from government	3,718,015	599,430
Payment to contractors	(3,738,315)	(877,032)
Deficit for the year	(20,300)	(277,602)
Balance at 31 March 2013	<u>37,062</u>	<u>57,362</u>

8. PLANT AND EQUIPMENT

	Furniture, fixtures and fittings	Office equipment	Total
	S\$	S\$	S\$
<u>Cost</u>			
At 1 April 2011	608,349	259,704	868,053
Additions	-	1,500	1,500
Written off	-	(12,488)	(12,488)
At 31 March 2012	608,349	248,716	857,065
Additions	6,278	75,890	82,168
Written off	(4,257)	(45,620)	(49,877)
At 31 March 2013	<u>610,370</u>	<u>278,986</u>	<u>889,356</u>
<u>Accumulated Depreciation</u>			
At 1 April 2011	608,034	242,549	850,583
Depreciation	315	5,735	6,050
Written off	-	(12,488)	(12,488)
At 31 March 2012	608,349	235,796	844,145
Depreciation	505	13,150	13,655
Written off	(4,257)	(45,620)	(49,877)
At 31 March 2013	<u>604,597</u>	<u>203,326</u>	<u>807,923</u>
<u>Net book value</u>			
At 31 March 2012	<u>-</u>	<u>12,920</u>	<u>12,920</u>
At 31 March 2013	<u>5,773</u>	<u>75,660</u>	<u>81,433</u>

CHUA CHU KANG TOWN COUNCIL
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013 (CONT'D)**

9. HELD-TO-MATURITY FINANCIAL ASSETS

	2013	2012
	S\$	S\$
Quoted debt securities, at amortised cost	42,000,000	45,250,000
Quoted debt securities, at amortised cost	42,000,000	45,250,000
Less: current portion - quoted debt securities	(2,000,000)	(6,250,000)
Non-current portion	40,000,000	39,000,000
With maturity within 1 year : 4.6% p.a. (FY11/12 : 1.55% to 4.826%) p.a.	2,000,000	6,250,000
With maturity within 2 to 5 years : 1.675% to 3.2% p.a. (FY11/12 : 1.675% to 4.6%) p.a.	19,000,000	16,000,000
With maturity over 5 years : 1.95% to 3.14% p.a. (FY11/12 : 1.83% to 3.14%) p.a.	21,000,000	23,000,000
At amortised cost	42,000,000	45,250,000
Market value at 31 March	43,576,318	45,250,000

Held-to-maturity financial assets are denominated in Singapore dollars.

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The financial assets at fair value through profit or loss represent funds and related investment income placed with professional fund managers.

The investments are managed by fund managers appointed by the Town Council based on terms and conditions stipulated on the respective investment agreement. An agreement with a fund manager was terminated in September 2012. The proceeds from the redemption of the investment with the Fund manager amounted to S\$13,045,820 (2012: S\$12,580,494).

As at the balance sheet date, the funds invested through a fund manager comprised the following:

	2013	2012
	S\$	S\$
Quoted equities and exchange traded products	4,329,790	7,801,213
Quoted debt securities	24,050,455	27,517,545
	28,380,245	35,318,758

Financial assets at fair value investments that are denominated in currencies other than the functional currency of the Town Council are as follows:

	2013	2012
	S\$	S\$
Hong Kong Dollar	-	28,903
United States Dollar	-	125,680

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013 (CONT'D)**

11. CONSERVANCY AND SERVICE FEES RECEIVABLES

	2013	2012
	S\$	S\$
Conservancy and service fees receivables	2,680,868	2,289,658
Less: Allowance for impairment	796,326	633,457
	<u>1,884,542</u>	<u>1,656,201</u>

The movements in allowance for impairment in respect of conservancy and service fees receivables during the year are as follows:

	2013	2012
	S\$	S\$
Balance at 1 April 2012	633,457	477,805
Additional charge during the year	177,513	149,387
Bad debt written off	(17,493)	-
Recovery of bad debts written off	2,849	6,265
Balance at 31 March 2013	<u>796,326</u>	<u>633,457</u>

12. OTHER RECEIVABLES

	2013	2012
	S\$	S\$
Claims from Citizens' Consultative Committee funding receivable	3,996,543	5,747,555
Receivables from HDB	2,098,954	969,214
GST receivable from Inland Revenue Authority of Singapore	494,490	448,907
GST subvention receivable from Ministry of National Development	454,037	422,518
Recoverable from National Environment Agency	50,076	103,147
Recoverable from South West CDC	4,738	37,316
Deposits and Prepayments	461,153	537,747
Receivables from contractors	482,263	82,330
Others	-	17,484
	<u>8,042,254</u>	<u>8,366,218</u>

All receivables are denominated in Singapore dollars.

13. CASH AND CASH EQUIVALENTS

	2013	2012
	S\$	S\$
Cash on hand	7,500	7,500
Cash at banks	8,277,859	4,175,686
Cash with fund managers	921,049	5,362,352
	<u>9,206,408</u>	<u>9,545,538</u>
Fixed deposits	83,238,713	67,362,887
	<u>92,445,121</u>	<u>76,908,425</u>

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13. CASH AND CASH EQUIVALENTS (CONTINUED)

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following:

	2013	2012
	S\$	S\$
Cash and cash equivalents as above	92,445,121	76,908,425
Less:		
Cash placed with fund managers	(921,049)	(5,362,352)
	<u>91,524,072</u>	<u>71,546,073</u>

Fixed deposits are placed for varying periods from three months to one year. The interest rates range from 0.45% to 1.25% (2012: 0.54% to 1.25%) per annum.

14. PAYABLES AND ACCRUED EXPENSES

	2013	2012
	S\$	S\$
Accrued operating expenses	205,938	222,106
Deposits	549,797	491,580
Payables	4,629,655	4,538,378
	<u>5,385,390</u>	<u>5,252,064</u>

All payables and accrued expenses are denominated in Singapore dollars.

15. AGENCY FEES

These are fees received for routine maintenance of HDB's car parks in the Town Council.

16. OTHER INCOME

	2013	2012
	S\$	S\$
Interest on late payment of conservancy and service fees	234,001	209,639
Liquidated damages	413,778	307,977
Temporary occupation licenses	1,986,469	1,788,602
Usage of void deck, water, electricity and common property	437,626	416,002
Income from sale of tender documents/forfeiture of tender deposits	128,094	146,250
Others	133,093	89,618
	<u>3,333,061</u>	<u>2,958,088</u>

17. MANAGING AGENT'S FEES

The Town Council's management of its operations has been outsourced to a managing agent.

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18. GENERAL AND ADMINISTRATIVE EXPENDITURE

	2013	2012
	S\$	S\$
Advertising, publicity and public relations	229,799	265,418
Audit fee	34,500	32,000
Computer services	327,737	332,547
Depreciation	13,655	6,050
Fixed assets not capitalised	20,084	5,652
Office rental and upkeep expenditure	360,725	357,898
Office supplies and stationery	149,192	165,254
Property tax	160,363	215,795
Town Councillors' allowance	111,600	103,700
Others	393,697	221,486
	<u>1,801,352</u>	<u>1,705,800</u>

19. INVESTMENT INCOME

	Note	2013	2012
		S\$	S\$
<u>Accumulated Surplus</u>			
Interest income from fixed deposits and bank current accounts	4	<u>49,195</u>	<u>155,343</u>
<u>Sinking Fund</u>			
Interest income from fixed deposits and bank current accounts		711,866	561,104
Interest from quoted debt securities held-to-maturity		1,143,125	957,353
Net gain/(loss) from sale of financial assets at fair value through profit or loss		152,630	(783,444)
Gain arising from changes in financial assets at fair value through profit or loss		<u>1,485,212</u>	<u>630,757</u>
	5	<u>3,492,833</u>	<u>1,365,770</u>

20. GOODS AND SERVICES TAX

Government grants received by the Town Council are considered non-taxable supplies. Therefore, input tax claimable is based on a formula determined by the Inland Revenue Authority of Singapore. The unclaimable portion charged to the respective funds are as follows:-

	Note	2013	2012
		S\$	S\$
Accumulated Surplus	4	256,487	313,756
Sinking Fund	5	<u>114,631</u>	<u>248,370</u>
		<u>371,118</u>	<u>562,126</u>

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21. INCOME TAX EXPENSE

	<u>Note</u>	<u>2013</u>	<u>2012</u>
		S\$	S\$
Current year income tax provision		608,355	503,575
Under/(over)provision in respect of prior years		180,380	(36,911)
		<u>788,735</u>	<u>466,664</u>
Taken up in:			
Accumulated Surplus	4	360,160	74,446
Sinking Fund	5	428,575	392,218
Tax Expense		<u>788,735</u>	<u>466,664</u>

The tax expense on taxable income differs from the amount determined by applying the Singapore standard rate of income tax due to the following:

	<u>2013</u>	<u>2012</u>
	S\$	S\$
Interest income	2,704,839	2,997,600
Other income	1,401,011	634,683
	<u>4,105,850</u>	<u>3,632,283</u>
Tax calculated at Singapore tax rate of 17%	697,995	617,488
Income tax exemption	(25,925)	(25,925)
Tax effect of certain income taxed at concessionary tax rate	(63,715)	(87,988)
Under/(over) provision in respect of prior years	180,380	(36,911)
	<u>788,735</u>	<u>466,664</u>

The movements in income tax payable are as follows:

	<u>2013</u>	<u>2012</u>
	S\$	S\$
Balance at 1 April	614,619	731,642
Income tax paid	(118,255)	(583,687)
Provision during the year	788,735	466,664
Balance at 31 March	<u>1,285,099</u>	<u>614,619</u>

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22. GOVERNMENT GRANTS

(i) Government grants taken to the income and expenditure statement during the year are as follows:

	Note	Total		Conservancy and Service	
		2013 S\$	2012 S\$	2013 S\$	2012 S\$
Government Grants received/receivable during the financial year	4	9,217,276	10,076,665	4,574,672	4,507,832
Less: Transfer to Town Improvement and Project Funds	4, 6	2,881,116	3,884,571	-	-
Transfer to Sinking Funds	5	2,141,005	2,094,257	1,530,811	1,510,633
		<u>4,195,155</u>	<u>4,097,837</u>	<u>3,043,861</u>	<u>2,997,199</u>

(ii) The total amount of the above grants received / receivable, including grants received in advance, since the formation of the Town Council, is as follows:

	2013 S\$	2012 S\$
Cumulative total grants received / receivable up to 1 April	177,231,339	167,154,674
Grants received / receivable during the financial year	<u>9,217,276</u>	<u>10,076,665</u>
Cumulative total grants received / receivable up to 31 March	<u>186,448,615</u>	<u>177,231,339</u>

**NOTES TO THE FINANCIAL STATEMENTS
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23. CAPITAL EXPENDITURE COMMITMENTS

Capital expenditure approved by the Town Council but not provided for in the financial statements is as follows:

	2013	2012
	S\$	S\$
Amount approved and contracted for	18,465,247	37,236,826
Amount approved and not contracted for	65,864,599	31,594,160
	<u>84,329,846</u>	<u>68,830,986</u>

24. OPERATING LEASE COMMITMENTS

At the end of the reporting year, the Town Council was committed to making the following rental payments in respect of non-cancellable operating leases of office premises with an original term of more than one year.

	2013	2012
	S\$	S\$
Not later than one year	270,684	411,073
Later than one year and not later than five years	434,768	77,200
	<u>705,452</u>	<u>488,273</u>

Leases for office premises are negotiated for a term of 1 to 3 years. Leases are fixed at the commencement of the lease.

25. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS

The Town Council's financial instruments comprised mainly cash & cash equivalents, and various items including investment in financial assets, conservancy and service fees receivable and other receivables, accrued expenses and other payables that arise from its operations.

The main risks arising from the financial instruments are credit risk and market risk. The Town Council is not exposed to foreign exchange risk for the year ended 31 March 2013. There is no significant liquidity risk as sufficient cash is maintained to meet its operational requirements. The Town Council's reviews on the policies for managing these risks are disclosed below.

(a) Credit Risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. Financial assets that potentially subject to credit risk consist principally of cash equivalents, receivables and investment in financial assets, including funds with fund manager. The maximum exposure to credit risk is the carrying value of the financial instruments at the end of the financial year. Credit risk on cash and cash equivalents are limited because they are placed with financial institutions with acceptable credit ratings.

For receivables, an ongoing credit evaluation is performed on the financial conditions of the receivables and losses on impairment are recognised in the income and expenditure statement. The allowance for impairment of conservancy and service fees receivable totalling \$796,326 (2012: \$633,457) is determined at the reporting date.

There is no concentration of credit risk with respect to conservancy and service fees receivable, as the Town Council has a large number of household owners.

There are no other material class of financial assets that are past due except for the conservancy and service fees receivables as disclosed below:

	Note	2013	2012
		S\$	S\$
Not past due		20,997	19,733
Past due 0-12 months		1,863,545	1,636,468
Past due 12-24 months		351,075	303,871
Over 24 months		445,251	329,586
		<u>2,680,868</u>	<u>2,289,658</u>
Allowance for impairment		<u>(796,326)</u>	<u>(633,457)</u>
	11	<u>1,884,542</u>	<u>1,656,201</u>

**NOTES TO THE FINANCIAL STATEMENTS
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25. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

(a) Credit Risk (Continued)

Conservancy and service fees receivables amounting to \$1,884,542 (2012: \$1,656,201) are not impaired, as the management believes that it will be collectible in the foreseeable future as a result of recovery efforts and based on historical experience.

Exposures to credit risk in funds with fund managers and held-to-maturity investments comprises mainly debt securities, equities and exchange traded products.

Investments in debt securities, equities and exchange traded products are subject to adverse changes in the financial condition of the issuer, or in general economic conditions, or both, which may impair the ability of the issuer to make payment of interest and principal. Exposure to credit risk is monitored by the Town Council's management and the professional investment advisors (in the case of funds with fund managers) with oversight from the Town Council. In addition, the Town Council is required to comply with the requirements as stated in the Town Council's Financial Rules on investments and investment criteria.

Investments classified as held-to-maturity comprised corporate bonds and bonds issued by Statutory Boards and/or Government related agencies. The corporate bonds are placed with companies which the Town Council has considered to be of good credit standing.

(b) Market Risk

The Town Council is exposed to market risk arising from the Town Council's financial assets held in funds with a fund manager and held-to-maturity financial assets. Market risk is the risk of potential adverse changes to the value of the financial instruments because of changes in market conditions such as interest rates and volatility in security prices.

(i) Price risk

The Town Council is exposed to market risk arising from investments which are classified on the balance sheet at fair value through profit and loss. Fluctuation in the market price of a security may result from perceived changes in the underlying economic characteristics of the investments and the general market conditions. The investment portfolio with fund manager is monitored by the fund manager on a regular basis so as to assess changes in fundamentals and valuation. Guidelines have been set by the Town Council to manage the exposure of the investment portfolio so as to reduce exposures to market volatility by diversifying the investment portfolio into equities, bonds and other financial assets and to ensure compliance with the Town Council Financial Rules on investments and investment criteria.

The Funds with Fund managers has investment in exchange traded derivatives which are used for hedging purposes.

The table below, summarises the impact to the Town Council's funds with a fund manager, stated at fair value through profit or loss as a result of a 10% increase/decrease in its fair value.

	Increase/(Decrease)			
	Net Assets		Sinking Fund Statement	
	2013	2012	2013	2012
	S\$	S\$	S\$	S\$
Funds with a fund manager				
- increase by 10%	2,838,025	3,531,876	2,838,025	3,531,876
- decrease by 10%	(2,838,025)	(3,531,876)	(2,838,025)	(3,531,876)

(ii) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The Town Council has interest-bearing fixed deposits placed with financial institutions, held-to-maturity financial assets and debt securities managed by the fund manager. As the Town Council's debt securities held by funds with a fund manager were mainly confined to trading portfolio managed by the fund manager and presentation of interest rates will not be meaningful to the users of financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
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25. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

(b) Market Risk (Continued)

(ii) Interest rate risk (Continued)

The Town Council has interest-bearing fixed deposits with financial institutions and held-to-maturity financial assets. The interest rates are disclosed in Notes 9 and 13 to the financial statements. The interest-bearing fixed deposits and held-to-maturity financial assets are mainly at fixed rates at the balance sheet date.

Sensitivity analysis for interest rate risk

At the end of the reporting period, if interest had been 25 basis points higher/lower with all other variables held constant, the Town Council's surplus net of tax would have been \$165,005 (FY2012 : \$158,546) higher/lower.

(iii) Foreign Currency Risk

Town Council is not exposed to foreign currency risk as at 31 March 2013. The foreign currency exposures as at 31 March 2012 are disclosed in Note 10.

(c) Liquidity Risk

Liquidity risk is the risk that the Town Council will encounter difficulty in meeting financial obligations due to shortage of funds. The Town Council manages the liquidity risk by maintaining sufficient cash, internally generated cash flows, as well as on basis of expected payment dates of the financial liabilities.

The contractual undiscounted cash flows of financial liabilities due within 12 months approximate their carrying amounts as the impact of discounting is not significant.

It is expected that all the liabilities will be paid when due. The Town Council expects to meet its cash commitments with cash flows from operating activities and government grants.

26. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value measurements

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- (a) quoted prices in active markets for identical assets or liabilities (Level 1);
- (b) 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 2); and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<u>S\$</u>	<u>S\$</u>	<u>S\$</u>	<u>S\$</u>
31 March 2013				
Financial assets at fair value through profit or loss	28,380,245	-	-	28,380,245
31 March 2012				
Financial assets at fair value through profit or loss	35,318,758	-	-	35,318,758

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. These instruments are included in Level 1.

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27. FAIR VALUE OF OTHER ASSETS AND LIABILITIES

The carrying amounts of short-term assets and liabilities approximate their respective fair values due to the relatively short term maturity of these financial instruments. The fair value of other classes of financial assets and liabilities are disclosed in the respective notes to the financial statements.

28. FUNDS MANAGEMENT

The Town Council's objectives when managing funds are:

- (a) to safeguard the Town Council's ability to continue as going concern;
- (b) to provide resources to sustain future development; and
- (c) to provide funds for the purpose of strengthening the Town Council's risk management capability.

The Town Council actively and regularly reviews and manages its funding structure through professional fund managers to ensure optional funding structure, taking into consideration the future funding requirements, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

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

The Town Council is not subject to externally imposed requirements.

The Town Council total funds amounted to \$166,484,664 (2012: \$161,952,129).

29. CHANGES AND ADOPTION OF FINANCIAL REPORTING STANDARDS

The following are the relevant new or revised Singapore Financial Reporting Standards that have been issued and will be effective in future. The Town Council is evaluating the initial application and the impact of these FRS and INT FRS on the Town Council's financial statements, and will adopt these FRS and INT FRS on their effective dates.

NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

Reference	Description	Effective date (Annual period beginning on or after)
FRS 1 (Amendments)	:Presentation of Items of Other Comprehensive Income	01.07.2012
FRS 32 (Amendments)	:Offsetting of Financial Assets and Financial Liabilities	01.01.2014
FRS 36 (Amendments)	:Recoverable Amount Disclosures for Non-Financial Assets	01.01.2014
FRS 107 (Amendments)	:Offsetting of Financial Assets and Financial Liabilities	01.01.2013
FRS 113	:Fair Value Measurements	01.01.2013
Annual Improvements to FRS 2012		01.01.2013

30. COMPARATIVES

Operating income transferred to sinking funds of \$15,631,288 was reclassified from Financing Activities to Operating Activities in the Statement of Cash Flows for the financial year ended 31 March 2012. In addition, to enhance comparability with the Statement of Cash Flows for the financial year ended 31 March 2013, certain line items in the Statement of Cash Flow and notes to the financial statements for the financial year ended 31 March 2012 have been reclassified for consistency of presentation.