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SUPPLEMENT
TO THE
REPUBLIC OF SINGAPORE
GOVERNMENT GAZETTE
FRIDAY, 20TH JUNE 2003

REPORT ON THE AUDIT OF THE
FINANCIAL STATEMENTS OF THE
HOUSING AND DEVELOPMENT BOARD
FOR THE YEAR ENDED 31ST MARCH 2003

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**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS
OF THE HOUSING AND DEVELOPMENT BOARD
FOR THE YEAR ENDED 31 MARCH 2003**

The financial statements of the Housing and Development Board (HDB), set out on pages 2 to 26, have been examined under my direction and in accordance with the provisions of the Housing and Development Act (Chapter 129, 1997 Revised Edition). 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 2003 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 and the Constitution.

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 (7) in the Notes to the Financial Statements.

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, 1994 Revised Edition).



CHUANG KWONG YONG
AUDITOR-GENERAL
SINGAPORE

29 May 2003

HOUSING AND DEVELOPMENT BOARD AND SUBSIDIARY COMPANIES

BALANCE SHEETS AS AT 31 MARCH 2003

	Note	HDB		Group	
		2002/2003 S\$'000	2001/2002 S\$'000	2002/2003 S\$'000	2001/2002 S\$'000
CAPITAL AND RESERVES					
Capital account		2,465,670	2,465,743	2,470,660	2,470,733
Capital gains reserve		4,886,846	4,790,761	4,886,846	4,790,761
Asset revaluation reserve		8,165,562	8,305,370	8,165,562	8,305,370
Retained earnings		—	—	133,100	137,946
		15,518,078	15,561,874	15,656,168	15,704,810
LONG-TERM BORROWINGS	3	72,759,500	74,029,900	72,759,500	74,029,900
MINORITY INTERESTS		—	—	30,005	28,488
DEFERRED TAX LIABILITY		—	—	265	455
		88,277,578	89,591,774	88,445,938	89,763,653
Represented by:					
FIXED ASSETS	4	21,583,174	20,732,898	21,593,604	20,743,621
LONG-TERM RECEIVABLES	5	61,713,701	60,506,020	61,715,539	60,508,419
PROPERTIES UNDER CONSTRUCTION	6	4,082,028	6,455,797	4,081,015	6,455,797
INVESTMENTS	7	14,990	9,990	151,641	149,566
DEFERRED TAX ASSET		—	—	3,513	3,646
CURRENT ASSETS					
Properties for sale	8	4,848,625	6,088,097	4,848,625	6,088,097
Stocks of building materials		72,763	76,331	75,302	81,353
Loans receivable within 1 year	5	2,662,235	2,576,791	2,662,759	2,577,379
Government grant receivable	11	102,677	—	102,677	—
Debtors and prepayments	9	359,418	380,731	378,008	409,037
Amount due from subsidiary companies		93	225	—	—
Amount due from associated company		485	231	485	231
Cash and deposits with banks		56,635	94,724	80,070	110,676
		8,102,931	9,217,130	8,147,926	9,266,773
Less: CURRENT LIABILITIES					
Loans payable within 1 year	3	4,788,065	4,214,865	4,788,065	4,214,865
Provisions, creditors and accruals	10	2,430,526	3,027,378	2,459,235	3,062,410
Amount due to subsidiary companies		655	924	—	—
Government grant received in advance	11	—	86,894	—	86,894
		7,219,246	7,330,061	7,247,300	7,364,169
NET CURRENT ASSETS		883,685	1,887,069	900,626	1,902,604
		88,277,578	89,591,774	88,445,938	89,763,653

The accompanying notes form part of the financial statements.



NGIAM TONG DOW
Chairman



MAH LAI SEONG
Chief Financial Officer

28 May 2003

**HOUSING AND DEVELOPMENT BOARD
AND SUBSIDIARY COMPANIES**

**INCOME AND EXPENDITURE STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2003**

	<i>Note</i>	<i>HDB</i>		<i>Group</i>	
		<i>2002/2003</i> S\$'000	<i>2001/2002</i> S\$'000	<i>2002/2003</i> S\$'000	<i>2001/2002</i> S\$'000
SURPLUS/(DEFICIT) FROM HOUSING ACTIVITIES					
Home ownership	12	(59,664)	(652,651)	(59,664)	(652,651)
Rental of flats	13	(274,555)	(205,100)	(274,555)	(205,100)
Upgrading of flats	14	(271,153)	(277,220)	(271,153)	(277,220)
Housing administration	15	(139,245)	(126,080)	(139,245)	(126,080)
Mortgage financing	16	41,443	37,833	41,443	37,833
		(703,174)	(1,223,218)	(703,174)	(1,223,218)
SURPLUS/(DEFICIT) FROM OTHER ACTIVITIES					
Rental of commercial properties	17	170,927	222,052	170,927	222,052
Rental of industrial properties	18	70,014	113,626	70,014	113,626
Rental and lease administration of land		7,004	7,215	7,004	7,215
Car parks	19	(102,025)	(114,841)	(102,025)	(114,841)
Markets and hawker centres		(4,869)	(279)	(4,869)	(279)
Miscellaneous	20	56,426	16,717	53,224	30,701
		197,477	244,490	194,275	258,474
DEFICIT FROM NORMAL OPERATIONS		(505,697)	(978,728)	(508,899)	(964,744)
Loss from disposal of protected properties	21	(48,561)	(17,804)	(48,561)	(17,804)
Restructuring	22	(218,468)	—	(218,468)	—
Share of profit of associated company		—	—	4,715	5,037
Taxation		—	—	(4,218)	(5,854)
Minority interests		—	—	(2,141)	(2,931)
NET DEFICIT BEFORE GOVERNMENT GRANT	23	(772,726)	(996,532)	(777,572)	(986,296)
Government grant	11, 25	756,550	970,021	756,550	970,021
NET DEFICIT AFTER GOVERNMENT GRANT		(16,176)	(26,511)	(21,022)	(16,275)
RETAINED EARNINGS AT THE BEGINNING OF THE YEAR		—	—	137,946	127,710
Transfer from asset revaluation reserve		112,261	140,309	112,261	140,309
Transfer to capital gains reserve		(96,085)	(113,798)	(96,085)	(113,798)
RETAINED EARNINGS AT THE END OF THE YEAR		—	—	133,100	137,946

The accompanying notes form part of the financial statements.

**HOUSING AND DEVELOPMENT BOARD
AND SUBSIDIARY COMPANIES**

**STATEMENTS OF CHANGES IN CAPITAL AND RESERVES
FOR THE YEAR ENDED 31 MARCH 2003**

	<i>HDB</i>		<i>Group</i>	
	<i>2002/2003</i>	<i>2001/2002</i>	<i>2002/2003</i>	<i>2001/2002</i>
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
CAPITAL ACCOUNT				
Balance as at 1 April	2,465,743	2,465,790	2,470,733	2,470,780
Adjustments	(73)	(47)	(73)	(47)
Balance as at 31 March	<u>2,465,670</u>	<u>2,465,743</u>	<u>2,470,660</u>	<u>2,470,733</u>
CAPITAL GAINS RESERVE				
Balance as at 1 April	4,790,761	4,676,963	4,790,761	4,676,963
Transfer from retained earnings	96,085	113,798	96,085	113,798
Balance as at 31 March	<u>4,886,846</u>	<u>4,790,761</u>	<u>4,886,846</u>	<u>4,790,761</u>
ASSET REVALUATION RESERVE				
Balance as at 1 April	8,305,370	8,497,021	8,305,370	8,497,021
Reversal in respect of land for return to the Government	(21,001)	(47,690)	(21,001)	(47,690)
Transfer to retained earnings on sale and demolition of assets	(112,261)	(140,309)	(112,261)	(140,309)
Adjustment in respect of assets overstated in previous years	(6,546)	(3,652)	(6,546)	(3,652)
Balance as at 31 March	<u>8,165,562</u>	<u>8,305,370</u>	<u>8,165,562</u>	<u>8,305,370</u>
RETAINED EARNINGS				
Balance as at 31 March	<u>—</u>	<u>—</u>	<u>133,100</u>	<u>137,946</u>
TOTAL CAPITAL AND RESERVES	<u>15,518,078</u>	<u>15,561,874</u>	<u>15,656,168</u>	<u>15,704,810</u>

Capital Account

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.

Capital Gains Reserve

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.

**HOUSING AND DEVELOPMENT BOARD
AND SUBSIDIARY COMPANIES**

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2003**

	<i>Note</i>	<i>Group</i>	
		<i>2002/2003</i>	<i>2001/2002</i>
		<i>S\$'000</i>	<i>S\$'000</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Net deficit before government grant		(777,572)	(986,296)
Adjustments for:			
Interest expense		2,235,240	2,180,275
Depreciation		327,105	320,768
Amortisation of discount on bonds		66	67
Loss from disposal of fixed assets		57,044	39,499
Interest income		(94)	(2,342)
Minority interests		2,141	2,931
Share of profit of associated company		(4,141)	(3,587)
Deferred gain from inter-company transactions		1,013	—
Surplus before working capital changes		1,840,802	1,551,315
(Increase)/decrease in working capital			
Properties under construction		1,361,946	2,317,091
Properties for sale		1,376,419	(353,442)
Stocks of building materials		6,051	4,626
Debtors and prepayments		37,858	173,494
Provisions, creditors and accruals		(420,753)	(405,122)
Amount due from associated company		(254)	(40)
		2,361,267	1,736,607
Repayment of mortgage and other loans		6,502,390	5,871,461
Mortgage and other loans granted		(7,802,350)	(8,734,131)
Interest paid		(2,526,782)	(2,510,126)
Net cash from/(used in) operating activities		375,327	(2,084,874)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of fixed assets		83,139	102,908
Capital expenditure		(308,365)	(637,896)
Purchase of fixed assets		(52,584)	(9,575)
Investment income received		98	2,373
Purchase of investments		(12,305)	(5,427)
Dividend received from associated company		14,371	4,809
Net cash used in investing activities		(275,646)	(542,808)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings received		11,560,551	10,704,663
Repayment of term loans		(12,257,817)	(9,241,270)
Net government grant received		566,979	811,025
Net cash (used in)/from financing activities		(130,287)	2,274,418
NET DECREASE IN CASH AND CASH EQUIVALENTS		(30,606)	(353,264)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		110,676	463,940
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	24	80,070	110,676

The accompanying notes form part of the financial statements.

HOUSING AND DEVELOPMENT BOARD

NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2003

1. GENERAL

The Housing and Development Board (HDB) is a statutory body incorporated under the Housing and Development Act (Chapter 129, 1997 Revised Edition). The address of HDB is HDB Hub 480 Lorong 6 Toa Payoh Singapore 310480.

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 7.

HDB's turnover for the year was S\$7.6 billion (FY 2001/2002: S\$8.4 billion) and the Group's turnover was S\$7.7 billion (FY 2001/2002: S\$8.5 billion). Turnover comprises proceeds from properties sold and income from all other operating activities.

As at 31 March 2003, HDB's staff strength was 7,861 (31 March 2002: 8,092) and the Group's staff strength was 10,035 (31 March 2002: 10,209).

The financial statements of the HDB and the consolidated financial statements for HDB and its subsidiary companies for the year ended 31 March 2003 were authorised for issue in accordance with the approval of the Board on 28 May 2003.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Accounting Convention

The financial statements, expressed in Singapore dollars, are prepared under the historical cost convention, modified by the revaluation of certain properties.

HDB has complied with the Singapore Statements of Accounting Standard.

(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. The subsidiary companies of CESMA International Pte Ltd are not consolidated into HDB Group's consolidated financial statements as the results and the net assets of these subsidiary companies are insignificant.

(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 the Group 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.

When the carrying amount of a property is greater than its determined recoverable amount, it is written down to its recoverable amount. For properties where the fees and charges recoverable from the rental of these properties are gazetted, or applicable only to eligible tenants under criteria which are in line with Government's housing and social policies, no review for impairment is carried out since the overall net deficit will be met by government grant.

(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 dates 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	—	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. These costs include that for the upgrading of sold properties which is recoverable from lessees and improvements to properties.

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' cost and production overheads.

*(k) Term Borrowings and Receivables**(i) Term Borrowings*

Government loans and bank loans are carried at cost in the financial statements. Bonds are carried at book value.

(ii) Term Receivables

Term loans receivable and deferred receivable are carried at cost in the financial statements.

(l) Provisions

A provision is recognised in the balance sheet when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(m) Employee Benefits

Employee entitlement to annual leave is recognised when they accrue to employees. An accrual of the estimated liability for annual leave, based on services rendered by employees, is made at balance sheet date.

(n) 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' and Town Councils' (for Lift Upgrading only) share of the upgrading cost are 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 and interest income from fixed deposits are recognised on the accrual basis.

*(o) Borrowing Costs**(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 net amortised discount/premium 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 of flats activities respectively.

(p) *Allocation of Departmental Expenditure*

Manpower costs and office expenses are grouped by departments as reflected in the organisation chart. The operations of HDB are integrated and accordingly, require allocation of departmental expenditure for the functions carried out by the organisation's management structure.

(q) *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.

(r) *Taxation*

HDB is exempt from tax under Section 13(1)(e) of the Income Tax Act (Chapter 134, 1999 Revised Edition).

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 temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

3. LONG-TERM BORROWINGS

	<i>HDB and Group</i>	
	<i>2002/2003</i>	<i>2001/2002</i>
	<i>S\$'000</i>	<i>S\$'000</i>
<i>Government loans</i>		
Housing development loans	9,987,557	11,931,273
Mortgage financing loans	64,230,291	62,921,461
Upgrading financing loans	131,148	139,968
	74,348,996	74,992,702
<i>Bonds</i>		
Principal	2,900,000	2,900,000
Add: Net unamortised premium/discount	3,569	3,503
	2,903,569	2,903,503
<i>Bank loans</i>	295,000	348,560
Balance as at 31 March	77,547,565	78,244,765
<i>Less:</i>		
Amount payable within 1 year	4,788,065	4,214,865
Amount payable after 1 year	72,759,500	74,029,900
Payable after 1 year as follows:		
Later than 1 year but not more than 2 years	4,365,683	4,348,210
Later than 2 years but not more than 5 years	14,095,266	13,842,910
Later than 5 years	54,298,551	55,838,780
	72,759,500	74,029,900

3. LONG-TERM BORROWINGS — (continued)

Movements during the year for the Group:

	<i>Balance as at 1.4.2002</i>	<i>Borrowings</i>	<i>Repayment</i>	<i>Balance as at 31.3.2003</i>
	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>
<i>Government loans</i>				
Housing development loans	11,931,273	—	1,943,716	9,987,557
Mortgage financing loans	62,921,461	5,205,765	3,896,935	64,230,291
Upgrading financing loans	139,968	19,286	28,106	131,148
	<u>74,992,702</u>	<u>5,225,051</u>	<u>5,868,757</u>	<u>74,348,996</u>
<i>Bonds</i>				
Principal	2,900,000	—	—	2,900,000
Premium/discount on bonds	3,503	—	(66)	3,569
	<u>2,903,503</u>	<u>—</u>	<u>(66)</u>	<u>2,903,569</u>
<i>Bank loans</i>	<u>348,560</u>	<u>6,335,500</u>	<u>6,389,060</u>	<u>295,000</u>
	<u>78,244,765</u>	<u>11,560,551</u>	<u>12,257,751</u>	<u>77,547,565</u>

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

	<i>Interest rate (per annum)</i>	<i>Repayment term</i>
Housing development loans	4.50%	20 years
Mortgage financing loans	2.50% to 3.65%	Up to 30 years
Upgrading financing loans	2.50%	10 years
Bank loans	Varying rates of up to 4.25%	Up to 10 years

3.2 Bonds relate to the following:

<i>Series no.</i>	<i>Principal</i>	<i>Coupon rate</i>	<i>Maturity</i>
	<u>S\$M</u>	<u>(per annum)</u>	
001	300	3.875%	5 years redeemable on 11 February 2004
002	500	4.25%	7 years redeemable on 13 May 2006
003	600	5.07%	10 years redeemable on 21 September 2009
004	500	4.198%	5 years redeemable on 13 September 2005
005	500	3.52%	7 years redeemable on 13 February 2008
006	500	3.215%	5 years redeemable on 18 September 2006

4. 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>
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
<i>Cost or valuation</i>					
At 1 April 2002	16,053,673	7,484,436	61,960	132,606	23,732,675
Additions	775,145	705,386	883	12,937	1,494,351
Disposals	(102,013)	(112,018)	(44,987)	(33,552)	(292,570)
Transfers	(69,689)	(98,511)	—	—	(168,200)
At 31 March 2003	<u>16,657,116</u>	<u>7,979,293</u>	<u>17,856</u>	<u>111,991</u>	<u>24,766,256</u>
<i>Representing:</i>					
<i>Valuation</i>					
1 April 1985	6,282,256	1,034,797	—	—	7,317,053
31 March 1986	1,518,446	810,585	—	—	2,329,031
Cost	<u>8,856,414</u>	<u>6,133,911</u>	<u>17,856</u>	<u>111,991</u>	<u>15,120,172</u>
	<u>16,657,116</u>	<u>7,979,293</u>	<u>17,856</u>	<u>111,991</u>	<u>24,766,256</u>
<i>Accumulated depreciation</i>					
At 1 April 2002	1,620,295	1,226,508	58,209	94,765	2,999,777
Additions	169,782	139,455	1,055	14,946	325,238
Disposals	(11,586)	(35,476)	(44,906)	(32,888)	(124,856)
Transfers	(5,494)	(11,583)	—	—	(17,077)
At 31 March 2003	<u>1,772,997</u>	<u>1,318,904</u>	<u>14,358</u>	<u>76,823</u>	<u>3,183,082</u>
Depreciation for FY 2001/2002	<u>168,480</u>	<u>133,606</u>	<u>1,062</u>	<u>15,668</u>	<u>318,816</u>
<i>Net book value</i>					
At 31 March 2003	<u>14,884,119</u>	<u>6,660,389</u>	<u>3,498</u>	<u>35,168</u>	<u>21,583,174</u>
At 31 March 2002	<u>14,433,378</u>	<u>6,257,928</u>	<u>3,751</u>	<u>37,841</u>	<u>20,732,898</u>

4. 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>
	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>
<i>Cost or valuation</i>					
At 1 April 2002	16,053,673	7,490,005	65,418	142,832	23,751,928
Additions	775,145	705,386	1,314	14,196	1,496,041
Disposals	(102,013)	(112,018)	(45,293)	(34,318)	(293,642)
Transfers	(69,689)	(98,511)	—	—	(168,200)
At 31 March 2003	<u>16,657,116</u>	<u>7,984,862</u>	<u>21,439</u>	<u>122,710</u>	<u>24,786,127</u>
<i>Representing:</i>					
Valuation					
1 April 1985	6,282,256	1,034,797	—	—	7,317,053
31 March 1986	1,518,446	810,585	—	—	2,329,031
Cost	<u>8,856,414</u>	<u>6,139,480</u>	<u>21,439</u>	<u>122,710</u>	<u>15,140,043</u>
	<u>16,657,116</u>	<u>7,984,862</u>	<u>21,439</u>	<u>122,710</u>	<u>24,786,127</u>
<i>Accumulated depreciation</i>					
At 1 April 2002	1,620,295	1,226,650	59,278	102,084	3,008,307
Additions	169,782	139,549	1,643	16,131	327,105
Disposals	(11,586)	(35,476)	(45,134)	(33,616)	(125,812)
Transfers	(5,494)	(11,583)	—	—	(17,077)
At 31 March 2003	<u>1,772,997</u>	<u>1,319,140</u>	<u>15,787</u>	<u>84,599</u>	<u>3,192,523</u>
Depreciation for FY 2001/2002	<u>168,480</u>	<u>133,700</u>	<u>1,588</u>	<u>17,000</u>	<u>320,768</u>
<i>Net book value</i>					
At 31 March 2003	<u>14,884,119</u>	<u>6,665,722</u>	<u>5,652</u>	<u>38,111</u>	<u>21,593,604</u>
At 31 March 2002	<u>14,433,378</u>	<u>6,263,355</u>	<u>6,140</u>	<u>40,748</u>	<u>20,743,621</u>

5. LONG-TERM RECEIVABLES

	<i>HDB</i>		<i>Group</i>	
	<i>2002/2003</i>	<i>2001/2002</i>	<i>2002/2003</i>	<i>2001/2002</i>
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
<i>Term loans receivable</i>				
Mortgage loans for flats	64,230,291	62,921,461	64,230,291	62,921,461
Loans for shops sold	65	308	65	308
Staff loans	10,329	18,331	12,691	21,318
	64,240,685	62,940,100	64,243,047	62,943,087
<i>Deferred receivable</i>				
Upgrading cost due from lessees	135,251	142,711	135,251	142,711
Balance as at 31 March	64,375,936	63,082,811	64,378,298	63,085,798
<i>Less:</i>				
Amount receivable within 1 year	2,662,235	2,576,791	2,662,759	2,577,379
Amount receivable after 1 year	61,713,701	60,506,020	61,715,539	60,508,419
Receivable after 1 year as follows:				
Later than 1 year but not more than 2 years	2,535,321	2,424,250	2,535,783	2,424,772
Later than 2 years but not more than 5 years	7,849,232	7,344,211	7,849,977	7,345,210
Later than 5 years	51,329,148	50,737,559	51,329,779	50,738,437
	61,713,701	60,506,020	61,715,539	60,508,419

5.1 *Term loans receivable*

Movements during the year for the Group:

	<i>Balance as at 1.4.2002</i>	<i>Loans Granted</i>	<i>Repayment</i>	<i>Balance as at 31.3.2003</i>
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Mortgage loans for flats	62,921,461	7,801,566	6,492,736	64,230,291
Loans for shops sold	308	9	252	65
Staff loans	21,318	775	9,402	12,691
	62,943,087	7,802,350	6,502,390	64,243,047

Interest rates and repayment terms on the loans are:

	<i>Interest rate (per annum)</i>	<i>Repayment term</i>
Mortgage loans granted to lessees for purchase of HDB flats	2.60% to 3.75%	Up to 30 years
Loans granted to tenants for the purchase of shops	5.25%	4 years
Staff loans	5.00%	Up to 30 years

From 1 January 2003, HDB implemented bank origination of HDB market rate mortgage loans and no longer provides such loans. Existing HDB market rate mortgagors can continue their existing mortgages provided by HDB or refinance their loans with any banks that are licensed to provide housing loans.

5.2 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 2.60% to 3.75% per annum over periods of up to 25 years.

6. PROPERTIES UNDER CONSTRUCTION

	<i>HDB</i>		<i>Group</i>	
	<i>2002/2003</i>	<i>2001/2002</i>	<i>2002/2003</i>	<i>2001/2002</i>
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Land	2,976,806	4,588,692	2,976,806	4,588,692
Buildings	1,006,366	1,760,035	1,005,353	1,760,035
Upgrading works	94,014	101,744	94,014	101,744
Improvement works	4,842	5,326	4,842	5,326
Balance as at 31 March	4,082,028	6,455,797	4,081,015	6,455,797
Interest capitalised during the year	128,016	186,347	128,016	186,347

Development of flats is expected to incur a loss on completion. The estimated loss on the properties under construction for FY 2002/2003 was S\$0.3 billion (FY 2001/2002: S\$0.3 billion). Since the overall net deficit will be met by government grant, no provision for unrealised loss was made.

During the financial year, interest capitalised as properties under construction amounted to S\$128 million (FY 2001/2002: S\$186 million) at a capitalisation rate of 4.41% (FY 2001/2002: 4.34%).

7. INVESTMENTS

	<i>HDB</i>		<i>Group</i>	
	<i>2002/2003</i>	<i>2001/2002</i>	<i>2002/2003</i>	<i>2001/2002</i>
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Subsidiary companies				
Unquoted shares at cost	14,500	9,500	—	—
Associated company				
Unquoted shares at cost	490	490	1,115	1,015
Share of post-acquisition reserve	—	—	9,123	19,381
Investment properties	—	—	16,067	16,067
Equity and bonds				
Quoted shares at cost <i>(Market value: S\$9,883,000; FY 2001/2002: S\$10,794,000)</i>	—	—	10,092	10,378
Unquoted shares at cost	—	—	1,696	2,677
Quoted bonds at cost <i>(Market value: S\$24,177,000; FY 2001/2002: S\$27,394,000)</i>	—	—	22,956	26,164
Unquoted bonds at cost	—	—	66,206	64,849
Unit trusts <i>(Market value: S\$23,629,000; FY 2001/2002: S\$7,601,000)</i>	—	—	23,485	8,000
Other investments	—	—	901	1,035
Balance as at 31 March	14,990	9,990	151,641	149,566

7. INVESTMENTS — (continued)

The subsidiary and associated companies are:

	<i>Principal activities</i>	<i>Country of incorporation</i>	<i>Percentage of equity held by the Group</i>		<i>Cost of investments</i>	
			<i>2002/2003</i>	<i>2001/2002</i>	<i>2002/2003</i>	<i>2001/2002</i>
			%	%	S\$'000	S\$'000
<i>Subsidiary companies of HDB</i>						
Cleantech Services Pte Ltd ^(a)	Property maintenance services	Singapore	100	100	6,000	6,000
CESMA International Pte Ltd ^(b)	Building and property consultancy	Singapore	100	100	2,000	2,000
EM Services Pte Ltd ^(c)	Estate management services	Singapore	75	75	1,500	1,500
HDB Corporation Pte Ltd ^(g)	Building consultancy services	Singapore	100	—	5,000	—
					<u>14,500</u>	<u>9,500</u>
<i>Associated company of HDB</i>						
ESMACO Pte Ltd ^(d)	Estate management and consultancy	Singapore	49	49	<u>490</u>	<u>490</u>
	<i>Principal activities</i>	<i>Country of incorporation</i>	<i>Percentage of equity held by the Group</i>		<i>2002/2003</i>	<i>2001/2002</i>
			%	%		
<i>Subsidiary companies of CESMA International Pte Ltd</i>						
Hdbay Pte Ltd ^(b)	Development of e-commerce applications and interior design services	Singapore	100	100		
HDBuilders Pte Ltd ^(b)	Provision of e-commerce and e-project management services for building and construction industry	Singapore	100	100		
CESMA China Pte Ltd ^(b)	Planning, architectural and engineering consultancy services and project management services	Singapore	80	80		
CESMA (Shanghai) Consultants Ltd ^(f)	Construction technology consultancy, building, interior construction design consultancy and project management services	People's Republic of China	85	85		
CESMA International Consultants (India) Private Limited ^(h)	Planning, architectural, interior, engineering design services, project management and consultancy services	India	100	—		

7. INVESTMENTS — (continued)

INVESTMENTS — (continued)

		Country of incorporation	Percentage of equity held by the Group	
Principal activities			2002/2003	2001/2002
			%	%
Subsidiary companies of EM Services Pte Ltd				
EM (China) Pte Ltd ^(c)	Property management	Singapore	60	60
E M Property Management Pte Ltd ^(c)	Property management	Singapore	100	100
Yi An Property Agency Pte Ltd ^(c)	Real estate agency	Singapore	100	100
Subsidiary companies of HDB Corporation Pte Ltd				
HDBCorp International Pte Ltd ^(g)	Holding company	Singapore	100	—
HDBCorp Consultants Pte Ltd ^(g)	Supply architectural, engineering and survey services	Singapore	100	—
HDBCorp Technologies Pte Ltd ^(g)	Install, service and manage facilities management systems	Singapore	100	—
HDBCorp Site Supervisors Pte Ltd ^(g)	Provide site supervisory services	Singapore	100	—
HDBCorp Construction Resources Pte Ltd ^(g)	Procurement agent of construction materials	Singapore	100	—
Associated company of CESMA International Pte Ltd				
Sindia Consortium Pte Ltd ^(h)	Provide construction and development services for building and construction industry	Singapore	25	—
Associated companies of EM Services Pte Ltd				
Pengda Investment & Development Pte Ltd ^(c)	Investment & real estate developer	Singapore	35	35
Semtec Construction Pte Ltd ⁽ⁱ⁾	Consultant on retrofitting and construction of buildings	Singapore	49	49

(a) Audited by Deloitte & Touche

(b) Audited by Ernst & Young

(c) Audited by PricewaterhouseCoopers

(d) Audited by KPMG

(e) Audited by SP Tan & Co

(f) Audited by Shanghai ChangXin Certified Public Accountants Co Ltd

(g) HDB Corporation Pte Ltd and its subsidiary companies were incorporated in March 2003 arising from the restructuring plan for the Building and Development Division (Note 22).

(h) Incorporated in February 2003 and has not commenced operations as at 31 March 2003.

(i) Audited by Ernst & Young. Full provision for diminution in value had been made for the investment in the company.

8. PROPERTIES FOR SALE

	<i>HDB and Group</i>	
	<i>2002/2003</i>	<i>2001/2002</i>
	<i>S\$'000</i>	<i>S\$'000</i>
Cost of flats	5,125,540	6,490,522
<i>Less:</i>		
Provision for unrealised loss	(276,915)	(402,425)
Balance as at 31 March	<u>4,848,625</u>	<u>6,088,097</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 mainly to the Home ownership activity.

9. DEBTORS AND PREPAYMENTS

	<i>HDB</i>		<i>Group</i>	
	<i>2002/2003</i>	<i>2001/2002</i>	<i>2002/2003</i>	<i>2001/2002</i>
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Debtors	323,261	329,045	339,875	354,099
<i>Less:</i>				
Provision for doubtful debts	(14,354)	(12,209)	(15,229)	(12,733)
	308,907	316,836	324,646	341,366
Prepayments	46,476	61,024	47,153	61,951
Others	4,035	2,871	6,209	5,720
	<u>359,418</u>	<u>380,731</u>	<u>378,008</u>	<u>409,037</u>

The movement of provision for doubtful debts for HDB and Group is:

	<i>HDB</i>		<i>Group</i>	
	<i>2002/2003</i>	<i>2001/2002</i>	<i>2002/2003</i>	<i>2001/2002</i>
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Balance as at 1 April	12,209	11,235	12,733	11,775
Provision for the year	5,654	4,274	6,019	4,274
Provisions utilised	(3,509)	(3,300)	(3,523)	(3,316)
Balance as at 31 March	<u>14,354</u>	<u>12,209</u>	<u>15,229</u>	<u>12,733</u>

10. PROVISIONS, CREDITORS AND ACCRUALS

	<i>HDB</i>		<i>Group</i>	
	<i>2002/2003</i>	<i>2001/2002</i>	<i>2002/2003</i>	<i>2001/2002</i>
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Creditors	761,467	1,074,406	778,405	1,096,863
Deposits	409,225	775,762	410,064	776,687
Deferred income	702,361	680,067	704,427	682,308
Interest payable	251,655	415,180	251,655	415,180
Provisions	305,818	81,963	314,684	91,372
	<u>2,430,526</u>	<u>3,027,378</u>	<u>2,459,235</u>	<u>3,062,410</u>

10. PROVISIONS, CREDITORS AND ACCRUALS — (continued)

Provisions are mainly for restoration works, cyclical maintenance and restructuring (Note 22). The movement of provisions for HDB and Group is:

	<i>HDB</i>		<i>Group</i>	
	<i>2002/2003</i>	<i>2001/2002</i>	<i>2002/2003</i>	<i>2001/2002</i>
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Balance as at 1 April	81,963	73,897	91,372	82,775
Provision for the year	225,639	8,516	229,413	12,671
Provisions utilised	(1,784)	(450)	(6,101)	(4,074)
Balance as at 31 March	<u>305,818</u>	<u>81,963</u>	<u>314,684</u>	<u>91,372</u>

11. GOVERNMENT GRANT RECEIVED IN ADVANCE/GOVERNMENT GRANT RECEIVABLE

	<i>HDB and Group</i>	
	<i>2002/2003</i>	<i>2001/2002</i>
	<i>S\$'000</i>	<i>S\$'000</i>
Balance as at 1 April	86,894	245,890
Amount received	566,979	811,025
	653,873	1,056,915
Transfer to income and expenditure statement	(756,550)	(970,021)
Balance as at 31 March	<u>(102,677)</u>	<u>86,894</u>

12. HOME OWNERSHIP ACTIVITY

	<i>HDB and Group</i>	
	<i>2002/2003</i>	<i>2001/2002</i>
	<i>S\$'000</i>	<i>S\$'000</i>
Sale proceeds	3,696,848	3,887,766
Less:		
Cost of sales	3,578,948	4,013,455
GROSS PROFIT/(LOSS) ON SALES	117,900	(125,689)
Decrease/(Increase) in provision for unrealised loss	124,084	(5,991)
GROSS PROFIT/(LOSS)	241,984	(131,680)
Add:		
Levy on resale flats and sales premium	98,284	166,224
Property tax written-back	51,278	—
Other income	18,251	22,091
Less:		
EXPENDITURE		
CPF Housing grant	219,121	347,025
Property tax	—	59,829
Interest expense	145,562	184,770
General and other expenses	104,778	117,662
TOTAL EXPENDITURE	469,461	709,286
DEFICIT	<u>(59,664)</u>	<u>(652,651)</u>

It was decided that HDB need not pay property tax for the vacant flats held for sale. As a result, the property tax expenditure in the previous year was not required.

13. RENTAL OF FLATS ACTIVITY

	<i>HDB and Group</i>	
	<i>2002/2003</i>	<i>2001/2002</i>
	<i>S\$'000</i>	<i>S\$'000</i>
INCOME	13,887	17,336
<i>Less:</i>		
EXPENDITURE		
Improvement works, demolition and maintenance	201,493	125,379
Depreciation	49,139	55,316
Property tax	1,326	1,636
Interest expense	6,219	9,774
General and other expenses	30,265	30,331
TOTAL EXPENDITURE	288,442	222,436
DEFICIT	(274,555)	(205,100)

14. UPGRADING OF FLATS ACTIVITY

	<i>HDB and Group</i>	
	<i>2002/2003</i>	<i>2001/2002</i>
	<i>S\$'000</i>	<i>S\$'000</i>
INCOME	61,603	36,219
<i>Less:</i>		
EXPENDITURE		
Upgrading cost	308,215	299,977
General and other expenses	24,541	13,462
TOTAL EXPENDITURE	332,756	313,439
DEFICIT	(271,153)	(277,220)

15. HOUSING ADMINISTRATION ACTIVITY

	<i>HDB and Group</i>	
	<i>2002/2003</i>	<i>2001/2002</i>
	<i>S\$'000</i>	<i>S\$'000</i>
DEFICIT		
Lease administration	(82,993)	(75,440)
Specific works	(37,748)	(31,981)
Town council administration and maintenance works	(18,504)	(18,659)
	(139,245)	(126,080)

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.

16. MORTGAGE FINANCING ACTIVITY

	<i>HDB and Group</i>	
	<i>2002/2003</i>	<i>2001/2002</i>
	<i>S\$'000</i>	<i>S\$'000</i>
INCOME	1,823,209	1,731,235
<i>Less:</i>		
EXPENDITURE		
Interest expense	1,740,908	1,655,935
General and other expenses	40,858	37,467
TOTAL EXPENDITURE	1,781,766	1,693,402
SURPLUS	41,443	37,833

17. RENTAL OF COMMERCIAL PROPERTIES ACTIVITY

	<i>HDB and Group</i>	
	<i>2002/2003</i>	<i>2001/2002</i>
	<i>S\$'000</i>	<i>S\$'000</i>
INCOME	342,414	369,270
<i>Less:</i>		
EXPENDITURE		
Improvement works, demolition and maintenance	31,690	25,974
Depreciation	40,791	36,819
Property tax	26,480	22,477
Interest expense	31,071	23,070
General and other expenses	41,455	38,878
TOTAL EXPENDITURE	171,487	147,218
SURPLUS	170,927	222,052

18. RENTAL OF INDUSTRIAL PROPERTIES ACTIVITY

	<i>HDB and Group</i>	
	<i>2002/2003</i>	<i>2001/2002</i>
	<i>S\$'000</i>	<i>S\$'000</i>
INCOME	258,706	288,223
<i>Less:</i>		
EXPENDITURE		
Improvement works, demolition and maintenance	60,368	42,400
Depreciation	36,324	35,840
Property tax	17,575	22,250
Interest expense	39,540	39,642
General and other expenses	34,885	34,465
TOTAL EXPENDITURE	188,692	174,597
SURPLUS	70,014	113,626

19. CAR PARKS ACTIVITY

	<i>HDB and Group</i>	
	<i>2002/2003</i>	<i>2001/2002</i>
	<i>S\$'000</i>	<i>S\$'000</i>
INCOME		
Parking charges	327,521	305,861
Fines	38,719	42,146
Other income	12,126	9,437
TOTAL INCOME	378,366	357,444
Less:		
EXPENDITURE		
Improvement works, demolition and maintenance	79,883	73,570
Depreciation	126,048	125,541
Property tax	22,585	21,732
Interest expense	190,803	193,046
General and other expenses	61,072	58,396
TOTAL EXPENDITURE	480,391	472,285
DEFICIT	(102,025)	(114,841)

20. MISCELLANEOUS ACTIVITIES

	<i>HDB</i>		<i>Group</i>	
	<i>2002/2003</i>	<i>2001/2002</i>	<i>2002/2003</i>	<i>2001/2002</i>
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
SURPLUS/(DEFICIT)				
Rental and sale of corporate housing	4,241	7,703	4,241	7,703
Building resources	11,003	2,860	11,003	2,860
Agency projects	(8,719)	(5,232)	3,049	12,169
Sale of other properties	27,728	(137)	27,728	(137)
Interest income and others	22,173	11,523	7,203	8,106
	56,426	16,717	53,224	30,701

21. LOSS FROM DISPOSAL OF PROTECTED PROPERTIES

	<i>HDB and Group</i>	
	<i>2002/2003</i>	<i>2001/2002</i>
	<i>S\$'000</i>	<i>S\$'000</i>
SURPLUS/(DEFICIT)		
Rental flats		
Sale proceeds (<i>after deducting discount of S\$3 million; FY 2001/2002: S\$2 million</i>)	117,049	32,113
Less:		
Net book value and other expenses	(169,871)	(54,616)
	(52,822)	(22,503)
Car parks		
Sale proceeds	10,564	10,848
Less:		
Net book value and other expenses	(6,303)	(6,149)
	4,261	4,699
	(48,561)	(17,804)

21. LOSS FROM DISPOSAL OF PROTECTED PROPERTIES — *(continued)*

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\$15,000, whichever is lower. The sale of car parks was carried out in conjunction with the privatisation of HUDC estates that commenced in 1995.

22. RESTRUCTURING

In a public statement in February 2003, the Government announced that HDB would proceed with its restructuring exercise. The estimated restructuring cost was largely for the provision under the Special Resignation Scheme arising from HDB's restructuring plan (see Note 32).

23. NET DEFICIT BEFORE GOVERNMENT GRANT

	<i>HDB</i>		<i>Group</i>	
	<i>2002/2003</i>	<i>2001/2002</i>	<i>2002/2003</i>	<i>2001/2002</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	2,235,240	2,180,275	2,235,240	2,180,275
Salaries	466,754	473,980	529,316	533,452
<i>(Including employers' contribution to the Central Provident Fund)</i>	<i>56,001</i>	<i>55,337</i>	<i>63,548</i>	<i>62,699</i>
Staff welfare	8,535	8,015	9,114	8,686
Overseas travelling	—	158	239	327
Auditors' remuneration	750	800	825	871
Board members' fees	55	56	55	56
Directors' fees	—	—	89	89
Directors' remuneration	—	—	370	359
Bad debts written off	82	677	97	677
Doubtful debts provision	5,654	4,274	6,019	4,274
And after crediting:				
Interest income	1,819,178	1,731,247	1,823,278	1,735,193
Rental income	671,835	721,260	672,386	721,818
Dividends from				
— Unquoted subsidiary companies	1,342	1,268	—	—
— Unquoted associated companies	14,371	4,809	14,371	4,809
— Others	—	—	435	163

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.

24. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the consolidated cash flow statement comprise the following:

	<i>Group</i>	
	<i>2002/2003</i>	<i>2001/2002</i>
	<i>S\$'000</i>	<i>S\$'000</i>
Bank balances and cash	45,171	58,224
Fixed deposits	34,899	52,452
	<u>80,070</u>	<u>110,676</u>

25. 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 2002	11,503,170
Grant for FY 2002/2003	756,550
Total grant as at 31 March 2003	<u>12,259,720</u>

26. RELATED PARTY TRANSACTIONS

The following related party transactions took place during the year:

	<i>2002/2003</i>	<i>2001/2002</i>
	<i>S\$'000</i>	<i>S\$'000</i>
<i>Services rendered to HDB by:</i>		
CESMA International Pte Ltd	2,184	1,619
Cleantech Services Pte Ltd	2,745	1,591
EM Services Pte Ltd	6,751	5,125
<i>Services rendered by HDB to:</i>		
CESMA International Pte Ltd	1,291	1,333
Cleantech Services Pte Ltd	4,051	2,872
EM Services Pte Ltd	750	767

27. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to interest rate risk, credit risk and liquidity risk.

HDB's exposure to market risk for changes in interest rate relates primarily to the government loans. HDB manages its interest rate exposure by largely matching the terms of the government loans with that of the long-term receivables. HDB uses various sources of funding to manage interest costs. In addition to government loans, HDB also accesses the capital market and financial institutions for its funding requirements. Information relating to the Group's interest rate exposure is disclosed in Note 3 on the Group's long-term borrowings.

The Group's long-term receivables comprise largely mortgage loans to purchasers of HDB flats. Policies on loan quantum and credit assessment are in place for the granting of mortgage loans to flat buyers with the flats as collateral.

The Group monitors and maintains a level of cash and cash equivalents deemed adequate to finance the Group's operations. Funding is also made available through an adequate amount of committed credit facilities. The Ministry of Finance will act as the lender of last resort to HDB for its funding requirements.

28. FINANCIAL ASSETS AND LIABILITIES

The carrying amounts of the following financial assets and liabilities approximate their fair values: cash and deposits with banks, receivables and payables, term borrowings and receivables. The Group does not anticipate the carrying amounts recorded at the balance sheet date to be significantly different from the values that would eventually be received or settled.

29. SEGMENTAL INFORMATION

Business Segments

For the purpose of financial reporting of business segment results, the Group's activities are presented under four main business segments:

Residential Development & Ancillary Functions

Residential Development & Ancillary Functions focus on providing home ownership flats and implementing housing policies and upgrading programmes.

Rental & Related Businesses

Rental & Related Businesses focus on the tenancy and management of property developments owned by HDB.

Mortgage Financing

Mortgage Financing focuses on providing housing loans to eligible purchasers of HDB flats.

Agency & Others

Agency & Others encompass estate management services and agency projects on behalf of the Government.

FY 2002/2003

	<i>Residential Development & Ancillary Functions</i>	<i>Rental & Related Businesses</i>	<i>Mortgage Financing</i>	<i>Agency & Others</i>	<i>Group</i>
	<u>S\$M</u>	<u>S\$M</u>	<u>S\$M</u>	<u>S\$M</u>	<u>S\$M</u>
Turnover	<u>4,366</u>	<u>808</u>	<u>1,823</u>	<u>751</u>	<u>7,748</u>
Segment results from normal operations	<u>(553)</u>	<u>(10)</u>	<u>41</u>	<u>13</u>	<u>(509)</u>
Loss from disposal of protected properties					(49)
Restructuring					(218)
Share of profit of associated company					5
Taxation					(4)
Minority interests					(2)
Net results before government grant					<u>(777)</u>
Segment assets	19,640	9,583	64,231	1,920	95,374
Unallocated assets					319
Total assets					<u>95,693</u>
Segment liabilities	10,079	3,952	64,450	1,088	79,569
Unallocated liabilities					468
Total liabilities					<u>80,037</u>
Capital additions	349	364	—	783	1,496
Depreciation	126	177	1	23	327

29. SEGMENTAL INFORMATION — (continued)

FY 2001/2002

	<i>Residential Development & Ancillary Functions</i>	<i>Rental & Related Businesses</i>	<i>Mortgage Financing</i>	<i>Agency & Others</i>	<i>Group</i>
	S\$M	S\$M	S\$M	S\$M	S\$M
Turnover	4,590	842	1,731	1,323	8,486
Segment results from normal operations	(1,160)	134	38	23	(965)
Loss from disposal of protected properties					(18)
Share of profit of associated company					5
Taxation					(5)
Minority interests					(3)
Net results before government grant					(986)
Segment assets	20,939	12,564	62,922	457	96,882
Unallocated assets					245
Total assets					97,127
Segment liabilities	13,252	3,812	63,294	444	80,802
Unallocated liabilities					620
Total liabilities					81,422
Capital additions	492	446	—	1	939
Depreciation	125	179	1	16	321

30. 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>2002/2003</i>	<i>2001/2002</i>	<i>2002/2003</i>	<i>2001/2002</i>
	S\$'000	S\$'000	S\$'000	S\$'000
Authorised and contracted for	1,299,781	1,701,771	1,307,135	1,710,310
Authorised but not contracted for	748,611	890,215	748,811	891,015
	2,048,392	2,591,986	2,055,946	2,601,325

31. CONTINGENT LIABILITY

The Inland Revenue Authority of Singapore (IRAS) has requested HDB to return part of the input Goods and Services Tax (GST) which was previously claimed by and refunded to HDB by IRAS amounting to S\$72 million. HDB accounted for GST based on exempt and taxable activities, and only claimed input GST incurred for the taxable activities. The input GST now partially disallowed by IRAS is for taxable activities which are mainly funded by government grant. HDB has objected to the basis and computation of the assessment.

32. SUBSEQUENT EVENTS

(a) *Reorganisation of the Building and Development Division*

With the reorganisation of the Building and Development Division (BDD) with effect from 1 July 2003, HDB's manpower requirements will be reduced. On the same date, HDB Corporation Pte Ltd will commence operations. The estimated restructuring cost is in Note 22.

The BDD is responsible for the design and development of HDB flats, implementation of upgrading programmes, township development, procurement of construction services and resources, project management, building and design of building structures and infrastructure, and land surveying and administration. The formation of HDB Corporation Pte Ltd will give the BDD the autonomy and flexibility to leverage on its current strengths to venture into housing development projects overseas.

For the first three years, the design and development projects of all HDB projects, including the various estate renewal programmes, such as Main upgrading programme, Interim upgrading programme plus and Selective En bloc Redevelopment Scheme will be assigned by HDB to HDB Corporation Pte Ltd to provide continuity and minimise disruption to the public.

(b) *Divestment of Subsidiary Company*

HDB sold its 100% shareholding in Cleantech Services Pte Ltd in April 2003 for S\$15 million. This will have no material impact on the accounts.

33. COMPARATIVE FIGURES

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

The usage of branch office's premises was previously charged at market rate. These charges are restated at cost to conform to current year's presentation.