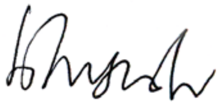
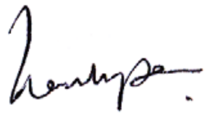
Statement by the Members of the Board

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 2008, 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

26 March 2009

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 2008, 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. As disclosed and further set out in note 25, the financial statements for the financial year ended 31 December 2007 were audited by the Auditor-General whose report dated 27 March 2008 expressed an unqualified opinion on those financial statements.

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.

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 2008 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
26 March 2009

Statement of Net Assets of Funds

As at 31 December 2008

	Note	2008	2007
		S$'000	S$'000
Central Provident Fund			**(note 24)**
Total assets			
Property, plant and equipment	4	118,163	123,505
Intangible assets	5	22,417	10,318
Investment properties	6	45,603	47,336
Investments	7	150,847,587	134,909,873
Staff loans	8	110	258
Debtors and other receivables	9	1,402,849	1,265,378
Cash and cash equivalents	10	918,156	2,185,789
		153,354,885	138,542,457
Total liabilities			
Creditors, accruals and provisions	11	187,022	154,121
Contribution payable to Government Consolidated Fund	12	-	858
		187,022	154,979
Net assets of the Central Provident Fund	3	153,167,863	138,387,478

Insurance Funds

	Note	2008	2007
Net assets			
Home Protection Fund	21	668,040	738,166
MediShield Fund	21	205,324	275,563
Dependants' Protection Residual Fund	21	44,161	43,166

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

Central Provident Fund

	Note	2008 S$'000	2007 S$'000
			(note 24)
Movements in members' accounts			
Contributions credited in the year		19,438,846	17,685,922
Government grants:			
CPF Housing Grant Scheme		292,234	228,849
Home Ownership Plus Education Scheme		16,223	11,964
Medisave Top-Up Scheme		221,214	380
Retirement Top-Up Scheme		3	627
Senior Citizens' Bonus Scheme		38,445	36,247
Senior Pensioners' Grant Scheme		-	7,363
Older Pensionable MP & Office Holder Scheme		-	1,828
Deferment Bonus Scheme		164,127	-
Dividends:			
Special Discounted Shares Scheme		122,544	211,822
Interest credited in the year		5,455,108	4,228,015
		25,748,744	22,413,017
Less: Refund of contributions:			
Section 75 of CPF Act	(a)	45,009	50,835
Regulations 11 and 17 CPF (Self-Employed Persons) Regulations	(b)	3,668	2,033
Other refunds	(c)	12,675	14,370
		61,352	67,238
Less: Net transfer to Reserve Account		934	802

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

	Note	2008	2007
		S$'000	S$'000
Central Provident Fund			**(note 24)**
Less: Withdrawals (net of refunds) by members:			
Sections 15 and 25 of CPF Act	(d)	2,799,753	3,081,004
Amount restored from Reserve Account	(e)	185	256
Public Housing Scheme		4,499,956	4,678,989
Home Protection Scheme		50,766	35,794
Residential Properties Scheme		1,347,028	1,188,949
Medisave Scheme		558,198	517,088
Investment Scheme		496,186	1,402,081
Minimum Sum Scheme		306,551	338,273
Dependants' Protection Scheme		174,367	167,770
Education Scheme		36,570	46,008
MediShield Scheme		322,350	253,231
Private Medical Insurance Scheme		194,664	173,027
ElderShield Scheme		227,743	133,364
		11,014,317	12,015,834
Add: Excess of refunds over withdrawals:			
Non-Residential Properties Scheme		11,831	11,894
Special Discounted Shares Scheme		36,234	442,059
		48,065	453,953
Movements in members' accounts		14,720,206	10,783,096

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

Statement of Changes in Fund Balances

Year ended 31 December 2008

	Note	2008	2007
		S$'000	S$'000
Central Provident Fund			(note 24)
Movements in Reserve Account			
Transfer from members' accounts		934	802
Movements in fair value reserve			
Changes in fair value of available-for-sale equity securities		(708)	-
Income and expenditure for the year taken to accumulated surplus			
Income			
Income from investments	13	5,567,274	4,236,578
Agency, consultancy and data processing fees	14	46,430	47,899
Rent, service charges and car park receipts	15	20,193	15,175
Interest income from bank deposits		12,425	120,298
Penalty interest on late contributions		11,641	10,779
Miscellaneous revenue	16	2,114	2,619
		5,660,077	4,433,348
Less: Expenditure			
Salaries and staff benefits	17	86,237	83,141
Professional and other charges		10,967	6,633
Depreciation and amortisation	4,5,6	9,631	10,355
Computer software and supplies		8,701	8,528
Maintenance of buildings and equipment		7,974	7,321
General and administrative expenditure	18	5,993	6,728
Printing and postage		5,698	5,696
Public utilities		4,475	3,546
Property tax		3,404	2,301
Publicity and campaigns		1,936	1,688
Bad debts expense		-	3
		145,016	135,940
Less: Interest credited to members' accounts		5,455,108	4,228,015
Surplus for the year before contribution to Government Consolidated Fund		59,953	69,393
Less: Contribution to Government Consolidated Fund	12	-	616
Net surplus for the year		59,953	68,777
Net increase in the Central Provident Fund during the year		14,780,385	10,852,675
Net assets of the Central Provident Fund as at 1 January		138,387,478	127,534,803
Net assets of the Central Provident Fund as at 31 December		153,167,863	138,387,478
Represented by:			
Members' accounts	3	151,307,064	136,586,858
Reserve Account	3	37,784	36,850
		151,344,848	136,623,708
Accumulated surplus	3	1,823,723	1,763,770
Fair value reserve	3	(708)	-
		153,167,863	138,387,478

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

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.

	Note	2008 S$'000	2007 S$'000
Central Provident Fund			
Cash flows from operating activities			
Surplus for the year before contribution to Government Consolidated Fund		59,953	69,393
Adjustments for:			
Depreciation and amortisation		9,631	10,355
Interest credited to members' accounts		5,455,108	4,228,015
Net gain from the sale of investment properties		(1,495)	(856)
Net gain from the sale of property, plant and equipment		-	(756)
Property, plant and equipment written off		279	-
Income from investments and interest income from bank deposits		(5,579,699)	(4,356,876)
Deficit before working capital changes		(56,223)	(50,725)
Changes in working capital:			
Debtors and other receivables		9,701	(1,875)
Creditors, accruals and provisions		23,661	(18,603)
Cash used in operations		(22,861)	(71,203)
Add cash flows from:			
Contributions, Government grants and dividends received		20,293,636	18,185,002
Withdrawals by members		(10,966,252)	(11,561,881)
Refunds of contributions		(61,352)	(67,238)
Net placement of advance deposits		(2,291,581)	(26,813,420)
Net (acquisition)/redemption of special issues of Singapore Government securities		(12,699,034)	10,822,466
Net repayment of staff loans		148	158
Interest received		5,413,383	4,273,853
Payment of Contribution to Government Consolidated Fund		(858)	(1,250)
Net cash used in operating activities		(334,771)	(5,233,513)
Cash flows from investing activities			
Payments for purchase of property, plant and equipment		(1,725)	(2,402)
Payments for purchase of intangible assets		(10,645)	(7,768)
Proceeds from sale of investment properties		2,401	1,650
Proceeds from sale of property, plant and equipment		-	1,719
Acquisition of other held-to-maturity securities		(940,075)	-
Acquisition of available-for-sale equity securities		(9,918)	-
Interest received from other held-to-maturity securities		21,274	-
Dividend received		56	-
Net cash used in investing activities		(938,632)	(6,801)
Net decrease in cash and cash equivalents		(1,273,403)	(5,240,314)
Cash and cash equivalents as at 1 January		2,162,958	7,403,272
Cash and cash equivalents as at 31 December	10	889,555	2,162,958

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

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board on 26 March 2009.

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 and Dependants' Protection Residual 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.

As set out in the Act, the Board is the trustee of the CPF and the administrator of the Home Protection, MediShield and Dependants' Protection Residual 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.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements is included in the following notes:

Note 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 assets
Note 20 – Fair value of financial instruments
Note 21.7 – Valuation of actuarial liabilities

As mentioned in note 1, all the Board's financial activities are reported under the respective funds. Accordingly, the Board adopted SB-FRS 26 – *"Accounting and Reporting by Retirement Benefit Plans"* in the preparation of the financial statements and the financial transactions of the funds have been presented in the statement of net assets of funds and statement of changes in fund balances. This is further explained in note 24.

In prior years, the actuarially determined liabilities to policyholders of the Insurance Funds managed by the Board were presented as off-balance sheet amounts in the financial statements. In accordance with SB-FRS 104 – *"Insurance Contracts",* these are now included within the total liabilities of the Insurance Funds, as further explained in note 24.

In prior years, cash flow statements have not been presented for the Insurance Funds. In accordance with SB-FRS 1 – *"Presentation of Financial Statements",* cash flow statements have been presented for the separate Insurance Funds for the year ended 31 December 2008. Comparatives information has also been presented which is unaudited.

During the year, the funds managed by the Board adopted SB-FRS 107 – *"Financial Instruments: Disclosures"* which requires additional disclosures with respect to financial instruments. This additional information is disclosed in notes 20 and 21.

Except for the above changes, the accounting policies set out below have been applied consistently by the Board. The accounting policies used by the Board 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, interest income from investments and bank deposits are recognised as it accrues, 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 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.

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 and Dependants' Protection Residual Fund are charged to the respective funds when incurred.

2.4 Insurance contracts

Insurance contracts issued under the Home Protection and MediShield Schemes transfer insurance risk. Insurance contracts are those contracts under which the Insurance Funds accept significant insurance risk from the policyholder by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event adversely affects the policyholder.

The Board is not required to unbundle any insurance contract as the current 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 policyholders 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 on 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.

(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. The actuarial valuation basis is determined by the Board's independent actuarial advisers. Refer to note 21.7.

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 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.

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

Freehold land and 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 20 years
Furniture and fittings	8 years
Data processing equipment	3 to 5 years
Other assets	30 years

Fully depreciated assets are retained in the books 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.

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 20 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 retained in the books 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 freehold land and land with statutory 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.

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.

2.11 Financial assets and liabilities

(a) Investments

CPF classifies its investments as "financial assets, held-to-maturity" and "financial assets, available-for-sale". The Insurance Funds classify their investments as "financial assets, at fair value through profit and loss". 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 Fund's 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 purpose.

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.

(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 are categorised as held-for-trading and recognised initially at fair value; attributable transaction costs are recognised in the income and expenditure of the fund when incurred. Subsequent to initial recognition, derivatives are measured at fair value. 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 short-term 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.

(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 assets recognised previously in fair value reserve is transferred to the income and expenditure of the fund.

Impairment losses is respect of financial assets measured at amortise 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 financial statements. Non-monetary items carried 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 the respective fund statement.

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 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.

3 Central Provident Fund

	Members' accounts	Reserve Account	Accumulated surplus	Fair value reserve	Total
	S$'000	S$'000	S$'000	S$'000	S$'000
At 1 January 2007	125,803,762	36,048	1,694,993	-	127,534,803
Movement during the year	10,783,096	802	68,777	-	10,852,675
At 31 December 2007	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

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.

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 2007	32,423	100,705	17,259	58,005	973	16,623	913	310	227,211
Additions	-	-	982	645	32	4,075	2,671	-	8,405
Disposals	-	(1,266)	-	(1,307)	(233)	(239)	-	-	(3,045)
Reclassification	-	-	-	913	-	-	(913)	-	-
At 31 December 2007	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
Accumulated depreciation									
At 1 January 2007	5,666	35,187	2,836	43,433	734	14,716	-	155	102,727
Depreciation for the year	326	2,734	721	3,060	61	1,509	-	10	8,421
Disposals	-	(355)	-	(1,270)	(218)	(239)	-	-	(2,082)
At 31 December 2007	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
Carrying amount									
At 1 January 2007	26,757	65,518	14,423	14,572	239	1,907	913	155	124,484
At 31 December 2007	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

Depreciation charges amounting to S$3,000 (2007: S$3,000) and S$2,000 (2007: S$1,000) were allocated to Home Protection Fund and MediShield Fund respectively. The remaining depreciation charge of S$8,070,000 (2007: S$8,417,000) was accounted for under the Central Provident Fund.

5 Intangible assets

	Computer software S$'000	Intangible assets under development S$'000	Total S$'000
Cost			
At 1 January 2007	5,535	86	5,621
Additions	222	8,807	9,029
Reclassification	92	(92)	-
At 31 December 2007	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
Accumulated amortisation			
At 1 January 2007	3,248	-	3,248
Amortisation charge for the year	1,084	-	1,084
At 31 December 2007	4,332	-	4,332
Amortisation charge for the year	734	-	734
At 31 December 2008	5,066	-	5,066
Carrying amount			
At 1 January 2007	2,287	86	2,373
At 31 December 2007	1,517	8,801	10,318
At 31 December 2008	1,290	21,127	22,417

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

6 Investment properties

	S$'000
Cost	
At 1 January 2007	60,264
Disposals	(1,121)
At 31 December 2007	59,143
Disposals	(1,375)
At 31 December 2008	57,768
Accumulated depreciation	
At 1 January 2007	11,281
Depreciation for the year	854
Disposals	(328)
At 31 December 2007	11,807
Depreciation for the year	827
Disposals	(469)
At 31 December 2008	12,165
Carrying amount	
At 1 January 2007	48,983
At 31 December 2007	47,336
At 31 December 2008	45,603
Fair value	
At 1 January 2007	145,310
At 31 December 2007	267,471
At 31 December 2008	214,000

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

Land includes freehold land and land with statutory grant at cost of S$10,178,000 (2007: S$10,178,000).

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

	2008 S$'000	2007 S$'000
Rental income from investment properties	6,977	5,290
Direct operating expenses (including repairs and maintenance) arising from investment properties that:		
- generate rental income	2,538	2,024
- did not generate rental income	91	77

7 Investments

	Note	2008 S$'000	2007 S$'000
Held-to-maturity financial assets			
- special issues of Singapore Government securities	(a)	141,325,495	128,626,461
- advance deposits	(b)	8,574,993	6,283,412
- Singapore Government securities	(c)	424,571	-
- Statutory Board bonds	(c)	468,843	-
- corporate bonds	(c)	44,475	-
		150,838,377	134,909,873
Available-for-sale financial assets			
- equity securities-Singapore	(c)	9,210	-
		150,847,587	134,909,873
Available-for-sale financial assets			
At 1 January		-	-
Additions			
- equity securities-Singapore		9,918	-
Fair value loss recognised in fair value reserve		(708)	-
At 31 December		9,210	-

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% (2007: 2.5% and 4.0%) per annum for the securities are pegged to the rates at which the Board pays interest to the members of CPF.

Under this unique 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.

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% (2007: 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 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.

8 Staff loans

The total outstanding loans to staff are as follows:

	2008 S$'000	2007 S$'000
Amount receivable		
- within 1 year	31	54
- after 1 year	79	204
	110	258

The staff loans bore interest at rates ranging from 4.25% to 5.00% (2007: 4.25% to 5.0%) per annum and are repayable by monthly instalments over a period of up to 25 years.

9 Debtors and other receivables

	2008 S$'000	2007 S$'000
Debtors		
- scheme	7,439	2,584
- non-scheme	16,834	31,320
Accrued interest receivable	1,376,508	1,229,336
Deposits paid	104	101
Prepayments	1,964	2,037
	1,402,849	1,265,378

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.

10 Cash and cash equivalents

	2008 S$'000	2007 S$'000
Cash at bank	133,030	182,879
Bank deposits	785,126	2,002,910
Cash and cash equivalents	918,156	2,185,789
Cash at bank managed by the Board on behalf of other ministries	(28,601)	(22,831)
Cash and cash equivalents in the cash flow statement	889,555	2,162,958

The weighted average effective interest rates per annum relating to cash and cash equivalents are 0.06% to 3.02% (2007: 0.10% to 2.70%).

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

	2008	2007
	S$'000	S$'000
Creditors		
- scheme	113,445	87,917
- non-scheme	45,841	40,203
Security, renovation and rental deposits received	5,562	3,884
Accrued expenses	6,113	5,202
Provisions	16,061	16,915
	187,022	154,121

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

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 2008.

13 Income from investments

	2008 S$'000	2007 S$'000
Interest income from held-to-maturity investments		
- special issues of Singapore Government securities	5,427,509	4,168,406
- advance deposits	118,435	68,172
- Singapore Government securities	8,356	-
- Statutory Board bonds	11,993	-
- corporate bonds	925	-
Dividend income	56	-
	5,567,274	4,236,578

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:

	2008 S$'000	2007 S$'000
Ministry of Manpower		
Foreign Workers' Levy	6,479	5,681
Skills Development Levy	487	375
Workfare Income Supplement Scheme	6,591	-
Ministry of Finance		
Government Top-Up Schemes	45	95
Growth Dividend	2,662	348
SingPass	577	2,426
Workfare Income Supplement Scheme	-	1,759
Goods and Services Tax Offset Package	3,873	8,894
Small and Medium Enterprise Rebate Scheme	370	488
SingPass Reset	252	-
Ministry of Health		
Medisave Scheme	2,411	2,157
Government Top-Up Schemes	460	-

	2008 S$'000	2007 S$'000
Ministry of Community Development, Youth and Sports		
Mosque Building Fund	125	119
Government Paid Maternity Leave Scheme	1,222	997
Government Paid Childcare Leave Scheme	189	-
Ministry of Education		
Edusave Pupils Fund	110	228
Post Secondary Education Fund	130	-
Ministry of National Development		
CPF Housing Grant	82	108
Ministry of Defence		
National Service Bonus	25	101
Others		
Deferment Bonus Scheme	550	-
Workfare Bonus Scheme	-	3,387
New Singapore Shares	-	1,260
Economic Restructuring Shares	1,489	2,198

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:

	2008 S$'000	2007 S$'000
Receivable		
- within 1 year	20,543	12,058
- after 1 year but within 5 years	11,392	13,571
	31,935	25,629

16 Miscellaneous revenue

Included in miscellaneous revenue are the following items:

	2008 S$'000	2007 S$'000
Property, plant and equipment written off	279	-
Gain on disposal of property, plant and equipment	-	756
Gain on disposal of investment properties	1,495	856

17 Salaries and staff benefits

Included in salaries and staff benefits are the following items:

	2008 S$'000	2007 S$'000
Staff administering Central Provident Fund		
Employer's CPF contribution	8,539	8,363
Staff welfare and training	3,470	2,942
Board members' allowance	190	175
Advisory services provided by board member	256	256
Staff administering Home Protection Fund		
Employer's CPF contribution	257	263
Staff administering MediShield Fund		
Employer's CPF contribution	236	200
Staff administering Dependants' Protection Residual Fund		
Employer's CPF contribution	1	38

18 General and administrative expenditure

Included in general and administrative expenditure are the following items:

	2008 S$'000	2007 S$'000
Rental expense of equipment	2,095	1,306

19 Future capital expenditure

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

	2008 S$'000	2007 S$'000
Amount approved and contracted for	16,238	13,771
Amount approved but not contracted for	77,895	78,610
	94,133	92,381

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 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.

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

	Effective interest rate (per annum)		Years to maturity: Within 1 year		Between 1 and 5 years		More than 5 years	
	2008	2007	2008	2007	2008	2007	2008	2007
	%	%	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Special issues of Singapore Government securities	2.5 - 5.0	2.5 - 4.0	11,280,000	18,106,281	45,700,000	78,920,180	84,345,495	31,600,000
Advance deposits	2.5	2.5	8,574,993	6,283,412	-	-	-	-
Singapore Government securities	3.1 - 4.0	-	-	-	-	-	424,571	-
Statutory Board bonds	2.2 - 4.9	-	-	-	26,780	-	442,063	-
Corporate bonds	2.4 –5.0	-	-	-	22,037	-	22,438	-
Cash and cash equivalents	0.1 - 3.0	0.1 - 2.7	423,476	2,185,789	327,280	-	167,400	-
			20,278,469	26,575,482	46,076,097	78,920,180	85,401,967	31,600,000

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.

	Impact on fund balance	
Change in variables	**2008** **S$'000**	**2007** **S$'000**
Equity price		
+10%	0.92	-
-10%	(0.92)	-
Interest rate		
+50bps	2,248	2,545
-50bps	(2,248)	(2,545)

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.

	AAA* S$M	AA-* S$M	Not rated** S$M	Total S$M
Debt securities				
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, S&P.

** 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.

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 at the reporting date. The fair value of held-to-maturity financial assets is determined for disclosure purpose 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 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 unique 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:

	2008		2007	
	Carrying amount S$'000	**Fair value S$'000**	**Carrying amount S$'000**	**Fair value S$'000**
Financial assets				
Held-to-maturity financial assets				
- special issues of Singapore Government securities	141,325,495	141,325,495	128,626,461	128,626,461
- advance deposits	8,574,993	8,574,993	6,283,412	6,283,412
- Singapore Government securities	424,571	459,994	-	-
- Statutory Board bonds	468,843	494,560	-	-
- corporate bonds	44,475	41,513	-	-
	150,838,377	150,896,555	134,909,873	134,909,873

21 Insurance Funds

	Note	Home Protection Fund		MediShield Fund		Dependants' Protection Residual Fund	
		2008 S$'000	2007 S$'000 (restated) (note 24)	2008 S$'000	2007 S$'000 (restated) (note 24)	2008 S$'000	2007 S$'000 (restated) (note 24)
Total assets							
Investments	21.4	1,525,157	1,728,074	898,262	1,071,698	-	-
Insurance & other receivables		122,496	118,149	112,765	32,693	162	7
Accrued interest receivable		13,313	14,098	7,102	6,939	115	164
Cash and cash equivalents							
- Bank deposits		52,476	66,203	124,643	43,208	46,800	48,313
- Cash and bank balances		11,006	8,862	5,735	6,473	386	375
		1,724,448	1,935,386	1,148,507	1,161,011	47,463	48,859

The assets of the Insurance Funds are current assets.

Total Liabilities

(i) Insurance contract liabilities

	Home Protection Fund 2008	Home Protection Fund 2007	MediShield Fund 2008	MediShield Fund 2007	Dependants' Protection Residual Fund 2008	Dependants' Protection Residual Fund 2007
Balance as at 1 January	977,478	1,122,729	807,131	625,841	1,220	3,360
Valuation premium	84,962	82,363	284,443	237,815	-	-
Liabilities released for payments on death and other terminations	(232,257)	(227,598)	(4,349)	(5,378)	(436)	(2,140)
Accretion of interest	16,119	38,250	26,437	22,633	-	-
Other movements	30,604	(13,243)	(71,930)	(242,811)	(130)	-
New business	6,793	18,127	5,342	1,064	-	-
Change in valuation basis	(41,060)	(57,727)	(209,549)	167,967	-	-
Effect of zerorisation of reserves	(15,761)	-	-	-	-	-
Change in incurred but not reported claims	15,898	14,577	-	-	-	-
Balance as at 31 December	842,776	977,478	837,525	807,131	654	1,220
Current portion	204,327	227,453	19,936	14,446	654	1,220
Non current portion	638,449	750,025	817,589	792,685	-	-
	842,776	977,478	837,525	807,131	654	1,220

The movement in the insurance contract liabilities for the year ended 31 December 2007 is unaudited.

	Note	Home Protection Fund		MediShield Fund		Dependants' Protection Residual Fund	
		2008 S$'000	2007 S$'000 (restated) (note 24)	2008 S$'000	2007 S$'000 (restated) (note 24)	2008 S$'000	2007 S$'000 (restated) (note 24)
(ii) Claims intimated or admitted but not paid							
Balance as at 1 January		42,370	51,783	2,027	2,319	4,292	11,755
Claims paid		(113,952)	(116,897)	(157,456)	(137,654)	(1,440)	(3,195)
Claims incurred		95,445	107,484	160,653	137,362	(204)	(4,268)
Balance as at 31 December		23,863	42,370	5,224	2,027	2,648	4,292
(iii) Sundry creditors and other payables		189,769	177,372	100,434	76,290	-	181
Total liabilities		1,056,408	1,197,220	943,183	885,448	3,302	5,693
Net assets		668,040	738,166	205,324	275,563	44,161	43,166

The claims intimated or admitted but not paid, and sundry creditors and other payables are all current liabilities.

21.1 Changes in insurance fund balances

	Note	Home Protection Fund		MediShield Fund		Dependants' Protection Residual Fund	
		2008 S$'000	2007 S$'000 (restated) (note 24)	2008 S$'000	2007 S$'000 (restated) (note 24)	2008 S$'000	2007 S$'000 (restated) (note 24)
At 1 January		738,166	591,286	275,563	299,925	43,166	37,816
Add:							
Insurance premiums		101,684	93,932	302,851	238,899	-	-
Interest income from bank deposits		518	1,030	615	1,221	755	1,269
Miscellaneous revenue		-	-	-	-	62	1,778
		102,202	94,962	303,466	240,120	817	3,047
Less:							
Claims		95,445	107,484	160,653	137,362	(204)	(4,268)
Surrenders		50,913	58,121	-	-	-	-
Premium rebates		5	16	-	-	-	-
Return of insurance premium		-	-	-	-	44	63
Net investment loss/(gain)	21.3	152,499	(80,012)	173,130	(61,222)	-	-
Net foreign exchange loss/(gain)		-	-	-	-	1	(1)
Professional and other charges		4,799	4,281	6,061	4,955	96	1,484
Salaries and staff benefits		2,231	2,258	2,083	1,662	5	316
Computer software and supplies		433	431	4	3	-	3
General and administrative expenditure		372	333	267	175	10	18
Maintenance of buildings and equipment		169	171	10	245	-	8
Printing and postage		155	233	1,099	10	-	74
Publicity and campaigns		6	14	-	-	-	-
Depreciation		3	3	2	1	-	-
Net change in insurance contract liabilities		(134,702)	(145,251)	30,394	181,290	(130)	-
Funds transferred to private insurer		-	-	2	1	-	-
At 31 December		668,040	738,166	205,324	275,563	44,161	43,166

21.2 Cash flow statements

	Note	Home Protection Fund		MediShield Fund		Dependants' Protection Residual Fund	
		2008 S$'000	2007 S$'000 (restated) (note 24)	2008 S$'000	2007 S$'000 (restated) (note 24)	2008 S$'000	2007 S$'000 (restated) (note 24)
Operating activities							
Change in net assets		(70,126)	146,880	(70,239)	(24,362)	995	5,350
Adjustments for:							
Interest and dividend income		(55,969)	(62,643)	(32,264)	(31,459)	(755)	(1,269)
		(126,095)	84,237	(102,503)	(55,821)	240	4,081
Changes in working capital:							
Investments		202,917	79,908	173,436	(210,999)	-	-
Insurance and other receivables		(4,486)	7,933	(80,189)	(17,396)	(155)	470
Insurance contract liabilities		(134,702)	(145,251)	30,394	181,290	(566)	(2,140)
Claims intimated or admitted but not yet paid		(18,507)	(9,413)	3,197	(292)	(1,644)	(7,463)
Sundry creditors and other payables		12,397	(49,064)	24,144	61,138	(181)	72
Cash (utilised in)/generated from operations		(68,476)	(31,650)	48,479	(42,080)	(2,306)	(4,980)
Interest received		47,898	51,902	23,685	18,733	-	-
Dividend received		8,995	10,848	8,533	9,542	804	1,160
Cash flows from operating activities		(11,583)	31,100	80,697	(13,805)	(1,502)	(3,820)
Net (decrease)/increase in cash and cash equivalents		(11,583)	31,100	80,697	(13,805)	(1,502)	(3,820)
Cash and cash equivalents as at 1 January		75,065	43,965	49,681	63,486	48,688	52,508
Cash and cash equivalents as at 31 December		63,482	75,065	130,378	49,681	47,186	48,688

The cash flow statements for the year ended 31 December 2007 have not been audited.

21.3 Net investment (loss)/gain

	Home Protection Fund		MediShield Fund	
	2008	2007	2008	2007
	S$'000	S$'000	S$'000	S$'000
Interest income	46,595	50,853	23,233	20,861
Dividend income	8,856	10,760	8,416	9,377
Net fair value (loss)/gain	(203,124)	24,368	(205,446)	32,889
Net foreign exchange (loss)/gain	(1,525)	(1,618)	2,988	1,159
Miscellaneous revenue	708	87	403	34
Fund management fees	(4,009)	(4,438)	(2,724)	(3,098)
	(152,499)	80,012	(173,130)	61,222

The net fair value (loss)/gain includes both the realised and unrealised fair value (loss)/gain 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	
	2008	2007	2008	2007
	S$'000	S$'000	S$'000	S$'000
Debt securities				
Denominated in Singapore dollars	736,420	723,499	379,448	355,712
Denominated in US dollars	340,465	382,247	172,562	180,434
Denominated in other currencies	208,364	192,980	119,179	113,592
Equity securities				
Denominated in Singapore dollars	53,266	88,704	38,076	65,300
Denominated in US dollars	149,086	178,729	156,937	214,466
Denominated in other currencies	32,870	154,709	29,580	136,554
Derivatives				
Interest-rate futures contracts purchased				
- with positive fair value	2,395	157	1,783	298
- with negative fair value	(6,712)	(2,143)	(2,858)	(1,025)
Interest-rate futures contracts sold				
- with positive fair value	6,973	2,578	2,085	1,117
- with negative fair value	(3,033)	(347)	(1,903)	(138)
Balance carried forward	1,520,094	1,721,113	894,889	1,066,310

	Home Protection Fund		MediShield Fund	
	2008	2007	2008	2007
	S$'000	S$'000	S$'000	S$'000
Balance brought forward	1,520,094	1,721,113	894,889	1,066,310
Forward foreign exchange contracts				
- with positive fair value	11,961	4,198	6,597	2,867
- with negative fair value	(2,090)	(2,947)	(2,297)	(1,377)
Interest-rate and credit default swaps				
- with positive fair value	21,646	10,542	7,962	4,973
- with negative fair value	(28,975)	(7,261)	(9,459)	(1,315)
Interest-rate options				
- with positive fair value	7,854	6,842	1,303	2,101
- with negative fair value	(5,333)	(4,413)	(733)	(1,861)
	1,525,157	1,728,074	898,262	1,071,698

Included in the investments above are financial assets which have been lent out to third parties. The Home Protection Fund and the MediShield Fund currently participate in a 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.

As at 31 December 2008 and 2007, the fair value of the assets on loan and collateral under the security lending programme are as follow:

	Fair value of assets on loan		Fair value of collateral		% of collateral over assets on loan	
	2008	2007	2008	2007	2008	2007
	S$'000	S$'000	S$'000	S$'000	%	%
Home Protection Fund	112,160	128,103	116,800	134,968	104.1	105.4
MediShield Fund	59,871	105,386	62,435	110,438	104.3	104.8

21.5 Financial derivatives

Notional principal of the financial derivatives are as follows:

	Home Protection Fund		MediShield Fund	
	2008	2007	2008	2007
	S$'000	S$'000	S$'000	S$'000
Interest-rate futures contracts				
- futures contracts purchased	341,720	399,866	201,264	128,379
- futures contracts sold	302,565	229,685	140,154	87,190
Forward foreign exchange contracts	381,071	862,733	225,567	458,478
Interest-rate and credit default swaps	734,693	1,080,277	275,451	435,268
Interest-rate options	107,224	163,458	4,034	49,517

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 Board.

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; and

(e) 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 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.

(iii) The terms and conditions of insurance contracts that have a material effect on the amount, timing and uncertainty of the Home Protection Scheme's future cash flows are:

(a) mortality risk for the older policies where single premium has 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 mortality 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 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 Scheme 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 in the MediShield Scheme 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 Scheme'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 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 and the actuarial adviser reports the results to the Board.

(iii) The terms and conditions of MediShield Scheme that have a material effect on the amount, timing and uncertainty of the MediShield Scheme'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 policyholder in respect of any particular event or treatment and the specified upper limits;

(b) the renewal of each insurance policy is guaranteed until the policyholder reaches age 85, unless the policyholder decides to discontinue cover; and

(c) premium discounts from time to time are offered to policyholders from the age of 71 to 85 and the amount of discount depends on the age at entry to the MediShield Scheme.

(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 product 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.

21.7 Insurance contract liabilities

The insurance contract liabilities of the Home Protection Fund and MediShield 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. For the MediShield Fund, the level of additional provision for adverse deviation (“PAD”) is at least the amount as prescribed by the MAS. The level of additional PAD for the Home Protection Fund is based on common practice in Singapore.

The assumptions used 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.

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 rate is prescribed by the MAS and effectively assumes the Singapore Government Bond yields for cash flows prior to 10 years and 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.

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

	2008		2007	
	Change in variable	Change in liability S$'000	Change in variable	Change in liability S$'000
Worsening of mortality	+10%	73,097	+10%	66,080
Shift in risk-free yield curve	-0.5%	18,749	-0.5%	19,858
Worsening of base expense level	+10%	5,923	+10%	4,601
Change in lapse rates	-10%	2,527	-10%	(5,203)

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 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 Fund over the past five years. The recovery rates vary by the duration that the claimant has been receiving outpatient treatment.

(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 and 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:

	2008		2007	
	Change in variable	Change in liability S$'000	Change in variable	Change in liability S$'000
MediShield Fund				
Increase in average new claim size	+10%	125,865	+10%	21,765
Increase in new claim frequency	+10%	125,865	+10%	21,765
Increase in inflation of claim costs	+1% pa	43,559	+1% p.a	12,888
Reduction in recovery rates of outpatient claims	-25%	43,153	-25%	37,187
Increase in long-term premium inflation	+1% pa	88,467	+1% p.a	126,913
Shift in risk-free yield curve	-0.5% pa	53,469	-0.5% p.a	67,421
Change in lapse rates	-50%	27,897	-50%	30,132

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 Insurance Funds, it is not possible to hold assets that will perfectly match the policy liabilities.

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 Insurance Funds in different asset classes and various markets. The Board regularly monitors the Insurance Funds' 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 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 are 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.

Interest rate risk

The Insurance Funds 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 investments in debt securities are as follows:

	Amount (at fair value)		**Percentage of total investment of the Insurance Funds**	
	2008	**2007**	**2008**	**2007**
	S$'000	**S$'000**	**%**	**%**
Home Protection Fund	1,285,249	1,298,726	84.3	75.2
MediShield Fund	671,189	649,738	74.7	60.6

The carrying amounts of debt securities are as follows:

	Effective interest rate (per annum)		Years to maturity: Within 1 year		Between 1 and 5 years		More than 5 years	
	2008	2007	2008	2007	2008	2007	2008	2007
	%	%	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
At fair value:								
Denominated in S$								
Home Protection Fund	0.4 – 5.1	1.7 – 5.1	32,858	12,250	319,520	405,974	384,042	305,275
MediShield Fund	0.8 – 5.0	1.7 – 5.7	15,093	8,233	164,406	192,458	199,949	155,021
Denominated in USD								
Home Protection Fund	0.2 – 9.3	0.4 – 10.1	21,976	20,739	53,820	63,592	264,669	297,916
MediShield Fund	0 – 9.2	0.5 – 10.1	4,338	32,431	32,087	16,924	136,137	131,079
Denominated in other currencies								
Home Protection Fund	0.3 – 7.1	0.3 – 9.2	2,633	-	45,339	54,585	160,392	138,395
MediShield Fund	0.3 – 8.2	0.3 – 8.2	-	-	38,619	44,283	80,560	69,309

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	
	2008	2007	2008	2007
	%	%	S$'000	S$'000
Denominated in S$				
Home Protection Fund	0.5 – 0.9	0.8 – 2.5	43,200	48,686
MediShield Fund	0.5 – 0.9	0.8 – 2.3	115,700	25,922
Dependants' Protection Residual Fund	1.0 – 1.8	0.8 – 2.6	46,800	48,300
Denominated in USD				
Home Protection Fund	0.0 – 0.6	2.8 – 4.6	9,276	17,517
MediShield Fund	0.0 – 0.6	2.8 – 4.6	8,943	17,286
Dependants' Protection Residual Fund	-	2.8	-	13

Foreign currency risk

The Insurance Funds 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.

The following table represents the Insurance Funds' major currency exposure as of the date of the financial statements, expressed in Singapore dollars equivalent.

	Home Protection Fund		MediShield Fund	
	2008 S$'000	2007 S$'000	2008 S$'000	2007 S$'000
USD	217,978	243,907	187,867	220,038
Euro	88,539	117,028	44,987	69,987
Yen	51,323	19,542	31,009	18,609

Equity price risk

The Insurance Funds 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.

The fluctuations in market prices due to the above factors are unforeseen. To manage the price risk arising from investments in equity securities, the Insurance Funds diversifies its portfolio across different markets and industries whenever it is appropriate.

Sensitivity analysis

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

	Impact on net assets of Insurance Funds					
	Home Protection Fund		MediShield Fund		Dependants' Protection Residual Fund	
	2008	2007	2008	2007	2008	2007
Change in variables:	**S$'000**	**S$'000**	**S$'000**	**S$'000**	**S$'000**	**S$'000**
Equity price						
+10%	23,522	42,214	22,459	41,632	-	-
-10%	(23,522)	(42,214)	(22,459)	(41,632)	-	-
Foreign currency						
+5%						
USD	10,899	12,195	9,393	11,002	-	-
Euro	4,427	5,851	2,249	3,499	-	-
Yen	2,566	977	1,550	930	-	-
-5%						
USD	(10,899)	(12,195)	(9,393)	(11,002)	-	-
Euro	(4,427)	(5,851)	(2,249)	(3,499)	-	-
Yen	(2,566)	(977)	(1,550)	(930)	-	-
Interest rate						
+50 bps	(53,358)	(52,074)	(70,718)	(83,003)	234	242
-50 bps	53,358	52,074	70,718	83,003	(234)	(242)

Concentration risk

An analysis of the concentration of the Insurance Funds' investments:

			Percentage of investments	
	2008	**2007**	**2008**	**2007**
	S$'000	**S$'000**	**%**	**%**
Home Protection Fund				
Equity securities				
Singapore	53,266	88,704	4%	5%
Emerging markets	22,650	48,600	2%	3%
Global	159,306	284,838	10%	17%
Debt securities				
Singapore	736,420	723,499	48%	42%
Global	548,829	575,227	36%	33%
MediShield Fund				
Equity securities				
Singapore	38,076	65,300	4%	6%
Emerging markets	45,553	97,741	5%	9%
Global	140,964	253,279	16%	24%
Debt securities				
Singapore	379,448	355,712	42%	33%
Global	291,741	294,026	33%	28%

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 Insurance Funds 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 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.

The Insurance Funds' 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							
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
2007							
Singapore Government securities	409.3	-	-	-	-	-	409.3
Other Government bonds	139.1	19.8	1.3	-	-	-	160.2
Government Mortgage Backed Securities	147.8	-	-	-	-	-	147.8
Corporate bonds	41.8	80.6	63.9	12.8	-	53.4	252.5
Other fixed income instruments	106.5	24.1	5.8	2.5	-	190.0	328.9
Financial derivatives	-	7.9	(0.7)	-	-	-	7.2
Total	844.5	132.4	70.3	15.3	-	243.4	1,305.9
MediShield Fund							
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	506.2	72.5	27.9	10.3	0.1	56.7	673.7

	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							
2007							
Singapore Government securities	201.1	-	-	-	-	-	201.1
Other Government bonds	96.9	3.2	0.5	-	-	-	100.6
Government Mortgage Backed Securities	68.1	-	-	-	-	-	68.1
Corporate bonds	21.1	29.1	20.6	5.8	-	18.1	94.7
Other fixed income instruments	52.2	8.4	11.4	0.9	-	112.3	185.2
Financial derivatives	-	5.3	0.4	-	-	-	5.7
Total	439.4	46.0	32.9	6.7	-	130.4	655.4

* 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 has 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 its operations and mitigate the effects of fluctuations in cash flows. In addition, the invested assets of the Insurance Funds are marketable securities which can be readily sold when the need arises.

The following tables show the Insurance Funds' financial and insurance contract liabilities with the remaining contractual maturities:

	Less than 1 year S$'000	More than 1 year S$'000	Total S$'000
Home Protection Fund			
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	417,959	638,449	1,056,408
2007			
Insurance contract liabilities	227,453	750,025	977,478
Claims intimated or admitted but not paid	42,370	-	42,370
Sundry creditors and other payables	177,372	-	177,372
Total	447,195	750,025	1,197,220

	Less than 1 year S$'000	More than 1 year S$'000	Total S$'000
MediShield Fund			
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	125,594	817,589	943,183
2007			
Insurance contract liabilities	14,446	792,685	807,131
Claims intimated or admitted but not paid	2,027	-	2,027
Sundry creditors and other payables	76,290	-	76,290
Total	92,763	792,685	885,448

Fair value

The fair value of financial assets, at fair value through profit and loss is determined by reference to their quoted bid prices at the reporting date. 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.

22 Related parties

With the adoption of SB-FRS by the funds during the financial year, the funds 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.

	2008 S$'000	2007 S$'000
Salaries and other short-term employee benefits	4,408	3,895
Post-employment benefits	146	143

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:

- SB-FRS 1 (revised 2008) *Presentation of Financial Statements*
- SB-FRS 23 (revised 2007) *Borrowing Costs*
- Amendments to SB-FRS 32 *Financial Instruments: Presentation* and SB-FRS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*
- Amendments to SB-FRS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*
- Amendments to SB-FRS 101 *First-time Adoption of Financial Reporting Standards* and SB-FRS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
- Amendments to SB-FRS 102 *Share-based Payment – Vesting Conditions and Cancellations*
- SB-FRS 108 *Operating Segments*
- Improvements to SB-FRSs 2008
- INT SB-FRS 113 *Customer Loyalty Programmes*
- INT SB-FRS 116 *Hedges of a Net Investment in a Foreign Operation*

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.

24 Comparative information

In the prior year, the Board presented a separate balance sheet, income and expenditure statement and statement of changes in equity. As at 1 January 2008, the Board adopted SB-FRS 26 – *"Accounting and Reporting by Retirement Benefit Plans"* as discussed in note 2. Accordingly, no separate balance sheet, income and expenditure statement and statement of changes in equity has been presented, and the financial transactions of the funds are included in the statement of net assets of funds and statement of changes in funds instead. The comparatives have been re-presented to conform with the current year's presentation.

In prior years, for the Home Protection Fund and MediShield Fund, the estimated actuarial liabilities were disclosed as off balance sheet amounts. The amount disclosed included both the insurance contract liabilities based on the external actuaries' best estimates of the future cash flows arising from the insurance contract in place at the year end, and the additional risk charges prescribed under the MAS Risk-Based Capital Framework.

In 2008, the insurance contract liabilities to policyholders are presented as liabilities in the financial statements. Only the liabilities based on the external actuaries' estimates of the future cash flows arising from the insurance contracts in place has been recognised as insurance fund contract liabilities. The amounts disclosed for comparative years have been adjusted to reflect the current years' calculation methodology. Accordingly, for the Home Protection Fund, the amount previously reported for 31 December 2007 of S$1,282,800,000 has been reduced to S$977,478,000 and for the MediShield Fund from S$979,100,000 to S$807,131,000. The effect is that net assets as previously reported for 2007 of S$1,715,644,000 for the Home Protection Fund and of S$1,082,694,000 for the MediShield Fund have been restated to S$738,166,000 and S$275,563,000 respectively.

The other assets/ liabilities managed by investment managers were previously classified with investments on the balance sheet. These other assets/ liabilities have been reclassified according to the Board's accounting policies for these assets/ liabilities.

	As previously reported S$'000	Reclassification S$'000	As restated S$'000
Home Protection Fund			
Investments	1,706,144	21,930	1,728,074
Insurance and other receivables	6,319	111,830	118,149
Accrued interest receivable	61	14,037	14,098
Bank deposits	45,100	21,103	66,203
Cash and bank balances	390	8,472	8,862
Sundry creditors and other payables	-	(177,372)	(177,372)
MediShield Fund			
Investments	1,051,927	19,771	1,071,698
Insurance and other receivables	10,694	21,999	32,693
Accrued interest receivable	16	6,923	6,939
Bank deposits	24,200	19,008	43,208
Cash and bank balances	904	5,569	6,473
Sundry creditors and other payables	(3,020)	(73,270)	(76,290)

25 Prior year's auditor

The figures relating to the financial statements for the year ended 31 December 2007 were audited by the Auditor-General, except for the cash flow statements and movement in the insurance contract liabilities of the Insurance Funds for that year which are being presented for the first time, and which are therefore unaudited, in this set of financial statements.