



**ANNUAL REPORT
FY2022-2023**



MURAL AT BLK 312 SEMBAWANG DRIVE BY OUR RESIDENTS AND MINISTER ONG YE KUNG

CONTENTS

| | |
|----------------|----------------------------------|
| 04 | CHAIRMAN'S REVIEW |
| 05 | FINANCE |
| 06 | CODE OF GOVERNANCE |
| 07 | CYCLICAL WORKS |
| 08 | TOWN IMPROVEMENT PROJECTS |
| 09 | MAKING SEMBAWANG GREEN |
| 10 | ENGAGING OUR RESIDENTS |
| 11 | SAYANG OUR FUTURE |
| 12 - 63 | FINANCIAL STATEMENTS |

CHAIRMAN'S REVIEW

We weathered through the COVID-19 pandemic over the last three years and we slowly returned to normalcy in FY2022/2023. During which, Singapore has moved to DORSCON green, but we should continue to exercise social responsibility and monitor our health.



We have also seen many changes throughout FY2022/2023 for Sembawang Town Council.

One change is the new operating hours for our town council office that came into effect from 1 December 2022. The offices are now closed on most Saturdays but the operating hours have been extended on weekdays.

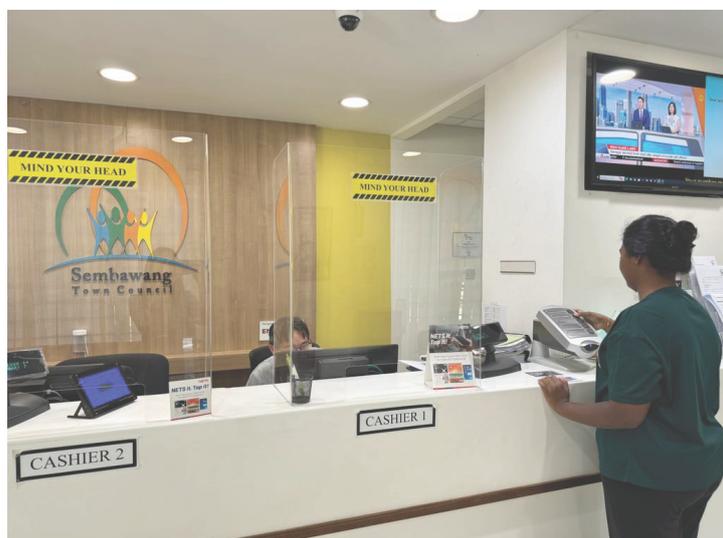
Also, the iTown@SG app has been decommissioned with effect from 31 October 2022. Residents can send their feedback to the Town Council through the OneService App, our general email and hotline as well.

Sembawang Town Council continues to put our residents at the heart of everything we do. We have worked hard to maintain our standards of cleanliness and maintenance of the Town for our residents. This is reflected in the Town Council Management Report (TCMR) results for this financial year, where we have achieved “Green” for all operational indicators. This includes Lift Performance, Estate Cleanliness, Estate Maintenance, and S&CC Arrears Management. On this note, I am delighted to present our report on the various aspects of our operations.

FINANCE

In FY2022/2023, Sembawang Town Council had an operating surplus of \$7.8 million. As of 31 March 2023, our Town Council's Sinking Funds, Lift Replacement Funds and Accumulated Surplus stood at \$180.1 million, \$90.6 million, and \$15.3 million respectively.

The arrears cases for three months and above formed 2.81% of the total residential units under our management. We would like to thank the strong partnership and support from our Town Councillors, Grassroots Leaders, agencies and staff in conducting house visits and offering assistance to households in arrears, which made this possible.



CODE OF GOVERNANCE

The Code of Governance for Town Councils launched by the Ministry of National Development (MND), took effect from 1 April 2020. It aims to promote greater transparency and accountability, thus raising governance standards in town councils.

The Code of Governance consists of four main parts - Council Effectiveness, Internal Control & Process, Financial Management, and Vendor Management.

Risk Management Framework is an important feature in the Code of Governance. With the help of external consultants and guidance of our Audit Committee, Sembawang Town Council had implemented our own comprehensive framework for Enterprise Risk Management (ERM). Through our annual risk assessment, we have identified 21 key risks which was reported to the Council. The effectiveness of our internal controls has also been assessed.

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

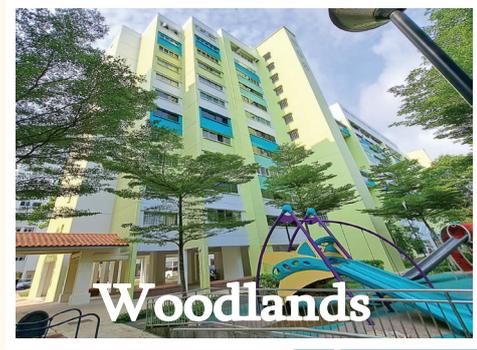
On the selection and appointment of Town Councillors, the elected members nominated candidates based on their relevant experience, skills, understanding of the residents' needs, involvement and contributions to the community. They would then be appointed and placed in the five standing committees ensuring that each committee has the necessary core skills and competencies to carry out the duties and responsibilities of the respective committees. In addition, two-thirds of members must be residents staying in HDB housing estates within the town in accordance with Town Council Act.

CYCLICAL WORKS

To ensure that our estates are kept in good working condition for our residents, the Town Council also undertakes a range of cyclical works. Examples of cyclical works include repairs and redecoration (R&R), re-roofing, replacement of lift parts, pumps and pipes.

Of the total sum of \$26.4 million spent on cyclical works in FY2022/2023, \$4.9 million was used for lift replacement works; another \$5.1 million and \$8.9 million were expended on R&R and electrical re-wiring works respectively.

Repairs and Redecoration (R&R)



Lift Replacement Works



TOWN IMPROVEMENT PROJECTS

Town improvements Projects are essential to meet the needs of residents through the addition and enhancement of amenities or recreational facilities. The commencement of these projects is carried out after consultation with grassroots organizations and gathering feedback from residents on the facilities necessary to enhance our Town.

Sembawang Town Council spent a total of \$905,000 in town improvement projects in FY2022/2023. Of this expenditure, \$125,000 and \$240,000 were spent on construction of covered linkways and upgrading of open spaces. Another \$367,000 was expended on Large-Scale Town-Wide (LSTW) projects.

Many exciting new developments opened in our GRC during the same financial year. We saw the completion of the Sport-In-Precinct at Wellington Circle on 17 September 2022 and the Woodlands Sport-In-Precinct facility on 11 March 2023.

The newly upgraded Montreal Green Park also re-opened on 20 November 2022, which features two new children's playgrounds, an adult and senior fitness corner, a butterfly garden, and a BBQ pit area. There is also a heritage corner which showcases the rich history of Sembawang.



MAKING SEMBAWANG GREEN

Making Sembawang a clean and green is a community effort. Sembawang Town Council continues its “Keep Clean, Singapore” and Tree Planting Day initiatives across the divisions. Residents, together with their respective Advisers, came together for litter picking at common areas of the estates and plant trees around the neighbourhood. We also took the chance to express our heartfelt appreciation for our cleaners’ exemplary service and hard work in keeping our GRC clean and green for all.

In line with Singapore Green Plan 2030, the Action Green Town Plan is an initiative among the 15 PAP Town Councils and residents that aims to enhance sustainability plans and efforts nationwide. Concerted efforts have been taken, and we will continue to work closely with various agencies to make Sembawang GRC a zero waste, energy efficient and greener Town, while maintaining the high level of cleanliness in our estates.

Also, selected Multistorey Carparks’ rooftops (under Sembawang GRC) are set to be repurposed into Urban Farming, Skyrise Greenery, and Community Gardens using the Prefabricated Extensive Green (PEG) roof tray system.

Speaking about repurposing, Sembawang Town Council has upcycled SMRT train seats for use at Common Properties in our estates as well.

Do keep a lookout for more updates on the “green” initiatives above. Let us all work together to make Sembawang clean and green!



ENGAGING OUR RESIDENTS



@SEMBAWANGTOWNCOUNCIL

@SAYANGSEMBAWANG



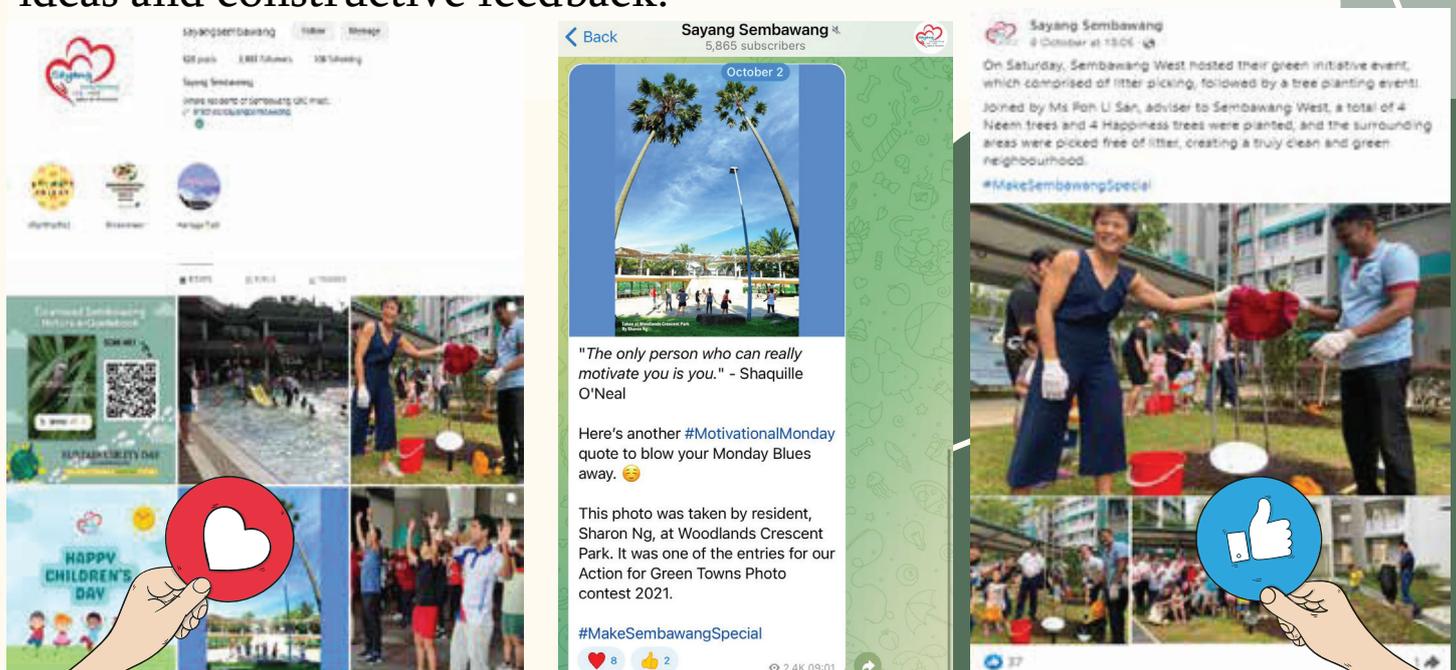
@SAYANGSEMBAWANG

We strive to find new ways to engage with our residents. Thus, Sembawang Town Council has continually strengthened our existing communications channels in FY2022/2023. Residents can submit their feedback through our email, website and our Facebook page. These platforms help us to continuously engage with residents, keep their opinions in view and stay receptive to new ideas and constructive feedback.

We also leverage on our strong social media presence to reach out to our residents. Our Facebook pages - Sayang Sembawang Facebook page and Sembawang Town Council Facebook page have a combined fan base of 60,368 as of 31 March 2023.

Other avenues that we use to further reach out to residents in Sembawang GRC include our “Sayang Sembawang” Instagram page, Telegram Channel, and fortnightly digital newsletter.

Our pages are frequently updated to share important updates and town news to our residents. These platforms help us to continuously engage with residents, keep their opinions in view and stay receptive to new ideas and constructive feedback.



SAYANG OUR FUTURE

Sembawang GRC has seen many changes and will still continue to transform with new developments to further enhance our Town.

We saw the progressive opening of Bukit Canberra. First, its Indoor Sport Hall opened on 23 October 2022. It provides a conducive space for recreational and competitive players to train, play and enjoy a wide variety of sports such as badminton, basketball, pickleball, volleyball, just to name a few. It currently supports up to 8 badminton courts, 2 pickleball courts and 8 table tennis tables.

The Bukit Canberra Hawker Centre then opened for business on 17 December 2022. Boasting 800 seats and 44 stalls, residents will be spoilt for choice at this massive food paradise.

Additionally, eleven new Thomson-East Coast Line (TEL) Phase 3 stations have also opened. This is great news for residents in the north who now have two lines to choose from when heading into town or other areas – the North-South Line and TEL. The travel time from Woodlands South to Orchard is now around 25 minutes on the MRT.

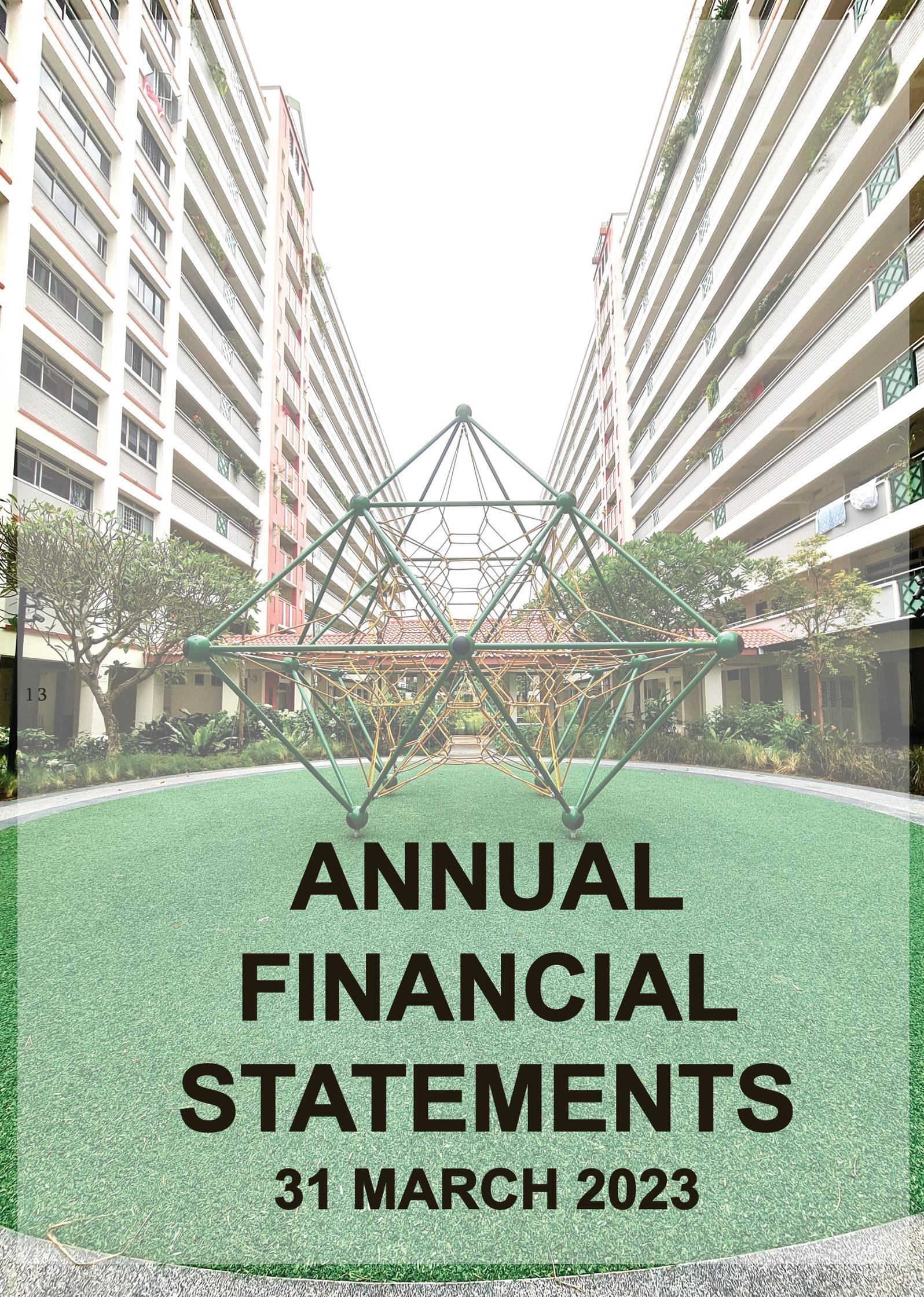
This would not have been possible without the support of our Town Councillors, Grassroot Leaders and the Town Council staff. I would also like to thank our residents for their valuable feedback to help us continually improve our Town, and also for their unwavering support.

Let us continue to work together for a better home, a better Sembawang.

#MakeSembawangSpecial



Vikram Nair
Chairman
Sembawang Town Council



13

ANNUAL FINANCIAL STATEMENTS

31 MARCH 2023

SEMBAWANG TOWN COUNCIL

(Established under the Town Councils Act, Chapter 329A)

ADDRESS

*Blk 504C Canberra Link
#01-63 Singapore 753504*

INDEPENDENT AUDITOR

Ecovis Assurance LLP

| <i>Index</i> | <i>Page</i> |
|--|--------------------|
| Independent auditor's report | 1 - 4 |
| Income and expenditure statement | 5-6 |
| Statement of comprehensive income | 7 |
| Statement of financial position | 8-9 |
| Statement of changes in Town Council funds | 10 |
| Cash flow statement | 11 |
| Notes to the financial statements | 12 - 50 |

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
SEMBAWANG TOWN COUNCIL**

(Established under the Town Councils Act 1988)

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Sembawang Town Council (the "Town Council"), which comprise the statement of financial position of the Town Council as at 31 March 2023, the income and expenditure statement, statement of comprehensive income, statement of changes in Town Council funds and cash flow statement for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 5 to 50.

In our opinion, the accompanying financial statements of the Town Council are properly drawn up in accordance with the provisions of the Town Councils Act 1988 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to present fairly, in all material respects, the financial position of the Town Council as at 31 March 2023 and of the financial performance, changes in funds and cash flows of the Town Council for the financial year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Town Council in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Statements and Auditor's Report Thereon

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SEMBAWANG TOWN COUNCIL

(Established under the Town Councils Act 1988)

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

A town council is established under the Act and may be dissolved by the Minister's order published in the Gazette. In preparing the financial statements, management is responsible for assessing the Town Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is intention to wind up the Town Council or for the Town Council to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town Council's internal control.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SEMBAWANG TOWN COUNCIL

(Established under the Town Councils Act 1988)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Town Council's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Town Council to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Opinion

In our opinion:

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

Basis for Opinion

We conducted our audit in accordance with SSAs. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Compliance Audit section of our report. We are independent of the Town Council in accordance with the ACRA Code together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on management's compliance.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
SEMBAWANG TOWN COUNCIL**

(Established under the Town Councils Act 1988)

Responsibilities of Management for Compliance with Legal and Regulatory Requirements

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

Auditor's responsibilities for the Compliance Audit

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

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



Ecovis Assurance LLP
Public Accountants and
Chartered Accountants
Singapore

20 September 2023

Sembawang Town Council**Income and Expenditure Statement
For the financial year ended 31 March 2023**

| | Note | 2023 \$'000 | 2022 \$'000 |
|---|-------------|-----------------------|-----------------------|
| OPERATING INCOME | | | |
| Conservancy and service fees | | 53,936 | 53,863 |
| Less: Operating income transfer to Sinking Funds | | (14,024) | (14,004) |
| Operating income transfer to Lift Replacement Funds | | (7,551) | (7,540) |
| | | <u>32,361</u> | <u>32,319</u> |
| Agency fees | 6 | 5,803 | 5,580 |
| Other income | 10(a) | 3,128 | 2,385 |
| | | <u>41,292</u> | <u>40,284</u> |
| Less: Operating expenditure | | | |
| Cleaning work | | (8,103) | (8,049) |
| Managing agents' fees | 5 | (6,164) | (5,910) |
| Lift maintenance | | (6,184) | (5,747) |
| Other works and maintenance | | (4,862) | (5,420) |
| Water and electricity | | (11,084) | (8,773) |
| General and administrative expenditure | 7 | (2,179) | (2,280) |
| | | <u>(38,576)</u> | <u>(36,179)</u> |
| OPERATING SURPLUS | | 2,716 | 4,105 |
| NON-OPERATING INCOME | | | |
| Add: Interest income | | 306 | 76 |
| | | <u>3,022</u> | <u>4,181</u> |
| SURPLUS BEFORE TAXATION AND GRANTS | | | |
| Less: Income tax expense | 8(a) | (337) | (280) |
| | | <u>2,685</u> | <u>3,901</u> |
| SURPLUS BEFORE GOVERNMENT GRANTS | | | |
| Add: Government Grants | 9 | 16,684 | 19,066 |
| Less: Transfer to Sinking Funds | 9,11 | (2,250) | (2,165) |
| Transfer to Lift Replacement Funds | 9,12 | (8,574) | (9,011) |
| Transfer to Town Improvement and Project Funds | 9,13 | (668) | (2,892) |
| | | <u>5,192</u> | <u>4,998</u> |

Sembawang Town Council

Income and Expenditure Statement
For the financial year ended 31 March 2023

| | Note | 2023 \$'000 | 2022 \$'000 |
|---|------|----------------|----------------|
| SURPLUS FOR THE FINANCIAL YEAR | | 7,877 | 8,899 |
| Add: Accumulated Surplus at 1 April | | 12,913 | 12,139 |
| Less: Voluntary Contribution to Lift Replacement Funds | 12 | (6,000) | (7,000) |
| Less: Transfer from Accumulated Surplus to Town Improvement and Project Funds | 13 | 512 | (1,125) |
| | | <u>15,302</u> | <u>12,913</u> |



Vikram Nair
Chairman



Dr. Ting Sengkiang
Secretary

Singapore
20 September 2023

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

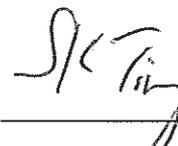
Sembawang Town Council

Statement of Comprehensive Income
For the financial year ended 31 March 2023

| | Note | 2023 \$'000 | 2022 \$'000 |
|---|------|----------------|----------------|
| SURPLUS FOR THE FINANCIAL YEAR | 10 | 7,877 | 8,899 |
| MOVEMENT OF VARIOUS FUNDS | | | |
| Sinking Funds | 11 | (2,674) | 81 |
| Lift Replacement Funds | 12 | 12,546 | 10,701 |
| Town Improvement and Project Funds | 13 | <u>(238)</u> | <u>(913)</u> |
| | | 17,511 | 18,768 |
| OTHER COMPREHENSIVE (LOSS) INCOME | | | |
| Item that may not be reclassified to income and expenditure statement | | | |
| Fair value (loss) gain on equity investments | 20 | <u>(381)</u> | 160 |
| TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ATTRIBUTABLE TO TOWN COUNCIL FUNDS | | <u>17,130</u> | <u>18,928</u> |



Vikram Nair
Chairman



Dr. Ting Seng Kiong
Secretary

Singapore
20 September 2023

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Sembawang Town Council**Statement of Financial Position
As at 31 March 2023**

| | Note | 2023 \$'000 | 2022 \$'000 |
|--|-------------|-----------------------|-----------------------|
| TOWN COUNCIL FUNDS | | | |
| Residential Property | | | |
| Accumulated surplus | 10 | 9,279 | 8,958 |
| Sinking Funds | 11 | 167,419 | 169,889 |
| Lift Replacement Funds | 12 | 86,035 | 67,811 |
| Town Improvement and Project Funds | 13 | 1,034 | 1,776 |
| | | <u>263,767</u> | <u>248,434</u> |
| Commercial Property | | | |
| Accumulated surplus | 10 | 1,170 | 1,012 |
| Sinking Funds | 11 | 11,926 | 12,130 |
| Lift Replacement Funds | 12 | 4,646 | 4,324 |
| Town Improvement and Project Funds | 13 | 12 | 20 |
| | | <u>17,754</u> | <u>17,486</u> |
| Carpark | | | |
| Accumulated surplus | 10 | 4,853 | 2,943 |
| Fair Value Reserve | | | |
| Sinking Funds | 11 | 824 | 1,205 |
| Total Town Council Funds | | | |
| | | <u>287,198</u> | <u>270,068</u> |
| Represented by: | | | |
| Current Assets | | | |
| Cash and cash equivalents | 15 | 217,632 | 200,191 |
| Interest receivables | | 3,032 | 647 |
| Financial assets at fair value through profit or loss | 16 | 53,949 | 47,745 |
| Conservancy and service fee receivables | 18 | 1,236 | 1,131 |
| Other receivables and prepayments | 19 | 8,111 | 12,170 |
| Debt investments at amortised cost | 21 | 2,781 | 3,045 |
| Receivables from Neighbourhood Renewal Programme and Electrical Load Upgrading Programme | 27 | - | 584 |
| Receivables from Sport-in-Precinct Programme | 28 | 650 | 394 |
| | | <u>287,391</u> | <u>265,907</u> |
| Non-Current Assets | | | |
| Equity investments at fair value through other comprehensive income | 20 | 2,710 | 3,117 |
| Debt investments at amortised cost | 21 | 6,052 | 8,914 |
| Plant and equipment | 22 | 66 | 133 |
| Right-of-use assets | 23 | 1,760 | 1,753 |
| | | <u>10,588</u> | <u>13,917</u> |
| Total Assets | | | |
| | | <u>297,979</u> | <u>279,824</u> |

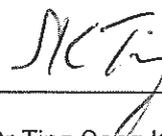
Sembawang Town Council

Statement of Financial Position
As at 31 March 2023

| | Note | 2023 \$'000 | 2022 \$'000 |
|---|------|----------------|----------------|
| Current Liabilities | | | |
| Conservancy and service fee received in advance | | 1,197 | 1,097 |
| Creditors and accrued expenses | 25 | 6,167 | 5,657 |
| Current income tax liabilities | 8(b) | 1,658 | 1,470 |
| Lease liabilities | 26 | 506 | 364 |
| Advances received for Neighbourhood Renewal Programme and Electrical Load Upgrading Programme | 27 | 180 | - |
| | | <u>9,708</u> | <u>8,588</u> |
| Non-Current Liabilities | | | |
| Creditors and accrued expenses | 25 | 91 | 94 |
| Lease liabilities | 26 | 982 | 1,074 |
| | | <u>1,073</u> | <u>1,168</u> |
| Total liabilities | | <u>10,781</u> | <u>9,756</u> |
| Net Assets | | <u>287,198</u> | <u>270,068</u> |



Vikram Nair
Chairman



Dr. Ting Seng Kiong
Secretary

Singapore
20 September 2023

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

Sembawang Town Council

**Statement of Changes in Town Council Funds
For the financial year ended 31 March 2023**

| | Note | Residential property \$'000 | Commercial property \$'000 | Carpark \$'000 | Fair value reserve \$'000 | Total \$'000 |
|---|------|-----------------------------------|----------------------------------|-------------------|---------------------------------|-----------------|
| Balance as at 1 April 2021 | | 232,171 | 16,946 | 978 | 1,045 | 251,140 |
| Surplus for the financial year | | 16,263 | 540 | 1,965 | - | 18,768 |
| Other comprehensive income | | | | | | |
| Fair value gain on equity investments | 24 | - | - | - | 160 | 160 |
| Total comprehensive income for the financial year | | 16,263 | 540 | 1,965 | 160 | 18,928 |
| Balance as at 31 March 2022 | | 248,434 | 17,486 | 2,943 | 1,205 | 270,068 |
| Surplus for the financial year | | 15,333 | 268 | 1,910 | - | 17,511 |
| Other comprehensive loss | | | | | | |
| Fair value loss on equity investments | 24 | - | - | - | (381) | (381) |
| Total comprehensive income (loss) for the financial year | | 15,333 | 268 | 1,910 | (381) | 17,130 |
| Balance as at 31 March 2023 | | 263,767 | 17,754 | 4,853 | 824 | 287,198 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Sembawang Town Council

Cash Flow Statement For the financial year ended 31 March 2023

| | Note | 2023 \$'000 | 2022 \$'000 |
|--|-------|----------------|----------------|
| Operating activities | | | |
| Surplus before taxation and government grants | 10 | 3,022 | 4,181 |
| Adjustments: | | | |
| Operating income transfer to Sinking Funds | 10,11 | 14,024 | 14,004 |
| Operating income transfer to Lift Replacement Funds | 10,12 | 7,551 | 7,540 |
| Interest income | | (306) | (76) |
| Allowance (Reversal) for impairment loss on receivables | | 53 | (276) |
| Depreciation of plant and equipment | 22 | 83 | 100 |
| Amortisation of Right-of-use assets | 23 | 580 | 584 |
| Lease interest expenses | 7 | 65 | 32 |
| Operating surplus before changes in working capital | | 25,072 | 26,089 |
| Decrease in receivables | | 499 | 459 |
| Decrease in payables | | 605 | (1,257) |
| Cash flows generated from operations | | 26,176 | 25,291 |
| Sinking Funds expenditure | 11 | (20,767) | (17,038) |
| Town Improvement and Project Funds expenditure | 13 | (906) | (3,805) |
| Lift Replacement Funds expenditure | 12 | (5,667) | (8,174) |
| Neighbourhood Renewal Programme and Electrical Load Upgrading Programme expenditure | 27 | (3,207) | (913) |
| Sport-in-Precinct Programme expenditure | 28 | (256) | (269) |
| Taxes paid | | (880) | (1,135) |
| Net cash flows used in operating activities | | (5,507) | (6,043) |
| Investing activities | | | |
| Purchase of plant and equipment | 22 | (16) | (67) |
| Return of capital from equity investments | 20 | 26 | 15 |
| Purchase of equity investments | 20 | - | (26) |
| Proceeds from debt investments | | 3,047 | 1,514 |
| Investment and interest income received | | 3,553 | 2,020 |
| Direct cost and payment related to right-of-use assets | | (2) | - |
| Net cash flows generated from investing activities | | 6,608 | 3,456 |
| Financing activities | | | |
| Government grants received | 9 | 20,232 | 21,786 |
| Funding received for Neighbourhood Renewal Programme and Electrical Load Upgrading Programme | 27 | 3,971 | 217 |
| Funding received for Lift Enhancement Programme | 12 | 906 | 2,067 |
| Repayment of lease liabilities | 26 | (600) | (617) |
| Cash flows generated from financing activities | | 24,509 | 23,453 |
| Net increase in cash and cash equivalents | | 25,610 | 20,866 |
| Cash and cash equivalents at the beginning of financial year | | 186,640 | 165,774 |
| Cash and cash equivalents at the end of financial year | 15 | 212,250 | 186,640 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Sembawang Town Council

Notes to the financial statements For the financial year ended 31 March 2023

1. General information

Sembawang Town Council was formed on 1 September 1990 under the Town Councils Act 1988 and has its registered office at Block 504C Canberra Link, #01-63, Singapore 753504.

The main functions of the Town Council are to control, manage, maintain and improve the common property of residential and commercial property in the housing estates of the Housing and Development Board (“HDB”) within the Town. The HDB estates within Admiralty, Canberra, Sembawang Centre, Sembawang West and Woodlands divisions of Sembawang Group Representation Constituency (“GRC”) make up Sembawang Town.

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements of the Town Council have been prepared in accordance with the provisions of the Town Councils Act 1988 (the “Act”) and Financial Reporting Standards in Singapore (“FRSs”).

The financial statements have been prepared on a historical cost basis except as disclosed in the accounting policies below.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Town Council takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for leasing transactions that are within the scope of FRS 116 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as value in use in FRS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3, based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entity, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The financial statements are presented in Singapore dollar which is the Town Council’s functional currency. All financial information presented in Singapore dollar has been rounded to the nearest thousand (“\$’000”), unless otherwise stated.

Sembawang Town Council

Notes to the financial statements For the financial year ended 31 March 2023

2. Summary of significant accounting policies (cont'd)

2.2 *Adoption of new and amended standards and interpretations*

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Town Council has adopted all the new and amended standards which are effective for annual financial periods beginning on or after 1 April 2022. The adoption of these standards did not have any significant effect on the financial statements of the Town Council for the current or prior years.

2.3 *Standards issued but not yet effective*

At the date of authorisation of these financial statements, there are FRSs, INT FRSs and amendments to FRS that were issued but are not yet effective. The management anticipates that the adoption of these FRSs, INT FRSs and amendments to FRS in future periods will not have a material impact on the financial statements of the Town Council in the period of their initial adoption.

2.4 *Plant and equipment*

All items of plant and equipment are initially recorded at cost. Subsequent to recognition, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses, if any.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

| | | |
|----------------------------------|---|--------------|
| Furniture, fixtures and fittings | - | 5 years |
| Office equipment | - | 2 to 3 years |
| Data processing equipment | - | 3 years |
| Leasehold improvement | - | 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.

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 on de-recognition of the asset is included in Income and Expenditure Statement in the year the asset is derecognised.

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

Depreciation methods, useful lives and residual lives are reviewed and adjusted as appropriate at the end of each reporting period as a change in estimates.

2.5 *Funds*

(a) *Town Council Funds*

In accordance with Section 47(1) of the Town Councils Act, separate funds were established to account for the management of the various types of properties. The types of properties currently under the management of the Town Council are as follows:

- Residential Property;
- Commercial Property.

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

Sembawang Town Council

Notes to the financial statements For the financial year ended 31 March 2023

2. Summary of significant accounting policies (cont'd)

2.5 Funds (cont'd)

(a) Town Council Funds (cont'd)

These funds are segregated into Accumulated Surplus, Sinking Funds, Lift Replacement Funds and Town Improvement and Project Funds all of which form the Town Council Funds.

All monies received by the Town Council are paid into and related expenditure are met out of the appropriate funds set up for each property type managed. Assets and liabilities of the various funds of the Town Council are pooled in the statement of financial position.

(b) Sinking Funds

In accordance with Section 47(4) of the Town Councils Act, separate Sinking Funds are established for improvement to, and the management and maintenance of residential property and commercial property. These Sinking Funds are maintained as part of the Town Council Funds.

With the establishment of the Lift Replacement Funds, the minimum contribution rates for conservancy and service fees and grants-in-aid for Sinking Funds and Lift Replacement Funds would be 26% and 14% respectively.

Under the Town Councils Act, the Ministry of National Development ("MND") may, from time-to-time, prescribe the minimum amounts of conservancy and service fees and grants-in-aid (Note 9), to be paid into the Sinking Funds.

The minimum amounts to be paid into the Sinking Funds is 26% (2022: 26%) of conservancy and service fees and grants-in-aid for residential property and commercial property.

These contributions are treated as operating transfers and deducted from the gross conservancy and service fees and government grants in the Income and Expenditure statement.

The Sinking Funds are utilised for major cyclical works such as repair and redecoration, re-roofing, rewiring and replacement of pumps, water tanks and water pipes.

(c) Lift Replacement Funds

In accordance with Section 47(5) of the Town Councils Act, the Lift Replacement Funds is established specifically for lift-related replacements and lift upgrading works of residential property and commercial property. These Lift Replacement Funds are maintained as part of the Town Council Funds.

Under the Town Councils Act, the Ministry of National Development ("MND") may, from time-to-time, prescribe the minimum amounts of conservancy and service fees and grants-in-aid (Note 9) to be paid into the Lift Replacement Funds. The Lift Replacement Fund Matching Grant, which is a grants-in-aid, is not subject to the minimum contribution rates.

The minimum amounts to be paid into the Lift Replacement Funds is 14% (2022: 14%) of conservancy and service fees and grants-in-aid for residential property and commercial property.

These contributions are treated as operating transfers and deducted from the gross conservancy and service fees and government grants in the Income and Expenditure statement.

Sembawang Town Council

Notes to the financial statements For the financial year ended 31 March 2023

2. Summary of significant accounting policies (cont'd)

2.5 Funds (cont'd)

(d) Town Improvement and Project Funds

Town Improvement and Project Funds are established and maintained as part of the Town Council Funds. These funds are utilised for improvement and development works in the Town. The funds are set up by transfer from the accumulated surplus to fund specific town improvement projects, which are to be carried out. In addition, the Town Council receives funds under Community Improvement Projects Committee scheme and are given through the Citizens' Consultative Committees ("CCC") for the approved projects.

2.6 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:

| Property type | Equivalent Dwelling Unit(s) | |
|--|-----------------------------|------|
| | 2023 | 2022 |
| 1 Residential Property Unit | 1 | 1 |
| 1 Commercial Property Unit | 2 | 2 |
| 6 Car lots or 36 Motorcycle lots or 4 Lorry lots | 1 | 1 |

3.5% (2022: 3.5%) of general overheads are allocated to the Lift Replacement Funds and 6.5% (2022: 6.5%) of general overheads are allocated to the Sinking Funds.

2.7 Government grants

The Town Council receives from the Government, namely, Conservancy and Service Charges Grant, Lift Maintenance Grant, Lift Replacement Fund Matching Grant, payments from CCC and GST subvention grant.

Government grants are accounted in the Income and Expenditure Statement on an accrual basis. Conservancy and Service Charges Grant, Lift Maintenance Grant and GST Subvention Grant are transferred to Sinking Funds and Lift Replacement Funds based on the amount prescribed in Note 2.5(b) and Note 2.5(c) to the financial statements.

The Lift Maintenance Grant and Lift Replacement Fund Matching Grant are given to help Town Council with the operating needs and to ensure sufficient funds are set aside for long-term capital expenditure requirements for lift replacements and lift-related works.

The payment from CCC is given as reimbursement claims under the Community Improvement Projects Committee scheme.

The GST subvention is given as a grants-in-aid to assist Town Councils to absorb the increase in GST on Conservancy and Service Charge for HDB households.

Sembawang Town Council

Notes to the financial statements For the financial year ended 31 March 2023

2. Summary of significant accounting policies (cont'd)

2.8 *Funds with fund managers*

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

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

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

2.9 *Financial instruments*

(a) **Financial assets**

Classification

The Town Council classifies its financial assets in the following measurement categories: (1) Amortised cost; (2) Fair value through other comprehensive income (FVOCI); and (3) Fair value through profit or loss (FVPL).

The classification depends on the Town Council's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset. The Town Council reclassifies debt instruments when and only when its business model for managing those assets changes.

Initial recognition

At initial recognition, the Town Council measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in Income and Expenditure Statement or the respective funds.

Subsequent measurement

(i) Debt instruments

Debt instruments mainly comprise cash and cash equivalents, conservancy and service fee receivables, debt investments and other receivables.

There are three prescribed subsequent measurement categories, depending on the Town Council's business model in managing the assets and the cash flow characteristic of the assets:

- **Amortised cost:** Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in Income and Expenditure Statement or the respective funds when the asset is

Sembawang Town Council

Notes to the financial statements For the financial year ended 31 March 2023

derecognised or impaired. Interest income from these financial assets is included in interest income using the effective interest rate method.

2. Summary of significant accounting policies (cont'd)

2.9 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Subsequent measurement (Cont'd)

(i) Debt instruments (Cont'd)

- FVOCI: Debt instruments that are held for collection of contractual cash flows and for sale, and where the assets' cash flows represent solely payments of principal and interest, are classified as FVOCI. Movements in fair values are recognised in Other Comprehensive Income (OCI) and accumulated in fair value reserve, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in Income and Expenditure Statement or the respective funds. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from fair value reserve to Income and Expenditure Statement or the respective funds.
- FVPL: Debt instruments that are held for trading as well as those that do not meet the criteria for classification as amortised cost or FVOCI are classified as FVPL. Movement in fair values and interest income is recognised in Income and Expenditure Statement or the respective funds in the period in which it arises.

(ii) Funds with fund managers

The Town Council measures its equities and bonds with fund managers at their fair values. These instruments are classified as FVPL with movements in their fair values recognised in Income and Expenditure Statement or the respective funds in the period in which the changes arise and presented in "Gain or loss on financial assets at fair value through profit or loss" in Sinking Funds. Dividends and interest income from fund with fund managers are included in the changes in the FVPL.

(iii) Equity Investments

The Town Council measures all its equity investments at their fair values. Changes in fair values of equity investments which are not held for trading are recognised in other comprehensive income as these are strategic investments and the Town Council considers this to be more relevant. Movements in fair values of equity investments classified as FVOCI are presented as "fair value gain on equity investments" in Other Comprehensive Income. Dividends from equity investments are recognised in Sinking Funds as "Income from other investments".

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

Sembawang Town Council

Notes to the financial statements For the financial year ended 31 March 2023

2. Summary of significant accounting policies (cont'd)

2.9 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Amortised cost and effective interest method (cont'd)

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest is recognised using the effective interest method for debt instruments measured subsequently at amortised cost.

Impairment of financial assets

The Town Council recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through Income and Expenditure Statement or the respective funds. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Town Council expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The Town Council always recognises lifetime ECL for conservancy and service fee receivables and penalty on late payment receivables.

The Town Council applies a simplified approach in calculating ECLs. Therefore, the Town Council does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Town Council uses the practical expedient under FRS 109 in the form of allowance matrix to measure the ECL for conservancy and service fee receivables and penalty on late payment receivables (Note 18 and Note 19) where the loss allowance is equal to lifetime ECL. The following allowance matrix is used:

| | <u>Rate of Provision</u> |
|--|--------------------------|
| Live accounts with arrears 12 months and above | 100% |
| Terminated accounts with arrears | 100% |

Sembawang Town Council

Notes to the financial statements For the financial year ended 31 March 2023

2. Summary of significant accounting policies (cont'd)

2.9 *Financial instruments (cont'd)*

(a) **Financial assets (cont'd)**

Amortised cost and effective interest method (cont'd)

Impairment of financial assets (cont'd)

The Town Council has reviewed and assessed the allowance matrix based on the conservancy and service fee arrears report as at 31 March 2023 and opined that the rate of provision as stated above remains appropriate and sufficient.

Any subsequent changes in lifetime ECL, both positive and negative, will be recognised immediately in Income and Expenditure Statement or respective funds.

For all other financial instruments (including cash at banks, other receivables - exclude penalty on late payment receivables and interest receivables) the Town Council recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instruments since inception, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

For debt instruments carried at amortised cost, the Town Council applies the low credit risk simplification. At every reporting date, the Town Council evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Town Council reassesses for any deterioration in the credit ratings of the debt instrument.

The Town Council considers a financial asset to be in default when internal or external information indicates that the Town Council is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Town Council.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

De-recognition of financial assets

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

Sembawang Town Council

Notes to the financial statements For the financial year ended 31 March 2023

2. Summary of significant accounting policies (cont'd)

2.9 *Financial instruments (cont'd)*

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Town Council becomes a party to the contractual provisions of the financial instrument. The Town Council determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of other financial liabilities not at FVPL, directly attributable transaction costs.

Subsequent measurement

Other financial liabilities

After initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in Income and Expenditure statement when the liabilities are derecognised, and through the amortisation process.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. 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 de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in Income and Expenditure statement or the respective funds.

2.10 *Impairment of non-financial assets*

The Town Council assesses at the end of each reporting period whether there is any indication that those assets may be impaired. 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 and the impairment losses are recognised as an expense in Income and Expenditure statement.

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 in Income and Expenditure statement.

Sembawang Town Council

Notes to the financial statements For the financial year ended 31 March 2023

2. Summary of significant accounting policies (cont'd)

2.11 *Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank and on hand, fixed deposits, treasury bills and cash balances with fund managers that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

2.12 *Provisions*

Provisions are recognised when the Town Council has 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 the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.13 *Leases*

The Town Council assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As lessee

The Town Council applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Town Council recognises lease liabilities representing the obligations to make lease payments and right-of-use assets representing the right to use the underlying leased assets.

Right-of-use assets

The Town Council recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are amortised on a straight-line basis over the lease term, as disclosed below.

| | | |
|------------------------|---|---------|
| Data management system | - | 6 years |
| Office premises | - | 3 years |
| Office equipment | - | 5 years |

The Town Council's right-of-use assets are presented in Note 23.

Sembawang Town Council

Notes to the financial statements For the financial year ended 31 March 2023

2. Summary of significant accounting policies (cont'd)

2.13 Leases (cont'd)

Lease liabilities

At the commencement date of the lease, the Town Council recognises lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Town Council uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset. The Town Council's lease liabilities are presented in Note 26.

Short-term leases and leases of low-value assets

The Town Council applies the short-term lease recognition exemption to its short-term leases of office premises and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

2.14 Revenue recognition

Conservancy and service fee is charged on a monthly to the lessees and tenants of the Housing and Development Board (HDB) flats and other commercial properties towards the maintenance and upkeep of the common property under the Town Council. Conservancy and service fees are allocated between operating income, Sinking Funds and Lift Replacement Funds in accordance with the Town Councils Act 1988. Conservancy and service fees, net of operating transfer to Sinking Funds and Lift Replacement Funds, are recognised as a performance obligation over time.

Agency fees received for routine maintenance of HDB's car parks within the town is recognised as a performance obligation over time.

Investment income from financial assets designated at fair value through other comprehensive income is recognised as income, in the respective funds, when right to receive the income is established, unless such income clearly represent a recovery of part of the cost of the investment.

Investment income from other financial assets at amortised costs is recognised in the respective funds, on a time proportion basis using the effective interest method.

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

Income from temporary occupation licenses is recognised over the passage of time.

Usage of void deck or other common property that are of short duration is recognised at point of receipt.

Sembawang Town Council

Notes to the financial statements For the financial year ended 31 March 2023

2. Summary of significant accounting policies (cont'd)

2.15 *Income tax*

Tax is provided on the following income:

- (i) Income derived from investments;
- (ii) Fees, rent and other charges received from non-residents or non-owners of properties in the Town for use of common properties; and
- (iii) Donations from non-residents or non-owners of properties in the Town.

In respect of Government grants received, the Town Council has been granted remission under Section 92(2) of the Income Tax Act 1947. Conservancy and service fees and agency fees are not subject to tax.

Income tax expense comprises current tax. Current tax is recognised in the Income and Expenditure Statement or Sinking Funds or Lift Replacement Funds, except to the extent that it relates to items recognised directly in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the end of the reporting period and any adjustment to tax payable in respect of previous financial years.

3. Significant accounting judgements and estimates

The preparation of the Town Council's financial statements requires management to exercise its judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future period.

3.1 *Judgements made in applying accounting policies*

In the process of applying the Town Council's accounting policies, management has not made any significant judgements, apart from those involving estimations.

3.2 *Key sources of estimation uncertainty*

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying value amounts of assets and liabilities within the next financial year are discussed below. The Town Council based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Town Council. Such changes are reflected in the assumptions when they occur.

(a) *Classification of debt investments at amortised cost*

Debt investments held by the Town Council are measured at amortised cost as both the 'business model test' and the 'contractual cash flow characteristics test' are satisfied. The business model test is whether the objective of the Town Council is to hold the financial asset to collect the contractual cash flows rather than have the objective to sell the instrument before its contractual maturity to realise its fair value changes.

Sembawang Town Council

Notes to the financial statements For the financial year ended 31 March 2023

The contractual cash flow characteristics test is whether the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. Significant accounting judgements and estimates (cont'd)

3.2 Key sources of estimation uncertainty (cont'd)

(b) *Provision for expected credit losses ("ECLs") of conservancy and services fee receivables*

The Town Council uses a provision matrix to calculate ECLs for conservancy and service fee receivables. The provision matrix is initially based on the historical observed default rates. The Town Council will calibrate the matrix to adjust historical credit loss experience with forward-looking information. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed.

The Town Council assesses at the end of the reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For the case of conservancy and service fee receivables, the Town Council considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments to determine whether there is objective evidence of impairment.

Allowance for impairment is made in the financial statements for amount in arrears that are outstanding for twelve months and above and/or where collection is doubtful. All known bad debts are written-off in accordance with the Town Council Financial Rules.

The carrying amount and the information about the ECLs of the Town Council's conservancy and service fee receivables at the end of the reporting period is disclosed in Note 18 to the financial statements. If the present value of estimated future cash flows decreases by 10% from management's estimates, the Town Council's allowance for impairment will increase by \$123,600 (2022: \$113,100).

(c) *Leases – estimating the incremental borrowing rate*

The Town Council cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate to measure lease liabilities. The incremental borrowing rate is the rate of interest that the Town Council would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The incremental borrowing rate therefore reflects what the Town Council 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Town Council estimates the incremental borrowing rate using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

4. Inter-fund transfer

The Town Council may transfer funds in accordance to the Section 47(12) and Section 57(1)(i) of the Town Council Act 1988, and Rule 11A of Town Council Financial Rules.

Sembawang Town Council

Notes to the financial statements For the financial year ended 31 March 2023

5. Managing agents' fees

The Town Council does not have any other employees on its payroll as management of its daily operations have been outsourced to managing agents for a total fee of \$6,765,795 (2022: \$6,486,333) for the financial year ended 31 March 2023. Included in the managing agents' fee, there is a total allocation of 10% managing agents' fee of \$601,895 (2022: \$576,480), for which \$391,232 (2022: \$374,712) and \$210,663 (2022: \$201,768) have been allocated to Sinking Funds and Lift Replacement Funds respectively, during the financial year (Note 11b, 12b).

Total managing agent fee to a related party (Note 30) amounting to \$6,736,035 (2022: \$6,456,573) in year 2023.

6. Agency fees

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

7. General and administrative expenditure

The general and administrative expenditure comprise the following:

| | 2023 | 2022 |
|--|--------------|--------------|
| | \$'000 | \$'000 |
| Office rental and upkeep expenditure | 119 | 110 |
| Computer services | 22 | 40 |
| Advertising, publicity and public relations | 327 | 307 |
| Office supplies and stationery | 158 | 158 |
| Town Councillors' allowances | 223 | 222 |
| Property tax | 157 | 150 |
| Legal fee | 1 | 33 |
| Depreciation of plant and equipment | 83 | 100 |
| Depreciation of right-of-use assets | 580 | 584 |
| Insurance premium | 48 | 30 |
| Lease interest expense | 65 | 32 |
| Plant and equipment not capitalised | 1 | 3 |
| Staff costs | 1 | 1 |
| Non-claimable goods and services tax (Note 14) | 156 | 161 |
| Others | 439 | 565 |
| Allocation of 6.5% (2022: 6.5%) general and administrative expenditure to Sinking Funds | (131) | (140) |
| Allocation of 3.5% (2022: 3.5%) general and administrative expenditure to Lift Replacement Funds | (70) | (76) |
| | <u>2,179</u> | <u>2,280</u> |

Sembawang Town Council**Notes to the financial statements
For the financial year ended 31 March 2023****8. Income tax expense****(a) Income tax expense**

| | 2023 | 2022 |
|--|--------------|-------------|
| | \$'000 | \$'000 |
| Income tax expense attributable to income is made up of: | | |
| - Current income tax | 1,064 | 588 |
| - Under (Over) provision in respect of previous years | 4 | (1) |
| | <u>1,068</u> | <u>587</u> |
| Accumulated surplus: | | |
| - Current income tax | 332 | 279 |
| - Under provision in respect of previous years | 5 | 1 |
| | <u>337</u> | <u>280</u> |
| Sinking Funds: | | |
| - Current income tax | 490 | 257 |
| - Over provision in respect of previous years | (2) | (2) |
| | <u>488</u> | <u>255</u> |
| Lift Replacement Funds: | | |
| - Current income tax | 242 | 52 |
| - Under provision in respect of previous years | 1 | - |
| | <u>243</u> | <u>52</u> |
| Current income tax expense | <u>1,068</u> | <u>587</u> |

The tax expense on surplus differs from the amount that would arise using the Singapore standard rate of income tax is explained below:

| | 2023 | 2022 |
|--|--------------|--------------|
| | \$'000 | \$'000 |
| Investment and interest income received | 5,131 | 2,354 |
| Other income | 1,821 | 1,742 |
| Allowable expenses | (174) | (174) |
| | <u>6,778</u> | <u>3,922</u> |
| Tax calculated at a tax rate of 17% (2022: 17%) | 1,152 | 666 |
| Tax effect of certain income taxed at concessionary tax rate | (88) | (78) |
| Under (Over) provision in respect of previous years | 4 | (1) |
| | <u>1,068</u> | <u>587</u> |

(b) Income tax liabilities

| | 2023 | 2022 |
|----------------------------------|--------------|--------------|
| | \$'000 | \$'000 |
| Taken up in: | | |
| Accumulated surplus | 617 | 574 |
| Sinking Funds (Note 11) | 745 | 741 |
| Lift Replacement Funds (Note 12) | 296 | 155 |
| | <u>1,658</u> | <u>1,470</u> |

Sembawang Town Council

**Notes to the financial statements
For the financial year ended 31 March 2023**

9. Government grants

Government grants recognised in the Income and Expenditure Statement and the transfer to the respective funds during the financial year are as follows:

| | Note | Total | | Conservancy and Service Charges Grant | | Lift Maintenance Grant | | Lift Replacement Fund Matching Grant | | Payment from Citizen's Consultative Committee | | GST Subvention Grant | |
|---|------|----------------|----------------|---------------------------------------|----------------|------------------------|----------------|--------------------------------------|----------------|---|----------------|----------------------|----------------|
| | | 2023 \$'000 | 2022 \$'000 | 2023 \$'000 | 2022 \$'000 | 2023 \$'000 | 2022 \$'000 | 2023 \$'000 | 2022 \$'000 | 2023 \$'000 | 2022 \$'000 | 2023 \$'000 | 2022 \$'000 |
| Government Grants received/receivable during the financial year | 10 | 16,684 | 19,066 | 5,643 | 5,451 | 839 | 831 | 7,362 | 7,845 | 668 | 2,892 | 2,172 | 2,047 |
| Less: Transfer to - | | | | | | | | | | | | | |
| Sinking Funds | 11 | (2,250) | (2,165) | (1,467) | (1,417) | (218) | (216) | - | - | - | - | (565) | (532) |
| Lift Replacement Funds | 12 | (8,574) | (9,011) | (790) | (763) | (118) | (116) | (7,362) | (7,845) | - | - | (304) | (287) |
| Town Improvement and Project Funds | 13 | (668) | (2,892) | - | - | - | - | - | - | (668) | (2,892) | - | - |
| | | <u>5,192</u> | <u>4,998</u> | <u>3,386</u> | <u>3,271</u> | <u>503</u> | <u>499</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,303</u> | <u>1,228</u> |

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

| | 2023 \$'000 | 2022 \$'000 |
|--|----------------|----------------|
| Total grants received at 1 April | 463,872 | 442,086 |
| Add: Grants received during the financial year | <u>20,232</u> | <u>21,786</u> |
| Total grants received at 31 March | <u>484,104</u> | <u>463,872</u> |

Sembawang Town Council

Notes to the financial statements
For the financial year ended 31 March 2023

10. Accumulated surplus

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

| | Note | Total | | Residential | | Commercial | | Car park | |
|--|-------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | | 2023 \$'000 | 2022 \$'000 | 2023 \$'000 | 2022 \$'000 | 2023 \$'000 | 2022 \$'000 | 2023 \$'000 | 2022 \$'000 |
| Operating income | | | | | | | | | |
| Conservancy and Service Fees | | 53,936 | 53,863 | 52,788 | 52,708 | 1,148 | 1,155 | - | - |
| Less: Operating transfer to Sinking Funds | 11 | (14,024) | (14,004) | (13,725) | (13,704) | (299) | (300) | - | - |
| Operating transfer to Lift Replacement Funds | 12 | (7,551) | (7,540) | (7,390) | (7,379) | (161) | (161) | - | - |
| | | 32,361 | 32,319 | 31,673 | 31,625 | 688 | 694 | - | - |
| Agency Fee | | 5,803 | 5,580 | - | - | - | - | 5,803 | 5,580 |
| Other Income | 10(a) | 3,128 | 2,385 | 2,844 | 2,084 | 112 | 92 | 172 | 209 |
| | | 41,292 | 40,284 | 34,517 | 33,709 | 800 | 786 | 5,975 | 5,789 |
| Less: Operating Expenditure | | (38,576) | (36,179) | (33,933) | (31,790) | (581) | (588) | (4,062) | (3,801) |
| Operating Surplus | | 2,716 | 4,105 | 584 | 1,919 | 219 | 198 | 1,913 | 1,988 |
| Add: Interest Income | | 306 | 76 | 269 | 67 | 3 | 1 | 34 | 8 |
| Surplus before Taxation and Grants | | 3,022 | 4,181 | 853 | 1,986 | 222 | 199 | 1,947 | 1,996 |
| Less: Income tax expense | 8(a) | (337) | (280) | (296) | (246) | (4) | (3) | (37) | (31) |
| Surplus before Government Grants | | 2,685 | 3,901 | 557 | 1,740 | 218 | 196 | 1,910 | 1,965 |
| Add: Government Grants | 9 | 16,684 | 19,066 | 16,546 | 18,897 | 138 | 169 | - | - |
| Less: Transfer to Sinking Funds | 11 | (2,250) | (2,165) | (2,247) | (2,162) | (3) | (3) | - | - |
| Transfer to Lift Replacement Funds | 12 | (8,574) | (9,011) | (8,455) | (8,885) | (119) | (126) | - | - |
| Transfer to Town Improvement and Project Funds | 13 | (668) | (2,892) | (659) | (2,858) | (9) | (34) | - | - |
| | | 5,192 | 4,998 | 5,185 | 4,992 | 7 | 6 | - | - |

Sembawang Town Council

Notes to the financial statements For the financial year ended 31 March 2023

10. Accumulated surplus (cont'd)

| Note | Total | | Residential | | Commercial | | Car park | |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2023 \$'000 | 2022 \$'000 | 2023 \$'000 | 2022 \$'000 | 2023 \$'000 | 2022 \$'000 | 2023 \$'000 | 2022 \$'000 |
| Surplus for the financial year | 7,877 | 8,899 | 5,742 | 6,732 | 225 | 202 | 1,910 | 1,965 |
| Add: Accumulated Surplus at 1 April | 12,913 | 12,139 | 8,958 | 10,253 | 1,012 | 908 | 2,943 | 978 |
| Less: Voluntary Contribution to Lift Replacement Funds [^] | 12 (6,000) | (7,000) | (5,929) | (6,916) | (71) | (84) | - | - |
| Less: Appropriation to Town Improvement and Project Funds | 13 512 | (1,125) | 508 | (1,111) | 4 | (14) | - | - |
| Accumulated surplus at 31 March | <u>15,302</u> | <u>12,913</u> | <u>9,279</u> | <u>8,958</u> | <u>1,170</u> | <u>1,012</u> | <u>4,853</u> | <u>2,943</u> |

[^] The transfer is a voluntary contribution made in accordance with Section 47(12) of the Town Council Act 1988.

(a) Other income

| | 2023 \$'000 | 2022 \$'000 |
|--|----------------|----------------|
| Late payment penalty | 221 | 216 |
| Liquidated damages | 54 | 44 |
| Sale of tender documents | 20 | 12 |
| Sundry fines | 8 | 21 |
| Sundry income | 234 | 253 |
| Temporary Occupational Licence income | 1,579 | 1,571 |
| Use of common property income | 20 | 3 |
| Use of void decks | 8 | 3 |
| Use of water and electricity at void decks | 984 | 262 |
| | <u>3,128</u> | <u>2,385</u> |

Sembawang Town Council

Notes to the financial statements
For the financial year ended 31 March 2023

11. Sinking Funds

| | Note | Total | | Residential property | | Commercial property | |
|---|-------|----------------|----------------|----------------------|----------------|---------------------|----------------|
| | | 2023 \$'000 | 2022 \$'000 | 2023 \$'000 | 2022 \$'000 | 2023 \$'000 | 2022 \$'000 |
| At 1 April | | 182,019 | 181,938 | 169,889 | 169,920 | 12,130 | 12,018 |
| Add: | | | | | | | |
| Income | 11(a) | 2,307 | 1,205 | 2,281 | 1,190 | 26 | 15 |
| Operating income transfer from conservancy and service fees | 10 | 14,024 | 14,004 | 13,725 | 13,704 | 299 | 300 |
| Transfer from government grants | 9,10 | 2,250 | 2,165 | 2,247 | 2,162 | 3 | 3 |
| | | 18,581 | 17,374 | 18,253 | 17,056 | 328 | 318 |
| Less: Expenditure | 11(b) | (20,767) | (17,038) | (20,241) | (16,835) | (526) | (203) |
| Income tax expense | 8(a) | (488) | (255) | (482) | (252) | (6) | (3) |
| (Deficit) Surplus for the financial year | | (2,674) | 81 | (2,470) | (31) | (204) | 112 |
| | | 179,345 | 182,019 | 167,419 | 169,889 | 11,926 | 12,130 |
| Add: Fair value reserves | 24 | 824 | 1,205 | | | | |
| At 31 March | | 180,169 | 183,224 | | | | |

Sembawang Town Council

Notes to the financial statements For the financial year ended 31 March 2023

11. Sinking Funds (cont'd)

| | Note | 2023 \$'000 | 2022 \$'000 |
|---|-------|----------------|----------------|
| Represented by: | | | |
| Current assets | | | |
| Cash and cash equivalents | 15 | 113,603 | 120,515 |
| Amount due from accumulated surplus | | 1,815 | 1,812 |
| Interest receivables | | 1,695 | 463 |
| Financial assets at fair value through profit or loss | 16,17 | 53,949 | 47,745 |
| Conservancy and service fee receivables | | 179 | 161 |
| Debt investments | 21 | 2,781 | 3,045 |
| Other receivables | | 1,127 | 542 |
| | | <u>175,149</u> | <u>174,283</u> |
| Non-current assets | | | |
| Equity investments | 20 | 2,710 | 3,117 |
| Debt investments | 21 | 6,052 | 8,914 |
| | | <u>8,762</u> | <u>12,031</u> |
| Total assets | | <u>183,911</u> | <u>186,314</u> |
| Current liabilities | | | |
| Creditors and accrued expenses | | (2,997) | (2,349) |
| Current income tax liabilities | 8(b) | (745) | (741) |
| Total liabilities | | <u>(3,742)</u> | <u>(3,090)</u> |
| Net assets | | <u>180,169</u> | <u>183,224</u> |

Sembawang Town Council**Notes to the financial statements
For the financial year ended 31 March 2023****11. Sinking Funds (cont'd)****(a) Income**

| | 2023 | 2022 |
|-------------------------------|--------------|--------------|
| | \$'000 | \$'000 |
| Fixed deposit interest income | 1,891 | 714 |
| Bonds interest income | 284 | 348 |
| Income from other investments | 132 | 143 |
| | <u>2,307</u> | <u>1,205</u> |

(b) Expenditure

| | Note | 2023 | 2022 |
|--|-------------|---------------|---------------|
| | | \$'000 | \$'000 |
| Reroofing works | | 392 | 1,075 |
| Electrical rewiring | | 8,938 | 4,198 |
| Redecoration and repainting | | 5,131 | 5,477 |
| Replacement of | | | |
| - lamp posts | | 309 | 319 |
| - transfer and booster pump sets | | 300 | 694 |
| - water pipes and stainless steel water tank lining | | 1,663 | 401 |
| - refuse handling plant and chute flushing system | | - | 1,714 |
| Replacement of Fire Alarm Panel | | - | 2 |
| Replacement of Pressure Tank | | 17 | 35 |
| Replacement of fire detector | | 62 | 22 |
| Safety provisions at rooftops | | 584 | 1,638 |
| Consultancy fee and other charges | | 942 | 841 |
| Loss on financial assets at fair value through profit or loss | | 1,897 | 135 |
| Non-claimable goods and services tax | 14 | 141 | 112 |
| Allocation of 6.5% (2022: 6.5%) managing agents' fee | 5 | 391 | 375 |
| | | <u>20,767</u> | <u>17,038</u> |

Sembawang Town Council

Notes to the financial statements
For the financial year ended 31 March 2023

12. Lift Replacement Funds

| | Note | Total | | Residential property | | Commercial property | |
|--|-------|----------------|----------------|----------------------|----------------|---------------------|----------------|
| | | 2023 \$'000 | 2022 \$'000 | 2023 \$'000 | 2022 \$'000 | 2023 \$'000 | 2022 \$'000 |
| At 1 April | | 72,135 | 54,434 | 67,811 | 50,431 | 4,324 | 4,003 |
| Income | 12(a) | 1,425 | 309 | 1,408 | 305 | 17 | 4 |
| Operating income transfer from Conservancy and Service Fees | 10 | 7,551 | 7,540 | 7,390 | 7,379 | 161 | 161 |
| Transfer from government grants | 9, 10 | 1,212 | 1,166 | 1,210 | 1,164 | 2 | 2 |
| Lift Replacement Fund Matching Grant ^ | 9 | 7,362 | 7,845 | 7,245 | 7,721 | 117 | 124 |
| Funding for Lift Enhancement Programme ^^ | | 906 | 2,067 | 901 | 2,048 | 5 | 19 |
| | | 18,456 | 18,927 | 18,154 | 18,617 | 302 | 310 |
| Less: Expenditure | 12(b) | (5,667) | (8,174) | (5,619) | (8,102) | (48) | (72) |
| Income tax expense | 8(a) | (243) | (52) | (240) | (51) | (3) | (1) |
| Surplus for the financial year | | 12,546 | 10,701 | 12,295 | 10,464 | 251 | 237 |
| Transfer from Accumulated Surplus – Voluntary Contribution ^ | 10 | 6,000 | 7,000 | 5,929 | 6,916 | 71 | 84 |
| At 31 March | | 90,681 | 72,135 | 86,035 | 67,811 | 4,646 | 4,324 |
| Represented by: | | | | | | | |
| Current assets | | | | | | | |
| Cash and cash equivalents | 15 | 77,732 | 57,904 | | | | |
| Amount due from accumulated surplus | | 8,501 | 8,608 | | | | |
| Interest receivables | | 1,169 | 161 | | | | |
| Conservancy and service fee receivables | | 197 | 187 | | | | |
| Lift Enhancement Programme funding receivables | 19 | 285 | 1,499 | | | | |
| Other receivables | | 4,476 | 4,575 | | | | |
| | | 92,360 | 72,934 | | | | |
| Current liabilities | | | | | | | |
| Creditors and accrued expenses | | (1,383) | (644) | | | | |
| Current income tax liabilities | 8(b) | (296) | (155) | | | | |
| Total liabilities | | (1,679) | (799) | | | | |
| Net assets | | 90,681 | 72,135 | | | | |

Sembawang Town Council

Notes to the financial statements For the financial year ended 31 March 2023

12. Lift Replacement Funds (cont'd)

^The total Lift Replacement Matching Grant of \$7,362,230 (2022:\$7,844,900) included \$3,000,000 (2022:\$3,500,000) from voluntary contribution during the financial year ended 31 March 2023. With the voluntary contribution of \$6,000,000 (2022:\$7,000,000), the Town Council is entitled to receive a matching grant of \$3,000,000 (2022: \$3,500,000) for the voluntary contribution respectively. The voluntary contribution was made in accordance with Section 47(12) of the Town Council Act 1988.

^^HDB announced a new Lift Enhancement Programme in September 2016 to help Town Councils modernised their existing Housing Development Board (HDB) lifts that have been in operation for 18 years or less. Town Council will have 10 years to carry out the modernisation works progressively. HDB will fund about 92.5% of the costs. During current financial year, Sembawang Town Council had carried out the enhancement programme for a total of 35 lifts (2022: 100 lifts). 514 lifts of the Town Council are eligible for the Lift Enhancement Programme. Of which, 261lifts had been enhanced through the Programme.

(a) Income

| | Note | 2023 \$'000 | 2022 \$'000 |
|--|------|----------------|----------------|
| Bank and fixed deposit interest income | | 1,425 | 309 |

(b) Expenditure

| | | 2023 \$'000 | 2022 \$'000 |
|--|----|----------------|----------------|
| Replacement of hoisting ropes and sheaves of lifts | | 992 | 1,143 |
| Replacement of batteries for ARD | | 96 | 211 |
| Replacement of batteries for EBOPS | | 76 | 116 |
| Overhauling and upgrading of lifts | | - | 701 |
| Replacement of lift position display panel | | 490 | 2,457 |
| Replacement of lift inverter drive | | 2,180 | 512 |
| Lift Enhancement Programme ^^ | | 1,123 | 2,225 |
| Consultancy fees and other charges | | 125 | 234 |
| Non-claimable goods and services tax | 14 | 374 | 373 |
| Allocation of 3.5% managing agents' fee | 5 | 211 | 202 |
| | | <u>5,667</u> | <u>8,174</u> |

Sembawang Town Council

Notes to the financial statements
For the financial year ended 31 March 2023

13. Town Improvement and Project Funds

| | Note | Total | | Residential property | | Commercial property | |
|--|-------|----------------|----------------|----------------------|----------------|---------------------|----------------|
| | | 2023 \$'000 | 2022 \$'000 | 2023 \$'000 | 2022 \$'000 | 2023 \$'000 | 2022 \$'000 |
| At 1 April | | 1,796 | 1,584 | 1,776 | 1,567 | 20 | 17 |
| Transfer from government grants | 9 | 668 | 2,892 | 659 | 2,858 | 9 | 34 |
| Less: Expenditure | 13(a) | (906) | (3,805) | (893) | (3,760) | (13) | (45) |
| Deficit for the financial year | | (238) | (913) | (234) | (902) | (4) | (11) |
| Appropriation from accumulated surplus | 10 | 1,558 | 671 | 1,542 | 665 | 16 | 6 |
| At 31 March | | (512) | 1,125 | (508) | 1,111 | (4) | 14 |
| | | <u>1,046</u> | <u>1,796</u> | <u>1,034</u> | <u>1,776</u> | <u>12</u> | <u>20</u> |
| Represented by: | | | | | | | |
| Current asset | | | | | | | |
| Other receivables | | 1,090 | 4,273 | | | | |
| Current liabilities | | | | | | | |
| Creditors and accrued expenses | | (11) | (81) | | | | |
| Amount due to accumulated surplus | | (33) | (2,396) | | | | |
| Total liabilities | | <u>(44)</u> | <u>(2,477)</u> | | | | |
| Net assets | | <u>1,046</u> | <u>1,796</u> | | | | |

Sembawang Town Council

**Notes to the financial statements
For the financial year ended 31 March 2023**

13. Town Improvement and Project Funds (cont'd)

(a) Expenditure

| | 2023 | 2022 \$'000 |
|--|-------------|-----------------------|
| Construction of covered walkways | 125 | 1,106 |
| Upgrading of open spaces | 240 | 583 |
| Construction/Upgrading of playgrounds/fitness corners etc. | - | 647 |
| Residents'/Senior citizens' corners | - | 12 |
| Lift Surveillance System | - | 199 |
| General and administrative charges | 7 | 4 |
| Consultancy fees and project management fees | 107 | 346 |
| Other amenities | 15 | 209 |
| Construction of barrier free access facilities | 45 | 221 |
| Large Scale Town Wide (LSTW) Projects | 367 | 478 |
| | <u>906</u> | <u>3,805</u> |

14. Non-claimable 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 ("IRAS"). The non-claimable portion is charged to the respective funds.

15. Cash and cash equivalents

| | Note | 2023 \$'000 | 2022 \$'000 |
|--|-------------|-----------------------|-----------------------|
| Cash and bank balances | | 16,302 | 15,460 |
| Fixed deposits | | 195,948 | 171,180 |
| Treasury bills held in trust by fund managers | 17 | 4,668 | 12,686 |
| Cash and fixed deposits held in trust by fund managers | 17 | 714 | 865 |
| | | <u>217,632</u> | <u>200,191</u> |
| Taken up in: | | | |
| Accumulated surplus: | | | |
| - Cash and bank balances | | 12,570 | 10,575 |
| - Fixed deposits | | 13,727 | 11,197 |
| | | <u>26,297</u> | <u>21,772</u> |
| Sinking Funds: | | | |
| - Cash and bank balances | | 2,894 | 2,459 |
| - Fixed deposits | | 105,327 | 104,505 |
| - Treasury bills held in trust by fund managers | 17 | 4,668 | 12,686 |
| - Cash and fixed deposits held in trust by fund managers | 17 | 714 | 865 |
| | 11 | <u>113,603</u> | <u>120,515</u> |
| Lift Replacement Funds: | | | |
| - Cash and bank balances | | 838 | 2,427 |
| - Fixed deposits | | 76,894 | 55,477 |
| | 12 | <u>77,732</u> | <u>57,904</u> |
| Total cash and bank balances | | <u>217,632</u> | <u>200,191</u> |

Sembawang Town Council

Notes to the financial statements For the financial year ended 31 March 2023

15. Cash and cash equivalents (cont'd)

At the end of the reporting period, the carrying amounts of cash and cash equivalents approximate their fair values.

The fixed deposits with financial institutions mature between one month to eleven months (2022: between twenty six days to eleven months) after the financial year end. The interest rate as at 31 March 2023 was between 1.86% and 4.35% (2022: between 0.5% and 1.10%) per annum.

For the purposes of the cash flow statement, the cash and cash equivalents comprise the following:

| | 2023 | 2022 |
|--|----------------|----------------|
| | \$'000 | \$'000 |
| Total cash and bank equivalents | 217,632 | 200,191 |
| Less: Treasury bills held in trust by fund managers (Note 17) | (4,668) | (12,686) |
| Less: Cash and fixed deposits held in trust by fund managers (Note 17) | (714) | (865) |
| Cash and cash equivalents per cash flow statement | <u>212,250</u> | <u>186,640</u> |

16. Financial assets at fair value through profit or loss

| | Note | 2023 | 2022 |
|--------------------|-------------------------|---------------|---------------|
| | | \$'000 | \$'000 |
| Sinking Funds: | | | |
| - Listed Equities | | 14,339 | 14,605 |
| - Bonds Securities | | 39,610 | 33,140 |
| | 11, 17, 32(d), 33(a) | <u>53,949</u> | <u>47,745</u> |

The financial assets at fair value through profit or loss have been designated to be held for trading purposes.

17. Funds with fund managers

At the end of the reporting period, the funds with fund managers comprise the followings:

| | Note | 2023 | 2022 |
|---|------------------|---------------|---------------|
| | | \$'000 | \$'000 |
| Financial assets at fair value through profit or loss | 11, 16, 33(a) | 53,949 | 47,745 |
| Treasury bills | 15, 33(a) | 4,668 | 12,686 |
| Cash and fixed deposits | 15 | 714 | 865 |
| Accrued interest | 19 | 211 | 144 |
| Management fees payable to fund managers | | (18) | (19) |
| | | <u>59,524</u> | <u>61,421</u> |

Sembawang Town Council

**Notes to the financial statements
For the financial year ended 31 March 2023**

18. Conservancy and service fee receivables

| | 2023 \$'000 | 2022 \$'000 |
|---|-----------------------|-----------------------|
| Conservancy and service fee receivables | 2,142 | 1,988 |
| Less: Allowance for impairment losses | (906) | (857) |
| | <u>1,236</u> | <u>1,131</u> |

Concentration of credit risk relating to conservancy and service fee receivables is limited due to the Town Council's large base of residents. Town Council's historical experience in the non-collection of conservancy and service fee receivables shows that no additional credit risk beyond amounts provided for collection losses that is inherent in the Town Council's conservancy and service fee receivables.

The Town Council applies a simplified approach in calculating expected credit loss (ECL). Therefore, the Town Council does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. The Town Council uses the practical expedient under FRS 109 in the form of allowance matrix to measure the ECL for conservancy and service fee receivables and penalty on late payment receivables (Note 19) where the loss allowance is equal to lifetime ECL. The following allowance matrix is used:

| | <u>Rate of Provision</u> |
|--|--------------------------|
| Arrears in 12 months and above – live accounts | 100% |
| Arrears - terminated accounts | 100% |

Based on its historical observed default rates which is adjusted for forward-looking estimates and establishes that ECL for the conservancy and service fee receivables would be calculated as follows:

| | Gross conservancy and service fee receivables | | Allowance for impairment losses | |
|-----------------------------|--|-----------------------|--|-----------------------|
| | 2023 \$'000 | 2022 \$'000 | 2023 \$'000 | 2022 \$'000 |
| Not past due | 70 | 85 | - | - |
| Past due 0 - 30 days | 330 | 332 | 1 | - |
| Past due 31 - 120 days | 341 | 297 | 3 | 3 |
| Past due 121 - 364 days | 503 | 422 | 4 | 2 |
| Past due 365 days and above | 898 | 852 | 898 | 852 |
| | <u>2,142</u> | <u>1,988</u> | <u>906</u> | <u>857</u> |

Movement in allowance for impairment is as follows:

| | 2023 \$'000 | 2022 \$'000 |
|--|-----------------------|-----------------------|
| At 1 April | 857 | 861 |
| Charge (Reversal) for the financial year | 49 | (4) |
| At 31 March | <u>906</u> | <u>857</u> |

Based on historical experience, the Town Council believes that no impairment allowance is necessary in respect of conservancy and service fee receivables not past due or past due but not impaired.

Sembawang Town Council

**Notes to the financial statements
For the financial year ended 31 March 2023**

19. Other receivables and prepayments

| | Note | 2023 \$'000 | 2022 \$'000 |
|---|-------------|-----------------------|-----------------------|
| Penalty on late payment | | 263 | 249 |
| Less: Allowance for impairment losses | | (93) | (89) |
| | | <u>170</u> | <u>160</u> |
| Citizens' Consultative Committee grant receivables | | 1,090 | 4,273 |
| Lift Replacement Fund Matching grant receivables | | 3,971 | 4,480 |
| Conservancy and service charges grant receivables | | 40 | 29 |
| Lift Enhancement Programme funding receivables | | 285 | 1,499 |
| Neighbourhood Renewal Programme funding receivables | | - | 24 |
| GST subvention grant | | 634 | 512 |
| Accrued interest | 17 | 211 | 144 |
| Others | | 1,157 | 922 |
| | | <u>7,558</u> | <u>12,043</u> |
| Prepayments | | 553 | 127 |
| Other receivables and prepayments | | <u><u>8,111</u></u> | <u><u>12,170</u></u> |

The credit risk for penalty on late payment receivables is further disclosed in Note 18.

The ageing of other receivables (excluding prepayments) at the end of the reporting period is as follows:

| | Gross other receivables | | Allowance for impairment losses | |
|-----------------------------|--------------------------------|-----------------------|--|-----------------------|
| | 2023 \$'000 | 2022 \$'000 | 2023 \$'000 | 2022 \$'000 |
| Not past due | 7,009 | 11,671 | - | - |
| Past due 0 - 30 days | 39 | 92 | - | - |
| Past due 31 - 120 days | 160 | 202 | - | - |
| Past due 121 - 364 days | 241 | 51 | - | - |
| Past due 365 days and above | 202 | 116 | 93 | 89 |
| | <u>7,651</u> | <u>12,132</u> | <u>93</u> | <u>89</u> |

The change in impairment losses in respect of other receivable during the financial year is as follows:

| | 2023 \$'000 | 2022 \$'000 |
|--|-----------------------|-----------------------|
| At 1 April | 89 | 404 |
| Charge (Reversal) for the financial year | 4 | (41) |
| Written off during the year | - | (274) |
| At 31 March | <u>93</u> | <u>89</u> |

Based on historical default rates, the Town Council believes that no impairment allowance is necessary in respect of other receivables beyond what has been set up.

Sembawang Town Council

**Notes to the financial statements
For the financial year ended 31 March 2023**

20. Equity investments at fair value through other comprehensive income

| | Note | 2023 \$'000 | 2022 \$'000 |
|---|-------------|-----------------------|-----------------------|
| At 1 April | | 3,117 | 2,946 |
| Additions | | - | 26 |
| Return of capital | | (26) | (15) |
| Fair value (loss) gain recorded in fair value reserve | 24 | (381) | 160 |
| At 31 March | 32(d),33(a) | <u>2,710</u> | <u>3,117</u> |
| Taken up in: | | | |
| Sinking Funds | 11 | <u>2,710</u> | <u>3,117</u> |
| Equity investments comprise of the following: | | | |
| | | 2023 \$'000 | 2022 \$'000 |
| Quoted real estate investment trusts | | <u>2,710</u> | <u>3,117</u> |

21. Debt investments at amortised cost

Included in below are the assets at carrying amounts, categorised by the earlier of contractual repricing or maturity dates:

| | Note | 2023 \$'000 | 2022 \$'000 |
|--|-------------|-----------------------|-----------------------|
| Quoted bonds with fixed interest of 0.93% to 2.64% (2022: 0.93% to 2.64%) per annum | | | |
| - Current | | 2,781 | 3,045 |
| - Non-current | | 6,052 | 8,914 |
| | | <u>8,833</u> | <u>11,959</u> |
| Taken up in: | | | |
| Sinking Funds | 11 | <u>8,833</u> | <u>11,959</u> |

The fair value for the investment in government and statutory board bonds are as follows:

| | Fair value | |
|----------------------------------|-----------------------|-----------------------|
| | 2023 \$'000 | 2022 \$'000 |
| Quoted bonds with fixed interest | <u>8,645</u> | <u>11,853</u> |

The debt investments are denominated in Singapore dollar.

Sembawang Town Council

Notes to the financial statements
For the financial year ended 31 March 2023

22. Plant and equipment

| | Furniture, fixtures and fittings \$'000 | Office equipment \$'000 | Data processing equipment \$'000 | Leasehold improvement \$'000 | Total \$'000 |
|-----------------------------------|--|-------------------------------|---|------------------------------------|-----------------|
| Cost | | | | | |
| At 31 March 2021 and 1 April 2021 | 48 | 148 | 186 | 748 | 1,130 |
| Additions | 30 | 14 | 23 | - | 67 |
| Written off | - | (11) | (8) | (7) | (26) |
| At 31 March 2022 and 1 April 2022 | 78 | 151 | 201 | 741 | 1,171 |
| Additions | 12 | 4 | - | - | 16 |
| Written off | - | (5) | (2) | (1) | (8) |
| At 31 March 2023 | 90 | 150 | 199 | 740 | 1,179 |
| Accumulated depreciation | | | | | |
| At 31 March 2021 and 1 April 2021 | 40 | 133 | 74 | 717 | 964 |
| Depreciation charge for the year | 11 | 11 | 53 | 25 | 100 |
| Written off | - | (11) | (8) | (7) | (26) |
| At 31 March 2022 and 1 April 2022 | 51 | 133 | 119 | 735 | 1,038 |
| Depreciation charge for the year | 9 | 12 | 56 | 6 | 83 |
| Written off | - | (5) | (2) | (1) | (8) |
| As at 31 March 2023 | 60 | 140 | 173 | 740 | 1,113 |
| Net carrying amount | | | | | |
| As at 31 March 2022 | 27 | 18 | 82 | 6 | 133 |
| As at 31 March 2023 | 30 | 10 | 26 | - | 66 |

Sembawang Town Council

**Notes to the financial statements
For the financial year ended 31 March 2023**

23. Right-of-use assets

| | Data management system \$'000 | Office Premises \$'000 | Office Equipment \$'000 | Total \$'000 |
|-----------------------------------|--|---------------------------------------|--|-------------------------|
| Cost | | | | |
| At 31 March 2021 and 1 April 2021 | 2,161 | 697 | 8 | 2,866 |
| Adjustment for re-measurement | (7) | - | - | (7) |
| Written off | - | (31) | - | (31) |
| At 31 March 2022 and 1 April 2022 | 2,154 | 666 | 8 | 2,828 |
| Additions | - | 594 | - | 594 |
| Adjustment for re-measurement | (7) | - | - | (7) |
| Written Off | - | (601) | - | (601) |
| As 31 March 2023 | <u>2,147</u> | <u>659</u> | <u>8</u> | <u>2,814</u> |
| Accumulated amortisation | | | | |
| At 31 March 2021 and 1 April 2021 | 90 | 430 | 2 | 522 |
| Additions | 360 | 222 | 2 | 584 |
| Written off | - | (31) | - | (31) |
| At 31 March 2022 and 1 April 2022 | 450 | 621 | 4 | 1,075 |
| Additions | 358 | 220 | 2 | 580 |
| Written off | - | (601) | - | (601) |
| As 31 March 2023 | <u>808</u> | <u>240</u> | <u>6</u> | <u>1,054</u> |
| Net carrying amount | | | | |
| As at 31 March 2022 | <u>1,704</u> | <u>45</u> | <u>4</u> | <u>1,753</u> |
| As at 31 March 2023 | <u>1,339</u> | <u>419</u> | <u>2</u> | <u>1,760</u> |

The right-of-use assets of data management system is re-measured based on the property units managed by the Town Council on yearly basis, according to an apportionment agreement in relation to Town Council Management System which is made for all Town Councils collectively.

24. Fair value reserve

| | Note | 2023 \$'000 | 2022 \$'000 |
|--|-------------|------------------------|------------------------|
| At 1 April | | 1,205 | 1,045 |
| Fair value (loss) gain on equity investments at fair value through other comprehensive income for the financial year | 20 | (381) | 160 |
| At 31 March | | <u>824</u> | <u>1,205</u> |

Sembawang Town Council

Notes to the financial statements For the financial year ended 31 March 2023

25. Creditors and accrued expenses

| | 2023 | 2022 |
|---|--------------|--------------|
| | \$'000 | \$'000 |
| Accounts payable | 2,897 | 3 |
| Work order accruals | 730 | 138 |
| Project expenditure accruals | 130 | 3,402 |
| Other accruals | 218 | 423 |
| Sundry creditors – utilities | 795 | 1,352 |
| Sundry deposits | 231 | 216 |
| Others | 1,257 | 217 |
| Total creditors and accrued expenses | <u>6,258</u> | <u>5,751</u> |
| | 2023 | 2022 |
| | \$'000 | \$'000 |
| Total creditors and accrued expenses | 6,258 | 5,751 |
| Less: Sundry deposits due after 12 months | (91) | (94) |
| Total creditors and accrued expenses (within 12 months) | <u>6,167</u> | <u>5,657</u> |

Total amount of \$0.113 million (2022: \$0.282 million) is related to amount due to a related party (managing agent), which is unsecured, interest-free and is expected to be repaid in cash or settled within twelve months from the end of the reporting period.

The contractual undiscounted cash outflows on creditors and accrued expenses are expected to approximate their carrying amounts and settled within one year except for sundry deposits that are repayable on demand.

26. Lease liabilities

| | 2023 | 2022 |
|------------------------------------|--------------|--------------|
| | \$'000 | \$'000 |
| <u>Lease liabilities</u> | | |
| - Current | 506 | 364 |
| - Non-current | 982 | 1,074 |
| Total | <u>1,488</u> | <u>1,438</u> |
| <u>Contractual cash flows</u> | | |
| - Within 1 year | 577 | 406 |
| - Between two and five years | 1,213 | 1,353 |
| | <u>1,790</u> | <u>1,759</u> |
| Less: Future interest expense | (302) | (321) |
| Present value of lease liabilities | <u>1,488</u> | <u>1,438</u> |

Sembawang Town Council

Notes to the financial statements For the financial year ended 31 March 2023

26. Lease liabilities (cont'd)

Reconciliation of movements of liabilities to cash flows arising from financing activities:

| | 2023 | 2022 |
|--|--------------|--------------|
| | \$'000 | \$'000 |
| At 1 April | 1,438 | 2,030 |
| New leases during the year | 592 | - |
| Adjustment for re-measurement | (7) | (7) |
| <u>Changes from financing cash flows</u> | | |
| Repayment of lease liabilities | (600) | (617) |
| <u>Non-cash changes</u> | | |
| Interest expense | 65 | 32 |
| At 31 March 2023 | <u>1,488</u> | <u>1,438</u> |

Amount recognised in Income and Expenditure

| | 2023 | 2022 |
|--|-------------|-------------|
| | \$'000 | \$'000 |
| <u>Leases under FRS 116</u> | | |
| Interest expense on lease liabilities | 65 | 32 |
| Expenses relating to short-term and low-value leases | <u>4</u> | <u>4</u> |

The Town Council has entered into lease contracts for its office premises, office equipment and data management system. The lease for office premises typically run for a period of 3 years, with an option to renew the lease after that date. Lease payments are renegotiated upon renewal based on prevailing market conditions.

The lease term for the data management system is 6 years, with an option to enter for the maintenance services after that date. The Town Council reserves the right to exercise for the option years and there are uncertainties on execution the option as of this reporting date.

27. Advances (Receivables) for Neighbourhood Renewal Programme and Electrical Load Upgrading Programme

| | 2023 | 2022 |
|---|-------------|--------------|
| | \$'000 | \$'000 |
| At 1 April | (584) | 112 |
| Funding from HDB | 3,971 | 217 |
| Payments to contractors | (3,207) | (913) |
| At 31 March | <u>180</u> | <u>(584)</u> |
| <u>Represented by:</u> | | |
| Receivables for Neighbourhood Renewal Programme | (29) | (892) |
| Advances received for Electrical Load Upgrading Programme | 209 | 308 |
| | <u>180</u> | <u>(584)</u> |

Sembawang Town Council

Notes to the financial statements For the financial year ended 31 March 2023

28. Receivables for Sport-in-Precinct Programme

| | 2023 \$'000 | 2022 \$'000 |
|-------------------------|-----------------------|-----------------------|
| At 1 April | 394 | 125 |
| Payments to contractors | 256 | 269 |
| At 31 March | <u>650</u> | <u>394</u> |

Sport-in-precinct programme is an initiative of the Vision 2030 sports master plan, aiming to provide the community with a wider range of sport facilities that are easily accessible and create common spaces for interaction and bonding in HDB neighbourhoods.

The Sport-in-precinct programme is funded by Sport Singapore.

29. Commitments

Expenditure commitments approved by the Town Council but not provided for in the financial statements:

| | 2023 \$'000 | 2022 \$'000 |
|--|-----------------------|-----------------------|
| Amount approved and contracted for | 48,596 | 8,399 |
| Amount approved but not contracted for | 15,086 | 3,505 |
| | <u>63,682</u> | <u>11,904</u> |

30. Related Party Transactions

EM Services Pte Ltd, the managing agent, appointed by the Town Council is classified as a related party as the managing agent provides key management personnel services to the Town Council.

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Town Council and the managing agent took place during the financial year.

| | 2023 \$'000 | 2022 \$'000 |
|----------------------------|-----------------------|-----------------------|
| Managing agent's fees | 6,736 | 6,457 |
| Energy saving project | 687 | 687 |
| Project management fees | 943 | 886 |
| Lift replacements | - | 701 |
| Lift Enhancement Programme | - | 150 |
| Lift repairs and servicing | 982 | 376 |
| Others | 169 | 177 |

Sembawang Town Council

Notes to the financial statements For the financial year ended 31 March 2023

31. Management of Town Council's funds

The Town Council's objectives when managing funds are:

- (a) to safeguard the Town Council's ability to continue as going concern;
- (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 funds structure to ensure optimal structure, taking into consideration the future funds requirements of the Town Council, prevailing and projected service and conservancy fees, 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 total funds amounted to \$287.198 million (2022: \$270.068 million).

32. Financial risk management

Overview

The Town Council has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the Town Council's risk management process to ensure that an appropriate balance between risk and control is achieved.

The Town Council is exposed to credit, interest rate and other market risk in the normal course of the Town Council's operations.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting from financial loss to the Town Council. Financial assets that are subject to credit risk consist of fixed deposits and bank balances, conservancy and service fee receivables, other receivables and investment in financial assets.

Cash and fixed deposits with banks are held with regulated banks which have high credit ratings assigned by international credit rating agencies.

For conservancy and service fee receivables, at the end of the reporting period, there were no significant concentrations of credit risk.

Other receivables mainly comprises of receivables from government agencies with low credit risk.

For debt investments, the Town Council considered it to be low risk investments as the debt investments are largely with government agencies.

Sembawang Town Council

Notes to the financial statements For the financial year ended 31 March 2023

34. Subsequent events

(a) Increase in conservancy and service fees

On 1 June 2023, all 15 Town Councils run by People's Action Party had announced to increase conservancy and service fees for flats, shops and offices in two tiers due to rising operating costs and high inflation:

- (i) Tier 1 on 1 July 2023
- (ii) Tier 2 on 1 July 2024

The increase quantum ranged from 10% for 1 and 2-room flats to 14% for 5-room flats and above.

(b) Special Funding Support for Town Councils from the Government

The Government will provide a time-limited special funding support to aid Town Councils in sharing the burden of covering the cost increases, and cushioning residents from the full impact.

The special grant is equivalent to the additional income generated from conservancy and service fees in financial year 2023 and 2024. The total amount of funding will be subject to a cap of 13% of residential conservancy and service income of FY2022 audited financial statements.

The special funding support would be subject to the minimum contribution rates of 26% to the Sinking Fund and 14% to the Lift Replacement Fund, and the existing regulations under the Town Councils Act.

35. Authorisation of financial statements for issue

The financial statements of the Town Council for the financial year ended 31 March 2023 were authorised for issue by the members of the Town Council on 20 September 2023.

Sembawang Town Council

Notes to the financial statements For the financial year ended 31 March 2023

32. Financial risk management (cont'd)

(a) *Credit risk (cont'd)*

The Town Council manages credit risk through the setting of guidelines for its investments. The guidelines are reviewed and approved by the Finance Committee. Ongoing monitoring is undertaken by management to ensure that all investment activities are in compliance with the guidelines.

The Town Council's conservancy and service fee receivables comprise mainly from conservancy and service fee collections. The credit risk for conservancy and service fee receivables arise mainly from residents who are facing significant financial hardship and have difficulties paying their conservancy and service fees despite letter of demand sent. Procedures are in place for collecting the outstanding conservancy and service fee including prosecution orders.

An allowance for impairment is made in respect of overdue conservancy and service fee receivable and penalty on late payment receivable from residents where the amount is still outstanding after all collection procedures are adhered. The allowance represents the aggregate amount by which management considers it necessary to write down its receivable in order to state it in the statement of financial position at its estimated recoverable value.

Although the Town Council's credit exposure is concentrated mainly in Singapore, it has no significant concentration of credit risk with any single resident or category of resident as the Town Council has a large number of residential and commercial households.

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

(b) *Liquidity risk*

Liquidity risk is the risk that the Town Council may not be able to meet its financial obligations. The Town Council adopts prudent liquidity risk management by maintaining sufficient cash to meet its operating, Sinking and Lift Replacement Funds expenditure.

The financial assets and financial liabilities at the end of the reporting period based on contractual undiscounted repayment obligations have a maturity of less than one year other than equity investments at fair value through other comprehensive income, debt investments at amortised costs, creditors and accrued expenses and lease liabilities as disclosed in Notes 20, 21, 25 and 26 respectively to the financial statements.

(c) *Market risk*

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices, will affect the Town Council's income or the value of its holdings of financial instruments:

(i) *Interest rate risk*

The Town Council's exposure to market risk for changes in interest rates relate to interest-bearing fixed deposits with financial institutions. The Town Council's surplus funds are placed with reputable financial institutions. The interest rates on these funds are at prevailing rates.

Sembawang Town Council

Notes to the financial statements For the financial year ended 31 March 2023

32. Financial risk management (cont'd)

(c) Market risk (cont'd)

(i) Interest rate risk (cont'd)

Sensitivity analysis

A 1% change in interest rate at the reporting date would increase or decrease investment income by the amount shown below. The analysis assumed that all other variables remain constant.

| | 2023 | 2022 |
|----------------|-------------|-------------|
| | \$ | \$ |
| | \$'000 | \$'000 |
| Fixed deposits | 1,959 | 1,712 |

(ii) Price risk

Sensitivity analysis-equity price risk

The Town Council's equity instruments are quoted. A 10% increase (decrease) in the underlying equity prices at the reporting date would increase (decrease) fair value reserve and sinking funds by the following amount:

| | 2023 | 2022 |
|---------------------------------|-------------|-------------|
| | \$'000 | \$'000 |
| Fair value reserves | 271 | 312 |
| Fair value through sinking fund | 1,434 | 1,461 |

This analysis assumes that all other variables remain constant.

(d) Financial instruments by category

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

| | Note | 2023 | 2022 |
|---|-------------|----------------|----------------|
| | | \$'000 | \$'000 |
| Financial assets at fair value through profit or loss | 16 | 53,949 | 47,745 |
| Financial assets at fair value through other comprehensive income | 20 | 2,710 | 3,117 |
| Financial assets at amortised cost | | 235,188 | 226,949 |
| Less: financial liabilities at amortised cost | | (7,745) | (7,189) |
| | | <u>284,102</u> | <u>270,622</u> |

Sembawang Town Council

Notes to the financial statements For the financial year ended 31 March 2023

33. Fair value of financial instruments

(a) *Financial instruments carried at fair value*

The table below analyses financial instruments carried at fair value, by valuation method. Level 1: quoted prices (unadjusted) in active markets for identical assets are as follows:

| | Note | 2023 \$'000 | 2022 \$'000 |
|---|-------|----------------|----------------|
| Financial assets at fair value through profit or loss | 16,17 | 53,949 | 47,745 |
| Treasury bills carried at fair value through profit or loss | 17 | 4,668 | 12,686 |
| Equity investments at fair value through other comprehensive income | 20 | 2,710 | 3,117 |
| | | <u>61,327</u> | <u>63,548</u> |

Determination of fair values

The fair value of financial assets at fair value through profit or loss and equity investments are determined by reference to their quoted bid prices at the end of the reporting date.

(b) *Financial instruments not carried at fair value and whose carrying amount are reasonable approximation of fair value*

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including cash and cash equivalents, interest receivables, conservancy and service fee receivables, other receivables, creditors and accrued expenses) are assumed to approximate their fair values because of the short period to maturity.

The aggregate net fair values of financial assets and liabilities which are not carried at fair value in the statement of financial position as at 31 March are represented in the following table:

| | 2023 | | 2022 | |
|------------------------------------|---------------------------|----------------------|---------------------------|----------------------|
| | Carrying amount \$'000 | Fair value \$'000 | Carrying amount \$'000 | Fair value \$'000 |
| Financial assets | | | | |
| Debt investments at amortised cost | 8,833 | 8,645 | 11,959 | 11,853 |
| Unrecognised loss | | <u>(188)</u> | | <u>(106)</u> |

Determination of fair values

The fair value of held-to-maturity financial assets is determined by reference to their quoted bid prices at the end of the reporting period.



Sembawang
Town Council

MAIN OFFICE

Blk 504C Canberra Link #01-63 Singapore 753504

KAMPUNG ADMIRALTY COLLECTION CENTRE

**Blk 676 Woodlands Drive 71 #06-04 Singapore 730676
(Behind Admiralty MRT Station)**

Tel : 6368 3100

Fax: 6368 2271