

JALAN BESAR TOWN COUNCIL

ANNUAL REPORT 2017/2018



Jalan Besar
TOWN COUNCIL



Jalan Besar Town Council's Annual Financial Statements,
Auditors' Reports and Annual Report for FY2017/2018
S. 412 of 2018

14 December 2018

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CHAIRMAN'S *Message*



Young At Heart

You could say Jalan Besar Town is a mature estate with a young heart. It hosts some of the oldest Housing Board flats in Singapore. At the same time, new flats have attracted many young families to set up home here.

In the last year, we bid adieu to the iconic Rochor Centre. At the same time, we welcomed residents moving into Whampoa Dew in Lorong Limau. As at 31 March 2018, we managed some 56,000 residential units and nearly 5,000 commercial units.





Upgrading Our Neighbourhoods

While the new developments have infused a sense of excitement into our Town, the older estates have also been rejuvenated through the various upgrading programmes, such as the Neighbourhood Renewal Programme (NRP), Home Improvement Programme (HIP) and Selective Lift Upgrading Programme (SLRP).

In June 2017, residents in Whampoa and Potong Pasir had the opportunity to shape the enhancements to their estates through the NRP. The NRP, which upgrades shared spaces and facilities in a Housing Board precinct, is fully funded by the Government and implemented by the Town Council.

The Public Consultation and Exhibition for Blocks 101 to 107 Towner Road held in June 2018 saw lively participation from residents offering suggestions on upgrades for their estate.

In Potong Pasir, residents of Blocks 101 to 109 became one step closer to seeing the upgrading plan become reality as they voted overwhelmingly for the NRP to proceed during the Consensus Gathering held from 16 to 18 June.

Besides NRP, the Town Council also upgraded the estates through improvement projects such as covered walkways, improved lighting, playgrounds and ramps. These were worth a total of \$3.08 million. Another \$8.91 million was spent on cyclical maintenance works, including re-roofing, rewiring and repainting.

Since 1 April 2017, Town Councils have had to set aside 14 per cent of their income into the Lift Replacement Fund (LRF). The LRF is used for the replacement of lifts and lift parts, as well as lift upgrading works. In FY 2017/2018, \$5.05 million was spent on such lift works, underscoring the importance we place on lift safety.

Additionally, lift modernisation was carried out for eight lifts in King George's Avenue. Although the lifts were not due for replacement, the Town Council decided to replace the lift components that were becoming obsolete and would make maintenance a challenge. This would also make better economic sense in the long run.

Fast Track To A Warm Welcome

The opening of the Downtown Line 3 in October last year has made getting to the Town Council's main office in Geylang Bahru a breeze. This is especially true for residents living in Chinatown and Kim Seng, who can now reach the new Geylang Bahru MRT Station from Chinatown Station in just five stops. And from Geylang Bahru Station, it is a short five-minute walk to the Town Council office.

I was delighted to accompany 100 of our elderly Kreta Ayer-Kim Seng residents on such a trip on 15 October, to help them familiarise themselves with this new route. The Town Council had specially arranged an Open House to welcome the visitors. The residents toured the premises, viewed the completed and upcoming projects for their estates and learned more about the Town Council's services.

After the visit, many of the residents told me they enjoyed the group outing and warm welcome at the Town Council.

Financial Review

The service and conservancy charges (S&CC) collected form the bulk of the Town Council's income. As such, supervision of the arrears is an integral part of responsible financial management. While this is so, we understand that some residents may be facing financial hardship and have difficulty making their S&CC payment. The Town Council helps by working out customised instalment plans for them. My parliamentary colleagues and I also help refer cases of hardship to the government agencies and welfare organisations.

I am happy to say that through careful planning and prudent management, the Town Council's operating cost in the last financial year saw a slight dip from the year before. Our financial health also remains strong. As at 31 March 2018, we had an operating surplus of \$4.13 million. Our accumulated surplus at the close of the financial year was \$11.46 million.





A Committed And Inclusive Community

The Town Council has linked up its feedback system with the Municipal Services Office's OneService@SG platform. All feedback is tracked and we help refer matters that do not fall under the Town Council's jurisdiction to the relevant agency in charge. The link-up allows for better coordination between the various government agencies and provides residents with an easy one-stop portal to report estate maintenance matters.

Indeed, we have seen the community become more participative in the running of their estate. They report maintenance issues to us and share ideas for improvements. All this shows residents are becoming more involved and have a greater sense of ownership in their neighbourhood. And it is truly encouraging.

When everyone feels committed to their living environment, we can work together to make it truly our best home.




Dr Lily Neo

MP for Jalan Besar GRC (Kreta Ayer-Kim Seng)
Chairman of Jalan Besar Town Council

OUR MEMBERS *of Parliament*



POTONG PASIR

Mr Sitoh Yih Pin

MP for Potong Pasir SMC
Vice Chairman of Jalan Besar Town Council



WHAMPOA

Mr Heng Chee How

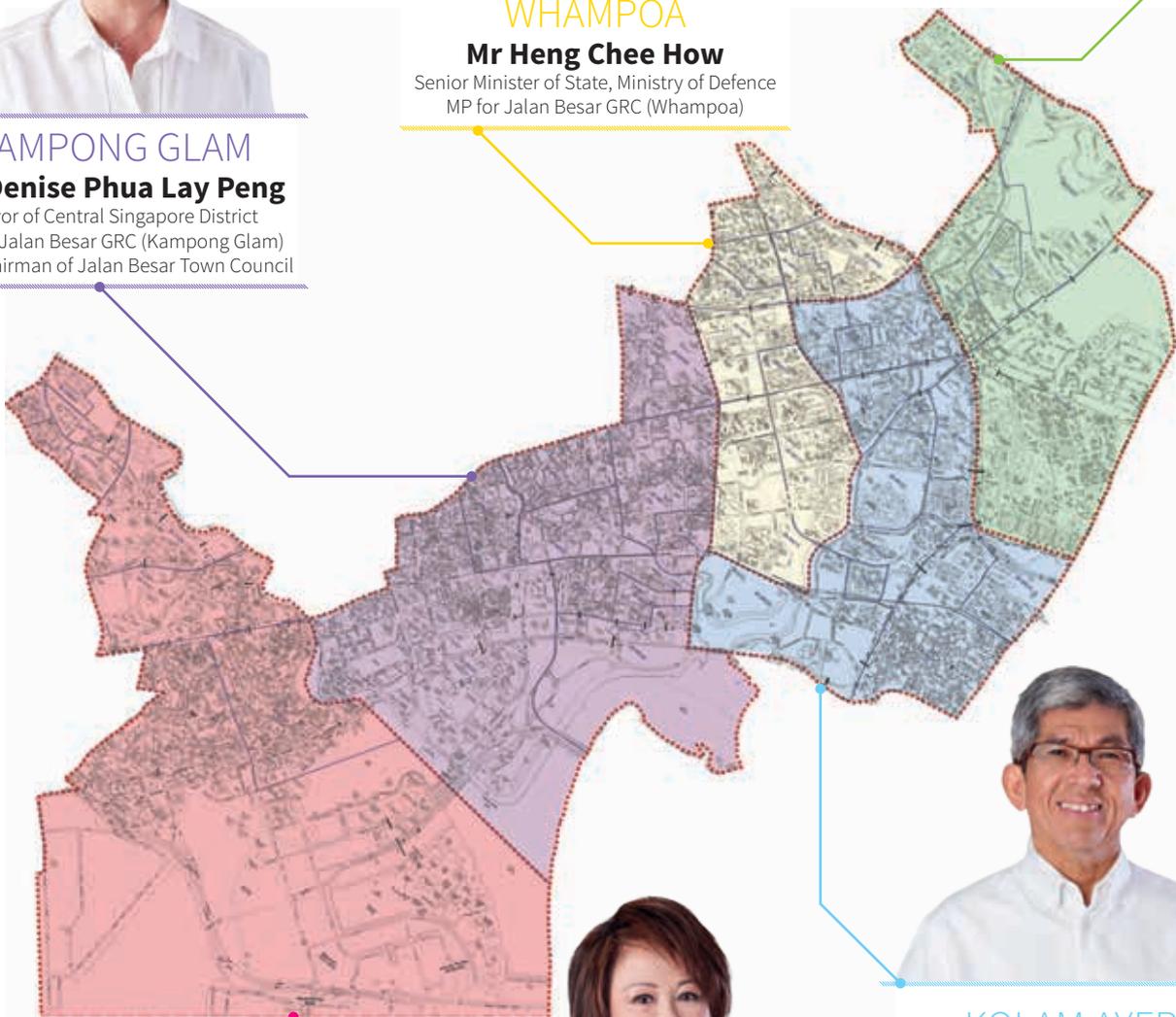
Senior Minister of State, Ministry of Defence
MP for Jalan Besar GRC (Whampoa)



KAMPONG GLAM

Ms Denise Phua Lay Peng

Mayor of Central Singapore District
MP for Jalan Besar GRC (Kampong Glam)
Vice Chairman of Jalan Besar Town Council



KOLAM AYER

Professor Yaacob Ibrahim

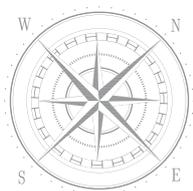
MP for Jalan Besar GRC (Kolam Ayer)



KRETA AYER-KIM SENG

Dr Lily Neo

MP for Jalan Besar GRC (Kreta Ayer-Kim Seng)
Chairman of Jalan Besar Town Council



OUR TOWN COUNCILLORS AND COMMITTEE MEMBERS

Commercial Premises Committee

Chairman	Mr Tan Wah Seng
Co-Chairman	Mr Khoo Swee How
Members	Mr Chin Chip Chon Ms Goh Siew Mui Madam Han Swee Lim, Lily Mr Lim Teow Kim, Andrew Mr Tan Koon Gek

Finance and Legal Committee

Chairman	Mr Lee Choy Peng, Eddie
Co-Chairman	Mr Lee Kau Fu
Members	Mr Cao Juping, James Mr Ng Kim Leong Ms Foo Jee Buay Mr Ng Ngiap Khiang, Francis Mr Tham Chung Yuen

Publicity and Community Relations Committee

Chairman	Mr Choy Fook Seng
Co-Chairman	Mr Tan Teck Chuan
Members	Mr Ghunasagaran Thangaveloo Mr Ho Cheng Pheng Mr Lau Chun Wai Ms Ong Ai Siang, Irene Mr Sim Chee Kwang

Special Projects and Development Committee

Chairman	Mr Chua Kian Meng
Co-Chairman	Mr Chua Chong Meng, Vincent
Members	Madam Choo Yoke Chun, Linda Mr Foo Kai Kiew Mr Lim Boon Keat, Bernard Mr Tan Hwee Hor, Alastair Mr Tang Ang Cheong

Estate Management Committee

Chairman	Mr Wee Pang Kiat
Co-Chairman	Mr Chiang Heng Liang
Members	Mr Chin Chip Chon Mr Ma Soon Peng, Ronnie Mr Sim Chee Kwang Mr Cao Juping, James Mr Tan Teck Chuan Mr Ng Wee Lee Mr Tang Ang Cheong Mr Teo Kim Chua, Richard Mr Cheong Haw Guan, Ignatius Madam Choo Yoke Chun, Linda Mr Choy Fook Seng Mr Goh Seng Ngee Ms Goh Hwee Choo Ms Goh Siew Mui Mr Ho Cheng Pheng Mr Ng Kim Leong Mr Tan Boon Leng, Ryan Mr Chua Chong Meng, Vincent Ms Foo Jee Buay Madam Han Swee Lim, Lily Mr Lau Chun Wai Mr Ma'il Bin Kanchil Mr Tan Seng Hua, Shawn Madam Cheah Mee Poh, Alice Mr Chow Phon Kiat Mr Khoo Swee How Mr Ghunasagaran Thangaveloo Mr Ng Hoi Pin, Edmund Mr Ng Ngiap Khiang, Francis Mr Tan Hwee Hor, Alastair Mr Tham Chung Yuen Mr Tong Wai Mun Madam Yeow Swee Thin Madam Yong Moh Lan, Jenny

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF JALAN BESAR TOWN COUNCIL

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Jalan Besar Town Council (the "Town Council"), which comprise the statement of financial position of the Town Council as at 31 March 2018, and the statements of income and expenditure, comprehensive income, changes in funds and cash flows of the Town Council for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Town Council are properly drawn up in accordance with the provisions of the Town Councils Act, Cap 329A (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the financial position of the Town Council as at 31 March 2018 and of the financial performance, changes in funds and cash flows of the Town Council for the financial year ended on that date.

Basis of Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Town Council in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (the "ACRA code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Other Information

Management is responsible for the other information. The other information relates to the Chairman's Message included in the annual report, which we obtained prior to the date of this report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide 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.

In preparing the financial statements, management is responsible for assessing the Town Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using going concern basis of accounting.

The Town Councillors' responsibilities include overseeing the Town Council's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF JALAN BESAR TOWN COUNCIL

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Town Council's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Town Council to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Management's Responsibilities 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' Responsibilities for the Compliance Audit

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 SSAs. 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.

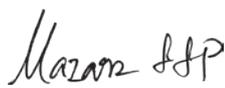
Our compliance audit includes obtaining an understanding of the internal controls relevant to the receipts, expenditure, investment of moneys and the acquisition and disposal of assets; and assessing the risks of material misstatement of the financial statements from non-compliance, if any, but not for the purpose of expressing an opinion on the effectiveness of the Town Council'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 financial 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
Chartered Accountants

Singapore
31 August 2018



STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2018

	<u>Note</u>	<u>2018</u> S\$	<u>2017</u> S\$
TOWN COUNCIL FUNDS			
Residential Property			
Accumulated surplus	4	4,099,372	2,698,067
Sinking fund	5	86,524,011	95,350,586
Town Improvement and Project fund	6	344,000	603,000
Lift Replacement fund	7	18,331,857	-
		109,299,240	98,651,653
Commercial Property			
Accumulated surplus	4	6,040,776	4,708,616
Sinking fund	5	67,554,779	76,443,061
Town Improvement and Project fund	6	58,000	111,000
Lift Replacement fund	7	12,166,471	-
		85,820,026	81,262,677
Carpark			
Accumulated surplus	4	1,321,523	878,288
Total Town Council funds		<u>196,440,789</u>	<u>180,792,618</u>
REPRESENTED BY:			
Non-current assets			
Plant and equipment	8	16,174	15,924
Held-to-maturity financial assets	9	20,250,000	22,243,128
		20,266,174	22,259,052
Current assets			
Held-to-maturity financial assets	9	5,996,538	3,000,000
Conservancy and service fees receivables	10	1,385,158	1,374,984
Neighbourhood Renewal Programme funding receivables	11	1,571,044	764,208
Other receivables	12	5,598,426	5,188,103
Cash and bank balances	13	166,039,919	153,217,458
		180,591,085	163,544,753
Total assets		<u>200,857,259</u>	<u>185,803,805</u>
Less:			
Current liabilities			
Conservancy and service fees received in advance		855,030	690,621
Payables and accrued expenses	14	2,418,908	3,522,497
Income tax payable	15	1,142,532	798,069
Total liabilities		<u>4,416,470</u>	<u>5,011,187</u>
Net assets		<u>196,440,789</u>	<u>180,792,618</u>



Dr Lily Neo
Chairman



Zhang Jiaquan
Secretary

Date: 31 August 2018

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

STATEMENT OF INCOME AND EXPENDITURE

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

	<u>Note</u>	<u>2018</u> S\$	<u>2017</u> S\$
Operating income			
Conservancy and service fees	4	40,216,113	37,948,946
Less: Operating income transfer to Sinking fund (minimum required by law)	4, 5	(10,456,186)	(12,579,174)
Less: Operating income transfer to Lift Replacement fund (minimum required by law)	4, 7	(5,630,257)	-
		<u>24,129,670</u>	<u>25,369,772</u>
Agency fees	4, 16	2,420,093	2,286,275
Other income	4, 17	2,910,432	2,749,601
		<u>29,460,195</u>	<u>30,405,648</u>
Less: Operating expenditure			
Cleaning works		(7,872,348)	(7,825,109)
Managing agent's fees	18	(4,788,229)	(4,593,740)
Lift maintenance		(4,823,930)	(4,689,652)
Other works and maintenance		(5,927,690)	(6,592,811)
Water and electricity		(7,027,365)	(6,817,887)
General and administrative expenditure	19	(1,666,263)	(1,894,222)
		<u>(32,105,825)</u>	<u>(32,413,421)</u>
		(2,645,630)	(2,007,773)
Operating deficit		(2,645,630)	(2,007,773)
Add: Investment and interest income		148,070	123,094
		<u>(2,497,560)</u>	<u>(1,884,679)</u>
Deficit before income tax and government grants		(2,497,560)	(1,884,679)
Less: Income tax	15	(211,816)	(234,180)
		<u>(2,709,376)</u>	<u>(2,118,859)</u>
Deficit before government grants		(2,709,376)	(2,118,859)
Government grants	20	16,720,071	12,646,219
Less: Transfer to			
– Sinking fund	5	(2,476,494)	(2,911,543)
– Sinking fund (GST Subvention)	5	(313,485)	(364,831)
– Sinking fund (Lift Maintenance grant)	5	(173,316)	-
– Town Improvement and Project fund	6	(1,820,072)	(2,053,117)
– Lift Replacement fund	7	(4,836,210)	-
– Lift Replacement fund (GST Subvention)	7	(168,801)	-
– Lift Replacement fund (Lift Maintenance grant)	7	(93,324)	-
		<u>(9,881,702)</u>	<u>(5,329,491)</u>
		4,128,993	5,197,869
SURPLUS FOR THE FINANCIAL YEAR		4,128,993	5,197,869
Add: Accumulated surplus at 1 April		8,284,971	4,299,312
Less: Appropriation to Town Improvement and Project fund		(952,293)	(1,212,210)
		<u>11,461,671</u>	<u>8,284,971</u>
ACCUMULATED SURPLUS AT 31 MARCH		11,461,671	8,284,971

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

STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

	<u>Note</u>	<u>2018</u> S\$	<u>2017</u> S\$
Surplus/(Deficit) for the financial year			
- Accumulated surplus	4	4,128,993	5,197,869
- Sinking fund	5	6,397,457	3,699,959
- Town Improvement and Project fund	6	(1,264,293)	(998,210)
- Lift Replacement fund	7	6,386,014	-
		<hr/>	<hr/>
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ATTRIBUTABLE TO TOWN COUNCIL FUNDS		<hr/> 15,648,171	<hr/> 7,899,618

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

STATEMENT OF CHANGES IN FUNDS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

	<u>Residential Property S\$</u>	<u>Commercial Property S\$</u>	<u>Carpark S\$</u>	<u>Total S\$</u>
Balance at 1 April 2016	94,754,991	77,805,458	332,551	172,893,000
Surplus for the financial year, representing total comprehensive income for the financial year	3,896,662	3,457,219	545,737	7,899,618
Balance at 31 March 2017	98,651,653	81,262,677	878,288	180,792,618
Surplus for the financial year, representing total comprehensive income for the financial year	10,647,587	4,557,349	443,235	15,648,171
Balance at 31 March 2018	109,299,240	85,820,026	1,321,523	196,440,789

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

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

	<u>Note</u>	<u>2018</u> S\$	<u>2017</u> S\$
Operating activities			
Deficit before government grants and income tax	4	(2,497,560)	(1,884,679)
Adjustments for:			
Allowance made for doubtful receivables	10	36,191	88,937
Conservancy and service fees transferred to Sinking fund	4, 5	10,456,186	12,579,174
Conservancy and service fees transferred to Lift Replacement fund	4, 7	5,630,257	-
Depreciation of plant and equipment	8	9,234	75,455
Investment and interest income		(148,070)	(123,094)
Amortisation of bonds	9	(3,410)	(3,358)
Plant and equipment written off	8	-	963
Operating cash flows before movements in working capital		<u>13,482,828</u>	<u>10,733,398</u>
Receivables		(630,632)	(929,815)
Payables		<u>(939,180)</u>	<u>318,369</u>
Cash generated from operations		11,913,016	10,121,952
Income taxes paid	15	(235,169)	(621,662)
Sinking fund expenditure	5	(8,909,113)	(14,317,391)
Lift Replacement fund expenditure	7	(5,053,723)	-
Town Improvement and Project fund expenditure	6	(3,084,365)	(3,051,327)
Neighbourhood Renewal Programme fund expenditure	11	(1,695,323)	(4,220,885)
Transfer of fund to Bishan-Toa Payoh Town Council		-	(3,369,258)
Transfer of fund from Potong Pasir Town Council		-	8,352,837
Transfer of fund from Tanjong Pagar Town Council		-	<u>26,670,315</u>
Net cash (used in)/generated from operating activities		<u>(7,064,677)</u>	<u>19,564,581</u>
Investing activities			
Interest income and investment income received		2,796,015	2,058,296
Investment in bonds		(4,000,000)	(2,000,000)
Redemption of bonds		3,000,000	3,000,000
Purchase of plant and equipment	8	(9,484)	(11,155)
Net cash generated from investing activities		<u>1,786,531</u>	<u>3,047,141</u>
Financing activities			
Government grants received	20	13,217,358	12,646,219
Funding received for Neighbourhood Renewal Programme	11	888,487	2,672,001
Matching grants for Lift Replacement fund	7, 20	3,502,713	-
Selective Lift Replacement Programme disbursement	7	492,049	-
Net cash generated from financing activities		<u>18,100,607</u>	<u>15,318,220</u>
Net increase in cash and cash equivalents		12,822,461	37,929,942
Cash and cash equivalents at beginning of the financial year		<u>152,217,458</u>	<u>114,287,516</u>
Cash and cash equivalents at end of the financial year	13	<u><u>165,039,919</u></u>	<u><u>152,217,458</u></u>

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

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

Reconciliation of assets arising from financing activities

	<u>1 Apr 2017</u> S\$	<u>Financing cash</u> <u>inflows</u> S\$	<u>Expenditure</u> <u>claimable</u> S\$	<u>31 Mar 2018</u> S\$
<u>Assets</u>				
Neighbourhood Renewal Programme funding receivables	764,208	(888,487)	1,695,323	1,571,044

Other financing cash flows relate to movements in funds of the Town Council.

The accompanying 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 2018

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

1. General information

Jalan Besar Town Council (the “Town Council”) was formed on 1 October 2015 under the Town Councils Act, Chapter 329A (the “Act”). The registered office and principal place of operations is at Block 70 Geylang Bahru #01-2719, Singapore 330070.

The principal functions of the Town Council are to control, manage, maintain and improve the common property of residential and other commercial property in the housing estates of the Housing and Development Board (“HDB”) within the Town.

By virtue of the writ of the election issued on 25 August 2015, a general election was called for on 11 September 2015. Ministry of National Development ordered, by virtue of the Town Councils (Dissolution of Various Town Councils) Order 2015, Moulmein-Kallang Town Council to be dissolved as at 1 October 2015 and by the Town Councils (Declaration of Towns) Order 2015, Jalan Besar Town Council to be established from 1 October 2015, which manages the new estates comprising Kampong Glam, Kolam Ayer, Kreta Ayer-Kim Seng, Whampoa, and Potong Pasir divisions. These divisions are formerly part of Moulmein-Kallang Town Council, Potong Pasir Town Council and Tanjong Pagar Town Council.

These financial statements for the financial year ended 31 March 2018 were authorised for issue in accordance with a resolution of the Town Council on 31 August 2018.

2. Summary of significant accounting policies

2.1 Basis of preparation

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 Act and are prepared on a historical cost basis except as disclosed in the accounting policies below.

The financial statements of the Town Council are measured and presented in the currency of the primary economic environment in which the Town Council operates (its functional currency). The financial statements of the Town Council are presented in Singapore dollars (“S\$ or SGD”), which is also the functional currency of the Town Council.

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 annual periods beginning on or after 1 April 2017. The adoption of these new or revised FRS and 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 financial years.

FRS 7 Amendments to FRS 7: Disclosure Initiative

Consequent to the adoption of these amendments, the Town Council has disclosed additional information to enable users of the financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Comparative information has not been presented. This disclosure has been included in the Statement of Cash Flows.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

FRS and INT FRS issued but not yet effective

At the date of authorisation of these financial statements, the following new FRSs and amendments to FRS were issued but not yet effective:

	Description	Effective date (annual periods beginning on or after)
FRS 28	Amendments to FRS 28: <i>Long-term interests in Associates and Joint Ventures</i>	1 January 2019
FRS 40	Amendments to FRS 40: <i>Transfers of Investment Property</i>	1 January 2018
FRS 102	Amendments to FRS 102: <i>Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018
FRS 104	Amendments to FRS 104: <i>Applying FRS 109 Financial Instruments with FRS 104 Insurance Contracts</i>	1 January 2018
FRS 109	<i>Financial Instruments</i>	1 January 2018
FRS 109	Amendments to FRS 109: <i>Prepayment Features with Negative Compensation</i>	1 January 2019
FRS 110, 28	Amendments to FRS 110 and FRS 28: <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	To be determined
FRS 28	Amendments to FRS 28: <i>Long-term interests in Associates and Joint Ventures</i>	1 January 2019
FRS 115	<i>Revenue from Contracts with Customers</i>	1 January 2018
FRS 115	Amendments to FRS 115: <i>Effective Date of FRS 115</i>	1 January 2018
FRS 115	Amendments to FRS 115: <i>Clarifications to FRS 115 Revenue from Contracts with Customers</i>	1 January 2018
FRS 116	<i>Leases</i>	1 January 2019
	<i>Improvements to FRSs (December 2016)</i>	
	- <i>FRS 28 Investments in Associates and Joint Ventures</i>	1 January 2018
INT FRS 122	<i>Foreign Currency Transactions and Advance Considerations</i>	1 January 2018
INT FRS 123	<i>Uncertainty over Income Tax Treatments</i>	1 January 2019

Consequential amendments were also made to various standards as a result of these new or revised standards.

The Town Council has not early adopted any of the above new or revised standards, interpretations and amendments to the existing standards in the financial year ended 31 March 2018. Other than the following standards, management anticipates that the adoption of the aforementioned new or revised standards will not have a material impact on the financial statements of the Town Council in the period of their initial adoption.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

FRS 109 Financial Instruments

FRS 109 supersedes FRS 39 *Financial Instruments: Recognition and Measurement* with new requirements for the classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

Financial assets are classified into financial assets measured at (i) fair value through profit or loss; (ii) amortised cost; or (iii) fair value through other comprehensive income, depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, or as otherwise designated as such upon initial recognition, if allowed.

Fair value gains or losses will be recognised in profit or loss except for certain equity investments, for which the entity will have a choice to recognise the gains and losses in other comprehensive income if the financial assets are measured at fair value through other comprehensive income.

There have been no changes in the de-recognition requirements of financial assets and liabilities, nor the recognition, classification and measurement requirements for financial liabilities from FRS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch.

A new forward-looking impairment model based on expected credit losses, which replaces the incurred loss model in FRS 39, determines the recognition of impairment provisions as well as interest revenue. An entity will recognise (at a minimum of) 12 months of expected credit losses in profit or loss for financial assets measured at amortised cost or fair value through other comprehensive income, unless in the circumstance when there is a significant increase in credit risk after initial recognition which requires the entity to recognise lifetime expected credit losses on the affected assets.

FRS 109 is effective for annual periods beginning on or after 1 January 2018 with early application permitted. The Town Council is currently assessing the impact of FRS 109 and plans to adopt the standard on the required effective date without restating prior periods' information and recognises any difference between the previous carrying amount and the carrying amount at the date of initial application in the opening funds.

FRS 115 Revenue from Contracts with Customers

FRS 115 supersedes FRS 11 *Construction Contracts*, FRS 18 *Revenue*, INT FRS 113 *Customer Loyalty Programmes*, INT FRS 115 *Agreements for the Construction of Real Estate*, INT FRS 118 *Transfers of Assets from Customers* and INT FRS 31 *Revenue – Barter Transactions Involving Advertising Services* to report useful information about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.

Entities are required to adopt a five-step model which requires (i) their identification of the contract; (ii) their identification of the performance obligations in the contract; (iii) the determination of transaction price; (iv) allocation of the transaction price; and (v) recognition of revenue when (i.e. at a point in time) or as (i.e. over time) each performance obligation is satisfied.

The core principle is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration which the entity expects to be entitled in exchange for those goods or services.

Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. The Town Council is currently assessing the impact of FRS 115.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

FRS 116 Leases

FRS 116 supersedes FRS 17 *Leases*, INT FRS 104 *Determining whether an Arrangement contains a Lease*, INT FRS 15 *Operating Leases – Incentives*, and INT FRS 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease* to set out the principles for the recognition, measurement, presentation and disclosure of leases. The changes introduced by FRS 116 will primarily affect the financial statements of the lessees.

FRS 116 requires, with limited exceptions, the lessee to recognise, at initial recognition, lease liabilities, measured at the present value of lease payments that are not paid as of that date to reflect the present value of the future lease payments, and right-of-use assets at cost, comprising elements including the amount of the initial measurement of the lease liabilities, initial direct costs incurred by the lessee and estimates of other contracted costs to be incurred by the lessee, for its lease contracts. Leases of “low-value” assets and qualifying short term leases entered into by lessees can be exempted from the new recognition criteria.

The Town Council does not intend to early adopt FRS 116. The Town Council is still assessing the potential impact of FRS 116 on its financial statements in the initial year of adoption.

2.2 Town Council Funds

In accordance with Section 33(1) of the 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 fund, Town Improvement and Project fund, and Lift Replacement fund form the Town Council funds.

All moneys 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 fund

In accordance with Section 33(4) of the Act, Sinking fund is established for improvement to, management and maintenance of residential and commercial properties. This fund is maintained as part of the Town Council funds.

Under the 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 fund.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

2. Summary of significant accounting policies (Continued)

2.2 Town Council Funds (Continued)

Sinking fund (Continued)

With effect from 1 April 2017, the amounts to be paid into the Sinking funds were revised and the minimum amounts to be paid, by property type, into the sinking fund are as follows:

(i) 1-room to Executive	26% of the conservancy and service fees and grants-in-aid
(ii) Shop with living accommodation	26% of the conservancy and service fees and grants-in-aid
(iii) Commercial property	26% of the conservancy and service fees and grants-in-aid

Prior to 1 April 2017, the amounts to be paid into the Sinking Funds were as follows;

(i) 1-room to 3-room	30% of the conservancy and service fees and grants-in-aid
(ii) 4-room to Executive	35% of the conservancy and service fees and grants-in-aid
(iii) Shop with living accommodation	35% of the conservancy and service fees
(iv) 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 income and expenditure and other comprehensive income.

The Sinking fund is utilised for cyclical major repainting, renewal or replacement of roofing system, water tanks, pumps and water supply system, lightning protection system, installation of any sensor and starter controller to the time-controlled booster pumping system, 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.

Lift Replacement fund

In accordance with Section 33(4A) of the Act, Lift Replacement fund ("LRF") is established from 1 April 2017, to meet the cost of lift replacements and lift-related replacement works. This fund is maintained as part of the Town Council funds.

Under the 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 LRF.

The minimum amounts to be paid, by property type, into the LRF is as follows:

(i) 1-room to Executive	14% of the conservancy and service fees and grants-in-aid
(ii) Shop with living accommodation	14% of the conservancy and service fees and grants-in-aid
(iii) Commercial property	14% of the conservancy and service fees and grants-in-aid

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

The LRF is utilised for cyclical works, including major lift upgrading and lift renewal, installation or replacement of any video monitoring devices in lifts, major lift replacements and lift-related replacement works.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

2. Summary of significant accounting policies (Continued)

2.2 Town Council Funds (Continued)

Lift Replacement fund (Continued)

To help Town Councils to cope with the operating need and long-term capital expenditure requirement for lift replacements and lift-related works, the Ministry of National Development will provide two additional grants-in-aids, namely Lift Maintenance Grant (LMG) and LRF Matching Grant, from 1 April 2017.

Town Improvement and Project fund

Town Improvement and Project fund ("TIPF") is established and maintained as part of the Town Council funds. This fund is utilised for improvement and development works in the Town.

TIPF 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 fund is 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").

2.3 Inter-funds transfer

The Town Council may make inter-fund transfers with the criteria as set out in Sections 33(9) and 43(1)(i) of the TC Act and Rule 11A of the Town Councils Financial Rules (TCFR).

2.4 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 or 36 Motor Cycle Lots or 4 Lorry Lots	1

The Town Council apportions 5% of General and Administrative expenses from Routine fund to Sinking fund.

2.5 Plant and equipment

Plant and equipment are recognised 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.

Subsequent costs recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the asset will flow to the Town Council and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss when incurred.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

2. Summary of significant accounting policies (Continued)

2.5 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:

- Office equipment 5 years
- Furniture and fittings 5 years
- Data processing equipment 3 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 profit or loss.

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

2.6 Impairment of tangible assets

The Town Council reviews the carrying amounts of its tangible assets as at each reporting date to assess for any indication of 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 (if any). 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.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss for the amount by which the asset's carrying amount exceeds the recoverable amount is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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 so 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 financial years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.7 Financial instruments

Financial assets and financial liabilities are recognised when the Town Council becomes a party to the contractual provisions of the instrument.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

2. Summary of significant accounting policies (Continued)

2.7 Financial instruments (Continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period, to the net carrying amount of the financial instrument. Income and expense are recognised on an effective interest basis for debt instruments other than those financial instruments at fair value through profit or loss.

Financial assets

All financial assets are recognised on a trade date – the date on which the Town Council commits to purchase or sell the asset. They are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: loans and receivables, available-for-sale financial assets and held-to-maturity financial assets. The classification depends on the nature and purpose for which these financial assets were acquired and is determined at the time of initial recognition.

Held-to-maturity investments

Bonds with fixed or determinable payments and fixed maturity dates where the Town Council has a positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis.

Loans and receivables

The Town Council's loans and receivables comprise conservancy and service fees receivables, other receivables, and cash and cash equivalents.

Such loans and receivables are non-derivatives with fixed or determinable payments that are not quoted in an active market. They are measured at amortised cost, using the effective interest method less impairment. Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each financial year. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amounts of all financial assets are reduced by the impairment loss directly with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

2. Summary of significant accounting policies (Continued)

2.7 Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Town Council derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Town Council neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and continues to control the transferred asset, the Town Council recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Town Council retains substantially all the risks and rewards of ownership of a transferred financial asset, the Town Council continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds receivables.

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial liabilities are classified as at fair value through profit or loss if the financial liability is either held for trading or it is designated as such upon initial recognition.

Payables and accrued expenses

Payables and accrued expenses are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest method, with interest expense recognised on an effective yield basis.

Derecognition of financial liabilities

The Town Council derecognises financial liabilities when, and only when, the Town Council's obligations are discharged, cancelled or they expire.

2.8 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits with financial institutions that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents exclude deposits pledged with the financial institutions as collateral and which form an integral part of the Town Council's cash management.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

2. Summary of significant accounting policies (Continued)

2.9 Operating leases

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2.10 Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the financial year, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows, which is discounted using a pre-tax discount rate.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss as they arise.

2.11 Government grants

For the past years, The Town Council receives three types of grants from the government; namely; Service and Conservancy Charges (“S&CC”) operating grant, payments from Citizens’ Consultation Committee (“CCC”) and GST Subvention Grant. From 1 April 2017, the Ministry of National Development (MND) provided two additional grants-in-aids, namely Lift Maintenance Grant (LMG) and Lift Replacement Fund (LRF) Matching Grant to the Town Council.

- (i) S&CC operating grants to meet the current financial year’s operating expenditure are taken to the statement of income and expenditure and other comprehensive income.
- (ii) Payments from CCCs are granted to provide funding support for community improvement projects under the CIPC scheme.
- (iii) The GST Subvention is 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.
- (iv) LMG and LRF Matching Grant are granted to help Town Councils to cope with the operating need and long-term capital expenditure requirement for the higher lift-related service and maintenance cost.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

2. Summary of significant accounting policies (Continued)

2.11 Government grants (Continued)

Lift Replacement Fund Matching Grant

To assist Town Councils in building up the LRF, MND will provide a 50% matching grant to the following contributions Town Councils make to the LRF:

- Quarterly contributions to LRF from S&CC collections and other grants-in-aids, including voluntary contributions beyond the minimum LRF contribution rate (i.e. beyond the minimum 14%); and
- Voluntary contribution of operating fund surpluses to the LRF at the end of a financial year, as allowed under Section 33(9) of the amended Town Council Act.

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 profit or loss over the expected useful life of the relevant asset by equal annual instalment.

2.12 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable from the gross inflow of economic benefits during the financial period arising from the course of the ordinary activities of the Town Council.

Conservancy and service fees

Conservancy and service fees are recognised when due.

Agency fees

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

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.

Other income

Other income comprises mainly temporary occupation licenses ("TOL"), liquidated damages claims and other miscellaneous income and are recognised when due.

2.13 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; and
- (iii) Agency fees derived from acting as agent for the HDB.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

2. Summary of significant accounting policies (Continued)

2.13 Income tax (Continued)

Income tax is accounted using the asset and liability method that requires the recognition of taxes payable or refundable for the current financial 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.

In respect of government grants received, the Town Council has been granted remission under Section 92(2) of the Income Tax Act (Cap. 134).

3. Critical accounting judgments and key sources of estimation uncertainty

The preparation of financial statements in conformity with FRSs requires Town Council to make judgments, estimates and assumptions of the carrying amounts of assets and liabilities that are not readily apparent from other sources in the application of the Town Council's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors that are considered to be reasonable under the circumstances. Actual results could differ from those estimates.

3.1 Critical judgements made in applying the Town Council's accounting policies

In the process of applying the Town Council's accounting policies, the management is of the opinion that there are no critical judgements involved that had any significant effect on the amounts recognised in the financial statements.

3.2 Key sources of estimation uncertainty

The 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 are discussed below.

Depreciation of plant and equipment

The Town Council depreciates the plant and equipment over their estimated useful lives after taking into account of their estimated residual values. The estimated useful life reflects management's estimate of the period that the Town Council intends to derive future economic benefits from the use of the Town Council's plant and equipment. The residual value reflects management's estimated amount that the Town Council would currently obtain from the disposal of the asset, after deducting the estimated costs of disposal, as if the asset were already of the age and in the condition expected at the end of its useful life. Changes in the expected level of usage and technological developments could affect the economics, useful lives and the residual values of these assets which could then consequentially impact future depreciation charges. The carrying amount of the Town Council's plant and equipment as at 31 March 2018 is S\$16,174 (2017: S\$15,924) (Note 8).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

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

3.2 Key sources of estimation uncertainty (Continued)

Held-to-maturity financial assets

The Town Council follows the guidance of FRS 39 *Financial Instruments: Recognition and Measurement* ("FRS 39") 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 financial assets. The investments would therefore be measured at fair value and not amortised cost. The carrying amount of the Town Council's held-to-maturity financial assets as at 31 March 2018 is S\$26,246,538 (2017: S\$25,243,128) (Note 9).

Allowance for doubtful conservancy and service fees receivables

Allowance for doubtful conservancy and service fees receivable amounting to S\$453,921 (2017: S\$417,730) has been estimated on the basis of age of debts, result of recovery efforts and historical experience (Note 10). Other receivables mainly consist 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. The identification of doubtful of other 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 other receivables and the allowance for impairment in the financial year in which such estimate has been changed. The carrying amount of the Town Council's conservancy and service fees receivables as at 31 March 2018 was S\$1,385,158 (2017: S\$1,374,984) (Note 10). The carrying amount of the Town Council's other receivables as at 31 March 2018 was S\$5,598,426 (2017: S\$5,188,103) (Note 12).

Provision for 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 2018 is S\$1,142,532 (2017: S\$798,069) (Note 15).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

4. Accumulated surplus

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

	Note	Total		Residential Property		Commercial Property		Carpark	
		2018 S\$	2017 S\$	2018 S\$	2017 S\$	2018 S\$	2017 S\$	2018 S\$	2017 S\$
OPERATING INCOME									
Conservancy and service fees		40,216,113	37,948,946	31,077,942	28,882,321	9,138,171	9,066,625	-	-
Less: Operating income transfer to Sinking fund (minimum required by law)	5	(10,456,186)	(12,579,174)	(8,080,261)	(9,405,853)	(2,375,925)	(3,173,321)	-	-
Less: Operating income transfer to Lift Replacement fund (minimum required by law)	7	(5,630,257)	-	(4,350,912)	-	(1,279,345)	-	-	-
		24,129,670	25,369,772	18,646,769	19,476,468	5,482,901	5,893,304	-	-
Agency fees	16	2,420,093	2,286,275	-	-	-	-	2,420,093	2,286,275
Other income	17	2,910,432	2,749,601	1,725,553	1,528,036	1,133,954	1,175,473	50,925	46,092
		29,460,195	30,405,648	20,372,322	21,004,504	6,616,855	7,068,777	2,471,018	2,332,367
Less: Operating expenditure		(32,105,825)	(32,413,421)	(25,072,584)	(25,462,115)	(5,009,534)	(5,171,746)	(2,023,707)	(1,779,560)
		(2,645,630)	(2,007,773)	(4,700,262)	(4,457,611)	1,607,321	1,897,031	447,311	552,807
Add: Investment and interest income		148,070	123,094	117,959	97,888	20,626	17,359	9,485	7,847
Operating (deficit)/surplus before income tax and government grants		(2,497,560)	(1,884,679)	(4,582,303)	(4,359,723)	1,627,947	1,914,390	456,796	560,654
Less: Income tax	15	(211,816)	(234,180)	(168,679)	(186,454)	(29,576)	(32,809)	(13,561)	(14,917)
(Deficit)/Surplus before government grants		(2,709,376)	(2,118,859)	(4,750,982)	(4,546,177)	1,598,371	1,881,581	443,235	545,737
Add: Government grants / GST Subvention	20	16,720,071	12,646,219	16,052,534	12,646,219	667,537	-	-	-
Less: Transfers to									
- Sinking fund	5,20	(2,476,494)	(2,911,543)	(2,476,494)	(2,911,543)	-	-	-	-
- Sinking fund (GST Subvention)	5,20	(313,485)	(364,831)	(313,485)	(364,831)	-	-	-	-
- Sinking fund (Lift Maintenance grants)	5,20	(173,316)	-	(162,969)	-	(10,347)	-	-	-
- Town Improvement and Project fund	6,20	(1,820,072)	(2,053,117)	(1,820,072)	(2,053,117)	-	-	-	-
- Lift Replacement fund	7,20	(1,333,497)	-	(1,333,497)	-	-	-	-	-
- Lift Replacement fund (GST Subvention)	7,20	(168,801)	-	(168,801)	-	-	-	-	-
- Lift Replacement fund (Lift Maint. grants)	7,20	(93,324)	-	(87,752)	-	(5,572)	-	-	-
- Lift Replacement fund (Matching grant)	7,20	(3,502,713)	-	(2,874,972)	-	(627,741)	-	-	-
SURPLUS FOR THE FINANCIAL YEAR		4,128,993	5,197,869	2,063,510	2,770,551	1,622,248	1,881,581	443,235	545,737
Add: Accumulated Surplus at 1 April		8,284,971	4,299,312	2,698,067	800,114	4,708,616	3,166,647	878,288	332,551
Appropriation to Town Improvement and Project fund	6	(952,293)	(1,212,210)	(662,205)	(872,598)	(290,088)	(339,612)	-	-
ACCUMULATED SURPLUS AT 31 MARCH		11,461,671	8,284,971	4,099,372	2,698,067	6,040,776	4,708,616	1,321,523	878,288

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

5. Sinking fund

	Note	2018 S\$	Total 2017 S\$	Residential Property 2018 S\$	Residential Property 2017 S\$	Commercial Property 2018 S\$	Commercial Property 2017 S\$
Balance at 1 April		171,793,647	168,093,688	95,350,586	93,554,877	76,443,061	74,538,811
Less: Transfer to Lift Replacement fund		(24,112,314)	-	(13,400,970)	-	(10,711,344)	-
		147,681,333	168,093,688	81,949,616	93,554,877	65,731,717	74,538,811
Add:							
Operating income transfers from conservancy and service fees	4	10,456,186	12,579,174	8,080,261	9,405,853	2,375,925	3,173,321
Investment and interest income	5(i)	2,202,870	2,475,526	1,877,597	2,106,409	325,273	369,117
Transfer from government grants							
- Minimum required by law	4,20	2,476,494	2,911,543	2,476,494	2,911,543	-	-
- GST Subvention	4,20	313,485	364,831	313,485	364,831	-	-
- Lift Maintenance grants	4,20	173,316	-	162,969	-	10,347	-
		15,622,351	18,331,074	12,910,806	14,788,636	2,711,545	3,542,438
Less: Expenditure	5(ii)	(8,909,113)	(14,317,391)	(8,067,745)	(12,725,738)	(841,368)	(1,591,653)
Less: Income tax	15	(315,781)	(313,724)	(268,666)	(267,189)	(47,115)	(46,535)
Surplus for the financial year		6,397,457	3,699,959	4,574,395	1,795,709	1,823,062	1,904,250
Balance at 31 March		154,078,790	171,793,647	86,524,011	95,350,586	67,554,779	76,443,061

Represented by:

Non-current assets

Held-to-maturity financial assets

20,250,000 22,243,128

Current assets

Held-to-maturity financial assets
Conservancy and service fees receivables

Other receivables

Interest receivable

Cash and cash equivalents

Due from accumulated surplus

5,996,538 3,000,000
471,550 456,783
86,494 268,346
1,086,835 1,428,528
124,063,718 141,513,636
2,823,797 4,316,171

Total assets

134,528,932 150,983,464
154,778,932 173,226,592

Current liabilities

Payables and accrued expenses

Income tax payable

Total liabilities

34,774 966,697
665,368 466,248
700,142 1,432,945

NET ASSETS

154,078,790 171,793,647

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

5. Sinking fund (Continued)

(i) Investment and interest income

	<u>2018</u>	<u>2017</u>
	S\$	S\$
Interest from bonds	513,518	544,867
Interest from fixed deposits	1,686,352	1,890,359
Liquidated damages	3,000	40,300
	<u>2,202,870</u>	<u>2,475,526</u>

(ii) Expenditure

	<u>2018</u>	<u>2017</u>
	S\$	S\$
Consultancy fee	339,005	434,151
Electrical rewiring	(146,215)	315,090
Firefighting equipment	(9,245)	47,390
General and administrative charges	384	9,731
General and administrative charges transferred from operating expenses (Note 19)	70,684	71,980
Irrecoverable GST	103,606	184,690
Lift works	-	2,431,097
Escalator works	5,148	-
Other major works	-	3,154,583
Redecoration and repainting	7,534,750	3,986,856
Refuse chute flushing system / equipment	49,670	245,970
Refuse handling equipment	-	177,770
Replacement of water pump set	-	19,300
Replacement of booster pumps	81,900	51,840
Replacement of water pipes	644,061	1,184,075
Reroofing works	235,365	2,002,868
	<u>8,909,113</u>	<u>14,317,391</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

6. Town Improvement and Project fund

	Note	Total		Residential Property		Commercial Property	
		2018 S\$	2017 S\$	2018 S\$	2017 S\$	2018 S\$	2017 S\$
Balance at 1 April		714,000	500,000	603,000	400,000	111,000	100,000
Add/(Less):							
Transfer from government grants	4,20	1,820,072	2,053,117	1,820,072	2,053,117	-	-
Expenditure	6(i)	(3,084,365)	(3,051,327)	(2,741,277)	(2,722,715)	(343,088)	(328,612)
Deficit for the financial year		(1,264,293)	(998,210)	(921,205)	(669,598)	(343,088)	(328,612)
Appropriation from accumulated surplus *	4	952,293	1,212,210	662,205	872,598	290,088	339,612
Balance at 31 March		402,000	714,000	344,000	603,000	58,000	111,000
<i>Represented by:</i>							
Current assets							
Other receivables		1,814,378	1,903,664				
Total assets		1,814,378	1,903,664				
Current liabilities							
Payables and accrued expenses		51,131	45,978				
Due to accumulated surplus		1,361,247	1,143,686				
Total liabilities		1,412,378	1,189,664				
NET ASSETS		402,000	714,000				

* The amount required by the Town improvement and project funds for the following financial year would then be appropriated from the accumulated surplus.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

6. Town Improvement and Project fund (Continued)

(i) Expenditure

	<u>2018</u> S\$	<u>2017</u> S\$
Construction of covered linkway	749,901	299,463
Consultancy and maintenance fee	451,453	579,300
Construction/Upgrading playground or fitness centre	388,601	934,218
Construction of facilities and other amenities	1,494,410	1,238,346
	<u>3,084,365</u>	<u>3,051,327</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

7. Lift Replacement fund

	Note	Total 2018 S\$	Residential Property 2018 S\$	Commercial Property 2018 S\$
Transfer from Sinking Fund as at 1 April (Note 5)		24,112,314	13,400,970	10,711,344
Add:				
Operating income transfers from conservancy and service fees	4	5,630,257	4,350,912	1,279,345
Investment and interest income	7(i)	271,131	230,924	40,207
Selective Lift Replacement Programme disbursement		492,049	492,049	-
Transfer from government grants				
– Minimum required by law	4,20	1,333,497	1,333,497	-
– GST Subvention	4,20	168,801	168,801	-
– LRF Matching grants		3,502,713	2,874,972	627,741
– Lift Maintenance grants	4,20	93,324	87,752	5,572
		11,491,772	9,538,907	1,952,865
Less: Expenditure	7(ii)	(5,053,723)	(4,563,749)	(489,974)
Less: Income tax	15	(52,035)	(44,271)	(7,764)
Surplus for the financial year		6,386,014	4,930,887	1,455,127
Balance at 31 March		30,498,328	18,331,857	12,166,471

Represented by:

Current assets

Conservancy and service fees receivables	1,156,094
Other receivables	4,375
Interest receivable	160,644
Cash and cash equivalents	27,918,777
Due from accumulated surplus	1,621,441
Total assets	30,861,331

Current liabilities

Payables and accrued expenses	310,968
Income tax payable	52,035
Total liabilities	363,003
NET ASSETS	30,498,328

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

7. Lift Replacement fund (Continued)

(i) Investment and interest income

	<u>2018</u> S\$
Interest income	13,460
Interest from fixed deposits	257,671
	<u>271,131</u>

(ii) Expenditure

	<u>2018</u> S\$
Project management fee	258,783
General and administrative charges	59,321
Irrecoverable GST	121,854
Lift overhauls/ total replacement works	1,513,200
Replacement of main sheaves/ ropes	1,693,195
Replacement of ARD battery	236,097
Replacement of EBOPS battery	144,706
Replacement of lift position display panel (CPI/HPI)	419,959
Replacement of inverter units	606,608
	<u>5,053,723</u>

Ministry of National Development (“MND”), on 23 January 2017, announced that all Town Councils will have to set up dedicated Lift Replacement Funds (“LRF”). 14% of the Sinking fund amount as at 31 March 2017, will be carved out as initial fund amount for LRF. The LRF will be designated for future lift replacements and other lift-related replacement works. The effective date for the LRF will be set on 1 April 2017.

Subsequent to the initial set up of the LRF, the minimum quarterly transfer to Sinking fund and LRF will be 26% and 14%, respectively, from the Service and Conservancy Income and grants-in-aid.

Consequently, initial amounts from Sinking fund were transferred to LRF of S\$13.4 million for the Residential Property and S\$10.7 million for the Commercial Property.

STATEMENT OF FINANCIAL POSITION

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

8. Plant and equipment

	<u>Office equipment</u> S\$	<u>Furniture and fittings</u> S\$	<u>Data processing equipment</u> S\$	<u>Total</u> S\$
Cost				
At 1 April 2016	206,479	380,371	497,800	1,084,650
Additions	3,150	-	8,005	11,155
Written-off	(8,298)	(620)	(9,412)	(18,330)
At 1 March 2017	201,331	379,751	496,393	1,077,475
Additions	9,484	-	-	9,484
Written-off	(5,402)	-	(401,688)	(407,090)
At 31 March 2018	205,413	379,751	94,705	679,869
Accumulated depreciation				
At 1 April 2016	192,198	337,701	473,564	1,003,463
Depreciation	11,331	41,757	22,367	75,455
Written-off	(7,335)	(620)	(9,412)	(17,367)
At 1 March 2017	196,194	378,838	486,519	1,061,551
Depreciation	3,016	913	5,305	9,234
Written-off	(5,402)	-	(401,688)	(407,090)
At 31 March 2018	193,808	379,751	90,136	663,695
Carrying amount				
At 31 March 2017	5,137	913	9,874	15,924
At 31 March 2018	11,605	-	4,569	16,174

STATEMENT OF FINANCIAL POSITION

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

9. Held-to-maturity financial assets

	<u>2018</u> S\$	<u>2017</u> S\$
<i>At amortised cost</i>		
Quoted bonds	26,230,000	25,230,000
Less: Amortisation of bonds	<u>(16,538)</u>	<u>(13,128)</u>
	<u>26,246,538</u>	<u>25,243,128</u>
Maturing:		
Within 1 year	5,996,538	3,000,000
After 1 year but within 5 years	<u>20,250,000</u>	<u>22,243,128</u>
	<u>26,246,538</u>	<u>25,243,128</u>

Held-to-maturity financial assets represents investments in quoted bonds issued by statutory boards and government-linked companies, with a fixed interest rate of 1.368% to 3.140% (2017: 1.165% to 3.140%) per annum and maturity date of 29 May 2018 to 27 June 2024 (2017: 24 April 17 to 27 June 2024), and are denominated in Singapore dollar as at reporting date.

The change in amortisation is as follows:

	<u>2018</u> S\$	<u>2017</u> S\$
Balance at 1 April	13,128	9,770
Amortisation credited to profit or loss	<u>3,410</u>	<u>3,358</u>
Balance at 31 March	<u>16,538</u>	<u>13,128</u>

The effective interest rates per annum for the bonds were as follows:

	<u>2018</u> %	<u>2017</u> %
Quoted bonds	<u>2.14</u>	<u>2.12</u>

The fair value of held-to-maturity financial assets is based on the closing bid price at the end of the financial year as follows:

	<u>2018</u> S\$	<u>2017</u> S\$
Quoted bonds	<u>26,287,975</u>	<u>25,474,608</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

10. Conservancy and service fees receivables

	<u>2018</u> S\$	<u>2017</u> S\$
Conservancy and service fees receivables	1,682,440	1,631,930
Add: Interest receivable on late payments	156,639	160,784
	<u>1,839,079</u>	<u>1,792,714</u>
Less: Allowance for doubtful receivables	(453,921)	(417,730)
	<u>1,385,158</u>	<u>1,374,984</u>

Conservancy and service fees receivables are generally on 30 (2017: 30) days' credit terms. Penalty fee is charged on the outstanding balances.

Allowances are made in respect of estimated irrecoverable amounts are determined by reference to past default experience. If repeated reminders and letters of demand to settle overdue payments fail to yield results, the Town Council will write off the debts on a case-by-case basis.

The carrying amount of conservancy and service fees receivables determined to be impaired is as follows:

	<u>2018</u> S\$	<u>2017</u> S\$
Past due for 0 to 12 months	143,586	106,114
Past due for 13 to 24 months	59,807	41,446
Past due for more than 24 months	250,528	270,170
	<u>453,921</u>	<u>417,730</u>

Movements in the allowance for doubtful receivables are as follows:

	<u>2018</u> S\$	<u>2017</u> S\$
Balance at 1 April	417,730	328,793
Allowance charged to profit or loss (Note 19)	36,191	88,937
Balance at 31 March	<u>453,921</u>	<u>417,730</u>

Conservancy and service fees receivables are denominated in Singapore dollar as at reporting date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

11. Neighbourhood Renewal Programme (“NRP”) funding receivables

	<u>2018</u> S\$	<u>2017</u> S\$
Balance at 1 April	764,208	(784,676)
Funding from government	(888,487)	(2,671,001)
Other income	-	(1,000)
Payment to contractors	1,695,323	4,220,885
Movement during the financial year	806,836	1,548,884
Balance at 31 March	<u>1,571,044</u>	<u>764,208</u>

NRP funding receivables are denominated in Singapore dollar as at reporting date.

12. Other receivables

	<u>2018</u> S\$	<u>2017</u> S\$
Grant receivables		
– Community Improvement Projects Committee	1,814,378	1,903,664
– GST subvention	305,720	282,595
– LRF matching grant	707,570	-
	<u>2,827,668</u>	<u>2,186,259</u>
Deposits	626,616	726,906
Interest receivables	1,357,540	1,531,484
Prepayments	178,167	142,598
Recoverable from HDB	217,866	184,543
Other receivables	390,569	416,313
	<u>5,598,426</u>	<u>5,188,103</u>

Other receivables are denominated in Singapore dollar as at reporting date.

13. Cash and bank balances

	<u>2018</u> S\$	<u>2017</u> S\$
Cash and bank balances	15,911,919	11,185,872
Fixed deposits with financial institutions	150,128,000	142,031,586
	<u>166,039,919</u>	<u>153,217,458</u>
Fixed deposits maturing:		
– Within 3 months	105,128,000	57,000,000
– Between 3 to 12 months	45,000,000	85,031,586
	<u>150,128,000</u>	<u>142,031,586</u>

Fixed deposits are placed for varying periods from three to twelve (2017: one to ten) months, bear interest rates ranging from 1.22% to 1.50% (2017: 1.25% to 1.75%) per annum. The weighted average effective interest rates per annum relating to fixed deposits is 1.44% (2017: 1.61%).

Pledged fixed deposits were in favour of a lessor in respect of certain leased premises as stipulated in the lease agreement.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

13. Cash and bank balances (Continued)

Cash and bank balances are denominated in Singapore dollar as at reporting date.

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following at the end of the financial year:

	<u>2018</u> S\$	<u>2017</u> S\$
Cash and fixed deposits	166,039,919	153,217,458
Fixed deposit pledged	(1,000,000)	(1,000,000)
Cash and cash equivalents	<u>165,039,919</u>	<u>152,217,458</u>

14. Payables and accrued expenses

	<u>2018</u> S\$	<u>2017</u> S\$
Accrued operating expenses	483,596	608,826
Accruals for completed works/payables to contractors	1,443,822	2,233,808
Refundable deposits	413,966	433,055
Amount payable to related party	77,524	246,808
	<u>2,418,908</u>	<u>3,522,497</u>

Payables are generally on 30 to 90 (2017: 30 to 90) days' credit terms.

Payables and accruals expenses are denominated in Singapore dollar as at reporting date.

15. Income tax

	<u>2018</u> S\$	<u>2017</u> S\$
Current income tax		
– Current year	579,594	562,900
– Under-provision in prior financial year	38	(14,996)
Tax expense	<u>579,632</u>	<u>547,904</u>
Taken up in:		
Accumulated surplus (Note 4)	211,816	234,180
Sinking fund (Note 5)	315,781	313,724
Lift Replacement fund (Note 7)	52,035	-
	<u>579,632</u>	<u>547,904</u>

The Town Council is incorporated in Singapore and accordingly is subject to income tax rate of 17% (2017: 17%). There were no changes in the enterprise income tax of the difference applicable jurisdictions in the current financial year from the last financial year.

The Town Council enjoys a concessionary tax rate of 10% (2017:10%) for the income earned on investment in bonds.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

15. Income tax (Continued)

Reconciliation of effective tax rate is as follows:

	<u>2018</u> S\$	<u>2017</u> S\$
Investment and interest income	2,615,660	2,554,962
Other income	1,028,700	1,008,829
Government Grant	13,217,358	12,646,219
Taxable income	<u>16,861,718</u>	<u>16,210,010</u>
Income tax at statutory rate	2,866,492	2,755,702
Singapore statutory stepped income exemption	(25,925)	(25,925)
Tax effect on concessionary income	(35,707)	(37,906)
Tax remission of government grant under Section 92(2) of Singapore Income Tax Act	(2,225,995)	(2,128,933)
Under/(Over)-provision in prior financial year	38	(14,996)
Others	729	(38)
Tax expense	<u>579,632</u>	<u>547,904</u>

Movements in the income tax payable are as follows:

	<u>2018</u> S\$	<u>2017</u> S\$
Balance at 1 April	798,069	871,827
Payments made during the financial year	(235,169)	(621,662)
Current financial year's income tax expense	579,594	562,900
Under/(Over)-provision in prior financial year	38	(14,996)
Balance at 31 March	<u>1,142,532</u>	<u>798,069</u>

16. Agency fees

These are fees received for routine maintenance of HDB's carparks in the Town.

17. Other income

	<u>2018</u> S\$	<u>2017</u> S\$
Interest on late payment of conservancy and service fees	163,267	154,208
Liquidated damages	254,763	217,893
Maintenance fee	13,580	12,147
Sundry income	92,948	223,966
Temporary occupational license	1,980,809	1,882,530
Use of water and electricity	155,601	157,783
Others	249,464	101,074
	<u>2,910,432</u>	<u>2,749,601</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

18. Managing agent's fees

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

19. General and administrative expenditure

	<u>2018</u> S\$	<u>2017</u> S\$
Advertising, publicity and public relations	142,417	145,143
Allowance made for doubtful receivables (Note 10)	36,191	88,937
Bad debts written off	57,974	61,119
Computing services	274,626	267,704
Depreciation of fixed assets	9,234	75,455
Irrecoverable goods and services tax *	137,031	242,766
Office rental and upkeep expenses	532,832	507,330
Plant and equipment written off	-	963
Property tax	186,244	200,180
Staff costs		
– Salaries and related costs	19,390	17,949
– Employers' contribution to defined contribution plan	867	670
Town Councillors' allowance	203,100	204,600
Others	137,041	153,386
	<u>1,736,947</u>	<u>1,966,202</u>

* Government grant 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 profit or loss during the financial year.

This is allocated to the following expenditure:

	<u>2018</u> S\$	<u>2017</u> S\$
Operating expenditure	1,666,263	1,894,222
Sinking fund expenditure (Note 5(ii))	70,684	71,980
	<u>1,736,947</u>	<u>1,966,202</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

20. Government grants

(i) Government grants taken to profit or loss during the financial year are as follows:

	Note	2018 S\$	Total 2017 S\$	Payment from Citizen's Consultative Committee 2018 S\$	2017 S\$	Service and Conservancy Charges Grant 2018 S\$	2017 S\$	GST Subvention 2018 S\$	2017 S\$	Lift Maintenance Grant 2018 S\$	LRF Matching Grant 2018 S\$
Government grants received /receivable	4	16,720,071	12,646,219	1,820,072	2,053,117	9,524,977	9,472,947	1,205,709	1,120,155	666,600	3,502,713
Less: Transfers to											
-Sinking fund											
-Lift replacement fund (minimum required by law)	4,5	(2,476,494)	(2,911,543)	-	-	(2,476,494)	(2,911,543)	-	-	-	-
-Lift replacement fund (minimum required by law)	4,7	(1,333,497)	-	-	-	(1,333,497)	-	-	-	-	-
-Sinking fund											
(GST Subvention)	4,5	(313,485)	(364,831)	-	-	-	-	(313,485)	(364,831)	-	-
-Lift replacement fund	4,7	(168,801)	-	-	-	-	-	(168,801)	-	-	-
(GST Subvention)	4,5	(173,316)	-	-	-	-	-	-	-	(173,316)	-
-Sinking fund (LMG)											
- Lift replacement fund (LMG)	4,7	(93,324)	-	-	-	-	-	-	-	(93,324)	-
-Town improvement and project fund	4,6	(1,820,072)	(2,053,117)	(1,820,072)	(2,053,117)	-	-	-	-	-	-
-Lift replacement fund (Matching grant)	4,7	(3,502,713)	-	-	-	-	-	-	-	-	(3,502,713)
		6,838,369	7,316,728	-	-	5,714,986	6,561,404	723,423	755,324	399,960	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

20. Government grants (Continued)

(ii) The total amount of grants received (including grants received in advance) since the formation of the Town council is as follows:

	<u>2018</u> S\$	<u>2017</u> S\$
Total grants received/receivable at 1 April	239,275,120	226,628,901
Grants received during the financial year	<u>16,720,071</u>	<u>12,646,219</u>
Total grants received/receivable at 31 March	<u>255,995,191</u>	<u>239,275,120</u>

21. Capital commitments

Capital expenditures approved by the Town Council but not provided for in the financial statements as at reporting date are as follows:

	<u>2018</u> S\$	<u>2017</u> S\$
Amount approved and contracted for	17,705,873	21,167,341
Amount approved but not contracted for	<u>26,571,120</u>	<u>12,199,300</u>
	<u>44,276,993</u>	<u>33,366,641</u>

22. Operating lease commitments

At the end of the reporting date, the Town Council has commitments for future minimum lease payments under non-cancellable operating leases in respect of the office premises with an original term of more than one year as follows:

	<u>2018</u> S\$	<u>2017</u> S\$
Future minimum lease payments payable:		
Within one year	456,902	456,571
After one year but within five years	<u>458,565</u>	<u>894,644</u>
	<u>915,467</u>	<u>1,351,215</u>

The lease has its tenure of 3 to 7 years, with an option to renew the lease for another 3 years subject to certain conditions being met. There are no restrictions placed upon the Town Council by entering into these leases. The lease expenditure charged to profit or loss during the financial year is disclosed in Note 19 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

23. Significant related party transactions

Jalan Besar Town Council is managed by the managing agent, EM Services Pte Ltd. Related party relates to the managing agent who manages the operations of the Town Council and provides key management personnel services to the Town Council.

During the financial year, in addition to those disclosed elsewhere in these financial statements, the Town Council entered into the following transactions with the managing agent:

	<u>2018</u> S\$	<u>2017</u> S\$
Expenditure paid to managing agent in relation to:		
Managing agent's fee	4,788,229	4,593,740
Project management fee	716,145	686,483
Lift works	-	438,935
Licence fee and other works	1,454,205	1,383,139
Water pump works	-	220,217
	<u> </u>	<u> </u>

Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Town Council, directly or indirectly, including any Town Councillors (whether executive or otherwise) of that Town Council.

The Town Council pays the monthly fee to EM Services Pte Ltd and does not incur any manpower and related costs except for Town Councillors' allowances and one administrative staff as disclosed in Note 19.

	<u>2018</u> S\$	<u>2017</u> S\$
Town Councillors' allowance (Note 19)	<u>203,100</u>	<u>204,600</u>

24. 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 receivables, other receivables, other payables and accrued expenses that arise from its operations.

The main risks arising from the Town Council's 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. Risks management policies and systems are reviewed regularly to reflect changes in the operational environment and market conditions.

Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a loss to the Town Council. Town Council performs ongoing credit evaluation of its counterparties' financial condition and generally do not require a collateral.

Town Council's major classes of financial assets are bank deposits, conservancy and service fee receivables and other receivables.

Bank deposits are mainly deposits with banks with high credit-ratings assigned by international credit rating agencies.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

24. Financial instruments and financial risks (Continued)

Credit risk (Continued)

Conservancy and service fee receivables consist of a large number of household owners, thus Town Council do not have any significant credit exposure to any single counterparty or any groups of counterparties having similar characteristics.

The maximum expose to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

The age analysis of conservancy and service fee receivables past due but not impaired is as follows:

	<u>2018</u> S\$	<u>2017</u> S\$
Not past due	141,885	124,300
Past due for 0 to 12 months	910,803	850,772
Past due for 13 to 24 months	208,708	254,425
Past due for more than 24 months	123,762	145,487
	<u>1,385,158</u>	<u>1,374,984</u>

The movements in the allowance for impairment in respect of conservancy and service fee receivables during the financial year are disclosed in Note 10 to the financial statements.

Based on past experience, except for certain conservancy and service fee receivables balances that impaired, the management believes that it will be collectible in the foreseeable future as a result of recovery efforts and based on historical experience.

Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the Town Council's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Foreign currency risk

The Town Council is not exposed to foreign currency risk as the transactions are denominated in Singapore dollar, which is the functional currency of the Town Council.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rate. The Town Council's exposure interest rate risk relates primarily to interest-earning fixed deposits with financial institutions and investments in government and corporate bonds. The Town Council's surplus funds are placed with reputable financial institutions or invested in Singapore government bonds. The exposure to interest rate risk is minimal since the deposits are with fixed rate of interest throughout the term.

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 equity price risk is minimal.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

24. Financial instruments and financial risks (Continued)

Liquidity risk

Liquidity risks refer to the risks in which the Town Council encounters difficulties in meeting its short-term obligations. 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 Town Council's operations are partially supported by various government grants from government and the Town Council is satisfied that funds for operations are available as and when required.

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.

The contractual undiscounted cash flows of the non-derivative financial instruments due within 12 months equal their carrying amounts as the impact of discounting is not significant, except for held-to-maturity financial assets disclosed in Note 9.

Financial instruments by category

The carrying amount of the different categories of financial instruments is as disclosed on the face of the statement of financial position and as follows:

	<u>2018</u> S\$	<u>2017</u> S\$
<i>Held-to-maturity financial assets</i>	<u>26,246,538</u>	<u>25,243,128</u>
<i>Loans and receivables</i>		
Conservancy and service fees receivables	1,385,158	1,374,984
Neighbourhood Renewal Programme funding receivables	1,571,044	764,208
Other receivables	5,598,426	5,188,103
Less: Prepayments	(178,167)	(142,598)
Cash and bank balances	166,039,919	153,217,458
Total	<u>174,416,380</u>	<u>160,402,155</u>
<i>Financial liabilities at amortised cost</i>		
Payables and accrued expenses	<u>2,418,908</u>	<u>3,522,497</u>
Total	<u>2,418,908</u>	<u>3,522,497</u>

25. Fair value of assets and liabilities

The carrying amounts of cash and cash equivalents, conservancy and service fees receivables and other current receivables and payables approximate their respective fair values due to the relative short term maturity of these financial instruments. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to the financial statements.

The fair values of applicable assets and liabilities are determined and categorised using a fair value hierarchy as follows:

- (a) Level 1 – the fair values of assets and liabilities with standard terms and conditions and which trade in active markets that the Town Council can access at the measurement date are determined with reference to quoted market prices (unadjusted).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

25. Fair value of assets and liabilities (Continued)

- (b) Level 2 – in the absence of quoted market prices, the fair values of the assets and liabilities are determined using the other observable, either directly or indirectly, inputs such as quoted prices for similar assets or liabilities in active markets or included within Level 1, quoted prices for identical or similar assets or liabilities in non-active markets.
- (c) Level 3 – in the absence of quoted market prices included within Level 1 and observable inputs included within Level 2, the fair values of the remaining assets and liabilities are determined in accordance with generally accepted pricing models.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Town Council holds its financial assets and financial liabilities carried at fair value or at valuation (Level 1) as follows:

	<u>2018</u> S\$	<u>2017</u> S\$
Financial assets		
Held-to-maturity financial assets (Note 9)	<u>26,246,538</u>	<u>25,243,128</u>

Valuation policies and techniques

At least on an annual basis, the Town Council evaluates all significant changes in fair value measurements for reasonableness. Key drivers of the changes are identified and assessed for reasonableness against relevant information from independent sources, or internal sources, if necessary and appropriate.

During the financial year, there is no change in the applicable valuation technique.

26. Funds management

The Town Council's objectives when managing funds are:

- (i) to safeguard the Town Council's ability to continue as going concern;
- (ii) to provide resources to sustain future development; and
- (iii) 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 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 from 31 March 2017.

The Town Council is not subjected to any externally imposed capital requirements during the financial years ended 31 March 2018 and 31 March 2017.

As at the end of the reporting period, the Town Council's total funds amounted to \$196,440,789 (2017: \$180,792,618).

LET US ALL...



ENHANCE
the physical living
environment



EXTEND
helping hands
to each other



ENCOURAGE
harmony and bonding
in the neighbourhood



Jalan Besar

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