

**No. 10/2013**

**SUPPLEMENT  
TO THE  
REPUBLIC OF SINGAPORE  
GOVERNMENT GAZETTE  
FRIDAY, 19TH JULY 2013**

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**REPORT ON THE AUDIT OF  
THE FINANCIAL STATEMENTS OF  
THE HOUSING AND DEVELOPMENT BOARD  
FOR THE YEAR ENDED 31ST MARCH 2013**

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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 present fairly, in all material respects, the state of affairs of the Group and the HDB as at 31 March 2013, 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 receipts, expenditure, investment of moneys and the acquisition and disposal of assets by the HDB during the year have been, in all material respects, 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 2013

## **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 2013; 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 consolidated 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 5 to 58.

### *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"), and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *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 about 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 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 present fairly, in all material respects, the state of affairs of the Group and HDB as at 31 March 2013, and the results and 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*

#### *Management's Responsibility for Compliance with Legal and Regulatory Requirements*

Management is responsible for ensuring that the receipts, expenditure, investment of moneys and the acquisition and disposal of assets, are in accordance with the provisions of the Act and the Constitution of the Republic of Singapore. This responsibility includes implementing accounting and internal controls as management determines are necessary to enable compliance with the provisions of the Act and the Constitution of the Republic of Singapore.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on management's compliance based on our audit of the financial statements. We conducted our audit in accordance with Singapore Standards on Auditing. We planned and performed the compliance audit to obtain reasonable assurance about whether the receipts, expenditure, investment of moneys and the acquisition and disposal of assets, are in accordance with the provisions of the Act and the Constitution of the Republic of Singapore.

Our compliance audit includes obtaining an understanding of the internal controls relevant to the receipts, expenditure, investment of moneys and the acquisition and disposal of assets; and assessing the risks of material misstatement of the financial statements from non-compliance, if any, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. Because of the inherent limitations in any accounting and internal control system, non-compliances may nevertheless occur and not be detected.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on management's compliance.

*Opinion*

In our opinion:

- (a) the receipts, expenditure, investment of moneys and the acquisition and disposal of assets by HDB during the year are, in all material respects, in accordance with the provisions of the Act and the Constitution of the Republic of Singapore; and
- (b) proper accounting and other records have been kept, including records of all assets of HDB whether purchased, donated or otherwise.



Public Accountants and  
Certified Public Accountants  
Singapore

30 May 2013

# HOUSING AND DEVELOPMENT BOARD AND ITS SUBSIDIARIES

## BALANCE SHEETS AS AT 31 MARCH 2013

	<i>Note</i>	<i>Group</i>		<i>HDB</i>	
		<i>31 March</i>	<i>31 March</i>	<i>31 March</i>	<i>31 March</i>
		<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
		\$'000	\$'000	\$'000	\$'000
<b>CAPITAL AND RESERVES</b>					
Share capital	5	1	1	1	1
Capital account	5	2,468,100	2,468,100	2,463,600	2,463,600
Capital gains reserve	5	6,810,828	6,569,660	6,810,828	6,569,660
Asset revaluation reserve	5	5,604,592	5,637,624	5,604,592	5,637,624
Fair value reserve		6,630	4,417	0	0
Retained earnings		87,460	86,001	0	0
Attributable to Equity Holder of the HDB		14,977,611	14,765,803	14,879,021	14,670,885
Non-controlling interests		33,364	32,663	0	0
<b>TOTAL EQUITY</b>		<b>15,010,975</b>	<b>14,798,466</b>	<b>14,879,021</b>	<b>14,670,885</b>
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	6	16,683,778	16,049,262	16,675,160	16,037,908
Investment properties	7	4,845,232	4,784,726	4,829,482	4,768,721
Loans receivable	8	35,684,146	37,805,597	35,684,146	37,805,597
Investment in subsidiaries	9	0	0	1,500	1,500
Other investments	10	37,286	37,018	0	0
Deferred tax assets	11	2,628	2,541	0	0
Total non-current assets		57,253,070	58,679,144	57,190,288	58,613,726
<b>CURRENT ASSETS</b>					
Properties under development	12	12,451,600	7,771,236	12,451,600	7,771,236
Properties for sale	13	1,213,219	1,719,917	1,213,219	1,719,917
Inventories of building materials		46,233	46,465	43,033	43,199
Loans receivable within 1 year	8	2,447,166	2,597,421	2,447,081	2,597,367
Government grant receivable	14	1,011,071	929,758	1,011,071	929,758
Trade and other receivables	15	1,125,030	1,185,097	1,096,988	1,153,597
Cash and bank balances	16	141,714	112,535	81,171	45,760
Total current assets		18,436,033	14,362,429	18,344,163	14,260,834
<i>Less:</i>					
<b>CURRENT LIABILITIES</b>					
Loans payable within 1 year	17	7,439,234	8,301,367	7,439,234	8,301,367
Trade and other payables	18	2,830,310	2,397,156	2,807,318	2,362,464
Amount due to subsidiary		0	0	502	1,160
Provision for income tax	11	4,208	5,900	0	0
Total current liabilities		10,273,752	10,704,423	10,247,054	10,664,991
<b>NET CURRENT ASSETS</b>		<b>8,162,281</b>	<b>3,658,006</b>	<b>8,097,109</b>	<b>3,595,843</b>

# HOUSING AND DEVELOPMENT BOARD AND ITS SUBSIDIARIES

## BALANCE SHEETS AS AT 31 MARCH 2013 *(continued)*

	<i>Note</i>	<i>Group</i>		<i>HDB</i>	
		<i>31 March</i>	<i>31 March</i>	<i>31 March</i>	<i>31 March</i>
		<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
		<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
NON-CURRENT LIABILITIES					
Loans payable	17	49,522,736	46,709,320	49,526,736	46,709,320
Deferred income	19	881,640	829,364	881,640	829,364
Total non-current liabilities		50,404,376	47,538,684	50,408,376	47,538,684
NET ASSETS		15,010,975	14,798,466	14,879,021	14,670,885

The accompanying notes form part of the financial statements.



JAMES KOH CHER SIANG  
*Chairman*



AUDREY LEONG YUE YOKE  
*Group Director (Finance)*

30 May 2013

# HOUSING AND DEVELOPMENT BOARD AND ITS SUBSIDIARIES

## INCOME AND EXPENDITURE STATEMENTS YEAR ENDED 31 MARCH 2013

	Note	Group						HDB					
		2012/2013			2011/2012			2012/2013			2011/2012		
		<i>Housing</i>	<i>Other Activities</i>	<i>Total</i>	<i>Housing</i>	<i>Other Activities</i>	<i>Total</i>	<i>Housing</i>	<i>Other Activities</i>	<i>Total</i>	<i>Housing</i>	<i>Other Activities</i>	<i>Total</i>
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Sale proceeds	26	3,127,737	0	3,127,737	3,465,269	12,376	3,477,645	3,127,737	0	3,127,737	3,465,269	12,376	3,477,645
Cost of sales before net increase/decrease in provision for foreseeable loss		(3,335,428)	0	(3,335,428)	(4,194,237)	0	(4,194,237)	(3,335,428)	0	(3,335,428)	(4,194,237)	0	(4,194,237)
Gross (loss)/profit on sales	26	(207,691)	0	(207,691)	(728,968)	12,376	(716,592)	(207,691)	0	(207,691)	(728,968)	12,376	(716,592)
Net (increase)/decrease in provision for foreseeable loss	22	(249,743)	0	(249,743)	639,354	0	639,354	(249,743)	0	(249,743)	639,354	0	639,354
Gross (loss)/profit after net increase/decrease in provision for foreseeable loss		(457,434)	0	(457,434)	(89,614)	12,376	(77,238)	(457,434)	0	(457,434)	(89,614)	12,376	(77,238)
Income	20	1,858,762	1,207,584	3,066,346	1,872,361	1,168,175	3,040,536	1,859,310	1,101,312	2,960,622	1,873,306	1,046,110	2,919,416
Financial expenses	21	(1,136,350)	(72,859)	(1,209,209)	(1,204,145)	(73,416)	(1,277,561)	(1,136,370)	(72,859)	(1,209,229)	(1,204,145)	(73,416)	(1,277,561)
Operating expenses	22,23	(1,604,486)	(405,770)	(2,010,256)	(1,513,718)	(364,385)	(1,878,103)	(1,620,745)	(292,723)	(1,913,468)	(1,552,170)	(221,108)	(1,773,278)
Other expenses	22	(177,718)	0	(177,718)	(234,800)	0	(234,800)	(177,718)	0	(177,718)	(234,800)	0	(234,800)



# HOUSING AND DEVELOPMENT BOARD AND ITS SUBSIDIARIES

## INCOME AND EXPENDITURE STATEMENTS *(continued)*

YEAR ENDED 31 MARCH 2013

	<i>Note</i>	<i>Group</i>						<i>HDB</i>					
		<i>2012/2013</i>			<i>2011/2012</i>			<i>2012/2013</i>			<i>2011/2012</i>		
		<i>Housing</i>	<i>Other Activities</i>	<i>Total</i>	<i>Housing</i>	<i>Other Activities</i>	<i>Total</i>	<i>Housing</i>	<i>Other Activities</i>	<i>Total</i>	<i>Housing</i>	<i>Other Activities</i>	<i>Total</i>
NET (DEFICIT)/ SURPLUS BEFORE GOVERNMENT GRANT AND TAXATION	26	(1,517,226)	728,955	(788,271)	(1,169,916)	742,750	(427,166)	(1,532,957)	735,730	(797,227)	(1,207,423)	763,962	(443,461)
Government grant	14			1,042,913			746,605			1,042,913			746,605
NET SURPLUS BEFORE TAXATION AND TRANSFER TO RESERVES				254,642			319,439			245,686			303,144
Income tax expense	11			(3,533)			(5,579)			0			0
NET SURPLUS FOR THE YEAR BEFORE TRANSFER TO RESERVES				251,109			313,860			245,686			303,144

The accompanying notes form part of the financial statements. Additional information of segments under “Housing” and “Other Activities” is provided in Note 26.

# HOUSING AND DEVELOPMENT BOARD AND ITS SUBSIDIARIES

## INCOME AND EXPENDITURE STATEMENTS *(continued)*

YEAR ENDED 31 MARCH 2013

Note	Group						HDB					
	2012/2013			2011/2012			2012/2013			2011/2012		
	<i>Other</i>			<i>Other</i>			<i>Other</i>			<i>Other</i>		
	<i>Housing</i>	<i>Activities</i>	<i>Total</i>	<i>Housing</i>	<i>Activities</i>	<i>Total</i>	<i>Housing</i>	<i>Activities</i>	<i>Total</i>	<i>Housing</i>	<i>Activities</i>	<i>Total</i>
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ATTRIBUTABLE TO:												
Equity holder of the HDB			247,145			309,290			245,686			303,144
Non-controlling interests			3,964			4,570			0			0
AMOUNT ATTRIBUTABLE TO EQUITY HOLDER OF THE HDB:												
NET SURPLUS FOR THE YEAR BEFORE TRANSFER TO RESERVES			247,145			309,290			245,686			303,144
RETAINED EARNINGS AT THE BEGINNING OF THE YEAR			86,001			79,855			0			0
Release of asset revaluation reserve			34,530			42,954			34,530			42,954
Transfer to capital gains reserve			(280,216)			(346,098)			(280,216)			(346,098)
RETAINED EARNINGS AT THE END OF THE YEAR			87,460			86,001			0			0

The accompanying notes form part of the financial statements. Additional information of segments under “Housing” and “Other Activities” is provided in Note 26.

## HOUSING AND DEVELOPMENT BOARD AND ITS SUBSIDIARIES

### STATEMENTS OF COMPREHENSIVE INCOME YEAR ENDED 31 MARCH 2013

	<u>Group</u>		<u>HDB</u>	
	<u>2012/2013</u>	<u>2011/2012</u>	<u>2012/2013</u>	<u>2011/2012</u>
	<i>Total</i>	<i>Total</i>	<i>Total</i>	<i>Total</i>
	\$'000	\$'000	\$'000	\$'000
NET SURPLUS FOR THE YEAR BEFORE TRANSFER TO RESERVES	251,109	313,860	245,686	303,144
OTHER COMPREHENSIVE INCOME				
Net reversal of impairment losses previously charged to asset revaluation reserve	1,498	2,219	1,498	2,219
Adjustment for assets capitalised in prior year	0	(4,859)	0	(4,859)
Fair value gains on available-for-sale investment	2,950	45	0	0
Reclassification to income and expenditure statement from equity on impairment of available-for-sale investment	0	1,566	0	0
Foreign currency translation reserve realised on liquidation of associate	0	28	0	0
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	4,448	(1,001)	1,498	(2,640)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	255,557	312,859	247,184	300,504
ATTRIBUTABLE TO:				
Equity holder of the HDB	250,856	307,879	247,184	300,504
Non-controlling interests	4,701	4,980	0	0
	255,557	312,859	247,184	300,504

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 2013

<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>
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Balance as at 1 April 2011</i>	1	2,468,125	6,270,834	5,683,193	(21)	3,209	79,855	14,505,196	29,683	14,534,879
Net surplus for the year before transfer to reserves	0	0	0	0	0	0	309,290	309,290	4,570	313,860
<i>Other comprehensive income</i>										
Net reversal of impairment losses previously charged to asset revaluation reserve	0	0	0	2,219	0	0	0	2,219	0	2,219
Adjustment for assets capitalised in prior year	0	(25)	0	(4,834)	0	0	0	(4,859)	0	(4,859)
Fair value gains on available-for-sale investment	0	0	0	0	0	34	0	34	11	45
Reclassification to income and expenditure statement from equity on impairment of available-for-sale investment	0	0	0	0	0	1,174	0	1,174	392	1,566
Foreign currency translation reserve realised on liquidation of associate	0	0	0	0	21	0	0	21	7	28
<i>Other comprehensive income for the year, net of tax</i>	0	(25)	0	(2,615)	21	1,208	0	(1,411)	410	(1,001)
<i>Total comprehensive income for the year</i>	0	(25)	0	(2,615)	21	1,208	309,290	307,879	4,980	312,859
Transfer from retained earnings to capital gains reserve	0	0	346,098	0	0	0	(346,098)	0	0	0
Release of asset revaluation reserve on disposal of assets	0	0	0	(42,954)	0	0	42,954	0	0	0
Return of reserves to the Government	0	0	(47,272)	0	0	0	0	(47,272)	0	(47,272)
Non-controlling interests' share of dividend from subsidiary	0	0	0	0	0	0	0	0	(2,000)	(2,000)
<b>BALANCE AS AT 31 MARCH 2012</b>	<b>1</b>	<b>2,468,100</b>	<b>6,569,660</b>	<b>5,637,624</b>	<b>0</b>	<b>4,417</b>	<b>86,001</b>	<b>14,765,803</b>	<b>32,663</b>	<b>14,798,466</b>

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 2013

<i>Group</i>	<u>Share Capital</u>	<u>Capital Account</u>	<u>Capital Gains Reserve</u>	<u>Asset Revaluation Reserve</u>	<u>Foreign Currency Translation Reserve</u>	<u>Fair Value Reserve</u>	<u>Retained Earnings</u>	<u>Attributable to Equity Holder of the HDB</u>	<u>Non- controlling Interests</u>	<u>Total Capital and Reserves</u>
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Balance as at 1 April 2012</i>	1	2,468,100	6,569,660	5,637,624	0	4,417	86,001	14,765,803	32,663	14,798,466
Net surplus for the year before transfer to reserves	0	0	0	0	0	0	247,145	247,145	3,964	251,109
<i>Other comprehensive income</i>										
Net reversal of impairment losses previously charged to asset revaluation reserve	0	0	0	1,498	0	0	0	1,498	0	1,498
Fair value gains on available-for-sale investment	0	0	0	0	0	2,213	0	2,213	737	2,950
<i>Other comprehensive income for the year, net of tax</i>	0	0	0	1,498	0	2,213	0	3,711	737	4,448
<i>Total comprehensive income for the year</i>	0	0	0	1,498	0	2,213	247,145	250,856	4,701	255,557
Transfer from retained earnings to capital gains reserve	0	0	280,216	0	0	0	(280,216)	0	0	0
Release of asset revaluation reserve on disposal of assets	0	0	0	(34,530)	0	0	34,530	0	0	0
Return of reserves to the Government	0	0	(39,048)	0	0	0	0	(39,048)	0	(39,048)
Non-controlling interests' share of dividend from subsidiary	0	0	0	0	0	0	0	0	(4,000)	(4,000)
<b>BALANCE AS AT 31 MARCH 2013</b>	<b>1</b>	<b>2,468,100</b>	<b>6,810,828</b>	<b>5,604,592</b>	<b>0</b>	<b>6,630</b>	<b>87,460</b>	<b>14,977,611</b>	<b>33,364</b>	<b>15,010,975</b>

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 2013**

	<u>Share Capital</u>	<u>Capital Account</u>	<u>Capital Gains Reserve</u>	<u>Asset Revaluation Reserve</u>	<u>Retained Earnings</u>	<u>Total Capital and Reserves</u>
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>HDB</i>						
<i>Balance as at 1 April 2011</i>	1	2,463,625	6,270,834	5,683,193	0	14,417,653
Net surplus for the year before transfer to reserves	0	0	0	0	303,144	303,144
<i>Other comprehensive income</i>						
Net reversal of impairment losses previously charged to asset revaluation reserve	0	0	0	2,219	0	2,219
Adjustment for assets capitalised in prior years	0	(25)	0	(4,834)	0	(4,859)
<i>Other comprehensive income for the year, net of tax</i>	0	(25)	0	(2,615)	0	(2,640)
<i>Total comprehensive income for the year</i>	0	(25)	0	(2,615)	303,144	300,504
Transfer from retained earnings to capital gains reserve	0	0	346,098	0	(346,098)	0
Release of asset revaluation reserve on disposal of assets	0	0	0	(42,954)	42,954	0
Return of reserves to the Government	0	0	(47,272)	0	0	(47,272)
<b>BALANCE AS AT 31 MARCH 2012</b>	1	2,463,600	6,569,660	5,637,624	0	14,670,885

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 2013

	<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>
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>HDB</i>						
<i>Balance as at 1 April 2012</i>	1	2,463,600	6,569,660	5,637,624	0	14,670,885
Net surplus for the year before transfer to reserves	0	0	0	0	245,686	245,686
<i>Other comprehensive income</i>						
Net reversal of impairment losses previously charged to asset revaluation reserve	0	0	0	1,498	0	1,498
<i>Other comprehensive income for the year, net of tax</i>	0	0	0	1,498	0	1,498
<i>Total comprehensive income for the year</i>	0	0	0	1,498	245,686	247,184
Transfer from retained earnings to capital gains reserve	0	0	280,216	0	(280,216)	0
Release of asset revaluation reserve on disposal of assets	0	0	0	(34,530)	34,530	0
Return of reserves to the Government	0	0	(39,048)	0	0	(39,048)
<b>BALANCE AS AT 31 MARCH 2013</b>	<b>1</b>	<b>2,463,600</b>	<b>6,810,828</b>	<b>5,604,592</b>	<b>0</b>	<b>14,879,021</b>

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 2013**

	<i>Note</i>	<i>2012/2013</i>	<i>Group</i> <i>2011/2012</i>
		\$'000	\$'000
<b>OPERATING ACTIVITIES</b>			
Net deficit before government grant and taxation		(788,271)	(427,166)
Adjustments for:			
Interest income	20	(1,058,006)	(1,128,120)
Interest expense	21	1,206,567	1,276,680
Depreciation	22	350,805	344,511
Additional/Special CPF Housing Grant netted off against sale proceeds on sale of the flat	26	103,555	80,646
Provision for foreseeable loss for properties under development/for sale	22	752,848	343,932
Impairment loss on available-for-sale investment	22	0	1,566
Loss on disposal/write-off of assets (net)		5,933	6,285
Reversal of impairment losses on property, plant and equipment and investment properties (net)	22	(142,677)	(172,559)
Allowance for impairment losses and amount written off on loans receivable and debtors	22	6,169	4,894
Amortisation of deferred income		(112,379)	(101,262)
Amortisation of transaction cost of bonds	21	2,642	881
Loss on disposal of investments		138	144
Investment income	20	(2,091)	(1,908)
Loss on liquidation of associate		0	50
Surplus before movement in working capital		325,233	228,574
(Increase)/Decrease in working capital:			
Properties under development		(7,607,027)	(6,844,535)
Properties for sale		2,813,807	3,779,064
Inventories of building materials		232	66
Trade and other receivables		(48,891)	(404,433)
Trade and other payables		428,542	633,512
Late payment charges on loans receivable		1,714	879
		(4,411,623)	(2,835,447)
Mortgage loan repayments and interest received		6,553,638	6,549,188
Mortgage loans granted		(3,226,730)	(3,355,414)
Interest paid on mortgage financing loans		(1,024,581)	(1,002,669)
Income tax paid	11	(5,312)	(4,403)
Deferred income received		169,616	160,977
Net cash used in operating activities		(1,619,759)	(259,194)



# HOUSING AND DEVELOPMENT BOARD AND ITS SUBSIDIARIES

## CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)* YEAR ENDED 31 MARCH 2013

	<i>Note</i>	<i>Group</i> <u>2012/2013</u> \$'000	<u>2011/2012</u> \$'000
INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment, and investment properties		45,318	8,439
Purchase of property, plant and equipment, and investment properties		(993,956)	(784,805)
Interest received		324	413
Dividends received from other investments		2,091	1,908
Proceeds from redemption/disposal of other investments		13,781	5,904
Purchase of investments		(11,237)	(3,722)
Net cash used in investing activities		(943,679)	(771,863)
FINANCING ACTIVITIES			
Proceeds from loans payable		28,586,639	23,396,799
Repayment of loans payable		(26,647,072)	(23,719,055)
Interest paid		(304,205)	(294,906)
Net government grant received		961,600	1,651,365
Dividends paid to non-controlling shareholders		(4,000)	(2,000)
Net cash from financing activities		2,592,962	1,032,203
Net increase in cash and cash equivalents		29,524	1,146
Cash and cash equivalents at the beginning of year		97,339	96,193
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	16	126,863	97,339

The accompanying notes form part of the financial statements.

## HOUSING AND DEVELOPMENT BOARD AND ITS SUBSIDIARIES

### NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH 2013

#### 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, 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 2013 were authorised for issue by members of its Board on 30 May 2013.

#### 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.

**ADOPTION OF NEW AND REVISED STANDARDS** — On 1 April 2012, the Group has adopted all the new and revised SB-FRSs, INT SB-FRSs and Guidance Notes that are relevant to its operations. 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.

At the date of authorisation of these financial statements, the following new/revised SB-FRSs, INT SB-FRS and Amendments to SB-FRS that are relevant to the Group and HDB were issued but not effective:

- Amendments to SB-FRS 1 Presentation of Financial Statements – *Amendments relating to Presentation of Items of Other Comprehensive Income (“OCI”)*
- SB-FRS 110 *Consolidated Financial Statements* and SB-FRS 27 *Consolidated and Separate Financial Statements*
- Amendments to SB-FRS 32 *Financial Instruments: Presentation* and SB-FRS 107 *Financial Instruments: Disclosure – Offsetting Financial Assets and Financial Liabilities*
- SB-FRS 113 *Fair Value Measurement*

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

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

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, except for the following:

#### *SB-FRS 113 Fair Value Measurement*

SB-FRS 113 is a single new standard that applies to both financial and non-financial items. It replaces the guidance on fair value measurement and related disclosures in other standards, with the exception of measurement dealt with under SB-FRS 102 Share-based Payment, SB-FRS 17 Leases, net realisable value in SB-FRS 2 Inventories and value-in-use in SB-FRS 36 Impairment of Assets.

SB-FRS 113 provides a common fair value definition and hierarchy applicable to the fair value measurement of assets, liabilities, and an entity's own equity instruments within its scope, but does not change in the requirements in other standard regarding which items should be measured or disclosed at fair value.

The disclosure requirements in SB-FRS 113 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under SB-FRS 107 Financial Instruments: Disclosures will be extended by SB-FRS 113 to cover all assets and liabilities within its scope.

SB-FRS 113 will be effective prospectively from annual periods beginning on or after 1 January 2013. Comparative information is not required for periods before initial application.

### *(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.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interest of non-controlling shareholders that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation 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. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another SB-FRS. 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.

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

### *(c) 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.

#### *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 10. 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.

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

### *(c) Financial Instruments (continued)*

#### *(i) Financial assets (continued)*

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.

#### *(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 [Note 2(n)].

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

### *(c) Financial Instruments (continued)*

#### *(ii) Financial liabilities and equity instruments (continued)*

##### *Derecognition of financial liabilities*

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

### *(d) 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.

### *(e) 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 10 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.

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

### (e) *Property, Plant and Equipment (continued)*

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 \$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.

### (f) *Investment Properties*

Investment properties, comprising commercial complexes, industrial properties and land, 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(e).

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.

### (g) *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.

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

### (h) *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 the income and expenditure statement. The net realisable value is the estimated selling price (net of Additional CPF Housing Grant and Special CPF Housing Grant [Note 2(r)]) in the ordinary course of business. The provision is transferred to the properties for sale on completion and released when the flat is sold.

### (i) *Properties for Sale*

Properties for sale are stated at the lower of cost and net realisable value. Selling price and cost are on specific identification. The net realisable value is the estimated selling price (net of Additional CPF Housing Grant and Special CPF Housing Grant [Note 2(r)]) in the ordinary course of business.

Foreseeable loss for flats developed or acquired is provided for the difference between the cost and net realisable value, and charged to the income and expenditure statement. The provision for foreseeable loss is released on sale of the flat.

### (j) *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.

### (k) *Government Grant*

The HDB's deficit is fully covered 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.

The government grant is recognised as income on an accrual basis when conditions are met. The government grant is received in advance, except for the grant to finance the provision for foreseeable loss on properties under development/for sale and impairment allowance of loans receivable. The amount to finance the foreseeable loss provision and impairment allowance is received when the loss is realised.

The cumulative grants received from the Government since the establishment of the HDB are disclosed in Note 24 to the financial statements.

### (l) *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.



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

### (l) *Provisions (continued)*

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.

### (m) *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 (net of Additional CPF Housing Grant and Special CPF Housing Grant [Note 2(r)]) from sale of flats, proceeds from sale of 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(d)(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.

#### (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.

### (n) *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(c)(ii)]. Financial expenses, comprising interest incurred on the loans and bonds,

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

### *(n) Financial Expenses (continued)*

#### *(i) Housing Development Loans, Bank Loans and Bonds (continued)*

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.

### *(o) Defined Contribution Plans: Singapore Central Provident Fund (CPF) Contributions*

Contributions on the Group's employees' salaries are made to the CPF as required by law. The CPF contributions are recognised in the income and expenditure statement in the period when the employees rendered their services entitling them to the contributions. The Group has no further payment obligations once the contributions have been paid.

### *(p) 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.

### *(q) Income Tax*

The HDB is exempt from tax under Section 13(1)(e) of the Income Tax Act (Cap. 134, 2008 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.

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.

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

### *(q) Income Tax (continued)*

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.

### *(r) CPF Housing Grant*

Under the CPF Housing Grant scheme, grants are disbursed to eligible households for purchase of flats in accordance with the approved housing policy.

The Additional CPF Housing Grant and Special CPF Housing Grant [Note 2(m)(i)] disbursed to eligible households for the purchase of flats from HDB are recognised as trade and other receivables on disbursement, and netted off against the sale proceeds on sale of the flat.

The other CPF Housing Grants are recognised as expenses on disbursement to eligible households and reported as other expenses in the income and expenditure statement.

## 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 fair value less cost to sell 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.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (*continued*)(c) *Foreseeable Losses relating to Properties under Development*

Estimated selling price (net of Additional CPF Housing Grant and Special CPF Housing Grant) [Note 2(m)(i)] 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 12 to the financial statements.

(d) *Useful Lives of Property, Plant and Equipment*

As described in Note 2(e), 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:

	<u>Group</u>		<u>HDB</u>	
	<u>31 March 2013</u>	<u>31 March 2012</u>	<u>31 March 2013</u>	<u>31 March 2012</u>
	\$'000	\$'000	\$'000	\$'000
<i>Financial Assets</i>				
Held-to-maturity debt securities	1,002	1,002	0	0
Loans and receivables (including cash and bank balances) <sup>(1)</sup>	40,396,164	42,618,058	40,315,447	42,522,961
Available-for-sale securities	36,284	36,016	0	0
	<u>40,396,164</u>	<u>42,618,058</u>	<u>40,315,447</u>	<u>42,522,961</u>
<i>Financial Liabilities</i> <i>(at amortised cost)</i>				
Loans payable	56,961,970	55,010,687	56,965,970	55,010,687
Payables (including amount due to subsidiary) <sup>(2)</sup>	1,208,548	1,405,807	1,186,058	1,372,275
	<u>1,208,548</u>	<u>1,405,807</u>	<u>1,186,058</u>	<u>1,372,275</u>

<sup>(1)</sup> Excludes prepayments.

<sup>(2)</sup> Excludes downpayment deposits and advances, deferred income and provisions.

#### 4. FINANCIAL RISKS AND MANAGEMENT *(continued)*

*(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 15 to the financial statements respectively.

##### *(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% (2011/2012 : 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 \$5.1 million (2011/2012 : \$5.3 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 10 to the financial statements.

4. FINANCIAL RISKS AND MANAGEMENT (*continued*)(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>
	\$'000	\$'000	\$'000	\$'000	\$'000
<u>Group</u>					
<i>31 March 2013</i>					
Loans payable	8,730,377	28,133,205	28,439,431	(8,341,043)	56,961,970
Payables <sup>(1)</sup>	1,208,548	0	0	0	1,208,548
<i>31 March 2012</i>					
Loans payable	9,586,497	25,252,418	28,611,016	(8,439,244)	55,010,687
Payables <sup>(1)</sup>	1,405,807	0	0	0	1,405,807
<u>HDB</u>					
<i>31 March 2013</i>					
Loans payable	8,730,377	28,135,205	28,441,431	(8,341,043)	56,965,970
Payables (including amount due to subsidiary) <sup>(1)</sup>	1,186,058	0	0	0	1,186,058
<i>31 March 2012</i>					
Loans payable	9,586,497	25,252,418	28,611,016	(8,439,244)	55,010,687
Payables (including amount due to subsidiary) <sup>(1)</sup>	1,372,275	0	0	0	1,372,275

<sup>(1)</sup> Excludes downpayment deposits and advances, deferred income and provisions.

4. FINANCIAL RISKS AND MANAGEMENT (*continued*)(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:

	<u>Total</u>	<u>Group</u>	<u>Level 1</u>
	\$'000		\$'000
<i>31 March 2013</i>			
Available-for-sale investments	36,284		36,284
<i>31 March 2012</i>			
Available-for-sale investments	36,016		36,016

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 \$1,000 equity contribution in 2008/2009 from the Minister for Finance, the body incorporated by the Minister for Finance (Incorporation) Act.

### (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 properties returned to the Government under Article 22B(9) of the Constitution, 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.

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>
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Cost</i>								
At 1 April 2011	103,999	11,293,761	7,043,879	24,698	1,015,221	11,451	53,645	19,546,654
Additions	363	14,578	13,038	0	731,785	107	3,157	763,028
Disposals/Write-off	(1,445)	(62,269)	(27,082)	0	(715)	(17)	(1,343)	(92,871)
Transfer from investment properties	0	2,422	0	0	0	0	0	2,422
Transfer from/(to) properties for sale	3,457	(7,480)	(3,159)	0	0	0	0	(7,182)
Reclassifications	0	220,087	570,228	0	(790,315)	3	(3)	0
At 31 March 2012	106,374	11,461,099	7,596,904	24,698	955,976	11,544	55,456	20,212,051
<i>Accumulated depreciation and impairment losses</i>								
At 1 April 2011	0	2,074,905	1,798,861	2,373	658	10,354	42,226	3,929,377
Depreciation	0	119,881	139,101	837	0	310	4,180	264,309
Disposals/Write-off	0	(14,011)	(11,461)	0	0	(17)	(1,321)	(26,810)
Transfer from investment properties	0	567	0	0	0	0	0	567
Transfer to properties for sale	0	(561)	(1,034)	0	0	0	0	(1,595)
Reclassifications	0	(243)	0	0	243	2	(2)	0
Reversal of impairment losses	0	(2,536)	(523)	0	0	0	0	(3,059)
At 31 March 2012	0	2,178,002	1,924,944	3,210	901	10,649	45,083	4,162,789
<i>Carrying amount:</i>								
At 31 March 2012	106,374	9,283,097	5,671,960	21,488	955,075	895	10,373	16,049,262

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>
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Cost</i>								
At 1 April 2012	106,374	11,461,099	7,596,904	24,698	955,976	11,544	55,456	20,212,051
Additions	201	3,560	3,176	0	937,020	96	3,181	947,234
Disposals/Write-off	(5,330)	(48,925)	(44,080)	0	(528)	(478)	(3,764)	(103,105)
Transfer from investment properties	0	16,697	4,971	0	0	0	0	21,668
Transfer from/(to) properties for sale	(289)	(2,805)	(2,517)	0	0	0	0	(5,611)
Reclassifications	3,392	114,828	308,708	0	(426,899)	0	(29)	0
At 31 March 2013	104,348	11,544,454	7,867,162	24,698	1,465,569	11,162	54,844	21,072,237
<i>Accumulated depreciation and impairment losses</i>								
At 1 April 2012	0	2,178,002	1,924,944	3,210	901	10,649	45,083	4,162,789
Depreciation	0	123,379	140,602	837	0	296	3,863	268,977
Disposals/Write-off	0	(12,113)	(28,125)	0	0	(478)	(3,763)	(44,479)
Transfer from investment properties	0	3,572	859	0	0	0	0	4,431
Transfer to properties for sale	0	(435)	(911)	0	0	0	0	(1,346)
Reclassifications	0	606	0	0	(606)	0	0	0
Reversal of impairment losses	0	(1,551)	(362)	0	0	0	0	(1,913)
At 31 March 2013	0	2,291,460	2,037,007	4,047	295	10,467	45,183	4,388,459
<i>Carrying amount:</i>								
At 31 March 2013	104,348	9,252,994	5,830,155	20,651	1,465,274	695	9,661	16,683,778

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>
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Cost</i>								
At 1 April 2011	103,999	11,293,761	7,010,163	24,698	1,015,221	11,100	49,048	19,507,990
Additions	363	14,578	12,582	0	730,799	107	2,372	760,801
Disposals/Write-off	(1,445)	(62,269)	(27,082)	0	(715)	(17)	(1,238)	(92,766)
Transfer from investment properties	0	2,422	0	0	0	0	0	2,422
Transfer from/(to) properties for sale	3,457	(7,480)	(3,159)	0	0	0	0	(7,182)
Reclassifications	0	220,087	570,228	0	(790,315)	3	(3)	0
At 31 March 2012	106,374	11,461,099	7,562,732	24,698	954,990	11,193	50,179	20,171,265
<i>Accumulated depreciation and impairment losses</i>								
At 1 April 2011	0	2,074,905	1,780,922	2,373	658	10,033	39,449	3,908,340
Depreciation	0	119,881	131,093	837	0	292	3,711	255,814
Disposals/Write-off	0	(14,011)	(11,461)	0	0	(17)	(1,221)	(26,710)
Transfer from investment properties	0	567	0	0	0	0	0	567
Transfer to properties for sale	0	(561)	(1,034)	0	0	0	0	(1,595)
Reclassifications	0	(243)	0	0	243	2	(2)	0
Reversal of impairment losses	0	(2,536)	(523)	0	0	0	0	(3,059)
At 31 March 2012	0	2,178,002	1,898,997	3,210	901	10,310	41,937	4,133,357
<i>Carrying amount:</i>								
At 31 March 2012	106,374	9,283,097	5,663,735	21,488	954,089	883	8,242	16,037,908

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>
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Cost</i>								
At 1 April 2012	106,374	11,461,099	7,562,732	24,698	954,990	11,193	50,179	20,171,265
Additions	201	3,560	2,311	0	935,906	96	3,000	945,074
Disposals/Write-off	(5,330)	(48,925)	(28,622)	0	(528)	(414)	(3,539)	(87,358)
Transfer from investment properties	0	16,697	4,971	0	0	0	0	21,668
Transfer from/(to) properties for sale	(289)	(2,805)	(2,517)	0	0	0	0	(5,611)
Reclassifications	3,392	114,828	307,722	0	(425,913)	0	(29)	0
At 31 March 2013	104,348	11,544,454	7,846,597	24,698	1,464,455	10,875	49,611	21,045,038
<i>Accumulated depreciation and impairment losses</i>								
At 1 April 2012	0	2,178,002	1,898,997	3,210	901	10,310	41,937	4,133,357
Depreciation	0	123,379	136,257	837	0	285	3,324	264,082
Disposals/Write-off	0	(12,113)	(12,667)	0	0	(414)	(3,539)	(28,733)
Transfer from investment properties	0	3,572	859	0	0	0	0	4,431
Transfer to properties for sale	0	(435)	(911)	0	0	0	0	(1,346)
Reclassifications	0	606	0	0	(606)	0	0	0
Reversal of impairment losses	0	(1,551)	(362)	0	0	0	0	(1,913)
At 31 March 2013	0	2,291,460	2,022,173	4,047	295	10,181	41,722	4,369,878
<i>Carrying amount:</i>								
At 31 March 2013	104,348	9,252,994	5,824,424	20,651	1,464,160	694	7,889	16,675,160

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 HDB for the holding costs of these properties. The net book value of these markets and hawker centres was \$403 million (2011/2012 : \$412 million).

The reversal of impairment losses in respect of certain commercial properties are recognised based on the estimated recoverable values, taking into account the recent tenders and market comparables for these properties.

## 7. INVESTMENT PROPERTIES

	<u>Group</u>	<u>HDB</u>
	\$'000	\$'000
<i>Cost</i>		
At 1 April 2011	6,730,795	6,711,668
Additions	20,547	20,547
Transfer to property, plant and equipment	(2,422)	(2,422)
At 31 March 2012	<u>6,748,920</u>	<u>6,729,793</u>
<i>Accumulated depreciation and impairment losses</i>		
At 1 April 2011	2,056,278	2,053,411
Depreciation	80,202	79,947
Transfer to property, plant and equipment	(567)	(567)
Reversal of impairment losses	(171,719)	(171,719)
At 31 March 2012	<u>1,964,194</u>	<u>1,961,072</u>
<i>Carrying amount</i>		
At 31 March 2012	<u><u>4,784,726</u></u>	<u><u>4,768,721</u></u>
<i>Fair value</i>		
At 31 March 2012	<u><u>14,234,317</u></u>	<u><u>14,202,137</u></u>

7. INVESTMENT PROPERTIES (*continued*)

	<u>Group</u>	<u>HDB</u>
	\$'000	\$'000
<i>Cost</i>		
At 1 April 2012	6,748,920	6,729,793
Additions	46,718	46,718
Disposals/Write-off	(35,987)	(35,987)
Transfer to property, plant and equipment	(21,668)	(21,668)
At 31 March 2013	<u>6,737,983</u>	<u>6,718,856</u>
<i>Accumulated depreciation and impairment losses</i>		
At 1 April 2012	1,964,194	1,961,072
Depreciation	81,828	81,573
Disposals/Write-off	(6,578)	(6,578)
Transfer to property, plant and equipment	(4,430)	(4,430)
Reversal of impairment losses	(142,263)	(142,263)
At 31 March 2013	<u>1,892,751</u>	<u>1,889,374</u>
<i>Carrying amount</i>		
At 31 March 2013	<u>4,845,232</u>	<u>4,829,482</u>
<i>Fair value</i>		
At 31 March 2013	<u>15,299,574</u>	<u>15,265,944</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(g) 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 \$581 million (2011/2012 : \$527 million). Direct operating expenses (including repairs and maintenance) arising from the rental-generating investment properties amounted to \$321 million (2011/2012 : \$261 million).

The reversal of impairment losses are recognised to reflect the estimated recoverable amount based on the prevailing market conditions.

## 8. LOANS RECEIVABLE

	<u>Group</u>		<u>HDB</u>	
	<u>31 March 2013</u>	<u>31 March 2012</u>	<u>31 March 2013</u>	<u>31 March 2012</u>
	\$'000	\$'000	\$'000	\$'000
<i>Loans receivable</i>				
Mortgage loans for flats	38,089,299	40,365,066	38,089,299	40,365,066
Late payment charges for mortgage loans	31,465	33,224	31,465	33,224
Staff loans	85	54	0	0
	38,120,849	40,398,344	38,120,764	40,398,290
<i>Deferred receivable</i>				
Upgrading costs due from lessees	90,319	92,210	90,319	92,210
	38,211,168	40,490,554	38,211,083	40,490,500
<i>Less:</i>				
Allowance for impairment losses	(79,856)	(87,536)	(79,856)	(87,536)
Balance as at 31 March	38,131,312	40,403,018	38,131,227	40,402,964
Represented by amount receivable:				
Within 1 year	2,447,166	2,597,421	2,447,081	2,597,367
Later than 1 year but not more than 2 years	2,131,787	2,196,673	2,131,787	2,196,673
Later than 2 years but not more than 5 years	6,407,590	6,619,004	6,407,590	6,619,004
Later than 5 years	27,144,769	28,989,920	27,144,769	28,989,920
	35,684,146	37,805,597	35,684,146	37,805,597
	38,131,312	40,403,018	38,131,227	40,402,964

The mortgage loans are granted to the buyers of flats under the public housing schemes (Note 17) 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.

8. LOANS RECEIVABLE (*continued*)

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

	<u>Group and HDB</u>	
	<u>31 March 2013</u>	<u>31 March 2012</u>
	\$'000	\$'000
Balance as at 1 April	87,536	94,673
Allowance for impairment losses	717	355
Bad debts written off against allowance	(8,397)	(7,492)
Balance as at 31 March	<u>79,856</u>	<u>87,536</u>

Interest rates and repayment terms on the loans are:

	<u>Interest rate</u> (per annum)	<u>Repayment term</u>
Mortgage loans granted to lessees for purchase of flats under public housing schemes	2.60% to 3.82% (2011/2012 : 2.60% to 3.82%)	Up to 30 years
Loans granted to staff	4.25% (2011/2012 : 4.25%)	Up to 7 years
Upgrading costs due from flat lessees	2.60% to 3.82% (2011/2012 : 2.60% to 3.82%)	Up to 25 years
Upgrading costs due from shop lessees	5% to 6.75% (2011/2012 : 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 \$6,765 million (2011/2012 : \$7,430 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 6.9 months (2011/2012 : 7.2 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 \$80 million (2011/2012 : \$88 million) representing 0.21% (2011/2012 : 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

	<u>HDB</u>	
	<u>31 March 2013</u>	<u>31 March 2012</u>
	\$'000	\$'000
<i>Subsidiary</i>		
E M Services Pte Ltd <sup>(a)</sup> (unquoted equity shares at cost)	<u>1,500</u>	<u>1,500</u>

	<u>Principal activities</u>	<u>Country of incorporation</u>	<u>Percentage of equity held by the Group</u>	
			<u>31 March 2013</u>	<u>31 March 2012</u>
			%	%
<i>Subsidiary of the HDB</i>				
E M Services Pte Ltd <sup>(a)</sup>	Property management and engineering services	Singapore	75	75
<i>Subsidiaries of E M Services Pte Ltd</i>				
E M Property Management Pte Ltd <sup>(a)</sup>	Property management	Singapore	100	100
Property Inc. Pte Ltd <sup>(a)</sup>	Real estate agency	Singapore	100	100

<sup>(a)</sup>Audited by Deloitte & Touche LLP.

## 10. OTHER INVESTMENTS

	<u>Group</u>	
	<u>31 March 2013</u>	<u>31 March 2012</u>
	\$'000	\$'000
<i>Non-current investments:</i>		
Held-to-maturity debt securities, at amortised cost	1,002	1,002
Available-for-sale equity securities (quoted), at fair value	25,067	36,016
Available-for-sale debt securities (quoted), at fair value	11,217	0
	<u>37,286</u>	<u>37,018</u>
Fair value of held-to-maturity debt securities	<u>1,002</u>	<u>1,002</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 6% (2011/2012 : 6%) per annum and mature in 2049.

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

## 11. INCOME TAX

(a) *Income tax expense*

	<u>Group</u>	
	<u>31 March 2013</u>	<u>31 March 2012</u>
	\$'000	\$'000
Current taxation:		
— Current year	4,206	5,900
— Overprovision in respect of prior years	(586)	(108)
	<u>3,620</u>	<u>5,792</u>
Deferred taxation	(87)	(213)
Total income tax expense	<u>3,533</u>	<u>5,579</u>
<i>Reconciliation of effective tax rate:</i>		
Net surplus before taxation	254,642	319,439
<i>Less:</i>		
Net surplus of HDB excluding intra-group transactions	(233,546)	(297,144)
Net surplus subject to taxation	<u>21,096</u>	<u>22,295</u>
Tax at statutory rate of 17% (2011/2012 : 17%)	3,586	3,790
Tax effect on non-deductible expenses	982	1,964
Exempt income	(76)	(61)
Tax concession and rebates	(373)	(6)
Overprovision in respect of prior years	(586)	(108)
	<u>3,533</u>	<u>5,579</u>

(b) *Movements in provision for income tax*

	<u>Group</u>	
	<u>31 March 2013</u>	<u>31 March 2012</u>
	\$'000	\$'000
Balance as at 1 April	5,900	4,511
Charge for the year	4,206	5,900
Payments made during the year	(5,312)	(4,403)
Overprovision in respect of prior years	(586)	(108)
Balance as at 31 March	<u>4,208</u>	<u>5,900</u>

11. 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 2011</i>	<i>Credited to Income and Expenditure Statement</i>	<i>At 31 March 2012</i>	<i>Credited/ (Charged) to Income and Expenditure Statement</i>	<i>At 31 March 2013</i>
	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Deferred tax (liabilities)/assets</i>					
Property, plant and equipment	178	(277)	(99)	(109)	(208)
<i>Total</i>	178	(277)	(99)	(109)	(208)
Provisions	2,150	490	2,640	196	2,836
<i>Total</i>	2,150	490	2,640	196	2,836
<i>Net deferred tax assets</i>	2,328	213	2,541	87	2,628

## 12. PROPERTIES UNDER DEVELOPMENT

	<i>Group and HDB</i>	
	<i>31 March 2013</i>	<i>31 March 2012</i>
	\$'000	\$'000
Land	10,602,648	6,649,023
Buildings	3,361,937	2,214,890
Upgrading works	125,416	147,375
	14,090,001	9,011,288
<i>Less:</i>		
Provision for foreseeable loss [Note 2(h)]	(1,638,401)	(1,240,052)
Balance as at 31 March	12,451,600	7,771,236

## 13. PROPERTIES FOR SALE

	<i>Group and HDB</i>	
	<i>31 March 2013</i>	<i>31 March 2012</i>
	\$'000	\$'000
Cost of properties	1,333,363	1,988,667
<i>Less:</i>		
Provision for foreseeable loss [Note 2(i)]	(120,144)	(268,750)
Balance as at 31 March	1,213,219	1,719,917

## 14. GOVERNMENT GRANT RECEIVABLE

	<i>Group and HDB</i>	
	<i>31 March 2013</i>	<i>31 March 2012</i>
	<i>\$'000</i>	<i>\$'000</i>
Balance as at 1 April	929,758	1,834,518
<i>Less:</i>		
Amount received	(961,600)	(1,651,365)
	(31,842)	183,153
Transfer from income and expenditure statement	1,042,913	746,605
Balance as at 31 March	1,011,071	929,758

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

## 15. TRADE AND OTHER RECEIVABLES

	<i>Group</i>		<i>HDB</i>	
	<i>31 March 2013</i>	<i>31 March 2012</i>	<i>31 March 2013</i>	<i>31 March 2012</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Trade receivables	1,069,271	1,136,634	1,050,359	1,113,394
<i>Less:</i>				
Allowance for impairment losses	(11,617)	(12,686)	(10,616)	(11,485)
	1,057,654	1,123,948	1,039,743	1,101,909
Other receivables	53,836	48,223	51,851	42,230
<i>Less:</i>				
Allowance for impairment losses	(26)	(26)	(26)	(26)
	53,810	48,197	51,825	42,204
Prepayments	12,963	12,350	5,010	9,118
Deposits	603	602	410	366
Balance as at 31 March	1,125,030	1,185,097	1,096,988	1,153,597

Included in the Group's trade receivables balance is the Additional CPF Housing Grant and Special CPF Housing Grant of \$587 million (2011/2012 : \$439 million) that had been disbursed to eligible households for the purchase of flats from HDB. The Additional/Special CPF Housing Grant disbursed in the current year amounted to \$252 million (2011/2012 : \$255 million). The amount disbursed will be netted off against the sale proceeds on sale of the flat [Notes 2(m)(i) & 2(r)].

Also included in the Group's trade receivables balance are debtors with a carrying amount of \$36 million (2011/2012 : \$50 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 3.6 months (2011/2012 : 2.7 months). The Group does not hold any collateral over these balances.

15. TRADE AND OTHER RECEIVABLES (*continued*)

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.

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

	<u>Group</u>		<u>HDB</u>	
	<u>31 March 2013</u>	<u>31 March 2012</u>	<u>31 March 2013</u>	<u>31 March 2012</u>
	\$'000	\$'000	\$'000	\$'000
Balance as at 1 April	12,712	11,984	11,511	11,620
Allowance for impairment losses	4,258	3,928	3,507	3,091
Bad debts written off against allowance	(5,327)	(3,200)	(4,376)	(3,200)
Balance as at 31 March	<u>11,643</u>	<u>12,712</u>	<u>10,642</u>	<u>11,511</u>

## 16. CASH AND BANK BALANCES

	<u>Group</u>		<u>HDB</u>	
	<u>31 March 2013</u>	<u>31 March 2012</u>	<u>31 March 2013</u>	<u>31 March 2012</u>
	\$'000	\$'000	\$'000	\$'000
Cash and bank balances	98,392	58,733	78,673	43,276
Fixed deposits	43,322	53,802	2,498	2,484
Balance as at 31 March	141,714	112,535	81,171	45,760
<i>Less:</i>				
Funds held in trust	(14,851)	(15,196)	(14,167)	(14,183)
Cash and cash equivalents as at 31 March	<u>126,863</u>	<u>97,339</u>	<u>67,004</u>	<u>31,577</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's 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 average effective interest of 0.27% (2011/2012 : 0.21%) per annum and for a tenure from 1 to 6 months (2011/2012 : 1 to 6 months).

## 17. LOANS PAYABLE

	<i>Group</i>		<i>HDB</i>	
	<i>31 March 2013</i>	<i>31 March 2012</i>	<i>31 March 2013</i>	<i>31 March 2012</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
<i>Government loans</i>				
Housing development loans	1,015,491	1,065,497	1,015,491	1,065,497
Mortgage financing loans	38,372,538	40,607,067	38,372,538	40,607,067
Upgrading financing loans	67,421	73,225	67,421	73,225
<i>Bonds</i>	39,455,450	41,745,789	39,455,450	41,745,789
Principal	14,386,000	9,245,000	14,390,000	9,245,000
Unamortised transaction cost	(27,323)	(9,371)	(27,323)	(9,371)
	14,358,677	9,235,629	14,362,677	9,235,629
<i>Bank loans (unsecured)</i>	2,954,000	3,844,500	2,954,000	3,844,500
	56,768,127	54,825,918	56,772,127	54,825,918
Interest payable	193,843	184,769	193,843	184,769
Balance as at 31 March	56,961,970	55,010,687	56,965,970	55,010,687
Represented by amount payable:				
Within 1 year	7,439,234	8,301,367	7,439,234	8,301,367
Later than 1 year but not more than 2 years	5,002,669	5,102,815	5,002,669	5,102,815
Later than 2 years but not more than 5 years	19,109,919	16,282,658	19,111,919	16,282,658
Later than 5 years	25,410,148	25,323,847	25,412,148	25,323,847
	49,522,736	46,709,320	49,526,736	46,709,320
	56,961,970	55,010,687	56,965,970	55,010,687
Fair value of bonds	14,792,829	9,608,794	14,796,953	9,608,794

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:

17. LOANS PAYABLE (*continued*)

	<u>Interest rate</u> (per annum)	<u>Repayment term</u>
Housing development loans	4.50% (2011/2012 : 4.50%)	20 years
Mortgage financing loans	2.50% to 3.28% (2011/2012 : 2.50% to 3.61%)	Up to 30 years
Upgrading financing loans	2.50% (2011/2012 : 2.50%)	10 years
Bank loans (unsecured)	0.40% to 0.54% (2011/2012 : 0.60% to 0.80%)	Within 1 year

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

<u>Series number</u>	<u>Principal</u> \$M	<u>Coupon rate(%)</u> (per annum)	<u>Effective interest rate(%)</u> (per annum)	<u>Tenure</u>	<u>Maturity</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
016	100	3.995	3.995	10 years	14 July 2016
018	250	3.622	3.622	10 years	18 October 2016
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
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
035	350	1.685	1.716	5 years	8 June 2016
036	400	1.005	1.015	3 years	1 August 2014
037	600	2.815	2.871	10 years	26 July 2021
038	625	1.010	1.051	5 years	19 September 2016
039	650	1.950	1.983	10 years	22 September 2021
040	600	1.830	1.851	7 years	21 November 2018
041	385	1.105	1.136	5 years	16 February 2017
042	360	1.165	1.186	5 years	24 April 2017
043	800	2.185	2.207	10 years	25 April 2022

17. LOANS PAYABLE (*continued*)

<i>Series number</i>	<i>Principal</i>	<i>Coupon rate(%)</i>	<i>Effective interest rate(%)</i>	<i>Tenure</i>	<i>Maturity</i>
	\$M	(per annum)	(per annum)		
044	500	1.520	1.573	7 years	18 June 2019
045	585	2.505	2.558	12 years	27 June 2024
046	450	1.110	1.203	5 years	30 August 2017
047	500	2.088	2.155	10 years	30 August 2022
048	600	0.760	0.811	3 years	2 November 2015
049	1,200	1.230	1.3129	5 years	30 January 2018
051	1,000	0.943	1.045	3 years	21 March 2016

## 18. TRADE AND OTHER PAYABLES

	<i>Group</i>		<i>HDB</i>	
	<i>31 March 2013</i>	<i>31 March 2012</i>	<i>31 March 2013</i>	<i>31 March 2012</i>
	\$'000	\$'000	\$'000	\$'000
Trade payables	1,084,189	977,550	1,061,197	942,858
Downpayment deposits and advances	1,489,861	864,416	1,489,861	864,416
Other deposits	124,359	428,257	124,359	428,257
Deferred income (Note 19)	111,891	106,930	111,891	106,930
Provisions	20,010	20,003	20,010	20,003
	<u>2,830,310</u>	<u>2,397,156</u>	<u>2,807,318</u>	<u>2,362,464</u>

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

The movements in provisions for the Group and HDB are:

	<i>Group</i>		<i>HDB</i>	
	<i>31 March 2013</i>	<i>31 March 2012</i>	<i>31 March 2013</i>	<i>31 March 2012</i>
	\$'000	\$'000	\$'000	\$'000
Balance as at 1 April	20,003	20,003	20,003	20,003
Provisions for the year	7	0	7	0
Balance as at 31 March	<u>20,010</u>	<u>20,003</u>	<u>20,010</u>	<u>20,003</u>



## 19. DEFERRED INCOME

	<i>Group and HDB</i>	
	<i>31 March 2013</i>	<i>31 March 2012</i>
	\$'000	\$'000
Within 1 year (Note 18)	111,891	106,930
After 1 year but within 5 years	226,986	213,140
After 5 years	654,654	616,224
	881,640	829,364
	993,531	936,294

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

## 20. INCOME

	<i>Group</i>		<i>HDB</i>	
	<i>2012/2013</i>	<i>2011/2012</i>	<i>2012/2013</i>	<i>2011/2012</i>
	\$'000	\$'000	\$'000	\$'000
Interest income	1,058,006	1,128,120	1,057,863	1,127,954
Rental and related income	1,092,644	1,057,242	1,051,849	1,004,870
Car park income	568,688	545,812	569,236	546,363
Recoveries for upgrading and others	101,471	95,742	101,471	95,742
Levy on resale flats and sales premium	42,491	32,284	42,491	32,284
Agency and consultancy fees	106,666	101,295	31,915	28,206
Gain on disposal of assets	10,099	2,605	10,092	2,611
Investment income	2,091	1,908	12,000	6,000
Fees and other income	84,190	75,528	83,705	75,386
	3,066,346	3,040,536	2,960,622	2,919,416

Investment income includes dividend income as follows:

	<i>Group</i>		<i>HDB</i>	
	<i>2012/2013</i>	<i>2011/2012</i>	<i>2012/2013</i>	<i>2011/2012</i>
	\$'000	\$'000	\$'000	\$'000
Dividend from:				
— Unquoted subsidiary	0	0	12,000	6,000
— Others	2,091	1,908	0	0

## 21. FINANCIAL EXPENSES

	<u>Group</u>		<u>HDB</u>	
	<u>2012/2013</u>	<u>2011/2012</u>	<u>2012/2013</u>	<u>2011/2012</u>
	\$'000	\$'000	\$'000	\$'000
Interest expense from:				
— Government loans	1,068,288	1,142,158	1,068,288	1,142,158
— Bank loans	14,191	34,920	14,191	34,920
— Bonds	255,381	202,142	255,401	202,142
	1,337,860	1,379,220	1,337,880	1,379,220
<i>Less:</i>				
Interest capitalised in assets and properties under development (Notes 6, 7 and 12)	(131,293)	(102,540)	(131,293)	(102,540)
Bond transaction cost amortisation	2,642	881	2,642	881
	1,209,209	1,277,561	1,209,229	1,277,561

During the financial year, interest capitalised as properties and assets under development amounted to \$131 million (2011/2012 : \$103 million) at an average capitalisation rate of 2.06% (2011/2012 : 2.21%).

## 22. EXPENSES BY NATURE

Expenses include the following:

	<u>Group</u>		<u>HDB</u>	
	<u>2012/2013</u>	<u>2011/2012</u>	<u>2012/2013</u>	<u>2011/2012</u>
	\$'000	\$'000	\$'000	\$'000
Provision for foreseeable loss for properties under development/ for sale	752,848	343,932	752,848	343,932
Release of foreseeable loss provided in previous years, upon sale	(503,105)	(983,286)	(503,105)	(983,286)
Net increase/(decrease) in provision for foreseeable loss	249,743	(639,354)	249,743	(639,354)
Upgrading	637,301	651,861	642,860	689,506
Improvements and demolition	127,523	90,583	127,523	90,583
Depreciation	350,805	344,511	345,655	335,761
Property tax	133,534	130,905	133,446	130,818
Reversal of impairment losses on property, plant and equipment, and investment properties	(142,677)	(172,559)	(142,677)	(172,559)
Allowance for impairment losses on loans receivable and debtors	4,975	4,283	4,224	3,446
Impairment loss on available-for-sale investment	0	1,566	0	0

22. EXPENSES BY NATURE (*continued*)

	<u>Group</u>		<u>HDB</u>	
	<u>2012/2013</u>	<u>2011/2012</u>	<u>2012/2013</u>	<u>2011/2012</u>
	\$'000	\$'000	\$'000	\$'000
Bad debts written off	1,194	611	334	102
Operating lease expenses	28,527	23,149	13,834	7,063
Manpower costs	548,352	501,582	484,338	443,675
Manpower costs and overheads capitalised in:				
— properties and assets under development	(27,671)	(18,659)	(27,671)	(18,659)
— inventories of building materials	(1,220)	(1,650)	(1,220)	(1,650)
CPF Housing Grant [Note 2(r)]	177,718	234,800	177,718	234,800

## 23. MANPOWER COSTS

	<u>Group</u>		<u>HDB</u>	
	<u>2012/2013</u>	<u>2011/2012</u>	<u>2012/2013</u>	<u>2011/2012</u>
	\$'000	\$'000	\$'000	\$'000
Salaries and bonuses	472,803	435,376	417,872	384,933
Contribution to CPF	56,109	47,891	47,866	41,358
Staff benefits	9,535	9,172	8,981	8,520
Training/development costs and others	9,905	9,143	9,619	8,864
	548,352	501,582	484,338	443,675

## 24. GOVERNMENT GRANT

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

	<u>HDB</u>	
	<u>2012/2013</u>	<u>2011/2012</u>
	\$'000	\$'000
Total grant as at 1 April	21,331,856	20,585,251
Grant for the financial year (Note 14)	1,042,913	746,605
Total grant as at 31 March	22,374,769	21,331,856

## 25. SIGNIFICANT RELATED PARTY TRANSACTIONS

Some of HDB's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties is reflected in these financial statements. The balances are unsecured, interest-free and repayable on demand unless otherwise stated.

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>2012/2013</i>	<i>2011/2012</i>
	<i>\$'000</i>	<i>\$'000</i>
(i) <i>HDB's transactions with:</i>		
<i>Subsidiaries</i>		
Property management	(4,275)	(3,559)
Mechanical and electrical services	(16,259)	(38,282)
Rental income	3,235	9,977
<i>MND</i>		
Agency fee and other income	21,044	27,259
<i>Singapore Land Authority, as an agent for Ministry of Law</i>		
Purchase of land	(4,988,407)	(4,017,249)
Proceeds from return of land, flats and other properties to Government	40,926	47,272
Agency fees and other income	14,049	11,268
Temporary occupation licence fees	(4,044)	(4,033)
<i>National Environment Agency</i>		
Recoveries	13,601	14,338
<i>Council for Estate Agencies</i>		
Consultancy and support services fees	769	706
<i>Maritime and Port Authority of Singapore</i>		
Agency fee income	3,415	4,889
<i>Land Transport Authority</i>		
Agency fee income	1,449	0
<i>Other Ministries and Statutory Boards</i>		
Rental income and others	1,803	1,480
<i>Town Councils</i>		
Operating fee for car park maintenance expenses and others	(68,964)	(53,249)
(ii) <i>Subsidiaries' transactions with:</i>		
<i>Ministries, Town Councils and Statutory Boards</i>		
Estate management agency fee income	76,996	68,786
<i>Amounts due to related parties as at 31 March</i>	39,412	41,044
<i>Amounts due from related parties as at 31 March</i>	82,123	88,330

The outstanding amounts are unsecured. There are no guarantees provided or received in respect of the related party balances. For 2012/2013, the Group had not made any allowance for impairment relating to amounts owed by related parties (2011/2012 : \$Nil).

25. SIGNIFICANT RELATED PARTY TRANSACTIONS (*continued*)(iii) *Board Member and Key Management Personnel Remuneration*

The remuneration of Board Members/Directors and key management personnel during the year were as follows:

	<u>Group</u>		<u>HDB</u>	
	<u>2012/2013</u>	<u>2011/2012</u>	<u>2012/2013</u>	<u>2011/2012</u>
	\$'000	\$'000	\$'000	\$'000
Board Members' and directors' fees	306	201	203	191
Salaries and other short-term employee benefits	6,640	6,799	6,141	6,292
Contribution to CPF	202	185	192	175
	<u>7,148</u>	<u>7,185</u>	<u>6,536</u>	<u>6,658</u>

## 26. 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.

*Rental Flats Segment*

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

*Mortgage Financing Segment*

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

*Other Rental and Related Businesses Segment*

The Other Rental and Related Businesses segment focuses on the tenancy and management of commercial and industrial properties, and land owned by the HDB.

*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.

26. SEGMENTAL INFORMATION (*continued*)

2011/2012

	<i>Housing</i>							<i>Other Activities</i>				
	<i>Home</i>	<i>Upgrading</i>	<i>Residential</i>	<i>Rental</i>	<i>Mortgage</i>	<i>Eliminations</i>	<i>Total</i>	<i>Other Rental</i>	<i>Agency</i>	<i>Eliminations</i>	<i>Total</i>	<i>Group</i>
	<i>Ownership</i>		<i>Ancillary</i>	<i>Flats</i>	<i>Financing</i>		<i>Housing</i>	<i>and Related</i>	<i>and</i>		<i>Other</i>	
	\$'M	\$'M	\$'M	\$'M	\$'M	\$'M	\$'M	\$'M	\$'M	\$'M	\$'M	\$'M
Sale proceeds	3,255	0	291	0	0	0	3,546	12	0	0	12	3,558
Less: Additional/Special CPF Housing Grant [Notes 2(m)(i) & 2(r)]	(80)	0	0	0	0	0	(80)	0	0	0	0	(80)
Net sale proceeds	3,175	0	291	0	0	0	3,466	12	0	0	12	3,478
Cost of sales before net decrease in provision for foreseeable loss	(3,932)	0	(258)	0	0	(4)	(4,194)	0	0	0	0	(4,194)
Gross (loss)/profit on sales	(757)	0	33	0	0	(4)	(728)	12	0	0	12	(716)
Net decrease in provision for foreseeable loss	639	0	0	0	0	0	639	0	0	0	0	639
Gross (loss)/profit after net decrease in provision for foreseeable loss	(118)	0	33	0	0	(4)	(89)	12	0	0	12	(77)
External income:												
Interest income	0	3	0	0	1,125	0	1,128	0	0	0	0	1,128
Other income	62	82	551	43	6	0	744	1,000	168	0	1,168	1,912
Inter-segment	0	0	(4)	0	0	4	0	19	49	(68)	0	0
Total income	62	85	547	43	1,131	4	1,872	1,019	217	(68)	1,168	3,040
Net deficit before government grant and taxation	(411)	(625)	(100)	(57)	(24)	47	(1,170)	761	35	(53)	743	(427)
Government grant												746
Net surplus before taxation and transfer to reserves												319
Taxation												(5)
Net surplus for the year before transfer to reserves												314

26. SEGMENTAL INFORMATION (*continued*)

2011/2012

	Housing							Other Activities				
							Other Rental and Related Businesses	Agency and Others	Eliminations	Total Other Activities	Group	
	Home Ownership	Upgrading	Residential Ancillary Functions	Rental Flats	Mortgage Financing	Eliminations						Total Housing
	\$'M	\$'M	\$'M	\$'M	\$'M	\$'M	\$'M	\$'M	\$'M	\$'M	\$'M	\$'M
Segment expenses include:												
Financial expenses	(23)	(2)	(88)	0	(1,091)	0	(1,204)	(68)	(5)	0	(73)	(1,277)
CPF Housing Grant [Note 2(r)]	(235)	0	0	0	0	0	(235)	0	0	0	0	(235)
Upgrading	0	(675)	0	(12)	0	38	(649)	(3)	0	0	(3)	(652)
Improvements and demolition	(1)	(5)	(61)	0	0	0	(67)	(24)	0	0	(24)	(91)
Depreciation	(6)	0	(142)	(46)	(1)	0	(195)	(130)	(20)	0	(150)	(345)
Reversal of impairment losses on property, plant and equipment and investment properties	0	0	0	0	0	0	0	173	0	0	173	173
Allowance for impairment losses on loans receivable and debtors	0	0	0	(3)	0	0	(3)	0	(1)	0	(1)	(4)
Assets and liabilities												
Segment assets	10,562	343	9,148	2,793	40,383	0	63,229	7,695	1,071	0	8,766	71,995
Government grant receivable												930
Unallocated assets												117
Total assets												73,042
Segment liabilities	7,173	386	4,718	84	40,728	0	53,089	4,277	743	0	5,020	58,109
Unallocated liabilities												134
Total liabilities												58,243
Capital additions	261	0	241	165	0	0	667	112	5	0	117	784

26. SEGMENTAL INFORMATION (*continued*)

2012/2013

	<i>Housing</i>							<i>Other Activities</i>				
	<i>Home</i>	<i>Upgrading</i>	<i>Residential</i>	<i>Rental</i>	<i>Mortgage</i>	<i>Eliminations</i>	<i>Total</i>	<i>Other Rental</i>	<i>Agency</i>	<i>Eliminations</i>	<i>Total</i>	<i>Group</i>
	<i>Ownership</i>		<i>Ancillary</i>	<i>Flats</i>	<i>Financing</i>		<i>Housing</i>	<i>and Related</i>	<i>and</i>		<i>Other</i>	
	\$'M	\$'M	\$'M	\$'M	\$'M	\$'M	\$'M	\$'M	\$'M	\$'M	\$'M	\$'M
<i>Sale proceeds</i>	2,899	0	333	0	0	0	3,232	0	0	0	0	3,232
<i>Less: Additional/Special CPF</i>												
Housing Grant [Notes 2(m)(i) & 2(r)]	(104)	0	0	0	0	0	(104)	0	0	0	0	(104)
<i>Net sale proceeds</i>	2,795	0	333	0	0	0	3,128	0	0	0	0	3,128
<i>Cost of sales before net decrease in provision for foreseeable loss</i>	(3,026)	0	(299)	0	0	(10)	(3,335)	0	0	0	0	(3,335)
<i>Gross (loss)/profit on sales</i>	(231)	0	34	0	0	(10)	(207)	0	0	0	0	(207)
<i>Net decrease in provision for foreseeable loss</i>	(250)	0	0	0	0	0	(250)	0	0	0	0	(250)
<i>Gross (loss)/profit after net decrease in provision for foreseeable loss</i>	(481)	0	34	0	0	(10)	(457)	0	0	0	0	(457)
<i>External income:</i>												
Interest income	0	3	0	0	1,055	0	1,058	0	0	0	0	1,058
Other income	80	88	577	50	5	0	800	1,053	155	0	1,208	2,008
Inter-segment	0	0	(11)	0	0	11	0	12	33	(45)	0	0
<i>Total income</i>	80	91	566	50	1,060	11	1,858	1,065	188	(45)	1,208	3,066
<i>Net deficit before government grant and taxation</i>	(719)	(619)	(116)	(61)	(27)	25	(1,517)	723	43	(37)	729	(788)
<i>Government grant</i>												1,042
<i>Net surplus before taxation and transfer to reserves</i>												254
<i>Taxation</i>												(3)
<i>Net surplus for the year before transfer to reserves</i>												251



26. SEGMENTAL INFORMATION (*continued*)

2012/2013

	<i>Housing</i>							<i>Other Activities</i>				
	<i>Home</i>	<i>Upgrading</i>	<i>Residential</i>	<i>Rental</i>	<i>Mortgage</i>	<i>Eliminations</i>	<i>Total</i>	<i>Other Rental</i>	<i>Agency</i>	<i>Eliminations</i>	<i>Total</i>	<i>Group</i>
	<i>Ownership</i>		<i>Ancillary</i>	<i>Flats</i>	<i>Financing</i>		<i>Housing</i>	<i>and Related</i>	<i>and</i>		<i>Other</i>	
	\$'M	\$'M	\$'M	\$'M	\$'M	\$'M	\$'M	\$'M	\$'M	\$'M	\$'M	\$'M
<i>Segment expenses include:</i>												
Financial expenses	(25)	(2)	(86)	(3)	(1,020)	0	(1,136)	(68)	(5)	0	(73)	(1,209)
CPF Housing Grant [Note 2(r)]	(178)	0	0	0	0	0	(178)	0	0	0	0	(178)
Upgrading	0	(635)	0	(7)	0	(6)	(648)	(1)	0	0	(1)	(649)
Improvements and demolition	(4)	4	(67)	(5)	0	(2)	(74)	(51)	(2)	0	(53)	(127)
Depreciation	(7)	0	(145)	(50)	(1)	0	(203)	(134)	(9)	0	(143)	(346)
Reversal of impairment losses on property, plant and equipment and investment properties	0	0	0	0	0	0	0	142	0	0	142	142
Allowance for impairment losses on loans receivable and debtors	0	0	0	(4)	0	0	(4)	0	0	0	0	(4)
<i>Assets and liabilities</i>												
Segment assets	15,210	320	9,356	2,954	38,098	0	65,938	7,731	917	0	8,648	74,586
Government grant receivable												1,011
Unallocated assets												92
<i>Total assets</i>												75,689
Segment liabilities	10,553	338	5,377	274	38,493	0	55,035	4,823	640	0	5,463	60,498
Unallocated liabilities												180
<i>Total liabilities</i>												60,678
<i>Capital additions</i>	312	0	359	176	0	0	847	142	5	0	147	994

## 27. COMMITMENTS

(a) *Building project commitments*

The following commitments for building projects are not recognised in the financial statements:

	<u>Group</u>		<u>HDB</u>	
	<u>2012/2013</u>	<u>2011/2012</u>	<u>2012/2013</u>	<u>2011/2012</u>
	\$'000	\$'000	\$'000	\$'000
Authorised and contracted for	6,792,572	6,155,843	6,791,242	6,153,129
Authorised but not contracted for	3,150,141	2,177,756	3,150,141	2,177,756
	<u>9,942,713</u>	<u>8,333,599</u>	<u>9,941,383</u>	<u>8,330,885</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:

	<u>Group</u>		<u>HDB</u>	
	<u>2012/2013</u>	<u>2011/2012</u>	<u>2012/2013</u>	<u>2011/2012</u>
	\$'000	\$'000	\$'000	\$'000
Within 1 year	159,844	185,256	150,863	148,809
After 1 year but within 5 years	288,638	263,847	287,248	256,059
After 5 years	276,173	231,725	276,173	231,725
	<u>724,655</u>	<u>680,828</u>	<u>714,284</u>	<u>636,593</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:

	<u>Group</u>		<u>HDB</u>	
	<u>2012/2013</u>	<u>2011/2012</u>	<u>2012/2013</u>	<u>2011/2012</u>
	\$'000	\$'000	\$'000	\$'000
Within 1 year	10,297	14,885	2,792	2,455
After 1 year but within 5 years	12,173	9,339	5,284	4,968
After 5 years	559	1,260	559	1,260
	<u>23,029</u>	<u>25,484</u>	<u>8,635</u>	<u>8,683</u>

## 28. CONTINGENT LIABILITIES

*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 \$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 \$10,000. If they buy a new flat, they will have to pay a \$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.