

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS OF
THE HOUSING AND DEVELOPMENT BOARD
FOR THE YEAR ENDED 31 MARCH 1999**

The financial statements of the Housing and Development Board (HDB), set out on pages 2 to 21, have been examined under my direction and in accordance with the provisions of the Housing and Development Act (Chapter 129). I have obtained all the information and explanations I have required.

In my opinion:

- (a) the accompanying financial statements show fairly the financial transactions of HDB and of the Group for the year ended on 31 March 1999 and the state of affairs of HDB and of the Group as at that date;
- (b) proper accounting and other records have been kept, including records of all assets of HDB, whether purchased, donated or otherwise; and
- (c) the receipts, expenditure and investment of moneys, and the acquisition and disposal of assets by HDB during the financial year have been in accordance with the Act. With regard to HDB's compliance with the Constitution, a draft of the principles of safeguarding HDB's reserves is now under consideration. The principles will be compiled in a document to be agreed between the Government and the President, establishing a constitutional convention. Without qualifying my opinion, I have taken cognizance of Note (3) in the Notes to the Accounts.

I have considered the accounts and the auditors' reports of all subsidiaries of which I have not acted as auditor, being accounts that have been included in the consolidated financial statements. The names of these subsidiaries are in Note (11) in the Notes to the Accounts.

I am satisfied that the accounts of the subsidiaries that have been consolidated with the financial statements of HDB are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements, and I have received satisfactory information and explanations as required by me for those purposes.

The auditors' reports on the accounts of the subsidiaries were not subject to any qualification and did not include any comment made under Section 207 (3) of the Companies Act (Chapter 50).



CHUANG KWONG YONG
AUDITOR-GENERAL
SINGAPORE

29 June 1999

HOUSING AND DEVELOPMENT BOARD AND SUBSIDIARY COMPANIES

BALANCE SHEETS AS AT 31 MARCH 1999

	<i>Note</i>	<i>HDB</i>		<i>Group</i>	
		<i>1998/99</i> S\$'000	<i>1997/98</i> S\$'000	<i>1998/99</i> S\$'000	<i>1997/98</i> S\$'000
CAPITAL AND RESERVES					
Capital account	4	2,465,910	2,465,953	2,470,900	2,470,453
Capital gains reserve	5	4,546,610	4,502,765	4,546,610	4,502,765
Asset revaluation reserve	6	8,856,897	8,937,337	8,856,897	8,937,337
Retained earnings		—	—	92,142	67,674
		15,869,417	15,906,055	15,966,549	15,978,229
LONG-TERM BORROWINGS	7	63,020,591	53,007,252	63,020,591	53,007,252
MINORITY INTERESTS		—	—	20,396	15,781
DEFERRED TAXATION		—	—	320	144
		78,890,008	68,913,307	79,007,856	69,001,406
Represented By:					
FIXED ASSETS	8	18,718,508	17,565,194	18,722,720	17,569,137
LONG-TERM RECEIVABLES	9	47,433,605	37,141,901	47,436,495	37,143,863
PROPERTIES UNDER CONSTRUCTION	10	15,978,132	16,070,809	15,978,132	16,070,809
INVESTMENTS	11	9,990	9,990	90,155	65,191
CURRENT ASSETS					
Properties for sale	12	2,560,651	2,123,264	2,560,651	2,123,264
Stocks of building materials		99,989	101,796	100,900	103,381
Loans receivable within 1 year	9	1,718,485	1,654,721	1,719,172	1,655,246
Debtors and prepayments	13	521,654	835,340	538,838	855,101
Amount due from associated company		597	670	597	670
Cash and deposits with banks		128,129	583,503	184,302	626,931
		5,029,505	5,299,294	5,104,460	5,364,593
LESS: CURRENT LIABILITIES					
Loans payable within 1 year	7	3,368,151	2,492,243	3,368,151	2,492,243
Provisions, creditors and accruals	14	4,794,144	4,572,587	4,840,873	4,615,420
Amount due to subsidiary companies		2,355	4,527	—	—
Government grant received in advance	15	115,082	104,524	115,082	104,524
		8,279,732	7,173,881	8,324,106	7,212,187
NET CURRENT LIABILITIES		(3,250,227)	(1,874,587)	(3,219,646)	(1,847,594)
		78,890,008	68,913,307	79,007,856	69,001,406

The accompanying notes form part of the accounts.



NGIAM TONG DOW
Chairman



MAH LAI SEONG
Chief Financial Officer

HOUSING AND DEVELOPMENT BOARD AND SUBSIDIARY COMPANIES

INCOME AND EXPENDITURE STATEMENTS FOR THE YEAR ENDED 31 MARCH 1999

		<i>HDB</i>		<i>Group</i>	
		<i>1998/99</i>	<i>1997/98</i>	<i>1998/99</i>	<i>1997/98</i>
	<i>Note</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
SURPLUS/(DEFICIT) FROM HOUSING ACTIVITIES					
Home ownership	16	(1,228,028)	(583,861)	(1,228,028)	(583,861)
Rental of flats	17	(169,874)	(155,889)	(169,874)	(155,889)
Upgrading of flats	18	(505,065)	(447,085)	(505,065)	(447,085)
Housing administration	19	(77,852)	(102,167)	(77,852)	(102,167)
Mortgage financing	20	22,421	17,378	22,421	17,378
		(1,958,398)	(1,271,624)	(1,958,398)	(1,271,624)
SURPLUS/(DEFICIT) FROM OTHER ACTIVITIES					
Rental of commercial properties		141,602	211,575	141,602	211,575
Rental of industrial properties		243,726	273,715	243,726	273,715
Rental and lease administration of land		30,704	27,077	30,704	27,077
Car parks	21	(56,913)	1,773	(56,913)	1,773
Markets and hawker centres		7,893	(888)	7,893	(888)
Miscellaneous	22	59,051	160,582	95,735	184,982
		426,063	673,834	462,747	698,234
DEFICIT FROM NORMAL OPERATIONS		(1,532,335)	(597,790)	(1,495,651)	(573,390)
Gain from disposal of protected properties	23	9,560	73,668	9,560	73,668
Share of profit of associated company		—	—	5,064	4,295
Taxation		—	—	(11,866)	(9,135)
Minority interests		—	—	(4,924)	(1,770)
NET DEFICIT BEFORE GOVERNMENT GRANT	24	(1,522,775)	(524,122)	(1,497,817)	(506,332)
Government grant	15, 26	1,503,104	622,543	1,503,104	622,543
NET (DEFICIT)/SURPLUS AFTER GOVERNMENT GRANT		(19,671)	98,421	5,287	116,211
RETAINED EARNINGS AT THE BEGINNING OF THE YEAR		—	—	67,674	55,884
Transfer from asset revaluation reserve	6	63,516	62,943	63,516	62,943
Transfer to capital gains reserve	5	(43,845)	(161,364)	(43,845)	(161,364)
Transfer to capital account on issue of bonus shares		—	—	(490)	(6,000)
RETAINED EARNINGS AT THE END OF THE YEAR		—	—	92,142	67,674

The accompanying notes form part of the accounts.

HOUSING AND DEVELOPMENT BOARD AND SUBSIDIARY COMPANIES

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 1999

	<i>Group</i>	
	<u>1998/99</u>	<u>1997/98</u>
	S\$'000	S\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net deficit before government grant	(1,497,817)	(506,332)
Adjustments for:		
Interest expense	2,370,645	1,603,324
Depreciation	277,341	256,527
Gain from disposal of fixed assets	(14,205)	(50,761)
Interest income	(5,085)	(9,102)
Minority interests	4,924	1,770
Share of profit of associated company	(3,667)	(3,156)
Surplus before working capital changes	1,132,136	1,292,270
(Increase)/decrease in working capital		
Properties under construction	567,673	(517,486)
Properties for sale	(710,751)	(928,145)
Stocks of building materials	2,481	(24,077)
Debtors and prepayments	296,596	5,823
Provisions, creditors and accruals	163,035	(1,799,949)
Amount due from associated company	73	2
Repayment of mortgage loans	4,480,744	3,352,263
Mortgage loans granted	(14,817,690)	(11,913,136)
Interest paid	(2,860,621)	(1,758,177)
Net cash used in operating activities	<u>(11,746,324)</u>	<u>(12,290,612)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of fixed assets	71,019	101,882
Capital expenditure	(1,070,731)	(1,747,028)
Purchase of fixed assets	(83,327)	(378,268)
Investment income received	5,122	9,065
Purchase of investments	(22,095)	(36,454)
Dividend received from associated company	798	798
Net cash used in investing activities	<u>(1,099,214)</u>	<u>(2,050,005)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings received	20,782,871	18,031,865
Repayment of term loans	(9,893,624)	(3,950,265)
Net government grant received	1,513,662	716,216
Net cash from financing activities	<u>12,402,909</u>	<u>14,797,816</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(442,629)	457,199
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>626,931</u>	<u>169,732</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u><u>184,302</u></u>	<u><u>626,931</u></u>

The accompanying notes form part of the accounts.

HOUSING AND DEVELOPMENT BOARD

NOTES TO THE ACCOUNTS 31 MARCH 1999

1. PRINCIPAL ACTIVITIES

The Housing and Development Board (HDB) is a statutory body incorporated under the Housing and Development Act (Chapter 129).

The principal activities of HDB consist of the provision of residential flats for sale and rental, the upgrading and redevelopment of older estates, and the granting of mortgage financing to the purchasers of HDB flats. In addition, HDB constructs and manages ancillary facilities such as commercial properties, industrial properties, car parks, markets, hawker centres, and other amenities in the housing estates.

The activities of the subsidiary companies are in Note 11.

The Group's turnover for the year was S\$11.7 billion (FY 1997/98: S\$10.1 billion). Turnover represents proceeds from properties sold and income from all other operating activities.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) *Accounting Convention*

The accounts have been prepared under the historical cost convention, modified by the revaluation of certain properties.

(b) *Basis of Consolidation*

The consolidated accounts include the accounts of HDB and its subsidiary companies prepared up to the end of the financial year. A subsidiary company is a company in which more than 50% of the issued share capital is held by HDB.

(c) *Subsidiary Companies*

The investments held in the subsidiary companies are stated at cost in HDB's balance sheet. Provision is made where there is permanent diminution in value.

(d) *Associated Company*

An associated company is a company in which HDB has a long-term equity interest of between 20% to 50%. The investment held in the associated company is stated at cost in HDB's balance sheet. Provision is made where there is permanent diminution in value. The Group's share of the operating result of the associated company is included in the consolidated income and expenditure statement. The Group's share of the retained profit of the associated company is reflected in the book value of the investments in the consolidated balance sheet.

(e) *Investments*

Investments held on a long-term basis are stated at cost. Provision is made where there is a decline in value that is other than temporary, in which case provision is made for the decline in value.

(f) *Fixed Assets and Depreciation*

(i) *Properties*

All properties owned by HDB at 1 April 1985 were valued at that date for the purpose of creating fixed asset accounts arising from a change in accounting policy. The previous system did not maintain individual asset accounts and HDB was unable to identify the historical cost of each asset. The bases of valuation were:

- Land and buildings of residential properties together with ancillary facilities such as car parks, markets and hawker centres were valued at replacement cost less depreciation since the date of completion; and
- Land and buildings for commercial and industrial properties were valued at open market value.

HDB conducted a second valuation for the commercial and industrial properties on 31 March 1986. The valuations were conducted by HDB's in-house valuers.

The surplus over the estimated historical cost of the properties which could be reasonably identified is carried forward as the asset revaluation reserve. The asset revaluation reserve is transferred directly to retained earnings upon the sale or demolition of the assets.

All new properties acquired or constructed after 1 April 1985 are recorded at cost. Cost of properties includes the cost of land, construction cost, development overheads and financing cost until completion of the project.

(ii) *Other Assets*

All other fixed assets are stated at cost less depreciation. Assets costing less than S\$2,000 each are written off in the year of acquisition.

(iii) *Depreciation*

No depreciation is provided on freehold land and leasehold land of 999 years and artworks. All other fixed assets are depreciated from their date of purchase or completion on a straight line basis over their estimated useful lives, as follows:

Leasehold land	—	99 years or the remaining life of the lease
Buildings	—	60 years
Plant and machinery		
Granite quarry	—	on unit of production
Metalforms	—	5 years
Others	—	3 – 10 years
Office equipment, furniture, fixtures and fittings	—	2 – 10 years
Motor vehicles	—	6 – 8 years

(g) *Property Leases*

The sale premium and cost of sales of financial leases are taken to the income and expenditure statement in the year in which the lease is granted. Financial leases are:

- Land and buildings leased for a term of 50 years or more and for a fixed price; and
- Land and buildings leased for a period substantially the same as the remaining tenure owned by HDB.

All other leases are treated as operating leases. Income and expenses are recognised over the life of the lease.

(h) *Properties under Construction*

Properties under construction are stated at cost. They include the upgrading cost of sold properties which is recoverable from lessees, improvement and construction costs of properties undergoing improvement.

The cost includes cost of land, construction cost, professional fees, interest and other development expenditure.

No provision is made for foreseeable losses on flats under construction since HDB receives government grant to cover its net deficit.

(i) *Properties for Sale*

Properties for sale are stated at the lower of cost and net realisable value. Cost is determined on the specific identification basis.

(j) *Stocks of Building Materials*

Stocks of building materials are stated at weighted average cost. The cost includes direct materials, labour, sub-contractors' costs and production overheads.

(k) *Income Recognition*

- (i) Proceeds from the sale of properties are recognised as income when the properties are sold.
- (ii) Rental income is recognised on the accrual basis over the period of the leases.
- (iii) The lessees' share of the upgrading costs is recognised as income upon completion of the upgrading works.
- (iv) Interest income from mortgage loans granted to purchasers of HDB flats is calculated based on monthly rest and recognised on the accrual basis.
- (v) Season parking fees are recognised on the accrual basis. Other parking fees and related charges are recognised on a cash basis.
- (vi) Dividend income is recognised in the year in which dividends are declared payable. Interest income from fixed deposits is recognised on the accrual basis.

(l) *Long-Term Borrowings*

(i) Housing Development Loans, Bank Loans and Bonds

HDB's development programmes and operational requirements are financed by housing development loans from the Government, bank loans and bonds. Interest incurred on these borrowings and amortized discount on bonds are apportioned to all activities, including properties under construction according to the funding requirements of the activities. Borrowing costs attributable to properties under construction are capitalised until the completion of the properties.

(ii) Mortgage and Upgrading Financing Loans

HDB provides financing schemes to purchasers of HDB flats and lessees of upgraded flats. The schemes are financed by mortgage and upgrading financing loans from the Government. Interest incurred on these loans is charged to the mortgage financing and the upgrading activities respectively.

(m) *Government Grant*

HDB's annual deficit is fully covered by government grant. In addition, a grant is given to HDB so that the reserves of past governments are protected in accordance with the Constitution. Government grant is accounted for on the accrual basis.

(n) *Taxation*

HDB is exempt from tax under Section 13 (1) (e) of the Income Tax Act.

Current taxation for HDB's subsidiary and associated companies is provided based on the tax payable on the chargeable income for the year.

Deferred taxation is determined using the liability method and is applied to all significant timing differences which arise from the differences in the accounting and tax treatment of certain income and expense items. Deferred tax benefits are not recognised unless there is reasonable expectation of their realisation.

3. COMPLIANCE WITH THE CONSTITUTION OF SINGAPORE

The determination and safeguarding of the reserves of the Government, key statutory boards (of which the HDB is one) and government companies are spelt out in the Constitution of the Republic of Singapore (Amendment) Act 1991, which was brought into effect on 30 November 1991 and amended on 1 October 1994. In addition, the Government had on 3 May 1994, decided that the principles for safeguarding accumulated reserves should be compiled in a document agreed between the Government and the President, establishing a constitutional convention. A draft of the principles is now under consideration.

4. CAPITAL ACCOUNT

	<i>HDB</i>		<i>Group</i>	
	<i>1998/99</i>	<i>1997/98</i>	<i>1998/99</i>	<i>1997/98</i>
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Balance as at 1 April	2,465,953	2,465,956	2,470,453	2,465,956
Transfer from retained earnings for Group's holding of associated/ subsidiary company's bonus shares issue	—	—	490	4,500
Adjustments	(43)	(3)	(43)	(3)
Balance as at 31 March	<u>2,465,910</u>	<u>2,465,953</u>	<u>2,470,900</u>	<u>2,470,453</u>

The capital account represents:

- (a) the effects of identification and valuation of all properties and changes in accounting when HDB adopted the present conventional accounting system on 1 April 1985; and
- (b) the premium on the sale of land under the previous accounting system.

The adjustments made during the year related to the overstatement of assets when fixed assets records were set up to implement the present accounting system on 1 April 1985.

5. CAPITAL GAINS RESERVE

	<i>HDB and Group</i>	
	<i>1998/99</i>	<i>1997/98</i>
	<i>S\$'000</i>	<i>S\$'000</i>
Balance as at 1 April	4,502,765	4,341,401
Transfer from income & expenditure statement	(19,671)	98,421
Transfer from retained earnings	63,516	62,943
Balance as at 31 March	<u>4,546,610</u>	<u>4,502,765</u>

Under the Constitution, reserves of the HDB which were not accumulated during the current term of office of the Government cannot be drawn on without the approval of the President. The capital gains reserve was created to enable HDB to preserve the capital gains attributable to past governments on disposal of properties held at the changeover date of the Government.

6. ASSET REVALUATION RESERVE

	<i>HDB and Group</i>	
	<i>1998/99</i>	<i>1997/98</i>
	<i>S\$'000</i>	<i>S\$'000</i>
Balance as at 1 April	8,937,337	9,122,840
Reversal in respect of land for return to the Government	(13,072)	(121,598)
Transfer to retained earnings on sale and demolition of assets	(63,516)	(62,943)
Adjustment in respect of assets overstated in previous years	(3,852)	(962)
Balance as at 31 March	<u>8,856,897</u>	<u>8,937,337</u>

7. LONG-TERM BORROWINGS

	<i>HDB and Group</i>	
	<i>1998/99</i>	<i>1997/98</i>
	<i>S\$'000</i>	<i>S\$'000</i>
Government loans		
Housing development loans	15,367,386	15,161,814
Mortgage financing loans	49,092,123	38,758,260
Upgrading financing loans	34,033	14,421
	<u>64,493,542</u>	<u>53,934,495</u>
Bank loans	1,596,570	1,565,000
Bonds		
Principal	300,000	—
Less: Unamortized discount	(1,370)	—
	<u>298,630</u>	<u>—</u>
Balance as at 31 March	<u>66,388,742</u>	<u>55,499,495</u>
Less:		
Amount payable within 1 year	<u>3,368,151</u>	<u>2,492,243</u>
Amount payable after 1 year	<u>63,020,591</u>	<u>53,007,252</u>

Movements during the year:

	<i>Balance as at 1.4.1998</i>	<i>Borrowings</i>	<i>Repayment</i>	<i>Balance as at 31.3.1999</i>
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Government loans				
Housing development loans	15,161,814	1,555,000	1,349,428	15,367,386
Mortgage financing loans	38,758,260	12,216,333	1,882,470	49,092,123
Upgrading financing loans	14,421	22,408	2,796	34,033
Bank loans	1,565,000	6,690,500	6,658,930	1,596,570
Bonds	—	298,630	—	298,630
	<u>55,499,495</u>	<u>20,782,871</u>	<u>9,893,624</u>	<u>66,388,742</u>

7.1 Interest rates and repayment terms on the term loans are:

	<i>Interest rate (per annum)</i>	<i>Repayment term</i>
Housing development loans	5.48% to 6.41%	20 years
Mortgage financing loans	3.48% to 6.65%	Up to 30 years
Upgrading financing loans	3.48% to 4.41%	10 years
Bank loans	Varying rates of up to 6.16%	Up to 10 years

7.2 Bonds relate to the S\$300 million, 5-year, fixed rate bonds issued in February 1999 with yield-to-maturity of 3.98% and redeemable in 2004.

8. FIXED ASSETS

	<i>HDB</i>				
	<i>Land</i>	<i>Buildings</i>	<i>Plant and Machinery</i>	<i>Office Equipment, Furniture and Vehicles</i>	<i>Total</i>
	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>
Cost or valuation					
At 1 April 1998	14,021,545	5,418,192	100,725	133,507	19,673,969
Additions	668,762	565,188	4,590	14,513	1,253,053
Disposals	(82,443)	(51,906)	(5,495)	(16,088)	(155,932)
Transfers	110,307	149,209	—	—	259,516
At 31 March 1999	<u>14,718,171</u>	<u>6,080,683</u>	<u>99,820</u>	<u>131,932</u>	<u>21,030,606</u>
Representing					
Valuation					
1 April 1985	6,631,011	1,203,411	—	—	7,834,422
31 March 1986	1,651,695	994,054	—	—	2,645,749
Cost	<u>6,435,465</u>	<u>3,883,218</u>	<u>99,820</u>	<u>131,932</u>	<u>10,550,435</u>
	<u>14,718,171</u>	<u>6,080,683</u>	<u>99,820</u>	<u>131,932</u>	<u>21,030,606</u>
Accumulated depreciation					
At 1 April 1998	1,049,367	878,856	88,175	92,377	2,108,775
Additions	150,453	105,456	4,064	15,903	275,876
Disposals	(16,147)	(31,648)	(5,181)	(15,906)	(68,882)
Transfers	(2,084)	(1,587)	—	—	(3,671)
At 31 March 1999	<u>1,181,589</u>	<u>951,077</u>	<u>87,058</u>	<u>92,374</u>	<u>2,312,098</u>
Depreciation for FY 1997/98	<u>143,614</u>	<u>92,718</u>	<u>4,072</u>	<u>14,772</u>	<u>255,176</u>
Net book value					
At 31 March 1999	<u>13,536,582</u>	<u>5,129,606</u>	<u>12,762</u>	<u>39,558</u>	<u>18,718,508</u>
At 31 March 1998	<u>12,972,178</u>	<u>4,539,336</u>	<u>12,550</u>	<u>41,130</u>	<u>17,565,194</u>

8. FIXED ASSETS — (continued)

	<i>Group</i>				
	<i>Land</i>	<i>Buildings</i>	<i>Plant and Machinery</i>	<i>Office Equipment, Furniture and Vehicles</i>	<i>Total</i>
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Cost or valuation					
At 1 April 1998	14,021,545	5,418,192	103,733	141,564	19,685,034
Additions	668,762	565,188	4,739	16,593	1,255,282
Disposals	(82,443)	(51,906)	(5,538)	(16,556)	(156,443)
Transfers	110,307	149,209	(84)	(887)	258,545
At 31 March 1999	14,718,171	6,080,683	102,850	140,714	21,042,418
Representing					
Valuation					
1 April 1985	6,631,011	1,203,411	—	—	7,834,422
31 March 1986	1,651,695	994,054	—	—	2,645,749
Cost	6,435,465	3,883,218	102,850	140,714	10,562,247
	14,718,171	6,080,683	102,850	140,714	21,042,418
Accumulated depreciation					
At 1 April 1998	1,049,367	878,856	90,862	96,812	2,115,897
Additions	150,453	105,456	4,164	17,268	277,341
Disposals	(16,147)	(31,648)	(5,222)	(16,365)	(69,382)
Transfers	(2,084)	(1,587)	(48)	(439)	(4,158)
At 31 March 1999	1,181,589	951,077	89,756	97,276	2,319,698
Depreciation for FY 1997/98	143,614	92,718	4,205	15,990	256,527
Net book value					
At 31 March 1999	13,536,582	5,129,606	13,094	43,438	18,722,720
At 31 March 1998	12,972,178	4,539,336	12,871	44,752	17,569,137

9. LONG-TERM RECEIVABLES

	<i>HDB</i>		<i>Group</i>	
	<i>1998/99</i>	<i>1997/98</i>	<i>1998/99</i>	<i>1997/98</i>
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Term loans receivable				
Mortgage loans for flats	49,092,123	38,758,262	49,092,123	38,758,262
Loans for shops sold	1,595	2,800	1,595	2,800
Staff loans	24,339	21,139	27,916	23,626
	<u>49,118,057</u>	<u>38,782,201</u>	<u>49,121,634</u>	<u>38,784,688</u>
Deferred receivable				
Upgrading costs due from lessees	34,033	14,421	34,033	14,421
	<u>49,152,090</u>	<u>38,796,622</u>	<u>49,155,667</u>	<u>38,799,109</u>
<i>Less:</i>				
Amount receivable within 1 year	<u>1,718,485</u>	<u>1,654,721</u>	<u>1,719,172</u>	<u>1,655,246</u>
Amount receivable after 1 year	<u>47,433,605</u>	<u>37,141,901</u>	<u>47,436,495</u>	<u>37,143,863</u>

9.1 Term loans receivable

Movements during the year for the Group:

	<i>Balance as at 1.4.1998</i>	<i>Loans Granted</i>	<i>Repayment</i>	<i>Balance as at 31.3.1999</i>
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Mortgage loans for flats	38,758,262	14,808,656	4,474,795	49,092,123
Loans for shops sold	2,800	445	1,650	1,595
Staff loans	23,626	8,589	4,299	27,916
	<u>38,784,688</u>	<u>14,817,690</u>	<u>4,480,744</u>	<u>49,121,634</u>

Interest rates and repayment terms on the loans are:

	<i>Interest rate (per annum)</i>	<i>Repayment term</i>
Mortgage loans granted to:		
Citizens	3.58% to 4.51%	Up to 30 years
Singapore permanent residents or citizens who:	3.75% to 6.75%	Up to 30 years
— own private properties		
— enjoyed more than 2 subsidised housing loans		
— exceed the eligible income ceiling		
Loans granted to tenants for the purchase of rental shops	5.875% to 8.00%	4 years
Staff loans	5.00% to 7.50%	Up to 25 years

9.2 Deferred receivable

Under the deferred payment scheme, lessees of upgraded flats can pay for their share of the upgrading costs through monthly instalments at interest rates ranging from 3.58% to 4.51% per annum over periods of up to 25 years.

10. PROPERTIES UNDER CONSTRUCTION

	<i>HDB and Group</i>	
	<i>1998/99</i>	<i>1997/98</i>
	<i>S\$'000</i>	<i>S\$'000</i>
Land	11,114,467	11,763,814
Buildings	4,611,806	4,146,161
Upgrading works	242,375	153,076
Improvement works	9,484	7,758
Balance as at 31 March	<u>15,978,132</u>	<u>16,070,809</u>
Interest capitalised during the year	<u>559,178</u>	<u>418,221</u>

Development of flats is expected to incur a loss on completion. The estimated loss on the properties under construction for FY 1998/99 was S\$1.3 billion (FY 1997/98: S\$1.7 billion). Since the overall net deficit will be met by government grant, no provision for unrealised loss was made.

11. INVESTMENTS

	<i>HDB</i>		<i>Group</i>	
	<i>1998/99</i>	<i>1997/98</i>	<i>1998/99</i>	<i>1997/98</i>
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Subsidiary companies				
Unquoted shares at cost	9,500	9,500	—	—
Associated company				
Unquoted shares at cost	490	490	490	490
Share of post-acquisition reserve	—	—	12,715	9,846
Equity and bonds				
Quoted shares at cost	—	—	4,181	1,120
<i>(Market value: S\$4,671,000; FY 1997/98: S\$1,192,000)</i>				
Unquoted shares at cost	—	—	604	412
Quoted bonds at cost	—	—	17,912	13,419
<i>(Market value: S\$17,817,000; FY 1997/98: S\$12,937,000)</i>				
Unquoted bonds at cost	—	—	52,500	34,500
Other investments	—	—	1,753	5,404
	<u>9,990</u>	<u>9,990</u>	<u>90,155</u>	<u>65,191</u>

The subsidiary and associated companies are:

<i>Principal Activities</i>		<i>Percentage of equity held by the Group</i>		<i>Cost of Investments</i>	
		<i>1998/99</i>	<i>1997/98</i>	<i>1998/99</i>	<i>1997/98</i>
Subsidiary companies of HDB		%	%	S\$'000	S\$'000
Cleantech Services Pte Ltd	Property maintenance services	100	100	6,000	6,000
CESMA International Pte Ltd	Building and property consultancy	100	100	2,000	2,000
EM Services Pte Ltd	Estate management services	75	75	1,500	1,500
				<u>9,500</u>	<u>9,500</u>

Associated company of HDB	<i>Principal Activities</i>	<i>Percentage of equity held by the Group</i>		<i>Cost of Investments</i>	
		<i>1998/99</i>	<i>1997/98</i>	<i>1998/99</i>	<i>1997/98</i>
		%	%	S\$'000	S\$'000
ESMACO Pte Ltd	Estate management and consultancy	49	49	<u>490</u>	<u>490</u>

During the year, ESMACO Pte Ltd issued 1,000,000 ordinary shares of S\$1 each at par through a bonus issue by way of capitalisation of its retained earnings.

<i>Principal Activity</i>		<i>Percentage of equity held by EM Services Pte Ltd</i>	
		<i>1998/99</i>	<i>1997/98</i>
Subsidiary company of EM Services Pte Ltd		%	%
EM (China) Pte Ltd	Property management	60	60

The subsidiary and associated companies are incorporated in Singapore.

12. PROPERTIES FOR SALE

	<i>HDB and Group</i>	
	<i>1998/99</i>	<i>1997/98</i>
	S\$'000	S\$'000
Cost of flats	2,868,219	2,509,268
Less:		
Provision for unrealised loss	<u>(307,568)</u>	<u>(386,004)</u>
	<u>2,560,651</u>	<u>2,123,264</u>

The properties for sale are stated at the lower of cost and net realisable value. The net movement in the provision for unrealised loss is charged to the Home ownership activity.

13. DEBTORS AND PREPAYMENTS

	<i>HDB</i>		<i>Group</i>	
	<i>1998/99</i>	<i>1997/98</i>	<i>1998/99</i>	<i>1997/98</i>
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Debtors	428,078	678,982	443,980	697,565
<i>Less:</i>				
Provision for doubtful debts	(8,855)	(7,668)	(9,374)	(8,675)
	419,223	671,314	434,606	688,890
Prepayments	99,037	161,698	99,230	161,892
Others	3,394	2,328	5,002	4,319
	521,654	835,340	538,838	855,101
Bad debts written off against provision for doubtful debts	807	700	807	700

14. PROVISIONS, CREDITORS AND ACCRUALS

	<i>HDB</i>		<i>Group</i>	
	<i>1998/99</i>	<i>1997/98</i>	<i>1998/99</i>	<i>1997/98</i>
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Creditors	1,236,577	984,309	1,248,467	1,002,314
Interest payable	1,179,544	1,110,343	1,179,544	1,110,343
Deposits	845,834	1,301,051	845,834	1,301,051
Deferred income	568,502	474,424	569,968	476,422
Provision for land premium and related expenses	409,796	318,430	426,296	325,191
Others	553,891	384,030	570,764	400,099
	4,794,144	4,572,587	4,840,873	4,615,420

15. GOVERNMENT GRANT RECEIVED IN ADVANCE

	<i>HDB and Group</i>	
	<i>1998/99</i>	<i>1997/98</i>
	<i>S\$'000</i>	<i>S\$'000</i>
Balance as at 1 April	104,524	10,851
Amount received	1,513,662	716,216
	1,618,186	727,067
Transfer to income and expenditure statement	(1,503,104)	(622,543)
Balance as at 31 March	115,082	104,524

16. HOME OWNERSHIP ACTIVITY

With effect from FY 1998/99, the Sale of flats activity is renamed the Home ownership activity to show the full extent of Government subsidies for home ownership under a single activity. To achieve this objective, the CPF housing grants and the sales premium and levy on resale of flats are now reported under the Home ownership activity instead of the Housing administration activity (previously known as the National housing activity — see Note 19). CPF housing grants are given to eligible applicants to help them purchase HDB resale flats or executive condominiums. Sales premium and levy on resale of flats are collected from lessees, who sold their first flat and bought a second flat direct from the HDB, to ensure that the subsidy of the second flat is smaller than for the first flat.

	<i>HDB and Group</i>	
	<i>1998/99</i>	<i>1997/98</i>
	<i>S\$'000</i>	<i>S\$'000</i>
Sale proceeds	7,158,063	6,201,871
<i>Less:</i>		
Cost of sales	7,513,779	6,568,446
GROSS LOSS ON SALES	(355,716)	(366,575)
Decrease/(Increase) in provision for unrealised loss	82,490	(77,477)
GROSS LOSS	(273,226)	(444,052)
<i>Add:</i>		
Sales premium and levy on resale flats	318,919	285,911
Other income	38,155	27,182
	83,848	(130,959)
<i>Less:</i>		
EXPENDITURE		
CPF housing grant	1,101,260	278,685
Interest expense	118,718	73,642
General and other expenses	91,898	100,575
TOTAL EXPENDITURE	1,311,876	452,902
DEFICIT	(1,228,028)	(583,861)

The effect of the change of reporting the CPF housing grants and the sales premium and levy on resale of flats under the Home ownership activity is an increase in the deficit for the Home ownership activity for FY 1998/99 by S\$782,341,000 from S\$445,687,000 to S\$1,228,028,000 and a reduction in the deficit for the Housing administration activity by the same amount from S\$860,193,000 to S\$77,852,000.

The effect of the change on the FY 1997/98 comparative figures was a reduction in the deficit for the Home ownership activity by S\$7,226,000 from S\$591,087,000 to S\$583,861,000 and an increase in the deficit for the Housing administration activity by the same amount from S\$94,941,000 to S\$102,167,000.

17. RENTAL OF FLATS ACTIVITY

	<i>HDB and Group</i>	
	<i>1998/99</i>	<i>1997/98</i>
	<i>S\$'000</i>	<i>S\$'000</i>
INCOME	32,395	32,437
<i>Less:</i>		
EXPENDITURE		
Improvement works, demolition and maintenance	91,986	95,692
Depreciation	60,125	53,828
Interest expense	22,661	10,022
General and other expenses	27,497	28,784
TOTAL EXPENDITURE	202,269	188,326
DEFICIT	(169,874)	(155,889)

18. UPGRADING OF FLATS ACTIVITY

	<i>HDB and Group</i>	
	<i>1998/99</i>	<i>1997/98</i>
	<i>S\$'000</i>	<i>S\$'000</i>
INCOME	42,009	46,080
<i>Less:</i>		
EXPENDITURE		
Upgrading cost	540,452	486,791
General and other expenses	6,622	6,374
TOTAL EXPENDITURE	547,074	493,165
DEFICIT	(505,065)	(447,085)

19. HOUSING ADMINISTRATION ACTIVITY

As the CPF housing grant as well as the sales premium and levy on resale flats are reported in the Home ownership activity, the activity which was previously National housing activity is now named Housing administration activity. (See Note 16.)

	<i>HDB and Group</i>	
	<i>1998/99</i>	<i>1997/98</i>
	<i>S\$'000</i>	<i>S\$'000</i>
DEFICIT		
Lease administration	(24,348)	(43,552)
Specific works	(40,450)	(45,248)
Town council administration and maintenance works	(13,054)	(13,367)
	(77,852)	(102,167)

As the public housing authority, HDB carries out functions to implement housing policies. The functions include:

- (a) administration of lease agreements of HDB flats and privatisation of HUDC estates;
- (b) enhancing the standard of living in the public housing estates under the specific works programme; and
- (c) liaison work on town council policies and maintenance works for the television antenna systems located in HDB estates.

20. MORTGAGE FINANCING ACTIVITY

	<i>HDB and Group</i>	
	<i>1998/99</i>	<i>1997/98</i>
	<i>S\$'000</i>	<i>S\$'000</i>
INCOME	1,938,533	1,295,656
<i>Less:</i>		
EXPENDITURE		
Interest expense	1,892,178	1,253,193
General and other expenses	23,934	25,085
TOTAL EXPENDITURE	1,916,112	1,278,278
SURPLUS	22,421	17,378

21. CAR PARKS ACTIVITY

	<i>HDB and Group</i>	
	<i>1998/99</i>	<i>1997/98</i>
	<i>S\$'000</i>	<i>S\$'000</i>
INCOME		
Parking charges	287,201	283,196
Fines	45,020	46,154
Other income	5,750	5,661
TOTAL INCOME	337,971	335,011
<i>Less:</i>		
EXPENDITURE		
Depreciation	90,138	79,276
Improvement works, demolition and maintenance	50,958	47,577
Property tax	25,294	24,070
Interest expense	182,372	132,926
General and other expenses	46,122	49,389
TOTAL EXPENDITURE	394,884	333,238
(DEFICIT)/SURPLUS	(56,913)	1,773

22. MISCELLANEOUS ACTIVITIES

	<i>HDB</i>		<i>Group</i>	
	<i>1998/99</i>	<i>1997/98</i>	<i>1998/99</i>	<i>1997/98</i>
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
SURPLUS				
Rental and sale of corporate housing	11,039	98,698	11,039	98,698
Building resources	17,206	21,566	17,206	21,566
Agency projects	28,431	29,010	63,984	52,884
Interest income and others	2,375	11,308	3,506	11,834
	59,051	160,582	95,735	184,982

23. GAIN FROM DISPOSAL OF PROTECTED PROPERTIES

	<i>HDB and Group</i>	
	<i>1998/99</i>	<i>1997/98</i>
	<i>S\$'000</i>	<i>S\$'000</i>
Rental flats		
Sale proceeds <i>(after deducting discount of S\$2 million; FY 1997/98: S\$2 million)</i>	15,367	56,197
<i>Less:</i>		
Net book value and other expenses	(18,265)	(35,779)
	(2,898)	20,418
Car parks		
Sale proceeds	12,458	—
<i>Less:</i>		
Net book value and other expenses	—	—
	12,458	—
Rental shops		
Sale proceeds <i>(after deducting discount of S\$1 million in FY 1997/98)</i>	—	89,217
<i>Less:</i>		
Net book value and other expenses	—	(35,967)
	—	53,250
SURPLUS	9,560	73,668

Properties held by HDB as fixed assets prior to the changeover of the current Government form part of the reserves which cannot be drawn on without the approval of the President under the Constitution. During the year, HDB sold some of these protected properties, i.e. rental flats and car parks.

The sale of rental flats was launched in 1994. Tenants are offered a discount of 3% of the selling price of the flat for each year of tenancy, up to a maximum of 30% or S\$10,000, whichever is lower. The sale of car parks was carried out in conjunction with the privatisation of HUDC estates commencing in 1995.

The sale of rental shops to tenants was launched in 1992. Since August 1997, the shops were sold to tenants on a lease term of 30 years. These leases are treated as operating leases and reported with rental of commercial properties.

24. NET DEFICIT BEFORE GOVERNMENT GRANT

	<i>HDB</i>		<i>Group</i>	
	<i>1998/99</i>	<i>1997/98</i>	<i>1998/99</i>	<i>1997/98</i>
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
This is arrived at after charging the following:				
Interest expense	2,929,871	2,021,544	2,929,871	2,021,544
Salaries	384,109	400,643	433,372	449,211
Staff welfare	6,966	6,758	7,817	7,527
Overseas travelling	—	68	71	158
Auditors' remuneration	671	575	733	642
Board members' fees	69	67	69	67
Directors' fees	—	—	72	73
Directors' remuneration	—	—	325	348
Bad debts written off	24	68	24	68
Doubtful debts provision	1,994	942	2,279	1,872
And after crediting:				
Interest income	1,942,282	1,304,119	1,947,384	1,307,788
Rental income	791,505	903,909	791,505	903,909

Interest income is derived mainly from mortgage loans granted to the purchasers of HDB flats. Interest expense is incurred on loans from the Government, bank loans and bonds.

25. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of balances with banks and cash on hand. Cash and cash equivalents included in the consolidated cash flow statements comprise the following balance sheet amounts:

	<i>Group</i>	
	<i>1998/99</i>	<i>1997/98</i>
	<i>S\$'000</i>	<i>S\$'000</i>
Bank balances and cash	136,638	124,631
Fixed deposits	47,664	502,300
	<u>184,302</u>	<u>626,931</u>

26. GOVERNMENT GRANT

Cumulative grant from the Government since the establishment of HDB in 1960 amounts to:

	<i>S\$'000</i>
Total grant as at 1 April 1998	7,021,513
Grant for FY 1998/99	<u>1,503,104</u>
Total grant as at 31 March 1999	<u>8,524,617</u>

27. RELATED PARTY TRANSACTIONS

The following related party transactions took place during the year:

	<i>1998/99</i>	<i>1997/98</i>
	<i>S\$'000</i>	<i>S\$'000</i>
Services rendered to HDB by:		
CESMA International Pte Ltd	10,484	10,100
Cleantech Services Pte Ltd	3,838	4,875
EM Services Pte Ltd	8,756	5,505
Services rendered by HDB to:		
CESMA International Pte Ltd	2,443	2,028
Cleantech Services Pte Ltd	1,052	815
EM Services Pte Ltd	935	917

28. COMMITMENTS FOR CAPITAL EXPENDITURE

The following commitments for capital expenditure are not provided for in the financial statements:

	<i>HDB</i>		<i>Group</i>	
	<i>1998/99</i>	<i>1997/98</i>	<i>1998/99</i>	<i>1997/98</i>
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Authorised and contracted for	4,340,217	5,147,696	4,341,066	5,148,048
Authorised but not contracted for	1,979,607	1,491,048	1,979,607	1,491,248
	<u>6,319,824</u>	<u>6,638,744</u>	<u>6,320,673</u>	<u>6,639,296</u>

29. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.