

Financial Statements

HDB ANNUAL REPORT 2015/2016



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STATEMENT BY THE BOARD OF THE HOUSING & DEVELOPMENT BOARD

For the financial year ended 31 March 2016

In our opinion,

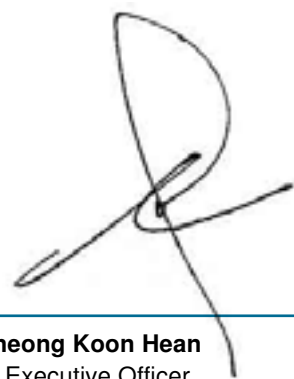
- (a) the accompanying financial statements of the Housing & Development Board ("HDB") and its subsidiaries ("Group") as set out on pages 7 to 69 are properly drawn up in accordance with the provisions of the Housing and Development Act (Cap. 129, 2004 Revised Edition) (the "Act") and Singapore Statutory 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 2016, 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

Singapore, 26 May 2016



Dr Cheong Koon Hean
Chief Executive Officer

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE BOARD OF THE HOUSING & DEVELOPMENT BOARD

Report on the Financial Statements

We have audited the accompanying financial statements of the Housing & Development Board ("HDB") and its subsidiaries ("Group") set out on pages 7 to 69, which comprise the balance sheets of the Group and the HDB as at 31 March 2016, 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 information.

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 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 2016 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE BOARD OF THE HOUSING & DEVELOPMENT BOARD (continued)

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.

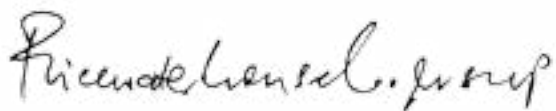
Our compliance audit includes obtaining an understanding of the internal control relevant to the receipts, expenditure, investment of moneys and the acquisition and disposal of assets; and assessing the risks of material misstatement of the financial statements from non-compliance, if any, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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 and of those subsidiaries incorporated in Singapore, of which we are the auditors, whether purchased, donated or otherwise.



PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
Singapore, 26 May 2016

BALANCE SHEETS

As at 31 March 2016

Note	<u>Group</u>		<u>HDB</u>	
	31 March 2016 \$'000	31 March 2015 \$'000	31 March 2016 \$'000	31 March 2015 \$'000
CAPITAL AND RESERVES				
Share capital	5 1	1	1	1
Capital account	5 2,468,093	2,468,093	2,463,593	2,463,593
Capital gains reserve	5 7,111,705	7,106,569	7,111,705	7,106,569
Asset revaluation reserve	5 5,505,335	5,530,736	5,505,335	5,530,736
Fair value reserve	2,025	3,758	0	0
Retained earnings	86,339	83,270	0	0
Attributable to Equity Holder of the HDB	15,173,498	15,192,427	15,080,634	15,100,899
Non-controlling interests	31,456	31,010	0	0
TOTAL EQUITY	15,204,954	15,223,437	15,080,634	15,100,899
NON-CURRENT ASSETS				
Property, plant and equipment	6 21,506,361	19,686,188	21,498,087	19,679,665
Investment properties	7 4,887,273	4,918,980	4,872,288	4,903,740
Loans receivable	8 35,814,058	35,008,409	35,814,005	35,008,399
Investment in subsidiaries	9 0	0	1,500	1,500
Available-for-sale investments	10 28,757	31,592	0	0
Total non-current assets	62,236,449	59,645,169	62,185,880	59,593,304
CURRENT ASSETS				
Properties under development	12 16,559,336	16,160,901	16,559,336	16,160,901
Properties for sale	13 2,510,780	2,118,249	2,510,780	2,118,249
Inventories of building materials	43,551	43,781	40,788	40,835
Loans receivable within 1 year	8 2,451,657	2,416,480	2,451,635	2,416,460
Government grant receivable	14 4,386,403	3,943,148	4,386,403	3,943,148
Trade and other receivables	15 1,478,466	1,354,359	1,429,894	1,328,361
Cash and bank balances	16 94,709	105,021	57,542	54,695
Total current assets	27,524,902	26,141,939	27,436,378	26,062,649
Less:				
CURRENT LIABILITIES				
Loans payable within 1 year	17 13,057,676	12,005,930	13,059,676	12,005,930
Trade and other payables	18 3,364,061	3,283,564	3,341,054	3,265,545
Amount due to subsidiary	0	0	455	376
Provision for income tax	11 61	81	0	0
Total current liabilities	16,421,798	15,289,575	16,401,185	15,271,851
NET CURRENT ASSETS	11,103,104	10,852,364	11,035,193	10,790,798

The accompanying notes form part of the financial statements.

BALANCE SHEETS

As at 31 March 2016

NON-CURRENT LIABILITIES

		Group		HDB
Note	31 March 2016 \$'000	31 March 2015 \$'000	31 March 2016 \$'000	31 March 2015 \$'000
Loans payable	17 56,461,896	53,972,424	56,470,896	53,983,424
Deferred income	19 1,669,543	1,299,779	1,669,543	1,299,779
Deferred tax liabilities	11 3,160	1,893	0	0
Total non-current liabilities	58,134,599	55,274,096	58,140,439	55,283,203

NET ASSETS

15,204,954	15,223,437	15,080,634	15,100,899
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James Koh Cher Siang
Chairman

26 May 2016


Audrey Leong Yue Yoke
Group Director (Finance)

The accompanying notes form part of the financial statements.

INCOME AND EXPENDITURE STATEMENTS

For the financial year ended 31 March 2016

	Group				HDB			
	2015/ 2016		2014/ 2015		2015/ 2016		2014/ 2015	
Notes	Housing \$'000	Other Activities \$'000	Total \$'000	Total \$'000	Housing \$'000	Other Activities \$'000	Total \$'000	Total \$'000
Sale proceeds	26 6,521,482	0	6,521,482	6,705,047	6,521,482	0	6,521,482	6,705,047
Cost of sales before net increase in provision for foreseeable loss	(6,784,451)	0	(6,784,451)	(6,680,845)	(6,784,451)	0	(6,784,451)	(6,680,845)
Gross (loss)/ profit on sales	26 (262,969)	0	(262,969)	24,202	(262,969)	0	(262,969)	24,202
Net increase in provision for foreseeable loss	22 (663,771)	0	(663,771)	(1,495,985)	(663,771)	0	(663,771)	(1,495,985)
Gross (loss)/ profit after net increase in provision for foreseeable loss	(926,740)	0	(926,740)	(1,471,783)	(926,740)	0	(926,740)	(1,471,783)
Income	20 1,923,695	1,372,771	3,296,466	3,136,400	1,924,158	1,252,425	3,176,583	3,041,348
Finance expenses	21 (1,169,101)	(105,771)	(1,274,872)	(1,226,043)	(1,169,281)	(105,771)	(1,275,052)	(1,226,223)
Operating expenses	22, 23 (1,866,976)	(649,804)	(2,516,780)	(2,311,739)	(1,869,400)	(533,257)	(2,402,657)	(2,224,514)
Other expenses	22 (211,562)	0	(211,562)	(137,132)	(211,562)	0	(211,562)	(137,132)
NET (DEFICIT)/ SURPLUS BEFORE GOVERNMENT GRANT AND TAXATION	26 (2,250,684)	617,196	(1,633,488)	(2,010,297)	(2,252,825)	613,397	(1,639,428)	(2,018,304)
Government grant	14		1,636,324	2,171,623		1,636,324		2,171,623
NET SURPLUS/ (DEFICIT) BEFORE TAXATION AND TRANSFER TO RESERVES			2,836	161,326			(3,104)	153,319
Income tax credit/ (expense)	11		215	(2,943)			0	0
NET SURPLUS/ (DEFICIT) FOR THE YEAR BEFORE TRANSFER TO RESERVES			3,051	158,383			(3,104)	153,319

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

INCOME AND EXPENDITURE STATEMENTS

For the financial year ended 31 March 2016

	Group				HDB			
	2015/ 2016		2014/ 2015		2015/ 2016		2014/ 2015	
	Notes	Housing \$'000	Other Activities \$'000	Total \$'000	Housing \$'000	Other Activities \$'000	Total \$'000	Total \$'000
ATTRIBUTABLE TO:								
Equity holder of the HDB				(35)				153,319
Non-controlling interests				3,086			0	0
AMOUNT ATTRIBUTABLE TO EQUITY HOLDER OF THE HDB:								
NET (DEFICIT)/ SURPLUS FOR THE YEAR BEFORE TRANSFER TO RESERVES				(35)			(3,104)	153,319
RETAINED EARNINGS AT THE BEGINNING OF THE YEAR				83,270			0	0
Release of asset revaluation reserve				24,157			24,157	26,765
Transfer to capital gains reserve				(21,053)			(21,053)	(180,084)
RETAINED EARNINGS AT THE END OF THE YEAR				86,339			0	0

The accompanying notes form part of the financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

For the financial year ended 31 March 2016

	Group		HDB	
	2015/ 2016	2014/ 2015	2015/ 2016	2014/ 2015
	Total \$'000	Total \$'000	Total \$'000	Total \$'000
NET SURPLUS/ (DEFICIT) FOR THE YEAR BEFORE TRANSFER TO RESERVES	3,051	158,383	(3,104)	153,319
Other comprehensive income				
<i>Items that may be reclassified subsequently to the income and expenditure statements:</i>				
Fair value losses on available-for-sale investment	(2,310)	(1,859)	0	0
<i>Items that will not be reclassified subsequently to the income and expenditure statements:</i>				
Net impairment losses charged to asset revaluation reserve	0	(366)	0	(366)
Adjustment for assets capitalised in prior years	0	(3,892)	0	(3,892)
Other comprehensive expense for the year, net of tax	(2,310)	(6,117)	0	(4,258)
Total comprehensive income/ (expense) for the year	741	152,266	(3,104)	149,061
Attributable to:				
Equity holder of the HDB	(1,768)	150,668	(3,104)	149,061
Non-controlling interests	2,509	1,598	0	0
	741	152,266	(3,104)	149,061

The accompanying notes form part of the financial statements.

STATEMENTS OF CHANGES IN CAPITAL AND RESERVES

For the financial year ended 31 March 2016

	Group								
Share Capital \$'000	Capital Account \$'000	Capital Gains Reserve \$'000	Asset Revaluation Reserve \$'000	Fair Value Reserve \$'000	Retained Earnings \$'000	Attributable to Equity Holder of the HDB \$'000	Non-Controlling Interests \$'000	Total Capital and Reserves \$'000	
Balance as at 1 April 2014									
Net surplus for the year before transfer to reserves	1	2,468,100	6,949,262	5,561,752	5,152	80,269	15,064,536	30,475	15,095,011
Other comprehensive income									
Adjustment for assets capitalised in prior years	0	(7)	0	(3,885)	0	0	(3,892)	0	(3,892)
Net impairment losses charged to asset revaluation reserve	0	0	0	(366)	0	0	(366)	0	(366)
Fair value losses on available-for-sale investment	0	0	0	0	(1,394)	0	(1,394)	(465)	(1,859)
Other comprehensive (expense)/ income for the year, net of tax									
	0	(7)	0	(4,251)	(1,394)	0	(5,652)	(465)	(6,117)
Total comprehensive (expense)/ income for the year									
	0	(7)	0	(4,251)	(1,394)	156,320	150,668	1,598	152,266
Transfer from retained earnings to capital gains reserve (Note 5c)	0	0	180,084	0	0	(180,084)	0	0	0
Release of asset revaluation reserve on disposal of assets	0	0	0	(26,765)	0	26,765	0	0	0
Return of reserves to the Government	0	0	(22,777)	0	0	0	(22,777)	0	(22,777)
Non-controlling interests' share of dividend from subsidiary	0	0	0	0	0	0	0	(1,063)	(1,063)
Balance as at 31 March 2015	1	2,468,093	7,106,569	5,530,736	3,758	83,270	15,192,427	31,010	15,223,437

The accompanying notes form part of the financial statements.

STATEMENTS OF CHANGES IN CAPITAL AND RESERVES

For the financial year ended 31 March 2016

	Group							
Share Capital \$'000	Capital Account \$'000	Capital Gains Reserve \$'000	Asset Revaluation Reserve \$'000	Fair Value Reserve \$'000	Retained Earnings \$'000	Attributable to Equity Holder of the HDB \$'000	Non-Controlling Interests \$'000	Total Capital and Reserves \$'000
1	2,468,093	7,106,569	5,530,736	3,758	83,270	15,192,427	31,010	15,223,437
0	0	0	0	0	(35)	(35)	3,086	3,051
Other comprehensive income								
0	0	1,244	(1,244)	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	(1,733)	0	(1,733)	(577)	(2,310)
Other comprehensive (expense)/ income for the year, net of tax								
0	0	1,244	(1,244)	(1,733)	0	(1,733)	(577)	(2,310)
Total comprehensive (expense)/ income for the year								
0	0	1,244	(1,244)	(1,733)	(35)	(1,768)	2,509	741
0	0	21,053	0	0	(21,053)	0	0	0
0	0	0	(24,157)	0	24,157	0	0	0
0	0	(17,161)	0	0	0	(17,161)	0	(17,161)
0	0	0	0	0	0	0	(2,063)	(2,063)
1	2,468,093	7,111,705	5,505,335	2,025	86,339	15,173,498	31,456	15,204,954

The accompanying notes form part of the financial statements.

STATEMENTS OF CHANGES IN CAPITAL AND RESERVES

For the financial year ended 31 March 2016

	HDB				
	Share Capital \$'000	Capital Account \$'000	Capital Gains Reserve \$'000	Asset Revaluation Reserve \$'000	Retained Earnings \$'000
Balance as at 1 April 2014	1	2,463,600	6,949,262	5,561,752	0
Net surplus for the year before transfer to reserves	0	0	0	0	153,319
Other comprehensive income					
Adjustments for assets capitalised in prior years	0	(7)	0	(3,885)	0
Net impairment losses charged to asset revaluation reserve	0	0	0	(366)	0
Other comprehensive expense for the year, net of tax	0	(7)	0	(4,251)	0
Total comprehensive (expense)/ income for the year	0	(7)	0	(4,251)	153,319
Transfer from retained earnings to capital gains reserve	0	0	180,084	0	(180,084)
Release of asset revaluation reserve on disposal of assets	0	0	0	(26,765)	26,765
Return of reserves to the Government	0	0	(22,777)	0	0
Balance as at 31 March 2015	1	2,463,593	7,106,569	5,530,736	0
					15,100,899

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The accompanying notes form part of the financial statements.

STATEMENTS OF CHANGES IN CAPITAL AND RESERVES

For the financial year ended 31 March 2016

	HDB				
	Share Capital \$'000	Capital Account \$'000	Capital Gains Reserve \$'000	Asset Revaluation Reserve \$'000	Retained Earnings \$'000
Balance as at 1 April 2015	1	2,463,593	7,106,569	5,530,736	0
Net deficit for the year before transfer to reserves	0	0	0	0	(3,104)
Other comprehensive income					
Adjustments due to reclassification of asset	0	0	1,244	(1,244)	0
Net impairment losses charged to asset revaluation reserve	0	0	0	0	0
Other comprehensive (expense)/ income for the year, net of tax	0	0	1,244	(1,244)	0
Total comprehensive (expense)/ income for the year	0	0	1,244	(1,244)	(3,104)
Transfer from retained earnings to capital gains reserve	0	0	21,053	0	(21,053)
Release of asset revaluation reserve on disposal of assets	0	0	0	(24,157)	24,157
Return of reserves to the Government	0	0	(17,161)	0	0
Balance as at 31 March 2016	1	2,463,593	7,111,705	5,505,335	0
					15,080,634

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The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 March 2016

		<u>Group</u>	
	Note	2015/ 2016 \$'000	2014/ 2015 \$'000
OPERATING ACTIVITIES			
Net deficit before government grant and taxation		(1,633,488)	(2,010,297)
Adjustments for:			
Interest income	20	(1,007,454)	(990,413)
Interest expense	21	1,261,868	1,213,431
Depreciation	22	397,612	376,410
CPF Housing Grant netted off against sale proceeds on sale of the flat	26	207,912	262,781
Provision for foreseeable loss for properties under development/ for sale	22	1,174,289	1,917,793
Loss on disposal/ write-off of assets (net)		29,906	18,293
Impairment/ (reversal) of impairment losses on property, plant and equipment and investment properties (net)	22	24,593	(15,064)
Allowance for impairment losses and amount written off on loans receivable and debtors	22	7,730	5,701
Amortisation of deferred income		(154,643)	(136,022)
Amortisation of transaction cost of bonds	21	13,004	12,612
Gain on disposal of investments	20	(176)	(3,403)
Impairment losses on investments	22	453	0
Investment income	20	(879)	(1,196)
Surplus before movement in working capital		320,727	650,626
Change in working capital:			
Properties under development		(8,069,681)	(8,117,717)
Properties for sale		6,447,104	6,311,554
Inventories of building materials		230	124
Trade and other receivables		(339,815)	(559,680)
Trade and other payables		77,056	222,104
Late payment charges on loans receivable		918	1,012
		(1,884,188)	(2,142,603)
Mortgage loan repayments and interest received		5,504,390	5,563,578
Mortgage loans granted		(5,339,661)	(5,334,124)
Interest paid on mortgage financing loans		(961,096)	(906,790)
Income tax refund	11	1,462	34
Deferred income received		530,255	448,662
Net cash used in operating activities		(1,828,111)	(1,720,617)

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 March 2016

		<u>Group</u>	
	Note	2015/ 2016 \$'000	2014/ 2015 \$'000
INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment, and investment properties		34,987	10,337
Purchase of property, plant and equipment, and investment properties		(2,226,374)	(2,081,208)
Interest received		1,048	462
Dividends received from other investments		879	1,196
Proceeds from redemption/disposal of other investments		248	6,658
Purchase of investments		0	(6,732)
Net cash used in investing activities		(2,189,212)	(2,069,287)
FINANCING ACTIVITIES			
Proceeds from loans payable		31,561,317	24,819,874
Repayment of loans payable		(28,108,586)	(21,276,437)
Interest paid		(634,319)	(579,546)
Government grant received	14	1,193,069	840,389
Dividends paid to non-controlling shareholders		(2,063)	(1,063)
Net cash from financing activities		4,009,418	3,803,217
Net (decrease)/ increase in cash and cash equivalents		(7,905)	13,313
Cash and cash equivalents at the beginning of year		88,101	74,788
Cash and cash equivalents at the end of year	16	80,196	88,101

The accompanying notes form part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2016

1. GENERAL

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

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

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

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

The balance sheet, income and expenditure statement, statement of comprehensive income and statement of changes in capital and reserves of the HDB and the consolidated financial statements of the Group for the year ended 31 March 2016 were authorised for issue by members of its Board on 26 May 2016.

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 2015

On 1 April 2015, 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 did 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.

The following amendments to SB-FRS are relevant to the Group and HDB:

Amendments to SB-FRS 108 Operating Segments

This amendment sets out the required disclosures on the judgements made by management in aggregating operating segments. This includes description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics. The standard is further amended to require a reconciliation of segment assets to entity’s assets when segment assets are reported.

The Group has included the additional required disclosures in Note 26 of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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:

- Amendments to SB-FRS 16 *Property, Plant and Equipment*
- Amendments to SB-FRS 110 *Consolidated Financial Statements*
- Amendments to SB-FRS 1 on *Disclosure Initiative*
- SB-FRS 115 *Revenue from Contracts with Customers*
- SB-FRS 1001 *Accounting and Disclosure for Non-Exchange Revenue*
- SB-FRS 109 *Financial Instruments*

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.

(b) Basis of Consolidation

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on that control ceases.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Financial Instruments

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

Effective interest method

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

(i) **Financial assets**

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2016

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Financial Instruments (continued)

(ii) Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

Trade and other payables are initially 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 Ministry of Finance will act as a lender of last resort to HDB for its funding requirements. The Ministry of Finance has funded HDB's past deficits. The provision of any loan or funding (including the quantum) are at the absolute discretion of the Minister for Finance and the Government of Singapore, which do not guarantee the direct or indirect payment of any debt obligations of HDB.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Financial Instruments (continued)

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Property, Plant and Equipment (continued)

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:

	Years
Land & Buildings	
Leasehold land	Over the lease period up to 99 years
Buildings	Over the lease period up to 60 years
Leasehold properties	30 years
Others	
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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Property, Plant and Equipment (continued)

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. Investment properties include assets under development that are being constructed or developed for future use as investment properties.

Investment properties are initially recognised at cost and subsequently carried at cost less accumulated depreciation and any impairment losses. When a building comprises major components having different useful lives, each significant component is depreciated separately. 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 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. Car park income is from car parks in HDB housing estates, in industrial properties, and in commercial complexes.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2016

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)]. Finance 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Income Tax (continued)

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.

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, Special CPF Housing Grant and Selective En Bloc Redevelopment Scheme 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2016

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

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.

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

The estimated selling price (net of CPF Housing Grant [Note 2(m)(i)]) of the flat's 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2016

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</u>	31 March	<u>31 March</u>	31 March
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	\$'000	\$'000	\$'000	\$'000
Financial Assets				
Loans and receivables (including cash and bank balances) ⁽¹⁾	44,186,906	42,799,315	44,125,647	42,736,520
Available-for-sale securities	28,757	31,592	0	0

⁽¹⁾ Excludes prepayments

	<u>Group</u>		<u>HDB</u>	
	<u>31 March</u>	31 March	<u>31 March</u>	31 March
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	\$'000	\$'000	\$'000	\$'000
Financial Liabilities (at amortised cost)				
Loans payable	69,519,572	65,978,354	69,530,572	65,989,354
Payables (including amount due to subsidiary) ⁽²⁾	1,293,105	1,300,759	1,270,553	1,283,116

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2016

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

	<u>Group and HDB</u>	
	<u>31 March</u>	31 March
	<u>2016</u>	<u>2015</u>
	\$'000	\$'000
Financial Assets		
<u>Trade receivables</u>		
Gross amounts of recognised financial assets	29,156	50,411
<i>Less:</i>		
Gross amounts of recognised liabilities set off in the balance sheets	(27,937)	(43,830)
Net amounts of assets presented in the balance sheets	1,219	6,581
Financial Liabilities		
<u>Trade payables</u>		
Gross amounts of recognised financial liabilities	479,125	441,029
<i>Less:</i>		
Gross amounts of recognised assets set off in the balance sheets	(27,937)	(43,830)
Net amounts of liabilities presented in the balance sheets	451,188	397,199

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2016

4. FINANCIAL RISKS AND MANAGEMENT (continued)

(i) Credit risk (continued)

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

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

Further details of credit risks on loans receivable and other receivables are disclosed in Notes 8 and 15 to the financial statements respectively.

(ii) 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. If the variable interest rate were to increase/decrease by 0.5% (2014/ 2015: 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 \$27.1 million (2014/ 2015: \$17.4 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2016

4. FINANCIAL RISKS AND MANAGEMENT (continued)

(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 Ministry of Finance will act as a lender of last resort to HDB for its funding requirements. The Ministry of Finance has funded HDB's past deficits. The provision of any loan or funding (including the quantum) are at the absolute discretion of the Minister for Finance and the Government of Singapore, which do not guarantee the direct or indirect payment of any debt obligations of HDB.

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.

	On demand or within 1 year \$'000	Within 1 to 5 years \$'000	After 5 years \$'000	Adjustment \$'000	Total \$'000
Group					
31 March 2016					
Loans payable	14,655,439	30,647,196	34,788,135	(10,571,198)	69,519,572
Payables ⁽¹⁾	1,293,105	0	0	0	1,293,105
31 March 2015					
Loans payable	13,512,178	30,936,610	30,837,508	(9,307,942)	65,978,354
Payables ⁽¹⁾	1,300,759	0	0	0	1,300,759
HDB					
31 March 2016					
Loans payable	14,657,439	30,655,196	34,789,135	(10,571,198)	69,530,572
Payables (including amount due to subsidiary) ⁽¹⁾	1,270,553	0	0	0	1,270,553
31 March 2015					
Loans payable	13,512,178	30,946,610	30,838,508	(9,307,942)	65,989,354
Payables (including amount due to subsidiary) ⁽¹⁾	1,283,116	0	0	0	1,283,116

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2016

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, 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 closing market 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>Group</u>	
	<u>Total</u>	<u>Level 1</u>
	<u>\$'000</u>	<u>\$'000</u>
31 March 2016		
Available-for-sale investments	<u>28,757</u>	<u>28,757</u>
31 March 2015		
Available-for-sale investments	<u>31,592</u>	<u>31,592</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2016

4. FINANCIAL RISKS AND MANAGEMENT (continued)

(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. The Ministry of Finance will act as a lender of last resort to HDB for its funding requirements. The Ministry of Finance has funded HDB's past deficits. The provision of any loan or funding (including the quantum) are at the absolute discretion of the Minister for Finance and the Government of Singapore, which do not guarantee the direct or indirect payment of any debt obligations of HDB.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2016

5. CAPITAL AND RESERVES (continued)

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2016

6. PROPERTY, PLANT AND EQUIPMENT

	<u>Group</u>							
	Freehold Land \$'000	Leasehold Land \$'000	Buildings \$'000	Leasehold Properties \$'000	Assets under Development \$'000	Plant and Machinery \$'000	Office Equipment, Furniture and Vehicles \$'000	Total \$'000
Cost								
At 1 April 2014	116,060	11,659,572	8,353,388	24,698	2,444,667	9,565	54,135	22,662,085
Additions	0	39,561	28,416	0	1,935,996	0	3,945	2,007,918
Disposals/ Write-off	0	(51,768)	(19,569)	0	0	(508)	(5,060)	(76,905)
Transfer from investment properties	0	1,454	1,811	0	0	0	0	3,265
Transfer to properties for sale	(166)	(9,076)	(6,514)	0	0	0	0	(15,756)
Reclassifications	854	353,265	819,304	0	(1,173,423)	0	0	0
At 31 March 2015	116,748	11,993,008	9,176,836	24,698	3,207,240	9,057	53,020	24,580,607
Accumulated depreciation and impairment losses								
At 1 April 2014	0	2,395,524	2,178,854	4,884	622	8,978	44,654	4,633,516
Depreciation	0	127,220	158,448	837	0	161	3,927	290,593
Disposals/ Write-off	0	(12,845)	(7,088)	0	0	(508)	(5,057)	(25,498)
Transfer from investment properties	0	203	368	0	0	0	0	571
Transfer to properties for sale	0	(1,973)	(2,780)	0	0	0	0	(4,753)
Reclassifications	0	518	0	0	(518)	0	0	0
Impairment losses	0	512	89	0	0	0	0	601
Reversal of impairment losses	0	(505)	(106)	0	0	0	0	(611)
At 31 March 2015	0	2,508,654	2,327,785	5,721	104	8,631	43,524	4,894,419
Carrying amount:								
At 31 March 2015	116,748	9,484,354	6,849,051	18,977	3,207,136	426	9,496	19,686,188

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2016

6. PROPERTY, PLANT AND EQUIPMENT (continued)

	<u>Group</u>					
	Freehold Land	Leasehold Land	Buildings	Leasehold Properties	Assets under Development	Plant and Machinery
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cost						
At 1 April 2015	116,748	11,993,008	9,176,836	24,698	3,207,240	9,057
Additions	1,255	123,766	86,030	0	1,861,050	13
Disposals/ Write-off	0	(55,917)	(12,984)	0	(741)	(827)
Transfer from investment properties	0	41,472	3,582	0	0	0
Transfer (to)/ from properties for sale/properties under development	(514)	30,938	30,245	0	4,321	0
Reclassifications	1,709	388,286	870,659	0	(1,260,682)	0
At 31 March 2016	119,198	12,521,553	10,154,368	24,698	3,811,188	8,243
Accumulated depreciation and impairment losses						
At 1 April 2015	0	2,508,654	2,327,785	5,721	104	8,631
Depreciation	0	133,074	172,905	837	0	153
Disposals/ Write-off	0	(6,184)	(6,604)	0	0	(827)
Transfer from investment properties	0	849	806	0	0	0
Transfer to properties for sale	0	(479)	(883)	0	0	0
Reclassifications	0	(2,333)	0	0	2,333	0
Impairment losses	0	9	11	0	0	0
Reversal of impairment losses	0	(670)	(261)	0	0	0
At 31 March 2016	0	2,632,920	2,493,759	6,558	2,437	7,957
Carrying amount:						
At 31 March 2016	119,198	9,888,633	7,660,609	18,140	3,808,751	286
						10,744
						21,506,361

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2016

6. PROPERTY, PLANT AND EQUIPMENT (continued)

	<u>HDB</u>					
	Freehold Land	Leasehold Land	Buildings	Leasehold Properties	Assets under Development	Plant and Machinery
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cost						
At 1 April 2014	116,060	11,659,572	8,329,489	24,698	2,444,667	9,291
Additions	0	39,561	28,416	0	1,935,996	0
Disposals/ Write-off	0	(51,768)	(17,372)	0	0	(423)
Transfer from investment properties	0	1,454	1,811	0	0	0
Transfer to properties for sale	(166)	(9,076)	(6,514)	0	0	0
Reclassifications	854	353,265	819,304	0	(1,173,423)	0
At 31 March 2015	116,748	11,993,008	9,155,134	24,698	3,207,240	8,868
Accumulated depreciation and impairment losses						
At 1 April 2014	0	2,395,524	2,162,049	4,884	622	8,704
Depreciation	0	127,220	156,609	837	0	161
Disposals/ Write-off	0	(12,845)	(4,891)	0	0	(423)
Transfer from investment properties	0	203	368	0	0	0
Transfer to properties for sale	0	(1,973)	(2,780)	0	0	0
Reclassifications	0	518	0	0	(518)	0
Impairment losses	0	512	89	0	0	0
Reversal of impairment losses	0	(505)	(106)	0	0	0
At 31 March 2015	0	2,508,654	2,311,338	5,721	104	8,442
Carrying amount:						
At 31 March 2015	116,748	9,484,354	6,843,796	18,977	3,207,136	426
						8,228
						19,679,665

6. PROPERTY, PLANT AND EQUIPMENT (continued)

HDB								
	Freehold Land	Leasehold Land	Buildings	Leasehold Properties	Assets under Development	Plant and Machinery	Office Equipment, Furniture and Vehicles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cost								
At 1 April 2015	116,748	11,993,008	9,155,134	24,698	3,207,240	8,868	47,868	24,553,564
Additions	1,255	123,766	83,524	0	1,861,050	3	4,983	2,074,581
Disposals/ Write-off	0	(55,917)	(12,984)	0	(741)	(814)	(6,467)	(76,923)
Transfer from investment properties	0	41,472	3,582	0	0	0	0	45,054
Transfer (to)/ from properties for sale/ properties under development	(514)	30,938	30,245	0	4,321	0	0	64,990
Reclassifications	1,709	388,286	870,659	0	(1,260,682)	0	28	0
At 31 March 2016	119,198	12,521,553	10,130,160	24,698	3,811,188	8,057	46,412	26,661,266
Accumulated depreciation and impairment losses								
At 1 April 2015	0	2,508,654	2,311,338	5,721	104	8,442	39,640	4,873,899
Depreciation	0	133,074	172,389	837	0	151	3,512	309,963
Disposals/ Write-off	0	(6,184)	(6,604)	0	0	(814)	(6,463)	(20,065)
Transfer from investment properties	0	849	806	0	0	0	0	1,655
Transfer to properties for sale	0	(479)	(883)	0	0	0	0	(1,362)
Reclassifications	0	(2,333)	0	0	2,333	0	0	0
Impairment losses	0	9	11	0	0	0	0	20
Reversal of impairment losses	0	(670)	(261)	0	0	0	0	(931)
At 31 March 2016	0	2,632,920	2,476,796	6,558	2,437	7,779	36,689	5,163,179
Carrying amount:								
At 31 March 2016	119,198	9,888,633	7,653,364	18,140	3,808,751	278	9,723	21,498,087

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 \$417 million (2014/ 2015: \$417 million).

The impairment losses and 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
Cost		
At 1 April 2014	6,774,986	6,755,859
Additions	69,398	69,398
Transfer to property, plant and equipment	(3,265)	(3,265)
At 31 March 2015	6,841,119	6,821,992
Accumulated depreciation and impairment losses		
At 1 April 2014	1,851,581	1,847,949
Depreciation	85,817	85,562
Transfer to property, plant and equipment	(571)	(571)
Reversal of impairment losses	(14,688)	(14,688)
At 31 March 2015	1,922,139	1,918,252
Carrying amount		
At 31 March 2015	4,918,980	4,903,740
Fair value		
At 31 March 2015	18,096,891	18,066,361

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2016

7. INVESTMENT PROPERTIES (continued)

	<u>Group</u>	<u>HDB</u>
	\$'000	\$'000
Cost		
At 1 April 2015	6,841,119	6,821,992
Additions	149,076	149,076
Disposals/ Write-off	(34,317)	(34,317)
Transfer to property, plant and equipment	(45,054)	(45,054)
At 31 March 2016	6,910,824	6,891,697
Accumulated depreciation and impairment losses		
At 1 April 2015	1,922,139	1,918,252
Depreciation	86,685	86,430
Disposals/ Write-off	(9,123)	(9,123)
Transfer to property, plant and equipment	(1,655)	(1,655)
Impairment losses	25,505	25,505
At 31 March 2016	2,023,551	2,019,409
Carrying amount		
At 31 March 2016	4,887,273	4,872,288
Fair value		
At 31 March 2016	18,444,094	18,415,444

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 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 \$655 million (2014/ 2015: \$663 million). Direct operating expenses (including repairs and maintenance) arising from the rental-generating investment properties amounted to \$362 million (2014/ 2015: \$326 million).

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2016

8. LOANS RECEIVABLE

	Group		HDB	
	31 March 2016 \$'000	31 March 2015 \$'000	31 March 2016 \$'000	31 March 2015 \$'000
Loans receivable				
Mortgage loans for flats	38,212,813	37,365,990	38,212,813	37,365,990
Late payment charges for mortgage loans	27,560	28,517	27,560	28,517
Staff loans	75	30	0	0
	38,240,448	37,394,537	38,240,373	37,394,507
Deferred receivable				
Upgrading costs due from lessees	71,115	85,987	71,115	85,987
	38,311,563	37,480,524	38,311,488	37,480,494
Less:				
Allowance for impairment losses	(45,848)	(55,635)	(45,848)	(55,635)
Balance as at 31 March	38,265,715	37,424,889	38,265,640	37,424,859
Represented by amount receivable:				
Within 1 year	2,451,657	2,416,480	2,451,635	2,416,460
Later than 1 year but not more than 2 years	2,184,000	2,142,414	2,183,986	2,142,405
Later than 2 years but not more than 5 years	6,461,236	6,387,021	6,461,206	6,387,020
Later than 5 years	27,168,822	26,478,974	27,168,813	26,478,974
	35,814,058	35,008,409	35,814,005	35,008,399
	38,265,715	37,424,889	38,265,640	37,424,859

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2016

8. LOANS RECEIVABLE (continued)

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.

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

	Group and HDB	
	31 March 2016 \$'000	31 March 2015 \$'000
Balance as at 1 April	55,635	71,754
Reversal in allowance for impairment losses	(348)	(218)
Bad debts written off against allowance	(9,439)	(15,901)
Balance as at 31 March	45,848	55,635

Interest rates and repayment terms on the loans are:

	<u>Interest rate</u> (per annum)	<u>Repayment term</u>
Mortgage loans granted to lessees for purchase of flats under public housing schemes	2.60% to 3.38% (2014/ 2015: 2.60% to 3.38%)	Up to 30 years
Loans granted to staff	4.25% (2014/ 2015: 4.25%)	Up to 7 years
Upgrading costs due from flat lessees	2.60% to 3.38% (2014/ 2015: 2.60% to 3.38%)	Up to 25 years
Upgrading costs due from shop lessees	5.00% to 6.75% (2014/ 2015: 5.00% to 6.75%)	Up to 5 years

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2016

8. LOANS RECEIVABLE (continued)

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 \$5,443 million (2014/ 2015: \$6,095 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 6.8 months (2014/ 2015: 6.4 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 \$46 million (2014/ 2015: \$56 million) representing 0.12% (2014/ 2015: 0.15%) of the total loans receivable had been made. Management is of the opinion that adequate impairment losses have been made.

9. INVESTMENT IN SUBSIDIARIES

	HDB	
	31 March 2016 \$'000	31 March 2015 \$'000
Subsidiary		
E M Services Pte Ltd ^(a) (unquoted equity shares at cost)	1,500	1,500

	<u>Principal activities</u>	<u>Country of incorporation</u>	<u>Percentage of equity held</u>	
			31 March 2016 %	31 March 2015 %
Subsidiary of the HDB				
E M Services Pte Ltd ^(a)	Property management and engineering services	Singapore	75	75
Subsidiaries of E M Services Pte Ltd				
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 PricewaterhouseCoopers LLP.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2016

10. AVAILABLE-FOR-SALE INVESTMENTS

	<u>Group</u>	
	31 March 2016 \$'000	31 March 2015 \$'000
Non-current investments:		
Available-for-sale equity securities (quoted), at fair value	15,011	17,240
Available-for-sale debt securities (quoted), at fair value	13,746	14,352
	<u>28,757</u>	<u>31,592</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.

The investments in quoted debt securities have effective interest rates ranging from 1.11% to 6.00% per annum (2014/ 2015: 1.11% to 6.00%).

11. INCOME TAX

(a) Income tax expense

	<u>Group</u>	
	31 March 2016 \$'000	31 March 2015 \$'000
Tax expense attributable to profit is made up of:		
- Current income tax	61	81
- Deferred income tax	1,968	1,416
	<u>2,029</u>	<u>1,497</u>
<u>(Over)/ under provision in prior financial years</u>		
- Current income tax	(1,543)	(98)
- Deferred income tax	(701)	1,544
	<u>(215)</u>	<u>2,943</u>
 <i>Reconciliation of effective tax rate:</i>		
Net surplus before taxation	2,836	161,326
Less:		
Net deficit/ (surplus) of HDB excluding intra-group transactions	9,292	(150,132)
Net surplus subject to taxation	<u>12,128</u>	<u>11,194</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2016

11. INCOME TAX (continued)

(a) Income tax expense (continued)

	<u>Group</u>	
	31 March 2016 \$'000	31 March 2015 \$'000
Tax at statutory rate of 17% (2014/ 2015: 17%)	2,062	1,903
Expenses not deductible for tax purpose	341	531
Income not subject to tax	(30)	(606)
Statutory stepped income exemption	(52)	(50)
Tax concession and rebates	(292)	(288)
Over provision of current income tax in prior years	(1,543)	(98)
(Over)/ under provision of deferred tax in prior years due to:		
- Capital allowances	(645)	1,006
- Tax losses	(56)	538
Others	0	7
	<u>(215)</u>	<u>2,943</u>

(b) Movements in provision for income tax

	<u>Group</u>	
	31 March 2016 \$'000	31 March 2015 \$'000
Balance as at 1 April	81	64
Charge for the year	61	81
Income tax refund	1,462	34
Overprovision in respect of prior years	(1,543)	(98)
Balance as at 31 March	<u>61</u>	<u>81</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2016

11. INCOME TAX (continued)

(c) Deferred tax assets/ (liabilities)

The following are the major deferred tax assets and liabilities recognised by the Group, and the movements thereon, during the current and prior reporting periods:

	Deferred tax liabilities	Deferred tax assets		Deferred tax assets/ (liabilities)
	Capital allowances	Accrued operating expenses	Tax losses	Total
	\$'000	\$'000	\$'000	\$'000
Group				
At 1 April 2014	24	364	679	1,067
Credited/ (charged) to profit or loss	(2,291)	2	(671)	(2,960)
At 31 March 2015	(2,267)	366	8	(1,893)
Credited/ (charged) to profit or loss	(1,397)	21	109	(1,267)
At 31 March 2016	(3,664)	387	117	(3,160)

12. PROPERTIES UNDER DEVELOPMENT

	Group and HDB	
	31 March 2016 \$'000	31 March 2015 \$'000
Land	16,157,082	15,973,901
Buildings	5,633,018	4,875,418
Upgrading works	24,433	88,275
	21,814,533	20,937,594
<i>Less:</i>		
Provision for foreseeable loss [Note 2(h)]	(5,255,197)	(4,776,693)
Balance as at 31 March	16,559,336	16,160,901

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2016

13. PROPERTIES FOR SALE

	Group and HDB	
	31 March 2016 \$'000	31 March 2015 \$'000
Cost of properties	2,790,670	2,212,871
<i>Less:</i>		
Provision for foreseeable loss [Note 2(i)]	(279,890)	(94,622)
Balance as at 31 March	2,510,780	2,118,249

14. GOVERNMENT GRANT RECEIVABLE

	Group and HDB	
	31 March 2016 \$'000	31 March 2015 \$'000
Balance as at 1 April	3,943,148	2,611,914
<i>Less:</i>		
Amount received	(1,193,069)	(840,389)
	2,750,079	1,771,525
Government grant for the current year	1,636,324	2,171,623
Balance as at 31 March	4,386,403	3,943,148

The government grant for the current year covers the deficit to be financed by the Government under the existing financing arrangement [Note 2(k)].

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2016

15. TRADE AND OTHER RECEIVABLES

	<u>Group</u>		<u>HDB</u>	
	31 March 2016 \$'000	31 March 2015 \$'000	31 March 2016 \$'000	31 March 2015 \$'000
Trade receivables	1,419,766	1,303,385	1,400,347	1,292,877
Less:				
Allowance for impairment losses	(14,419)	(11,500)	(14,419)	(11,500)
	1,405,347	1,291,885	1,385,928	1,281,377
Other receivables	33,448	33,663	29,639	31,923
Less:				
Allowance for impairment losses	(24)	(24)	(24)	(24)
	33,424	33,639	29,615	31,899
Prepayments	38,387	28,102	13,832	14,543
Deposits	1,308	733	519	542
Balance as at 31 March	1,478,466	1,354,359	1,429,894	1,328,361

Included in the Group's trade receivables balance is the CPF Housing Grant of \$780 million (2014/ 2015: \$753 million) that had been disbursed to eligible households for the purchase of flats from HDB. The CPF Housing Grant disbursed in the current year amounted to \$235 million (2014/ 2015: \$344 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 \$35 million (2014/ 2015: \$31 million) which are past due as at the reporting date and no allowance for impairment losses is made. The balances are still considered fully recoverable. The average age of these receivables is 4.3 months (2014/ 2015: 5.2 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2016

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>	
	31 March 2016 \$'000	31 March 2015 \$'000	31 March 2016 \$'000	31 March 2015 \$'000
Balance as at 1 April	11,524	11,124	11,524	11,124
Allowance for impairment losses	7,998	5,817	7,998	5,817
Bad debts written off against allowance	(5,079)	(5,417)	(5,079)	(5,417)
Balance as at 31 March	14,443	11,524	14,443	11,524

16. CASH AND BANK BALANCES

	<u>Group</u>		<u>HDB</u>	
	31 March 2016 \$'000	31 March 2015 \$'000	31 March 2016 \$'000	31 March 2015 \$'000
Cash and bank balances	82,182	68,384	55,885	53,388
Fixed deposits	12,527	36,637	1,657	1,307
Balance as at 31 March	94,709	105,021	57,542	54,695
Less:				
Funds held in trust	(14,513)	(16,920)	(14,225)	(16,036)
Cash and cash equivalents as at 31 March	80,196	88,101	43,317	38,659

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 0.69% (2014/ 2015: 0.68%) per annum and for a tenure from 1 to 3 months (2014/ 2015: 1 to 3 months).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2016

17. LOANS PAYABLE

	<u>Group</u>		<u>HDB</u>	
	<u>31 March 2016</u>	31 March 2015	<u>31 March 2016</u>	31 March 2015
	<u>\$'000</u>	\$'000	<u>\$'000</u>	\$'000
<i>Government loans</i>				
Housing development loans	5,423,875	3,480,722	5,423,875	3,480,722
Mortgage financing loans	38,212,817	37,365,993	38,212,817	37,365,993
Upgrading financing loans	45,151	55,796	45,151	55,796
	43,681,843	40,902,511	43,681,843	40,902,511
<i>Bonds</i>				
Principal	20,104,000	20,524,000	20,115,000	20,535,000
Unamortised transaction cost	(38,485)	(48,889)	(38,485)	(48,889)
	20,065,515	20,475,111	20,076,515	20,486,111
<i>Bank loans (unsecured)</i>	5,480,000	4,384,000	5,480,000	4,384,000
Interest payable	69,227,358	65,761,622	69,238,358	65,772,622
Balance as at 31 March	292,214	216,732	292,214	216,732
	69,519,572	65,978,354	69,530,572	65,989,354
Represented by amount payable:				
Within 1 year	13,057,676	12,005,930	13,059,676	12,005,930
Later than 1 year but not more than 2 years	8,479,906	7,072,259	8,485,906	7,074,259
Later than 2 years but not more than 5 years	17,534,546	19,606,567	17,536,546	19,614,567
Later than 5 years	30,447,444	27,293,598	30,448,444	27,294,598
	56,461,896	53,972,424	56,470,896	53,983,424
	69,519,572	65,978,354	69,530,572	65,989,354
Fair value of bonds	20,676,549	20,569,889	20,687,671	20,580,886

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2016

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	3.63% to 4.50% (2014/ 2015: 4.50%)	10 years, 20 years
Mortgage financing loans	2.50% to 3.28% (2014/ 2015: 2.50% to 3.28%)	Up to 30 years
Upgrading financing loans	2.50% (2014/ 2015: 2.50%)	10 years
Bank loans (unsecured)	0.90% to 1.51% (2014/ 2015: 0.82% to 1.38%)	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>
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
032	465	2.000	2.023	7 years	3 November 2017
034	500	3.140	3.162	10 years	18 March 2021
035	350	1.685	1.716	5 years	8 June 2016
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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2016

17. LOANS PAYABLE (continued)

Series number	Principal \$M	Coupon Rate (%) (per annum)	Effective Interest Rate (%) (per annum)	Tenure	Maturity
049	1,200	1.230	1.3129	5 years	30 January 2018
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
059	675	2.223	2.255	5 years	28 May 2019
060	900	3.100	3.144	10 years	24 July 2024
061	500	2.288	2.309	5 years	19 September 2019
062	600	3.220	3.223	12 years	1 December 2026
063	1,200	2.100	2.1212	5 years	3 November 2020
064	1,000	2.500	2.5219	7 years	29 January 2023

18. TRADE AND OTHER PAYABLES

	<u>Group</u>		<u>HDB</u>	
	31 March 2016 \$'000	31 March 2015 \$'000	31 March 2016 \$'000	31 March 2015 \$'000
Trade payables	1,159,189	1,166,554	1,136,182	1,148,535
Downpayment deposits and advances	1,905,116	1,822,784	1,905,116	1,822,784
Other deposits	133,916	134,205	133,916	134,205
Deferred income (Note 19)	145,815	139,967	145,815	139,967
Provisions	20,025	20,054	20,025	20,054
	3,364,061	3,283,564	3,341,054	3,265,545

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:

	<u>Group and HDB</u>	
	31 March 2016 \$'000	31 March 2015 \$'000
Balance as at 1 April	20,054	20,034
Provisions (reversed)/ made	(29)	20
Balance as at 31 March	20,025	20,054

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2016

19. DEFERRED INCOME

	<u>Group and HDB</u>	
	31 March 2016 \$'000	31 March 2015 \$'000
Within 1 year (Note 18)	145,815	139,967
After 1 year but within 5 years	341,340	271,681
After 5 years	1,328,203	1,028,098
	1,669,543	1,299,779
	1,815,358	1,439,746

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

	<u>Group</u>		<u>HDB</u>	
	2015/ 2016 \$'000	2014/ 2015 \$'000	2015/ 2016 \$'000	2014/ 2015 \$'000
Interest income	1,007,454	990,413	1,006,734	990,264
Rental and related income	1,238,100	1,166,272	1,224,446	1,153,624
Car park income	596,205	594,777	596,667	595,247
Recoveries for upgrading and others	93,926	95,417	93,926	95,417
Levy on resale flats and sales premium	106,373	69,047	106,373	69,047
Agency and consultancy fees	154,947	110,981	46,221	31,450
Gain/ (loss) on disposal of assets	990	(5,468)	992	(5,466)
Investment income	1,055	4,599	6,188	3,187
Fees and other income	97,416	110,362	95,036	108,578
	3,296,466	3,136,400	3,176,583	3,041,348

Investment income includes:

	<u>Group</u>		<u>HDB</u>	
	2015/ 2016 \$'000	2014/ 2015 \$'000	2015/ 2016 \$'000	2014/ 2015 \$'000
Gain on disposal of investments	176	3,403	0	0
Dividend from:				
- Unquoted subsidiary	0	0	6,188	3,187
- Others	879	1,196	0	0

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2016

21. FINANCE EXPENSES

	<u>Group</u>		<u>HDB</u>	
	<u>2015/ 2016</u> \$'000	<u>2014/ 2015</u> \$'000	<u>2015/ 2016</u> \$'000	<u>2014/ 2015</u> \$'000
Interest expense:				
- Government loans	1,184,526	1,115,478	1,184,526	1,115,478
- Bank loans	46,724	21,439	46,724	21,439
- Bonds	439,647	424,468	439,827	424,648
	1,670,897	1,561,385	1,671,077	1,561,565
Less:				
Interest capitalised in properties and assets under development (Notes 6, 7 and 12)	(409,029)	(347,954)	(409,029)	(347,954)
Bond transaction cost amortisation	13,004	12,612	13,004	12,612
	<u>1,274,872</u>	<u>1,226,043</u>	<u>1,275,052</u>	<u>1,226,223</u>

During the financial year, interest capitalised as properties and assets under development amounted to \$409 million (2014/ 2015: \$348 million) at an average capitalisation rate of 2.43% (2014/ 2015: 2.35%).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2016

22. EXPENSES BY NATURE

Expenses include the following:

	<u>Group</u>		<u>HDB</u>	
	<u>2015/ 2016</u> \$'000	<u>2014/ 2015</u> \$'000	<u>2015/ 2016</u> \$'000	<u>2014/ 2015</u> \$'000
Cost of sales before net increase in provision for foreseeable loss	6,784,451	6,680,845	6,784,451	6,680,845
Provision for foreseeable loss for properties under development/for sale	1,174,289	1,917,793	1,174,289	1,917,793
Release of foreseeable loss provided in previous years, upon sale	(510,518)	(421,808)	(510,518)	(421,808)
Net increase in provision for foreseeable loss	663,771	1,495,985	663,771	1,495,985
Upgrading	587,921	586,998	587,921	589,411
Improvements and demolition	225,306	193,708	225,306	193,708
Depreciation	397,612	376,410	396,394	373,855
Property tax	140,661	141,577	140,560	141,470
Impairment losses on investments	453	0	0	0
Impairment losses on property, plant and equipment and investment properties	25,524	113	25,524	113
Reversal of impairment losses on property, plant and equipment and investment properties	(931)	(15,177)	(931)	(15,177)
Allowance for impairment losses on loans receivable and debtors	7,650	5,599	7,650	5,599
Bad debts written off	80	102	80	102
Operating lease expenses	19,111	19,341	10,445	13,338
Manpower costs (Note 23)	662,564	633,297	593,929	569,309
Manpower costs and overheads capitalised in:				
- properties and assets under development	(40,131)	(31,963)	(40,131)	(31,963)
- inventories of building materials	(1,344)	(1,344)	(1,344)	(1,344)
CPF Housing Grant [Note 2(r)]	211,562	137,132	211,562	137,132

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2016

23. MANPOWER COSTS

	<u>Group</u>		<u>HDB</u>	
	<u>2015/ 2016</u>	<u>2014/ 2015</u>	<u>2015/ 2016</u>	<u>2014/ 2015</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Salaries and bonuses	572,600	549,570	512,589	493,622
Contribution to CPF	67,655	61,724	60,304	54,879
Staff benefits	11,140	10,625	10,284	9,910
Training/ development costs and others	11,169	11,378	10,752	10,898
	<u>662,564</u>	<u>633,297</u>	<u>593,929</u>	<u>569,309</u>

24. GOVERNMENT GRANT

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

	<u>HDB</u>	
	<u>2015/ 2016</u>	<u>2014/ 2015</u>
	<u>\$'000</u>	<u>\$'000</u>
Total grant as at 1 April	26,665,266	24,493,643
Grant for the financial year (Note 14)	1,636,324	2,171,623
Total grant as at 31 March	<u>28,301,590</u>	<u>26,665,266</u>

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:

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2016

25. SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

	<u>Group and HDB</u>	
	<u>2015/ 2016</u>	<u>2014/ 2015</u>
	<u>\$'000</u>	<u>\$'000</u>
(i) HDB's transactions with:		
<i>Subsidiaries</i>		
Property management	(432)	(2,500)
Mechanical and electrical services	(2,424)	(5,229)
Rental income	1,431	1,819
<i>Singapore Land Authority, as an agent for Ministry of Law</i>		
Purchase of land	(4,350,753)	(4,695,809)
Proceeds from return of land, flats and other properties to Government	51,412	24,248
Agency fee and other income	12,522	16,310
Temporary occupation licence fees	(3,285)	(6,747)
<i>Ministry of National Development</i>		
Agency fee and other income	40,882	23,297
<i>National Environment Agency</i>		
Recoveries	16,779	15,769
<i>People's Association</i>		
Rental income and others	1,631	2,472
<i>Central Provident Fund Board</i>		
Agency fee	(1,045)	(847)
<i>Council for Estate Agencies</i>		
Consultancy and support services fees	529	667
<i>Ministry of Home Affairs</i>		
Agency fee	(477)	(606)
<i>Maritime and Port Authority of Singapore</i>		
Agency fee income	141	588
<i>Ministry of Social and Family Development</i>		
Rental income	1,722	587
<i>Ministry of Health</i>		
Agency fee income	1,479	2,472
<i>Other Ministries and Statutory Boards</i>		
Rental income and others	734	806
<i>Town Councils</i>		
Operating fee for car park maintenance expenses and others	(98,812)	(78,859)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2016

25. SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

		<u>Group and HDB</u>	
		<u>2015/ 2016</u>	<u>2014/ 2015</u>
		<u>\$'000</u>	<u>\$'000</u>
(ii)	<i>Subsidiaries' transactions with:</i>		
	<i>Ministries, Town Councils and Statutory Boards</i>		
	Estate management agency fee income	102,283	78,175
	Rental of premises	(6,590)	(5,083)
	Amounts due to related parties as at 31 March	419,283	162,034
	Amounts due from related parties as at 31 March	374,566	301,298

The outstanding amounts are unsecured. There are no guarantees provided or received in respect of the related party balances. For 2015/ 2016, the Group had not made any allowance for impairment relating to amounts owed by related parties (2014/ 2015: \$Nil).

(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>2015/ 2016</u>	<u>2014/ 2015</u>	<u>2015/ 2016</u>	<u>2014/ 2015</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Board Members' and Directors' fees	309	304	219	201
Salaries and other short-term employee benefits	8,209	8,510	7,865	7,892
Contribution to CPF	268	244	254	224
	8,786	9,058	8,338	8,317

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2016

26. SEGMENTAL INFORMATION (continued)

BUSINESS SEGMENTS (continued)

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, providing and 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 provision, tenancy and management of commercial and industrial properties, and land.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2016

26. SEGMENTAL INFORMATION (continued)

2014/ 2015

2014/ 2015	Housing						Other Activities					
	Home Ownership \$'M	Upgrading \$'M	Residential Ancillary Functions \$'M	Rental Flats \$'M	Mortgage Financing \$'M	Eliminations \$'M	Total Housing \$'M	Other Rental and Related Businesses \$'M	Agency and Others \$'M	Eliminations \$'M	Total Other Activities \$'M	Group \$'M
Sale proceeds	6,582	0	345	0	0	0	6,927	41	0	0	41	6,968
Less: Additional/ Special CPF Housing Grant [Notes 2(m)(i) & 2(r)]	(263)	0	0	0	0	0	(263)	0	0	0	0	(263)
Net sale proceeds	6,319	0	345	0	0	0	6,664	41	0	0	41	6,705
Cost of sales before net increase in provision for foreseeable loss	(6,379)	0	(279)	0	0	(23)	(6,681)	0	0	0	0	(6,681)
Gross (loss)/ profit on sales	(60)	0	66	0	0	(23)	(17)	41	0	0	41	24
Net increase in provision for foreseeable loss	(1,496)	0	0	0	0	0	(1,496)	0	0	0	0	(1,496)
Gross (loss)/ profit after net increase in provision for foreseeable loss	(1,556)	0	66	0	0	(23)	(1,513)	41	0	0	41	(1,472)
External income:												
Interest income	0	3	0	0	987	0	990	0	0	0	0	990
Other income	134	77	590	58	4	0	863	1,148	135	0	1,283	2,146
Inter-segment	0	0	(27)	0	0	27	0	11	11	(22)	0	0
Total income	134	80	563	58	991	27	1,853	1,159	146	(22)	1,283	3,136

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2016

26. SEGMENTAL INFORMATION (continued)

2014/ 2015

	Housing						Other Activities						
	Home Ownership \$'M	Upgrading \$'M	Residential		Rental Flats \$'M	Mortgage Financing \$'M	Eliminations \$'M	Total Housing \$'M	Other Rental and Related Businesses \$'M	Agency and Others \$'M	Eliminations \$'M	Total Other Activities \$'M	Group \$'M
			Ancillary Functions \$'M										
Segment expenses include:													
Finance expenses	(50)	(2)	(121)	(6)	(950)	0	(1,129)	(90)	(7)	0	(97)	(1,226)	
CPF Housing Grant [Note 2(r)]	(137)	0	0	0	0	0	(137)	0	0	0	0	(137)	
Upgrading	0	(580)	0	(5)	0	2	(583)	(4)	0	0	(4)	(587)	
Improvements and demolition	(1)	(1)	(134)	(4)	0	(4)	(144)	(50)	0	0	(50)	(194)	
Depreciation	(19)	0	(154)	(52)	0	0	(225)	(140)	(11)	0	(151)	(376)	
Reversal of impairment losses on property, plant and equipment and investment properties	0	0	0	0	0	0	0	15	0	0	15	15	
Allowance for impairment losses on loans receivable and debtors	0	0	0	(6)	0	0	(6)	0	0	0	0	(6)	
Assets and liabilities													
Segment assets	20,916	224	9,970	3,716	37,387	0	72,213	8,511	1,050	0	9,561	81,774	
Government grant receivable												3,943	
Unallocated assets												70	
Total assets												85,787	
Segment liabilities	19,138	265	6,350	969	37,440	0	64,162	5,699	598	0	6,297	70,459	
Unallocated liabilities												105	
Total liabilities												70,564	
Capital additions	471	0	517	380	0	0	1,368	713	2	0	715	2,083	

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2016

26. SEGMENTAL INFORMATION (continued)

2015/ 2016

	Housing						Other Activities							
	Home Ownership \$'M	Upgrading \$'M	Residential		Rental Flats \$'M	Mortgage Financing \$'M	Eliminations \$'M	Total Housing \$'M	Other Rental and Related Businesses \$'M	Agency and Others		Total Other Activities \$'M	Group \$'M	
			Ancillary Functions \$'M							Eliminations \$'M				
Sale proceeds	6,493	0	236		0	0	0	6,729	0	0	0	0	6,729	
Less: CPF Housing Grant [Notes 2(m)(i) & 2(r)]	(208)	0	0		0	0	0	(208)	0	0	0	0	(208)	
Net sale proceeds	6,285	0	236		0	0	0	6,521	0	0	0	0	6,521	
Cost of sales before net increase in provision for foreseeable loss	(6,561)	0	(201)		0	0	(22)	(6,784)	0	0	0	0	(6,784)	
Gross (loss)/ profit on sales	(276)	0	35		0	0	(22)	(263)	0	0	0	0	(263)	
Net increase in provision for foreseeable loss	(664)	0	0		0	0	0	(664)	0	0	0	0	(664)	
Gross (loss)/ profit after net increase in provision for foreseeable loss	(940)	0	35		0	0	(22)	(927)	0	0	0	0	(927)	
External income:														
Interest income	0	2	0		0	1,004	0	1,006	0	0	0	0	1,006	
Other income	181	77	596		60	3	0	917	1,197	176	0	1,373	2,290	
Inter-segment	0	0	(25)		0	0	25	0	11	9	(20)	0	0	
Total income	181	79	571		60	1,007	25	1,923	1,208	185	(20)	1,373	3,296	
Net deficit before government grant and taxation	(1,179)	(575)	(404)		(70)	(33)	10	(2,251)	597	37	(16)	618	(1,633)	
Government grant													1,636	
Net surplus before taxation and transfer to reserves														3
Taxation													0	0
Net surplus for the year before transfer to reserves														3

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2016

26. SEGMENTAL INFORMATION (continued)

2015/ 2016

	Housing						Other Activities					
	Home Ownership \$'M	Upgrading \$'M	Residential Ancillary Functions \$'M	Rental Flats \$'M	Mortgage Financing \$'M	Eliminations \$'M	Total Housing \$'M	Other Rental and Related Businesses \$'M	Agency and Others \$'M	Eliminations \$'M	Total Other Activities \$'M	Group \$'M
Segment expenses include:												
Finance expenses	(53)	(1)	(137)	(9)	(969)	0	(1,169)	(98)	(8)	0	(106)	(1,275)
CPF Housing Grant [Note 2(r)]	(212)	0	0	0	0	0	(212)	0	0	0	0	(212)
Upgrading	0	(574)	0	(9)	0	0	(583)	(5)	0	0	(5)	(588)
Improvements and demolition	(5)	2	(155)	0	0	(4)	(162)	(63)	0	0	(63)	(225)
Depreciation	(27)	0	(164)	(55)	0	0	(246)	(142)	(10)	0	(152)	(398)
Impairment losses on property, plant and equipment												
Reversal of impairment properties	0	0	0	0	0	0	0	(26)	0	0	(26)	(26)
Reversal of impairment losses on property, plant and equipment	0	0	0	0	0	0	0	1	0	0	1	1
Allowance for impairment losses on loans receivable and debtors	0	0	0	(6)	0	0	(6)	(2)	0	0	(2)	(8)
Assets and liabilities												
Segment assets	22,361	91	10,330	4,088	38,270	0	75,140	9,020	1,025	0	10,045	85,185
Government grant receivable												4,386
Unallocated assets												190
Total assets												89,761
Segment liabilities	20,354	213	6,885	1,074	38,607	0	67,133	6,529	746	0	7,275	74,408
Unallocated liabilities												148
Total liabilities												74,556
Capital additions	491	0	579	378	0	0	1,448	772	6	0	778	2,226

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2016

27. COMMITMENTS

(a) Building project commitments

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

	<u>Group and HDB</u>	
	<u>2015/ 2016</u>	<u>2014/ 2015</u>
	<u>\$'000</u>	<u>\$'000</u>
Authorised and contracted for	7,726,473	9,483,485
Authorised but not contracted for	2,944,377	3,197,167
	10,670,850	12,680,652

(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>2015/ 2016</u>	<u>2014/ 2015</u>	<u>2015/ 2016</u>	<u>2014/ 2015</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Within 1 year	180,266	167,985	173,151	164,277
After 1 year but within 5 years	318,711	302,407	315,659	302,464
After 5 years	296,829	315,360	296,829	315,360
	795,806	785,752	785,639	782,101

(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>2015/ 2016</u>	<u>2014/ 2015</u>	<u>2015/ 2016</u>	<u>2014/ 2015</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Within 1 year	17,224	10,088	6,254	4,705
After 1 year but within 5 years	28,370	16,145	14,416	13,651
After 5 years	1,011	3,013	1,011	3,013
	46,605	29,246	21,681	21,369

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2016

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 (2015: \$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 flat, or an Executive Condominium, their Housing Grant will be reduced by \$10,000 (2015: \$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 and estimate of its financial effect has been made and stated in respect of this scheme.

HDB Annual Report 2015/ 2016

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