



***Marine Parade
Town Council***



Annual Report FY 2018/ 2019



marineparadetc



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The background image for the top section shows a smiling man in a light blue shirt and dark tie, standing in front of a modern, multi-story residential building with blue and white facades. A dark blue rectangular box is overlaid on the left side of the image, containing the title 'Chairman's Review' in a white, cursive script font.

Chairman's Review

INTRODUCTION

This year is special for the Marine Parade Town Council as we celebrate our 30th anniversary. The Marine Parade Town Council was formed in 1989 under the Town Councils Act to empower elected MPs and residents to work together in the management of their estates. This way, each Town can develop its distinctive character and identity.

Thirty years is a long journey and we have come a long way. Over the years, the Town Council together with the estates under our management have grown in stature and maturity.

During the past 30 years, the Marine Parade Town has transformed itself from a relatively new town to a mature one. The precincts in our Town had undergone various upgrading and town improvement projects. The estate's facilities are constantly rejuvenated and modernised to improve the quality and comfort of the living environment for our residents.

That said, the history of Marine Parade Town Council is not just about infrastructures; it is also about people. People behind the scenes who strive to maintain and upkeep the amenities in our estates. People with different backgrounds and cultures living in our Town, coming together to create a place which we call home. A home in Marine Parade Town where we all care for one another.

As we look back to see how we had grown, we should also envisage our future together. Down the road, the Town Council will continue to work with our residents and partner agencies to improve our estate environment. While we do so, I also hope that everyone can come together to build and nurture a caring community where we mutually support each other.

Chairman's Review

FINANCIAL OVERVIEW

For the financial year ending 31 March 2019, we managed to report an operating surplus of \$2.78 million after appropriation to Town Improvement and Project Fund. The surplus came about primarily due to the government grants of \$6.14 million we received.

The Town Council reported a total of \$34.75 million worth of operating expenditure for routine maintenances and operations such as cleaning works, lift maintenance works and water and electricity to upkeep our estate and its facilities.

As the estate infrastructure within our town gets older, more expenditure will be needed to maintain and replace these assets. To deal with the continuous rising cost of such operations, the Town Council will continue to manage our finances prudently in compliance with the corporate governance framework as we work to bring about better estate developments that seek to bring benefits to our residents.



Chairman's Review

ESTATE IMPROVEMENTS

For the Financial Year 2018/2019, the Town Council had carried out various estate improvement works to physically improve and refurbish the amenities in our Town. We are pleased to share that the Town Council had implemented a total of \$2.22 million worth of improvement projects. New localized features such as playgrounds, fitness corners, covered linkways, pavilions were added while existing facilities were upgraded to create a more conducive living environment for our residents.



Also, as a mature town, the Town Council has to ensure that our estate and its amenities are well maintained over time. We had carried out a total of \$13.58 million worth of cyclical maintenance projects to rejuvenate the estate environment. Such projects implemented include repairs and redecoration (R&R) works, replacement of bin chute flushing systems, re-roofing works, electrical re-wiring and replacement of water and booster pump sets.

Chairman's Review

LIFT SAFETY & SERVICEABILITY

We strive to ensure that the lifts within our Town are in good working condition and safe for the convenience of our residents and visitors. As such, the Town Council has a few implementations in place.

The Town Council has set aside money under the Lift Replacement Programme (LRP) to retrofit older lifts with new safety features and to replace lifts which have reached their lifespan.

From April 2017, all Town Councils are required by MND to set aside a minimum of 14% of the Service & Conservancy Charges (S&CC) collections and government grants into the Lift Replacement Fund (LRF). This is to further enhance the safety and reliability of lifts within our towns.

For this Financial Year, we had voluntarily transferred \$6 million of surplus for LRF and have received a government grant of \$3 million. This will help build up our LRF as we plan to upgrade and/or replace more lifts in the town in the future.

In the coming 3 years, we will be replacing 193 lifts in our town as these lifts are nearing their 28 years lifespan.

In addition, under the Lift Enhancement Programme, the Town Council is in the process of installing BCA's recommended enhancement features



to 1,174 lifts that are not equipped with such features, and are not due for replacement soon – in other words, those that have been in operation for less than 18 years.

Apart from the two programmes, our lift technicians are conducting more audits and checks to the lifts in our Town for better safety and reliability. As lift safety is a shared responsibility, the Town Council has rolled out publicity campaigns to advise public on safe use of the lifts, with public education video and posters.

Through these efforts, we seek to provide safe and reliable lift services for our residents.

Chairman's Review

CODE OF GOVERNANCE FOR TOWN COUNCILS

In bid to achieve greater transparency and to raise the standards of Town Council's management, a new code of governance was introduced in June 2019 by MND for all Town Councils to abide by.

The new code will take effect on 1 April 2020. The objectives are to: a) enhance the effectiveness of TCs by sharing recommended governance practices; b) provide guidance to the Town Council; and c) improve the transparency of TCs' operations to build public trust and confidence.

Our Town Council welcomes the move by MND on the implementation of Code of Governance for Town Councils. While we have in place strong corporate governance, our Town Council will review our existing policies and procedures and to seek further improvements on our governance standards.



Chairman's Review



CONCLUSION

As we commemorate the Town Council's 30 years, I would like to express my thanks to our residents, Town Councilors, grassroots leaders, community partners and staff for all the support they had given to the Council over these years.

The management of the Town Council will continue to do our best to serve and implement estate improvement plans to cater to our residents' needs. I also hope that residents will be more involved in estate management by doing their part to maintain and upkeep our home in Marine Parade Town.

Let's work together as a community to create our ideal living environment, a 4G (Great, Gracious, Generous and Green) home for all!

Thank you!

Lim Biow Chuan PBM
Chairman
Marine Parade Town Council

Town Councillors and Standing Committee

(15 October 2017 - 14 October 2019)

Elected Members

Chairman: Mr Lim Biow Chuan PBM
Vice-Chairman: Mr Seah Kian Peng
Vice-Chairman: Ms Tin Pei Ling

Elected Members:
Mr Goh Chok Tong
Mr Tan Chuan-Jin
Mr Edwin Tong Chun Fai
Professor Fatimah Lateef

Executive Committee

Chairman: Mr Lim Biow Chuan PBM
Vice-Chairman: Mr Seah Kian Peng

Members:
Mr Ang Bee Hock BBM
Mr Anthony Ong Eng Ann PBM
Mr Eric Wong Ngiam Chin BBM (L), JP
Ms Eileen Teo Cheo Tee PBM
Mr Frederick Ho Wee Khoon PBM
Mr Lee Tee Loon PBM
Dr Lim Lan Yuan BBM (L), JP
Ms Lydia Ong Li Yan
Mr Ng Kim Eng BBM (L)
Mr Philip Tan Ling Kwok PBM
Mr Rodney Seah Boon Kheng
Ms Rosemary Lim Moh Tin PBM, JP

Standing Committee

Finance Committee

Advisor: Mr Seah Kian Peng
Chairman: Mr Philip Tan Ling Kwok PBM
Vice Chairman: Mr Eric Wong Ngiam Chin BBM (L), JP

Members:
Mr Brian Chong Liming
Ms Eunice Wang Bizi
Mr James Chan Chia Teck
Mr Lim Ming Hok
Mr Rahmat Sawie PBM
Mr Tam Chee Chong
Mr Tan Yong Min PBM
Mr Victor Lee Thiam Soon
Mr Yu Tor Ann

Tender & Contracts Committee

Advisor: Mr Lim Biow Chuan PBM
Chairman: Mr Ang Bee Hock BBM
Vice Chairman: Mr Lee Tee Loon PBM
Vice-Chairman: Ms Eileen Teo Cheo Tee PBM

Members:
Mr Daniel Chan Kok Leong PBM
Mr Dennis Teo Kian Joo PBM
Mr Dick Lum Chee Seng
Mr Eddie Fong Joon Tin
Mr Raymond Chan Leng Chye
Mr Simon Wong Sai Cheong
Mr Thomas Thong Ming Yap
Mr Tan Boon Kwee

Town Councillors and Standing Committee

(15 October 2017 - 14 October 2019)

Residential Estate Management Committee

Advisor: Professor Fatimah Lateef
Chairman: Dr Lim Lan Yuan BBM (L), JP
Vice Chairman: Mr Anthony Ong Eng Ann PBM

Members:

Mr Chan Yee Kew PBM
Ms Charlotte Lee Kar Tim PBM
Mr David Siow Serh Wei PBM
Mr Eddie Woon BBM
Mr Harish Kumar Janak Shah
Mr Jason Ang Quan PBM
Mr Koh Chin Ann
Mr Lee Wui Kiat
Ms Lily Teo Hiok Hoon PBM
Mr Tay Hock Heng
Mr Varatharaja Nadarajan PBM
Mr William G Fletcher PBM
Ms Yayah Ambuhang Annatrasta

Publicity & Outreach Committee

Advisor: Ms Tin Pei Ling
Chairman: Mr Ng Kim Eng BBM (L)
Vice Chairman: Mr Frederick Ho Wee Khoon PBM

Members:

Ms Doris Low Kam Fong PBM
Mr Loo Chin Nong PBM
Mr Melvin Chua Ee Song BBM
Mr Michael Leong Ying Wai
Ms Nur Sakinah Binte Rahmat
Mr Pang Kok Meng
Mr Rahul Kumar Janak Shah
Ms Shirley Yong Mei Lin
Mr Steven Tan Bock Eng
Mr Tan Choon Kiang PBM

Commercial Properties Management Committee

Advisor: Mr Edwin Tong
Chairman: Ms Rosemary Lim Moh Tin PBM, JP
Vice Chairman: Ms Lydia Ong Li Yan
Vice Chairman: Mr Rodney Seah Boon Kheng

Members:

Ms Alice Low
Ms Chris Chu Ai Keow
Ms Elizabeth Tan Yock Sem PBM
Ms Hoe Kwee Eng
Mr Lee Joon Yong PBM
Mr Lim Liang Seng
Ms Ruby Ong
Mr Tan Ai Koong PBM
Ms Winnie Wong Leng Nyuk

MARINE PARADE TOWN COUNCIL

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

**AUDITED FINANCIAL STATEMENTS
FINANCIAL YEAR ENDED 31 MARCH 2019**

**INDEPENDENT AUDITOR'S REPORT TO
THE MEMBERS OF MARINE PARADE TOWN COUNCIL**
(Established under the Town Councils Act, Cap 329A)

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Marine Parade Town Council (the "Town Council"), which comprise the statement of financial position of the Town Council as at 31 March 2019, the statement of income and expenditure and other 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, as set out on pages 5 to 42.

In our opinion, the accompanying financial statements of the Town Council are properly drawn up in accordance with the provisions of the Town Councils Act, Cap 329A (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to present fairly, in all material respects, the financial position of the Town Council as at 31 March 2019 and 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.

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

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

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

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

**INDEPENDENT AUDITOR'S REPORT TO
THE MEMBERS OF MARINE PARADE TOWN COUNCIL**
(Established under the Town Councils Act, Cap 329A)

Responsibility of Management and Those charged with Governance for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

**INDEPENDENT AUDITOR'S REPORT TO
THE MEMBERS OF MARINE PARADE TOWN COUNCIL**
(Established under the Town Councils Act, Cap 329A)

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

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

Report on Other Legal and Regulatory Requirements

Opinion

In our opinion:

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

Basis for opinion

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

**INDEPENDENT AUDITOR'S REPORT TO
THE MEMBERS OF MARINE PARADE TOWN COUNCIL**
(Established under the Town Councils Act, Cap 329A)

Responsibility 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 responsibility for the compliance audit

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

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



Ecovis Assurance LLP
Public Accountants and
Chartered Accountants
Singapore

20 September 2019

MARINE PARADE TOWN COUNCIL

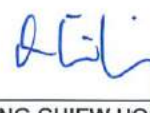
**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019**

	Note	2019 \$	2018 \$
TOWN COUNCIL FUNDS			
Residential Property			
Accumulated surplus	4	5,756,065	8,852,774
Sinking Funds			
Ordinary Sinking Fund	5	38,167,695	36,511,414
Lift Replacement Fund	6	26,624,462	11,771,051
		64,792,157	48,282,465
Town Improvement and Project Fund	7	1,405,581	1,422,589
		71,953,803	58,557,828
Commercial Property			
Accumulated surplus	4	926,611	1,174,459
Sinking Funds			
Ordinary Sinking Fund	5	26,708,662	27,372,759
Lift Replacement Fund	6	6,943,603	5,087,776
		33,652,265	32,460,535
Town Improvement and Project Fund	7	267,730	270,969
		34,846,606	33,905,963
Fair Value Reserve	8	45,500	63,750
		106,845,909	92,527,541
Represented by:			
Non-Current assets			
Plant and equipment	9	36,603	44,660
Financial assets at fair value through other comprehensive income	10	2,545,500	-
Available-for-sale financial assets	11	-	2,563,750
		2,582,103	2,608,410
Current assets			
Interest receivable		1,028,172	417,095
Conservancy and service fees receivables	12	1,199,395	1,049,705
Receivable for Neighbourhood Renewal Programme	15	266,016	-
Other receivables	13	6,246,854	3,303,855
Cash and short term deposits	14	104,149,664	96,865,015
		112,890,101	101,635,670
Total assets		115,472,204	104,244,080
Less:			
Current liabilities			
Conservancy and service fees received in advance		(663,893)	(656,674)
Advances received for Neighbourhood Renewal Programme	15	-	(628,927)
Payables and accrued expenses	16	(7,279,401)	(9,753,937)
Income tax payable	17	(683,001)	(677,001)
Total liabilities		(8,626,295)	(11,716,539)
Net assets		106,845,909	92,527,541



LIM BIOW CHUAN PBM
Chairman

Date : 20 September 2019



PNG CHIEW HOON
Secretary

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

MARINE PARADE TOWN COUNCIL

STATEMENT OF INCOME AND EXPENDITURE AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

	Note	2019 \$	2018 \$
Operating income			
Conservancy and Service fees	4	42,928,938	40,578,967
Less: Operating income transfer to Ordinary Sinking Fund	5	(11,161,535)	(10,550,539)
Operating Income transfer to Lift Replacement Fund (minimum required by law)	6	(6,010,053)	(5,681,072)
		25,757,350	24,347,356
Agency fees	4, 18	2,681,758	2,592,248
Other income	4, 19	3,267,811	3,243,892
		31,706,919	30,183,496
Less: Operating expenditure			
Cleaning works		(6,308,645)	(6,386,830)
Managing agent's fees	26	(4,023,086)	(4,039,702)
Lift maintenance		(7,653,796)	(7,230,480)
Other works and maintenance		(5,566,726)	(5,551,016)
Water and electricity		(8,885,683)	(8,849,582)
General and administrative expenditure	20	(2,308,870)	(1,682,867)
		(34,746,806)	(33,740,477)
Operating deficit		(3,039,887)	(3,556,981)
Add: Investment income		196,761	155,165
Deficit before income tax and government grants		(2,843,126)	(3,401,816)
Less: Income tax	17	(155,495)	(147,950)
Goods and services tax	21	(365,902)	(400,232)
		(521,397)	(548,182)
Deficit before government grants		(3,364,523)	(3,949,998)
Add: Government grants	22	18,887,913	14,971,506
Less: Transfer to Ordinary Sinking Fund	5	(2,662,151)	(2,648,997)
Less: Transfer to Lift Replacement Fund	6	(5,002,389)	(4,980,110)
Less: Transfer to Lift Replacement Fund - voluntary contribution	6	(3,000,000)	-
Less: Transfer to Town Improvement and Project fund	7	(2,079,954)	(1,229,337)
		6,143,419	6,113,062
SURPLUS FOR THE FINANCIAL YEAR		2,778,896	2,163,064
Add: Accumulated surplus as at 1 April		10,027,233	8,302,598
Add: Transfer from surplus of Town Improvement and Project Fund	7	1,549,858	1,255,129
Less: Appropriation to Town Improvement and Project Fund	7	(1,673,311)	(1,693,558)
Less: Lift Replacement Fund - voluntary contribution	6	(6,000,000)	-
ACCUMULATED SURPLUS AS AT 31 MARCH		6,682,676	10,027,233



LIM BIOW CHUAN PBM
Chairman

Date : 20 September 2019



PNG CHIEW HOON
Secretary

MARINE PARADE TOWN COUNCIL

STATEMENT OF CHANGES IN FUNDS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

	Note	Total \$	Residential Property \$	Commercial Property \$	Carpark \$	Fair value reserve \$
Balance as at 1 April 2017		82,173,020	49,568,114	32,492,906	-	112,000
Surplus/ (Deficit) for the year Inter-fund transfer	4	10,354,521	8,135,302	1,413,057	854,412	(48,250)
		-	854,412	-	(854,412)	-
Balance as at 31 March 2018		92,527,541	58,557,828	33,905,963	-	63,750
Balance as at 1 April 2018		92,527,541	58,557,828	33,905,963	-	63,750
Surplus/(Deficit) for the year Inter-funds transfer	4	14,318,368	12,406,442	940,643	989,533	(18,250)
		-	989,533	-	(989,533)	-
Balance as at 31 March 2019		106,845,909	71,953,803	34,846,606	-	45,500

	Note	2019 \$	2018 \$
The net surplus/(deficit) for the year comprises the following:			
Accumulated surplus	4	2,778,896	2,163,064
Ordinary Sinking Fund	5	992,184	1,878,843
Lift Replacement Fund	6	10,709,238	6,746,703
Town Improvement and Project Fund	7	(143,700)	(385,839)
Fair value reserve	8	(18,250)	(48,250)
		14,318,368	10,354,521

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

MARINE PARADE TOWN COUNCIL

STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

	Note	2019 \$	2018 \$
Operating Activities			
Deficit before income tax and government grants		(2,843,126)	(3,401,816)
Adjustments for:			
Operating income transfer to Ordinary Sinking Fund	5	11,161,535	10,550,539
Operating income transfer to Lift Replacement Fund	6	6,010,053	5,681,072
Interest income		(196,761)	(155,165)
Allowance/ (Write back) for impairment on operating receivables	12,13	284,365	(20,081)
Depreciation of plant and equipment	9	27,854	30,953
Operating cash flows before changes in working capital		14,443,920	12,685,502
Movement in working capital:			
Operating receivables		(1,020,097)	(215,813)
Operating payables		(2,467,317)	5,943,108
Net cash flows generated from operations		10,956,506	18,412,797
Goods and services tax	21	(548,329)	(599,209)
Ordinary Sinking Fund expenditure	5	(13,582,093)	(11,775,387)
Lift Replacement Fund expenditure	6	(3,461,675)	(3,940,588)
Town Improvement Project Fund expenditure paid	7	(2,223,654)	(1,615,176)
Neighbourhood Renewal Programme expenditure paid	15	(3,726,740)	(3,051,339)
Income tax paid	17	(366,349)	(361,539)
Net cash used in operating activities		(12,952,334)	(2,930,441)
Investing Activities			
Purchase of plant and equipment	9	(19,797)	(23,637)
Increase in fixed deposits	14	(5,000,000)	-
Interest income received		894,027	969,967
Net cash (used in)/ generated from investing activities		(4,125,770)	946,330
Financing activities			
Government grants received		15,364,306	14,631,964
Funding received from Neighbourhood Renewal Programme		3,998,447	2,631,946
Net cash generated from financing activities		19,362,753	17,263,910
Net increase in cash and cash equivalents		2,284,649	15,279,799
Cash and cash equivalents at beginning of year		61,865,015	46,585,216
Cash and cash equivalents at end of year	14	64,149,664	61,865,015

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

MARINE PARADE TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2019

1. General Information

Marine Parade Town Council (the "Town Council") was formed on 5 July 1989 under the Town Councils Act (Chapter 329A). The principal 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 ("HDB") within the Town. The Town consists of Marine Parade Group Representation Constituency, MacPherson Single Member Constituency and Mountbatten Single Member Constituency.

The principal office of operations is at 50 Marine Terrace #01-265, Singapore 440050.

The financial statements of the Town Council for the financial year ended 31 March 2019 were authorised for issue in accordance with a resolution of the Town Council on 20 September 2019.

2. Summary of significant accounting policies

2.1 Basis of preparation of financial statements

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

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether the price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Town Council takes into account the characteristics of the asset or liability which market participants would take into account when the pricing asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for leasing transactions that are within the scope of FRS 17, and measurements that have some similarities to fair value but are not fair value, such as value in use in FRS 36.

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

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

MARINE PARADE TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2019

2. Summary of significant accounting policies (Continued)

2.2 Adoption of new and amended standards and interpretation

Interpretations and amendments to published standards

The Town Council has adopted the new or revised FRSs and INT FRS that are mandatory for application on 1 April 2018. The adoption of these new or revised FRSs and INT FRS did not result in substantial changes to the Town Council's accounting policies and had no material effects on the financial statements for the current or prior years except as disclosed below.

FRS 109 Financial Instruments

The Town Council has initially adopted FRS 109, Financial Instruments from 1 April 2018. FRS 109 replaces FRS 39, Financial Instruments: recognition and measurement. It sets out requirements for recognising and measuring financial assets and financial liabilities.

Based on the assessment by the Town Council, there is no significant cumulative effect of the initial application of FRS 109 at 1 April 2018 in accordance with the transition requirement.

(a) Classification and measurement of financial assets and financial liabilities

FRS 109 contains three principal classification and measurement categories for financial assets: amortised cost, fair value through other comprehensive income ("FVTOCI") and fair value through profit or loss.

The classification for debt instruments depends on the Town Council's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest ("SPPI"). A debt instrument that meets the SPPI requirement that is held both to collect the asset's contractual cash flows and to sell the asset is measured at FVTOCI. Gains or losses on that instrument is recognise in other comprehensive income without recycling through income and expenditure statement.

There is no remeasurement of the Town Council's financial assets on adoption of FRS 109 except for changes in terminologies as presented and explained below.

	Original classification under FRS 39	New classification under FRS 109	Carrying amount at 31 March 2018 under FRS 39 \$	Carrying amount at 1 April 2018 under FRS 109 \$
Financial assets				
Quoted debt instrument (Note 1)	Available-for- sale investments	FVTOCI	2,563,750	2,563,750

Note 1: Quoted debt instruments that were previously classified as available-for-sale investments are now classified as financial assets measured at FVTOCI. The Town Council holds the investment for strategic purposes. At 1 April 2018, the Town Council designated the investment as measured at FVTOCI.

(b) Impairment of financial assets

FRS 109 requires an expected credit loss model as opposed to an incurred credit loss model under FRS 39. The expected credit loss model requires the Town Council to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. It is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, FRS 109 requires the Town Council to recognise a loss allowance for expected credit losses on (i) debt investments subsequently measured at FVTOCI, and (ii) cash and short term deposit, conservancy and service fees receivables and other receivables to which the impairment requirements of FRS 109 apply. The application of the FRS 109 impairment requirements did not result in a change in the loss allowance on 1 April 2018.

MARINE PARADE TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2019

2. Summary of significant accounting policies (Continued)

2.2 Adoption of new and amended standards and interpretation (Continued)

FRS 115 Revenue from Contracts with Customers

FRS 115 supersedes FRS 11 Construction Contracts, FRS 18 Revenue and the related Interpretations. FRS 115 introduces a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in FRS 115 to deal with specific scenarios.

FRS 115 uses the terms 'contract asset' and 'contract liability' to describe what might more commonly be known as 'accrued revenue' and 'deferred revenue', however the Standard does not prohibit an entity from using alternative descriptions in the statement of financial position. Accordingly, the Town Council has continued to use "Conservancy and service fees received in advance" instead of contract liabilities.

The Town Council's significant accounting policies for its revenue streams are disclosed in Note 2.7. Apart from providing additional disclosures on the Town Council's revenue transactions, FRS 115 did not have any material effect.

FRS and INT FRS issued but not yet effective

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

FRS 116 Leases

FRS 116 was issued in June 2016 and it will supersede FRS 17 Leases and its associated interpretative guidance.

The Standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. The identification of leases, distinguishing between leases and service contracts are determined on the basis of whether there is an identified asset controlled by the customer.

Significant changes to lessee accounting are introduced, with the distinction between operating and finance leases removed and assets and liabilities recognised in respect of all leases (subject to limited exceptions for short-term leases and leases of low value assets). The Standard maintains substantially the lessor accounting approach under the predecessor FRS 17.

The Town Council is adopting FRS 116 and expects the adoption of FRS 116 will result in certain operating lease arrangements being recorded on the statement of financial position with the cumulative effect of initially applying the standard as an adjustment to the opening Town Council's funds at the date of initial application, 1 April 2019.

MARINE PARADE TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2019

2. Summary of significant accounting policies (Continued)

2.3 Town Council Funds

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

- Residential Property
- Commercial Property

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

The routine fund related to properties under management, together with Sinking Funds and Town Improvement and Project Fund, form the Town Council funds.

All moneys received by the Town Council are paid into and related expenditure is 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 Funds

Sinking Funds comprise of Ordinary Sinking Fund and Lift Replacement Fund.

Under the Town Councils Act, the Ministry of National Development may, from time to time, prescribe the minimum amounts of conservancy and service fees and grants-in-aid to be paid into the Sinking Funds other than Lift Replacement Fund matching grant which does not have a prescribed minimum amount to be paid into the Sinking Funds.

(i) Ordinary Sinking Fund

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

The minimum amounts to be paid by property type, into the Ordinary Sinking Fund is as follows:

Property type service	Percentage of conservancy and service fees and grants-in-aid
(i) 1-room to 5-room and Executive	26% (2018: 26%) of conservancy and service fees and grants-in-aid
(ii) Shop with living accommodation	26% (2018: 26%) of conservancy and service fees and grants-in-aid
(iii) Commercial property	26% (2018: 26%) of conservancy and service fees and grants-in-aid

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

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

MARINE PARADE TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2019

2. Summary of significant accounting policies (Continued)

2.3 Town Council Funds (Continued)

(ii) Lift Replacement Fund

In accordance with Section 33(4A) of the Town Councils Act, Town Councils are required to establish a new Lift Replacement Fund with effect from 1 April 2017. The establishment of the LRF is a standalone fund to be carved out from the existing Sinking Funds and ring-fenced specifically for lift replacements and other lift-related replacement works.

The minimum amounts to be paid by property type, into the Lift Replacement Fund is as follows:

Property type service	Percentage of conservancy and service fees and grants-in-aid
(i) 1-room to 5-room and Executive	14% (2018: 14%) of conservancy and service fees and grants-in-aid
(ii) Shop with living accommodation	14% (2018: 14%) of conservancy and service fees and grants-in-aid
(iii) Commercial property	14% (2018: 14%) of conservancy and service fees and grants-in-aid

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

The Lift Replacement Fund is utilised for major lift works such as capital expenditure including works, plant, equipment, appliances and insurance premium related to the replacement of lifts or lift upgrading works carried out on the common property under the Housing and Development Act.

Town Improvement Project Fund

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

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

2.4 Inter-fund transfers

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

2.5 Allocation of general overheads

Expenditure not specifically related to any property type managed, such as administrative overheads, tree planting and pruning etc. are allocated to the various property types using equivalent dwelling units ("EDU") as follows:

<u>Property Type</u>	<u>Equivalent Dwelling Unit(s)</u>	
	<u>2019</u>	<u>2018</u>
1 Residential Property Unit	1	1
1 Commercial Property Unit	2	2
6 Car lots or 36 Motorcycle lots or 4 Lorry lots	1	1

Such allocation by EDU is not applied to the Sinking Funds and Town Improvement and Project Fund.

MARINE PARADE TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2019

2. Summary of significant accounting policies (Continued)

2.6 Government grants

The Town Council receives five types of grants from the Government: Service and Conservancy Charges ("S&CC") grant, payment from CCCs, Goods and Services Tax ("GST") subvention grant, Lift Replacement Fund Matching Grant and Lift Maintenance Grant ("LMG").

- (i) Service and Conservancy Charge operating grants to meet the current year's operating expenditure are taken to the Income and Expenditure Statement, except to the extent which is required to be transferred to Ordinary Sinking Fund and Lift Replacement Fund based on the amount prescribed.
- (ii) Payments from CCC are granted to provide funding support for community improvement projects under CIPC scheme.
- (iii) The GST Subvention is given as grant-in-aid to the Town Council to assist Town Council for absorbing the GST increases in Service and Conservancy Charges for HDB residential flats. The grant is taken to the Income and Expenditure Statement, except to the extent which is required to be transferred to Ordinary Sinking Fund and Lift Replacement Fund based on the amount prescribed.
- (iv) Lift Replacement Fund (LRF) Matching Grant is given as grant-in-aid to the Town Council by MND to match 50% of Town Council's contributions to the Lift Replacement Fund to supplement Town Council's savings. The contributions inclusive of (a) quarterly contributions from service and conservancy charges collections and other grants-in-aids, including voluntary contributions beyond the minimum LRF contribution rate; and (b) Voluntary contribution of Accumulated Surplus to the LRF at the end of a financial year, as allowed under Section 33(9) of the amended Town Councils Act.
- (v) Lift Maintenance Grant (LMG) is given as grant-in-aid to the Town Council to cope with the higher lift-related servicing and maintenance costs. LMG disbursed to Town Council annually and the amount disbursed is \$600 for every lift (both residential and commercial) maintained by the Town Council. The grant is taken to the Income and Expenditure Statement, except to the extent which is required to be transferred to Ordinary Sinking Fund and Lift Replacement Fund based on the amount prescribed.

Government grants are recognised at their fair value where there is reasonable assurance that the attached condition will be complied with and that the grant will be received. Grant in recognition of specific expenditures are recognised as income over the periods necessary to match them with the related expenditure that they are intended to compensate on a systematic basis unless the accounting treatment is specified. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the statement of financial position and is amortised to statement of income and expenditure and other comprehensive income over the expected useful life of the relevant asset by equal annual instalment.

MARINE PARADE TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2019

2. Summary of significant accounting policies (Continued)

2.7 Revenue recognition (before 1 April 2018)

Revenue comprises the fair value of the consideration received or receivable from the gross inflow of economic benefits during the year arising from the course of the ordinary activities of the Town Council.

Conservancy and service fees and agency fees are recognised on a time-proportion basis for the period when the service is rendered.

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

Investment income from investments in financial assets held at available-for-sale instruments is recognised in income and expenditure statement.

Income from temporary occupation licences and usage of void deck or other common property is recognised on a cash basis.

Revenue recognition (after 1 April 2018)

Conservancy and service fees are charged on a monthly to the lessees and tenants of the Housing and Development Board (HDB) flats, shops/offices and market/food stalls towards the maintenance and upkeep of the common property under the Town Council. Conservancy and service fees are allocated between operating income and Ordinary Sinking Fund and Lift Replacement Fund in accordance with the Town Councils Act, Cap. 329A. Conservancy and service fees are recognised as a performance obligation over time.

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

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

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

Income from temporary occupation licences and usage of void deck or other common property is recognised on a cash basis.

2.8 Income tax

Tax is provided on the following income:

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

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

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

MARINE PARADE TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2019

2. Summary of significant accounting policies (Continued)

2.9 Plant and equipment

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

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

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

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

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

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

The gain or loss, being the difference between the sales proceeds and the carrying amount of the asset, arising on disposal or retirement of an item of property, plant and equipment is recognised in income and expenditure statement.

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

2.10 Financial Assets (before 1 April 2018)

Initial recognition, measurement and derecognition of financial assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2019

2. Summary of significant accounting policies (Continued)

2.10 Financial Assets (before 1 April 2018) (Continued)

Subsequent measurement

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

(i) Loans and receivables

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

For impairment, the carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in income and expenditure statement.

(ii) Available-for-sales financial assets ("AFS")

Certain equity instruments and debt securities held by the Town Council are classified as AFS if they are not classified in any of the other categories. Subsequent to initial recognition, AFS are measured at fair value and changes therein are recognised directly in the available-for-sale reserve with the exception of impairment losses, interests calculated using the effective interest method and foreign exchange gains and losses. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the available-for-sale reserve is included in income and expenditure statement for the year.

In the case of equity investments classified as available-for-sale, objective evidence of impairment include (i) significant financial difficulty of the issuer or obligor, (ii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered; and (iii) a significant or prolonged decline in the fair value of the investment below its costs. Significant is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in income and expenditure statement, is transferred from other comprehensive income and recognised in income and expenditure statement. Reversals of impairment losses in respect of equity instruments are not recognised in income and expenditure statement; increase in their fair value after impairment are recognised directly in other comprehensive income.

MARINE PARADE TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2019

2. Summary of significant accounting policies (Continued)

2.10 Financial Assets (before 1 April 2018) (Continued)

Impairment of financial assets

The Town Council assesses at the end of each reporting period whether there is any indication that those assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

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

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

Financial Assets (after 1 April 2018)

Classification of financial assets

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

Initial recognition and measurement

All financial assets are recognised and de-recognised on a trade date basis where the purchase or sale of financial assets is under a contract whose terms require delivery of assets within the time frame established by the market concerned. All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Debt instruments mainly comprise cash and bank balances, conservancy and service fees receivables and other receivables that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2019

2. Summary of significant accounting policies (Continued)

2.10 Financial Assets (after 1 April 2018) (Continued)

Subsequent measurement

Investments in debt instruments

Subsequent measurement of debt instruments depends on the Town Council's business model for managing the asset and the contractual cash flow characteristics of the asset.

(i) Amortised costs

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognized in income and expenditure statement when the assets are derecognized or impaired, and through amortization process.

(ii) Fair value through other comprehensive income (FVTOCI)

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payment of principal and interest, are measured at FVTOCI. Financial assets measured at FVTOCI are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except for impairment losses. The cumulative gain or loss previously recognized in other comprehensive income is classified from equity to income and expenditure statement as reclassification adjustment when the financial asset is de-recognised. Interest income from these financial assets is included in other income using effective interest rate method.

Amortised cost and effective interest method

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

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

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

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

MARINE PARADE TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2019

2. Summary of significant accounting policies (Continued)

2.10 Financial Assets (after 1 April 2018) (Continued)

Impairment of financial assets

The Town Council recognises an allowance for expected credit losses ("ECL") for all debt instruments that are measured at amortised cost through Income and Expenditure Statement or the respective funds. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Town Council recognises lifetime ECL for conservancy and service receivables and other receivables (relating solely to the fee incurred and penalty fee imposed on outstanding conservancy and service fee receivables in Note 13) using simplified approach. The expected credit losses on these financial assets are estimated using a provision matrix based on the Town Council's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. The following provision matrix is used:

	Rate of Provision
Live accounts with arrears	
in excess of 6 – 11 months	25%
in excess of 12 - 23 months	50%
in excess of 24 months	100%
Terminated accounts with arrears	100%

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

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

For debt instruments at fair value through other comprehensive income, the Town Council applies the low credit risk simplification. At every reporting date, the Town Council evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Town Council reassesses the internal credit rating of the debt instrument.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Town Council compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Town Council considers historical loss rates for each category of debtors and adjusts to reflect current and forward-looking macroeconomic factors affecting the ability of the debtors to settle the receivables.

MARINE PARADE TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2019

2. Summary of significant accounting policies (Continued)

2.10 Financial Assets (after 1 April 2018) (Continued)

The Town Council assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if (i) the financial instrument has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to meet its contractual cash flow obligations.

The Town Council regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Town Council considers the following as constituting an event of default for internal credit risk management purpose as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable: (i) where there is a breach of financial covenants by the counterparty; or (ii) information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors including the Town Council in full without taking into account any collaterals held by the Town Council.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

Write-off policy

The Town Council writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over seven years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Town Council's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in income and expenditure statement.

Measurement and recognition of expected credit losses

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Town Council in accordance with the contract and all the cash flows that the Town Council expects to receive, discounted at the original effective interest rate.

If the Town Council has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Town Council measures the loss allowance at an amount equal to 12-month ECL at the current reporting date.

MARINE PARADE TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2019

2. Summary of significant accounting policies (Continued)

2.10 Financial Assets (after 1 April 2018) (Continued)

Derecognition of financial assets

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

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in income and expenditure statement. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified to income and expenditure statement.

2.11 Impairment of non-financial assets

The Town Council assesses at the end of each reporting period whether there is any indication that those assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

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

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

2.12 Cash and cash equivalents

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

MARINE PARADE TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2019

2. Summary of significant accounting policies (Continued)

2.13 Financial Liabilities

Initial recognition, measurement and derecognition of financial liabilities.

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

The financial liability is derecognised when, and only when, its obligations are discharged, cancelled or expired. On derecognition, the difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in income and expenditure statement.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in income and expenditure statement when the liabilities are derecognised, and through the amortisation process.

2.14 Lease as a lessee

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

2.15 Payables

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

2.16 Provisions

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

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2019

3. Critical accounting judgements and key sources of estimation uncertainty

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

Critical accounting estimates and assumptions used that are significant to the financial statements, and areas involving a high degree of judgements or complexity, are described below.

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

In the process of applying the Town Council's accounting policies, the management is of the opinion that there is no instance of application of judgement which is expected to have a significant effect on the amounts recognised in the financial statements, apart from these involving estimations described below.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follow:

Impairment of conservancy and service receivables

Before 1 April 2018

Impairment for doubtful conservancy and service debts and legal fees amounting to \$990,150 have been estimated on the basis of age of debts, results of recovery efforts and historical experience.

After 1 April 2018

Upon adoption of FRS 109 *Financial Instruments*, the Town Council measures impairment loss based on an expected credit loss (ECL) on conservancy and service debts and related interest charged for late payment. When measuring ECL, the Town Council uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. The gross amount of conservancy and service fee and related ECL are disclosed in Note 12.

MARINE PARADE TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

4 Accumulated surplus

The surplus for the year attributable to the various activities is carried forward as Accumulated Surplus in the respective properties as follows:

	Note	Total		Residential Property		Commercial Property		Carpark	
		2019	2018	2019	2018	2019	2018	2019	2018
		\$	\$	\$	\$	\$	\$	\$	\$
Operating income									
Conservancy and service fees		42,928,938	40,578,967	37,409,208	35,240,699	5,519,730	5,338,268	-	-
Less: Operating Income transfer to Ordinary Sinking Fund	5	(11,161,535)	(10,550,539)	(9,726,403)	(9,162,588)	(1,435,132)	(1,387,951)	-	-
Operating Income transfer to Lift Replacement Fund (minimum required by law)	6	(6,010,053)	(5,681,072)	(5,237,289)	(4,933,712)	(772,764)	(747,360)	-	-
		25,757,350	24,347,356	22,445,516	21,144,399	3,311,834	3,202,957	-	-
Agency fees	18	2,681,758	2,592,248	-	-	-	-	2,681,758	2,592,248
Other income	19	3,267,811	3,243,892	2,422,324	2,670,667	821,236	552,062	24,251	21,163
		31,706,919	30,183,496	24,867,840	23,815,066	4,133,070	3,755,019	2,706,009	2,613,411
Less: Operating expenditure		(34,746,806)	(33,740,477)	(29,228,664)	(28,614,488)	(3,790,772)	(3,361,564)	(1,727,370)	(1,764,425)
Operating (deficit)/surplus		(3,039,887)	(3,556,981)	(4,360,824)	(4,799,422)	342,298	393,455	978,639	848,986
Add: Non-operating income		196,761	155,165	166,946	131,759	14,760	12,021	15,055	11,385
(Deficit)/surplus before income tax and government grants		(2,843,126)	(3,401,816)	(4,193,878)	(4,667,663)	357,058	405,476	993,694	860,371
Less: Income tax	17	(155,495)	(147,950)	(143,958)	(140,397)	(7,376)	(1,594)	(4,161)	(5,959)
Less: Goods and Services Tax	21	(365,902)	(400,232)	(336,191)	(366,212)	(29,711)	(34,020)	-	-
(Deficit)/surplus before government grants		(3,364,523)	(3,949,998)	(4,674,027)	(5,174,272)	319,971	369,862	989,533	854,412
Add: Government grants	22	18,887,913	14,971,506	18,257,680	14,573,703	630,233	397,803	-	-
Less: Transfer to Ordinary Sinking Fund	5, 22	(2,662,151)	(2,648,997)	(2,659,655)	(2,643,135)	(2,496)	(5,862)	-	-
Less: Transfer to Lift Replacement Fund	6, 22	(5,002,389)	(4,980,110)	(4,624,011)	(4,601,699)	(378,378)	(378,411)	-	-
Less: Transfer from/(to) surplus of voluntary contribution	6, 22	(3,000,000)	-	(2,756,400)	-	(243,600)	-	-	-
Less: Transfer to Town Improvement and Project Fund	7, 22	(2,079,954)	(1,229,337)	(2,079,954)	(1,229,337)	-	-	-	-
		6,143,419	6,113,062	6,137,660	6,099,532	5,759	13,530	-	-
SURPLUS FOR THE YEAR		2,778,896	2,163,064	1,463,633	925,260	325,730	383,392	989,533	854,412
Add: Accumulated surplus as at 1 April		10,027,233	8,302,598	8,852,774	7,270,207	1,174,459	1,032,391	-	-
Add /Less: Inter-funds transfer		-	-	989,533	854,412	-	-	(989,533)	(854,412)
Add: Transfer from/(to) surplus of Town Improvement and Project fund	7	1,549,858	1,255,129	1,368,506	1,225,484	181,352	29,645	-	-
Less: Appropriation to Town Improvement and Project fund	7	(1,673,311)	(1,693,558)	(1,405,581)	(1,422,589)	(267,730)	(270,969)	-	-
Less: Lift Replacement Fund - voluntary contribution	6	(6,000,000)	-	(5,512,800)	-	(487,200)	-	-	-
ACCUMULATED SURPLUS AS AT 31 MARCH		6,682,676	10,027,233	5,756,065	8,852,774	926,611	1,174,459	-	-

MARINE PARADE TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

5 Ordinary Sinking Fund

Note	Total		Residential Property		Commercial Property	
	2019	2018	2019	2018	2019	2018
	\$	\$	\$	\$	\$	\$
Balance as at 1 April	63,884,173	72,117,454	36,511,414	40,919,494	27,372,759	31,197,960
Less: Transfer from Ordinary Sinking Fund to Lift Replacement Fund	-	(10,112,124)	-	(5,743,056)	-	(4,369,068)
Add:	63,884,173	62,005,330	36,511,414	35,176,438	27,372,759	26,828,892
Operating income transfer from conservancy and service fees	11,161,535	10,550,539	9,726,403	9,162,588	1,435,132	1,387,951
Investment and other income	1,064,346	812,808	977,950	744,122	86,396	68,686
Transfer from government grants	2,662,151	2,648,997	2,659,655	2,643,135	2,496	5,862
	14,888,032	14,012,344	13,364,008	12,549,845	1,524,024	1,462,499
Less: Expenditure	(13,582,093)	(11,775,387)	(11,419,448)	(10,886,640)	(2,162,645)	(888,747)
Less: Income Tax	(175,854)	(205,564)	(161,576)	(188,463)	(14,278)	(17,101)
Goods and services tax	(137,901)	(152,550)	(126,703)	(139,766)	(11,198)	(12,784)
Surplus/ (Deficit) for the year	992,184	1,878,843	1,656,281	1,334,976	(664,097)	543,867
	64,876,357	63,884,173	38,167,695	36,511,414	26,708,662	27,372,759
Add: Fair value reserve	45,500	63,750				
Balance as at 31 March	64,921,857	63,947,923				

Represented by:

Non-current asset

Financial assets at fair value through other comprehensive income
Available-for-sale financial assets

10	2,545,500	-
11	-	2,563,750
	2,545,500	2,563,750

Current assets

Cash and cash equivalents
Interest receivable
Conservancy and service fees receivables
Other receivables
Due from accumulated surplus

14	59,041,224	60,607,793
	751,407	292,698
12	271,121	256,236
13	806,492	603,826
	3,505,633	3,863,937
	64,375,877	65,624,490

Total assets

Less:

Current liabilities

Conservancy and service fees received in advance
Payables and accrued expenses
Income tax payable

16	-	(141,991)
17	(1,688,519)	(3,823,325)
	(311,001)	(275,001)
	(1,999,520)	(4,240,317)

NET ASSETS

	64,921,857	63,947,923
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MARINE PARADE TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

5 Ordinary Sinking Fund (Continued)

(i) Investment and other income

	2019 \$	2018 \$
Interest income - fixed deposits	985,496	733,953
Interest income - bonds	78,500	78,500
Other Income	350	355
	1,064,346	812,808

(ii) Expenditure

	2019 \$	2018 \$
Re-roofing works	721,847	1,474,479
Electrical Re-wiring	3,033,182	76,850
Replacement of water pump sets	18,585	128,409
Escalator works	3,100	40,449
Replacement of booster pump sets	93,700	733,256
Repairs and Re-decoration	8,910,723	8,172,666
Replacement of refuse chute flushing system	36,723	419,060
Replacement of fire fighting & protection system	623,853	119,936
Consultancy fees and other charges*	140,380	424,680
Replacement of water pipes	-	185,602
	13,582,093	11,775,387

* Consultancy fees and other charges are inclusive of the reversal of allowance of impairment loss on receivables amounting \$181,054 (2018: \$14,292).

MARINE PARADE TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

6 Lift Replacement fund

Note	2019 \$	2018 \$	Residential Property 2019 \$	Residential Property 2018 \$	Commercial Property 2019 \$	Commercial Property 2018 \$
Balance as at 1 April	16,858,827	-	11,771,051	-	5,087,776	-
Add: Transfer from Ordinary Sinking Fund to Lift Replacement Fund ("LRF")	-	10,112,124	-	5,743,056	-	4,369,068
Balance as at 31 March	16,858,827	10,112,124	11,771,051	5,743,056	5,087,776	4,369,068
Add:						
Operating income transfer from conservancy and service fees	6,010,053	5,681,072	5,237,289	4,933,712	772,764	747,360
Investment income	243,997	87,536	224,185	80,323	19,812	7,213
Transfer from LRF matching grant	3,568,921	3,553,727	3,191,887	3,178,473	377,034	375,254
Transfer from LRF matching grant - voluntary contribution*	3,000,000	-	2,756,400	-	243,600	-
Transfer from government grants on S&CC, GST Subvention & LMG	1,433,468	1,426,383	1,432,124	1,423,226	1,344	3,157
	14,256,439	10,748,718	12,841,885	9,615,734	1,414,554	1,132,984
Less: Expenditure	(3,461,675)	(3,940,588)	(3,422,693)	(3,531,463)	(38,982)	(409,125)
Less: Income Tax	(41,000)	(15,000)	(37,671)	(13,782)	(3,329)	(1,218)
Goods and services tax	(44,526)	(46,427)	(40,910)	(42,494)	(3,616)	(3,933)
Surplus for the year	10,709,238	6,746,703	9,340,611	6,027,995	1,368,627	718,708
Transfer from Accumulated Surplus - voluntary contribution*	6,000,000	-	5,512,800	-	487,200	-
Balance as at 31 March	33,568,065	16,858,827	26,624,462	11,771,051	6,943,603	5,087,776

* This voluntary contribution is made in accordance with Section 33(9) of the Town Councils Act. With the voluntary contribution of \$6,000,000 from the Accumulated Surplus to the Lift Replacement Fund during the financial year ended 31 March 2019, the Town Council is entitled to receive a matching grant of \$3,000,000.

The initial setup of LRF in 2018 required the Town Council to transfer a minimum of 14% of the Ordinary Sinking Fund as at 31 March 2017 comprising both residential and commercial properties into the lift replacement fund.

Represented by:

Current assets

14	22,499,232	15,125,308
	205,145	67,191
12	145,984	137,973
13	3,778,245	828,117
	7,884,685	1,476,538
	34,513,291	17,635,127
	34,513,291	17,635,127

Total assets

Less:

Current liabilities

16	(889,226)	(76,457)
17	(56,000)	(684,843)
	(945,226)	(15,000)
	(945,226)	(776,300)

NET ASSETS

	33,568,065	16,858,827
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MARINE PARADE TOWN COUNCIL

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019**

6 Lift Replacement fund (continued)

(i) Investment income	2019	2018
	\$	\$
Interest income - fixed deposits	219,117	72,476
Interest income - bank	24,880	15,060
	<u>243,997</u>	<u>87,536</u>
(ii) Expenditure	2019	2018
	\$	\$
Lift cyclical maintenance works	2,813,381	2,940,084
Lift overhauls and replacement works **	148,670	600,475
Replacement of Lift Position Display Panel	477,218	304,052
Project management and other charges *	22,406	95,977
	<u>3,461,675</u>	<u>3,940,588</u>

* Project management and other charges are inclusive of the reversal of allowance of impairment loss on receivables amounting \$97,491 (2018: \$7,695).

** Lift overhauls and replacement works are inclusive of Selective Lift Replacement Programme ("SLRP") co-funding from HDB amounting \$786,751 (2018: \$54,807). HDB co-funds 50% of the expenditure incurred and capped at \$125,000 per lift.

MARINE PARADE TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

7 Town Improvement and Project fund

Note	Total		Residential Property		Commercial Property	
	2019	2018	2019	2018	2019	2018
	\$	\$	\$	\$	\$	\$
Balance as at 1 April	1,693,558	1,640,968	1,422,589	1,378,413	270,969	262,555
Transfer from government grants	2,079,954	1,229,337	2,079,954	1,229,337	-	-
Expenditure	(2,223,654)	(1,615,176)	(2,134,037)	(1,382,266)	(89,617)	(232,910)
Deficit for the year	(143,700)	(385,839)	(54,083)	(152,929)	(89,617)	(232,910)
Transfer to accumulated surplus*	(1,549,858)	(1,255,129)	(1,368,506)	(1,225,484)	(181,352)	(29,645)
Appropriation from accumulated surplus **	1,673,311	1,693,558	1,405,581	1,422,589	267,730	270,969
Balance as at 31 March	1,673,311	1,693,558	1,405,581	1,422,589	267,730	270,969

Represented by:

Current asset
Due from accumulated surplus

1,673,311 1,693,558

(i) Expenditure

Construction of covered linkways	705,968	683,207
Construction of pavilion	57,979	13,688
Construction/upgrading of playground, fitness corner etc	994,660	527,354
Residents' & study corner	68,606	13,074
Outdoor facilities	392,093	325,878
Lift lobbies upgrading	4,348	51,975
	2,223,654	1,615,176

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

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

MARINE PARADE TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

8 Fair value reserve

	2019 \$	2018 \$
Fair value reserve from financial assets at fair value through other comprehensive income (2018: available-for-sale financial assets)	45,500	63,750
Movements:		
Balance as at 1 April	63,750	112,000
Loss arising during the year	(18,250)	(48,250)
Balance as at 31 March	45,500	63,750
Fair value reserve is taken up in:		
Ordinary Sinking Fund	45,500	63,750

9 Plant and Equipment

	Note	Furniture, fixtures and fittings \$	Office equipment \$	Data processing equipment \$	Total \$
Cost					
As at 1 April 2017		898,587	202,004	148,831	1,249,422
Additions		14,532	-	9,105	23,637
Disposals		(6,255)	-	(10,099)	(16,354)
As at 31 March 2018		906,864	202,004	147,837	1,256,705
Additions		-	5,913	13,884	19,797
Disposals		(1,959)	(6,730)	(9,022)	(17,711)
As at 31 March 2019		904,905	201,187	152,699	1,258,791
Accumulated depreciation					
As at 1 April 2017		871,323	199,483	126,640	1,197,446
Depreciation	20	16,508	1,389	13,056	30,953
Disposals		(6,255)	-	(10,099)	(16,354)
As at 31 March 2018		881,576	200,872	129,597	1,212,045
Depreciation	20	13,952	1,096	12,806	27,854
Disposals		(1,959)	(6,730)	(9,022)	(17,711)
As at 31 March 2019		893,569	195,238	133,381	1,222,188
Net book value					
As at 31 March 2018		25,288	1,132	18,240	44,660
As at 31 March 2019		11,336	5,949	19,318	36,603

MARINE PARADE TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

10 Financial assets at fair value through other comprehensive income ("FVTOCI")

	2019 \$	2018 \$
Balance as at 1 April	-	-
Reclassification from available-for-sale financial assets (Note 11)	2,563,750	-
Fair value changes recognised in Ordinary Sinking Fund	(18,250)	-
Balance as at 31 March	<u>2,545,500</u>	<u>-</u>
<u>Made up of:</u>		
Non-current portion	<u>2,545,500</u>	<u>-</u>

This comprises of investment in one quoted bond issued by a statutory board (Housing & Development Board "HDB") that bears fixed interest rate of 3.14% per annum with maturity date ending on 18 March 2021. The effective interest rate earned for the year is 3.07% per annum. The Town Council has elected to measure the debts instrument at FVTOCI as the objective of which is both for collection of contracted cash flows and for selling the financial assets.

The financial assets at FVOCI is taken up in Ordinary Sinking Fund.

11 Available-for-sale financial assets

	2019 \$	2018 \$
<u>At fair value</u>		
Balance as at 1 April	2,563,750	2,612,000
Reclassification to FVTOCI (Note 10)	(2,563,750)	-
Fair value changes recognised in Ordinary Sinking Fund	-	(48,250)
Balance as at 31 March	<u>-</u>	<u>2,563,750</u>
<u>Made up of:</u>		
Non-current portion	<u>-</u>	<u>2,563,750</u>

This comprises of investment in one quoted bond issued by a statutory board that bears fixed interest rate of 3.14% per annum with maturity date ending on 18 March 2021. The effective interest rate earned for the 2018 is 3.03% per annum. In 2019, the available-for-sale financial assets has been reclassified to FVTOCI (Note 10) following the adoption of FRS 109.

The available-for-sales financial assets is taken up in Ordinary Sinking Fund.

MARINE PARADE TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

12 Conservancy and service fees receivables

	Note	2019 \$	2018 \$
Conservancy and service fees receivables		2,421,337	2,039,855
Less: Allowance for impairment loss		(1,221,942)	(990,150)
Net		<u>1,199,395</u>	<u>1,049,705</u>
Taken up in:			
Accumulated surplus		782,290	655,496
Ordinary Sinking Fund	5	271,121	256,236
Lift Replacement Fund	6	145,984	137,973
		<u>1,199,395</u>	<u>1,049,705</u>

Conservancy and service fees receivables are non-interest bearing and are generally on 30 days (2018: 30 days) credit term.

The movements in allowance for impairment are as follows:

	2019 \$	2018 \$
Balance as at 1 April	990,150	1,034,512
Write off during the year	(20,040)	-
Charge/(write back) to profit or loss	251,832	(44,362)
Balance as at 31 March	<u>1,221,942</u>	<u>990,150</u>

13 Other receivables

	Note	2019 \$	2018 \$
Claims for Citizens' Consultative Committee funding receivable		644,343	180,682
Billing for work carried out, reimbursement from HDB		1,065,751	1,654,326
Billing for work carried out, reimbursement from contractors		29,443	18,195
Billing for work carried out, reimbursement from NEA		52,588	22,134
GST Subvention grant receivable		366,891	345,440
Lift Replacement Fund Matching grant receivable		3,778,245	739,750
Deposit - PUB		278,870	76,300
GST receivable		-	161,872
Prepayment		7,514	37,568
Other receivables*		593,252	585,058
Less: Allowance for impairment		(570,043)	(517,470)
Net		<u>6,246,854</u>	<u>3,303,855</u>
Taken up in:			
Accumulated surplus		1,662,117	1,871,912
Ordinary Sinking Fund	5	806,492	603,826
Lift Replacement Fund	6	3,778,245	828,117
		<u>6,246,854</u>	<u>3,303,855</u>

	2019 \$	2018 \$
The movements in allowance for impairment for other receivables are as follows:		
Balance as at beginning of year	517,470	493,189
Charge to profit or loss	56,954	24,281
Amount written off during the year	(4,381)	-
Balance as at year end	<u>570,043</u>	<u>517,470</u>

*Other receivables consist of fee incurred and penalty fee imposed on outstanding conservancy and service fee receivables. ECL is provided on the same basis as conservancy and service fee receivables.

MARINE PARADE TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

14 Cash and short term deposits

	Note	2019 \$	2018 \$
Cash on hand		11,000	11,000
Cash at banks		23,138,664	21,854,015
		<u>23,149,664</u>	<u>21,865,015</u>
Fixed deposits with financial institutions		81,000,000	75,000,000
		<u>104,149,664</u>	<u>96,865,015</u>
Taken up in:			
Accumulated surplus		22,609,208	21,131,914
Ordinary Sinking Fund	5	59,041,224	60,607,793
Lift Replacement Fund	6	22,499,232	15,125,308
		<u>104,149,664</u>	<u>96,865,015</u>
Fixed deposits			
-Maturing in more than 3 months		40,000,000	35,000,000
-Maturing within 3 months		41,000,000	40,000,000
		<u>81,000,000</u>	<u>75,000,000</u>

Fixed deposits are placed for varying periods from one month to one year. The interest rates range from 1.69% to 2.10% (2018: 1.30% to 1.55%) per annum. The weighted average effective interest rates per annum relating to fixed deposits is 1.87% (2018: 1.40%).

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

	2019 \$	2018 \$
Cash and short term deposits	104,149,664	96,865,015
Less: Fixed deposits maturing more than 3 months	<u>(40,000,000)</u>	<u>(35,000,000)</u>
Cash and cash equivalents	<u>64,149,664</u>	<u>61,865,015</u>

MARINE PARADE TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

15 Receivable/(Advance received) for Neighbourhood Renewal Programme

	2019 \$	2018 \$
Balance as at 1 April	(628,927)	(989,863)
Funding from government	(2,831,797)	(2,690,403)
Payments to contractors	3,726,740	3,051,339
	894,943	360,936
Balance as at 31 March	266,016	(628,927)

Neighbourhood Renewal Programme ("NRP") was introduced in August 2007 in response to feedback received from residents during the Forum on HDB Heartware for more active consultation on the improvements to be provided in their precincts. Blocks built up to 1989 and have not undergone the Main Upgrading Programme (MUP) or Interim Upgrading Programme (IUP) are eligible for NRP. The funding for the programme comes from the Government and is for the specific use of projects under the programme. However, if the cost of project works incurred exceeds the funding provided, the Town Council has to bear the cost of excess expenditure.

16 Payables and accrued expenses

	Note	2019 \$	2018 \$
Accruals for completed works		2,049	48,008
Accrued operating expenses		6,836,515	9,337,112
Refundable deposits		294,926	260,372
GST Payables		26,069	-
Other payables		119,842	108,445
		7,279,401	9,753,937
Taken up in:			
Accumulated surplus		4,701,656	5,245,769
Ordinary Sinking Fund	5	1,688,519	3,823,325
Lift Replacement Fund	6	889,226	684,843
		7,279,401	9,753,937

Payables are non-interest bearing and are generally on 30 - 90 days (2018: 30 - 90 days) credit term.

As at 31 March 2019, the amount payable to managing agent was included in the line items "accruals for completed works" and "accrued operating expenses" of \$Nil (2018: \$9,445) and \$530,614 (2018: \$469,351) respectively totalling \$530,614 (2018: \$478,796) with a credit term of 30 days (2018: 30 days).

MARINE PARADE TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

17 Income tax

	Note	2019 \$	2018 \$
Current tax expense		373,000	310,000
(Over)/under provision of tax in previous financial years		(651)	58,514
		372,349	368,514
Taken up in:			
Accumulated surplus	4	155,495	147,950
Ordinary Sinking Fund	5	175,854	205,564
Lift Replacement Fund	6	41,000	15,000
		372,349	368,514

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

	2019 \$	2018 \$
<u>Taxable income and deductible expenses</u>		
Interest and investment income	1,505,104	1,055,504
Government grants & other income	15,955,383	15,025,547
Trade income	759,871	841,999
Allowable expenses	(75,638)	(83,777)
	18,144,720	16,839,273
Tax calculated at a tax rate of 17% (2018: 17%)	3,084,602	2,862,676
Tax remission of government grants under section 92(2) of Singapore Income Tax Act	(2,685,621)	(2,521,999)
Tax effect on concessionary income	(5,495)	(5,495)
Singapore statutory stepped income exemption	(17,425)	(25,925)
Others	(3,061)	743
Current tax expense	373,000	310,000
(Over)/ Under provision of tax in previous financial years	(651)	58,514
	372,349	368,514

The Town Council enjoys a concessionary tax rate of 10% (2018:10%) for the income earned on investment in bond.

The movements in income tax payable are as follows:

	Note	2019 \$	2018 \$
Balance as at 1 April		677,001	670,026
Payments during the year		(366,349)	(361,539)
Current financial year's income tax expense		373,000	310,000
(Over)/Under provision of tax in previous financial years		(651)	58,514
Balance as at 31 March		683,001	677,001
Taken up in:			
Accumulated surplus		316,000	387,000
Ordinary Sinking Fund	5	311,001	275,001
Lift Replacement Fund	6	56,000	15,000
		683,001	677,001

MARINE PARADE TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

18 Agency fees

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

19 Other income

	2019 \$	2018 \$
Penalty on late payment of conservancy & services fees	113,327	112,042
Liquidated damages imposed on contractors	222,366	230,256
Temporary occupational licenses	2,492,930	2,473,299
Usage of void deck, water, electricity and common property	333,888	333,808
Others	105,300	94,487
	3,267,811	3,243,892

20 General and administrative expenditure

	Note	2019 \$	2018 \$
Advertising, publicity and public relations		95,541	123,957
Audit fee		34,000	31,600
Computer services and fees		369,403	357,952
Depreciation of plant and equipment	9	27,854	30,953
Insurance premium		43,176	37,306
Office rental		271,800	268,500
Office upkeep expenditure		151,912	124,012
Office supplies and stationery		122,004	132,079
Telecommunication		88,222	87,337
Property tax		259,326	248,236
Town Councillors' allowances		225,600	222,052
Allowance for impairment loss on receivables		562,910	1,906
Others		57,122	16,977
		2,308,870	1,682,867

21 Goods and Services Tax ("GST")

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

Disallowed input tax in the respective funds are as follows:

	Note	2019 \$	2018 \$
Accumulated surplus	4	365,902	400,232
Ordinary Sinking Fund	5	137,901	152,550
Lift Replacement Fund	6	44,526	46,427
		548,329	599,209

MARINE PARADE TOWN COUNCIL

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019**

22 Government grants

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

Note	Total		Service and Conservancy Charges Grant		LRF Matching Grant		Payment from Citizens Consultative Committees		GST Subvention Grant		Lift Maintenance Grant	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Government grants received/receivable	17,435,142	13,602,948	7,968,467	7,997,284	6,568,921	3,553,727	2,079,954	1,229,337	-	-	817,800	822,600
GST Subvention received/receivable	1,452,771	1,368,558	-	-	-	-	-	-	1,452,771	1,368,558	-	-
Less: Transfers to												
-Ordinary Sinking Fund	(2,662,151)	(2,648,997)	(2,071,802)	(2,079,296)	-	-	-	-	(377,721)	(355,825)	(212,628)	(213,876)
-Lift Replacement Fund	(5,002,389)	(4,980,110)	(1,115,585)	(1,119,621)	(3,568,921)	(3,553,727)	-	-	(203,391)	(191,598)	(114,492)	(115,164)
-Lift Replacement Fund - voluntary contribution	(3,000,000)	-	-	-	(3,000,000)	-	-	-	-	-	-	-
-Town Improvement and Project Fund	(2,079,954)	(1,229,337)	-	-	-	-	(2,079,954)	(1,229,337)	-	-	-	-
	6,143,419	6,113,062	4,781,080	4,798,367	-	-	-	-	871,659	821,135	490,680	493,560

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

	2019	2018
	\$	\$
Balance as at beginning of the year	297,459,775	282,488,269
Add: Grants received/receivable	18,887,913	14,971,506
Balance as at end of the year	316,347,688	297,459,775

MARINE PARADE TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

23 Inter-fund transfers

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

24 Capital commitments

Approved Town Council's capital expenditure but not provided for in the financial statements as at the financial year-end is as follows:

	2019 \$	2018 \$
Amount approved and contracted for	10,615,013	15,910,446
Amount approved but not contracted for	24,159,412	15,509,538
	34,774,425	31,419,984

25 Operating lease commitments

At the end of the financial year, the Town Council was committed to making the following payments in respect of rental of office premises, computer hardware and software under non-cancellable operating leases with an original term of more than one year:

	2019 \$	2018 \$
Not later than one year	410,227	448,177
Later than one year and not later than five years	124,698	534,925
	534,925	983,102

The leases on the Town Council's premises from Housing and Development Board on which rental are payable will expire in December 2019 and February 2021, subject for option to renew for another three years. Rental terms are renegotiated on renewal.

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

26 Significant related party transactions

Marine Parade Town Council is managed by the managing agent, M/s C&W Services Operations Pte Ltd. Related party relates to the managing agent which provides key management personnel in the management of Town Council's operations. The Town Council does not incur any manpower and related costs except for the Town Councillors' allowances.

	2019 \$	2018 \$
Town Councillors' allowances	225,600	222,052

The following are significant transactions took place between the Town Council and its managing agent on terms agreed between the parties during the financial year:

	2019 \$	2018 \$
- Managing agent fees	4,023,086	4,039,702
- Project management and other fees	2,377,066	3,359,567

MARINE PARADE TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

27 Financial instruments and financial risk

The Town Council's financial instruments comprise cash and cash equivalents, investment in financial assets, conservancy and service fees receivables and other receivables, accrued expenses and other payables that arise from its operations.

The main risks arising from the Town Council's financial instruments are credit risk and market risk. The Town Council is not exposed to foreign exchange risk. Risks management policies and systems are reviewed regularly to reflect changes in the operational environment and market conditions.

Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. Financial assets that potentially subject to concentrations of credit risk consist principally of cash balances with banks, investment in financial assets and receivables. The maximum exposure to credit risk is the fair value of the financial instruments at the end of the financial year.

The cash with banks are held with regulated banks which are rated Aa1 to A3 based on Moody's ratings. The financial assets at FVTOCI is a quoted bond issued by a statutory board (Housing Development Board "HDB"). The other receivables comprises mainly receivables from government agencies. Impairment of these financial instruments are measured on the 12-month expected credit loss basis as there are no significant increase in credit risk of these financial instruments since initial recognition. The Town Council considers that these financial instruments have low credit risk.

For conservancy and service fees receivables, an ongoing credit evaluation is performed on the financial conditions of the receivables and losses on impairment are recognised in profit or loss. The allowance for impairment of conservancy and service fees receivables totalling \$1,221,942 (2018: \$990,150) is determined at the reporting date (Note 12).

The Town Council measures loss allowance for conservancy and service fees receivables using simplified approach at an amount equal to lifetime expected credit losses ("ECLs"), which is calculated using a provision matrix. As the Town Council's historical credit loss experience does not indicate significantly different loss patterns for different debtor segments, the loss allowance based on past due status is not further distinguished between the Town Council's different debtor bases.

The following table provides information about the Town Council's exposure to credit risk and ECLs for conservancy and service fees receivables as at 31 March 2019.

	0 - 5 months	6 - 11 months	12 - 23 months	over 24 months	Total
31 March 2019					
Provision on individual basis					
Lifetime expected credit loss rate	100%	100%	100%	100%	
Gross carrying amount of terminated account	4,806	7,121	26,657	325,091	363,675
Loss allowance of terminated account	(4,806)	(7,121)	(26,657)	(325,091)	(363,675)
Provision on collective basis					
Lifetime expected credit loss rate	0%	25%	50%	100%	
Gross carrying amount excluding terminated account	727,519	372,974	384,290	572,879	2,057,662
Loss allowance excluding terminated account	-	(93,243)	(192,145)	(572,879)	(858,267)
Total loss allowance	(4,806)	(100,364)	(218,802)	(897,970)	(1,221,942)

The Town Council keeps assessing the expected credit loss rates based on the Town Council's historical credit loss experience over the past years, adjusted for factors that are specific to the debtors, and an assessment of both the current and forecast general economic conditions at the end of the reporting period over the expected lives of the receivables.

There was no material impact on conservancy and service fees receivables for the initial application of the new impairment requirements under FRS 109.

There is no concentration of credit risk with respect to conservancy and service fees receivables, as the Town Council has a large number of household owners.

The total amount receivable from each individual account is aged based on the earliest invoice which is still outstanding as at each month end.

MARINE PARADE TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

27 Financial instruments and financial risk (Continued)

Previous accounting policy for impairment of trade receivables

The allowance for impairment is in respect of receivables that are past due for more than 24 months and the balance if any is in respect of receivables past due between 6 to 24 months.

Trade receivables are collectively determined to be impaired at the end of the reporting period based on historical experience. The receivables are not secured by any collateral or credit enhancements. There are no further allowance for impairment required for Conservancy and service fees receivables amounting to \$1,019,224 which are past due at the financial year end but not impaired as the management believes that they are collectible.

	2018 \$
Not past due	30,481
Past due	
- 1 to 5 months	729,644
- 6 to 11 months	284,929
- 12 to 24 months	264,247
- over 24 months	730,554
	2,039,855
Allowance for impairment	(990,150)
	<u>1,049,705</u>

Market risk

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.

The Town Council's exposure to market risk for changes in interest rate relates primarily to interest-earning fixed deposits with reputable financial institutions.

Sensitivity analysis

At the end of the reporting period, if interest rates had been 100 (2018: 100) basis points lower/ higher with all other variables held constant, the Town Council's surplus net of tax would have been \$672,300 (2018: \$622,500) lower/ higher, arising mainly as a result of lower/higher interest income on fixed deposits.

Liquidity risk

Liquidity risk is the risk that the Town Council will encounter difficulty in meeting financial obligations due to shortage of funds. The Town Council manages the liquidity risk by maintaining sufficient cash, internally generated cash flows, as well as on basis of expected payment dates of the financial liabilities.

The contractual undiscounted cash flows of financial assets and financial liabilities due within 12 months approximate their carrying amounts as the impact of discounting is not significant.

It is expected that all the liabilities will be paid when due. The Town Council expects to meet its cash commitments with cash inflows from operating activities and government grants.

Financial instruments by category

The carrying amounts of the different categories of financial instruments other than those disclosed on the face of the statement of financial position and in the notes to the financial statements are as follows:

	Note	2019 \$	2018 \$
Financial assets at FVTOCI	10	2,545,500	-
Available-for-sale financial assets	11	-	2,563,750
Financial assets at amortised cost		112,882,587	101,436,230
Less: financial liabilities at amortised cost		(7,253,332)	(9,753,937)
Net		<u>108,174,755</u>	<u>94,246,043</u>

MARINE PARADE TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

28 Fair value of financial assets and liabilities

The carrying amounts of current financial assets and liabilities approximate their respective fair values due to the relatively short term maturity of these financial instruments. The fair values of the financial assets of quoted bond has been included in level 1 of the fair value hierarchy for the financial year ended 31 March 2019 and 2018.

29 Funds management

The Town Council's objectives when managing funds are:

- (i) to safeguard the Town Council's ability to continue as going concern;
- (ii) to provide resources to sustain future development; and
- (iii) to provide funds for the purpose of strengthening the Town Council's risk management capability.

The Town Council actively and regularly reviews and manages its funding structure to ensure optimal funding structure, taking into consideration the future funding requirements, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

There were no changes in the Town Council's approach to funds management during the year.

The Town Council is not subject to externally imposed capital requirements.

The Town Council's total funds amounted to \$106,845,909 (2018: \$92,527,541).



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