

No. 9/2011

SUPPLEMENT
TO THE
REPUBLIC OF SINGAPORE
GOVERNMENT GAZETTE
FRIDAY, 5TH AUGUST 2011

REPORT ON THE AUDIT OF
THE FINANCIAL STATEMENTS OF
THE HOUSING AND DEVELOPMENT BOARD
FOR THE YEAR ENDED 31ST MARCH 2011

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HOUSING AND DEVELOPMENT BOARD

**STATEMENT BY THE BOARD OF THE
HOUSING AND DEVELOPMENT BOARD**


In our opinion,

- (a) the accompanying financial statements of the Housing and Development Board (“HDB”) and its subsidiaries (“Group”) are properly drawn up in accordance with the provisions of the Housing and Development Act (Cap. 129, 2004 Revised Edition) (the “Act”) and Singapore Statutory Board Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and the HDB as at 31 March 2011, and of the results, changes in capital and reserves of the Group and the HDB and cash flows of the Group for the financial year ended on that date;
- (b) proper accounting and other records have been kept, including records of all assets of the HDB whether purchased, donated or otherwise; and
- (c) the receipt, expenditure, investment of moneys and the acquisition and disposal of assets by the HDB during the financial year have been in accordance with the provisions of the Act and the Constitution of the Republic of Singapore.

On behalf of the Board



JAMES KOH CHER SIANG
Chairman



DR CHEONG KOON HEAN
Chief Executive Officer

Singapore
30 May 2011

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE BOARD OF THE HOUSING AND DEVELOPMENT BOARD

Report on the Financial Statements

We have audited the accompanying financial statements of the Housing and Development Board ("HDB") and its subsidiaries ("Group") which comprise the balance sheets of the Group and HDB as at 31 March 2011; the income and expenditure statements, the statements of comprehensive income and statements of changes in capital and reserves of the Group and HDB and the statement of cash flows of the Group for the year then ended; and a summary of significant accounting policies and other explanatory notes, as set out on pages 4 to 56.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Housing and Development Act (Cap. 129, 2004 Revised Edition) (the "Act") and Singapore Statutory Board Financial Reporting Standards ("SB-FRS"). This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

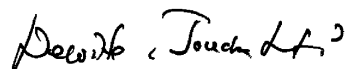
Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet, income and expenditure statement, statement of comprehensive income and statement of changes in capital and reserves of HDB are properly drawn up in accordance with the provisions of the Act and SB-FRS so as to give a true and fair view of the state of affairs of the Group and of HDB as at 31 March 2011, and of the results, changes in capital and reserves of the Group and HDB and cash flows of the Group for the financial year ended on that date.

Report on Other Legal and Regulatory Requirements

In our opinion, proper accounting and other records required by the Act, including records of all assets of HDB whether purchased, donated or otherwise, have been kept.

During the course of our audit, nothing came to our notice that caused us to believe that the receipt, expenditure and investments of moneys and the acquisition and disposal of assets by HDB during the financial year have not been in accordance with the provisions of the Act and the Constitution of the Republic of Singapore.



PUBLIC ACCOUNTANTS AND
CERTIFIED PUBLIC ACCOUNTANTS
SINGAPORE

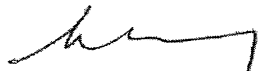
30 May 2011

HOUSING AND DEVELOPMENT BOARD AND ITS SUBSIDIARIES

BALANCE SHEETS AS AT 31 MARCH 2011

| | | <i>Group</i> | | <i>HDB</i> | |
|--------------------------------------|-------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| | <i>Note</i> | <i>2010/2011</i> | <i>2009/2010</i> | <i>2010/2011</i> | <i>2009/2010</i> |
| | | <i>S\$'000</i> | <i>S\$'000</i> | <i>S\$'000</i> | <i>S\$'000</i> |
| CAPITAL AND RESERVES | | | | | |
| Share capital | 5 | 1 | 1 | 1 | 1 |
| Capital account | 5 | 2,468,125 | 2,468,125 | 2,463,625 | 2,463,625 |
| Capital gains reserve | 5 | 6,270,834 | 6,017,717 | 6,270,834 | 6,017,717 |
| Asset revaluation reserve | 5 | 5,683,193 | 5,843,862 | 5,683,193 | 5,843,862 |
| Foreign currency translation reserve | | (21) | (21) | 0 | 0 |
| Fair value reserve | | 3,209 | 2,302 | 0 | 0 |
| Retained earnings | | 79,855 | 80,755 | 0 | 0 |
| | | <u>14,505,196</u> | <u>14,412,741</u> | <u>14,417,653</u> | <u>14,325,205</u> |
| Non-controlling interests | | 29,683 | 29,680 | 0 | 0 |
| TOTAL EQUITY | | <u>14,534,879</u> | <u>14,442,421</u> | <u>14,417,653</u> | <u>14,325,205</u> |
| NON-CURRENT ASSETS | | | | | |
| Property, plant and equipment | 6 | 15,617,277 | 15,163,145 | 15,599,650 | 15,143,970 |
| Investment properties | 7 | 4,674,517 | 4,723,881 | 4,658,257 | 4,707,366 |
| Loans receivable | 8 | 39,871,471 | 42,371,062 | 39,871,471 | 42,370,993 |
| Investment in subsidiaries | 9 | 0 | 0 | 1,500 | 1,500 |
| Investment in associate | 10 | 22 | 477 | 0 | 0 |
| Other investments | 11 | 38,299 | 34,925 | 0 | 0 |
| Deferred tax assets | 12 | 2,328 | 860 | 0 | 0 |
| Total non-current assets | | <u>60,203,914</u> | <u>62,294,350</u> | <u>60,130,878</u> | <u>62,223,829</u> |
| CURRENT ASSETS | | | | | |
| Properties under development | 13 | 5,641,832 | 4,123,525 | 5,641,832 | 4,123,525 |
| Properties for sale | 14 | 1,284,850 | 692,692 | 1,284,850 | 692,692 |
| Inventories of building materials | | 46,531 | 46,719 | 43,384 | 44,016 |
| Loans receivable within 1 year | 8 | 2,598,955 | 2,776,734 | 2,598,893 | 2,776,672 |
| Other investments | 11 | 1,000 | 2,000 | 0 | 0 |
| Government grant receivable | 15 | 1,834,518 | 2,276,991 | 1,834,518 | 2,276,991 |
| Trade and other receivables | 16 | 601,340 | 434,795 | 569,639 | 418,659 |
| Cash and bank balances | 17 | 108,844 | 92,955 | 63,737 | 35,336 |
| Total current assets | | <u>12,117,870</u> | <u>10,446,411</u> | <u>12,036,853</u> | <u>10,367,891</u> |
| <i>Less:</i> | | | | | |
| CURRENT LIABILITIES | | | | | |
| Loans payable within 1 year | 18 | 8,980,059 | 7,558,604 | 8,980,059 | 7,558,604 |
| Trade and other payables | 19 | 1,851,843 | 1,975,617 | 1,818,247 | 1,946,316 |
| Amount due to subsidiary | | 0 | 0 | 1,280 | 1,232 |
| Provision for income tax | 12 | 4,511 | 3,756 | 0 | 0 |
| Total current liabilities | | <u>10,836,413</u> | <u>9,537,977</u> | <u>10,799,586</u> | <u>9,506,152</u> |
| NET CURRENT ASSETS | | <u>1,281,457</u> | <u>908,434</u> | <u>1,237,267</u> | <u>861,739</u> |
| NON-CURRENT LIABILITIES | | | | | |
| Loans payable | 18 | 46,167,234 | 48,067,821 | 46,167,234 | 48,067,821 |
| Deferred income | 20 | 783,258 | 692,542 | 783,258 | 692,542 |
| Total non-current liabilities | | <u>46,950,492</u> | <u>48,760,363</u> | <u>46,950,492</u> | <u>48,760,363</u> |
| NET ASSETS | | <u><u>14,534,879</u></u> | <u><u>14,442,421</u></u> | <u><u>14,417,653</u></u> | <u><u>14,325,205</u></u> |

The accompanying notes form part of the financial statements.


JAMES KOH CHER SIANG
Chairman


AUDREY LEONG
Director (Finance)

30 May 2011

HOUSING AND DEVELOPMENT BOARD AND ITS SUBSIDIARIES

INCOME AND EXPENDITURE STATEMENTS YEAR ENDED 31 MARCH 2011

| | | <i>Group</i> | | <i>HDB</i> | |
|---|-------------|------------------|------------------|------------------|------------------|
| | <i>Note</i> | <i>2010/2011</i> | <i>2009/2010</i> | <i>2010/2011</i> | <i>2009/2010</i> |
| | | <i>S\$'000</i> | <i>S\$'000</i> | <i>S\$'000</i> | <i>S\$'000</i> |
| Sale proceeds | | 2,649,406 | 1,614,232 | 2,649,406 | 1,614,232 |
| Cost of sales before release of foreseeable loss provided in previous years | | (2,705,702) | (1,686,002) | (2,705,702) | (1,686,002) |
| Gross loss on sales | 27 | (56,296) | (71,770) | (56,296) | (71,770) |
| Release of foreseeable loss provided in previous years, upon sale | | 586,495 | 172,489 | 586,495 | 172,489 |
| Gross profit after release of provision made in previous years for foreseeable loss | | 530,199 | 100,719 | 530,199 | 100,719 |
| Income | 21 | 3,209,145 | 3,029,565 | 3,106,244 | 2,935,780 |
| Financial expenses | 22 | (1,349,880) | (1,449,514) | (1,349,880) | (1,449,514) |
| Operating expenses | 23, 24 | (2,099,980) | (2,071,982) | (2,003,341) | (1,991,923) |
| Other expenses | 23 | (426,176) | (502,479) | (426,176) | (502,479) |
| NET DEFICIT BEFORE GOVERNMENT GRANT AND TAXATION | 27 | (136,692) | (893,691) | (142,954) | (907,417) |
| Government grant | 15 | 344,972 | 959,360 | 344,972 | 959,360 |
| NET SURPLUS BEFORE TAXATION AND TRANSFER TO RESERVES | | 208,280 | 65,669 | 202,018 | 51,943 |
| Income tax expense | 12 | (3,512) | (4,520) | 0 | 0 |
| NET SURPLUS FOR THE YEAR BEFORE TRANSFER TO RESERVES | | 204,768 | 61,149 | 202,018 | 51,943 |
| ATTRIBUTABLE TO: | | | | | |
| Equity holder of the HDB | | 201,118 | 57,347 | 202,018 | 51,943 |
| Non-controlling interests | | 3,650 | 3,802 | 0 | 0 |
| AMOUNT ATTRIBUTABLE TO EQUITY HOLDER OF THE HDB: | | | | | |
| NET SURPLUS FOR THE YEAR BEFORE TRANSFER TO RESERVES | | 201,118 | 57,347 | 202,018 | 51,943 |
| RETAINED EARNINGS AT THE BEGINNING OF THE YEAR | | 80,755 | 75,351 | 0 | 0 |
| Release of asset revaluation reserve | | 162,693 | 22,262 | 162,693 | 22,262 |
| Transfer to capital gains reserve | | (364,711) | (74,205) | (364,711) | (74,205) |
| RETAINED EARNINGS AT THE END OF THE YEAR | | 79,855 | 80,755 | 0 | 0 |

The accompanying notes form part of the financial statements. The segmental information on home ownership, upgrading, and other segments is shown in Note 27.

HOUSING AND DEVELOPMENT BOARD AND ITS SUBSIDIARIES

STATEMENTS OF COMPREHENSIVE INCOME YEAR ENDED 31 MARCH 2011

| | <i>Group</i> | | <i>HDB</i> | |
|---|------------------|------------------|------------------|------------------|
| | <i>2010/2011</i> | <i>2009/2010</i> | <i>2010/2011</i> | <i>2009/2010</i> |
| | <u>S\$'000</u> | <u>S\$'000</u> | <u>S\$'000</u> | <u>S\$'000</u> |
| NET SURPLUS FOR THE YEAR BEFORE TRANSFER TO RESERVES | 204,768 | 61,149 | 202,018 | 51,943 |
| OTHER COMPREHENSIVE INCOME | | | | |
| Reversal of revaluation surplus on return of land to the Government | (73) | (20,262) | (73) | (20,262) |
| Net reversal of impairment losses previously charged to asset revaluation reserve | 2,097 | 1,021 | 2,097 | 1,021 |
| Adjustment of assets capitalised in prior year | 0 | (685) | 0 | (685) |
| Available-for-sale financial assets — fair value gains | <u>1,210</u> | <u>7,697</u> | <u>0</u> | <u>0</u> |
| OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX | <u>3,234</u> | <u>(12,229)</u> | <u>2,024</u> | <u>(19,926)</u> |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | <u>208,002</u> | <u>48,920</u> | <u>204,042</u> | <u>32,017</u> |
| ATTRIBUTABLE TO: | | | | |
| Equity holder of the HDB | 204,049 | 43,194 | 204,042 | 32,017 |
| Non-controlling interests | <u>3,953</u> | <u>5,726</u> | <u>0</u> | <u>0</u> |
| | <u>208,002</u> | <u>48,920</u> | <u>204,042</u> | <u>32,017</u> |

The accompanying notes form part of the financial statements.

HOUSING AND DEVELOPMENT BOARD AND ITS SUBSIDIARIES

STATEMENTS OF CHANGES IN CAPITAL AND RESERVES YEAR ENDED 31 MARCH 2011

| <i>Group</i> | <i>Share Capital</i> | <i>Capital Account</i> | <i>Capital Gains Reserve</i> | <i>Asset Revaluation Reserve</i> | <i>Foreign Currency Translation Reserve</i> | <i>Fair Value Reserve</i> | <i>Retained Earnings</i> | <i>Attributable to Equity Holder of the HDB</i> | <i>Non- controlling Interests</i> | <i>Total Capital and Reserves</i> |
|--|--------------------------|----------------------------|--------------------------------------|--|---|-----------------------------------|------------------------------|---|---|---|
| | <u>S\$'000</u> | <u>S\$'000</u> | <u>S\$'000</u> | <u>S\$'000</u> | <u>S\$'000</u> | <u>S\$'000</u> | <u>S\$'000</u> | <u>S\$'000</u> | <u>S\$'000</u> | <u>S\$'000</u> |
| <i>Balance as at 1 April 2009</i> | 1 | 2,468,127 | 5,943,512 | 5,886,048 | (21) | (3,471) | 75,351 | 14,369,547 | 25,954 | 14,395,501 |
| Total comprehensive income/(loss) for the year | 0 | (2) | 0 | (19,924) | 0 | 5,773 | 57,347 | 43,194 | 5,726 | 48,920 |
| Transfer from retained earnings to capital gains reserve | 0 | 0 | 74,205 | 0 | 0 | 0 | (74,205) | 0 | 0 | 0 |
| Release of asset revaluation reserve on disposal of assets | 0 | 0 | 0 | (22,262) | 0 | 0 | 22,262 | 0 | 0 | 0 |
| Non-controlling interests' share of dividend from subsidiary | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (2,000) | (2,000) |
| BALANCE AS AT 31 MARCH 2010 | 1 | 2,468,125 | 6,017,717 | 5,843,862 | (21) | 2,302 | 80,755 | 14,412,741 | 29,680 | 14,442,421 |

The accompanying notes form part of the financial statements.

HOUSING AND DEVELOPMENT BOARD AND ITS SUBSIDIARIES

STATEMENTS OF CHANGES IN CAPITAL AND RESERVES *(continued)* YEAR ENDED 31 MARCH 2011

| <i>Group</i> | <i>Share Capital</i> | <i>Capital Account</i> | <i>Capital Gains Reserve</i> | <i>Asset Revaluation Reserve</i> | <i>Foreign Currency Translation Reserve</i> | <i>Fair Value Reserve</i> | <i>Retained Earnings</i> | <i>Attributable to Equity Holder of the HDB</i> | <i>Non- controlling Interests</i> | <i>Total Capital and Reserves</i> | |
|--|--------------------------|----------------------------|--------------------------------------|--|---|-----------------------------------|------------------------------|---|---|---|---|
| | <u>S\$'000</u> | <u>S\$'000</u> | <u>S\$'000</u> | <u>S\$'000</u> | <u>S\$'000</u> | <u>S\$'000</u> | <u>S\$'000</u> | <u>S\$'000</u> | <u>S\$'000</u> | <u>S\$'000</u> | |
| <i>Balance as at 1 April 2010</i> | 1 | 2,468,125 | 6,017,717 | 5,843,862 | (21) | 2,302 | 80,755 | 14,412,741 | 29,680 | 14,442,421 | |
| Total comprehensive income for the year | 0 | 0 | 0 | 2,024 | 0 | 907 | 201,118 | 204,049 | 3,953 | 208,002 | |
| Transfer from retained earnings to capital gains reserve | 0 | 0 | 364,711 | 0 | 0 | 0 | (364,711) | 0 | 0 | 0 | |
| Release of asset revaluation reserve on disposal of assets | 0 | 0 | 0 | (162,693) | 0 | 0 | 162,693 | 0 | 0 | 0 | ∞ |
| Return of reserves to the Government | 0 | 0 | (111,594) | 0 | 0 | 0 | 0 | (111,594) | 0 | (111,594) | |
| Non-controlling interests' share of dividend from subsidiary | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (3,950) | (3,950) | |
| BALANCE AS AT 31 MARCH 2011 | 1 | 2,468,125 | 6,270,834 | 5,683,193 | (21) | 3,209 | 79,855 | 14,505,196 | 29,683 | 14,534,879 | |

The accompanying notes form part of the financial statements.

HOUSING AND DEVELOPMENT BOARD AND ITS SUBSIDIARIES

STATEMENTS OF CHANGES IN CAPITAL AND RESERVES *(continued)* YEAR ENDED 31 MARCH 2011

| | <i>Share Capital</i> | <i>Capital Account</i> | <i>Capital Gains Reserve</i> | <i>Asset Revaluation Reserve</i> | <i>Retained Earnings</i> | <i>Total Capital and Reserves</i> |
|--|--------------------------|----------------------------|--------------------------------------|--|------------------------------|---|
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| <i>HDB</i> | | | | | | |
| <i>Balance as at 1 April 2009</i> | 1 | 2,463,627 | 5,943,512 | 5,886,048 | 0 | 14,293,188 |
| Total comprehensive income/(loss) for the year | 0 | (2) | 0 | (19,924) | 51,943 | 32,017 |
| Transfer from retained earnings to capital gains reserve | 0 | 0 | 74,205 | 0 | (74,205) | 0 |
| Release of asset revaluation reserve on disposal of assets | 0 | 0 | 0 | (22,262) | 22,262 | 0 |
| BALANCE AS AT 31 MARCH 2010 | 1 | 2,463,625 | 6,017,717 | 5,843,862 | 0 | 14,325,205 |

The accompanying notes form part of the financial statements.

HOUSING AND DEVELOPMENT BOARD AND ITS SUBSIDIARIES

STATEMENTS OF CHANGES IN CAPITAL AND RESERVES *(continued)* YEAR ENDED 31 MARCH 2011

| | <i>Share Capital</i> | <i>Capital Account</i> | <i>Capital Gains Reserve</i> | <i>Asset Revaluation Reserve</i> | <i>Retained Earnings</i> | <i>Total Capital and Reserves</i> |
|--|--------------------------|----------------------------|--------------------------------------|--|------------------------------|---|
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| <i>HDB</i> | | | | | | |
| <i>Balance as at 1 April 2010</i> | 1 | 2,463,625 | 6,017,717 | 5,843,862 | 0 | 14,325,205 |
| Total comprehensive income for the year | 0 | 0 | 0 | 2,024 | 202,018 | 204,042 |
| Transfer from retained earnings to capital gains reserve | 0 | 0 | 364,711 | 0 | (364,711) | 0 |
| Release of asset revaluation reserve on disposal of assets | 0 | 0 | 0 | (162,693) | 162,693 | 0 |
| Return of reserves to the Government | 0 | 0 | (111,594) | 0 | 0 | (111,594) |
| BALANCE AS AT 31 MARCH 2011 | 1 | 2,463,625 | 6,270,834 | 5,683,193 | 0 | 14,417,653 |

The accompanying notes form part of the financial statements.

HOUSING AND DEVELOPMENT BOARD AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS YEAR ENDED 31 MARCH 2011

| | | <i>Group</i> | |
|--|-------------|------------------|------------------|
| | <i>Note</i> | <i>2010/2011</i> | <i>2009/2010</i> |
| | | <i>S\$'000</i> | <i>S\$'000</i> |
| OPERATING ACTIVITIES | | | |
| Net deficit before government grant and taxation | | (136,692) | (893,691) |
| Adjustments for: | | | |
| Interest income | 21 | (1,202,189) | (1,277,228) |
| Interest expense | 22 | 1,349,772 | 1,449,968 |
| Depreciation | 23 | 322,573 | 321,864 |
| Provision for foreseeable loss for properties under development/for sale | 23 | 107,564 | 60,450 |
| Gain on disposal/write-off of assets (net) | | (91,043) | (61,582) |
| Reversal of impairment losses on property, plant and equipment and investment properties (net) | 23 | (81,339) | (14,759) |
| Impairment loss on held-to-maturity financial assets | 23 | 0 | 163 |
| Allowance for impairment losses and amount written off on loans receivable and debtors | 23 | 3,822 | 10,702 |
| Write back of provisions | 19 | (1,325) | (281) |
| Amortisation of deferred income | | (89,786) | (83,687) |
| Amortisation of transaction cost/(premium) of bonds | 22 | 108 | (454) |
| (Gain)/Loss on disposal of investments | | (56) | 8 |
| Investment income | 21 | (1,765) | (1,723) |
| Surplus/(Deficit) before movement in working capital | | 179,644 | (490,250) |
| (Increase)/Decrease in working capital: | | | |
| Properties under development | | (4,569,784) | (2,423,878) |
| Properties for sale | | 2,455,678 | 1,234,825 |
| Inventories of building materials | | 188 | (1,234) |
| Trade and other receivables | | (169,863) | 17,717 |
| Trade and other payables | | (118,844) | 504,717 |
| Late payment charges on loans receivable | | 5,569 | 4,219 |
| | | (2,397,056) | (663,634) |
| Loans repayment and interest received | | 7,375,959 | 7,367,749 |
| Loans granted | | (3,502,682) | (4,110,975) |
| Interest paid | | (1,168,882) | (1,303,710) |
| Income tax paid | 12 | (4,225) | (3,420) |
| Deferred income received | | 186,476 | 147,793 |
| Net cash from operating activities | | 669,234 | 943,553 |

HOUSING AND DEVELOPMENT BOARD AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)* YEAR ENDED 31 MARCH 2011

| | <i>Note</i> | <i>Group</i> <u>2010/2011</u> S\$'000 | <u>2009/2010</u> S\$'000 |
|--|-------------|---|-----------------------------|
| INVESTING ACTIVITIES | | | |
| Proceeds from disposal of property, plant and equipment, and investment properties | | 105,458 | 77,617 |
| Purchase of property, plant and equipment, and investment properties | | (779,830) | (602,822) |
| Interest received | | 222 | 878 |
| Dividends received from other investments | | 1,765 | 1,599 |
| Proceeds from redemption/disposal of other investments | | 2,118 | 8,500 |
| Purchase of investments | | (3,226) | (615) |
| Net cash used in investing activities | | <u>(673,493)</u> | <u>(514,843)</u> |
| FINANCING ACTIVITIES | | | |
| Proceeds from loans payable | | 18,937,037 | 17,460,910 |
| Repayment of loans payable | | (19,416,277) | (18,706,096) |
| Interest paid | | (284,317) | (298,411) |
| Net government grant received | | 787,445 | 1,161,626 |
| Dividends paid to non-controlling shareholders | | (3,950) | (2,000) |
| Advance from associate | 10 | 455 | 0 |
| Net cash from/(used in) financing activities | | <u>20,393</u> | <u>(383,971)</u> |
| Net increase in cash and cash equivalents | | 16,134 | 44,739 |
| Cash and cash equivalents at the beginning of year | | <u>80,059</u> | <u>35,320</u> |
| CASH AND CASH EQUIVALENTS AT THE END OF YEAR | 17 | <u><u>96,193</u></u> | <u><u>80,059</u></u> |

The accompanying notes form part of the financial statements.

HOUSING AND DEVELOPMENT BOARD AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2011

1. GENERAL

The Housing and Development Board (“HDB”) is a statutory board incorporated under the Housing and Development Act (Cap. 129, 2004 Revised Edition) (“Act”) under the purview of the Ministry of National Development (“MND”). As a statutory board, the HDB is subject to the directions of the MND and is required to implement policies and comply with instructions from its supervisory Ministry and other Government Ministries and Departments such as the Ministry of Finance (“MOF”).

The address of the HDB is HDB Hub 480, Lorong 6 Toa Payoh, Singapore 310480. The financial statements are expressed in Singapore dollars, which is HDB’s functional currency, and rounded to the nearest thousand, unless otherwise stated.

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

The principal activities of the subsidiaries are detailed in Note 9 to the financial statements.

The balance sheet, income and expenditure statement, statement of comprehensive income and statement of changes in capital and reserves of the HDB and the consolidated financial statements of the Group for the year ended 31 March 2011 were authorised for issue by members of its Board on 30 May 2011.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) *Basis of Accounting and Adoption of New and Revised Standards*

The consolidated financial statements of the Group are prepared in accordance with the historical cost basis, except as disclosed in accounting policies below, and are drawn up in accordance with the provisions of the Act and Singapore Statutory Board Financial Reporting Standards (“SB-FRS”) including related interpretations (“INT SB-FRS”) and Guidance Notes.

In the current financial year, the Group has adopted all the new and revised SB-FRSs, INT SB-FRSs and Guidance Notes that are relevant to its operations and effective for annual periods beginning on or after 1 April 2010. The adoption of these new/revised SB-FRSs, INT SB-FRSs and Guidance Notes does not result in changes to the HDB’s accounting policies and has no material effect on the amounts reported for the current or prior years.

Management has considered and is of the view that the adoption of the SB-FRSs, INT SB-FRSs and Amendments to SB-FRSs that were issued at the date of authorisation of these financial statements but not effective until future periods will have no material impact on the financial statements in the period of their initial adoption.

(b) *Basis of Consolidation*

The consolidated financial statements incorporate the financial statements of the HDB and entities (including special purpose entities) controlled by the HDB (its subsidiaries). Control is achieved where the HDB has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All significant intra-group transactions, balances, income and expenses are eliminated on consolidation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Basis of Consolidation (continued)

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein.

The interest of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

In the HDB's financial statements, investment in subsidiary is carried at cost less any impairment in net recoverable value that has been recognised in the income and expenditure statement.

(c) Associate

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of the associate of the Group are incorporated in these financial statements using the equity method of accounting, except where the investment is classified as held for sale, in which case it is accounted for under SB-FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, the investment in associate is carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognised, unless the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

(d) Financial Instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premium or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period.

(i) Financial assets

Cash and cash equivalents in the statement of cash flows

Cash and cash equivalents in the statement of cash flows comprise fixed deposits and cash on hand and at bank that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Loans and receivables

Loans and receivables are measured at amortised cost using the effective interest method less impairment losses. Interest is recognised by applying the effective interest method, except for short-term receivables when the recognition of interest would be immaterial.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

(d) *Financial Instruments (continued)*

(i) *Financial assets (continued)*

Held-to-maturity investments

Bonds with fixed or determinable payments and fixed maturity dates where the Group has a positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less impairment losses.

Available-for-sale investments

Certain shares and debt securities held by the Group are classified as being available for sale and are stated at fair value. Fair value is determined in the manner described in Note 11. Gains and losses arising from changes in fair value are recognised directly in other comprehensive income with the exception of impairment losses, which are recognised directly in the income and expenditure statement. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in other comprehensive income is included in the income and expenditure statement for the period. Dividends on available-for-sale equity instruments are recognised in the income and expenditure statement when the Group's right to receive payments is established.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For available-for-sale equity instruments, a significant or prolonged decline in the fair value of the investment below its cost is considered to be objective evidence of impairment. For loans receivables and trade receivables, the impairment losses are provided based on the Group's assessment of the financial status and past performance of the debtor, availability of collateral, among others.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Impairment is recognised in the income and expenditure statement for the period.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and loans receivable where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Changes in the carrying amount of the allowance account are recognised as operating expenses in the income and expenditure statement.

With the exception of quoted equity securities that are classified as available-for-sale financial assets, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through the income and expenditure statement to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been, had the impairment not been recognised.

In respect of available-for-sale equity instruments, impairment losses previously recognised in the income and expenditure statement are not reversed through the income and expenditure statement. Any subsequent increase in fair value after an impairment loss is recognised in other comprehensive income.

Derecognition of financial assets

The Group derecognises a financial asset when, and only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Financial Instruments (continued)

(ii) Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of significant direct issue costs.

Financial liabilities

Trade and other payables are initially measured at fair value, net of significant transaction costs, and are subsequently measured at amortised cost, using the effective interest method.

The housing development loans, mortgage financing loans and upgrading financing loans are borrowed from the Singapore Government under the Agreements for Loan Facility.

The mortgage financing loans and upgrading financing loans are obtained to finance the mortgage loans granted to lessees for purchase of flats under public housing schemes and the deferred payment scheme granted to lessees of upgraded flats. The housing development loans, bonds and bank loans are to finance the HDB's development programmes and operational requirements. The MOF will act as the lender of last resort to HDB for its funding requirements.

The loans payable are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest method. Any difference between the proceeds (net of significant transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs [see Note 2(o)].

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

(e) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

(i) The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is consumed. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

(ii) The Group as lessee

Rentals payable under operating leases are charged to the income and expenditure statement on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

(f) *Property, Plant and Equipment*

All land and buildings owned by the HDB on 1 April 1985 were valued at that date for the purpose of creating asset accounts arising from a change in accounting policy. A second valuation was conducted for commercial and industrial properties on 31 March 1986. Additional information on the valuation of properties is made in Note 5(d). The valuation of these properties was taken as the deemed cost of these properties and subsequently carried at deemed cost less accumulated depreciation and any accumulated impairment losses.

Property, plant and equipment acquired or constructed after 1 April 1985 are carried at cost less accumulated depreciation and any accumulated impairment losses.

When a building comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

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

| | <u>Years</u> |
|--|--|
| Leasehold land | 99 years or the remaining lease period |
| Buildings | 60 years |
| Leasehold property | 30 years |
| Plant and machinery | 3 to 10 years |
| Office equipment, furniture, fittings and fixtures | 3 to 12 years |
| Motor vehicles | 6 years |

Fully depreciated assets still in use are retained in the financial statements.

No depreciation is charged on freehold land, leasehold land of 999 years and artworks.

Assets under development (which are classified as property, plant and equipment) are carried at cost, less any recognised impairment losses. Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Property, plant and equipment costing less than S\$2,000 each are charged to the income and expenditure statement in the year of purchase.

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

(g) *Investment Properties*

Investment properties, comprising industrial properties and commercial complexes, are held to earn rentals and/or for capital appreciation. These are carried at cost less accumulated depreciation and any impairment losses. Depreciation is determined on a straight-line basis over the estimated useful lives. The useful lives are stated in Note 2(f).

Assets under development (which are classified as investment properties) are carried at cost, less any recognised impairment losses. Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on disposal or retirement of an item of investment properties is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in the income and expenditure statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Impairment of Property, Plant and Equipment, and Investment Properties

At the end of the reporting period, property, plant and equipment, and investment properties are reviewed for events or changes in circumstances that may indicate that these assets are impaired. If any such indication exists, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value in use) of the asset is estimated to determine the amount of impairment loss (if any).

Recoverable amount is determined in-house using the comparable sales method or the income approach based on contractual or market rents. Valuations based on income approach are further verified with a sampling of market valuations by a professional valuer.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised as operating expenses in the income and expenditure statement unless it reverses a previous revaluation credited to asset revaluation reserve for that asset, in which case the impairment loss is charged to asset revaluation reserve.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is recorded in the income and expenditure statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. However, the increased carrying amount of the asset due to a reversal of impairment losses is recognised to the extent it does not exceed the carrying amount that would have been determined, had no impairment losses been recognised for that asset in prior years.

(i) Properties under Development

Properties under development include properties for sale under development and cost of upgrading sold properties.

The cost of properties under development includes acquisition costs, borrowing costs and other related development expenditure. Financial expenses are capitalised until the completion of development.

Properties for sale under development are stated at the lower of cost and net realisable value. The net realisable value is the estimated selling price in the ordinary course of business.

Development of flats for sale is expected to incur a loss on sale. Provision for foreseeable loss is determined as the difference between estimated development costs and net realisable value, and charged to operating expenses in the income and expenditure statement. The provision is reclassified to the properties for sale on completion and released when the flat is sold.

(j) 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. The net realisable value is the estimated selling price in the ordinary course of business.

Provision for foreseeable loss for flats developed or acquired is made for the difference between the cost and estimated selling price, and charged to operating expenses in the income and expenditure statement. The foreseeable loss previously provided is released on sale of the flat.

(k) Inventories of Building Materials

Inventories of building materials are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price.

(l) Government Grant

The HDB's deficit is financed by government grant. In addition, a grant is given to the HDB so that the reserves of past governments are protected in accordance with the Constitution of the Republic of Singapore.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

(l) *Government Grant (continued)*

A grant is recognised as income on an accrual basis when conditions are met. A grant to finance the HDB's deficit, other than the provision for foreseeable loss on properties under development/for sale and impairment allowance of loans receivable, is received in advance. The grant relating to the provision for foreseeable loss on properties under development/for sale and impairment allowance of loans receivable is received when the loss is realised.

The cumulative grants received from the Government since the establishment of the HDB are disclosed in Note 25 to the financial statements.

(m) *Provisions*

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(n) *Revenue Recognition*

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

(i) *Sale Proceeds*

Proceeds from sale of flats, other properties and building materials are recognised as income when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

(ii) *Interest Income*

Interest income is earned mainly from mortgage loans granted to purchasers of flats under public housing schemes and deferred payment scheme granted to lessees of upgraded flats. It is accrued on a time proportion basis, with reference to the principal outstanding and at the effective interest rate applicable.

(iii) *Rental and Related Income*

Rental and related income from operating leases of rental properties are recognised in accordance with the accounting policy in Note 2(e)(i) to the financial statements.

(iv) *Car Park Income*

Season parking fees and licence fees of car parks managed by service providers are recognised on an accrual basis. Parking coupon income is recognised upon the sale of coupons. Parking fines and other charges are recognised upon receipt of payments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(n) Revenue Recognition (continued)

(v) Recoveries

Recoveries from the lessees and Town Councils for their share of the upgrading cost are recognised as income upon completion of the upgrading works.

(vi) Agency and Consultancy Fees

Agency fees from agency projects and consultancy fees are recognised as income when services are rendered.

(vii) Dividend Income

Dividend income is recognised when the shareholder's right to receive payment is established.

(o) Financial Expenses

(i) Housing Development Loans, Bank Loans and Bonds

The HDB's development programmes and operational requirements are financed by housing development loans from the Government, bank loans and bonds issued [Note 2(d)(ii)]. Financial expenses, comprising interest incurred on the loans and bonds, are accrued based on the effective interest rates and recognised in the income and expenditure statement, except to the extent that they are capitalised based on an average capitalisation rate during the period of time that is required to complete and prepare the asset for its intended use.

(ii) Mortgage and Upgrading Financing Loans

The HDB provides financing schemes to purchasers of flats under public housing schemes and lessees of upgraded flats. The schemes are financed by mortgage and upgrading financing loans from the Government. Interest expenses are charged to the income and expenditure statement in the period in which they are incurred.

(p) Defined Contribution Plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions to the Singapore Central Provident Fund (CPF) on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. The Group's CPF contributions are recognised in the income and expenditure statement when employees have rendered the services entitling them to the contributions.

(q) Employee Leave Entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

(r) Income Tax

The HDB is exempt from tax under Section 13(1)(e) of the Income Tax Act (Cap. 134, 2004 Revised Edition).

Income tax expense represents the sum of the tax currently payable and deferred tax of the subsidiaries of the HDB.

The tax currently payable is based on taxable profit of the subsidiaries for the year. Taxable profit differs from profit as reported in the income and expenditure statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

(r) *Income Tax (continued)*

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Current and deferred tax are recognised as an expense or income in the income and expenditure statement, except when it relates to items recognised outside the income and expenditure statement (either in the statement of comprehensive income or directly in equity), in which case the deferred tax is also recognised outside the income and expenditure statement (either in the statement of comprehensive income or directly in equity), respectively.

(s) *CPF Housing Grant*

Under the CPF Housing grant scheme, grants are disbursed to eligible citizens for purchase of flats in accordance with the approved housing policy. The grant is recognised as an expense on disbursement and reported as other expenses in the income and expenditure statement.

(t) *Foreign Currency Transactions and Translation*

The individual financial statements of each group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the financial statements of the HDB are presented in Singapore dollars, which is the functional currency of the HDB, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in the income and expenditure statement for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the income and expenditure statement for the period.

For the purpose of inclusion in the HDB's financial statements, the assets and liabilities of the foreign operations are expressed in Singapore dollars using exchange rates prevailing at the end of the reporting period. The income and expenditure statement is translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income. Such translation differences are recognised in the income and expenditure statement in the period in which the foreign operation is disposed of.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the application of the Group's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Management is of the opinion that there are no critical judgements involved that have a significant effect on the amounts recognised in the financial statements apart from those involving estimates, which are dealt with below.

(a) Estimation for Allowance for Impairment Losses for Loans Receivable

In the assessment of impairment losses for loans receivable, the Group considers the average resale price of flats in the same location and of similar flat type, the duration of the loan in arrears and the total outstanding loans receivable.

Management is of the opinion that adequate impairment losses, as disclosed in Note 8 to the financial statements, have been made.

The carrying amount of the Group's loans receivable is disclosed in Note 8 to the financial statements.

(b) Estimation for Impairment Losses for Property, Plant and Equipment and Investment Properties

At the end of each reporting period, management assesses whether there is any indication that property, plant and equipment and investment properties have suffered an impairment loss.

In the assessment of the impairment loss, the Group estimates the market values of the properties and the future cash flows, with an appropriate discount rate to calculate the present value of the cash flows.

Management is of the opinion that adequate impairment losses, as disclosed in Notes 6 and 7 to the financial statements, have been made.

The carrying amounts of the Group's property, plant and equipment and investment properties are disclosed in Notes 6 and 7 to the financial statements respectively.

(c) Foreseeable Losses relating to Properties under Development

Estimated selling price of the location, design and the estimated contract sum of the project are used to determine the foreseeable loss relating to properties under development.

The carrying amount of properties under development is disclosed in Note 13 to the financial statements.

(d) Useful Lives of Property, Plant and Equipment

As described in Note 2(f), the Group reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period. Based on management's assessment as at the year end, the useful lives of property, plant and equipment remain appropriate.

4. FINANCIAL RISKS AND MANAGEMENT

The Group's activities expose it to a variety of risks as follows:

(a) Categories of Financial Instruments

The following table sets out the financial instruments as at the end of the reporting period:

| | <i>Group</i> | | <i>HDB</i> | |
|---|------------------|------------------|------------------|------------------|
| | <i>2010/2011</i> | <i>2009/2010</i> | <i>2010/2011</i> | <i>2009/2010</i> |
| | <i>S\$'000</i> | <i>S\$'000</i> | <i>S\$'000</i> | <i>S\$'000</i> |
| <i>Financial Assets</i> | | | | |
| Held-to-maturity debt securities | 2,002 | 4,042 | 0 | 0 |
| Loans and receivables (including cash and bank balances) ⁽¹⁾ | 44,982,945 | 47,926,581 | 44,909,440 | 47,854,610 |
| Available-for-sale equity securities | 37,297 | 32,883 | 0 | 0 |

⁽¹⁾Excludes prepayments.

| | <i>Group</i> | | <i>HDB</i> | |
|--|------------------|------------------|------------------|------------------|
| | <i>2010/2011</i> | <i>2009/2010</i> | <i>2010/2011</i> | <i>2009/2010</i> |
| | <i>S\$'000</i> | <i>S\$'000</i> | <i>S\$'000</i> | <i>S\$'000</i> |
| <i>Financial Liabilities</i> <i>(at amortised cost)</i> | | | | |
| Loans payable | 55,147,293 | 55,626,425 | 55,147,293 | 55,626,425 |
| Payables (including amount due to subsidiary) ⁽²⁾ | 1,201,737 | 1,143,379 | 1,169,421 | 1,116,364 |

⁽²⁾Excludes downpayment deposits and advances, deferred income and provisions.

(b) The following sets out the Group's overall business strategies and its risk management philosophy. The Group's overall financial risk management programme seeks to minimise potential adverse effects of financial performance of the Group.

(i) Credit risk

The Group's loans receivable comprise largely mortgage loans to purchasers of flats under the public housing schemes. Policies on loan quantum and credit assessment are in place for the granting of mortgage loans to flat buyers and the flats are held as collateral. An allowance for impairment is made in respect of non-performing loans receivable from flats buyers where the collateral held is insufficient to discharge the total loans receivable. The allowance represents the aggregate amount by which management considers it necessary to write down its loans receivable in order to state it in the balance sheet at its estimated recoverable value.

Although the Group's credit exposure is concentrated mainly in Singapore, it has no significant concentration of credit risk with any single loan recipient or group of loan recipients.

The carrying amount of financial assets recorded in the financial statements, grossed up for any allowances for losses, represents the Group's maximum exposure to credit risk without taking into account the value of any collateral obtained.

Further details of credit risks on loans receivable and other receivables are disclosed in Notes 8 and 16 to the financial statements respectively.

4. FINANCIAL RISKS AND MANAGEMENT (*continued*)(ii) *Interest rate risk*

The Group's exposure to market risk for changes in interest rate relates primarily to the mortgage and upgrading financing loans payable and loans receivable both of which are pegged to the CPF rates. The Group manages its interest rate exposure by largely matching the terms of the mortgage and upgrading financing loans payable with those of the loans receivable. The Group also borrows housing development loans from the Government for its development programmes and operational requirements. The housing development loans are based on a variable interest rate, which is pegged to the prevailing DBS Bank Ltd's board rate for housing loans. There was no movement in the variable interest rate since the borrowing of the housing development loans in 2008/2009. However, if the variable interest rate were to increase/decrease by 0.5% (2009/2010 : 0.5%) at the end of the reporting period with all other variables held constant, the Group's net deficit before government grant and taxation will be higher/lower by S\$5.8 million (2009/2010 : S\$6.2 million) respectively.

In addition to government loans, the Group also accesses the capital market and financial institutions for its funding requirements as and when required. The bank loans are unsecured, borrowed at fixed interest rates and short-term in nature. Information relating to the Group's interest rate exposure is disclosed in the respective notes to the financial statements.

(iii) *Foreign currency exchange risk*

The Group has limited exposure to foreign currency exchange risk as its operations are substantially transacted in Singapore dollars.

All financial assets and liabilities reported on the balance sheets are denominated in Singapore dollars.

(iv) *Equity price risk*

The Group is not exposed to significant equity risks arising from equity investments classified as available-for-sale. Available-for-sale equity investments are held for strategic rather than trading purposes. The Group does not actively trade available-for-sale investments. Any reasonably possible changes in prices of available-for-sale investments are not expected to have a significant impact on the Group's capital and reserves.

Further details of these equity investments can be found in Note 11 to the financial statements.

(v) *Liquidity risk*

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

Financial liabilities

The following tables detail the remaining contractual maturity for financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and HDB can be required to pay. The adjustment column represents the interest payments which are not included in the carrying amount of the financial liability on the balance sheets.

| | <i>On demand or within 1 year</i> | <i>Within 2 to 5 years</i> | <i>After 5 years</i> | <i>Adjustment</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>Group</i> | | | | | |
| 2010/2011 | | | | | |
| Loans payable | 10,311,827 | 23,465,910 | 30,213,861 | (8,844,305) | 55,147,293 |
| Payables ⁽¹⁾ | <u>1,201,737</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>1,201,737</u> |

4. FINANCIAL RISKS AND MANAGEMENT (*continued*)(v) *Liquidity risk (continued)*

| | <i>On demand or within 1 year</i> | <i>Within 2 to 5 years</i> | <i>After 5 years</i> | <i>Adjustment</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>Group</i> | | | | | |
| <i>2009/2010</i> | | | | | |
| Loans payable | 8,958,173 | 22,587,628 | 33,827,283 | (9,746,659) | 55,626,425 |
| Payables ⁽¹⁾ | <u>1,143,379</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>1,143,379</u> |
| <i>HDB</i> | | | | | |
| <i>2010/2011</i> | | | | | |
| Loans payable | 10,311,827 | 23,465,910 | 30,213,861 | (8,844,305) | 55,147,293 |
| Payables (including amount due to subsidiary) ⁽¹⁾ | <u>1,169,421</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>1,169,421</u> |
| <i>2009/2010</i> | | | | | |
| Loans payable | 8,958,173 | 22,587,628 | 33,827,283 | (9,746,659) | 55,626,425 |
| Payables (including amount due to subsidiary) ⁽¹⁾ | <u>1,116,364</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>1,116,364</u> |

⁽¹⁾Excludes downpayment deposits and advances, deferred income and provisions.

(vi) *Fair values of financial assets and financial liabilities*

The carrying amounts of cash and cash equivalents, trade and other current receivables, payables and other current liabilities approximate their respective fair values due to the relatively short-term maturity of these financial instruments. The fair values of loans receivable, loans payable, held-to-maturity debt securities and available-for-sale equity securities are disclosed in the respective notes to financial statements.

The fair values of financial assets and financial liabilities that are traded in active liquid markets are determined with reference to quoted market prices.

The Group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- (b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

Financial instruments measured at fair value:

| | <i>Group</i> | |
|--------------------------------|----------------|----------------|
| | <u>Total</u> | <u>Level 1</u> |
| | <u>S\$'000</u> | <u>S\$'000</u> |
| <i>2010/2011</i> | | |
| Available-for-sale investments | <u>37,297</u> | <u>37,297</u> |

4. FINANCIAL RISKS AND MANAGEMENT (*continued*)(vi) *Fair values of financial assets and financial liabilities (continued)*

| | <i>Total</i> | <i>Group</i> | <i>Level 1</i> |
|--------------------------------|----------------|--------------|----------------|
| | <i>S\$'000</i> | | <i>S\$'000</i> |
| <i>2009/2010</i> | | | |
| Available-for-sale investments | 32,883 | | 32,883 |

There were no significant transfers between levels of the fair value hierarchy during the financial year.

(vii) *Capital risk management policies and objectives*

As a statutory board, the HDB's primary mission is to achieve the Government's social objectives. The HDB's development programmes and operational requirements are financed by housing development loans from the Government, bank loans and bonds issued. In addition, the MOF will act as the lender of last resort to the HDB for its funding requirements.

The HDB's deficit is financed by government grant. A grant is also given to the HDB to protect the reserves of past governments in accordance with the Constitution of the Republic of Singapore. The HDB's mission and financing arrangement with the MOF remains unchanged from the last financial year.

5. CAPITAL AND RESERVES

(a) *Share Capital*

Under the MOF's Capital Management Framework for Statutory Boards (Finance Circular Minute No. M26/2008), the HDB received S\$1,000 equity contribution from the Minister for Finance, the body incorporated by the Minister for Finance (Incorporation) Act in 2008/2009.

(b) *Capital Account*

The capital account represents:

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

(c) *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 relates to capital gains attributable to past governments on disposal of assets held at the changeover date of the Government.

For certain properties disposed under Article 22B(9) of the Constitution to the Government, an amount equivalent to the net book value of the properties is charged to the capital gains reserve.

(d) *Asset Revaluation Reserve*

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

- (i) 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
- (ii) Land and buildings for commercial and industrial properties were valued at open market values.

5. CAPITAL AND RESERVES (*continued*)*(d) Asset Revaluation Reserve (continued)*

The HDB conducted a second valuation for the commercial and industrial properties on 31 March 1986. The valuations were conducted by its 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. On 1 April 2005, the asset revaluation reserve in respect of investment properties was reclassified to capital gains reserve.

The balance in the asset revaluation reserve is released directly to retained earnings upon disposal of the other properties.

When properties which were previously carried at revalued amounts are impaired, the impairment loss would be charged to the asset revaluation reserve unless the balance in the asset revaluation reserve is insufficient to cover the loss, in which case the amount by which the loss exceeds the amount in the asset revaluation reserve in respect of the same class of assets is charged to the income and expenditure statement.

6. PROPERTY, PLANT AND EQUIPMENT

| | <i>Group</i> | | | | | | | |
|---|--------------------------|---------------------------|------------------|-------------------------------|---|--------------------------------|---|-------------------|
| | <i>Freehold Land</i> | <i>Leasehold Land</i> | <i>Buildings</i> | <i>Leasehold Property</i> | <i>Assets under Development</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> | <u>S\$'000</u> | <u>S\$'000</u> | <u>S\$'000</u> |
| <i>Cost</i> | | | | | | | | |
| At 1 April 2009 | 75,620 | 11,256,978 | 6,447,016 | 12,571 | 531,863 | 11,842 | 60,736 | 18,396,626 |
| Additions | 1,389 | 26,134 | 23,331 | 0 | 536,764 | 233 | 7,849 | 595,700 |
| Disposals/Write-off | 0 | (42,800) | (3,833) | 0 | (3,187) | (139) | (4,919) | (54,878) |
| Transfer from investment properties | 0 | 4,185 | 0 | 0 | 0 | 0 | 0 | 4,185 |
| Transfer to properties for sale | (7,575) | (17,781) | (26,367) | 0 | 0 | 0 | 0 | (51,723) |
| Reclassifications | 0 | 95,686 | 254,495 | 12,127 | (362,308) | 0 | 0 | 0 |
| At 31 March 2010 | <u>69,434</u> | <u>11,322,402</u> | <u>6,694,642</u> | <u>24,698</u> | <u>703,132</u> | <u>11,936</u> | <u>63,666</u> | <u>18,889,910</u> |
| <i>Accumulated depreciation and impairment losses</i> | | | | | | | | |
| At 1 April 2009 | 0 | 1,892,262 | 1,558,123 | 559 | 512 | 9,950 | 49,665 | 3,511,071 |
| Depreciation | 0 | 116,966 | 120,093 | 977 | 0 | 571 | 4,139 | 242,746 |
| Disposals/Write-off | 0 | (11,557) | (1,390) | 0 | 0 | (139) | (4,811) | (17,897) |
| Transfer from/(to) investment properties | 0 | 880 | (18) | 0 | 0 | 0 | 0 | 862 |
| Transfer to properties for sale | 0 | (2,549) | (5,392) | 0 | 0 | 0 | 0 | (7,941) |
| Reclassifications | 0 | 506 | 6 | 0 | (512) | 0 | 0 | 0 |
| Impairment losses | 0 | 47 | 11 | 0 | 0 | 0 | 0 | 58 |
| Reversal of impairment losses | 0 | (1,852) | (282) | 0 | 0 | 0 | 0 | (2,134) |
| At 31 March 2010 | <u>0</u> | <u>1,994,703</u> | <u>1,671,151</u> | <u>1,536</u> | <u>0</u> | <u>10,382</u> | <u>48,993</u> | <u>3,726,765</u> |
| Carrying amount: | | | | | | | | |
| At 31 March 2010 | <u>69,434</u> | <u>9,327,699</u> | <u>5,023,491</u> | <u>23,162</u> | <u>703,132</u> | <u>1,554</u> | <u>14,673</u> | <u>15,163,145</u> |

6. PROPERTY, PLANT AND EQUIPMENT *(continued)*

| | <i>Group</i> | | | | | | | |
|---|--------------------------|---------------------------|------------------|-------------------------------|---|--------------------------------|---|-------------------|
| | <i>Freehold Land</i> | <i>Leasehold Land</i> | <i>Buildings</i> | <i>Leasehold Property</i> | <i>Assets under Development</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> | <u>S\$'000</u> | <u>S\$'000</u> | <u>S\$'000</u> |
| <i>Cost</i> | | | | | | | | |
| At 1 April 2010 | 69,434 | 11,322,402 | 6,694,642 | 24,698 | 703,132 | 11,936 | 63,666 | 18,889,910 |
| Additions | 280 | 22,916 | 27,643 | 0 | 726,746 | (41) | 1,490 | 779,034 |
| Disposals/Write-off | (28,022) | (119,219) | (13,980) | 0 | (1,963) | (444) | (11,511) | (175,139) |
| Transfer from investment properties | 0 | 29,576 | 33,228 | 0 | 0 | 0 | 0 | 62,804 |
| Transfer to properties for sale | 0 | (4,944) | (5,011) | 0 | 0 | 0 | 0 | (9,955) |
| Reclassifications | 62,307 | 43,030 | 307,357 | 0 | (412,694) | 0 | 0 | 0 |
| At 31 March 2011 | <u>103,999</u> | <u>11,293,761</u> | <u>7,043,879</u> | <u>24,698</u> | <u>1,015,221</u> | <u>11,451</u> | <u>53,645</u> | <u>19,546,654</u> |
| <i>Accumulated depreciation and impairment losses</i> | | | | | | | | |
| At 1 April 2010 | 0 | 1,994,703 | 1,671,151 | 1,536 | 0 | 10,382 | 48,993 | 3,726,765 |
| Depreciation | 0 | 105,269 | 131,405 | 837 | 0 | 416 | 4,589 | 242,516 |
| Disposals/Write-off | 0 | (28,858) | (8,465) | 0 | 0 | (444) | (11,356) | (49,123) |
| Transfer from investment properties | 0 | 3,940 | 5,225 | 0 | 0 | 0 | 0 | 9,165 |
| Transfer to properties for sale | 0 | (832) | (1,735) | 0 | 0 | 0 | 0 | (2,567) |
| Reclassifications | 0 | (620) | (38) | 0 | 658 | 0 | 0 | 0 |
| Adjustments | 0 | 595 | 662 | 0 | 0 | 0 | 0 | 1,257 |
| Impairment losses | 0 | 3,071 | 1,123 | 0 | 0 | 0 | 0 | 4,194 |
| Reversal of impairment losses | 0 | (2,363) | (467) | 0 | 0 | 0 | 0 | (2,830) |
| At 31 March 2011 | <u>0</u> | <u>2,074,905</u> | <u>1,798,861</u> | <u>2,373</u> | <u>658</u> | <u>10,354</u> | <u>42,226</u> | <u>3,929,377</u> |
| Carrying amount: | | | | | | | | |
| At 31 March 2011 | <u>103,999</u> | <u>9,218,856</u> | <u>5,245,018</u> | <u>22,325</u> | <u>1,014,563</u> | <u>1,097</u> | <u>11,419</u> | <u>15,617,277</u> |

6. PROPERTY, PLANT AND EQUIPMENT *(continued)*

| | <i>HDB</i> | | | | | | | |
|---|--------------------------|---------------------------|------------------|-------------------------------|---|--------------------------------|---|-------------------|
| | <i>Freehold Land</i> | <i>Leasehold Land</i> | <i>Buildings</i> | <i>Leasehold Property</i> | <i>Assets under Development</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> | <u>S\$'000</u> | <u>S\$'000</u> | <u>S\$'000</u> |
| <i>Cost</i> | | | | | | | | |
| At 1 April 2009 | 75,620 | 11,256,978 | 6,428,863 | 12,571 | 528,004 | 11,491 | 56,328 | 18,369,855 |
| Additions | 1,389 | 26,134 | 20,768 | 0 | 535,026 | 233 | 7,643 | 591,193 |
| Disposals/Write-off | 0 | (42,800) | (3,833) | 0 | (3,187) | (139) | (4,844) | (54,803) |
| Transfer from investment properties | 0 | 4,185 | 0 | 0 | 0 | 0 | 0 | 4,185 |
| Transfer to properties for sale | (7,575) | (17,781) | (26,367) | 0 | 0 | 0 | 0 | (51,723) |
| Reclassifications | 0 | 95,686 | 250,636 | 12,127 | (358,449) | 0 | 0 | 0 |
| At 31 March 2010 | <u>69,434</u> | <u>11,322,402</u> | <u>6,670,067</u> | <u>24,698</u> | <u>701,394</u> | <u>11,585</u> | <u>59,127</u> | <u>18,858,707</u> |
| <i>Accumulated depreciation and impairment losses</i> | | | | | | | | |
| At 1 April 2009 | 0 | 1,892,262 | 1,554,956 | 559 | 512 | 9,667 | 47,668 | 3,505,624 |
| Depreciation | 0 | 116,966 | 113,998 | 977 | 0 | 552 | 3,602 | 236,095 |
| Disposals/Write-off | 0 | (11,557) | (1,390) | 0 | 0 | (139) | (4,741) | (17,827) |
| Transfer from/(to) investment properties | 0 | 880 | (18) | 0 | 0 | 0 | 0 | 862 |
| Transfer to properties for sale | 0 | (2,549) | (5,392) | 0 | 0 | 0 | 0 | (7,941) |
| Reclassifications | 0 | 506 | 6 | 0 | (512) | 0 | 0 | 0 |
| Impairment losses | 0 | 47 | 11 | 0 | 0 | 0 | 0 | 58 |
| Reversal of impairment losses | 0 | (1,852) | (282) | 0 | 0 | 0 | 0 | (2,134) |
| At 31 March 2010 | <u>0</u> | <u>1,994,703</u> | <u>1,661,889</u> | <u>1,536</u> | <u>0</u> | <u>10,080</u> | <u>46,529</u> | <u>3,714,737</u> |
| Carrying amount: | | | | | | | | |
| At 31 March 2010 | <u>69,434</u> | <u>9,327,699</u> | <u>5,008,178</u> | <u>23,162</u> | <u>701,394</u> | <u>1,505</u> | <u>12,598</u> | <u>15,143,970</u> |

6. PROPERTY, PLANT AND EQUIPMENT (*continued*)

| | <i>HDB</i> | | | | | | | |
|---|----------------------|-----------------------|------------------|---------------------------|---------------------------------|----------------------------|---|----------------|
| | <i>Freehold Land</i> | <i>Leasehold Land</i> | <i>Buildings</i> | <i>Leasehold Property</i> | <i>Assets under Development</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>S\$'000</i> | <i>S\$'000</i> | <i>S\$'000</i> |
| <i>Cost</i> | | | | | | | | |
| At 1 April 2010 | 69,434 | 11,322,402 | 6,670,067 | 24,698 | 701,394 | 11,585 | 59,127 | 18,858,707 |
| Additions | 280 | 22,916 | 20,240 | 0 | 726,746 | (41) | 1,258 | 771,399 |
| Disposals/Write-off | (28,022) | (119,219) | (13,980) | 0 | (1,963) | (444) | (11,337) | (174,965) |
| Transfer from investment properties | 0 | 29,576 | 33,228 | 0 | 0 | 0 | 0 | 62,804 |
| Transfer to properties for sale | 0 | (4,944) | (5,011) | 0 | 0 | 0 | 0 | (9,955) |
| Reclassifications | 62,307 | 43,030 | 305,619 | 0 | (410,956) | 0 | 0 | 0 |
| At 31 March 2011 | 103,999 | 11,293,761 | 7,010,163 | 24,698 | 1,015,221 | 11,100 | 49,048 | 19,507,990 |
| <i>Accumulated depreciation and impairment losses</i> | | | | | | | | |
| At 1 April 2010 | 0 | 1,994,703 | 1,661,889 | 1,536 | 0 | 10,080 | 46,529 | 3,714,737 |
| Depreciation | 0 | 105,269 | 122,728 | 837 | 0 | 397 | 4,106 | 233,337 |
| Disposals/Write-off | 0 | (28,858) | (8,465) | 0 | 0 | (444) | (11,186) | (48,953) |
| Transfer from investment properties | 0 | 3,940 | 5,225 | 0 | 0 | 0 | 0 | 9,165 |
| Transfer to properties for sale | 0 | (832) | (1,735) | 0 | 0 | 0 | 0 | (2,567) |
| Reclassifications | 0 | (620) | (38) | 0 | 658 | 0 | 0 | 0 |
| Adjustments | 0 | 595 | 662 | 0 | 0 | 0 | 0 | 1,257 |
| Impairment losses | 0 | 3,071 | 1,123 | 0 | 0 | 0 | 0 | 4,194 |
| Reversal of impairment losses | 0 | (2,363) | (467) | 0 | 0 | 0 | 0 | (2,830) |
| At 31 March 2011 | 0 | 2,074,905 | 1,780,922 | 2,373 | 658 | 10,033 | 39,449 | 3,908,340 |
| Carrying amount: | | | | | | | | |
| At 31 March 2011 | 103,999 | 9,218,856 | 5,229,241 | 22,325 | 1,014,563 | 1,067 | 9,599 | 15,599,650 |

6. PROPERTY, PLANT AND EQUIPMENT (*continued*)

Land and buildings include markets and hawker centres which are managed by the National Environment Agency (“NEA”). Under the agreement to manage and maintain the markets and hawker centres, the NEA shall retain the rental collected, bear the operating expenses and reimburse the HDB for holding and maintaining these properties. The net book value of these markets and hawker centres was S\$420 million (2009/2010 : S\$428 million).

The impairment losses of S\$4.2 million (2009/2010 : S\$0.06 million) and the reversal of S\$2.8 million (2009/2010 : S\$2.1 million) in respect of certain commercial properties are based on the estimated recoverable values, taking into account the recent tenders and market comparables for these properties.

7. INVESTMENT PROPERTIES

| | <i>Group</i> <u>S\$'000</u> | <i>HDB</i> <u>S\$'000</u> |
|---|--------------------------------|------------------------------|
| <i>Cost</i> | | |
| At 1 April 2009 | 6,795,960 | 6,776,833 |
| Additions | 2,291 | 2,291 |
| Transfer to property, plant and equipment | (4,185) | (4,185) |
| At 31 March 2010 | <u>6,794,066</u> | <u>6,774,939</u> |
| <i>Accumulated depreciation and impairment losses</i> | | |
| At 1 April 2009 | 2,005,633 | 2,002,305 |
| Depreciation | 79,118 | 78,863 |
| Transfer to property, plant and equipment | (862) | (862) |
| Impairment losses | 66 | 66 |
| Reversal of impairment losses | (13,770) | (12,799) |
| At 31 March 2010 | <u>2,070,185</u> | <u>2,067,573</u> |
| <i>Carrying amount</i> | | |
| At 31 March 2010 | <u>4,723,881</u> | <u>4,707,366</u> |
| <i>Fair value</i> | | |
| At 31 March 2010 | <u>11,447,652</u> | <u>11,420,372</u> |

7. INVESTMENT PROPERTIES (*continued*)

| | <u>Group</u> | <u>HDB</u> |
|---|-------------------|-------------------|
| | <u>S\$'000</u> | <u>S\$'000</u> |
| <i>Cost</i> | | |
| At 1 April 2010 | 6,794,066 | 6,774,939 |
| Additions | 100 | 100 |
| Adjustments | (487) | (487) |
| Disposals/Write-off | (80) | (80) |
| Transfer to property, plant and equipment | (62,804) | (62,804) |
| At 31 March 2011 | <u>6,730,795</u> | <u>6,711,668</u> |
| <i>Accumulated depreciation and impairment losses</i> | | |
| At 1 April 2010 | 2,070,185 | 2,067,573 |
| Depreciation | 80,057 | 79,802 |
| Transfer to property, plant and equipment | (9,165) | (9,165) |
| Impairment losses | 6,712 | 6,712 |
| Reversal of impairment losses | (91,511) | (91,511) |
| At 31 March 2011 | <u>2,056,278</u> | <u>2,053,411</u> |
| <i>Carrying amount</i> | | |
| At 31 March 2011 | <u>4,674,517</u> | <u>4,658,257</u> |
| <i>Fair value</i> | | |
| At 31 March 2011 | <u>12,001,594</u> | <u>11,968,514</u> |

The fair value of the investment properties, which are leasehold in nature, is determined based on the comparable sales method or the income approach as stated in Note 2(h) to the financial statements.

The property rental income from the Group's investment properties all of which are leased out under operating leases, amounted to S\$491 million (2009/2010 : S\$429 million). Direct operating expenses (including repairs and maintenance) arising from the rental-generating investment properties amounted to S\$250 million (2009/2010 : S\$239 million).

The impairment losses of S\$6.7 million (2009/2010 : S\$0.07 million) and reversal of impairment losses of S\$91.5 million (2009/2010 : S\$13.8 million) was recognised to reflect the estimated recoverable amount based on the prevailing market conditions.

8. LOANS RECEIVABLE

| | <i>Group</i> | | <i>HDB</i> | |
|--|------------------|------------------|------------------|------------------|
| | <u>2010/2011</u> | <u>2009/2010</u> | <u>2010/2011</u> | <u>2009/2010</u> |
| | <u>S\$'000</u> | <u>S\$'000</u> | <u>S\$'000</u> | <u>S\$'000</u> |
| <i>Loans receivable</i> | | | | |
| Mortgage loans for flats | 42,434,664 | 45,100,467 | 42,434,664 | 45,100,467 |
| Late payment charges for mortgage loans | 34,162 | 39,723 | 34,162 | 39,723 |
| Loans for shops sold | 0 | 34 | 0 | 34 |
| Staff loans | 62 | 131 | 0 | 0 |
| | 42,468,888 | 45,140,355 | 42,468,826 | 45,140,224 |
| <i>Deferred receivable</i> | | | | |
| Upgrading costs due from lessees | 96,211 | 108,596 | 96,211 | 108,596 |
| | 42,565,099 | 45,248,951 | 42,565,037 | 45,248,820 |
| <i>Less:</i> | | | | |
| Allowance for impairment losses | (94,673) | (101,155) | (94,673) | (101,155) |
| Balance as at 31 March | 42,470,426 | 45,147,796 | 42,470,364 | 45,147,665 |
| <i>Represented by amount receivable:</i> | | | | |
| Within 1 year | 2,598,955 | 2,776,734 | 2,598,893 | 2,776,672 |
| Later than 1 year but not more than 2 years | 2,233,333 | 2,315,174 | 2,233,333 | 2,315,140 |
| Later than 2 years but not more than 5 years | 6,747,760 | 7,009,348 | 6,747,760 | 7,009,313 |
| Later than 5 years | 30,890,378 | 33,046,540 | 30,890,378 | 33,046,540 |
| | 39,871,471 | 42,371,062 | 39,871,471 | 42,370,993 |
| | 42,470,426 | 45,147,796 | 42,470,364 | 45,147,665 |

The mortgage loans are granted to the buyers of flats under the public housing schemes (Note 18) with the flats held as collateral. The carrying amounts of loans receivable approximate their fair values.

The loans receivable and deferred receivable are denominated in Singapore dollars.

The movements in allowance for impairment losses on loans receivable for the Group are as follows:

| | <i>Group and HDB</i> | |
|---|----------------------|------------------|
| | <u>2010/2011</u> | <u>2009/2010</u> |
| | <u>S\$'000</u> | <u>S\$'000</u> |
| Balance as at 1 April | 101,155 | 97,822 |
| Allowance for impairment losses | 545 | 5,590 |
| Bad debts written off against allowance | (7,027) | (2,257) |
| Balance as at 31 March | 94,673 | 101,155 |

8. LOANS RECEIVABLE (*continued*)

Interest rates and repayment terms on the loans are:

| | <i>Interest rate</i> <i>(per annum)</i> | <i>Repayment term</i> |
|--|--|-----------------------|
| Mortgage loans granted to lessees for purchase of flats under public housing schemes | 2.60% to 3.82% (2009/2010 : 2.60% to 3.82%) | Up to 30 years |
| Loans granted to staff | 4.25% (2009/2010 : 4.25%) | Up to 6 years |
| Upgrading costs due from flat lessees | 2.60% to 3.82% (2009/2010 : 2.60% to 3.82%) | Up to 25 years |
| Upgrading costs due from shop lessees | 5% to 6.75% (2009/2010 : 5% to 6.75%) | Up to 5 years |

The loans are collected through monthly instalment payments from the loan recipients. Instalment payments are due on the 1st day of every month. Late payment charges will be imposed based on the outstanding balance as at the end of each month, in accordance with the Housing and Development (Penalties for Late Payment) Rules and the Housing and Development (Interest and Penalties for Late Payment of Improvement Contribution) Rules.

A credit assessment based on objective criteria is carried out for loans granted. The loans are secured by the flats that are sold. Loans that are past due but not impaired as at the year end amounted to S\$8,164 million (2009/2010 : S\$9,482 million). No allowance for impairment losses has been made on these loans receivable, as the market value of the collateral is higher than the loans receivable. The average age of these loans receivable is 7.1 months (2009/2010 : 8.0 months).

In determining the recoverability of the loans receivable, the HDB considers any change in credit quality of the loan, the duration of the loan in arrears and the market value of the collateral as at the reporting date. Accordingly, an allowance of S\$95 million (2009/2010 : S\$101 million) representing 0.22% (2009/2010 : 0.22%) of the total loans receivable had been made. Management is of the opinion that adequate impairment losses have been made.

9. INVESTMENT IN SUBSIDIARIES

| | | | <i>HDB</i> | |
|--|--|--|------------------|------------------|
| | | | <i>2010/2011</i> | <i>2009/2010</i> |
| | | | <u>S\$'000</u> | <u>S\$'000</u> |
| <i>Subsidiary</i> | | | | |
| E M Services Pte Ltd ^(a) (unquoted equity shares at cost) | | | <u>1,500</u> | <u>1,500</u> |

| | <i>Principal activities</i> | <i>Country of incorporation</i> | <i>Percentage of equity held by the Group</i> | |
|--|--|---------------------------------|---|------------------|
| | | | <i>2010/2011</i> | <i>2009/2010</i> |
| | | | <u>%</u> | <u>%</u> |
| <i>Subsidiary of the HDB</i> | | | | |
| E M Services Pte Ltd ^(a) | Property management and engineering services | Singapore | 75 | 75 |
| <i>Subsidiaries of E M Services Pte Ltd</i> | | | | |
| E M Property Management Pte Ltd ^(a) | Property management | Singapore | 100 | 100 |
| Property Inc. Pte Ltd ^(a) | Real estate agency | Singapore | 100 | 100 |

^(a)In 2009/2010, these subsidiaries were audited by Foo Kon Tan Grant Thornton LLP. In 2010/2011, these subsidiaries are audited by Deloitte & Touche LLP.

10. INVESTMENT IN ASSOCIATE

| | <i>Group</i> | |
|------------------------------------|------------------|------------------|
| | <i>2010/2011</i> | <i>2009/2010</i> |
| | <i>S\$'000</i> | <i>S\$'000</i> |
| <i>Associate</i> | | |
| Unquoted equity shares, at cost | 525 | 525 |
| Share of post acquisition reserves | (48) | (48) |
| | <u>477</u> | <u>477</u> |
| Less: Advance from associate | (455) | 0 |
| | <u>22</u> | <u>477</u> |

Details of the Group's associate at 31 March 2011 are as follows:

| | <i>Principal activities</i> | <i>Country of incorporation</i> | <i>Percentage of equity held by the Group</i> | |
|--|--------------------------------------|---------------------------------|---|------------------|
| | | | <i>2010/2011</i> | <i>2009/2010</i> |
| | | | <i>%</i> | <i>%</i> |
| <i>Associate of E M Services Pte Ltd</i> | | | | |
| Pengda Investment & Development Pte Ltd ^(a) | Investment and real estate developer | Singapore | 35 | 35 |

^(a)In 2009/2010, the associate was audited by S P Tan & Co. In 2010/2011, the associate is audited by Infinity Assurance LLP.

11. OTHER INVESTMENTS

| | <i>Group</i> | |
|--|------------------|------------------|
| | <i>2010/2011</i> | <i>2009/2010</i> |
| | <i>S\$'000</i> | <i>S\$'000</i> |
| <i>Non-current investments:</i> | | |
| Held-to-maturity debt securities, at amortised cost | 1,002 | 6,002 |
| Impairment loss | 0 | (3,960) |
| | <u>1,002</u> | <u>2,042</u> |
| Available-for-sale equity securities (quoted), at fair value | 37,297 | 32,883 |
| | <u>38,299</u> | <u>34,925</u> |
| <i>Current investments:</i> | | |
| Held-to-maturity debt securities, at amortised cost | <u>1,000</u> | <u>2,000</u> |
| Fair value of held-to-maturity debt securities | <u>2,026</u> | <u>4,132</u> |

The fair value of investments in quoted available-for-sale investments is based on the quoted closing market prices on the last market day of the financial year.

Held-to-maturity debt securities have average effective interest rates of 4.15% to 6% (2009/2010 : 4.15% to 6%) per annum and mature in 1 to 38 years (2009/2010 : 1 to 39 years).

The held-to-maturity and available-for-sale investments are denominated in Singapore dollars.

12. INCOME TAX

(a) Income tax expense

| | <i>Group</i> | |
|--|------------------|------------------|
| | <i>2010/2011</i> | <i>2009/2010</i> |
| | <u>S\$'000</u> | <u>S\$'000</u> |
| Current taxation: | | |
| — Current year | 4,508 | 3,783 |
| — Underprovision in respect of prior years | 472 | 338 |
| | <u>4,980</u> | <u>4,121</u> |
| Deferred taxation | (1,468) | 399 |
| Total income tax expense | <u>3,512</u> | <u>4,520</u> |
| <i>Reconciliation of effective tax rate:</i> | | |
| Net surplus before taxation | 208,280 | 65,669 |
| <i>Less:</i> | | |
| Net surplus of HDB excluding dividends from subsidiary (Note 21), not subject to taxation | 190,168 | 45,943 |
| Net surplus subject to taxation | <u>18,112</u> | <u>19,726</u> |
| Tax at statutory rate of 17% (2009/2010 : 17%) | 3,079 | 3,353 |
| Tax effect on non-deductible expenses | 61 | 1,366 |
| Tax effect on non-taxable income | (30) | (405) |
| Exempt income | (69) | (78) |
| Income tax at concessionary rate | (1) | (54) |
| Underprovision in respect of prior years | 472 | 338 |
| | <u>3,512</u> | <u>4,520</u> |

(b) Movements in provision for income tax

| | <i>Group</i> | |
|--|------------------|------------------|
| | <i>2010/2011</i> | <i>2009/2010</i> |
| | <u>S\$'000</u> | <u>S\$'000</u> |
| Balance as at 1 April | 3,756 | 3,055 |
| Charge for the year | 4,508 | 3,783 |
| Payments made during the year | (4,225) | (3,420) |
| Underprovision in respect of prior years | 472 | 338 |
| Balance as at 31 March | <u>4,511</u> | <u>3,756</u> |

12. INCOME TAX (*continued*)(c) *Deferred tax*

The movements in deferred tax assets and liabilities for the Group during the year are as follows:

| | <i>At 1 April 2009</i> | <i>Charged to Income and Expenditure Statement</i> | <i>At 31 March 2010</i> | <i>Credited to Income and Expenditure Statement</i> | <i>At 31 March 2011</i> |
|--|--------------------------------|--|---------------------------------|---|---------------------------------|
| | <u>S\$'000</u> | <u>S\$'000</u> | <u>S\$'000</u> | <u>S\$'000</u> | <u>S\$'000</u> |
| <i>Deferred tax (liabilities)/assets</i> | | | | | |
| Property, plant and equipment | (444) | (348) | (792) | 970 | 178 |
| <i>Total</i> | <u>(444)</u> | <u>(348)</u> | <u>(792)</u> | <u>970</u> | <u>178</u> |
| Provisions | 1,703 | (51) | 1,652 | 498 | 2,150 |
| <i>Total</i> | <u>1,703</u> | <u>(51)</u> | <u>1,652</u> | <u>498</u> | <u>2,150</u> |
| <i>Net deferred tax assets</i> | <u>1,259</u> | <u>(399)</u> | <u>860</u> | <u>1,468</u> | <u>2,328</u> |

13. PROPERTIES UNDER DEVELOPMENT

| | <i>Group and HDB</i> | |
|--|----------------------|--------------------|
| | <i>2010/2011</i> | <i>2009/2010</i> |
| | <u>S\$'000</u> | <u>S\$'000</u> |
| Land | 4,677,198 | 4,022,947 |
| Buildings | 2,555,440 | 2,284,164 |
| Upgrading works | 64,364 | 150,599 |
| | <u>7,297,002</u> | <u>6,457,710</u> |
| <i>Less:</i> | | |
| Provision for foreseeable loss [Note 2(i)] | <u>(1,655,170)</u> | <u>(2,334,185)</u> |
| Balance as at 31 March | <u>5,641,832</u> | <u>4,123,525</u> |

14. PROPERTIES FOR SALE

| | <i>Group and HDB</i> | |
|--|----------------------|------------------|
| | <i>2010/2011</i> | <i>2009/2010</i> |
| | <u>S\$'000</u> | <u>S\$'000</u> |
| Cost of properties | 1,513,420 | 721,178 |
| <i>Less:</i> | | |
| Provision for foreseeable loss [Note 2(j)] | <u>(228,570)</u> | <u>(28,486)</u> |
| Balance as at 31 March | <u>1,284,850</u> | <u>692,692</u> |

15. GOVERNMENT GRANT RECEIVABLE

| | <i>Group and HDB</i> | |
|--|----------------------|------------------|
| | <i>2010/2011</i> | <i>2009/2010</i> |
| | <u>S\$'000</u> | <u>S\$'000</u> |
| Balance as at 1 April | 2,276,991 | 2,479,257 |
| <i>Less:</i> | | |
| Amount received | (787,445) | (1,161,626) |
| | 1,489,546 | 1,317,631 |
| Transfer from income and expenditure statement | 344,972 | 959,360 |
| Balance as at 31 March | <u>1,834,518</u> | <u>2,276,991</u> |

The amount transferred from income and expenditure statement is the deficit to be financed by the Government under the existing financing arrangement [Note 2(l)].

16. TRADE AND OTHER RECEIVABLES

| | <i>Group</i> | | <i>HDB</i> | |
|---------------------------------|------------------|------------------|------------------|------------------|
| | <i>2010/2011</i> | <i>2009/2010</i> | <i>2010/2011</i> | <i>2009/2010</i> |
| | <u>S\$'000</u> | <u>S\$'000</u> | <u>S\$'000</u> | <u>S\$'000</u> |
| Trade receivables | 514,051 | 325,904 | 489,548 | 317,504 |
| <i>Less:</i> | | | | |
| Allowance for impairment losses | (11,958) | (13,165) | (11,594) | (12,871) |
| | 502,093 | 312,739 | 477,954 | 304,633 |
| Other receivables | 65,982 | 95,428 | 62,447 | 89,700 |
| <i>Less:</i> | | | | |
| Allowance for impairment losses | (26) | (26) | (26) | (26) |
| | 65,956 | 95,402 | 62,421 | 89,674 |
| Prepayments | 32,183 | 25,956 | 28,818 | 24,041 |
| Deposits | 1,108 | 698 | 446 | 311 |
| Balance as at 31 March | <u>601,340</u> | <u>434,795</u> | <u>569,639</u> | <u>418,659</u> |

Included in the Group's trade receivables balance are debtors with a carrying amount of S\$32 million (2009/2010 : S\$35 million) which are past due as at the reporting date but no allowance for impairment losses is made, as there has not been a significant change in credit quality. The average age of these receivables is 3.7 months (2009/2010 : 4.3 months). The Group does not hold any collateral over these balances.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable as at the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, management believes that there is no further credit provision required in excess of the allowance for impairment losses.

16. TRADE AND OTHER RECEIVABLES (*continued*)

The movements in allowance for impairment losses on trade and other receivables for the Group and HDB are as follows:

| | <i>Group</i> | | <i>HDB</i> | |
|---|------------------|------------------|------------------|------------------|
| | <u>2010/2011</u> | <u>2009/2010</u> | <u>2010/2011</u> | <u>2009/2010</u> |
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Balance as at 1 April | 13,191 | 13,224 | 12,897 | 13,128 |
| Allowance for impairment losses | 2,649 | 4,568 | 2,579 | 4,370 |
| Bad debts written off against allowance | (3,856) | (4,601) | (3,856) | (4,601) |
| Balance as at 31 March | <u>11,984</u> | <u>13,191</u> | <u>11,620</u> | <u>12,897</u> |

17. CASH AND BANK BALANCES

| | <i>Group</i> | | <i>HDB</i> | |
|--|------------------|------------------|------------------|------------------|
| | <u>2010/2011</u> | <u>2009/2010</u> | <u>2010/2011</u> | <u>2009/2010</u> |
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Cash and bank balances | 70,266 | 38,623 | 61,465 | 32,918 |
| Fixed deposits | 38,578 | 54,332 | 2,272 | 2,418 |
| Balance as at 31 March | 108,844 | 92,955 | 63,737 | 35,336 |
| <i>Less:</i> | | | | |
| Funds held in trust | (12,651) | (12,896) | (11,267) | (10,587) |
| Cash and cash equivalents as at 31 March | <u>96,193</u> | <u>80,059</u> | <u>52,470</u> | <u>24,749</u> |

Amount held in trust comprises mainly monies maintained by the Group with financial institutions on behalf of its principal for agency projects, fixed deposits placed on behalf of Club HDB, funds held for management of joint research projects and funds held for management of properties.

Cash and bank balances comprise cash and short-term bank deposits held by the Group, which includes bank balances held by Accountant General Department ("AGD") under the Government's Centralised Liquidity Management Framework for Statutory Boards. The carrying amounts of these assets approximate their fair values.

Fixed deposits, excluding those held in trust at the financial year end, bear interest ranging from 0.005% to 0.390% (2009/2010 : 0.025% to 0.3875%) per annum and for a tenure from 1 to 3 months (2009/2010 : 1 to 3 months) which are readily convertible to a known amount of cash.

18. LOANS PAYABLE

| | <i>Group and HDB</i> | |
|--|----------------------|------------------|
| | <i>2010/2011</i> | <i>2009/2010</i> |
| | <i>S\$'000</i> | <i>S\$'000</i> |
| <i>Government loans</i> | | |
| Housing development loans | 1,160,344 | 1,247,977 |
| Mortgage financing loans | 42,440,929 | 45,122,621 |
| Upgrading financing loans | 79,130 | 96,327 |
| | 43,680,403 | 46,466,925 |
| <i>Bonds</i> | | |
| Principal | 6,535,000 | 5,550,000 |
| Unamortised transaction cost | (2,110) | 0 |
| | 6,532,890 | 5,550,000 |
| <i>Bank loans (unsecured)</i> | 4,934,000 | 3,609,500 |
| Balance as at 31 March | 55,147,293 | 55,626,425 |
| Represented by amount payable: | | |
| Within 1 year | 8,980,059 | 7,558,604 |
| Later than 1 year but not more than 2 years | 4,732,665 | 4,691,019 |
| Later than 2 years but not more than 5 years | 14,754,912 | 13,627,815 |
| Later than 5 years | 26,679,657 | 29,748,987 |
| | 46,167,234 | 48,067,821 |
| | 55,147,293 | 55,626,425 |
| Fair value of bonds | 6,758,564 | 5,768,050 |

Under the Agreements for Loan Facility with the Government, mortgage and upgrading financing loans are obtained from the Government to finance loans granted to eligible purchasers of flats under the public housing schemes at interest rates that are in accordance with prevailing mortgage financing policy and upgrading programmes of the Government.

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The indicative ask price is used for the bonds issued by the Group.

The carrying amounts of government loans and bank loans approximate their fair values.

The loans and bonds are denominated in Singapore dollars.

The average effective interest rates paid and repayment terms on the loans are:

| | <i>Interest rate</i> <i>(per annum)</i> | <i>Repayment term</i> |
|---------------------------|--|-----------------------|
| Housing development loans | 4.50% (2009/2010 : 4.50%) | 20 years |
| Mortgage financing loans | 2.50% to 3.72% (2009/2010 : 2.50% to 3.72%) | Up to 30 years |
| Upgrading financing loans | 2.50% (2009/2010 : 2.50%) | 10 years |
| Bank loans (unsecured) | 0.68% to 1.34% (2009/2010 : 1.34% to 2.03%) | Within 1 year |

18. LOANS PAYABLE (*continued*)

Bonds are issued to finance the HDB's development programmes and working capital requirements. The bonds are as follows:

| <i>Series number</i> | <i>Principal</i> | <i>Coupon rate (%)</i> | <i>Effective interest rate (%)</i> | <i>Tenure</i> | <i>Maturity</i> |
|--------------------------|------------------|------------------------|--|---------------|------------------|
| | <u>S\$M</u> | <u>(per annum)</u> | <u>(per annum)</u> | | |
| 008 | 250 | 3.560 | 3.560 | 10 years | 23 February 2014 |
| 010 | 500 | 3.375 | 3.375 | 10 years | 21 April 2015 |
| 012 | 100 | 3.200 | 3.200 | 10 years | 12 October 2015 |
| 014 | 100 | 3.730 | 3.730 | 10 years | 7 March 2016 |
| 015 | 400 | 3.805 | 3.805 | 5 years | 14 July 2011 |
| 016 | 100 | 3.995 | 3.995 | 10 years | 14 July 2016 |
| 017 | 250 | 3.520 | 3.520 | 5 years | 31 October 2011 |
| 018 | 250 | 3.622 | 3.622 | 10 years | 18 October 2016 |
| 019 | 250 | 3.420 | 3.420 | 5 years | 14 February 2012 |
| 020 | 250 | 3.550 | 3.550 | 10 years | 14 February 2017 |
| 022 | 150 | 3.350 | 3.350 | 12 years | 11 June 2019 |
| 024 | 300 | 3.630 | 3.630 | 15 years | 27 February 2023 |
| 025 | 300 | 3.455 | 3.455 | 5 years | 15 July 2013 |
| 026 | 300 | 3.950 | 3.950 | 10 years | 15 July 2018 |
| 027 | 350 | 1.795 | 1.795 | 3 years | 3 July 2012 |
| 028 | 500 | 1.550 | 1.550 | 3 years | 26 October 2012 |
| 029 | 400 | 1.870 | 1.870 | 5 years | 25 March 2015 |
| 030 | 500 | 1.150 | 1.167 | 3 years | 8 July 2013 |
| 032 | 465 | 2.000 | 2.023 | 7 years | 3 November 2017 |
| 033 | 320 | 2.0225 | 2.044 | 5 years | 22 February 2016 |
| 034 | 500 | 3.140 | 3.162 | 10 years | 18 March 2021 |

19. TRADE AND OTHER PAYABLES

| | <i>Group</i> | | <i>HDB</i> | |
|-----------------------------------|------------------|------------------|------------------|------------------|
| | <u>2010/2011</u> | <u>2009/2010</u> | <u>2010/2011</u> | <u>2009/2010</u> |
| | <u>S\$'000</u> | <u>S\$'000</u> | <u>S\$'000</u> | <u>S\$'000</u> |
| Trade payables | 786,262 | 803,502 | 752,666 | 775,255 |
| Downpayment deposits and advances | 536,785 | 723,221 | 536,785 | 723,221 |
| Other deposits | 312,351 | 229,861 | 312,351 | 229,861 |
| Deferred income (Note 20) | 93,321 | 87,347 | 93,321 | 86,919 |
| Interest payable | 103,124 | 110,016 | 103,124 | 110,016 |
| Provisions | 20,000 | 21,670 | 20,000 | 21,044 |
| | <u>1,851,843</u> | <u>1,975,617</u> | <u>1,818,247</u> | <u>1,946,316</u> |

Provision was made for restoration works for a former quarry site, pending firm development plan of the agency taking over the site.

19. TRADE AND OTHER PAYABLES (*continued*)

The movements in provisions for the Group and HDB are:

| | <i>Group</i> | | <i>HDB</i> | |
|--|------------------|------------------|------------------|------------------|
| | <i>2010/2011</i> | <i>2009/2010</i> | <i>2010/2011</i> | <i>2009/2010</i> |
| | <u>S\$'000</u> | <u>S\$'000</u> | <u>S\$'000</u> | <u>S\$'000</u> |
| Balance as at 1 April | 21,670 | 22,282 | 21,044 | 21,044 |
| Provisions utilised | (345) | (331) | 0 | 0 |
| Unutilised provisions written back to income and expenditure statement | (1,325) | (281) | (1,044) | 0 |
| Balance as at 31 March | <u>20,000</u> | <u>21,670</u> | <u>20,000</u> | <u>21,044</u> |

20. DEFERRED INCOME

| | <i>Group</i> | | <i>HDB</i> | |
|---------------------------------|------------------|------------------|------------------|------------------|
| | <i>2010/2011</i> | <i>2009/2010</i> | <i>2010/2011</i> | <i>2009/2010</i> |
| | <u>S\$'000</u> | <u>S\$'000</u> | <u>S\$'000</u> | <u>S\$'000</u> |
| Within 1 year (Note 19) | 93,321 | 87,347 | 93,321 | 86,919 |
| After 1 year but within 5 years | 193,435 | 170,597 | 193,435 | 170,597 |
| After 5 years | 589,823 | 521,945 | 589,823 | 521,945 |
| | <u>783,258</u> | <u>692,542</u> | <u>783,258</u> | <u>692,542</u> |
| | <u>876,579</u> | <u>779,889</u> | <u>876,579</u> | <u>779,461</u> |

Deferred income relates principally to amount received in advance in respect of operating leases of land, commercial properties, industrial properties and flats [Note 2(e)].

21. INCOME

| | <i>Group</i> | | <i>HDB</i> | |
|--|------------------|------------------|------------------|------------------|
| | <i>2010/2011</i> | <i>2009/2010</i> | <i>2010/2011</i> | <i>2009/2010</i> |
| | <u>S\$'000</u> | <u>S\$'000</u> | <u>S\$'000</u> | <u>S\$'000</u> |
| Interest income | 1,202,189 | 1,277,228 | 1,202,028 | 1,276,536 |
| Rental and related income | 1,021,364 | 884,610 | 973,476 | 851,927 |
| Car park income | 546,342 | 522,402 | 546,884 | 522,942 |
| Recoveries for upgrading and others | 152,893 | 105,696 | 152,893 | 105,696 |
| Levy on resale flats and sales premium | 30,405 | 17,183 | 30,405 | 17,183 |
| Agency and consultancy fees | 85,075 | 76,352 | 19,935 | 13,809 |
| Gain on disposal of assets | 95,785 | 67,203 | 95,786 | 67,208 |
| Investment income | 1,822 | 1,723 | 11,850 | 6,000 |
| Fees and other income | 73,270 | 77,168 | 72,987 | 74,479 |
| | <u>3,209,145</u> | <u>3,029,565</u> | <u>3,106,244</u> | <u>2,935,780</u> |

21. INCOME (*continued*)

Investment income includes dividend income as follows:

| | <i>Group</i> | | <i>HDB</i> | |
|-----------------------|------------------|------------------|------------------|------------------|
| | <u>2010/2011</u> | <u>2009/2010</u> | <u>2010/2011</u> | <u>2009/2010</u> |
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Dividend from: | | | | |
| — Unquoted subsidiary | 0 | 0 | 11,850 | 6,000 |
| — Others | <u>1,765</u> | <u>1,723</u> | <u>0</u> | <u>0</u> |

22. FINANCIAL EXPENSES

| | <i>Group and HDB</i> | |
|--|----------------------|------------------|
| | <u>2010/2011</u> | <u>2009/2010</u> |
| | S\$'000 | S\$'000 |
| Interest expense from: | | |
| — Government loans | 1,216,306 | 1,292,863 |
| — Bank loans | 55,409 | 70,636 |
| — Bonds | 174,591 | 181,110 |
| | 1,446,306 | 1,544,609 |
| <i>Less:</i> | | |
| Interest capitalised in properties and assets under development (Notes 6, 7 and 13) | (96,534) | (94,641) |
| Bond transaction cost/(premium) amortisation | 108 | (454) |
| | <u>1,349,880</u> | <u>1,449,514</u> |

During the financial year, interest capitalised as properties and assets under development amounted to S\$97 million (2009/2010 : S\$95 million) at an average capitalisation rate of 2.56% (2009/2010 : 3.07%).

23. EXPENSES BY NATURE

Expenses include the following:

| | <i>Group</i> | | <i>HDB</i> | |
|---|------------------|------------------|------------------|------------------|
| | <i>2010/2011</i> | <i>2009/2010</i> | <i>2010/2011</i> | <i>2009/2010</i> |
| | <u>S\$'000</u> | <u>S\$'000</u> | <u>S\$'000</u> | <u>S\$'000</u> |
| Upgrading | 647,340 | 683,324 | 695,072 | 729,308 |
| Improvements and demolition | 99,785 | 113,522 | 99,785 | 113,522 |
| Depreciation | 322,573 | 321,864 | 313,139 | 314,958 |
| Property tax | 122,994 | 94,091 | 122,912 | 94,026 |
| Impairment losses on property, plant and equipment, and investment properties | 10,906 | 66 | 10,906 | 66 |
| Reversal of impairment losses on property, plant and equipment, and investment properties | (92,245) | (14,825) | (92,245) | (13,854) |
| Provision for foreseeable loss for properties under development/for sale | 107,564 | 60,450 | 107,564 | 60,450 |
| Allowance for impairment losses on loans receivable and debtors | 3,194 | 10,158 | 3,124 | 9,960 |
| Bad debts written off | 628 | 544 | 330 | 405 |
| Impairment loss on held-to-maturity financial assets | 0 | 163 | 0 | 0 |
| Operating lease expenses | 18,901 | 10,994 | 6,126 | 5,965 |
| Manpower costs | 505,985 | 423,702 | 451,561 | 366,326 |
| Board members' fees | 139 | 131 | 139 | 131 |
| Directors' fees and remuneration | 464 | 438 | 0 | 0 |
| Manpower costs and overheads capitalised in: | | | | |
| — properties and assets under development | (12,073) | (11,942) | (12,073) | (11,942) |
| — inventories of building materials | (3,083) | (3,728) | (3,083) | (3,728) |
| CPF Housing grant [Note 2(s)] | <u>426,176</u> | <u>502,479</u> | <u>426,176</u> | <u>502,479</u> |

24. MANPOWER COSTS

| | <i>Group</i> | | <i>HDB</i> | |
|---------------------------------------|------------------|------------------|------------------|------------------|
| | <i>2010/2011</i> | <i>2009/2010</i> | <i>2010/2011</i> | <i>2009/2010</i> |
| | <u>S\$'000</u> | <u>S\$'000</u> | <u>S\$'000</u> | <u>S\$'000</u> |
| Salaries and bonuses | 442,670 | 369,434 | 395,163 | 319,386 |
| Contribution to CPF | 44,733 | 38,005 | 39,180 | 32,132 |
| Staff benefits | 9,696 | 9,002 | 8,642 | 7,863 |
| Training/development costs and others | <u>8,886</u> | <u>7,261</u> | <u>8,576</u> | <u>6,945</u> |
| | <u>505,985</u> | <u>423,702</u> | <u>451,561</u> | <u>366,326</u> |

24. MANPOWER COSTS (*continued*)

Manpower costs include the key management personnel's remuneration as follows:

| | <i>Group</i> | | <i>HDB</i> | |
|---|------------------|------------------|------------------|------------------|
| | <i>2010/2011</i> | <i>2009/2010</i> | <i>2010/2011</i> | <i>2009/2010</i> |
| | <u>S\$'000</u> | <u>S\$'000</u> | <u>S\$'000</u> | <u>S\$'000</u> |
| Salaries and other short-term employee benefits | 7,295 | 5,395 | 6,839 | 4,964 |
| Contribution to CPF | 144 | 132 | 136 | 125 |
| | <u>7,439</u> | <u>5,527</u> | <u>6,975</u> | <u>5,089</u> |

25. GOVERNMENT GRANT

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

| | <i>HDB</i> | |
|--|-------------------|-------------------|
| | <i>2010/2011</i> | <i>2009/2010</i> |
| | <u>S\$'000</u> | <u>S\$'000</u> |
| Total grant as at 1 April | 20,240,279 | 19,280,919 |
| Grant for the financial year (Note 15) | 344,972 | 959,360 |
| Total grant as at 31 March | <u>20,585,251</u> | <u>20,240,279</u> |

26. SIGNIFICANT RELATED PARTY TRANSACTIONS

The HDB is a statutory body incorporated under the Housing and Development Act (Note 1). As a statutory board, all Government ministries and departments, and statutory boards are deemed related parties of the HDB.

The Group had the following significant transactions with its supervisory Ministry, MND, and other related parties during the year:

| | <i>Group and HDB</i> | |
|--|----------------------|------------------|
| | <i>2010/2011</i> | <i>2009/2010</i> |
| | <u>S\$'000</u> | <u>S\$'000</u> |
| <i>HDB's transactions with:</i> | | |
| <i>Subsidiaries</i> | | |
| Property management | (1,849) | (1,390) |
| Mechanical and electrical services | (49,049) | (46,859) |
| Rental income | 9,598 | 10,624 |
| <i>MND</i> | | |
| Agency fee income | 5,673 | 3,933 |
| <i>Singapore Land Authority, as an agent for Ministry of Law</i> | | |
| Purchase of land | (2,183,459) | (857,201) |
| Proceeds from return of land, flats and other properties to Government | 215,370 | 76,371 |
| Agency fees and other income | 8,076 | 3,514 |
| Temporary occupation licence fees | (3,267) | (3,203) |

26. SIGNIFICANT RELATED PARTY TRANSACTIONS (*continued*)

| | <i>Group and HDB</i> | |
|--|----------------------|------------------|
| | <i>2010/2011</i> | <i>2009/2010</i> |
| | <u>S\$'000</u> | <u>S\$'000</u> |
| <i>National Environment Agency</i> | | |
| Agency fees and recoveries | 14,565 | 14,828 |
| <i>Council for Estate Agencies</i> | | |
| Consultancy and support services fees | 612 | 0 |
| Rental income | 291 | 0 |
| <i>Other Ministries and Statutory Boards</i> | | |
| Rental income and others | 1,366 | 1,340 |
| Proceeds from sale of property | 0 | 12,906 |
| <i>Town Councils</i> | | |
| Operating fee for car park maintenance expenses | (46,145) | (38,729) |
| <i>Subsidiaries' transactions with:</i> | | |
| <i>Ministries, Town Councils and Statutory Boards</i> | | |
| Estate management agency fee income | 65,037 | 63,787 |
| <i>Amounts due to related parties as at 31 March</i> | 29,607 | 38,399 |
| <i>Amounts due from related parties as at 31 March</i> | <u>25,996</u> | <u>18,943</u> |

The outstanding amounts are unsecured. There are no guarantees provided or received in respect of the related party balances. For 2010/2011, the Group had not made any allowance for impairment relating to amounts owed by related parties (2009/2010 : \$Nil).

27. SEGMENTAL INFORMATION

BUSINESS SEGMENTS

The Group operates predominantly in Singapore, and therefore the revenues are generated mainly from the operations in Singapore and the assets are located principally in Singapore. The accounting policy of the reporting segments are the same as the Group's accounting policy as disclosed in Note 2.

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 Segment

The Home Ownership segment focuses on providing home ownership flats to eligible purchasers of flats under the various home ownership schemes for public housing.

Upgrading Segment

The Upgrading segment focuses on the upgrading programmes to renew and rejuvenate the older housing estates.

Residential Ancillary Functions Segment

The Residential Ancillary Functions segment focuses on implementing housing policies, managing ancillary facilities such as car parks in housing estates, and planning and building administration.

27. SEGMENTAL INFORMATION (*continued*)*Rental Flats Segment*

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

Other Rental and Related Businesses Segment

The Other Rental and Related Businesses segment focuses on the tenancy and management of investment properties and other properties owned by the HDB.

Mortgage Financing Segment

The Mortgage Financing segment focuses on providing housing loans to eligible purchasers of flats under the various public housing schemes.

Agency and Others Segment

The Agency and Others segment encompasses estate management services, architectural and engineering consultancy services and agency projects on behalf of the Government.

27. SEGMENTAL INFORMATION — (continued)

2010/2011

| | <i>Home Ownership</i> | <i>Upgrading</i> | <i>Residential Ancillary Functions</i> | <i>Rental Flats</i> | <i>Other Rental and Related Businesses</i> | <i>Mortgage Financing</i> | <i>Agency and 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 | 1,818 | 0 | 264 | 0 | 567 | 0 | 0 | 0 | 2,649 |
| Cost of sales before release of foreseeable loss provided in previous years | (2,312) | 0 | (211) | 0 | (186) | 0 | 0 | 4 | (2,705) |
| Gross (loss)/profit on sales | (494) | 0 | 53 | 0 | 381 | 0 | 0 | 4 | (56) |
| Release of foreseeable loss provided in previous years, upon sale | 586 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 586 |
| Gross profit after release of provision made in previous years for foreseeable loss | 92 | 0 | 53 | 0 | 381 | 0 | 0 | 4 | 530 |
| External income: | | | | | | | | | |
| Interest income | 0 | 3 | 0 | 0 | 0 | 1,199 | 0 | 0 | 1,202 |
| Other income | 50 | 139 | 561 | 36 | 1,069 | 6 | 146 | 0 | 2,007 |
| Inter-segment | 0 | 0 | 6 | 0 | 19 | 0 | 64 | (89) | 0 |
| Total income | 50 | 142 | 567 | 36 | 1,088 | 1,205 | 210 | (89) | 3,209 |
| Net deficit before government grant and taxation | (506) | (613) | (60) | (49) | 1,101 | (26) | 27 | (11) | (137) |
| Government grant | | | | | | | | | 345 |
| Net surplus before taxation and transfer to reserves | | | | | | | | | 208 |
| Taxation | | | | | | | | | (3) |
| Net surplus for the year before transfer to reserves | | | | | | | | | 205 |

27. SEGMENTAL INFORMATION — (continued)

2010/2011

| | <i>Home Ownership</i> | <i>Upgrading</i> | <i>Residential Ancillary Functions</i> | <i>Rental Flats</i> | <i>Other Rental and Related Businesses</i> | <i>Mortgage Financing</i> | <i>Agency and 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> |
| Segment expenses include: | | | | | | | | | |
| Financial expenses | (18) | (2) | (91) | 0 | (76) | (1,160) | (3) | 0 | (1,350) |
| Provision for foreseeable loss for properties under development/ for sale | (108) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (108) |
| CPF Housing grant | (426) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (426) |
| Upgrading | 0 | (685) | 0 | (9) | (1) | 0 | 0 | 48 | (647) |
| Improvements and demolition | (5) | 0 | (74) | (2) | (20) | 0 | 0 | 1 | (100) |
| Depreciation | (5) | 0 | (134) | (34) | (132) | (1) | (17) | 0 | (323) |
| Impairment losses on property, plant and equipment and investment properties | 0 | 0 | 0 | 0 | (11) | 0 | 0 | 0 | (11) |
| Reversal of impairment losses on property, plant and equipment, and investment properties | 0 | 0 | 0 | 0 | 92 | 0 | 0 | 0 | 92 |
| Allowance for impairment losses on loans receivable and debtors | 0 | 0 | 0 | (2) | 0 | (1) | 0 | 0 | (3) |

27. SEGMENTAL INFORMATION — (continued)

2010/2011

| | <i>Home Ownership</i> | <i>Upgrading</i> | <i>Residential Ancillary Functions</i> | <i>Rental Flats</i> | <i>Other Rental and Related Businesses</i> | <i>Mortgage Financing</i> | <i>Agency and 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> |
| <i>Assets and liabilities</i> | | | | | | | | | |
| Segment assets | 7,386 | 243 | 9,081 | 2,665 | 7,611 | 42,461 | 913 | 0 | 70,360 |
| Government grant receivable | | | | | | | | | 1,835 |
| Unallocated assets | | | | | | | | | <u>127</u> |
| Total assets | | | | | | | | | <u><u>72,322</u></u> |
| Segment liabilities | 5,619 | 279 | 4,499 | 270 | 4,135 | 42,471 | 441 | 0 | 57,714 |
| Unallocated liabilities | | | | | | | | | <u>73</u> |
| Total liabilities | | | | | | | | | <u><u>57,787</u></u> |
| Capital additions | 219 | 0 | 241 | 253 | 57 | 0 | 9 | 0 | 779 |

27. SEGMENTAL INFORMATION — (continued)

2009/2010

| | <i>Home Ownership</i> | <i>Upgrading</i> | <i>Residential Ancillary Functions</i> | <i>Rental Flats</i> | <i>Other Rental and Related Businesses</i> | <i>Mortgage Financing</i> | <i>Agency and 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 | 1,318 | 0 | 283 | 0 | 13 | 0 | 0 | 0 | 1,614 |
| Cost of sales before release of foreseeable loss provided in previous years | (1,419) | 0 | (275) | 0 | (10) | 0 | 0 | 19 | (1,685) |
| Gross (loss)/profit on sales | (101) | 0 | 8 | 0 | 3 | 0 | 0 | 19 | (71) |
| Release of foreseeable loss provided in previous years, upon sale | 172 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 172 |
| Gross profit after release of provision made in previous years for foreseeable loss | 71 | 0 | 8 | 0 | 3 | 0 | 0 | 19 | 101 |
| External income: | | | | | | | | | |
| Interest income | 0 | 3 | 0 | 0 | 0 | 1,273 | 2 | 0 | 1,278 |
| Other income | 32 | 91 | 542 | 28 | 926 | 7 | 126 | 0 | 1,752 |
| Inter-segment | 1 | 0 | 26 | 0 | 21 | 0 | 55 | (103) | 0 |
| Total income | 33 | 94 | 568 | 28 | 947 | 1,280 | 183 | (103) | 3,030 |
| Net deficit before government grant and taxation | (562) | (709) | (64) | (82) | 532 | (26) | 24 | (6) | (893) |
| Government grant | | | | | | | | | 959 |
| Net surplus before taxation and transfer to reserves | | | | | | | | | 66 |
| Taxation | | | | | | | | | (5) |
| Net surplus for the year before transfer to reserves | | | | | | | | | 61 |

27. SEGMENTAL INFORMATION — (continued)

2009/2010

| | <i>Home Ownership</i> | <i>Upgrading</i> | <i>Residential Ancillary Functions</i> | <i>Rental Flats</i> | <i>Other Rental and Related Businesses</i> | <i>Mortgage Financing</i> | <i>Agency and 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> |
| <i>Segment expenses include:</i> | | | | | | | | | |
| Financial expenses | (15) | (3) | (106) | 0 | (87) | (1,233) | (6) | 0 | (1,450) |
| Provision for foreseeable loss for properties under development/ for sale | (60) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (60) |
| CPF Housing grant | (502) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (502) |
| Upgrading | 0 | (714) | 0 | (14) | (1) | 0 | 0 | 46 | (683) |
| Improvements and demolition | (9) | (1) | (58) | (21) | (31) | 0 | 0 | 6 | (114) |
| Depreciation | (3) | 0 | (136) | (37) | (131) | 0 | (15) | 0 | (322) |
| Reversal of impairment losses on property, plant and equipment and investment properties | 0 | 0 | 0 | 0 | 14 | 0 | 1 | 0 | 15 |
| Allowance for impairment losses on loans receivable and debtors | 0 | 0 | 0 | (2) | (3) | (5) | 0 | 0 | (10) |

27. SEGMENTAL INFORMATION — (continued)

2009/2010

| | <i>Home Ownership</i> | <i>Upgrading</i> | <i>Residential Ancillary Functions</i> | <i>Rental Flats</i> | <i>Other Rental and Related Businesses</i> | <i>Mortgage Financing</i> | <i>Agency and 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> |
| <i>Assets and liabilities</i> | | | | | | | | | |
| Segment assets | 4,818 | 323 | 9,014 | 2,458 | 7,915 | 45,083 | 747 | 0 | 70,358 |
| Government grant receivable | | | | | | | | | 2,277 |
| Unallocated assets | | | | | | | | | 106 |
| Total assets | | | | | | | | | <u>72,741</u> |
| Segment liabilities | 3,853 | 327 | 4,050 | 146 | 4,091 | 45,156 | 443 | 0 | 58,066 |
| Unallocated liabilities | | | | | | | | | 232 |
| Total liabilities | | | | | | | | | <u>58,298</u> |
| Capital additions | 104 | 0 | 137 | 304 | 41 | 0 | 12 | 0 | 598 |

28. COMMITMENTS

(a) *Capital commitments*

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

| | <i>Group</i> | | <i>HDB</i> | |
|-----------------------------------|------------------|------------------|------------------|------------------|
| | <i>2010/2011</i> | <i>2009/2010</i> | <i>2010/2011</i> | <i>2009/2010</i> |
| | <u>S\$'000</u> | <u>S\$'000</u> | <u>S\$'000</u> | <u>S\$'000</u> |
| Authorised and contracted for | 3,209,338 | 3,237,443 | 3,209,338 | 3,234,792 |
| Authorised but not contracted for | 1,489,810 | 1,265,146 | 1,489,810 | 1,265,146 |
| | <u>4,699,148</u> | <u>4,502,589</u> | <u>4,699,148</u> | <u>4,499,938</u> |

(b) *Operating lease arrangements - where the Group is a lessor*

The Group leases out its properties to non-related parties. The future minimum lease receivables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as receivables, are as follows:

| | <i>Group</i> | | <i>HDB</i> | |
|---------------------------------|------------------|------------------|------------------|------------------|
| | <i>2010/2011</i> | <i>2009/2010</i> | <i>2010/2011</i> | <i>2009/2010</i> |
| | <u>S\$'000</u> | <u>S\$'000</u> | <u>S\$'000</u> | <u>S\$'000</u> |
| Within 1 year | 179,616 | 155,206 | 149,092 | 127,986 |
| After 1 year but within 5 years | 293,454 | 267,216 | 293,683 | 261,106 |
| After 5 years | 218,019 | 246,289 | 218,019 | 246,289 |
| | <u>691,089</u> | <u>668,711</u> | <u>660,794</u> | <u>635,381</u> |

(c) *Operating lease arrangements - where the Group is a lessee*

The Group leases equipment and properties from non-related parties. The future minimum lease payments under non-cancellable operating leases contracted for at the end of reporting period but not recognised as liabilities, are as follows:

| | <i>Group</i> | | <i>HDB</i> | |
|---------------------------------|------------------|------------------|------------------|------------------|
| | <i>2010/2011</i> | <i>2009/2010</i> | <i>2010/2011</i> | <i>2009/2010</i> |
| | <u>S\$'000</u> | <u>S\$'000</u> | <u>S\$'000</u> | <u>S\$'000</u> |
| Within 1 year | 15,435 | 10,022 | 2,388 | 2,210 |
| After 1 year but within 5 years | 17,248 | 8,749 | 5,384 | 4,883 |
| After 5 years | 740 | 0 | 740 | 0 |
| | <u>33,423</u> | <u>18,771</u> | <u>8,512</u> | <u>7,093</u> |

29. CONTINGENT LIABILITIES

(a) Modification work

A claim involving rebar works for structural columns for S\$2.4 million had been made by a contractor in 2005/2006. The arbitration proceedings have been concluded, and the Arbitrator's Award is pending. HDB has no grounds to believe that the Arbitrator's Award will be in favour of the Claimants and accordingly, no provision had been made in respect of the claim.

(b) Housing Subsidies for SC/SPR Households

To encourage the Singapore Permanent Resident ("SPR") family members in such SPR/ Singapore Citizen ("SC") households to take up citizenship and to reinforce the privilege of citizenship, HDB will withhold S\$10,000 of the housing subsidies enjoyed by SPR/SC households when they buy a flat. If they buy a resale flat, a Design, Build and Sell Scheme ("DBSS") flat, or an Executive Condominium ("EC"), their Housing Grant will be reduced by S\$10,000. If they buy a new flat, they will have to pay a S\$10,000 premium on top of HDB's selling price. The withheld subsidy will be restored when the SPR member in the household obtains Singapore citizenship or when the couple has a SC child.

Factors such as whether and when the SPR member in the household becomes SC or when the couple has a SC child are beyond HDB's control. Given the uncertainty in timing and quantum of the obligation, no provision has been made in respect of this scheme.

30. RECLASSIFICATIONS AND COMPARATIVE FIGURES

The presentation of the income and expenditure statements has been enhanced to provide better understanding of the Group's and HDB's financial performance.

| | <i>Group and HDB</i> |
|---|---------------------------------|
| | <u>Previous presentation</u> |
| | S\$'000 |
| | <i>2009/2010</i> |
| Sale proceeds | 1,614,232 |
| Cost of sales | <u>(1,513,513)</u> |
| Gross profit | <u>100,719</u> |
| | <u>Current presentation</u> |
| | S\$'000 |
| | <i>2009/2010</i> |
| Sale proceeds | 1,614,232 |
| Cost of sales before release of foreseeable loss provided in previous years | <u>(1,686,002)</u> |
| Gross loss on sales | <u>(71,770)</u> |
| Release of foreseeable loss provided in previous years, upon sale | <u>172,489</u> |
| Gross profit after release of provision made in previous years for foreseeable loss | <u>100,719</u> |

Certain reclassifications in addition to the above have been made to the prior year's financial statements to enhance comparability with the current year's financial statements. These reclassifications are deemed not material.