

# FINANCIAL SECTOR DEVELOPMENT FUND

## STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March	Note	2010 \$'000	2009 \$'000
Interest Income		29,927	27,612
Dividend Income		67,888	100,055
Gain/(Loss) from Financial Instruments at Fair Value through Profit or Loss		114,972	(125,520)
Foreign Exchange (Loss)/Gain		(41,526)	32,503
Other Income		710	127
<b>Total Income</b>		171,971	34,777
<u>Less:</u>			
Investment Expenses		2,471	4,140
Grants		30,103	21,952
<b>Total Expenditure</b>		32,574	26,092
<b>Net Surplus and total Comprehensive Income for the Year</b>	3	<b>139,397</b>	<b>8,685</b>

The accompanying notes form an integral part of these financial statements.

**FINANCIAL SECTOR DEVELOPMENT FUND  
BALANCE SHEET**

<b>As at 31 March</b>	<b>Note</b>	<b>2010</b>	<b>2009</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>ACCUMULATED FUND</b>			
Capital Account		471,635	471,635
Accumulated Surplus		547,977	408,580
	4	<b>1,019,612</b>	<b>880,215</b>
 <u>Represented by:</u>			
<b>ASSETS</b>			
Bank Balances and Deposits		157,950	122,391
Financial Assets at Fair Value through Profit or Loss		877,280	757,698
Loans and Receivables		14,549	20,875
		1,049,779	900,964
 <u>Less:</u>			
<b>LIABILITIES</b>			
Financial Liabilities at Fair Value through Profit or Loss		686	486
Accruals and Other Liabilities		29,481	20,263
		30,167	20,749
 <b>NET ASSETS OF THE FUND</b>		<b>1,019,612</b>	<b>880,215</b>

The accompanying notes form an integral part of these financial statements.

**GOH CHOK TONG**  
CHAIRMAN  
MONETARY AUTHORITY OF SINGAPORE  
22 JUNE 2010

**TEO SWEE LIAN**  
ACTING MANAGING DIRECTOR  
MONETARY AUTHORITY OF SINGAPORE  
22 JUNE 2010

**FINANCIAL SECTOR DEVELOPMENT FUND**  
**STATEMENT OF CHANGES IN EQUITY**

	<b>Capital Account</b>	<b>Accumulated Surplus</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Balance as at 1 April 2008	471,635	399,895	871,530
Total Comprehensive Income for the Year	-	8,685	8,685
<b>Balance as at 31 March 2009</b>	<u>471,635</u>	<u>408,580</u>	<u>880,215</u>
Total Comprehensive Income for the Year	-	139,397	139,397
<b>Balance as at 31 March 2010</b>	<u><u>471,635</u></u>	<u><u>547,977</u></u>	<u><u>1,019,612</u></u>

The accompanying notes form an integral part of these financial statements.

**FINANCIAL SECTOR DEVELOPMENT FUND**  
**CASH FLOW STATEMENT**

<b>For the year ended 31 March</b>	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Cash Flows from Operating Activities</b>		
Surplus for the Year	139,397	8,685
Adjustments for:		
(Gain) / Loss from Financial Instruments at Fair Value through Profit or Loss	(114,972)	125,520
Interest Income	(29,927)	(27,612)
Dividend Income	(67,888)	(100,055)
<b>Operating Cash Flows before Changes in Working Capital</b>	<u>(73,390)</u>	<u>6,538</u>
Decrease/(Increase) in Loans and Receivables	111	(1,010)
Increase/(Decrease) in Accruals and Other Liabilities	10,288	(8,799)
<b>Net Cash used in Operating Activities</b>	<u>(62,991)</u>	<u>(3,271)</u>
<b>Cash Flows from Investing Activities</b>		
Net Decrease/(Increase) in Financial Instruments at Fair Value through Profit or Loss	829	(174,870)
Dividend Received from Investments	1,603	2,569
Interest Received	29,870	27,594
<b>Net Cash from/(used in) Investing Activities</b>	<u>32,302</u>	<u>(144,707)</u>
<b>Cash Flows from Financing Activities</b>		
Dividend Received on Singapore Exchange Limited Shares	66,248	97,497
<b>Net Cash from Financing Activities</b>	<u>66,248</u>	<u>97,497</u>
<b>Net Increase/(Decrease) in Bank Balances and Deposits</b>	35,559	(50,481)
<b>Bank Balances and Deposits as at beginning of the year</b>	<u>122,391</u>	<u>172,872</u>
<b>Bank Balances and Deposits as at end of the year</b>	<u><u>157,950</u></u>	<u><u>122,391</u></u>

The accompanying notes form an integral part of these financial statements.

# FINANCIAL SECTOR DEVELOPMENT FUND NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

## 1 GENERAL

The Financial Sector Development Fund (hereinafter called the Fund) is established under Section 30A of the Monetary Authority of Singapore Act (Chapter 186, 1999 Revised Edition). It is controlled and administered by the Authority. The Authority provides administrative and accounting support to the Fund. The Fund shall be used for the objects and purposes set out in Section 30B of the Act, namely,

- a) the promotion of Singapore as a financial centre;
- b) the development and upgrading of skills and expertise required by the financial services sector;
- c) the development and support of educational and research institutions, research and development programmes and projects relating to the financial services sector; and
- d) the development of infrastructure to support the financial services sector in Singapore.

The Fund shall be deemed not to be a fund of the Authority for the purposes of any written law.

## 2 SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of Preparation

- a) The financial statements have been prepared in accordance with the provisions of the Monetary Authority of Singapore Act (Chapter 186, 1999 Revised Edition) and the Singapore Financial Reporting Standards (FRS) and on an accrual basis.
- b) The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Fund's accounting policies. It also requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expenditure during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from these estimates.

- c) The financial statements are presented in Singapore dollars, the Fund's functional currency, and rounded to the nearest thousand, unless otherwise stated.
- d) The following revised FRSs are applicable in the current financial year.
- FRS 1 Presentation of Financial Statements
  - Amendments to FRS 107 Improving Disclosures about Financial Instruments

The revised FRS 1 requires owner and non-owner changes in equity to be presented separately and introduces the statement of comprehensive income. The requirement is to present all items of income and expense recognised in profit or loss, together with all other items of comprehensive income including changes in revaluation surplus and gains and losses on remeasuring available-for-sale financial assets, if any, either in one single statement of comprehensive income or in two linked statements.

The adoption of the revised FRS 1 does not have any significant impact on the financial statements.

With the amendments to FRS 107, an entity is required to disclose the fair value of its financial assets and liabilities using a fair value hierarchy that reflects the significance of inputs by levels, depending on whether they are quoted prices in active markets or inputs that are based on observable market data or not. An entity shall also disclose maturity analyses for derivative and non-derivative financial liabilities (including issued financial guarantee contracts) that show the remaining contractual maturities and for financial assets it holds for managing liquidity risk, if that information is necessary to enable users of its financial statements to evaluate the nature and extent of liquidity risk.

The adoption of the amendments results in additional disclosures but does not have an impact on the accounting policies and measurement bases adopted by the Fund.

## 2.2 Income Recognition

### a) Interest income

Interest income is recognised on a time-proportionate basis using the effective interest method. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or, where appropriate, a shorter period to the net carrying amount.

### b) Dividend income

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

## 2.3 Financial Assets

### a) Classification

The Fund's investments in financial assets are classified as financial assets at fair value through profit or loss and loans and receivables.

- i) Financial assets at fair value through profit or loss are financial derivatives or financial assets other than loans and receivables, designated by management as such on initial recognition as it results in more relevant information, because they are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information is provided internally on that basis to management and the Investment Working Committee. They include fixed income securities, equities and commodities. Financial derivatives are used to manage exposures to foreign exchange and interest rate risks arising from investment activities and can be used for trading.
- ii) Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

### b) Recognition and Derecognition

Purchases and sales of investments are recognised on the date when the Fund commits to purchase or sell the asset. Investments are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership.

### c) Initial and Subsequent Measurements

Financial assets at fair value through profit or loss and financial derivatives are initially recognised and subsequently measured at fair value with changes in fair value and profit/loss on disposal included in the statement of comprehensive income in the period in which they arise. Loans and receivables are carried at amortised cost and approximate their fair values.

### d) Impairment

The Fund assesses at each balance sheet date whether there is objective evidence that an impairment loss on loans and receivables has been incurred. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Impairment losses, if any, are recognised in the statement of comprehensive income for the period.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for loans and receivables no longer exist or have decreased. The reversal, if any, is recognised in the statement of comprehensive income. However, the increase in the carrying amount of loans and receivables due to a reversal of an impairment is recognised to the extent that it does not exceed the carrying amount that would have been determined (net of

amortisation) had no impairment losses been recognised for the loans and receivables in prior years.

#### 2.4 Financial Liabilities

The Fund classifies its financial liabilities in the following categories: (a) financial derivatives; and (b) accruals and other liabilities. Financial derivatives - liabilities, classified as fair value through profit or loss, are carried at fair value, with changes in fair value recognised in fair value gain/loss through profit or loss in the statement of comprehensive income. Accruals and other liabilities, are carried at amortised cost using the effective interest method.

A financial liability is derecognised from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired.

#### 2.5 Offsetting

Financial assets and liabilities are set off and the net amount presented in the balance sheet when, and only when, there is a legally enforceable right to set off the amounts and an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted by the accounting standards.

#### 2.6 Foreign Currency Translation

Transactions in a foreign currency are measured using the exchange rate prevailing at the date of the transaction. Foreign exchange gain/loss resulting from the settlement of such transactions and the translation of assets and liabilities denominated in foreign currencies, into Singapore dollars, at the exchange rate prevailing at the balance sheet date, are recognised in the statement of comprehensive income.

### 3 INCOME AND EXPENDITURE FROM FINANCIAL ASSETS AND LIABILITIES

	<u>2010</u> <u>\$'000</u>	<u>2009</u> <u>\$'000</u>
<b>3.1 Net Income/(Loss) from</b>		
i) <b>Financial Assets at Fair Value through Profit or Loss</b>		
Held for Trading - Financial Derivatives	24,715	(41,886)
Financial Assets designated as fair value through profit or loss at initial recognition	79,027	(28,233)
ii) <b>Loans and Receivables</b>	(971)	2,999
iii) <b>Accruals and Other Liabilities</b>	(57)	(808)
iv) <b>Singapore Exchange Limited Shares held</b>	66,248	97,496
	168,962	29,568
<b>3.2 Interest Income from Financial Assets not at Fair Value through Profit or Loss</b>		
i) <b>Bank Balances and Deposits</b>	319	1,025
ii) <b>Loans and Receivables</b>	3	35
	322	1,060
<b>3.3 Impairment Loss</b>		
i) <b>Loans and Receivables</b>	-	(6)
<b>Total Net Income from financial assets and liabilities</b>	<u>169,284</u>	<u>30,622</u>
<b>3.4 Grants</b>	(30,103)	(21,952)
<b>3.5 Other Net Income</b>	216	15
<b>Total Comprehensive Income for the Year</b>	<u><u>139,397</u></u>	<u><u>8,685</u></u>

## 4 CAPITAL AND ACCUMULATED SURPLUS

4.1 The capital and accumulated surplus of the Fund comprise:

	<u>2010</u> \$'000	<u>2009</u> \$'000
Capital Account	471,635	471,635
Accumulated Surplus	547,977	408,580
Accumulated Fund as at 31 March	<u>1,019,612</u>	<u>880,215</u>

4.2 The Fund's Capital Account consists of the net sale proceeds of the Singapore Exchange Limited's (SGX) shares, in accordance with Section 30A (2) of the Monetary Authority of Singapore Act (Chapter 186, 1999 Revised Edition).

4.3 As at 31 March 2010, SEL Holdings Pte Ltd (SEL) holds 249,991,184 SGX shares for the benefit of the Fund as stipulated under Section 11(2) of the Exchanges (Demutualisation and Merger) Act (Chapter 99B, 2000 Revised Edition). These SGX shares held have a market valuation of \$1.9 billion as at 31 March 2010 (31 March 2009: \$1.3 billion). In the event of a sale, net sale proceeds of these shares (after deducting expenses allowed under Section 10(1) and the par value of those shares) shall be paid by SEL into the Fund under Section 10(2) of the Exchanges (Demutualisation and Merger) Act (Chapter 99B, 2000 Revised Edition).

4.4 The Fund's capital management policy is to preserve the capital value of the Fund in line with inflation, whilst taking into consideration, the Fund's desired return and risk tolerance, so that income from the investment of moneys in the Fund can be applied to the objects and expenditure of the Fund and meet all of its commitments under Section 30(B) of the Monetary Authority of Singapore Act (Chapter 186, 1999 Revised Edition).

4.5 The capital management process includes periodic reviews of the adequacy of the Fund's capital and grant commitments, in relation to all material risks, commensurate with the desired returns. Regular updates are provided to the Fund's Investment Working Committee, Advisory Committee and the Minister-in-Charge.

## 5 FINANCIAL RISK MANAGEMENT

5.1 Two committees, the Advisory Committee and Investment Working Committee which include members from the financial industry, advise on the usage and administration of the Fund, and manage its investments and risk management strategies respectively.

5.2 The Fund's investments are mainly in financial instruments, which are exposed to various specific risks outlined below. These risks are managed by establishing specific controls at the aggregate and individual portfolio levels, through diversification and regular monitoring.

### 5.3 Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices and includes currency, interest rate, equity, commodity and other price risks.

Market risks are managed through the diversification of the Fund's investments across various asset classes, countries, regions and sectors.

The Fund is managed by external fund managers, who assess the macroeconomic outlook and market developments in formulating investment strategies.

5.3a) **Currency Risk**

Currency risk is the risk of loss from foreign assets and liabilities due to changes in foreign exchange rates. The carrying amounts of the Fund's assets and liabilities are denominated in the following currencies:

As at 31 March	2010						
	SGD \$'000	USD \$'000	EUR \$'000	JPY \$'000	Asia Pacific Currencies \$'000	Others \$'000	Total \$'000
<b>ASSETS</b>							
Bank Balances and Deposits	155,272	(664)	1,958	733	65	487	157,851
<b>Financial Assets (pledged as collateral for financial derivatives)</b>							
Bank Balances and Deposits	-	99	-	-	-	-	99
Fixed Income Securities	-	1,884	-	-	-	-	1,884
	-	1,983	-	-	-	-	1,983
<b>Financial Assets at Fair Value through Profit or Loss</b>							
Financial Derivatives Receivable	1,740	(3,719)	(15,211)	(445)	14,922	6,490	3,777
Fixed Income Securities	84,855	419,919	128,746	73,212	9,796	44,851	761,379
Equities	5,875	174	-	-	71,064	-	77,113
Commodities	-	33,127	-	-	-	-	33,127
	92,470	449,501	113,535	72,767	95,782	51,341	875,396
<b>Loans and Receivables</b>							
Prepayments and Other Receivables	1,623	6,752	2,582	137	360	595	12,049
Receivables from SEL Holdings Pte Ltd	2,500	-	-	-	-	-	2,500
	4,123	6,752	2,582	137	360	595	14,549
<b>TOTAL ASSETS</b>	<b>251,865</b>	<b>457,572</b>	<b>118,075</b>	<b>73,637</b>	<b>96,207</b>	<b>52,423</b>	<b>1,049,779</b>
<b>LIABILITIES</b>							
<b>Financial Liabilities at Fair Value through Profit or Loss</b>							
Financial Derivatives Payable	13	(7,446)	8,177	(9,109)	(3,704)	12,755	686
<b>Accruals and Other Liabilities</b>							
Accounts Payable - Grants	25,567	-	-	-	-	-	25,567
Other Payables	15	1,940	1,014	-	945	-	3,914
	25,582	1,940	1,014	-	945	-	29,481
<b>TOTAL LIABILITIES</b>	<b>25,595</b>	<b>(5,506)</b>	<b>9,191</b>	<b>(9,109)</b>	<b>(2,759)</b>	<b>12,755</b>	<b>30,167</b>
<b>NET ASSETS</b>	<b>226,270</b>	<b>463,078</b>	<b>108,884</b>	<b>82,746</b>	<b>98,966</b>	<b>39,668</b>	<b>1,019,612</b>
<b>As at 31 March</b>	<b>2009</b>						
	SGD \$'000	USD \$'000	EUR \$'000	JPY \$'000	Asia Pacific Currencies \$'000	Others \$'000	Total \$'000
<b>ASSETS</b>							
Bank Balances and Deposits	105,718	12,249	886	455	1,303	1,505	122,116
<b>Financial Assets (pledged as collateral for financial derivatives)</b>							
Bank Balances and Deposits	-	275	-	-	-	-	275
Fixed Income Securities	-	-	-	-	-	-	-
	-	275	-	-	-	-	275
<b>Financial Assets at Fair Value through Profit or Loss</b>							
Financial Derivatives Receivable	-	8,422	12,373	2,798	(1,383)	(15,749)	6,461
Fixed Income Securities	87,171	351,330	107,793	75,295	4,469	52,396	678,454
Equities	2,858	518	-	-	43,647	-	47,023
Commodities	-	25,760	-	-	-	-	25,760
	90,029	386,030	120,166	78,093	46,733	36,647	757,698
<b>Loans and Receivables</b>							
Prepayments and Other Receivables	1,969	11,983	2,730	143	802	748	18,375
Receivables from SEL Holdings Pte Ltd	2,500	-	-	-	-	-	2,500
	4,469	11,983	2,730	143	802	748	20,875
<b>TOTAL ASSETS</b>	<b>200,216</b>	<b>410,537</b>	<b>123,782</b>	<b>78,691</b>	<b>48,838</b>	<b>38,900</b>	<b>900,964</b>
<b>LIABILITIES</b>							
<b>Financial Liabilities at Fair Value through Profit or Loss</b>							
Financial Derivatives Payable	-	(8,259)	3,843	97	2,272	2,533	486
<b>Accruals and Other Liabilities</b>							
Accounts Payable - Grants	15,274	-	-	-	-	-	15,274
Other Payables	256	4,317	-	-	416	-	4,989
	15,530	4,317	-	-	416	-	20,263
<b>TOTAL LIABILITIES</b>	<b>15,530</b>	<b>(3,942)</b>	<b>3,843</b>	<b>97</b>	<b>2,688</b>	<b>2,533</b>	<b>20,749</b>
<b>NET ASSETS</b>	<b>184,686</b>	<b>414,479</b>	<b>119,939</b>	<b>78,594</b>	<b>46,150</b>	<b>36,367</b>	<b>880,215</b>

The carrying amounts of loans and receivables and accruals and other liabilities approximate their fair value.

## 5.3b) Interest Rate Risk

Interest rate risk is the risk of loss from a financial instrument due to changes in market interest rates. The Fund manages interest rate risks by setting duration limits on its investments. The table below summarises the Fund's exposure to interest rate re-pricing risks, categorised by the earlier of contractual re-pricing or maturity dates.

As at 31 March	Non-Interest Bearing	Earlier of Repricing/Contractual Maturity Date				2010 Total
		Up to 3 months	Over 3 months and up to 1 year	Over 1 year and up to 5 years	Over 5 years	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>ASSETS</b>						
Bank Balances and Deposits	9,141	148,710	-	-	-	157,851
<b>Financial Assets (pledged as collateral for financial derivatives)</b>						
Bank Balances and Deposits	99	-	-	-	-	99
Fixed Income Securities	-	-	1,847	37	-	1,884
	99	-	1,847	37	-	1,983
<b>Financial Assets at Fair Value through Profit or Loss</b>						
Financial Derivatives Receivable	3,575	202	-	-	-	3,777
Fixed Income Securities	-	67,032	4,900	294,720	394,727	761,379
Equities	77,113	-	-	-	-	77,113
Commodities	33,127	-	-	-	-	33,127
	113,815	67,234	4,900	294,720	394,727	875,396
<b>Loans and Receivables</b>						
Prepayments and Other Receivables	12,049	-	-	-	-	12,049
Receivables from SEL Holdings Pte Ltd	2,500	-	-	-	-	2,500
	14,549	-	-	-	-	14,549
<b>TOTAL ASSETS</b>	<b>137,604</b>	<b>215,944</b>	<b>6,747</b>	<b>294,757</b>	<b>394,727</b>	<b>1,049,779</b>
<b>LIABILITIES</b>						
<b>Financial Liabilities at Fair Value through Profit or Loss</b>						
Financial Derivatives Payable	686	-	-	-	-	686
<b>Accruals and Other Liabilities</b>						
Accounts Payable - Grants	25,567	-	-	-	-	25,567
Other Payables	3,914	-	-	-	-	3,914
	29,481	-	-	-	-	29,481
<b>TOTAL LIABILITIES</b>	<b>30,167</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>30,167</b>
<b>NET ASSETS</b>	<b>107,437</b>	<b>215,944</b>	<b>6,747</b>	<b>294,757</b>	<b>394,727</b>	<b>1,019,612</b>
<b>As at 31 March</b>						
	Non-Interest Bearing	Earlier of Repricing/Contractual Maturity Date				2009 Total
		Up to 3 months	Over 3 months and up to 1 year	Over 1 year and up to 5 years	Over 5 years	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>ASSETS</b>						
Bank Balances and Deposits	19,848	102,268	-	-	-	122,116
<b>Financial Assets (pledged as collateral for financial derivatives)</b>						
Bank Balances and Deposits	275	-	-	-	-	275
Fixed Income Securities	-	-	-	-	-	-
	275	-	-	-	-	275
<b>Financial Assets at Fair Value through Profit or Loss</b>						
Financial Derivatives Receivable	6,308	153	-	-	-	6,461
Fixed Income Securities	-	43,591	18,005	243,376	373,482	678,454
Equities	47,023	-	-	-	-	47,023
Commodities	25,760	-	-	-	-	25,760
	79,091	43,744	18,005	243,376	373,482	757,698
<b>Loans and Receivables</b>						
Prepayments and Other Receivables	11,990	6,385	-	-	-	18,375
Receivables from SEL Holdings Pte Ltd	2,500	-	-	-	-	2,500
	14,490	6,385	-	-	-	20,875
<b>TOTAL ASSETS</b>	<b>113,704</b>	<b>152,397</b>	<b>18,005</b>	<b>243,376</b>	<b>373,482</b>	<b>900,964</b>
<b>LIABILITIES</b>						
<b>Financial Liabilities at Fair Value through Profit or Loss</b>						
Financial Derivatives Payable	486	-	-	-	-	486
<b>Accruals and Other Liabilities</b>						
Accounts Payable - Grants	15,274	-	-	-	-	15,274
Other Payables	4,989	-	-	-	-	4,989
	20,263	-	-	-	-	20,263
<b>TOTAL LIABILITIES</b>	<b>20,749</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20,749</b>
<b>NET ASSETS</b>	<b>92,955</b>	<b>152,397</b>	<b>18,005</b>	<b>243,376</b>	<b>373,482</b>	<b>880,215</b>

5.3c) **Market Risk Sensitivity Analysis**

Sensitivity analysis is performed for reasonably possible movements in each key variable with all other variables held constant, to demonstrate the impact on profit or loss and equity resulting from the change in each key variable. The correlation of variables will have a significant effect in determining the ultimate fair values and/or amortised costs of financial assets.

	<b>Profit or Loss and Equity Impact</b>	
	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Changes in variables:</b>		
Foreign Currency		
USD by 5%	23,154	20,779
EUR by 5%	5,444	5,997
JPY by 5%	4,137	3,930
Interest Rate		
by 1%	45,602	54,466
Equity		
by 10%	8,617	8,781
Commodity		
by 10%	3,133	2,464

#### 5.4 Credit Risk

- a) Credit risk is the risk of loss arising from a party's failure to discharge an obligation under a financial contract and includes counterparty, custodian and issuer credit risks.
- b) The Fund's credit risks are managed by transacting with well-rated entities within assigned limits. Credit risks are also mitigated by diversifying credit exposures across counterparties and issuers.
- c) The Fund manages issuer credit risk by imposing minimum credit rating requirements on the investment of its fixed income securities, the selection of counterparties and custodians. Single issuer limits are placed to control the credit exposure to any one issuer and to mitigate the extent of loss resulting from a default.
- d) The total carrying amounts of bank balances, deposits, financial derivatives, fixed income securities and loans and receivables represent the Fund's maximum credit exposure.

5.4e) **Credit Risk**

The credit exposure by rating of financial assets including fixed income securities and credit derivatives held by the Fund under total assets is analysed below.

As at 31 March	Credit Ratings			Unrated and Others	2010 Total \$'000
	AAA	AA+ to BBB-			
	\$'000	\$'000	\$'000		
<b>ASSETS</b>					
<b>Bank Balances and Deposits</b>	81,090	76,761	-		157,851
<b>Financial Assets (pledged as collateral for financial derivatives)</b>					
Bank Balances and Deposits	-	99	-		99
Fixed Income Securities	1,884	-	-		1,884
	1,884	99	-		1,983
<b>Financial Assets at Fair Value through Profit or Loss</b>					
Financial Derivatives Receivable	-	-	3,777		3,777
Fixed Income Securities	332,283	315,663	113,433		761,379
	332,283	315,663	117,210		765,156
<b>Loans and Receivables</b>					
Prepayments and Other Receivables	-	-	12,049		12,049
Receivables from SEL Holdings Pte Ltd	-	-	2,500		2,500
	-	-	14,549		14,549
	<b>415,257</b>	<b>392,523</b>	<b>131,759</b>		<b>939,539</b>

As at 31 March	Credit Ratings			Unrated and Others	2009 Total \$'000
	AAA	AA+ to BBB-			
	\$'000	\$'000	\$'000		
<b>ASSETS</b>					
<b>Bank Balances and Deposits</b>	-	122,116	-		122,116
<b>Financial Assets (pledged as collateral for financial derivatives)</b>					
Bank Balances and Deposits	-	275	-		275
Fixed Income Securities	-	-	-		-
	-	275	-		275
<b>Financial Assets at Fair Value through Profit or Loss</b>					
Financial Derivatives Receivable	-	-	6,461		6,461
Fixed Income Securities	332,620	269,525	76,309		678,454
	332,620	269,525	82,770		684,915
<b>Loans and Receivables</b>					
Prepayments and Other Receivables	-	-	18,375		18,375
Receivables from SEL Holdings Pte Ltd	-	-	2,500		2,500
	-	-	20,875		20,875
	<b>332,620</b>	<b>391,916</b>	<b>103,645</b>		<b>828,181</b>

- f) *Financial Assets that are neither past due nor impaired*  
The Fund's balances and deposits with banks, receivables and other investments that are neither past due nor impaired, are mainly with banks and financial institutions with high credit-ratings assigned by international credit-rating agencies.
- g) *Financial Assets that are past due and/or impaired*  
The following trade receivable was past due on 31 March 2010 but settled on 1 April 2010.

As at 31 March	Up to 3 months past due \$'000	Over 3 and up to 6 months past due \$'000	Over 6 months past due \$'000	2010 Total \$'000
<b>Loans and Receivables</b>				
<b>Receivables and Other Investments</b>				
Trade Receivables - Others	1,043	-	-	1,043

As at 31 March	Up to 3 months past due \$'000	Over 3 and up to 6 months past due \$'000	Over 6 months past due \$'000	2009 Total \$'000
<b>Loans and Receivables</b>				
<b>Receivables and Other Investments</b>				
Trade Receivables - Others	-	-	-	-

## 5.5 Liquidity Risk

Liquidity risk is the risk that the Fund will encounter difficulty in selling a financial asset at close to its fair value at short notice to meet liabilities when they fall due. Limits are imposed on investments to ensure adequate diversification of cash flow sources. The table below analyses the financial assets and liabilities of the Fund based on undiscounted cash flows by remaining contractual maturities.

As at 31 March	No Specific Maturity	Contractual Maturity Date				2010 Total
		Up to 3 months	Over 3 months and up to 1 year	Over 1 year and up to 5 years	Over 5 years	
		\$'000	\$'000	\$'000	\$'000	
<b>ASSETS</b>						
Bank Balances and Deposits	9,141	148,710	-	-	-	157,851
<b>Financial Assets (pledged as collateral for financial derivatives)</b>						
Bank Balances and Deposits	99	-	-	-	-	99
Fixed Income Securities	-	-	1,848	36	-	1,884
	99	-	1,848	36	-	1,983
<b>Financial Assets at Fair Value through Profit or Loss</b>						
Financial Derivatives Receivable						
Net Settled Derivatives	-	2,982	420	324	-	3,726
Gross Settled Derivatives						
Outflow	-	(53,594)	-	-	-	(53,594)
Inflow	-	53,836	-	-	-	53,836
Fixed Income Securities	60,172	9,564	34,503	396,420	446,864	947,523
Equities	77,113	-	-	-	-	77,113
Commodities	33,127	-	-	-	-	33,127
	170,412	12,788	34,923	396,744	446,864	1,061,731
<b>Loans and Receivables</b>						
Prepayments and Other Receivables	1,079	2,602	-	-	-	3,681
Receivables from SEL Holdings Pte Ltd	2,500	-	-	-	-	2,500
	3,579	2,602	-	-	-	6,181
<b>TOTAL ASSETS</b>	<b>183,231</b>	<b>164,100</b>	<b>36,771</b>	<b>396,780</b>	<b>446,864</b>	<b>1,227,746</b>
<b>LIABILITIES</b>						
<b>Financial Liabilities at Fair Value through Profit or Loss</b>						
Financial Derivatives Payable						
Net Settled Derivatives	-	143	21	-	-	164
Gross Settled Derivatives						
Outflow	-	51,023	-	-	-	51,023
Inflow	-	(50,528)	21	-	-	(50,528)
	-	638	21	-	-	659
<b>Accruals and Other Liabilities</b>						
Accounts Payable - Grants	25,567	-	-	-	-	25,567
Other Payables	-	3,914	-	-	-	3,914
	25,567	3,914	-	-	-	29,481
<b>TOTAL LIABILITIES</b>	<b>25,567</b>	<b>4,552</b>	<b>21</b>	<b>-</b>	<b>-</b>	<b>30,140</b>
<b>NET ASSETS</b>	<b>157,664</b>	<b>159,548</b>	<b>36,750</b>	<b>396,780</b>	<b>446,864</b>	<b>1,197,606</b>

The table below analyses the fair value of financial assets and liabilities of the Fund into maturity time bands based on the remaining term to contractual maturity as at balance sheet date. The fair values of financial liabilities approximate to their undiscounted cashflows.

As at 31 March	No Specific Maturity	Contractual Maturity Date				2009 Total
		Up to 3 months	Over 3 months and up to 1 year	Over 1 year and up to 5 years	Over 5 years	
		\$'000	\$'000	\$'000	\$'000	
<b>ASSETS</b>						
Bank Balances and Deposits	34,116	88,000	-	-	-	122,116
<b>Financial Assets (pledged as collateral for financial derivatives)</b>						
Bank Balances and Deposits	275	-	-	-	-	275
Fixed Income Securities	-	-	-	-	-	-
	275	-	-	-	-	275
<b>Financial Assets at Fair Value through Profit or Loss</b>						
Financial Derivatives Receivable	-	6,255	4	202	-	6,461
Fixed Income Securities	36,817	807	13,879	237,074	389,877	678,454
Equities	47,023	-	-	-	-	47,023
Commodities	25,760	-	-	-	-	25,760
	109,600	7,062	13,883	237,276	389,877	757,698
<b>Loans and Receivables</b>						
Prepayments and Other Receivables	1,187	17,188	-	-	-	18,375
Receivables from SEL Holdings Pte Ltd	2,500	-	-	-	-	2,500
	3,687	17,188	-	-	-	20,875
<b>TOTAL ASSETS</b>	<b>147,678</b>	<b>112,250</b>	<b>13,883</b>	<b>237,276</b>	<b>389,877</b>	<b>900,964</b>
<b>LIABILITIES</b>						
<b>Financial Liabilities at Fair Value through Profit or Loss</b>						
Financial Derivatives Payable	-	485	1	-	-	486
<b>Accruals and Other Liabilities</b>						
Accounts Payable - Grants	15,274	-	-	-	-	15,274
Other Payables	5	4,984	-	-	-	4,989
	15,279	4,984	-	-	-	20,263
<b>TOTAL LIABILITIES</b>	<b>15,279</b>	<b>5,469</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>20,749</b>
<b>NET ASSETS</b>	<b>132,399</b>	<b>106,781</b>	<b>13,882</b>	<b>237,276</b>	<b>389,877</b>	<b>880,215</b>

5.6 Concentration Risk

Concentration risk is the risk of loss arising due to a disproportionate exposure to specific countries, regions and sectors. Investment limits are set to provide diversification of financial assets across countries, regions and sectors to mitigate concentration risk. The table below summarises the Fund's exposure to concentration risk.

**As at 31 March** **2010**

	North America	Developed Europe	Asia Pacific	Emerging Countries and Others	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b><u>FIXED INCOME SECURITIES</u></b>					
Government	48,925	92,826	111,248	3,043	256,042
Government Related	22,159	13,184	4,256	95,530	135,129
Corporates	54,077	31,834	79,823	64,113	229,847
Others	44,835	34,385	2,075	60,950	142,245
<b>Total</b>	<b>169,996</b>	<b>172,229</b>	<b>197,402</b>	<b>223,636</b>	<b>763,263</b>

**EQUITIES**

Energy	-	-	55	5,527	5,582
Financials	-	-	8,587	16,075	24,662
Information Technology	-	-	267	14,590	14,857
Consumer Staples	-	-	436	3,066	3,502
Consumer Discretionary	-	-	1,707	4,079	5,786
Industrials	-	-	2,496	5,728	8,224
Materials	-	-	83	5,580	5,663
Healthcare	-	-	-	249	249
Telecommunication Services	-	-	791	4,902	5,693
Utilities	-	-	1,333	1,562	2,895
<b>Total</b>	<b>-</b>	<b>-</b>	<b>15,755</b>	<b>61,358</b>	<b>77,113</b>

**As at 31 March**

**2009**

	North America	Developed Europe	Asia Pacific	Emerging Countries and Others	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b><u>FIXED INCOME SECURITIES</u></b>					
Government	44,257	91,096	128,834	4,287	268,474
Government Related	23,640	12,535	10,916	79,983	127,074
Corporates	48,714	20,415	59,406	36,171	164,706
Others	53,707	24,176	3,500	36,817	118,200
<b>Total</b>	<b>170,318</b>	<b>148,222</b>	<b>202,656</b>	<b>157,258</b>	<b>678,454</b>

**EQUITIES**

Energy	-	-	131	3,826	3,957
Financials	-	-	5,741	9,337	15,078
Information Technology	-	-	390	8,127	8,517
Consumer Staples	-	-	-	1,815	1,815
Consumer Discretionary	-	-	710	1,358	2,068
Industrials	-	-	1,827	2,891	4,718
Materials	-	-	-	2,606	2,606
Healthcare	-	-	-	259	259
Telecommunication Services	-	-	572	5,565	6,137
Utilities	-	-	844	1,024	1,868
<b>Total</b>	<b>-</b>	<b>-</b>	<b>10,215</b>	<b>36,808</b>	<b>47,023</b>

## 5.7 Fair Values of Financial Assets and Liabilities

- a) The Fund measures the fair values of its financial assets and liabilities at the following different levels of inputs:
- i) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities. The quoted price input for a financial asset is its bid price and for a financial liability is its ask price;
  - ii) Level 2: 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). Where the fair value of the financial instrument is measured by a valuation technique that uses independently sourced broker, dealer quotes and observable market parameters such as foreign exchange rates, yield curves and volatilities, it is disclosed at this level; and
  - iii) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs). Where no market data can be observed and judgement is required, the valuation of the financial instrument takes into account factors such as the illiquidity and price volatility of the asset class.

5.7b) **Assets and Liabilities Measured at Fair Value**

The following table summarises the financial assets and liabilities recorded at fair value by level of the fair value hierarchy.

**As at 31 March** **2010**

	Note	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial Assets at Fair Value through Profit or Loss</b>					
Financial Derivatives Receivable	6.2	766	3,011	-	3,777
Fixed Income Securities		241,272	520,107	-	761,379
Equities		77,113	-	-	77,113
Commodities		-	33,127	-	33,127
		319,151	556,245	-	875,396
<b>Financial Assets (pledged as collateral for financial derivatives)</b>					
Fixed Income Securities		1,884	-	-	1,884
		<b>321,035</b>	<b>556,245</b>	<b>-</b>	<b>877,280</b>
<b>Financial Liabilities at Fair Value through Profit or Loss</b>					
Financial Derivatives Payable	6.2	143	543	-	686
		<b>143</b>	<b>543</b>	<b>-</b>	<b>686</b>
<b>NET ASSETS</b>		<b>320,892</b>	<b>555,702</b>	<b>-</b>	<b>876,594</b>

**As at 31 March** **2009**

	Note	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial Assets at Fair Value through Profit or Loss</b>					
Financial Derivatives Receivable	6.2	516	5,945	-	6,461
Fixed Income Securities		215,693	462,761	-	678,454
Equities		47,023	-	-	47,023
Commodities		-	25,760	-	25,760
		263,232	494,466	-	757,698
<b>Financial Assets (pledged as collateral for financial derivatives)</b>					
Fixed Income Securities		-	-	-	-
		<b>263,232</b>	<b>494,466</b>	<b>-</b>	<b>757,698</b>
<b>Financial Liabilities at Fair Value through Profit or Loss</b>					
Financial Derivatives Payable	6.2	137	349	-	486
		<b>137</b>	<b>349</b>	<b>-</b>	<b>486</b>
<b>NET ASSETS</b>		<b>263,095</b>	<b>494,117</b>	<b>-</b>	<b>757,212</b>

## 6 FINANCIAL DERIVATIVES: ASSETS/LIABILITIES

Derivative financial instruments are financial instruments whose values fluctuate in response to changes in the values of the underlying assets, interest or exchange rates or indices and include forwards, futures, options and swaps. These instruments allow the Fund to transfer, modify or reduce their foreign exchange and interest rate risks.

*Forward foreign exchange* contracts are agreements to purchase or sell fixed amounts of currency at agreed rates of exchange on a specified future date.

*Foreign exchange options* give the buyer on payment of a premium the right, but not the obligation, to buy or sell a specified amount of currency at a specified exchange rate on or before a specified future date.

*Interest rate futures* are exchange-traded agreements to purchase or sell a standard amount of a specified fixed income security or time deposit at an agreed interest rate on a specified future date.

*Interest rate options* give the buyer on payment of a premium the right, but not the obligation, to fix the rate of interest on a future deposit or loan, for a specified period commencing on a specified future date.

*Interest rate forwards* are contracts to purchase or sell an underlying fixed income security at an agreed price on a specified future date.

*Interest rate swaps* are agreements to exchange the interest obligations with a counterparty for a specified period without exchanging the underlying (or notional) principal.

*Equity-related futures* are exchange-traded agreements to purchase or sell a standard amount of a specified equity index at an agreed price or level on a specified future date.

*Equity-related swaps* are agreements to exchange the return of changes in equity prices against changes in a reference interest rate for a specified period.

*Commodity-related futures* are exchange-traded agreements to purchase or sell a standard amount of a specified commodity or commodity index at an agreed price on a specified future date.

*Credit default swaps* involve the transfer of credit risk of a reference asset from the protection buyer to the protection seller. The protection buyer makes one or more payments to the seller in exchange for the seller's obligation to make a payment to the buyer contingent upon the occurrence of a pre-defined credit event related to a specified reference entity.

- 6.1 The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognised on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instrument and, therefore, do not indicate the Fund's exposure to credit or price risks. The fair values of derivative instruments are normally zero or negligible at inception and the subsequent change in value is favourable (derivative assets) or unfavourable (derivative liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate

contractual or notional amount of derivative financial instruments, the extent to which the instruments are favourable and unfavourable and, thus the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

- 6.2 The contractual or underlying principal amounts of the derivative financial instruments and their corresponding gross positive (derivative receivable) and negative (derivative payable) fair values at balance sheet date, are analysed below. The notional or contractual amounts indicate the volume of transactions outstanding at the balance sheet date:

	2010			2009		
	Contract or underlying principal amount	Fair Value		Contract or underlying principal amount	Fair Value	
		Receivable	Payable		Receivable	Payable
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Foreign exchange contracts</b>						
Forwards	128,387	384	522	65,155	90	349
Options purchased	4,334	43	-	-	-	-
Options sold	4,334	-	21	-	-	-
<b>Interest rate contracts</b>						
Futures purchased	73,417	327	8	86,957	429	-
Futures sold	2,992	30	-	1,539	9	-
Options sold	32,714	-	51	-	-	-
Forwards purchased	-	-	-	6,841	82	-
Swaps	2,350	202	-	1,981	153	-
<b>Equity-related contracts</b>						
Futures purchased	9,301	94	13	675	22	-
Futures sold	5,037	20	27	782	-	99
Swaps	60,257	2,376	-	39,047	5,620	-
<b>Commodity-related contracts</b>						
Futures purchased	724	104	13	159	40	38
Futures sold	2,523	191	31	1,277	16	-
<b>Other derivatives</b>						
Credit default swaps sold	2,796	6	-	-	-	-
	329,166	3,777	686	204,413	6,461	486

## 7 RELATED PARTY TRANSACTIONS

- 7.1 During the financial year, the Fund had the following transactions with related parties, namely, the Authority, and members of the Fund's Advisory Committee, Investment Working Committee and Financial Research Council or the financial institutions that they are related to. These related party transactions were made in the ordinary course of business and carried out at arm's length.

	<u>2010</u> \$'000	<u>2009</u> \$'000
Grants to:		
United Overseas Bank Group	1,641	1,200
Citibank N.A.	1,200	126
DBS Bank Limited	1,196	596
Standard Chartered Bank	1,054	1,413
Oversea-Chinese Banking Corporation Limited	905	474
National University of Singapore (Risk Management Institute)	463	-
General Insurance Association of Singapore	369	-
Singapore Exchange Limited	337	1,589
Association of Banks in Singapore	218	587
Institute of Banking & Finance	199	185
INSEAD	189	-
Singapore Management University	147	-
QBE Insurance (International) Limited	35	13

- 7.2 The Fund also placed deposits with the Authority in the ordinary course of business and at arm's length, earning interest income disclosed below:

	<u>2010</u> \$'000	<u>2009</u> \$'000
Interest Income	<u>4</u>	<u>-</u>

The Fund's deposit balance with the Authority at 31 March 2010 was \$81.1 million (31 March 2009: Nil).

## 8 COMMITMENTS

The Fund has outstanding commitments, amounting to \$80.5 million in respect of grants approved but not accrued as at 31 March 2010 (31 March 2009: \$77.4 million).

## 9 NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

New or revised accounting standards and interpretations to accounting standards have been issued that are mandatory for accounting periods beginning on or after 1 January 2010. The Fund does not expect the new or revised accounting standards and interpretations that are applicable, to have a material impact on the Fund's financial statements.

## **10 AUTHORISATION OF FINANCIAL STATEMENTS**

The financial statements for the year ended 31 March 2010 were authorised by the Minister-in-Charge for issuance and signed by Chairman and Acting Managing Director of Monetary Authority of Singapore on 22 June 2010.