

ANG MO KIO TOWN COUNCIL
(Established under the Town Councils Act, Cap. 329A)

AUDITED FINANCIAL STATEMENTS
FINANCIAL YEAR ENDED 31 MARCH 2014

MAZARS LLP
Public Accountants and
Chartered Accountants
Singapore

ANG MO KIO TOWN COUNCIL

**AUDITED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014**

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
ANG MO KIO TOWN COUNCIL**

Report on the Financial Statements

We have audited the accompanying financial statements of **Ang Mo Kio Town Council** (the "Town Council"), which comprise the statement of financial position as at 31 March 2014, the statement of income and expenditure and other comprehensive income, the statement of changes in funds and the statement of cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Town Council's management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Town Councils Act, Cap. 329A (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

Auditors' 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 about 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 auditors' judgement, 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 auditors consider internal controls relevant to the Town Council's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town Council's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Town Council's management, 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, the financial statements are properly drawn up in accordance with the provisions of 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 2014 and the results, changes in funds and cash flows of the Town Council for the financial year ended on that date.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
ANG MO KIO TOWN COUNCIL**

Report on Other Regulatory Requirements

Management's Responsibility for Compliance with Legal and Regulatory Requirements

Management is responsible for ensuring that the receipts, expenditure, investment of moneys and the acquisition and disposal of assets, are in accordance with the provisions of the Act. This responsibility includes implementing accounting and internal controls as management determines are necessary to enable compliance with the provisions of the Act.

Auditors' Responsibility

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

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

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

Opinion

In our opinion:

- (a) the receipts, expenditure, investment of moneys and the acquisition and disposal of assets by the Town Council during the financial year are, in all material respects, in accordance with the provisions of the Act; and
- (b) proper accounting and other records have been kept, including records of all assets of the Town Council whether purchased, donated or otherwise, in accordance with the provisions of the Act.



MAZARS LLP
Public Accountants and
Chartered Accountants


Singapore
26 August 2014

ANG MO KIO TOWN COUNCIL

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2014

	<u>Note</u>	<u>2014</u> \$	<u>2013</u> \$
TOWN COUNCIL FUNDS			
Residential property funds			
Accumulated surplus	4	-	258,588
Sinking fund	5	97,537,733	106,742,194
Town Improvement and Project fund	6	808,682	2,263,969
		98,346,415	109,264,751
Commercial property funds			
Accumulated surplus	4	4,306,332	4,686,964
Sinking fund	5	43,788,241	44,273,658
Town Improvement and Project fund	6	2,384,118	139,650
		50,478,691	49,100,272
Carpark fund			
Accumulated surplus	4	2,204,834	1,335,442
Neighbourhood Renewal Programme fund			
	7	3,166,357	718,816
Electrical Load Upgrading Programme fund			
	8	(171,501)	(567,038)
		<u>154,024,796</u>	<u>159,852,243</u>
<i>Represented by:</i>			
Non-current assets			
Plant and equipment	9	364,688	457,107
		364,688	457,107
Current assets			
Held-to-maturity financial assets	10	-	5,000,000
Financial assets at fair value through profit or loss	11	29,720,154	28,420,797
Conservancy and service fees receivables	12	1,077,565	1,136,090
Other receivables, deposits and prepayments	13	10,107,291	9,029,368
Cash and cash equivalents	14	119,871,555	126,609,517
		160,776,565	170,195,772
Total assets		<u>161,141,253</u>	<u>170,652,879</u>
Less:			
Current liabilities			
Conservancy and service fees received in advance		902,006	945,617
Payables and accrued expenses	15	5,302,359	8,948,164
Income tax payable	23	912,092	906,855
Total liabilities		7,116,457	10,800,636
NET ASSETS		<u>154,024,796</u>	<u>159,852,243</u>


DR LAM PIN MIN
Chairman


VICTOR WONG CHEE MENG
General Manager / Secretary


Date: 26 August 2014

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


ANG MO KIO TOWN COUNCIL

STATEMENT OF INCOME AND EXPENDITURE AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014

	<u>Note</u>	<u>2014</u> \$	<u>2013</u> \$
Operating income			
Conservancy and service fees	4	52,275,342	50,892,500
Less: Operating income transfer to sinking fund (minimum required by law)	5	(17,576,325)	(17,110,288)
		34,699,017	33,782,212
Agency fees	4, 16	4,704,751	4,541,118
Other income	4, 17	3,414,595	3,536,828
		42,818,363	41,860,158
Less: Operating expenditure			
Cleaning works		(9,086,487)	(8,774,924)
Managing agent's fees	18	(5,846,645)	(5,564,426)
Lift maintenance		(5,499,909)	(5,539,470)
Other works and maintenance		(7,973,003)	(7,434,806)
Water and electricity		(17,439,216)	(17,267,646)
General and administrative expenditure	19	(2,965,662)	(3,353,404)
		(48,810,922)	(47,934,676)
Operating deficit		(5,992,559)	(6,074,518)
Add: Interest income		75,577	55,148
Deficit before income tax and government grants		(5,916,982)	(6,019,370)
Less: Income tax	23	(236,442)	(170,580)
Deficit before government grants		(6,153,424)	(6,189,950)
Add: Government grants	4, 24	13,920,619	17,477,082
Less: Transfer to			
- Sinking fund	4, 5	(3,853,754)	(3,718,583)
- Town Improvement and Project fund	4, 6	(1,797,477)	(5,774,797)
		8,269,388	7,983,702
SURPLUS FOR THE FINANCIAL YEAR		2,115,964	1,793,752
Add: Accumulated surplus as at 1 April		6,280,994	4,377,936
Less: Adjustment for transfer of funds during boundary change		-	(67,624)
Add: Transfer from Town Improvement and Project fund	6	1,307,008	2,580,549
Less: Appropriation to Town Improvement and Project fund	6	(3,192,800)	(2,403,619)
ACCUMULATED SURPLUS AT 31 MARCH		6,511,166	6,280,994


DR LAM PIN MIN
Chairman

Date: 26 August 2014


VICTOR WONG CHEE MENG
General Manager / Secretary

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

ANG MO KIO TOWN COUNCIL

STATEMENT OF CHANGES IN FUNDS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014

	<u>Total</u> \$	<u>Residential Property funds</u> \$	<u>Commercial Property funds</u> \$	<u>Car park fund</u> \$	<u>Neighbourhood Renewal Programme fund</u> \$	<u>Electrical Upgrading Programme fund</u> \$
Balance at 1 April 2012	159,353,176	112,731,933	45,937,131	498,531	185,581	-
Adjustment for transfer of funds during boundary change	(67,624)	(67,624)	-	-	-	-
Surplus/(Deficit) for the year	<u>566,691</u>	<u>(3,399,558)</u>	<u>3,163,141</u>	<u>836,911</u>	<u>533,235</u>	<u>(567,038)</u>
Balance at 31 March 2013	159,852,243	109,264,751	49,100,272	1,335,442	718,816	(567,038)
(Deficit)/Surplus for the year	<u>(5,827,447)</u>	<u>(10,918,336)</u>	<u>1,378,419</u>	<u>869,392</u>	<u>2,447,541</u>	<u>395,537</u>
Balance at 31 March 2014	154,024,796	98,346,415	50,478,691	2,204,834	3,166,357	(171,501)

The (deficit)/surplus for the year comprises the following:

	<u>Note</u>	<u>2014</u> \$	<u>2013</u> \$
Accumulated surplus	4	2,115,964	1,793,752
Sinking fund	5	(9,689,878)	(2,037,234)
Town Improvement and Project fund	6	(1,096,611)	843,976
Neighbourhood Renewal Programme fund	7	2,447,541	533,235
Electrical Load Upgrading Programme fund	8	395,537	(567,038)
		<u>(5,827,447)</u>	<u>566,691</u>

The transfer during boundary change comprises the following:

	<u>Note</u>	<u>2014</u> \$	<u>2013</u> \$
Accumulated surplus	4	-	(67,624)
		<u>-</u>	<u>(67,624)</u>

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

ANG MO KIO TOWN COUNCIL

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014

	Note	2014 \$	2013 \$
Operating activities			
Deficit before income tax and government grants		(5,916,982)	(6,019,370)
Adjustments for:			
Depreciation of plant and equipment	9	140,957	137,394
Payment to Pasir Ris Punggol Town Council for debts during boundary change		-	(67,624)
Operating income transfer to sinking fund	5	17,576,325	17,110,288
Operating cash flows before changes in working capital		11,800,300	11,160,688
Movements in working capital:			
Operating receivables		(2,206,223)	(715,296)
Operating payables		(3,689,416)	3,764,222
Net cash flows generated from operations		5,904,661	14,209,614
Income tax paid	23	(436,067)	(574,258)
Tax refund for prior year	23	276	-
Sinking fund expenditure	20	(32,057,629)	(23,607,764)
Town Improvement and Project fund expenditure	21	(2,894,088)	(4,930,821)
Neighbourhood Renewal Programme fund expenditure	7	(3,106,705)	(1,730,814)
Electrical Load Upgrading Programme fund expenditure	8	(1,141,248)	(567,038)
Cash used in operations before government grants		(33,730,800)	(17,201,081)
Government grants received	24	13,920,619	17,477,082
Funding from Housing & Development Board for Neighbourhood Renewal Programme projects	7	5,552,562	2,262,615
Funding from Housing & Development Board for Electrical Load Upgrading Programme projects	8	1,536,785	-
Fixed deposit pledged		(14)	(28)
Net cash (used in)/generated from operating activities		(12,720,848)	2,538,588
Investing activities			
Interest and investment income received		1,031,410	802,120
Proceeds from redemption of bonds upon maturity	10	5,000,000	8,000,000
Purchase of plant and equipment	9	(48,538)	(167,631)
Proceeds from HDB for share of plant & equipment cost		-	112,511
Cash and fixed deposits placed with fund manager		1,287,516	(867,627)
Net cash generated from investing activities		7,270,388	7,879,373
Net (decrease)/increase in cash and cash equivalents		(5,450,460)	10,417,961
Cash and cash equivalents at beginning of year		124,825,538	114,407,577
Cash and cash equivalents at end of year	14	119,375,078	124,825,538

1. General information

Ang Mo Kio Town Council (the "Town Council") was formed in 1989 under this Town Act (Cap. 329A). The principal functions of the Town Council are to control, manage, maintain and improve the common areas of residential units, other commercial properties and market and food centres in the housing estates of the Housing & Development Board ("HDB") within the Town.

The Town Council manages the Sengkang West Single Member Constituency ("SMC") and Ang Mo Kio Group Representation Constituency ("GRC"), comprising the divisions of Cheng San-Seletar, Ang Mo Kio - Hougang, Jalan Kayu, Kebun Baru, Teck Ghee and Yio Chu Kang.

The principal office of operations is situated at Block 342, Ang Mo Kio Avenue 1, #01-1561, Singapore 560342.

The financial statements of the Town Council for the financial year ended 31 March 2014 were authorised for issue by the Town Council on 26 August 2014.

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements have been drawn up in accordance with Singapore Financial Reporting Standards ("FRS") including all related Interpretations to FRS ("INT FRS") as issued by the Singapore Accounting Standards Council and the provisions of the Town Councils Act, Cap 329A and are prepared on a historical cost basis except as disclosed in the accounting policies below.

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (Continued)**

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

FRSs issued but not yet effective

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

		Effective date (annual periods beginning on or after)
FRS 19	Amendment to FRS 19: Defined benefit plans: Employee contributions	1 July 2014
FRS 32	Amendments to FRS 32 – Offsetting of financial assets and financial liabilities	1 January 2014
FRS 36	Amendments to FRS 36: Recoverable amount disclosures for non-financial assets	1 January 2014
FRS 39	Amendments to FRS 39: Novation of derivatives and continuation of hedge accounting	1 January 2014
INT FRS 121	Levies	1 January 2014

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

The management anticipates that the adoption of the above FRSs in future periods will not have a material impact on the financial statements, and in particular, to the financial position and financial performance, of the Town Council in the period of their initial adoption.

2.2 Town Council funds

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

Residential property
Commercial property

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

The routine fund related to properties under management, together with Sinking fund, Town Improvement and Project fund and Neighbourhood Renewal Programme fund and Electrical Load Upgrading Programme fund form the Town Council funds.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (Continued)**

2. Summary of significant accounting policies (Continued)

2.2 Town Council funds (Continued)

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

Assets and liabilities of the various funds of the Town Council are pooled at the end of each reporting period.

Sinking fund

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

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

The minimum amounts that are paid by each property type into the sinking fund is as follows:

(i) 1-room to 3-room	30% of the conservancy and service fees and grants-in-aid
(ii) 4-room	35% of the conservancy and service fees and grants-in-aid
(iii) 5-room	35% of the conservancy and service fees
(iv) Executive	35% of the conservancy and service fees
(v) Shop with living accommodation	35% of the conservancy and service fees
(vi) Commercial property	35% of the conservancy and service fees

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

The sinking fund is utilised for cyclical major repainting, renewal or replacement of roofing system, water tanks, pumps and water supply system, lighting protection system, lifts, installation of any sensor and starter controller to the time-controlled booster pumping system, installation or replacement of any video monitoring devices in 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 as defined under the Housing and Development Act.

Town Improvement and Project fund

Town Improvement and Project fund is established and maintained as part of the Town Council Funds. This fund is utilised for improvement and development works in the Town.

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

The fund is set up by transfer of fund from the accumulated surplus to fund specific projects to be carried out. In addition, the Town Council receives funding for approved projects under the Community Improvement Projects Committee ("CIPC") scheme. This fund is paid through the Citizens' Consultative Committees.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (Continued)**

2. Summary of significant accounting policies (Continued)

2.2 Town Council funds (Continued)

Neighbourhood Renewal Programme fund

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

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

Blocks built up to 1989 and have not undergone the Main Upgrading Programme, Interim IUP or IUP Plus are eligible for NRP. This programme is fully funded by the Government and implemented by the Town Council.

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

Electrical Load Upgrading Programme fund

The Electrical Load Upgrading (ELU) was introduced to upgrade the incoming electrical supply for HDB apartment blocks with a 40amps main switch instead of 30amps. The ELU works include supply and installation of new main switchboard including all accessories, connection, authority testing, commissioning and LEW licencing; replacement of all electrical sub-main risers including all tap-off boxes, accessories and connections; as well as replacement of all meter boards for residential units including authority testing and commissioning. This is to enable flat owners to install an air-conditioner or other higher capacity equipment/appliances if the flat is provided with higher electrical loading.

Blocks completed on or after 1 Jan 1994 and have undergone the Main Upgrading Programme (MUP) are not eligible for ELU as they are already provided with a higher electrical loading of 40 amps main switch.

This programme is fully funded by HDB and implemented by the Town Council.

2.3 Inter-funds transfer

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 Council funds, to a fund which is in deficit.

2.4 Allocation of general overheads

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

<u>Property Type</u>	<u>Equivalent Dwelling Unit(s)</u>
1 residential property unit	1
1 commercial property unit	2
6 car lots or 36 motor cycle lots or 4 lorry lots	1

Such allocation of EDU is not applied to the Sinking fund, Town Improvement and Project fund, Neighbourhood Renewal Programme fund and Electrical Load Upgrading Programme fund.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (Continued)**

2. Summary of significant accounting policies (Continued)

2.5 Government grants

The Town Council receives three types of grants from the government: Service and Conservancy Charge operating grant, payments from Citizens' Consultative Committees, and Goods and Services Tax ("GST") subvention grant.

- (i) Service and Conservancy Charge operating grants to meet the current year's operating expenditure are taken to the statement of income and expenditure and other comprehensive income.
- (ii) Payments from Citizens' Consultative Committees are granted to provide funding support for community improvement projects under the CIPC scheme.
- (iii) The GST subvention is given as grants-in-aid and is granted to assist the town councils for absorbing the GST increases in service and conservancy charges for HDB residential flats.

Government grants are recognised at fair value when there are reasonable assurance that the attached conditions will be complied with and that the grants will be received. Grants in recognition of specific expenditures are recognised as income over the periods necessary to match them with the related expenditure that they are intended to compensate, on a systematic basis unless the accounting treatment is specified.

2.6 Revenue recognition

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

(i) Conservancy and service fees

Conservancy and service fees are recognised when due.

(ii) Agency fees

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

(iii) Interest and investment income

Interest income from fixed deposits is recognised on a time proportion basis using the effective interest rates.

Income from funds placed with fund managers is recognised based on fair value through profit or loss.

(iv) Other income

Other income comprises mainly temporary occupation licences, liquidated damages claims and other miscellaneous income, and are recognized when due.

2.7 Income tax

Tax is provided on the following income:

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (Continued)**

2. Summary of significant accounting policies (Continued)

2.7 Income tax (Continued)

Income tax is accounted using the asset and liability method that requires the recognition of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequence of events that have been recognised in the financial statements or tax returns. The measurements of current and deferred tax liabilities and assets are based on provisions of the enacted or substantially enacted tax laws, and the effects of future changes in tax laws or rates are not anticipated. Income tax expense represents the sum of the tax currently payable and deferred tax. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same income tax authority.

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

2.8 Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of plant and equipment includes its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Dismantlement, removal or restoration costs are included as part of the cost of plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the plant and equipment.

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

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

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

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

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

The gain or loss, being the difference between the sales proceeds and the carrying amount of the asset, arising on disposal or retirement of an item of plant and equipment is recognised in statement of income and expenditure and other comprehensive income. Any amount in the revaluation reserve relating to that asset is transferred to retained earnings directly.

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

2.9 Financial assets

Initial recognition, measurement and derecognition of financial assets

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (Continued)**

2. Summary of significant accounting policies (Continued)

2.9 Financial assets (Continued)

Initial recognition, measurement and derecognition of financial assets (Continued)

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

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

Subsequent measurement

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

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

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

(ii) Loans and receivables:

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

(iii) Held-to-maturity financial assets

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Town Council's management has the positive intention and ability to hold to maturity. Held-to-maturity investments are initially recognised at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest rate method, less impairment losses. Gains and losses are recognised in the statement of income and expenditure and other comprehensive income when the held-to-maturity investments are derecognised or impaired, and through the amortisation process. As at the reporting date, there were no financial assets classified under this category.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (Continued)

2. Summary of significant accounting policies (Continued)

2.9 Financial assets (Continued)

Impairment of financial assets

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

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

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

2.10 Impairment of non-financial assets

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

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

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

2.11 Funds with fund manager

Funds with fund manager represent the cost of the portfolio of assets placed with a fund manager at the beginning of each management term plus actual gains less losses (determined on a portfolio basis), net of the management fees payable during the management term.

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

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

2.12 Conservancy and service fees receivables

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

Allowance for impairment is made if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition and that the loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. The carrying amounts of conservancy and service fees receivable approximate their fair value. The amount of the impairment allowance is recognised in the statement of income and expenditure and other comprehensive income. No interest is charged on conservancy and service fees receivables in normal circumstances.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (Continued)

2. Summary of significant accounting policies (Continued)

2.13 Other receivables

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

2.14 Cash and cash equivalents

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

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

2.15 Financial liabilities

Initial recognition, measurement and derecognition of financial liabilities

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

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

Subsequent measurement

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

Liabilities at fair value through profit or loss

As at the reporting date, there were no financial liabilities classified under this category.

Other financial liabilities

All liabilities, which have not been classified as in the previous category fall into this residual category. These liabilities are carried at amortised cost using the effective interest method. Payables are classified under this category. Items classified within current payables are not usually re-measured, as the obligation is usually known with a high degree of certainty and settlement is short-term.

2.16 Fair value of financial instruments

The carrying values of current financial assets and financial liabilities approximate their fair values due to the short-term maturity of these instruments. Disclosures of fair values are not made when the carrying amount of current financial instruments is a reasonable approximation of fair value. The fair values of non-current financial instruments may not be disclosed separately unless there are significant items at the end of the year and in the event the fair values are disclosed in the relevant notes of these financial statements. The maximum exposure to credit risk is the fair value of the financial instruments at the end of the reporting year. The fair value of a financial instrument is derived from an active market. The appropriate quoted market price for an asset held or liability to be issued is usually the current bid price without any deduction for transaction costs that may be incurred on sale or other disposal and, for an asset to be acquired or liability held, the asking price.

2. Summary of significant accounting policies (Continued)

2.17 Lease as a lessee

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

2.18 Provisions

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

3. Critical accounting judgements and key sources of estimation uncertainty

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

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

In the process of applying the Town Council's accounting policies, the management is of the opinion that there are no critical judgements (other than those involving estimates) that have a significant effect on the amounts recognised in the financial statements.

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

3.2 Key sources of estimation uncertainty

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

(i) Allowance for doubtful conservancy and service fees receivables and other receivables

Allowance for doubtful conservancy and service debts amounting to \$583,505 (2013: \$636,504) has been estimated on the basis of age of debts, result of recovery efforts and historical experience (Note 12).

Other receivables mainly consists of grants receivables from the Citizens' Consultative Committees (CCC) for approved projects and no allowance has been provided for. Allowance is applied to other receivables if events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful of other receivables requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying amount of other receivables and the allowance for impairment in the financial year in which such estimate has been changed.

(ii) Depreciation of plant and equipment

The cost of plant and equipment for the Town Council is depreciated on the straight-line basis over the plant and equipment's estimated economic useful lives. Changes in the expected useful lives and the technological developments could impact the economic useful lives and the residual values of these assets, therefore, future depreciation charges could be revised. The carrying amount of the Town Council's plant and equipment as at 31 March 2014 was \$364,688 (2013: \$457,107) (Note 9).

(iii) Impairment of financial and non-financial assets

The Town Council adopts the guidance of FRS 36 Impairment of Assets and FRS 39 Financial Instruments: Recognition and Measurement in determining when an asset is impaired. This assessment requires certain level of judgement. The Town Council evaluates, among other factors, the duration and extent to which the fair value of the asset is less than its cost, and the financial health of and near-term economic benefit for the asset, changes in technology and operational and financing cash flows.

(iv) Provision for income taxes

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 2014 is \$912,092 (2013: \$906,855) (Note 23).

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

3.2 Key sources of estimation uncertainty (Continued)

(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 them as available-for-sale. The investments would therefore be measured at fair value and not amortised cost. The carrying amount of the Town Council's held-to-maturity financial assets as at 31 March 2014 is nil (2013: \$5,000,000) (Note 10).

ANG MO KIO TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (Continued)

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	
		2014	2013	2014	2013	2014	2013	2014	2013
		\$	\$	\$	\$	\$	\$	\$	\$
OPERATING INCOME									
Conservancy and service fees		52,275,342	50,892,500	48,252,472	46,889,426	4,022,870	4,003,074	-	-
Less: Operating income transfer to sinking fund (minimum required by law)	5	(17,576,325)	(17,110,288)	(16,168,159)	(15,709,210)	(1,408,166)	(1,401,078)	-	-
Agency fees	16	34,699,017	33,782,212	32,084,313	31,180,216	2,614,704	2,601,996	-	-
Other income	17	4,704,751	4,541,118	-	-	-	-	4,704,751	4,541,118
		3,414,595	3,536,828	911,140	989,068	2,450,938	2,475,362	52,517	72,398
Less: Operating expenditure		42,818,363	41,860,158	32,995,453	32,169,284	5,065,642	5,077,358	4,757,268	4,613,516
OPERATING (DEFICIT)/SURPLUS		(48,810,922)	(47,934,676)	(42,088,462)	(41,245,749)	(2,832,664)	(2,907,679)	(3,889,796)	(3,781,248)
Add: Interest Income		(5,992,559)	(6,074,518)	(9,093,009)	(9,076,465)	2,232,978	2,169,679	867,472	832,268
		75,577	55,148	72,604	52,080	1,053	1,106	1,920	1,962
(DEFICIT)/SURPLUS BEFORE INCOME TAX AND GOVERNMENT GRANTS		(5,916,982)	(6,019,370)	(9,020,405)	(9,024,385)	2,234,031	2,170,785	869,392	834,230
Less: Income tax	23	(236,442)	(170,580)	(29,238)	(4,145)	(207,204)	(169,116)	-	2,681
(DEFICIT)/SURPLUS BEFORE GOVERNMENT GRANTS		(6,153,424)	(6,189,950)	(9,049,643)	(9,028,530)	2,026,827	2,001,669	869,392	836,911
Add: Government grants	24	13,920,619	17,477,082	13,920,619	17,477,082	-	-	-	-
Less: Transfer to		(3,853,754)	(3,718,583)	(3,853,754)	(3,718,583)	-	-	-	-
- Sinking fund	5, 24	(1,797,477)	(5,774,797)	(1,697,299)	(5,442,426)	(100,178)	(332,371)	-	-
- Town Improvement and Project fund	6, 24	8,269,388	7,983,702	8,369,566	8,316,073	(100,178)	(332,371)	-	-
		2,115,964	1,793,752	(680,077)	(712,457)	1,926,649	1,669,298	869,392	836,911
SURPLUS/(DEFICIT) FOR THE YEAR		6,280,994	4,377,936	258,588	887,288	4,686,964	2,992,117	1,335,442	498,531
ACCUMULATED SURPLUS AT 1 APRIL		6,280,994	4,377,936	258,588	887,288	4,686,964	2,992,117	1,335,442	498,531
Add(Less):									
Adjustment for transfer of funds during boundary change		-	(67,624)	-	(67,624)	-	-	-	-
Transfer from Town Improvement and Project fund	6	1,307,008	2,580,549	1,230,171	2,415,350	76,837	165,199	-	-
Appropriation to Town Improvement and Project fund	6	(3,192,800)	(2,403,619)	(808,682)	(2,263,969)	(2,384,118)	(139,650)	-	-
ACCUMULATED SURPLUS AT 31 MARCH		6,511,166	6,280,994	-	258,588	4,306,332	4,686,964	2,204,834	1,335,442

ANG MO KIO TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (Continued)

5. Sinking fund

Note	Total	Residential Property funds		Commercial Property funds	
		2014 \$	2013 \$	2014 \$	2013 \$
Balance at 1 April		151,015,852	153,053,086	106,742,194	110,224,422
Add:					
Income	20	1,142,258	912,871	1,001,166	744,449
Operating income transfer from conservancy and service fees	4	17,576,325	17,110,288	16,168,159	15,709,210
Transfer from government grants	4, 24	3,853,754	3,718,583	3,853,754	3,718,583
		22,572,337	21,741,742	21,023,079	20,172,242
Less:					
Expenditure	20	(32,057,629)	(23,607,764)	(30,052,845)	(23,520,534)
Income tax	23	(204,586)	(171,212)	(174,695)	(133,936)
(Deficit)/Surplus for the year		(9,689,878)	(2,037,234)	(9,204,461)	(3,482,228)
Balance at 31 March		141,325,974	151,015,852	97,537,733	106,742,194

Represented by:

Current assets	
Held-to-maturity financial assets	5,000,000
Financial assets at fair value through profit or loss	28,420,797
Conservancy and service fees receivables	375,813
Other receivables, deposits and prepayments	985,606
Due from accumulated surplus	6,208,032
Cash and cash equivalents	114,327,786
Total assets	144,081,520
	155,318,034

Less:

Current liabilities	
Payables and accrued expenses	3,922,205
Income tax payable	379,977
	4,302,182
Total liabilities	4,302,182
NET ASSETS	151,015,852

ANG MO KIO TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (Continued)

6. Town Improvement and Project fund

	Note	Total		Residential Property funds		Commercial Property funds	
		2014 \$	2013 \$	2014 \$	2013 \$	2014 \$	2013 \$
Balance at 1 April		2,403,619	1,736,573	2,263,969	1,620,223	139,650	116,350
Add/(Less):							
Transfer from government grants	4	1,797,477	5,774,797	1,697,299	5,442,426	100,178	332,371
Expenditure	21	(2,894,088)	(4,930,821)	(2,731,097)	(4,647,299)	(162,991)	(283,522)
(Deficit)/Surplus for the year		(1,096,611)	843,976	(1,033,798)	795,127	(62,813)	48,849
Less:		1,307,008	2,580,549	1,230,171	2,415,350	76,837	165,199
Transfer to accumulated surplus *	4	(1,307,008)	(2,580,549)	(1,230,171)	(2,415,350)	(76,837)	(165,199)
Appropriation from accumulated surplus **	4	3,192,800	2,403,619	808,682	2,263,969	2,384,118	139,650
Balance at 31 March		3,192,800	2,403,619	808,682	2,263,969	2,384,118	139,650

Represented by:

Current assets

Other receivables, deposits and prepayments	13	3,319,994	5,877,194
Cash and cash equivalents	14	406,128	-
Total assets		3,726,122	5,877,194

Less:

Current liabilities

Payables and accrued expenses	15	533,322	1,566,337
Cash and cash equivalents	14	-	1,907,238
Total liabilities		533,322	3,473,575
NET ASSETS		3,192,800	2,403,619

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

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

ANG MO KIO TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (Continued)

7. Neighbourhood Renewal Programme fund

	<u>2014</u> \$	<u>2013</u> \$
Balance at 1 April	718,816	185,581
Add/(Less):		
Funding from Housing & Development Board	5,552,562	2,262,615
Interest income	1,684	1,434
Expenditure	(3,106,705)	(1,730,814)
Surplus for the year	2,447,541	533,235
Balance at 31 March	<u>3,166,357</u>	<u>718,816</u>

8. Electrical Load Upgrading Programme fund

	<u>2014</u> \$	<u>2013</u> \$
Balance at 1 April	(567,038)	-
Add/(Less):		
Funding from Housing & Development Board	1,536,785	-
Expenditure	(1,141,248)	(567,038)
Surplus/(Deficit) for the year	395,537	(567,038)
Balance at 31 March	<u>(171,501)</u>	<u>(567,038)</u>

9. Plant and equipment

	<u>Furniture, fixtures and fittings</u> \$	<u>Office equipment</u> \$	<u>Total</u> \$
<u>Cost</u>			
At 1 April 2012	925,511	147,619	1,073,130
Additions	125,984	41,647	167,631
Transfers	(137,607)	-	(137,607)
Disposals	-	(16,389)	(16,389)
At 31 March 2013	913,888	172,877	1,086,765
Additions	21,170	27,368	48,538
Disposals	-	(15,659)	(15,659)
At 31 March 2014	<u>935,058</u>	<u>184,586</u>	<u>1,119,644</u>
<u>Accumulated depreciation</u>			
At 1 April 2012	428,742	105,007	533,749
Depreciation	115,272	22,122	137,394
Transfers	(25,096)	-	(25,096)
Disposals	-	(16,389)	(16,389)
At 31 March 2013	518,918	110,740	629,658
Depreciation	110,278	30,679	140,957
Disposals	-	(15,659)	(15,659)
At 31 March 2014	<u>629,196</u>	<u>125,760</u>	<u>754,956</u>
<u>Net book value</u>			
At 31 March 2013	<u>394,970</u>	<u>62,137</u>	<u>457,107</u>
At 31 March 2014	<u>305,862</u>	<u>58,826</u>	<u>364,688</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (Continued)**

10. Held-to-maturity financial assets

	<u>Note</u>	<u>2014</u> At amortised cost \$	<u>2013</u> At amortised cost \$
Balance at 1 April		5,000,000	12,924,174
Redemption of bonds upon maturity		(5,000,000)	(8,000,000)
Accretion of discount on bonds	20	-	75,826
Balance at 31 March		-	5,000,000
The maturity period of the held-to-maturity financial assets is as follows:			
Maturing within 12 months	5	-	5,000,000
		-	5,000,000

The held-to-maturity financial assets, made up of government bonds with fixed interest rate Nil (2013: 2.159%) per annum, have matured during the year. The effective interest rate is nil (2013: 1.2%) per annum.

11. 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>2014</u> At fair value \$	<u>2013</u> At fair value \$
<i>Financial asset at fair value through profit or loss:</i>			
Debt securities in listed corporations, government and other public debentures	5	29,720,154	28,420,797
Accrued interest	13	150,110	152,648
Cash at banks and fixed deposits	14	440,625	1,728,141
		30,310,889	30,301,586

Represented by:

	<u>2014</u> \$	<u>2013</u> \$
Bonds in corporations	18,046,593	18,229,650
Government and statutory board securities	11,823,671	10,343,795
Cash and bank deposits	440,625	1,728,141
	30,310,889	30,301,586

The funds with fund manager are denominated in Singapore dollars. These funds are invested in accordance with The Town Council Act (Cap. 329A).

ANG MO KIO TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (Continued)

12. Conservancy and service fees receivables

	Note	2014 \$	2013 \$
Conservancy and service fees receivables		1,661,070	1,772,594
Less: Allowance for impairment		(583,505)	(636,504)
		<u>1,077,565</u>	<u>1,136,090</u>
Taken up in:			
Accumulated surplus		641,923	760,277
Sinking fund	5	435,642	375,813
		<u>1,077,565</u>	<u>1,136,090</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:

	2014 \$	2013 \$
Balance at 1 April	636,504	538,957
Bad debt write-off	(1,503)	-
Allowance for the year	-	97,547
Write back	(51,496)	-
Balance at 31 March	<u>583,505</u>	<u>636,504</u>

13. Other receivables, deposits and prepayments

	Note	2014 \$	2013 \$
Grant receivables			
- Citizens' Consultative Committees		3,239,802	5,757,397
- GST Subvention		473,235	457,151
- Service and Conservancy Charges		164,119	-
		<u>3,877,156</u>	<u>6,214,548</u>
Other receivables			
- Accrued interest on funds with fund manager	11	150,110	152,648
- Interest on fixed deposits and government bonds		522,871	391,733
- Late payment penalty		397,804	366,247
- Less: allowance for impairment		(291,231)	(235,198)
		106,573	131,049
- Claimable GST	22	540,345	331,764
- Recoverable from Housing & Development Board		3,937,173	397,216
- Recoverable from National Environment Agency		98,345	166,526
- Recoverable from contractors		11,636	55,507
		<u>5,367,053</u>	<u>1,626,443</u>
Deposits		561,767	875,106
Prepayments		188,589	196,039
Others		112,726	117,232
		<u>10,107,291</u>	<u>9,029,368</u>
Taken up in:			
Accumulated surplus		5,553,544	2,166,568
Sinking fund	5	1,233,753	985,606
Town Improvement and Project fund	6	3,319,994	5,877,194
		<u>10,107,291</u>	<u>9,029,368</u>

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (Continued)

13. 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>2014</u>	<u>2013</u>
	\$	\$
Balance at 1 April	235,198	351,341
Impairment loss recognised/(reversed)	56,033	(116,143)
Balance at 31 March	<u>291,231</u>	<u>235,198</u>

14. Cash and cash equivalents

	<u>Note</u>	<u>2014</u>	<u>2013</u>
		\$	\$
Cash on hand		14,453	14,368
Cash at bank		9,860,705	7,905,926
Cash and fixed deposits with fund manager	11	440,625	1,728,141
		<u>10,315,783</u>	<u>9,648,435</u>
Fixed deposits		109,555,772	116,961,082
		<u>119,871,555</u>	<u>126,609,517</u>
Taken up in:			
Accumulated surplus		14,442,682	14,188,969
Sinking fund	5	105,022,745	114,327,786
Town Improvement and Project fund	6	406,128	(1,907,238)
		<u>119,871,555</u>	<u>126,609,517</u>

Cash and cash equivalents are denominated in Singapore dollars.

The interest rate for the fixed deposits ranges between 0.25% and 1.28% (2013: 0.50% and 1.35%) per annum, receivable one year in arrears. The effective interest rate is 1.05% (2013: 0.69%) per annum.

A fixed deposit of \$55,852 (2013: \$55,838) 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>2014</u>	<u>2013</u>
	\$	\$
Cash and cash equivalents as above	119,871,555	126,609,517
Less:		
Cash at banks and fixed deposits managed by fund manager	(440,625)	(1,728,141)
Fixed deposit pledged	(55,852)	(55,838)
Cash and cash equivalents per statement of cash flows	<u>119,375,078</u>	<u>124,825,538</u>

15. Payables and accrued expenses

	<u>2014</u>	<u>2013</u>
	\$	\$
Accounts payable	3,828,978	7,479,458
Accrued expenses	883,639	845,543
Deposits received	527,905	537,326
Payable to Housing & Development Board	31,154	63,887
Others	30,683	21,950
	<u>5,302,359</u>	<u>8,948,164</u>

Payables and accrued expenses are denominated in Singapore dollars.

ANG MO KIO TOWN COUNCIL

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (Continued)**

15. Payables and accrued expenses (Continued)

	<u>Note</u>	<u>2014</u> \$	<u>2013</u> \$
Taken up in:			
Accumulated surplus		2,426,948	3,459,622
Sinking fund	5	2,342,089	3,922,205
Town Improvement and Project fund	6	533,322	1,566,337
		<u>5,302,359</u>	<u>8,948,164</u>

16. Agency fees

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

17. Other income

	<u>2014</u> \$	<u>2013</u> \$
Community hall rental	14,234	13,903
Late payment penalty	258,420	230,559
Liquidated damages	232,062	325,957
Sale of tender documents	21,000	28,054
Sundry fines	54,724	61,637
Sundry income	117,389	142,402
Temporary Occupation Licence ("TOL") charges	2,215,966	2,209,351
Use of common property	161,091	145,885
Use of void decks	66,416	64,510
Use of water and electricity	244,332	306,384
Use of roof top access	18,720	-
Others	10,241	8,186
	<u>3,414,595</u>	<u>3,536,828</u>

18. Managing agent's fees

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

19. General and administrative expenditure

	<u>Note</u>	<u>2014</u> \$	<u>2013</u> \$
Advertising, publicity and public relations		243,593	319,711
Bad debts recovered		4,785	(47,882)
Computer service		140,579	363,804
Depreciation of plant and equipment		140,956	112,298
Impairment loss recognised		(5,405)	77,167
Office rental and upkeep expenditure		554,644	531,363
Office supplies and stationery		76,492	78,407
Plant and equipment not capitalised		3,535	3,050
Property tax		227,992	231,358
Key management personnel compensation			
- Town Councillors' allowances		304,800	302,700
- Executive Director's salary & related costs		30,169	193,933
Unclaimable input tax	22	751,097	643,120
Others		492,425	544,375
		<u>2,965,662</u>	<u>3,353,404</u>

ANG MO KIO TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (Continued)

20. Sinking fund income and expenditure

(a) Income

	Note	2014 \$	2013 \$
Accretion of discount on government bonds	10	-	75,826
Interest income from cash at banks		1,116,551	667,036
Interest income from government bonds		23,365	168,587
Other income		2,342	1,422
		<u>1,142,258</u>	<u>912,871</u>

(b) Expenditure

	Note	2014 \$	2013 \$
Electrical rewiring		773,617	4,854
Fair value gain on financial assets at fair value through profit or loss		(9,303)	(379,827)
General and administrative charges		340	(15,119)
Lifts overhaul/upgrading		8,381,839	13,636,163
Lift position display panel		105,096	197,979
Lift works (LSS)		-	25,758
Other major works		38,000	-
Re-decoration and repairing		20,406,952	7,635,264
Re-roofing works		1,375,453	1,131,281
Replacement of ARD batteries		30,800	20,724
Replacement of booster pumps		9,157	129,859
Replacement of FRP/GRP sectional water tanks		28,600	27,615
Replacement of hoisting ropes		417,449	468,203
Replacement of Refuse Chute Flushing System (RCFS)		-	91,520
Replacement of water pipes		-	184,338
Replacement of water pumps		93,806	308,327
Town Council Lift Upgrading Programme		60,676	(154,858)
Unclaimable input tax	22	345,147	295,683
		<u>32,057,629</u>	<u>23,607,764</u>

21. Town Improvement and Project fund expenditure

	2014 \$	2013 \$
Consultancy fees and architectural fees	406,478	559,639
Town improvement works	<u>2,487,610</u>	<u>4,371,182</u>
	<u>2,894,088</u>	<u>4,930,821</u>

22. 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 income and expenditure and other comprehensive income during the year.

ANG MO KIO TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (Continued)

23. Income tax

	Note	2014 \$	2013 \$
Current tax expense		474,853	467,117
Over-provision of tax in previous financial years		(33,825)	(125,325)
		<u>441,028</u>	<u>341,792</u>
Taken up in:			
Accumulated surplus		239,193	260,653
Over-provision of tax in previous financial years		(2,751)	(90,073)
	4	<u>236,442</u>	<u>170,580</u>
Sinking fund		235,660	206,463
Over-provision of tax in previous financial years		(31,074)	(35,251)
	5	<u>204,586</u>	<u>171,212</u>
		<u>441,028</u>	<u>341,792</u>

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

	2014 \$	2013 \$
Interest income	1,193,813	832,971
Government grants and other income	15,368,159	19,027,402
Allowable expenses	(155,239)	(180,641)
	<u>16,406,733</u>	<u>19,679,732</u>
Tax calculated at a tax rate of 17% (2013: 17%)	2,789,145	3,345,554
Tax remission of government grants under section 92(2) of Singapore Income Tax Act	(2,360,138)	(2,954,854)
Tax effect of certain income taxed at concessionary tax rate	45,846	76,417
Over-provision of tax in previous financial years	(33,825)	(125,325)
	<u>441,028</u>	<u>341,792</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:

	Note	2014 \$	2013 \$
Balance as at 1 April		906,855	1,139,321
Current financial year's income tax expense		474,853	467,117
Payments during the year		(436,067)	(574,258)
Tax refund for prior year		276	-
Over-provision of tax in previous financial years		(33,825)	(125,325)
Balance as at 31 March		<u>912,092</u>	<u>906,855</u>
Taken up in: (Provision for income tax)			
Accumulated surplus		498,635	526,878
Sinking fund	5	413,457	379,977
Balance at 31 March		<u>912,092</u>	<u>906,855</u>

ANG MO KIO TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (Continued)

24. Government grants

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

	Note	Total		Service and Conservancy Charges Grant		Payment from Citizens' Consultative Committees		GST Subvention Grant	
		2014	2013	2014	2013	2014	2013	2014	2013
		\$	\$	\$	\$	\$	\$	\$	\$
Government grants received/receivable	4	13,920,619	17,477,082	10,249,251	9,881,348	1,797,477	5,774,797	1,873,891	1,820,937
Less:									
Transfer to Sinking fund	4, 5	(3,853,754)	(3,718,583)	(3,225,853)	(3,108,518)	-	-	(627,901)	(610,065)
Transfer to Town Improvement and Projects fund	4, 6	(1,797,477)	(5,774,797)	-	-	(1,797,477)	(5,774,797)	-	-
		8,269,388	7,983,702	7,023,398	6,772,830	-	-	1,245,990	1,210,872

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

	2014	2013
	\$	\$
Total grants received/receivable at 1 April	266,954,522	249,477,440
Grants received/receivable during the year	13,920,619	17,477,082
Total grants received/receivable at 31 March	280,875,141	266,954,522

ANG MO KIO TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (Continued)

25. 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.

26. Capital commitments

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

	<u>2014</u>	<u>2013</u>
	\$	\$
Amount approved and contracted for	35,592,305	40,145,063
Amount approved but not contracted for	74,585,683	34,160,149
	<u>110,177,988</u>	<u>74,305,212</u>

27. 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>2014</u>	<u>2013</u>
	\$	\$
Not later than one year	748,307	521,836
Later than one year and not later than five years	1,531,020	912,027
After five years	275,216	-
	<u>2,554,543</u>	<u>1,433,863</u>

The leases on the Town Council's office premises from the Housing & Development Board on which rentals are payable will expire on June 2014, December 2014 and April 2016, subject to option to renew for another three years. Rental terms are renegotiated on renewal.

The Town Council entered into an agreement for a contract sum of \$1,651,295 with NEC Asia Pacific Pte Ltd for the supply, delivery, design, development, installation, configuration, testing, commissioning, warranty of a fully operational integrated Town Council Management System with operation support and maintenance for the period 1 May 2013 to 30 April 2020.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (Continued)

28. 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 Town Council's financial instruments are credit risk and market risk. The Town Council is not exposed to foreign exchange risk. There is no significant liquidity risk as sufficient cash is maintained. Risks management policies and systems are reviewed regularly to reflect changes in the operational environment and market conditions.

Credit risk

Credit risk is the potential financial loss resulting from the failure of a counterparty to settle its contractual obligations to the Town Council when they fall due. Financial assets that potentially subject to concentrations of credit risk consist principally of fixed deposits and bank balances, conservancy and service fees receivables, other receivables and investment funds with fund managers. The maximum exposure to credit risk is the fair value of the financial instruments as at the end of the reporting period.

Fixed and bank deposits are placed with Singapore-regulated financial institutions.

Investment in bonds (through fund managers) comprise bonds issued by statutory boards and government-related agencies, as well as corporate bonds that are considered to be of good credit standing.

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 income and expenditure and other comprehensive income. The allowance for impairment of conservancy and service fees receivable totalling \$583,505 (2013: \$636,504) is determined at the reporting date (Note 12).

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.

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>2014</u> \$	<u>2013</u> \$
Not past due		365,615	416,428
Past due 30 to 90 days		233,137	314,446
Past due 91 to 180 days		285,132	214,154
Past due 181 to 360 days		329,807	298,935
Past due over 360 days		447,379	528,631
		<u>1,661,070</u>	<u>1,772,594</u>
Less: Allowance for impairment		<u>(583,505)</u>	<u>(636,504)</u>
	12	<u>1,077,565</u>	<u>1,136,090</u>

Conservancy and service fees receivables amounting to \$711,950 (2013: \$719,662) 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (Continued)

28. Financial instruments and financial risks (Continued)

Market risk

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.

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 and corporate 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. Besides, the Town Council's operations are partially supported by various grants from the government and the Town Council is satisfied that funds for operations are available as and when required.

The average credit period for settlement of payables and accrued expenses is 30 - 90 days (2013: 30 - 90 days). It is expected that all the liabilities will be paid when due with cash inflows from operating activities and government grants.

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.

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.

Financial instruments by category

The carrying amounts of the different categories of financial instruments are as follows:

	<u>2014</u>	<u>2013</u>
	\$	\$
Held-to-maturity financial assets	-	5,000,000
Financial assets at fair value through profit or loss	29,720,154	28,420,797
Loan and receivables	130,867,822	136,578,936
Less: financial liabilities	(5,302,359)	(8,948,164)
	<u>155,285,617</u>	<u>161,051,569</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (Continued)**

29. Fair value of financial assets and liabilities

The carrying amounts of current financial assets and liabilities approximate their respective fair values due to the relatively short term nature of these financial instruments. The fair value of different 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.

The table below analyses financial instruments carried at fair value. The different levels have been defined as follows:-

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

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
2014				
Assets				
Held-to-maturity financial assets	-	-	-	-
Financial assets at fair value through profit or loss	29,720,154	-	-	29,720,154
	<u>29,720,154</u>	<u>-</u>	<u>-</u>	<u>29,720,154</u>
2013				
Assets				
Held-to-maturity financial assets	5,000,000	-	-	5,000,000
Financial assets at fair value through profit or loss	28,420,797	-	-	28,420,797
	<u>33,420,797</u>	<u>-</u>	<u>-</u>	<u>33,420,797</u>

30. 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 \$154,024,796 (2013: \$159,852,243).