

**ANNUAL REPORT OF HOUGANG TOWN COUNCIL  
FOR THE YEAR ENDED 31 MARCH 2010**

In the year, the six HDB blocks located at the oldest precinct within Hougang Estate -the Punggol Estate - were finally demolished by the HDB as part of their re-development plans for the area. Comprising one to three room rental flats, shop units and a market/hawker centre, the demolishing of these blocks had not only changed the total landscape of the precinct but with it the very essence of the personality of the community that had thrived and grown for well over three decades. The hustle and bustle of the community life now no longer breathes as before.

From the Town Council's perspective, the loss of the blocks meant a reduction of the service and conservancy income by some 6%. Income to the Town Council was further reduced with the removal of the car parks that were demolished as part of HDB re-development plans. Although, the income from the car park that was removed amounted to only some 4%, it had nonetheless a measurable impact on the overall income required to balance the cost of maintaining the car parks within the whole of Hougang Estate on behalf of the HDB, particularly since the demolished car park was upgraded by the HDB only about two years ago.

With a newly upgraded car park, the savings that can be derived from less maintenance required contributes to the overall lower cost of operating the remaining HDB car parks in Hougang Estate. Unfortunately, the benefit to Town Council was short-lived and with increasing operating costs, the Town Council unavoidably continued to suffer shortfalls in funds required to continue with the maintenance of the car park for the HDB. As a result, a deficit of about \$23,000.00 in the year pushed the accumulated deficits incurred for car park maintenance higher to about \$100,000.00. When negotiations with the HDB for higher rates to maintain the car parks fell through, this ultimately led to the decision by the Town Council to return the car parks to the HDB for their own maintenance wef January 2010.

The decision was also necessary considering the fact that it would not be prudent for the Town Council to continue funding shortfalls in the maintenance of the car parks from the Town Council's funds. As it stood, the Town Council was already facing increasing operating costs in the maintenance and management of the estate which surpassed even savings from cost saving measures that were taken. The higher operating costs which continued to be experienced in the financial year due to higher costs charged by suppliers and service vendors resulted in the Town Council incurring an operating deficit of about \$102,000.00.

On a positive note, the lower overall income to the Town Council was buffered with better collection of service and conservancy charges when efforts to recover arrears saw to a drop in arrears by some 14% over last year. This led to a reduction in provision of bad debts due to arrears of service and conservancy charges.

Work-wise, the Town Council undertook the project to construct Barrier Free Access (BFA) and completed the provision of a total of 18 BFAs in the year. The total cost of construction which was substantially funded by the government came to about \$336,000.00.

The Town Council too kicked off the works to replace a total of 18 lifts in the HUDC and executive cluster of blocks at Blocks 705, 712, 715, 716, 719 and 720 Hougang Avenue 2 and Blocks 349, 350 and 357 Hougang Avenue 7. The conditions of these lifts necessitated the replacement works to be carried out earlier than the government's recommended life-span of 28 years.

The lift replacement works had initially included the HDB blocks at Blocks 701 to 704 and 706 to 711 Hougang Avenue 2 and Blocks 335 to 341 and 351 to 354 Hougang Avenue 5/7 but were later omitted from the contract awarded by the Town Council after the announcement by the HDB that the respective precincts would be included in their Lift Upgrading Program (LUP) the latter of which the government had also announced would be provided to all HDB blocks by 2014.

Cyclical re-roofing works were also carried out to Blocks 344 to 348 and 353 Hougang Avenue 7 and Blocks 713 to 720 Hougang Avenue 2 to replace the metal roofs. The deteriorating condition of the metal roofs were giving problems from seepages into the internal of flats. In the course of the re-roofing works, the Town Council again took the opportunity to rectify defective works inherited from the early construction days which were basically the roots of the seepage problems such as the lack of proper securing of flashings at joints and insufficient sizing of gutters resulting in overflowing of rain water on to roof decks which led to seepages.

In our effort to alleviate the safety risk arising from falling building components on the external facades of buildings, the Town Council continued to co-share with the HDB to carry out works to replace more blocks with tiled canopy roofs. In the financial year, a total of seven (7) blocks at Hougang Avenue 2 and two (2) blocks at Hougang Avenue 7 with tiled canopies were replaced with the HDB's specified screed finishes. However, in anticipating the eventual unsightliness that would arise from algae growth and staining from weathering as well as littering, the Town Council took the opportunity to improve on the aesthetics of the screed finishes by adding on a special effect painting that would mask the expected effect of leaving the canopies in just the screed finishes.

Emphasizing and upholding as high a degree of maintenance standard as possible within resources available have always been an approach adopted by the Town Council as the effective way of sustaining a pleasant living environment that would benefit residents. In light of this, the Town Council gave no lesser attention to the importance of the day-to-day routine works such as pest control, landscaping, cleaning etc that has a direct impact on the daily lives of residents. Enforcing the removal of killer litters and obstruction along fire escape routes, enforcing owners of pets to remove their pets' defecation etc were also some of the unpleasant and "never-told-of" works that the Town Council had to carry out as part and parcel of the overall effort to ensure the pleasant environment for residents.

Without the contribution of the committed pool of staff, the Town Council would not have been able to achieve all that it has achieved thus far in its deliverance of service to maintain and manage Hougang Town. It is my pleasure to commend the spirit of the staff to always rise above all the challenges that come their way, the understanding and cooperation of Hougang residents in facilitating the management of the Town as well as Town Councillors' guidance in the decision making process; together we have truly made the fruits of the Town Council's achievements all that much sweeter.

LOW THIA KHIANG

Chairman

# *HOUGANG TOWN COUNCIL*

## **Annual Report**

31<sup>st</sup> March

# 2010

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## INDEPENDENT AUDITORS' REPORT TO THE MINISTRY OF NATIONAL DEVELOPMENT

### HOUGANG TOWN COUNCIL

We have audited the accompanying financial statements of Hougang Town Council (the "Town Council") which comprise the statement of financial position as at 31 March 2010, and the income and expenditure statement, statement of comprehensive income, statement of changes in funds and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 2 to 27.

#### *Town Council's Responsibility for the Financial Statements*

The Town Council is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Town Councils Act, Chapter 329A and Singapore Financial Reporting Standards. This responsibility includes: 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 income and expenditure statement and balance sheet and to maintain accountability of assets; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Town Council, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion,

- a) the financial statements are properly drawn up in accordance with the provisions of the Town Councils Act, Chapter 329A (the "Act") and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Town Council as at 31 March 2010 and the results, changes in funds and cash flows of the Town Council for the year ended on that date; and
- b) the accounting and other records required by the Act to be kept by the Town Council have been properly kept in accordance with the provisions of the Act.

During the course of our audit, nothing came to our notice that caused us to believe that the receipt, expenditure and investment of monies and the acquisition and disposal of assets by the Town Council during the year have not been made in accordance with the provisions of the Act.

**DAVID YEUNG & CO PAC**  
**Public Accountants and**  
**Certified Public Accountants**

Singapore, 31 August 2010

128A Tanjong Pagar Road, Singapore 088535  
Tel: 6223 7979 Fax: 6222 7979





# HOUGANG TOWN COUNCIL

## STATEMENT OF FINANCIAL POSITION As at 31 March 2010

	Note	2010 S\$	2009 S\$
<b><u>TOWN COUNCIL FUNDS AND LIABILITIES</u></b>			
<b>TOWN COUNCIL FUNDS</b>			
<b>RESIDENTIAL PROPERTY FUNDS</b>			
Accumulated surpluses	3	18,707	29,266
Sinking funds	4	17,170,332	16,614,209
		17,189,039	16,643,475
<b>COMMERCIAL PROPERTY FUNDS</b>			
Accumulated surpluses	3	164,499	233,223
Sinking funds	4	2,425,535	2,354,109
		2,590,034	2,587,332
<b>CARPARK FUNDS</b>			
Accumulated deficits	3	(100,172)	(77,635)
<b>STAFF LOANS REVOLVING FUND</b>			
	5	50,000	50,000
<b>FAIR VALUE RESERVE</b>			
Sinking Funds	4	456,374	(30,845)
		20,185,275	19,172,327
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Conservancy and service fees received in advance		78,321	93,929
Other payables, deposits and accruals	6	911,633	949,355
Provision for taxation		233,973	259,197
		1,223,927	1,302,481
<b>TOTAL TOWN COUNCIL FUNDS AND LIABILITIES</b>		<b>21,409,202</b>	<b>20,474,808</b>

The notes set out on pages 8 to 27 form an integral part of and should be read in conjunction with this set of financial statements.



## *HOUGANG TOWN COUNCIL*

### STATEMENT OF FINANCIAL POSITION As at 31 March 2010

	Note	2010 S\$	2009 S\$
<b><u>ASSETS</u></b>			
<b>NON-CURRENT ASSETS</b>			
Plant and equipment	7	138,468	173,724
Available-for-sale financial assets	8	8,656,374	8,169,155
		8,794,842	8,342,879
<b>CURRENT ASSETS</b>			
Conservancy and service receivables	9	822,988	926,085
Other receivables and prepayments	10	445,976	90,772
Interest receivable		354,960	465,078
Fixed deposits		8,891,135	7,563,313
Cash and bank balances		2,099,301	3,086,681
		12,614,360	12,131,929
<b>TOTAL ASSETS</b>		<b>21,409,202</b>	<b>20,474,808</b>

LOW THIA KHIANG  
Chairman

HOW WENG FAN  
Secretary

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## HOUGANG TOWN COUNCIL

### INCOME & EXPENDITURE STATEMENT

For the year ended 31 March 2010

	Note	2010 S\$	2009 S\$
<b>OPERATING INCOME</b>			
Conservancy and service fees	3	5,747,860	6,149,370
Less: Operating transfers to Sinking Funds (Minimum required by law)	3	<u>(1,946,706)</u>	<u>(2,074,663)</u>
		3,801,154	4,074,707
Add: Agency fees	11	302,073	271,627
Other income	12	<u>218,204</u>	<u>323,814</u>
		4,321,431	4,670,148
<b>Less: OPERATING EXPENDITURE</b>			
Cleaning works		930,682	827,781
Lift maintenance		732,285	748,520
Other works and maintenance		1,092,483	901,289
Water and electricity		1,034,535	1,477,350
Manpower and affiliated costs	13	1,046,756	1,093,075
General and administrative expenditure	14	<u>336,730</u>	<u>487,114</u>
		<u>(5,173,471)</u>	<u>(5,535,129)</u>
<b>OPERATING DEFICITS</b>		<b>(852,040)</b>	<b>(864,981)</b>
<b>Add: NON-OPERATING INCOME</b>			
Interest income		4,370	4,460
Less: Town Improvement Projects	3	<u>-</u>	<u>(12,688)</u>
<b>DEFICIT BEFORE TAXATION AND GOVERNMENT GRANTS</b>		<b>(847,670)</b>	<b>(873,209)</b>
<b>Less: TAXATION</b>			
Current year provision	15	<u>-</u>	<u>(10,593)</u>
<b>DEFICIT BEFORE GOVERNMENT GRANTS</b>		<b>(847,670)</b>	<b>(883,802)</b>
Add: Government grants	16	878,704	935,584
Government Subvention for GST increase	16	215,325	225,004
Less: Transfer to Sinking Funds	4	<u>(348,179)</u>	<u>(372,683)</u>
		<u>745,850</u>	<u>787,905</u>
<b>DEFICIT FOR THE YEAR</b>		<b><u>(101,820)</u></b>	<b><u>(95,897)</u></b>

The notes set out on pages 6 to 27 form an integral part of and should be read in conjunction with this set of financial statements.



## *HOUGANG TOWN COUNCIL*

### STATEMENT OF COMPREHENSIVE INCOME For the year ended 31 March 2010

	Note	2010 S\$	2009 S\$
Deficit from operating for the year	3	(101,820)	(95,897)
Surplus from sinking funds for the year	4	<u>627,549</u>	<u>1,980,870</u>
		525,729	1,884,973
Other comprehensive income: - Fair value adjustment		<u>487,219</u>	<u>(1,672,437)</u>
Total comprehensive income for the year		<u>1,012,948</u>	<u>212,536</u>

The notes set out on pages 8 to 27 form an integral part of and should be read in conjunction with this set of financial statements.



## *HOUGANG TOWN COUNCIL*

### STATEMENT OF CHANGES IN FUNDS For the year ended 31 March 2010

Description	Residential Property Funds		Commercial Property Funds		Carpark Funds		Staff Loan Revolving Fund		Fair Value Reserve		Total	
	2010 S\$	2009 S\$	2010 S\$	2009 S\$	2010 S\$	2009 S\$	2010 S\$	2009 S\$	2010 S\$	2009 S\$	2010 S\$	2009 S\$
Balance as at 1 April	16,643,475	14,818,165	2,587,332	2,470,651	(77,635)	(20,617)	50,000	50,000	(30,845)	1,641,592	19,172,327	18,959,791
Total comprehensive income for the year	545,564	1,825,310	2,702	116,681	(22,537)	(57,018)	-	-	487,219	(1,672,437)	1,012,948	212,536
Balance as at 31 March	17,189,039	16,643,475	2,590,034	2,587,332	(100,172)	(77,635)	50,000	50,000	456,374	(30,845)	20,185,275	19,172,327

The notes set out on pages 7 to 27 form an integral part of and should be read in conjunction with this set of financial statements.



## *HOUGANG TOWN COUNCIL*

### **STATEMENT OF CASH FLOWS** **For the year ended 31 March 2010**

	2010	2009
Note	S\$	S\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Deficit before taxation and government grants	(847,670)	(873,209)
Adjustments for: -		
Depreciation of plant and equipment	82,370	91,346
Operating transfers to Sinking Funds	1,946,706	2,074,663
Interest income	<u>(4,370)</u>	<u>(4,460)</u>
Operating surplus before working capital changes	1,177,036	1,288,340
(Increase)/Decrease in conservancy and service receivables, other receivables and prepayment	(146,789)	4,526
(Decrease)/Increase in conservancy and service fees received in advance	(15,608)	7,856
(Decrease)/Increase in other payables, deposits and accruals	<u>(37,722)</u>	<u>249,165</u>
Cash generated from operations	976,917	1,549,887
Interest received	4,370	4,460
Income tax paid	(14,284)	(8,351)
Decrease in sinking funds	<u>(1,673,476)</u>	<u>(1,621,637)</u>
Net cash (used in)/generated from operating activities	<u>(706,473)</u>	<u>(75,641)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of plant and equipment	(47,114)	(129,731)
Increase in fixed deposits pledged to financial institution	<u>(92)</u>	<u>(91)</u>
Net cash used in investing activities	<u>(47,206)</u>	<u>(129,822)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Government grants received	<u>1,094,029</u>	<u>1,160,588</u>
Net cash generated from financing activities	<u>1,094,029</u>	<u>1,160,588</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	340,350	955,125
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>10,638,851</u>	<u>9,683,726</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	17 <u>10,979,201</u>	<u>10,638,851</u>

The notes set out on pages 7 to 27 form an integral part of and should be read in conjunction with this set of financial statements.



# HOUGANG TOWN COUNCIL

## NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2010

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

### 1. GENERAL

Hougang Town Council (the “Town Council”) was formed on 5 July 1990 under the Town Councils Act (Chapter 329A). The functions of the Town Council are to control, manage, maintain and improve the common property of residential, market and food centres and other commercial property in the housing estates of the Housing and Development Board (“HDB”) within the Town. The Town consists of the Hougang Constituency.

The Town Council also manages the carparks within the Town for Housing and Development Board on an agency basis.

The principal place of operations is at Blk 701 #01-01 Hougang Avenue 2 Singapore 530701.

The financial statements were authorised for issue by the Town Council on 31 August 2010.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### a) Basis of Preparation

The financial statements of the Town Council have been prepared in accordance with the historical cost convention, except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Town Councils Act, Chapter 329A and Singapore Financial Reporting Standards (“FRS”).

In the current financial year, the Town Council has adopted all the new and revised FRS and Interpretations of FRS (“INT FRS”) that are relevant to its operations and effective for annual period beginning on or after 1 January, 2009. The adoptions of these new/revised FRSs and INT FRSs have no material effect on the financial statements.

#### b) Significant Accounting Estimates and Judgements

##### *Critical judgements in applying the Town Council’s accounting policies*

In the process of applying the Town Council’s accounting policies, the Town Council has not made any judgements that have a significant effect on the amounts recognised in the financial statements (apart from those involving estimations which are discussed below).

Allowance for doubtful conservancy and service debts have been estimated on the basis of age of debts (more than 7 years), results of recovery efforts and historical experience.

##### *Key sources of estimation uncertainty*

The Town Council is of the opinion that there are no 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 within the next financial year, except for those affecting the recovery prospect of aged service and conservancy debts.



# HOUGANG TOWN COUNCIL

## NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2010

### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### c) Funds

##### Town Council Funds

In accordance with Section 33(1) of the Town Councils Act, separate funds are established by the Town Council to account for the management of the following types of properties: -

Residential Property  
Commercial Property

Carparks are managed by the Town Council for the HDB on an agency basis.

These routine funds together with Sinking Funds, Carpark Funds and Staff Loans Revolving Fund form the Town Council Funds.

All monies received by the Town Council are paid into and related expenditures 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 Funds

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

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 to be paid into the Sinking Funds.

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

<u>Type of Property</u>	<u>Percentage of Allocation</u>		<u>Type of receipts allocated</u>
	<u>2010</u>	<u>2009</u>	
1-room to 3-room	30	30	Conservancy and service fees and grants-in-aid
4-room to 5-room	35	35	Conservancy and service fees and grants-in-aid
Multi generation	35	35	Conservancy and service fees
Executive	35	35	Conservancy and service fees
HUDC	35	35	Conservancy and service fees
Shop with living accommodation	35	35	Conservancy and service fees
Other commercial property	35	35	Conservancy and service fees



# HOUGANG TOWN COUNCIL

## NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2010

### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### c) Funds (Continued)

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

Within one month from the end of each quarter of the financial year, the Town Council shall transfer to the bank account maintained for the Sinking Funds, the prescribed amount allocated to the Sinking Funds in respect of conservancy and service fees and government grants that are received by the Town Council. The outstanding amount that is payable to the Sinking Funds is reflected as amount due from accumulated surplus.

The Sinking Funds are utilised for cyclical major repainting, renewal or replacement of roofing system, water tanks, pumps and water supply system, lightning protection system and lifts, major repairs and maintenance of the common area and contributions to the HDB in respect of general upgrading works carried out on the common property under the Housing and Development Board Act.

#### Staff Loans Revolving Fund

In accordance with Rule 4(3) of the Town Councils Financial Rules, the Town Council shall establish and maintain, separate revolving loan funds, from the surplus of revenue over expenditure or grants-in-aid made to the Town Council under Section 42 of the Act, for the purpose of meeting expenditure under the loan schemes approved by the Town Council under Rule 43.

The Town Council shall not make an advance or loan to any member, officer or employee of the Town Council other than for loans or advances given under any employee' loan schemes approved by the Town Council.

#### d) 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 30 motorcycle lots or 4 lorry lots	1

No overheads are allocated to the Sinking Funds.

#### e) Government Grants

The Town Council receives three types of grants from the Government, namely, Conservancy and Service Grant, Cyclical Works Grant and GST Subvention Grant.

Government grants are accounted for on an accrual basis. Grants to meet the current year's operating expenditure are taken to the income and expenditure statement.



# HOUGANG TOWN COUNCIL

## NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2010

### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### f) Financial Liabilities

Financial liabilities include conservancy and service fees received in advance, other payables, deposits and accruals. Financial liabilities are recognised on the statement of financial position when, and only when, the Town Council becomes a party to the contractual provisions of the financial instrument. Financial liabilities are initially recognised at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transactions costs. Subsequent to initial recognition, all financial liabilities are measured at amortised cost using the effective interest method, except for derivatives, which are measured at fair value.

For financial liabilities other than derivatives, gains and losses are recognised in the income and expenditure statement when the liabilities are derecognised, and through the amortisation process. Any gains or losses arising from changes in fair value of derivatives are recognised in the income and expenditure statement. Net gains or losses in derivatives include exchange differences.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income and expenditure statement.

#### g) Provisions

Provisions are recognised when the Town Council has a present obligation (legal or constructive) as a result of a past event and 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.

#### h) Plant and Equipment and Depreciation

Plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on a straight-line method so as to write off the costs over the estimated useful life of the plant and equipment as follows: -

Data processing equipment	3 years
Furniture, fixture and fittings	5 years
Office equipment	5 years

Depreciation is charged from the month of asset acquisition. For disposal of plant and equipment, depreciation is charged up to the previous month of disposal. Plant and equipment costing below \$1,000 each are charged to the income and expenditure statement in the year of purchase. Fully depreciated plant and equipment are retained in the financial statements until they are no longer in use.

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

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of plant and equipment.



# HOUGANG TOWN COUNCIL

## NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2010

### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### h) **Plant and Equipment and Depreciation** (Continued)

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the income and expenditure statement in the year the asset is derecognised.

#### i) **Financial Assets**

##### i) Classification

The Town Council classifies its financial assets as loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at end of every reporting period.

##### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These arise when the Town Council provides money, goods or services directly to a debtor with no intention of trading the receivable. Loans and receivables consist of cash and cash equivalents, conservancy and service receivables, other receivables, prepayments and interest receivable.

##### Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories as prescribed in FRS 39.

##### ii) Recognition and derecognition

Regular way purchases and sales of investments are recognised on trade-date - the date on which the Town Council commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from have expired or have been transferred and the Town Council has transferred substantially all risks and rewards of ownership.

##### iii) Measurement

Financial assets are initially recognised at fair value plus transaction costs.

Loans and receivables are subsequently carried at amortised cost using the effective interest method less impairment.



# HOUGANG TOWN COUNCIL

## NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2010

### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### i) Financial Assets (Continued)

##### iii) Measurement

After initial recognition, available-for-sale financial assets are measured at fair value. Any gain or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in income and expenditure statement. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to income and expenditure statement as a reclassification adjustment when the financial asset is derecognised.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

##### iv) Impairment

###### Loans and receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in income and expenditure statement.

The allowance for impairment loss account is reduced through income and expenditure statement in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

###### Available-for-sale financial assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in income and expenditure statement, is transferred from equity to income and expenditure statement. Reversals of impairment losses in respect of equity instruments are not recognised in income and expenditure statement. Reversals of impairment losses on debt instruments are recognised in income and expenditure statement if the increase in fair value of the debt instrument can be objectively related to an event occurring after the impairment loss was recognised in income and expenditure statement.



# HOUGANG TOWN COUNCIL

## NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2010

### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### j) Investments

Funds with Fund Manager are classified as available-for-sale financial assets are subsequently carried at fair value less impairment. Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in the fair value reserve within equity. When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments in the fair value reserve within equity are included in the income and expenditure statement. Income from Funds with Fund Manager is recognised on realised profits less management fees payable upon expiry of the management term. There is no guaranteed minimum return under the management term.

Principal is guaranteed if withdrawals do not exceed the lower of 10% of market value of the fund as at the 30<sup>th</sup> business day upon notice of withdrawal or principal sum.

On expiry of the management term, a variable management fee will be calculated principally based on a percentage share of any return in excess of the performance benchmark of the fund manager. The variable management fee calculated will be deducted from the return of the Funds with Fund Manager at the expiry of the management term.

#### k) Bad and Doubtful debts

An allowance is made in the financial statements for outstanding debts more than seven years. Debts not recovered are written off as bad debts in accordance with the Town Councils Financial Rules.

#### l) Cash and Cash Equivalents

Cash and cash equivalents are defined as cash in hand and at bank and fixed deposits which are readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

#### m) Impairment of Non-financial Assets

The Town Council assesses at the end of each reporting period whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Town Council makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value and the risks specific to the asset. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses of continuing operations are recognised in the income and expenditure statement except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.



# HOUGANG TOWN COUNCIL

## NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2010

### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### m) **Impairment of Non-financial Assets** (Continued)

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses recognised for an asset may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss recognised for the asset in prior years. Reversal of an impairment loss is recognised in the income and expenditure statement unless the asset is carried at revalued amount, in which case the reversal in excess of impairment loss previously recognised through the income and expenditure statement is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

#### n) **Income Recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Town Council and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

Conservancy and service fees are recognised when due.

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

Interest income from fixed deposits are recognised using the effective interest method. Income from funds placed with the fund manager is recognised when realised or upon the expiry of the fund management term.

#### o) **Employee Benefits**

As required by law, the Town Council makes contribution to the state pension scheme, the Central Provident Fund (CPF). CPF contributions are recognised as compensation expense in the same period as the employment that gives rise to the contribution.

#### p) **Goods and Services Tax**

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

#### q) **Leases**

Leases where the lessor effectively retains substantially all the risks and rewards of ownership of the leased items are classified as operating leases. Operating lease payments are recognised as an expense in the income and expenditure statement account on a straight-line basis over the lease term.



# *HOUGANG TOWN COUNCIL*

## NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2010

### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### r) **Taxation**

Tax is provided on the following income: -

- a. Income derived from investments;
- b. Fees, rent and other charges received from non-residents or non-owners of properties in the Town for maintenance and use of carparks and common properties where the Town Council opts to manage and maintain them;
- c. Donations from non-residents or non-owners of properties in the Town; and
- d. Agency fees derived from acting as agent for the HDB and other Town Councils.



# HOUGANG TOWN COUNCIL

## NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2010

### 3. ACCUMULATED SURPLUS

The deficit for the year attributable to the various activities is offset against accumulated surplus in the respective fund as follows: -

	Note	Residential Property		Commercial Property		Carpark		Total	
		2010 S\$	2009 S\$	2010 S\$	2009 S\$	2010 S\$	2009 S\$	2010 S\$	2009 S\$
OPERATING INCOME									
Conservancy and service fees		5,543,786	5,793,560	204,074	355,810	-	-	5,747,860	6,149,370
Less: Operating transfer to Sinking Funds (Minimum required by law)	4	(1,875,280)	(1,950,129)	(71,426)	(124,534)	-	-	(1,946,706)	(2,074,663)
		3,668,506	3,843,431	132,648	231,276	-	-	3,801,154	4,074,707
Other income		198,316	298,423	10,301	15,906	311,660	281,112	520,277	595,441
		3,866,822	4,141,854	142,949	247,182	311,660	281,112	4,321,431	4,670,148
Less: Operating expenditure		(4,627,601)	(4,941,964)	(211,673)	(255,035)	(334,197)	(338,130)	(5,173,471)	(5,535,129)
OPERATING (DEFICIT)/SURPLUS		(760,779)	(800,110)	(68,724)	(7,853)	(22,537)	(57,018)	(852,040)	(864,981)
Add: Non-operating income		4,370	4,460	-	-	-	-	4,370	4,460
Less: Town improvement projects		-	(12,688)	-	-	-	-	-	(12,688)
SURPLUS/(DEFICIT) BEFORE TAXATION									
AND GOVERNMENT GRANTS		(756,409)	(808,338)	(68,724)	(7,853)	(22,537)	(57,018)	(847,670)	(873,209)
Less: Taxation									
- Current		-	(10,593)	-	-	-	-	-	(10,593)
		(756,409)	(818,931)	(68,724)	(7,853)	(22,537)	(57,018)	(847,670)	(883,802)
Add: Government grants	16	878,704	935,584	-	-	-	-	878,704	935,584
Add: GST subvention grant	16	215,325	225,004	-	-	-	-	215,325	225,004
Less: Transfer to Sinking Funds (Minimum required by law)	4	(348,179)	(372,683)	-	-	-	-	(348,179)	(372,683)
		745,850	787,905	-	-	-	-	745,850	787,905
DEFICIT FOR THE YEAR		(10,559)	(31,026)	(68,724)	(7,853)	(22,537)	(57,018)	(101,820)	(95,897)
Add: Accumulated surpluses as at 1 April		29,266	60,292	233,223	241,076	(77,635)	(20,617)	184,854	280,751
ACCUMULATED SURPLUSES AS AT 31 MARCH		18,707	29,266	164,499	233,223	(100,172)	(77,635)	83,034	184,854



# HOUGANG TOWN COUNCIL

## NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2010

### 4. SINKING FUNDS

	Note	<u>Residential</u> Property		<u>Commercial</u> Property		Total	
		2010	2009	2010	2009	2010	2009
		S\$	S\$	S\$	S\$	S\$	S\$
Balance as at 1 April		16,614,209	14,757,873	2,354,109	2,229,575	18,968,318	16,987,448
Add: Income - interest income		29,321	71,205	-	-	29,321	71,205
Add: Investment income		-	1,473,513	-	-	-	1,473,513
Operating transfers from: - Conservancy and service fees	3	1,875,280	1,950,129	71,426	124,534	1,946,706	2,074,663
- Minimum required by law							
Transfer from Government Grant	3	348,179	372,683	-	-	348,179	372,683
- Minimum required by law							
		2,252,780	3,867,530	71,426	124,534	2,324,206	3,992,064
Less: Expenditure		(1,696,657)	(1,766,281)	-	-	(1,696,657)	(1,766,281)
Less: Taxation	15	-	(244,913)	-	-	-	(244,913)
<b>SURPLUS FOR THE YEAR</b>		<b>556,123</b>	<b>1,856,336</b>	<b>71,426</b>	<b>124,534</b>	<b>627,549</b>	<b>1,980,870</b>
Balance as at 31 March		17,170,332	16,614,209	2,425,535	2,354,109	19,595,867	18,968,318
Add: Fair value reserve	4					456,374	(30,845)
						20,052,241	18,937,473
Represented by: -							
<b>NON-CURRENT ASSETS</b>							
Investments						8,656,374	8,169,155
<b>CURRENT ASSETS</b>							
Conservancy and service receivables						397,873	539,182
Interest receivable						6,473	11,273
Fixed deposits						8,891,135	7,563,313
Amount due from accumulated surplus						1,568,672	2,140,046
Cash and bank balances - sinking funds						765,687	759,417
						11,629,840	11,013,231
Less: CURRENT LIABILITIES							
Provision for taxation						(233,973)	(244,913)
<b>NET CURRENT ASSETS</b>						<b>11,395,867</b>	<b>10,768,318</b>
						20,052,241	18,937,473



# HOUGANG TOWN COUNCIL

## NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2010

### 5. STAFF LOANS REVOLVING FUND

A Staff Loans Revolving Fund was established under Rule 4 (3) of the Town Councils Financial Rules by transfer of \$50,000 from accumulated surplus.

	2010 S\$	2009 S\$
Represented by:		
Cash and Bank Balances	<u>50,000</u>	<u>50,000</u>

There are no outstanding staff loans for both of the financial years.

### 6. OTHER PAYABLES, DEPOSITS AND ACCRUALS

Other payables	620,611	455,670
Deposits	77,398	47,122
Accruals	<u>213,624</u>	<u>446,563</u>
	<u>911,633</u>	<u>949,355</u>

### 7. PLANT AND EQUIPMENT

	Data Processing Equipment S\$	Furniture, Fixture Fittings S\$	Office Equipment S\$	Total S\$
<b>Cost</b>				
At 01.04.2008	756,103	185,929	106,746	1,048,778
Additions	<u>111,644</u>	<u>15,427</u>	<u>2,660</u>	<u>129,731</u>
At 31.03.2009/01.04.2009	867,747	201,356	109,406	1,178,509
Additions	<u>23,055</u>	<u>20,060</u>	<u>3,999</u>	<u>47,114</u>
At 31.03.2010	<u>890,802</u>	<u>221,416</u>	<u>113,405</u>	<u>1,225,623</u>
<b>Accumulated Depreciation</b>				
At 01.04.2008	699,579	132,867	80,993	913,439
Charge for the year	<u>59,336</u>	<u>21,877</u>	<u>10,133</u>	<u>91,346</u>
At 31.03.2009/01.04.2009	758,915	154,744	91,126	1,004,785
Additions	<u>48,790</u>	<u>25,074</u>	<u>8,506</u>	<u>82,370</u>
At 31.03.2010	<u>807,705</u>	<u>179,818</u>	<u>99,632</u>	<u>1,087,155</u>
<b>Net Book Value</b>				
At 31.03.2010	83,097	41,598	13,773	138,468
At 31.03.2009	<u>108,832</u>	<u>46,612</u>	<u>18,280</u>	<u>173,724</u>



# HOUGANG TOWN COUNCIL

## NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2010

### 8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2010 S\$	2009 S\$
Investments		
Balance as at beginning of year	8,169,155	8,441,592
Fair value adjustment	487,219	(30,845)
Disposal		
- at cost	-	(6,800,000)
- fair value realised	-	(1,641,592)
	8,656,374	(30,845)
Addition	-	8,200,000
Balance as at end of year	8,656,374	8,169,155
Movement of fair value reserve during the year: -		
Balance as at beginning of year	(30,845)	1,641,592
Fair value adjustment	487,219	(30,845)
Realised of fair value	-	(1,641,592)
Balance as at end of year	456,374	(30,845)

The breakdowns of available-for-sale financial assets are as follows: -

	2010		2009	
	Cost S\$	Market value S\$	Cost S\$	Market value S\$
Equities - quoted	450,314	718,482	450,314	433,180
Bond - quoted	2,304,071	3,729,319	2,304,071	4,029,659
Notes - quoted	200,000	185,800	200,000	172,500
	2,954,385	4,633,601	2,954,385	4,635,339
Cash and deposits	5,245,615	4,022,773	5,245,615	3,533,816
	8,200,000	8,656,374	8,200,000	8,169,155

The above investments offer 100% principal protection at maturity. It is the Town Council's intention to hold the investments until maturity.



# HOUGANG TOWN COUNCIL

## NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2010

### 9. CONSERVANCY AND SERVICE RECEIVABLES

	2010 S\$	2009 S\$
Conservancy and service receivables	1,158,167	1,348,323
Less: Allowance for doubtful debts		
Balance at beginning of year	(422,238)	(408,328)
Additions during the year	-	(13,910)
Allowance no longer needed	87,059	-
Balance at end of year	<u>(335,179)</u>	<u>(422,238)</u>
	<u>822,988</u>	<u>926,085</u>

### 10. OTHER RECEIVABLES AND PREPAYMENTS

	2010 S\$	2009 S\$
Other receivables	442,745	87,361
Prepayments	<u>3,231</u>	<u>3,411</u>
	<u>445,976</u>	<u>90,772</u>

### 11. AGENCY FEES

These are fees receivable for routine maintenance of Housing and Development Board's carparks within the Town.

### 12. OTHER INCOME

	2010 S\$	2009 S\$
This comprises the following: -		
TOL fees	121,825	135,847
Income from lease of void decks and common property	30,530	45,523
Interest income from late payments of conservancy and service fees	8,791	84,402
Penalty and fines	18,517	10,890
Sales of tender documents	3,140	2,200
Agency fees	654	881
Unclaimed deposits for renovation works	-	(550)
Others	<u>34,747</u>	<u>44,621</u>
	<u>218,204</u>	<u>323,814</u>



# HOUGANG TOWN COUNCIL

## NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2010

### 13. MANPOWER AND AFFILIATED COSTS

	2010 S\$	2009 S\$
Salaries and allowances	914,029	959,637
Employer's contribution to CPF and SDL	112,943	114,311
Staff benefits and training	19,784	19,127
	<u>1,046,756</u>	<u>1,093,075</u>

### 14. GENERAL AND ADMINISTRATIVE EXPENDITURE

	2010 S\$	2009 S\$
The general and administrative expenditure comprises the following: -		
Advertising, publicity and public relations	1,738	14,458
Allowance for doubtful debts	-	13,910
Allowance for doubtful debts no longer needed	(87,059)	-
Auditors' remuneration	14,000	14,000
Depreciation of plant and equipment	82,370	91,346
GST expenses	36,790	41,524
Office rental and upkeep	116,589	126,008
Office supplies and periodicals	26,443	31,135
Property tax	6,261	6,472
Town Councillors' allowances	31,200	31,200
Others	108,398	117,061
	<u>336,730</u>	<u>487,114</u>

### 15. INCOME TAX

	2010 S\$	2009 S\$
Provision for taxation in respect of the results of the year: -		
Accumulated surplus		
Current taxation	-	10,593
Sinking fund		
Current taxation	-	244,913
Tax expense	<u>-</u>	<u>255,506</u>



# HOUGANG TOWN COUNCIL

## NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2010

### 15. INCOME TAX (Continued)

The tax expense on the results 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:

	2010 S\$	2009 S\$
Taxable income	<u>1,040,695</u>	<u>2,492,699</u>
Tax expense calculated at a tax rate of 17% (2008: 18%)	176,918	423,759
Singapore statutory income exemption	-	(380)
Tax effect of income tax concession	(176,918)	(189,109)
Tax effect of difference in tax rate	-	24,927
Other	<u>-</u>	<u>(3,691)</u>
Tax expense	<u>-</u>	<u>255,506</u>

### 16. GOVERNMENT GRANTS

Government grants taken to the income and expenditure statement during the year are as follows: -

	Conservancy and service grant	
	2010 S\$	2009 S\$
Government grants received during the year	878,704	935,584
GST subvention grant	<u>215,325</u>	<u>225,004</u>
	1,094,029	1,160,588
Less: Transfer to Sinking Fund (Note 4)	<u>(348,179)</u>	<u>(372,683)</u>
	<u>745,850</u>	<u>787,905</u>

The total amount of grants received (including grants received in advance), since the formation of the Town Council on 5 July 1990 is as follows: -

	2010 S\$	2009 S\$
Total grants received as at 1 April	23,655,599	22,495,011
Add: Grants received during the year	<u>1,094,029</u>	<u>1,160,588</u>
Total grants received as at 31 March	<u>24,749,628</u>	<u>23,655,599</u>



# HOUGANG TOWN COUNCIL

## NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2010

### 17. CASH AND CASH EQUIVALENTS

	2010 S\$	2009 S\$
Cash and bank balances	2,099,301	3,086,681
Fixed deposits	8,891,135	7,563,313
	<u>10,990,436</u>	<u>10,649,994</u>
Fixed deposit pledged	(11,235)	(11,143)
	<u>10,979,201</u>	<u>10,638,851</u>

Fixed deposit of S\$11,235 (2009: S\$11,143) is pledged to a local financial institution for facilities granted to the Town Council with an interest rate of 0.825% (2009: 0.825%) per annum.

### 18. COMMITMENTS FOR CAPITAL EXPENDITURE

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

	2010 S\$	2009 S\$
Amount approved and contracted for	<u>2,180,002</u>	<u>147,323</u>

### 19. OPERATING LEASE COMMITMENTS

At the end of the reporting period, the Town Council was committed to making the following payments in respect of operating lease with a term of more than one year: -

	2010 S\$	2009 S\$
Payable within one year	99,600	88,395
Payable after one year but less than 5 years	49,800	149,400
	<u>149,400</u>	<u>237,795</u>
Office rental expense for the financial year	<u>99,600</u>	<u>99,600</u>

### 20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The risks arising from the Town Council's financial instruments are interest rate risk, credit risk, liquidity risk and foreign currency risk. The Town Council reviews and agrees policies for managing each of these risks.

#### Interest Rate Risk

The Town Council's interest income fluctuates with changes in short-term interest rates. Its policy is to obtain the most favourable interest rates available for placement of its cash and bank balances and fixed deposits and investments.



## *HOUGANG TOWN COUNCIL*

### NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2010

#### 20. FINANCIAL INSTRUMENTS (Continued)

##### **Credit Risk**

The carrying amount of conservancy and service receivables, other receivables, interest receivable, investments, fixed deposits and cash and bank balances represent the Town Council's maximum exposure to credit risk.

The Town Council has no significant concentrations of credit risk. Default in payment of conservancy and service charges are monitored and action taken where appropriate. Surplus cash is placed with reputable financial institutions and invested in funds with fund manager with good credit ratings.

##### **Liquidity Risk**

Liquidity risk arises in the general funding of the Town Council's operating activities. It includes the risk of not being able to fund operating activities at settlement dates and liquidate positions in a timely manner at reasonable prices. The Town Council manages its liquidity risk by monitoring and maintaining a level of cash and bank balances and by investing primarily in fixed deposits with staggered maturity dates deemed adequate to finance the Town Council's operations and mitigate the effects of fluctuations in cash flows.

##### **Foreign Currency Risk**

The Town Council is not exposed to foreign currency risk as all its transactions are denominated in Singapore dollars.



# HOUGANG TOWN COUNCIL

## NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2010

### 21. CATEGORIES OF FINANCIAL INSTRUMENTS

The following table sets out the financial instruments as at the end of the reporting period: -

	2010	2009
	S\$	S\$
<u>Financial assets</u>		
Loans and receivables: -		
Conservancy and service receivables	822,988	926,085
Other receivables and prepayments	442,745	87,361
Interest receivable	354,960	465,078
Fixed deposits	8,891,135	7,563,313
Cash and bank balances	2,099,301	3,086,681
	<hr/>	<hr/>
	12,611,129	12,128,518
Available-for-sale	8,656,374	8,169,155
Non-financial assets	141,699	177,135
	<hr/>	<hr/>
	21,409,202	20,474,808
	<hr/>	<hr/>
<u>Financial liabilities</u>		
Amortised cost: -		
Conservancy and service fees received in advance	78,321	93,929
Other payables, deposits and accruals	911,633	949,355
	<hr/>	<hr/>
	989,954	1,043,284
Non-financial liabilities	233,973	259,197
	<hr/>	<hr/>
	1,223,927	1,302,481
	<hr/>	<hr/>



## HOUGANG TOWN COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2010

#### 22. FAIR VALUES

The carrying amounts of financial assets and financial liabilities recorded in the financial statements approximate their fair values.

#### 23. FRS AND INT FRS NOT YET ADOPTED

The Town Council has not applied the following Standards and Interpretations that have been issued but not yet effective: -

<u>Description</u>		<u>Effective for annual periods beginning on or after</u>
Amendments to FRS 27	<i>Consolidated and Separate Financial Statements</i>	1 July 2009
Amendments to FRS 32	<i>Classification of Rights issues</i>	1 February 2010
Amendments to FRS 39	<i>Financial Instruments: Recognition and Measurement - Eligible Hedged Items</i>	1 July 2009
Amendments to FRS 101	<i>Additional Exemption for First-Time Adopters</i>	1 January 2010
Amendments to FRS 102	<i>Group Cash-Settled Share-Based payment Transactions</i>	1 January 2010
Revised FRS 103	<i>Business Combinations</i>	1 July 2009
Amendments to INT FRS 109	<i>Reassessment of Embedded Derivatives</i>	30 June 2009
Amendments to INT FRS 114	<i>Prepayments of a Minimum Funding Requirement</i>	1 January 2011
INT FRS 117	<i>Distributions of non-cash Assets to Owners</i>	1 July 2009
INT FRS 118	<i>Transfer of Assets from Customers</i>	1 July 2009
INT FRS 119	<i>Extinguishing Financial Liabilities with Equity Instruments</i>	1 July 2010
Improvements to FRSs issued in 2009:-		
- FRS 39 Financial Instruments:	<i>Recognition and Measurement</i>	1 January 2010
- Amendments to FRS 1	<i>Presentation of Financial Statements</i>	1 January 2010
- Amendments to FRS 7	<i>Statement of Cash Flows</i>	1 January 2010
- Amendments to FRS 17	<i>Leases</i>	1 January 2010
- Amendments to FRS 36	<i>Impairment of Assets</i>	1 January 2010
- Amendments to FRS 38	<i>Intangible Assets</i>	1 July 2009
- Amendments to FRS 102	<i>Share-Based Payment</i>	1 July 2009
- Amendments to FRS 105	<i>Non-Current Assets Held for Sale and Discontinued Operations</i>	1 January 2010
- Amendments to FRS 108	<i>Operating Segments</i>	1 January 2010
- Amendments to INT FRS 109	<i>Reassessment of Embedded Derivatives</i>	1 July 2009
- Amendments to INT FRS 116	<i>Hedges of a Net Investment in a Foreign Operation</i>	1 July 2009

The initial application of these Standards, Amendments and Interpretations are not expected to have any material impact on the Town Council's financial statements.

The Town Council has not considered the impact of Accounting Standards issued after the end of the reporting period.