

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

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financial health of and near-term economic benefit for the asset, changes in technology and operational and financing cash flows.

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

*Key sources of estimation uncertainty (Continued)*

(iv) Income tax

The Town Council is subject to income taxes in Singapore. Judgement is required in determining the deductibility of certain expenses during the estimation of the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of operations. The Town Council recognises liabilities for expected tax issues based on estimate of whether additional taxes will be due. Where the final tax outcome of these matters differs from the amounts that were initially recognised, such differences will impact the income tax provisions in the period in which such determination is made. The carrying amount of the Town Council's current tax payable as at 31 March 2012 is \$1,139,321 (2011: \$1,115,610) (Note 22).

(v) Held-to-maturity financial assets

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

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

**ANG MO KIO TOWN COUNCIL** (Formerly known as Ang Mo Kio - Yio Chu Kang Town Council)  
(Established under the Town Councils Act, Cap. 329A)

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**4. Accumulated surplus**

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

Note	Total	Residential Property Funds		Commercial Property Funds		Car park Fund	
		2012 \$	2011 \$	2012 \$	2011 \$	2012 \$	2011 \$
<b>OPERATING INCOME</b>							
Conservancy and service fees		47,861,699	46,663,560	44,009,912	42,533,376	3,851,787	4,130,184
Less: Operating income transfer to Sinking Funds (minimum required by law)	5	(16,063,114)	(15,676,243)	(14,714,987)	(14,219,449)	(1,348,127)	(1,456,794)
		31,798,585	30,987,317	29,294,925	28,313,927	2,503,660	2,673,390
Agency fees	15	4,150,881	3,859,500	-	-	-	-
Other income	16	3,096,781	3,468,147	861,742	992,046	2,183,667	2,435,922
		39,046,247	38,314,964	30,156,667	29,305,973	4,687,327	5,109,312
Less: Operating expenditure		(44,174,802)	(39,835,309)	(38,234,123)	(34,655,661)	(2,554,904)	(2,337,888)
<b>OPERATING (DEFICIT)/SURPLUS</b>		(5,128,555)	(1,520,345)	(8,077,456)	(5,349,688)	2,132,423	2,771,424
Add: Interest income		63,254	83,950	58,830	79,110	1,601	1,825
<b>(DEFICIT)/SURPLUS BEFORE INCOME TAX AND GOVERNMENT GRANTS</b>		(5,065,301)	(1,436,395)	(8,018,626)	(5,270,578)	2,134,024	2,773,249
Less: Income tax	22	(267,864)	(367,226)	332,026	(32,292)	(595,029)	(332,755)
<b>(DEFICIT)/SURPLUS BEFORE GOVERNMENT GRANTS</b>		(5,333,165)	(1,803,621)	(7,686,600)	(5,302,870)	1,538,995	2,440,494
						814,440	1,058,755
Add: Government grants	23	14,233,066	18,882,175	14,233,066	18,593,170	-	289,005
Less: Transfer to Sinking Funds		(3,482,353)	(8,347,617)	(3,482,353)	(8,222,178)	-	(125,439)
- Sinking Funds	5	(3,252,502)	(3,142,642)	(3,059,194)	(2,979,076)	(193,308)	(163,566)
- Town Improvement and Project Funds	6	7,498,211	7,391,916	7,691,519	7,391,916	(193,308)	-
<b>SURPLUS FOR THE YEAR</b>		2,165,046	5,588,295	4,919	2,089,046	1,345,687	2,440,494
						814,440	1,058,755
<b>ACCUMULATED SURPLUS AT 1 APRIL</b>		16,657,723	14,338,591	4,302,525	5,305,483	9,384,024	7,120,689
Add(Less):							
Transfer of accumulated surplus at 18 April 2011		(12,826,802)	-	(2,396,623)	-	(7,467,092)	-
Net transfer of funds during Boundary Change		209,976	-	693,700	-	(159,728)	-
Transfer from Town Improvement and Project Funds	6	(91,434)	1,404,019	(97,010)	1,305,930	5,576	98,089
Appropriation to Town Improvement and Project Funds	6	(1,736,573)	(4,673,182)	(1,620,223)	(4,397,934)	(116,350)	(275,248)
<b>ACCUMULATED SURPLUS AT 31 MARCH</b>		4,377,936	16,657,723	887,288	4,302,525	2,992,117	9,384,024
						498,531	2,971,174

**NOTES TO THE FINANCIAL STATEMENTS  
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**5. Sinking Funds**

	<u>Note</u>	<u>Total</u>		<u>Residential Property Funds</u>		<u>Commercial Property Funds</u>	
		<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
		\$	\$	\$	\$	\$	\$
Balance at 1 April		140,721,930	154,736,864	105,302,516	120,028,267	35,419,414	34,708,597
Transfer from accumulated surplus at 18 April 2011		15,323,684	-	7,710,784	-	7,612,900	-
Transfer of funds during Boundary Change		(4,178,417)	-	(2,845,667)	-	(1,332,750)	-
		<b>151,867,197</b>	<b>154,736,864</b>	<b>110,167,633</b>	<b>120,028,267</b>	<b>41,699,564</b>	<b>34,708,597</b>
<b>Add:</b>							
Income	19 (a)	850,337	2,225,158	848,118	2,192,540	2,219	32,618
Operating income transfer from conservancy and service fees	4	16,063,114	15,676,243	14,714,987	14,219,449	1,348,127	1,456,794
Transfer from government grants	4	3,482,353	8,347,617	3,482,353	8,222,178	-	125,439
		<b>20,395,804</b>	<b>26,249,018</b>	<b>19,045,458</b>	<b>24,634,167</b>	<b>1,350,346</b>	<b>1,614,851</b>
<b>Less:</b>							
Expenditure	19 (b)	(18,921,159)	(40,034,823)	(18,695,564)	(39,136,324)	(225,595)	(898,499)
Income tax	22	(288,756)	(229,129)	(293,105)	(223,594)	4,349	(5,535)
(Deficit)/Surplus for the year		<b>1,185,889</b>	<b>(14,014,934)</b>	<b>56,789</b>	<b>(14,725,751)</b>	<b>1,129,100</b>	<b>710,817</b>
<b>Balance at 31 March</b>		<b>153,053,086</b>	<b>140,721,930</b>	<b>110,224,422</b>	<b>105,302,516</b>	<b>42,828,664</b>	<b>35,419,414</b>

Represented by:

<b>Non-Current Assets</b>	9	4,925,242	12,870,740
Held-to-maturity financial assets			
<b>Current Assets</b>			
Held-to-maturity financial assets	9	7,998,932	-
Financial assets at fair value through profit or loss	10	28,903,505	28,410,430
Conservancy and service fees receivables	11	295,277	419,090
Other receivables, deposits and prepayments	12	1,245,057	801,053
Due from accumulated surplus		4,451,708	-
Cash and cash equivalents	13	106,729,149	103,477,423
<b>Total Assets</b>		<b>149,623,628</b>	<b>133,107,996</b>
		<b>154,548,870</b>	<b>145,978,736</b>
<b>Current Liabilities</b>			
Payables and accrued expenses	14	1,077,667	4,649,370
Due to accumulated surplus		-	227,658
Income tax payable	22	418,117	379,778
		<b>1,495,784</b>	<b>5,256,806</b>
<b>Total Liabilities</b>		<b>1,495,784</b>	<b>5,256,806</b>
<b>NET ASSETS</b>		<b>153,053,086</b>	<b>140,721,930</b>

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**6. Town Improvement and Project Funds**

	<u>Note</u>	<b>Total</b>		<b>Residential Property Funds</b>		<b>Commercial Property Funds</b>	
		<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
		<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Balance at 1 April</b>		4,673,182	4,932,943	4,397,934	4,600,135	275,248	332,808
Transfer from accumulated surplus at 18 April 2011		(2,496,882)	-	(2,351,073)	-	(145,809)	-
Transfer of funds during Boundary Change		276,484	-	250,382	-	26,102	-
		<b>2,452,784</b>	<b>4,932,943</b>	<b>2,297,243</b>	<b>4,600,135</b>	<b>155,541</b>	<b>332,808</b>
Add/(Less):							
Transfer from government grants	4	3,252,502	3,142,642	3,059,194	2,979,076	193,308	163,566
Expenditure	20	(5,796,720)	(6,671,566)	(5,453,447)	(6,273,281)	(343,273)	(398,285)
<b>Deficit for the year</b>		<b>(2,544,218)</b>	<b>(3,528,924)</b>	<b>(2,394,253)</b>	<b>(3,294,205)</b>	<b>(149,965)</b>	<b>(234,719)</b>
Transfer to accumulated surplus *	4	91,434	(1,404,019)	97,010	(1,305,930)	(5,576)	(98,089)
Appropriation from accumulated surplus **	4	1,736,573	4,673,182	1,620,223	4,397,934	116,350	275,248
<b>Balance at 31 March</b>		<b>1,736,573</b>	<b>4,673,182</b>	<b>1,620,223</b>	<b>4,397,934</b>	<b>116,350</b>	<b>275,248</b>

Represented by:

<b>Current Assets</b>		
Other receivables, deposits and prepayments	12	5,338,707
Cash and cash equivalents	13	626,800
<b>Total assets</b>		<b>5,965,507</b>
<b>Current Liabilities</b>		
Payables and accrued expenses	14	1,362,716
Due to accumulated surplus		-
<b>Total liabilities</b>		<b>1,362,716</b>
<b>NET ASSETS</b>		<b>4,602,791</b>

\* At the end of each financial year, the Town Council would transfer any surplus or deficit from the Town Improvement and Project Funds to the accumulated surplus.

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

**NOTES TO THE FINANCIAL STATEMENTS  
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**7. Neighbourhood Renewal Programme Fund**

	<u>2012</u> \$	<u>2011</u> \$
Balance at 1 April	323,733	84,441
Transfer of funds during Boundary Change	16,573	-
	<u>340,306</u>	<u>84,441</u>
Add/(Less):		
Funding from Housing & Development Board	1,049,271	828,449
Interest income	722	481
Management and consultancy fees	(1,204,718)	(589,638)
(Deficit)/Surplus for the year	(154,725)	239,292
Balance at 31 March	<u>185,581</u>	<u>323,733</u>

**8. Plant and equipment**

	<u>Furniture, fixtures and fittings</u> \$	<u>Office equipment</u> \$	<u>Motor vehicles</u> \$	<u>Total</u> \$
<b><u>Cost</u></b>				
At 1 April 2010	605,323	217,241	56,590	879,154
Additions	48,548	1,577	-	50,125
Disposals	-	(9,238)	(56,590)	(65,828)
At 31 March 2011	653,871	209,580	-	863,451
Additions	497,064	47,363	-	544,427
Transfers	(225,424)	-	-	(225,424)
Disposals	-	(109,324)	-	(109,324)
At 31 March 2012	<u>925,511</u>	<u>147,619</u>	<u>-</u>	<u>1,073,130</u>
<b><u>Accumulated depreciation</u></b>				
At 1 April 2010	555,615	201,709	56,590	813,914
Depreciation	14,467	10,736	-	25,203
Disposals	-	(9,238)	(56,590)	(65,828)
At 31 March 2011	570,082	203,207	-	773,289
Depreciation	69,508	11,124	-	80,632
Transfers	(210,848)	-	-	(210,848)
Disposals	-	(109,324)	-	(109,324)
At 31 March 2012	<u>428,742</u>	<u>105,007</u>	<u>-</u>	<u>533,749</u>
<b><u>Net book value</u></b>				
At 31 March 2011	<u>83,789</u>	<u>6,373</u>	<u>-</u>	<u>90,162</u>
At 31 March 2012	<u>496,769</u>	<u>42,612</u>	<u>-</u>	<u>539,381</u>

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

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

	<u>Note</u>	<u>2012</u> At amortised cost \$	<u>2011</u> At amortised cost \$
Balance at 1 April		12,870,740	24,620,020
Redemption of bonds upon maturity		-	(11,800,000)
Accretion of discount on bonds	19(a)	53,434	50,720
Balance at 31 March		<u>12,924,174</u>	<u>12,870,740</u>
The maturity period of the held-to-maturity financial assets is as follows:			
Maturing within 12 months	5	7,998,932	-
Maturing over 12 months	5	<u>4,925,242</u>	<u>12,870,740</u>
		<u>12,924,174</u>	<u>12,870,740</u>

The held-to-maturity financial assets are denominated in Singapore dollars. Held-to-maturity financial assets is made up of government bonds with fixed interest rate from 2.159% to 4.080% (2011: 2.159% to 4.080%) per annum, and maturing between 1 July 2012 and 19 June 2013. The effective interest rate is 3.15% to 3.66% (2011: 3.15% to 3.66%) per annum.

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

The Town Council's financial assets at fair value through profit or loss are administered by a fund manager. The fund manager is given discretionary powers within certain guidelines to invest the funds. The term of the fund management agreement will expire on 1 March 2015.

The fund manager will be entitled to charge basic management fees accrue monthly and bill quarterly. Additionally, the fund managers will be entitled to receive performance fees for the excess, before income tax, of the market value of the fund over the specified performance benchmark at the end of the management term or termination date if earlier.

Cash at banks and fixed deposits included in funds with fund manager cannot be freely withdrawn for use by the Town Council until the expiry of the fund management agreement.

At the end of the reporting period, the funds with fund manager comprise the following:

	<u>Note</u>	<u>2012</u> At fair value \$	<u>2011</u> At fair value \$
Equity securities in listed corporations		-	10,539,669
Debt securities in listed corporations, government and other public debentures		<u>28,903,505</u>	<u>17,870,761</u>
Financial assets at fair value through profit or loss	5	<u>28,903,505</u>	<u>28,410,430</u>
Accrued interest	12	<u>157,740</u>	<u>133,419</u>
Cash at banks and fixed deposits	13	<u>860,514</u>	<u>30,048,817</u>
		<u>29,921,759</u>	<u>58,592,666</u>

The funds with fund manager are denominated in Singapore dollars.

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

**11. Conservancy and service fees receivables**

	<u>Note</u>	<u>2012</u> \$	<u>2011</u> \$
Conservancy and service fees receivables		1,630,835	1,927,249
Less: Allowance for impairment		(538,957)	(679,736)
		<u>1,091,878</u>	<u>1,247,513</u>
Taken up in:			
Accumulated surplus		796,601	828,423
Sinking Funds	5	<u>295,277</u>	<u>419,090</u>
		<u>1,091,878</u>	<u>1,247,513</u>

Conservancy and service fees receivables are denominated in Singapore dollars.

The Town Council generally extends 30-day credit term to its conservancy and service fees customers.

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

	<u>2012</u> \$	<u>2011</u> \$
Balance at 1 April	679,736	969,434
Transfer out due to Boundary Change	(153,554)	-
Impairment loss recognised/(reversed)	12,775	(289,698)
Balance at 31 March	<u>538,957</u>	<u>679,736</u>

**12. Other receivables, deposits and prepayments**

	<u>Note</u>	<u>2012</u> \$	<u>2011</u> \$
Grant receivables			
- Citizens' Consultative Committees		4,285,495	5,338,707
- GST Subvention		457,707	421,125
- Service and Conservancy Charges		<u>73,441</u>	<u>25,805</u>
		<u>4,816,643</u>	<u>5,785,637</u>
Other receivables			
- Accrued interest on funds with fund manager	10	157,740	133,419
- Interest on fixed deposits and government bonds		322,898	450,397
- Late payment penalty		390,493	352,439
- Less: allowance for impairment		<u>(351,341)</u>	<u>(262,089)</u>
		39,152	90,350
- Claimable GST	21	38,441	484,204
- Recoverable from Housing & Development Board		93,578	343,961
- Recoverable from contractors		<u>267,720</u>	<u>94,116</u>
		<u>919,529</u>	<u>1,596,447</u>
Deposits		1,273,964	750,869
Prepayments		210,537	302,667
Amount recoverable from Sembawang Nee Soon Town Council		495,828	-
Others		<u>122,716</u>	<u>48,665</u>
		<u>7,839,217</u>	<u>8,484,285</u>
Taken up in:			
Accumulated surplus		1,931,762	2,344,525
Sinking Funds	5	<u>1,245,057</u>	<u>801,053</u>
Town Improvement and Project Funds	6	<u>4,662,398</u>	<u>5,338,707</u>
		<u>7,839,217</u>	<u>8,484,285</u>

Other receivables, deposits and prepayments are denominated in Singapore dollars.

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**12. Other receivables, deposits and prepayments (Continued)**

The movements in allowance for impairment in respect of other receivables from penalty imposed on customers for late payment of service and conservancy charges during the year is as follows:

	<u>2012</u> \$	<u>2011</u> \$
Balance at 1 April	262,089	274,840
Impairment loss recognised/(reversed)	89,252	(12,751)
Balance at 31 March	<u>351,341</u>	<u>262,089</u>

**13. Cash and cash equivalents**

	<u>Note</u>	<u>2012</u> \$	<u>2011</u> \$
Cash on hand		16,500	12,500
Cash at bank		22,055,763	14,262,359
Cash and fixed deposits with fund managers	10	<u>860,514</u>	<u>30,048,817</u>
		22,932,777	44,323,676
Fixed deposits		<u>92,391,124</u>	<u>77,633,624</u>
		<u>115,323,901</u>	<u>121,957,300</u>
Taken up in:			
Accumulated surplus		10,157,861	17,853,077
Sinking Funds	5	106,729,149	103,477,423
Town Improvement and Project Funds	6	<u>(1,563,109)</u>	<u>626,800</u>
		<u>115,323,901</u>	<u>121,957,300</u>

Cash and cash equivalents are denominated in Singapore dollars.

The interest rate for the fixed deposits ranges between 0.38% and 0.70% (2011: 0.55% and 0.72%) per annum, receivable one year in arrears. The effective interest rate is 0.47% (2011: 0.63%) per annum.

A fixed deposit of \$55,810 (2011: \$55,765) is pledged to a bank to secure a performance guarantee issued by the bank.

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

	<u>2012</u> \$	<u>2011</u> \$
Cash and cash equivalents as above	115,323,901	121,957,300
Less:		
Cash at banks and fixed deposits managed by fund manager	(860,514)	(30,048,817)
Fixed deposit pledged	(55,810)	(55,765)
Cash and cash equivalents per statement of cash flows	<u>114,407,577</u>	<u>91,852,718</u>

**14. Payables and accrued expenses**

	<u>2012</u> \$	<u>2011</u> \$
Accounts payable	3,721,922	7,549,575
Accrued expenses	1,014,352	851,796
Deposits received	493,567	436,637
Payable to Housing & Development Board	42,471	41,810
Others	15,960	10,586
	<u>5,288,272</u>	<u>8,890,404</u>

Payables and accrued expenses are denominated in Singapore dollars.



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**14. Payables and accrued expenses (Continued)**

Taken up in:			
Accumulated surplus		2,847,889	2,948,709
Sinking Funds	5	1,077,667	4,649,370
Town Improvement and Project Funds	6	1,362,716	1,292,325
		<u>5,288,272</u>	<u>8,890,404</u>

**15. Agency fees**

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

**16. Other income**

	<u>2012</u>	<u>2011</u>
	\$	\$
Community hall rental	12,808	13,344
Late payment penalty	242,289	238,222
Liquidated damages	182,545	220,427
Removal of bulky household refuse	-	18,568
Sale of tender documents	39,398	48,431
Sundry fines	45,696	73,925
Sundry income	127,053	72,205
Temporary Occupation Licence ("TOL") charges	2,028,830	2,327,712
Use of common property	62,501	71,215
Use of void decks	57,150	57,360
Use of water and electricity	290,085	317,431
Others	8,426	9,307
	<u>3,096,781</u>	<u>3,468,147</u>

**17. Managing agent's fees**

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

**18. General and administrative expenditure**

	<u>Note</u>	<u>2012</u>	<u>2011</u>
		\$	\$
Advertising, publicity and public relations		363,198	620,520
Bad debts (recovered)/written off		(862)	93,577
Computer service		476,491	369,130
Depreciation of plant and equipment	8	79,647	25,203
Loss/ (gain) on disposal of plant and equipment		14,576	(6,200)
Impairment loss recognised/(reversed)		144,477	(302,449)
Office rental and upkeep expenditure		466,200	523,443
Office supplies and stationery		110,737	77,989
Plant and equipment not capitalised		73,712	27,821
Property tax		332,400	207,230
Key management personnel compensation			
- Town Councillors' allowances		287,122	304,200
- Executive Director's salary & related costs		178,797	215,674
Unclaimable input tax	21	672,431	926,706
Others		406,233	442,677
		<u>3,605,159</u>	<u>3,525,521</u>

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

**19. Sinking funds income and expenditure**

**(a) Income**

	<u>Note</u>	<u>2012</u> \$	<u>2011</u> \$
Accretion of discount on government bonds	9	53,434	50,720
Fair value gain on financial assets at fair value through profit or loss		-	1,116,623
Interest income from cash at banks		399,331	499,160
Interest income from government bonds		396,713	558,655
Others income		859	-
		<u>850,337</u>	<u>2,225,158</u>

**(b) Expenditure**

	<u>Note</u>	<u>2012</u> \$	<u>2011</u> \$
Electrical rewiring		-	442,845
Fair value loss on financial assets at fair value through profit or loss		921,818	-
General and administrative charges		1,277	20,992
Lifts overhaul/upgrading		10,030,233	16,343,105
Lift position display		152,868	71,414
Lift works		86,402	-
Re-decoration and repairing		6,643,720	19,849,673
Re-roofing works		520	706,849
Replacement of ARD batteries		75,057	190,566
Replacement of booster pumps		-	358,249
Replacement of EBOP battery		68,448	72,592
Replacement of FRP/GRP sectional water tanks		254,500	-
Replacement of hoisting ropes		420,368	547,595
Replacement of water pipes		-	43,887
Town Council Lift Upgrading Programme		(41,558)	960,752
Unclaimable input tax	21	<u>307,506</u>	<u>426,304</u>
		<u>18,921,159</u>	<u>40,034,823</u>

**20. Town Improvement and Project Funds expenditure**

	<u>2012</u> \$	<u>2011</u> \$
Consultancy fees and architectural fees	715,902	645,908
Town improvement works	<u>5,080,818</u>	<u>6,025,658</u>
	<u>5,796,720</u>	<u>6,671,566</u>

**21. Goods and Services Tax ("GST")**

Government grants received by the Town Council are considered non-taxable supplies. Therefore, input tax claimable is based on a formula determined by the Inland Revenue Authority of Singapore. The unclaimable portion is charged to the statement of comprehensive income during the year.

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

**22. Income tax**

	<u>Note</u>	<u>2012</u> \$	<u>2011</u> \$
Current tax expense		522,349	596,355
Under-provision of tax in previous financial years		34,271	-
		<u>556,620</u>	<u>596,355</u>
Taken up in:			
Accumulated surplus		321,973	367,226
Over-provision of tax in previous financial years		(54,109)	-
	4	<u>267,864</u>	<u>367,226</u>
Sinking Funds		200,376	229,129
Under-provision of tax in previous financial years		88,380	-
	5	<u>288,756</u>	<u>229,129</u>
		<u>556,620</u>	<u>596,355</u>

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

	<u>2012</u> \$	<u>2011</u> \$
Interest income	1,645,317	2,016,844
Government grants and other income	16,278,435	21,171,454
Allowable expenses	(215,389)	(231,457)
	<u>17,708,363</u>	<u>22,956,841</u>
Tax calculated at a tax rate of 17% (2011: 17%)	3,010,422	3,902,663
Tax remission of government grants under section 92(2) of Singapore Income Tax Act	(2,419,621)	(3,187,286)
Tax effect of certain income taxed at concessionary tax rate	(68,452)	(119,022)
Under-provision of tax in previous financial years	34,271	-
	<u>556,620</u>	<u>596,355</u>

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

The movements in provision for income tax is as follows:

	<u>Note</u>	<u>2012</u> \$	<u>2011</u> \$
Balance as at 1 April		1,115,610	1,089,914
Provision for income tax due to Boundary Change		42,714	-
Current financial year's income tax expense		522,349	596,355
Payments during the year		(575,623)	(570,659)
Under-provision of tax in previous financial years		34,271	-
Balance as at 31 March		<u>1,139,321</u>	<u>1,115,610</u>
Taken up in: (Provision for income tax)			
Accumulated surplus		721,204	735,832
Sinking Funds	5	418,117	379,778
Balance at 31 March		<u>1,139,321</u>	<u>1,115,610</u>

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

23. Government grants

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

Note	Total	Service and Conservancy Charges Grant		Payment from Citizens' Consultative Committees		GST Subvention Grant		Town Council Lift Upgrading Programme Assistance Grant	
		2012	2011	2012	2011	2012	2011	2012	2011
		\$	\$	\$	\$	\$	\$	\$	\$
Government grants received/receivable	4	14,233,066	18,882,175	9,271,439	9,168,251	3,252,502	3,142,642	1,709,125	1,652,853
Less:									
Transfer to Sinking Funds	4, 5	(3,482,353)	(8,347,617)	(2,910,895)	(2,876,655)	-	-	(571,458)	(552,533)
Transfer to Town Improvement and Projects Funds	4, 6	(3,252,502)	(3,142,642)	-	-	(3,252,502)	(3,142,642)	-	-
		<u>7,498,211</u>	<u>7,391,916</u>	<u>6,360,544</u>	<u>6,291,596</u>	<u>-</u>	<u>-</u>	<u>1,137,667</u>	<u>1,100,320</u>

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

	2012	2011
	\$	\$
Total grants received/receivable at 1 April	235,244,374	216,362,199
Grants received/receivable during the year	<u>14,233,066</u>	<u>18,882,175</u>
Total grants received/receivable at 31 March	<u>249,477,440</u>	<u>235,244,374</u>

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

**24. Inter-fund transfers**

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

**25. Capital commitments**

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

	<u>2012</u>	<u>2011</u>
	\$	\$
Amount approved and contracted for	10,064,138	15,706,924
Amount approved but not contracted for	36,356,449	35,325,545
	<u>46,420,587</u>	<u>51,032,469</u>

**26. Operating lease commitments**

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

	<u>2012</u>	<u>2011</u>
	\$	\$
Not later than one year	506,436	452,400
Later than one year and not later than five years	245,863	465,700
	<u>752,299</u>	<u>918,100</u>

The leases on the Town Council's office premises from the Housing & Development Board on which rentals are payable will expire on April 2012 and December 2014, subject to option to renew for another three years. Rental terms are renegotiated on renewal.

**27. Financial instruments and financial risks**

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

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

**Credit risk**

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. Financial assets that potentially subject to concentrations of credit risk consist principally of cash balances with banks, cash equivalents and receivables. The maximum exposure to credit risk is the fair value of the financial instruments at the end of the financial year. Credit risk on cash balances with banks is limited because these banks are of acceptable credit ratings.

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

For receivables, an ongoing credit evaluation is performed on the financial conditions of the receivables and losses on impairment are recognised in the statement of comprehensive income. The allowance for impairment of conservancy and service fees receivable totalling \$538,957 (2011: \$679,736) is determined at the reporting date (Note 11).

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

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

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

**Credit risk (Continued)**

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

	<u>Note</u>	<u>2012</u> \$	<u>2011</u> \$
Not past due		310,876	464,519
Past due 0 to 90 days		243,085	347,220
Past due 91 to 180 days		341,171	205,456
Past due 181 to 360 days		306,579	263,714
Past due over 360 days		429,124	646,340
		<u>1,630,835</u>	<u>1,927,249</u>
Less: Allowance for impairment		(538,957)	(679,736)
	11	<u>1,091,878</u>	<u>1,247,513</u>

Conservancy and service fees receivables amounting to \$781,002 (2011 : \$782,994) are past due at the reporting date but not impaired, as the management believes that it will be collectible in the foreseeable future as a result of recovery efforts and historical experience.

**Market risk**

Interest rate risk

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

Equity price risk

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

**Liquidity risk**

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

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

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

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

**Fair value of financial assets and liabilities**

The carrying amounts of short-term financial assets and liabilities approximate their respective fair values due to the relatively short term maturity of these financial instruments. The fair value of other classes of financial assets and liabilities are disclosed in the respective notes to the financial statements. The fair values of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to level 1 of the fair value hierarchy quoted market price.

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

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

**Foreign currency risk**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when transactions are denominated in foreign currencies.

The Town Council has no exposure to foreign currency risk as its business activities are carried out in Singapore dollars, which is its functional currency.

**28. Funds management**

The Town Council's objectives when managing funds are:

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

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

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

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

The Town Council's total funds amounted to \$159,353,176 (2011: \$162,376,568).

**29. New accounting standards and interpretations**

The following new/revised FRS and INT FRS came into effect in the current financial year ended 31 March 2012. These new/revised FRS or INT FRS did not result in changes to the Town Council's accounting policies and has no material effect on the amounts reported for the current or prior years.

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

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

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

**29. New accounting standards and interpretations (Continued)**

**Future changes in financial reporting standards**

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

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

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

**30. Comparatives**

The audited financial statements for the year ended 31 March 2011 were audited by another firm of auditors whose report dated 24 August 2011 expressed an unqualified opinion on those financial statements.