



Chua Chu Kang
TOWN COUNCIL

Annual Report

FY 2017/2018



Chua Chu Kang Town Council

Tel 6569 0388
Fax 6764 7208

Blk 309 Choa Chu Kang Ave 4
#02-02 Choa Chu Kang Centre
Singapore 680309

Email info@ccktc.org.sg
Website <http://www.ccktc.org.sg/>

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

FINANCIAL STATEMENTS
FOR FINANCIAL YEAR ENDED 31 MARCH 2018

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

FINANCIAL STATEMENTS
FOR FINANCIAL YEAR ENDED 31 MARCH 2018

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Chairman's Message



INTRODUCTION

Chua Chu Kang Town Council manages the HDB housing estates in Chua Chu Kang GRC and Hong Kah North SMC. As of 31 March 2018, there are over 60,000 residential units and commercial units under the Council's care.

I am honoured to be the new Chairman of Chua Chu Kang Town Council. Together with my Parliamentary colleagues, Town councillors and staff, we strive to do our very best for the well-being of our residents' by ensuring the cleanliness of the estate, the maintenance and quality of our shared facilities, and the prudent spending of service and conservancy funds

In the mid-term assessment carried out by the Ministry of National Development for the Town Council Management Report, Chua Chu Kang Town Council achieved Green for all the four areas assessed: estate cleanliness, estate maintenance, lift performance and service & conservancy charges (S&CC) arrears management. The outstanding performance, especially in the areas of maintenance and cleanliness, can only be achieved with the extensive cooperation and support of our residents.

We will continue to manage and administer the common property for the benefit of residents by maintaining and keeping the common property in good repair, renewing/replacing fixtures and fittings and providing essential maintenance and lift rescue services.

With families moving into the new and upcoming Build-To-Order (BTO) flats, we can look forward to a growing community of new demographics. To promote community spirit, inter-generational bonding and an active lifestyle in this neighbourhood, we will build new and upgraded precinct amenities, multi-generation leisure and fitness facilities for all ages, especially the elderly and young to enjoy the communal spaces together.

A CONNECTED, ACTIVE AND REJUVENATED TOWN

5-Year Concept Master Town Plan

Three years ago in August 2015, we launched a 5-Year Concept Master Town Plan for Chua Chu Kang Town Year 2016 to 2020. A major focus of the Masterplan is connectivity around the estate. Other initiatives include beautifying our living environment with trees and other greenery, revitalising our residential precincts with new amenities such as parks, playgrounds and sheltered linkways as well as improvements to existing infrastructure.

Connectivity

To improve connectivity around the neighbourhood, the Town Council has been working hard to link and integrate improvement projects with the public infrastructure. New walkways have been constructed to better connect residents to LTA-built linkways and bus stops. Barrier-free access ramps have also been constructed to provide more accessible connections.



Rejuvenation of older estates

Even as new flats are built in our Town, we continue to rejuvenate our older estates through various programmes, such as Selective Lift Replacement Programme (SLRP), Neighbourhood Renewal Programme (NRP), Cyclical Programme and Repairs & Redecoration Programme (R&R). These upgrading and improvement programmes are fully funded by the Government and the Town Council to bring new facilities, improved amenities and fresh look to revitalise our estates.



The Financial Year 2017/2018 marks several milestones for Chua Chu Kang Town Council with the launch of six ongoing Neighbourhood Renewal Programmes and 70 improvement projects. We thank residents for your feedback and support at our sharing sessions, public consultations and consensus gatherings. Your participation and patience have enabled us to proceed with the successful implementation of the Neighbourhood Renewal Programme construction works. The Town Council is also upgrading our estates with covered linkways, multi-generational leisure and recreational facilities for the elderly and young, themed children's playgrounds, fitness corners and community gardens. In the Financial Year ended 31 March 2018, some \$3.32 million worth of improvement works were carried out.

Lift and cyclical maintenance

Our Town Council upkeep more than 1,600 lifts to ensure their safety and reliability. Regular checks and maintenance are conducted to keep our buildings and equipment in good condition. In the Financial Year 2017/2018, 14 out of 132 lifts were replaced under the Selective Lift Replacement Programme (SLRP). Over the same period, \$15.15 million worth of cyclical works have also been carried out. Cyclical works comprise repairs & redecoration, repainting, re-roofing, re-wiring, and replacement of various equipment such as booster pumps/water pipes, hoisting ropes/ sheaves of lifts, individual refuse chute flushing system's control panel for our blocks and centralised refuse chute system's refuse handling equipment.

A BEAUTIFUL, INCLUSIVE AND GRACIOUS COMMUNITY



The Town Council actively encourages community outreach and engagement efforts to promote public education and awareness to keep our towns clean and green. We support community activities for our residents organised by our grassroots organisations such as large-scale town projects, festive and celebratory events, clean & green projects including Tree Planting Day and My Block Sparkles. We hope to inspire our residents to care for and protect our common spaces and living environment in order to build an inclusive and gracious community here in Chua Chu Kang.



FINANCIAL REPORT

In terms of financial management, the Town Council had an operating surplus of \$1.62 million in the Financial Year ended 31 March 2018. Our accumulated surplus was \$6.91 million. We will continue to exercise prudence in our expenditure, as part of responsible corporate governance.

MOVING FORWARD TOGETHER



I thank all Chua Chu Kang residents for your active participation, collaboration and continued support of the Town Council. I am also grateful to the various government agencies, grassroots organisations and community partners for their dedication and co-operation. The Town Council will continue to leverage technology to innovate and deliver high standards of municipal services efficiently and effectively. We will also bring exciting upgrading and infrastructure improvement development projects to our estates to enhance our residents' quality of life.

Together, let's build a better home, a beautiful, inclusive and gracious community for all!

A handwritten signature in black ink, appearing to read 'Yen Ling'.

Low Yen Ling
Chairman
Chua Chu Kang Town Council

**INDEPENDENT AUDITOR'S REPORT TO
THE MEMBERS OF CHUA CHU KANG TOWN COUNCIL**
(Established under the Town Council Act, Cap. 329A)

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Chua Chu Kang Town Council (the "Town Council"), which comprise the statement of financial position of the Town Council as at 31 March 2018, the income and expenditure statement, statement of comprehensive income, statement of changes in Town Council funds and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 9 to 43.

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 present fairly, in all material respects, the financial position of the Town Council as at 31 March 2018 and of the financial performance, changes in Town Council funds and cash flows of the Town Council for the financial year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's 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* ("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 for our opinion.

Other Matter

The financial statements of the Town Council for the financial year ended 31 March 2017 were audited by another firm of auditors whose report dated 16 August 2017 expressed an unmodified opinion on those financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report but does not include the financial statements and our auditor's report thereon.

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

**INDEPENDENT AUDITOR'S REPORT TO
THE MEMBERS OF CHUA CHU KANG TOWN COUNCIL**
(Established under the Town Council Act, Cap. 329A)

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 and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

A town council is constituted based on its Act and its dissolution requires Parliament's approval. 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 the going concern basis of accounting unless there is intention to wind up the Town Council or for the Town Council to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Town Council's financial reporting process.

Auditor's 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 auditor's 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.

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.

**INDEPENDENT AUDITOR'S REPORT TO
THE MEMBERS OF CHUA CHU KANG TOWN COUNCIL**
(Established under the Town Council Act, Cap. 329A)

- 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 auditor's 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 auditor's 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 those charged with governance 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

Opinion

In our opinion:

- (a) the receipts, expenditure and 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.

Basis for opinion

We conducted our audit in accordance with SSAs. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Compliance Audit* section of our report. We are independent of the Town Council in accordance with 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 for our opinion on management's compliance.

**INDEPENDENT AUDITOR'S REPORT TO
THE MEMBERS OF CHUA CHU KANG TOWN COUNCIL**
(Established under the Town Council Act, Cap. 329A)

Responsibilities of Management 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.

Auditor's responsibilities for the Compliance Audit

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

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

Ecovis Assurance LLP

Ecovis Assurance LLP
Public Accountants and
Chartered Accountants
Singapore

18 September 2018

CHUA CHU KANG TOWN COUNCIL
(Established under the Town Councils Act, Cap. 329A)
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	773,604	808,872
Ordinary Sinking Funds	5	80,355,379	92,259,212
Lift Replacement Funds	6	18,999,945	-
Town Improvement and Project Funds	7	2,390,817	2,390,817
		102,519,745	95,458,901
COMMERCIAL PROPERTY			
Accumulated Surplus	4	3,744,255	2,830,158
Ordinary Sinking Funds	5	21,524,274	24,588,387
Lift Replacement Funds	6	3,811,989	-
Town Improvement and Project Funds	7	45,951	45,951
		29,126,469	27,464,496
CARPARK			
Accumulated Surplus	4	2,395,972	1,658,216
		<u>134,042,186</u>	<u>124,581,613</u>
Represented by:			
NON-CURRENT ASSETS			
Plant and equipment	9	125,148	74,010
Held-to-maturity financial assets	10	26,000,000	26,000,000
		26,125,148	26,074,010
CURRENT ASSETS			
Held-to-maturity financial assets	10	5,000,000	5,000,000
Financial assets at fair value through profit or loss	11	31,302,045	31,307,295
Conservancy and service fees receivables	12	1,299,911	1,242,817
Other receivables	13	7,946,586	6,443,734
Interest receivable		624,614	737,849
Cash and cash equivalents	14	78,498,986	67,140,194
		124,672,142	111,871,889
Total Assets		<u>150,797,290</u>	<u>137,945,899</u>
Less:			
CURRENT LIABILITIES			
Conservancy and service fees received in advance		707,278	602,509
Advances received for Selective Lift Replacement Programme	27	3,101,741	-
Payables and accrued expenses	15	11,333,936	10,762,744
Payables for Neighbourhood Renewal Programme	8	403,114	393,624
Income tax payable	22	1,209,035	1,605,409
		16,755,104	13,364,286
NET ASSETS		<u>134,042,186</u>	<u>124,581,613</u>


LOW YEN LING
CHAIRMAN


CLARENCE TAN KOK CHEOW
GENERAL MANAGER / SECRETARY

Date : 18 September 2018

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

CHUA CHU KANG TOWN COUNCIL
(Established under the Town Councils Act, Cap. 329A)
INCOME AND EXPENDITURE STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

	Note	2018 S\$	2017 S\$
OPERATING INCOME			
Conservancy and service fees	4	47,356,491	42,862,560
Less:			
Operating income transfer to Ordinary Sinking Funds	4, 5	12,312,689	14,792,096
Operating income transfer to Lift Replacement Funds (minimum required by law)	4, 6	6,629,918	-
		<u>28,413,884</u>	<u>28,070,464</u>
Agency fees	16	3,873,993	3,607,795
Other income	17	2,681,247	2,756,994
		<u>34,969,124</u>	<u>34,435,253</u>
Less:			
OPERATING EXPENDITURE			
Cleaning works		7,407,786	7,078,805
Managing agent's fees	18	4,393,463	3,865,983
Lift maintenance		6,406,884	5,368,695
Other works and maintenance		6,740,968	6,663,557
Water and electricity		9,936,059	8,902,959
General and administrative expenditure	19	1,861,727	1,897,804
		<u>36,746,887</u>	<u>33,777,803</u>
OPERATING (DEFICIT)/SURPLUS		<u>(1,777,763)</u>	<u>657,450</u>
ADD: NON-OPERATING INCOME			
Investment income	20	120,446	137,851
Less :			
Town Improvement Project Works	7	(697,469)	(776,711)
		<u>(2,354,786)</u>	<u>18,590</u>
(DEFICIT)/SURPLUS BEFORE TAXATION AND GOVERNMENT GRANTS			
Less:			
Goods and Services Tax	21	(379,905)	(274,723)
Income Tax Expense	22	(158,686)	(495,584)
		<u>(2,893,377)</u>	<u>(751,717)</u>
DEFICIT BEFORE GOVERNMENT GRANTS			
Add: Government grants	23	13,776,506	10,318,505
Less: Transfer to Ordinary Sinking Funds	5	1,954,321	2,009,745
Transfer to Lift Replacement Funds	6	4,692,994	-
Transfer to Town Improvement and Project Funds	7	2,619,229	4,320,459
		<u>4,509,962</u>	<u>3,988,301</u>
SURPLUS FOR THE FINANCIAL YEAR		<u>1,616,585</u>	<u>3,236,584</u>
ACCUMULATED SURPLUS AT 1 APRIL			
Less:			
Appropriation to Town Improvement and Project Funds	7	-	(1,200,000)
ACCUMULATED SURPLUS AT 31 MARCH		<u>6,913,831</u>	<u>5,297,246</u>

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

CHUA CHU KANG TOWN COUNCIL
 (Established under the Town Councils Act, Cap. 329A)
STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

	<u>Note</u>	<u>2018</u>	<u>2017</u>
		S\$	S\$
SURPLUS FOR THE FINANCIAL YEAR			
Accumulated Surplus	4	1,616,585	3,236,584
Ordinary Sinking Funds	5	1,390,718	2,359,473
Lift Replacement Funds	6	6,453,270	-
		<u>9,460,573</u>	<u>5,596,057</u>
OTHER COMPREHENSIVE INCOME			
		<u>-</u>	<u>-</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX			
		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO TOWN COUNCIL FUNDS			
		<u>9,460,573</u>	<u>5,596,057</u>

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

CHUA CHU KANG TOWN COUNCIL
(Established under the Town Councils Act, Cap. 329A)
STATEMENT OF CHANGES IN TOWN COUNCIL FUNDS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

	Total S\$	Residential Property S\$	Commercial Property S\$	Carpark S\$
Balance as at 1 April 2016	118,985,556	91,991,837	26,133,817	859,902
COMPREHENSIVE INCOME FOR THE YEAR				
Surplus for the year	5,596,057	3,467,064	1,330,679	798,314
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	5,596,057	3,467,064	1,330,679	798,314
Balance as at 31 March 2017	124,581,613	95,458,901	27,464,496	1,658,216
Balance as at 1 April 2017	124,581,613	95,458,901	27,464,496	1,658,216
COMPREHENSIVE INCOME FOR THE YEAR				
Surplus for the year	9,460,573	7,060,844	1,661,973	737,756
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	9,460,573	7,060,844	1,661,973	737,756
Balance as at 31 March 2018	134,042,186	102,519,745	29,126,469	2,395,972

The surplus for the financial year comprises the following :

	2018 S\$	2017 S\$
Accumulated Surplus	1,616,585	3,236,584
Ordinary Sinking Funds	1,390,718	2,359,473
Lift Replacement Funds	6,453,270	-
	9,460,573	5,596,057

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

CHUA CHU KANG TOWN COUNCIL
(Established under the Town Councils Act, Cap. 329A)
STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

	<u>Note</u>	<u>2018</u> S\$	<u>2017</u> S\$
OPERATING ACTIVITIES			
Deficit before income tax and Government Grants (after Goods and Services Tax)		(2,734,691)	(256,133)
Adjustments for :			
Depreciation	9	32,880	33,672
Provision for doubtful debts	12	253,677	458,295
Operating transfer to Ordinary Sinking Funds		12,312,689	14,792,096
Operating transfer to Lift Replacement Funds		6,629,918	-
Investment income of accumulated surplus (included in investing activities)	20	(120,446)	(137,851)
Operating cash inflows before movements in working capital		<u>16,374,027</u>	<u>14,890,079</u>
Operating Receivables		(985,150)	575,749
Operating Payables		675,477	(2,637,010)
Decrease in receivable for Neighbourhood Renewal Programme	8	-	565,590
Increase in payables for Neighbourhood Renewal Programme	8	9,490	393,624
Cash generated from operations		<u>16,073,844</u>	<u>13,788,032</u>
Income tax paid	22	(673,218)	(680,206)
Fund transfer to Marsiling-Yew Tee Town Council		-	(28,964,170)
Ordinary Sinking Funds expenditure inclusive of goods and services tax		(15,313,581)	(17,557,987)
Ordinary Sinking Funds other income received		8,617	19,752
Lift Replacement Funds expenditure inclusive of goods and services tax		(7,027,868)	-
Lift Replacement Funds other income received	6	10,867	-
Town Improvement and Project expenditure		(2,619,229)	(4,320,459)
Net cash used in operating activities		<u>(9,540,568)</u>	<u>(37,715,038)</u>
INVESTING ACTIVITIES			
Purchase of plant and equipment	9	(84,018)	(28,106)
Proceeds from redemption of bonds		-	4,250,000
Interest received		1,588,092	1,788,357
Net cash generated from investing activities		<u>1,504,074</u>	<u>6,010,251</u>
FINANCING ACTIVITIES			
Selective Lift Replacement Programme Fundings received		5,015,104	-
Government grants received		12,948,033	8,432,242
Net cash generated from financing activities		<u>17,963,137</u>	<u>8,432,242</u>
Net increase/(decrease) in cash and cash equivalents		9,926,643	(23,272,545)
Cash and cash equivalents at the beginning of the year		<u>65,802,177</u>	<u>89,074,722</u>
Cash and cash equivalents at the end of the year	14	<u><u>75,728,820</u></u>	<u><u>65,802,177</u></u>

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

CHUA CHU KANG TOWN COUNCIL

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

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

1. General information

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

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

The financial statements of the Town Council for the financial year ended 31 March 2018 were authorised for issue by the management of the Town Council on 18 September 2018.

2. Summary of significant accounting policies

2.1 Basis of preparation of financial statements

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

The financial statements have been prepared on a historical cost basis, except as disclosed elsewhere in the financial statements.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Town Council takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for leasing transactions that are within the scope of FRS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as value in use in FRS 36 *Impairment of Assets*.

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

**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 of financial statements (Continued)

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

<u>FRS</u>	<u>Title</u>	<u>Effective date for period beginning on or after</u>
FRS 109	Financial Instruments	1 January 2018
FRS 115	Revenue from Contracts with Customers	1 January 2018
FRS 116	Leases	1 January 2019

The Town Council does not anticipate that the adoption of the above in future periods will have a material impact on the financial statements of the Town Council in the period of their initial application, except for the following:

FRS 115 Revenue from Contracts with Customers

FRS 115 is effective for financial periods beginning on or after 1 January 2018. FRS 115 establishes a five-step model that apply to revenue earned from a contract with a customer (with limited exceptions), regardless the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment).

Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgements and estimates.

FRS 109 Financial Instruments

FRS 109 is effective for financial periods beginning on or after 1 January 2018. FRS 109 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in FRS 39. The approach in FRS 109 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets, and enable entities to reflect their risk management activities better in their financial statements, and, in turn, help to understand the effect of those activities on future cash flows. FRS 109 is principle-based, and will more closely align hedge accounting with risk management activities undertaken by entities when hedging their financial and non-financial risk exposures. The impairment requirement in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model.

FRS 116 Leases

FRS 116 will fundamentally alter the impact of leases on lessees' profit or loss and statement of financial position – the current divide between finance and operating leases is removed, along with the off-balance sheet treatment for lessees in the latter. FRS 116 introduces a single on-balance sheet lease accounting model for lessees that is similar to current finance lease accounting. FRS 116 largely preserved the accounting for lessors other than enhanced disclosures about their risk exposures, in particular residual value risk. Lessors continue to assess whether an arrangement is an operating or a finance lease by using criteria similar to the current lease classification test.

The management is currently evaluating the impact of the changes and assessing whether the adoption of FRS 115, FRS 109 and FRS 116 will have an impact on the Town Council.

CHUA CHU KANG TOWN COUNCIL

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

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

2. Summary of significant accounting policies (Continued)

2.2 Significant accounting estimates and judgements

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

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

2.3 Town Council Funds

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

- Residential Property
- Commercial Property
- Car parks are managed by the Town Council for the Housing and Development Board on an agency basis

These routine funds related to properties under management, together with Ordinary Sinking Funds, Lift Replacement Funds and Town Improvement and Project Funds form the Town Council funds.

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

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

Ordinary Sinking Funds

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

With the establishment of the Lift Replacement Fund, the minimum contribution rates for conservancy and service charges and grants-in-aid for Ordinary Sinking Funds is 26%.

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

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

2. Summary of significant accounting policies (Continued)

2.3 Town Council Funds (Continued)

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

(i)	1-room to 3-rooms	26% (2017: 30%) of conservancy and service fees and grants-in-aid
(ii)	4-rooms	26% (2017: 35%) of conservancy and service fees and grants-in-aid
(iii)	5-rooms	26% (2017: 35%) of conservancy and service fees and grants-in-aid
(iv)	Executive	26% (2017: 35%) of conservancy and service fees and grants-in-aid
(v)	Shop with living accommodation	26% (2017: 35%) of conservancy and service fees and grants-in-aid
(vi)	Commercial property	26% (2017: 35%) of 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 income and expenditure statement.

The Ordinary Sinking Funds are 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 Funds

Under the Town Councils (Amendment) Act 2017, Town Councils are required to establish a new Lift Replacement Fund ("LRF") with effect from 1 April 2017 in accordance with Section 33(4A) of the Town Councils Act. The establishment of the LRF is a standalone fund to be carved out from the existing Ordinary Sinking Funds ("SF") and ring-fenced specifically for lift replacements and other lift-related replacement works.

With the establishment of the Lift Replacement Fund, the minimum contribution rates for conservancy and service charges and grants-in-aid for Lift Replacement Funds is 14%.

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

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

Town Improvement and Project Funds

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

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

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").

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

2. Summary of significant accounting policies (Continued)

2.4 Inter-fund transfers

Under Section 33(9) of the Town Councils Act, if there is a surplus in the operating fund or Ordinary Sinking Funds, the Town Council may transfer whole or part of the surplus in the operating fund to the Sinking Funds, or transfer whole or part of the surplus in the Ordinary Sinking Funds to the Lift Replacement Funds to make good any deficit in the Lift Replacement Funds.

2.5 Allocation of general overheads

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

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

A total of five percent of related overheads are allocated to Ordinary Sinking Funds and Lift Replacement Funds

2.6 Government grants

The Town Council receives five types of grants from the Government, namely, Conservancy and Service Charges (“S&CC”) Grant, Payment from CCC, GST Subvention Grant, Lift Replacement Fund Matching Grant (“LRF Matching Grant”) and Lift Maintenance Grant (“LMG”).

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

Conservancy and Service Charge operating grants to meet the current year’s operating expenditure are taken to the Income and Expenditure Statement, except to the extent which is required to be transferred to Ordinary Sinking Funds and Lift Replacement Funds based on the amount prescribed.

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

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

Lift Replacement Fund Matching Grant (“LRF Matching Grant”) is given as grant-in-aid to the Town Council by MND to match 50% of Town Council's quarterly contributions to the Lift Replacement Funds to supplement Town Council's savings.

Lift Maintenance Grant (“LMG”) is given as grant-in-aid to the Town Council to cope with the higher lift-related servicing and maintenance costs. LMG will be disbursed to Town Council annually. The amount to be disbursed is S\$600 for every eligible lift maintained by the Town Council. The grant are taken to the Income and Expenditure Statement and disclose as other grant together with Conservancy and Service Charges grant, except to the extent which is required to be transferred to Ordinary Sinking Funds and Lift Replacement Funds based on the amount prescribed.

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

2. Summary of significant accounting policies (Continued)

2.7 Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and 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.

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

■ Furniture, fixtures and fittings	5 years
■ Office equipment	3- 5 years

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

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

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

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

2.8 Financial assets

Initial recognition, measurement and derecognition of financial assets

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

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

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

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

2. Summary of significant accounting policies (Continued)

2.8 Financial assets (Continued)

Subsequent measurement

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

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

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

(ii) Loans and receivables:

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

(iii) Held-to-maturity financial assets

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

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

2. Summary of significant accounting policies (Continued)

2.8 Financial assets (Continued)

Impairment of financial assets

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

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

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.9 Impairment of non-financial assets

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

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

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

2.10 Funds with fund managers

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

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

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

2. Summary of significant accounting policies (Continued)

2.11 Conservancy and service fees receivables

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

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

2.12 Other receivables

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

2.13 Cash and cash equivalents

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

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

2.14 Financial liabilities

Initial recognition, measurement and derecognition of financial liabilities

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

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

Subsequent measurement

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

- (i) Liabilities at fair value through profit or loss: As at the reporting date, there were no financial liabilities classified under this category.
- (ii) Other financial liabilities: All liabilities, which have not been classified in the previous category fall into this residual category. These liabilities are carried at amortised cost using the effective interest method. Payables and borrowings are classified under this category. Items classified within current payables are not usually re-measured, as the obligation is usually known with a high degree of certainty and settlement is short-term.

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

2. Summary of significant accounting policies (Continued)

2.15 Fair value of financial instruments

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

2.16 Payables and accrued expenses

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

2.17 Provisions

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

2.18 Revenue recognition

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

(i) Conservancy and service fee and agency fees

Conservancy and service fees and agency fees are recognised when due.

(ii) 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.

(iii) Other income

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

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

2. Summary of significant accounting policies (Continued)

2.19 Lease as a lessee

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

2.20 Income tax

Tax is provided on the following income:

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

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

In respect of government grants received, the Town Council has been granted remission under Section 92(2) of the Income Tax Act, Cap. 134. Conservancy and service charges are not subject to income tax.

2.21 Foreign currency transactions and translation

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

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

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

2. Summary of significant accounting policies (Continued)

2.22 Neighbourhood Renewal Programme

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

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

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

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

3. Critical accounting judgments and key sources of estimation uncertainty

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

Key sources of estimation uncertainty

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

(i) Allowance for doubtful conservancy and service fees receivables

Allowance for doubtful conservancy and service debts amounting to S\$1,615,704 (2017: S\$1,419,095) has been estimated on the basis of age of debts, result of recovery efforts and historical experience. The identification of doubtful receivables requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying amount of the receivables and the allowance for impairment in the financial year in which such estimate has been changed.

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

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

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

(ii) Income tax

The Town Council is subject to income taxes in Singapore. Judgement is required in determining the deductibility of certain expenses during the estimation of the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of operations. The Town Council recognises liabilities for expected tax issues based on estimate of whether additional taxes will be due. Where the final tax outcome of these matters differs from the amounts that were initially recognised, such differences will impact the income tax provisions in the period in which such determination is made. As at 31 March 2018, the tax payable by the Town Council was S\$1,209,035 (2017: S\$1,605,409).

(iii) Classification of held-to-maturity financial assets

The Town Council follows the guidance of FRS 39 on classifying non-derivatives financial assets with fixed or determinable payments with fixed maturity as held-to-maturity. This classification requires judgement. In making this judgement, the Town Council evaluates its intention and ability to hold such investments to maturity. If the Town Council fails to keep investments to maturity other than for specific circumstances, it will be required to reclassify these investments as available-for-sale. The investments would then be measured at fair value, and not amortised cost.

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

4. ACCUMULATED SURPLUS

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

Note	Total		Residential Property		Commercial Property		Carpark	
	2018	2017	2018	2017	2018	2017	2018	2017
	S\$	S\$	S\$	S\$	S\$	S\$	S\$	S\$
OPERATING INCOME								
Conservancy and service fees	47,356,491	42,862,560	45,227,508	40,993,060	2,128,983	1,869,500	-	-
Less: Operating transfer to Ordinary Sinking Funds (minimum required by law)	12,312,689	14,792,096	11,759,153	14,137,770	553,536	654,326	-	-
Operating transfer to Lift Replacement Funds (minimum required by law)	6,629,918	-	6,331,860	-	298,058	-	-	-
	28,413,884	28,070,464	27,136,495	26,855,290	1,277,389	1,215,174	-	-
Agency fees	3,873,993	3,607,795	-	-	-	-	3,873,993	3,607,795
Other income	2,681,247	2,756,994	1,936,330	2,036,328	660,738	611,782	84,179	108,884
	34,969,124	34,435,253	29,072,825	28,891,618	1,938,127	1,826,956	3,958,172	3,716,679
Less: Operating Expenditure	36,746,887	33,777,803	32,563,536	30,075,427	1,003,941	842,754	3,179,410	2,859,622
OPERATING (DEFICIT)/SURPLUS	(1,777,763)	657,450	(3,490,711)	(1,183,809)	934,186	984,202	778,762	857,057
Add: Investment Income	120,446	137,851	105,794	120,868	2,614	3,054	12,038	13,929
Less:								
Town Improvement Project Works	697,469	776,711	685,953	742,447	11,516	34,264	-	-
(DEFICIT)/SURPLUS BEFORE INCOME TAX AND GOVERNMENT GRANTS	(2,354,786)	18,590	(4,070,870)	(1,805,388)	925,284	952,992	790,800	870,986
Less:								
Goods & Services Tax	379,905	274,723	335,762	240,735	8,158	6,131	37,985	27,857
Income Tax Expense	158,686	495,584	139,878	441,038	3,749	9,731	15,059	44,815
(DEFICIT)/SURPLUS BEFORE GOVERNMENT GRANTS	(2,893,377)	(751,717)	(4,544,510)	(2,487,161)	913,377	937,130	737,756	798,314
Add: Government grants	13,776,506	10,318,505	13,587,488	10,190,743	189,018	127,762	-	-
Less: Transfer to								
Ordinary Sinking Funds	1,954,321	2,009,745	1,954,009	2,009,745	312	-	-	-
Lift Replacement Funds	1,052,329	-	1,052,161	-	168	-	-	-
Lift Replacement Funds - LRF matching grants	3,640,665	-	3,494,372	-	146,293	-	-	-
Town Improvement and Project Funds	2,619,229	4,320,459	2,577,704	4,192,697	41,525	127,762	-	-
	4,509,962	3,988,301	4,509,242	3,988,301	720	-	-	-
SURPLUS / (DEFICIT) FOR THE YEAR	1,616,585	3,236,584	(35,268)	1,501,140	914,097	937,130	737,756	798,314
ACCUMULATED SURPLUS AT 1 APRIL	5,297,246	3,260,662	808,872	507,732	2,830,158	1,893,028	1,658,216	859,902
Less:								
Appropriation to Town Improvement and Project Funds	-	1,200,000	-	1,200,000	-	-	-	-
ACCUMULATED SURPLUS AT 31 MARCH	6,913,831	5,297,246	773,604	808,872	3,744,255	2,830,158	2,395,972	1,658,216

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5. ORDINARY SINKING FUNDS

Note	Total		Residential Property		Commercial Property	
	2018	2017	2018	2017	2018	2017
	S\$	S\$	S\$	S\$	S\$	S\$
Balance at 1 April	116,847,599	114,488,126	92,259,212	90,293,288	24,588,387	24,194,838
Amount transferred to Lift Replacement Funds	(16,358,664)	-	(12,916,290)	-	(3,442,374)	-
	100,488,935	114,488,126	79,342,922	90,293,288	21,146,013	24,194,838
Add:						
Investment Income	2,540,389	3,295,166	2,480,430	3,215,363	59,959	79,803
Other Income	8,617	19,752	8,445	19,752	172	-
Operating transfer from conservancy and services fees	12,312,689	14,792,096	11,759,153	14,137,770	553,536	654,326
Government grants	1,954,321	2,009,745	1,954,009	2,009,745	312	-
	16,816,016	20,116,759	16,202,037	19,382,630	613,979	734,129
Less:						
Expenditure	15,148,589	17,413,830	14,919,360	17,082,108	229,229	331,722
Goods and Services tax	164,992	144,157	161,059	140,602	3,933	3,555
Income tax	111,717	199,299	109,161	193,996	2,556	5,303
	15,425,298	17,757,286	15,189,580	17,416,706	235,718	340,580
Surplus for the year	1,390,718	2,359,473	1,012,457	1,965,924	378,261	393,549
Balance at 31 March	101,879,653	116,847,599	80,355,379	92,259,212	21,524,274	24,588,387
Represented by:						
	2018	2017				
	S\$	S\$				
Non-Current Asset						
Held-to-maturity financial assets	21,000,000	26,000,000				
Current Assets						
Held-to-maturity financial assets	5,000,000	5,000,000				
Conservancy and service receivables	582,769	428,903				
Other receivables	1,032,578	205,772				
Interest receivable	469,556	708,632				
Financial assets at fair value through profit or loss	31,302,045	31,307,295				
Cash and cash equivalents	41,508,408	52,137,873				
Due from accumulated surplus	3,567,141	5,242,877				
	83,462,497	95,031,352				
Total Assets	104,462,497	121,031,352				
Current Liabilities						
Conservancy and services fees received in advance	176,694	207,929				
Payables and accrued expenses	2,052,060	3,094,383				
Income tax payable	354,090	881,441				
	2,582,844	4,183,753				
NET ASSETS	101,879,653	116,847,599				

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5 (a). ORDINARY SINKING FUNDS (CONTINUED)

	<u>2018</u>	<u>2017</u>
	S\$	S\$
Lift works	-	3,899,836
Reroofing works	1,281,834	2,304,909
Redecoration and repainting	7,851,724	4,412,973
Electrical rewiring	1,227,870	2,469,530
Replacement of water pipes	1,539,539	1,547,706
Replacement of water pumps & booster pumps	879,246	676,264
Others	2,368,376	2,102,612
	<u>15,148,589</u>	<u>17,413,830</u>

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6. LIFT REPLACEMENT FUNDS

Note	Total		Residential Property		Commercial Property	
	2018	2017	2018	2017	2018	2017
	S\$	S\$	S\$	S\$	S\$	S\$
Balance at 1 April						
Initial transfer from Ordinary Sinking Funds	5	16,358,664	-	-	-	-
			12,916,290	-	3,442,374	-
Add:						
Investment Income	20	240,437	234,658	-	5,779	-
Other Income		10,867	10,607	-	260	-
Operating transfer from conservancy and services fees	4	6,629,918	6,331,860	-	298,058	-
Government grants	4, 23	1,052,329	1,052,161	-	168	-
LRP matching grant	4, 23	3,640,665	3,494,372	-	146,293	-
Fundings for Selective Lift Replacement Programme	27	1,913,363	1,906,300	-	7,063	-
		13,487,579	13,029,958	-	457,621	-
Less:						
Expenditure	6(a)	6,940,137	6,854,370	-	85,767	-
Goods and Services tax	21	87,731	85,641	-	2,090	-
Income tax	22	6,441	6,292	-	149	-
		7,034,309	6,946,303	-	88,006	-
Surplus for the year		6,453,270	6,083,655	-	369,615	-
Balance at 31 March		22,811,934	18,999,945	-	3,811,989	-
Represented by:						
		2018	2017			
		S\$	S\$			
Non-Current Asset						
Held-to-maturity financial assets	10	5,000,000	-			
Current Assets						
Conservancy and service receivables		313,799	-			
Other receivables		1,057,780	-			
Interest receivable		124,110	-			
Cash and cash equivalents		19,478,509	-			
Due from accumulated surplus		2,062,276	-			
		23,036,474	-			
Total Assets		28,036,474	-			
Current Liabilities						
Conservancy and services fees received in advance		95,143	-			
Advances received for Selective Lift Replacement Programme		3,101,741	-			
Payables and accrued expenses		2,021,215	-			
Income tax payable		6,441	-			
		5,224,540	-			
NET ASSETS		22,811,934	-			

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6 (a). LIFT REPLACEMENT FUNDS (CONTINUED)

	<u>2018</u>	<u>2017</u>
	S\$	S\$
Replacement of lift batteries	500,190	-
Lift overhauls & replacement works	2,404,323	-
Selective lift replacement works	3,982,943	-
Others	52,681	-
	<u>6,940,137</u>	<u>-</u>

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7. TOWN IMPROVEMENT AND PROJECT FUNDS

	Note	Total		Residential Property		Commercial Property	
		2018 S\$	2017 S\$	2018 S\$	2017 S\$	2018 S\$	2017 S\$
Balance at 1 April		2,436,768	1,236,768	2,390,817	1,190,817	45,951	45,951
Add/(Less):							
Government grants	4, 23	2,619,229	4,320,459	2,577,704	4,192,697	41,525	127,762
Expenditure		(3,316,698)	(5,097,170)	(3,263,657)	(4,935,144)	(53,041)	(162,026)
Town Improvement Works transfer from accumulated surplus	4	697,469	776,711	685,953	742,447	11,516	34,264
Surplus for the year		-	-	-	-	-	-
Add:							
Appropriation from accumulated surplus	4	-	1,200,000	-	1,200,000	-	-
Balance at 31 March		2,436,768	2,436,768	2,390,817	2,390,817	45,951	45,951
Represented by:							
Current asset							
Grants receivable		4,317,169	4,471,565				
Current liabilities							
Payables and accrued expenses		801,557	1,523,247				
Amount due to accumulated surplus		1,078,844	511,550				
		1,880,401	2,034,797				
NET ASSETS		<u>2,436,768</u>	<u>2,436,768</u>				

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8. PAYABLES FOR NEIGHBOURHOOD RENEWAL PROGRAMME

	2018	2017
	S\$	S\$
Balance at 1 April	393,624	(565,590)
Funding from government	1,054,045	3,250,770
Payment and/or due to contractors	(1,044,555)	(2,291,556)
Net movement during the year	9,490	959,214
Balance at 31 March	403,114	393,624

9. PLANT AND EQUIPMENT

	Furniture, fixtures and fittings	Office equipment	Total
	S\$	S\$	S\$
<u>Cost</u>			
At 1 April 2016	617,187	230,103	847,290
Additions	-	28,106	28,106
Written off	-	(1,250)	(1,250)
At 31 March 2017	617,187	256,959	874,146
Additions	44,160	39,858	84,018
Written off	-	(18,468)	(18,468)
At 31 March 2018	661,347	278,349	939,696
<u>Accumulated Depreciation</u>			
At 1 April 2016	609,074	158,640	767,714
Depreciation	3,553	30,119	33,672
Written off	-	(1,250)	(1,250)
At 31 March 2017	612,627	187,509	800,136
Depreciation	4,180	28,700	32,880
Written off	-	(18,468)	(18,468)
At 31 March 2018	616,807	197,741	814,548
<u>Net book value</u>			
At 31 March 2017	4,560	69,450	74,010
At 31 March 2018	44,540	80,608	125,148

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10. HELD-TO-MATURITY FINANCIAL ASSETS

	2018	2017
	S\$	S\$
Quoted debt securities, at amortised cost	31,000,000	31,000,000
Less: current portion - quoted debt securities	<u>(5,000,000)</u>	<u>(5,000,000)</u>
Non-current portion	<u>26,000,000</u>	<u>26,000,000</u>
With maturity within:		
- 1 year : 1.83% p.a (FY16/17 : 2.00% p.a.)	5,000,000	5,000,000
- 2 to 5 years : 1.825% to 3.14% p.a. (FY16/17 : 1.83% to 3.14% p.a.)	23,000,000	23,000,000
- over 5 years : 2.505% p.a. (FY16/17 : 2.505% p.a.)	<u>3,000,000</u>	<u>3,000,000</u>
At amortised cost	<u>31,000,000</u>	<u>31,000,000</u>
Market value at 31 March	<u>31,060,070</u>	<u>31,505,500</u>

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

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

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The financial assets at fair value through profit or loss represent funds and related investment income placed with professional fund managers. The investments are managed by fund managers appointed by the Town Council based on terms and conditions stipulated on the respective investment agreement. As at the reporting date, the funds invested through a fund manager comprised the following:

	2018	2017
	S\$	S\$
Quoted equities	4,591,989	4,181,645
Quoted debt securities	<u>26,710,056</u>	<u>27,125,650</u>
	<u>31,302,045</u>	<u>31,307,295</u>

12. CONSERVANCY AND SERVICE FEES RECEIVABLES

	2018	2017
	S\$	S\$
Conservancy and service fees receivables	2,915,615	2,661,912
Less: Allowance for impairment	<u>(1,615,704)</u>	<u>(1,419,095)</u>
	<u>1,299,911</u>	<u>1,242,817</u>

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

	2018	2017
	S\$	S\$
Balance at 1 April	1,419,095	1,055,427
Additional charge during the year	253,677	458,295
Bad debt written off	<u>(57,068)</u>	<u>(94,627)</u>
Balance at 31 March	<u>1,615,704</u>	<u>1,419,095</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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13. OTHER RECEIVABLES

	<u>2018</u>	<u>2017</u>
	S\$	S\$
Claims from Citizens' Consultative Committee funding receivable	4,317,169	4,471,565
Receivables from Housing Development Board	1,195,020	598,243
GST receivable from Inland Revenue Authority of Singapore	207,124	298,287
GST subvention receivable from Ministry of National Development	460,984	400,609
Deposits and Prepayments	499,663	365,949
Receivables from contractors	214,533	179,482
Conservancy and service fees receivables	161,231	129,599
Lift Replacement Fund Matching Grant receivables	890,862	-
	<u>7,946,586</u>	<u>6,443,734</u>

All receivables are denominated in Singapore dollar.

14. CASH AND CASH EQUIVALENTS

	<u>2018</u>	<u>2017</u>
	S\$	S\$
Cash on hand	7,500	7,500
Cash at banks	16,353,238	13,216,325
Cash with fund managers	2,770,166	1,338,017
	19,130,904	14,561,842
Fixed deposits	59,368,082	52,578,352
	<u>78,498,986</u>	<u>67,140,194</u>

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

	<u>2018</u>	<u>2017</u>
	S\$	S\$
Cash and cash equivalents as above	78,498,986	67,140,194
Less: Cash placed with fund managers	(2,770,166)	(1,338,017)
Cash and cash equivalents in statement of cash flows	<u>75,728,820</u>	<u>65,802,177</u>

Fixed deposits are placed for varying periods from one month to one year. The interest rates range from 0.25% to 2.00% (2017: 0.25% to 2.00%) per annum.

15. PAYABLES AND ACCRUED EXPENSES

	<u>2018</u>	<u>2017</u>
	S\$	S\$
Accrued operating expenses	299,982	154,165
Deposits	967,715	644,297
Payables	10,066,239	9,964,282
	<u>11,333,936</u>	<u>10,762,744</u>

All payables and accrued expenses are denominated in Singapore dollar.

Included in payables are amount due to a related party amounting to S\$696,405 (2017: S\$597,039).

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16. AGENCY FEES

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

17. OTHER INCOME

	2018	2017
	S\$	S\$
Interest on late payment of conservancy and service fees	200,057	188,747
Liquidated damages	252,182	192,365
Temporary occupation licenses	1,621,872	1,603,905
Usage of void deck, water, electricity and common property	227,393	271,663
Income from sale of tender documents/forfeiture of tender deposits	182,474	211,954
Others	197,269	288,360
	2,681,247	2,756,994

18. MANAGING AGENT'S FEES

The Town Council's management of its operations has been outsourced to a managing agent. The managing agent's fees incurred is disclosed in Note 26.

19. GENERAL AND ADMINISTRATIVE EXPENDITURE

	2018	2017
	S\$	S\$
Advertising, publicity and public relations	267,502	195,297
Audit fee	81,500	34,500
Computer services	304,709	287,541
Depreciation	32,880	33,672
Fixed assets not capitalised	3,657	9,445
Office rental and upkeep expenditure	389,476	349,389
Office supplies and stationery	158,728	143,354
Property tax	166,830	167,062
Town Councillors' allowance	147,896	141,300
Allowance for doubtful debts	253,677	458,295
Others	142,311	169,041
	1,949,166	1,988,896

	2018	2017
	S\$	S\$
This is allocated to the following expenditure:		
Operating expenditure	1,861,727	1,897,804
Ordinary Sinking Funds expenditure	56,835	91,092
Lift Replacement Funds expenditure	30,604	-
	1,949,166	1,988,896

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20. INVESTMENT INCOME

	<u>Note</u>	<u>2018</u> S\$	<u>2017</u> S\$
<u>Accumulated Surplus</u>			
Interest income from fixed deposits and bank current accounts	4	120,446	137,851
<u>Ordinary Sinking Funds</u>			
Interest income from fixed deposits and bank current accounts		492,070	708,054
Interest from quoted debt securities held-to-maturity		697,128	810,650
Gain realised arising from changes in financial assets at fair value		1,299,238	1,143,817
Gain unrealised arising from changes in financial assets at fair value through profit or loss		51,953	632,645
	5	<u>2,540,389</u>	<u>3,295,166</u>
<u>Lift Replacement Funds</u>			
Interest income from fixed deposits and bank current accounts		186,437	-
Interest from quoted debt securities held-to-maturity		54,000	-
	6	<u>240,437</u>	<u>-</u>

21. GOODS AND SERVICES TAX

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

	<u>Note</u>	<u>2018</u> S\$	<u>2017</u> S\$
Accumulated Surplus	4	379,905	274,723
Ordinary Sinking Funds	5	164,992	144,157
Lift Replacement Funds	6	87,731	-
		<u>632,628</u>	<u>418,880</u>

22. INCOME TAX EXPENSE

	<u>Note</u>	<u>2018</u> S\$	<u>2017</u> S\$
Current year income tax provision		541,138	667,898
(Over)/Under provision in respect of prior years		(264,294)	26,985
		<u>276,844</u>	<u>694,883</u>
Taken up in:			
Accumulated Surplus	4	158,686	495,584
Ordinary Sinking Funds	5	111,717	199,299
Lift Replacement Funds	6	6,441	-
Tax Expense		<u>276,844</u>	<u>694,883</u>

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

	2018	2017
	S\$	S\$
Interest income	2,628,584	2,834,284
Other income	1,297,676	1,479,493
	3,926,260	4,313,777
Tax calculated at Singapore tax rate of 17%	667,464	733,342
Income tax exemption	(25,925)	(25,925)
Tax effect of certain income taxed at concessionary tax rate	(122,744)	-
(Over)/Under provision in respect of prior years	(264,294)	26,985
Others	22,343	(39,519)
	276,844	694,883

The movements in income tax payable are as follows:

	2018	2017
	S\$	S\$
Balance at 1 April	1,605,409	1,590,732
Income tax paid	(673,218)	(680,206)
Provision during the year	276,844	694,883
Balance at 31 March	1,209,035	1,605,409

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23. GOVERNMENT GRANTS

(i) Government grants taken to the Income and Expenditure Statement during the year are as follows:

Note	Total		Conservancy and Service		Citizens' Consultative Committee		GST Subvention Grant		Lift Maintenance Grant		LRF Matching Grant	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	S\$	S\$	S\$	S\$	S\$	S\$	S\$	S\$	S\$	S\$	S\$	S\$
Government Grants received/receivable during the financial year	4	13,776,506	10,318,505	4,880,621	4,409,854	2,619,229	4,320,459	1,756,391	1,588,192	879,600	-	3,640,665
Less: Transfer to Ordinary Sinking Funds	4, 5	1,954,321	2,009,745	1,268,962	1,462,002	-	-	456,663	547,743	228,696	-	-
Transfer to Lift Replacement Funds	4, 6	4,692,994	-	683,287	-	-	-	245,898	-	123,144	-	-
Transfer to Town Improvement and Project Funds	4, 7	2,619,229	4,320,459	-	-	2,619,229	4,320,459	-	-	-	-	-
		<u>4,509,962</u>	<u>3,988,301</u>	<u>2,928,372</u>	<u>2,947,852</u>	<u>-</u>	<u>-</u>	<u>1,053,830</u>	<u>1,040,449</u>	<u>527,760</u>	<u>-</u>	<u>-</u>

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

	2018	2017
	S\$	S\$
Cumulative total grants received / receivable up to 1 April	226,754,199	216,435,694
Grants received / receivable during the financial year	13,776,506	10,318,505
Cumulative total grants received / receivable up to 31 March	<u>240,530,705</u>	<u>226,754,199</u>

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24. CAPITAL EXPENDITURE COMMITMENTS

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

	2018	2017
	S\$	S\$
Amount approved and contracted for	35,668,091	20,899,136
Amount approved and not contracted for	63,532,082	75,983,317
	99,200,173	96,882,453

The commitments amount included Neighbourhood Renewal Programme projects amounting to S\$3,738,393 (2017: S\$5,674,845), which is funded by HDB.

25. OPERATING LEASE COMMITMENTS

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

	2018	2017
	S\$	S\$
Not later than one year	472,586	443,164
Later than one year and not later than five years	101,591	453,744
	574,177	896,908

26. SIGNIFICANT RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions with related party on terms mutually agreed during the financial year are as follows:

	2018	2017
	S\$	S\$
Managing agent's fees	4,393,463	3,865,983
Lift testing fees	432,000	72,000
Project management and Fire safety manager fees	989,907	698,110

Related party relates to the managing agent of the Town Council who manages the operations of the Town Council.

27. ADVANCES RECEIVED FOR SELECTIVE LIFT REPLACEMENT PROGRAMME

This represents advances received from the HDB under the Selective Lift Replacement Programme to replace selected old lifts with new ones that come with better safety and security features on a cost-sharing basis with the Town Councils. The SLRP is a once-off programme and the advances would be spent when cyclical replacement is carried out.

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS

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

The main risks arising from the financial instruments are credit risk and market risk. The Town Council is not exposed to foreign exchange risk for the year ended 31 March 2018. There is no significant liquidity risk as sufficient cash is maintained to meet its operational requirements. The Town Council's reviews on the policies for managing these risks are disclosed below.

(a) Credit Risk

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

For receivables, an ongoing credit evaluation is performed on the financial conditions of the receivables and losses on impairment are recognised in the income and expenditure statement. The allowance for impairment of conservancy and service fees receivable totaling S\$1,615,704 (2017: S\$1,419,095) is determined at the reporting date.

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

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

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

(a) Credit Risk (Continued)

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

	<u>Note</u>	<u>2018</u> S\$	<u>2017</u> S\$
Not past due		332,302	348,427
Past due 0-12 months		767,732	659,260
Past due 12-24 months		392,509	408,577
Over 24 months		<u>1,423,072</u>	<u>1,245,648</u>
		2,915,615	2,661,912
Allowance for impairment		<u>(1,615,704)</u>	<u>(1,419,095)</u>
	12	<u>1,299,911</u>	<u>1,242,817</u>

Conservancy and service fees receivables amounting to S\$1,299,911 (2017: S\$1,242,817) are not impaired, as the management believes that it will be collectible in the foreseeable future as a result of recovery efforts and based on historical experience.

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

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

Investments classified as held-to-maturity comprised bonds issued by Statutory Boards and/or Government related agencies.

(b) Market Risk

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

(i) Price risk

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

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

	<u>Increase/(Decrease)</u>			
	<u>Net Assets</u>		<u>Ordinary Sinking Fund Statement</u>	
	2018	2017	2018	2017
	S\$	S\$	S\$	S\$
Funds with a fund manager				
- increase by 10%	3,130,205	3,130,730	3,130,205	3,130,730
- decrease by 10%	<u>(3,130,205)</u>	<u>(3,130,730)</u>	<u>(3,130,205)</u>	<u>(3,130,730)</u>

(ii) Interest rate risk

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

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

The Town Council has interest-bearing fixed deposits with financial institutions and held-to-maturity financial assets. The interest rates are disclosed in Notes 10 and 14 to the financial statements. The interest-bearing fixed deposits and held-to-maturity financial assets are mainly at fixed rates at the reporting date.

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

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

(b) Market Risk (Continued)

(ii) Interest rate risk (continued)

Sensitivity analysis for interest rate risk

At the end of the reporting period, if interest had been 25 basis points higher/lower with all other variables held constant, the Town Council's surplus net of tax would have been S\$71,911 (2017 : S\$72,823) higher/lower.

(iii) Foreign Currency Risk

Town Council is not exposed to foreign currency risk as at 31 March 2018 and 2017.

(c) Liquidity Risk

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

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

The table below analyses the maturity profile of the Town Council's financial assets and liabilities based on contractual undiscounted cash flows:

	Less than 1 year	Between 2-5 years	More than 5 years	Total
	S\$	S\$	S\$	S\$
As at 31 March 2018				
Held-to-maturity financial assets	5,058,911	24,676,152	3,469,430	33,204,493
Financial assets at fair value through profit or loss	31,302,045	-	-	31,302,045
Conservancy and service receivables	1,299,911	-	-	1,299,911
Other receivables (exclude prepayment)	7,779,662	-	-	7,779,662
Interest receivable	624,614	-	-	624,614
Cash and cash equivalents	78,498,986	-	-	78,498,986
Conservancy and service fees received in advance	707,278	-	-	707,278
Advances received for Selective Lift Replacement Programme	3,101,741	-	-	3,101,741
Payables and accrued expenses	11,333,936	-	-	11,333,936
Payables for Neighbourhood Renewal Programme	403,114	-	-	403,114
As at 31 March 2017				
Held-to-maturity financial assets	5,059,452	24,895,113	3,544,580	33,499,145
Financial assets at fair value through profit or loss	31,307,295	-	-	31,307,295
Conservancy and service receivables	1,242,817	-	-	1,242,817
Other receivables (exclude prepayment)	6,301,869	-	-	6,301,869
Interest receivable	737,849	-	-	737,849
Cash and cash equivalents	67,140,194	-	-	67,140,194
Conservancy and service fees received in advance	602,509	-	-	602,509
Payables and accrued expenses	10,762,744	-	-	10,762,744
Payables for Neighbourhood Renewal Programme	393,624	-	-	393,624

29. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair values

The carrying amount of financial assets and liabilities with a maturity of less than one year is assumed to approximate their fair values.

The Town Council does not anticipate that the carrying amounts recorded at the end of the reporting period would be significantly different from the values that would eventually be received or settled.

Fair value hierarchy

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

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

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

29. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(I) Assets measured at fair value

The following table shows an analysis of each class of assets and liabilities measured at fair value as at 31 March 2018 and 31 March 2017.

	<u>Level 1</u> S\$	<u>Level 2</u> S\$	<u>Level 3</u> S\$	<u>Total</u> S\$
<u>Recurring fair value measurement</u>				
31 March 2018				
Financial assets at fair value through profit or loss (Note 10)	31,302,045	-	-	31,302,045
31 March 2017				
Financial assets at fair value through profit or loss (Note 10)	31,307,295	-	-	31,307,295

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

(II) Assets not carried at fair value but for which fair value is disclosed

The following table shows an analysis of the Town Council's assets not measured at fair value at 31 March 2018 and 31 March 2017 but for which fair value is disclosed:

	<u>Level 1</u> S\$	<u>Level 2</u> S\$	<u>Level 3</u> S\$	<u>Total</u> S\$	<u>Carrying amount</u> S\$
31 March 2018					
Held-to-maturity financial asset (Note 10)	31,060,070	-	-	31,060,070	31,000,000
31 March 2017					
Held-to-maturity financial asset (Note 10)	31,505,500	-	-	31,505,500	31,000,000

30. FAIR VALUE OF OTHER ASSETS AND LIABILITIES

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

31. FUNDS MANAGEMENT

The Town Council's objectives when managing funds are:

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

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

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

The Town Council is not subject to externally imposed requirements.

The Town Council total funds amounted to S\$134,042,186 (2017: S\$124,581,613).