

# **CHUA CHU KANG TOWN COUNCIL**

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

S. 106 of 2012  
Chua Chu Kang Town Council's  
Audited Financial Statements,  
Auditors' Reports and Annual Report for  
FY 2011/2012

Ordered by Parliament to lie upon the Table  
28 September 2012

# **CHUA CHU KANG TOWN COUNCIL ANNUAL REPORT 2011/2012**

## **Chairman's Message**

### **OVERVIEW**

2011 was a remarkable year of several milestones for the Town Council.

We launched our Five-Year Town Renewal Plan in April. In August, our name was changed from Hong Kah Town Council to Chua Chu Kang Town Council, and we now manage the HDB estates in Chua Chu Kang GRC and Hong Kah North SMC, electoral constituencies newly-formed in the last General Election in May.

We also have a new team of Members of Parliament and Councillors on board, and everyone is committed to making our estates an even better place for residents and businesses.

### **TOWN RENEWAL PLAN**

In April 2011, we showcased our Chua Chu Kang Five-Year Town Renewal Plan, a master concept plan detailing the major future improvements and developments by the Town Council and government agencies for our estates for 2011 to 2015. The Town Council plans to invest 280 projects totalling \$170.9 million to enhance the quality of living of residents and enhance the value of our homes.

The Town Council's vision is An Active and Vibrant Community – an inclusive space for people, from the young to the elderly, to meet, bond and build social resilience.

With this in mind, we are establishing "3G Hubs" in our estates – each an all-in-one activity area with facilities that can be enjoyed across three generations and everyone in the family. These facilities will include playgrounds for the little ones, game courts or fitness corners for our active youth and adults, and fitness corners with equipment specially tailored for the elderly. By creating the space for families and neighbours to meet and spend time together, family bonds and community ties can be strengthened.

We have since completed the pilot batch of six 3G Hubs in our Town, with one in each of our six constituencies, Bukit Gombak, Chua Chu Kang, Hong Kah North, Keat Hong, Nanyang and Yew Tee. The playgrounds installed at the Hubs are also unique. Three-

storey tall structures called Skybuilders, they are believed to be the first of their kind in an HDB estate.

Enhancing connectivity is another tenet of our Town Renewal Plan and to this end, we will continue to build covered walkways. The top priority is to link from blocks to places of heavy footfall, such as bus stops and schools.

We have completed a large-scale project of a jogging cum cycling track that links from Nanyang estate to Hong Kah North estate in Bukit Batok.

Over the next five years, the Town Council will be investing about \$120 million on cyclical maintenance. These are large-scale, yet important works needed to keep the estates in good repair. Examples of such works include repainting, rewiring and replacement of water pumps and pipes.

Besides improvements to the physical landscape, we hope these projects will also bring a sense of excitement and adventure to residents.

## **NEIGHBOURHOOD RENEWAL PROGRAMME**

The Neighbourhood Renewal Programme, or NRP, focuses on block and neighbourhood improvements and is for blocks built up to 1989 that have not undergone the Main Upgrading Programme, Interim Upgrading Programme or IUP Plus. The programme is fully funded by the Government and implemented by Town Councils.

We are fortunate to have four of our precincts selected for NRP:

- Blocks 337 to 346 Bukit Batok Street 34
- Blocks 402 to 411 and 413 to 417 Bukit Batok West Avenue 4
- Blocks 933 to 950, 952 and 953 Jurong West Street 91
- Blocks 101 to 124 Teck Whye Lane

Works at the precinct in Bukit Batok Street 34 are nearing completion, while the pocket in Bukit Batok West Avenue 4 is in the tendering process. The precincts at Jurong West and Teck Whye are currently in the design concept stage.

Upon completion, residents will no doubt enjoy the new facilities and cheer the rejuvenation of their estate.

## **TOWN COUNCIL LIFT UPGRADING PROGRAMME**

Lift upgrading for our estates continues. The remaining five blocks for the Town Council Lift Upgrading Programme (TC-LUP) – Blocks 107 to 109, 120 and 144 Teck Whye Lane – were polled in March 2011 and construction works have commenced.

The rest of the TC-LUP blocks are now completed. Residents living in Blocks 524, 526, 535 and 542 Bukit Batok Street 52/51, Block 208 Choa Chu Kang Central and Block 7 Teck Whye Avenue are now reaping the benefits of having lifts stopping on their floor.

## **REACHING OUT TO RESIDENTS**

The infrastructure is important, so too is the “heartware”.

A key focus of the new team at the Town Council is our commitment to better engage residents. This is the rationale behind the formation of a new committee called the Communications and Service Quality (CSQ) Committee. The members will explore ways to reach out to residents, by hearing their views and understanding their concerns, be it through groundwork or conducting surveys.

The CSQ Committee will also look into upping the Town Council’s service standards. It will reassess areas such as response to residents and cleanliness and maintenance issues. Mystery shopper surveys, service audits and walkabouts are some of the ideas that the committee has implemented to improve service quality.

## **FINANCIAL REVIEW**

On the financial front, higher operating costs have created a challenging environment to operate in. Like all other organisations and the man in the street, the Town Council too has to contend with inflation and rising costs.

For the financial year under review, our balance sheet reflected a balance of \$667,839, compared to \$1.94 million in FY 2010/2011. This represents a drop of some \$1.28 million. The chief reason for this is higher utility bills. Utilities account for almost 39% of the Town Council’s operating costs, with electricity forming the bulk of the bill. Electricity tariffs have shot up from 25.58 cents per kW h for the quarter Apr to Jun 11 in FY 2010/2011 to 28.78 per kWh over the same corresponding period one year later; increase by 12.5%. As a result, our utility expenditure increased by \$1.46 million from a year ago.

In this financial year, 69 lifts were added to our estates as a result of lift upgrading. With more lifts and lifts that stop on every floor, servicing and maintenance costs have increased as a result.

Building and maintenance contracts have also been on a rising trend over the years, presenting another challenge for the Town Council. Providing a clean and green living environment for residents remains a top priority for the Town Council and we will continue to invest in this area to ensure higher cleaning standards to meet the rising expectations of our residents and businesses.

Following the Parliamentary Elections in May 2011, 80% of the accumulated surpluses in FY 2010/11 have been transferred into the sinking funds as required under The Town Councils Act and the Town Council's accumulated surplus stands at \$2,767,639 as at 31 March 2012.

### **COST-SAVING EFFORTS**

Going forward, inflation and rising costs will remain a challenge and a major concern. Based on current trends, it is projected that the Town Council will run into deficit in 2013.

In an effort to keep costs under control, the Town Council has embarked on several cost-saving measures. One of these is switching from PL tubes and 2 feet fluorescent tubes to T5 energy-saving fluorescent tubes. The estimated savings is \$750,000 per year. Energy-saving devices have also been put in place in some of our blocks, and we expect to save some \$72,000 yearly.

In early 2012, we also embarked on a pilot project to install LED lights for 123 blocks. It is estimated that this scheme will save the Town Council \$400,000 annually.

Despite these measures, the savings are not sufficient to offset the cost increases. Nevertheless, every effort counts and we will continue to explore ways to save costs.

### **FUTURE PLANS**

The Town Council's core role is conservancy and maintenance of the HDB estates, and providing residents with a clean and green living environment remains our priority, always.


At the same time, the aspirations of residents and businesses are now higher. Setting up the new CSQ Committee is our commitment to meeting these rising expectations. And we plan to do more. In mid-2012, we will be establishing a Service Quality Team. The team

will help to audit the services of the Town Council and enhance communications between the Town Council and residents and businesses.

Most of our plans would not be possible without the assistance rendered to us by the various government agencies and grassroots organisations. On behalf of the Town Council, I thank you for your support and partnership.

I also thank residents and business operators in our estates for your understanding and cooperation.

Let us all work hand-in-hand for the betterment of our Town.

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

**CHUA CHU KANG TOWN COUNCIL**  
**(FORMERLY KNOWN AS HONG KAH TOWN COUNCIL)**  
(Established under the Town Councils Act, Cap. 329A)

**AUDITED FINANCIAL STATEMENTS**  
**FINANCIAL YEAR ENDED 31 MARCH 2012**

**MAZARS LLP**  
Public Accountants and  
Certified Public Accountants

**CHUA CHU KANG TOWN COUNCIL (Formerly known as Hong Kah Town Council)**  
(Established under the Town Councils Act, Cap. 329A)

**AUDITED FINANCIAL STATEMENTS**  
**FINANCIAL YEAR ENDED 31 MARCH 2012**

---

<b>TABLE OF CONTENTS</b>	<b>PAGE</b>
Independent auditors' report	1 - 2
Statement of financial position	3
Statement of comprehensive Income	4
Statement of changes in funds	5
Statement of cash flows	6
Notes to the financial statements	7 - 30





**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
CHUA CHU KANG TOWN COUNCIL (Formerly known as Hong Kah 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 2012, the statement of comprehensive income, statement of changes in funds and the statement of cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Financial Statements*

The Town Council's management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Town Councils Act, Cap 329A (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

*Auditors' Responsibility*

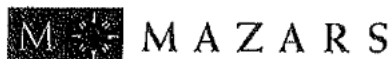
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 auditors' 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 auditors consider internal controls relevant to the Town Council'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 Town Council's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Town Council's 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 are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Town Council as at 31 March 2012 and the results, changes in funds and cash flows of the Town Council for the financial year ended on that date.



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
CHUA CHU KANG TOWN COUNCIL (Formerly known as Hong Kah Town Council)**  
(Established under the Town Councils Act, Cap. 329A)

---

**Report on Other Regulatory Requirements**

*Management's Responsibility for Compliance with Legal and Regulatory Requirements*

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.

*Auditors' Responsibility*

Our responsibility is to express an opinion on management's 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 controls 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 controls. 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 year 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, in accordance with the provisions of the Act.

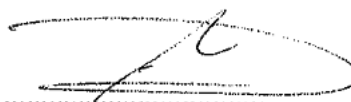
  
**MAZARS LLP**  
Public Accountants and  
Certified Public Accountants

Singapore  
28 August 2012


**CHUA CHU KANG TOWN COUNCIL (Formerly known as Hong Kah Town Council)**  
(Established under the Town Councils Act, Cap. 329A)

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2012**

	<u>Note</u>	<u>2012</u> \$	<u>2011</u> \$
<b>TOWN COUNCIL FUNDS</b>			
<b>Residential Property Funds</b>			
Accumulated surplus	4	65,501	-
Sinking Funds	5	134,130,169	131,481,372
Town Improvement and Project Funds	6	715,667	2,010,145
Neighbourhood Renewal Programme Fund	7	57,362	334,964
		134,968,699	133,826,481
<b>Commercial Property Funds</b>			
Accumulated surplus	4	1,477,227	7,091,507
Sinking Funds	5	21,724,486	14,780,943
Town Improvement and Project Funds	6	2,556,806	1,651,841
		25,758,519	23,524,291
<b>Carpark</b>			
Accumulated surplus	4	1,224,911	4,591,648
		<u>161,952,129</u>	<u>161,942,420</u>
<b>Represented by:</b>			
<b>Non-Current Assets</b>			
Plant and equipment	8	12,920	17,470
Held-to-maturity financial assets	9	39,000,000	35,250,000
		39,012,920	35,267,470
<b>Current Assets</b>			
Held-to-maturity financial assets	9	6,250,000	-
Financial assets at fair value through profit or loss	10	35,318,758	47,902,882
Conservancy and service fees receivables	11	1,656,201	1,615,729
Other receivables	12	8,366,218	7,761,623
Interest receivable		813,340	577,791
Cash and cash equivalents	13	76,908,425	74,464,321
		129,312,942	132,322,346
<b>Total Assets</b>		<u>168,325,862</u>	<u>167,589,816</u>
<b>Less:</b>			
<b>Current Liabilities</b>			
Conservancy and service fees received in advance		507,050	465,432
Payables and accrued expenses	14	5,252,064	4,450,322
Income tax payable	21	614,619	731,642
<b>Total Liabilities</b>		<u>6,373,733</u>	<u>5,647,396</u>
<b>NET ASSETS</b>		<u>161,952,129</u>	<u>161,942,420</u>

  
ZAQY MOHAMAD  
Chairman

Date: 28 August 2012

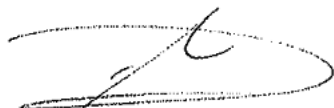
  
CHRISTINA GOH CHOY BOON  
General Manager/ Secretary

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

**CHUA CHU KANG TOWN COUNCIL (Formerly known as Hong Kah Town Council)**  
(Established under the Town Councils Act, Cap. 329A)

**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012**

	<u>Note</u>	<u>2012</u> \$	<u>2011</u> \$
<b>OPERATING INCOME</b>			
Conservancy and service fees	4	45,092,990	45,012,811
Less: Operating income transfer to Sinking Funds (minimum required by law)	4, 5	15,631,288	15,604,331
		29,461,702	29,408,480
Agency fees	15	4,302,580	4,163,668
Other income	16	2,958,088	2,672,194
		36,722,370	36,244,342
<b>LESS: OPERATING EXPENDITURE</b>			
Cleaning works		6,297,113	6,025,130
Managing agent's fees	17	4,530,828	4,518,367
Lift maintenance		5,613,699	5,564,166
Other works and maintenance		6,185,436	6,209,556
Water and electricity		15,586,633	14,121,666
General and administrative expenditure	18	1,705,800	1,629,956
		39,919,509	38,068,841
<b>OPERATING DEFICIT</b>		<b>(3,197,139)</b>	<b>(1,824,499)</b>
<b>ADD: NON-OPERATING INCOME</b>			
Investment income	19	155,343	146,049
<b>DEFICIT BEFORE INCOME TAX AND GOVERNMENT GRANTS</b>		<b>(3,041,796)</b>	<b>(1,678,450)</b>
Less: Goods and services tax	20	313,756	272,818
Less: Income tax	21	74,446	124,181
<b>DEFICIT BEFORE GOVERNMENT GRANTS</b>		<b>(3,429,998)</b>	<b>(2,075,449)</b>
Add: Government grants	22	10,076,665	19,117,240
Less: Transfers to			
- Sinking Funds	5	2,094,257	11,986,363
- Town Improvement and Project Funds	6	3,884,571	3,111,313
<b>SURPLUS FOR THE YEAR</b>		<b>667,839</b>	<b>1,944,115</b>

  
ZAQY MOHAMAD  
Chairman

Date: 28 August 2012

  
CHRISTINA GOH CHOY BOON  
General Manager / Secretary

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

**CHUA CHU KANG TOWN COUNCIL (Formerly known as Hong Kah Town Council)**  
(Established under the Town Councils Act, Cap. 329A)

**STATEMENT OF CHANGES IN FUNDS**  
**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012**

	<u>Total</u>	<u>Residential</u> <u>Property</u> <u>Funds</u>	<u>Commercial</u> <u>Property</u> <u>Funds</u>	<u>Carpark</u> <u>Fund</u>
	\$	\$	\$	\$
Balance at 1 April 2010	145,887,997	120,660,198	22,078,895	3,148,904
Surplus for the year	16,054,423	12,329,823	2,281,856	1,442,744
Inter-funds transfers	-	836,460	(836,460)	-
Balance at 31 March 2011	161,942,420	133,826,481	23,524,291	4,591,648
Surplus/(Deficit) for the year	9,709	(3,447,589)	2,234,228	1,223,070
Inter-funds transfers	-	4,589,807	-	(4,589,807)
Balance at 31 March 2012	161,952,129	134,968,699	25,758,519	1,224,911

The surplus for the year comprises the following:

	<u>Note</u>	<u>2012</u>	<u>2011</u>
		\$	\$
Accumulated surplus	4	667,839	1,944,115
Sinking Funds	5	2,008,985	14,139,889
Town Improvement and Project Funds	6	(2,389,513)	(85,785)
Neighbourhood Renewal Programme Fund	7	(277,602)	56,204
		<u>9,709</u>	<u>16,054,423</u>

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

**CHUA CHU KANG TOWN COUNCIL (Formerly known as Hong Kah Town Council)**  
(Established under the Town Councils Act, Cap. 329A)

**STATEMENT OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012**

	<u>2012</u> \$	<u>2011</u> \$
<b>Operating Activities</b>		
Deficit before income tax and government grants (after goods and services tax)	(3,355,552)	(1,951,268)
Adjustments for:		
Depreciation	6,050	6,741
Investment income of Routine Fund (included in investing activities)	(155,343)	(146,049)
Operating cash outflows before movements in working capital	(3,504,845)	(2,090,576)
Operating receivables	(643,557)	1,267,841
Operating payables	1,025,761	(1,546,187)
Cash used in operations	(3,122,641)	(2,368,922)
Income tax paid	(583,687)	(525,389)
Sinking Funds expenditure inclusive of goods and services tax	(16,690,314)	(15,827,574)
Town improvement and project expenditure	(6,274,084)	(3,197,098)
<b>Net cash used in operating activities</b>	<u>(26,670,726)</u>	<u>(21,918,963)</u>
<b>Investing Activities</b>		
Purchase of plant and equipment	(1,500)	(8,984)
Cash and fixed deposits placed with fund managers	474,543	432,300
Net decrease/(Increase) in investment	3,685,976	(7,378,353)
<b>Net cash generated from/(used in) investing activities</b>	<u>4,159,019</u>	<u>(6,955,037)</u>
<b>Financing Activities</b>		
Fund transferred from service and conservancy	15,631,288	15,604,331
Government grant received for sinking funds	6,192,094	16,005,927
Government grant received for town improvement and project	3,884,571	3,111,313
Government grant received for neighbourhood renewal programme	(277,602)	56,204
<b>Net cash generated from financing activities</b>	<u>25,430,351</u>	<u>34,777,775</u>
<b>Net increase in cash and cash equivalents</b>	2,918,644	5,903,775
Cash and cash equivalents at beginning of year	68,627,429	62,723,654
<b>Cash and cash equivalents at end of year (Note 13)</b>	<u>71,546,073</u>	<u>68,627,429</u>

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

**CHUA CHU KANG TOWN COUNCIL (Formerly known as Hong Kah Town Council)**  
(Established under the Town Councils Act, Cap. 329A)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012**

---

**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 2012 were authorised for issue by the management of the Town Council on 28 August 2012.

**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 2012**

---

**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 statement of comprehensive income.

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 2012**

---

**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, GST Subvention Grant and Town Council Lift Upgrading Programme ("TC-LUP") Assistance 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 statement of comprehensive income 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 statement of comprehensive income.

**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 2012**

**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 property, 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 property, plant and equipment is recognised in statement of comprehensive income. Any amount in the revaluation reserve relating to that asset is transferred to retained earnings directly.

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 fair value through profit or loss, loans and receivables and held-to-maturity investments. 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 is at fair value 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 statement of comprehensive income. 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 2012**

---

**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 statement of comprehensive income.

(iii) Held-to-maturity financial assets

Held-to-maturity investments 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 investments 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 statement of comprehensive income 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.

(iv) Available-for-sale financial assets

As at the reporting date there were no financial assets classified under this category.

*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 statement of comprehensive income on equity investments are not reversed through statement of comprehensive income, 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 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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012**

---

**2. Summary of significant accounting policies (Continued)**

**2.9 Impairment of non-financial assets (Continued)**

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.

**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, cash and fixed deposits. Equities and bonds are stated on an aggregated portfolio basis.

On expiry of the management term, any surplus over and above the performance benchmark will be shared between the Town Council and the fund managers on the agreed 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 statement of comprehensive income.

**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 fund manager. (Note 13)

**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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012**

---

**2. Summary of significant accounting policies (Continued)**

**2.14 Financial liabilities (Continued)**

*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.
- (ii) Other financial liabilities: All liabilities, which have not been classified as 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. Disclosures of fair values are not made when the carrying amount of current financial instruments is a reasonable approximation of fair value. The fair values of non-current financial instruments may not be disclosed separately unless there are significant items at the end of the year and in the event the fair values are disclosed in the relevant notes of these financial statements. The maximum exposure to credit risk is the fair value of the financial instruments at the end of the reporting year. 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 statement of comprehensive income in the period they occur.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012**

---

**2. Summary of significant accounting policies (Continued)**

**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 other comprehensive income.

(iv) Other income

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

**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 statement of comprehensive income 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 statement of comprehensive income as an integral part of the total lease expense.

**2.20 Income tax**

Tax is provided on the following income:

(i) 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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012**

---

**2. Summary of significant accounting policies (Continued)**

**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. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in statement of comprehensive income for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in statement of comprehensive income for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in Town Council funds and reserves. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in Town Council funds and reserves.

**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.

*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 \$ 633,457 (2011: \$477,805) 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. (Note 11)

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. (Note 12)

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012

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

*Key sources of estimation uncertainty (Continued)*

(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 \$12,920 (2011: \$17,470). (Note 8)

(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. The carrying amount of the Town Council's current tax payable as at 31 March 2012 is \$614,619 (2011: \$731,642). (Note 21)

(v) Held-to-maturity financial assets

The Town Council follows the guidance of FRS 39 Financial Instruments: Recognition and Measurement ("FRS39") on classifying non-derivatives financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, the Town Council evaluates its intention and ability to hold such investments to maturity.

If the Town Council is unable to keep these investments to maturity other than for specific circumstances explained in FRS 39, it will be required to reclassify the whole class as available-for-sale. The investments would therefore be measured at fair value not amortised cost.

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 (Formerly known as Hong Kah Town Council)**  
(Established under the Town Councils Act, Cap. 329A)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012**

**4. Accumulated surplus**

The surplus for the year attributable to the various activities is carried forward as accumulated surplus in the respective funds as follows:

Note	2012 \$	2011 \$	Residential Property Funds		Commercial Property Funds		Carpark Fund	
			2012 \$	2011 \$	2012 \$	2011 \$	2012 \$	2011 \$
<b>OPERATING INCOME</b>								
Conservancy and service fees	45,092,990	45,012,811	43,370,183	43,303,100	1,722,807	1,709,711	-	-
Less: Operating income transfer to Sinking Funds (minimum required by law)								
	15,631,288	15,604,331	15,028,305	15,005,931	602,983	598,400	-	-
Agency fees	29,461,702	29,408,480	28,341,878	28,297,169	1,119,824	1,111,311	-	-
Other income	4,302,580	4,163,668	-	-	-	-	4,302,580	4,163,668
	2,988,088	2,672,194	1,000,565	908,980	1,835,271	1,631,551	122,252	131,683
Less: Operating expenditure	36,722,370	36,244,342	29,342,443	29,206,129	2,955,095	2,742,882	4,424,832	4,295,351
<b>OPERATING (DEFICIT)/SURPLUS</b>	39,919,509	38,068,841	35,928,029	34,491,124	814,308	751,560	3,177,172	2,826,157
Add: Investment income	(3,197,139)	(1,824,499)	(6,585,586)	(5,284,995)	2,140,787	1,991,302	1,247,660	1,469,194
<b>(DEFICIT)/SURPLUS BEFORE INCOME TAX AND GOVERNMENT GRANTS</b>	155,343	146,049	135,832	127,720	3,107	2,936	16,404	15,393
	(3,041,796)	(1,678,450)	(6,449,754)	(5,157,275)	2,143,894	1,994,238	1,264,064	1,484,587
Less: Goods and Services Tax	313,756	272,818	274,348	238,579	6,275	5,484	33,133	28,755
Less: Income tax	74,446	124,181	65,096	108,597	1,489	2,496	7,861	13,088
<b>(DEFICIT)/SURPLUS BEFORE GOVERNMENT GRANTS</b>	(3,429,998)	(2,075,449)	(6,789,198)	(5,504,451)	2,136,130	1,986,258	1,223,070	1,442,744
Add: Government grants								
Less: Transfer to Sinking Funds	10,076,665	19,117,240	10,003,893	19,038,610	72,772	78,630	-	-
- Sinking Funds								
- Town Improvement and Project Funds	2,094,257	11,986,363	2,094,257	11,986,363	-	-	-	-
<b>SURPLUS FOR THE YEAR</b>	3,884,571	3,111,313	3,811,799	3,032,683	72,772	78,630	-	-
	667,839	1,944,115	(2,691,361)	(1,484,887)	2,136,130	1,986,258	1,223,070	1,442,744
<b>ACCUMULATED SURPLUS AT 1 APRIL</b>	11,683,155	9,739,040	-	648,427	7,091,507	5,941,709	4,591,648	3,148,904
Add(Less):								
Inter-fund transfers	-	-	4,589,807	836,460	-	(836,460)	(4,589,807)	-
Transfer to Sinking Funds at 18 April 2011	(7,583,355)	-	(832,945)	-	(6,750,410)	-	-	-
Appropriation to Town Improvement and Project Funds	(2,000,000)	-	(1,000,000)	-	(1,000,000)	-	-	-
<b>ACCUMULATED SURPLUS AT 31 MARCH</b>	2,767,639	11,683,155	65,501	-	1,477,227	7,091,507	1,224,911	4,591,648

**CHUA CHU KANG TOWN COUNCIL (Formerly known as Hong Kah Town Council)**  
(Established under the Town Councils Act, Cap. 329A)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012**

**5. Sinking Funds**

	Note	2012 \$	Total 2011 \$	Residential Property Funds		Commercial Property Funds	
				2012 \$	2011 \$	2012 \$	2011 \$
Balance at 1 April		146,262,315	132,122,426	131,481,372	117,638,355	14,780,943	14,484,071
Transfer from accumulated surplus at 18 April 2011		7,583,355	-	832,945	-	6,750,410	-
		153,845,670	132,122,426	132,314,317	117,638,355	21,531,353	14,484,071
Add:							
Gain arising from financial assets at fair value through profit or loss	19	1,365,770	2,984,230	1,338,454	2,924,546	27,316	59,684
LUP assistance grant	22	-	9,925,291	-	9,925,291	-	-
Other income		202	-	202	-	-	-
Operating transfer from conservancy and service fees	4	15,631,288	15,604,331	15,028,305	15,005,931	602,983	598,400
Transfer from government grants	4, 22	2,094,257	2,061,072	2,094,257	2,061,072	-	-
		19,091,517	30,574,924	18,481,218	29,916,840	630,299	658,084
Less:							
Expenditure		16,441,944	15,239,950	16,017,590	14,902,640	424,354	337,310
Goods and Service tax	20	248,370	587,624	243,403	575,872	4,967	11,752
Income tax	21	392,218	607,461	384,373	595,311	7,845	12,150
Surplus for the year		2,008,985	14,139,889	1,815,852	13,843,017	193,133	296,872
Balance at 31 March		155,854,655	146,262,315	134,130,169	131,481,372	21,724,486	14,780,943

**Represented by:**

	2012 \$	2011 \$
<b>Non-Current Assets</b>		
Held-to-maturity financial assets	41,250,000	31,250,000
<b>Current Assets</b>		
Financial assets at fair value through profit or loss	35,318,758	47,902,882
Conservancy and service fees receivables	350,540	336,183
Other receivables	410,833	356,323
Interest receivable	775,919	530,168
Cash and cash equivalents	75,687,012	63,068,038
Due from accumulated surplus	4,827,359	4,901,919
	117,370,421	117,095,513
<b>Total Assets</b>	158,620,421	148,345,513
<b>Current Liabilities</b>		
Conservancy and services fees received in advance	177,468	158,096
Payables and accrued expenses	2,108,655	1,317,641
Income tax payable	481,643	607,461
	2,765,766	2,083,198
<b>NET ASSETS</b>	155,854,655	146,262,315

CHUA CHU KANG TOWN COUNCIL (Formerly known as Hong Kah Town Council)  
(Established under the Town Councils Act, Cap. 329A)

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012

6. Town Improvement and Project Funds

Note	2012 \$	2011 \$	Total	Residential Property Funds		Commercial Property Funds	
				2012 \$	2011 \$	2012 \$	2011 \$
Balance at 1 April	3,661,986	3,747,771		2,010,145	2,094,666	1,651,841	1,653,115
Add/(Less):							
Transfer from government grants							
Expenditure	3,884,571	3,111,313		3,811,799	3,032,683	72,772	78,630
Deficit for the year	(6,274,084)	(3,197,098)		(6,106,277)	(3,117,194)	(167,807)	(79,904)
	(2,389,513)	(85,785)		(2,294,478)	(84,511)	(95,036)	(1,274)
Appropriation from accumulated surplus *							
Balance at 31 March	2,000,000	-		1,000,000	-	1,000,000	-
	3,272,473	3,661,986		715,667	2,010,145	2,556,806	1,651,841

Represented by:

Current Assets	2012 \$	2011 \$
Grants receivable	6,114,577	5,664,712
Current liabilities		
Payables and accrued expenses	1,202,821	882,240
Amount due to accumulated surplus	1,639,283	1,120,486
	2,842,104	2,002,726
NET ASSETS	3,272,473	3,661,986

\* The amount required by the Town Improvement and Project Funds for the following financial year would then be appropriated from the accumulated surplus.

**CHUA CHU KANG TOWN COUNCIL (Formerly known as Hong Kah Town Council)**  
(Established under the Town Councils Act, Cap. 329A)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012**

**7. Neighbourhood Renewal Programme Fund**

	<u>2012</u> \$	<u>2011</u> \$
Balance at 1 April	334,964	278,760
Add/(less):		
Funding from government	599,430	101,303
Payment to contractors	(877,032)	(45,099)
(Deficit)/Surplus for the year	(277,602)	56,204
Balance at 31 March	<u>57,362</u>	<u>334,964</u>

**8. Plant and equipment**

	<u>Furniture, fixtures and fittings</u> \$	<u>Office equipment</u> \$	<u>Total</u> \$
<b>Cost</b>			
At 1 April 2010	608,349	256,988	865,337
Additions	-	8,984	8,984
Write off	-	(6,268)	(6,268)
At 31 March 2011	608,349	259,704	868,053
Additions	-	1,500	1,500
Write off	-	(12,488)	(12,488)
At 31 March 2012	<u>608,349</u>	<u>248,716</u>	<u>857,065</u>
<b>Accumulated depreciation</b>			
At 1 April 2010	607,614	242,496	850,110
Depreciation	420	6,321	6,741
Write off	-	(6,268)	(6,268)
At 31 March 2011	608,034	242,549	850,583
Depreciation	315	5,735	6,050
Write off	-	(12,488)	(12,488)
At 31 March 2012	<u>608,349</u>	<u>235,796</u>	<u>844,145</u>
<b>Net book value</b>			
At 31 March 2011	<u>315</u>	<u>17,155</u>	<u>17,470</u>
At 31 March 2012	<u>-</u>	<u>12,920</u>	<u>12,920</u>

**CHUA CHU KANG TOWN COUNCIL (Formerly known as Hong Kah Town Council)**  
(Established under the Town Councils Act, Cap. 329A)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012**

**9. Held-to-maturity financial assets**

	<u>2012</u> \$	<u>2011</u> \$
Quoted debt securities, at amortised cost, net of allowance for impairment loss	45,250,000	35,250,000
Market value at 31 March	45,250,000	35,250,000

As of 31 March 2012, \$41,250,000 (2011: \$31,250,000) of financial assets classified as held-to-maturity is retained in sinking funds (Note 5) and the remaining \$4,000,000 (2011: \$4,000,000) investment is retained under routine fund. Out of the total of \$45,250,000 (2011: \$35,250,000) held-to-maturity financial assets \$6,250,000 (2011: \$Nil) would be maturing within 1 year.

The debt securities held-to-maturity as at 31 March 2012 has its nominal value at \$45,250,000 (2011: \$35,250,000) with coupon rate ranging from 1.55% to 4.826% (2011: 1.55 to 4.6%). The maturity dates range from Oct 2012 to March 2021. The effective interest rate is 2.60% (2011: 2.80%) per annum.

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

The fair value of government bonds is based on quoted market rates at the reporting date.

**10. Financial assets at fair value through profit or loss**

These financial assets 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 signed with the fund managers for the period of 3 years and the earliest expiry for one of the contract will be 30 September 2012. These investments are held with a long term horizon.

As at the balance sheet date, the funds invested through the fund managers comprise the following:

	<u>2012</u> \$	<u>2011</u> \$
Quoted equity securities	7,801,213	20,878,945
Quoted debt securities	27,517,545	27,023,937
	<u>35,318,758</u>	<u>47,902,882</u>

The weighted average effective interest rate of debt securities (bonds) for the financial assets at fair value at the balance sheet date was 3.10% (2011: 3.31%). The fair value of equity securities are based on the last quoted market price on the last market day of the financial year.

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

	<u>2012</u> \$	<u>2011</u> \$
Australian Dollar	-	1,524,363
Hong Kong Dollar	28,903	1,615,954
Korean Dollar	-	505,282
Thailand Baht	-	243,640
United States Dollar	125,680	5,633,837
Malaysian Ringgit	-	409,809
Taiwan Dollars	-	273,734

**CHUA CHU KANG TOWN COUNCIL (Formerly known as Hong Kah Town Council)**  
(Established under the Town Councils Act, Cap. 329A)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012**

**11. Conservancy and service fees receivables**

	<u>2012</u> \$	<u>2011</u> \$
Conservancy and service fees receivables	2,289,658	2,093,534
Less: Allowance for impairment	633,457	477,805
	<u>1,656,201</u>	<u>1,615,729</u>

Conservancy and service fees receivables are denominated in Singapore dollars.

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

	<u>2012</u> \$	<u>2011</u> \$
Balance at 1 April	477,805	540,528
Charge to/(Written back from) profit or loss	149,387	(27,912)
Reversal of provision for doubtful debts	-	(63,128)
Recovery of bad debts written off	6,265	28,317
Balance at 31 March	<u>633,457</u>	<u>477,805</u>

**12. Other receivables**

	<u>2012</u> \$	<u>2011</u> \$
Claims for Citizens' Consultative Committee funding receivable	5,747,555	5,664,712
Receivables arising from investment activities	4,714	3,205
Receivable from HDB	969,214	748,496
GST receivable from Inland Revenue Authority of Singapore	448,907	234,836
GST subvention receivable from Ministry of National Development	422,518	420,371
Recovery from National Environment Agency	103,147	26,015
Recoverable from South West CDC	37,316	-
Prepaid expenses	537,747	601,138
Receivables from owner arising from revitalisation of shop scheme	-	50,820
Receivables from contractors	82,330	-
Others	12,770	12,030
	<u>8,366,218</u>	<u>7,761,623</u>

Other receivables are denominated in Singapore dollars.

**13. Cash and cash equivalents**

	<u>2012</u> \$	<u>2011</u> \$
Cash on hand	7,500	7,500
Cash at bank	4,175,686	7,520,194
Cash with fund managers	5,362,352	3,345,895
	9,545,538	10,873,589
Fixed deposits	67,362,887	63,590,732
	<u>76,908,425</u>	<u>74,464,321</u>

**CHUA CHU KANG TOWN COUNCIL (Formerly known as Hong Kah Town Council)**  
(Established under the Town Councils Act, Cap. 329A)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012**

**13. Cash and cash equivalents (Continued)**

Cash and cash equivalents that are denominated in currencies other than the functional currency of the Town Council are as follows:

	<u>2012</u> \$	<u>2011</u> \$
Hong Kong Dollar	-	2,191
Taiwan Dollar	-	360,907
Malaysian Ringgit	-	2,413
Australian Dollar	-	12
	<u>                    </u>	<u>                    </u>

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

	<u>2012</u> \$	<u>2011</u> \$
Cash and cash equivalents as above	76,908,425	74,464,321
Less:		
Cash placed with fund managers	(5,362,352)	(3,345,895)
Fixed deposits placed with fund managers	-	(2,490,997)
	<u>71,546,073</u>	<u>68,627,429</u>

Fixed deposits are placed for varying periods from one month to one year. The interest rates range from 0.54% to 1.25% (2011: 0.43% to 1.1%) per annum.

**14. Payables and accrued expenses**

	<u>2012</u> \$	<u>2011</u> \$
Payables and accrued expenses	5,244,737	4,260,594
Other payables arising from investment activities	7,327	189,728
	<u>5,252,064</u>	<u>4,450,322</u>

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 GRC.

**16. Other income**

	<u>2012</u> \$	<u>2011</u> \$
Interest on late payment of conservancy & services fees	209,639	203,859
Liquidated damages	307,977	257,267
Temporary occupational licenses	1,788,602	1,596,274
Usage of void deck, water, electricity and common property	416,002	343,344
Income from forfeiture of tender deposits	146,250	138,534
Others	89,618	132,916
	<u>2,958,088</u>	<u>2,672,194</u>

**17. Managing agent's fees**

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

**CHUA CHU KANG TOWN COUNCIL (Formerly known as Hong Kah Town Council)**  
(Established under the Town Councils Act, Cap. 329A)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012**

**18. General and administrative expenditure**

	<u>2012</u> \$	<u>2011</u> \$
Advertising, publicity and public relations	265,418	318,717
Audit fee	32,000	27,000
Computer services	332,547	357,746
Depreciation	6,050	6,741
Fixed assets not capitalised	5,652	10,977
Office rental and upkeep expenditure	357,898	352,547
Office supplies and stationery	165,254	132,353
Property tax	215,795	161,657
Town Councillors' allowances	103,700	126,800
Benefits to town councillors	-	3,700
Others	221,486	131,718
	<u>1,705,800</u>	<u>1,629,956</u>

**19. Investment income**

	<u>2012</u> \$	<u>2011</u> \$
<u>Accumulated surplus</u>		
Interest income from fixed deposits and bank current accounts	4 <u>155,343</u>	<u>146,049</u>
<u>Sinking funds</u>		
Fixed deposits and bank current accounts	561,104	424,621
Quoted debt securities held-to-maturity	957,353	579,919
Quoted securities at fair value through profit or loss	819,718	923,795
Total interest income	2,338,175	1,928,335
Dividend income from quoted equity shares	327,938	1,006,891
Net foreign exchange (loss)/gain	(93,179)	493,868
Net (loss)/gain on sale of financial assets at fair value through profit or loss	(783,444)	174,520
Quoted equity securities	(427,512)	145,417
Quoted debt securities	-	4,618
Unit trust rebates	(102,536)	(114,768)
Gain/(Loss) arising from changes in fair value of financial assets through profit or loss	128,185	(632,238)
Other expenses	(21,857)	(22,413)
	5 <u>1,365,770</u>	<u>2,984,230</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 is charged to the statement of comprehensive income during the year.

Disallowed input tax in the respective funds are as follows:

	<u>Notes</u>	<u>2012</u> \$	<u>2011</u> \$
Accumulated surplus	4	313,756	272,818
Sinking funds	5	248,370	587,624
		<u>562,126</u>	<u>860,442</u>



CHUA CHU KANG TOWN COUNCIL (Formerly known as Hong Kah Town Council)  
(Established under the Town Councils Act, Cap. 329A)

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012

21. Income tax

	<u>Note</u>	<u>2012</u> \$	<u>2011</u> \$
Current tax expense		466,664	731,642
Taken up in:			
Accumulated surplus	4	74,446	124,181
Sinking funds	5	392,218	607,461
		<u>466,664</u>	<u>731,642</u>

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

	<u>2012</u> \$	<u>2011</u> \$
Investment and interest income	2,997,600	3,502,657
Other income	634,683	604,875
	<u>3,632,283</u>	<u>4,107,532</u>
Tax calculated at Singapore tax rate of 17%	617,488	698,280
Singapore statutory stepped income exemption	(25,925)	(25,925)
Tax effect of certain income taxed at concessionary tax rate	(87,988)	(51,757)
(Over)/Under-provision in respect of previous years	(36,911)	111,044
	<u>466,664</u>	<u>731,642</u>

The movements in income tax payable are as follows:

	<u>2012</u> \$	<u>2011</u> \$
Balance at 1 April	731,642	525,369
Income tax paid	(583,687)	(525,369)
Current year's income tax expense	466,664	731,642
Balance at 31 March	<u>614,619</u>	<u>731,642</u>

**CHUA CHU KANG TOWN COUNCIL (Formerly known as Hong Kah Town Council)**  
(Established under the Town Councils Act, Cap. 329A)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012**

**22. Government grants**

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

Note	2012 \$	2011 \$	Total 2012 \$	2011 \$	Conservancy and service 2012 \$	2011 \$	Citizens' Consultative Committee 2012 \$	2011 \$	Government Subvention for GST Increase 2012 \$	2011 \$	LUP Assistance 2012 \$	2011 \$
Government grants received during the financial year	4	10,076,665	19,117,240	4,507,832	4,398,978	3,884,571	3,111,313	1,684,262	1,681,658	-	9,925,291	-
Less: Transfers to												
- Sinking Funds	4, 5	2,094,257	11,986,363	1,510,633	1,478,317	-	-	583,624	582,755	-	9,925,291	-
- Town Improvement and Project Funds	6	3,884,571	3,111,313	-	-	3,884,571	3,111,313	-	-	-	-	-
		4,097,837	4,019,564	2,997,199	2,920,661	-	-	1,100,638	1,098,903	-	-	-

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

	2012 \$	2011 \$
Cumulative total grants received/receivable up to 1 April	167,154,674	148,037,434
Grants received/receivable during the financial year	10,076,665	19,117,240
Cumulative total grants received/receivable up to 31 March	177,231,339	167,154,674

**CHUA CHU KANG TOWN COUNCIL (Formerly known as Hong Kah Town Council)**  
(Established under the Town Councils Act, Cap. 329A)

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012**

**23. Capital expenditure commitments**

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

	<u>2012</u>	<u>2011</u>
	\$	\$
Amount approved and contracted for	37,236,826	26,272,485

**24. Operating lease commitments**

At the end of the reporting period, 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:

	<u>2012</u>	<u>2011</u>
	\$	\$
Not later than one year	411,073	504,648
Later than one year and not later than five years	77,200	384,830
	<u>488,273</u>	<u>889,478</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 comprise certain cash and 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. There is no significant liquidity risk as sufficient cash is maintained. The Town Council's reviews on the policies for managing these risks are disclosed below.

**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 concentrations of credit risk consist principally of cash balances with banks, cash equivalents and receivables. The maximum exposure to credit risk is the fair value of the financial instruments at the end of the financial year. Credit risk on cash balances with banks is limited because these banks are of acceptable credit ratings.

As disclosed in Note 13, cash and cash equivalents balances represent amounts with a less than 12-month maturity.

For receivables, an ongoing credit evaluation is performed on the financial conditions of the receivables and losses on impairment are recognised in the statement of comprehensive income. The allowance for impairment of conservancy and service fees receivable totalling \$633,457 (2011: \$477,805) 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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012**

**25. Financial instruments and financial risks (Continued)**

**Credit risk (Continued)**

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

	<u>Note</u>	<u>2012</u> \$	<u>2011</u> \$
Not past due		19,733	32,488
Past due 0-12 months		1,636,468	1,583,241
Past due 12-24 months		303,871	208,200
Over 24 months		329,586	269,605
		<u>2,289,658</u>	<u>2,093,534</u>
Allowance for impairment	11	<u>(633,457)</u>	<u>(477,805)</u>
		<u>1,656,201</u>	<u>1,615,729</u>

Conservancy and service fees receivables amounting to \$1,656,201 (2011: \$1,615,729) are past due at the reporting date but not impaired, as the management believes that it will be collectible in the foreseeable future as a result of recovery efforts and historical experience.

**Market risk**

*Interest rate risk*

The Town Council's exposure interest rate risk relates primarily to interest-earning fixed deposits with financial institutions and investments in government bonds. The Town Council's surplus funds are placed with reputable financial institutions or invested in Singapore government bonds.

*Equity price risk*

Equity price risk is applicable to investments in equity shares or similar instruments. As equities are invested through fund managers under guaranteed principal schemes, the exposure to market risk is minimal.

**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 assets and financial liabilities due within 12 months approximate their carrying amounts as the impact of discounting is not significant.

The average credit period taken to settle these payables is about 30 - 90 days (2011: 30 - 90 days).

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

**Fair value of financial assets and liabilities**

The carrying amounts of short-term financial 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. The fair values of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to level 1 of the fair value hierarchy quoted market price.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012

25. Financial instruments and financial risks (Continued)

Foreign currency risk

Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. At present, the Town Council does not have any formal policy for hedging against exchange exposure. It is not the Town Council's policy to enter into foreign currency forward contracts to hedge against exposure from foreign currency fluctuations.

*Sensitivity analysis for foreign currency risk*

The Town Council is mainly exposed to United States dollar (USD).

The following table details the Town Council's sensitivity to a 5% change in USD against Singapore dollar. The sensitivity analysis assumes an instantaneous 5% change in the foreign currency exchange rates from the end of the financial year, with all variables held constant.

	<u>2012</u> Surplus after government grants \$	<u>2011</u> Surplus after government grants \$
<u>USD</u>		
- Strengthens against Singapore dollar	(6,284)	(281,692)
- Weakened against Singapore dollar	6,284	281,692

26. 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 optimal 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 funds management during the year.

The Town Council is not subject to externally imposed capital requirements.

The Town Council total funds amounted to \$161,952,129 (2011: \$161,942,420).

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012**

**27. New accounting standards and interpretations**

The following new/revised FRS and INT FRS came into effect in the current financial year ended 31 March 2012. These new/revised FRS or INT FRS did 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.

<u>FRS/INT FRS</u>	<u>Title</u>	<u>Effective date for period beginning on or after</u>
FRS 24 *	Related Party Disclosures	1 January 2011
FRS 32 *	Amendment to Financial Instruments: Presentation and Disclosure – Classification of Rights Issues	1 February 2010
INT FRS 114 *	Amendments to FRS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction - Prepayments of a Minimum Funding	1 January 2011
INT FRS 115 *	Agreements for the Construction of Real Estate, with an Accompanying Note to be read with INT FRS 115	1 January 2011
INT FRS 119 *	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010

\* Not relevant to the Town Council's financial statements.

**Future changes in financial reporting standards**

At the date of authorisation of these statements, the following FRS AND INT FRS that are relevant to the Town Council were issued but not yet effective:

<u>FRS/INT FRS</u>	<u>Title</u>	<u>Effective date for period beginning on or after</u>
FRS 1	Amendments to FRS 1 – Presentation of item of other comprehensive income	1 July 2012
FRS 12	Amendments to FRS 12 Deferred tax: Recovery of underlying assets	1 January 2012
FRS 19	Employee benefits	1 January 2013
FRS 27 *	Separate financial statements	1 January 2013
FRS 28 *	Investment in associate and joint ventures	1 January 2013
FRS 32	Amendments to FRS 32 – Offsetting of financial assets and financial liabilities	1 January 2014
FRS 107	Amendments to FRS 107 Disclosures – Transfer of financial assets	1 July 2011
FRS 107	Amendments to FRS 107 – Offsetting financial assets and financial liabilities	1 January 2013
FRS 110 *	Consolidated financial statements	1 January 2013
FRS 111 *	Joint arrangements	1 January 2013
FRS 112 *	Disclosure of interests in other entities	1 January 2013
FRS 113	Fair value measurements	1 January 2013

\* Not relevant to the Town Council's financial statements.