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SUPPLEMENT
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REPUBLIC OF SINGAPORE
GOVERNMENT GAZETTE
FRIDAY, 18TH JUNE 2004

REPORT ON THE AUDIT OF
THE FINANCIAL STATEMENTS OF
THE HOUSING AND DEVELOPMENT BOARD
AND OF THE GROUP
FOR THE YEAR ENDED 31ST MARCH 2004

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**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS OF
THE HOUSING AND DEVELOPMENT BOARD AND OF THE GROUP
FOR THE YEAR ENDED 31 MARCH 2004**

The financial statements of the Housing and Development Board (the Board) and of the Group, set out on pages 3 to 27 have been audited under my direction and in accordance with the provisions of the Housing and Development Act (Cap. 129, 1997 Revised Edition). These financial statements are the responsibility of the Board's management. My responsibility is to express an opinion on these financial statements based on the audit.

The audit was conducted in accordance with the Housing and Development Act (Cap. 129, 1997 Revised Edition) and Singapore Standards on Auditing. Those Standards require that the audit be planned and performed in order to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Board's management, as well as evaluating the overall financial statement presentation. I believe that the audit provides a reasonable basis for my opinion.

In my opinion,

- (a) the financial statements are properly drawn up in accordance with the provisions of the Housing and Development Act (Cap. 129, 1997 Revised Edition) and Singapore Financial Reporting Standards, and so as to show fairly the financial transactions of the Board and of the Group for the year ended on 31 March 2004 and the state of affairs of the Board and of the Group as at that date;
- (b) proper accounting and other records have been kept, including records of all assets of the Board whether purchased, donated or otherwise; and
- (c) the receipts, expenditure and investment of moneys and the acquisition and disposal of assets by the Board during the financial year have been in accordance with the provisions of the Housing and Development Act (Cap. 129, 1997 Revised Edition) and the Constitution.

I have considered the financial statements and auditors' reports of the subsidiaries of which I have not acted as auditor, being financial statements included in the consolidated financial statements. The names of these subsidiaries are stated in Note (7) to the financial statements.

I am satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Board 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 financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under section 207 (3) of the Companies Act (Cap. 50, 1994 Revised Edition).

A handwritten signature in black ink, appearing to read 'Kwong Yung' with a stylized flourish at the end.

CHUANG KWONG YONG
AUDITOR-GENERAL
SINGAPORE

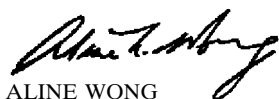
28 May 2004

HOUSING AND DEVELOPMENT BOARD AND SUBSIDIARY COMPANIES

BALANCE SHEETS AS AT 31 MARCH 2004

	Note	HDB		Group	
		2003/2004 S\$'000	2002/2003 S\$'000	2003/2004 S\$'000	2002/2003 S\$'000
CAPITAL AND RESERVES					
Capital account		2,465,623	2,465,670	2,470,613	2,470,660
Capital gains reserve		5,037,400	4,886,846	5,037,400	4,886,846
Asset revaluation reserve		8,069,151	8,165,562	8,069,151	8,165,562
Foreign currency translation reserve		—	—	(456)	(8)
Retained earnings		—	—	52,428	133,108
		15,572,174	15,518,078	15,629,136	15,656,168
LONG-TERM BORROWINGS	3	67,025,095	72,759,500	67,025,095	72,759,500
MINORITY INTERESTS		—	—	33,078	30,005
DEFERRED TAX LIABILITY		—	—	404	265
		82,597,269	88,277,578	82,687,713	88,445,938
Represented by:					
FIXED ASSETS	4	21,571,441	21,583,174	21,583,033	21,593,604
LONG-TERM RECEIVABLES	5	57,354,983	61,713,701	57,356,153	61,715,539
PROPERTIES UNDER CONSTRUCTION	6	3,438,862	4,082,028	3,435,013	4,081,015
INVESTMENTS	7	144,100	14,990	174,136	151,641
DEFERRED TAX ASSET		—	—	3,139	3,513
CURRENT ASSETS					
Properties for sale	8	3,725,346	4,848,625	3,725,346	4,848,625
Stocks of building materials		62,687	72,763	64,766	75,302
Loans receivable within 1 year	5	2,649,643	2,662,235	2,650,022	2,662,759
Government grant receivable	11	—	102,677	—	102,677
Debtors and prepayments	9	242,235	359,418	266,637	378,008
Amount due from subsidiary companies		—	93	—	—
Amount due from associated companies		—	485	100	485
Cash and deposits with banks		49,881	56,635	107,185	80,070
		6,729,792	8,102,931	6,814,056	8,147,926
Less: CURRENT LIABILITIES					
Loans payable within 1 year	3	3,879,838	4,788,065	3,879,838	4,788,065
Provisions, creditors and accruals	10	2,545,628	2,430,526	2,605,144	2,459,235
Amount due to subsidiary companies		23,746	655	—	—
Amount due to associated companies		—	—	138	—
Government grant received in advance	11	192,697	—	192,697	—
		6,641,909	7,219,246	6,677,817	7,247,300
NET CURRENT ASSETS		87,883	883,685	136,239	900,626
		82,597,269	88,277,578	82,687,713	88,445,938

The accompanying notes form part of the financial statements.



ALINE WONG
Chairman

28 May 2004



MAH LAI SEONG
Director (Finance)

**HOUSING AND DEVELOPMENT BOARD
AND SUBSIDIARY COMPANIES**

**INCOME AND EXPENDITURE STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2004**

	<i>Note</i>	<i>HDB</i>		<i>Group</i>	
		<i>2003/2004</i>	<i>2002/2003</i>	<i>2003/2004</i>	<i>2002/2003</i>
		<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Sale proceeds		3,078,727	3,916,679	3,078,727	3,916,679
Cost of sales		(2,982,900)	(3,605,239)	(2,982,900)	(3,605,239)
Gross profit on sales		95,827	311,440	95,827	311,440
Income	12	3,125,586	3,286,220	3,206,437	3,391,017
Financial expenses		(2,100,224)	(2,235,307)	(2,100,224)	(2,235,307)
Operating expenses		(1,966,407)	(1,916,611)	(2,023,132)	(2,024,610)
DEFICIT FROM OPERATIONS		(845,218)	(554,258)	(821,092)	(557,460)
Restructuring	13	(31,102)	(218,468)	(31,102)	(218,468)
Gain/(loss) from divestment/transfer of related companies	14	97,610	—	(2,411)	—
Share of results of associated companies and joint ventures		—	—	6,281	4,726
Taxation		—	—	(7,987)	(4,218)
Minority interests		—	—	(3,079)	(2,144)
NET DEFICIT BEFORE GOVERNMENT GRANT	15	(778,710)	(772,726)	(859,390)	(777,564)
Government grant	11	849,778	756,550	849,778	756,550
NET SURPLUS/(DEFICIT) AFTER GOVERNMENT GRANT		71,068	(16,176)	(9,612)	(21,014)
RETAINED EARNINGS AT THE BEGINNING OF THE YEAR		—	—	133,108	137,946
Transfer from asset revaluation reserve		79,486	112,261	79,486	112,261
Transfer to capital gains reserve		(150,554)	(96,085)	(150,554)	(96,085)
RETAINED EARNINGS AT THE END OF THE YEAR		—	—	52,428	133,108

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 2004**

	<i>HDB</i>		<i>Group</i>	
	<i>2003/2004</i>	<i>2002/2003</i>	<i>2003/2004</i>	<i>2002/2003</i>
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
CAPITAL ACCOUNT				
Balance as at 1 April	2,465,670	2,465,743	2,470,660	2,470,733
Adjustments	(47)	(73)	(47)	(73)
Balance as at 31 March	<u>2,465,623</u>	<u>2,465,670</u>	<u>2,470,613</u>	<u>2,470,660</u>
CAPITAL GAINS RESERVE				
Balance as at 1 April	4,886,846	4,790,761	4,886,846	4,790,761
Transfer from retained earnings	150,554	96,085	150,554	96,085
Balance as at 31 March	<u>5,037,400</u>	<u>4,886,846</u>	<u>5,037,400</u>	<u>4,886,846</u>
ASSET REVALUATION RESERVE				
Balance as at 1 April	8,165,562	8,305,370	8,165,562	8,305,370
Reversal in respect of land for return to the Government	(14,587)	(21,001)	(14,587)	(21,001)
Transfer to retained earnings on sale and demolition of assets	(79,486)	(112,261)	(79,486)	(112,261)
Adjustment in respect of assets overstated in previous years	(2,338)	(6,546)	(2,338)	(6,546)
Balance as at 31 March	<u>8,069,151</u>	<u>8,165,562</u>	<u>8,069,151</u>	<u>8,165,562</u>
FOREIGN CURRENCY TRANSLATION RESERVE				
Balance as at 1 April	—	—	(8)	—
Share of associated companies' and joint ventures' foreign currency translation reserve	—	—	(448)	(8)
Balance as at 31 March	<u>—</u>	<u>—</u>	<u>(456)</u>	<u>(8)</u>
RETAINED EARNINGS				
Balance as at 31 March	<u>—</u>	<u>—</u>	<u>52,428</u>	<u>133,108</u>
TOTAL CAPITAL AND RESERVES	<u>15,572,174</u>	<u>15,518,078</u>	<u>15,629,136</u>	<u>15,656,168</u>

**HOUSING AND DEVELOPMENT BOARD
AND SUBSIDIARY COMPANIES**

**STATEMENTS OF CHANGES IN CAPITAL AND RESERVES
FOR THE YEAR ENDED 31 MARCH 2004**

Notes to the Statements of Changes in Capital and Reserves:

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 assets held at the changeover date of the Government.

Asset Revaluation Reserve

When HDB adopted the present conventional accounting system in 1985, all properties owned by HDB at 1 April 1985 were valued. The asset revaluation reserve represents the difference between the valuation and the historical cost of the properties. The valuation of the properties carried out in 1985 and 1986 is disclosed in Note 2 (f) (i) on the accounting policy for properties.

HOUSING AND DEVELOPMENT BOARD AND SUBSIDIARY COMPANIES

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2004

	<i>Note</i>	<i>Group</i>	
		<i>2003/2004</i>	<i>2002/2003</i>
		<i>S\$'000</i>	<i>S\$'000</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Net deficit before government grant		(859,390)	(777,564)
Adjustments for:			
Interest expense		2,100,201	2,235,241
Depreciation		327,817	327,105
Amortisation of discount on bonds		23	66
Loss from disposal of fixed assets		27,867	57,044
Investment income		(7,285)	(5,412)
Minority interests		3,079	2,144
Share of results of associated company		(4,610)	(4,141)
Deferred gain from inter-company transactions		2,836	1,013
Loss from disposal of subsidiary company		2,411	—
Surplus before working capital changes		1,592,949	1,835,496
(Increase)/decrease in working capital			
Properties under construction		493,529	1,361,946
Properties for sale		1,180,190	1,376,419
Stocks of building materials		10,536	6,051
Debtors and prepayments		105,586	42,172
Provisions, creditors and accruals		242,089	(420,754)
Amount due to associated company		(36)	(254)
		2,031,894	2,365,580
Repayment of mortgage and other loans		7,357,806	6,502,390
Mortgage and other loans granted		(2,992,976)	(7,802,350)
Interest paid		(2,264,600)	(2,526,782)
Net cash from operating activities		5,725,073	374,334
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of fixed assets		50,449	83,139
Capital expenditure		(231,939)	(308,365)
Purchase of fixed assets		(18,295)	(52,584)
Investment income received		9,176	4,248
Proceeds from disposal of investments		14,090	18,897
Purchase of investments		(34,320)	(34,359)
Dividend received from associated company		—	14,371
Proceeds from disposal of subsidiary company	14	10,384	—
Net cash used in investing activities		(200,455)	(274,653)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings received		11,412,018	11,560,551
Repayment of term loans		(18,054,673)	(12,257,817)
Net government grant received		1,145,152	566,979
Net cash used in financing activities		(5,497,503)	(130,287)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		27,115	(30,606)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		80,070	110,676
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	16	107,185	80,070

The accompanying notes form part of the financial statements.

HOUSING AND DEVELOPMENT BOARD

NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2004

1. GENERAL

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

As at 31 March 2004, HDB's staff strength was 5,116 (31 March 2003 : 7,861) and the Group's staff strength was 7,588 (31 March 2003 : 10,035).

The financial statements of the HDB and the consolidated financial statements for HDB and its subsidiary companies for the year ended 31 March 2004 were authorised for issue in accordance with the approval of the Board on 27 May 2004.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) *Accounting Convention*

The financial statements have been prepared in accordance and complied with Singapore Financial Reporting Standards (FRS). Previously, the Board prepared its financial statements in accordance with Singapore Statements of Accounting Standard. The adoption of FRS does not have any material impact on the accounting policies and figures presented in the financial statements for the financial year ended 31 March 2004.

The financial statements, expressed in Singapore dollars, are 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 after the elimination of all material inter-company transactions.

(c) *Subsidiary Companies*

A subsidiary company is a company in which more than 50% of the issued share capital is held by HDB. The investments held in the subsidiary companies are stated at cost less any impairment loss in HDB's balance sheet. An assessment of investments in subsidiary companies is performed when there is indication that the investment has been impaired or the impairment losses recognised in the prior year no longer exist.

(d) *Associated Companies and Joint Ventures*

An associated company is a company in which the Group has a long-term equity interest of between 20% to 50%. Joint ventures are corporations, partnerships or other entities over which there is contractually agreed sharing of control by the Group with one or more parties. The Group's investments in the associated companies and joint ventures are stated at cost less any impairment loss in the balance sheet. An assessment of investments in associated companies and joint ventures is performed when there is indication that the investment has been impaired or the impairment losses recognised in the prior year no longer exist. The Group's share of the operating results of the associated companies and joint ventures are included in the consolidated income and expenditure statement. The Group's share of the retained profit of the associated companies and joint ventures are 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 for impairment in value 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 hawkker 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. Borrowing costs comprise interest incurred on these loans and net amortised discount/premium on bonds. Based on the funding requirements, borrowing costs are apportioned and expensed off in the income and expenditure statement or capitalised in properties under construction 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. Borrowing costs are expensed off in the income and expenditure statement when incurred.

(p) *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.

(q) *Taxation*

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

Deferred taxation is provided in full, using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred taxation.

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.

Deferred taxation is provided on temporary differences arising on investments in subsidiary and associated companies, and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

(r) *Foreign Currency Translation*

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity. The consolidated financial statements of HDB are presented in Singapore Dollars, which is the measurement currency of HDB.

Foreign currency transactions are translated into the measurement currency using the exchange rates prevailing at the date of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the income and expenditure statement.

Foreign currency monetary assets and liabilities are translated into the measurement currency at the rates of exchange prevailing at the balance sheet date. Exchange differences arising are taken to the income and expenditure statement.

In respect of associated companies, joint ventures and foreign subsidiary companies whose operations are not an integral part of the HDB's operations, the balance sheets are translated into Singapore dollars at the exchange rates prevailing at the balance sheet date, and the results are translated using the average monthly exchange rates for the financial period. The exchange differences arising on translation of foreign subsidiary companies and the Group's share of exchange differences arising from the translation of foreign associated companies and joint ventures are taken directly to the foreign currency translation reserve. On disposal, accumulated translation differences are recognised in the consolidated income and expenditure statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on acquisition of a foreign entity are treated as non-monetary foreign currency assets and liabilities and recorded at the exchange rate at the date of the transaction.

(s) *Change in Presentation and Accounting Policy*

(i) *Change in Presentation of Financial Statements*

Previously, HDB reported its results by activities in the income and expenditure statement. In accordance with the FRS effective from 1 January 2003, HDB has reported its results by the income and expenditure items with effect from FY 2003/2004. The change does not have any impact on the results of HDB.

(ii) *Change in Accounting Policy*

Previously, architectural and engineering services relating to properties under construction were provided in-house and the related manpower costs were capitalised based on payments of claims made by the building contractors. Arising from HDB's restructuring exercise, such professional services are outsourced. In line with market practice, the professional fees incurred are based on the stage of completion of each project. The effect of the change in accounting policy has been accounted for in the current year and resulted in additional professional fees of S\$35 million capitalised in properties under construction in FY 2003/2004.

3. LONG-TERM BORROWINGS

	<i>HDB and Group</i>	
	<i>2003/2004</i>	<i>2002/2003</i>
	<i>S\$'000</i>	<i>S\$'000</i>
<i>Government loans</i>		
Housing development loans	7,406,892	9,987,557
Mortgage financing loans	59,937,624	64,230,291
Upgrading financing loans	125,825	131,148
	67,470,341	74,348,996
<i>Bonds</i>		
Principal	3,100,000	2,900,000
Add: Net unamortised premium/discount	3,592	3,569
	3,103,592	2,903,569
<i>Bank loans</i>	331,000	295,000
Balance as at 31 March	70,904,933	77,547,565
<i>Less:</i>		
Amount payable within 1 year	3,879,838	4,788,065
Amount payable after 1 year	67,025,095	72,759,500
Payable after 1 year as follows:		
Later than 1 year but not more than 2 years	4,148,824	4,365,683
Later than 2 years but not more than 5 years	13,453,328	14,095,266
Later than 5 years	49,422,943	54,298,551
	67,025,095	72,759,500

3. LONG-TERM BORROWINGS — (continued)

Movements during the year for the Group:

	<i>Balance as at 1.4.2003</i>	<i>Borrowings</i>	<i>Repayment</i>	<i>Balance as at 31.3.2004</i>
	S\$'000	S\$'000	S\$'000	S\$'000
<i>Government loans</i>				
Housing development loans	9,987,557	—	2,580,665	7,406,892
Mortgage financing loans	64,230,291	2,575,682	6,868,349	59,937,624
Upgrading financing loans	131,148	19,836	25,159	125,825
	74,348,996	2,595,518	9,474,173	67,470,341
<i>Bonds</i>				
Principal	2,900,000	500,000	300,000	3,100,000
Premium/discount on bonds	3,569	—	(23)	3,592
	2,903,569	500,000	299,977	3,103,592
<i>Bank loans</i>	295,000	8,316,500	8,280,500	331,000
	<u>77,547,565</u>	<u>11,412,018</u>	<u>18,054,650</u>	<u>70,904,933</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	0.62% to 4.25%	Up to 10 years

3.2 Bonds relate to the following:

<i>Series no.</i>	<i>Principal S\$M</i>	<i>Coupon rate (per annum)</i>	<i>Maturity</i>
001	300	3.875%	5 years redeemed on 11 February 2004
002	500	4.250%	7 years redeemable on 13 May 2006
003	600	5.070%	10 years redeemable on 21 September 2009
004	500	4.198%	5 years redeemable on 13 September 2005
005	500	3.520%	7 years redeemable on 13 February 2008
006	500	3.215%	5 years redeemable on 18 September 2006
007	250	2.420%	5 years redeemable on 23 February 2009
008	250	3.560%	10 years redeemable on 23 February 2014

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 2003	16,657,116	7,979,293	17,856	111,991	24,766,256
Additions	245,071	219,880	141	1,787	466,879
Disposals	(66,716)	(53,332)	(1,924)	(23,738)	(145,710)
Transfers	(34,535)	(33,394)	—	—	(67,929)
At 31 March 2004	<u>16,800,936</u>	<u>8,112,447</u>	<u>16,073</u>	<u>90,040</u>	<u>25,019,496</u>
<i>Representing:</i>					
<i>Valuation</i>					
1 April 1985	6,257,148	1,001,025	—	—	7,258,173
31 March 1986	1,470,862	793,157	—	—	2,264,019
Cost	<u>9,072,926</u>	<u>6,318,265</u>	<u>16,073</u>	<u>90,040</u>	<u>15,497,304</u>
	<u>16,800,936</u>	<u>8,112,447</u>	<u>16,073</u>	<u>90,040</u>	<u>25,019,496</u>
<i>Accumulated depreciation</i>					
At 1 April 2003	1,772,997	1,318,904	14,358	76,823	3,183,082
Additions	170,782	141,397	986	12,740	325,905
Disposals	(10,802)	(19,422)	(1,699)	(20,785)	(52,708)
Transfers	(2,431)	(5,793)	—	—	(8,224)
At 31 March 2004	<u>1,930,546</u>	<u>1,435,086</u>	<u>13,645</u>	<u>68,778</u>	<u>3,448,055</u>
Depreciation for FY 2002/2003	<u>169,782</u>	<u>139,455</u>	<u>1,055</u>	<u>14,946</u>	<u>325,238</u>
<i>Net book value</i>					
At 31 March 2004	<u>14,870,390</u>	<u>6,677,361</u>	<u>2,428</u>	<u>21,262</u>	<u>21,571,441</u>
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>

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 2003	16,657,116	7,984,862	21,439	122,710	24,786,127
Additions	245,071	219,880	1,161	8,007	474,119
Disposals	(66,716)	(53,332)	(5,263)	(29,885)	(155,196)
Transfers	(34,535)	(33,394)	—	—	(67,929)
At 31 March 2004	<u>16,800,936</u>	<u>8,118,016</u>	<u>17,337</u>	<u>100,832</u>	<u>25,037,121</u>
<i>Representing:</i>					
Valuation					
1 April 1985	6,257,148	1,001,025	—	—	7,258,173
31 March 1986	1,470,862	793,157	—	—	2,264,019
Cost	<u>9,072,926</u>	<u>6,323,834</u>	<u>17,337</u>	<u>100,832</u>	<u>15,514,929</u>
	<u>16,800,936</u>	<u>8,118,016</u>	<u>17,337</u>	<u>100,832</u>	<u>25,037,121</u>
<i>Accumulated depreciation</i>					
At 1 April 2003	1,772,997	1,319,140	15,787	84,599	3,192,523
Additions	170,782	141,492	1,164	14,379	327,817
Disposals	(10,802)	(19,422)	(2,963)	(24,841)	(58,028)
Transfers	(2,431)	(5,793)	—	—	(8,224)
At 31 March 2004	<u>1,930,546</u>	<u>1,435,417</u>	<u>13,988</u>	<u>74,137</u>	<u>3,454,088</u>
Depreciation for FY 2002/2003	<u>169,782</u>	<u>139,549</u>	<u>1,643</u>	<u>16,131</u>	<u>327,105</u>
<i>Net book value</i>					
At 31 March 2004	<u>14,870,390</u>	<u>6,682,599</u>	<u>3,349</u>	<u>26,695</u>	<u>21,583,033</u>
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>

5. LONG-TERM RECEIVABLES

	<i>HDB</i>		<i>Group</i>	
	<i>2003/2004</i>	<i>2002/2003</i>	<i>2003/2004</i>	<i>2002/2003</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	59,873,727	64,230,291	59,873,727	64,230,291
Loans for shops sold	43	65	43	65
Staff loans	2,898	10,329	4,447	12,691
	59,876,668	64,240,685	59,878,217	64,243,047
<i>Deferred receivable</i>				
Upgrading cost due from lessees	127,958	135,251	127,958	135,251
Balance as at 31 March	60,004,626	64,375,936	60,006,175	64,378,298
<i>Less:</i>				
Amount receivable within 1 year	2,649,643	2,662,235	2,650,022	2,662,759
Amount receivable after 1 year	57,354,983	61,713,701	57,356,153	61,715,539
Receivable after 1 year as follows:				
Later than 1 year but not more than 2 years	2,488,585	2,535,321	2,488,874	2,535,783
Later than 2 years but not more than 5 years	7,680,253	7,849,232	7,680,763	7,849,977
Later than 5 years	47,186,145	51,329,148	47,186,516	51,329,779
	57,354,983	61,713,701	57,356,153	61,715,539

5.1 *Term loans receivable*

Movements during the year for the Group:

	<i>Balance as at 1.4.2003</i>	<i>Loans Granted</i>	<i>Repayment</i>	<i>Balance as at 31.3.2004</i>
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Mortgage loans for flats	64,230,291	2,992,696	7,349,260	59,873,727
Loans for shops sold	65	2	24	43
Staff loans	12,691	278	8,522	4,447
	64,243,047	2,992,976	7,357,806	59,878,217

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

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>2003/2004</i>	<i>2002/2003</i>	<i>2003/2004</i>	<i>2002/2003</i>
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Land	2,524,460	2,976,806	2,524,460	2,976,806
Buildings	755,340	1,006,366	751,491	1,005,353
Upgrading works	125,329	94,014	125,329	94,014
Improvement works	33,733	4,842	33,733	4,842
Balance as at 31 March	3,438,862	4,082,028	3,435,013	4,081,015
Interest capitalised during the year	79,973	128,016	79,973	128,016

Development of flats is expected to incur a loss on completion. The estimated loss on the properties under construction for FY 2003/2004 was S\$0.5 billion (FY 2002/2003 : 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\$80 million (FY 2002/2003 : S\$128 million) at a capitalisation rate of 4.23% (FY 2002/2003 : 4.29%).

7. INVESTMENTS

	<i>HDB</i>		<i>Group</i>	
	<i>2003/2004</i>	<i>2002/2003</i>	<i>2003/2004</i>	<i>2002/2003</i>
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
<i>Subsidiary companies</i>				
Unquoted shares at cost	144,100	14,500	—	—
<i>Associated company</i>				
Unquoted shares at cost	—	490	12,130	1,115
Share of post-acquisition reserves	—	—	465	9,123
<i>Joint ventures</i>				
Unquoted shares at cost	—	—	1,519	—
Share of post-acquisition reserves	—	—	(718)	—
Loans to joint ventures	—	—	18,327	—
<i>Investment properties</i>	—	—	15,225	16,067
<i>Equity and bonds</i>				
Quoted shares at cost (Market value : S\$12,739,000; FY 2002/2003 : S\$9,883,000)	—	—	10,960	10,092
Unquoted shares at cost	—	—	—	1,696
Quoted bonds at cost (Market value : S\$34,975,000; FY 2002/2003 : S\$33,177,000)	—	—	33,794	32,025
Unquoted bonds at cost	—	—	49,667	57,137
<i>Unit trusts</i> (Market value : S\$28,861,000; FY 2002/2003 : S\$23,629,000)	—	—	26,667	23,485
<i>Other investments</i>	—	—	6,100	901
Balance as at 31 March	144,100	14,990	174,136	151,641

7. INVESTMENTS — (continued)

The subsidiary and associated companies are:

	<i>Cost of investments</i>	
	<i>2003/2004</i>	<i>2002/2003</i>
	<i>S\$'000</i>	<i>S\$'000</i>
<i>Subsidiary companies of HDB</i>		
Cleantech Services Pte Ltd ^(c)	—	6,000
CESMA International Pte Ltd ^(g)	—	2,000
EM Services Pte Ltd ^(c)	1,500	1,500
HDB Corporation Pte Ltd ^(c)	142,600	5,000
	<u>144,100</u>	<u>14,500</u>
<i>Associated company of HDB</i>		
ESMACO Pte Ltd ^(h)	—	490
	<u>—</u>	<u>490</u>

<i>Principal activities</i>		<i>Country of incorporation</i>	<i>Percentage of equity held by the Group</i>	
			<i>2003/2004</i>	<i>2002/2003</i>
			<i>%</i>	<i>%</i>
<i>Subsidiary companies of HDB</i>				
Cleantech Services Pte Ltd ^(c)	Property maintenance services	Singapore	—	100
EM Services Pte Ltd ^(c)	Estate management services	Singapore	75	75
HDB Corporation Pte Ltd ^(c)	Investment holding	Singapore	100	100
<i>Subsidiary companies of EM Services Pte Ltd</i>				
EM (China) Pte Ltd ^(d)	Property management	Singapore	60	60
E M Property Management Pte Ltd ^(d)	Property management	Singapore	100	100
Yi An Property Agency Pte Ltd ^(c)	Real estate agency	Singapore	100	100
<i>Subsidiary companies of HDB Corporation Pte Ltd</i>				
Surbana Consultants Pte Ltd ^(c) (formerly known as HDBCorp Consultants Pte Ltd)	Architectural, engineering, quantity surveying and land survey consultancies and project management services	Singapore	100	100
HDBCorp International Pte Ltd ^(c)	Investment holding	Singapore	100	100
Surbana Technologies Pte Ltd ^(c) (formerly known as HDBCorp Technologies Pte Ltd)	Integrated estate management services	Singapore	100	100
Surbana Site Supervisors Pte Ltd ^(c) (formerly known as HDBCorp Site Supervisors Pte Ltd)	Site supervision services	Singapore	100	100

7. INVESTMENTS — (continued)

	<u>Principal activities</u>	<u>Country of incorporation</u>	<u>Percentage of equity held by the Group</u>	
			<u>2003/2004</u>	<u>2002/2003</u>
			%	%
Surbana Construction Resources Pte Ltd ^(c) (formerly known as HDBCorp Construction Resources Pte Ltd)	Procurement and supply services for construction materials	Singapore	100	100
Surbana Facilities Management Pte Ltd ^{(c) (f)}	Property maintenance of commercial properties	Singapore	100	—
CESMA International Pte Ltd ^(g)	Building and property consultancy	Singapore	100	100
<i>Associated companies of EM Services Pte Ltd</i>				
Pengda Investment & Development Pte Ltd ^(c)	Investment & real estate developer	Singapore	35	35
Semtec Construction Pte Ltd ^{(b) (i)}	Consultant on retrofitting and construction of buildings	Singapore	49	49
<i>Associated companies of HDB Corporation Pte Ltd</i>				
ESMACO Pte Ltd ^{(a) (h)}	Estate management and consultancy	Singapore	49	49
<i>Joint venture companies of related companies of HDB Corporation Pte Ltd</i>				
Cityone Township Development Pte Ltd ^(b)	Investment holding	Singapore	50	—
Chengdu Century Development Co Ltd ^{(b) (j)}	Township development	People's Republic of China	51.05	—

(a) Audited by KPMG.

(b) Audited by Ernst & Young.

(c) Audited by PricewaterhouseCoopers.

(d) Audited by SP Tan & Co.

(e) The investment in Cleantech Services Pte Ltd was disposed in April 2003.

(f) Surbana Facilities Management Pte Ltd was incorporated in June 2003.

(g) The investment in CESMA International Pte Ltd was transferred to HDB Corporation Pte Ltd in April 2003.

(h) The investment in ESMACO Pte Ltd was transferred to HDB Corporation Pte Ltd in July 2003.

(i) Full provision for diminution in value had been made for the investment in the company.

(j) Chengdu Century Development Co Ltd is not considered a subsidiary company of the Group as the Group does not have control over the operations of the company.

8. PROPERTIES FOR SALE

	<i>HDB and Group</i>	
	<i>2003/2004</i>	<i>2002/2003</i>
	<i>S\$'000</i>	<i>S\$'000</i>
Cost of flats	4,022,013	5,125,540
<i>Less:</i>		
Provision for unrealised loss	(296,667)	(276,915)
Balance as at 31 March	<u>3,725,346</u>	<u>4,848,625</u>

The properties for sale are stated at the lower of cost and net realisable value. When the flats are sold, the unrealised loss previously provided upon completion of development/acquisition is released to cost of sales. Additional provision for unrealised loss for flats developed/acquired during the current financial year is charged to operating expenses.

9. DEBTORS AND PREPAYMENTS

	<i>HDB</i>		<i>Group</i>	
	<i>2003/2004</i>	<i>2002/2003</i>	<i>2003/2004</i>	<i>2002/2003</i>
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Debtors	210,661	323,261	232,122	339,875
<i>Less:</i>				
Provision for doubtful debts	(18,263)	(14,354)	(18,385)	(15,229)
	192,398	308,907	213,737	324,646
Prepayments	42,988	46,476	43,642	47,153
Others	6,849	4,035	9,258	6,209
	<u>242,235</u>	<u>359,418</u>	<u>266,637</u>	<u>378,008</u>

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

	<i>HDB</i>		<i>Group</i>	
	<i>2003/2004</i>	<i>2002/2003</i>	<i>2003/2004</i>	<i>2002/2003</i>
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Balance as at 1 April	14,354	12,209	15,229	12,733
Provision for the year	7,950	5,654	8,056	6,019
Provisions utilised	(4,041)	(3,509)	(4,900)	(3,523)
Balance as at 31 March	<u>18,263</u>	<u>14,354</u>	<u>18,385</u>	<u>15,229</u>

10. PROVISIONS, CREDITORS AND ACCRUALS

	<i>HDB</i>		<i>Group</i>	
	<i>2003/2004</i>	<i>2002/2003</i>	<i>2003/2004</i>	<i>2002/2003</i>
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Creditors	1,309,427	761,467	1,356,433	778,405
Deposits	292,719	409,225	292,719	410,064
Deferred income	681,123	702,361	683,449	704,427
Interest payable	167,228	251,655	167,228	251,655
Provisions	95,131	305,818	105,315	314,684
	<u>2,545,628</u>	<u>2,430,526</u>	<u>2,605,144</u>	<u>2,459,235</u>

10. PROVISIONS, CREDITORS AND ACCRUALS — (*continued*)

Provisions are mainly for restoration works, cyclical maintenance and restructuring (Note 13). The movement of provisions for HDB and Group is:

	<i>HDB</i>		<i>Group</i>	
	<i>2003/2004</i>	<i>2002/2003</i>	<i>2003/2004</i>	<i>2002/2003</i>
	S\$'000	S\$'000	S\$'000	S\$'000
Balance as at 1 April	305,818	81,963	314,684	91,372
Provision for the year	9,154	225,639	14,691	229,413
Provisions utilised	(219,841)	(1,784)	(224,060)	(6,101)
Balance as at 31 March	<u>95,131</u>	<u>305,818</u>	<u>105,315</u>	<u>314,684</u>

11. GOVERNMENT GRANT RECEIVED IN ADVANCE/GOVERNMENT GRANT RECEIVABLE

	<i>HDB and Group</i>	
	<i>2003/2004</i>	<i>2002/2003</i>
	S\$'000	S\$'000
Balance as at 1 April	(102,677)	86,894
Amount received	1,145,152	566,979
	1,042,475	653,873
Transfer to income and expenditure statement	(849,778)	(756,550)
Balance as at 31 March	<u>192,697</u>	<u>(102,677)</u>

12. INCOME

	<i>HDB</i>		<i>Group</i>	
	<i>2003/2004</i>	<i>2002/2003</i>	<i>2003/2004</i>	<i>2002/2003</i>
	S\$'000	S\$'000	S\$'000	S\$'000
Interest income	1,730,470	1,818,283	1,730,470	1,818,283
Rental income	677,155	671,835	672,913	671,648
Car park charges	371,740	367,754	371,217	367,237
Building resources, agency and consultancy fees	119,689	124,004	198,075	200,393
Levy on resale flats and sales premium	79,231	100,001	79,231	100,001
Investment income	375	19,938	8,163	5,412
Recoveries, fees and others	146,926	184,405	146,368	228,043
	<u>3,125,586</u>	<u>3,286,220</u>	<u>3,206,437</u>	<u>3,391,017</u>

Interest income is derived mainly from mortgage loans granted to the purchasers of HDB flats.

13. RESTRUCTURING

HDB carried out a restructuring exercise for the Building and Development Division as announced by the Government in February 2003. The restructuring cost was largely for the additional expenditure incurred under the Special Resignation Scheme during the year. The bulk of the expenditure was provided in FY 2002/2003.

14. GAIN/(LOSS) FROM DIVESTMENT/TRANSFER OF RELATED COMPANIES

In line with HDB's efforts to refocus on its core activities, HDB sold its total investment in Cleantech Services Pte Ltd in April 2003. The fair market value of the assets disposed were as follows:

	<i>Group</i>
	<u>2003/2004</u>
	S\$'000
Fixed assets	3,756
Investments	4,000
Debtors and prepayments	9,616
Cash and deposits with banks	3,116
Provision, creditors and accruals	(4,312)
Deferred tax liability	(265)
Net assets disposed	<u>15,911</u>
Loss on disposal of subsidiary company	(2,411)
Total sale price	<u>13,500</u>
Less: Cash of Cleantech Services Pte Ltd	(3,116)
Net cash inflow on disposal	<u><u>10,384</u></u>

HDB also transferred its investment in CESMA International Pte Ltd and ESMACO Pte Ltd to its subsidiary company, HDB Corporation Pte Ltd, in April 2003 and July 2003 respectively.

15. NET DEFICIT BEFORE GOVERNMENT GRANT

	<i>HDB</i>		<i>Group</i>	
	<u>2003/2004</u>	<u>2002/2003</u>	<u>2003/2004</u>	<u>2002/2003</u>
	S\$'000	S\$'000	S\$'000	S\$'000
This is arrived at after charging the following:				
Interest expense	2,180,174	2,363,256	2,180,174	2,363,256
Salaries	337,058	466,754	454,485	529,316
<i>(Including employers' contribution to the Central Provident Fund)</i>	<i>39,936</i>	<i>59,762</i>	<i>52,266</i>	<i>67,309</i>
CPF housing grant	238,015	219,121	238,015	219,121
Provision for unrealised loss on flats for sale	137,795	50,103	137,392	50,103
Doubtful debts provision	7,950	5,654	8,056	6,019
Bad debts written off	50	82	50	97
Board members' fees	58	55	58	55
Directors' fees and remuneration	—	—	3,036	459
Auditors' remuneration	750	750	871	829
And after crediting:				
Dividends from				
— Unquoted subsidiary companies	—	1,342	—	—
— Unquoted associated companies	—	18,420	—	4,049
— Others	—	42	1,443	477

Interest expense is incurred on loans from the Government, bank loans and bonds and is inclusive of interest capitalised as properties under construction (see Note 6).

Salaries include the remuneration of a HDB Board Member, which falls within the band of S\$500,000–S\$750,000.

16. CASH AND CASH EQUIVALENTS

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

	<i>Group</i>	
	<i>2003/2004</i>	<i>2002/2003</i>
	<i>S\$'000</i>	<i>S\$'000</i>
Bank balances and cash	38,256	45,171
Fixed deposits	68,929	34,899
	<u>107,185</u>	<u>80,070</u>

17. GOVERNMENT GRANT

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

	<i>2003/2004</i>	<i>2002/2003</i>
	<i>S\$'000</i>	<i>S\$'000</i>
Total grant as at 1 April	12,259,720	11,503,170
Grant for Financial Year	849,778	756,550
Total grant as at 31 March	<u>13,109,498</u>	<u>12,259,720</u>

18. RELATED PARTY TRANSACTIONS

The following related party transactions took place during the year:

	<i>2003/2004</i>	<i>2002/2003</i>
	<i>S\$'000</i>	<i>S\$'000</i>
<i>Services rendered to HDB by:</i>		
Cleantech Services Pte Ltd	—	2,745
EM Services Pte Ltd	5,267	6,751
CESMA International Pte Ltd	2,345	2,184
Surbana Consultants Pte Ltd	53,904	—
Surbana Site Supervisors Pte Ltd	30,209	—
Surbana Construction Resources Pte Ltd	1,523	—
Surbana Facilities Management Pte Ltd	1,634	—
Surbana Technologies Pte Ltd	303	—
<i>Services rendered by HDB to:</i>		
Cleantech Services Pte Ltd	—	4,051
EM Services Pte Ltd	780	750
CESMA International Pte Ltd	530	1,291
Surbana Consultants Pte Ltd	9,502	—
Surbana Site Supervisors Pte Ltd	9	—
Surbana Technologies Pte Ltd	1,501	—

19. 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.

20. 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.

21. SEGMENTAL INFORMATION

Business Segments

The Group's results are presented under seven business segments in respect of the Group's main activities and the government programmes implemented:

Home Ownership

Home ownership focuses on providing home ownership flats to eligible purchasers of HDB flats under the various home ownership schemes.

Upgrading

Upgrading focuses on the upgrading programmes to renew and rejuvenate the older HDB estates.

Residential Ancillary Functions

Residential ancillary functions focus on implementing housing policies, managing ancillary facilities such as car parks in housing estates, and planning and building administration.

Rental Flats

Rental flats focuses on providing rental flats to eligible tenants under the various rental housing schemes.

Other Rental & Related Businesses

Other rental & related businesses focus on the tenancy and management of other 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, architectural and engineering consultancy services and agency projects on behalf of the Government.

21. SEGMENTAL INFORMATION — (continued)

FY 2003/2004

	<i>Home Ownership</i>	<i>Upgrading</i>	<i>Residential Ancillary Functions</i>	<i>Rental Flats</i>	<i>Other 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>	<u>S\$M</u>	<u>S\$M</u>	<u>S\$M</u>
Sale proceeds	3,035	—	2	—	42	—	—	3,079
Cost of sales	(2,962)	—	(1)	—	(20)	—	—	(2,983)
Gross profit on sales	73	—	1	—	22	—	—	96
Income	93	48	473	14	722	1,739	117	3,206
Operating income (net)	166	48	474	14	744	1,739	117	3,302
Less:								
Housing subsidy:								
— CPF housing grant	(238)	—	—	—	—	—	—	(238)
— Provision for unrealised loss on flats for sale	(138)	—	—	—	—	—	—	(138)
Upgrading and improvements	—	(354)	(37)	(93)	(17)	—	—	(501)
Other direct expenses	(145)	(24)	(474)	(79)	(411)	(1,675)	(61)	(2,869)
General and administrative expenses	(60)	(8)	(202)	(19)	(38)	(29)	(21)	(377)
Results from operations	(415)	(338)	(239)	(177)	278	35	35	(821)
Restructuring								(31)
Loss from divestment/transfer of related companies								(2)
Share of results of associated companies and joint ventures								6
Taxation								(8)
Minority interests								(3)
								(859)
Segment assets	6,381	267	8,983	2,807	9,982	59,910	855	89,185
Unallocated assets								180
Total assets								89,365
Segment liabilities	3,867	319	4,031	7	3,588	59,978	703	72,493
Unallocated liabilities								1,243
Total liabilities								73,736
Capital additions	2	—	138	—	327	—	7	474
Depreciation	3	—	129	46	133	—	17	328

21. SEGMENTAL INFORMATION — (continued)

FY 2002/2003

	<i>Home Ownership</i>	<i>Upgrading</i>	<i>Residential Ancillary Functions</i>	<i>Rental Flats</i>	<i>Other 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>	<u>S\$M</u>	<u>S\$M</u>	<u>S\$M</u>
Sale proceeds	3,814	—	10	—	92	—	—	3,916
Cost of sales	(3,573)	—	(6)	—	(26)	—	—	(3,605)
Gross profit on sales	241	—	4	—	66	—	—	311
Income	118	62	490	14	719	1,823	165	3,391
Operating income (net)	359	62	494	14	785	1,823	165	3,702
Less:								
Housing subsidy:								
— CPF housing grant	(219)	—	—	—	—	—	—	(219)
— Provision for unrealised loss on flats for sale	(50)	—	—	—	—	—	—	(50)
Upgrading and improvements	—	(308)	(49)	(163)	(27)	—	(8)	(555)
Other direct expenses	(130)	(14)	(487)	(101)	(445)	(1,749)	(115)	(3,041)
General and administrative expenses	(72)	(11)	(177)	(24)	(49)	(33)	(29)	(395)
Results from operations	(112)	(271)	(219)	(274)	264	41	13	(558)
Restructuring								(219)
Share of results of associated company								5
Taxation								(4)
Minority interests								(2)
								(778)
Segment assets	7,249	253	9,189	3,006	9,526	64,231	1,920	95,374
Unallocated assets								319
Total assets								95,693
Segment liabilities	4,873	330	4,876	147	3,805	64,450	1,088	79,569
Unallocated liabilities								468
Total liabilities								80,037
Capital additions	12	—	337	5	359	—	783	1,496
Depreciation	3	—	123	49	128	1	23	327

22. 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>2003/2004</i>	<i>2002/2003</i>	<i>2003/2004</i>	<i>2002/2003</i>
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Authorised and contracted for	929,364	1,299,781	951,757	1,307,135
Authorised but not contracted for	705,633	748,611	705,633	748,811
	<u>1,634,997</u>	<u>2,048,392</u>	<u>1,657,390</u>	<u>2,055,946</u>

23. CONTINGENT LIABILITIES

Goods and Services Tax (GST)

HDB accounted for GST based on exempt and taxable activities, and only claimed input GST incurred for the taxable activities. The input GST of S\$8 million 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.

Security Bonds

HDB had earlier called for all security bonds of a contractor to satisfy monies due from the contractor. In respect of some of the security bonds, a party which claims to have indemnified the insurance company initiated proceedings against HDB to obtain:

- (a) a declaration that HDB is not entitled to demand payment under the bonds;
- (b) a declaration that HDB has no entitlement to retain the sums obtained by them under the bonds;
- (c) an order for repayment by HDB of the sums obtained under the bonds together with interest.

Previously, the Judge had decided in favour of HDB and dismissed the case. However, an appeal has been lodged and scheduled to be heard in July 2004. The estimated claim is about S\$5.2 million. Based on legal advice and the information presently available, HDB believes the claims will not be successful and accordingly, no provision has been made in respect of the claim.

24. SUBSEQUENT EVENT

Transfer of Management of HDB Markets and Hawker Centres

With effect from 1 April 2004, the management of the HDB markets and hawker centres will be transferred to the National Environmental Agency (NEA) and the NEA will be HDB's agent for these HDB centres. The NEA will then handle the functions of letting the stalls, processing renewal, assignment and other changes of tenancy/lease and applications for alteration works as well as plan and implement the Hawker Centres Upgrading Programme.

The transfer of the management of the markets and hawker centres to NEA will have no material impact on the results of HDB.

25. COMPARATIVE FIGURES

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