

**No. 9/2005**

**SUPPLEMENT**  
**TO THE**  
**REPUBLIC OF SINGAPORE**  
**GOVERNMENT GAZETTE**  
**FRIDAY, 17TH JUNE 2005**

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**REPORT ON THE AUDIT OF**  
**THE FINANCIAL STATEMENTS OF**  
**THE HOUSING AND DEVELOPMENT BOARD**  
**FOR THE YEAR ENDED 31ST MARCH 2005**

First published in the *Government Gazette*, Electronic Edition, on 15th June 2005 at 5:00 pm.

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS  
OF THE HOUSING AND DEVELOPMENT BOARD  
FOR THE YEAR ENDED 31 MARCH 2005**

The financial statements of the Housing and Development Board, set out on pages 2 to 28, have been audited under my direction and in accordance with the provisions of the Housing and Development Act (Cap. 129, 2004 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, 2004 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 misstatement. 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 statements presentation. I believe that the audit provides a reasonable basis for my opinion.

In my opinion,

- (a) the consolidated financial statements of the Group and the financial statements of the Board are properly drawn up in accordance with the provisions of the Housing and Development Act (Cap. 129, 2004 Revised Edition) and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Board as at 31 March 2005, and the results and changes in equity of the Group and of the Board, and the cash flows of the Group for the year ended on that date;
- (b) proper accounting and other records of the Board have been kept, including records of all assets of the Board whether purchased, donated or otherwise; and
- (c) 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, 2004 Revised Edition) and the Constitution.



**CHUANG KWONG YONG**  
**AUDITOR-GENERAL**  
**SINGAPORE**

27 May 2005

# HOUSING AND DEVELOPMENT BOARD AND SUBSIDIARY COMPANIES

## BALANCE SHEETS AS AT 31 MARCH 2005

		HDB		Group	
		2004/2005	2003/2004	2004/2005	2003/2004
	Note	S\$'000	S\$'000	S\$'000	S\$'000
CAPITAL AND RESERVES					
Capital account		2,463,681	2,465,623	2,468,181	2,470,613
Capital gains reserve		5,045,809	5,037,400	5,045,809	5,037,400
Asset revaluation reserve		7,980,890	8,069,151	7,980,890	8,069,151
Foreign currency translation reserve		—	—	(36)	(456)
Retained earnings		—	—	100,746	52,428
		15,490,380	15,572,174	15,595,590	15,629,136
MINORITY INTERESTS					
		—	—	35,671	33,078
		15,490,380	15,572,174	15,631,261	15,662,214
NON-CURRENT ASSETS					
Fixed assets	3	21,576,588	21,571,441	21,582,600	21,583,033
Loans receivable	4	53,967,927	57,326,421	53,968,758	57,327,591
Investments	5	1,500	144,100	115,194	173,562
Deferred tax asset		—	—	2,945	3,139
		75,546,015	79,041,962	75,669,497	79,087,325
CURRENT ASSETS					
Properties under construction	6	3,009,200	3,438,862	3,009,200	3,435,013
Properties for sale	7	3,329,043	3,725,346	3,329,043	3,725,346
Stocks of building materials		55,450	62,687	57,748	64,766
Loans receivable within 1 year	4	2,688,974	2,677,485	2,689,259	2,677,864
Debtors and prepayments	8	278,860	242,955	285,380	267,357
Amount due from associated companies		—	—	—	100
Cash and deposits with banks		47,141	49,881	75,479	107,766
		9,408,668	10,197,216	9,446,109	10,278,212
Less: CURRENT LIABILITIES					
Loans payable within 1 year	9	5,375,566	3,879,838	5,375,566	3,879,838
Provisions, creditors and other payables	10	1,306,210	1,933,343	1,326,431	1,992,866
Amount due to subsidiary companies		179	23,746	—	—
Amount due to associated companies		—	—	—	138
Government grant received in advance	11	160,444	192,697	160,444	192,697
		6,842,399	6,029,624	6,862,441	6,065,539
NET CURRENT ASSETS					
		2,566,269	4,167,592	2,583,668	4,212,673
NON-CURRENT LIABILITIES					
Loans payable	9	62,007,391	67,025,095	62,007,391	67,025,095
Deferred income	12	614,513	612,285	614,513	612,285
Deferred tax liability		—	—	—	404
		62,621,904	67,637,380	62,621,904	67,637,784
		15,490,380	15,572,174	15,631,261	15,662,214

The accompanying notes form part of the financial statements.



ALINE WONG  
Chairman

26 May 2005



MAH LAI SEONG  
Director (Finance)

**HOUSING AND DEVELOPMENT BOARD  
AND SUBSIDIARY COMPANIES**

**INCOME AND EXPENDITURE STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2005**

	<i>Note</i>	<i>HDB</i>		<i>Group</i>	
		<i>2004/2005</i>	<i>2003/2004</i>	<i>2004/2005</i>	<i>2003/2004</i>
		<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Sale proceeds		1,968,218	3,031,062	1,968,218	3,031,062
Cost of sales		(1,936,736)	(2,953,283)	(1,936,736)	(2,953,283)
Gross profit on sales		31,482	77,779	31,482	77,779
Income	13	3,130,364	3,143,634	3,212,358	3,230,438
Financial expenses		(1,930,962)	(2,100,224)	(1,930,962)	(2,100,224)
Operating expenses		(1,868,013)	(1,966,407)	(1,921,612)	(2,029,085)
DEFICIT FROM OPERATIONS		(637,129)	(845,218)	(608,734)	(821,092)
Restructuring		—	(31,102)	—	(31,102)
Gain/(Loss) on divestment/transfer of related companies	14	(25,785)	97,610	(50)	(2,411)
Share of results of associated companies and joint ventures		—	—	2,080	6,281
Taxation		—	—	(5,146)	(7,987)
Minority interests		—	—	(3,236)	(3,079)
NET DEFICIT BEFORE GOVERNMENT GRANT	15	(662,914)	(778,710)	(615,086)	(859,390)
Government grant	11	732,067	849,778	732,067	849,778
NET SURPLUS/(DEFICIT) AFTER GOVERNMENT GRANT		69,153	71,068	116,981	(9,612)
RETAINED EARNINGS AT THE BEGINNING OF THE YEAR		—	—	52,428	133,108
Transfer from asset revaluation reserve		56,072	79,486	56,072	79,486
Transfer from capital account		—	—	490	—
Transfer to capital gains reserve		(125,225)	(150,554)	(125,225)	(150,554)
RETAINED EARNINGS AT THE END OF THE YEAR		—	—	100,746	52,428

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 2005**

	<i>HDB</i>		<i>Group</i>	
	<i>2004/2005</i>	<i>2003/2004</i>	<i>2004/2005</i>	<i>2003/2004</i>
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
<b>CAPITAL ACCOUNT</b>				
Balance as at 1 April	2,465,623	2,465,670	2,470,613	2,470,660
Adjustments	(1,942)	(47)	(2,432)	(47)
Balance as at 31 March	<u>2,463,681</u>	<u>2,465,623</u>	<u>2,468,181</u>	<u>2,470,613</u>
<b>CAPITAL GAINS RESERVE</b>				
Balance as at 1 April	5,037,400	4,886,846	5,037,400	4,886,846
Transfer from retained earnings	125,225	150,554	125,225	150,554
Return of reserve to the Government (Note 14)	(116,816)	—	(116,816)	—
Balance as at 31 March	<u>5,045,809</u>	<u>5,037,400</u>	<u>5,045,809</u>	<u>5,037,400</u>
<b>ASSET REVALUATION RESERVE</b>				
Balance as at 1 April	8,069,151	8,165,562	8,069,151	8,165,562
Reversal in respect of land for return to the Government	(33,714)	(14,587)	(33,714)	(14,587)
Transfer to retained earnings on sale and demolition of assets	(56,072)	(79,486)	(56,072)	(79,486)
Adjustment in respect of assets (over)/ understated in previous years	1,525	(2,338)	1,525	(2,338)
Balance as at 31 March	<u>7,980,890</u>	<u>8,069,151</u>	<u>7,980,890</u>	<u>8,069,151</u>
<b>FOREIGN CURRENCY TRANSLATION RESERVE</b>				
Balance as at 1 April	—	—	(456)	(8)
Share of associated companies' and joint ventures' foreign currency translation reserves	—	—	(94)	(448)
Transfer to Income and Expenditure Statement on disposal of associated companies and joint ventures	—	—	514	—
Balance as at 31 March	<u>—</u>	<u>—</u>	<u>(36)</u>	<u>(456)</u>
<b>RETAINED EARNINGS</b>				
Balance as at 31 March	<u>—</u>	<u>—</u>	<u>100,746</u>	<u>52,428</u>
<b>TOTAL CAPITAL AND RESERVES</b>	<u>15,490,380</u>	<u>15,572,174</u>	<u>15,595,590</u>	<u>15,629,136</u>

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 2005**

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 Housing and Development Board (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 over/understatement 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 of the Republic of Singapore, 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 2005

	<i>Note</i>	<i>Group</i>	
		<i>2004/2005</i>	<i>2003/2004</i>
		<i>S\$'000</i>	<i>S\$'000</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net deficit before government grant		(615,086)	(859,390)
Adjustments for:			
Interest expense		1,931,218	2,100,201
Depreciation		329,942	327,817
Provision for doubtful debts		31,816	8,056
Write-back of unutilised provision		(73,988)	—
Amortisation of deferred income		(70,198)	(72,706)
Amortisation of premium/discount on bonds		(256)	23
(Gain)/Loss on disposal/write-off of fixed assets		(31,832)	27,239
Deferred gain adjustments for inter-company transactions		(3,849)	2,836
Investment income		(6,023)	(7,285)
Loss on disposal of subsidiary companies		50	2,411
Share of results of associated companies and joint ventures		(1,566)	(4,610)
Income tax expense		5,146	7,987
Minority interests		3,236	3,079
Surplus before working capital changes		1,498,610	1,535,658
(Increase)/Decrease in working capital			
Properties under construction		226,148	493,529
Properties for sale		424,146	1,180,190
Stocks of building materials		7,018	10,536
Debtors and prepayments		(70,472)	102,446
Provisions, creditors and other payables		(534,798)	258,813
Amount due to associated companies		(38)	(36)
		52,004	2,045,478
Repayment of loans receivable		5,806,719	7,356,943
Loans granted		(2,481,759)	(2,992,976)
Interest paid		(2,019,329)	(2,264,600)
Income tax paid		(4,606)	(3,725)
Deferred income received		73,668	51,727
Net cash from operating activities		2,925,307	5,728,505
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from disposal of fixed assets		89,086	50,967
Capital expenditure		(167,407)	(231,939)
Purchase of fixed assets		(16,588)	(18,185)
Interest received		3,561	3,680
Dividends received from investments		1,604	1,443
Dividends received from associated companies		—	6,561
Proceeds from disposal of investments		14,192	12,087
Purchase of investments		(8,136)	(38,304)
Net proceeds from disposal of subsidiary companies	14	(52,000)	10,384
Net cash used in investing activities		(135,688)	(203,306)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowings received		12,058,220	11,412,018
Repayment of loans payable		(15,579,940)	(18,054,673)
Net government grant received		699,814	1,145,152
Net cash used in financing activities		(2,821,906)	(5,497,503)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(32,287)	27,696
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		107,766	80,070
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	17	75,479	107,766

The accompanying notes form part of the financial statements.

## HOUSING AND DEVELOPMENT BOARD AND SUBSIDIARY COMPANIES

### NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2005

#### 1. GENERAL

The Housing and Development Board (HDB) is a statutory body incorporated under the Housing and Development Act (Cap. 129, 2004 Revised Edition). The address of HDB is HDB Hub 480 Lorong 6 Toa Payoh, Singapore 310480.

The principal activities of HDB consist of the sale and rental of residential flats, the upgrading and redevelopment of older estates, and the granting of mortgage financing to the eligible 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 disclosed in Note 5.

As at 31 March 2005, HDB's staff strength was 5,020 (31 March 2004 : 5,116) and the Group's staff strength was 5,949 (31 March 2004 : 7,588).

The financial statements of the HDB and the consolidated financial statements for HDB and its subsidiary companies for the year ended 31 March 2005 were authorised for issue in accordance with the approval of the Board on 25 May 2005.

#### 2. SIGNIFICANT ACCOUNTING POLICIES

##### (a) *Accounting Convention*

The financial statements have been prepared in accordance and complied with Singapore Financial Reporting Standards (FRS).

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.

In the consolidated financial statements, subsidiary companies are accounted for using the purchase method. Interest in associated companies and joint ventures are accounted for using the equity method of accounting. Equity accounting is discontinued when the carrying amount of the investment in an associated company reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associated company.

Subsidiary companies are consolidated from the date of formation up to the effective date of disposal.

##### (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 an indication that an 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% and 50%. Joint ventures are corporations, partnerships or other entities over which there is an agreement on 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 an indication that an 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 the value of an investment is made for the decline in value when the decline is other than temporary.

(f) *Fixed Assets and Depreciation*

(i) *Properties*

The previous system did not maintain individual asset accounts and HDB was unable to identify the historical cost of each asset. 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 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 of construction; 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	—	3–12 years
Motor vehicles	—	6 years

(iv) *Subsequent Expenditure*

Subsequent expenditure relating to fixed assets that have been recognised is added to the carrying amount of the asset when it is probable that the expenditure will result in an increase in the future economic benefits expected to be obtained from the use of the fixed assets beyond the originally assessed standard of performance. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

(g) *Property Leases*

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

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

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

(h) *Properties under Construction*

Properties under construction are stated at cost. They include cost of upgrading 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) *Loans Payable and Receivable*(i) *Loans Payable*

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

(ii) *Loans Receivable*

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

*(l) Bad and Doubtful Debts*

Bad debts are written off when identified and specific provisions are made for debts which are considered to be doubtful.

*(m) 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 and a reliable estimate of the amount can be made.

*(n) 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.

*(o) 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 the cash basis.
- (vi) Dividend income and interest income from fixed deposits are recognised on the accrual basis.

*(p) Financial Expenses**(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. Financial expenses comprise interest incurred on these loans and net amortised discount/premium on bonds. Based on the funding requirements, financial expenses 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. Financial expenses are expensed off in the income and expenditure statement when incurred.

*(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 (Cap. 134, 2004 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. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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.

*(s) 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 the results and financial position of Group entities (none of which has the currency of a hyperinflationary economy) that are in measurement currencies other than Singapore Dollars, the assets and liabilities for each balance sheet presented are translated into Singapore dollars at the closing rate at the balance sheet date, and the income and expenses for each income and expenditure statement are translated at average exchange rates. All resulting exchange differences are taken directly to the foreign currency translation reserve.

## 3. FIXED ASSETS

	<i>HDB</i>				
	<i>Land</i>	<i>Buildings</i>	<i>Plant and Machinery</i>	<i>Office Equipment, Furniture and Vehicles</i>	<i>Total</i>
	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>
<i>Cost or valuation</i>					
At 1 April 2004	16,800,936	8,112,447	16,073	90,040	25,019,496
Additions	259,018	218,606	736	2,701	481,061
Disposals	(68,691)	(58,781)	(1,761)	(8,950)	(138,183)
Transfers	(40,835)	(15,379)	—	—	(56,214)
At 31 March 2005	<u>16,950,428</u>	<u>8,256,893</u>	<u>15,048</u>	<u>83,791</u>	<u>25,306,160</u>
<i>Representing:</i>					
<i>Valuation</i>					
1 April 1985	6,173,303	961,004	—	—	7,134,307
31 March 1986	1,496,464	776,146	—	—	2,272,610
Cost	<u>9,280,661</u>	<u>6,519,743</u>	<u>15,048</u>	<u>83,791</u>	<u>15,899,243</u>
	<u>16,950,428</u>	<u>8,256,893</u>	<u>15,048</u>	<u>83,791</u>	<u>25,306,160</u>
<i>Accumulated depreciation</i>					
At 1 April 2004	1,930,546	1,435,086	13,645	68,778	3,448,055
Additions	173,605	143,864	848	10,221	328,538
Disposals	(10,573)	(19,773)	(1,672)	(8,270)	(40,288)
Transfers	(2,557)	(4,176)	—	—	(6,733)
At 31 March 2005	<u>2,091,021</u>	<u>1,555,001</u>	<u>12,821</u>	<u>70,729</u>	<u>3,729,572</u>
Depreciation for FY 2003/2004	<u>170,782</u>	<u>141,397</u>	<u>986</u>	<u>12,740</u>	<u>325,905</u>
<i>Net book value</i>					
At 31 March 2005	<u>14,859,407</u>	<u>6,701,892</u>	<u>2,227</u>	<u>13,062</u>	<u>21,576,588</u>
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>

## 3. 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 2004	16,800,936	8,118,016	17,337	100,832	25,037,121
Additions	259,018	218,606	736	3,435	481,795
Disposals	(68,691)	(58,781)	(2,753)	(16,587)	(146,812)
Transfers	(40,835)	(15,379)	—	—	(56,214)
At 31 March 2005	<u>16,950,428</u>	<u>8,262,462</u>	<u>15,320</u>	<u>87,680</u>	<u>25,315,890</u>
<i>Representing:</i>					
Valuation					
1 April 1985	6,173,303	961,004	—	—	7,134,307
31 March 1986	1,496,464	776,146	—	—	2,272,610
Cost	<u>9,280,661</u>	<u>6,525,312</u>	<u>15,320</u>	<u>87,680</u>	<u>15,908,973</u>
	<u>16,950,428</u>	<u>8,262,462</u>	<u>15,320</u>	<u>87,680</u>	<u>25,315,890</u>
<i>Accumulated depreciation</i>					
At 1 April 2004	1,930,546	1,435,417	13,988	74,137	3,454,088
Additions	173,605	143,958	976	11,403	329,942
Disposals	(10,573)	(19,773)	(1,921)	(11,740)	(44,007)
Transfers	(2,557)	(4,176)	—	—	(6,733)
At 31 March 2005	<u>2,091,021</u>	<u>1,555,426</u>	<u>13,043</u>	<u>73,800</u>	<u>3,733,290</u>
Depreciation for FY 2003/2004	<u>170,782</u>	<u>141,492</u>	<u>1,164</u>	<u>14,379</u>	<u>327,817</u>
<i>Net book value</i>					
At 31 March 2005	<u>14,859,407</u>	<u>6,707,036</u>	<u>2,277</u>	<u>13,880</u>	<u>21,582,600</u>
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>

Land and buildings include markets and hawker centres for which the management was transferred to the National Environment Agency (NEA) from April 2004. The NEA shall 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 net book value of these assets were as follows:

	<i>Land</i>	<i>Buildings</i>	<i>Total</i>
	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>
<i>Cost or valuation</i>			
At 31 March 2005	<u>408,726</u>	<u>233,287</u>	<u>642,013</u>
<i>Accumulated depreciation</i>			
At 31 March 2005	<u>56,922</u>	<u>61,029</u>	<u>117,951</u>
<i>Net book value</i>			
At 31 March 2005	<u>351,804</u>	<u>172,258</u>	<u>524,062</u>

## 4. LOANS RECEIVABLE

	<i>HDB</i>		<i>Group</i>	
	<i>2004/2005</i>	<i>2003/2004</i>	<i>2004/2005</i>	<i>2003/2004</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	56,551,589	59,873,727	56,551,589	59,873,727
Loans for shops sold	16	43	16	43
Staff loans	3	2,898	1,119	4,447
	56,551,608	59,876,668	56,552,724	59,878,217
<i>Less:</i>				
Provision for doubtful debts	(16,600)	(720)	(16,600)	(720)
	56,535,008	59,875,948	56,536,124	59,877,497
<i>Deferred receivable</i>				
Upgrading cost due from lessees	121,893	127,958	121,893	127,958
Balance as at 31 March	56,656,901	60,003,906	56,658,017	60,005,455
Represented by amount receivable:				
Within 1 year	2,688,974	2,677,485	2,689,259	2,677,864
Later than 1 year but not more than 2 years	2,462,766	2,487,235	2,462,988	2,487,524
Later than 2 years but not more than 5 years	7,571,335	7,676,283	7,571,707	7,676,793
Later than 5 years	43,933,826	47,162,903	43,934,063	47,163,274
	53,967,927	57,326,421	53,968,758	57,327,591
	56,656,901	60,003,906	56,658,017	60,005,455

*Term loans receivable*

The movements of term loans receivable during the year for the Group:

	<i>Balance as at 1.4.2004</i>	<i>Loans Granted</i>	<i>Repayment</i>	<i>Balance as at 31.3.2005</i>
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Mortgage loans for flats	59,873,727	2,481,478	5,803,616	56,551,589
Loans for shops sold	43	—	27	16
Staff loans	4,447	280	3,608	1,119
	59,878,217	2,481,758	5,807,251	56,552,724

The movements of provision for doubtful debts for mortgage loans for flats for the Group:

	<i>Balance as at 1.4.2004</i>	<i>Provisions for the year</i>	<i>Provisions utilised</i>	<i>Balance as at 31.3.2005</i>
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Mortgage loans for flats	720	16,374	494	16,600

4. LOANS RECEIVABLE — *(continued)*

Interest rates and repayment terms on the loans are:

	<u>Interest rate</u> (per annum)	<u>Repayment term</u>
Mortgage loans granted to lessees for purchase of HDB flats	2.60% to 3.50%	Up to 30 years
Loans granted to tenants for the purchase of shops	5.25%	4 years

*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 3.50% per annum over periods of up to 25 years.

## 5. INVESTMENTS

	<u>HDB</u>		<u>Group</u>	
	<u>2004/2005</u>	<u>2003/2004</u>	<u>2004/2005</u>	<u>2003/2004</u>
	S\$'000	S\$'000	S\$'000	S\$'000
<i>Subsidiary companies</i>				
Unquoted shares at cost	1,500	144,100	—	—
<i>Associated company</i>				
Unquoted shares at cost	—	—	525	12,130
Share of post-acquisition reserves	—	—	(10)	465
<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	15,225
<i>(Fair value : S\$15,225,000;</i>				
<i>FY 2003/2004 : S\$15,225,000)</i>				
<i>Equity</i>				
Quoted shares at cost	—	—	8,066	10,960
<i>(Market value : S\$9,633,000;</i>				
<i>FY 2003/2004 : S\$12,376,000)</i>				
<i>Bonds and Unit trusts</i>				
Quoted bonds and unit trusts at cost	—	—	38,019	48,565
<i>(Market value : S\$47,110,000;</i>				
<i>FY 2003/2004 : S\$51,891,000)</i>				
Unquoted bonds at cost	—	—	48,369	61,563
<i>Other investments</i>	—	—	5,000	5,526
Balance as at 31 March	<u>1,500</u>	<u>144,100</u>	<u>115,194</u>	<u>173,562</u>



## 5. INVESTMENTS — (continued)

The subsidiary and associated companies are:

	<i>Cost of investments</i>	
	<i>2004/2005</i>	<i>2003/2004</i>
	<i>S\$'000</i>	<i>S\$'000</i>
<i>Subsidiary companies of HDB</i>		
EM Services Pte Ltd <sup>(b)</sup>	1,500	1,500
HDB Corporation Pte Ltd <sup>(d)</sup>	—	142,600
	<u>1,500</u>	<u>144,100</u>

		<i>Country of incorporation</i>	<i>Percentage of equity held by the Group</i>	
			<i>2004/2005</i>	<i>2003/2004</i>
<i>Principal activities</i>			<i>%</i>	<i>%</i>
<i>Subsidiary companies of HDB</i>				
EM Services Pte Ltd <sup>(b)</sup>	Estate management services	Singapore	75	75
HDB Corporation Pte Ltd <sup>(d)</sup>	Investment holding	Singapore	—	100
<i>Subsidiary companies of EM Services Pte Ltd</i>				
EM (China) Pte Ltd <sup>(c)</sup>	Property management	Singapore	60	60
E M Property Management Pte Ltd <sup>(c)</sup>	Property management	Singapore	100	100
Yi An Property Agency Pte Ltd <sup>(b)</sup>	Real estate agency	Singapore	100	100
<i>Subsidiary companies of HDB Corporation Pte Ltd</i>				
Surbana Consultants Pte Ltd <sup>(d)</sup>	Architectural, engineering, quantity surveying and land survey consultancies and project management services	Singapore	—	100
HDBCorp International Pte Ltd <sup>(d)</sup>	Investment holding	Singapore	—	100
Surbana Technologies Pte Ltd <sup>(d)</sup>	Integrated estate management services	Singapore	—	100
Surbana Site Supervisors Pte Ltd <sup>(d)</sup>	Site supervision services	Singapore	—	100
Surbana Construction Resources Pte Ltd <sup>(d)</sup>	Procurement and supply services for construction materials	Singapore	—	100
Surbana Facilities Management Pte Ltd <sup>(d)</sup>	Property maintenance of commercial properties	Singapore	—	100
CESMA International Pte Ltd <sup>(d)</sup>	Building and property consultancy	Singapore	—	100

## 5. INVESTMENTS — (continued)

	<u>Principal activities</u>	<u>Country of incorporation</u>	<u>Percentage of equity held by the Group</u>	
			<u>2004/2005</u>	<u>2003/2004</u>
			%	%
<i>Associated companies of EM Services Pte Ltd</i>				
Pengda Investment & Development Pte Ltd <sup>(c)</sup>	Investment & real estate developer	Singapore	35	35
Semtec Construction Pte Ltd <sup>(a) (c)</sup>	Consultant on retrofitting and construction of buildings	Singapore	49	49
<i>Associated companies of HDB Corporation Pte Ltd</i>				
ESMACO Pte Ltd <sup>(d)</sup>	Estate management and consultancy	Singapore	—	49
<i>Joint venture companies of related companies of HDB Corporation Pte Ltd</i>				
Cityone Township Development Pte Ltd <sup>(d)</sup>	Investment holding	Singapore	—	50
Chengdu Century Development Co Ltd <sup>(d)</sup>	Township development	People's Republic of China	—	51.05

(a) Audited by Ernst & Young.

(b) Audited by PricewaterhouseCoopers.

(c) Audited by SP Tan & Co.

(d) The investment in HDB Corporation Pte Ltd group of companies was disposed in September 2004.

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

## 6. PROPERTIES UNDER CONSTRUCTION

	<u>HDB</u>		<u>Group</u>	
	<u>2004/2005</u>	<u>2003/2004</u>	<u>2004/2005</u>	<u>2003/2004</u>
	S\$'000	S\$'000	S\$'000	S\$'000
Land	2,298,115	2,524,460	2,298,115	2,524,460
Buildings	572,998	755,340	572,998	751,491
Upgrading works	105,617	125,329	105,617	125,329
Improvement works	32,470	33,733	32,470	33,733
Balance as at 31 March	<u>3,009,200</u>	<u>3,438,862</u>	<u>3,009,200</u>	<u>3,435,013</u>
Interest capitalised during the year	<u>65,873</u>	<u>79,973</u>	<u>65,873</u>	<u>79,973</u>

Development of flats is expected to incur a loss on completion. The estimated loss on the properties under construction for FY 2004/2005 was S\$0.7 billion (FY 2003/2004 : S\$0.5 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\$66 million (FY 2003/2004 : S\$80 million) at a capitalisation rate of 3.91% (FY 2003/2004 : 4.23%).

## 7. PROPERTIES FOR SALE

	<i>HDB and Group</i>	
	<i>2004/2005</i>	<i>2003/2004</i>
	<i>S\$'000</i>	<i>S\$'000</i>
Cost of flats	3,535,246	4,022,013
<i>Less:</i>		
Provision for unrealised loss	(206,203)	(296,667)
Balance as at 31 March	<u>3,329,043</u>	<u>3,725,346</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.

## 8. DEBTORS AND PREPAYMENTS

	<i>HDB</i>		<i>Group</i>	
	<i>2004/2005</i>	<i>2003/2004</i>	<i>2004/2005</i>	<i>2003/2004</i>
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Debtors	255,193	210,661	259,412	232,122
<i>Less:</i>				
Provision for doubtful debts	(26,301)	(17,543)	(26,301)	(17,665)
	228,892	193,118	233,111	214,457
Prepayments	48,602	42,988	48,602	43,642
Others	1,366	6,849	3,667	9,258
	<u>278,860</u>	<u>242,955</u>	<u>285,380</u>	<u>267,357</u>

The movements of provision for doubtful debts for HDB and Group:

	<i>HDB</i>		<i>Group</i>	
	<i>2004/2005</i>	<i>2003/2004</i>	<i>2004/2005</i>	<i>2003/2004</i>
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Balance as at 1 April	17,543	13,547	17,665	14,422
Provision for the year	15,442	7,174	15,442	7,280
Provisions utilised	(6,684)	(3,178)	(6,806)	(4,037)
Balance as at 31 March	<u>26,301</u>	<u>17,543</u>	<u>26,301</u>	<u>17,665</u>

## 9. LOANS PAYABLE

		<i>HDB and Group</i>	
		<i>2004/2005</i>	<i>2003/2004</i>
		<i>S\$'000</i>	<i>S\$'000</i>
<i>Government loans</i>			
Housing development loans		5,896,461	7,406,892
Mortgage financing loans		56,551,589	59,937,624
Upgrading financing loans		116,071	125,825
		62,564,121	67,470,341
<i>Bonds</i>			
Principal		3,400,000	3,100,000
Add: Net unamortised premium/discount		3,336	3,592
		3,403,336	3,103,592
<i>Bank loans</i>		1,415,500	331,000
Balance as at 31 March		67,382,957	70,904,933
Represented by amount payable:			
Within 1 year		5,375,566	3,879,838
Later than 1 year but not more than 2 years		4,583,733	4,148,824
Later than 2 years but not more than 5 years		13,182,429	13,453,328
Later than 5 years		44,241,229	49,422,943
		62,007,391	67,025,095
		67,382,957	70,904,933

The movements during the year for the Group:

	<i>Balance as at 1.4.2004</i>	<i>Borrowings</i>	<i>Repayment</i>	<i>Balance as at 31.3.2005</i>
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
<i>Government loans</i>				
Housing development loans	7,406,892	—	1,510,431	5,896,461
Mortgage financing loans	59,937,624	2,244,837	5,630,872	56,551,589
Upgrading financing loans	125,825	19,883	29,637	116,071
	67,470,341	2,264,720	7,170,940	62,564,121
<i>Bonds</i>				
Principal	3,100,000	300,000	—	3,400,000
Premium/discount on bonds	3,592	—	256	3,336
	3,103,592	300,000	256	3,403,336
<i>Bank loans</i>	331,000	9,493,500	8,409,000	1,415,500
	70,904,933	12,058,220	15,580,196	67,382,957

## 9. LOANS PAYABLE — (continued)

Interest rates and repayment terms on the loans are:

	<u>Interest rate</u> (per annum)	<u>Repayment term</u>
Housing development loans	4.50%	20 years
Mortgage financing loans	2.50% to 3.40%	Up to 30 years
Upgrading financing loans	2.50%	10 years
Bank loans	0.63% to 4.25%	Up to 10 years

Bonds relate to the following:

<u>Series no.</u>	<u>Principal</u> S\$M	<u>Coupon rate</u> (per annum)	<u>Maturity</u>
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
009	300	2.520%	5 years redeemable on 3 November 2009

## 10. PROVISIONS, CREDITORS AND OTHER PAYABLES

	<u>HDB</u>		<u>Group</u>	
	<u>2004/2005</u>	<u>2003/2004</u>	<u>2004/2005</u>	<u>2003/2004</u>
	S\$'000	S\$'000	S\$'000	S\$'000
Creditors	635,003	1,157,286	647,341	1,204,299
Deposits and advances	434,953	444,860	434,953	444,860
Deferred income (note 12)	70,147	68,838	72,406	71,164
Interest payable	144,990	167,228	144,990	167,228
Provisions	21,117	95,131	23,766	98,084
Provision for income tax	—	—	2,975	7,231
	<u>1,306,210</u>	<u>1,933,343</u>	<u>1,326,431</u>	<u>1,992,866</u>

Provisions are mainly for restoration works for quarry sites and cyclical maintenance for some rental properties.

During FY 2004/2005, unutilised provisions for one quarry site of S\$25,239,000 and the cyclical maintenance for rental properties of S\$48,749,000 were written-back to the Income and Expenditure Statement. The remaining provision for restoration works for another quarry site will be maintained until there are firm development plans for the site.

## 10. PROVISIONS, CREDITORS AND OTHER PAYABLES — (continued)

The movement of provisions for HDB and Group is:

	<i>HDB</i>		<i>Group</i>	
	<i>2004/2005</i>	<i>2003/2004</i>	<i>2004/2005</i>	<i>2003/2004</i>
	S\$'000	S\$'000	S\$'000	S\$'000
Balance as at 1 April	95,131	305,818	98,084	309,264
Provision for the year	—	9,154	—	9,154
Provisions utilised	(26)	(219,841)	(330)	(220,334)
Unutilised provisions written-back to Income and Expenditure Statement	(73,988)	—	(73,988)	—
Balance as at 31 March	<u>21,117</u>	<u>95,131</u>	<u>23,766</u>	<u>98,084</u>

## 11. GOVERNMENT GRANT RECEIVED IN ADVANCE

	<i>HDB and Group</i>	
	<i>2004/2005</i>	<i>2003/2004</i>
	S\$'000	S\$'000
Balance as at 1 April	192,697	(102,677)
Amount received	699,814	1,145,152
	892,511	1,042,475
Transfer to Income and Expenditure Statement	(732,067)	(849,778)
Balance as at 31 March	<u>160,444</u>	<u>192,697</u>

## 12. DEFERRED INCOME

Deferred income relates principally to amount receivable or received in advance in respect of land leases and the sale of its commercial and industrial properties under operating leases. The amount is amortised to the Income and Expenditure Statement over the life of the lease. Amount expected to be realised within the next twelve months is included under Note 10.

## 13. INCOME

	<i>HDB</i>		<i>Group</i>	
	<i>2004/2005</i>	<i>2003/2004</i>	<i>2004/2005</i>	<i>2003/2004</i>
	S\$'000	S\$'000	S\$'000	S\$'000
Interest income	1,618,711	1,730,470	1,618,711	1,730,470
Rental income	690,169	677,155	686,251	672,913
Car park charges	326,313	371,740	325,786	371,217
Building resources, agency and consultancy fees	120,672	119,689	201,812	204,029
Gain on sale of fixed assets	58,210	18,048	58,210	18,048
Levy on resale flats and sales premium	41,233	79,231	41,233	79,231
Investment income	3,504	375	6,023	8,163
Recoveries, fees and others	271,552	146,926	274,332	146,367
	<u>3,130,364</u>	<u>3,143,634</u>	<u>3,212,358</u>	<u>3,230,438</u>

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

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

In line with HDB's efforts to focus on its core role as the public housing authority in Singapore, HDB sold its total investment in HDB Corporation Pte Ltd to Temasek Holdings (Private) Limited in September 2004. The net book value of the assets disposed were as follows:

	<i>Group</i>
	<u>2004/2005</u>
	S\$'000
Fixed assets	4,856
Loans receivable	38
Investments	55,233
Debtors and prepayments	43,061
Cash and deposits with banks	52,000
Deferred tax asset	310
Provision, creditors and accruals	(38,632)
Net assets disposed	116,866
Loss on disposal of subsidiary company	(50)
Sale proceeds	116,816
Less: Cash of subsidiary company disposed	(52,000)
Return of reserve to the Government	(116,816)
Net cash outflow on disposal	<u>(52,000)</u>

## 15. NET DEFICIT BEFORE GOVERNMENT GRANT

	<i>HDB</i>		<i>Group</i>	
	<u>2004/2005</u>	<u>2003/2004</u>	<u>2004/2005</u>	<u>2003/2004</u>
	S\$'000	S\$'000	S\$'000	S\$'000
This is arrived at after charging/ (crediting) the following:				
Interest expense	1,997,091	2,180,174	1,997,091	2,180,174
CPF housing grant	230,035	238,015	230,035	238,015
Provision for unrealised loss on flats for sale	37,765	137,795	33,045	137,392
Upgrading and improvements	500,822	500,479	496,610	496,585
Doubtful debts provision	31,816	7,950	31,816	8,056
Bad debts written off	822	50	822	50
Board members' fees	54	58	54	58
Directors' fees and remuneration	—	—	2,183	3,036
Auditors' remuneration	600	750	708	871
Expenses capitalised (inclusive of interest capitalised)	(77,552)	(139,714)	(77,552)	(139,714)
And after crediting:				
Dividends from				
— Unquoted subsidiary companies	3,346	—	—	—
— Others	—	—	1,604	1,443

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).

## 16. EMPLOYEE BENEFIT COSTS

	<i>HDB</i>		<i>Group</i>	
	<i>2004/2005</i>	<i>2003/2004</i>	<i>2004/2005</i>	<i>2003/2004</i>
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Salaries and bonuses	279,356	297,122	365,207	402,116
Contribution to Central Provident Fund	31,961	39,936	41,836	52,996
Other staff related costs	5,235	6,012	7,880	8,339
	<u>316,552</u>	<u>343,070</u>	<u>414,923</u>	<u>463,451</u>

Employee benefit costs include the remuneration of a former HDB Board Member, which falls within the band of S\$500,000 to S\$750,000 (FY 2003/2004: S\$500,000 to S\$750,000).

## 17. CASH AND CASH EQUIVALENTS

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

	<i>Group</i>	
	<i>2004/2005</i>	<i>2003/2004</i>
	<i>S\$'000</i>	<i>S\$'000</i>
Bank balances and cash	37,987	38,419
Fixed deposits	37,492	69,347
	<u>75,479</u>	<u>107,766</u>

## 18. GOVERNMENT GRANT

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

	<i>2004/2005</i>	<i>2003/2004</i>
	<i>S\$'000</i>	<i>S\$'000</i>
Total grant as at 1 April	13,109,498	12,259,720
Grant for Financial Year	732,067	849,778
Total grant as at 31 March	<u>13,841,565</u>	<u>13,109,498</u>



## 19. RELATED PARTY TRANSACTIONS

The following related party transactions took place during the year:

	2004/2005	2003/2004
	S\$'000	S\$'000
<i>Services rendered to HDB:</i>		
Consultancy, surveying and project management services	44,178	56,249
Site supervision	18,794	30,209
Construction material procurement and supply services	811	1,523
Property management	3,834	4,119
Telemonitoring management, mechanical and electrical services	2,084	1,389
Others	1,354	1,696
<i>Services rendered by HDB:</i>		
Rental of premises	4,400	4,699
Sales and services rendered	768	2,096

## 20. 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 loans 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 9 on the Group's loans payable.

The Group's loans 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. For non-performing loans where the collateral held is insufficient to discharge the outstanding mortgage loan, specific provision of S\$13 million for the doubtful mortgage loan is made in the financial statements.

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.

## 21. 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, loans receivable and payable. 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.

## 22. 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 and Related Businesses*

Other rental and 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 and Others*

Agency and others encompass estate management services, architectural and engineering consultancy services and agency projects on behalf of the Government.

## 22. SEGMENTAL INFORMATION — (continued)

FY 2004/2005

	<i>Home Ownership</i>	<i>Upgrading</i>	<i>Residential Ancillary Functions</i>	<i>Rental Flats</i>	<i>Other Rental &amp; Related Businesses</i>	<i>Mortgage Financing</i>	<i>Agency &amp; Others</i>	<i>Eliminations</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>	<u>S\$M</u>
Sale proceeds	1,936	—	18	—	14	—	—	—	1,968
Cost of sales	(1,914)	—	(11)	—	(11)	—	—	—	(1,936)
Gross profit on sales	22	—	7	—	3	—	—	—	32
Income									
— External	50	86	448	17	865	1,628	118	—	3,212
— Inter-segment	—	—	1	—	4	—	71	(76)	—
Total	50	86	449	17	869	1,628	189	(76)	3,212
Results from operations	(366)	(374)	(220)	(99)	396	17	37	—	(609)
Share of results of associated companies and joint ventures									2
Taxation									(5)
Minority interests									(3)
									(615)
Segment assets	5,543	243	9,247	2,714	9,947	56,624	666	—	84,984
Unallocated assets									132
Total assets									85,116
Segment liabilities	3,667	201	4,140	9	3,931	56,694	489	—	69,131
Unallocated liabilities									353
Total liabilities									69,484
Capital additions	—	—	245	—	234	—	3	—	482
Depreciation	(3)	—	(131)	(44)	(138)	—	(13)	—	(329)
CPF housing grant	(230)	—	—	—	—	—	—	—	(230)
Provision for unrealised loss on flats for sale	(38)	—	—	—	—	—	—	5	(33)
Upgrading and improvements	—	(415)	(35)	(29)	(22)	—	—	4	(497)
Doubtful debts provision	—	—	—	(3)	(13)	(16)	—	—	(32)

## 22. 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 &amp; Related Businesses</i>	<i>Mortgage Financing</i>	<i>Agency &amp; Others</i>	<i>Eliminations</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>	<u>S\$M</u>
Sale proceeds	3,029	—	2	—	—	—	—	—	3,031
Cost of sales	(2,952)	—	(1)	—	—	—	—	—	(2,953)
Gross profit on sales	77	—	1	—	—	—	—	—	78
Income									
— External	91	48	471	14	739	1,739	128	—	3,230
— Inter-segment	—	—	1	—	4	—	91	(96)	—
Total	91	48	472	14	743	1,739	219	(96)	3,230
Results from operations	(414)	(338)	(240)	(177)	278	35	35	—	(821)
Restructuring									(31)
Loss on divestment/transfer of related companies									(2)
Share of results of associated companies and joint ventures									6
Taxation									(8)
Minority interests									(3)
									(859)
Segment assets	6,383	267	8,991	2,808	9,984	59,911	884	(29)	89,199
Unallocated assets									166
Total assets									89,365
Segment liabilities	4,585	319	4,071	7	3,688	59,978	703	(25)	73,326
Unallocated liabilities									377
Total liabilities									73,703
Capital additions	—	—	138	—	326	—	10	—	474
Depreciation	(3)	—	(129)	(46)	(133)	—	(17)	—	(328)
CPF housing grant	(238)	—	—	—	—	—	—	—	(238)
Provision for unrealised loss on flats for sale	(138)	—	—	—	—	—	—	—	(138)
Upgrading and improvements	—	(354)	(37)	(93)	(17)	—	—	4	(497)
Doubtful debts provision	—	—	—	—	(7)	(1)	—	—	(8)

## 23. 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>2004/2005</i>	<i>2003/2004</i>	<i>2004/2005</i>	<i>2003/2004</i>
	S\$'000	S\$'000	S\$'000	S\$'000
Authorised and contracted for	966,438	929,364	966,487	951,757
Authorised but not contracted for	892,410	705,633	892,410	705,633
	<u>1,858,848</u>	<u>1,634,997</u>	<u>1,858,897</u>	<u>1,657,390</u>

## 24. SUBSEQUENT EVENT

## OUTSOURCING OF CAR PARK ENFORCEMENT OPERATIONS

HDB has called for a tender to outsource its remaining car park enforcement operations to the private operators with effect from August 2005. On successful award of the tender, estimated termination benefits of about S\$10 million under the Special Resignation Scheme would be payable to affected staff.

## 25. COMPARATIVE FIGURES

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