

FINANCIAL SECTOR DEVELOPMENT FUND
STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March	Note	2012	2011
		\$'000	\$'000
Interest Income		25,146	27,238
Dividend Income		69,186	70,297
Gain from Financial Instruments at Fair Value through Profit or Loss		28,303	48,971
Foreign Exchange Loss		(11,885)	(69,657)
Other Income		650	487
Total Income		111,400	77,336
<u>Less:</u>			
Investment Expenses		3,455	4,074
Grants		43,894	55,106
Total Expenditure		47,349	59,180
Net Surplus and Total Comprehensive Income for the Year	3	64,051	18,156

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

**FINANCIAL SECTOR DEVELOPMENT FUND
BALANCE SHEET**

As at 31 March	Note	2012	2011
		\$'000	\$'000
ACCUMULATED FUND			
Capital Account		471,635	471,635
Accumulated Surplus		618,765	554,714
	4	1,090,400	1,026,349
 <u>Represented by:</u>			
ASSETS			
Bank Balances and Deposits	5	286,573	183,344
Financial Assets at Fair Value through Profit or Loss		838,774	884,892
Loans and Receivables		29,550	13,168
		1,154,897	1,081,404
 <u>Less:</u>			
LIABILITIES			
Financial Liabilities at Fair Value through Profit or Loss		1,653	1,427
Accruals and Other Liabilities		62,844	53,628
		64,497	55,055
NET ASSETS OF THE FUND		1,090,400	1,026,349

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

**THARMAN SHANMUGARATNAM
MINISTER-IN-CHARGE
FINANCIAL SECTOR DEVELOPMENT FUND
27 JUNE 2012**

**RAVI MENON
MANAGING DIRECTOR
MONETARY AUTHORITY OF SINGAPORE
27 JUNE 2012**

FINANCIAL SECTOR DEVELOPMENT FUND
STATEMENT OF CHANGES IN EQUITY

	Note	Capital Account \$'000	Accumulated Surplus \$'000	Total \$'000
Balance as at 1 April 2010		471,635	536,558	1,008,193
Total Comprehensive Income for the Year		-	18,156	18,156
Balance as at 31 March 2011		471,635	554,714	1,026,349
Total Comprehensive Income for the Year		-	64,051	64,051
Balance as at 31 March 2012	4	471,635	618,765	1,090,400

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

FINANCIAL SECTOR DEVELOPMENT FUND CASH FLOW STATEMENT

For the year ended 31 March	Note	2012	2011
		\$'000	\$'000
Cash Flows from Operating Activities			
Surplus for the Year		64,051	18,156
Adjustments for:			
Interest Income		(25,146)	(27,238)
Dividend Income		(69,186)	(70,297)
Gain from Financial Instruments at Fair Value through Profit or Loss		(28,303)	(48,971)
Foreign Exchange Loss		11,716	68,416
Operating Cash Flows before Changes in Working Capital		(46,868)	(59,934)
Decrease / (Increase) in Bank Balances and Deposits held in Trust		194	(63,054)
(Increase) / Decrease in Loans and Receivables		(1,564)	273
(Decrease) / Increase in Accruals and Other Liabilities		(13,149)	12,849
Dividend Received on Singapore Exchange Limited Shares		67,498	68,748
Interest Received from Bank Balances and Deposits held in Trust		361	413
Net Cash from / (used in) Operating Activities		6,472	(40,705)
Cash Flows from Investing Activities			
Net Decrease in Financial Instruments at Fair Value through Profit or Loss		80,153	42,739
Dividend Received		1,403	1,610
Interest Received		27,111	27,112
Foreign Exchange Loss		(11,716)	(68,416)
Net Cash from Investing Activities		96,951	3,045
Net Increase / (Decrease) in Cash and Cash Equivalents		103,423	(37,660)
Cash and Cash Equivalents as at beginning of the year		120,290	157,950
Cash and Cash Equivalents as at end of the year	5	223,713	120,290

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 2012

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 following amendments to FRS relevant to the Fund are applicable in the current financial year.

Amendments to FRS 24 Related Party Disclosures

The amendments exempt government-related entities from the requirement to disclose details of all transactions with the government and other government-related entities, except that the entity shall disclose the nature of the relationship and sufficient information to understand the effects of related party transactions on its financial statements. The revised FRS 24 also clarifies and simplifies the definition of a related party.

The amendments to FRS 24 do not have a significant impact on the Fund's financial statements.

- c) 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.
- d) The financial statements are presented in Singapore dollars, the Fund's functional currency, and rounded to the nearest thousand, unless otherwise stated.

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. Transaction costs for financial assets at fair value through profit and loss are recognised as expenses on the transaction dates. 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>2012</u> \$'000	<u>2011</u> \$'000
3.1 Net Income/(Loss) from		
i) Financial Assets at Fair Value through Profit or Loss		
Held for Trading - Financial Derivatives	21,130	8,029
Financial Assets Designated as Fair Value through Profit or Loss at Initial Recognition	19,015	(2,043)
ii) Loans and Receivables	3,162	(1,001)
iii) Accruals and Other Liabilities	(3,678)	6
iv) Singapore Exchange Limited Shares held	67,498	68,748
	107,127	73,739
3.2 Interest Income from Financial Assets not at Fair Value through Profit or Loss		
i) Bank Balances and Deposits	721	489
ii) Loans and Receivables	2	6
	723	495
Total Net Income from Financial Assets and Liabilities	<u>107,850</u>	<u>74,234</u>
3.3 Grants	(43,894)	(55,106)
3.4 Other Net Income/(Loss)	95	(972)
Total Comprehensive Income for the Year	<u>64,051</u>	<u>18,156</u>

4 CAPITAL AND ACCUMULATED SURPLUS

4.1 The capital and accumulated surplus of the Fund comprise:

	<u>2012</u> \$'000	<u>2011</u> \$'000
Capital Account	471,635	471,635
Accumulated Surplus	618,765	554,714
Accumulated Fund as at 31 March	<u>1,090,400</u>	<u>1,026,349</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 2012, 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 \$1.7 billion as at 31 March 2012 (31 March 2011: \$2.0 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 BANK BALANCES AND DEPOSITS

5.1 These comprise the following:

	<u>Note</u>	<u>2012</u> \$'000	<u>2011</u> \$'000
Cash and Cash Equivalents		223,713	120,290
Bank Balances and Deposits held by Singapore Exchange Limited in trust for the Fund	5.2	62,860	63,054
		<u>286,573</u>	<u>183,344</u>

- 5.2 Included in bank balances and deposits of \$286.6 million as at 31 March 2012 is US\$50.0 million (\$62.9 million) (31 March 2011: \$63.1 million) held by Singapore Exchange Ltd, a related party, in trust for a Fund-supported market infrastructure project. The Fund reserves the right, to vary or change the amount for the project or withdraw any part of or the entire amount for this project, and recover in full, or part, any moneys disbursed if specified terms and conditions, including satisfying the project's key performance indicators, are not met or upon the occurrence of specified events.

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.

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 the Fund's assets and liabilities are denominated in the following currencies:

As at 31 March								2012
	SGD \$'000	USD \$'000	EUR \$'000	JPY \$'000	GBP \$'000	BRL \$'000	Others \$'000	Total \$'000
ASSETS								
Bank Balances and Deposits	169,325	112,335	929	114	538	1,564	1,768	286,573
Financial Assets (pledged as collateral for financial derivatives)								
Fixed Income Securities	-	1,509	-	-	-	-	-	1,509
Financial Assets at Fair Value through Profit or Loss								
Financial Derivatives Receivable	52,709	(32,714)	(14,235)	(960)	(241)	-	(1,380)	3,179
Fixed Income Securities	125,004	222,457	57,700	39,744	23,590	20,859	189,963	679,317
Equities	-	37,279	-	-	3,711	31,840	81,939	154,769
Commodities	-	-	-	-	-	-	-	-
	177,713	227,022	43,465	38,784	27,060	52,699	270,522	837,265
Loans and Receivables								
Prepayments and Other Receivables	6,064	12,761	1,337	84	217	62	6,525	27,050
Receivables from SEL Holdings Pte Ltd	2,500	-	-	-	-	-	-	2,500
	8,564	12,761	1,337	84	217	62	6,525	29,550
TOTAL ASSETS	355,602	353,627	45,731	38,982	27,815	54,325	278,815	1,154,897
LIABILITIES								
Financial Liabilities at Fair Value through Profit or Loss								
Financial Derivatives Payable	(253,642)	99,200	53,922	41,368	23,925	(5,148)	42,028	1,653
Accruals and Other Liabilities								
Accounts Payable - Grants	36,679	-	-	-	-	-	-	36,679
Other Payables	2,662	14,870	1,225	-	-	1,528	5,880	26,165
	39,341	14,870	1,225	-	-	1,528	5,880	62,844
TOTAL LIABILITIES	(214,301)	114,070	55,147	41,368	23,925	(3,620)	47,908	64,497
NET ASSETS	569,903	239,557	(9,416)	(2,386)	3,890	57,945	230,907	1,090,400
As at 31 March								
	SGD \$'000	USD \$'000	EUR \$'000	JPY \$'000	GBP \$'000	BRL \$'000	Others \$'000	Total \$'000
ASSETS								
Bank Balances and Deposits	99,053	81,405	554	46	417	-	1,869	183,344
Financial Assets (pledged as collateral for financial derivatives)								
Fixed Income Securities	-	2,268	-	-	-	-	-	2,268
Financial Assets at Fair Value through Profit or Loss								
Financial Derivatives Receivable	-	2,357	12,395	(3,844)	(7,938)	(1,239)	(208)	1,523
Fixed Income Securities	92,022	392,557	94,285	81,764	29,220	1,326	45,216	736,390
Equities	-	9,481	-	-	-	-	71,780	81,261
Commodities	-	63,450	-	-	-	-	-	63,450
	92,022	467,845	106,680	77,920	21,282	87	116,788	882,624
Loans and Receivables								
Prepayments and Other Receivables	1,480	4,986	2,005	134	353	61	1,649	10,668
Receivables from SEL Holdings Pte Ltd	2,500	-	-	-	-	-	-	2,500
	3,980	4,986	2,005	134	353	61	1,649	13,168
TOTAL ASSETS	195,055	556,504	109,239	78,100	22,052	148	120,306	1,081,404
LIABILITIES								
Financial Liabilities at Fair Value through Profit or Loss								
Financial Derivatives Payable	(2,906)	8,368	52	1,208	-	-	(5,295)	1,427
Accruals and Other Liabilities								
Accounts Payable - Grants	49,827	-	-	-	-	-	-	49,827
Other Payables	1,322	1,822	4	-	-	2	651	3,801
	51,149	1,822	4	-	-	2	651	53,628
TOTAL LIABILITIES	48,243	10,190	56	1,208	-	2	(4,644)	55,055
NET ASSETS	146,812	546,314	109,183	76,892	22,052	146	124,950	1,026,349

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					2012 Total
	Earlier of Repricing/Contractual Maturity Date					
	Up to 3 months	Over 3 months and up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ASSETS						
Bank Balances and Deposits	74,713	181,687	30,173	-	-	286,573
Financial Assets (pledged as collateral for financial derivatives)						
Fixed Income Securities	-	1,509	-	-	-	1,509
Financial Assets at Fair Value through Profit or Loss						
Financial Derivatives Receivable	3,179	-	-	-	-	3,179
Fixed Income Securities	-	90,176	67,201	233,767	288,173	679,317
Equities	154,769	-	-	-	-	154,769
Commodities	-	-	-	-	-	-
	157,948	90,176	67,201	233,767	288,173	837,265
Loans and Receivables						
Prepayments and Other Receivables	14,980	12,070	-	-	-	27,050
Receivables from SEL Holdings Pte Ltd	2,500	-	-	-	-	2,500
	17,480	12,070	-	-	-	29,550
TOTAL ASSETS	250,141	285,442	97,374	233,767	288,173	1,154,897
LIABILITIES						
Financial Liabilities at Fair Value through Profit or Loss						
Financial Derivatives Payable	1,653	-	-	-	-	1,653
Accruals and Other Liabilities						
Accounts Payable - Grants	36,679	-	-	-	-	36,679
Other Payables	26,165	-	-	-	-	26,165
	62,844	-	-	-	-	62,844
TOTAL LIABILITIES	64,497	-	-	-	-	64,497
NET ASSETS	185,644	285,442	97,374	233,767	288,173	1,090,400
As at 31 March						
	Non-Interest Bearing					2011 Total
	Earlier of Repricing/Contractual Maturity Date					
	Up to 3 months	Over 3 months and up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ASSETS						
Bank Balances and Deposits	32,289	120,801	30,254	-	-	183,344
Financial Assets (pledged as collateral for financial derivatives)						
Fixed Income Securities	-	-	2,268	-	-	2,268
Financial Assets at Fair Value through Profit or Loss						
Financial Derivatives Receivable	1,523	-	-	-	-	1,523
Fixed Income Securities	-	76,505	16,646	240,108	403,131	736,390
Equities	81,261	-	-	-	-	81,261
Commodities	63,450	-	-	-	-	63,450
	146,234	76,505	16,646	240,108	403,131	882,624
Loans and Receivables						
Prepayments and Other Receivables	10,668	-	-	-	-	10,668
Receivables from SEL Holdings Pte Ltd	2,500	-	-	-	-	2,500
	13,168	-	-	-	-	13,168
TOTAL ASSETS	191,691	197,306	49,168	240,108	403,131	1,081,404
LIABILITIES						
Financial Liabilities at Fair Value through Profit or Loss						
Financial Derivatives Payable	1,427	-	-	-	-	1,427
Accruals and Other Liabilities						
Accounts Payable - Grants	49,827	-	-	-	-	49,827
Other Payables	3,801	-	-	-	-	3,801
	53,628	-	-	-	-	53,628
TOTAL LIABILITIES	55,055	-	-	-	-	55,055
NET ASSETS	136,636	197,306	49,168	240,108	403,131	1,026,349

6.3c) **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.

	Profit or Loss and Equity Impact	
	2012	2011
	\$'000	\$'000
Changes in Variables:		
Foreign Currency		
USD by 5%	11,978	27,316
EUR by 5%	(471)	5,459
JPY by 5%	(119)	3,845
Interest Rate		
by 1%	26,339	48,417
Equity		
by 10%	15,954	9,557
Commodity		
by 10%	262	6,352

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 risk.
- 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. Single issuer limits are in place 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.

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	Credit Ratings			Unrated and Others	2012
	AAA	AA+ to BBB-		Total	
	\$'000	\$'000	\$'000	\$'000	\$'000
ASSETS					
Bank Balances and Deposits	149,000	137,573	-		286,573
Financial Assets (pledged as collateral for financial derivatives)					
Fixed Income Securities	-	1,509	-		1,509
Financial Assets at Fair Value through Profit or Loss					
Financial Derivatives Receivable	-	-	3,179		3,179
Fixed Income Securities	243,750	368,175	67,392		679,317
	243,750	368,175	70,571		682,496
Loans and Receivables					
Prepayments and Other Receivables	1,826	21,300	3,924		27,050
Receivables from SEL Holdings Pte Ltd	-	-	2,500		2,500
	1,826	21,300	6,424		29,550
	394,576	528,557	76,995		1,000,128

As at 31 March	Credit Ratings			Unrated and Others	2011
	AAA	AA+ to BBB-		Total	
	\$'000	\$'000	\$'000	\$'000	\$'000
ASSETS					
Bank Balances and Deposits	88,000	95,344	-		183,344
Financial Assets (pledged as collateral for financial derivatives)					
Fixed Income Securities	2,268	-	-		2,268
Financial Assets at Fair Value through Profit or Loss					
Financial Derivatives Receivable	-	28	1,495		1,523
Fixed Income Securities	296,147	322,229	118,014		736,390
	296,147	322,257	119,509		737,913
Loans and Receivables					
Prepayments and Other Receivables	2,561	5,093	3,014		10,668
Receivables from SEL Holdings Pte Ltd	-	-	2,500		2,500
	2,561	5,093	5,514		13,168
	388,976	422,694	125,023		936,693

- 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 are no financial assets that are past due as at 31 March 2012 and 31 March 2011.

6.5 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				2012 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	74,713	149,000	-	62,860	-	286,573
Financial Assets (pledged as collateral for financial derivatives)						
Fixed Income Securities	-	1,509	-	-	-	1,509
Financial Assets at Fair Value through Profit or Loss						
Financial Derivatives Receivable	-	3,086	34	-	-	3,120
Net Settled Derivatives	-	-	-	-	-	-
Gross Settled Derivatives	-	(158,595)	-	-	-	(158,595)
Outflow	-	158,654	-	-	-	158,654
Inflow	-	-	-	-	-	-
Fixed Income Securities	62,833	31,398	87,494	318,529	320,122	820,376
Equities	154,769	-	-	-	-	154,769
Commodities	-	-	-	-	-	-
	217,602	34,543	87,528	318,529	320,122	978,324
Loans and Receivables						
Prepayments and Other Receivables	2,764	18,941	-	-	-	21,705
Receivables from SEL Holdings Pte Ltd	2,500	-	-	-	-	2,500
	5,264	18,941	-	-	-	24,205
TOTAL ASSETS	297,579	203,993	87,528	381,389	320,122	1,290,611
LIABILITIES						
Financial Liabilities at Fair Value through Profit or Loss						
Financial Derivatives Payable	-	870	377	142	-	1,389
Net Settled Derivatives	-	-	-	-	-	-
Gross Settled Derivatives	-	290,601	-	-	-	290,601
Outflow	-	(290,484)	-	-	-	(290,484)
Inflow	-	987	377	142	-	1,506
Accruals and Other Liabilities						
Accounts Payable - Grants	36,679	-	-	-	-	36,679
Other Payables	7	26,158	-	-	-	26,165
	36,686	26,158	-	-	-	62,844
TOTAL LIABILITIES	36,686	27,145	377	142	-	64,350
NET ASSETS	260,893	176,848	87,151	381,247	320,122	1,226,261
As at 31 March						
	No Specific Maturity	Up to 3 months	Over 3 months and up to 1 year	Over 1 year and up to 5 years	Over 5 years	2011 Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ASSETS						
Bank Balances and Deposits	32,290	88,000	-	63,054	-	183,344
Financial Assets (pledged as collateral for financial derivatives)						
Fixed Income Securities	-	-	2,268	-	-	2,268
Financial Assets at Fair Value through Profit or Loss						
Financial Derivatives Receivable	-	1,258	18	35	-	1,311
Net Settled Derivatives	-	-	-	-	-	-
Gross Settled Derivatives	-	(71,598)	-	-	-	(71,598)
Outflow	-	71,843	-	-	-	71,843
Inflow	-	-	-	-	-	-
Fixed Income Securities	59,816	16,570	47,233	344,681	482,519	950,819
Equities	81,261	-	-	-	-	81,261
Commodities	63,450	-	-	-	-	63,450
	204,527	18,073	47,251	344,716	482,519	1,097,086
Loans and Receivables						
Prepayments and Other Receivables	859	1,797	-	-	-	2,656
Receivables from SEL Holdings Pte Ltd	2,500	-	-	-	-	2,500
	3,359	1,797	-	-	-	5,156
TOTAL ASSETS	240,176	107,870	49,519	407,770	482,519	1,287,854
LIABILITIES						
Financial Liabilities at Fair Value through Profit or Loss						
Financial Derivatives Payable	-	1,385	3	-	-	1,388
Net Settled Derivatives	-	-	-	-	-	-
Gross Settled Derivatives	-	6,449	1,483	-	-	7,932
Outflow	-	(6,426)	(1,467)	-	-	(7,893)
Inflow	-	1,408	19	-	-	1,427
Accruals and Other Liabilities						
Accounts Payable - Grants	49,827	-	-	-	-	49,827
Other Payables	8	3,793	-	-	-	3,801
	49,835	3,793	-	-	-	53,628
TOTAL LIABILITIES	49,835	5,201	19	-	-	55,055
NET ASSETS	190,341	102,669	49,500	407,770	482,519	1,232,799

6.6 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					2012
	North America	Developed Europe	Asia Pacific	Emerging Countries and Others	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<u>FIXED INCOME SECURITIES</u>					
Government	104,079	53,663	112,934	169,126	439,802
Government Related	924	5,516	10,539	4,615	21,594
Corporates	35,027	18,716	50,607	1,377	105,727
Others	30,237	19,934	698	62,834	113,703
Total	170,267	97,829	174,778	237,952	680,826
<u>EQUITIES</u>					
Energy	-	3,063	-	6,339	9,402
Financials	-	-	-	14,279	14,279
Information Technology	-	-	-	32,904	32,904
Consumer Staples	4,998	6,224	-	20,699	31,921
Consumer Discretionary	-	-	-	14,746	14,746
Industrials	-	-	-	6,461	6,461
Materials	-	-	-	16,385	16,385
Telecommunication Services	-	-	-	23,971	23,971
Utilities	-	-	-	4,700	4,700
Total	4,998	9,287	-	140,484	154,769

As at 31 March					2011
	North America	Developed Europe	Asia Pacific	Emerging Countries and Others	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<u>FIXED INCOME SECURITIES</u>					
Government	51,581	86,357	113,327	15,672	266,937
Government Related	10,308	10,465	8,035	66,457	95,265
Corporates	53,772	32,277	94,154	78,756	258,959
Others	39,671	13,195	-	64,631	117,497
Total	155,332	142,294	215,516	225,516	738,658
<u>EQUITIES</u>					
Energy	-	-	-	9,517	9,517
Financials	-	-	-	20,536	20,536
Information Technology	-	-	-	20,460	20,460
Consumer Staples	-	-	-	522	522
Consumer Discretionary	-	-	884	4,225	5,109
Industrials	-	-	-	9,549	9,549
Materials	-	-	349	13,266	13,615
Telecommunication Services	-	-	-	1,590	1,590
Utilities	-	-	-	363	363
Total	-	-	1,233	80,028	81,261

6.7 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.

6.7b) **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

2012

	Note	Level 1	Level 2	Level 3	Total
		\$'000	\$'000	\$'000	\$'000
Financial Assets (pledged as collateral for financial derivatives)					
Fixed Income Securities		1,509	-	-	1,509
Financial Assets at Fair Value through Profit or Loss					
Financial Derivatives Receivable	7.2	675	2,504	-	3,179
Fixed Income Securities		280,340	397,992	985	679,317
Equities		154,769	-	-	154,769
Commodities		-	-	-	-
		435,784	400,496	985	837,265
		437,293	400,496	985	838,774
Financial Liabilities at Fair Value through Profit or Loss					
Financial Derivatives Payable	7.2	1,520	133	-	1,653
		1,520	133	-	1,653
NET ASSETS		435,773	400,363	985	837,121

As at 31 March

2011

	Note	Level 1	Level 2	Level 3	Total
		\$'000	\$'000	\$'000	\$'000
Financial Assets (pledged as collateral for financial derivatives)					
Fixed Income Securities		2,268	-	-	2,268
Financial Assets at Fair Value through Profit or Loss					
Financial Derivatives Receivable	7.2	1,176	347	-	1,523
Fixed Income Securities		274,391	461,999	-	736,390
Equities		81,261	-	-	81,261
Commodities		-	63,450	-	63,450
		356,828	525,796	-	882,624
		359,096	525,796	-	884,892
Financial Liabilities at Fair Value through Profit or Loss					
Financial Derivatives Payable	7.2	852	575	-	1,427
		852	575	-	1,427
NET ASSETS		358,244	525,221	-	883,465

6.7c) **Assets Measured at Fair Value under Level 3**

Movements in the Fund's Level 3 financial assets are as follows:

As at 31 March	Fixed Income Securities	Equities	2012 Total
	\$'000	\$'000	\$'000
Financial Assets at Fair Value through Profit or Loss			
Balance as at 1 April 2011	-	-	-
Transfers into/(out of) Level 3	985	-	985
Balance as at 31 March 2012	985	-	985

As at 31 March	Fixed Income Securities	Equities	2011 Total
	\$'000	\$'000	\$'000
Financial Assets at Fair Value through Profit or Loss			
Balance as at 1 April 2010	-	-	-
Transfers into/(out of) Level 3	-	-	-
Balance as at 31 March 2011	-	-	-

Financial assets are transferred into Level 3 when their valuation inputs are no longer based on observable market data. Transfers of financial assets out of Level 3 are made when their valuation inputs can be based on observable market data.

7 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.

To be announced is a forward contract for the purchase or sale on a mortgage-backed security to be delivered by the seller at an agreed upon future date but does not include a specified pool number and number of pools or precise amount to be delivered.

- 7.1 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.
- 7.2 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:

	2012			2011		
	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	507,964	64	90	105,669	302	52
Interest rate contracts						
Futures purchased	8,505	5	44	10,768	40	-
Forwards purchased	-	-	-	12,857	17	-
Equity-related contracts						
Futures purchased	20,843	39	381	20,430	830	-
Futures sold	15,828	31	169	10,024	176	257
Swaps	61,834	2,422	-	64,575	-	523
Commodity-related contracts						
Futures purchased	8,363	101	896	1,822	21	4
Futures sold	5,746	499	30	1,756	109	591
Other derivatives						
To be announced	16,823	18	43	-	-	-
Credit default swaps sold	-	-	-	4,979	28	-
	<u>645,906</u>	<u>3,179</u>	<u>1,653</u>	<u>232,880</u>	<u>1,523</u>	<u>1,427</u>

8 RELATED PARTY TRANSACTIONS

- 8.1 During the financial year, the Fund had the following transactions above \$100,000, with related parties, namely, the financial institutions whose representatives are members of the Fund's Advisory Committee, Investment Working Committee and Financial Research Council. These related party transactions were made in the ordinary course of business and carried out at arm's length.

	<u>2012</u> \$'000	<u>2011</u> \$'000
Grants to:		
Singapore Exchange Limited	4,311	697
EDHEC-Risk Institute	3,414	-
United Overseas Bank Group	1,725	2,772
Singapore Management University	1,563	1,107
DBS Bank Limited	1,434	2,614
Deutsche Bank	792	1,319
Standard Chartered Bank	646	2,293
Association of Banks in Singapore	559	164
National University of Singapore (Risk Management Institute)	518	889
INSEAD	416	303
Nanyang Technological University	413	-
Institute of Banking & Finance	380	21
Government of Singapore Investment Corporation	344	237
General Insurance Association of Singapore	204	128
Oversea-Chinese Banking Corporation Limited	2	2,286
Investment Management Association of Singapore	-	143

- 8.2 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>2012</u> \$'000	<u>2011</u> \$'000
Interest Income	<u>360</u>	<u>384</u>

The Fund's deposit balance with the Authority at 31 March 2012 was \$149.0 million (31 March 2011: \$88.0 million).

9 COMMITMENTS

The Fund has outstanding commitments, amounting to \$53.4 million in respect of grants approved but not accrued as at 31 March 2012 (31 March 2011: \$67.9 million).

10 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 2012 or later periods. The Fund does not expect the following revised accounting standard that is applicable, to have a significant impact on the Fund's financial statements.

FRS 113 Fair Value Measurement

FRS 113 defines fair value, establishes a framework for measuring fair value and sets out the disclosure requirements for fair value measurements. It explains how to measure the fair value when it is required by other FRSs. It does not introduce new fair value measurements, neither does it eliminate the practicability exceptions to fair value measurements that currently exist in some standards. FRS 113 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date i.e. an exit price.

11 COMPARATIVE FIGURES

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

12 AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements for the year ended 31 March 2012 were authorised by the Minister-in-Charge for issuance and signed by the Minister and Managing Director of Monetary Authority of Singapore on 27 June 2012.