



SAYANG OUR FUTURE SEMBAWANG OUR HOME

Annual Report 2019/2020

SAYANG SEMBAWANG

三巴旺 心希望

அன்தூடற செம்பவாங்



Momentary Monument
Blk 313 Sembawang Drive
Singapore 750313



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SAYANG OUR
FUTURE

"Make Sembawang Special"



CHAIRMAN'S *Review*



FY2019/20 was a different year for Sembawang Town Council, for the GRC and for Singapore.

Covid-19 took an unprecedented turn on the nation when the first case in Singapore was confirmed on 23 January 2020. At the height of the Covid-19 pandemic, the community of Sembawang joined hands and did our part to fight it together. Residents played their part by staying at home. Sembawang Town Council has since increased its frequency of cleaning and sanitizing common facilities and the lifts, ensuring that these areas are kept safe for everyone. In addition, government support schemes and grants were given to aid lower-income families and individuals financially.

As we continue to fight this pandemic as a nation, I am confident that we can, and we will overcome it together. On this note, I am pleased to present our report on the various aspects of our operations.



Finance



In FY 2019/2020, Sembawang Town Council had an operating surplus of \$9.19 million. As of 31 March 2020, our Town Council's Sinking Funds, Lift Replacement Funds and Accumulated Surplus stood at \$196.12 million, \$49.01 million and \$13.65 million respectively.

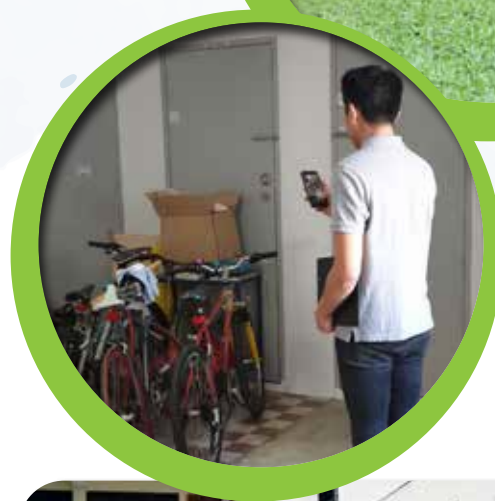
The arrears cases for three months and above form 2.76% of the total residential units under our management. This would not have been possible if not for the strong partnership and support from our Town Councillors, Grassroots Leaders, agencies and staff in conducting house visits and offering assistance to households in arrears.



TOWN COUNCIL *Management Report* (TCMR)

The Town Council's key role is to ensure that the Towns are kept clean and well-maintained for our residents. This had been especially important during the Covid-19 pandemic, where cleaning frequency had to be increased in high usage areas.

Thanks to our ongoing efforts, Sembawang Town Council achieved Green Bands across all five categories in the TCMR, which includes Lift Performance, Estate Cleanliness, Estate Maintenance, S&CC Arrears Management and Corporate Governance.



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

Of the total sum of \$40.75 million spent on cyclical works in FY2019/20, \$27.38 million was used for lift replacement works, and another \$4.56 million was expended on R&R projects. A total of 12,490 households have benefitted from the completion of 278 lifts as at 31 March 2020. The new lifts are faster, bigger, safer and more reliable.

CYCLICAL *Works*



TOWN Improvement PROJECTS



Town Improvement Projects are vital in every Town so as to meet the needs of residents through the provision of essential amenities or recreational facilities. Such projects commence after consulting grassroots organisations and garnering feedback from residents on the facilities that will give the Town a facelift.

Sembawang Town Council spent a total of \$7.61 million in town improvement projects in FY 2019/2020. Of this expenditure, \$1.96 million was spent on upgrading of playgrounds and fitness corners, and another \$1.83 million was spent on Large-Scale Town-Wide (LSTW) projects. Other improvement works include construction of covered walkways, barrier-free access facilities, enhancement of lift surveillance system, etc.

Earlier this year in February 2020, we saw the completion of the newly upgraded Vista Park and is now the largest park in Admiralty division. This park has been popular amongst the kids and the young at heart. Vista Park features a jogging track, a pentanque court, multi-

functional, multi-generational fitness corners and unique playgrounds. Not only that, Vista Park also has a sheltered full-sized basketball court, which can also be used to host gatherings amongst residents when the Covid-19 situation improves.

Residents can also look forward to many other large-scale town-wide projects that are underway, including the upgrading of Montreal Green Park.





ENGAGING OUR Residents



@sembawangtowncouncil
@sayangsembawang

As part of our efforts to seamlessly engage with our residents, Sembawang Town Council has strengthened our existing communications channels in FY2019/20. Residents can provide their feedback promptly via our website, email and our Facebook Page.



We leverage on our strong social media presence to reach out to residents. We rebranded our Facebook Page from Kampung Sembawang to Sayang Sembawang last year and included a wider range of content. With the new Sayang Sembawang Facebook Page and Sembawang Town Council Facebook Page, we have a fan base of 53,821 as of 31 March 2020.

In addition, we also reach out to our residents via our fortnightly digital newsletter, keeping residents updated on the latest town happenings and developments. These platforms will ensure that we engage with residents in Sembawang GRC continuously, keeping their opinions in view as we gather new ideas and feedback.





SEMBAWANG *Cares*



When circuit breaker measures were implemented, Sembawang Town Council took the initiative to take precautional measures to prevent the spread of Covid-19. These included increased frequency of cleaning and sanitizing of lifts and common facilities. During the Circuit Breaker period, sports and recreational facilities and spaces in our GRC were also barricaded and remained closed for the safety of our residents.

Hand sanitisers were installed in all the 1,814 lifts in Sembawang GRC. Safe distancing measures were also put in place in lifts through markings on lift floors. These were additional preventive measures taken by the Town Council to ensure that residents remained safe during this period.



Before the circuit breaker period, we also took the opportunity to show gratitude to our conservancy partners who have worked tirelessly especially during this difficult time. Sembawang Town Council organized Cleaners' Appreciation Lunch for our conservancy partners and distributed care packs to thank them for their efforts.

We continued to show support to the Sayang Sembawang community during this period. Media platforms remain as key avenues for us to stay in touch with our residents, as we continue to engage and reach out to residents during this pandemic.





**Sembawang
Hot Spring Park**



Sayang OUR FUTURE

Sembawang GRC continues to transform with new developments springing up in many parts of the Town. We will do our part to make Sembawang special.

Sembawang Hot Spring Park officially opened in January this year. It had been a popular spot for families and friends to gather. Residents can continue to look forward to the upcoming projects in Sembawang GRC, such as Bukit Canberra, Canberra Plaza and Sports Park in East Canberra.

All these will not be possible without the help of the Town Councillors, Grassroots Leaders and the staff. We would also like to thank our residents for their valuable feedback to continually improve our town, and also for their unwavering support during this period.

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

A handwritten signature in black ink, appearing to read 'Vikram'.

Vikram Nair
Chairman
Sembawang Town Council

Sports Park in East Canberra



BBQ pit in East Canberra



Bukit Canberra



Canberra Plaza

ANNUAL FINANCIAL *Statements* 31 MARCH 2020



Sembawang Town Council

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

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ADDRESS

Block 504C Canberra Link
#01-63
Singapore 753504

INDEPENDENT AUDITOR

Ecovis Assurance LLP

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

(Established under the Town Council Act, Cap 329A)

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 2020, 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 55.

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, Cap 329A (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 2020 and of the financial performance, changes in Town Council funds and cash flows of the Town Council for the financial year ended on that date.

Basis of Opinion

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

Other Information

Management is responsible for the other information. The other information comprises the 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 Council Act, Cap 329A)

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 constituted based on its Act and its dissolution requires Parliament's approval. In preparing the financial statements, management is responsible for assessing the Town Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is intention to wind up the Town Council or for the Town Council to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

(Established under the Town Council Act, Cap 329A)

- 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 Council Act, Cap 329A)


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

10 September 2020

INCOME AND EXPENDITURE STATEMENT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

	Note	2020 \$'000	2019 \$'000
OPERATING INCOME			
Conservancy and service fees		62,739	61,080
Less: Operating income transfer to Sinking Funds		(16,312)	(15,881)
Operating income transfer to Lift Replacement Funds		(8,783)	(8,551)
		37,644	36,648
Agency fees	6	6,163	6,082
Other income	10(a)	3,398	3,284
		47,205	46,014
Less: Operating expenditure			
Cleaning work		(9,567)	(9,536)
Managing agents' fees	5	(6,473)	(5,998)
Lift maintenance		(6,338)	(6,534)
Other works and maintenance		(5,984)	(5,416)
Water and electricity		(12,952)	(12,879)
General and administrative expenditure	7	(2,480)	(2,392)
		(43,794)	(42,755)
OPERATING SURPLUS		3,411	3,259
NON-OPERATING INCOME			
Add: Interest income		181	159
SURPLUS BEFORE TAXATION AND GRANTS		3,592	3,418
Less: Income tax expense	8(a)	(356)	(343)
SURPLUS BEFORE GOVERNMENT GRANTS		3,236	3,075
Add: Government Grants	9	21,410	23,922
Less: Transfer to Sinking Funds	9,11	(2,582)	(2,360)
Transfer to Lift Replacement Funds	12	(6,464)	(12,462)
Transfer to Town Improvement and Project Funds	9,13	(6,407)	(3,654)
		5,957	5,446

INCOME AND EXPENDITURE STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

	Note	2020 \$'000	2019 \$'000
SURPLUS FOR THE FINANCIAL YEAR		9,193	8,521
Add: Accumulated Surplus at 1 April		5,446	3,979
Less: Transfer from Accumulated Surplus to Lift Replacement Funds	12	-	(6,000)
Less: Transfer from Accumulated Surplus to Town Improvement and Project Funds	13	(986)	(1,054)
ACCUMULATED SURPLUS AT 31 MARCH		13,653	5,446



Vikram Nair
Chairman



Soon Min Sin
Secretary

Singapore
10 September 2020

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

STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

	Note	2020 \$'000	2019 \$'000
SURPLUS FOR THE FINANCIAL YEAR	10	9,193	8,521
MOVEMENT OF VARIOUS FUNDS			
Sinking Funds	11	9,138	15,108
Lift Replacement Funds	12	(11,593)	6,218
Town Improvement and Project Funds	13	(1,201)	(561)
		5,537	29,286
OTHER COMPREHENSIVE INCOME			
Item that may not be reclassified to income and expenditure statement			
Fair value (loss) gain on equity investments	20	(768)	164
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ATTRIBUTABLE TO TOWN COUNCIL FUNDS		4,769	29,450

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

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2020

	Note	2020 \$'000	2019 \$'000
TOWN COUNCIL FUNDS			
Residential Property			
Accumulated surplus	10	12,109	4,268
Sinking Funds	11	184,096	175,028
Lift Replacement Funds	12	45,467	57,111
Town Improvement and Project Funds	13	1,856	2,069
		243,528	238,476
Commercial Property			
Accumulated surplus	10	2,227	1,910
Sinking Funds	11	11,542	11,472
Lift Replacement Funds	12	3,540	3,489
Town Improvement and Project Funds	13	24	26
		17,333	16,897
Carpark			
Accumulated losses	10	(683)	(732)
Fair Value Reserve			
Sinking Funds	11	482	1,250
Total Town Council Funds		260,660	255,891
Represented by:			
Current Assets			
Cash and cash equivalents	15	192,941	181,420
Interest receivables		2,062	1,648
Financial assets at fair value through profit or loss	16	63,063	63,240
Conservancy and service fee receivables	18	1,789	1,592
Other receivables and prepayments	19	14,233	11,405
Debt investments at amortised cost	21	-	4,723
		274,088	264,028
Non-Current Assets			
Equity investments at fair value through other comprehensive income	20	2,408	3,153
Debt investments at amortised cost	21	3,808	3,829
Plant and equipment	22	269	456
Right-of-use assets	23	2,723	-
		9,208	7,438
Total Assets		283,296	271,466

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2020

	Note	2020 \$'000	2019 \$'000
Current Liabilities			
Conservancy and service fee received in advance		1,157	904
Creditors and accrued expenses	25	15,839	12,143
Current income tax liabilities	8(b)	2,008	1,744
Lease liabilities	26	433	-
Advances received for Neighbourhood Renewal Programme and Electrical Load Upgrading Programme	27	327	784
Advances received for Sport-in-Precinct Programme	28	583	-
		<u>20,347</u>	<u>15,575</u>
Non-Current Liabilities			
Creditors and accrued expenses	25	91	-
Lease liabilities	26	2,198	-
		<u>2,289</u>	<u>-</u>
Total liabilities		<u>22,636</u>	<u>15,575</u>
Net Assets		<u>260,660</u>	<u>255,891</u>



Vikram Nair
Chairman



Soon Min Sin
Secretary

Singapore
10 September 2020

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

STATEMENT OF CHANGES IN TOWN COUNCIL FUNDS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

	Note	Residential property \$'000	Commercial property \$'000	Carpark \$'000	Fair value reserve \$'000	Total \$'000
Balance as at 1 April 2018		210,049	15,752	(446)	1,086	226,441
Surplus (deficit) for the financial year		28,427	1,145	(286)	-	29,286
Other comprehensive income						
Fair value gain on equity investments	24	-	-	-	164	164
Total comprehensive income for the financial year		28,427	1,145	(286)	164	29,450
Balance as at 31 March 2019		238,476	16,897	(732)	1,250	255,891
Balance as at 1 April 2019		238,476	16,897	(732)	1,250	255,891
Surplus for the financial year		5,052	436	49	-	5,537
Other comprehensive loss						
Fair value loss on equity investments	24	-	-	-	(768)	(768)
Total comprehensive income for the financial year		5,052	436	49	(768)	4,769
Balance as at 31 March 2020		243,528	17,333	(683)	482	260,660

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

CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

	Note	2020 \$'000	2019 \$'000
Operating activities			
Surplus before taxation and government grants	10	3,592	3,418
Adjustments:			
Operating income transfer to Sinking Funds	10,11	16,312	15,881
Operating income transfer to Lift Replacement Funds	10,12	8,783	8,551
Loss (Gain) in financial assets at fair value through profit or loss	11(b)/ 11(a)	1,991	(1,108)
Interest income		(181)	(159)
Write-off of plant and equipment	22	1	-
Depreciation of plant and equipment	22	200	235
Amortisation of right-of-use assets	23	224	-
Lease interest expenses	7	27	-
Operating surplus before changes in working capital		30,949	26,818
(Decrease) Increase in receivables		(1,197)	856
Increase in payables		4,039	2,854
Cash flows generated from operations		33,791	30,528
Sinking Funds expenditure	11	(11,732)	(5,760)
Town Improvement and Project Funds expenditure	13	(7,608)	(4,215)
Lift Replacement Funds expenditure	12	(29,021)	(16,063)
Neighbourhood Renewal Programme and Electrical Load Upgrading Programme expenditure	27	(4,795)	(5,634)
Sport-in-Precinct Programme expenditure	28	(1,193)	-
Taxes paid		(814)	(792)
Net cash flows used in operating activities		(21,372)	(1,936)
Investing activities			
Purchase of plant and equipment	22	(14)	(15)
Return of capital from equity investments	20	17	19
Purchase of equity investments	20	(40)	-
Proceeds from redemption of equity investments	20	-	4,323
Proceeds from debt investments		4,713	4,508
Investment and interest income received		3,265	3,096
Direct cost and payment related to right-of-use assets		(104)	-
Net cash flows generated from investing activities		7,837	11,931
Financing activities			
Government grants received	9	21,057	19,203
Funding received for Neighbourhood Renewal Programme and Electrical Load Upgrading Programme	27	4,338	5,565
Funding received for Lift Enhancement Programme	12	1,381	-
Funding received for Sport-in-Precinct Programme	28	355	-
Repayment of lease liabilities	26	(239)	-
Cash flows generated from financing activities		26,892	24,768
Net increase in cash and cash equivalents		13,357	34,763
Cash and cash equivalents at the beginning of financial year		177,295	142,532
Cash and cash equivalents at the end of financial year	15	190,652	177,295

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

1. General information

Sembawang Town Council was formed on 1 September 1990 under the Town Councils Act (Chapter 329A) 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 and Woodlands divisions of Sembawang Group Representation Constituency ("GRC") make up the Sembawang Town.

The electoral boundaries of Sembawang Town Council would be redrawn after the General Election 2020. The changes to the boundaries of the Town Council effective from the date of issuance of writ of election are as below:

- (i) approximately 2,600 EDU for residential and commercial properties within the Admiralty division will be handed over from Sembawang Town Council to Marsiling-Yew Tee Town Council; and
- (ii) approximately 12,150 EDU for residential and commercial properties within the Gambas division will be handed over from Sembawang Town Council to Nee Soon Town Council.

Further, the Town Council must transfer 80% of its surpluses in any fund (other than sinking funds) established under Section 33 of the Town Council Act, Cap 329A to its relevant sinking funds (i.e. 65% to Ordinary Sinking Fund and 35% to Lift Replacement Fund).

At the date of this report, there are uncertainties of the outcome of Novel Coronavirus (Covid-19) outbreak, the Town Council cannot reasonably estimate the impact of these events will have on the Town Council's financial position. Refer Note 34.

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, Chapter 329A (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*.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

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

2.1 Basis of preparation (cont'd)

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.

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 2019. 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 except as disclosed below.

FRS 116 Leases

FRS 116 supersedes FRS 17 *Leases*, INT FRS 104 *Determining whether an Arrangement contains a Lease*, INT FRS 15 *Operating Leases-Incentives* and INT FRS 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the statement of financial position.

The Town Council applies the principles under FRS 116 using the modified retrospective method of adoption under which the amount of right-of-use asset recognised is equal to the lease liability as at 1 April 2019. Accordingly, the comparative information presented year ended 31 March 2019 is not restated – i.e. it is presented, as previously reported, under the principles of FRS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements under the principles of FRS 116 have not generally been applied to comparative information.

The Town Council elected to use the transition practical expedient to FRS 116 not to reassess whether a contract is, or contains a lease at 1 April 2019. Instead, the Town Council applied the standard only to contracts that were previously identified as leases applying FRS 17 and INT FRS 104 at the date of initial application.

The Town Council has lease contracts for office premises, office equipment and data management system. Before the adoption of FRS 116, the Town Council classified each of its leases (as lessee) at the inception date as an operating lease. Under principles, of FRS 116, the Town Council recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

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

2.2 Adoption of new and amended standards and interpretations (cont'd)

Upon adoption of FRS 116, the Town Council applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. The accounting policy beginning on and after 1 April 2019 is disclosed in Note 2.13. The standard provides specific transition requirements and practical expedients, which have been applied by the Town Council.

(a) Leases previously accounted for as operating leases

The Town Council recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for the leases were recognised based on the carrying amount as if the standard had always been applied, using the incremental borrowing rate at the date of initial application.

Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Town Council also applied the available practical expedients wherein it:

- (i) used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- (ii) applied the short-term leases exemption to leases with lease term that ends within 12 months of the date of initial application;
- (iii) excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- (iv) used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

Impact on financial statements

Impact on transition

On transition to FRS 116, the Town Council recognised right-of use assets and lease liabilities. The impact on transition is summarised below.

	<u>1 April 2019</u> \$'000
Right-of-use assets	56
Lease liabilities	<u>(56)</u>

For the impact of FRS 116 on income and expenditure for the year, see Notes 23 and 26, respectively.

The lease liabilities as at 1 April 2019 can be reconciled to the operating lease commitments as of 31 March 2019, as follows:

	<u>1 April 2019</u> \$'000
Operating lease commitments as at 31 March 2019	287
Recognition exemption for short-term leases	(211)
Recognition exemption for leases of low-value assets	<u>(17)</u>
	59
Incremental borrowing rate as at 1 April 2019	5.25%
Lease liabilities recognised at 1 April 2019	<u>56</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

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

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 are relevant to the Town Council 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 33(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.

These funds, together with the Sinking Funds, Lift Replacement Funds and Town Improvement and Project Funds 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

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

2.5 Funds (cont'd)

(b) Sinking Funds

In accordance with Section 33(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 service and conservancy 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 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 Sinking Funds is 26% (2019: 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 33(4A) 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% (2019: 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

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

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)	
	2020	2019
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% (2019: 3.5%) of general overheads are allocated to the Lift Replacement Funds and 6.5% (2019: 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 grants-in-aid to help Town Councils in absorbing the GST increases in Conservancy and Service Charge for HDB residential flats.

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, 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

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

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 (FVTOCI); 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 bank balances, 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 derecognised or impaired. Interest income from these financial assets is included in interest income using the effective interest rate method.
- **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. Interest income from these financial assets is recognised using the effective interest rate method and presented under "bond interest income" in Sinking funds.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

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

2.9 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Subsequent measurement (cont'd)

- **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 in 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

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)

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%

The Town Council has reviewed and assessed the allowance matrix based on the conservancy and service fee arrears report as at 31 March 2020 and opined that the rate of provision as stated above remains appropriate and sufficient. The Covid-19 pandemic has had no significant impact on the Town Council's overall credit risk as at 31 March 2020.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

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

2.9 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Impairment of financial assets (cont'd)

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

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

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.

2.11 *Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank and on hand, call deposits and fixed deposits, less cash and fixed deposits 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*

Accounting policy for leases before 1 April 2019

Operating lease payments are recognised as an expense in the income and expenditure statement on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Accounting policy for leases after 1 April 2019

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

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

2.13 Leases (cont'd)

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	-	1.33 years to 3 years
Office equipment	-	5 years

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

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

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

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, Cap. 329A. Conservancy and service fees 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 financial assets 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 is recognised at point of receipt.

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 (Chapter 134). 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

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

2.16 Contingencies

A contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Town Council; or
- (b) a present obligation that arises from past events but is not recognised because:
 - (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - (ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Town Council.

Contingent liabilities and assets are not recognised on the statement of financial position of the Town Council, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

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 is 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's 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

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

3.2 Key sources of estimation uncertainty (cont'd)

(a) Classification of debt investments at amortised cost (cont'd)

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.

(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 \$171,400 (2019: \$151,200).

(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 33(9) and Section 43(1)(i) of the Town Council Act (Chapter 329A), and Rule 11A of Town Council Financial Rules.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

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 \$7,105,428 (2019: \$6,582,453) for the financial year ended 31 March 2020. Included in the managing agents' fee, there is a total allocation of 10% managing agents' fee of \$632,402 (2019: \$584,729), for which \$411,061 (2019: \$380,074) and \$221,341 (2019: \$204,655) 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 \$7,100,400 (2019: \$6,577,425) in year 2020.

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:

	2020 \$'000	2019 \$'000
Office rental and upkeep expenditure	131	369
Computer services	219	200
Advertising, publicity and public relations	592	437
Office supplies and stationery	209	222
Town Councillors' allowances	193	181
Property tax	215	223
Legal fee	17	54
Depreciation of plant and equipment	200	235
Amortisation of right-of-use assets	224	-
Insurance premium	27	25
Lease interest expense	27	-
Plant and equipment not capitalised	2	3
Staff costs	2	-
Non-claimable goods and services tax (Note 14)	209	180
Others	439	482
Allocation of 6.5% (2019: 6.5%) general and administrative expenditure to Sinking Funds	(147)	(142)
Allocation of 3.5% (2019: 3.5%) general and administrative expenditure to Lift Replacement Funds	(79)	(77)
	2,480	2,392

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

8. Income tax expense

(a) *Income tax expense*

	2020 \$'000	2019 \$'000
Income tax expense attributable to income is made up of:		
- Current income tax	1,083	930
- Over provision in respect of previous years	(5)	(6)
	1,078	924
Accumulated surplus:		
- Current income tax	358	346
- Over provision in respect of previous years	(2)	(3)
	356	343
Sinking Funds:		
- Current income tax	561	469
- Over provision in respect of previous years	(3)	(3)
	558	466
Lift Replacement Funds:		
- Current income tax	164	115
Current income tax expense	1,078	924

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

	2020 \$'000	2019 \$'000
Investment and interest income received	5,008	3,795
Other income	2,177	2,118
Allowable expenses	(247)	(245)
	6,938	5,668
Tax calculated at a tax rate of 17% (2019: 17%)	1,179	964
Tax effect of certain income taxed at concessionary tax rate	(96)	(34)
Over provision in respect of previous years	(5)	(6)
	1,078	924

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

8. Income tax expense (cont'd)

(b) *Current income tax liabilities*

	2020 \$'000	2019 \$'000
Taken up in:		
Accumulated surplus	701	682
Sinking Funds (Note 11)	1,028	886
Lift Replacement Funds (Note 12)	279	176
	2,008	1,744

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

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	
		2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Government Grants received/receivable during the financial year	10	21,410	23,922	6,612	5,815	941	945	5,073	11,191	6,407	3,654	2,377	2,317
Less: Transfer to -													
Sinking Funds	11	(2,582)	(2,360)	(1,719)	(1,512)	(245)	(246)	-	-	-	-	(618)	(602)
Lift Replacement Funds	12	(6,464)	(12,462)	(926)	(815)	(132)	(132)	(5,073)	(11,191)	-	-	(333)	(324)
Town Improvement and Project Funds	13	(6,407)	(3,654)	-	-	-	-	-	-	(6,407)	(3,654)	-	-
		5,957	5,446	3,967	3,488	564	567	-	-	-	-	1,426	1,391

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

	2020	2019
	\$'000	\$'000
Total grants received as at 1 April	399,652	380,449
Add: Grants received during the financial year	21,057	19,203
Total grants received as at 31 March	420,709	399,652

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

10. Accumulated surplus

The surplus (deficit) 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	
		2020	2019	2020	2019	2020	2019	2020	2019
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Operating income									
Conservancy and Service Fees		62,739	61,080	61,225	59,677	1,514	1,403	-	-
Less: Operating transfer to Sinking Funds	11	(16,312)	(15,881)	(15,918)	(15,516)	(394)	(365)	-	-
Operating transfer to Lift Replacement Funds	12	(8,783)	(8,551)	(8,571)	(8,355)	(212)	(196)	-	-
Agency Fee		37,644	36,648	36,736	35,806	908	842	-	-
Other Income	10(a)	6,163	6,082	-	-	-	-	6,163	6,082
		3,398	3,284	3,176	2,951	128	230	94	103
Less: Operating Expenditure									
Operating Surplus (Deficit)		47,205	46,014	39,912	38,757	1,036	1,072	6,257	6,185
Add: Interest Income		(43,794)	(42,755)	(36,892)	(35,575)	(713)	(729)	(6,189)	(6,451)
Operating Surplus (Deficit)		3,411	3,259	3,020	3,182	323	343	68	(266)
Add: Interest Income		181	159	159	140	2	1	20	18
Surplus (Deficit) before Taxation and Grants		3,592	3,418	3,179	3,322	325	344	88	(248)
Less: Income tax expense	8(a)	(356)	(343)	(313)	(301)	(4)	(4)	(39)	(38)
Surplus (Deficit) before Grants		3,236	3,075	2,866	3,021	321	340	49	(286)
Add: Government Grants	9	21,410	23,922	21,220	23,455	190	467	-	-
Less: Transfer to Sinking Funds	11	(2,582)	(2,360)	(2,579)	(2,357)	(3)	(3)	-	-
Transfer to Lift Replacement Funds	12	(6,464)	(12,462)	(6,356)	(12,045)	(108)	(417)	-	-
Transfer to Town Improvement and Project Funds	13	(6,407)	(3,654)	(6,336)	(3,615)	(71)	(39)	-	-
		5,957	5,446	5,949	5,438	8	8	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

10. Accumulated surplus (cont'd)

	Note	Total		Residential		Commercial		Car park	
		2020	2019	2020	2019	2020	2019	2020	2019
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Surplus (Deficit) for the financial year		9,193	8,521	8,815	8,459	329	348	49	(286)
Add: Accumulated Surplus (Deficit) at 1 April		5,446	3,979	4,268	2,611	1,910	1,814	(732)	(446)
Less: Transfer to Lift Replacement Funds ^	12	-	(6,000)	-	(5,763)	-	(237)	-	-
Less: Appropriation to Town Improvement and Project Funds	13	(986)	(1,054)	(974)	(1,039)	(12)	(15)	-	-
Accumulated surplus at 31 March		13,653	5,446	12,109	4,268	2,227	1,910	(683)	(732)

^ The transfer is a voluntary contribution made in accordance with Section 33(9) of the Town Council Act (Chapter 329A).

(a) Other income

	2020	2019
	\$'000	\$'000
Late payment penalty	295	296
Liquidated damages	84	159
Sale of tender documents	24	25
Sundry fines	41	45
Sundry income	172	165
Temporary Occupational Licence income	2,032	2,121
Use of common property income	5	6
Use of void decks	42	47
Use of water and electricity at void decks	703	420
	3,398	3,284

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

11. Sinking Funds

	Note	Total		Residential property		Commercial property	
		2020	2019	2020	2019	2020	2019
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 April		186,500	171,392	175,028	160,268	11,472	11,124
Add:							
Income	11(a)	2,534	3,093	2,501	3,053	33	40
Operating income transfer from conservancy and service fees	10	16,312	15,881	15,918	15,516	394	365
Transfer from government grants	9,10	2,582	2,360	2,579	2,357	3	3
		21,428	21,334	20,998	20,926	430	408
Less: Expenditure	11(b)	(11,732)	(5,760)	(11,379)	(5,706)	(353)	(54)
Income Tax Expense	8 (a)	(558)	(466)	(551)	(460)	(7)	(6)
Surplus for the financial year		9,138	15,108	9,068	14,760	70	348
		195,638	186,500	184,096	175,028	11,542	11,472
Add: Fair value reserves		482	1,250				
At 31 March		196,120	187,750				

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

11. Sinking Funds (cont'd)

	Note	2020 \$'000	2019 \$'000
Represented by:			
Current assets			
Cash and cash equivalents	15	121,032	109,490
Amount due from accumulated surplus		5,385	4,200
Interest receivables		1,412	1,097
Financial assets at fair value through profit or loss	16,17	63,063	63,240
Conservancy and service fee receivables		263	217
Debt investments	21	-	4,723
Other receivables		541	643
		<u>191,696</u>	<u>183,610</u>
Non-current assets			
Equity investments	20	2,408	3,153
Debt investments	21	3,808	3,829
		<u>6,216</u>	<u>6,982</u>
Total assets		<u>197,912</u>	<u>190,592</u>
Current liabilities			
Creditors and accrued expenses		(764)	(1,956)
Current income tax liabilities	8(b)	(1,028)	(886)
Total liabilities		<u>(1,792)</u>	<u>(2,842)</u>
Net assets		<u>196,120</u>	<u>187,750</u>
(a) Income		2020 \$'000	2019 \$'000
Fixed deposit interest income		2,270	1,494
Gain in financial assets at fair value through profit or loss		-	1,108
Bonds interest income		132	253
Income from other investments		132	238
		<u>2,534</u>	<u>3,093</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

11. Sinking Funds (cont'd)

	Note	2020 \$'000	2019 \$'000
(b) Expenditure			
Reroofing works		-	176
Electrical rewiring		2,848	-
Redecoration and repainting		4,562	2,629
Replacement of			
- transfer and booster pumpsets		474	95
- water pipes and stainless steel water tank lining		21	42
- refuse handling plant and chute flushing system		760	1,929
Consultancy fee and other charges		474	365
Loss in financial assets at fair value through profit or loss		1,991	-
Non-claimable goods and services tax	14	191	144
Allocation of 6.5% (2019: 6.5%) managing agents' fee	5	411	380
		<u>11,732</u>	<u>5,760</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

12. Lift Replacement Funds

	Note	2020 \$'000	Total 2019 \$'000	Residential property 2020 \$'000	Residential property 2019 \$'000	Commercial property 2020 \$'000	Commercial property 2019 \$'000
At 1 April		60,600	48,382	57,111	45,587	3,489	2,795
Add:							
Income	12(a)	964	675	952	666	12	9
Operating income transfer from Conservancy and Service Fees	10	8,783	8,551	8,571	8,355	212	196
Transfer from government grants	9, 10	1,391	1,271	1,389	1,269	2	2
Lift Replacement Fund Matching Grant ^	9	5,073	11,191	4,967	10,776	106	415
Funding for Selective Lift Replacement Programme ^^		-	708	-	675	-	33
Funding for Lift Enhancement Programme ^^^		1,381	-	1,365	-	16	-
		17,592	22,396	17,244	21,741	348	655
Less: Expenditure	12(b)	(29,021)	(16,063)	(28,726)	(15,866)	(295)	(197)
Income tax expense	8 (a)	(164)	(115)	(162)	(114)	(2)	(1)
		(11,593)	6,218	(11,644)	5,761	51	457
(Deficit) Surplus for the financial year	10	-	6,000	-	5,763	-	237
Transfer from Accumulated Surplus ^							
At 31 March		49,007	60,600	45,467	57,111	3,540	3,489
Represented by:							
Current asset							
Cash and cash equivalents	15	50,886	50,125				
Amount due from accumulated surplus		1,239	8,227				
Interest receivables		563	464				
Conservancy and service fee receivables		243	281				
Selective Lift Replacement Programme funding receivables		-	354				
Lift Enhancement Programme funding receivables		627	-				
Other receivables		1,771	4,419				
		55,329	63,870				
Current liabilities							
Creditors and accrued expenses		(6,043)	(3,094)				
Current income tax liabilities	8(b)	(279)	(176)				
		(6,322)	(3,270)				
Total liabilities							
Net assets		49,007	60,600				

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

12. Lift Replacement Funds (cont'd)

[^] In year 2019, Lift Replacement Fund Matching Grant of \$11,191,000 included voluntary contribution made in the financial year ended 31 March 2019 and 2018 totalling \$6,241,500. With the voluntary contribution of \$6,000,000 and \$6,483,000 made in year 2019 and 2018, respectively from the Accumulated Surplus to the Lift Replacement Funds, the Town Council was entitled to receive a matching grant of \$3,000,000 and \$3,241,500 for voluntary contribution respectively. The voluntary contribution was made in accordance with Section 33(9) of the Town Council Act (Chapter 329A).

^{^^} HDB introduced the Selective Lift Replacement Programme ("SLRP") in September 2014 to help Town Councils replace about 750 old lifts that did not come with key safety and security features as those in modern lifts, such as vision panels and doors with infra-red motion sensors. HDB will co-fund 50% of the lift replacement cost (capped at \$125,000 per lift). For Sembawang Town Council, 12 lifts were eligible to carry out the lift replacement under the SLRP.

^{^^^} 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 64 lifts.

(a) *Income*

	Note	2020 \$'000	2019 \$'000
Bank and fixed deposit interest income		964	675

(b) *Expenditure*

		2020 \$'000	2019 \$'000
Replacement of hoisting ropes and sheaves of lifts		1,148	911
Replacement of batteries for ARD		493	288
Replacement of batteries for EBOPS		101	170
Overhauling and upgrading of lifts		22,666	11,013
Selective Lift Replacement works ^{^^}		-	1,362
Replacement of lift position display panel		823	738
Replacement of lift inverter drive		690	341
Lift Enhancement Programme ^{^^^}		1,461	-
Consultancy fees and other charges		976	670
Non-claimable goods and services tax	14	442	365
Allocation of 3.5% managing agents' fee	5	221	205
		29,021	16,063

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

13. Town Improvement and Project Funds

	Note	Total 2020 \$'000	2019 \$'000	Residential property 2020 \$'000	2019 \$'000	Commercial property 2020 \$'000	2019 \$'000
At 1 April		2,095	1,602	2,069	1,583	26	19
Transfer from government grants	9	6,407	3,654	6,336	3,614	71	40
Less: Expenditure	13(a)	(7,608)	(4,215)	(7,523)	(4,167)	(85)	(48)
Deficit for the financial year		(1,201)	(561)	(1,187)	(553)	(14)	(8)
Appropriation from accumulated surplus	10	894	1,041	882	1,030	12	11
At 31 March		986	1,054	974	1,039	12	15
		1,880	2,095	1,856	2,069	24	26
Represented by:							
Current asset							
Other receivables		7,514	4,177				
Current liabilities							
Creditors and accrued expenses		(1,244)	(253)				
Amount due to accumulated surplus		(4,390)	(1,829)				
		1,880	2,095				

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

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

(a) *Expenditure*

	2020 \$'000	2019 \$'000
Construction of covered walkways	908	436
Upgrading of open spaces	872	56
Construction/Upgrading of playgrounds/fitness corners etc.	1,963	1,352
Residents'/Senior citizens' corners	517	-
Lift Surveillance System	6	3
General and administrative charges	12	28
Consultancy fees and project management fees	605	261
Other amenities	726	1,428
Construction of barrier free access facilities	174	65
Large Scale Town Wide (LSTW) Projects	1,825	586
	7,608	4,215

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

15. Cash and cash equivalents

	Note	2020 \$'000	2019 \$'000
Cash and bank balances		21,106	17,684
Fixed deposits		169,546	159,611
Cash and fixed deposits held in trust by fund managers	17	2,289	4,125
		192,941	181,420
Taken up in:			
Accumulated surplus:			
- Cash and bank balances		14,464	12,159
- Fixed deposits		6,559	9,646
		21,023	21,805
Sinking Funds:			
- Cash and bank balances		3,083	2,112
- Fixed deposits		115,660	103,253
- Cash and fixed deposits held in trust by fund managers	17	2,289	4,125
	11	121,032	109,490
Lift Replacement Funds:			
- Cash and bank balances		3,559	3,414
- Fixed deposits		47,327	46,711
	12	50,886	50,125
Total cash and bank balances		192,941	181,420

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 (2019: between two months to eleven months) after the financial year end. The interest rate as at 31 March 2020 was between 1.70% and 2.29% (2019: between 1.63% and 2.05%) per annum.

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

	2020 \$'000	2019 \$'000
Total cash and bank equivalents	192,941	181,420
Less: Cash and fixed deposits held in trust by fund managers (Note 17)	(2,289)	(4,125)
Cash and cash equivalents per cash flow statement	190,652	177,295

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

16. Financial assets at fair value through profit or loss

	Note	2020 \$'000	2019 \$'000
Sinking Funds:			
- Listed Equities		12,528	14,882
- Bonds Securities		50,535	48,358
	11, 17, 33(a)	63,063	63,240

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	2020 \$'000	2019 \$'000
Financial assets at fair value through profit or loss	11, 16, 33(a)	63,063	63,240
Cash and fixed deposits	15	2,289	4,125
Accrued interest	19	235	213
Management fees payable to fund managers		(23)	(22)
		65,564	67,556

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

18. Conservancy and service fee receivables

	2020 \$'000	2019 \$'000
Conservancy and service fee receivables	2,627	2,450
Less: Allowance for impairment losses	(838)	(858)
	1,789	1,592

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 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	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Not past due	73	88	-	-
Past due 0 - 30 days	534	507	6	8
Past due 31 - 120 days	544	372	1	2
Past due 121 -364 days	646	637	1	2
Past due 365 days and above	830	846	830	846
	2,627	2,450	838	858

Movement in allowance for impairment is as follows:

	2020 \$'000	2019 \$'000
At 1 April	858	835
(Reversal) Charge for the financial year	(20)	23
At 31 March	838	858

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

19. Other receivables and prepayments

	Note	2020 \$'000	2019 \$'000
Penalty on late payment		403	396
Less: Allowance for impairment losses		(151)	(158)
		252	238
Citizens' Consultative Committee grant receivables		7,476	4,165
Lift Replacement Fund Matching grant receivables		1,155	4,122
Conservancy and service charges grant receivables		222	168
Selective Lift Replacement Programme funding receivables		-	354
Lift Enhancement Programme funding receivables		627	-
Neighbourhood Renewal Programme funding receivables		463	-
Sport-in-Precinct Programme funding receivables	28	1,520	-
GST subvention grant		604	586
Agency fees receivables		-	546
Accrued interest	17	235	213
Others		1,501	842
		14,055	11,234
Prepayments		178	171
Other receivables and prepayments		14,233	11,405

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	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Not past due	10,439	10,561	-	-
Past due 0 - 30 days	59	427	-	-
Past due 31 - 120 days	119	76	-	-
Past due 121 - 364 days	3,402	154	-	-
Past due 365 days and above	187	174	151	158
	14,206	11,392	151	158

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

	2020 \$'000	2019 \$'000
At 1 April	158	158
Written off for the financial year	(7)	-
At 31 March	151	158

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

20. Equity investments at fair value through other comprehensive income

	Note	2020 \$'000	2019 \$'000
At 1 April		3,153	7,331
Additions (Redemption)		40	(4,323)
Return of capital		(17)	(19)
Fair value (loss) gain recorded in fair value reserve	24	(768)	164
At 31 March	33(a)	2,408	3,153
Taken up in: Sinking Funds	11	2,408	3,153

Equity investments comprise of the following:

	2020 \$'000	2019 \$'000
Quoted real estate investment trusts	2,408	3,153

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	2020 \$'000	2019 \$'000
Quoted bonds with fixed interest of 2.38% to 2.64% (2019: 1.48% to 2.64%) per annum			
- Current		-	4,723
- Non-current		3,808	3,829
		3,808	8,552
Taken up in: Sinking Funds	11	3,808	8,552

The effective interest rates per annum for the bonds are as follows:

	2020 %	2019 %
Quoted bonds with fixed interest	2.38 to 2.64	1.48 to 2.64

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

21. Debt investments at amortised cost (cont'd)

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

	Fair value	
	2020 \$'000	2019 \$'000
Quoted bonds with fixed interest	4,056	8,631

The investment in government and statutory board bonds are denominated in Singapore dollar.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

22. Plant and equipment

	Furniture, fixtures and fittings \$'000	Office equipment \$'000	Data processing equipment \$'000	Leasehold improvement \$'000	Total \$'000
Cost					
At 1 April 2018	45	127	120	862	1,154
Additions	-	9	6	-	15
Written off	-	(3)	(1)	-	(4)
At 31 March 2019 and 1 April 2019	45	133	125	862	1,165
Additions	3	8	3	-	14
Written off	-	(3)	(6)	(3)	(12)
At 31 March 2020	48	138	122	859	1,167
Accumulated depreciation					
At 1 April 2018	18	86	93	281	478
Depreciation charge for the financial year	8	33	22	172	235
Written off	-	(3)	(1)	-	(4)
At 31 March 2019 and 1 April 2019	26	116	114	453	709
Depreciation charge for the financial year	7	14	7	172	200
Written off	-	(3)	(6)	(2)	(11)
At 31 March 2020	33	127	115	623	898
Net carrying amount					
At 31 March 2019	19	17	11	409	456
At 31 March 2020	15	11	7	236	269

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

23. Right-of-use assets

	Data management system \$'000	Office Premises \$'000	Office Equipment \$'000	Total \$'000
Cost				
At 31 March 2019	-	-	-	-
Effect of adopting FRS 116	-	56	-	56
At 1 April 2019	-	56	-	56
Additions	2,282	601	8	2,891
As at 31 March 2020	2,282	657	8	2,947
Accumulated amortisation				
At 1 April 2019	-	-	-	-
Additions	-	223	1	224
As at 31 March 2020	-	223	1	224
Net carrying amount				
As at 31 March 2019	-	-	-	-
As at 31 March 2020	2,282	434	7	2,723

Data management system has not been amortised as it has not been into use during the financial year.

24. Fair value reserve

	Note	2020 \$'000	2019 \$'000
At 1 April		1,250	1,086
Fair value (loss) gain on equity investments at fair value through other comprehensive income for the financial year	20	(768)	164
At 31 March		482	1,250

25. Creditors and accrued expenses

	2020 \$'000	2019 \$'000
Accounts payable	10,900	6,176
Work order accruals	191	228
Project expenditure accruals	3,056	3,815
Other accruals	223	217
Sundry creditors – utilities	1,303	1,514
Sundry deposits	177	129
Others	80	64
Total creditors and accrued expenses	15,930	12,143

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

25. Creditors and accrued expenses (cont'd)

	2020 \$'000	2019 \$'000
Total creditors and accrued expenses	15,930	12,143
Less: Sundry deposits due after 12 months	(91)	-
Total creditors and accrued expenses (within 12 months)	15,839	12,143

Total amount of \$5.379 million (2019: \$4.006 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

	2020 \$'000
<u>Lease liabilities</u>	
- Current	433
- Non-current	2,198
Total	2,631
<u>Contractual cash flows</u>	
- Within 1 year	462
- Between two and five years	1,964
- More than five years	645
	3,071
Less: Future interest expense	(440)
Present value of lease liabilities	2,631

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

	2020 \$'000
At 31 March 2019	-
Effect of adopting FRS 116	56
At 1 April 2019	56
New leases during the year	2,787
<u>Changes from financing cash flows</u>	
Repayment of lease liabilities	(239)
<u>Non-cash changes</u>	
Interest expense	27
At 31 March 2020	2,631

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

26. Lease liabilities (cont'd)

Amount recognised in Income and Expenditure	2020 \$'000	2019 \$'000
<u>Leases under FRS 116</u>		
Interest expense on lease liabilities	27	-
Expenses relating to short-term and low-value leases	244	-
	<hr/>	<hr/>
<u>Operating leases under FRS 17</u>		
Rental Expenses	-	459
	<hr/>	<hr/>

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 for Neighbourhood Renewal Programme and Electrical Load Upgrading Programme

	2020 \$'000	2019 \$'000
At 1 April	784	853
Funding from HDB	4,338	5,677
Refund of excess to HDB	-	(112)
Payments to contractors	(4,795)	(5,634)
At 31 March	<hr/> 327 <hr/>	<hr/> 784 <hr/>
<u>Represented by:</u>		
(Receivable) Advances received for Neighbourhood Renewal Programme	(239)	693
Advances received for Electrical Load Upgrading Programme	566	91
	<hr/> 327 <hr/>	<hr/> 784 <hr/>

28. Advances for Sport-in-Precinct Programme

	2020 \$'000
At 1 April	-
Funding from Sport Singapore	1,776
Payments to contractors	(1,193)
At 31 March	<hr/> 583 <hr/>

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

28. Advances received for Sport-in-Precinct Programme (cont'd)

The programme is funded by Sport Singapore. The funding from Sport Singapore comprised of fund receivables of \$1,420,561 and fund received of \$355,140 as at 31 March 2020. The fund receivables inclusive of GST amounting \$1,520,000, as disclosed in Note 19.

29. Commitments

(a) Expenditure commitments

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

	2020 \$'000	2019 \$'000
Amount approved and contracted for	29,601	37,013
Amount approved but not contracted for	2,755	4,543
	32,356	41,556

(b) Operating lease commitments

As at 31 March 2020, the Town Council is committed to \$244,000 for short-term and low-value leases.

In 2019, the Town Council has various operating lease agreements for office premises, office equipment, computer hardware and software that are non-cancellable. These leases have an average lease tenure three to seven years.

Future minimum lease payments recognised by the Town Council as expense for the financial year ended 31 March 2019 amounted to \$458,800.

At 31 March 2019, the future minimum lease payable under the non-cancellable operating lease were as follows:

	2019 \$'000
Not later than one year	259
Later than one year but not later than five years	28
	287

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

30. Related Party Transactions (cont'd)

	2020 \$'000	2019 \$'000
Managing agent's fees	7,100	6,577
Energy saving project	3,733	3,234
Project management fees	1,346	1,087
Upgrading and construction of playgrounds	-	91
Lift replacements	22,666	11,013
Lift Enhancement Programme	97	-
Lift repairs and servicing	1,237	1,027
Others	158	271

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 \$260.660 million (2019: \$255.891 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

32. Financial risk management (cont'd)

(a) Credit risk (cont'd)

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 with government agencies.

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, investment in government bonds, sundry deposits and lease liabilities as disclosed in Notes 20, 21, 25 and 26 respectively to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

32. Financial risk management (cont'd)

(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.

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.

	2020 \$ \$'000	2019 \$ \$'000
Fixed deposits	1,695	1,596

(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:

	2020 \$'000	2019 \$'000
Fair value reserves	241	315
Fair value through sinking fund	1,253	1,488

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	2020 \$'000	2019 \$'000
Financial assets at fair value through profit or loss	16	63,063	63,240
Financial assets at fair value through other comprehensive income	20	2,408	3,153
Financial assets at amortised cost		214,655	204,446
Less: financial liabilities at amortised cost		(18,561)	(12,143)
		<u>261,565</u>	<u>258,696</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

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	2020 \$'000	2019 \$'000
Financial assets at fair value through profit or loss	16	63,063	63,240
Equity investments at fair value through other comprehensive income	20	2,408	3,153
		<u>65,471</u>	<u>66,393</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:

	2020		2019	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
Financial assets				
Debt investments at amortised cost	3,808	4,056	8,552	8,631
Unrecognised gain		<u>248</u>		<u>79</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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

34. Subsequent events

Changes in electoral boundaries

By virtue of the writ of election issued on 23 June 2020, a general election was called for on 10 July 2020. As a result of the redrawing of the electoral boundaries after the general election, the Town Council will hand over for approximately 12,150 equivalent dwelling units (EDU) to Nee Soon Town Council and 2,600 EDU to Marsiling-Yew Tee Town Council on 28 October 2020. Subsequent to handover, the existing total EDU managed by the Town Council will be reduced by 15% with conservancy and service income expected to reduce by approximately S\$9.8 million.

Further, as the members elected for the constituency stood in elections for the same political party, hence there will be a transfer of 80% surpluses as at 31 March 2019 after Parliamentary election to the ordinary Sinking Funds and Lift Replacement Funds of the Town Council, in accordance with Town Council Act, Cap 329A. The surpluses as at 31 March 2019 would be reduced by approximately S\$2.1 million for transfer to ordinary Sinking Funds and Lift Replacement Funds after taking into consideration of capital commitments of Town Improvement works and capital expenditures as at 22 June 2020, the day before the writ of election.

Impact from Novel-Coronavirus (Covid-19)

The Singapore Multi-Ministry Taskforce on Covid-19 implemented an elevated set of safe distancing measures as a circuit breaker from 7 April 2020, to pre-empt the trend of increasing local transmission of Covid-19. Except for those providing essential services and selected economic sectors which are critical for local and global supply chains, all businesses are required to suspend all in-person activities and activities at the business location.

The outbreak of Covid-19 has affected businesses and economic activities to varying extents. The credit risk on conservancy and service fee receivables may increase due to these unprecedented circumstances.

The Town Council applies the fair value model to measure its funds with fund managers and equity investments. As at 31 March 2020, fair values of the Town Council's investments amounted to \$65,563,964 and 2,408,154 respectively (refer Notes 17 and 20). Subsequent to the Town Council's statement of financial position date, the credit risk and fair values of the Town Council's investments may be subject to fluctuation due to the financial and economic effects brought about by the Covid-19 outbreak.

The quantitative impact on the Town Council's financial position and results for the coming financial year cannot be reasonably estimated as at reporting date as the evolution of the Covid-19 outbreak situation is unpredictable.

35. Authorisation of financial statements for issue

The financial statements of the Town Council for the financial year ended 31 March 2020 were authorised for issue by the members of the Town Council on 10 September 2020.

Tel: 6368 3100 **Fax:** 6368 2271

Email: feedback@sbtc.org.sg

Facebook:

(Kampung Sembawang) fb.com/kampungsembawang

(Sembawang Town Council) fb.com/sembawangtc

Mobile App: iTown@SG

SMS/MMS: 9110 9877

Main Office

Blk 504C Canberra Link #01-63

Singapore 753504

Collection Centre

Kampung Admiralty

676 Woodlands Drive 71 #06-04

Singapore 730676