

**ANNUAL REPORT OF HOUGANG TOWN COUNCIL
FOR THE YEAR ENDED 31 MARCH 2009**

The sub-prime market phenomena in the United States which led to a global credit crunch with the ensuing predominant negative effect on the financial investments globally were felt all too clearly in the year. The Hougang Town Council was however, fortunate to escape much of the effects relatively unscathed. The Town Council's investment of its funds with the initial capital sum of \$6.8 million in the year 2005 had against the odds drawn a return of close to 6% per annum. This return was realized in the year and permitted the Town Council to increase its capital to \$8.0 million for re-investment in 2008 for a further period of three (3) years.

Operation-wise, the Town Council was however not spared hefty increases in cost, the most significant of which was utility expenses. The spike in electricity rates for a period of six (6) months from July 2008 by some 21% resulted in the overall expense exceeding budget provisions by about \$135,000.00. This had the great impact on the bottom line of the Town Council's financial position where surpluses generated from cost saving measures were depleted resulting in the Town Council incurring a loss for the financial year in the sum of about \$95,000.00.

Higher tender rates for other works such as cleaning and conservancy, pest control services, pump maintenance services, landscaping and horticultural works etc which saw on average increase in the range of 15% to 20% too contributed to the higher than normal operating costs that was experienced in the year.

With higher operating costs, it was imperative that the Town Council did not relent on emphasizing value for money in the various services that were procured. Focus on improving the standard of maintenance and ensuring that the various contractors delivered in this respect thus remained a top priority. One of the main focuses was on making major changes in the area of

cleaning and conservancy works to upgrade the performance of our local pool of cleaners through the introduction of an incentive scheme to reward workers who performed.

Stricter controls were also put in place to ensure deliverance of works to the standard expected by the Town Council in other areas of estate maintenance such as in the building works where the quality of the works delivered by the contractor for the repairs and replacement of defective building components have the direct impact on the living environment as well as safety of the residents and public alike.

With the above in mind, the Town Council continued with the ongoing plan to progressively upgrade the floorings to the void decks, apron and common corridors of flats and successfully saw to the completion of these works to 12 more blocks at Blocks 702, 703, 302, 306, 310, 328, 332, 325, 335, 341, 354 and 356 Hougang Avenue 2/5/7. In conjunction with this work, the surrounding landscaping of the blocks were also upgraded to provide a more conducive and pleasant environment deplete of soil erosion and unsightliness caused by massive illegal plantings and heavy use by pedestrians for convenient accesses.

The all most important ongoing work by the Town Council that has an indelible impact on the lives of residents and which is not transparent to the public's eye was contributed by the team of Town Council staff and workers, who with their undying spirit worked the grounds daily to fight against the ever present threat of dengue. The effort paid off notably well when the number of breeding ground for the Aedes mosquitoes were kept well below the threshold set by the National Environment Agency for the imposition of fines on town councils. Most importantly it had ensured that breeding from the common areas did not contribute to any of the clusters of dengue cases that unfortunately occurred in the year.

It is also noteworthy that the contribution from the team of staff and workers made it possible for the Town Council to save on spending on the engagement of contractors to carry out the works of eradicating mosquito breeding grounds instead. The savings had greatly helped in keeping costs to a level which would otherwise have spiraled to above what it was in the year.

As we move on, focus on the Town Council's core business of maintenance will remain the Town Council's main objective. I am confident that with the support of staff, councilors and residents alike, the Town Council will not relent on efforts to achieve this.

LOW THIA KHIANG
Chairman
HOUGANG TOWN COUNCIL

HOUGANG TOWN COUNCIL

Annual Report

31st March

2009

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INDEPENDENT AUDITORS' REPORT TO THE MINISTRY OF NATIONAL DEVELOPMENT

HOUGANG TOWN COUNCIL

We have audited the accompanying financial statements of Hougang Town Council (the "Town Council") which comprise the balance sheet as at 31 March 2009, and the income and expenditure statement, statement of changes in funds and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 2 to 24.

Town Council's Responsibility for the Financial Statements

The Town Council is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Town Councils Act, Chapter 329A and Singapore Financial Reporting Standards. This responsibility includes: devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair income and expenditure statement and balance sheet and to maintain accountability of assets; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Town Council, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion,

- a) the financial statements are properly drawn up in accordance with the provisions of the Town Councils Act, Chapter 329A (the "Act") and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Town Council as at 31 March 2009 and the results, changes in funds and cash flows of the Town Council for the year ended on that date; and
- b) the accounting and other records required by the Act to be kept by the Town Council have been properly kept in accordance with the provisions of the Act.

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

DAVID YEUNG & CO PAC
Public Accounting Corporation

Singapore, 28 August 2009

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





HOUGANG TOWN COUNCIL

BALANCE SHEET As at 31 March 2009

	Note	2009 S\$	2008 S\$
<u>TOWN COUNCIL FUNDS AND LIABILITIES</u>			
TOWN COUNCIL FUNDS			
RESIDENTIAL PROPERTY FUNDS			
Accumulated surpluses	3	29,266	60,292
Sinking funds	4	16,614,209	14,757,873
		16,643,475	14,818,165
COMMERCIAL PROPERTY FUNDS			
Accumulated surpluses	3	233,223	241,076
Sinking funds	4	2,354,109	2,229,575
		2,587,332	2,470,651
CARPARK FUNDS			
Accumulated deficits	3	(77,635)	(20,617)
STAFF LOANS REVOLVING FUND			
	5	50,000	50,000
FAIR VALUE RESERVE			
Sinking Funds	4	(30,845)	1,641,592
		19,172,327	18,959,791
LIABILITIES			
CURRENT LIABILITIES			
Conservancy and service fees received in advance		93,929	86,073
Other payables, deposits and accruals	6	949,355	700,190
Provision for taxation		259,197	32,163
		1,302,481	818,426
TOTAL TOWN COUNCIL FUNDS AND LIABILITIES		20,474,808	19,778,217

The notes set out on pages 7 to 24 form an integral part of and should be read in conjunction with this set of financial statements.



HOUGANG TOWN COUNCIL

BALANCE SHEET As at 31 March 2009

	Note	2009 S\$	2008 S\$
ASSETS			
NON-CURRENT ASSETS			
Plant and equipment	7	173,724	135,339
Available-for-sale financial assets	8	8,169,155	8,441,592
		8,342,879	8,576,931
CURRENT ASSETS			
Conservancy and service receivables	9	926,085	1,005,812
Other receivables and prepayments	10	90,772	35,925
Interest receivable		465,078	464,771
Fixed deposits		7,563,313	7,582,616
Cash and bank balances		3,086,681	2,112,162
		12,131,929	11,201,286
TOTAL ASSETS		20,474,808	19,778,217

LOW THIA KHIANG
Chairman

HOW WENG FAN
Secretary

The notes set out on pages 7 to 24 form an integral part of and should be read in conjunction with this set of financial statements.



HOUGANG TOWN COUNCIL

INCOME & EXPENDITURE STATEMENT

For the year ended 31 March 2009

	Note	2009 S\$	2008 S\$
OPERATING INCOME			
Conservancy and service fees	3	6,149,370	6,048,804
Less: Operating transfers to Sinking Funds (Minimum required by law)	3	<u>(2,074,663)</u>	<u>(2,042,509)</u>
		4,074,707	4,006,295
Add: Agency fees	11	271,627	272,128
Other income	12	<u>323,814</u>	<u>318,162</u>
		4,670,148	4,596,585
Less: OPERATING EXPENDITURE			
Cleaning works		827,781	852,180
HDB Services and other charges		257,848	278,267
Lift maintenance		748,520	730,869
Other works and maintenance		643,441	616,379
Water and electricity		1,477,350	1,120,290
Manpower and affiliated costs	13	1,093,075	1,153,345
General and administrative expenditure	14	<u>487,114</u>	<u>542,296</u>
		<u>(5,535,129)</u>	<u>(5,293,626)</u>
OPERATING DEFICITS		(864,981)	(697,041)
Add: NON-OPERATING INCOME			
Interest income		4,460	3,123
Less: Town Improvement Projects	3	<u>(12,688)</u>	<u>(3,200)</u>
DEFICIT BEFORE TAXATION AND GOVERNMENT GRANTS		(873,209)	(697,118)
Less: TAXATION			
Current year provision	15	<u>(10,593)</u>	<u>(10,651)</u>
DEFICIT BEFORE GOVERNMENT GRANTS		(883,802)	(707,769)
Add: Government grants	16	935,584	1,050,604
Government Subvention for GST increase	16	225,004	191,564
Less: Transfer to Sinking Funds	4	<u>(372,683)</u>	<u>(378,126)</u>
		<u>787,905</u>	<u>864,042</u>
(DEFICIT)/SURPLUS FOR THE YEAR		(95,897)	156,273
Accumulated surpluses as at beginning of year		<u>280,751</u>	<u>124,478</u>
ACCUMULATED SURPLUSES AS AT END OF YEAR		184,854	280,751

The notes set out on pages 7 to 24 form an integral part of and should be read in conjunction with this set of financial statements.



HOUGANG TOWN COUNCIL

STATEMENT OF CHANGES IN FUNDS For the year ended 31 March 2009

Description	Residential Property Funds		Commercial Property Funds		Carpark Funds		Staff Loan Revolving Fund		Fair Value Reserve		Total	
	2009 S\$	2008 S\$	2009 S\$	2008 S\$	2009 S\$	2008 S\$	2009 S\$	2008 S\$	2009 S\$	2008 S\$	2009 S\$	2008 S\$
Balance as at 1 April	14,818,165	13,344,754	2,470,651	2,209,187	(20,617)	(106,321)	50,000	50,000	1,641,592	1,405,130	18,959,791	16,902,750
Surplus/(Deficit) for the year	1,825,310	1,473,411	116,681	261,464	(57,018)	85,704	-	-	-	-	1,884,973	1,820,579
Fair value reserve	-	-	-	-	-	-	-	-	(1,672,437)	236,462	(1,672,437)	236,462
Balance as at 31 March	16,643,475	14,818,165	2,587,332	2,470,651	(77,635)	(20,617)	50,000	50,000	(30,845)	1,641,592	19,172,327	18,959,791

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

	Note	2009 S\$	2008 S\$
Accumulated (deficit)/surplus	3	(95,897)	156,273
Sinking funds	4	<u>1,980,870</u>	<u>1,664,306</u>
		<u>1,884,973</u>	<u>1,820,579</u>

The notes set out on pages 7 to 24 form an integral part of and should be read in conjunction with this set of financial statements.



HOUGANG TOWN COUNCIL

CASH FLOW STATEMENT

For the year ended 31 March 2009

	2009	2008
Note	S\$	S\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Deficit before taxation and government grants	(948,947)	(697,118)
Adjustments for: -		
Depreciation of plant and equipment	91,346	91,783
Operating transfers to Sinking Funds	2,150,401	2,042,509
Interest income	(4,460)	(3,123)
Operating surplus before working capital changes	1,288,340	1,434,051
Decrease/(Increase) in conservancy and service receivables, other receivables and prepayment	4,526	(218,279)
Increase in conservancy and service fees received in advance	7,856	72,933
Increase/(Decrease) in other payables, deposits and accruals	249,165	(60,984)
Cash generated from operations	1,549,887	1,227,721
Interest received	4,460	3,123
Income tax paid	(8,351)	(19,320)
Decrease in sinking funds	(1,621,637)	(751,155)
Net cash (used in)/generated from operating activities	(75,641)	460,369
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of plant and equipment	(129,731)	(16,387)
Increase in fixed deposits pledged to financial institution	(91)	(91)
Net cash used in investing activities	(129,822)	(16,478)
CASH FLOWS FROM FINANCING ACTIVITIES		
Government grants received	1,160,588	1,242,168
Net cash generated from financing activities	1,160,588	1,242,168
NET INCREASE IN CASH AND CASH EQUIVALENTS	955,125	1,686,059
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	9,683,726	7,997,667
CASH AND CASH EQUIVALENTS AT END OF YEAR	10,638,851	9,683,726

The notes set out on pages 7 to 24 form an integral part of and should be read in conjunction with this set of financial statements.



HOUGANG TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2009

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

1. GENERAL

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

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

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

The financial statements were authorised for issue by the Town Council on 28 August 2009.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Preparation

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

In the current financial year, the Town Council has adopted all the new and revised FRS and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for annual period beginning on or after 1 January, 2008. The adoptions of these new/revised FRSs and INT FRSs have no material effect on the financial statements.

b) Significant Accounting Estimates and Judgements

Critical judgements in applying the Town Council's accounting policies

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

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

Key sources of estimation uncertainty

The Town Council is of the opinion that there are no key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, except for those affecting the recovery prospect of aged service and conservancy debts.



HOUGANG TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2009

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Funds

Town Council Funds

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

Residential Property
Commercial Property

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

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

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

Assets and liabilities of the various funds of the Town Council are pooled in the balance sheet.

Sinking Funds

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

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

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

<u>Type of Property</u>	<u>Percentage of Allocation</u>		<u>Type of receipts allocated</u>
	<u>2009</u>	<u>2008</u>	
1-room to 3-room	30	30	Conservancy and service fees and grants-in-aid
4-room to 5-room	35	35	Conservancy and service fees and grants-in-aid
Multi generation	35	35	Conservancy and service fees
Executive	35	35	Conservancy and service fees
HUDC	35	35	Conservancy and service fees
Shop with living accommodation	35	35	Conservancy and service fees
Other commercial property	35	35	Conservancy and service fees



HOUGANG TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2009

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Funds (Continued)

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

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

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

Staff Loans Revolving Fund

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

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

d) Allocation of General Overheads

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

<u>Property Type</u>	<u>Equivalent Dwelling Unit(s)</u>
1 residential property unit	1
1 commercial property unit	2
6 car lots or 30 motorcycle lots or 4 lorry lots	1

No overheads are allocated to the Sinking Funds.

e) Government Grants

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

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



HOUGANG TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2009

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Financial Liabilities

Financial liabilities include conservancy and service fees received in advance, other payables, deposits and accruals. Financial liabilities are recognised on the balance sheet when and only when, the Town Council becomes a party to the contractual provisions of the financial instrument. Financial liabilities are initially recognised at fair value of consideration received less directly attributable transactions costs and subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the income and expenditure statement when the liabilities are derecognised or impaired, and through the amortisation process. The liabilities are derecognised when the obligation under the liability is discharged or cancelled or expired.

g) Provisions

Provisions are recognised when the Town Council has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

h) Plant and Equipment and Depreciation

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

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

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

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

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

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

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



HOUGANG TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2009

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Financial Assets

i) Classification

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

Loans and receivables

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories as prescribed in FRS 39. They are included in non-current assets unless management intends to dispose of the assets within 12 months after the balance sheet date.

ii) Recognition and derecognition

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

Financial assets are derecognised when the rights to receive cash flows from have expired or have been transferred and the Town Council has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sales proceeds is recognised in the income and expenditure statement. Any amount in the fair value reserve relating to that asset is transferred to the income and expenditure statement.

iii) Measurement

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

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

Available-for-sale financial assets are subsequently carried at fair value less impairment. Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in the fair value reserve within equity. When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments in the fair value reserve within equity are included in the income and expenditure statement.



HOUGANG TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2009

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) **Financial Assets** (Continued)

iv) Impairment

Loans and receivables

An allowance for impairment of loans and receivables is established when there is objective evidence that the Town Council will not be able to collect all amounts due according to the original terms of the receivables. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the allowance is recognised in the income and expenditure statement.

Available-for-sale financial assets

The Town Council assesses at each balance sheet date whether there is objective evidence that a financial asset is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the investment below its cost is considered in determining whether the investments are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in income and expenditure statement- is removed from the fair value reserve within equity and recognised in the income and expenditure statement. Impairment losses recognised in the income and expenditure statement on equity investments are not reversed through the income and expenditure statement, until the equity investments are disposed of.

j) **Investments**

Funds with Fund Manager are classified as available-for-sale financial assets and are stated at fair value, with any resultant gain or loss being recognised directly in equity. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in income and expenditure statement. Income from Funds with Fund Manager is recognised on realised profits less management fees payable upon expiry of the management term. There is no guaranteed minimum return under the management term.

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

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

k) **Bad and Doubtful debts**

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



HOUGANG TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2009

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

l) **Cash and Cash Equivalents**

Cash and cash equivalents carried at fair value in the balance sheet are classified and accounted for as loans and receivables under FRS 39.

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

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

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

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value and the risks specific to the asset. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses of continuing operations are recognised in the income and expenditure statement 'impairment losses' or treated as a revaluation decrease for assets carried at revalued amount to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for that same asset.

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

n) **Income Recognition**

Conservancy and service fees are recognised when due.

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

Interest income from fixed deposits are recognised on an accrual basis. Income from funds placed with the fund manager is recognised when realised or upon the expiry of the fund management term.



HOUGANG TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2009

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

o) **Employee Benefits**

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

p) **Goods and Services Tax**

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

q) **Leases**

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

r) **Taxation**

Tax is provided on the following income: -

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



HOUGANG TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2009

3. ACCUMULATED SURPLUS

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

	Note	Residential Property		Commercial Property		Carpark		Total	
		2009 S\$	2008 S\$	2009 S\$	2008 S\$	2009 S\$	2008 S\$	2009 S\$	2008 S\$
OPERATING INCOME									
Conservancy and service fees		5,793,560	5,616,651	355,810	432,153	-	-	6,149,370	6,048,804
Less: Operating transfer to Sinking Funds (Minimum required by law)	4	(1,950,129)	(1,891,188)	(124,534)	(151,321)	-	-	(2,074,663)	(2,042,509)
		3,843,431	3,725,463	231,276	280,832	-	-	4,074,707	4,006,295
Other income		298,423	297,437	15,906	16,535	281,112	276,318	595,441	590,290
		4,141,854	4,022,900	247,182	297,367	281,112	276,318	4,670,148	4,596,585
Less: Operating expenditure		(4,941,964)	(4,915,788)	(255,035)	(187,224)	(338,130)	(190,614)	(5,535,129)	(5,293,626)
OPERATING (DEFICIT)/SURPLUS		(800,110)	(892,888)	(7,853)	110,143	(57,018)	85,704	(864,981)	(697,041)
Add: Non-operating income		4,460	3,123	-	-	-	-	4,460	3,123
Less: Town improvement projects		(12,688)	(3,200)	-	-	-	-	(12,688)	(3,200)
SURPLUS/(DEFICIT) BEFORE TAXATION AND GOVERNMENT GRANTS		(808,338)	(892,965)	(7,853)	110,143	(57,018)	85,704	(873,209)	(697,118)
Less: Taxation - Current		(10,593)	(10,651)	-	-	-	-	(10,593)	(10,651)
		(818,931)	(903,616)	(7,853)	110,143	(57,018)	85,704	(883,802)	(707,769)
Add: Government grants	16	935,584	1,050,604	-	-	-	-	935,584	1,050,604
Add: GST subvention grant	16	225,004	191,564	-	-	-	-	225,004	191,564
Less: Transfer to Sinking Funds (Minimum required by law)	4	(372,683)	(378,126)	-	-	-	-	(372,683)	(378,126)
		787,905	864,042	-	-	-	-	787,905	864,042
(DEFICIT)/SURPLUS FOR THE YEAR		(31,026)	(39,574)	(7,853)	110,143	(57,018)	85,704	(95,897)	156,273
Add: Accumulated surpluses as at 1 April		60,292	99,866	241,076	130,933	(20,617)	(106,321)	280,751	124,478
ACCUMULATED SURPLUSES AS AT 31 MARCH		29,266	60,292	233,223	241,076	(77,635)	(20,617)	184,854	280,751



HOUGANG TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2009

4. SINKING FUNDS

	Note	Residential Property		Commercial Property		Total	
		2009 S\$	2008 S\$	2009 S\$	2008 S\$	2009 S\$	2008 S\$
Balance as at 1 April		14,757,873	13,244,888	2,229,575	2,078,254	16,987,448	15,323,142
Add: Income - interest income		71,205	129,544	-	-	71,205	129,544
Add: Investment income		1,473,513	-	-	-	1,473,513	-
Operating transfers from: - Conservancy and service fees	3	1,950,129	1,891,188	124,534	151,321	2,074,663	2,042,509
- Minimum required by law							
Transfer from Government Grant	3	372,683	378,126	-	-	372,683	378,126
- Minimum required by law							
		3,867,530	2,398,858	124,534	151,321	3,992,064	2,550,179
Less: Expenditure		(1,766,281)	(865,752)	-	-	(1,766,281)	(865,752)
Less: Taxation	15	(244,913)	(20,121)	-	-	(244,913)	(20,121)
SURPLUS FOR THE YEAR		1,856,336	1,512,985	124,534	151,321	1,980,870	1,664,306
Balance as at 31 March		16,614,209	14,757,873	2,354,109	2,229,575	18,968,318	16,987,448
Add: Fair value reserve	4					(30,845)	1,641,592
						18,937,473	18,629,040
Represented by: -							
NON-CURRENT ASSETS							
Investments						8,169,155	8,441,592
CURRENT ASSETS							
Conservancy and service receivables						539,182	317,690
Interest receivable						11,273	31,320
Fixed deposits						7,563,313	7,582,616
Amount due from accumulated surplus						2,140,046	1,073,958
Cash and bank balances - sinking funds						759,417	1,201,985
						11,013,231	10,207,569
Less: CURRENT LIABILITIES							
Provision for taxation						(244,913)	(20,121)
NET CURRENT ASSETS						10,768,318	10,187,448
						18,937,473	18,629,040



HOUGANG TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2009

5. STAFF LOANS REVOLVING FUND

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

	2009 S\$	2008 S\$
Represented by:		
Cash and Bank Balances	<u>50,000</u>	<u>50,000</u>

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

6. OTHER PAYABLES, DEPOSITS AND ACCRUALS

Other payables	455,670	356,794
Deposits	47,122	70,426
Accruals	<u>446,563</u>	<u>272,970</u>
	<u>949,355</u>	<u>700,190</u>

7. PLANT AND EQUIPMENT

	Data Processing Equipment S\$	Furniture, Fixture Fittings S\$	Office Equipment S\$	Total S\$
Cost				
At 01.04.2007	748,991	184,149	99,251	1,032,391
Additions	<u>7,112</u>	<u>1,780</u>	<u>7,495</u>	<u>16,387</u>
At 31.03.2008/01.04.2008	756,103	185,929	106,746	1,048,778
Additions	<u>111,644</u>	<u>15,427</u>	<u>2,660</u>	<u>129,731</u>
At 31.03.2009	<u>867,747</u>	<u>201,356</u>	<u>109,406</u>	<u>1,178,509</u>
Accumulated Depreciation				
At 01.04.2007	642,913	109,412	69,331	821,656
Charge for the year	<u>56,666</u>	<u>23,455</u>	<u>11,662</u>	<u>91,783</u>
At 31.03.2008/01.04.2008	699,579	132,867	80,993	913,439
Additions	<u>59,336</u>	<u>21,877</u>	<u>10,133</u>	<u>91,346</u>
At 31.03.2009	<u>758,915</u>	<u>154,744</u>	<u>91,126</u>	<u>1,004,785</u>
Net Book Value				
At 31.03.2009	108,832	46,612	18,280	173,724
At 31.03.2008	<u>56,524</u>	<u>53,062</u>	<u>25,753</u>	<u>135,339</u>



HOUGANG TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2009

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2009 S\$	2008 S\$
Investments		
Balance as at beginning of year	8,441,592	6,800,000
Fair value adjustment	-	1,641,592
Disposal		
- at cost	(6,800,000)	-
- fair value realised	(1,641,592)	-
	<u>-</u>	<u>8,441,592</u>
Addition	8,200,000	-
Fair value adjustment	(30,845)	-
	<u>8,169,155</u>	<u>8,441,592</u>
Movement of fair value reserve during the year: -		
Balance as at beginning of year	1,641,592	1,405,130
Fair value adjustment	(30,845)	236,462
Realised of fair value	(1,641,592)	-
	<u>(30,845)</u>	<u>1,641,592</u>

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

	2009		2008	
	Cost S\$	Market value S\$	Cost S\$	Market value S\$
Equities - quoted	450,314	433,180	1,796,181	1,211,564
Bond - quoted	2,304,071	4,029,659	4,518,547	3,491,048
Notes - quoted	200,000	172,500	-	-
	<u>2,954,385</u>	<u>4,635,339</u>	<u>6,314,728</u>	<u>4,702,612</u>
Cash and deposits	5,245,615	3,533,816	485,272	3,738,980
	<u>8,200,000</u>	<u>8,169,155</u>	<u>6,800,000</u>	<u>8,441,592</u>

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



HOUGANG TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2009

9. CONSERVANCY AND SERVICE RECEIVABLES

	2009 S\$	2008 S\$
Conservancy and service receivables	1,348,323	1,414,140
Less: Allowance for doubtful debts		
Balance at beginning of year	(408,328)	(316,971)
Additions during the year	(13,910)	(91,357)
Balance at end of year	(422,238)	(408,328)
	<u>926,085</u>	<u>1,005,812</u>

10. OTHER RECEIVABLES AND PREPAYMENTS

	2009 S\$	2008 S\$
Other receivables	87,361	32,094
Prepayments	3,411	3,831
	<u>90,772</u>	<u>35,925</u>

11. AGENCY FEES

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

12. OTHER INCOME

	2009 S\$	2008 S\$
This comprises the following: -		
TOL fees	135,847	113,171
Income from lease of void decks and common property	45,523	34,090
Interest income from late payments of conservancy and service fees	84,402	130,659
Penalty and fines	10,890	-
Sales of tender documents	2,200	2,600
Agency fees	881	1,194
Unclaimed deposits for renovation works	(550)	18,100
Others	44,621	18,348
	<u>323,814</u>	<u>318,162</u>



HOUGANG TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2009

13. MANPOWER AND AFFILIATED COSTS

Salaries and allowances	959,637	1,003,349
Employer's contribution to CPF and SDL	114,311	113,795
Staff benefits and training	19,127	36,201
	<u>1,093,075</u>	<u>1,153,345</u>

14. GENERAL AND ADMINISTRATIVE EXPENDITURE

	2009 S\$	2008 S\$
The general and administrative expenditure comprises the following: -		
Advertising, publicity and public relations	14,458	4,367
Allowance for doubtful debts	13,910	91,357
Auditors' remuneration	14,000	14,000
Depreciation of plant and equipment	91,346	91,783
GST expenses	41,524	30,931
Office rental and upkeep	126,008	125,966
Office supplies and periodicals	31,135	37,957
Property tax	6,472	6,843
Town Councillors' allowances	31,200	30,800
Others	117,061	108,292
	<u>487,114</u>	<u>542,296</u>

15. INCOME TAX

	2009 S\$	2008 S\$
Provision for taxation in respect of the results of the year: -		
Accumulated surplus		
Current taxation	10,593	10,651
Sinking fund		
Current taxation	<u>244,913</u>	<u>20,121</u>
Tax expense	<u>255,506</u>	<u>30,772</u>



HOUGANG TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2009

15. INCOME TAX (Continued)

The tax expense on the results for the financial year varies from the amount of income tax determined by applying the Singapore standard rate of income tax to taxable income due to the following factors:

	2009 S\$	2008 S\$
Taxable income	<u>2,492,699</u>	<u>1,254,310</u>
Tax expense calculated at a tax rate of 17% (2008: 18%)	423,759	225,776
Singapore statutory income exemption	(380)	(3,137)
Tax effect of income tax concession	(189,109)	(191,867)
Tax effect of difference in tax rate	24,927	-
Other	<u>(3,691)</u>	<u>-</u>
Tax expense	<u>255,506</u>	<u>30,772</u>

16. GOVERNMENT GRANTS

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

	Conservancy and service grant 2009 S\$	2008 S\$
Government grants received during the year	935,584	1,050,604
GST subvention grant	<u>225,004</u>	<u>191,564</u>
	1,160,588	1,242,168
Less: Transfer to Sinking Fund (Note 4)	<u>(372,683)</u>	<u>(378,126)</u>
	<u>787,905</u>	<u>864,042</u>

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

	2009 S\$	2008 S\$
Total grants received as at 1 April	22,495,011	21,252,843
Add: Grants received during the year	<u>1,160,588</u>	<u>1,242,168</u>
Total grants received as at 31 March	<u>23,655,599</u>	<u>22,495,011</u>



HOUGANG TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2009

17. CASH AND CASH EQUIVALENTS

	2009 S\$	2008 S\$
Cash and bank balances	3,086,681	2,112,162
Fixed deposits	<u>7,563,313</u>	<u>7,582,616</u>
	10,649,994	9,694,778
Fixed deposit pledged	<u>(11,143)</u>	<u>(11,052)</u>
	<u>10,638,851</u>	<u>9,683,726</u>

Fixed deposit of S\$11,143 (2008: S\$11,052) is pledged to a local financial institution for facilities granted to the Town Council with an interest rate of 0.825% (2008: 0.825%) per annum.

18. COMMITMENTS FOR CAPITAL EXPENDITURE

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

	2009 S\$	2008 S\$
Amount approved and contracted for	<u>147,323</u>	<u>913,845</u>

19. OPERATING LEASE COMMITMENTS

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

	2009 S\$	2008 S\$
Payable within one year	88,395	49,800
Payable after one year but less than 5 years	<u>149,400</u>	<u>-</u>
	<u>237,795</u>	<u>49,800</u>
Office rental expense for the financial year	<u>99,600</u>	<u>99,600</u>

20. FINANCIAL INSTRUMENTS

Financial Risk Management Objectives And Policies

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

Interest Rate Risk

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



HOUGANG TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2009

20. FINANCIAL INSTRUMENTS (Continued)

Credit Risk

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

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

Liquidity Risk

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

Foreign Currency Risk

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

21. CATEGORIES OF FINANCIAL INSTRUMENTS

The following table sets out the financial instruments as at balance sheet date: -

	2009 S\$	2008 S\$
<u>Financial assets</u>		
Loans and receivables: -		
Conservancy and service receivables	926,085	1,005,812
Other receivables and prepayments	90,772	35,925
Interest receivable	465,078	464,771
Fixed deposits	7,563,313	7,582,616
Cash and bank balances	3,086,681	2,112,162
	<u>12,131,929</u>	<u>11,201,286</u>
Available-for-sale	8,169,155	8,441,592
Non-financial assets	173,724	135,339
	<u>20,474,808</u>	<u>19,778,217</u>
<u>Financial liabilities</u>		
Amortised cost: -		
Conservancy and service fees received in advance	93,929	86,073
Other payables, deposits and accruals	949,355	700,190
	<u>1,043,284</u>	<u>786,263</u>
Non-financial liability	259,197	32,163
	<u>1,302,481</u>	<u>818,426</u>



HOUGANG TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2009

22. FAIR VALUES

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

23. FRS AND INT FRS NOT YET ADOPTED

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

FRS 1	<i>Presentation of Financial Statements (Revised Presentation)</i>
FRS 102	<i>Amendments relating to vesting conditions and cancellations</i>
FRS 108	<i>Operating Segments</i>
Amendments to FRS 23	<i>Borrowing costs</i>
Amendments to FRS 32	<i>Financial Instruments: Presentation and FRS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation</i>
Amendments to FRS 39	<i>Financial Instruments: Recognition and Measurement – Eligible Hedged Items</i>
Amendments to FRS 101	<i>First-time Adoption Financial Reporting Standards and FRS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a subsidiary, Jointly Controlled Entity or Associate</i>
Amendments to FRS 107	<i>Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments</i>
INT FRS 113	<i>Customer Loyalty Programmes</i>
INT FRS 116	<i>Hedges of a Net Investment in a Foreign Operation</i>
INT FRS 117	<i>Distributions of Non-Cash Assets to Owners</i>
INT FRS 118	<i>Transfer of Assets from Customers</i>

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

The Town Council has not considered the impact of Accounting Standards issued after the balance sheet date.