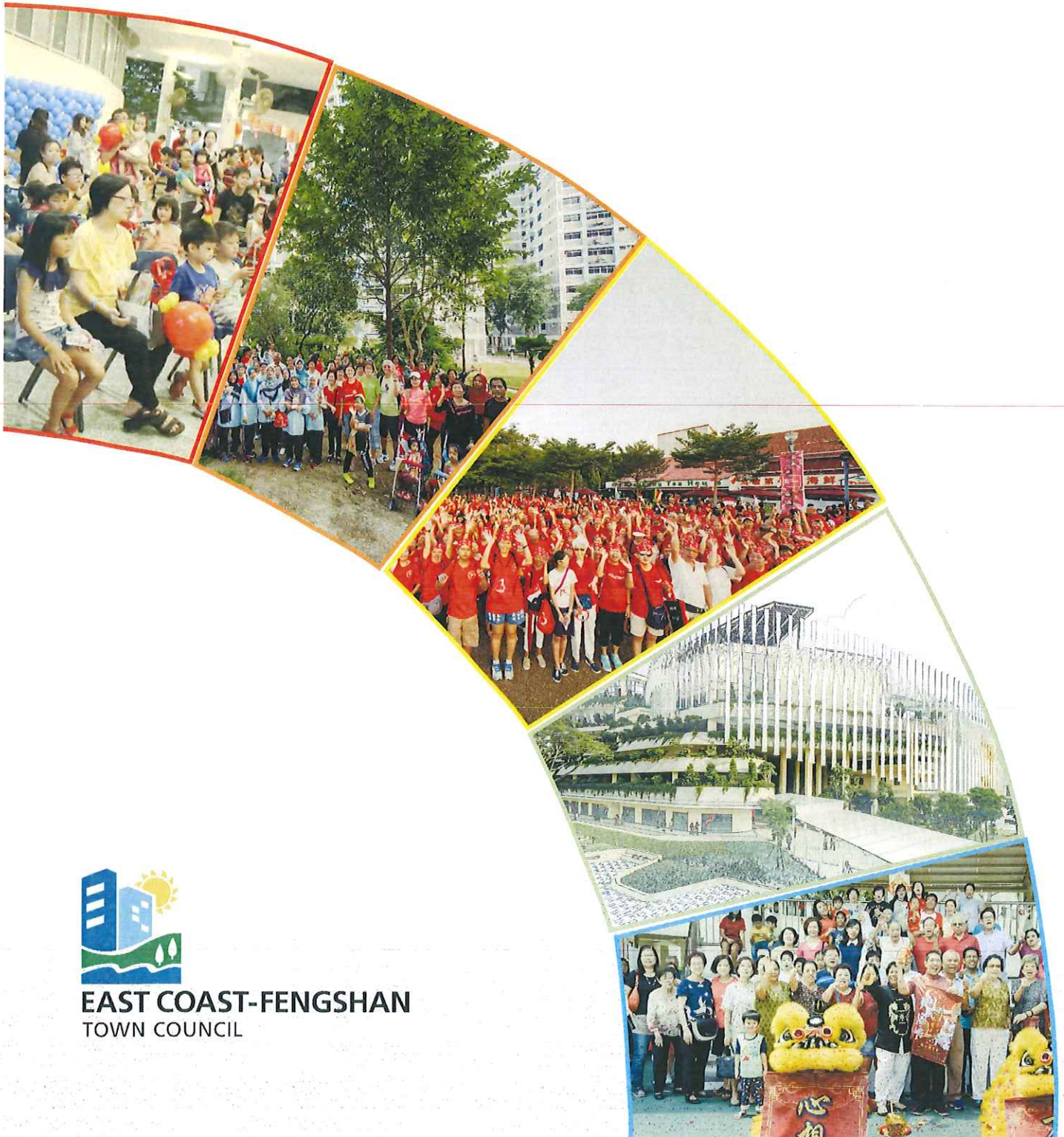


Annual Report

2017/2018



EAST COAST-FENSHAN
TOWN COUNCIL

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CORPORATE INFORMATION

1 April 2017 to 31 March 2018

East Coast-Fengshan Town Council manages and maintains the common properties of the HDB estates in Bedok, Changi Simei, Kampong Chai Chee, Siglap of East Coast Group Representation Constituency and Fengshan Single Member Constituency.

Residential

308	1-Room Flat
1,082	2-Room Flat
11,503	3-Room Flat
15,150	4-Room Flat
8,198	5-Room Flat
906	Executive Apt / Maisonette Flat

Commercial

998	Markets / Hawker Stalls
626	Shops
124	Miscellaneous
65	Banks / Offices

CHAIRMAN'S REVIEW



Financial Year 2017/2018 has been a year with excitement as well as challenges.

In view of the growing population, there will be new Build-To-Order projects coming in the next few years. Fengshan Greenville BTO project was partially launched last November and is expected to join East Coast – Fengshan Town in the coming year. We are happy to welcome the new residents into our big family.

In our constant efforts to look out for the evolving needs of our residents, we continue to explore ways for the community to participate actively to make our town a better place to live in.

With the official opening of Heartbeat@Bedok in February 2018 and the presence of Bedok Integrated Transport Hub and Bedok Town Square, it is our pleasure to see residents enjoying the accessibility and facilities in our estates, creating more vibrancy in our community.

To improve our estate facilities, we have rejuvenated several precincts through our upgrading programmes. We also continued to work on the safety and quality of living of our residents. Besides working on our estate infrastructure development projects, we are also focused on carrying out daily conservancy and maintenance work so as to ensure that our home and common facilities are in good condition.

Together with my team, we would like to thank our residents for your strong support and kind feedback provided during our house visits and dialogue sessions. We are dedicated to make East Coast-Fengshan a caring home for all.

FINANCIAL OVERVIEW

In the last financial year, we continued to meet our objectives through prudent financial management. From 1st April 2017 to 31st March 2018, we had an operating surplus of \$0.80 million and an accumulated surplus of \$4.19 million after government grants.

The Town Council's sinking fund and lift replacement fund closed at \$45.96 million and \$9.93 million respectively, indicating that we are financially healthy. The Sinking Fund is utilised for extensive cyclical works which are essential in maintaining our matured estate. By accumulating sinking fund over time, residents would not have to pay a large amount of money each time one of these major works needs to be carried out.

With effect from 1 April 2017, Town Councils are required to set up Lift Replacement Fund to ensure that there is enough money set aside for the replacements of lifts. To assist Town Councils in building up the Lift Replacement Fund, the Ministry of National Development will match half of their quarterly contributions to the Lift Replacement Fund.

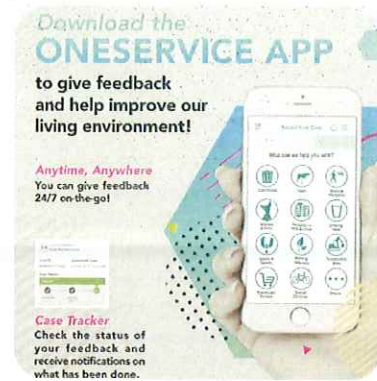
To ensure that our funds are able to meet the increasing cost, we invested our funds with prudence. Investments made are of low risk and capital guaranteed, safeguarding our interests.

COMMUNICATION

We value the feedback from our residents as we strive to meet their expectations.

Residents can choose to speak to us directly through our dedicated call centre or by sending an electronic mail through our general email address. They can also send in their feedback via our Facebook page or the Feedback Form on our Town Council official website.

With the integration of our system with The Municipal Services Office (MSO), we continue to work closely with them to offer residents another platform to provide their feedback on municipal issues via the OneService App. The app will automatically route each feedback to the relevant agency or directly to Town Council so that more timely service and response can be provided.



We appreciate the valuable feedback given by our residents, these are important information for us to continue improving our services.

TOWN COUNCIL MANAGEMENT REPORT

Besides residents' feedback, the Ministry of National Development (MND) also monitors the performance and services we provide. The Town Council Management Report (TCMR) is a framework which measures the Town Councils' performance across five categories:

1. Lift Performance
2. Estate Cleanliness
3. Estate Maintenance
4. S&CC Arrears Management
5. Corporate Governance

For the interim period of assessment from April 2017 to September 2017, we were rated green for Estate Cleanliness, Lift Performance, S&CC Arrears Management and Corporate Governance. However, we were rated amber for Estate Maintenance. According to the report, the top observation under "Estate Maintenance" was obstruction along the corridors and staircase landings. Cluttered corridors are dangerous as they hamper safe evacuation during an emergency as well as being potential fire hazards.

We seek the co-operation of our residents to keep our corridors and staircases clear of obstruction. Efforts to educate residents on the importance of clutter-free corridors include publishing educational posters in our bi-monthly newsletters and putting up such notices on our estate noticeboards.

We do offer Bulky Item Removal Service free of charge. Through all these measures, the Town Council hopes to reduce incidents of obstruction and illegal dumping.

Although we were rated green for Lift Performance, we will continue to closely monitor the performance of our aging lifts. We will also tighten our processes to ensure that the maintenance are done promptly with downtime reduced and to ensure that all our lifts are safe and reliable for our residents.

APPRECIATION TO THE CLEANERS

To show our appreciation and recognition to the work and dedication of our conservancy workers, we held a Cleaners' Appreciation Day in conjunction with the annual "Keep Clean Singapore" project on 22nd July 2017.



Together with students of Changkat Changi Secondary School and residents of Simei, Member of Parliament Ms Jessica Tan and participants walked around the neighbourhood to pick up litter in the estates.



During the event, our resident cleaners were given a day off where they were treated to breakfast in Changi Simei CC and had a photobooth set up for them to take memorable shots. An award ceremony was also held as the Best Worker, Happy Toilet Award and appreciation gifts were given out to our resident cleaners by Members of Parliament Ms Jessica Tan and Ms Cheryl Chan.

Through these exercises, we hope to create greater awareness and learn the importance of everyone's effort in keeping our estates clean.

CYCLICAL WORKS

At the start of each financial year, we set aside our budget to plan for a comprehensive cyclical work programmes. This is one of our major expenditure and is essential to keep our home and common facilities in good condition.

Cyclical works include electrical re-wiring, re-roofing, re-decoration & repainting, water pipes, water pumps, refuse chute flushing system and etc. They are carried out regularly to ensure optimum condition of our facilities and amenities.

In this financial year, a total of \$8.82 million was spent on these essential works.

With the implementation of the Lift Enhancement Program to further improve and ensure the safety of the lifts in the estate, we have spent a total of \$4.34 million on lift maintenance works.

REVITALISATION OF THE TOWN

In this financial year, the following HDB's projects to revitalize the Town Centre are still in progress. Residents can look forward to a rejuvenated town centre by end of 2017.

BEDOK INTEGRATED COMPLEX- HEARTBEAT@BEDOK



Heartbeat@Bedok was officially opened on the 4th of February 2018. Prime Minister Lee Hsien Loong and the Advisers to East Coast GRC Grassroots joined more than 4,000 residents for the event. The guests were invited on a tour around the new integrated lifestyle hub which houses many amenities and facilities for residents of all ages.

Heartbeat @ Bedok will be one of the largest integrated Complexes in Singapore, housing facilities such as the Kampong Chai Chee Community Club (CC), Sport Singapore's indoor and outdoor sports facilities, Bedok

Library, Bedok Polyclinic, Senior Care Centre, Childcare Centre, F&B and retail outlets. The complex sits on a 2.1 hectare land, and is within walking distance from Bedok MRT Station and Bus Interchange. Heartbeat@Bedok is now unveiled and ready to serve you!

NEIGHBOURHOOD RENEWAL

The Neighbourhood Renewal Programme (NRP) is a national project to inject new facilities and amenities into the existing estate. Residents can look forward to an upgraded neighbourhood with new common area facilities such as children playgrounds, drop-off point, jogging tracks etc. These improvements to the common spaces will enhance the living environment for residents.

This programme is fully funded by the Government and implemented by the Town Council. It is managed by the Working Committee consisting of Town Council, Grassroots organisations, HDB and appointed consultants.

We actively engage residents by seeking feedback and suggestions on the proposed improvements for the neighbourhood through dialogue sessions, NRP public consultations, exhibitions and surveys. Feedback is then considered and if deemed feasible, incorporated into the design proposal for the Consensus Gathering Exercise.

In East Coast GRC – Block 141, 142, 144-151, 153-166 and 221-235 Simei Street / Road were completed in 2017 and Block 242-247 and 253-256 Simei Street 5 and 1 will be undergoing NRP.

Residents of Block 242 to 247 and 253 to 256 Simei Street 5 and 1 participated in Public consultation for the NRP in July 2017 where residents were briefed on the proposals and invited to give feedback.



In March 2018, Consensus Gathering was conducted. We aimed to garner 75% support from the residents in the subsequent months with the final design proposal. Afterwhich, we will proceed to the next stage of NRP.



We look forward to the residents' active participation and support for the NRP. This enable us to create a more lively and conducive environment for all residents in the precinct.

TOWN IMPROVEMENT PROJECTS

Every Town Improvement Projects we implemented was chosen with careful consideration. We consulted and held discussions with our grassroots organisations and residents to better understand the needs of the estate. For FY 17/18, a total of \$2.13 million was invested in town improvement projects.

The main focus of this year's projects was to create a more elder-friendly and vibrant town. We have constructed more integrated playgrounds and elder-fitness corner, drop-off porches, linkways, barrier-free access as well as upgraded our existing facilities.

HOME IMPROVEMENT PROGRAMME

The Home Improvement Programme (HIP) is another ongoing upgrading programme in our town. This project is managed and implemented by the Housing and Development Board (HDB).

No.	Division	Location	Status
1.	Fengshan	Block 74 – 82 Bedok North Road	In progress
2.	Fengshan	Block 84, 86 – 93, 95 – 97 Bedok North Street 4/ Avenue 4	In progress

3.	Kampong Chai Chee	Block 401 – 413 Bedok North Avenue 2/3	In progress
4.	Siglap	Block 155-172 Bedok South Rd/ Avenue 3	In progress

To keep our residents informed of the progress, we provide regular updates of our projects in our website, newsletters and regular circulars. To ensure that residents' feedback are attended promptly, we ensure that feedback received is channelled to the HIP service centre and HDB.

CONCLUSION

East Coast - Fengshan is a beautiful town because of our residents. Any feedback from the public is always a learning opportunity for us. I would like to express my deepest gratitude to all our residents. We will continue to work to improve our service to you.

I would also like to extend my appreciation to my parliamentary colleagues, the Town Councillors, grassroots organisations, the various government and statutory agencies. Their commitment and co-operation have been a great support in our endeavour to provide the best for our residents.

Together, we work hard to make East Coast-Fengshan Town our best home.



Jessica Tan Soon Neo
Chairman

Financial statements

EAST COAST-FENGLISHAN TOWN COUNCIL

(Established under Town Councils Act, Cap. 329A)

For the year ended 31 March 2018

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Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of East Coast-Fengshan Town Council (the "Town Council"), which comprise the statement of financial position as at 31 March 2018, the statement of income and expenditure, statement of comprehensive income, statement of changes in Town Council funds and statement of cash flows of the Town Council for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Town Council are properly drawn up in accordance with the provisions of the Town Council's Act, Chapter 329A (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the financial position of the Town Council as at 31 March 2018, 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 for Opinion

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

Other Information

Management is responsible for the other information. The other information comprises the Chairman's Review 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.

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

Management is responsible for the preparation and fair presentation of 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 the Minister for National Development'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.

Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

- 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 the management and 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, investment of moneys and the acquisition and disposal of assets by the Town Council during the financial year ended 31 March 2018 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.

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 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.



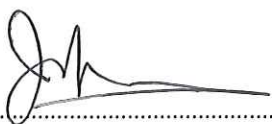
AT ADLER
Public Accountants and Chartered Accountants

Singapore, 30 August 2018

Statement of financial position

as at 31 March 2018

	Notes	2017/2018 \$	2016/2017 \$
TOWN COUNCIL FUND			
Residential Property			
Accumulated surplus	3	1,263,191	1,674,246
Sinking Fund	4	18,366,294	21,003,894
Lift Replacement Fund	5	4,808,532	-
Town Improvement and Project Fund	6	173,177	446,457
		24,611,194	23,124,597
Other Commercial Property			
Accumulated surplus	3	1,798,742	1,384,790
Sinking Fund	4	27,603,164	31,481,128
Lift Replacement Fund	5	5,128,922	-
Town Improvement and Project Fund	6	26,167	52,716
		34,556,995	32,918,634
Carpark			
Accumulated surplus	3	1,129,284	849,131
		60,297,473	56,892,362
Represented by:			
Non-Current Assets			
Plant and equipment	7	441,930	47,706
		441,930	47,706
Current Assets			
Financial assets at fair value through profit or loss	8	19,568,310	17,375,722
Receivable from Neighbourhood Renewal Programme	13(a)	448,837	117,021
Conservancy and service fee receivables	9	462,944	439,479
Other receivables	10	2,567,184	2,394,264
Interest/investment income receivable		309,039	394,948
Fixed deposits	11	33,675,458	38,561,614
Cash and bank balances	12	6,433,788	2,627,714
		63,465,560	61,910,762
Total Assets		63,907,490	61,958,468
Less:			
Current Liabilities			
Conservancy and service fees received in advance		489,677	389,833
Payables and accrued expenses	13(b)	2,576,117	4,126,610
Current tax payable	20(b)	544,223	549,663
		3,610,017	5,066,106
Total Liabilities		3,610,017	5,066,106
Net Assets		60,297,473	56,892,362



 JESSICA TAN
 Chairman



 TAN GIM TAT
 Secretary

Date: 30 August 2018

Statement of income and expenditure for the financial year ended 31 March 2018

	Notes	2017/2018 \$	2016/2017 \$
OPERATING INCOME			
Conservancy and service fees		27,637,581	25,903,754
Less: Operating transfer to Sinking Fund	3,4	7,185,771	8,765,771
Less: Operating transfer to Lift Replacement Fund	3,5	3,869,267	-
		16,582,543	17,137,983
Agency fees	14	1,905,807	1,826,263
Other income	15	2,283,677	2,239,058
		20,772,027	21,203,304
Less:			
OPERATING EXPENDITURE			
Cleaning works		4,769,064	4,903,960
Managing agent's fees		3,403,193	2,835,642
Lift maintenance		3,994,606	3,948,559
Other works and maintenance		3,529,280	3,982,851
Water and electricity		5,989,911	5,702,488
General and administrative expenditure	17	1,433,779	1,379,477
		23,119,833	22,752,977
OPERATING DEFICIT		(2,347,806)	(1,549,673)
Add:			
NON-OPERATING INCOME			
Interest income		57,046	71,067
DEFICIT BEFORE TAXATION AND GOVERNMENT GRANTS		(2,290,760)	(1,478,606)
GRANTS			
Less:			
Income tax	20(a)	138,795	144,709
DEFICIT BEFORE GOVERNMENT GRANTS		(2,429,555)	(1,623,315)
Add:			
Government Grants	21	8,960,630	6,060,328
Less: Transfer to Sinking Fund	3,4,21	1,401,664	1,546,259
Less: Transfer to Lift Replacement Fund	3,5,21	3,008,831	-
Less: Transfer to Town Improvement and Project Fund	3,6,21	1,315,530	1,245,607
		3,234,605	3,268,462
SURPLUS FOR THE YEAR		805,050	1,645,147
Add:			
Accumulated surplus at 1 April		3,908,167	2,668,020
Appropriation to Town Improvement and Project Fund	3,6	(522,000)	(405,000)
ACCUMULATED SURPLUS AT 31 MARCH		4,191,217	3,908,167

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 2018

	Notes	Total		Residential Property		Commercial Property		Carpark	
		2017/2018	2016/2017	2017/2018	2017/2016	2017/2018	2016/2017	2017/2018	2016/2017
		\$	\$	\$	\$	\$	\$	\$	\$
Surplus/(deficit) for the year									
- Accumulated surplus	3	805,050	1,645,147	62,945	864,794	461,952	444,117	280,153	336,236
- Sinking Fund	4	832,339	(8,869,438)	302,943	(7,799,347)	529,396	(1,070,091)	-	-
- Lift Replacement Fund	5	2,589,551	-	1,867,989	-	721,562	-	-	-
- Town Improvement and Project Fund	6	(821,829)	(259,827)	(747,280)	(244,543)	(74,549)	(15,284)	-	-
Total surplus/(deficit) for the year		3,405,111	(7,484,118)	1,486,597	(7,179,096)	1,638,361	(641,258)	280,153	336,236
Other comprehensive income, net of taxation		-	-	-	-	-	-	-	-
Total comprehensive income/(loss) for the year attributable to Town Council Fund		3,405,111	(7,484,118)	1,486,597	(7,179,096)	1,638,361	(641,258)	280,153	336,236

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

Statement of changes in funds
for the financial year ended 31 March 2018

	Total \$	Residential Property \$	Commercial Property \$	Carpark \$
Balance at 1 April 2016	64,376,480	30,303,693	33,559,892	512,895
Total comprehensive (loss)/income for the year	(7,484,118)	(7,179,096)	(641,258)	336,236
Balance at 31 March 2017	56,892,362	23,124,597	32,918,634	849,131
Balance at 1 April 2017	56,892,362	23,124,597	32,918,634	849,131
Total comprehensive income for the year	3,405,111	1,486,597	1,638,361	280,153
Balance at 31 March 2018	60,297,473	24,611,194	34,556,995	1,129,284

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

Statement of cash flows

for the financial year ended 31 March 2018

	Notes	2017/2018 \$	2016/2017 \$
Cash Flows from Operating Activities			
Deficit before taxation and government grants	3	(2,290,760)	(1,478,606)
Adjustments for:			
Depreciation of plant and equipment	7	40,899	22,913
Conservancy and service fees transferred to Sinking Fund	4	7,185,771	8,765,771
Conservancy and service fees transferred to Lift Replacement Fund	5	3,869,267	-
Interest income	3	(57,046)	(71,067)
Operating surplus before working capital changes		8,748,131	7,239,011
Increase/(Decrease) in conservancy and service fee received in advance		99,844	(50,146)
Decrease/(Increase) in conservancy and service fee receivables and other receivables		164,379	(139,502)
Net movement in receivable/advances received for Neighbourhood Renewal Programme		(331,816)	(2,002,759)
(Decrease)/Increase in payables		(1,611,672)	1,487,156
Cash generated from operations		7,068,866	6,533,760
Income tax paid	20(b)	(267,392)	(286,228)
Funds transferred to Marine Parade Town Council		-	(365,930)
Sinking Fund expenditure	4	(8,827,689)	(20,434,927)
Lift Replacement Fund Expenditure	5	(4,346,603)	-
Town Improvement and Project Fund expenditure	6	(2,137,359)	(1,505,434)
Net cash used in operating activities		(8,510,177)	(16,058,759)
Cash Flows from Investing Activities			
Purchase of plant and equipment	7	(435,123)	-
Interest and investment income received		564,623	736,590
Proceeds from held-to-maturity investments redeemed		-	2,000,000
Net cash generated from investing activities		129,500	2,736,590
Cash Flows from Financing Activities			
Fixed deposit pledged		(80)	(79)
Government grants received	21(b)	8,597,740	6,257,300
Net cash generated from financing activities		8,597,660	6,257,221
Net increase/(decrease) in cash and cash equivalents		216,983	(7,064,948)
Cash and cash equivalents at beginning of year		39,627,301	46,692,249
Cash and cash equivalents at end of year	12	39,844,284	39,627,301

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

Notes to the financial statements

for the financial year ended 31 March 2018

1 General information

The financial statements of the Town Council are presented in Singapore dollars. They are drawn up in accordance with the Financial Reporting Standards in Singapore and the provisions of the Town Councils Act Cap. 329A. The financial statements were approved and authorised for issue by the Town Council on 30 August 2018.

East Coast Town Council (“the Town Council”) was formed on 13 January 1997 by the Town Councils (Declaration of Towns) Order 1997 under the Town Councils Act, Cap. 329A. East Coast Town Council is managing and maintaining East Coast Group Representation Constituency (GRC), which comprises Bedok, Changi Simei, Fengshan, Kampong Chai Chee, Siglap – five divisions. The Town Council is also managing and maintaining one Single Member Constituency (SMC) – Joo Chiat division.

As a result of the redrawing of the electoral boundaries after the General Elections held on 11 September 2015, there have been changes to the East Coast Town Council boundary and the Town Council has been renamed as East Coast-Fengshan Town Council with effect from 1 October 2015. The legal date of handing over of the maintenance of the common properties for Joo Chiat Division to Marine Parade Town Council was on 1 December 2015. The Town Council now consists of East Coast GRC and Fengshan SMC.

The principal place of operation is at Block 206, Bedok North Street 1, #01-353, Singapore 460206.

The functions of the Town Council are to control, manage, maintain and improve the common property of residential, other commercial property and market and food centres in the housing estates of the Housing and Development Board within the Town.

The daily operation of the Town Council has been outsourced to EM Services Pte Ltd and the Town Council ceased to employ employee as of 31 March 2018 (2016/2017 – 1).

2(a) Basis of preparation

The financial statements are prepared in accordance with the provisions of the Town Councils Act and Financial Reporting Standards in Singapore (“FRS”) including related Interpretations to FRS (“INT FRS”) promulgated by the Accounting Standards Council (“ASC”).

The financial statements are presented in Singapore dollars which is the Town Council’s functional currency. All financial information is presented in Singapore dollars, unless otherwise stated.

Critical judgements, assumptions and estimation uncertainties

The preparation of the financial statements in conformity with FRS requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management’s best knowledge of current events and actions, actual results may ultimately differ from those estimates.

2(a) Basis of preparation (cont'd)

Critical judgements, assumptions and estimation uncertainties (cont'd)

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 amounts of assets and liabilities are discussed below:

(i) Impairment for bad and doubtful debts

Impairment for doubtful conservancy and service debts and legal fees amounting to \$378,746 (2016/2017 - \$383,551), have been estimated on the basis of age of debts, results of recovery efforts and historical experience.

(ii) Depreciation of plant and equipment

Plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of plant and equipment to be 5 years. The carrying amount of the plant and equipment as at 31 March 2018 was \$441,930 (2016/2017 - \$47,706). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(iii) Income tax

Significant judgement is required in determining the provision for income taxes. There are also claims for which the ultimate tax determination is uncertain during the ordinary course of business. The Town Council recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. When the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax provisions in the period in which such determination is made.

Interpretations and amendments to published standards effective in 2017

On 1 April 2017, the Town Council has adopted the new or revised FRS that are mandatory for application from that date and are relevant to its operations.

The adoption of new or amended FRS did not result in substantial changes to the Town Council's accounting policies and had no material effects on the amounts reported for the current or prior financial years.

At the date of authorization of these financial statements, the following are the FRS and INT FRS that are relevant to the Town Council which were issued but not yet effective and which the Town Council has not early adopted:

Reference	Description	Effective date (Annual periods beginning on or after)
FRS 109	Financial Instruments	1 January 2018
FRS 115	Revenue from Contracts with Customers	1 January 2018
FRS 116	Leases	1 January 2019

2(b) New or revised accounting standards and interpretations not yet effectiveFRS 115 Revenue from Contracts with Customers

FRS 115 is effective for financial periods beginning on or after 1 January 2018. FRS 115 establishes a five-step model that apply to revenue earned from a contract with a customer (with limited exceptions), regardless the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment).

Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgements and estimates.

FRS 109 Financial Instruments

FRS 109 is effective for financial periods beginning on or after 1 January 2018. FRS 109 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in FRS 39. The approach in FRS 109 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets, and enables entities to reflect their risk management activities better in their financial statements, and, in turn, help to understand the effect of those activities on future cash flows. FRS 109 is principle-based, and will more closely align hedge accounting with risk management activities undertaken by entities when hedging their financial and non-financial risk exposures. The impairment requirement in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model.

FRS 116: Leases

FRS 116 will fundamentally alter the impact of leases on lessees' profit or loss and statement of financial position – the current divide between finance and operating leases is removed, along with the off-statement of financial position treatment for lessees in the latter. FRS 116 introduces a single on-statement of financial position lease accounting model for lessees that is similar to current finance lease accounting. FRS 116 largely preserved the accounting for lessors other than enhanced disclosures about their risk exposures, in particular residual value risk. Lessors continue to assess whether an arrangement is an operating or a finance lease by using criteria similar to the current lease classification test.

The adoption of FRS 115 and FRS 109 are not expected to have any significant impact on the financial statements of the Town Council. The management is currently evaluating the impact of the changes and assessing whether the adoption of FRS 116 will have an impact on the Town Council.

2(c) Summary of significant accounting policies**(a) Funds****Town Council Fund**

In accordance with Section 33(1) of the Town Councils Act, separate funds are established to account for the management of the various types of properties.

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

(a) Funds (cont'd)

Town Council Fund (cont'd)

The types of properties currently under the management of the Town Council are as follows:

- Residential Property
- Commercial Property
- Carparks are managed by the Town Council for the Housing and Development Board (HDB) on an agency basis.

These funds together with Sinking Fund, Lift Replacement Fund and Town Improvement and Project Fund form the Town Council Fund.

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.

Sinking Fund

In accordance with Section 33(4) of the Town Councils Act, a separate Sinking Fund is established for the improvement to, management and maintenance of residential property and other commercial property. This Sinking Fund is maintained as part of the Town Council Fund.

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, less LRF matching grant-in-aid to be paid into the Sinking Fund.

For the past financial years up to FY 2016/2017, the minimum amounts to be paid into the Sinking Fund were as follows:

	Property Type	Percentage of Conservancy and Service Fees and Grant-in-Aid, less LRF Matching Grant-in-Aid
(i)	1-room to 3-room	30%
(ii)	4-room	35%
(iii)	5-room and Executive	35%
(iv)	Shop with living accommodation	35%
(v)	Commercial property	35%

The minimum amount to be paid into Sinking Fund has been revised to 26% for all residential and commercial properties with effect from 1 April 2017.

2(c) Summary of significant accounting policies (cont'd)**(a) Funds (cont'd)****Sinking Fund (cont'd)**

These minimum contributions are treated as operating transfers and netted off against the conservancy and service fees and government grants in the Statement of Income and Expenditure.

The Sinking Fund is utilised for cyclical major repainting, renewal or replacement of roofing system, water tanks, pumps and water supply system, lightning protection system and 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 Act.

Lift Replacement Fund ("LRF")

In accordance with Section 33(4A) of the Town Councils Act, a separate sinking fund, called a Lift Replacement Fund is established for residential property and for commercial property in the housing estates to meet the cost of expenditure related to the replacement of lifts or lift upgrading works with effect from 1 April 2017.

To assist Town Councils in building up the LRF, the Ministry of National Development will provide a 50% matching grant to the following contributions Town Councils make to the LRF:

- (i) Quarterly contributions to the LRF from S & CC collections and other grants-in-aids, including voluntary contributions beyond the minimum LRF contribution rate; and
- (ii) Voluntary contributions of Operating Fund surpluses to the LRF at the end of a financial year, as allowed under Section 33(9) of the amended Town Councils Act.

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, less LRF matching grant-in-aid to be paid into the Lift Replacement Fund.

The minimum amount to be paid into Lift Replacement Fund is 14% for all residential and commercial properties with effect from 1 April 2017.

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

Town Improvement and Project Fund

The Town Council maintains a Town Improvement and Project Fund as part of the Town Council Fund. This Fund is utilised for improvement and development works in the Town.

The fund is set up by transfer from Accumulated Surplus based on specific projects to be carried out. In addition, the Town Council receives payments from Citizens' Consultative Committee (CCC) for approved projects.

Expenditure on Town Improvement Projects is taken directly to the Town Improvement and Project Fund. Payments from CCC are shown as part of Government Grants in the Statement of Income and Expenditure and then transferred to the Town Improvement and Project Fund.

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

(b) 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 36 Motor Cycle Lots or 4 Lorry Lots	1

No overheads are allocated to the Sinking Fund, Lift Replacement Fund and Town Improvement and Project Fund.

(c) Government Grants

The Town Council receives five types of grants from Government, namely, Conservancy and Service Grant, Lift Maintenance Grant, LRF Matching Grant, GST Subvention Grant and Payment from Citizens' Consultative Committee.

Conservancy and Service Grant to meet the current year's expenditure is taken to the Statement of Income and Expenditure.

The Lift Maintenance Grant helps Town Councils cope with the higher lift-related servicing and maintenance costs.

The LRF Matching Grant is to assist Town Councils in building up the LRF.

The GST Subvention is given as grants-in-aid to Town Councils for absorbing the GST increase in conservancy and service charges for residential properties.

Payment from Citizen's Consultative Committee is given as reimbursement claims under the Community Improvement Projects Committee scheme.

Government grants are recognised at their fair value where there is reasonable assurance that the grants will be received and all required conditions will be complied with. Grants to meet the current year's operating expenditure are taken to the Statement of Income and Expenditure.

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

(d) Plant and equipment and depreciation

Plant and equipment are stated at cost less accumulated depreciation and any impairment loss. Depreciation is calculated on the straight line basis to write off the cost of the assets over their estimated useful lives as follows:

Machinery	5 years
Furniture and fittings	5 years
Office equipment	5 years

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

The cost of plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are included as part of the cost of plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

Subsequent expenditure relating to plant and equipment that have been recognized is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Town Council and the cost can be measured reliably. Other subsequent expenditure is charged to the Statement of Income and Expenditure during the financial year in which it is incurred.

For acquisitions and disposals during the financial year, depreciation is provided from the month of acquisition and to the month before disposal respectively.

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate, at each reporting date as a change in estimates.

(e) Financial assets

(a) Classification

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

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

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management.

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

(e) Financial assets (cont'd)

(a) Classification (cont'd)

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Town Council provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except those maturing more than 12 months after the end of the reporting period. These are classified as non-current assets. Loans and receivables include conservancy and service fee receivables, other receivables, interest/investment income receivable, fixed deposits and cash and bank balances on the statement of financial position.

(b) Recognition and derecognition

Purchase and sale of financial assets are recognised on trade-date, the date on which the Town Council commits to purchase or sell the assets. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Town Council has transferred substantially all risks and rewards of ownership.

(c) Initial measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognized immediately as expenses.

(d) Subsequent measurement

Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables is carried at amortised cost using the effective interest method.

Realised and unrealised gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" investment category are included in the Statement of Income and Expenditure in the period in which they arise.

(e) Determination of fair value

The fair value of financial assets traded in active markets (such as exchange-traded and over-the-counter securities) are based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Town Council is the current bid price and the appropriate quoted market price for financial liabilities is the current ask price.

The carrying amount of current financial assets and liabilities, carried at amortised costs, are assumed to approximate their fair values.

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

(e) Financial assets (cont'd)

(f) Impairment of financial assets

The Town Council assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. All impairment losses are recognised in the Statement of Income and Expenditure. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior years.

(g) Reversal of impairment

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

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the amortised cost had no impairment loss been recognised in prior periods.

(f) Funds with fund manager

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

Funds with fund manager comprises 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 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 manager on an agreed basis.

(g) Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less allowance for impairment. An allowance for impairment of 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. When a receivable becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in the statement of Income and Expenditure.

2(c) Summary of significant accounting policies (cont'd)**(h) Cash and cash equivalents**

Cash and cash equivalents are defined as cash on hand, demand deposits and short term, highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

Cash on hand and in banks and short-term deposits which are held to maturity are carried at cost.

(i) Receivable/Advances received for Neighbourhood Renewal Programme

Neighbourhood Renewal Programme (NRP) is established in respect of the NRP works carried out on the qualifying properties to upgrade the quality of HDB estates. It is implemented by the Town Council with full funding from the Government.

The funding for the programme belongs to the government which is received in advance and is for the specific use of projects under the programme. The funding is subject to a budget allocation of \$3,400 per dwelling unit to cover NRP expenditure and \$150 per dwelling unit or \$125,000, whichever is higher to cover miscellaneous NRP expenditure. However, if the cost of project works incurred exceeds the funding provided, the Town Council has to bear the cost of excess expenditure.

(j) Payables

Payables are initially measured at fair value (net of transaction costs), and subsequently measured at amortised cost, using the effective interest method.

(k) Provisions

Provisions are recognised when the Town Council has a present obligation (legal or constructive) as a result of a past event, where 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. Provision are made using best estimates of the amount required in settlement and where the effect of the time value of money is material, the amount recognised is the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense. Changes in estimates are reflected in the Statement of Income and Expenditure in the period they occur.

(l) Revenue recognition

Conservancy and service fees and agency fees are recognised when due. Interest income from fixed deposits are recognised on a time-proportion basis using the effective interest method.

Investment income from investments in financial assets held at fair value through profit or loss is recognised in Sinking Fund.

2(c) Summary of significant accounting policies (cont'd)**(m) Income tax**

Income tax is provided on the following income:

- (i) Income derived from investments and bank deposits;
- (ii) Agency fee derived from acting as agents for HDB;
- (iii) Fees, rents and other charges, received from non-residents of properties in the Town; and
- (iv) Donations from non-residents or non-owners of properties in the Town.

The income taxes are accounted using the liability method that requires the recognition of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequence of events that have been recognised in the financial statements or tax returns. The measurements of current and deferred tax liabilities and assets are based on provisions of the enacted or substantially enacted tax laws; the effects of future changes in tax laws or rates are not anticipated. Income tax expense represents the sum of the tax currently payable and deferred tax. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same income tax authority. The carrying amount of deferred tax assets is reviewed at each reporting date and is reduced, if necessary, by the amount of any tax benefits that, based on available evidence, are not expected to be realised. A deferred tax amount is recognised for all temporary differences.

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

(n) Employee benefitsDefined contribution plan

The Town Council operates a defined contribution plan in the form of Central Provident Fund. The Town Council's obligation, in regard to the defined contribution plan is limited to the amount it contributes to the fund. The expenses are disclosed under manpower cost and general administrative expenditure accordingly (Note 17).

Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. Accrual is made for unconsumed leave as a result of services rendered by employees up to the end of the reporting period.

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

(o) Impairment of non-financial assets

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount to the extent that it does not exceed the carrying value that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately or credited to the fund to which the asset relates.

(p) Operating leases

Operating leases are accounted for in the Statement of Income and Expenditure on a straight-line basis over the periods of the respective leases.

(q) Inter-fund transfer

The Town Council may make inter-fund transfers with the criteria as set out in Sections 33(9) and 43(1)(i) of Town Councils Act (Cap. 329A), and Rule 11A of Town Councils Financial Rules.

(r) Functional currency

Items included in the financial statements of the Town Council are measured using the currency of the primary economic environment in which the Town Council operates (the “functional currency”). The financial statements of the Town Council are presented in Singapore dollar which is also the functional currency of the Town Council.

**East Coast-Fengshan Town Council
(Established under the Town Councils Act, Cap. 329A)
Notes to the financial statements for the financial year ended 31 March 2018**

3 Accumulated surplus

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

	Note	Total		Residential property		Commercial property		Carpark	
		2017/2018	2016/2017	2017/2018	2016/2017	2017/2018	2016/2017	2017/2018	2016/2017
		\$	\$	\$	\$	\$	\$	\$	\$
OPERATING INCOME									
Conservancy and service fees		27,637,581	25,903,754	23,974,083	22,562,534	3,663,498	3,341,220	-	-
Less: Operating transfer to Sinking Fund	4	7,185,771	8,765,771	6,233,264	7,596,342	952,507	1,169,429	-	-
Less: Operating transfer to Lift Replacement Fund	5	3,869,267	-	3,356,377	-	512,890	-	-	-
		16,582,543	17,137,983	14,384,442	14,966,192	2,198,101	2,171,791	-	-
Agency fees	14	1,905,807	1,826,263	-	-	-	-	1,905,807	1,826,263
Other income	15	2,283,677	2,239,058	1,657,239	1,638,347	591,011	555,164	35,427	45,547
		20,772,027	21,203,304	16,041,681	16,604,539	2,789,112	2,726,955	1,941,234	1,871,810
Less:									
OPERATING EXPENDITURE		23,119,833	22,752,977	19,143,974	18,947,073	2,322,027	2,276,751	1,653,832	1,529,153
OPERATING (DEFICIT)/SURPLUS		(2,347,806)	(1,549,673)	(3,102,293)	(2,342,534)	467,085	450,204	287,402	342,657
Add:									
NON-OPERATING INCOME		57,046	71,067	47,360	58,970	4,680	5,864	5,006	6,233
(DEFICIT)/SURPLUS BEFORE TAXATION AND GOVERNMENT GRANTS		(2,290,760)	(1,478,606)	(3,054,933)	(2,283,564)	471,765	456,068	292,408	348,890
Less:									
Income tax	20(a)	138,795	144,709	115,287	120,104	11,253	11,951	12,255	12,654
(DEFICIT)/SURPLUS BEFORE GOVERNMENT GRANTS		(2,429,555)	(1,623,315)	(3,170,220)	(2,403,668)	460,512	444,117	280,153	336,236
Add:									
Government grants	21	8,960,630	6,060,328	8,556,096	5,944,241	404,534	116,087	-	-
Less: Transfer to Sinking Fund	4,21	1,401,664	1,546,259	1,401,040	1,546,259	624	-	-	-
Less: Transfer to Lift Replacement Fund	5,21	3,008,831	-	2,755,572	-	253,259	-	-	-
Less: Transfer to Town Improvement and Project Fund	6,21	1,315,530	1,245,607	1,166,319	1,129,520	149,211	116,087	-	-
		3,234,605	3,268,462	3,233,165	3,268,462	1,440	-	-	-
SURPLUS FOR THE YEAR		805,050	1,645,147	62,945	864,794	461,952	444,117	280,153	336,236
Add:									
ACCUMULATED SURPLUS AT 1 APRIL		3,908,167	2,668,020	1,674,246	1,178,452	1,384,790	976,673	849,131	512,895
Less:									
Appropriation to Town Improvement and Project Fund	6	(522,000)	(405,000)	(474,000)	(369,000)	(48,000)	(36,000)	-	-
		3,386,167	2,263,020	1,200,246	809,452	1,336,790	940,673	849,131	512,895
ACCUMULATED SURPLUS AT 31 MARCH		4,191,217	3,908,167	1,263,191	1,674,246	1,798,742	1,384,790	1,129,284	849,131

**East Coast-Fengshan Town Council
(Established under the Town Councils Act, Cap. 329A)**

Notes to the financial statements for the financial year ended 31 March 2018

4 Sinking Fund

	Note	Total		Residential property		Commercial property	
		2017/2018	2016/2017	2017/2018	2016/2017	2017/2018	2016/2017
		\$	\$	\$	\$	\$	\$
Balance at 1 April		52,485,022	61,354,460	21,003,894	28,803,241	31,481,128	32,551,219
Transfer to Lift Replacement Fund as at 1 April 2017	5	(7,347,903)	-	(2,940,543)	-	(4,407,360)	-
		45,137,119	61,354,460	18,063,351	28,803,241	27,073,768	32,551,219
Add:							
Investment income	18(a)	1,183,693	1,392,532	473,715	653,793	709,978	738,739
Operating transfer from Conservancy and Service fees	3	7,185,771	8,765,771	6,233,264	7,596,342	952,507	1,169,429
Transfer from Government Grants	3,21	1,401,664	1,546,259	1,401,040	1,546,259	624	-
		9,771,128	11,704,562	8,108,019	9,796,394	1,663,109	1,908,168
Less:							
Expenditure	18(b)	8,827,689	20,434,927	7,760,573	17,530,446	1,067,116	2,904,481
Less:							
Income Tax	20(a)	111,100	139,073	44,503	65,295	66,597	73,778
Surplus/(Deficit) for the year		832,339	(8,869,438)	302,943	(7,799,347)	529,396	(1,070,091)
Balance at 31 March		45,969,458	52,485,022	18,366,294	21,003,894	27,603,164	31,481,128

Represented by:

Current Assets		
Financial assets at fair value through profit or loss	8	17,375,722
Conservancy and service fee receivables		175,915
Interest receivable		376,644
Other receivables and investment income receivable		560,820
Amount due from routine fund		286,854
Fixed deposits		34,822,272
Cash and bank balances		1,737,757
Total Assets		46,861,464
Less:		
Current Liabilities		
Payables and accrued expenses		2,589,681
Current tax payable		261,281
Total Liabilities		2,850,962
NET ASSETS		45,969,458

**East Coast-Fengshan Town Council
(Established under the Town Councils Act, Cap. 329A)
Notes to the financial statements for the financial year ended 31 March 2018**

5 Lift Replacement Fund

	Note	Total 2017/2018 \$	2016/2017 \$	Residential property		Commercial property	
				2017/2018 \$	2016/2017 \$	2017/2018 \$	2016/2017 \$
Balance at 1 April		-	-	-	-	-	-
Transfer from Sinking Fund as at 1 April 2017	4	7,347,903	-	2,940,543	-	4,407,360	-
		7,347,903	-	2,940,543	-	4,407,360	-
Add:							
Investment income	19(a)	70,113	-	28,059	-	42,054	-
Operating transfer from Conservancy and Service fees	3	3,869,267	-	3,356,377	-	512,890	-
		3,939,380	-	3,384,436	-	554,944	-
Add:							
Transfer from Government Grants		2,254,088	-	2,001,165	-	252,923	-
- LRF Matching Grant		754,743	-	754,407	-	336	-
- Other government grants	3,21	3,008,831	-	2,755,572	-	253,259	-
- Total							
Less:							
Expenditure	19(b)	4,346,603	-	4,267,194	-	79,409	-
Less:							
Income Tax	20(a)	12,057	-	4,825	-	7,232	-
Surplus for the year		2,589,551	-	1,867,989	-	721,562	-
Balance at 31 March		9,937,454	-	4,808,532	-	5,128,922	-

Represented by:

Current Assets		
Conservancy and service fee receivables	81,287	-
Interest receivable	41,189	-
Other receivables	931,979	-
Amount due from routine fund	1,140,371	-
Fixed deposits	4,510,235	-
Cash and bank balances	4,003,544	-
Total Assets	10,708,605	-
Less:		
Current Liabilities		
Payables and accrued expenses	759,094	-
Current tax payable	12,057	-
Total Liabilities	771,151	-
NET ASSETS	9,937,454	-

Notes to the financial statements for the financial year ended 31 March 2018

6 Town Improvement and Project Fund

	Note	2017/2018 \$	Total 2016/2017 \$	Residential property 2017/2018 \$	Residential property 2016/2017 \$	Commercial property 2017/2018 \$	Commercial property 2016/2017 \$
Balance at 1 April		499,173	354,000	446,457	322,000	52,716	32,000
Transfer from Government Grants	3,21	1,315,530	1,245,607	1,166,319	1,129,520	149,211	116,087
Less: Expenditure	22	2,137,359	1,505,434	1,913,599	1,374,063	223,760	131,371
Deficit for the year		(821,829)	(259,827)	(747,280)	(244,543)	(74,549)	(15,284)
Appropriation from Accumulated Surplus	3	522,000	405,000	474,000	369,000	48,000	36,000
Balance at 31 March		199,344	499,173	173,177	446,457	26,167	52,716

Represented by:	
Current Assets	
Other receivables	1,171,459
Less:	
Current Liabilities	
Payables and accrued expenses	155,280
Fund due to operating fund	517,006
	672,286
	499,173

7 Plant and equipment

	<u>Total</u> \$	<u>Machinery</u> \$	<u>Furniture and fittings</u> \$	<u>Office equipment</u> \$
<u>Cost</u>				
At 1 April 2016	711,609	87,152	463,118	161,339
Written-off/Disposals	(9,260)	-	-	(9,260)
At 31 March 2017	702,349	87,152	463,118	152,079
Additions	435,123	-	429,063	6,060
Written-off/Disposals	(307,545)	-	(293,291)	(14,254)
At 31 March 2018	829,927	87,152	598,890	143,885
<u>Accumulated depreciation</u>				
At 1 April 2016	640,990	87,152	463,062	90,776
Depreciation for the year (Note 17)	22,913	-	56	22,857
Written-off/Disposals	(9,260)	-	-	(9,260)
At 31 March 2017	654,643	87,152	463,118	104,373
Depreciation for the year (Note 17)	40,899	-	18,263	22,636
Written-off/Disposals	(307,545)	-	(293,291)	(14,254)
At 31 March 2018	387,997	87,152	188,090	112,755
<u>Net book value</u>				
At 31 March 2018	441,930	-	410,800	31,130
At 31 March 2017	47,706	-	-	47,706

8 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss represents funds together with the related profits placed with professional fund managers.

The funds with fund managers are administrated by UOB Asset Management Ltd who was re-appointed to invest and manage funds of \$18,000,000 (2016/2017: \$18,000,000) on behalf of the Town Council for a period of 5 years commencing 1 September 2015. The terms of the agreement are as follows:

- (i) Fund manager guarantees the maintenance of the principal amount at the end of the term of investment for mandate with principal guarantee feature and will make good any shortfall if the principal amount is diminished or reduced at the end of the term of the investment.
- (ii) The fund manager will be paid an administration fee. Additionally, performance fees will be levied based on the excess return of the funds above the Performance Benchmark (PB) at the earlier of the expiry date or the termination of the agreement with UOB.
- (iii) The investments are invested in accordance with the Town Councils Act.

Funds with fund manager are designated at fair value through profit or loss at inception.

	2017/2018	2016/2017
	\$	\$
Balance at 1 April	18,979,011	18,163,808
Add/(Less):		
Investment income	599,490	517,961
Profit shared by fund manager	(38,257)	(21,528)
Management fees	(144,959)	(119,145)
Fair value gain	413,111	437,915
Balance at 31 March	19,808,396	18,979,011
Represented by:		
Quoted equities	4,757,025	2,837,262
Quoted bonds	14,433,095	14,276,870
Treasury Bills	378,190	261,590
Financial assets at fair value through profit or loss	19,568,310	17,375,722
Cash and fixed deposits (Note 12)	232,959	1,530,104
Accrued interest	101,400	104,152
Net excess of funds shared by fund manager (Note 13)	(59,785)	(21,528)
Fee payable to fund manager (Note 13)	(34,488)	(9,439)
	19,808,396	18,979,011

The fair value of quoted equities, quoted bonds and treasury bills is determined by reference to stock exchange quoted bid prices.

The quoted bonds managed by fund managers bear interest rates per annum ranging from 2.1% to 4.665% (2016/2017 – 2.455% to 4.30%) to be received semi-annually in arrears. The maturity period of the bonds ranges from May 2018 to November 2020 (2016/2017 – October 2017 to November 2020).

9 Conservancy and service fee receivables

	2017/2018	2016/2017
	\$	\$
Conservancy and service fee receivables	841,690	823,030
Less: Allowance for impairment	(378,746)	(383,551)
	<u>462,944</u>	<u>439,479</u>
Allowance for impairment		
Balance at 1 April	383,551	391,940
Amount written off against allowance - net	(4,805)	(8,389)
Balance at 31 March	<u>378,746</u>	<u>383,551</u>

The average credit period generally granted to conservancy and service fee receivables is about 30 days (2016/2017 - 30 days). Conservancy and service fee receivables with short duration are not discounted and the carrying amounts are assumed to be a reasonable approximation of fair value. The conservancy and service fee receivables are denominated in Singapore dollar.

10 Other receivables

	2017/2018	2016/2017
	\$	\$
GST receivable from IRAS	137,214	572,000
GST Subvention grant receivable	238,597	218,999
LRF matching grant receivables	511,331	-
Receivable from Citizens' Consultative Committee	734,165	912,455
Recoverable from HDB	586,361	360,028
Recoverable from NEA	9,453	9,007
Payment in advance/deposits	297,019	306,756
S & CC Grant Receivable	8,125	-
Others	44,919	15,019
	<u>2,567,184</u>	<u>2,394,264</u>

Other receivables with a short duration are not discounted and the carrying amounts are assumed to be a reasonable approximation of fair values. The other receivables are denominated in Singapore dollar.

11 Fixed deposits

Fixed deposits are denominated in Singapore dollar.

Included in fixed deposits is an amount of \$32,003 (2016/2017 - \$31,923) pledged with a bank as security for guarantee granted to the Town Council.

12 Cash and bank balances

	2017/2018	2016/2017
	\$	\$
Cash and bank balances	6,200,829	1,097,610
Cash and fixed deposits held by fund manager (Note 8)	232,959	1,530,104
	6,433,788	2,627,714

Cash and bank balances are denominated in Singapore dollar.

For the purpose of statement of cash flows, the cash and cash equivalents comprise the following:

	2017/2018	2016/2017
	\$	\$
Cash and bank balances	6,200,829	1,097,610
Fixed deposits	33,675,458	38,561,614
	39,876,287	39,659,224
Less: Fixed deposit pledged	32,003	31,923
	39,844,284	39,627,301

13 Payables

(a) (Receivable from)/Advances received for Neighbourhood Renewal Programme

	2017/2018	2016/2017
	\$	\$
Balance at 1 April	(117,021)	1,885,738
Payment to contractors	(331,816)	(2,002,759)
Balance as at 31 March	(448,837)	(117,021)

(b) Payables and accrued expenses

	2017/2018	2016/2017
	\$	\$
Conservancy and service grant refundable	-	2,127
Accounts payable	1,552,973	2,497,853
Accrued operating expenses	808,154	1,041,702
Advance for Selective Lift Replacement Programme	-	423,280
Refundable deposits	120,717	130,681
Fee payable to fund manager (Note 8)	34,488	9,439
Net excess of funds payable to fund manager (Note 8)	59,785	21,528
	2,576,117	4,126,610

Included in payables and accrued expense are amounts owing to a related party amounting to \$442,318 (2016/2017: \$681,874).

The average credit period taken to settle trade payables is about 30 days (2016/2017 - 30 days). The other payables are with short-term duration. The carrying amounts are assumed to be a reasonable approximation of fair values. Payables and accrued expenses are denominated in Singapore dollar.

14 Agency fees

These are fees received for routine maintenance of HDB carparks in the Town.

15 Other income

Other income comprises the following:

	2017/2018	2016/2017
	\$	\$
Administrative fee	38,132	32,934
Agency fees	2,118	2,002
Late payment fees	91,015	87,356
Liquidated damages	110,177	91,754
Sale of tender documents	39,900	59,525
Sundry fines	48,670	52,076
Temporary Occupation Licence ("TOL") income	1,578,848	1,552,857
Use of void decks/common property	31,150	43,400
Use of water and electricity	219,028	270,974
Others	124,639	46,180
	2,283,677	2,239,058

16 Manpower Cost

Included in general administrative expenditure are cost of manpower provided by the Town Council.

	2017/2018	2016/2017
	\$	\$
Staff salaries and related costs	14,213	24,450
CPF contributions	1,004	1,726
	15,217	26,176

17 General and administrative expenditure

The general and administrative expenditure comprises the following:

	2017/2018	2016/2017
	\$	\$
Advertising, publicity and public relations	162,734	165,463
Agency fees - HDB/NEA collection	8,899	10,409
Audit fee	34,100	34,100
Computer services	142,087	123,024
Depreciation of plant and equipment (Note 7)	40,899	22,913
Plant and equipment not capitalized	629	-
Maintenance of vehicles, machinery and equipment	808	893
Office rental and upkeep expenditure	310,293	308,239
Office supplies and stationery	80,647	60,101
Postage and telephone	94,488	90,698
Property tax	155,161	156,771
Service charges *	52,470	57,979
Stamp duty	792	2,088
Town councillors' allowances **	173,700	173,750
Irrecoverable GST	173,198	170,028
Others	2,874	3,021
	1,433,779	1,379,477

* Includes manpower costs of \$15,217 (2016/2017 - \$26,176) (Note 16)

** Town councillors are key management of the Town Council. Key management remuneration refers to Town Councillors' allowances.

Notes to the financial statements for the financial year ended 31 March 2018

18 Sinking Fund income and expenditure

(a) Income

	2017/2018	2016/2017
	\$	\$
Interest income from fixed deposits/current account	354,309	567,951
Interest income from bonds	-	9,378
Income from funds with fund manager	829,384	815,203
	<u>1,183,693</u>	<u>1,392,532</u>

(b) Expenditure

	2017/2018	2016/2017
	\$	\$
Electrical Re-wiring	706,089	537,652
Reroofing works	411,416	123,765
Replacement of water pumps	379,668	541,730
Lift works	-	4,661,620
Replacement of booster pumps	47,700	124,260
Redecoration and repainting	6,479,669	13,101,384
Replacement of water pipes	195,150	46,685
Replacement of refuse chute flushing system	166,564	250,345
Other Major Works	98,500	-
Project management fees	340,010	793,034
Irrecoverable GST	2,923	254,452
	<u>8,827,689</u>	<u>20,434,927</u>

19 Lift Replacement Fund income and expenditure

(a) Income

	2017/2018	2016/2017
	\$	\$
Interest income from fixed deposits/current account	70,113	-
	<u>70,113</u>	<u>-</u>

(b) Expenditure

	2017/2018	2016/2017
	\$	\$
Replacement of Main Sheaves / Ropes	760,994	-
Replacement of ARD Battery	96,144	-
Replacement of EBOPS Battery	89,467	-
Lift Overhauls / total Replacement works	2,195,183	-
Lift Modernisation works	455,837	-
Replacement of Lift Position Display Panel (CPI/HPI)	137,651	-
Replacement of Inverter Units	281,853	-
Project management fees	160,964	-
Irrecoverable GST	168,510	-
	<u>4,346,603</u>	<u>-</u>

Notes to the financial statements for the financial year ended 31 March 2018

20 Income tax

(a) Income tax expense

Income tax expense attributable to profit is made up of:

	2017/2018	2016/2017
	\$	\$
- Under provision of taxation in respect of prior years	3,485	-
- Current income tax provision	258,467	283,782
	<u>261,952</u>	<u>283,782</u>
Taken up in:		
Statement of Income and Expenditure		
- Under provision of taxation in respect of prior years	2,890	-
- Current financial year	135,905	144,709
	<u>138,795</u>	<u>144,709</u>
Sinking Fund		
- Under provision of taxation in respect of prior years	595	-
- Current financial year	110,505	139,073
	<u>111,100</u>	<u>139,073</u>
Lift Replacement Fund		
- Current financial year	12,057	-

The income tax expense on the income 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:

	2017/2018	2016/2017
	\$	\$
Government grants	8,960,630	6,062,454
Investment and interest income	965,935	1,071,437
Other income	838,332	872,921
Allowable expenses	(87,122)	(80,763)
	<u>10,677,775</u>	<u>7,926,049</u>
Tax calculated at a tax rate of 17% (2016/2017 - 17%)	1,815,222	1,347,428
Singapore statutory stepped income exemption	(25,925)	(25,925)
Tax effect of certain income taxed at concessionary tax rate	(30,192)	(27,987)
Tax remission of government grants under Section 92(2) of Singapore income Tax Act	(1,499,257)	(1,009,734)
Under provision of taxation in respect of prior years	3,485	-
Others	(1,381)	-
	<u>261,952</u>	<u>283,782</u>

(b) Income tax payable

	2017/2018	2016/2017
	\$	\$
Balance at 1 April	549,663	552,109
Under provision of taxation in respect of prior year	3,485	-
Current financial year's income tax expense	258,467	283,782
Payments during the year	(267,392)	(286,228)
Balance at 31 March	<u>544,223</u>	<u>549,663</u>

**East Coast-Fengshan Town Council
(Established under the Town Councils Act, Cap. 329A)
Notes to the financial statements for the financial year ended 31 March 2018**

21 Government grants

(a) Government grants taken to the Income & Expenditure Statement during the year are as follows:

	2017/2018		2016/2017		2017/2018		2016/2017		2017/2018		2016/2017		2017/2018		2016/2017	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Total																
Government grants received/receivable	8,960,630	6,060,328	3,926,688	3,938,633	1,315,530	1,245,607	930,924	876,088	533,400	-	2,254,088	-	-	-	-	-
Less: Transfer to Sinking Fund (Note 4)	1,401,664	1,546,259	1,020,939	1,251,293	-	-	242,041	294,966	138,684	-	-	-	-	-	-	-
Less: Transfer to Lift Replacement Fund (Note 5)	3,008,831	-	549,736	-	-	-	130,331	-	74,676	-	2,254,088	-	-	-	-	-
Less: Transfer to Town Improvement and Projects Fund (Note 6)	1,315,530	1,245,607	-	-	1,315,530	1,245,607	-	-	-	-	-	-	-	-	-	-
	3,234,605	3,268,462	2,356,013	2,687,340	-	-	558,552	581,122	320,040	-	-	-	-	-	-	-

(b) The total amounts of grants received (including grants transferred from other Town Councils) since the formation of the Town Council is as follows:

	2017/2018	2016/2017
Total grants received at 1 April	153,670,631	147,413,331
Add: Grants received during the year	8,597,740	6,257,300
Total grants received at 31 March	162,268,371	153,670,631

22 Town improvement projects

These projects are partially funded by Government grants under the Community Improvement Projects Committee (CIPC) scheme and are given through the Citizens' Consultative Committee (CCC).

Expenditure	2017/2018	2016/2017
	\$	\$
Construction of covered walkways/pavillion	1,321,374	432,220
Construction/upgrading of playground and fitness corner	236,394	535,832
Landscaping	-	29,359
Neighbourhood Upgrading	-	145,485
Resident's Corner	-	66,552
Miscellaneous projects	373,993	127,015
Professional/project management fee	205,598	168,971
	2,137,359	1,505,434

Out of the total of \$2,137,359 (2016/2017 - \$1,505,434) spent on town improvement projects, \$1,315,530 (2016/2017 - \$1,245,607) was met from CIPC grants.

23 Commitments for capital expenditure

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

	2017/2018	2016/2017
	\$	\$
Amount approved and contracted for	5,569,103	8,908,350
Amount approved but not contracted for	6,051,163	10,259,630
	11,620,266	19,167,980

Included in the amount approved and contracted for are commitments for Neighbourhood Renewal Programme of \$186,266 (2016/2017 - \$441,980).

24 Operating lease commitments

At the reporting date, the Town Council was committed to making the following payments in respect of operating lease of office premises and computer services with a term of more than one year:

	2017/2018	2016/2017
	\$	\$
Due within 1 year	360,770	359,570
Due after 1 year but within 5 years	291,834	454,604
	652,604	814,174

The leases on the Town Council's office premises and computer services on which rentals are payable will expire earliest on 31 May 2019 (2016/2017 - 31 March 2018) and not later than 31 March 2021 (2016/2017 - 30 April 2020). The current rent payable on the leases ranges from \$5,500 to \$14,500 (2016/2017 - \$5,400 to \$14,500) per month.

25 Significant related party transactions

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions with related parties on terms mutually agreed during the financial year are as follows:

	2017/2018	2016/2017
	\$	\$
Managing agent fee charged by a related party	3,403,193	2,835,642
Essential maintenance service unit charged by a related party	472,863	470,254
Energy saving cost charged by a related party*	2,121,897	2,125,130
Repair and maintenance works charged by a related party	1,201,415	1,159,447
Consultancy and project management fee charged by a related party	647,892	958,433
Construction and upgrading works charged by a related party	248,271	111,850

* The Town Council has entered into an agreement for the related party to supply and install Light Emitting Diode (“LED”) luminaries at the HDB blocks at no costs to the Town Council. Under the terms of the agreement, certain percentage of the energy cost saved from the usage of the LED will be shared with the related party.

Related party relates to the managing agent of the Town Council which manages the operations of the Town Council.

26 Financial risk management objectives and policies

The Town Council’s activities expose it to a variety of financial risks: market risk (including interest rate risk, currency risk and price risk), credit risk and liquidity risk. Risk management is integral to the whole operation of the Town Council. The Town Council has a system of controls in place to create an acceptable balance between the costs 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. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Town Council’s activities.

The Town Council does not hold or issue derivative financial instruments for trading purposes or to hedge against fluctuations, if any, in interest rates and foreign exchange.

26.1 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Town Council’s operational activities are carried out in Singapore dollar. Hence, the Town Council is not exposed to foreign currency risk.

26.2 Cash flow and fair value interest rate risk

Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

26 Financial risk management objectives and policies (cont'd)**26.2 Cash flow and fair value interest rate risk (cont'd)**

The Town Council's interest-bearing assets, comprised mainly of short-term bank deposits and financial assets at fair value through profit or loss, are exposed to financial market risk due to fluctuations in interest rates, which may affect the Town Council's interest income.

The Town Council manages this exposure by performing ongoing evaluations of their investment portfolio.

Sensitivity analysis for interest rate risk

At the end of the reporting period, if interest rates had been 75 (2016/2017 - 75) basis points lower/higher with all other variables held constant, the Town Council's surplus net of tax would have been \$252,566 (2016/2017 - \$289,212) lower/higher.

In respect of interest-bearing financial assets the following table indicates their effective interest rates at reporting date:

	Note	Effective interest rate %	Total \$	Less than 1 year \$
31 March 2018				
Financial assets				
Fixed deposits	12	1.43%	33,675,458	33,675,458
31 March 2017				
Financial assets				
Fixed deposits	12	1.66%	38,561,614	38,561,614

26.3 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The table below analyses the maturity profile of the Town Council's financial assets/liabilities based on contractual undiscounted cash flows:

	←----- Interest-bearing -----→			Non-interest bearing \$	Total \$
	Less than 1 year \$	1 to 5 years \$	Over 5 years \$		
At 31 March 2018					
Fixed deposits	33,675,458	-	-	-	33,675,458
Cash and bank balances	-	-	-	6,433,788	6,433,788
Other financial assets	-	-	-	3,671,655	3,671,655
<hr/>					
Other financial liabilities	-	-	-	2,576,117	2,576,117

26 Financial risk management objectives and policies (cont'd)**26.3 Liquidity risk (cont'd)**

	←----- Interest-bearing -----→			Non-interest bearing	Total
	Less than 1 year	1 to 5 years	Over 5 years		
	\$	\$	\$	\$	\$
At 31 March 2017					
Fixed deposits	38,561,614	-	-	-	38,561,614
Cash and bank balances	-	-	-	2,627,714	2,627,714
Other financial assets	-	-	-	3,038,956	3,038,956
<hr/>					
Other financial liabilities	-	-	-	4,126,610	4,126,610

26.4 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The carrying amount of investments, conservancy and service fee receivables, other receivables, fixed deposits and bank balances represent the Town Council's maximum exposure to credit risk. No other financial assets carry a significant exposure to credit risk. The Town Council has no significant concentrations of credit risk. Cash is placed with reputable financial institutions of good standing.

The credit risk for conservancy and service fee receivables based on the information provided to key management is as follows:

- (i) Financial assets that are neither past due nor impaired

Conservancy and service fee receivables that are neither past due nor impaired are substantially counterparties with good payment records with the Town Council.

- (ii) Financial assets that are past due but not impaired

The ageing analysis of conservancy and service fee receivables with number of months of fees past due but not impaired are as follows:

	2017/2018	2016/2017
	\$	\$
With less than 3 months of fees outstanding	120,566	130,576
With more than 3 months but less than 6 months of fees outstanding	83,180	64,634
With more than 6 months but less than 12 months of fees outstanding	80,064	77,840
With more than 12 months of fees outstanding	-	1,114

Based on historical default rates, 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.

26 Financial risk management objectives and policies (cont'd)**26.4 Credit risk (cont'd)**

- (iii) Financial assets that are past due and impaired

The carrying amount of conservancy and service fee receivables individually determined to be impaired and the movements in the related allowance for impairment are as follows:

	2017/2018	2016/2017
	\$	\$
Gross amount	378,746	383,551
Less: Allowance for impairment	(378,746)	(383,551)
	-	-

The impaired conservancy and service fee receivables arise mainly from residents who are facing significant financial hardships and have difficulties paying their conservancy and service fees despite letter of demand sent.

Other receivables as at 31 March 2018 are not past due or impaired as at 31 March 2018. These comprised mainly recoverables from statutory board and government agencies.

26.5 Price risk

Price risk is the risk that the value of a financial instrument will fluctuate due to changes in market prices.

The Town Council is exposed to market price risks arising from its investment with fund manager classified as investment at fair value through profit or loss.

At the end of the reporting period, if the fair value had been 2% (2016/2017 - 2%) lower/higher with all other variables held constant, the Town Council's surplus for the year would have been \$391,366 (2016/2017 - \$347,514) lower/higher, arising as a result of higher/lower fair value losses on investments.

27 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; and
- (b) To provide capacity to support the Town Council's investment in public sector human capital, intellectual capital and technical capability development.

The Town Council actively and regularly reviews and manages its funds structure to ensure optimal capital structure, taking into consideration the future requirements, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected investments in public sector capability development.

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 requirements. As at the end of the reporting period, the Town Council's total funds amounted to \$60,297,473 (2016/2017 - \$56,892,362).

28 Fair value of financial instruments**Fair values**

The carrying amount of financial assets and liabilities with a maturity of less than one year is assumed to approximate their fair values.

The Town Council does not anticipate that the carrying amounts recorded at the end of the reporting period would be significantly different from the values that would eventually be received or settled.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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

(a) Assets measured at fair value

The following table shows an analysis of each class of assets and liabilities measured at fair value as at 31 March 2018:

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Recurring fair value measurements				
As at 31 March 2018				
<i>Financial assets through profit or loss</i>				
Quoted equities (Note 8)	4,757,025	-	-	4,757,025
Quoted bonds (Note 8)	14,433,095	-	-	14,433,095
Treasury Bills (Note 8)	378,190	-	-	378,190
As at 31 March 2017				
<i>Financial assets through profit or loss</i>				
Quoted equities (Note 8)	2,837,262	-	-	2,837,262
Quoted bonds (Note 8)	14,276,870	-	-	14,276,870
Treasury Bills (Note 8)	261,590	-	-	261,590

29 Comparative information

In the preparation of statement of cash flows of prior years, the Town Council did not classify fixed deposits maturing more than 3 months as 'cash and cash equivalents'. To correctly reflect the definition of 'cash and cash equivalents' in the preparation of the current year's statement of cash flows, the Town Council has made changes to the comparative figure to include all fixed deposits, other than those pledged fixed deposits, in 'cash and cash equivalents'. As a result of this change, 'net cash generated from investing activities' increased by \$6,881,996, 'cash and cash equivalents at beginning of year' increased by \$27,325,599 and 'cash and cash equivalents at end of year' increased by \$34,207,595. This does not have any impact on the statement of financial position, statement of income and expenditure, statement of comprehensive income, and statement of changes in funds.