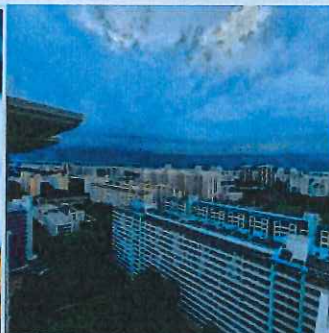




**EAST COAST
TOWN COUNCIL**

2021/2022

ANNUAL REPORT



**EAST
COAST**
HOME TO THE SUNNY SIDE



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Dear Residents,

I am heartened that we continue to strengthen our East Coast kampong spirit, through the tireless efforts of our residents, grassroots organisations, national agencies, together with the Town Council. It has been a year filled with both challenges and opportunities.

While the challenges we have faced over the past two years as individuals and as a community have been difficult, we have come through these trying times as one united people. I thank all residents and our frontliners for the sacrifices made to help us manage and overcome this crisis.

The Town Council is working to find more sustainable solutions to manage our resources amidst disruptions of supply chains, increasing energy costs and rising inflation. By working together to find new sustainable solutions, we are confident that we can weather these challenges.

In our mission to be a greener East Coast, the installation of solar panels has begun on HDB rooftops in the Fengshan, Bedok and Kampong Chai Chee in the last quarter of 2022 and Changi Simei to commence in the third quarter of 2023. These panels will help to power common facilities and community spaces during the day. New electrical charging points will be progressively installed in carparks for greater accessibility to electrical vehicle charging.

The Town Council continues to undertake projects to improve the infrastructure and accessibility of our East Coast neighbourhood. While the pandemic has caused delays for some of the infrastructure projects, the Town Council embarked on Community Improvement Projects Committee (CIPC) and Neighbourhood Renewal Programme (NRP) projects to improve infrastructure and accessibility within our neighbourhoods for East Coast residents.



These projects have increased the number of covered linkways, walkwayshelters, and bicycle sheds in key locations within East Coast. Our residents can look forward to new playgrounds and more drop-off points in future.

Do keep up with the latest news through the Town Council's digital newsletter, 'Our Sunny Side'.

I would like to express my gratitude to all East Coast residents for your support. We will continue to make East Coast a Caring, Vibrant and Green home for our residents.

A stylized handwritten signature in black ink.

Jessica Tan Soon Neo
Chairman
East Coast Town Council



Corporate Information

East Coast Town Council, manages and maintains the common properties of the HDB estates in Bedok, Changi Simei, Fengshan, Kampong Chai Chee, and Siglap of East Coast Group Representation Constituency.

RESIDENTIAL

461 1-Room Flat

1839 2-Room Flat

11448 3-Room Flat

15714 4-Room Flat

8468 5-Room Flat

908 Executive Apt/
Maisonette Flat


COMMERCIAL

998 Markets/Hawker Stalls

627 Shops

130 Miscellaneous

63 Banks/Offices




Corporate Governance

Composition & Structure

The selection, appointment and reappointment of Town Councillors takes into consideration the composition of the Council and the relevant experience, skills and/or competencies of the members. In appointing the Town Councillors:

1. The Town Council utilises a referral process to search for potential candidates
2. The Council considers a variety of factors including audit and financial skills, time commitment and prior experience
3. At least two-thirds of the appointed Town Councillors must be residents of the HDB housing estates within the Town.
4. The Chairperson of the committee overseeing audit matters should not chair or be a member in other Council committees. The majority of the members of the committee overseeing audit matters should not concurrently be members in the other council committees.
5. The Chairperson overseeing finance matters should not chair or be a member in other Council committees that oversee procurement matters. The majority of the members of the Committee overseeing finance should not concurrently be members in the other Council committees that oversee procurement matters.
6. The tenure for a Chairperson of Council committees overseeing audit and risk management and finance and procurement should be a maximum of 10 consecutive years.



Corporate Governance Practices

The Code of Governance which took effect from 1 April 2020 sets out the principles of good governance and highlights best practices that guide the Town Councils in executing their fiduciary responsibilities, and improving accountability and disclosure.

East Coast Town Council exercises the code of governance practices, with the aim to provide greater transparency and raise governance standards. Policies and processes were developed and implemented in line with guiding principles of the Code across four main domains – Council Effectiveness, Internal Controls & Processes, Financial Management and Vendor Management.

The Town Council further manages risks effectively by using Enterprise Risk Management (ERM). By identifying key risks through this methodology, the Town Council was able to conduct a deep dive into the risk consequences and put in place effective actionable controls and supporting policies to address these risks adequately. This systematic framework is an ongoing effort which supports the Town Council and management in making informed strategic and operational decisions that aligns with the objectives of the Town Council.

The Council is of the opinion that the Enterprise Risk Management Framework and supporting internal control policies and procedures are adequate to address the key risks of the Town Council

Financial statements

EAST COAST TOWN COUNCIL

(Established under Town Councils Act 1988)

For the year ended 31 March 2022

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Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of East Coast Town Council (the "Town Council"), which comprise the statement of financial position as at 31 March 2022, the statement of income and expenditure, statement of comprehensive income, statement of changes in Town Council funds and statement of cash flows of the Town Council for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Town Council are properly drawn up in accordance with the provisions of the Town Councils Act 1988 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the financial position of the Town Council as at 31 March 2022, 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 Information

Management is responsible for the other information. The other information comprises the Chairman's Review 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.

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's and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 established under the Town Councils Act and may be dissolved by the Singapore Minister's order published in the Gazette of Singapore. 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

- 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 the management and 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, investment of moneys and the acquisition and disposal of assets by the Town Council during the financial year ended 31 March 2022 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.

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 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 entity's internal control. Because of the inherent limitations in any accounting and internal control system, non-compliances may nevertheless occur and not be detected.

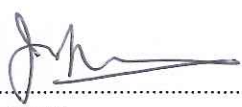
JR CHAN COMPANY
Public Accountants and
Chartered Accountants


Singapore,
17 August 2022

Statement of financial position

as at 31 March 2022

	Notes	2021/2022 \$	2020/2021 \$
TOWN COUNCIL FUND			
Residential Property			
Accumulated surplus	3	1,342,746	1,537,310
Sinking Fund	4	34,882,678	34,775,024
Lift Replacement Fund	5	21,335,162	16,948,197
Town Improvement and Project Fund	6	923,364	483,425
		58,483,950	53,743,956
Other Commercial Property			
Accumulated surplus	3	1,624,972	1,645,718
Sinking Fund	4	31,769,564	30,828,277
Lift Replacement Fund	5	8,889,608	8,072,505
Town Improvement and Project Fund	6	80,194	39,224
		42,364,338	40,585,724
Carpark			
Accumulated surplus	3	1,286,711	586,990
		102,134,999	94,916,670
Represented by:			
Non-Current Assets			
Plant and equipment	7	915,422	790,590
Current Assets			
Financial assets at fair value through profit or loss	8	19,729,111	20,105,100
Receivable from Neighbourhood Renewal Programme	13(a)	847,093	299,294
Conservancy and service fee receivables	9	475,441	666,015
Other receivables	10	2,646,802	3,494,344
Interest/investment income receivable		125,902	129,595
Fixed deposits	11, 12	43,369,646	43,224,200
Cash and bank balances	12	41,222,285	29,810,249
		108,416,280	97,728,797
Total Assets		109,331,702	98,519,387
Less:			
Current Liabilities			
Conservancy and service fees received in advance		485,196	505,090
Payables and accrued expenses	13(b)	6,118,278	2,318,189
Lease Liability	15(b)	87,834	162,182
Current tax payable	21(b)	442,316	589,430
Total Liabilities		7,133,624	3,574,891
Less:			
Non-current Liabilities	15(b)	63,079	27,826
Net Assets		102,134,999	94,916,670


JESSICA TAN
Chairman


KEVIN PANG JU HUI
Secretary

Date: 17 AUG 2022

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

Statement of income and expenditure for the financial year ended 31 March 2022

	Notes	2021/2022 \$	2020/2021 \$
OPERATING INCOME			
Conservancy and service fees	3	31,141,402	30,186,277
Less: Operating transfer to Sinking Fund	3,4	8,096,765	7,848,433
Less: Operating transfer to Lift Replacement Fund	3,5	4,359,793	4,226,077
		18,684,844	18,111,767
Agency fees	14	2,298,414	2,014,759
Other income	16	1,981,712	1,866,572
		22,964,970	21,993,098
Less:			
OPERATING EXPENDITURE			
Cleaning works		5,427,392	4,667,568
Managing agent's fees		4,281,850	4,122,081
Lift maintenance		4,339,204	4,103,691
Other works and maintenance		4,137,922	3,768,964
Water and electricity		4,969,333	4,024,879
General and administrative expenditure	18	2,197,137	1,761,248
		25,352,838	22,448,431
OPERATING DEFICIT		(2,387,868)	(455,333)
Add:			
NON-OPERATING INCOME			
Interest income		25,211	63,368
DEFICIT BEFORE TAXATION AND GOVERNMENT GRANTS		(2,362,657)	(391,965)
Less:			
Income tax	21(a)	106,875	124,898
DEFICIT BEFORE GOVERNMENT GRANTS		(2,469,532)	(516,863)
Add:			
Government Grants	22	11,015,908	10,038,382
Less: Transfer to Sinking Fund	3,4,22	1,496,709	1,458,105
Less: Transfer to Lift Replacement Fund	3,5,22	3,384,083	3,275,616
Less: Transfer to Town Improvement and Project Fund	3,6,22	2,681,173	1,939,800
		3,453,943	3,364,861
SURPLUS FOR THE YEAR		984,411	2,847,998
Add:			
Accumulated surplus at 1 April		3,770,018	4,410,654
Transfer to Sinking Fund and		-	(1,932,212)
Transfer to Lift Replacement Fund at in		-	(1,040,422)
Accordance with the Statement of Transferable Surplus			
Appropriation to Town Improvement and Project Fund	3,6	(500,000)	(516,000)
ACCUMULATED SURPLUS AT 31 MARCH		4,254,429	3,770,018

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

Statement of comprehensive income

for the financial year ended 31 March 2022

		Total		Residential Property		Commercial Property		Carpark	
	Notes	2021/2022	2020/2021	2021/2022	2020/2021	2021/2022	2020/2021	2021/2022	2020/2021
		\$	\$	\$	\$	\$	\$	\$	\$
Surplus/(deficit) for the year									
- Accumulated surplus	3	984,411	2,847,998	262,636	1,787,410	22,054	551,815	699,721	508,773
- Sinking Fund	4	1,048,941	8,747,576	107,654	7,741,692	941,287	1,005,884	-	-
- Lift Replacement Fund	5	5,204,068	5,030,412	4,386,965	4,244,972	817,103	785,440	-	-
- Town Improvement and Project Fund	6	(19,091)	(834,395)	(17,261)	(735,318)	(1,830)	(99,077)	-	-
<hr/>									
Total surplus for the year, representing total comprehensive income for the year attributable to Town Council Fund		7,218,329	15,791,591	4,739,994	13,038,756	1,778,614	2,244,062	699,721	508,773

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

Statement of changes in funds

for the financial year ended 31 March 2022

	Total \$	Residential Property \$	Commercial Property \$	Carpark \$
Balance at 1 April 2020	79,125,079	39,572,665	38,341,662	1,210,752
Total comprehensive income for the year	15,791,591	13,038,756	2,244,062	508,773
Transfer of Accumulated Surplus from Carpark Fund to Residential Property Fund	-	1,132,535	-	(1,132,535)
Balance at 31 March 2021	94,916,670	53,743,956	40,585,724	586,990
Balance at 1 April 2021	94,916,670	53,743,956	40,585,724	586,990
Total comprehensive income for the year	7,218,329	4,739,994	1,778,614	699,721
Transfer of Accumulated Surplus from Carpark Fund to Residential Property Fund	-	-	-	-
Balance at 31 March 2022	102,134,999	58,483,950	42,364,338	1,286,711

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

Statement of cash flows

for the financial year ended 31 March 2022

	Notes	2021/2022 \$	2020/2021 \$
Cash Flows from Operating Activities			
Deficit before taxation and government grants	3	(2,362,657)	(391,965)
Adjustments for:			
Impairment loss on conservancy and service receivables	9	166,000	60,000
Depreciation of plant and equipment	7	421,201	347,314
Lease interest expense	15(c)	13,530	15,464
Conservancy and service fees transferred to Sinking Fund	4	8,096,765	7,848,433
Conservancy and service fees transferred to Lift Replacement Fund	5	4,359,793	4,226,077
Interest income	3	(25,211)	(63,368)
Operating surplus before working capital changes		10,669,420	12,041,955
Increase/(Decrease) in conservancy and service fee received in advance		(19,894)	24,569
Decrease in conservancy and service fee receivables and other receivables		796,160	(869,666)
Net movement in receivable/advances received for Neighbourhood Renewal Programme		(547,799)	2,148,803
Increase/ (decrease) in payables		3,611,438	(3,035,244)
Cash generated from operations		14,509,325	10,310,417
Income tax paid	21(b)	(331,167)	(269,109)
Sinking Fund expenditure	4	(8,506,135)	(1,458,754)
Lift Replacement Fund Expenditure	5	(2,611,532)	(2,605,773)
Town Improvement and Project Fund expenditure	6	(2,700,264)	(2,774,195)
Net cash generated from/ (used in) operating activities		360,227	3,202,586
Cash Flows from Investing Activities			
Purchase of plant and equipment	7	(364,981)	(412,954)
Interest and investment income received		245,086	534,865
Proceed from disposal of plant and equipment		-	-
Net cash (used in)/generated from investing activities		(119,895)	121,911
Cash Flows from Financing Activities			
Fixed deposit pledged		(81)	(80)
Payment of lease liability		(219,271)	(190,750)
Payment of lease interest	15(c)	(13,530)	(15,464)
Government grants received	22(b)	11,091,863	10,441,486
Net cash generated from financing activities		10,858,981	10,235,192
Net increase in cash and cash equivalents		11,099,313	13,559,689
Cash and cash equivalents at beginning of year		72,793,131	59,233,442
Cash and cash equivalents at end of year	12	83,892,444	72,793,131

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

Notes to the financial statements for the financial year ended 31 March 2022

1 General information

The financial statements of the Town Council are presented in Singapore dollars. They are drawn up in accordance with the Financial Reporting Standards in Singapore and the provisions of the Town Councils Act 1988. The financial statements were approved and authorised for issue by the Town Council on 17 August 2022.

East Coast Town Council ("the Town Council") was formed on 13 January 1997 by the Town Councils (Declaration of Towns) Order 1997 under the Town Councils Act 1988 and was renamed as East Coast-Fengshan Town Council after General Election 2015. East Coast-Fengshan Town Council was managing and maintaining East Coast Group Representation Constituency (GRC), which comprises Bedok, Changi Simei, Kampong Chai Chee, Siglap – four divisions and one Single Member Constituency (SMC) – Fengshan division prior General Election 2020.

Under the Town Council (Declaration) Order 2020, as from 30 July 2020, the Town Council for the former Town of East Coast-Fengshan is known as the Town Council for the Town of East Coast following General Election 2020. The Town Council now consists of East Coast GRC which comprises Bedok, Changi Simei, Fengshan, Kampong Chai Chee and Siglap Divisions only.

The principal place of operation is at Block 206, Bedok North Street 1, #01-353, Singapore 460206.

The functions of the Town Council are to control, manage, maintain and improve the common property of residential, other commercial property and market and food centres in the housing estates of the Housing and Development Board within the Town.

The daily operation of the Town Council has been outsourced to EM Services Pte Ltd and the Town Council employs two employees as of 31 March 2022 (2020/2021 – 1 employee).

2(a) Basis of preparation

The financial statements are prepared in accordance with the provisions of the Town Councils Act and Financial Reporting Standards in Singapore ("FRS") including related Interpretations to FRS ("INT FRS") promulgated by the Accounting Standards Council ("ASC").

The financial statements are presented in Singapore dollars which is the Town Council's functional currency. All financial information is presented in Singapore dollars, unless otherwise stated.

Critical judgements, assumptions and estimation uncertainties

The preparation of the financial statements in conformity with FRS requires the use of judgements, estimates and assumptions that affect the 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 financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

2(a) Basis of preparation (cont'd)**Critical judgements, assumptions and estimation uncertainties (cont'd)**

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below:

(i) Depreciation of plant and equipment

The Town Council depreciates the plant and equipment over their estimated useful lives after taking into account of their estimated residual values. The estimated useful life reflects management's estimate of the period that the Town Council intends to derive future economic benefits from the use of the Town Council's plant and equipment. The residual value reflects management's estimated amount that the Town Council would currently obtain from the disposal of the asset, after deducting the estimated costs of disposal, as if the asset were already of the age and in the condition expected at the end of its useful life. Changes in the expected level of usage and technological developments could affect the economics, useful lives and the residual values of these assets which could then consequentially impact future depreciation charges. The carrying amount of the Town Council's plant and equipment as at 31 March 2022 was \$915,422 (2020/2021 - \$790,590) (Note 7).

(ii) Provision for income tax

The Town Council is subject to income taxes in Singapore. Judgement is required in determining the deductibility of certain expenses during the estimation of the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of operations. The Town Council recognises liabilities for expected tax issues based on estimate of whether additional taxes will be due. Where the final tax outcome of these matters differs from the amounts that were initially recognised, such differences will impact the income tax provisions in the period in which such determination is made. The carrying amount of the Town Council's current tax payable as at 31 March 2022 was \$442,316 (2020/2021 - \$589,430) (Note 21)

(iii) Allowance for trade and other receivables

The Town Council uses an allowance matrix to measure ECL for trade receivables. The ECL rates are based on the Town Council's historical loss experience of the customers for the last 3 years prior to the reporting date for various customer groups that are assessed by internal ratings, adjusted for forward looking factors specific to the debtors and the economic environment which could affect the ability of the debtors to settle the trade receivables. The Town Council adjusts the allowance matrix at each reporting date. Such estimation of the ECL rates may not be representative of the actual default in the future. The expected loss allowance on the Town Council's trade receivables as at 31 March 2022 is S\$591,633 (2020/2021: S\$426,460) (Note 26.4)

(iv) Allowance for non-financial assets

At the end of each financial year, an assessment is made on whether there are indicators that the Town Council's investments are impaired. Where necessary, the Town Council's assessments are based on the estimation of the value-in-use of the assets defined in FRS 36 Impairment of Assets by forecasting the expected future cash flows for a year of up to 5 years, using a suitable discount rate in order to calculate the present value of those cash flows.

2(b) New or revised accounting standards and interpretations not yet effective

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

FRS and INT FRS issued but not yet effective

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

	Description	Effective date (annual periods beginning on or after)
FRS 37	Amendments to FRS 37: <i>Onerous Contracts – Cost of Fulfilling a Contract</i>	1 January 2022
Various	Annual Improvement to FRSs 2018-2020	1 January 2022
FRS 1	Amendments to FRS 1: <i>Classification of Liabilities as Current or Non-current</i>	1 January 2023
Various	Amendments to FRS 1 and FRS Practice Statement 2: <i>Disclosure of Accounting Policies</i>	1 January 2023
FRS 8	Amendments to FRS 8: Definition of Accounting Estimates	1 January 2023
FRS 12	Amendments to FRS 12: Deferred Tax related to Assets and Liabilities arising from a single transaction	1 January 2023

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

The Town Council does not intend to early adopt any of the above new/revised standards, interpretations and amendments to the existing standards. Other than the following standards, management anticipates that the adoption of the aforementioned revised/new standards will not have a material impact on the financial statements of the Town Council in the period of their initial adoption.

2(c) Summary of significant accounting policies**(a) Funds****Town Council Fund**

In accordance with Section 47(1) of the Town Councils Act, separate funds are established to account for the management of the various types of properties.

The types of properties currently under the management of the Town Council are as follows:

- Residential Property
- Commercial Property
- Carparks are managed by the Town Council for the Housing and Development Board (HDB) on an agency basis.

These funds together with Sinking Fund, Lift Replacement Fund and Town Improvement and Project Fund form the Town Council Fund.

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

Assets and liabilities of the various funds of the Town Council are pooled in the Statement of Financial Position.

Sinking Fund

In accordance with Section 47(4) of the Town Councils Act, a separate Sinking Fund is established for the improvement to, management and maintenance of residential property and other commercial property. This Sinking Fund is maintained as part of the Town Council Fund.

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

For the past financial years up to FY 2016/2017, the minimum amounts to be paid into the Sinking Fund were as follows:

	Property Type	Percentage of Conservancy and Service Fees and Grant-in-Aid, less LRF Matching Grant-in-Aid
(i)	1-room to 3-room	30%
(ii)	4-room	35%
(iii)	5-room and Executive	35%
(iv)	Shop with living accommodation	35%
(v)	Commercial property	35%

The minimum amount to be paid into Sinking Fund has been revised to 26% for all residential and commercial properties with effect from 1 April 2017.

2(c) Summary of significant accounting policies (cont'd)**(a) Funds (cont'd)**

These minimum contributions are treated as operating transfers and netted off against the conservancy and service fees and government grants in the Statement of Income and Expenditure.

The Sinking Fund is utilised for cyclical major repainting, renewal or replacement of roofing system, water tanks, pumps and water supply system, lightning protection system and 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 under the Housing and Development Act.

Lift Replacement Fund ("LRF")

In accordance to Section 47(5) of the Town Councils Act, Lift Replacement Fund ("LRF") is established from 1 April 2017, to meet the cost of lift replacements and lift-related replacement works. This fund is maintained as part of the Town Council Funds.

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

The minimum amount to be paid, by property type, into the LRF is 14% of conservancy and service fees and grants-in-aid for residential property and commercial property. These minimum contributions are treated as operating income transfers and are deducted from conservancy and service fees and government grants in the statement of income and expenditure.

To assist Town Councils cope with the operating need and long-term capital expenditure requirement for lift replacements and lift-related works, the MND provides two additional grants-in-aids, Lift Maintenance Grant (LMG) and LRF Matching Grant, from 1 April 2017.

- (i) Quarterly contributions to the LRF from S & CC collections and other grants-in-aids, including voluntary contributions beyond the minimum LRF contribution rate; and
- (ii) Voluntary contributions of Operating Fund surpluses to the LRF at the end of a financial year, as allowed under Section 47(12) of the amended Town Councils Act.

The LRF Matching Grant is not subject to the minimum contribution rates to LRF, even though it is a grant-in-aid.

Town Improvement and Project Fund

The Town Council maintains a Town Improvement and Project Fund as part of the Town Council Fund. This Fund is utilised for improvement and development works in the Town.

The fund is set up by transfer from Accumulated Surplus based on specific projects to be carried out. In addition, the Town Council receives payments from Citizens' Consultative Committee (CCC) for approved projects.

Expenditure on Town Improvement Projects is taken directly to the Town Improvement and Project Fund. Payments from CCC are shown as part of Government Grants in the Statement of Income and Expenditure and then transferred to the Town Improvement and Project Fund.

2(c) Summary of significant accounting policies (cont'd)**(b) Allocation of General Overheads**

Expenditure not relating specifically to any property type managed, for example, administrative overheads, tree planting, pruning etc. is allocated to the various property types using equivalent dwelling units as follows:

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

No overheads are allocated to the Sinking Fund, Lift Replacement Fund and Town Improvement and Project Fund.

(c) Government Grants

The Town Council receives various types of grants from Government, namely, Conservancy and Service Grant, Lift Maintenance Grant, LRF Matching Grant, GST Subvention Grant, Payment from Citizens' Consultative Committee and the one-off support scheme grants.

Conservancy and Service Grant to meet the current year's expenditure is taken to the Statement of Income and Expenditure. The Lift Maintenance Grant helps Town Councils cope with the higher lift-related servicing and maintenance costs. The LRF Matching Grant is to assist Town Councils in building up the LRF.

The GST Subvention is given as grants-in-aid to Town Councils for absorbing the GST increase in conservancy and service charges for residential properties.

Payment from Citizen's Consultative Committee is given as reimbursement claims under the Community Improvement Projects Committee scheme.

The Jobs Support Scheme grants provides wage support to employers to help them retain their local employees during this period of economic uncertainty.

Government grants are recognised as a receivable when there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, the fair value is recognised as deferred income on the statement of financial position and is recognised as income in equal amounts over the expected useful life of the related asset.

When loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as additional government grant.

2(c) Summary of significant accounting policies (cont'd)**(d) Plant and equipment and depreciation**

Plant and equipment are stated at cost less accumulated depreciation and any impairment loss. Depreciation is calculated on the straightline basis to write off the cost of the assets over their estimated useful lives as follows:

Machinery	5 years
Furniture and fittings	5 years
Office equipment	5 years

Plant and equipment costing below \$1,000 each are charged to the Statement of Income and Expenditure in the year of purchase. Fully depreciated plant and equipment are retained in the books of accounts until they are no longer in use.

The cost of plant and equipment includes expenditure that is directly attributable to the acquisition of the items. 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 asset.

Subsequent expenditure relating to plant and equipment that have been recognized is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Town Council and the cost can be measured reliably. Other subsequent expenditure is charged to the Statement of Income and Expenditure during the financial year in which it is incurred.

For acquisitions and disposals during the financial year, depreciation is provided from the month of acquisition and to the month before disposal respectively.

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate, at each reporting date as a change in estimates.

(e) Financial instruments

The Town Council recognises a financial asset or a financial liability in its statement of financial position when, and only when, the Town Council becomes party to the contractual provisions of the instrument.

Effective interest method

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

2(c) Summary of significant accounting policies (cont'd)**(e) Financial instruments (cont'd)****Financial assets****Initial recognition and measurement**

All financial assets are recognised on trade date – the date on which the Town Council commits to purchase or sell the asset. With the exception of trade receivables that do not contain a significant financing component or for which the Town Council applies a practical expedient, all financial assets are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value. Such trade receivables that do not contain a significant financing component or for which the Town Council applies a practical expedient are measured at transaction price as defined in FRS 115.

Financial assets are classified as subsequently measured at amortised cost, fair value through other comprehensive income ("FVTOCI") and fair value through profit or loss ("FVTPL"). The classification at initial recognition depends on the Town Council's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

The Town Council's business model refers to how the Town Council manages its financial assets in order to generate cash flows which determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

The Town Council determines whether the asset's contractual cash flows are solely payments of principal and interest ("SPPI") on the principal amount outstanding to determine the classification of the financial assets.

The Town Council's financial assets consist only financial assets that are subsequently measured at amortised cost and financial asset subsequently measured at FVTPL.

Financial assets at amortised cost

A financial asset is subsequently measured at amortised cost if the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, the financial asset at amortised cost are measured using the effective interest method and is subject to impairment. Gains or losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets held at FVTOCI

A financial asset that is an investment in debt instrument is subsequently measured at FVTOCI if the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Gains or losses are recognised in other comprehensive income, except for impairment gains or losses, foreign exchange gains or losses and interest which are recognised in profit or loss.

2(c) Summary of significant accounting policies (cont'd)**(e) Financial instruments (cont'd)**

At initial recognition, the Town Council may make an irrevocable election to classify its investment in equity instruments, for which the equity instrument is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which FRS 103, as subsequently measured at FVTOCI so as to present subsequent changes in fair value in other comprehensive income. The election is made on an investment-by-investment basis.

Upon derecognition, other than the abovementioned equity instruments for which their subsequent cumulative fair value changes would be transferred to accumulated profits, the cumulative fair value changes recognised in other comprehensive income is recycled to profit or loss.

Dividends from equity instruments are recognised in profit or loss only when the Town Council's right to receive payment of the dividend is established, it is probable that the economic benefits associated with the dividend will flow to the Town Council and the amount of the dividend can be measured reliably.

Financial assets at FVTPL

A financial asset is subsequently measured at FVTPL if the financial asset is a financial asset held for trading, is not measured at amortised cost or at FVTOCI, or is irrevocably elected at initial recognition to be designated FVTPL if, by designating the financial asset as FVTPL, eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Gains or losses are recognised in income and expenditure account.

Impairment of financial assets

The Town Council recognises a loss allowance for expected credit losses ("ECL") on financial assets measured at amortised cost. At each reporting date, the Town Council assesses whether the credit risk on a financial asset has increased significantly since initial recognition by assessing the change in the risk of a default occurring over the expected life of the financial instrument. Where the financial asset is determined to have low credit risk at the reporting date, the Town Council assumes that the credit risk on a financial assets has not increased significantly since initial recognition.

The Town Council has reasonable and supportable forward-looking information that is available without undue cost or effort as well as past due information when determining whether credit risk has increased significantly since initial recognition.

Where the credit risk on that financial instrument has increased significantly since initial recognition, the Town Council measures the loss allowance for a financial instrument at an amount equal to the lifetime ECL. Where the credit risk on that financial instrument has not increased significantly since initial recognition, the Town Council measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

The amount of ECL or reversal thereof that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised is recognised in profit or loss. The Town Council directly reduces the gross carrying amount of a financial asset when the entity has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

2(c) Summary of significant accounting policies (cont'd)**(e) Financial instruments (cont'd)**Derecognition of financial assets

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

Financial liabilities and equity instrumentsClassification as debt or equity

Financial liabilities and any equity instruments issued by Town Council are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Town Council after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Financial liabilitiesInitial recognition and measurement

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

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

Financial liabilities are classified as at fair value through profit or loss if the financial liability is either held for trading or it is designated as such upon initial recognition. Financial liabilities classified as at fair value through profit or loss comprise derivatives that are not designated or do not qualify for hedge accounting. The Town Council's financial liabilities consist only other financial liabilities.

Other financial liabilities*Other payables*

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

2(c) Summary of significant accounting policies (cont'd)**(e) Financial instruments (cont'd)**Derecognition of financial liabilities

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

(f) Funds with fund manager

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

Funds with fund manager comprises mainly of equities, bonds, cash and fixed deposits. Equities and bonds are stated on an aggregate portfolio basis and are classified as financial assets at fair value through profit or loss in the statement of financial position.

On expiry of the management term, any surplus over and above the performance benchmark will be shared between the Town Council and the fund manager on an agreed basis.

(g) Cash and cash equivalents

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

Cash on hand and in banks and short-term deposits which are held to maturity are carried at cost.

(h) Receivable/Advances received for Neighbourhood Renewal Programme

Neighbourhood Renewal Programme (NRP) is established in respect of the NRP works carried out on the qualifying properties to upgrade the quality of HDB estates. It is implemented by the Town Council with full funding from the Government.

The funding for the programme belongs to the government which is received in advance and is for the specific use of projects under the programme. The funding is subject to a budget allocation of \$3,400 per dwelling unit to cover NRP expenditure and \$150 per dwelling unit or \$125,000, whichever is higher to cover miscellaneous NRP expenditure. However, if the cost of project works incurred exceeds the funding provided, the Town Council has to bear the cost of excess expenditure.

From 2015, the NRP included repainting of blocks and repair works for items such as spalling concrete/crack lines, apron drains & apron floors, etc. This allows the NRP works to be better coordinated with the Town Councils routine maintenance programme, thus enabling blocks and precincts to be more comprehensively enhanced without inconveniencing resident twice. As such, the NRP budget was increased from S\$3,400 to S\$4,700 per flat to fund the additional upgrading works.

2(c) Summary of significant accounting policies (cont'd)**(i) Provisions**

Provisions are recognised when the Town Council has a present obligation (legal or constructive) as a result of a past event, where 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. Provision are made using best estimates of the amount required in settlement and where the effect of the time value of money is material, the amount recognised is the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense. Changes in estimates are reflected in the Statement of Income and Expenditure in the period they occur.

(j) Revenue recognition

Revenue is recognised when the Town Council satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the goods or services. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised in Singapore is the amount allocated to the satisfied performance obligation.

Conservancy and service fees

Conservancy and service fees are recognised on a monthly basis and charged to the residents over time.

Agency fees

Agency fees for routine maintenance of HDB's carparks are recognised as a performance obligation over time.

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 income and expenditure.

Other income

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

2(c) Summary of significant accounting policies (cont'd)**(k) Income tax**

Income tax is provided on the following income:

- (i) Income derived from investments and bank deposits;
- (ii) Agency fee derived from acting as agents for HDB;
- (iii) Fees, rents and other charges, received from non-residents of properties in the Town; and
- (iv) Donations from non-residents or non-owners of properties in the Town.

The income taxes are accounted using the 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; 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. A deferred tax amount is recognised for all temporary differences.

In respect of government grant received, the Town Council has been granted remission under Section 92(2) of the Income Tax Act, Cap. 134. Tax shall be payable at the rate of 10% on the income derived from certain investments which have been approved under Section 43G(2) of the Income Tax Act, Cap 134.

(l) Employee benefitsDefined contribution plan

The Town Council operates a defined contribution plan in the form of Central Provident Fund. The Town Council's obligation, in regard to the defined contribution plan is limited to the amount it contributes to the fund. The expenses are disclosed under manpower cost (Note 17) and general administrative expenditure accordingly (Note 18).

Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. Accrual is made for unconsumed leave as a result of services rendered by employees up to the end of the reporting period.

(m) Impairment of non-financial assets

At the end of each reporting period, the Town Council reviews the carrying amounts of its assets to determine whether there is any indication that these 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

2(c) Summary of significant accounting policies (cont'd)**(m) Impairment of non-financial assets**

less than its carrying amount, the carrying amount of the asset (cash-generating) 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 is increased to the revised estimate of its recoverable amount to the extent that it does not exceed the carrying value that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately or credited to the fund to which the asset relates.

(n) Inter-fund transfer

The Town Council may make inter-fund transfers with the criteria as set out in Sections 47(12) and 57(1)(i) of Town Councils Act 1988, and Rule 11A of Town Councils Financial Rules.

(o) Leases

The Town Council applied FRS 116 using the modified retrospective approach and therefore the comparative information has not been restated. Accordingly, the comparative information was prepared and disclosures made in accordance with the requirements of FRS 17 Leases and FRS INT 4 Determining whether an Arrangement contains a lease. The impact of the lease obligation to the opening retained earnings is insignificant and hence there is no adjustment to the changes in equity.

At inception of a contract, the Town Council assessed whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Where a contract contains more than one lease component, the Town Council allocates the consideration in the contract to each lease component on the basis of the relative standalone price of the lease component. Where the contract contains non-lease components, the Town Council applied the practical expedient to not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The Town Council recognises a right-of-use asset and lease liability at the lease commencement date for all lease arrangement for which the Town Council is the lessee, except for leases which have lease term of 12 months or less and leases of low value assets for which the Town Council applied the recognition exemption allowed under FRS 116. For these leases, the Town Council recognises the lease payment as an operating expense on a straight-line basis over the term of the lease.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, less any lease incentives received, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. When the lease transfers ownership of the underlying asset to the Town Council by the end of the lease term or the cost of the right-of-use asset reflects that the Town Council will exercise a purchase option, the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. The right-of-use asset is also reduced

2(c) Summary of significant accounting policies (cont'd)**(o) Leases (cont'd)**

by impairment losses, if any, and adjusted for certain re-measurements of the lease liability, where applicable.

Right-of-use assets are presented within "Plant and equipment".

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's incremental borrowing rate. The Town Council generally uses the incremental borrowing rate as the discount rate. To determine the incremental borrowing rate, the Town Council obtains a reference rate and makes certain adjustments to reflect the terms of the lease and the asset leased.

The lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any lease incentive receivable,
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date,
- amounts expected to be payable under a residual value guarantee
- the exercise price under a purchase option that the Town Council is reasonably certain to exercise, and
- payments of penalties for terminating the lease if the Town Council is reasonably certain to terminate early and lease payments for an optional renewal period if the Town Council is reasonably certain to exercise an extension option.

The lease liability is measured at amortised cost using the effective interest method. The Town Council re-measures the lease liability when there is a change in the lease term due to a change in assessment of whether it will exercise a termination or extension or purchase option or due to a change in future lease payment resulting from a change in an index or a rate used to determine those payment.

Where there is a re-measurement of the lease liability, a corresponding adjustment is made to the right-of-use asset or in profit or loss where there is a further reduction in the measurement of the lease liability and the carrying amount of the right-of-use asset is reduced to zero.

Operating leases

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

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

2(c) Summary of significant accounting policies (cont'd)**(p) Functional currency**

Items included in the financial statements of the Town Council are measured using the currency of the primary economic environment in which the Town Council operates (the "functional currency"). The financial statements of the Town Council are presented in Singapore dollar which is also the functional currency of the Town Council.

(q) Related Parties

A related party is defined as follows:

- a) A person or close member of that person's family is related to the Town Council if that person:
 - (i) has control or joint control over the Town Council;
 - (ii) has significant influence over the Town Council; or
 - (iii) is a member of the key management personnel of the Town Council or of a parent of the Town Council.
- b) An entity is related to the Town Council if any of the following conditions applies:
 - (i) the entity and the Town Council are members of the same Town Council (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Town Council of which the other entity is a member);
 - (iii) both entities are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Town Council or an entity related to the Town Council. If the Town Council is itself such a plan, the sponsoring employers are also related to the Town Council;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a); and
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Key management personnel

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

3 Accumulated surplus

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

		Total		Residential property		Commercial property		Carpark	
	Note	2021/2022 \$	2020/2021 \$	2021/2022 \$	2020/2021 \$	2021/2022 \$	2020/2021 \$	2021/2022 \$	2020/2021 \$
OPERATING INCOME									
Conservancy and service fees		31,141,402	30,186,277	27,051,320	26,377,068	4,090,082	3,809,209	-	-
Less: Operating transfer to Sinking Fund	4	8,096,765	7,848,433	7,033,345	6,858,040	1,063,420	990,393	-	-
Less: Operating transfer to Lift Replacement Fund	5	4,359,793	4,226,077	3,787,181	3,692,787	572,612	533,290	-	-
		18,684,844	18,111,767	16,230,794	15,826,241	2,454,050	2,285,526	-	-
Agency fees	14	2,298,414	2,014,759	-	-	-	-	2,298,414	2,014,759
Other income	16	1,981,712	1,866,572	1,436,315	1,301,738	501,481	524,521	43,916	40,313
		22,964,970	21,993,098	17,667,109	17,127,979	2,955,531	2,810,047	2,342,330	2,055,072
Less:									
OPERATING EXPENDITURE		25,352,838	22,448,431	20,777,989	18,652,686	2,939,330	2,254,834	1,635,519	1,540,911
OPERATING (DEFICIT)/SURPLUS		(2,387,868)	(455,333)	(3,110,880)	(1,524,707)	16,201	555,213	706,811	514,161
Add:									
NON-OPERATING INCOME		25,211	63,368	21,012	52,820	1,981	5,129	2,218	5,419
(DEFICIT)/SURPLUS BEFORE TAXATION AND GOVERNMENT GRANTS		(2,362,657)	(391,965)	(3,089,868)	(1,471,887)	18,182	560,342	709,029	519,580
Less:									
Income tax	21(a)	106,875	124,898	89,215	104,124	8,352	9,967	9,308	10,807
(DEFICIT)/SURPLUS BEFORE GOVERNMENT GRANTS		(2,469,532)	(516,863)	(3,179,083)	(1,576,011)	9,830	550,375	699,721	508,773
Add:									
Government grants	22	11,015,908	10,038,382	10,439,439	9,540,875	576,469	497,507	-	-
Less: Transfer to Sinking Fund	4,22	1,496,709	1,458,105	1,491,412	1,457,481	5,297	624	-	-
Less: Transfer to Lift Replacement Fund	5,22	3,384,083	3,275,616	3,092,342	3,011,352	291,741	264,264	-	-
Less: Transfer to Town Improvement and Project Fund	6,22	2,681,173	1,939,800	2,413,966	1,708,621	267,207	231,179	-	-
		3,453,943	3,364,861	3,441,719	3,363,421	12,224	1,440	-	-
SURPLUS FOR THE YEAR		984,411	2,847,998	262,636	1,787,410	22,054	551,815	699,721	508,773
Add:									
ACCUMULATED SURPLUS AT 1 APRIL		3,770,018	4,410,654	1,537,310	207,900	1,645,718	2,992,002	586,990	1,210,752
Transfer of Accumulated Surplus from Carpark Fund to Residential Property Fund		-	-	-	-	-	-	-	-
Transfer to Sinking Fund and Transfer to Lift Replacement Fund in accordance with the Statement of Transferable Surpluses		-	(1,932,212)	-	-	-	(1,196,064)	-	(736,148)
		-	(1,040,422)	-	-	-	(644,035)	-	(396,387)
Less:									
Appropriation to Town Imp. and Project Fund	6	(500,000)	(516,000)	(457,200)	(458,000)	(42,800)	(58,000)	-	-
		3,270,018	922,020	1,080,110	(250,100)	1,602,918	1,093,903	586,990	78,217
ACCUMULATED SURPLUS AT 31 MARCH		4,254,429	3,770,018	1,342,746	1,537,310	1,624,972	1,645,718	1,286,711	586,990

East Coast Town Council
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Notes to the financial statements for the financial year ended 31 March 2022

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4 Sinking Fund

	Note	Total		Residential property		Commercial property	
		2021/2022 \$	2020/2021 \$	2021/2022 \$	2020/2021 \$	2021/2022 \$	2020/2021 \$
Balance at 1 April		65,603,301	54,923,513	34,775,024	26,297,184	30,828,277	28,626,329
Transfer from Accumulated Surpluses in accordance with the Statement of Transferable Surpluses		-	1,932,212	-	736,148	-	1,196,064
		65,603,301	56,855,725	34,775,024	27,033,332	30,828,277	29,822,393
Add:							
Investment income	19(a)	24,041	1,005,186	12,775	481,283	11,266	523,903
Operating transfer from Conservancy and Service fees	3	8,096,765	7,848,433	7,033,345	6,858,040	1,063,420	990,393
Transfer from Government Grants	3,22	1,496,709	1,458,105	1,491,412	1,457,481	5,297	624
		9,617,515	10,311,724	8,537,532	8,796,804	1,079,983	1,514,920
Less:							
Expenditure	19(b)	8,506,135	1,458,754	8,396,779	1,004,649	109,356	454,105
Less:							
Income Tax	21(a)	62,439	105,394	33,099	50,463	29,340	54,931
Surplus for the year		1,048,941	8,747,576	107,654	7,741,692	941,287	1,005,884
Balance at 31 March		66,652,242	65,603,301	34,882,678	34,775,024	31,769,564	30,828,277

Represented by:

Current Assets

Financial assets at fair value through profit or loss	8	20,232,365	20,342,173
Conservancy and service fee receivables		199,770	200,187
Interest receivable		33,878	33,318
Other receivables and investment income receivable		266,895	69,690
Amount due from routine fund		2,256,881	2,060,959
Fixed deposits		28,180,571	28,093,759
Cash and bank balances		17,518,989	15,289,096
Total Assets		68,689,349	66,089,182

Less:

Current Liabilities

Payables & accrued expenses		1,869,277	229,457
Current tax payable		167,830	256,424
Total Liabilities		2,037,107	485,881
NET ASSETS		66,652,242	65,603,301

East Coast Town Council
(Established under the Town Councils Act 1988)
Notes to the financial statements for the financial year ended 31 March 2022

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5 Lift Replacement Fund

	Note	Total		Residential property		Commercial property	
		2021/2022 \$	2020/2021 \$	2021/2022 \$	2020/2021 \$	2021/2022 \$	2020/2021 \$
Balance at 1 April		25,020,702	18,949,868	16,948,197	12,306,838	8,072,505	6,643,030
Transfer from Accumulated Surpluses							
In accordance with the Statement of Transferable surpluses		-	1,040,422	-	396,387	-	644,035
		25,020,702	19,990,290	16,948,197	12,703,225	8,072,505	7,287,065
Add:							
Investment income	20(a)	86,463	161,981	58,570	105,191	27,893	56,790
Operating transfer from Conservancy and Service fees	3	4,359,793	4,226,077	3,787,181	3,692,787	572,612	533,290
		4,446,256	4,388,058	3,845,751	3,797,978	600,505	590,080
Add:							
Transfer from Government Grants – LRF Matching Grant		2,578,160	2,490,480	2,289,272	2,226,552	288,888	263,928
– Other government grants		805,923	785,136	803,070	784,800	2,853	336
– Total	3,22	3,384,083	3,275,616	3,092,342	3,011,352	291,741	264,264
Less:							
Expenditure	20(b)	2,611,532	2,605,773	2,541,144	2,546,506	70,388	59,267
Less:							
Income Tax	21(a)	14,739	27,489	9,984	17,852	4,755	9,637
Surplus for the year		5,204,068	5,030,412	4,386,965	4,244,972	817,103	785,440
Balance at 31 March		30,224,770	25,020,702	21,335,162	16,948,197	8,889,608	8,072,505
Represented by:							
Current Assets							
Conservancy and service fee receivables		107,568	107,793				
Interest receivable		27,013	27,097				
Other receivables		610,873	1,740,072				
Amount due from routine fund		949,111	1,575,007				
Fixed deposits		15,106,638	15,048,197				
Cash and bank balances		15,067,425	6,740,406				
Total Assets		31,868,628	25,238,572				
Less:							
Current Liabilities							
Payables and accrued expenses		1,601,630	145,749				
Current tax payable		42,228	72,121				
Total Liabilities		1,643,858	217,870				
NET ASSETS		30,224,770	25,020,702				

6 Town Improvement and Project Fund

		Total		Residential property		Commercial property	
	Note	2021/2022 \$	2020/2021 \$	2021/2022 \$	2020/2021 \$	2021/2022 \$	2020/2021 \$
Balance at 1 April		522,649	841,044	483,425	760,743	39,224	80,301
Transfer from Government Grants	3,22	2,681,173	1,939,800	2,413,966	1,708,621	267,207	231,179
Less: Expenditure	23	2,700,264	2,774,195	2,431,227	2,443,939	269,037	330,256
Deficit for the year		(19,091)	(834,395)	(17,261)	(735,318)	(1,830)	(99,077)
Appropriation from Accumulated Surplus	3	500,000	516,000	457,200	458,000	42,800	58,000
Balance at 31 March		1,003,558	522,649	923,364	483,425	80,194	39,224

Represented by:

Current Assets

Other receivables	662,138	817,025
Fund due from operating fund	456,420	-
	1,118,558	817,025

Less:

Current Liabilities

Payables and accrued expenses	115,000	488
Fund due to operating fund	-	293,888
	115,000	294,376
	1,003,558	522,649

7 Plant and equipment

	<u>Total</u>	<u>Lease</u>	<u>Machinery</u>	<u>Furniture</u>	<u>Office</u>
	\$	Office	\$	and fittings	equipment
		\$		\$	\$
<u>Cost</u>					
At 1 April 2020	1,507,633	594,502	87,152	680,566	145,413
Additions	412,954	-	-	-	412,954
Written-off/Disposals	(1,980)	-	-	-	(1,980)
At 31 March 2021	1,918,607	594,502	87,152	680,566	556,387
Additions	364,981	-	-	346,897	18,084
Initial recognition of right-of-use assets	181,052	181,052	-	-	-
Written-off/Disposals	(266,086)	-	(43,576)	(161,768)	(60,742)
At 31 March 2022	2,198,554	775,554	43,576	865,695	513,729
<u>Accumulated depreciation</u>					
At 1 April 2020	782,683	192,999	87,152	378,194	124,338
Depreciation for the year (Note 18)	128,252	-	-	102,148	26,104
Depreciation for the year (Right-of-use assets)	219,062	219,062	-	-	-
Written-off/Disposals	(1,980)	-	-	-	(1,980)
At 31 March 2021	1,128,017	412,061	87,152	480,342	148,462
Depreciation for the year (Note 18)	204,472	-	-	125,275	79,197
Depreciation for the year (Right-of-use assets)	216,729	216,729	-	-	-
Written-off/Disposals	(266,086)	-	(43,576)	(161,768)	(60,742)
At 31 March 2022	1,283,132	628,790	43,576	443,849	166,917
<u>Net book value</u>					
At 31 March 2022	915,422	146,764	-	421,846	346,812
At 31 March 2021	790,590	182,441	-	200,224	407,925

8 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss represents funds together with the related profits placed with professional fund managers.

The funds with fund managers are administrated by UOB Asset Management Ltd who was re-appointed to invest and manage funds on behalf of the Town Council for a period of 5 years commencing 1 September 2020. The terms of the agreement are as follows:

- (i) Fund manager guarantees the maintenance of the principal amount at the end of the term of investment for mandate with principal guarantee feature and will make good any shortfall if the principal amount is diminished or reduced at the end of the term of the investment.
- (ii) The fund manager will be paid an administration fee. Additionally, performance fees will be levied based on the excess return of the funds above the Performance Benchmark (PB) at the earlier of the expiry date or the termination of the agreement with UOB.
- (iii) The investments are invested in accordance with the Town Councils Act.

Funds with fund manager are designated at fair value through profit or loss at inception.

	2021/2022 \$	2020/2021 \$
Balance at 1 April	20,342,173	19,284,934
Add/(Less):		
Increase of fund	-	407,628
Actual returns net of recorded in prior years	-	307,437
Investment income	584,864	202,345
Profit shared by fund manager	-	(11,017)
Management fees	(132,735)	(73,812)
Fair value (Loss)/Gain	(561,937)	224,658
Balance at 31 March	20,232,365	20,342,173
Represented by:		
Quoted equities	-	-
Quoted bonds	13,993,193	13,996,453
Treasury Bills	5,735,918	6,108,647
Financial assets at fair value through profit or loss	19,729,111	20,105,100
Cash and fixed deposits (Note 12)	667,162	209,074
Accrued interest	64,985	69,116
Fee payable to fund manager (Note 13)	(228,893)	(30,100)
Profit shared by fund manager (Note 13)	-	(11,017)
	20,232,365	20,342,173

The fair value of quoted equities, quoted bonds and treasury bills is determined by reference to stock exchange quoted bid prices.

The quoted bonds managed by fund managers bear interest rates per annum ranging from 1.073% to 4.0% (2020/2021 – 1.073% to 4.0%) to be received semi-annually in arrears. The maturity period of the bonds ranges from September 2023 to May 2031 (2020/2021 – September 2023 to October 2028).

9 Conservancy and service fee receivables

	2021/2022 \$	2020/2021 \$
Conservancy and service fee receivables	1,067,074	1,092,475
Less: Allowance for impairment	(591,633)	(426,460)
	475,441	666,015
<u>Allowance for impairment</u>		
Balance at 1 April	426,460	367,998
Allowance for the year	166,000	60,000
Amount written off against allowance - net	(827)	(1,538)
Balance at 31 March	591,633	426,460

The average credit period generally granted to conservancy and service fee receivables is about 30 days (2020/2021 - 30 days). Conservancy and service fee receivables with short duration are not discounted and the carrying amounts are assumed to be a reasonable approximation of fair value. The conservancy and service fee receivables are denominated in Singapore dollar.

10 Other receivables

	2021/2022 \$	2020/2021 \$
GST receivable from IRAS	-	52,137
GST Subvention grant receivable	264,394	256,948
LRF matching grant receivables	565,217	555,011
Receivable from Citizens' Consultative Committee	662,138	817,025
Receivable from MND	518,337	110,693
Recoverable from HDB	194,542	1,250,825
Recoverable from NEA	10,865	4,565
Payment in advance/deposits	326,792	348,417
S & CC Grant Receivable	61,721	441
Others	42,796	98,282
	2,646,802	3,494,344

Other receivables with a short duration are not discounted and the carrying amounts are assumed to be a reasonable approximation of fair values. The other receivables are denominated in Singapore dollar.

11 Fixed deposits

Fixed deposits are denominated in Singapore dollar.

Included in fixed deposits is an amount of \$32,325 (2020/2021 - \$32,244) pledged with a bank as security for guarantee granted to the Town Council.

12 Cash and bank balances

	2021/2022 \$	2020/2021 \$
Cash and bank balances	40,555,123	29,601,175
Cash and fixed deposits held by fund manager (Note 8)	667,162	209,074
	41,222,285	29,810,249

Cash and bank balances are denominated in Singapore dollar.

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

	2021/2022 \$	2020/2021 \$
Cash and bank balances	40,555,123	29,601,175
Fixed deposits	43,369,646	43,224,200
	83,924,769	72,825,375
Less: Fixed deposit pledged	32,325	32,244
	83,892,444	72,793,131

13 Payables

(a) (Receivable from)/Advances received for Neighbourhood Renewal Programme

	2021/2022 \$	2020/2021 \$
Balance at 1 April	(299,294)	(2,448,097)
Received from Government	-	3,104,796
Payment to contractors	(547,799)	(955,993)
	(547,799)	2,148,803
Balance as at 31 March	(847,093)	(299,294)

(b) Payables and accrued expenses

	2021/2022 \$	2020/2021 \$
Accounts payable	2,677,353	1,106,111
GST payable to IRAS	27,287	-
Accrued operating expenses	1,732,003	1,023,635
Advance received for LEP Cost sharing	1,257,023	-
Refundable deposits	195,719	147,326
Fee payable to fund manager (Note 8)	228,893	30,100
Profit shared by fund manager (Note 8)	-	11,017
	6,118,278	2,318,189

Included in payables and accrued expense are amounts owing to a related party amounting to \$446,026 (2020/2021: \$157,646).

The average credit period taken to settle trade payables is about 30 days (2020/2021 - 30 days). The other payables are with short-term duration. The carrying amounts are assumed to be a reasonable approximation of fair values. Payables and accrued expenses are denominated in Singapore dollar.

14 Agency fees

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

15 The Town Council as a lease

The Town Council has lease offices for 36 months as at 31 March 2022. Lease payments are made monthly. Apart from the office leases, the town council does not have any significant short term or low value leases.

15(a) Right-of-use assets

The carrying amount of right-of-use assets by class of underlying assets classified with plant and equipment as follows:

	2021/2022	2020/2021
	\$	\$
As at 1 April	182,441	401,503
Additions	181,052	-
Depreciation	(216,729)	(219,062)
As at 31 March	<u>146,764</u>	<u>182,441</u>

15(b) Finance lease liabilities

	2021/2022	2020/2021
	\$	\$
Within one year	87,834	162,182
After one year but within five years	63,079	27,826
	<u>150,913</u>	<u>190,008</u>

The finance lease terms is generally 3 years on inception.

The effective interest rates charged during the financial year ended 31 March 2022 is 5.00% (2020/2021 – 5.00%) per annum. Interest rates are fixed at the contract dates, and thus expose the town council to fair value interest rate risk. As at the end of the financial year, the fair values of the town council's finance lease obligations approximate their carrying amounts. The town council's obligations under finance leases are secured by the lessors' title to the leased assets, which will revert to the lessors in the event of default by the town council. The lessor has the sole and unfettered discretion to allow the Town Council to extend the lease on the expiry date of the lease term. The estimated reinstatement cost for the above lease is insignificant.

15(c) Amounts recognised in profit or loss

	2021/2022	2020/2021
	\$	\$
Interest expenses on lease liabilities	13,530	15,464
	<u>13,530</u>	<u>15,464</u>

The total cash outflow for leases in the current financial year is \$232,801 (2021: \$206,214).

16 Other income

Other income comprises the following:

	2021/2022 \$	2020/2021 \$
Administrative fee	33,021	44,791
Agency fees	1,041	626
Late payment fees	92,267	70,279
Liquidated damages	140,613	84,374
Sale of tender documents	50,770	83,822
Sundry fines	24,375	18,600
Temporary Occupation Licence ("TOL") income	1,387,777	1,272,928
Use of void decks/common property	2,400	(2,543)
Use of water and electricity	162,635	182,682
Others *	86,813	111,013
	1,981,712	1,866,572

* Includes Job Support Scheme of \$1,837 (2021: \$7,471), Rent Concessions of \$Nil (2021:\$39,000) and one-off Grant of \$850 (2021:\$3,480) for Safe Distancing Measures.

17 Manpower Cost

Included in general administrative expenditure are cost of manpower provided by the Town Council.

	2021/2022 \$	2020/2021 \$
Staff salaries and related costs	60,542	23,867
CPF contributions	7,086	4,038
	67,628	27,905

18 General and administrative expenditure

The general and administrative expenditure comprises the following:

	2021/2022 \$	2020/2021 \$
Advertising, publicity and public relations	413,522	307,085
Agency fees - HDB/NEA collection	8,247	7,019
Audit fee	47,700	54,100
Impairment loss on conservancy and service receivables (Note 9)	166,000	60,000
Computer services	242,715	244,049
Depreciation of plant and equipment (Note 7)	204,472	128,252
Depreciation Charge – Right of Use	216,729	219,062
Lease interest Expense – Right of Use	13,530	15,464
Plant and equipment not capitalized	2,684	140
Maintenance of machinery and equipment	595	996
Office rental and upkeep expenditure	103,839	99,845
Office supplies and stationery	59,002	51,629
Postage and telephone	118,179	106,130
Property tax	146,525	118,927
Service charges *	166,994	84,334
Town councillors' allowances **	162,600	155,461
Irrecoverable GST	121,660	106,019
Others	2,144	2,736
	2,197,137	1,761,248

* Includes manpower costs of \$67,628 (2020/2021 - \$27,905) (Note 17)

** Town councillors are key management of the Town Council. Key management remuneration refers to Town Councillors' allowances.

19 Sinking Fund income and expenditure

(a) Income

	2021/2022	2020/2021
	\$	\$
Interest income from fixed deposits/current account	133,850	355,333
(Deficit)/income from funds with fund manager	(109,809)	649,853
	<u>24,041</u>	<u>1,005,186</u>

(b) Expenditure

	2021/2022	2020/2021
	\$	\$
Electrical Re-wiring	609,684	159,216
Reroofing works	2,098,539	83,875
Replacement of water pumps	63,761	125,880
Replacement of booster pumps	108,465	38,955
Redecoration and repainting	5,134,587	932,589
Replacement of Water Pipe	106,405	-
Project management fees	325,038	53,621
Irrecoverable GST	59,656	64,618
	<u>8,506,135</u>	<u>1,458,754</u>

20 Lift Replacement Fund income and expenditure

(a) Income

	2021/2022	2020/2021
	\$	\$
Interest income from fixed deposits/current account	86,463	161,981
	<u>86,463</u>	<u>161,981</u>

(b) Expenditure

	2021/2022	2020/2021
	\$	\$
Replacement of Main Sheaves / Ropes	728,455	316,450
Replacement of ARD Battery	124,694	103,426
Replacement of EBOPS Battery	65,436	109,666
Lift Overhauls / Replacement / Enhancement works	516,112	389,340
Replacement of Lift Position Display Panel (CPI/HPI)	424,945	682,764
Replacement of Inverter Units	537,016	766,323
Project management fees	77,281	113,138
Irrecoverable GST	137,593	124,666
	<u>2,611,532</u>	<u>2,605,773</u>

21 Income tax

(a) Income tax expense

Income tax expense attributable to profit is made up of:

	2021/2022 \$	2020/2021 \$
- Current income tax provision	184,053	257,781
	184,053	257,781
Taken up in:		
Statement of Income and Expenditure		
- Current financial year	106,875	124,898
	106,875	124,898
Sinking Fund		
- Current financial year	62,439	105,394
	62,439	105,394
Lift Replacement Fund		
- Current financial year	14,739	27,489
	14,739	27,489

The income tax expense on the income for the financial year varies from the amount of income tax determined by applying the Singapore standard rate of income tax to taxable income due to the following factors:

	2021/2022 \$	2020/2021 \$
Government grants	11,015,908	10,038,382
Investment and interest income	649,281	1,035,742
Other income	681,244	754,661
Allowable expenses	(74,240)	(78,712)
	12,272,193	11,750,073
Tax calculated at a tax rate of 17% (2020/2021 - 17%)	2,086,273	1,997,513
Singapore statutory stepped income exemption	(17,425)	(17,425)
Tax effect of certain income taxed at concessionary tax rate	(28,263)	(31,256)
Tax remission of government grants under Section 92(2) of Singapore income Tax Act	(1,856,531)	(1,691,051)
	184,054	257,781

(b) Income tax payable

	2021/2022 \$	2020/2021 \$
Balance at 1 April	589,430	600,758
Current financial year's income tax expense	184,053	257,781
Payments during the year	(331,167)	(269,109)
Balance at 31 March	442,316	589,430

22 Government grants

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

	Total		Conservancy and Service Grant		Payment from Citizens' Consultative Committee		GST Subvention Grant		Lift Maintenance Grant		LRF Matching Grant	
	2021/2022	2020/2021	2021/2022	2020/2021	2021/2022	2020/2021	2021/2022	2020/2021	2021/2022	2020/2021	2021/2022	2020/2021
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Government grants received/receivable	11,015,908	10,038,382	4,157,077	4,038,379	2,681,173	1,939,800	1,050,498	1,024,323	549,000	545,400	2,578,160	2,490,480
Less:												
Transfer to Sinking Fund (Note 4)	1,496,709	1,458,105	1,080,840	1,049,978	-	-	273,129	266,323	142,740	141,804	-	-
Less:												
Transfer to Lift Replacement Fund (Note 5)	3,384,083	3,275,616	581,991	565,373	-	-	147,072	143,407	76,860	76,356	2,578,160	2,490,480
Less:												
Transfer to Town Improvement and Projects Fund (Note 6)	2,681,173	1,939,800	-	-	2,681,173	1,939,800	-	-	-	-	-	-
	3,453,943	3,364,861	2,494,246	2,423,028	-	-	630,297	614,593	329,400	327,240	-	-

(b) The total amounts of grants received (including grants transferred from other Town Councils) since the formation of the Town Council is as follows:

	2021/2022	2020/2021
	\$	\$
Total grants received at 1 April	191,372,188	180,930,702
Add:		
Grants received during the year	11,091,863	10,441,486
Total grants received at 31 March	202,464,051	191,372,188

23 Town improvement projects

These projects are partially funded by Government grants under the Community Improvement Projects Committee (CIPC) scheme and are given through the Citizens' Consultative Committee (CCC).

Expenditure

	2021/2022 \$	2020/2021 \$
Construction of covered walkways/pavillion	1,255,357	428,419
Construction/upgrading of playground and fitness corner	340,400	1,630,015
Resident's Corner	-	43,545
Games Court	52,652	-
Miscellaneous projects	845,573	445,000
Professional/project management fee	206,282	227,216
	2,700,264	2,774,195

Out of the total of \$2,700,264 (2020/2021 - \$2,774,195) spent on town improvement projects, \$2,681,173 (2020/2021 - \$1,939,800) was met from CIPC grants.

24 Commitments for capital expenditure

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

	2021/2022 \$	2020/2021 \$
Amount approved and contracted for	21,337,327	12,588,862
Amount approved but not contracted for	26,244,560	29,703,509
	47,581,887	42,292,371

Included in the amount approved and contracted for are commitments for Neighbourhood Renewal Programme of \$1,959,887 (2020/2021 - \$2,202,252).

25 Significant related party transactions

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

	2021/2022 \$	2020/2021 \$
Managing agent fee charged by a related party	4,281,850	4,122,081
Energy saving cost charged by a related party*	638,432	216,664
Repair and maintenance works charged by a related party	934,972	1,166,797
Consultancy and project management fee charged by a related party	615,467	439,317

* The Town Council has entered into an agreement for the related party to supply and install Light Emitting Diode ("LED") luminaries at the HDB blocks at no costs to the Town Council. Under the terms of the agreement, certain percentage of the energy cost saved from the usage of the LED will be shared with the related party.

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

26 Financial risk management objectives and policies

The Town Council's activities expose it to a variety of financial risks: market risk (including interest rate risk, currency risk and price risk), credit risk and liquidity risk. Risk management is integral to the whole operation of the Town Council. The Town Council has a system of controls in place to create an acceptable balance between the costs of risks occurring and the cost of managing the risks. The management continually monitors the Town Council's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Town Council's activities.

The Town Council does not hold or issue derivative financial instruments for trading purposes or to hedge against fluctuations, if any, in interest rates and foreign exchange.

26.1 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Town Council's operational activities are carried out in Singapore dollar. Hence, the Town Council is not exposed to foreign currency risk.

26.2 Cash flow and fair value interest rate risk

Cash flow interest rate risk is the risk that 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.

26 Financial risk management objectives and policies (cont'd)**26.2 Cash flow and fair value interest rate risk (cont'd)**

The Town Council's interest-bearing assets, comprised mainly of short-term bank deposits and financial assets at fair value through profit or loss, are exposed to financial market risk due to fluctuations in interest rates, which may affect the Town Council's interest income.

The Town Council manages this exposure by performing ongoing evaluations of their investment portfolio.

Sensitivity analysis for interest rate risk

At the end of the reporting period, if interest rates had been 75 (2020/2021 - 75) basis points lower/higher with all other variables held constant, the Town Council's surplus net of tax would have been \$325,272 (2020/2021 - \$324,182) lower/higher.

In respect of interest-bearing financial assets the following table indicates their effective interest rates at reporting date:

	Note	Effective <u>interest</u> rate %	<u>Total</u> \$	Less than <u>1 year</u> \$	1 to 5 <u>years</u> \$
31 March 2022					
Financial assets					
Fixed deposits	12	0.57%	43,369,646	9,604,994	33,764,652
31 March 2021					
Financial assets					
Fixed deposits	12	1.34%	43,224,200	36,272,256	6,951,944

26.3 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

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

	Less than <u>1 year</u> \$	1 to 5 <u>years</u> \$	Over <u>5 years</u> \$	<u>Total</u> \$
At 31 March 2022				
Fixed deposits	9,604,994	33,764,652	-	43,369,646
Cash and bank balances	41,222,285	-	-	41,222,285
Other financial assets	3,934,446	-	-	3,934,446
Other Current financial liabilities	6,178,824	-	-	6,178,824
Other non-current financial liabilities	-	63,079	-	63,079

26 Financial risk management objectives and policies (cont'd)**26.3 Liquidity risk (cont'd)**

	Less than <u>1 year</u> \$	1 to 5 <u>years</u> \$	Over <u>5 years</u> \$	<u>Total</u> \$
At 31 March 2021				
Fixed deposits	36,272,256	6,951,944	-	43,224,200
Cash and bank balances	29,810,249	-	-	29,810,249
Other financial assets	4,240,831	-	-	4,240,831
Other current financial liabilities	2,480,371	-	-	2,480,371
Other non-current financial liabilities	-	27,826	-	27,826

26.4 Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a loss to the Town Council. The Town Council has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Town Council performs on-going credit evaluation of its counterparties' financial condition and generally does not require collateral.

The Town Council has no significant concentration of credit risk and categorised the receivables as low credit risks. Generally, the credit terms are 30 days and the Town Council has no significant trade receivables overdue. No other financial assets carry a significant exposure to credit risk. The Town Council has established credit limits for customers and monitors their balances. Cash and cash equivalents are placed with banks and financial institution which are regulated.

The Town Council's major classes of financial assets are cash and cash equivalent, trade and other receivables. Bank deposits are mainly deposited with banks with high credit ratings.

To assess and manage its credit risks, the Town Council categorises the aforementioned financial assets according to their risk of default. The Town Council defines default to have taken place when internal or/and external information indicates that:

- the borrower is unlikely to pay its credit obligations to the Town Council in full, without recourse by the Town Council to actions such as realising security (if any is held); or
- the financial assets is more than 30 days past due.

26 Financial risk management objectives and policies (cont'd)**26.4 Credit risk (cont'd)**

The Town Council has not rebutted the presumption included in FRS 109 that there has been a significant increase in credit risk since initial recognition when financial assets are more than 30 days past due.

In their assessment, the management considers, amongst other factors, the latest relevant credit ratings from reputable external rating agencies where available and deemed appropriate, historical credit experiences, latest available financial information and latest applicable credit reputation of the debtor.

The Town Council's internal credit risk grading categories are as follows:

Category	Description	Basis of recognising ECL
1	Counterparty has a low credit risk ^{Note 1} and does not have any past due amounts	12-months ECL
2	Significant increase in credit risk since initial recognition ^{Note 2} or financial asset is > 30 days past due	Lifetime ECL – not credit impaired
3	Evidence indicates that financial asset is credit-impaired ^{Note 3}	Difference between financial asset's gross carrying amount and present value of estimated future cash flows discounted at the financial asset's original effective interest rate
4	Evidence indicates that the management has no reasonable expectations of recovering the write off amount ^{Note 4}	Written off

Note 1. Low credit risk

The financial asset is determined to have low credit risk if the financial assets have a low risk of default, the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the counterparty to fulfil its contractual cash flow obligations. Generally, this is the case when the Town Council assesses and determines that the debtor has been, is in and is highly likely to be, in the foreseeable future and during the (contractual) term of the financial asset, in a financial position that will allow the debtor to settle the financial asset as and when it falls due.

Note 2. Significant increase in credit risk

In assessing whether the credit risk of the financial asset has increased significantly since initial recognition, the Town Council compares the risk of default occurring on the financial asset as of reporting date with the risk of default occurring on the financial asset as of date of initial recognition, and considered reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition. In assessing the significance of the change in the risk of default, the Town Council considers both past due (i.e. whether it is more than 30 days past due) and forward looking quantitative and qualitative information.

26 Financial risk management objectives and policies (cont'd)**26.4 Credit risk (cont'd)**

Forward looking information includes the assessment of the latest performance and financial position of the debtor, adjusted for the Town Council's future outlook of the industry in which the debtor operates and the most recent news or market talks about the debtor, as applicable. In its assessment, the Town Council will generally, for example, assess whether the deterioration of the financial performance and/or financial position, adverse change in the economic environment (country and industry in which the debtor operates), deterioration of credit risk of the debtor, etc. is in line with its expectation as of the date of initial recognition of the financial asset. Irrespective of the outcome of the above assessment, the Town Council presumes that the credit risk on a financial asset has increased significantly since initial recognition when contract payments are >30 days past due, unless the Town Council has reasonable and supportable information that demonstrates otherwise.

The ageing analysis of conservancy and service fee receivables with number of months of fees past due but not impaired are as follows:

	2021/2022	2020/2021
	\$	\$
With less than 3 months of fees outstanding	244,873	82,496
With more than 3 months but less than 6 months of fees outstanding	111,291	57,492
With more than 6 months but less than 12 months of fees outstanding	119,198	372,484
With more than 12 months of fees outstanding	-	14,052

Based on historical default rates, the Town Council has provided impairment allowance of \$591,633 (2020: \$426,460) for the current financial year in respect of conservancy and service fee receivables past due as disclosed in Note 9.

Note 3. Credit impaired

In determining whether financial assets are credit-impaired, the Town Council assesses whether one or more events that have a detrimental impact on the estimated future cashflows of the financial asset have occurred. Evidence that a financial asset is credit impaired includes the following observable data:

- Significant financial difficulty of the debtor;
- Breach of contract, such as a default past due event;
- It is becoming probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for the financial asset because of financial difficulties.

26 Financial risk management objectives and policies (cont'd)**26.4 Credit risk (cont'd)**

Note 4. Write off

Generally, the Town Council writes off, partially or fully, the financial asset when it assesses that there is no realistic prospect of recovery of the amount as evidenced by, for example, the debtor's lack of assets or income sources that could generate sufficient cashflows to repay the amounts subjected to the write-off.

The Town Council performs ongoing credit evaluation of its counterparties' financial condition and generally does not require collateral.

The Town Council do not have any significant credit exposure to any single counterparty or any groups of counterparties having similar characteristics.

As at the end of the financial year, there was no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statements of financial position.

Trade receivables

The Town Council uses the practical expedient under FRS 109 in the form of allowance matrix to measure the ECL for trade receivables, where the loss allowance is equal to lifetime ECL.

The ECL for trade receivables are estimated using an allowance matrix by reference to the historical credit loss experience of the customers for the last 3 years prior to the respective reporting dates for various customer groups that are assessed by service types and customer ratings, adjusted for forward looking factors specific to the debtors and the economic environment which could affect the ability of the debtors to settle the financial assets. In considering the impact of the economic environment on the ECL rates, the Town Council assesses, the growth rates of the major industries which its customers operate in.

The estimated credit loss of trade receivables is as follows:

	2022	Rate of Provision	2021	Rate of Provision
	\$	%	\$	%
<u>Based on invoice date</u>				
Arrears in excess of 12 months	210,704	100	183,386	100
Arrears in excess of 24 months	343,039	100	208,793	100
Ex-arrears	37,890	100	34,281	100
Expected Credit Loss at 31 March	<u>591,633</u>		<u>426,460</u>	

Trade receivables are written off when there is evidence to indicate that the customer is in severe financial difficulty such as being under liquidation or bankruptcy and there is no reasonable expectations for recovering the outstanding balances.

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

26 Financial risk management objectives and policies (cont'd)

26.5 Price risk

Price risk is the risk that the value of a financial instrument will fluctuate due to changes in market prices.

The Town Council is exposed to market price risks arising from its investment with fund manager classified as investment at fair value through profit or loss.

At the end of the reporting period, if the fair value had been 2% (2020/2021 - 2%) lower/higher with all other variables held constant, the Town Council's surplus for the year would have been \$394,582 (2020/2021 - \$402,102) lower/higher, arising as a result of higher/lower fair value losses on investments.

27 Management of Town Council's funds

The Town Council's objectives when managing funds are:

- (a) To safeguard the Town Council's ability to continue as going concern; and
- (b) To provide capacity to support the Town Council's investment in public sector human capital, intellectual capital and technical capability development.

The Town Council actively and regularly reviews and manages its funds structure to ensure optimal capital structure, taking into consideration the future requirements, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected investments in public sector capability development.

There were no changes in the Town Council's approach to funds management during the year. The Town Council is not subject to externally imposed requirements. As at the end of the reporting period, the Town Council's total funds amounted to \$102,134,999 (2020/2021 - \$94,916,670).

28 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:

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

(a) 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 2022:

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<u>Recurring fair value measurements</u>				
As at 31 March 2022				
<i>Financial assets through profit or loss</i>				
Quoted equities (Note 8)	-	-	-	-
Quoted bonds (Note 8)	-	13,993,193	-	13,993,193
Treasury Bills (Note 8)	5,735,918	-	-	5,735,918
As at 31 March 2021				
<i>Financial assets through profit or loss</i>				
Quoted equities (Note 8)	-	-	-	-
Quoted bonds (Note 8)	-	13,996,453	-	13,996,453
Treasury Bills (Note 8)	6,108,647	-	-	6,108,647