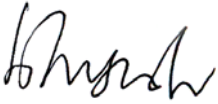


Statement by the Members of the Board

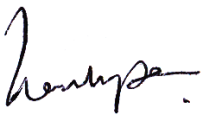
In our opinion, the accompanying financial statements of the funds managed by the Board as set out on pages 4 to 60 are drawn up so as to give a true and fair view of net assets of the funds managed by the Board as at 31 December 2009, and the change in these fund balances and cash flows for the financial year then ended.

On behalf of the Board



Koh Yong Guan

Chairman



Liew Heng San

Chief Executive Officer

23 March 2010

Independent Auditors' Report

Members of the Board The Central Provident Fund Board

We have audited the financial statements of the funds managed by the Central Provident Fund Board (the "Board"), which comprise the statement of net assets of funds managed by the Board as at 31 December 2009, the statement of changes in fund balances and cash flow statement of the funds for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 4 to 60.

Management's responsibility for the financial statements

The Board's management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Central Provident Fund Act, (Chapter 36, 2001 Revised Edition) (the "Act") and Statutory Board Financial Reporting Standards.

Management has acknowledged that its responsibility includes:

- (a) designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error;
- (b) selecting and applying appropriate accounting policies; and
- (c) making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditors' Report

Opinion

In our opinion:

- (a) the financial statements of the funds managed by the Board are properly drawn up in accordance with the provisions of the Act and Statutory Board Financial Reporting Standards and on such basis present fairly, in all material respects, the net assets of the funds managed by the Board as at 31 December 2009 and the changes in these fund balances and cash flows for the year ended on that date; and
- (b) the accounting and other records required by the Act to be kept by the Board have been properly kept in accordance with the provisions of the Act.

Report on other legal and regulatory requirements

During the course of our audit, nothing came to our notice that caused us to believe that the receipt, expenditure and investment of monies and the acquisition and disposal of assets by the Board during the year have not been in accordance with the provisions of the Act.



KPMG LLP

Public Accountants and
Certified Public Accountants

Singapore

23 March 2010

Statement of Net Assets of Funds

	Note	2009 S\$'000	2008 S\$'000
Central Provident Fund			
Total assets			
Property, plant and equipment	4	120,609	118,163
Intangible assets	5	46,150	22,417
Investment properties	6	44,796	45,603
Investments	7	166,463,323	150,847,587
Staff loans	8	81	110
Debtors and other receivables	9	1,533,445	1,402,849
Cash and cash equivalents	10	757,178	918,156
		168,965,582	153,354,885
Total liabilities			
Creditors, accruals and provisions	11	260,731	187,022
Net assets of the Central Provident Fund	3	168,704,851	153,167,863
Insurance Funds			
Net assets			
Home Protection Fund	21	785,777	668,040
MediShield Fund	21	504,288	205,324
Dependants' Protection Residual Fund	21	44,100	44,161
Lifelong Income Fund	21	-	-

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

Statement of Changes in Fund Balances

	Note	2009 S\$'000	2008 S\$'000
Central Provident Fund			
Movements in members' accounts			
Contributions credited in the year		19,079,181	19,088,886
Government grants:			
CPF Housing Grant Scheme		508,672	292,234
Home Ownership Plus Education Scheme		16,923	16,223
Medisave Top-Up Scheme		-	221,214
Retirement Top-Up Scheme		-	3
Senior Citizens' Bonus Scheme		81,144	38,445
Workfare Income Supplement Scheme		262,461	349,960
Deferment Bonus Scheme		56,462	164,127
CPF LIFE Bonus Scheme		60,124	-
Dividends:			
Special Discounted Shares Scheme		121,220	122,544
Interest credited in the year		6,092,584	5,455,108
		26,278,771	25,748,744
Less: Refund of contributions:			
Section 75 of CPF Act	(a)	44,501	45,009
Regulations 11 and 17 CPF (Self-Employed Persons)			
Regulations	(b)	3,046	3,668
Other refunds	(c)	13,748	12,675
		61,295	61,352
Less: Net transfer to Reserve Account		1,381	934

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

Statement of Changes in Fund Balances

	Note	2009 S\$'000	2008 S\$'000
Central Provident Fund			
Less: Withdrawals (net of refunds) by members:			
Sections 15 and 25 of CPF Act	(d)	2,622,898	2,799,753
Amount restored from Reserve Account	(e)	50	185
Public Housing Scheme		4,067,866	4,499,956
Home Protection Scheme		62,345	50,766
Residential Properties Scheme		1,768,601	1,347,028
Medisave Scheme		600,760	558,198
Minimum Sum Scheme		271,398	306,551
Dependants' Protection Scheme		180,064	174,367
Education Scheme		24,181	36,570
MediShield Scheme		395,767	322,350
Private Medical Insurance Scheme		234,021	194,664
ElderShield Scheme		245,838	227,743
Lifelong Income Scheme		1,060,131	-
		11,533,920	10,518,131
Add: Excess of refunds over withdrawals:			
Investment Scheme		785,501	(496,186)
Non-Residential Properties Scheme		7,876	11,831
Special Discounted Shares Scheme		21,400	36,234
		814,777	(448,121)
Movements in members' accounts		15,496,952	14,720,206

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

Statement of Changes in Fund Balances

	Note	2009 S\$'000	2008 S\$'000
Central Provident Fund			
Movements in Reserve Account			
Transfer from members' accounts		1,381	934
Movements in fair value reserve			
Changes in fair value of available-for-sale equity securities		1,123	(708)
Income and expenditure for the year taken to accumulated surplus			
Income			
Income from investments	13	6,197,090	5,567,274
Agency, consultancy and data processing fees	14	40,931	46,430
Rent, service charges and car park receipts	15	23,124	20,193
Interest income from bank deposits		14,570	12,425
Penalty interest on late contributions		9,625	11,641
Miscellaneous revenue	16	895	2,114
		6,286,235	5,660,077
Less: Expenditure			
Salaries and staff benefits	17	87,000	86,237
Depreciation and amortisation	4,5,6	15,804	9,631
Computer software and supplies		14,295	8,701
Professional and other charges		10,107	10,967
Maintenance of buildings and equipment		7,840	7,974
General and administrative expenditure	18	6,459	5,993
Printing and postage		6,442	5,698
Public utilities		3,327	4,475
Property tax		2,671	3,404
Publicity and campaigns		2,174	1,936
		156,119	145,016
Less: Interest credited to members' accounts		6,092,584	5,455,108
Excess of income over expenditure for the year		37,532	59,953
Net increase in the Central Provident Fund during the year		15,536,988	14,780,385
Net assets of the Central Provident Fund as at 1 January		153,167,863	138,387,478
Net assets of the Central Provident Fund as at 31 December		168,704,851	153,167,863
Represented by:			
Members' accounts	3	166,804,016	151,307,064
Reserve Account	3	39,165	37,784
		166,843,181	151,344,848
Accumulated surplus	3	1,861,255	1,823,723
Fair value reserve	3	415	(708)
		168,704,851	153,167,863

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

Statement of Changes in Fund Balances

Notes:

- (a) Refunds under section 75 of the CPF Act (Chapter 36, 2001 Revised Edition) refers to refunds of excess contributions on additional wages.
- (b) Refunds under regulations 11 and 17 of the CPF (Self-Employed Persons) Regulations (Rg 25, 2007 Revised Edition) refer to refunds of excess contributions to Medisave Account and voluntary contributions paid in excess of the voluntary contributions limit, respectively.
- (c) Other refunds refer mainly to refunds under section 74 of the CPF Act (Chapter 36, 2001 Revised Edition) for contributions paid in error and excess voluntary contributions under regulation 8(1) of CPF Regulations (Rg 15, 1998 Revised Edition).
- (d) Withdrawals under sections 15 and 25 of the CPF Act (Chapter 36, 2001 Revised Edition) mainly refer to withdrawals by members who attain the age of 55 years and by members who leave Singapore and West Malaysia permanently, as well as on grounds of death.
- (e) The amount restored from Reserve Account refers to the amount refunded to members or their nominees upon application made under regulation 7(5) of the CPF Regulations (Rg 15, 1998 Revised Edition).
- (f) The details and operations of the other schemes are disclosed in the Act and CPF Regulations.

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

Cash Flow Statement

	Note	2009 S\$'000	2008 S\$'000
Central Provident Fund			
Cash flows from operating activities			
Excess of income over expenditure for the year		37,532	59,953
Adjustments for:			
Depreciation and amortisation		15,804	9,631
Interest credited to members' accounts		6,092,584	5,455,108
Net gain from the sale of investment properties		-	(1,495)
Property, plant and equipment written off		125	279
Income from investments and interest income from bank deposits		(6,211,660)	(5,579,699)
Deficit before working capital changes		(65,615)	(56,223)
Changes in working capital:			
Debtors and other receivables		4,070	9,701
Creditors, accruals and provisions		49,683	23,661
Cash used in operations		(11,862)	(22,861)
Add cash flows from:			
Contributions, Government grants and dividends received		20,186,187	20,293,636
Withdrawals by members		(10,719,143)	(10,966,252)
Refunds of contributions		(61,295)	(61,352)
Net redemption /(placement) of advance deposits		666,605	(2,291,581)
Net acquisition of special issues of Singapore Government securities		(16,121,210)	(12,699,034)
Net repayment of staff loans		29	148
Interest received		6,046,873	5,420,844
Payment of Contribution to Government Consolidated Fund	12	-	(858)
Net cash used in operating activities		(13,816)	(327,310)
Cash flows from investing activities			
Payments for purchase of property, plant and equipment		(13,206)	(1,725)
Payments for purchase of intangible assets		(26,083)	(10,645)
Proceeds from sale of investment properties		-	2,401
Acquisition of other held-to-maturity securities		(157,539)	(940,075)
Acquisition of available-for-sale equity securities		(5,411)	(9,918)
Interest received from other held-to-maturity securities		32,550	13,813
Dividend received		513	56
Net cash used in investing activities		(169,176)	(946,093)
Net decrease in cash and cash equivalents		(182,992)	(1,273,403)
Cash and cash equivalents as at 1 January		889,555	2,162,958
Cash and cash equivalents as at 31 December	10	706,563	889,555

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

Notes to the Financial Statements

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board on 23 March 2010.

1 Domicile and Activities

The Central Provident Fund Board (the "Board") is a statutory board established under the Central Provident Fund ("CPF") Act (Chapter 36, 2001 Revised Edition) (the "Act") under the purview of the Ministry of Manpower (the "Ministry"). As a statutory board, the Board is subject to the directions of the Ministry. It is also required to implement policies and policy changes as determined by the supervisory ministry and other Government ministries such as the Ministry of Finance from time to time.

Funds managed by the Board

The Board administers the CPF which is Singapore's national social security savings scheme jointly supported by employees, employers and the Government.

The Board's principal activities include the collection of CPF contributions, the processing of withdrawals of CPF savings by members under the various schemes and the administration of the Home Protection, MediShield, Dependants' Protection Residual and Lifelong Income Funds (collectively known as the "Insurance Funds").

Central Provident Fund

The Central Provident Fund is established by the CPF Act (Chapter 36, 2001 Revised Edition). All contributions authorised under this Act are paid into the fund and all payments authorised under this Act are paid out of the fund.

Insurance Funds

- (a) The Home Protection Fund is set up under section 33 of the CPF Act (Chapter 36, 2001 Revised Edition) to account for premiums received, claims paid for home insurance cover and operating expenses incurred under the Home Protection Scheme.
- (b) The MediShield Fund is set up under section 56 of the CPF Act (Chapter 36, 2001 Revised Edition) to account for premiums received, claims paid for medical insurance cover and operating expenses incurred under the MediShield Scheme.
- (c) The Dependants' Protection Scheme ("DPS") was privatised on 17 September 2005. The balance of the dissolved Dependants' Protection Fund was retained in the Dependants' Protection Residual Fund ("DPRF") to meet any liabilities under the Scheme that have arisen prior to privatisation. The Board will review the use of any remaining balance in the DPRF after all liabilities prior to privatisation have been met.

Notes to the Financial Statements

- (d) The Lifelong Income Fund is set up under section 27N of the CPF Act (Chapter 36, 2001 Revised Edition) to account for premiums received, payments made and operating expenses incurred under the Lifelong Income Scheme. The Lifelong Income Fund began issuing policies and assuming liabilities under the policies from 26 December 2009. The Lifelong Income Fund is designed to distribute 100% of its' net assets to the insured members via monthly payouts starting from the annuity payout start age of each individual insured member for as long as the member lives. Investment of moneys by the Lifelong Income Fund are governed by section 27N (3) of the CPF Act.

As set out in the Act, the Board is the trustee of the CPF and the administrator of the Home Protection, MediShield, Dependants' Protection Residual and Lifelong Income Funds. In its capacity as trustee and administrator of the respective funds, the Board has no assets and liabilities and all its operating expenditure are charged against the respective funds. Consequently, all the Board's financial transactions are reported under the respective funds.

The assets and liabilities of the Insurance Funds are subject to the requirements of the Act and CPF Regulations governing the Insurance Funds. These assets and liabilities are segregated from those of the CPF and can only be withdrawn in accordance with the relevant legislation.

The address of the Board's office is 79 Robinson Road, CPF Building, Singapore 068897.

2 Summary of Significant Accounting Policies

2.1 Basis of preparation

The financial statements of the funds managed by the Board have been prepared in accordance with the provision of the Act and Statutory Board Financial Reporting Standards ("SB-FRS"). SB-FRS include Statutory Board Financial Reporting Standards, Interpretations of SB-FRS and SB-FRS Guidance Notes as promulgated by the Accountant-General.

The financial statements have been prepared on the historical cost basis, except for certain financial assets and financial liabilities that are stated at fair value or amortised costs using the effective interest method.

The financial statements are presented in Singapore dollars which is the functional currency of the funds managed by the Board. All financial information presented in Singapore dollars has been rounded to the nearest thousand, unless otherwise stated.

The preparation of financial statements in conformity with SB-FRS requires management to make judgements, estimates and assumptions that affects the application of accounting policies and the reported amounts of assets, liabilities, income and expenditure. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Notes to the Financial Statements

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

[Note 20 and 21.8](#) – Fair value of financial instruments

[Note 21.7](#) – Valuation of actuarial liabilities

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

[Note 2.6 and 4](#) – Useful lives of property, plant and equipment

[Note 5](#) – Useful lives of intangible assets

[Note 6](#) – Useful lives and valuation of investment properties

[Note 7 and 21.4](#) – Valuation of financial instruments

Except as disclosed in note 2.6, the accounting policies used by the funds have been applied consistently to all periods presented in these financial statements.

2.2 Basis of recognising contributions, withdrawals, Government grants, interest and income

By virtue of sections 12 and 13 of the Act, contributions are recognised when received and credited directly to the members' accounts.

Government grants are recognised when received and credited to the members' accounts.

Withdrawals by members are recognised when authorised and debited from the members' accounts.

Penalty interest on late contributions and interest income from investments and bank deposits are recognised as they accrue, using the effective interest method.

Interest payable to members is recognised as it accrues based on the Act and CPF Regulations.

Dividend income from investments is recognised when the shareholder's right to receive payments has been established.

Premiums from the Insurance Funds are taken directly to the respective funds and are recognised on an accrual basis.

Agency fees and income from other services provided are recognised when the services have been rendered.

Notes to the Financial Statements

2.3 Operating expenditure

By virtue of the Act, all operating expenditure incurred by the Board and relating to the CPF, Home Protection Fund, MediShield Fund, Dependants' Protection Residual Fund and Lifelong Income Fund are charged to the respective funds when incurred. For the current financial year, all expenses of the Lifelong Income Fund are paid by the CPF.

2.4 Insurance contracts

Insurance contracts issued under the Home Protection, MediShield and Lifelong Income Schemes work on the principle of risk-transfer. Insurance contracts are those contracts under which the Insurance Funds accept significant insurance risk from the insured member by agreeing to compensate the insured member or other beneficiary if a specified uncertain future event adversely affects the insured member.

The Board is not required to unbundle any insurance contract as the accounting policy recognises all insurance premiums, claims and benefit payments, expenses and valuation of actuarial liabilities, through the movement in net assets of the Insurance Funds.

2.5 Insurance contracts – recognition and measurement

(a) Premiums

Premiums from insured members are recognised on their respective due dates. Premiums not received on the due date are recognised as revenue with the corresponding outstanding premiums receivable reported in the statement of net assets of the Insurance Funds.

(b) Claims and benefits incurred

Claims include surrenders, deaths and other claim events. Surrenders are recorded when the obligation to make the payout arises. Death claims and payments on other claim events are recorded when notified. Annuity payouts from the Lifelong Income Fund are recognised when due.

(c) Insurance contract liabilities

A liability for contractual benefits that are expected to be incurred in the future is recorded when the premiums are recognised. The liability is determined using assumptions considered to be appropriate for the policies in force. Other than the Dependants' Protection Residual Fund, the actuarial valuation basis is determined by the Board's independent actuarial advisers. Management estimates the insurance contract liabilities for the Dependants' Protection Residual Fund. Refer to note 21.7.

Notes to the Financial Statements

2.6 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the assets. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the funds managed by the Board and the cost of the asset can be measured reliably. All other repairs and maintenance are charged to the fund during the financial year in which they are incurred.

Property, plant and equipment costing below \$2,000 per item are charged to the fund in the financial year of purchase.

Construction-in-progress are not depreciated. Depreciation is calculated on a straight-line basis to write off the cost of the property, plant and equipment over their estimated useful lives. The estimated useful lives are as follows:

Leasehold land	period of the lease
Buildings	50 years or period of the lease, whichever is shorter
Building renovation and improvement	remaining life of the building
Machinery and equipment	4 to 10 years
Furniture and fittings	8 years
Data processing equipment	3 to 5 years
Other assets	30 years

Fully depreciated assets are not derecognised until they are disposed off.

On disposal of a property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is recognised in the income and expenditure of the fund.

Change in accounting estimates

During the financial year, the CPF changed the useful lives of its machinery and equipment from 4 to 20 years, to 4 to 10 years. The change was due to changes in the expected level of usage, which impact the economic useful lives of these assets. The revised change is applied prospectively without adjustment to previously reported amounts. The change in accounting estimates increased the current year's depreciation charge to the changes in fund balance by approximately \$3,622,000.

Notes to the Financial Statements

2.7 Intangible assets

Intangible assets consist mainly of computer software and development costs for various computer application systems. They are capitalised on the basis of the costs incurred to bring to use or develop the specific software. Direct expenditure which enhances or extends the performance of computer software beyond its specifications and which can be reliably measured is recognised as a capital improvement and added to the original cost of the software. Costs associated with maintaining computer software are recognised as an expense as incurred.

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated on a straight-line basis to write off the cost of the intangible assets over their estimated useful lives ranging from 3 to 5 years. No amortisation is provided for intangible assets under development.

Intangible assets costing below \$2,000 per item are charged to the fund in the financial year of purchase.

Fully amortised assets are not derecognised until they are disposed off.

2.8 Investment properties

Investment properties are properties that are held for their long-term rental yields or for capital appreciation or both and are less than 10% occupied by the Board.

Investment properties, comprising commercial properties, are stated at cost less accumulated depreciation and accumulated impairment losses.

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised as addition and the carrying amounts of the replaced components are written off to the CPF. The cost of maintenance, repairs and minor improvement is charged to the CPF when incurred.

Fair values are determined by an independent professional valuer. The professional valuer's valuation is made based on the property's Open Market Value derived using the Investment/Income Method of Valuation and Direct Market Comparison Method.

Depreciation is calculated on the same basis as described in Note 2.6. No depreciation is provided for statutory land grant.

On disposal of an investment property, the difference between the net disposal proceeds and its carrying amount is recognised in the income and expenditure of the fund.

Notes to the Financial Statements

2.9 Impairment of property, plant and equipment, intangible assets and investment properties

Property, plant and equipment, intangible assets and investment properties are reviewed for impairment at each reporting date whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the income and expenditure of the fund.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is recognised in the income and expenditure of the fund. However, the increased carrying amount of an asset 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 asset in prior years.

2.10 Lease***When the Board is the lessee***

Operating lease payments are recognised as an expense in the income and expenditure of the fund on a straight-line basis over the lease term.

When the Board is the lessor

Leases where the Board effectively retains substantially all the risks and rewards of ownership of the leased asset are classified as operating leases. Assets leased out under operating leases are included in investment properties and fixed assets. Rental income from operating leases is recognised in the income and expenditure of the fund on a straight-line basis over the lease term.

Notes to the Financial Statements

2.11 Financial assets and liabilities**(a) Investments**

Central Provident Fund classifies its investments as “financial assets, held-to-maturity” and “financial assets, available-for-sale”.

The Home Protection Fund and MediShield Fund classify their investments as “financial assets, at fair value through profit and loss”. The Lifelong Income Fund classifies its investments as “financial assets, held-to-maturity”. The classification depends on the purpose for which the assets are acquired.

(i) Classification**Financial assets, held-to-maturity**

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the fund has the positive intention and ability to hold to maturity. The funds' held-to-maturity investments include investments in special issues of Singapore Government securities, Singapore Government securities, advance deposits placed with the Accountant-General through the Monetary Authority of Singapore, Statutory Board bonds and corporate bonds.

Financial assets, at fair value through profit or loss

This category of investments relates to financial assets held for trading. A financial asset is classified in this category if it is acquired principally for the purpose of selling in the short term. The Insurance Funds use derivative financial instruments for hedging purposes and to facilitate efficient portfolio management. These derivative financial instruments are not used for speculation purposes.

Financial assets, available-for-sale

Available-for-sale investments are non-derivative financial assets that are either designated in this category or are not classified in any of the other category.

(ii) 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 financial 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.

The Insurance Funds enter into transactions whereby they transfer assets recognised on their statement of net assets, but retain either all or substantially all the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised. Transfer of assets with retention of all or substantially all risks and rewards include securities lending arrangements.

(iii) Initial measurement

Financial assets are initially recognised at fair value.

Notes to the Financial Statements

(iv) Subsequent measurement

“Financial assets, held-to-maturity” are carried at amortised cost using the effective interest method, less any impairment losses recognised to reflect irrecoverable amounts [Note 2.11(f)]. “Financial assets, available-for-sale” and “financial assets, at fair value through profit or loss” are subsequently carried at fair value.

Realised and unrealised gains and losses arising from changes in fair value of “financial assets, at fair value through profit or loss” are included in the income and expenditure of the fund in the period in which they arise.

Changes in fair values of “financial assets, available-for-sale” are recognised in the fair value reserve. Dividend income on “financial assets, available-for-sale” is recognised separately in the income and expenditure of the fund.

(b) Derivative financial instruments

Derivative financial instruments are categorised as held-for-trading and recognised initially at fair value; attributable transaction costs are recognised in the income and expenditure of the Insurance Funds when incurred. Subsequent to initial recognition, derivative financial instruments are measured at fair value. Changes in fair value of the derivative financial instruments are recognised in the changes in insurance fund balances. Hedge accounting is not adopted.

(c) Staff loans, debtors and other receivables

Staff loans, debtors and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Staff loans, debtors and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

(d) Cash and cash equivalents

Cash and cash equivalents held for the purpose of meeting cash commitments comprise bank deposits, cash and bank balances.

(e) Creditors and other payables

Creditors and other payables are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest method.

Notes to the Financial Statements

(f) Impairment

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of available-for-sale financial assets is calculated by reference to its current fair value.

All impairment losses are recognised in the income and expenditure of the fund. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in fair value reserve is transferred to the income and expenditure of the fund.

Impairment losses in respect of financial assets measured at amortised cost and available-for-sale debt securities are reversed if the subsequent increase in fair value can be related objectively to an event occurring after the impairment loss was recognised.

Impairment losses once recognised in the income and expenditure of the fund in respect of available-for-sale equity securities are not reversed through the income and expenditure of the fund. Any subsequent increase in fair value of such assets is recognised directly in fair value reserve.

2.12 Foreign currencies

Transactions in foreign currencies are measured and recorded in Singapore dollars, using the exchange rates at the dates of the transactions. Monetary items denominated in foreign currencies are translated into Singapore dollars at the exchange rates prevailing at the date of the financial statements. Non-monetary items measured at fair value that are denominated in foreign currencies are translated at the exchange rates prevailing on the dates when the fair values were determined.

Exchange differences arising from the settlement or translation of monetary and non-monetary items carried at fair value are reported as part of the fair value gain or loss in income and expenditure of the fund.

2.13 Provisions

Provisions are recognised when the fund has a present obligation (legal or constructive) as a result of a past event, and it is probable that the funds will be required to settle that obligation. Provisions are estimated based on the best estimate of the expenditure required to settle the obligation, taking into consideration the time value of money.

2.14 Employee benefits

(a) *Defined contribution plans*

Contributions on the Board's employees' salaries are made to the CPF as required by law. The CPF contributions are recognised as compensation expense in the period when the employees rendered their services.

(b) *Employees' leave entitlements*

Employees' entitlements to annual leave are recognised when they accrue to the employees. A provision is made for leave earned by the employees as a result of services rendered up to the date of the financial statements.

(c) *Termination benefits*

Termination benefits are payable whenever an employee accepts voluntary redundancy in exchange for these benefits. The fund recognises termination benefits as a result of an offer made due to redundancy.

Notes to the Financial Statements

3 Central Provident Fund

	Members' accounts S\$'000	Reserve account S\$'000	Accumulated surplus S\$'000	Fair value reserve S\$'000	Total S\$'000
At 1 January 2008	136,586,858	36,850	1,763,770	-	138,387,478
Movement during the year	14,720,206	934	59,953	(708)	14,780,385
At 31 December 2008	151,307,064	37,784	1,823,723	(708)	153,167,863
Movement during the year	15,496,952	1,381	37,532	1,123	15,536,988
At 31 December 2009	166,804,016	39,165	1,861,255	415	168,704,851

The Reserve Account is set up under regulations 7(2) and 7(3) of the CPF Regulations (Rg 15, 1998 Revised Edition). All unclaimed monies which match the conditions stipulated under these regulations were transferred from members' balances to this account. The balance in this account is refundable to members or their nominees upon application made under regulation 7(5).

The fair value reserve includes the cumulative net change in the fair value of available-for-sale financial assets held until the investment is derecognised or impaired.

Notes to the Financial Statements

4 Property, plant and equipment

	Leasehold Land S\$'000	Buildings S\$'000	Building renovation and improvement S\$'000	Machinery and equipment S\$'000	Furniture and fittings S\$'000	Data processing equipment S\$'000	Construction- in-progress S\$'000	Other assets S\$'000	Total S\$'000
Cost									
At 1 January 2008	32,423	99,439	18,241	58,256	772	20,459	2,671	310	232,571
Additions	-	-	1	258	125	299	2,513	-	3,196
Disposals	-	-	-	(4,257)	(2)	(1,633)	-	(310)	(6,202)
Reclassification	-	-	88	4,015	-	-	(4,103)	-	-
At 31 December 2008	32,423	99,439	18,330	58,272	895	19,125	1,081	-	229,565
Additions	-	-	-	2,174	65	8,882	3,115	-	14,236
Disposals	-	-	-	(5,093)	(17)	(3,896)	-	-	(9,006)
Reclassification	-	-	-	3,795	-	-	(3,795)	-	-
At 31 December 2009	32,423	99,439	18,330	59,148	943	24,111	401	-	234,795
Accumulated depreciation									
At 1 January 2008	5,992	37,566	3,557	45,223	577	15,986	-	165	109,066
Depreciation for the year	324	2,734	726	2,755	66	1,470	-	-	8,075
Disposals	-	-	-	(4,135)	(1)	(1,438)	-	(165)	(5,739)
At 31 December 2008	6,316	40,300	4,283	43,843	642	16,018	-	-	111,402
Depreciation for the year	323	2,631	692	6,748	53	1,218	-	-	11,665
Disposals	-	-	-	(4,968)	(17)	(3,896)	-	-	(8,881)
At 31 December 2009	6,639	42,931	4,975	45,623	678	13,340	-	-	114,186
Carrying amount									
At 1 January 2008	26,431	61,873	14,684	13,033	195	4,473	2,671	145	123,505
At 31 December 2008	26,107	59,139	14,047	14,429	253	3,107	1,081	-	118,163
At 31 December 2009	25,784	56,508	13,355	13,525	265	10,771	401	-	120,609

Depreciation charges amounting to S\$46,000 (2008: S\$3,000) and S\$31,000 (2008: S\$2,000) were allocated to Home Protection Fund and MediShield Fund respectively. The remaining depreciation charge of S\$11,588,000 (2008: S\$8,070,000) was accounted for under the Central Provident Fund.

Notes to the Financial Statements

5 Intangible assets

	Computer software S\$'000	Intangible assets under development S\$'000	Total S\$'000
Cost			
At 1 January 2008	5,849	8,801	14,650
Additions	471	12,362	12,833
Reclassification	36	(36)	-
At 31 December 2008	6,356	21,127	27,483
Additions	7,342	19,800	27,142
Disposals	(170)	-	(170)
Reclassification	40,668	(40,668)	-
At 31 December 2009	54,196	259	54,455
Accumulated amortisation			
At 1 January 2008	4,332	-	4,332
Amortisation charge for the year	734	-	734
At 31 December 2008	5,066	-	5,066
Amortisation charge for the year	3,409	-	3,409
Disposals	(170)	-	(170)
At 31 December 2009	8,305	-	8,305
Carrying amount			
At 1 January 2008	1,517	8,801	10,318
At 31 December 2008	1,290	21,127	22,417
At 31 December 2009	45,891	259	46,150

Intangible assets under development comprise software and development costs for various computer application systems.

Notes to the Financial Statements

6 Investment properties

	S\$'000
Cost	
At 1 January 2008	59,143
Disposals	(1,375)
At 31 December 2008	<u>57,768</u>
Disposals	-
At 31 December 2009	<u>57,768</u>
Accumulated depreciation	
At 1 January 2008	11,807
Depreciation for the year	827
Disposals	(469)
At 31 December 2008	<u>12,165</u>
Depreciation for the year	807
At 31 December 2009	<u>12,972</u>
Carrying amount	
At 1 January 2008	<u>47,336</u>
At 31 December 2008	<u>45,603</u>
At 31 December 2009	<u>44,796</u>
Fair value	
At 1 January 2008	<u>267,471</u>
At 31 December 2008	<u>214,000</u>
At 31 December 2009	<u>180,000</u>

Investment properties include land and buildings that are leased to non-related parties under operating leases.

Land includes statutory land grant at cost of S\$10,178,000 (2008: S\$10,178,000).

The following amounts are recognised in the statement of changes in fund balances:

	2009 S\$'000	2008 S\$'000
Rental income and service charges from investment properties	<u>7,217</u>	<u>6,977</u>
Direct operating expenses (including repairs and maintenance) arising from investment properties that:		
- generate rental income	2,280	2,538
- did not generate rental income	<u>97</u>	<u>91</u>

Notes to the Financial Statements

7 Investments

	Note	2009 S\$'000	2008 S\$'000
Held-to-maturity financial assets			
- special issues of Singapore Government securities	(a)	157,446,705	141,325,495
- advance deposits	(b)	7,908,388	8,574,993
- Singapore Government securities	(c)	524,065	424,571
- Statutory Board bonds	(c)	498,041	468,843
- corporate bonds	(c)	70,380	44,475
		<u>166,447,579</u>	<u>150,838,377</u>
Available-for-sale financial assets			
- equity securities-Singapore	(c)	15,744	9,210
		<u>166,463,323</u>	<u>150,847,587</u>
Available-for-sale financial assets			
At 1 January		9,210	-
Additions			
- equity securities-Singapore		5,411	9,918
Fair value gain/(loss) recognised in fair value reserve		1,123	(708)
At 31 December		<u>15,744</u>	<u>9,210</u>

Notes to the Financial Statements

Note (a)

The special issues of Singapore Government securities are floating rate bonds issued specifically to the Board to meet its interest and other obligations. They do not have quoted market values and the Board cannot trade them in the market. The interest rates of 2.5%, 3.5%, 4.0% and 5.0% (2008: 2.5%, 3.5%, 4.0% and 5.0%) per annum for the securities are pegged to the rates at which the Board pays interest to the members of CPF.

Under this investment arrangement with the Singapore Government, the carrying amounts recorded at the date of financial statements are not expected to be significantly different from the values that would eventually be received. In view of this, the carrying amounts of investments in special issues of Singapore Government securities and advance deposits approximate their fair values.

\$14,461 million of the floating rate special issues of Singapore Government securities were converted to fixed rate special issues of Singapore Government securities on 1 January 2010.

Note (b)

The advance deposits are deposits placed with the Accountant-General through the Monetary Authority of Singapore to purchase special issues of Singapore Government securities and meet CPF members' withdrawal requirements. The interest rate of 2.5% (2008: 2.5%) per annum on the advance deposits is pegged to the rate at which the Board pays interest for the Ordinary Account.

Note (c)

During the year, the Board acquired additional Singapore Government securities, Statutory Board bonds, corporate bonds and equity securities for yield enhancement purpose.

The equity securities designated as available-for-sale are those that the Board intends to hold for the long term in accordance with the Board's investment guidelines.

Notes to the Financial Statements

8 Staff loans

The total outstanding loans to staff are as follows:

	2009 S\$'000	2008 S\$'000
Amount receivable		
- within 1 year	20	31
- after 1 year	61	79
	<u>81</u>	<u>110</u>

The staff loans bore interest at rates ranging from 4.25% to 5.00% (2008: 4.25% to 5.00%) per annum and are repayable by monthly instalments over a period of up to 25 years.

9 Debtors and other receivables

	2009 S\$'000	2008 S\$'000
Debtors		
- scheme	2,722	7,439
- non-scheme	17,858	16,834
Accrued interest receivable	1,511,174	1,376,508
Deposits paid	124	104
Prepayments	1,567	1,964
	<u>1,533,445</u>	<u>1,402,849</u>

Debtors - scheme include all receivable amounts linked to the various CPF schemes.

The Board believes that no impairment allowance is necessary for debtors and other receivables as these are mainly due from ministries and Government-linked companies that have a good payment record. These balances are usually settled within 6 months from the invoice date and within the credit terms granted to them.

Notes to the Financial Statements

10 Cash and cash equivalents

	2009 S\$'000	2008 S\$'000
Cash at bank	202,896	133,030
Bank deposits	554,282	785,126
Cash and cash equivalents	<u>757,178</u>	<u>918,156</u>
Cash at bank managed by the Board on behalf of other ministries	(50,615)	(28,601)
Cash and cash equivalents in the cash flow statement	<u>706,563</u>	<u>889,555</u>

The weighted average effective interest rates per annum relating to cash and cash equivalents are 0.01% to 3.00% (2008: 0.06% to 3.02%).

Cash at bank managed by the Board on behalf of other ministries are for agency projects undertaken by the Board for the Ministry of Manpower, Ministry of Finance and other ministries. The Ministry of Manpower, Ministry of Finance and other ministries are the beneficial owners of these bank balances.

11 Creditors, accruals and provisions

	2009 S\$'000	2008 S\$'000
Creditors		
- scheme	140,826	113,445
- non-scheme	88,243	45,841
Security, renovation and rental deposits received	5,974	5,562
Accrued expenses	8,470	6,113
Provisions	17,218	16,061
	<u>260,731</u>	<u>187,022</u>

Creditors – scheme include all payable amounts linked to the various CPF schemes. Creditors are usually paid within 6 months from the invoice date.

Notes to the Financial Statements

12 Contribution payable to Government Consolidated Fund

The contribution to the Government Consolidated Fund is required under section 3(a) of the Statutory Corporations (Contributions to Consolidated Fund) Act (Chapter 319A, 2004 Revised Edition). The contribution is computed based on the guidelines specified by the Ministry of Finance.

Based on management's best estimate using the applicable computation guidelines and basis agreed with the Ministry of Finance, no contribution to the Government Consolidated Fund is payable for the financial year ended 31 December 2009.

13 Income from investments

	2009 S\$'000	2008 S\$'000
Interest income from held-to-maturity investments		
- special issues of Singapore Government securities	6,041,324	5,427,509
- advance deposits	124,384	118,435
- Singapore Government securities	13,688	8,356
- Statutory Board bonds	15,361	11,993
- corporate bonds	1,820	925
Dividend income	513	56
	<u>6,197,090</u>	<u>5,567,274</u>

Notes to the Financial Statements

14 Agency, consultancy and data processing fees

The Board handles agency work on behalf of the Ministry of Manpower, Ministry of Finance and other ministries on a cost recovery basis. These income are included in agency, consultancy and data processing fees which are as follows:

	2009 S\$'000	2008 S\$'000
Ministry of Manpower		
Foreign Workers' Levy	5,564	6,479
Skills Development Levy	599	487
Workfare Income Supplement Scheme	4,792	6,591
Ministry of Finance		
Government Top-Up Schemes	-	45
Growth Dividend	406	2,662
SingPass	-	577
Goods and Services Tax Offset Package	3,230	3,873
Small and Medium Enterprise Rebate Scheme	373	370
SingPass Reset	164	252
Jobs Credit Scheme	1,831	-
Ministry of Health		
Medisave Scheme	2,617	2,411
Government Top-Up Schemes	-	460
Ministry of Community Development, Youth and Sports		
Mosque Building Fund	131	125
Government Paid Maternity Leave Scheme	1,294	1,222
Government Paid Childcare Leave Scheme	921	189
Ministry of Education		
Edusave Pupils Fund	23	110
Post Secondary Education Fund	15	130
Ministry of National Development		
CPF Housing Grant	247	82
Ministry of Defence		
National Service Bonus	-	25
Others		
Deferment Bonus Scheme	146	550
Economic Restructuring Shares	-	1,489

Notes to the Financial Statements

15 Rent, service charges and car park receipts

Rental income is derived from the leasing of space for office use and food businesses. Such leases are generally for a 3-year term. Shorter leases are also granted. The lease agreements provide for termination should the tenant fail to perform or observe any of their covenants.

Future minimum lease receivables under non-cancellable operating leases as of 31 December are as follows:

	2009 S\$'000	2008 S\$'000
Receivable		
- within 1 year	18,608	20,543
- after 1 year but within 5 years	15,125	11,392
	<u>33,733</u>	<u>31,935</u>

16 Miscellaneous revenue

Included in miscellaneous revenue are the following items:

	2009 S\$'000	2008 S\$'000
Property, plant and equipment written off	125	279
Gain on disposal of investment properties	-	1,495
	<u>-</u>	<u>1,495</u>

17 Salaries and staff benefits

Included in salaries and staff benefits are the following items:

	2009 S\$'000	2008 S\$'000
Staff administering Central Provident Fund		
Employer's CPF contribution	8,802	8,539
Staff welfare and training	3,106	3,470
Board members' allowance	180	190
Advisory services provided by board member	256	256
Staff administering Home Protection Fund		
Employer's CPF contribution	262	257
Staff administering MediShield Fund		
Employer's CPF contribution	273	236
Staff administering Dependants' Protection Residual Fund		
Employer's CPF contribution	1	1
	<u>1</u>	<u>1</u>

18 General and administrative expenditure

Included in general and administrative expenditure are the following items:

	2009 S\$'000	2008 S\$'000
Rental expense of equipment	1,658	2,095
	<u>1,658</u>	<u>2,095</u>

Notes to the Financial Statements

19 Future capital expenditure

Capital expenditure approved by the Board but not provided for in the financial statements is as follows:

	2009 S\$'000	2008 S\$'000
Amount approved and contracted for	320	16,238
Amount approved but not contracted for	83,179	77,895
	<u>83,499</u>	<u>94,133</u>

20 Financial risk management of the CPF**Overview**

Risk management is integral to the operation of the CPF managed by the Board. The Board has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The Board continually monitors the CPF's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Fund's activities.

Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices and foreign exchange rates that will affect the CPF's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Interest rate risk

The CPF is exposed to interest rate risk as a result of investments in debt securities and interest payable on members' accounts placed with the CPF.

In the management of the interest rate risk of the CPF, the interest rates of the investments in special issues of Singapore Government securities and advance deposits are pegged to the rates at which the Board pays interest to its members. These interest rates are affected by changes in the market interest rates and reset every quarter. The Ordinary Account is subject to an interest rate floor of 2.5% per annum, while the Special Account, Medisave Account and Retirement Account ("SMRA") is subject to an interest rate floor of 4% per annum. For all other investments in debt securities, interest rate risks are mitigated by investing in fixed rate instruments over longer tenure.

Notes to the Financial Statements

Periods of maturity and interest rates of financial assets are as follows:

	Effective interest rate (per annum)		Years to maturity					
	2009	2008	Within 1 year		Between 1 and 5 years		More than 5 years	
	%	%	2009 S\$'000	2008 S\$'000	2009 S\$'000	2008 S\$'000	2009 S\$'000	2008 S\$'000
Special issues of								
Singapore Government securities	2.5 – 5.0	2.5 - 5.0	11,280,000	11,280,000	45,260,000	45,700,000	100,906,705	84,345,495
Advance deposits	2.5	2.5	7,908,388	8,574,993	-	-	-	-
Singapore Government securities	3.0 – 4.0	3.1 - 4.0	-	-	-	-	524,065	424,571
Statutory Board bonds	1.6 – 4.9	2.2 - 4.9	40,527	-	42,601	26,780	414,913	442,063
Corporate bonds	2.9 – 5.0	2.9 – 5.0	10,855	-	37,836	22,037	21,689	22,438
Cash and cash equivalents	0.1 – 3.0	0.1 - 3.0	323,798	423,476	337,980	327,280	95,400	167,400
			19,563,568	20,278,469	45,678,417	46,076,097	101,962,772	85,401,967

Foreign exchange risk

The monetary assets and liabilities of the CPF are denominated primarily in Singapore dollars. Accordingly, CPF does not have any significant foreign currency risk exposure as at the date of financial statements.

Sensitivity analysis

The analysis below is performed for reasonably possible movements in key variables with all other variables remaining constant.

Change in variables	Impact on fund balance	
	2009 S\$'000	2008 S\$'000
Equity price		
+10%	1,574	921
-10%	(1,574)	(921)
Interest rate		
+50bps	2,004	2,248
-50bps	(2,004)	(2,248)

Notes to the Financial Statements

Credit risk

The maximum exposure at the end of the financial year, in relation to each class of financial assets, is the carrying amount of those assets as indicated at the end of the financial year.

The CPF is exposed to minimal credit risk as most of the fund is invested in non-tradeable special issues of Singapore Government securities.

Other than investment in special issues of Singapore Government securities, the CPF is also exposed to credit risk that arises from investments in cash, fixed deposits and debt securities. Financial loss may materialise should the issuer default on the securities.

Cash and fixed deposits are placed with banks and financial institutions which are regulated.

The Board manages credit risk actively through the setting of minimum credit rating requirements and investment limits for issuers within the approved investment guidelines. These limits are reviewed as and when necessary with ongoing monitoring and reporting undertaken at various levels.

2009	AAA* S\$M	AA-* S\$M	Not rated** S\$M	Total S\$M
Special issues of Singapore Government securities	-	-	157,447	157,447
Advance deposits	-	-	7,909	7,909
Singapore Government securities	524	-	-	524
Statutory Board bonds	-	-	498	498
Corporate bonds	20	21	29	70
	544	21	165,883	166,448

Notes to the Financial Statements

2008	AAA*	AA-*	Not rated**	Total
	S\$M	S\$M	S\$M	S\$M
Special issues of Singapore Government securities	-	-	141,325	141,325
Advance deposits	-	-	8,575	8,575
Singapore Government securities	425	-	-	425
Statutory Board bonds	-	-	469	469
Corporate bonds	-	25	19	44
	425	25	150,388	150,838

* Based on public ratings assigned by external rating agency, Moody's.

** No rating was performed by external rating agencies.

Liquidity risk

In the management of liquidity risk, the Board monitors and maintains a level of cash and bank balances deemed adequate by management to finance its operations and mitigate the effects of fluctuations in cash flows. In addition, the financial assets of the CPF can be readily sold or redeemed when the need arises.

Fair value

The fair value of held-to-maturity financial assets and available-for-sale financial assets is determined by reference to their quoted bid prices in active markets for identical assets (Fair value hierarchy – Level 1) at the reporting date. The fair value of held-to-maturity financial assets is determined for disclosure purposes only.

The carrying amounts of financial assets and liabilities with a maturity of less than a year including cash and cash equivalents, debtors and other receivables, staff loans and creditors, accruals and provisions are assumed to approximate their fair values because of short period of maturity.

Carrying amounts of special issues of Singapore Government securities and advance deposits are approximate their fair values due to its investment arrangement with the Singapore Government as disclosed in note 7. All other financial assets and liabilities are discounted to determine their fair values.

The aggregate net fair values of recognised financial assets and liabilities which are not carried at fair value in the statements of net assets at 31 December are represented in the following table:

Financial assets	2009		2008	
	Carrying amount S\$'000	Fair value S\$'000	Carrying amount S\$'000	Fair value S\$'000
Held to maturity financial assets				
- special issues of				
Singapore Government securities	157,446,705	157,446,705	141,325,495	141,325,495
- advance deposits	7,908,388	7,908,388	8,574,993	8,574,993
- Singapore Government securities	524,065	527,283	424,571	459,994
- Statutory Board bonds	498,041	507,404	468,843	494,560
- corporate bonds	70,380	71,023	44,475	41,513
	166,447,579	166,460,803	150,838,377	150,896,555

Notes to the Financial Statements

21 Insurance Funds

	Note	Home Protection Fund		MediShield Fund		Dependants' Protection Residual Fund		Lifelong Income Fund
		2009 S\$'000	2008 S\$'000	2009 S\$'000	2008 S\$'000	2009 S\$'000	2008 S\$'000	2009 S\$'000
Total assets								
Investments	21.4	1,530,090	1,525,157	1,222,459	898,262	-	-	1,077,407
Insurance and other receivables		125,316	122,496	58,380	112,765	2	162	133
Accrued interest receivable		10,741	13,313	8,642	7,102	33	115	576
Cash and cash equivalents								
- Bank deposits		56,551	52,476	52,470	124,643	46,800	46,800	-
- Cash and bank balances		10,796	11,006	22,026	5,735	362	386	50
		<u>1,733,494</u>	<u>1,724,448</u>	<u>1,363,977</u>	<u>1,148,507</u>	<u>47,197</u>	<u>47,463</u>	<u>1,078,166</u>

The assets of the Insurance Funds are current assets.

Total liabilities**(i) Insurance contract liabilities**

Balance as at 1 January		842,776	977,478	837,525	807,131	654	1,220	-
Valuation premium		88,865	84,962	339,805	284,443	-	-	1,079,408
Liabilities released for payments								
on death and other terminations		(197,744)	(232,257)	(12,680)	(4,349)	(94)	(436)	(1,818)
Accretion of interest		6,079	16,119	18,356	26,437	-	-	576
Other movements		30,515	30,604	(39,450)	128,747	(46)	(130)	-
Expected claims		-	-	(221,747)	(200,677)	-	-	-
New business		16,338	6,793	3,422	5,342	-	-	-
Change in valuation basis		62,089	(41,060)	(99,426)	(209,549)	-	-	-
Effect of zerorisation of reserves		(18,383)	(15,761)	-	-	-	-	-
Change in incurred but not reported claims		23,159	15,898	-	-	486	-	-
Balance as at 31 December		<u>853,694</u>	<u>842,776</u>	<u>825,805</u>	<u>837,525</u>	<u>1,000</u>	<u>654</u>	<u>1,078,166</u>
Current portion		73,114	204,327	27,228	19,936	100	654	23,419
Non current portion		<u>780,580</u>	<u>638,449</u>	<u>798,577</u>	<u>817,589</u>	<u>900</u>	<u>-</u>	<u>1,054,747</u>
		<u>853,694</u>	<u>842,776</u>	<u>825,805</u>	<u>837,525</u>	<u>1,000</u>	<u>654</u>	<u>1,078,166</u>

(ii) Claims intimated or admitted but not paid

Balance as at 1 January		23,863	42,370	5,224	2,027	2,648	4,292	-
Claims paid		(101,598)	(113,952)	(214,159)	(157,456)	(508)	(1,440)	-
Claims incurred		<u>95,830</u>	<u>95,445</u>	<u>214,642</u>	<u>160,653</u>	<u>(246)</u>	<u>(204)</u>	<u>-</u>
Balance as at 31 December		<u>18,095</u>	<u>23,863</u>	<u>5,707</u>	<u>5,224</u>	<u>1,894</u>	<u>2,648</u>	<u>-</u>

(iii) Sundry creditors and other payables

		<u>75,928</u>	<u>189,769</u>	<u>28,177</u>	<u>100,434</u>	<u>203</u>	<u>-</u>	<u>-</u>
Total liabilities		<u>947,717</u>	<u>1,056,408</u>	<u>859,689</u>	<u>943,183</u>	<u>3,097</u>	<u>3,302</u>	<u>1,078,166</u>

Net assets		<u>785,777</u>	<u>668,040</u>	<u>504,288</u>	<u>205,324</u>	<u>44,100</u>	<u>44,161</u>	<u>-</u>
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The claims intimated or admitted but not paid, and sundry creditors and other payables are all current liabilities.

Notes to the Financial Statements

21.1 Changes in Insurance Fund balances

	Home Protection Fund		MediShield Fund		Dependants' Protection Residual Fund		Lifelong Income Fund Period from 26/12/2009 to 31/12/2009 S\$'000	
	Note	2009 S\$'000	2008 S\$'000	2009 S\$'000	2008 S\$'000	2009 S\$'000		2008 S\$'000
At 1 January		668,040	738,166	205,324	275,563	44,161	43,166	-
Add:								
Insurance premiums		111,833	101,684	372,132	302,851	-	-	1,077,590
Interest income from bank deposits		144	518	316	615	363	755	-
Miscellaneous revenue		-	-	-	-	129	62	-
		<u>111,977</u>	<u>102,202</u>	<u>372,448</u>	<u>303,466</u>	<u>492</u>	<u>817</u>	<u>1,077,590</u>
Less:								
Claims		95,830	95,445	214,642	160,653	(246)	(204)	-
Surrenders		49,484	50,913	-	-	-	-	-
Premium rebates		3	5	-	-	-	-	-
Return of insurance premium		-	-	-	-	26	44	-
Net investment (gain)/loss	21.3	(171,298)	152,499	(138,817)	173,130	-	-	(576)
Net foreign exchange loss		-	-	-	-	2	1	-
Professional and other charges		5,649	4,799	5,949	6,061	319	96	-
Salaries and staff benefits		2,300	2,231	2,292	2,083	5	5	-
Computer software and supplies		589	433	115	4	-	-	-
General and administrative expenditure		436	372	507	267	7	10	-
Printing and postage		157	155	445	1,099	-	-	-
Maintenance of buildings and equipment		118	169	40	10	-	-	-
Depreciation		46	3	31	2	-	-	-
Publicity and campaigns		8	6	-	-	-	-	-
Net change in insurance contract liabilities		10,918	(134,702)	(11,720)	30,394	440	(130)	1,078,166
Funds transferred to private insurer		-	-	-	2	-	-	-
At 31 December		<u>785,777</u>	<u>668,040</u>	<u>504,288</u>	<u>205,324</u>	<u>44,100</u>	<u>44,161</u>	<u>-</u>

Notes to the Financial Statements

21.2 Cash flow statements

	Home Protection Fund		MediShield Fund		Dependants' Protection Residual Fund		Lifelong Income Fund
	2009 S\$'000	2008 S\$'000	2009 S\$'000	2008 S\$'000	2009 S\$'000	2008 S\$'000	Period from 26/12/2009 to 31/12/2009 S\$'000
Operating activities							
Change in net assets	117,737	(70,126)	298,964	(70,239)	(61)	995	-
Adjustments for:							
Interest and dividend income	(44,759)	(55,969)	(29,774)	(32,264)	(363)	(755)	(576)
	72,978	(126,095)	269,190	(102,503)	(424)	240	(576)
Changes in working capital:							
Investments	(4,933)	202,917	(324,197)	173,436	-	-	(1,077,407)
Insurance and other receivables	(2,781)	(4,486)	54,458	(80,189)	160	(155)	(133)
Insurance contract liabilities	10,918	(134,702)	(11,720)	30,394	346	(566)	1,078,166
Claims intimated or admitted but not yet paid	(5,768)	(18,507)	483	3,197	(754)	(1,644)	-
Sundry creditors and other payables	(113,841)	12,397	(72,257)	24,144	203	(181)	-
Cash (utilised in)/generated from operations	(43,427)	(68,476)	(84,043)	48,479	(469)	(2,306)	50
Interest received	41,786	47,898	22,982	23,685	445	804	-
Dividends received	5,506	8,995	5,179	8,533	-	-	-
Cash flows from/(used in) operating activities	3,865	(11,583)	(55,882)	80,697	(24)	(1,502)	50
Net increase/(decrease) in cash and cash equivalents	3,865	(11,583)	(55,882)	80,697	(24)	(1,502)	50
Cash and cash equivalents as at 1 January	63,482	75,065	130,378	49,681	47,186	48,688	-
Cash and cash equivalents as at 31 December	67,347	63,482	74,496	130,378	47,162	47,186	50

Notes to the Financial Statements

21.3 Net investment gain/(loss)

	Home Protection Fund		MediShield Fund		Lifelong Income Fund Period from 26/12/2009 to 31/12/2009
	2009 S\$'000	2008 S\$'000	2009 S\$'000	2008 S\$'000	S\$'000
Interest income	39,070	46,595	24,206	23,233	576
Dividend income	5,545	8,856	5,252	8,416	-
Net fair value gain/(loss)	134,021	(203,124)	112,923	(205,446)	-
Net foreign exchange (loss)/gain	(4,204)	(1,525)	(1,051)	2,988	-
Miscellaneous revenue	279	708	149	403	-
Fund management fees	(3,413)	(4,009)	(2,662)	(2,724)	-
	<u>171,298</u>	<u>(152,499)</u>	<u>138,817</u>	<u>(173,130)</u>	<u>576</u>

The net fair value gain/(loss) includes both the realised and unrealised fair value gain/(loss) and realised and unrealised foreign exchange (loss)/gain for investments classified as "fair value through profit or loss". Net foreign exchange gain/(loss) for investments that are not classified as "fair value through profit or loss" is separately disclosed under "Net foreign exchange (loss)/gain".

21.4 Investments

	Home Protection Fund		MediShield Fund	
	2009 S\$'000	2008 S\$'000	2009 S\$'000	2008 S\$'000
Debt securities				
Denominated in Singapore dollars	646,629	736,420	497,250	379,448
Denominated in US dollars	220,270	340,465	147,257	172,562
Denominated in other currencies	201,904	208,364	148,202	119,179
Equity securities				
Denominated in Singapore dollars	93,520	53,266	70,417	38,076
Denominated in US dollars	301,787	149,086	269,703	156,937
Denominated in other currencies	66,242	32,870	90,038	29,580
Derivatives				
Interest-rate futures contracts purchased				
- with positive fair value	2,237	2,395	1,603	1,783
- with negative fair value	(1,673)	(6,712)	(1,051)	(2,858)
Interest-rate futures contracts sold				
- with positive fair value	628	6,973	316	2,085
- with negative fair value	(293)	(3,033)	(123)	(1,903)
Forward foreign exchange contracts				
- with positive fair value	3,000	11,961	2,579	6,597
- with negative fair value	(4,967)	(2,090)	(3,549)	(2,297)
Balance carried forward	<u>1,529,284</u>	<u>1,529,965</u>	<u>1,222,642</u>	<u>899,189</u>

Notes to the Financial Statements

	Home Protection Fund		MediShield Fund	
	2009	2008	2009	2008
	S\$'000	S\$'000	S\$'000	S\$'000
Balance brought forward	1,529,284	1,529,965	1,222,642	899,189
Interest-rate and credit default swaps				
- with positive fair value	2,422	21,646	382	7,962
- with negative fair value	(1,108)	(28,975)	(107)	(9,459)
Interest-rate options				
- with positive fair value	-	7,854	-	1,303
- with negative fair value	(508)	(5,333)	(458)	(733)
	<u>1,530,090</u>	<u>1,525,157</u>	<u>1,222,459</u>	<u>898,262</u>

Included in the 2008 investments above are financial assets which have been lent out to third parties. The Home Protection Fund and the MediShield Fund participated in securities lending programme, whereby securities are lent to the lending agent's approved borrowers in return for a fee. These transactions are conducted under terms and conditions that are usual and customary to standard securities lending arrangements.

In return for securities on loan, the Home Protection Fund and MediShield Fund receive both cash and non-cash collateral. These are placed into a pooled fund managed by the lending agent. Cash collateral is invested in approved investments such as debt, money market instruments, certificates of deposits.

In November 2009, the Home Protection Fund and MediShield Fund fully exited the security lending programme. The fair value of the assets on loan and collateral under the security lending programme as at 31 December 2008 are as follows:

	Fair value of assets on loan	Fair value of collateral	% of collateral over assets on loan
	S\$'000	S\$'000	%
Home Protection Fund	112,160	116,800	104.1
MediShield Fund	59,871	62,435	104.3

Lifelong Income Fund**2009
S\$'000**

Held-to-maturity financial assets	
- special issues of Singapore Government securities	1,000,058
- advance deposits	77,349
	<u>1,077,407</u>

For the period from 26 December 2009 to 31 December 2009, the Lifelong Income Fund invested jointly with the CPF in special issues of Singapore Government securities. The special issues of Singapore Government securities are issued specifically to the Board to meet Lifelong Income Fund's interest and other obligations. They do not have quoted market values and cannot be traded in the market. The effective interest rate on these securities is 4% per annum.

The advance deposits are deposits placed with the Accountant-General through the Monetary Authority of Singapore to purchase special issues of Singapore Government securities. The effective interest rate on the advance deposits is 2.5% per annum. The floating rate special issues of Singapore Government securities and advance deposits were converted to fixed rate special issues of Singapore Government securities on 1 January 2010.

Under this investment arrangement with the Singapore Government, the carrying amounts recorded at the date of financial statements are not expected to be significantly different from the values that would eventually be received. In view of this, the carrying amounts of investments in special issues of Singapore Government securities and advance deposits approximate their fair values.

Notes to the Financial Statements

21.5 Financial derivatives

Notional principal of the financial derivatives are as follows:

	Home Protection Fund		MediShield Fund	
	2009	2008	2009	2008
	S\$'000	S\$'000	S\$'000	S\$'000
Interest-rate futures contracts				
- futures contracts purchased	172,017	341,720	88,975	201,264
- futures contracts sold	47,096	302,565	28,091	140,154
Forward foreign exchange contracts	691,617	381,071	512,348	225,567
Interest-rate and credit default swaps	93,961	734,693	23,516	275,451
Interest-rate options	65,705	107,224	42,821	4,034

21.6 Risk management of insurance contracts

Home Protection Fund

- (i) The risks arising from insurance policies issued under the Home Protection Scheme are death and permanent incapacity risks of a relatively homogeneous portfolio of mortgage reducing term insurance policies. These risks do not vary significantly in relation to the location of the risk insured by the Home Protection Fund.

The objectives in managing these risks are:

- (a) to ensure that all legitimate claims of insured members are met;
- (b) to ensure that the Home Protection Fund is financially solvent at all times; and
- (c) to ensure that the Home Protection Scheme is operated in accordance with the CPF Act (Chapter 36, 2001 Revised Edition), the Home Protection Insurance Scheme regulations and the operating policies of the Home Protection Insurance Scheme.
- (ii) The policies, processes and methods for managing insurance risks are:
- (a) to maintain a relatively large portfolio. Experience shows that the larger the portfolio of similar insurance policies, the smaller the relative variability in the expected outcome;
- (b) to manage the Home Protection Fund and insurance contract portfolio in accordance with sound actuarial, financial and accounting principles;
- (c) to adopt an underwriting strategy to recognise and select the insurance risks accepted so that the claim experience is unlikely to deteriorate;
- (d) to review regularly its experience, adequacy of premiums and reserves by the Home Protection Fund's actuarial adviser;
- (e) to retain sufficient surplus to allow for volatility of results; and
- (f) exclude claims arising from war or any warlike operations or participation in any riot.

The insurance contract portfolio's experience, fund solvency and premium adequacy are reviewed by the actuarial adviser of the Home Protection Scheme annually using the Risk-Based Capital Framework issued by the Monetary Authority of Singapore for the valuation of liabilities and establishment of capital requirement rules for insurers. The actuarial adviser also projects the short and medium term solvency position of the Home Protection Fund annually and reports the results to the Board.

Notes to the Financial Statements

- (iii) The terms and conditions of insurance contracts that have a material effect on the amount, timing and uncertainty of the Home Protection Fund's future cash flows are:
- (a) mortality and permanent incapacity risks for policies where single premiums have been charged up front. The Board does not have the right to increase the premiums for these policies based on its mortality experience. This increases the Home Protection Fund's exposure if the experience is worse than what was assumed; and
 - (b) epidemics such as Acquired Immune Deficiency Syndrome ("AIDS") and Severe Acute Respiratory Syndrome ("SARS") or widespread changes in lifestyle could result in earlier and/or more claims than expected.
- (iv) The Home Protection Fund has no major exposure to concentration of risks, other than that the insured members are residing in Singapore.

MediShield Fund

- (i) The risks arising from insurance policies issued under the MediShield Scheme are those of a relatively homogeneous portfolio of health insurance policies.

The objectives in managing these risks are:

- (a) to ensure that all legitimate claims of insured members are met;
- (b) to ensure that the MediShield Fund is financially solvent at all times; and
- (c) to ensure that the MediShield Fund is operated in accordance with the CPF Act (Chapter 36, 2001 Revised Edition), MediShield Scheme regulations and the operating policies of the MediShield Scheme.

- (ii) The policies, processes and methods for managing insurance risks are:

- (a) to manage the MediShield Fund and insurance contract portfolio in accordance with sound actuarial, financial and accounting principles;
- (b) to adopt an underwriting strategy to recognise and select the insurance risks accepted so that the claim experience is unlikely to deteriorate;
- (c) to review regularly its experience, adequacy of premiums and reserves by the MediShield Fund's actuarial adviser; and
- (d) to retain sufficient surplus to allow for volatility of results.

The insurance contract portfolio's experience, fund solvency and premium adequacy are reviewed by the actuarial adviser of the MediShield Fund annually using the Risk-Based Capital Framework issued by the Monetary Authority of Singapore for the valuation of liabilities and establishment of capital requirement rules for insurers and the actuarial adviser reports the results to the Board.

- (iii) The terms and conditions of the MediShield Scheme that have a material effect on the amount, timing and uncertainty of the MediShield Fund's cash flows are:
- (a) the policies provide indemnity benefits covering specified medical and hospitalisation conditions. The amount payable depends on the cost incurred by the insured member in respect of any particular event or treatment and the specified upper limits;
 - (b) the renewal of each insurance policy is guaranteed until the insured member reaches age 85, unless the insured member decides to discontinue cover; and
 - (c) premium discounts which are determined from time to time are offered to insured members from the age of 71 to 85 and the amount of discount depends on the age at entry to the MediShield Scheme.

Notes to the Financial Statements

- (iv) Insurance risks are concentrated on specified individual health risks applicable to residents of Singapore. This concentration is a direct result of the MediShield Scheme consisting of a single medical insurance product. The shared characteristics of the risks insured by the MediShield Fund include:
- (a) hospitalisation as the prime insured event;
 - (b) all insured events occurring within Singapore; and
 - (c) benefit payments being made in Singapore dollars.
- (v) With the exception of continuing outpatient treatments, the amounts of almost all claims are known within one year of the event occurring. For continuing outpatient treatments, each individual claim amount is known within a year, but liabilities to pay for further treatments may continue for several years.

Lifelong Income Fund

- (i) The risks arising from insurance policies issued under the Lifelong Income Scheme are mortality and interest rate risks of a relatively homogeneous portfolio of annuities. These risks do not vary significantly in relation to the location of the risk insured by the Lifelong Income Fund.

The objectives in managing these risks are:

- (a) to ensure that all legitimate payments of insured members are met;
 - (b) to ensure that the Lifelong Income Fund is financially solvent at all times; and
 - (c) to ensure that the Lifelong Income Fund is operated in accordance with the CPF Act (Chapter 36, 2001 Revised Edition), Lifelong Scheme regulations and the operating policies of the Lifelong Income Scheme.
- (ii) The policies, processes and methods for managing insurance risks are:
- (a) to adjust payouts to insured members so that the pool of policies bears all mortality risk and interest rate risk;
 - (b) to invest in special issues of Singapore securities that earn an appropriate interest rate to cover expenses and interest credits for insured members;
 - (c) to review regularly its experience to adjust payout levels as appropriate; and
 - (d) to retain sufficient cash float to allow for volatility in death claims.

The Lifelong Income Scheme enables payouts to be adjusted over time to take accounts of variation in the experience for mortality and net interest credited, so removing that risk from the Fund as a whole. The insurance contract portfolio's experience and fund solvency are reviewed by the actuarial adviser of the Lifelong Income Scheme annually based on the principles of the Risk-Based Capital Framework issued by the Monetary Authority of Singapore for the valuation of liabilities.

- (iii) The terms and conditions of the Lifelong Income Scheme that have a material effect on the amount, timing, and uncertainty of the Lifelong Income Scheme's cash flows are:
- (a) the provision that annual income payments to a member be made while members are alive after the member's payout age, and cease when the member dies;
 - (b) the provision for net investment returns from the assets of the scheme to be allocated among members; and
 - (c) the provision under some contracts for a benefit to be paid to the member's beneficiaries on death.
- (iv) The Lifelong Income Fund has no major exposure to concentration risk other than that the insured members are residing in Singapore.

Notes to the Financial Statements

Dependants' Protection Residual Fund

The Dependants' Protection Scheme was privatised on 17 September 2005. Accordingly, the Dependants' Protection Residual Fund does not bear any risk for insurance contracts issued after that date. However, the Dependants' Protection Residual Fund is still required to bear the risk arising from insurance contracts issued under the Dependants' Protection Scheme prior to privatisation. The main risk is that of death of insured members. To ensure that such death benefits are met, the balance of the previous Dependants' Protection Fund is retained in the Dependants' Protection Residual Fund until all liabilities arising prior to privatisation are met.

21.7 Insurance contract liabilities

The insurance contract liabilities of the Home Protection Fund, MediShield Fund and Lifelong Income Fund are determined in the light of advice received from the Board's independent actuarial advisers. The insurance contract liabilities are valued using the methodology prescribed for insurers in Singapore as stated in the Insurance (Valuation and Capital) Regulations issued by the Monetary Authority of Singapore ("MAS").

In respect of insurance contracts within the Home Protection Fund and MediShield Fund, the Board values the liabilities using realistic assumptions and discounting future cash flows at the appropriate rate. The method of valuation is a gross premium valuation method. The cash flows are projected in accordance with best estimate assumptions. Additional provision is required in the valuation assumptions to allow for any adverse deviation from the best estimate experience. The level of additional provision is reviewed periodically by the independent actuarial advisers to assess its appropriateness and sufficiency. The level of additional provision for adverse deviation for the Home Protection Fund and MediShield Fund are based on common practice in Singapore.

The Lifelong Income Scheme is designed to distribute 100% of its net assets to the insured members via monthly payouts starting from the annuity payout start age of each individual insured member for as long as the member lives. All risks are shared by the insured members. Therefore, for the insurance contracts issued by the Lifelong Income Fund, the insurance contract liabilities are valued as the total net assets held in the Lifelong Income Fund for the benefit of insured members. Valuation assumptions about future experience are not required as the liability value in aggregate is not affected by future interest rates, expenses, withdrawals or mortality rates.

Insurance contract liabilities for the Dependants' Protection Residual Fund are established for claims that have been incurred but which have not been reported to the Central Provident Fund Board as at 31 December 2009 on coverage that had ceased to be active on or before 16 September 2005 and were not transferred to any of the two appointed insurers. These claims may be admitted at a later date after 31 December 2009.

The assumptions used for the valuation of the Home Protection Fund and MediShield Fund are based on those prescribed in the valuation regulations issued by the MAS that apply to insurers in Singapore. Valuation assumptions not prescribed by the MAS are set according to experience studies or common market practice.

The assumptions used for the valuation of the Dependants' Protection Residual Scheme are based on management's assessment after reviewing historical data and making judgments on the number and amount of claims.

No assumptions are applied in the estimation of the insurance contract liabilities for the Lifelong Income Fund.

Notes to the Financial Statements

Home Protection Fund

The key assumptions used are:

(a) Mortality and permanent incapacity rates

Mortality and permanent incapacity rates are set based on experience studies carried out on the Home Protection Fund. Such experience studies are conducted on an annual basis.

(b) Expense loadings

Expense assumptions are set based on an analysis of expense experience of the Home Protection Fund. Such a study is conducted on an annual basis. Consideration is also given to the expense budget that is approved for the following year.

(c) Lapse rates

Lapse rates are set based on experience studies carried out on the Home Protection Scheme. Such experience studies are conducted on an annual basis.

(d) Valuation discount rate

The valuation discount rates are prescribed by the MAS as matching to the Singapore Government Bond yields for cash flows prior to 10 years, a Long Term Risk Free Discount Rate ("LTRFDR") for cash flows after 15 years, and an interpolation of the 10-year Singapore Government Bond yield and the LTRFDR for cash flows between 10 to 15 years. The Singapore Government Bond prices and yields are published on the Singapore Government Securities website.

(e) The following table presents the sensitivity of the value of the insurance contract liabilities to movements in the assumptions used:

	2009		2008	
	Change in variable	Increase in liability S\$'000	Change in variable	Increase in liability S\$'000
Worsening of claim rates	+10%	56,774	+10%	73,097
Shift in risk-free yield curve	-0.5%	13,579	-0.5%	18,749
Worsening of base expense level	+10%	3,269	+10%	5,923
Change in lapse rates	-10%	7,276	-10%	2,527

Notes to the Financial Statements

MediShield Fund

The variability of insurance results will affect the value of insurance liabilities from year to year. Such variations, from the valuation assumptions, are normal and to be expected in an insurance portfolio. The material variables are:

- (a) mortality and lapse rates;
- (b) claim frequency per person covered;
- (c) average claim amount per claim;
- (d) impact of inflation of healthcare costs on claim amounts;
- (e) recovery rates for patients with outpatient claims in payment;
- (f) the premium rates; and
- (g) the discount rate used for calculating the value of liabilities, which is based on the risk free yield curve.

Data used to determine assumptions regarding claim amount, claim frequency, claim recovery, lapse and mortality are sourced from annual reviews of MediShield Fund's experience, augmented by periodic reviews of Singapore hospitalisation data carried out in conjunction with premium and benefit reviews. Data used to support assumptions regarding claim inflation is sourced from general economic published material, augmented by MediShield Fund's experience. Data to determine the discount rate assumed is widely published.

(a) Mortality and lapse rates

The mortality assumptions are based on applying MediShield Fund's experience to the published Singapore mortality table "Singapore Actuarial Society Mortality Investigation 1997 – 2002". Lapse and mortality assumptions are reviewed each year to partially reflect the latest year's experience, and in this way represent a rolling weighted average of past experience.

(b) and (c) Claim frequency and average claim size

Claims assumptions are generally based on past hospitalisation experience data, modified for expected future inflation of these costs and by the benefit design under the MediShield Scheme.

(d) Claim inflation

Future trends in healthcare inflation and healthcare utilisation growth are combined into an assumption of claim inflation. The judgement of this assumption is based on published Singapore economic information, similar experience information from other countries, analysis of past experience, and identification of the forces that may operate in the future to affect this outcome.

(e) Recovery rates for outpatient treatment

The recovery rates are based on an analysis of the experience of the MediShield Scheme over the past five years. The recovery rates vary by the duration that the claimant has been receiving outpatient treatment.

Notes to the Financial Statements

(f) Premium rates

Premiums are assumed not to increase until claims or other experience requires it. The MediShield Fund has no shareholders, and all assets of the MediShield Fund are for the purpose of providing benefits to MediShield members in accordance with the MediShield Scheme. All benefits and premiums for MediShield are set out from time to time in relevant laws and regulations, and can be changed by those laws and regulations.

(g) Valuation discount rate

The valuation discount rate is prescribed by the MAS and effectively assumes the Singapore Government Bond yields for cash flows prior to 10 years, a Long Term Risk Free Discount Rate ("LTRFDR") for cash flows after 15 years, and an interpolation of the 10-year Singapore Government Bond yield and the LTRFDR for cash flows between 10 to 15 years. The Singapore Government Bond yields are published on the Singapore Government Securities website.

The following table presents the sensitivity of the value of the insurance contract liabilities to movements in the assumptions:

		2009		2008
	Change in variable	Increase in liability S\$'000	Change in variable	Increase in liability S\$'000
MediShield Fund				
Increase in average new claim size	+10%	94,193	+10%	125,865
Increase in new claim frequency	+10%	94,193	+10%	125,865
Increase in inflation of claim costs	+1% pa	44,937	+1% pa	43,559
Reduction in recovery rates of outpatient claims	-25%	155,563	-25%	43,153
Increase in long-term premium inflation	+1% pa	98,600	+1% pa	88,467
Shift in risk-free yield curve	-0.5%	60,400	-0.5%	53,469
Change in lapse rates	-50%	37,614	-50%	27,897

Dependants' Protection Residual Fund

The key assumptions used are the maximum claim size under the Dependants' Protection Scheme and the number of expected claims to be notified in the next 10 years. As the Dependants' Protection Scheme has been privatised since September 2005, management are of the view that there will be no further claims relating to the pre-privatisation period after the next 10 years. A decrease of 10% in maximum claim size or number of expected claims will result in a decrease in the insurance contract liabilities by S\$100,000.

Notes to the Financial Statements

21.8 Financial risk management of Insurance Funds***Market risk***

Market risk, such as interest rate risk, foreign currency risk and equity price risk, arises from the investments in global and local debt securities, equities and derivatives when the market values of assets and liabilities do not move consistently as financial markets change. Given the duration of policy liabilities and uncertainty of cash flows of the Home Protection Fund and the MediShield Fund, it is not possible to hold assets that will perfectly match the policy liabilities.

Given the nature of the Lifelong Income Scheme where there is no minimum payout guarantees and payouts are adjusted in response to changes in interest rates, all market risk is borne by the insured members. Accordingly, there is no exposure to market risk for the Lifelong Income Fund.

The Dependants' Protection Residual Fund is not exposed to significant market risk other than interest rate risk as its net assets are held in cash and deposits.

Asset-liability decisions are considered by the Board with an objective of limiting the extent to which solvency can be affected by adverse market and interest rate movements. Market risk is actively managed through the setting of investment policy and asset allocation within the approved risk tolerance limits. The investment policy includes certain restrictions on currency, credit, diversification, borrowing and counterparty risk. Market risk is diversified by investing the assets of the Home Protection Fund and MediShield Fund in different asset classes and various markets. The assets of the Lifelong Income Fund are 100% invested in special issues of Singapore Government securities, advance deposits and cash. The Dependants' Protection Residual Fund only invests in cash. The Board regularly monitors the Home Protection Fund's and MediShield Fund's exposure to different asset classes to satisfy itself that these exposures are within the approved ranges.

Derivatives are financial contracts whose values are derived from the value of underlying assets. They are used for hedging purposes to manage portfolio risk and for efficient portfolio management to improve risk-adjusted performance. The major classes of derivatives are as follows:

- Futures/forwards contracts to buy or sell an asset on or before a future date at a price specified at the time of entry;
- Options contracts that give the owner the right to buy or sell an asset at the strike price, specified at the time of entry and lapsing on the maturity date; and
- Swaps contracts to exchange cash on or before a specified future date based on the underlying value of interest rates or other assets.

Approved guidelines detail the permissible derivative instruments and their risk limits. Ongoing monitoring and reporting are undertaken at various levels to ensure that investment activities are in accordance with the investment guidelines.

Notes to the Financial Statements

Interest rate risk

The Home Protection Fund and MediShield Fund are exposed to both fair value and cash flow interest rate risks as a result of investments in fixed and variable rate debt securities. The interest rates on these investments are determined based on prevailing market rates. The fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Lifelong Income Fund's exposure to interest rate risk is entirely borne by the insured members.

The investments in debt securities are as follows:

	Amount (at fair value)		Percentage of total investment of the Insurance Funds	
	2009 S\$'000	2008 S\$'000	2009 %	2008 %
Home Protection Fund	1,068,803	1,285,249	67.2	84.3
MediShield Fund	792,709	671,189	62.5	74.7

The carrying amounts of debt securities are as follows:

	Effective interest rate (per annum)		Years to maturity					
	2009 %	2008 %	Within 1 year		Between 1 and 5 years		More than 5 years	
			2009 S\$'000	2008 S\$'000	2009 S\$'000	2008 S\$'000	2009 S\$'000	2008 S\$'000
At fair value:								
Denominated in S\$								
Home Protection Fund	0.3 – 5.8	0.4 – 5.1	71,314	32,858	237,863	319,520	337,452	384,042
MediShield Fund	0.3 – 5.8	0.8 – 5.0	55,569	15,093	181,230	164,406	260,451	199,949
Denominated in USD								
Home Protection Fund	0.0 – 11.3	0.2 – 9.3	20,276	21,976	58,772	53,820	141,222	264,669
MediShield Fund	0.0 – 11.3	0 – 9.2	7,176	4,338	38,230	32,087	101,851	136,137
Denominated in other currencies								
Home Protection Fund	0.4 – 7.1	0.3 – 7.1	3,350	2,633	58,237	45,339	140,317	160,392
MediShield Fund	0.4 – 8.2	0.3 – 8.2	1,419	-	59,130	38,619	87,653	80,560

Notes to the Financial Statements

The Insurance Funds also place deposits with financial institutions. The bank deposits all have maturities of less than 1 year. The carrying amounts and effective interest rates of the bank deposits are as follows:

	Effective interest rates (per annum)		Years to maturity less than 1 year	
	2009 %	2008 %	2009 S\$'000	2008 S\$'000
Denominated in S\$				
Home Protection Fund	0.0 – 0.5	0.5 – 0.9	52,300	43,200
MediShield Fund	0.0 – 0.4	0.5 – 0.9	45,900	115,700
Dependants' Protection Residual Fund	0.0 – 0.6	1.0 – 1.8	46,800	46,800
Denominated in USD				
Home Protection Fund	0.0 – 0.0	0.0 – 0.6	4,251	9,276
MediShield Fund	0.0 – 0.0	0.0 – 0.6	6,570	8,943

Foreign currency risk

The Home Protection Fund and MediShield Fund are exposed to foreign exchange risk as a result of global investments. Where exposures are certain, these risks are hedged as appropriate. The sensitivity analysis for reasonably possible movements in key currencies with all other variables constant is detailed in the sensitivity analysis above. As the Lifelong Income Fund only invests in Singapore dollar denominated special issues of Singapore Government securities and advance deposits with the Monetary Authority of Singapore and cash, it is not exposed to any foreign exchange risk. Similarly, as the Dependants' Protection Residual Fund has only Singapore dollar denominated cash and deposits, it is not exposed to foreign exchange risk.

The following table presents the Home Protection Fund's and MediShield Fund's major currency exposure as of the date of the financial statements, expressed in Singapore dollars equivalent.

	Home Protection Fund		MediShield Fund	
	2009 S\$'000	2008 S\$'000	2009 S\$'000	2008 S\$'000
USD	378,501	217,978	318,957	187,867
Euro	69,765	88,539	48,026	44,987
Yen	48,373	51,323	33,975	31,009

Equity price risk

The Home Protection Fund and MediShield Fund are exposed to equity securities price risk because of the investments held which are classified at fair value through profit or loss. The market values of these investments are affected by, amongst others, changes in market prices as a result of changes in the global economic conditions, macro and micro economic factors affecting the country where the investments are quoted, and factors specific to the investee corporations.

Notes to the Financial Statements

The fluctuations in market prices due to the above factors are unforeseen. To manage the price risk arising from investments in equity securities, the Home Protection Fund and MediShield Fund diversify their portfolios across different markets and industries whenever it is appropriate.

The Dependants' Protection Residual Fund and Lifelong Income Fund are not exposed to equity securities price risk.

Sensitivity analysis

The analysis below is presented for reasonably possible movements in key variables with all other variables remaining constant.

Change in variables:	Impact on net assets of Insurance Funds					
	Home Protection Fund		MediShield Fund		Dependants' Protection Residual Fund	
	2009	2008	2009	2008	2009	2008
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Equity price						
+10%	46,155	23,522	43,016	22,459	-	-
-10%	(46,155)	(23,522)	(43,016)	(22,459)	-	-
Foreign currency						
+5%						
USD	18,925	10,899	15,948	9,393	-	-
Euro	3,488	4,427	2,401	2,249	-	-
Yen	2,419	2,566	1,699	1,550	-	-
-5%						
USD	(18,925)	(10,899)	(15,948)	(9,393)	-	-
Euro	(3,488)	(4,427)	(2,401)	(2,249)	-	-
Yen	(2,419)	(2,566)	(1,699)	(1,550)	-	-
Interest rate						
+50 bps	(30,124)	(53,358)	(22,845)	(70,718)	234	234
-50 bps	30,124	53,358	22,845	70,718	(234)	(234)

There is no impact on the net assets of the Lifelong Income Fund as any changes resulting from movements in interest rates will result in a corresponding change in the insurance contract liabilities, so that total assets equal total liabilities.

Notes to the Financial Statements

Concentration risk

An analysis of the concentration of the Home Protection Fund's and MediShield Fund's investments:

	2009 S\$'000	2008 S\$'000	Percentage of investments	
			2009 %	2008 %
Home Protection Fund				
Equity securities				
Singapore	93,520	53,266	6%	4%
Emerging markets	38,622	22,650	2%	2%
Global	329,407	159,306	22%	10%
Debt securities				
Singapore	585,504	736,420	38%	48%
Global	483,299	548,829	32%	36%
MediShield Fund				
Equity securities				
Singapore	70,417	38,076	6%	4%
Emerging markets	96,885	45,553	8%	5%
Global	262,856	140,964	21%	16%
Debt securities				
Singapore	446,817	379,448	37%	42%
Global	345,892	291,741	28%	33%

The Lifelong Income Fund's investments are concentrated in special issues of Singapore Government securities, advance deposits and cash held with a number of financial institutions. The Dependents' Protection Residual Fund only has cash and deposits held with financial institutions.

Credit risk

The maximum exposure at the end of the financial year, in relation to each class of financial assets, is the carrying amount of those assets at the end of the financial year.

The Home Protection Fund and MediShield Fund are exposed to credit risk through (i) investments in cash and debt securities and (ii) exposure to counterparty's credit in derivatives transactions. For the two types of exposures, financial loss may materialise as a result of credit default by the issuer or counterparty. For investments in debt securities, financial loss may also materialise as a result of the widening of credit spread or a downgrade of credit rating. The Lifelong Income Fund has minimal credit risk in respect of investments in special issues of Singapore Government securities and advance deposits with the Monetary Authority of Singapore. Other than the Lifelong Income Fund, the other Insurance Funds also have cash and deposits with financial institutions with good credit ratings.

The Board manages credit risk actively through the setting of minimum credit rating requirements and investment limits for issuers and counterparties within the approved investment guidelines. These limits are reviewed as and when necessary. Ongoing monitoring and reporting are undertaken at various levels to ensure that all investment activities are in accordance with the investment guidelines.

None of the Insurance Funds' insurance and other receivables are past due.

Notes to the Financial Statements

The Home Protection Fund's and MediShield Fund's exposure to credit risk relating to their debt securities and financial derivatives is summarised below (in millions of Singapore dollars):

	AAA*	AA*	A*	BBB*	Below BBB*	Not rated**	Total
	S\$M	S\$M	S\$M	S\$M	S\$M	S\$M	S\$M
Home Protection Fund							
2009							
Singapore Government securities	409.2	-	-	-	-	-	409.2
Other Government bonds	146.3	64.4	2.4	-	-	83.5	296.6
Government Mortgage Backed Securities	35.8	-	-	-	-	-	35.8
Corporate bonds	44.8	125.8	38.9	13.0	-	25.0	247.5
Other fixed income instruments	61.9	13.6	0.8	2.0	0.2	1.1	79.6
Financial derivatives	-	(0.2)	-	-	-	-	(0.2)
Total	698.0	203.6	42.1	15.0	0.2	109.6	1,068.5
2008							
Singapore Government securities	545.2	-	-	-	-	-	545.2
Other Government bonds	119.4	42.2	-	2.6	-	-	164.2
Government Mortgage Backed Securities	112.1	-	-	-	-	-	112.1
Corporate bonds	42.0	100.5	52.6	15.1	0.7	28.8	239.7
Other fixed income instruments	116.6	22.6	3.4	1.5	-	79.9	224.0
Financial derivatives	-	6.2	(1.5)	-	-	-	4.7
Total	935.3	171.5	54.5	19.2	0.7	108.7	1,289.9

Notes to the Financial Statements

	AAA* S\$M	AA* S\$M	A* S\$M	BBB* S\$M	Below BBB* S\$M	Not rated** S\$M	Total S\$M
MediShield Fund							
2009							
Singapore Government securities	328.6	-	-	-	-	-	328.6
Other Government bonds	151.7	24.4	1.6	1.3	-	65.3	244.3
Government Mortgage Backed Securities	24.8	-	-	-	-	-	24.8
Corporate bonds	28.7	81.4	21.2	9.2	-	8.8	149.3
Other fixed income instruments	37.5	7.8	0.3	0.1	-	-	45.7
Financial derivatives	-	(0.4)	-	-	-	-	(0.4)
Total	<u>571.3</u>	<u>113.2</u>	<u>23.1</u>	<u>10.6</u>	<u>-</u>	<u>74.1</u>	<u>792.3</u>
2008							
Singapore Government securities	278.2	-	-	-	-	-	278.2
Other Government bonds	76.6	13.0	-	1.4	-	-	91.0
Government Mortgage Backed Securities	60.7	-	-	-	-	-	60.7
Corporate bonds	28.6	46.3	26.2	8.1	0.1	9.7	119.0
Other fixed income instruments	62.1	11.6	0.8	0.8	-	47.0	122.3
Financial derivatives	-	1.6	0.9	-	-	-	2.5
Total	<u>506.2</u>	<u>72.5</u>	<u>27.9</u>	<u>10.3</u>	<u>0.1</u>	<u>56.7</u>	<u>673.7</u>

*Based on public ratings assigned by external rating agencies including S&P, Moody's or Fitch.

**Based on Internal Ratings of fund managers that is equivalent to S&P rating of "AAA to AA-".

Liquidity risk

In the management of liquidity risk of the Insurance Funds, the Board seeks to ensure that even under adverse conditions, the Insurance Funds have access to the funds necessary to cover for claims and surrenders. The Board monitors and maintains a level of cash and bank balances deemed adequate by management to finance the Insurance Funds' operations and mitigate the effects of fluctuations in cash flows. In addition, the financial assets of the Insurance Funds can be readily sold or redeemed when the need arises.

Notes to the Financial Statements

The following tables show the Insurance Funds' undiscounted financial liabilities with the remaining contractual maturities. For liabilities arising from insurance contracts, the disclosure is the estimated timing of net cash outflows resulting from recognised insurance liabilities i.e. on a discounted basis.

	Less than 1 year S\$'000	More than 1 year S\$'000	Total S\$'000
Home Protection Fund			
2009			
Insurance contract liabilities	73,114	780,580	853,694
Claims intimated or admitted but not paid	18,095	-	18,095
Sundry creditors and other payables	75,928	-	75,928
Total	<u>167,137</u>	<u>780,580</u>	<u>947,717</u>
2008			
Insurance contract liabilities	204,327	638,449	842,776
Claims intimated or admitted but not paid	23,863	-	23,863
Sundry creditors and other payables	189,769	-	189,769
Total	<u>417,959</u>	<u>638,449</u>	<u>1,056,408</u>
MediShield Fund			
2009			
Insurance contract liabilities	27,228	798,577	825,805
Claims intimated or admitted but not paid	5,707	-	5,707
Sundry creditors and other payables	28,177	-	28,177
Total	<u>61,112</u>	<u>798,577</u>	<u>859,689</u>
2008			
Insurance contract liabilities	19,936	817,589	837,525
Claims intimated or admitted but not paid	5,224	-	5,224
Sundry creditors and other payables	100,434	-	100,434
Total	<u>125,594</u>	<u>817,589</u>	<u>943,183</u>
Dependants' Protection Residual Fund			
2009			
Insurance contract liabilities	100	900	1,000
Claims intimated or admitted but not paid	1,894	-	1,894
Sundry creditors and other payables	203	-	203
Total	<u>2,197</u>	<u>900</u>	<u>3,097</u>
2008			
Insurance contract liabilities	654	-	654
Claims intimated or admitted but not paid	2,648	-	2,648
Total	<u>3,302</u>	<u>-</u>	<u>3,302</u>

Notes to the Financial Statements

	Less than 1 year S\$'000	More than 1 year S\$'000	Total S\$'000
<i>Lifelong Income Fund</i>			
2009			
Insurance contract liabilities	23,419	1,054,747	1,078,166

In the management of liquidity risk for the Lifelong Income Fund, there is a level of cash maintained deemed adequate by management to finance its obligations and mitigate the effects of fluctuations in cash flows.

Fair values

The Home Protection Fund and MediShield Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: valuation techniques on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices. For all other financial instruments, the Home Protection Fund and MediShield Fund determines fair values using valuation techniques.

The Home Protection Fund and MediShield Fund uses widely recognised valuation models for determining the fair value of common and more straightforward financial instruments, such as interest rate and currency swaps that use only observable data and require little management judgment and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determination of fair values.

The fair value of the debt securities classified as Level 3 were based on indicative quotes obtained from brokers that otherwise could not be corroborated to market observable data. The Board applied various due-diligence procedures, as considered appropriate, to validate these non-binding broker quotes for reasonableness, including comparing the fair value recognised by the custodian and investment manager.

Notes to the Financial Statements

	Level 1 S\$'000	Level 2 S\$'000	Level 3 S\$'000	Total S\$'000
Home Protection Fund				
2009				
Debt securities	949,522	107,439	11,842	1,068,803
Equity securities	461,549	-	-	461,549
Interest rate futures contracts	899	-	-	899
Forward foreign exchange contracts	-	(1,967)	-	(1,967)
Interest-rate swaps	-	2,322	-	2,322
Credit default swaps	-	-	(1,008)	(1,008)
Interest-rate options	-	(508)	-	(508)
	<u>1,411,970</u>	<u>107,286</u>	<u>10,834</u>	<u>1,530,090</u>
MediShield Fund				
2009				
Debt securities	732,190	47,191	13,328	792,709
Equity securities	430,158	-	-	430,158
Interest rate futures contracts	745	-	-	745
Forward foreign exchange contracts	-	(970)	-	(970)
Interest-rate swaps	-	372	-	372
Credit default swaps	-	-	(97)	(97)
Interest-rate options	-	(458)	-	(458)
	<u>1,163,093</u>	<u>46,135</u>	<u>13,231</u>	<u>1,222,459</u>

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy.

	Debt securities S\$'000	Credit default swaps S\$'000	Total S\$'000
Home Protection Fund			
At 1 January 2009	55,436	(777)	54,659
Gains or losses included in change in fund balance for the period presented in net investment gains	(970)	(56)	(1,026)
Purchases	15,074	(714)	14,360
Sales	(57,604)	539	(57,065)
Settlements	-	-	-
Transfers into Level 3	-	-	-
Transfers out of Level 3	(94)	-	(94)
At 31 December 2009	<u>11,842</u>	<u>(1,008)</u>	<u>10,834</u>

*About \$94,000 of financial assets comprising of available-for-sale debt securities were transferred to level 2 as valuation methodology inputs considered not to be observable in 2008 were available in 2009.

Notes to the Financial Statements

	Debt securities S\$'000	Credit default swaps S\$'000	Total S\$'000
MediShield Fund			
At 1 January 2009	10,662	30	10,692
Gains or losses included in change in fund balance for the period presented in net investment loss	(82)	(100)	(182)
Purchases	13,692	7	13,699
Sales	(10,631)	(34)	(10,665)
Settlements	-	-	-
Transfers into Level 3	-	-	-
Transfers out of Level 3	(313)	-	(313)
At 31 December 2009	<u>13,328</u>	<u>(97)</u>	<u>13,231</u>

*About \$313,000 of financial assets comprising of available-for-sale debt securities were transferred to level 2 as valuation methodology inputs considered not to be observable in 2008 were available in 2009.

Although the Board believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. The favourable and unfavourable effects of using reasonably possible alternative assumptions have been calculated by adjusting the interest rate assumptions within a range of possible alternatives. For fair value measurements in the Level 3 category, changing the assumptions used to reasonably possible alternative assumptions would have the following effects:

	Debt securities S\$'000	Credit default swaps S\$'000
Impact on net assets of:		
Home Protection Fund		
- Favourable change	328	-
- Unfavourable change	(328)	-
MediShield Fund		
- Favourable change	395	-
- Unfavourable change	<u>(395)</u>	-

The carrying amount of financial assets and liabilities with a maturity of less than a year including cash and cash equivalents, insurance and other receivables, sundry creditors and other payables are assumed to approximate their fair values due to the short period to maturity.

The carrying amounts of special issues of Singapore Government securities and advance deposits in the Lifelong Income Fund approximate their fair values due to the investment arrangement with the Singapore Government as disclosed in note 21.4.

Notes to the Financial Statements

The aggregate net fair values of recognised financial assets and liabilities which are not carried at fair value in the statements of net assets at 31 December are represented in the following table:

Financial assets	2009	
	Carrying amount S\$'000	Fair value S\$'000
Held-to-maturity financial assets		
- special issues of Singapore Government securities	1,000,058	1,000,058
- advance deposits	77,349	77,349
	<u>1,077,407</u>	<u>1,077,407</u>

22 Related parties

The funds managed by the Board need not comply with the requirements of paragraphs 17 to 22 of SB-FRS 24 – “Related Party Disclosures” with respect to the disclosures of transactions and balances with parent Ministry and other state-controlled entities.

Key management compensation

Key management personnel of the Board are those persons having the authority and responsibility for planning, directing and controlling the activities of the fund. The members and core management of the Board are considered to be key management personnel.

	2009 S\$'000	2008 S\$'000
Salaries and other short-term employee benefits	3,945	4,408
Post-employment benefits	<u>142</u>	<u>146</u>

Notes to the Financial Statements

23 New accounting standards not yet effective

The Board has not applied the following accounting standards (including its consequential amendments) that have been issued as of the date of financial statements but are not yet effective:

- Amendments to SB-FRS 32 *Financial Instruments: Presentation - Classification of Rights Issues*
- Amendments to SB-FRS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*
- Amendments to SB-FRS 101 *First-time Adoption of Statutory Board Financial Reporting Standards: Additional Exemptions for First-time Adopters*
- Amendments to SB-FRS 102 *Share-based payment - Group Cash-settled Share-based Payment*
- Amendments to INT SB-FRS 109 *Reassessment of Embedded Derivatives* and SB-FRS 39 *Financial Instruments: Recognition and Measurement – Embedded Derivatives*
- SB-FRS 103 (revised) *Business Combinations*
- Improvements to SB-FRSs 2009
- INT SB-FRS 114 *Prepayments of a Minimum Funding Requirement*
- INT SB-FRS 117 *Distribution of Non-cash Assets to Owners*
- INT SB-FRS 118 *Transfers of Assets from Customers*
- INT SB-FRS 119 *Extinguishing Financial Liabilities with Equity Instruments*

The Board is evaluating the initial application of the above standards and interpretations for the impact on the Board's financial statements. The Board has not considered the impact of the accounting standards issued after the date of financial statements.