

No. 5/2014

**SUPPLEMENT
TO THE
REPUBLIC OF SINGAPORE
GOVERNMENT GAZETTE
FRIDAY, 18TH JULY 2014**

**REPORT ON THE AUDIT OF
THE FINANCIAL STATEMENTS OF
THE HOUSING AND DEVELOPMENT BOARD
FOR THE YEAR ENDED 31ST MARCH 2014**

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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 (“SB-FRS”) so as to present fairly, in all material respects, the state of affairs of the Group and the HDB as at 31 March 2014, 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
23 May 2014

INDEPENDENT AUDITOR'S 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 the HDB as at 31 March 2014, the income and expenditure statements, statements of comprehensive income and statements of changes in capital and reserves of the Group and the 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 60.

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.

Auditor's 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 the 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 the HDB as at 31 March 2014 and the results and 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.

*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.

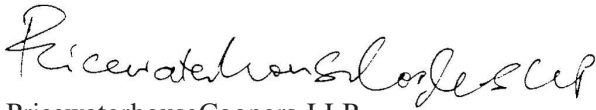
Our compliance audit includes obtaining an understanding of the internal control relevant to the receipts, expenditure, investment of moneys and the acquisition and disposal of assets; and assessing the risks of material misstatement of the financial statements from non-compliance, if any, but not for 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 the 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 the HDB whether purchased, donated or otherwise.



PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
Singapore

23 May 2014

HOUSING AND DEVELOPMENT BOARD AND ITS SUBSIDIARIES

BALANCE SHEETS AS AT 31 MARCH 2014

| Note | <i>Group</i> | | <i>HDB</i> | |
|--|-----------------|-------------------|-------------------|-------------------|
| | <i>31 March</i> | <i>31 March</i> | <i>31 March</i> | <i>31 March</i> |
| | <i>2014</i> | <i>2013</i> | <i>2014</i> | <i>2013</i> |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| CAPITAL AND RESERVES | | | | |
| Share capital | 5 | 1 | 1 | 1 |
| Capital account | 5 | 2,468,100 | 2,463,600 | 2,463,600 |
| Capital gains reserve | 5 | 6,949,262 | 6,949,262 | 6,810,828 |
| Asset revaluation reserve | 5 | 5,561,752 | 5,561,752 | 5,604,592 |
| Fair value reserve | | 5,152 | 0 | 0 |
| Retained earnings | | 80,269 | 0 | 0 |
| Attributable to Equity Holder of the HDB | | 15,064,536 | 14,974,615 | 14,879,021 |
| Non-controlling interests | | 30,475 | 0 | 0 |
| TOTAL EQUITY | | 15,095,011 | 14,974,615 | 14,879,021 |
| NON-CURRENT ASSETS | | | | |
| Property, plant and equipment | 6 | 18,028,569 | 18,019,996 | 16,675,160 |
| Investment properties | 7 | 4,923,405 | 4,907,910 | 4,829,482 |
| Loans receivable | 8 | 34,282,248 | 34,282,248 | 35,684,146 |
| Investment in subsidiary | 9 | 0 | 1,500 | 1,500 |
| Other investments | 10 | 29,974 | 0 | 0 |
| Deferred tax assets | 11 | 1,067 | 0 | 0 |
| Total non-current assets | | 57,265,263 | 57,211,654 | 57,190,288 |
| CURRENT ASSETS | | | | |
| Properties under development | 12 | 16,426,226 | 16,426,226 | 12,451,600 |
| Properties for sale | 13 | 1,605,597 | 1,605,597 | 1,213,219 |
| Inventories of building materials | | 43,905 | 41,067 | 43,033 |
| Loans receivable within 1 year | 8 | 2,383,038 | 2,382,976 | 2,447,081 |
| Government grant receivable | 14 | 2,611,914 | 2,611,914 | 1,011,071 |
| Trade and other receivables | 15 | 1,063,279 | 1,040,817 | 1,056,384 |
| Cash and bank balances | 16 | 92,078 | 42,971 | 81,171 |
| Total current assets | | 24,226,037 | 24,151,568 | 18,303,559 |
| <i>Less:</i> | | | | |
| CURRENT LIABILITIES | | | | |
| Loans payable within 1 year | 17 | 8,298,693 | 8,298,693 | 7,439,234 |
| Trade and other payables | 18 | 3,046,811 | 3,028,014 | 2,766,714 |
| Amount due to subsidiary | | 0 | 179 | 502 |
| Provision for income tax | 11 | 64 | 0 | 0 |
| Total current liabilities | | 11,345,568 | 11,326,886 | 10,206,450 |
| NET CURRENT ASSETS | | 12,880,469 | 12,824,682 | 8,097,109 |

HOUSING AND DEVELOPMENT BOARD AND ITS SUBSIDIARIES

BALANCE SHEETS AS AT 31 MARCH 2014 (*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>2014</i> | <i>2013</i> | <i>2014</i> | <i>2013</i> |
| | | <i>\$'000</i> | <i>\$'000</i> | <i>\$'000</i> | <i>\$'000</i> |
| NON-CURRENT LIABILITIES | | | | | |
| Loans payable | 17 | 54,048,563 | 49,522,736 | 54,059,563 | 49,526,736 |
| Deferred income | 19 | 1,002,158 | 881,640 | 1,002,158 | 881,640 |
| Total non-current liabilities | | 55,050,721 | 50,404,376 | 55,061,721 | 50,408,376 |
| NET ASSETS | | 15,095,011 | 15,010,975 | 14,974,615 | 14,879,021 |

The accompanying notes form part of the financial statements.



JAMES KOH CHER SIANG
Chairman



AUDREY LEONG YUE YOKE
Group Director (Finance)

23 May 2014

HOUSING AND DEVELOPMENT BOARD AND ITS SUBSIDIARIES

INCOME AND EXPENDITURE STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014

| | <i>Note</i> | <i>Group</i> | | | | | | <i>HDB</i> | | | | | |
|---|-------------|------------------|-------------------------|---------------|------------------|-------------------------|---------------|------------------|-------------------------|---------------|------------------|-------------------------|---------------|
| | | <i>2013/2014</i> | | | <i>2012/2013</i> | | | <i>2013/2014</i> | | | <i>2012/2013</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> |
| | | <i>\$'000</i> | <i>\$'000</i> | <i>\$'000</i> | <i>\$'000</i> | <i>\$'000</i> | <i>\$'000</i> | <i>\$'000</i> | <i>\$'000</i> | <i>\$'000</i> | <i>\$'000</i> | <i>\$'000</i> | <i>\$'000</i> |
| Sale proceeds | 26 | 3,802,722 | 0 | 3,802,722 | 3,127,737 | 0 | 3,127,737 | 3,802,722 | 0 | 3,802,722 | 3,127,737 | 0 | 3,127,737 |
| Cost of sales before net increase in provision for foreseeable loss | | (3,887,229) | 0 | (3,887,229) | (3,335,428) | 0 | (3,335,428) | (3,887,229) | 0 | (3,887,229) | (3,335,428) | 0 | (3,335,428) |
| Gross loss on sales | 26 | (84,507) | 0 | (84,507) | (207,691) | 0 | (207,691) | (84,507) | 0 | (84,507) | (207,691) | 0 | (207,691) |
| Net increase in provision for foreseeable loss | 22 | (1,616,785) | 0 | (1,616,785) | (249,743) | 0 | (249,743) | (1,616,785) | 0 | (1,616,785) | (249,743) | 0 | (249,743) |
| Gross loss after net increase in provision for foreseeable loss | | (1,701,292) | 0 | (1,701,292) | (457,434) | 0 | (457,434) | (1,701,292) | 0 | (1,701,292) | (457,434) | 0 | (457,434) |
| Income | 20 | 1,833,937 | 1,229,029 | 3,062,966 | 1,858,762 | 1,207,584 | 3,066,346 | 1,834,452 | 1,147,083 | 2,981,535 | 1,859,310 | 1,101,312 | 2,960,622 |
| Finance expenses | 21 | (1,089,417) | (79,144) | (1,168,561) | (1,136,350) | (72,859) | (1,209,209) | (1,089,562) | (79,144) | (1,168,706) | (1,136,370) | (72,859) | (1,209,229) |
| Operating expenses | 22, 23 | (1,622,211) | (412,822) | (2,035,033) | (1,604,486) | (405,770) | (2,010,256) | (1,630,365) | (318,584) | (1,948,949) | (1,620,745) | (292,723) | (1,913,468) |
| Other expenses | 22 | (135,928) | 0 | (135,928) | (177,718) | 0 | (177,718) | (135,928) | 0 | (135,928) | (177,718) | 0 | (177,718) |

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)* FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014

| | <i>Note</i> | <i>Group</i> | | | | | | <i>HDB</i> | | | | | |
|---|-------------|------------------|---------------|---------------|------------------|---------------|---------------|------------------|---------------|---------------|------------------|---------------|---------------|
| | | <i>2013/2014</i> | | | <i>2012/2013</i> | | | <i>2013/2014</i> | | | <i>2012/2013</i> | | |
| | | <i>Housing</i> | <i>Other</i> | <i>Total</i> | <i>Housing</i> | <i>Other</i> | <i>Total</i> | <i>Housing</i> | <i>Other</i> | <i>Total</i> | <i>Housing</i> | <i>Other</i> | <i>Total</i> |
| | | <u>\$'000</u> | <u>\$'000</u> | <u>\$'000</u> | <u>\$'000</u> | <u>\$'000</u> | <u>\$'000</u> | <u>\$'000</u> | <u>\$'000</u> | <u>\$'000</u> | <u>\$'000</u> | <u>\$'000</u> | <u>\$'000</u> |
| NET (DEFICIT)/ SURPLUS BEFORE GOVERNMENT GRANT AND TAXATION | 26 | (2,714,911) | 737,063 | (1,977,848) | (1,517,226) | 728,955 | (788,271) | (2,722,695) | 749,355 | (1,973,340) | (1,532,957) | 735,730 | (797,227) |
| Government grant | 14 | | | 2,118,874 | | | 1,042,913 | | | 2,118,874 | | | 1,042,913 |
| NET SURPLUS BEFORE TAXATION AND TRANSFER TO RESERVES | | | | 141,026 | | | 254,642 | | | 145,534 | | | 245,686 |
| Income tax expense | 11 | | | (829) | | | (3,533) | | | 0 | | | 0 |
| NET SURPLUS FOR THE YEAR BEFORE TRANSFER TO RESERVES | | | | 140,197 | | | 251,109 | | | 145,534 | | | 245,686 |

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)* FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014

| <i>Note</i> | <i>Group</i> | | | | | | <i>HDB</i> | | | | | |
|--|------------------|-------------------|------------------|------------------|-------------------|------------------|------------------|-------------------|------------------|------------------|-------------------|------------------|
| | <i>2013/2014</i> | | | <i>2012/2013</i> | | | <i>2013/2014</i> | | | <i>2012/2013</i> | | |
| | <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 | | | 138,343 | | | 247,145 | | | 145,534 | | | 245,686 |
| Non-controlling interests | | | 1,854 | | | 3,964 | | | 0 | | | 0 |
| | | | <u>138,343</u> | | | <u>247,145</u> | | | <u>145,534</u> | | | <u>245,686</u> |
| AMOUNT ATTRIBUTABLE TO EQUITY HOLDER OF THE HDB: | | | | | | | | | | | | |
| NET SURPLUS FOR THE YEAR BEFORE TRANSFER TO RESERVES | | | 138,343 | | | 247,145 | | | 145,534 | | | 245,686 |
| RETAINED EARNINGS AT THE BEGINNING OF THE YEAR | | | 87,460 | | | 86,001 | | | 0 | | | 0 |
| Release of asset revaluation reserve | | | 42,846 | | | 34,530 | | | 42,846 | | | 34,530 |
| Transfer to capital gains reserve | | | (188,380) | | | (280,216) | | | (188,380) | | | (280,216) |
| | | | <u>(188,380)</u> | | | <u>(280,216)</u> | | | <u>(188,380)</u> | | | <u>(280,216)</u> |
| RETAINED EARNINGS AT THE END OF THE YEAR | | | 80,269 | | | 87,460 | | | 0 | | | 0 |
| | | | <u>80,269</u> | | | <u>87,460</u> | | | <u>0</u> | | | <u>0</u> |

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 FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014

| | <i>Group</i> | | <i>HDB</i> | |
|---|------------------|------------------|------------------|------------------|
| | <i>2013/2014</i> | <i>2012/2013</i> | <i>2013/2014</i> | <i>2012/2013</i> |
| | <i>Total</i> | <i>Total</i> | <i>Total</i> | <i>Total</i> |
| | <i>\$'000</i> | <i>\$'000</i> | <i>\$'000</i> | <i>\$'000</i> |
| NET SURPLUS FOR THE YEAR BEFORE TRANSFER TO RESERVES | 140,197 | 251,109 | 145,534 | 245,686 |
| OTHER COMPREHENSIVE INCOME | | | | |
| Items that may be reclassified subsequently to the income and expenditure statements: | | | | |
| Fair value (losses)/gains on available-for-sale investment | (1,971) | 2,950 | 0 | 0 |
| Items that will not be reclassified subsequently to the income and expenditure statements: | | | | |
| Net reversal of impairment losses previously charged to asset revaluation reserve | 6 | 1,498 | 6 | 1,498 |
| OTHER COMPREHENSIVE (EXPENSE)/INCOME FOR THE YEAR, NET OF TAX | (1,965) | 4,448 | 6 | 1,498 |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | 138,232 | 255,557 | 145,540 | 247,184 |
| ATTRIBUTABLE TO: | | | | |
| Equity holder of the HDB | 136,871 | 250,856 | 145,540 | 247,184 |
| Non-controlling interests | 1,361 | 4,701 | 0 | 0 |
| | 138,232 | 255,557 | 145,540 | 247,184 |

The accompanying notes form part of the financial statements.

HOUSING AND DEVELOPMENT BOARD AND ITS SUBSIDIARIES

STATEMENTS OF CHANGES IN CAPITAL AND RESERVES FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014

| | <i>Group</i> | | | | | | | | |
|---|--------------------------|----------------------------|--------------------------------------|--|-----------------------------------|------------------------------|---|---|---|
| | <i>Share Capital</i> | <i>Capital Account</i> | <i>Capital Gains Reserve</i> | <i>Asset Revaluation Reserve</i> | <i>Fair Value Reserve</i> | <i>Retained Earnings</i> | <i>Attributable to Equity Holder of the HDB</i> | <i>Non- controlling Interests</i> | <i>Total Capital and Reserves</i> |
| | <u>\$'000</u> | <u>\$'000</u> | <u>\$'000</u> | <u>\$'000</u> | <u>\$'000</u> | <u>\$'000</u> | <u>\$'000</u> | <u>\$'000</u> | <u>\$'000</u> |
| <i>Balance as at 1 April 2012</i> | 1 | 2,468,100 | 6,569,660 | 5,637,624 | 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 | 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 | 1,498 | 0 | 1,498 |
| Fair value gains on available-for- sale investment | 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 | 2,213 | 0 | 3,711 | 737 | 4,448 |
| <i>Total comprehensive income for the year</i> | 0 | 0 | 0 | 1,498 | 2,213 | 247,145 | 250,856 | 4,701 | 255,557 |
| Transfer from retained earnings to capital gains reserve [Note 5(c)] | 0 | 0 | 280,216 | 0 | 0 | (280,216) | 0 | 0 | 0 |
| Release of asset revaluation reserve on disposal of assets | 0 | 0 | 0 | (34,530) | 0 | 34,530 | 0 | 0 | 0 |
| Return of reserves to the Government | 0 | 0 | (39,048) | 0 | 0 | 0 | (39,048) | 0 | (39,048) |
| Non-controlling interests' share of dividend from subsidiary | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (4,000) | (4,000) |
| BALANCE AS AT 31 MARCH 2013 | 1 | 2,468,100 | 6,810,828 | 5,604,592 | 6,630 | 87,460 | 14,977,611 | 33,364 | 15,010,975 |

The accompanying notes form part of the financial statements.

HOUSING AND DEVELOPMENT BOARD AND ITS SUBSIDIARIES

STATEMENTS OF CHANGES IN CAPITAL AND RESERVES *(continued)* FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014

| | Group | | | | | | | | |
|---|------------------|--------------------|-----------------------------|---------------------------------|--------------------------|----------------------|---|----------------------------------|-------------------------------------|
| | Share Capital | Capital Account | Capital Gains Reserve | Asset Revaluation Reserve | Fair Value Reserve | Retained Earnings | Attributable to Equity Holder of the HDB | Non- controlling Interests | Total Capital and Reserves |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Balance as at 1 April 2013 | 1 | 2,468,100 | 6,810,828 | 5,604,592 | 6,630 | 87,460 | 14,977,611 | 33,364 | 15,010,975 |
| Net surplus for the year before transfer to reserves | 0 | 0 | 0 | 0 | 0 | 138,343 | 138,343 | 1,854 | 140,197 |
| Other comprehensive income | | | | | | | | | |
| Net reversal of impairment losses previously charged to asset revaluation reserve | 0 | 0 | 0 | 6 | 0 | 0 | 6 | 0 | 6 |
| Fair value loss on available-for-sale investment | 0 | 0 | 0 | 0 | (1,478) | 0 | (1,478) | (493) | (1,971) |
| Other comprehensive income for the year, net of tax | 0 | 0 | 0 | 6 | (1,478) | 0 | (1,472) | (493) | (1,965) |
| Total comprehensive income for the year | 0 | 0 | 0 | 6 | (1,478) | 138,343 | 136,871 | 1,361 | 138,232 |
| Transfer from retained earnings to capital gains reserve [Note 5(c)] | 0 | 0 | 188,380 | 0 | 0 | (188,380) | 0 | 0 | 0 |
| Release of asset revaluation reserve on disposal of assets | 0 | 0 | 0 | (42,846) | 0 | 42,846 | 0 | 0 | 0 |
| Return of reserves to the Government | 0 | 0 | (49,946) | 0 | 0 | 0 | (49,946) | 0 | (49,946) |
| Non-controlling interests' share of dividend from subsidiary | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (4,250) | (4,250) |
| BALANCE AS AT 31 MARCH 2014 | 1 | 2,468,100 | 6,949,262 | 5,561,752 | 5,152 | 80,269 | 15,064,536 | 30,475 | 15,095,011 |

The accompanying notes form part of the financial statements.

HOUSING AND DEVELOPMENT BOARD AND ITS SUBSIDIARIES

STATEMENTS OF CHANGES IN CAPITAL AND RESERVES *(continued)* FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014

| | HDB | | | | | |
|---|--------------------------|----------------------------|--------------------------------------|--------------------------------------|------------------------------|---|
| | <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 |
| Balance as at 1 April 2012 | 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 |
| Other comprehensive income | | | | | | |
| Net reversal of impairment losses previously charged to asset revaluation reserve | 0 | 0 | 0 | 1,498 | 0 | 1,498 |
| Other comprehensive income for the year, net of tax | 0 | 0 | 0 | 1,498 | 0 | 1,498 |
| Total comprehensive income for the year | 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) |
| BALANCE AS AT 31 MARCH 2013 | 1 | 2,463,600 | 6,810,828 | 5,604,592 | 0 | 14,879,021 |

The accompanying notes form part of the financial statements.

HOUSING AND DEVELOPMENT BOARD AND ITS SUBSIDIARIES

STATEMENTS OF CHANGES IN CAPITAL AND RESERVES *(continued)* FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014

| | <i>HDB</i> | | | | | |
|---|--------------------------|----------------------------|--------------------------------------|--------------------------------------|------------------------------|---|
| | <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>Balance as at 1 April 2013</i> | 1 | 2,463,600 | 6,810,828 | 5,604,592 | 0 | 14,879,021 |
| Net surplus for the year before transfer to reserves | 0 | 0 | 0 | 0 | 145,534 | 145,534 |
| <i>Other comprehensive income</i> | | | | | | |
| Net reversal of impairment losses previously charged to asset revaluation reserve | 0 | 0 | 0 | 6 | 0 | 6 |
| <i>Other comprehensive income for the year, net of tax</i> | 0 | 0 | 0 | 6 | 0 | 6 |
| <i>Total comprehensive income for the year</i> | 0 | 0 | 0 | 6 | 145,534 | 145,540 |
| Transfer from retained earnings to capital gains reserve | 0 | 0 | 188,380 | 0 | (188,380) | 0 |
| Release of asset revaluation reserve on disposal of assets | 0 | 0 | 0 | (42,846) | 42,846 | 0 |
| Return of reserves to the Government | 0 | 0 | (49,946) | 0 | 0 | (49,946) |
| BALANCE AS AT 31 MARCH 2014 | 1 | 2,463,600 | 6,949,262 | 5,561,752 | 0 | 14,974,615 |

The accompanying notes form part of the financial statements.

HOUSING AND DEVELOPMENT BOARD AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014

| | | <i>Group</i> | |
|--|-------------|------------------|------------------|
| | <i>Note</i> | <u>2013/2014</u> | <u>2012/2013</u> |
| | | \$'000 | \$'000 |
| OPERATING ACTIVITIES | | | |
| Net deficit before government grant and taxation | | (1,977,848) | (788,271) |
| Adjustments for: | | | |
| Interest income | 20 | (996,729) | (1,058,006) |
| Interest expense | 21 | 1,160,525 | 1,206,567 |
| Depreciation | 22 | 354,754 | 350,805 |
| Additional/Special CPF Housing Grant netted off against sale proceeds on sale of the flat | 26 | 162,230 | 103,555 |
| Provision for foreseeable loss for properties under development/for sale | 22 | 1,941,626 | 752,848 |
| Loss on disposal/write-off of assets (net) | | 2,207 | 5,933 |
| Reversal of impairment losses on property, plant and equipment and investment properties (net) | 22 | (124,868) | (142,677) |
| Allowance for impairment losses and amount written off on loans receivable and debtors | 22 | 4,087 | 6,169 |
| Amortisation of deferred income | | (121,562) | (112,379) |
| Amortisation of transaction cost of bonds | 21 | 8,036 | 2,642 |
| (Gain)/Loss on disposal of investments | | (27) | 138 |
| Investment income | 20 | (1,459) | (2,091) |
| Surplus before movement in working capital | | 410,972 | 325,233 |
| Change in working capital: | | | |
| Properties under development | | (9,581,221) | (7,607,027) |
| Properties for sale | | 3,512,148 | 2,813,807 |
| Inventories of building materials | | 2,328 | 232 |
| Trade and other receivables | | (146,283) | (8,287) |
| Trade and other payables | | 241,609 | 387,938 |
| Late payment charges on loans receivable | | 1,744 | 1,714 |
| | | (5,969,675) | (4,411,623) |
| Mortgage loan repayments and interest received | | 5,826,262 | 6,553,638 |
| Mortgage loans granted | | (3,364,691) | (3,226,730) |
| Interest paid on mortgage financing loans | | (1,049,523) | (1,024,581) |
| Income tax paid | 11 | (3,412) | (5,312) |
| Deferred income received | | 255,137 | 169,616 |
| Net cash used in operating activities | | (3,894,930) | (1,619,759) |

The accompanying notes form part of the financial statements.

HOUSING AND DEVELOPMENT BOARD AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)* FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014

| | | <i>Group</i> | |
|--|--------------------|------------------|------------------|
| | <u><i>Note</i></u> | <u>2013/2014</u> | <u>2012/2013</u> |
| | | \$'000 | \$'000 |
| INVESTING ACTIVITIES | | | |
| Proceeds from disposal of property, plant and equipment, and investment properties | | 3,615 | 45,318 |
| Purchase of property, plant and equipment, and investment properties | | (1,713,613) | (993,956) |
| Interest received | | 553 | 324 |
| Dividends received from other investments | | 1,459 | 2,091 |
| Proceeds from redemption/disposal of other investments | | 7,393 | 13,781 |
| Purchase of investments | | (2,025) | (11,237) |
| Net cash used in investing activities | | (1,702,618) | (943,679) |
| FINANCING ACTIVITIES | | | |
| Proceeds from loans payable | | 37,175,689 | 28,586,639 |
| Repayment of loans payable | | (31,746,279) | (26,647,072) |
| Interest paid | | (397,718) | (304,205) |
| Government grant received | | 518,031 | 961,600 |
| Dividends paid to non-controlling shareholders | | (4,250) | (4,000) |
| Net cash from financing activities | | 5,545,473 | 2,592,962 |
| Net (decrease)/increase in cash and cash equivalents | | (52,075) | 29,524 |
| Cash and cash equivalents at the beginning of year | | 126,863 | 97,339 |
| CASH AND CASH EQUIVALENTS AT THE END OF YEAR | 16 | 74,788 | 126,863 |

The accompanying notes form part of the financial statements.

HOUSING AND DEVELOPMENT BOARD AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014

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 subsidiary 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 2014 were authorised for issue by members of its Board on 23 May 2014.

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.

Interpretations and amendments to published standards effective in 2013

On 1 April 2013, 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 except for the following:

Amendment to SB-FRS 1 Presentation of Items of Other Comprehensive Income

The Group has adopted the amendment to SB-FRS 1 Presentation of Items of Other Comprehensive Income on 1 April 2013. The amendment is applicable for annual periods beginning on or after 1 July 2012 (with early adoption permitted). It requires items presented in other comprehensive income to be separated into two groups, based on whether or not they may be recycled to the income and expenditure statement in the future.

Amendment to SB-FRS 107 Disclosure-Offsetting Financial Assets and Financial Liabilities

This amendment includes new disclosures to enable users of financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity’s recognised financial assets and recognised financial liabilities, on the entity’s financial position.

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

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

This amendment does not have any impact on the accounting policies of the Group. The Group has incorporated the additional required disclosures into the financial statements.

SB-FRS 113 Fair Value Measurement

SB-FRS 113 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across SB-FRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within SB-FRSs.

The adoption of SB-FRS 113 does not have any material impact on the accounting policies of the Group. The Group has incorporated the additional disclosures required by SB-FRS 113 into the financial statements.

New or revised accounting standards and interpretations

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 the HDB were issued but not yet effective:

- SB-FRS 27 *Separate Financial Statements*
- SB-FRS 110 *Consolidated Financial Statements*
- Amendments to SB-FRS 24 *Related Party Disclosures*
- Amendments to SB-FRS 108 *Operating Segments*
- Amendments to SB-FRS 112 *Disclosure of Interests in Other Entities*
- Amendments to SB-FRS 32 *Offsetting Financial Assets and Financial Liabilities*

Management has considered and is of the view that the adoption of the above SB-FRSs, INT SB-FRSs and Amendments to SB-FRSs will have no material impact on the financial statements in the period of their initial adoption, except for the following:

Amendments to SB-FRS 32 Offsetting Financial Assets and Financial Liabilities

The amendments do not change the offsetting model in FRS 32, but clarify that in order to offset financial assets and liabilities, the right of set-off must not be contingent on future events, and must be legally enforceable in the normal course of business. The amendments also clarify that master netting agreements where offset is only legally enforceable when future events occur (e.g. defaults), do not allow offsetting.

The amendment is effective for annual periods beginning on or after 1 January 2014.

(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), and they are consolidated from the date on which control is transferred to the Group. 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 the Group.

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

Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the equity holder of the HDB. They are shown separately in the consolidated income and expenditure statement, statement of comprehensive income, statement of changes in capital and reserves and balance sheet.

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

(b) *Basis of Consolidation (continued)*

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

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

(c) *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*

The classification of financial assets depends on the nature of the asset and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets are initially recognised at fair value plus transaction costs.

Financial assets are presented as current assets, except for those expected to be realised later than 12 months after the balance sheet date which are presented as non-current 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.

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 and accumulated in the fair value reserve 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.

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

(c) *Financial Instruments (continued)*

(i) *Financial assets (continued)*

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired and an allowance for impairment is recognised when such evidence exists.

(A) *Loans and receivables*

For loans and 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.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in income and expenditure statement.

The impairment allowance is reduced through the income and expenditure statement in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

(B) *Available-for-sale financial assets*

In addition to the objective evidence of impairment described above, a significant or prolonged decline in the fair value of an equity security below its cost is considered as an indicator that the available-for-sale financial asset is impaired.

If any evidence of impairment exists, the cumulative loss that was previously recognised in other comprehensive income is reclassified to the income and expenditure statement. The cumulative loss is measured as the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any impairment loss previously recognised as an expense. The impairment losses recognised as an expense on equity securities are not reversed through the income and expenditure statement.

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.

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

(c) *Financial Instruments (continued)*

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

Financial liabilities

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

Financial liabilities are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

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.

These loans payable are initially recognised at fair value, net of transaction costs, 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)].

Derecognition of financial liabilities

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

(iii) *Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Further details can be found in Note 4(b) to the financial statements.

(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.

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

(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 initially carried at cost and subsequently 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 calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives 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.

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.

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in the income and expenditure statement when incurred.

(f) *Investment Properties*

Investment properties, comprising commercial complexes, industrial properties and land, are held to earn rentals and/or for capital appreciation. Investment properties include assets under development that are being constructed or developed for future use as investment properties.

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

(f) *Investment Properties (continued)*

Investment properties are initially recognised at cost and subsequently 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 are initially recognised at cost and subsequently carried at cost less any 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.

The cost of major improvements is capitalised and the carrying amounts of the replaced components are recognised in the income and expenditure statement. The cost of maintenance, repairs and minor improvements is recognised in the income and expenditure statement when incurred.

(g) *Impairment of Property, Plant and Equipment, Investment Properties, and Investment in Subsidiaries*

At the end of the reporting period, property, plant and equipment, investment properties, and investment in subsidiaries 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 on an individual asset basis. If the asset generates cash inflows that are largely independent of those from other assets, the recoverable amount is determined for the Cash Generating Unit (CGU) to which the asset belongs.

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.

An impairment loss for an asset is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset is recognised in the income and expenditure statement, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense, a reversal of that impairment is also recognised in the income and expenditure statement.

(h) *Properties under Development*

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

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

(h) *Properties under Development (continued)*

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

Properties 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. When the development of flats is completed and the flats are transferred to the properties for sale, the corresponding provision is transferred 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 in the ordinary course of business.

(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 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 presented, net of 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 a time proportion 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.

All other income are recognised as and when they are earned.

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

(n) *Finance 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, 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).

The Group's income tax expense represents the sum of the current income tax and deferred tax of the subsidiaries of the HDB.

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable income or expenditure at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

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

(q) *Income Tax (continued)*

Deferred income tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and
- (ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred tax are recognised as an expense or income in the income and expenditure statement, except when it relates to transactions which are recognised directly in equity.

(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 estimation 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 or Reversals of 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 or require a reversal of previous impairment losses.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (*continued*)

(b) *Estimation for Impairment Losses or Reversals of Impairment Losses for Property, Plant and Equipment, and Investment Properties (continued)*

In the assessment of the impairment loss, the Group estimates the fair value less cost to sell of the properties or estimates future cash flows, with an appropriate discount rate to calculate the present value of the cash flows.

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

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

(c) *Foreseeable Losses relating to Properties under Development*

Estimated selling price (net of Additional CPF Housing Grant and Special CPF Housing Grant) [Note 2(m)(i)] of the location, design and the estimated contract cost 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.

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 2014</u> | <u>31 March 2013</u> | <u>31 March 2014</u> | <u>31 March 2013</u> |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| <i>Financial Assets</i> | | | | |
| Held-to-maturity debt securities | 0 | 1,002 | 0 | 0 |
| Loans and receivables (including cash and bank balances) ⁽¹⁾ | 40,412,098 | 40,355,560 | 40,346,865 | 40,274,843 |
| Available-for-sale securities | 29,974 | 36,284 | 0 | 0 |

⁽¹⁾ Excludes prepayments

| | <u>Group</u> | | <u>HDB</u> | |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| | <u>31 March 2014</u> | <u>31 March 2013</u> | <u>31 March 2014</u> | <u>31 March 2013</u> |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| <i>Financial Liabilities (at amortised cost)</i> | | | | |
| Loans payable | 62,347,256 | 56,961,970 | 62,358,256 | 56,965,970 |
| Payables (including amount due to subsidiary) ⁽²⁾ | 1,159,165 | 1,167,944 | 1,140,547 | 1,145,454 |

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

4. FINANCIAL RISKS AND MANAGEMENT (*continued*)(b) *Financial instruments subject to enforceable contractual netting arrangements*

Financial assets and liabilities subject to offsetting, enforceable contractual netting arrangements and similar agreements

| | <i>Group and HDB</i> | |
|---|--------------------------|--------------------------|
| | <i>31 March 2014</i> | <i>31 March 2013</i> |
| | <i>\$'000</i> | <i>\$'000</i> |
| <i>Financial Assets</i> | | |
| <i>Trade receivables</i> | | |
| Gross amounts of recognised financial assets | 51,751 | 43,885 |
| <i>Less:</i> | | |
| Gross amounts of recognised liabilities set off in the balance sheets | (49,352) | (40,604) |
| Net amounts of assets presented in the balance sheets | 2,399 | 3,281 |
| | | |
| | <i>Group and HDB</i> | |
| | <i>31 March 2014</i> | <i>31 March 2013</i> |
| | <i>\$'000</i> | <i>\$'000</i> |
| <i>Financial Liabilities</i> | | |
| <i>Trade payables</i> | | |
| Gross amounts of recognised financial liabilities | 314,812 | 322,241 |
| <i>Less:</i> | | |
| Gross amounts of recognised assets set off in the balance sheets | (49,352) | (40,604) |
| Net amounts of liabilities presented in the balance sheets | 265,460 | 281,637 |

(c) *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.

4. FINANCIAL RISKS AND MANAGEMENT (*continued*)

- (c) *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. (continued)*

(ii) *Market risk*

(A) *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% (2012/2013 : 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 \$19.4 million (2012/2013 : \$5.1 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.

(B) *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.

(C) *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.

(iii) *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 contractually required to pay. The adjustment column represents mainly the interest payments which are not included in the carrying amount of the financial liability on the balance sheets.

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

| | <i>On demand or within 1 year</i> | <i>Within 2 to 5 years</i> | <i>After 5 years</i> | <i>Adjustment</i> | <i>Total</i> |
|--|---|------------------------------------|--------------------------|-------------------|--------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| <u>Group</u> | | | | | |
| <u>31 March 2014</u> | | | | | |
| Loans payable | 9,766,388 | 32,698,763 | 28,835,514 | (8,953,409) | 62,347,256 |
| Payables ⁽¹⁾ | 1,159,165 | 0 | 0 | 0 | 1,159,165 |
| <u>31 March 2013</u> | | | | | |
| Loans payable | 8,730,377 | 28,133,205 | 28,439,431 | (8,341,043) | 56,961,970 |
| Payables ⁽¹⁾ | 1,167,944 | 0 | 0 | 0 | 1,167,944 |
| | <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>HDB</u> | | | | | |
| <u>31 March 2014</u> | | | | | |
| Loans payable | 9,766,388 | 32,706,763 | 28,838,514 | (8,953,409) | 62,358,256 |
| Payables (including amount due to subsidiary) ⁽¹⁾ | 1,140,547 | 0 | 0 | 0 | 1,140,547 |
| <u>31 March 2013</u> | | | | | |
| Loans payable | 8,730,377 | 28,135,205 | 28,441,431 | (8,341,043) | 56,965,970 |
| Payables (including amount due to subsidiary) ⁽¹⁾ | 1,145,454 | 0 | 0 | 0 | 1,145,454 |

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

4. FINANCIAL RISKS AND MANAGEMENT (*continued*)(iv) *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 (such as available-for-sale securities) that are traded in active liquid markets are determined with reference to quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

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 2014</i> | | | |
| Available-for-sale investments | 29,974 | | 29,974 |
| <i>31 March 2013</i> | | | |
| Available-for-sale investments | 36,284 | | 36,284 |

(v) *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 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 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>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 2013 | 104,348 | 11,544,454 | 7,867,162 | 24,698 | 1,465,569 | 11,162 | 54,844 | 21,072,237 |
| Additions | 0 | 56,843 | 41,304 | 0 | 1,573,111 | 71 | 2,961 | 1,674,290 |
| Disposals/Write-off | 0 | (69,196) | (2,843) | 0 | (2,045) | (1,668) | (4,269) | (80,021) |
| Transfer from investment properties | 0 | 1,791 | 529 | 0 | 0 | 0 | 0 | 2,320 |
| Transfer from properties for sale | (204) | (3,602) | (2,935) | 0 | 0 | 0 | 0 | (6,741) |
| Reclassifications | 11,916 | 129,282 | 450,171 | 0 | (591,968) | 0 | 599 | 0 |
| At 31 March 2014 | 116,060 | 11,659,572 | 8,353,388 | 24,698 | 2,444,667 | 9,565 | 54,135 | 22,662,085 |
| <i>Accumulated depreciation and impairment losses</i> | | | | | | | | |
| At 1 April 2013 | 0 | 2,291,460 | 2,037,007 | 4,047 | 295 | 10,467 | 45,183 | 4,388,459 |
| Depreciation | 0 | 121,843 | 144,382 | 837 | 0 | 179 | 3,702 | 270,943 |
| Disposals/Write-off | 0 | (16,879) | (1,474) | 0 | 0 | (1,668) | (4,231) | (24,252) |
| Transfer from investment properties | 0 | 327 | 101 | 0 | 0 | 0 | 0 | 428 |
| Transfer to properties for sale | 0 | (677) | (1,064) | 0 | 0 | 0 | 0 | (1,741) |
| Reclassifications | 0 | (327) | 0 | 0 | 327 | 0 | 0 | 0 |
| Reversal of impairment losses | 0 | (223) | (98) | 0 | 0 | 0 | 0 | (321) |
| At 31 March 2014 | 0 | 2,395,524 | 2,178,854 | 4,884 | 622 | 8,978 | 44,654 | 4,633,516 |
| <i>Carrying amount:</i> | | | | | | | | |
| At 31 March 2014 | 116,060 | 9,264,048 | 6,174,534 | 19,814 | 2,444,045 | 587 | 9,481 | 18,028,569 |

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

HDB

| | <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 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*)

HDB

| | <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 2013 | 104,348 | 11,544,454 | 7,846,597 | 24,698 | 1,464,455 | 10,875 | 49,611 | 21,045,038 |
| Additions | 0 | 56,843 | 39,084 | 0 | 1,573,111 | 71 | 2,706 | 1,671,815 |
| Disposals/Write-off | 0 | (69,196) | (2,843) | 0 | (2,045) | (1,655) | (3,865) | (79,604) |
| Transfer from investment properties | 0 | 1,791 | 529 | 0 | 0 | 0 | 0 | 2,320 |
| Transfer to properties for sale | (204) | (3,602) | (2,935) | 0 | 0 | 0 | 0 | (6,741) |
| Reclassifications | 11,916 | 129,282 | 449,057 | 0 | (590,854) | 0 | 599 | 0 |
| At 31 March 2014 | 116,060 | 11,659,572 | 8,329,489 | 24,698 | 2,444,667 | 9,291 | 49,051 | 22,632,828 |
| <i>Accumulated depreciation and impairment losses</i> | | | | | | | | |
| At 1 April 2013 | 0 | 2,291,460 | 2,022,173 | 4,047 | 295 | 10,181 | 41,722 | 4,369,878 |
| Depreciation | 0 | 121,843 | 142,411 | 837 | 0 | 178 | 3,191 | 268,460 |
| Disposals/Write-off | 0 | (16,879) | (1,474) | 0 | 0 | (1,655) | (3,864) | (23,872) |
| Transfer from investment properties | 0 | 327 | 101 | 0 | 0 | 0 | 0 | 428 |
| Transfer to properties for sale | 0 | (677) | (1,064) | 0 | 0 | 0 | 0 | (1,741) |
| Reclassifications | 0 | (327) | 0 | 0 | 327 | 0 | 0 | 0 |
| Reversal of impairment losses | 0 | (223) | (98) | 0 | 0 | 0 | 0 | (321) |
| At 31 March 2014 | 0 | 2,395,524 | 2,162,049 | 4,884 | 622 | 8,704 | 41,049 | 4,612,832 |
| <i>Carrying amount:</i> | | | | | | | | |
| At 31 March 2014 | 116,060 | 9,264,048 | 6,167,440 | 19,814 | 2,444,045 | 587 | 8,002 | 18,019,996 |

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 reimbursement is recorded in “Recoveries” (Note 20). The net book value of these markets and hawker centres was \$396 million (2012/2013 : \$403 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 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 | 6,737,983 | 6,718,856 |
| <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 | 1,892,751 | 1,889,374 |
| <i>Carrying amount:</i> | | |
| At 31 March 2013 | 4,845,232 | 4,829,482 |
| <i>Fair value:</i> | | |
| At 31 March 2013 | 15,299,574 | 15,265,944 |

7. INVESTMENT PROPERTIES (*continued*)

| | <u>Group</u> | <u>HDB</u> |
|---|--------------|------------|
| | \$'000 | \$'000 |
| <i>Cost</i> | | |
| At 1 April 2013 | 6,737,983 | 6,718,856 |
| Additions | 39,323 | 39,323 |
| Transfer to property, plant and equipment | (2,320) | (2,320) |
| At 31 March 2014 | 6,774,986 | 6,755,859 |
| <i>Accumulated depreciation and impairment losses</i> | | |
| At 1 April 2013 | 1,892,751 | 1,889,374 |
| Depreciation | 83,811 | 83,556 |
| Transfer to property, plant and equipment | (428) | (428) |
| Reversal of impairment losses | (124,553) | (124,553) |
| At 31 March 2014 | 1,851,581 | 1,847,949 |
| <i>Carrying amount:</i> | | |
| At 31 March 2014 | 4,923,405 | 4,907,910 |
| <i>Fair value:</i> | | |
| At 31 March 2014 | 16,729,355 | 16,698,125 |

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 based on the properties' highest and best use.

The fair value of the Group's investment properties, classified as Level 3 fair value, has been generally derived using the comparable sales method. In arriving at its fair value, the selling price of shops and office in the vicinity are considered. Adjustments have been made to reflect the differences in size, location, condition, tenure, prevailing market conditions including improvements in market rentals and other relevant factors affecting its fair value.

In the absence of available market information on comparable sales, fair value of the Group's investment properties are derived based on the income method. In arriving at its fair value, the contractual or market rents are considered with the application of an appropriate discount rate to obtain the present value of future cash flows.

The property rental income from the Group's investment properties all of which are leased out under operating leases, amounted to \$611 million (2012/2013 : \$581 million). Direct operating expenses (including repairs and maintenance) arising from the rental-generating investment properties amounted to \$300 million (2012/2013 : \$290 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 2014</u> | <u>31 March 2013</u> | <u>31 March 2014</u> | <u>31 March 2013</u> |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| <i>Loans receivable</i> | | | | |
| Mortgage loans for flats | 36,612,303 | 38,089,299 | 36,612,303 | 38,089,299 |
| Late payment charges for mortgage loans | 29,611 | 31,465 | 29,611 | 31,465 |
| Staff loans | 62 | 85 | 0 | 0 |
| | 36,641,976 | 38,120,849 | 36,641,914 | 38,120,764 |
| <i>Deferred receivable</i> | | | | |
| Upgrading costs due from Lessees | 95,064 | 90,319 | 95,064 | 90,319 |
| | 36,737,040 | 38,211,168 | 36,736,978 | 38,211,083 |
| <i>Less:</i> | | | | |
| Allowance for impairment losses | (71,754) | (79,856) | (71,754) | (79,856) |
| Balance as at 31 March | 36,665,286 | 38,131,312 | 36,665,224 | 38,131,227 |

| | <u>Group</u> | | <u>HDB</u> | |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| | <u>31 March 2014</u> | <u>31 March 2013</u> | <u>31 March 2014</u> | <u>31 March 2013</u> |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Represented by amount receivable: | | | | |
| Within 1 year | 2,383,038 | 2,447,166 | 2,382,976 | 2,447,081 |
| Later than 1 year but not more than 2 years | 2,102,094 | 2,131,787 | 2,102,094 | 2,131,787 |
| Later than 2 years but not more than 5 years | 6,292,013 | 6,407,590 | 6,292,013 | 6,407,590 |
| Later than 5 years | 25,888,141 | 27,144,769 | 25,888,141 | 27,144,769 |
| | 34,282,248 | 35,684,146 | 34,282,248 | 35,684,146 |
| | 36,665,286 | 38,131,312 | 36,665,224 | 38,131,227 |

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:

| | <i>Group and HDB</i> | |
|---|----------------------|----------------------|
| | <u>31 March 2014</u> | <u>31 March 2013</u> |
| | \$'000 | \$'000 |
| Balance as at 1 April | 79,856 | 87,536 |
| Allowance for impairment losses | (1,007) | 717 |
| Bad debts written off against allowance | (7,095) | (8,397) |
| Balance as at 31 March | <u>71,754</u> | <u>79,856</u> |

Interest rates and repayment terms on the loans are:

| | <u>Interest rate</u> | <u>Repayment term</u> |
|--|--|-----------------------|
| | (per annum) | |
| Mortgage loans granted to lessees for purchase of flats under public housing schemes | 2.60% to 3.38% (2012/2013 : 2.60% to 3.38%) | Up to 30 years |
| Loans granted to staff | 4.25% (2012/2013 : 4.25%) | Up to 7 years |
| Upgrading costs due from flat lessees | 2.60% to 3.38% (2012/2013 : 2.60% to 3.38%) | Up to 25 years |
| Upgrading costs due from shop lessees | 5.00% to 6.75% (2012/2013 : 5.00% 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 \$6,178 million (2012/2013 : \$6,765 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 6.7 months (2012/2013 : 6.9 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 \$72 million (2012/2013 : \$80 million) representing 0.20% (2012/2013 : 0.21%) of the total loans receivable had been made. Management is of the opinion that adequate impairment losses have been made.

9. INVESTMENT IN SUBSIDIARIES

| | <i>HDB</i> | |
|--|----------------------|----------------------|
| | <u>31 March 2014</u> | <u>31 March 2013</u> |
| | \$'000 | \$'000 |
| Subsidiary | | |
| E M Services Pte Ltd ^(a) (unquoted equity shares at cost) | <u>1,500</u> | <u>1,500</u> |

9. INVESTMENT IN SUBSIDIARIES (*continued*)

| | <u>Principal activities</u> | <u>Country of incorporation</u> | <u>Percentage of equity held by the Group</u> | |
|--|--|---------------------------------|---|----------------------|
| | | | <u>31 March 2014</u> | <u>31 March 2013</u> |
| | | | % | % |
| <i>Subsidiary of the HDB</i> | | | | |
| E M Services Pte Ltd ^(a) | Property management and engineering services | Singapore | 75 | 75 |
| <i>Subsidiaries of E M Services Pte Ltd</i> | | | | |
| E M Property Management Pte Ltd ^(a) | Property management | Singapore | 100 | 100 |
| Property Inc. Pte Ltd ^(a) | Real estate agency | Singapore | 100 | 100 |

^(a) Audited by Deloitte & Touche LLP.

10. OTHER INVESTMENTS

| | <u>Group</u> | |
|--|----------------------|----------------------|
| | <u>31 March 2014</u> | <u>31 March 2013</u> |
| | \$'000 | \$'000 |
| <i>Non-current investments:</i> | | |
| Held-to-maturity debt securities, at amortised cost | 0 | 1,002 |
| Available-for-sale equity securities (quoted), at fair value | 15,656 | 25,067 |
| Available-for-sale debt securities (quoted), at fair value | 14,318 | 11,217 |
| | <u>29,974</u> | <u>37,286</u> |
| Fair value of held-to-maturity debt securities | <u>0</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 ranging from 1.1% to 6.0% per annum with maturity dates ranging from 2017 to 2049. During the year, the investment is reclassified to available-for-sale investments due to a change in management intention.

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 2014</u> | <u>31 March 2013</u> |
| | \$'000 | \$'000 |
| Current taxation: | | |
| — Current year | 65 | 4,206 |
| — Overprovision in respect of prior years | (797) | (586) |
| | <u>(732)</u> | <u>3,620</u> |
| Deferred taxation | 1,561 | (87) |
| Total income tax expense | <u>829</u> | <u>3,533</u> |
| <i>Reconciliation of effective tax rate:</i> | | |
| Net surplus before taxation | 141,026 | 254,642 |
| <i>Less:</i> | | |
| Net surplus of HDB excluding intra-group transactions | (132,667) | (233,546) |
| Net surplus subject to taxation | <u>8,359</u> | <u>21,096</u> |
| | | |
| Tax at statutory rate of 17% (2012/2013 : 17%) | 1,421 | 3,586 |
| Tax effect on non-deductible expenses | 579 | 982 |
| Exempt income | (45) | (76) |
| Tax concession and rebates | (322) | (373) |
| Overprovision in respect of prior years | (797) | (586) |
| Others | (7) | 0 |
| | <u>829</u> | <u>3,533</u> |

(b) *Movements in provision for income tax*

| | <u>Group</u> | |
|---|--------------------------|--------------------------|
| | <u>31 March 2014</u> | <u>31 March 2013</u> |
| | \$'000 | \$'000 |
| Balance as at 1 April | 4,208 | 5,900 |
| Charge for the year | 65 | 4,206 |
| Payments made during the year | (3,412) | (5,312) |
| Overprovision in respect of prior years | (797) | (586) |
| Balance as at 31 March | <u>64</u> | <u>4,208</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 2012</i> | <i>Credited/ (Charged) to Income and Expenditure Statement</i> | <i>At 31 March 2013</i> | <i>Credited/ (Charged) to Income and Expenditure Statement</i> | <i>At 31 March 2014</i> |
|--|--------------------------------|--|---------------------------------|--|---------------------------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| <i>Deferred tax (liabilities)/assets</i> | | | | | |
| Capital allowances | (99) | (109) | (208) | 232 | 24 |
| <i>Total</i> | (99) | (109) | (208) | 232 | 24 |
| Provisions | 2,640 | 196 | 2,836 | (1,793) | 1,043 |
| <i>Total</i> | 2,640 | 196 | 2,836 | (1,793) | 1,043 |
| <i>Net deferred tax assets</i> | 2,541 | 87 | 2,628 | (1,561) | 1,067 |

12. PROPERTIES UNDER DEVELOPMENT

| | <i>Group and HDB</i> | |
|--|--------------------------|--------------------------|
| | <i>31 March 2014</i> | <i>31 March 2013</i> |
| | \$'000 | \$'000 |
| Land | 15,145,114 | 10,602,648 |
| Buildings | 4,445,209 | 3,361,937 |
| Upgrading works | 121,743 | 125,416 |
| | 19,712,066 | 14,090,001 |
| <i>Less:</i> | | |
| Provision for foreseeable loss [Note 2(h)] | (3,285,840) | (1,638,401) |
| Balance as at 31 March | 16,426,226 | 12,451,600 |

13. PROPERTIES FOR SALE

| | <i>Group and HDB</i> | |
|--|--------------------------|--------------------------|
| | <i>31 March 2014</i> | <i>31 March 2013</i> |
| | \$'000 | \$'000 |
| Cost of properties | 1,695,087 | 1,333,363 |
| <i>Less:</i> | | |
| Provision for foreseeable loss [Note 2(i)] | (89,490) | (120,144) |
| Balance as at 31 March | 1,605,597 | 1,213,219 |

14. GOVERNMENT GRANT RECEIVABLE

| | <i>Group and HDB</i> | |
|---------------------------------------|--------------------------|--------------------------|
| | <i>31 March 2014</i> | <i>31 March 2013</i> |
| | <i>\$'000</i> | <i>\$'000</i> |
| Balance as at 1 April | 1,011,071 | 929,758 |
| <i>Less:</i> | | |
| Amount received | (518,031) | (961,600) |
| | 493,040 | (31,842) |
| Government grant for the current year | 2,118,874 | 1,042,913 |
| Balance as at 31 March | 2,611,914 | 1,011,071 |

The government grant for the current year covers 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 2014</i> | <i>31 March 2013</i> | <i>31 March 2014</i> | <i>31 March 2013</i> |
| | <i>\$'000</i> | <i>\$'000</i> | <i>\$'000</i> | <i>\$'000</i> |
| Trade receivables | 1,016,500 | 1,028,667 | 1,003,290 | 1,009,755 |
| <i>Less:</i> | | | | |
| Allowance for impairment losses | (11,100) | (11,617) | (11,100) | (10,616) |
| | 1,005,400 | 1,017,050 | 992,190 | 999,139 |
| Other receivables | 36,778 | 53,836 | 34,173 | 51,851 |
| <i>Less:</i> | | | | |
| Allowance for impairment losses | (24) | (26) | (24) | (26) |
| | 36,754 | 53,810 | 34,149 | 51,825 |
| Prepayments | 20,459 | 12,963 | 14,061 | 5,010 |
| Deposits | 666 | 603 | 417 | 410 |
| Balance as at 31 March | 1,063,279 | 1,084,426 | 1,040,817 | 1,056,384 |

Included in the Group's trade receivables balance is the Additional CPF Housing Grant and Special CPF Housing Grant of \$672 million (2012/2013 : \$587 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 \$246 million (2012/2013 : \$252 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 \$29 million (2012/2013 : \$31 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 5.1 months (2012/2013 : 4.0 months). The Group does not hold any collateral over these balances.

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

15. TRADE AND OTHER RECEIVABLES (*continued*)

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

| | <u>Group</u> | | <u>HDB</u> | |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
| | <u>31 March 2014</u> | <u>31 March 2013</u> | <u>31 March 2014</u> | <u>31 March 2013</u> |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Balance as at 1 April | 11,643 | 12,712 | 10,642 | 11,511 |
| Allowance for impairment losses | 5,000 | 4,258 | 5,000 | 3,507 |
| Bad debts written off against allowance | (5,519) | (5,327) | (4,518) | (4,376) |
| Balance as at 31 March | <u>11,124</u> | <u>11,643</u> | <u>11,124</u> | <u>10,642</u> |

16. CASH AND BANK BALANCES

| | <u>Group</u> | | <u>HDB</u> | |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| | <u>31 March 2014</u> | <u>31 March 2013</u> | <u>31 March 2014</u> | <u>31 March 2013</u> |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Cash and bank balances | 55,206 | 98,392 | 40,401 | 78,673 |
| Fixed deposits | 36,872 | 43,322 | 2,570 | 2,498 |
| Balance as at 31 March | 92,078 | 141,714 | 42,971 | 81,171 |
| <i>Less:</i> | | | | |
| Funds held in trust | (17,290) | (14,851) | (16,243) | (14,167) |
| Cash and cash equivalents as at 31 March | <u>74,788</u> | <u>126,863</u> | <u>26,728</u> | <u>67,004</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 0.26% (2012/2013 : 0.27%) per annum and for a tenure from 1 to 3 months (2012/2013 : 1 to 6 months).

17. LOANS PAYABLE

| | <u>Group</u> | | <u>HDB</u> | |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| | <u>31 March 2014</u> | <u>31 March 2013</u> | <u>31 March 2014</u> | <u>31 March 2013</u> |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| <i>Government loans</i> | | | | |
| Housing development loans | 3,884,846 | 1,015,491 | 3,884,846 | 1,015,491 |
| Mortgage financing loans | 36,607,650 | 38,372,538 | 36,607,650 | 38,372,538 |
| Upgrading financing loans | 65,510 | 67,421 | 65,510 | 67,421 |
| | 40,558,006 | 39,455,450 | 40,558,006 | 39,455,450 |
| <i>Bonds</i> | | | | |
| Principal | 18,649,000 | 14,386,000 | 18,660,000 | 14,390,000 |
| Unamortised transaction cost | (56,433) | (27,323) | (56,433) | (27,323) |
| | 18,592,567 | 14,358,677 | 18,603,567 | 14,362,677 |
| <i>Bank loans (unsecured)</i> | 3,055,000 | 2,954,000 | 3,055,000 | 2,954,000 |
| | 62,205,573 | 56,768,127 | 62,216,573 | 56,772,127 |
| Interest payable | 141,683 | 193,843 | 141,683 | 193,843 |
| Balance as at 31 March | 62,347,256 | 56,961,970 | 62,358,256 | 56,965,970 |
| Represented by amount payable: | | | | |
| Within 1 year | 8,298,693 | 7,439,234 | 8,298,693 | 7,439,234 |
| Later than 1 year but not more than 2 years | 7,268,171 | 5,002,669 | 7,268,171 | 5,002,669 |
| Later than 2 years but not more than 5 years | 21,206,780 | 19,109,919 | 21,214,780 | 19,111,919 |
| Later than 5 years | 25,573,612 | 25,410,148 | 25,576,612 | 25,412,148 |
| | 54,048,563 | 49,522,736 | 54,059,563 | 49,526,736 |
| | 62,347,256 | 56,961,970 | 62,358,256 | 56,965,970 |
| Fair value of bonds | 18,483,668 | 14,792,829 | 18,494,565 | 14,796,953 |

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 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, which is classified as Level 2 fair value.

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

The loans and bonds are denominated in Singapore dollars.

17. LOANS PAYABLE (*continued*)

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

| | <u>Interest rate</u> (per annum) | <u>Repayment term</u> |
|---------------------------|--|-----------------------|
| Housing development loans | 4.50 % (2012/2013 : 4.50%) | 10 years, 20 years |
| Mortgage financing loans | 2.50 % to 3.28 % (2012/2013 : 2.50% to 3.28%) | Up to 30 years |
| Upgrading financing loans | 2.50 % (2012/2013 : 2.50%) | 10 years |
| Bank loans (unsecured) | 0.67 % to 2.30 % (2012/2013 : 0.40% to 0.54%) | 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> |
|----------------------|-------------------------|--------------------------------------|--|---------------|-------------------|
| 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 |
| 026 | 300 | 3.950 | 3.950 | 10 years | 15 July 2018 |
| 029 | 400 | 1.870 | 1.870 | 5 years | 25 March 2015 |
| 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 |
| 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 |

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> |
|--------------------------|------------------|---------------------------|---------------------------------------|---------------|-------------------|
| 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 |
| 053 | 500 | 1.368 | 1.389 | 5 years | 29 May 2018 |
| 054 | 520 | 1.165 | 1.201 | 3 years | 26 July 2016 |
| 055 | 1,450 | 2.365 | 2.580 | 5 years | 19 September 2018 |
| 056 | 1,500 | 1.875 | 2.137 | 4 years | 13 November 2017 |
| 057 | 600 | 3.948 | 4.015 | 15 years | 29 January 2029 |
| 058 | 750 | 3.008 | 3.053 | 7 years | 26 March 2021 |

18. TRADE AND OTHER PAYABLES

| | <i>Group</i> | | <i>HDB</i> | |
|--------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | <i>31 March 2014</i> | <i>31 March 2013</i> | <i>31 March 2014</i> | <i>31 March 2013</i> |
| | <i>\$'000</i> | <i>\$'000</i> | <i>\$'000</i> | <i>\$'000</i> |
| Trade payables | 1,029,511 | 1,043,585 | 1,010,714 | 1,020,593 |
| Downpayment deposits and advances | 1,742,664 | 1,489,861 | 1,742,664 | 1,489,861 |
| Other deposits | 129,654 | 124,359 | 129,654 | 124,359 |
| Deferred income (Note 19) | 124,948 | 111,891 | 124,948 | 111,891 |
| Provisions | 20,034 | 20,010 | 20,034 | 20,010 |
| | <u>3,046,811</u> | <u>2,789,706</u> | <u>3,028,014</u> | <u>2,766,714</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 and HDB</i> | |
|-------------------------|--------------------------|--------------------------|
| | <i>31 March 2014</i> | <i>31 March 2013</i> |
| | <i>\$'000</i> | <i>\$'000</i> |
| Balance as at 1 April | 20,010 | 20,003 |
| Provisions for the year | 24 | 7 |
| Balance as at 31 March | <u>20,034</u> | <u>20,010</u> |

19. DEFERRED INCOME

| | <i>Group and HDB</i> | |
|---------------------------------|--------------------------|--------------------------|
| | <i>31 March 2014</i> | <i>31 March 2013</i> |
| | <u>\$'000</u> | <u>\$'000</u> |
| Within 1 year (Note 18) | 124,948 | 111,891 |
| After 1 year but within 5 years | 226,577 | 226,986 |
| After 5 years | 775,581 | 654,654 |
| | <u>1,002,158</u> | <u>881,640</u> |
| | <u>1,127,106</u> | <u>993,531</u> |

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

20. INCOME

| | <i>Group</i> | | <i>HDB</i> | |
|--|------------------|------------------|------------------|------------------|
| | <i>2013/2014</i> | <i>2012/2013</i> | <i>2013/2014</i> | <i>2012/2013</i> |
| | <u>\$'000</u> | <u>\$'000</u> | <u>\$'000</u> | <u>\$'000</u> |
| Interest income | 996,729 | 1,058,006 | 996,565 | 1,057,863 |
| Rental and related income | 1,118,698 | 1,092,644 | 1,105,089 | 1,051,849 |
| Car park income | 593,514 | 568,688 | 594,029 | 569,236 |
| Recoveries for upgrading and others | 96,268 | 101,471 | 96,268 | 101,471 |
| Levy on resale flats and sales premium | 47,972 | 42,491 | 47,972 | 42,491 |
| Agency and consultancy fees | 103,968 | 106,666 | 25,738 | 31,915 |
| Gain on disposal of assets | 2,295 | 10,099 | 2,320 | 10,092 |
| Investment income | 1,459 | 2,091 | 12,750 | 12,000 |
| Fees and other income | 102,063 | 84,190 | 100,804 | 83,705 |
| | <u>3,062,966</u> | <u>3,066,346</u> | <u>2,981,535</u> | <u>2,960,622</u> |

Investment income includes dividend income as follows:

| | <i>Group</i> | | <i>HDB</i> | |
|-----------------------|------------------|------------------|------------------|------------------|
| | <i>2013/2014</i> | <i>2012/2013</i> | <i>2013/2014</i> | <i>2012/2013</i> |
| | <u>\$'000</u> | <u>\$'000</u> | <u>\$'000</u> | <u>\$'000</u> |
| Dividend from: | | | | |
| — Unquoted subsidiary | 0 | 0 | 12,750 | 12,000 |
| — Others | 1,459 | 2,091 | 0 | 0 |

21. FINANCE EXPENSES

| | <u>Group</u> | | <u>HDB</u> | |
|---|------------------|------------------|------------------|------------------|
| | <u>2013/2014</u> | <u>2012/2013</u> | <u>2013/2014</u> | <u>2012/2013</u> |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Interest expense from: | | | | |
| — Government loans | 1,025,723 | 1,068,288 | 1,025,723 | 1,068,288 |
| — Bank loans | 51,918 | 14,191 | 51,918 | 14,191 |
| — Bonds | 317,441 | 255,381 | 317,586 | 255,401 |
| | 1,395,082 | 1,337,860 | 1,395,227 | 1,337,880 |
| Less: | | | | |
| Interest capitalised in assets and properties under development (Notes 6, 7 and 12) | (234,557) | (131,293) | (234,557) | (131,293) |
| Bond transaction cost amortisation | 8,036 | 2,642 | 8,036 | 2,642 |
| | <u>1,168,561</u> | <u>1,209,209</u> | <u>1,168,706</u> | <u>1,209,229</u> |

During the financial year, interest capitalised as properties and assets under development amounted to \$235 million (2012/2013 : \$131 million) at an average capitalisation rate of 2.03% (2012/2013 : 2.06%).

22. EXPENSES BY NATURE

Expenses include the following:

| | <u>Group</u> | | <u>HDB</u> | |
|--|------------------|------------------|------------------|------------------|
| | <u>2013/2014</u> | <u>2012/2013</u> | <u>2013/2014</u> | <u>2012/2013</u> |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Cost of sales before net increase in provision for foreseeable loss | 3,887,229 | 3,335,428 | 3,887,229 | 3,335,428 |
| Provision for foreseeable loss for properties under development/for sale | 1,941,626 | 752,848 | 1,941,626 | 752,848 |
| Release of foreseeable loss provided in previous years, upon sale | (324,841) | (503,105) | (324,841) | (503,105) |
| Net increase in provision for foreseeable loss | 1,616,785 | 249,743 | 1,616,785 | 249,743 |
| Upgrading | 585,088 | 637,301 | 587,907 | 642,860 |
| Improvements and demolition | 148,608 | 127,523 | 148,608 | 127,523 |
| Depreciation | 354,754 | 350,805 | 352,016 | 345,655 |
| Property tax | 139,665 | 133,534 | 139,570 | 133,446 |
| Reversal of impairment losses on property, plant and equipment and investment properties | (124,868) | (142,677) | (124,868) | (142,677) |

22. EXPENSES BY NATURE (*continued*)

| | <u>Group</u> | | <u>HDB</u> | |
|---|------------------|------------------|------------------|------------------|
| | <u>2013/2014</u> | <u>2012/2013</u> | <u>2013/2014</u> | <u>2012/2013</u> |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Allowance for impairment losses on loans receivable and debtors | 3,993 | 4,975 | 3,993 | 4,224 |
| Bad debts written off | 94 | 1,194 | 94 | 334 |
| Operating lease expenses | 27,827 | 28,527 | 21,722 | 13,834 |
| Manpower costs | 579,301 | 548,352 | 519,191 | 484,338 |
| Manpower costs and overheads capitalised in: | | | | |
| — properties and assets under development | (28,475) | (27,671) | (28,475) | (27,671) |
| — inventories of building materials | (797) | (1,220) | (797) | (1,220) |
| CPF Housing Grant [Note 2(r)] | 135,928 | 177,718 | 135,928 | 177,718 |

23. MANPOWER COSTS

| | <u>Group</u> | | <u>HDB</u> | |
|---------------------------------------|------------------|------------------|------------------|------------------|
| | <u>2013/2014</u> | <u>2012/2013</u> | <u>2013/2014</u> | <u>2012/2013</u> |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Salaries and bonuses | 502,136 | 472,803 | 449,458 | 417,872 |
| Contribution to CPF | 57,029 | 56,109 | 50,614 | 47,866 |
| Staff benefits | 10,168 | 9,535 | 9,513 | 8,981 |
| Training/development costs and others | 9,968 | 9,905 | 9,606 | 9,619 |
| | 579,301 | 548,352 | 519,191 | 484,338 |

24. GOVERNMENT GRANT

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

| | <u>HDB</u> | |
|--|------------------|------------------|
| | <u>2013/2014</u> | <u>2012/2013</u> |
| | \$'000 | \$'000 |
| Total grant as at 1 April | 22,374,769 | 21,331,856 |
| Grant for the financial year (Note 14) | 2,118,874 | 1,042,913 |
| Total grant as at 31 March | 24,493,643 | 22,374,769 |

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>2013/2014</i> | <i>2012/2013</i> |
| | <i>\$'000</i> | <i>\$'000</i> |
| (i) <i>HDB's transactions with:</i> | | |
| <i>Subsidiaries</i> | | |
| Property management | (4,549) | (4,275) |
| Mechanical and electrical services | (8,154) | (16,259) |
| Rental income | 3,279 | 3,235 |
| <i>MND</i> | | |
| Agency fees and other income | 14,999 | 21,044 |
| <i>Singapore Land Authority, as an agent for Ministry of Law</i> | | |
| Purchase of land | (6,632,713) | (4,988,407) |
| Proceeds from return of land, flats and other properties to Government | 52,933 | 40,926 |
| Agency fees and other income | 15,137 | 14,049 |
| Temporary occupation licence fees | (4,755) | (4,044) |
| <i>National Environment Agency</i> | | |
| Recoveries | 13,622 | 13,601 |
| <i>Council for Estate Agencies</i> | | |
| Consultancy and support services fees | 794 | 769 |
| <i>Maritime and Port Authority of Singapore</i> | | |
| Agency fees income | 2,179 | 3,415 |
| <i>Land Transport Authority</i> | | |
| Agency fees income | 43 | 1,449 |
| <i>Other Ministries and Statutory Boards</i> | | |
| Rental income and others | 3,214 | 1,803 |
| <i>Town Councils</i> | | |
| Operating fees for car park maintenance expenses and others | (71,369) | (68,964) |
| (ii) <i>Subsidiaries' transactions with:</i> | | |
| <i>Ministries, Town Councils and Statutory Boards</i> | | |
| Estate management agency fee income | 73,429 | 76,996 |
| <i>Amounts due to related parties as at 31 March</i> | <i>34,164</i> | <i>39,412</i> |
| <i>Amounts due from related parties as at 31 March</i> | <i>101,907</i> | <i>82,123</i> |

The outstanding amounts are unsecured. There are no guarantees provided or received in respect of the related party balances. For 2013/2014, the Group had not made any allowance for impairment relating to amounts owed by related parties (2012/2013 : \$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>2013/2014</u> | <u>2012/2013</u> | <u>2013/2014</u> | <u>2012/2013</u> |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Board Members' and Directors' fees | 304 | 306 | 201 | 203 |
| Salaries and other short-term employee benefits | 7,454 | 6,640 | 6,951 | 6,141 |
| Contribution to CPF | 210 | 202 | 199 | 192 |
| | <u>7,968</u> | <u>7,148</u> | <u>7,351</u> | <u>6,536</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 main operating decision makers are Board Members/Directors and key management personnel of the Group. The operating segments are determined based on the reports reviewed by the Group's main operating decision makers.

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*)

2012/2013

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

26. SEGMENTAL INFORMATION (*continued*)

2012/2013

| | Housing | | | | | | | Other Activities | | | | |
|--|-------------------|-----------|---------------------------------------|-----------------|-----------------------|--------------|------------------|---|-------------------------|--------------|------------------------------|---------|
| | Home Ownership | Upgrading | Residential Ancillary Functions | Rental Flats | Mortgage Financing | Eliminations | Total Housing | Other Rental and Related Businesses | Agency and Others | Eliminations | Total Other Activities | Group |
| | \$'M | \$'M | \$'M | \$'M | \$'M | \$'M | \$'M | \$'M | \$'M | \$'M | \$'M | \$'M |
| Segment expenses include: | | | | | | | | | | | | |
| Finance 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) |
| Assets and liabilities | | | | | | | | | | | | |
| Segment assets | 15,210 | 320 | 9,318 | 2,954 | 38,098 | 0 | 65,900 | 7,731 | 914 | 0 | 8,645 | 74,545 |
| Government grant receivable | | | | | | | | | | | | 1,011 |
| Unallocated assets | | | | | | | | | | | | 92 |
| Total assets | | | | | | | | | | | | 75,648 |
| Segment liabilities | 10,553 | 338 | 5,339 | 274 | 38,493 | 0 | 54,997 | 4,823 | 638 | 0 | 5,461 | 60,458 |
| Unallocated liabilities | | | | | | | | | | | | 180 |
| Total liabilities | | | | | | | | | | | | 60,638 |
| Capital additions | 312 | 0 | 359 | 176 | 0 | 0 | 847 | 142 | 5 | 0 | 147 | 994 |

26. SEGMENTAL INFORMATION (*continued*)

2013/2014

| | <i>Housing</i> | | | | | | | <i>Other Activities</i> | | | | |
|---|------------------|------------------|--------------------|--------------|------------------|---------------------|-----------------|-------------------------|---------------------|---------------------|---------------|--------------|
| | <i>Home</i> | | <i>Residential</i> | | <i>Rental</i> | | <i>Mortgage</i> | | <i>Other Rental</i> | | <i>Agency</i> | |
| | <i>Ownership</i> | <i>Upgrading</i> | <i>Ancillary</i> | <i>Flats</i> | <i>Financing</i> | <i>Eliminations</i> | <i>Total</i> | <i>and Related</i> | <i>and</i> | <i>Eliminations</i> | <i>Total</i> | <i>Group</i> |
| | \$'M | \$'M | \$'M | \$'M | \$'M | \$'M | \$'M | \$'M | \$'M | \$'M | \$'M | \$'M |
| Sale proceeds | 3,534 | 0 | 431 | 0 | 0 | 0 | 3,965 | 0 | 0 | 0 | 0 | 3,965 |
| Less: Additional/Special CPF Housing Grant [Notes 2(m)(i) & 2(r)] | (162) | 0 | 0 | 0 | 0 | 0 | (162) | 0 | 0 | 0 | 0 | (162) |
| Net sale proceeds | 3,372 | 0 | 431 | 0 | 0 | 0 | 3,803 | 0 | 0 | 0 | 0 | 3,803 |
| Cost of sales before net increase in provision for foreseeable loss | (3,490) | 0 | (379) | 0 | 0 | (18) | (3,887) | 0 | 0 | 0 | 0 | (3,887) |
| Gross (loss)/profit on sales | (118) | 0 | 52 | 0 | 0 | (18) | (84) | 0 | 0 | 0 | 0 | (84) |
| Net increase in provision for foreseeable loss | (1,617) | 0 | 0 | 0 | 0 | 0 | (1,617) | 0 | 0 | 0 | 0 | (1,617) |
| Gross (loss)/profit after net increase in provision for foreseeable loss | (1,735) | 0 | 52 | 0 | 0 | (18) | (1,701) | 0 | 0 | 0 | 0 | (1,701) |
| External income: | | | | | | | | | | | | |
| Interest income | 0 | 3 | 0 | 0 | 994 | 0 | 997 | 0 | 0 | 0 | 0 | 997 |
| Other income | 97 | 83 | 599 | 55 | 3 | 0 | 837 | 1,104 | 125 | 0 | 1,229 | 2,066 |
| Inter-segment | 0 | 0 | (21) | 0 | 0 | 21 | 0 | 12 | 26 | (38) | 0 | 0 |
| Total income | 97 | 86 | 578 | 55 | 997 | 21 | 1,834 | 1,116 | 151 | (38) | 1,229 | 3,063 |
| Net deficit before government grant and taxation | (1,927) | (568) | (157) | (50) | (30) | 17 | (2,715) | 745 | 22 | (30) | 737 | (1,978) |
| Government grant | | | | | | | | | | | | 2,119 |
| Net surplus before taxation and transfer to reserves | | | | | | | | | | | | 141 |
| Taxation | | | | | | | | | | | | (1) |
| Net surplus for the year before transfer to reserves | | | | | | | | | | | | 140 |

26. SEGMENTAL INFORMATION (*continued*)

2013/2014

| | <i>Housing</i> | | | | | | | <i>Other Activities</i> | | | | |
|--|-----------------------|-------|--|---------------------|---------------------------|---------------------|----------------------|--|--------------------------|---------------------|-------------------------------|--------------|
| | <i>Home Ownership</i> | | <i>Residential Ancillary Functions</i> | <i>Rental Flats</i> | <i>Mortgage Financing</i> | <i>Eliminations</i> | <i>Total Housing</i> | <i>Other Rental and Related Businesses</i> | <i>Agency and Others</i> | <i>Eliminations</i> | <i>Total Other Activities</i> | <i>Group</i> |
| | \$'M | \$'M | \$'M | \$'M | \$'M | \$'M | \$'M | \$'M | \$'M | \$'M | \$'M | \$'M |
| <i>Segment expenses include:</i> | | | | | | | | | | | | |
| Finance expenses | (29) | (2) | (96) | (4) | (959) | 0 | (1,090) | (73) | (6) | 0 | (79) | (1,169) |
| CPF Housing Grant [Note 2(r)] | (136) | 0 | 0 | 0 | 0 | 0 | (136) | 0 | 0 | 0 | 0 | (136) |
| Upgrading | 0 | (580) | 0 | (3) | 0 | (3) | (586) | (4) | 0 | 0 | (4) | (590) |
| Improvements and demolition | 0 | (1) | (100) | 1 | 0 | (3) | (103) | (44) | (1) | 0 | (45) | (148) |
| Depreciation | (11) | 0 | (148) | (48) | 0 | 0 | (207) | (136) | (9) | 0 | (145) | (352) |
| Reversal of impairment losses on property, plant and equipment and investment properties | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 124 | 0 | 0 | 124 | 124 |
| Allowance for impairment losses on loans receivable and debtors | 0 | 0 | 0 | (5) | 1 | 0 | (4) | 0 | 0 | 0 | 0 | (4) |
| <i>Assets and liabilities</i> | | | | | | | | | | | | |
| Segment assets | 20,141 | 269 | 9,614 | 3,379 | 36,609 | 0 | 70,012 | 7,954 | 857 | 0 | 8,811 | 78,823 |
| Government grant receivable | | | | | | | | | | | | 2,612 |
| Unallocated assets | | | | | | | | | | | | 56 |
| <i>Total assets</i> | | | | | | | | | | | | 81,491 |
| Segment liabilities | 16,525 | 333 | 6,102 | 702 | 36,637 | 0 | 60,299 | 5,527 | 455 | 0 | 5,982 | 66,281 |
| Unallocated liabilities | | | | | | | | | | | | 115 |
| <i>Total liabilities</i> | | | | | | | | | | | | 66,396 |
| <i>Capital additions</i> | 492 | 0 | 476 | 500 | 0 | 0 | 1,468 | 242 | 4 | 0 | 246 | 1,714 |

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>2013/2014</u> | <u>2012/2013</u> | <u>2013/2014</u> | <u>2012/2013</u> |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Authorised and contracted for | 10,230,088 | 6,792,572 | 10,230,088 | 6,791,242 |
| Authorised but not contracted for | 2,137,983 | 3,150,141 | 2,137,983 | 3,150,141 |
| | <u>12,368,071</u> | <u>9,942,713</u> | <u>12,368,071</u> | <u>9,941,383</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>2013/2014</u> | <u>2012/2013</u> | <u>2013/2014</u> | <u>2012/2013</u> |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Within 1 year | 166,212 | 154,929 | 160,457 | 145,948 |
| After 1 year but within 5 years | 321,324 | 274,092 | 322,097 | 272,702 |
| After 5 years | 308,884 | 258,106 | 308,884 | 258,106 |
| | <u>796,420</u> | <u>687,127</u> | <u>791,438</u> | <u>676,756</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>2013/2014</u> | <u>2012/2013</u> | <u>2013/2014</u> | <u>2012/2013</u> |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Within 1 year | 9,166 | 10,297 | 2,885 | 2,792 |
| After 1 year but within 5 years | 14,273 | 12,173 | 6,986 | 5,284 |
| After 5 years | 1,149 | 559 | 1,149 | 559 |
| | <u>24,588</u> | <u>23,029</u> | <u>11,020</u> | <u>8,635</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.

29. RECLASSIFICATIONS AND COMPARATIVE FIGURES

Certain comparative amounts have been reclassified for consistency with the presentation of the current year’s financial statements. An amount approximating \$40.6 million previously reported under trade and other receivables in the 2012/2013 comparative figures have been reclassified to trade and other payables.

The reclassification relates to receivables from the building contracts which are subject to offsetting against payables for the same contracts.

The revised presentation does not result in a change in the Group and the HDB’s net assets and net surplus before and after taxation.