

FINANCIAL SECTOR DEVELOPMENT FUND

INCOME STATEMENT

For the year ended 31 March	Note	2009	2008
		\$'000	\$'000
Interest Income		27,612	23,239
Dividend Income		100,055	96,754
(Loss)/Gain from Financial Instruments at Fair Value through Profit or Loss		(125,520)	20,058
Foreign Exchange Gain/(Loss)		32,503	(25,296)
Other Income		127	170
Total Income		34,777	114,925
<u>Less:</u>			
Investment Expenses		4,140	3,085
Grants		21,952	20,022
Total Expenditure		26,092	23,107
Net Surplus for the Year	3	8,685	91,818

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>2009</u>	<u>2008</u>
		<u>\$'000</u>	<u>\$'000</u>
ACCUMULATED FUND			
Capital Account		471,635	471,635
Accumulated Surplus		408,580	399,895
	4	<u>880,215</u>	<u>871,530</u>
 <u>Represented by:</u>			
ASSETS			
Bank Balances and Deposits		122,391	172,872
Financial Assets at Fair Value through Profit or Loss		757,698	710,246
Loans and Receivables		20,875	18,361
	6	900,964	901,479
 <u>Less:</u>			
LIABILITIES			
Financial Liabilities at Fair Value through Profit or Loss		486	1,953
Accruals and Other Liabilities		20,263	27,996
	6	20,749	29,949
 NET ASSETS OF THE FUND		<u>880,215</u>	<u>871,530</u>

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

GOH CHOK TONG
CHAIRMAN
MONETARY AUTHORITY OF SINGAPORE
23 JUNE 2009

HENG SWEE KEAT
MANAGING DIRECTOR
MONETARY AUTHORITY OF SINGAPORE
23 JUNE 2009

FINANCIAL SECTOR DEVELOPMENT FUND
STATEMENT OF CHANGES IN EQUITY

	Capital Account \$'000	Accumulated Surplus \$'000	Total \$'000
Balance as at 1 April 2007	471,635	308,077	779,712
Net Surplus for the Year	-	91,818	91,818
Balance as at 31 March 2008	<u>471,635</u>	<u>399,895</u>	<u>871,530</u>
Net Surplus for the Year	-	8,685	8,685
Balance as at 31 March 2009	<u><u>471,635</u></u>	<u><u>408,580</u></u>	<u><u>880,215</u></u>

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

FINANCIAL SECTOR DEVELOPMENT FUND

CASH FLOW STATEMENT

For the year ended 31 March	2009	2008
	\$'000	\$'000
Cash Flows from Operating Activities		
Surplus for the Year	8,685	91,818
Adjustments for:		
Loss/(Gain) from Financial Instruments at Fair Value through Profit or Loss	125,520	(20,058)
Interest Income	(27,612)	(23,239)
Dividend Income	(100,055)	(96,754)
Operating Cash Flows before Changes in Working Capital	<u>6,538</u>	<u>(48,233)</u>
Increase in Loans and Receivables	(1,010)	(152)
(Decrease)/Increase in Accruals and Other Liabilities	(8,799)	4,587
Net Cash used in Operating Activities	<u>(3,271)</u>	<u>(43,798)</u>
Cash Flows from Investing Activities		
Net Increase in Financial Instruments at Fair Value through Profit or Loss	(174,870)	(331,597)
Dividend Received from Investments	2,569	1,800
Interest Received	27,594	17,957
Net Cash used in Investing Activities	<u>(144,707)</u>	<u>(311,840)</u>
Cash Flows from Financing Activities		
Dividend Received on Singapore Exchange Limited Shares	97,497	94,997
Net Cash generated from Financing Activities	<u>97,497</u>	<u>94,997</u>
Net Decrease in Bank Balances and Deposits	(50,481)	(260,641)
Bank Balances and Deposits as at beginning of the year	172,872	433,513
Bank Balances and Deposits as at end of the year	<u><u>122,391</u></u>	<u><u>172,872</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 2009

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 FRSs are applicable in the current financial year.

- FRS 1 Presentation of Financial Statements (1 January 2008)
- FRS 107 Financial Instruments: Disclosures (1 January 2008)

The amendment to FRS 1 introduces disclosures about what the Fund regards as capital and the Fund's objectives, policies and processes for managing capital. Please refer to note 4 to the Fund's financial statements for details of this capital disclosure.

FRS 107 requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including credit risk, liquidity risk, market risk and sensitivity analysis to market risk. It supersedes the disclosure requirements in FRS 32 Financial Instruments: Disclosure and Presentation. Please refer to notes 3, 5 and 6 for the additional financial risk information disclosures.

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.

- 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.
- 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 income statement in the period in which they arise. Loans and receivables are carried at amortised cost and approximate their fair values.

d) Fair Value Determination

The fair values of financial instruments traded in active financial markets are based on quoted and observable market prices or on valuation models based on independently sourced market parameters, including currency rates, interest rates and volatilities at the balance sheet date. In the absence of such quoted market prices, fair values are estimated using present value or other valuation techniques, using inputs based on market conditions existing at the balance sheet date, and assuming no change in credit spread where there is no objective evidence of impairment. There is no financial instrument whose fair value is estimated using a valuation technique that is not based on available observable market data. The quoted market price used for a financial asset is its bid price and for a financial liability is its ask price.

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 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 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 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 income statement.

3 INCOME AND EXPENDITURE FROM FINANCIAL ASSETS AND LIABILITIES AND OTHERS

	<u>2009</u>	<u>2008</u>
	\$'000	\$'000
3.1 Net Income/(Loss)		
i) Financial Assets at Fair Value through Profit or Loss		
Held for Trading - Financial Derivatives	(41,886)	(5,692)
Others	(28,233)	19,056
ii) Loans and Receivables	2,999	47
iii) Accruals and Other Liabilities	(808)	(713)
iv) Singapore Exchange Limited Shares held	97,496	94,997
	29,568	107,695
3.2 Interest Income from Financial Assets not at Fair Value through Profit or Loss		
i) Bank Balances and Deposits	1,025	3,915
ii) Loans and Receivables	35	171
	1,060	4,086
3.3 Impairment Loss		
i) Loans and Receivables	(6)	-
3.4 Grants	(21,952)	(20,022)
3.5 Other Net Income	15	59
Net Surplus for the Year	<u><u>8,685</u></u>	<u><u>91,818</u></u>

4 CAPITAL AND ACCUMULATED SURPLUS

4.1 The capital and accumulated surplus of the Fund comprise:

	<u>2009</u> \$'000	<u>2008</u> \$'000
Capital Account	471,635	471,635
Accumulated Surplus	408,580	399,895
Accumulated Fund as at 31 March	<u>880,215</u>	<u>871,530</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 2009, 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 \$1.3 billion as at 31 March 2009 (31 March 2008: \$1.9 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 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.

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 standard 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.

- 5.1 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 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, 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.

- 5.2 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:

	2009			2008		
	Contract or underlying principal amount	Fair Value		Contract or underlying principal amount	Fair Value	
		Receivable	Payable		Receivable	Payable
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Foreign exchange contracts						
Forwards	65,155	90	349	223,168	558	937
Interest rate contracts						
Futures purchased	86,957	429	-	93,285	453	2
Futures sold	1,539	9	-	16,964	149	45
Options purchased	-	-	-	3,696	1	642
Options sold	-	-	-	120	-	3
Forwards purchased	6,841	82	-	49,738	566	57
Swaps	1,981	153	-	2,619	-	267
Equity-related contracts						
Futures purchased	675	22	-	-	-	-
Futures sold	782	-	99	-	-	-
Swaps	39,047	5,620	-	-	-	-
Commodity-related contracts						
Futures purchased	159	40	38	-	-	-
Futures sold	1,277	16	-	-	-	-
	204,413	6,461	486	389,590	1,727	1,953

6 FINANCIAL RISK MANAGEMENT

- 6.1 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.
- 6.2 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.
- 6.3 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.

The 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.

6.3a) 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 assets and liabilities are denominated in the following currencies:

As at 31 March							2009
	SGD	USD	EUR	JPY	Asia Pacific Currencies	Others	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ASSETS							
Bank Balances and Deposits	105,718	12,249	886	455	1,303	1,505	122,116
Financial Assets at Fair Value through Profit or Loss							
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
Loans and Receivables							
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
Financial Assets (pledged as collateral for financial derivatives)							
Bank Balances and Deposits	-	275	-	-	-	-	275
Fixed Income Securities	-	-	-	-	-	-	-
	-	275	-	-	-	-	275
TOTAL ASSETS	200,216	410,537	123,782	78,691	48,838	38,900	900,964
LIABILITIES							
Financial Liabilities at Fair Value through Profit or Loss							
Financial Derivatives Payable	-	(8,259)	3,843	97	2,272	2,533	486
Accruals and Other Liabilities							
Accounts Payable - Grants	15,274	-	-	-	-	-	15,274
Other Payables	256	4,317	-	-	416	-	4,989
	15,530	4,317	-	-	416	-	20,263
TOTAL LIABILITIES	15,530	(3,942)	3,843	97	2,688	2,533	20,749
NET ASSETS	184,686	414,479	119,939	78,594	46,150	36,367	880,215
As at 31 March							2008
	SGD	USD	EUR	JPY	Asia Pacific Currencies	Others	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ASSETS							
Bank Balances and Deposits	113,954	42,867	9,027	204	2,923	3,897	172,872
Financial Assets at Fair Value through Profit or Loss							
Financial Derivatives Receivable	-	7,351	(30,007)	38,215	1,661	(15,493)	1,727
Fixed Income Securities	83,809	263,131	130,629	47,242	5,288	54,149	584,248
Equities	7,955	237	-	-	67,984	-	76,176
Commodities	-	47,982	-	-	-	-	47,982
	91,764	318,701	100,622	85,457	74,933	38,656	710,133
Loans and Receivables							
Prepayments and Other Receivables	868	9,753	2,878	118	1,038	1,206	15,861
Receivables from SEL Holdings Pte Ltd	2,500	-	-	-	-	-	2,500
	3,368	9,753	2,878	118	1,038	1,206	18,361
Financial Assets (pledged as collateral for financial derivatives)							
Bank Balances and Deposits	-	-	-	-	-	-	-
Fixed Income Securities	-	113	-	-	-	-	113
	-	113	-	-	-	-	113
TOTAL ASSETS	209,086	371,434	112,527	85,779	78,894	43,759	901,479
LIABILITIES							
Financial Liabilities at Fair Value through Profit or Loss							
Financial Derivatives Payable	-	25,538	(11,011)	1,412	(5,981)	(8,005)	1,953
Accruals and Other Liabilities							
Accounts Payable - Grants	24,075	-	-	-	-	-	24,075
Other Payables	1,367	1,179	-	-	1,375	-	3,921
	25,442	1,179	-	-	1,375	-	27,996
TOTAL LIABILITIES	25,442	26,717	(11,011)	1,412	(4,606)	(8,005)	29,949
NET ASSETS	183,644	344,717	123,538	84,367	83,500	51,764	871,530

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

6.3b) 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				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
ASSETS						
Bank Balances and Deposits	19,848	102,268	-	-	-	122,116
Financial Assets at Fair Value through Profit or Loss						
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
Loans and Receivables						
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
Financial Assets (pledged as collateral for financial derivatives)						
Bank Balances and Deposits	275	-	-	-	-	275
Fixed Income Securities	-	-	-	-	-	-
	275	-	-	-	-	275
TOTAL ASSETS	113,704	152,397	18,005	243,376	373,482	900,964
LIABILITIES						
Financial Liabilities at Fair Value through Profit or Loss						
Financial Derivatives Payable	486	-	-	-	-	486
Accruals and Other Liabilities						
Accounts Payable - Grants	15,274	-	-	-	-	15,274
Other Payables	4,989	-	-	-	-	4,989
	20,263	-	-	-	-	20,263
TOTAL LIABILITIES	20,749	-	-	-	-	20,749
As at 31 March						
	Non-Interest Bearing	Earlier of Repricing/Contractual Maturity Date				Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ASSETS						
Bank Balances and Deposits	32,771	140,101	-	-	-	172,872
Financial Assets at Fair Value through Profit or Loss						
Financial Derivatives Receivable	1,727	-	-	-	-	1,727
Fixed Income Securities	-	21,512	15,722	207,152	339,862	584,248
Equities	76,176	-	-	-	-	76,176
Commodities	47,982	-	-	-	-	47,982
	125,885	21,512	15,722	207,152	339,862	710,133
Loans and Receivables						
Prepayments and Other Receivables	10,348	5,513	-	-	-	15,861
Receivables from SEL Holdings Pte Ltd	2,500	-	-	-	-	2,500
	12,848	5,513	-	-	-	18,361
Financial Assets (pledged as collateral for financial derivatives)						
Bank Balances and Deposits	-	-	-	-	-	-
Fixed Income Securities	-	113	-	-	-	113
	-	113	-	-	-	113
TOTAL ASSETS	171,504	167,239	15,722	207,152	339,862	901,479
LIABILITIES						
Financial Liabilities at Fair Value through Profit or Loss						
Financial Derivatives Payable	1,686	267	-	-	-	1,953
Accruals and Other Liabilities						
Accounts Payable - Grants	24,075	-	-	-	-	24,075
Other Payables	3,921	-	-	-	-	3,921
	27,996	-	-	-	-	27,996
TOTAL LIABILITIES	29,682	267	-	-	-	29,949

6.3c) **Market Risk Sensitivity Analysis**

Sensitivity analysis is performed for reasonably possible movements in each key variable with all other variables 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.

	Profit or Loss and Equity Impact	
	2009	2008
	\$'000	\$'000
Changes in variables:		
Foreign Currency		
USD by 5%	20,779	17,236
EUR by 5%	5,997	6,177
JPY by 5%	3,930	4,218
Interest Rate		
by 1%	54,466	53,267
Equity		
by 10%	8,781	9,175
Commodity		
by 10%	2,464	4,798

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

6.4e) **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				2009
	Credit Ratings		Unrated and	
	AAA	AA+ to BBB-	Others	Total
	\$'000	\$'000	\$'000	\$'000
ASSETS				
Bank Balances and Deposits	-	122,116	-	122,116
Financial Assets at Fair Value through Profit or Loss				
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
Loans and Receivables				
Prepayments and Other Receivables	-	-	18,375	18,375
Receivables from SEL Holdings Pte Ltd	-	-	2,500	2,500
	-	-	20,875	20,875
Financial Assets (pledged as collateral for financial derivatives)				
Bank Balances and Deposits	-	275	-	275
Fixed Income Securities	-	-	-	-
	-	275	-	275
	332,620	391,916	103,645	828,181

As at 31 March				2008
	Credit Ratings		Unrated and	
	AAA	AA+ to BBB-	Others	Total
	\$'000	\$'000	\$'000	\$'000
ASSETS				
Bank Balances and Deposits	4,056	168,816	-	172,872
Financial Assets at Fair Value through Profit or Loss				
Financial Derivatives Receivable	-	-	1,727	1,727
Fixed Income Securities	249,225	272,213	62,810	584,248
	249,225	272,213	64,537	585,975
Loans and Receivables				
Prepayments and Other Receivables	-	-	15,861	15,861
Receivables from SEL Holdings Pte Ltd	-	-	2,500	2,500
	-	-	18,361	18,361
Financial Assets (pledged as collateral for financial derivatives)				
Bank Balances and Deposits	-	-	-	-
Fixed Income Securities	113	-	-	113
	113	-	-	113
	253,394	441,029	82,898	777,321

- 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*
There is no material amount of financial assets that is past due and/or impaired.

6.5 Liquidity Risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. To ensure sufficient liquidity to meet obligations, the Fund's assets are invested in public markets globally and diversified across countries, currencies and liquid asset classes. Limits are imposed on investments to ensure adequate diversification of investments. The table below analyses the fair value of financial 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. In addition, the fair values of financial assets have been similarly analysed to ascertain the net liquidity risk to be managed.

As at 31 March							2009
	No Specific Maturity	Contractual Maturity Date				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	
ASSETS							
Bank Balances and Deposits	34,116	88,000	-	-	-	122,116	
Financial Assets at Fair Value through Profit or Loss							
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	
Loans and Receivables							
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	
Financial Assets (pledged as collateral for financial derivatives)							
Bank Balances and Deposits	275	-	-	-	-	275	
Fixed Income Securities	-	-	-	-	-	-	
	275	-	-	-	-	275	
TOTAL ASSETS	147,678	112,250	13,883	237,276	389,877	900,964	
LIABILITIES							
Financial Liabilities at Fair Value through Profit or Loss							
Financial Derivatives Payable	-	485	1	-	-	486	
Accruals and Other Liabilities							
Accounts Payable - Grants	15,274	-	-	-	-	15,274	
Other Payables	5	4,984	-	-	-	4,989	
	15,279	4,984	-	-	-	20,263	
TOTAL LIABILITIES	15,279	5,469	1	-	-	20,749	
NET ASSETS	132,399	106,781	13,882	237,276	389,877	880,215	
As at 31 March							
	No Specific Maturity	Contractual Maturity Date				Total	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
ASSETS							
Bank Balances and Deposits	40,772	132,100	-	-	-	172,872	
Financial Assets at Fair Value through Profit or Loss							
Financial Derivatives Receivable	-	1,354	373	-	-	1,727	
Fixed Income Securities	-	9,356	14,940	199,488	360,464	584,248	
Equities	76,176	-	-	-	-	76,176	
Commodities	47,982	-	-	-	-	47,982	
	124,158	10,710	15,313	199,488	360,464	710,133	
Loans and Receivables							
Prepayments and Other Receivables	167	15,694	-	-	-	15,861	
Receivables from SEL Holdings Pte Ltd	2,500	-	-	-	-	2,500	
	2,667	15,694	-	-	-	18,361	
Financial Assets (pledged as collateral for financial derivatives)							
Bank Balances and Deposits	-	-	-	-	-	-	
Fixed Income Securities	-	113	-	-	-	113	
	-	113	-	-	-	113	
TOTAL ASSETS	167,597	158,617	15,313	199,488	360,464	901,479	
LIABILITIES							
Financial Liabilities at Fair Value through Profit or Loss							
Financial Derivatives Payable	-	1,638	48	-	267	1,953	
Accruals and Other Liabilities							
Accounts Payable - Grants	24,075	-	-	-	-	24,075	
Other Payables	2	3,919	-	-	-	3,921	
	24,077	3,919	-	-	-	27,996	
TOTAL LIABILITIES	24,077	5,557	48	-	267	29,949	
NET ASSETS	143,520	153,060	15,265	199,488	360,197	871,530	

6.6 **Concentration Risk**

As part of the Fund's risk management process, there is diversification of fixed income securities and equities across countries, regions and sectors to mitigate concentration risk. The table below summarises the Fund's exposure to concentration risk.

As at 31 March					2009
	North America	Developed Europe	Asia Pacific	Emerging Countries and Others	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<u>FIXED INCOME SECURITIES</u>					
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
Total	170,318	148,222	202,656	157,258	678,454
<u>EQUITIES</u>					
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
Total	-	-	10,215	36,808	47,023
<u>As at 31 March</u>					
				2008	
	North America	Developed Europe	Asia Pacific	Emerging Countries and Others	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<u>FIXED INCOME SECURITIES</u>					
Government	42,437	95,726	76,632	23,269	238,064
Government Related	13,493	9,389	5,936	83,502	112,320
Corporates	45,089	40,337	75,080	37,616	198,122
Others	12,980	19,338	3,537	-	35,855
Total	113,999	164,790	161,185	144,387	584,361
<u>EQUITIES</u>					
Energy	-	-	-	3,489	3,489
Financials	238	-	8,377	14,291	22,906
Information Technology	-	-	162	8,951	9,113
Consumer Staples	-	-	-	3,997	3,997
Consumer Discretionary	-	-	3,221	2,351	5,572
Industrials	-	-	4,946	6,514	11,460
Materials	-	-	-	7,174	7,174
Healthcare	-	-	-	-	-
Telecommunication Services	-	-	1,412	10,559	11,971
Utilities	-	-	-	494	494
Total	238	-	18,118	57,820	76,176

7 RELATED PARTY TRANSACTIONS

- a) During the financial year, the Fund had the following transactions with related parties, namely, members of the Fund's Advisory Committee and Investment Working Committee or the financial institutions that they are related to. The following transactions were made in the ordinary course of business and carried out at arm's length:

	<u>2009</u> \$'000	<u>2008</u> \$'000
Grants to:		
Singapore Exchange Limited	1,594	1,331
Standard Chartered Bank	1,521	-
United Overseas Bank Group	1,206	576
DBS Bank Limited	581	-
Association of Banks in Singapore	587	123
Oversea-Chinese Banking Corporation Limited	550	239
Institute of Banking & Finance	185	107
General Insurance Association of Singapore	181	2
Citibank N.A.	127	-
Deutsche Bank AG	77	749
Investment Management Association of Singapore	41	-
Monetary Authority of Singapore	25	115
Schroders Investment Management Limited	21	15
Singapore College of Insurance	-	104

- b) A financial institution, related to a member of the FSDF Advisory Committee as at 31 March 2009, manages \$138.6 million (31 March 2008: \$164.1 million) of the Fund.

8 COMMITMENTS

The Fund has outstanding commitments, amounting to \$77.4 million in respect of grants approved but not accrued as at 31 March 2009 (31 March 2008: \$49.0 million).

9 NEW ACCOUNTING STANDARDS

The following relevant accounting standards have been issued as of the balance sheet date but are effective for accounting periods beginning on or after 1 January 2009:

- FRS 1 Presentation of Financial Statements
- FRS 108 Operating Segments
- Improvements to FRSs
- Amendments to FRS 107 Financial Instruments: Disclosures

The revised FRS 1 requires owner and non-owner changes in equity to be presented separately and introduces the statement of comprehensive income. It requires all items of income and expense recognised in profit or loss, together with all other items of comprehensive income such as revaluation surplus to be presented.

The adoption of revised FRS 1 will impact the presentation on the Fund's financial statements.

FRS 108 replaces FRS 14 – Segment Reporting, and requires an entity to present its segment performance based on the same segment information used by management internally for managing the entity's operations.

The adoption of FRS 108 will increase disclosures in the Fund's financial statements.

Amendments to FRS 107, issued in April 2009, require enhanced disclosures about fair value measurements and liquidity risk.

The adoption of the above standards (including their consequential amendments) and interpretation, is not expected to have any material financial impact on the Fund's financial statements.

10 COMPARATIVE FIGURES

Comparative figures have been reclassified to conform with the presentation in the current year.

11 AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements for the year ended 31 March 2009 were authorised by the Minister-in-Charge for issuance and signed by Chairman and Managing Director of Monetary Authority of Singapore on 23 June 2009.