

# FINANCIAL SECTOR DEVELOPMENT FUND

## INCOME STATEMENT

For the year ended 31 March	2006	2005
	\$'000	\$'000
<b>Income/(Loss) from Investments</b>		
Interest Income	11,169	9,631
Dividend Income	2,246	2,032
Profit on Disposal of Investments	3,373	4,920
Fair Value Gain through Profit and Loss	26,461	-
Additional Provision for Diminution in Value	-	(2,224)
Foreign Currency (Loss)/Gain	(14,965)	2,516
	28,284	16,875
<u>Less:</u>		
Investment Expenses	2,651	2,054
	25,633	14,821
<b>Net Foreign Investment Income</b>		
<b>Other Income</b>		
Dividend on SGX Shares	60,123	35,186
Interest Income from Bank Deposits	4,947	1,339
Donations Received	-	712
	65,070	37,237
	90,703	52,058
<b>Total Net Income before Grants</b>		
<u>Less:</u>		
<b>Grants</b>	17,060	19,924
	<b>73,643</b>	<b>32,134</b>
<b>Net Surplus for the Year</b>		

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

**FINANCIAL SECTOR DEVELOPMENT FUND  
BALANCE SHEET**

<u>As at 31 March</u>	<u>Note</u>	<u>2006</u>	<u>2005</u>
		<u>\$'000</u>	<u>\$'000</u>
<b>ACCUMULATED FUND</b>			
Capital Account	3	471,635	471,635
Accumulated Surplus		265,585	172,648
		<u><b>737,220</b></u>	<u><b>644,283</b></u>
 <u>Represented by:</u>			
<b>ASSETS</b>			
Bank Balances and Deposits	4	317,152	240,464
Financial Derivatives	5.1	176	178
Financial Assets at Fair Value through Profit and Loss	6	458,501	421,377
Loans and Receivables	7	33,411	24,350
		809,240	686,369
 <u>Less:</u>			
<b>LIABILITIES</b>			
Financial Derivatives	5.1	977	1,952
Accruals and Other Liabilities	8	71,043	40,134
		72,020	42,086
 <b>NET ASSETS OF THE FUND</b>		<u><b>737,220</b></u>	<u><b>644,283</b></u>

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

**GOH CHOK TONG  
CHAIRMAN  
MONETARY AUTHORITY OF SINGAPORE  
21 JUNE 2006**

**HENG SWEE KEAT  
MANAGING DIRECTOR  
MONETARY AUTHORITY OF SINGAPORE  
21 JUNE 2006**

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

	Note	Capital Account \$'000	Accumulated Surplus \$'000	Total \$'000
<b>Balance as at 1 April 2004</b>		471,635	140,514	612,149
Net Surplus for the Year		-	31,990	31,990
<b>Balance as at 31 March 2005 as previously reported</b>		471,635	172,504	644,139
Effects of changes in accounting policy - adjusted retrospectively	2.1(c)	-	144	144
As restated retrospectively		471,635	172,648	644,283
Effects of changes in accounting policy - adjusted prospectively	2.1(c)	-	19,294	19,294
As restated		471,635	191,942	663,577
Net Surplus for the Year		-	73,643	73,643
<b>Balance as at 31 March 2006</b>		471,635	265,585	737,220

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>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Cash Flows from Operating Activities</b>		
Surplus for the Year	73,643	32,134
Adjustments for:		
Fair Value Gain through Profit and Loss	(26,461)	-
Additional Provision for Diminution in Value	-	2,224
Interest Income	(16,116)	(10,970)
Dividend Income	(62,369)	(37,218)
Loss before Working Capital Changes	(31,303)	(13,830)
Increase/(Decrease) in		
Accruals and Other Liabilities: Accounts Payable - Grants	4,579	7,875
<b>Net Cash used in Operating Activities</b>	<b>(26,724)</b>	<b>(5,955)</b>
<b>Cash Flows from Investing Activities</b>		
(Increase)/Decrease in		
Financial Derivatives (Assets)	135	(178)
Financial Assets at Fair Value through Profit and Loss	7,383	(56,298)
Loans and Receivables	(8,916)	11,505
Increase/(Decrease) in		
Financial Derivatives (Liabilities)	(1,409)	-
Accruals and Other Liabilities: Accruals and Others	26,330	24,786
Dividend Received from Investments	2,289	1,999
Interest Received	17,477	12,520
<b>Cash Flows from/(used in) Investing Activities</b>	<b>43,289</b>	<b>(5,666)</b>
<b>Cash Flows from Financing Activities</b>		
(Increase)/Decrease in		
Loans and Receivables: Dividend Receivable on SGX Shares	(5,875)	(21,088)
Dividend Received on SGX Shares	65,998	56,273
<b>Net Cash from Financing Activities</b>	<b>60,123</b>	<b>35,185</b>
<b>Net Increase in Bank Balances and Deposits</b>	<b>76,688</b>	<b>23,564</b>
<b>Bank Balances and Deposits as at beginning of the year</b>	<b>240,464</b>	<b>216,900</b>
<b>Bank Balances and Deposits as at end of the year</b>	<b>317,152</b>	<b>240,464</b>

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 2006**

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**

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.

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.

The Fund adopted the new or revised FRS that are applicable in the current financial year. The financial statements for the year ended 31 March 2006 have been amended as required, in accordance with the relevant transitional provisions in the respective FRS.

FRS 1	(revised 2004) Presentation of Financial Statements
FRS 7	(revised 2004) Cash Flow Statements
FRS 8	(revised 2004) Accounting Policies, Changes in Accounting Estimates and Errors
FRS 10	(revised 2004) Events after the Balance Sheet Date
FRS 18	(revised 2004) Revenue
FRS 21	(revised 2004) The Effects of Changes in Foreign Exchange Rates
FRS 32	(revised 2004) Financial Instruments: Disclosure and Presentation
FRS 39	(revised 2004) Financial Instruments: Recognition and Measurement

The more significant changes to the Fund's accounting policies as a result of the adoption of these new or revised FRS are as follows:

a) Effects of adoption of FRS 39 (revised 2004)

Classification and Measurement

Previously, the Fund's financial assets at fair value through profit and loss and financial derivatives were stated at the lower of cost and market value on an individual investment basis, except for forwards which were valued on a portfolio basis.

In accordance with FRS 39 (revised 2004), these financial assets are now initially recognised at fair value and subsequently re-measured to fair value at the balance sheet date with all gains and losses recognised in income statement in the period in which the change in fair value arises.

The change in valuation policy was effected prospectively from 1 April 2005 in accordance with the transitional provisions in FRS 39. The effects are disclosed in Note 2.1(c).

Fair Value of Financial Assets and Liabilities

Previously, the Fund used last transacted prices of quoted financial instruments as the market prices. In accordance with FRS 39 (revised 2004), the Fund now uses the market bid prices for the measurement of its financial assets at fair value through profit and loss and financial derivatives.

This change did not materially affect the financial statements for the financial year ended 31 March 2006.

b) Voluntary change in accounting policy

The Fund has also changed from settlement date accounting to trade date accounting to align with market practice. The voluntary change to trade date accounting was effected retrospectively and the effects are disclosed in Note 2.1(c).

2.1 c) The effects of adoption of FRS 39 and voluntary change in accounting policy affected the following balance sheet and income statement items:

Effects of restatement on 1 April 2005 balances and comparatives for the year ended 31 March 2005

	As previously reported 31 March 2005 \$'000	Effects of Voluntary Change in Accounting Policy \$'000	As restated 31 March 2005 \$'000	Effects of Adoption of FRS 39 (revised 2004) \$'000	As restated 1 April 2005 \$'000
<b>Balance Sheet Items:</b>					
Accumulated Surplus	172,504	144	172,648	19,294	191,942
Bank Balances and Deposits	240,368	96	240,464	-	240,464
Financial Derivatives (Assets)	178	-	178	133	311
Financial Assets at Fair Value through Profit and Loss					
- Fixed Income Securities	306,880	15,347	322,227	3,698	325,925
- Equities	98,420	730	99,150	15,897	115,047
Loans and Receivables	15,080	9,270	24,350	-	24,350
Less:					
Financial Derivatives (Liabilities)	1,952	-	1,952	434	2,386
Accruals and Other Liabilities	14,835	25,299	40,134	-	40,134
		144		19,294	
<b>Income Statement Items:</b>					
Interest Income	9,601	30	9,631		
Profit on Disposal of Investments	4,880	40	4,920		
Foreign Currency Gain	2,442	74	2,516		
		144			

Effects on the financial statements for the year ended 31 March 2006

	←	Increase/(Decrease)	→
	Voluntary Change in Accounting Policy \$'000	FRS 39 (revised 2004) \$'000	Total Effects \$'000
<b>Balance Sheet Items:</b>			
Accumulated Surplus	483	11,966	12,449
Bank Balances and Deposits	(151)	-	(151)
Financial Derivatives (Assets)	-	43	43
Financial Assets at Fair Value through Profit and Loss			
- Fixed Income Securities	28,451	(3,256)	25,195
- Equities	1,457	14,752	16,209
Loans and Receivables	22,381	-	22,381
Less:			
Financial Derivatives (Liabilities)	-	(427)	(427)
Accruals and Other Liabilities	51,655	-	51,655
	483	11,966	12,449
<b>Income Statement Items:</b>			
Interest Income	29	-	29
Profit on Disposal of Investments	454	(17,563)	(17,109)
Fair Value Gain through Profit and Loss	-	29,624	29,624
Foreign Currency Gain	-	539	539
Less:			
Investment Expenses	-	634	634
	483	11,966	12,449

## 2.2 Income recognition

### a) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

### b) Dividend income

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

## 2.3 Investments in financial assets

### a) Classification

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

i) Financial derivatives are used to manage exposures to foreign exchange and interest rate risks arising from investment activities. Derivative financial instruments can be used for trading purposes.

ii) Financial assets at fair value through profit and loss are financial assets other than financial derivatives and loans and receivables that are designated by management as financial assets at fair value through profit and loss.

iii) Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and include bank balances, deposits, commercial papers and other receivables.

### b) Recognition and Derecognition

Purchases and sales of investments are recognised on trade date – the date on which 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 and 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 income statement in the period in which they arise. Loans and receivables are carried at amortised cost using the effective interest method.

### d) Fair Value Determination

The fair values of financial instruments traded in active markets (such as exchange-traded and over-the-counter securities and derivatives) are based on quoted market prices or dealer quotes at the balance sheet date. The quoted market price used for a financial asset is the current bid price where available; else the latest closing price is used; the appropriate quoted market price for a



financial liability is the current ask price. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at balance sheet date.

e) 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 income statement 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 income statement. However, the increased 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 depreciation or 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 and loss, are carried at fair value, with changes in fair value recognised in fair value gain/loss through profit and loss in the income statement. 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 Foreign Currency Translation

a) Functional and presentation currency

Items included in the financial statements of the Fund are measured using the currency of the primary economic environment in which the Fund operates ("the functional currency"). The financial statements are presented in Singapore dollars, which is the Fund's functional and presentation currency.

b) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency gain/loss resulting from the settlement of such transactions and from the translation at year-end exchange rates of assets and liabilities denominated in foreign currencies are recognised in foreign currency gain/loss in the income statement.

### 3 CAPITAL ACCOUNT

- a) The Capital Account is funded from the net sale proceeds of the Singapore Exchange Limited's (SGX) shares.
- b) As at 31 March 2006, 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 total market valuation of \$1 billion as at 31 March 2006 (31 March 2005: \$525 million). The 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 Act.

### 4 BANK BALANCES AND DEPOSITS

The carrying value of bank balances and deposits approximates their fair value:

	<u>2006</u>		<u>2005</u>	
	\$'000	%	\$'000	%
SGD	276,234	87.1	203,383	84.6
USD	27,807	8.8	19,330	8.0
HKD	8,807	2.8	14,734	6.1
Others	4,304	1.3	3,017	1.3
	<u>317,152</u>	<u>100.0</u>	<u>240,464</u>	<u>100.0</u>

The table below summarises the average effective interest rate by major currencies:

	<u>2006</u>	<u>2005</u>
	%	%
SGD	3.21	1.71
USD	4.79	1.86
HKD	4.08	0.60

Bank deposits at the balance sheet date have maturities of 1 - 2 months (2005: 1 - 2 months) from the end of the financial year.

The exposure of bank balances and deposits to interest rate risks is disclosed in Note 9.1(b).

## 5 FINANCIAL DERIVATIVES: ASSETS/LIABILITIES

Derivative financial instruments are financial instruments whose values fluctuate in response to changes in the values of the underlying assets, rates or indices and include forwards, futures and options. 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.

*Interest rate futures* are typically 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 standard future date.

*Interest rate options* give the buyer 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.

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 cashflows 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 on hand, 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.

### 5.1 The Fund's financial derivatives comprise the following:

	<u>2006</u> \$'000	<u>2005</u> \$'000
Financial Derivatives (Assets)		
Cost	-	178
Fair Value (2005: \$228,000)	176	-
	<u>176</u>	<u>178</u>
Financial Derivatives (Liabilities)		
Provision for Diminution in Value	-	1,952
Fair Value (2005: \$1,914,000)	977	-
	<u>977</u>	<u>1,952</u>

### 5.2 The following summarises the contractual or underlying principal amounts of derivative financial instruments held or issued by the Fund. The notional or contractual amounts indicate the volume of transactions outstanding at the balance sheet date:

	2006			2005		
	Contract or underlying principal amount	Fair Value		Contract or underlying principal amount	Lower of Cost and Market Value	
		Assets	Liabilities		Assets	Liabilities
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
<b>Foreign exchange contracts</b>						
Forwards	185,250	30	809	152,299	-	1,236
<b>Interest rate contracts</b>						
Futures purchased	203,843	2	168	382,830	-	683
Futures sold	18,985	144	-	57,049	-	33
Options purchased	-	-	-	52,976	178	-
	<u>408,078</u>	<u>176</u>	<u>977</u>	<u>645,154</u>	<u>178</u>	<u>1,952</u>

## 6 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

6.1 These comprise the following:

	<u>2006</u> \$'000	<u>2005</u> \$'000
Fixed Income Securities		
Cost	-	324,370
Less: Provision for Diminution in Value	-	(2,143)
Fair Value (2005: \$326,027,000)	<u>311,603</u>	<u>-</u>
	<u>311,603</u>	<u>322,227</u>
Equities		
Cost	-	100,295
Less: Provision for Diminution in Value	-	(1,145)
Fair Value (2005: \$115,447,000)	<u>146,898</u>	<u>-</u>
	<u>146,898</u>	<u>99,150</u>

6.2 The carrying amounts of Financial Assets at Fair Value through Profit and Loss are denominated in the following currencies:

	Fixed Income Securities		Equities		Total	
	2006	2005 Lower of Cost and Market Value	2006	2005 Lower of Cost and Market Value	2006	2005 Lower of Cost and Market Value
	Fair Value	Market Value	Fair Value	Market Value	Fair Value	Market Value
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
SGD	165,561	165,628	5,169	3,883	170,730	169,511
USD	83,308	92,638	47,245	34,985	130,553	127,623
EUR	21,607	47,008	13,876	7,787	35,483	54,795
GBP	28,381	3,628	5,957	8,301	34,338	11,929
JPY	2,039	1,083	17,517	7,948	19,556	9,031
Other Asian Currencies	955	5,292	47,603	31,797	48,558	37,089
Others	9,752	6,950	9,531	4,449	19,283	11,399
	<u>311,603</u>	<u>322,227</u>	<u>146,898</u>	<u>99,150</u>	<u>458,501</u>	<u>421,377</u>

The effective interest rate for fixed income securities is not available.

## 7 LOANS AND RECEIVABLES

	<u>2006</u> \$'000	<u>2005</u> \$'000
Prepayments and Other Receivables	28,286	13,350
Receivables from SEL Holdings Pte Ltd	2,500	2,500
Dividend Receivable on SGX Shares	2,625	8,500
	<u>33,411</u>	<u>24,350</u>

The carrying amounts of loans and receivables approximate their fair value and are denominated in the following currencies:

	<u>2006</u> \$'000	<u>2005</u> \$'000
USD	23,140	2,514
SGD	7,692	19,492
Others	2,579	2,344
	<u>33,411</u>	<u>24,350</u>

## 8 ACCRUALS AND OTHER LIABILITIES

	<u>2006</u> \$'000	<u>2005</u> \$'000
Accounts Payable – Grants	18,847	14,269
Accruals and Others	52,196	25,865
	<u>71,043</u>	<u>40,134</u>

The carrying amounts of accruals and other liabilities approximate their fair value and are denominated in the following currencies:

	<u>2006</u> \$'000	<u>2005</u> \$'000
USD	49,615	13,489
SGD	19,063	25,351
Others	2,365	1,294
	<u>71,043</u>	<u>40,134</u>

## 9 FINANCIAL RISK MANAGEMENT

### 9.1 Market Risk

- a) 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 risk, interest rate risk and other price risk.
- i) Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.
  - ii) Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.
  - iii) Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.
- b) Currently, such risks are managed through regular monitoring of the market risk exposure of the Fund's investments, the diversification of the Fund's investments across different markets and currencies and the establishment of risk controls at both the aggregate and individual market/portfolio levels.

9.1 c) The breakdown of the Fund's interest rate sensitive financial assets and liabilities into the relevant repricing or maturing periods is as follows:

As at 31 March 2006	Floating Interest (balance sheet date to next repricing date)		Fixed Interest (balance sheet date to contractual maturity date)			Non-interest bearing	Total
	Less than 3 months	3 to 6 months	Less than 1 year	1 to 5 years	More than 5 years		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Assets</b>							
Bank Balances and Deposits	-	-	301,658	-	-	15,494	317,152
Financial Derivatives	-	-	-	-	-	176	176
Financial Assets at Fair Value through Profit and Loss							
Fixed Income Securities	4,086	-	5,431	135,563	166,523	-	311,603
Equities	-	-	-	-	-	146,898	146,898
Loans and Receivables	-	-	1,448	-	-	31,963	33,411
<b>Total Assets</b>	<b>4,086</b>	<b>-</b>	<b>308,537</b>	<b>135,563</b>	<b>166,523</b>	<b>194,531</b>	<b>809,240</b>
<b>Liabilities</b>							
Financial Derivatives	-	-	-	-	-	977	977
Accruals and Other Liabilities	-	-	-	-	-	71,043	71,043
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>72,020</b>	<b>72,020</b>
<b>As at 31 March 2005</b>							
	Floating Interest (balance sheet date to next repricing date)		Fixed Interest (balance sheet date to contractual maturity date)			Non-interest bearing	Total
	Less than 3 months	3 to 6 months	Less than 1 year	1 to 5 years	More than 5 years		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Assets</b>							
Bank Balances and Deposits	-	-	222,666	-	-	17,798	240,464
Financial Derivatives	-	-	-	-	-	178	178
Financial Assets at Fair Value through Profit and Loss							
Fixed Income Securities	6,073	-	31,349	151,936	132,869	-	322,227
Equities	-	-	-	-	-	99,150	99,150
Loans and Receivables	-	-	-	-	-	24,350	24,350
<b>Total Assets</b>	<b>6,073</b>	<b>-</b>	<b>254,015</b>	<b>151,936</b>	<b>132,869</b>	<b>141,476</b>	<b>686,369</b>
<b>Liabilities</b>							
Financial Derivatives	-	-	-	-	-	1,952	1,952
Accruals and Other Liabilities	-	-	-	-	-	40,134	40,134
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>42,086</b>	<b>42,086</b>

9.1 d) Financial Derivatives and Financial Assets at Fair Value through Profit and Loss as at 31 March 2006 are measured at fair value; and at 31 March 2005 are based on the lower of cost and market value on an individual investment basis, except for forwards which are valued on a portfolio basis.

## 9.2 Credit Risk

Credit risk is the risk of loss arising from a party's failure to discharge an obligation under a financial contract and includes counterparty credit risk and issuer credit risk.

The Fund's exposure to counterparty credit risk arises mainly from its business relationships with counterparties and custodians. These risks are managed by dealing only with well-rated entities and assigning limits to each of them. Credit risks are also mitigated by diversifying credit exposures across entities.

The Fund manages issuer credit risk by imposing minimum credit rating requirements on its investments. In addition, single issuer limits are in place to control the magnitude of credit exposures to any one issuer and mitigate the extent of loss resulting from default.

The carrying amounts of bank balances, deposits, financial derivatives, fixed income securities and loans and receivables represent their maximum credit exposure.

## 9.3 Liquidity Risk

Liquidity risk is the risk that the Fund will encounter difficulty in raising funds at short notice to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. The Fund manages liquidity risk by investing mostly in liquid markets and instruments, and imposing minimum outstanding issue size and single issue limits on its investments.

## **10 COMMITMENTS**

The Fund has outstanding commitments, amounting to \$37.4 million in respect of grants approved but not accrued as at 31 March 2006 (31 March 2005: \$39.2 million).

## **11 NEW ACCOUNTING STANDARDS**

FRS 107 "Financial Instruments: Disclosures" has been issued and is effective for accounting periods beginning on or after 1 January 2008. Compliance with this new FRS is not expected to have material financial impact but will increase disclosures on the nature and extent of risks arising from the Fund's financial assets and liabilities and how the Fund manages those risks.



## **12 COMPARATIVE FIGURES**

Financial Derivatives and Financial Assets at Fair Value through Profit and Loss as at 31 March 2006 are measured at fair value; and at 31 March 2005 are based on the lower of cost and market value on an individual investment basis, except for forwards which are valued on a portfolio basis. Comparative financial assets figures have been reclassified into the various types of financial assets as set out in Note 2.3 so as to conform to the presentation adopted in the year ended 31 March 2006.

## **13 AUTHORISATION OF FINANCIAL STATEMENTS**

The financial statements for the year ended 31 March 2006 were authorised by the Minister-in-Charge for issuance and signed by Chairman and Managing Director of Monetary Authority of Singapore on 21 June 2006.