

Financial Statements

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Statement by the Members of the Board

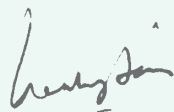
In our opinion, the accompanying financial statements of the funds managed by the Board as set out on pages 38 to 71 are drawn up so as to give a true and fair view of the state of affairs of the Board as at 31 December 2006, and the results, changes in equity and cash flows of the Board for the financial year then ended.

On Behalf of the Board



KOH YONG GUAN

Chairman



LIEW HENG SAN

Chief Executive Officer

Singapore

27 March 2007

Report on the Audit of the Financial Statement of the Central Provident Fund Board

For the year ended 31 December 2006

The accompanying financial statements of the Central Provident Fund Board, set out on pages 38 to 71, have been audited under my directions and in accordance with the provisions of the Central Provident Fund Act (Cap. 36) ("the Act"). These financial statements comprise the balance sheet as at 31 December 2006, the income and expenditure statement, statement of changes in equity and cash flow statement of the Board for the year then ended, and a summary of significant accounting policies and other explanatory notes.

BOARD MEMBERS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Board Members are responsible for the preparation and fair presentation of these financial statements in accordance with the Act and Singapore Financial Reporting Standards. This responsibility includes 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; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

My responsibility is to express an opinion on these financial statements based on the audit. The audit was conducted in accordance with the Act and Singapore Standards on Auditing. Those standards require that ethical requirements be complied with, and that the audit be planned and performed to obtain reasonable assurance as to 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 judgment, 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 the entity's management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

OPINION

In my opinion,

- a) the financial statements are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Board as at 31 December 2006, and the results, changes in equity and cash flows of the Board for the year ended on that date;
- b) proper accounting and other records have been kept, including records of all assets of the Board whether purchased, donated or otherwise; and
- c) the receipts, expenditure, investment of moneys and the acquisition and disposal of assets by the Board during the financial year have been in accordance with the provisions of the Act.



LIM SOO PING

Auditor-General
Singapore
27 March 2007

Balance Sheet

As at 31 December 2006

	Note	2006 S\$'000	2005 S\$'000
CENTRAL PROVIDENT FUND	3		
ACCUMULATED SURPLUS		1,694,993	1,629,830
NON-CURRENT LIABILITIES			
Members' accounts	4	125,803,762	119,787,538
Reserve Account	5	36,048	37,230
		<u>125,839,810</u>	<u>119,824,768</u>
		127,534,803	121,454,598
INSURANCE FUNDS			
Home Protection Fund	6	1,714,015	2,191,892
MediShield Fund	6	925,766	747,920
Dependants' Protection Residual Fund	7	37,816	278,589
		<u>2,677,597</u>	<u>3,218,401</u>
		130,212,400	124,672,999
Represented by:			
NON-CURRENT ASSETS			
Fixed assets	8	173,468	178,117
Intangible assets	9	2,373	3,054
Long-term investments	10	108,096,453	112,187,936
Staff loans	11	324	417
		<u>108,272,618</u>	<u>112,369,524</u>
CURRENT ASSETS			
Investments	12	10,822,466	7,790,279
Debtors and deposits	13	34,260	14,357
Accrued interest		1,146,313	1,056,696
Bank deposits	14	7,264,290	197,800
Cash and bank balances	14	149,076	160,775
		<u>19,416,405</u>	<u>9,219,907</u>
Less: CURRENT LIABILITIES			
Creditors, accruals and provisions	15	152,728	133,224
Contribution payable to Government Consolidated Fund	16	1,492	1,609
		<u>154,220</u>	<u>134,833</u>
NET CURRENT ASSETS		<u>19,262,185</u>	<u>9,085,074</u>
		127,534,803	121,454,598
NET ASSETS OF INSURANCE FUNDS			
Home Protection Fund	6	1,714,015	2,191,892
MediShield Fund	6	925,766	747,920
Dependants' Protection Residual Fund	7	37,816	278,589
		<u>2,677,597</u>	<u>3,218,401</u>
		130,212,400	124,672,999

The accompanying notes form part of the financial statements.

Income and Expenditure Statement for Central Provident Fund

For the year ended 31 December 2006

	Note	2006 S\$'000	2005 S\$'000
INCOME			
Interest income from investments		3,994,928	3,766,214
Interest from bank deposits		45,435	3,614
Agency, consultancy and data processing fees	17	41,608	34,175
Rent, service charges and car park receipts	18	12,746	12,412
Miscellaneous revenue		12,435	829
Penalty interest on late contributions		11,304	12,052
		<u>4,118,456</u>	<u>3,829,296</u>
Less: EXPENDITURE			
Salaries and staff benefits	19	75,003	70,188
Depreciation and amortisation	8,9	9,334	9,914
Computer software and supplies		8,703	8,742
General and administrative expenditure	20	7,374	9,322
Maintenance of buildings and equipment		6,946	6,634
Agency fees and other professional charges		5,886	5,067
Printing and postage		5,127	5,013
Public utilities		3,589	2,863
Property tax		1,978	2,169
Publicity and campaigns		1,178	1,063
Bad debts expense		78	-
Lease interest		2	18
		<u>125,198</u>	<u>120,993</u>
Interest credited to members' accounts		<u>3,926,762</u>	<u>3,675,441</u>
SURPLUS FOR THE YEAR			
before contribution to Government Consolidated Fund		66,496	32,862
Less: Contribution to Government Consolidated Fund	16	1,333	1,507
NET SURPLUS FOR THE YEAR		<u>65,163</u>	<u>31,355</u>

The accompanying notes form part of the financial statements.

Statement of Changes in Equity for Central Provident Fund

For the year ended 31 December 2006

	2006 S\$'000	2005 S\$'000
Accumulated surplus as at 1 January	1,629,830	1,598,475
Add:		
Net surplus for the year	65,163	31,355
Accumulated surplus as at 31 December	<u>1,694,993</u>	<u>1,629,830</u>

The accompanying notes form part of the financial statements.

Cash Flow Statement for Central Provident Fund

For the year ended 31 December 2006

	Note	2006 S\$'000	2005 S\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus for the year before contribution to Government Consolidated Fund		66,496	32,862
Adjustments for:			
Depreciation and amortisation		9,334	9,914
Interest credited to members' accounts		3,926,762	3,675,441
Write-off of fixed assets		361	6,324
Sale of fixed assets		(21)	(2,444)
Interest income from investments and bank deposits		(4,040,363)	(3,769,828)
Lease interest		2	18
Deficit before working capital changes		<u>(37,429)</u>	<u>(47,713)</u>
Add/(less) changes in working capital:			
(Increase)/decrease in debtors and deposits		(19,967)	25,953
Increase in creditors, accruals and provisions		17,915	55,062
Add/(less) cash flows from:			
Contributions, Government grants and dividends received		16,547,062	16,105,105
Withdrawals by members		(14,350,523)	(11,776,057)
Refunds of contributions		(108,259)	(91,220)
Placements of advance deposits		(6,730,983)	(16,250,369)
Redemptions of special issues of Singapore Government securities		7,790,279	8,500,000
Net reduction in staff loans		158	720
Interest received		3,950,745	3,651,582
Contribution to Government Consolidated Fund		(1,450)	(1,164)
Net cash from operating activities		<u>7,057,548</u>	<u>171,899</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for purchase of fixed assets		(2,179)	(7,842)
Payments for purchase of intangible assets		(444)	(1,723)
Proceeds from sale of fixed assets		21	2,444
Net cash used in investing activities		<u>(2,602)</u>	<u>(7,121)</u>
CASH FLOWS FROM FINANCING ACTIVITY			
Repayment of finance lease liability		(153)	(355)
Lease interest paid		(2)	(18)
Net cash used in financing activity		<u>(155)</u>	<u>(373)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		7,054,791	164,405
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY		358,575	194,170
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	14	7,413,366	358,575

The accompanying notes form part of the financial statements.

Notes to the Financial Statements

For the year ended 31 December 2006

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. Principal Activities

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

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 and MediShield Funds.

The Board is the trustee of the CPF and the administrator of the Home Protection Fund and MediShield Fund.

The address of its office is 79 Robinson Road, CPF Building, Singapore 068897.

2. Significant Accounting Policies

2.1 Basis of preparation

The financial statements have been prepared in accordance with the provisions of the Central Provident Fund Act (Cap. 36) and Singapore Financial Reporting Standards (FRS).

The financial statements are presented in Singapore dollars (S\$) which is also the functional currency and all values are rounded to the nearest thousand (S\$'000) unless otherwise stated. They are prepared on the historical cost basis except for certain financial assets and liabilities which are stated at fair value.

The preparation of financial statements in conformity with FRS requires management to exercise its judgment in the process of applying the Board's accounting policies. It also requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expenditure during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

2.2 Basis of recognising contributions and income

By virtue of sections 12 and 13 of the Central Provident Fund Act (Cap. 36), contributions are recognised when received and credited directly to the members' accounts.

Penalty interest on late contributions, interest income on investments and bank deposits are recognised on an accrual basis.

Dividend income from investments is recognised when the shareholders' rights to receive payments have been established.

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

Income from services is recognised when the services have been rendered.

2. Significant Accounting Policies (continued)

2.3 Operating expenditure

By virtue of the Central Provident Fund Act (Cap. 36), all operating expenditure relating to the Central Provident Fund, Home Protection Fund, MediShield Fund and Dependants' Protection Residual Fund are charged to the respective funds.

2.4 Insurance Funds

Insurance Funds are established by the Board under the Central Provident Fund Act (Cap. 36) to account for receipts and payments under the Home Protection Scheme and MediShield Scheme. These funds are controlled and administered by the Board.

Receipts and payments relating to these funds are taken directly to the funds and the excess of the funds' assets over liabilities is reflected separately in the fund statements. These funds are accounted for on an accrual basis.

2.5 Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses, if any (Note 2.7). 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 fixed asset 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 income and expenditure statement during the financial year in which they are incurred.

Depreciation is calculated using the straight-line method to write off the cost of the fixed assets 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

A full year's depreciation is charged in the year of acquisition of the assets and no depreciation is charged in the year of disposal. No depreciation is provided for freehold land, land with statutory grant and construction-in-progress.

Fully depreciated assets are retained in the books until they are disposed of.

Assets costing below S\$2,000 per item are charged against income in the year of purchase.

2. Significant Accounting Policies (continued)

2.6 Intangible assets and amortisation

Computer software including software development costs 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.

Computer software is stated at cost less accumulated amortisation and accumulated impairment losses, if any (Note 2.7). Amortisation is calculated using the straight-line basis to write off the cost of the computer software over their estimated useful lives ranging from 3 to 20 years.

A full year's amortisation is charged in the year the asset is available for use and no amortisation is charged in the year of disposal. No amortisation is provided for intangible assets under development.

Fully amortised assets are retained in the books until they are disposed of.

Computer software costing below S\$2,000 per item are charged against income in the year of purchase.

2.7 Impairment of fixed and intangible assets

Fixed and intangible assets are reviewed for impairment at each balance sheet 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 statement.

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 statement. 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.

2.8 Lease

(a) When the Board is the lessee:

Assets financed by lease agreements, which effectively transfer to the Board substantially all the risks and benefits incidental to ownership of the leased items, are capitalised at the present value of the minimum lease payments at the inception of the lease term. The corresponding lease commitments are included under liabilities. The excess of the lease payments over the recorded lease obligations are treated as lease interest which are amortised over each lease term to give a constant rate of charge on the remaining balance of the obligation. Lease interest are charged directly to the income and expenditure statement.

Capitalised lease assets are depreciated over the estimated useful life of the assets or the lease term, whichever is shorter.

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

2. Significant Accounting Policies (continued)

2.8 Lease (continued)

(b) When the Board is the lessor:

Leases where the Board effectively retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Rental income is recognised on a straight-line basis over the lease term.

2.9 Financial assets and liabilities

(a) Staff loans, debtors and other receivables

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.

(b) Investments

Central Provident Fund classifies its investments as “financial assets held-to-maturity”. 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

(a) Financial assets at fair value through profit and loss

This category of investments relates to financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading. Hedge accounting for derivatives is not adopted. Assets in this category are classified as current assets.

(b) 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 and advance deposits placed with the Accountant-General.

(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.

(iii) Initial measurement

Financial assets are initially recognised at fair value.

2. Significant Accounting Policies (continued)

2.9 Financial assets and liabilities (continued)

(iv) Subsequent measurement

Financial assets classified as “fair value through profit and loss” are subsequently carried at fair value. “Financial assets held-to-maturity” are carried at amortised cost using the effective interest method, less any impairment loss recognised to reflect irrecoverable amounts (Note 2.9(f)).

Realised and unrealised gains and losses arising from changes in fair value of financial assets classified as “fair value through profit and loss” are included in the fund statement in the period in which they arise. Interest and dividend income earned whilst holding trading assets are included in interest and dividend income respectively.

(c) Cash and cash equivalents

Cash and cash equivalents comprise bank deposits, cash and bank balances. They are subject to an insignificant risk of change in value.

(d) 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.

(e) Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at fund statement date. The quoted market price used for financial assets held by the funds is the current bid price and the quoted market price for financial liabilities is the current ask price. The fair value of interest-rate swaps is calculated as the present value of the estimated future cash flows, discounted at actively quoted interest rate. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the fund statement date. The fair value of options not traded in active market is determined by using valuation techniques from external sources where available.

The carrying amounts of the following financial assets and liabilities approximate their fair values: investments in special issues of Singapore Government securities and advance deposits, staff loans, debtors and other receivables, creditors and other payables, cash and cash equivalents. The carrying amounts recorded at the balance sheet date are not expected to be significantly different from the values that would eventually be received or settled.

(f) Impairment

Financial assets not classified as “fair value through profit and loss” are reviewed for impairment at each balance sheet date whenever events or changes in circumstances indicate that the carrying amount of a financial asset may not be recoverable.

An impairment loss is recognised in income and expenditure statement of Central Provident Fund and fund statements of the various insurance funds when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

2. Significant Accounting Policies (continued)

2.10 Foreign currencies

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

Exchange differences arising on the settlement and 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.

2.11 Provisions

Provisions are recognised when the funds have 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.

2.12 Employee benefits

(a) Defined contribution plans

Contributions on employees' salaries are made to the Central Provident Fund (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 balance sheet date.

(c) Termination benefits

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

3 Central Provident Fund

The Central Provident Fund is established by the Central Provident Fund Act (Cap. 36). All contributions authorised under this Act are paid into the Fund and all payments authorised under this Act are paid out of the Fund.

4. Members' Accounts

	Note	2006 S\$'000	2005 S\$'000
Balance as at 1 January		119,787,538	111,873,821
Add:			
Contributions credited in the year		15,650,969	15,248,616
Government grants:			
CPF Housing Grant Scheme		296,396	280,830
Home Ownership Plus Education Scheme		4,808	5,668
Medisave Top-Up Scheme		237,011	331,067
Retirement Top-Up Scheme		237,011	78,593
Dividends:			
Special Discounted Shares Scheme		120,867	160,331
Interest credited in the year		3,926,762	3,675,441
		20,473,824	19,780,546
Less:			
Refunds of contributions:			
Section 72 of Central Provident Fund Act	(a)	24	43
Section 75 of Central Provident Fund Act	(a)	88,483	71,377
Regulations 9 and 14 of Central Provident Fund (Self-employed persons) Regulations	(b)	3,324	4,721
Other refunds	(c)	16,428	15,079
		108,259	91,220
Add:			
Net transfer from Reserve Account	5	1,182	448
Less:			
Withdrawals (net of refunds) by members:			
Sections 15 and 25 of Central Provident Fund Act	(d)	3,028,036	2,440,322
Amount restored from Reserve Account	(e)	252	394
Public Housing Scheme		4,956,825	4,585,363
Home Protection Scheme	(f)	-	10,834
Residential Properties Scheme		3,398,122	2,778,925
Medisave Scheme		444,613	397,669
Non-Residential Properties Scheme		40,347	40,341
Investment Scheme		2,087,680	855,261
Minimum Sum Scheme		368,528	365,182
Dependants' Protection Scheme		162,206	149,920
Education Scheme		43,481	56,463
MediShield Scheme		240,704	193,817
Private Medical Insurance Scheme		136,400	142,272
ElderShield Scheme		174,607	169,693
		15,081,801	12,186,456
Add:			
Excess of refunds over withdrawals:			
Home Protection Scheme	(f)	443,812	-
Special Discounted Shares Scheme	(g)	287,466	410,399
		731,278	410,399
Balance as at 31 December		125,803,762	119,787,538

4. Members' Accounts (continued)

- (a) Refunds under sections 72 and 75 of the Central Provident Fund Act (Cap. 36) refer to refunds to the Government for excess contributions and interest relating to public officers before their confirmation as pensionable officers, and refunds of excess contributions on additional wages respectively.
- (b) Refunds under regulations 9 and 14 of the Central Provident Fund (Self-employed persons) Regulations (Rg 25) refer to refunds of excess contributions to Medisave Account and voluntary contributions (VC) paid in excess of the VC limit respectively.
- (c) Other refunds mainly refer to refunds under section 74 of the Central Provident Fund Act (Cap. 36) for contributions paid in error and excess voluntary contributions under regulation 8(1) of Central Provident Fund Regulations (Rg 15).
- (d) Withdrawals under sections 15 and 25 of the Central Provident Fund Act (Cap. 36) 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 Central Provident Fund Regulations (Rg 15).
- (f) In FY2006, there was excess of refunds over withdrawals for Home Protection Scheme due to Home Protection Scheme surplus distribution exercise in July 2006 of S\$473 million that was returned to Home Protection Scheme members in the form of rebates to their CPF Ordinary Accounts.
- (g) Under the Special Discounted Shares Scheme, SingTel carried out a capital reduction exercise in September 2006 in which SingTel refunded a cash distribution into members' CPF accounts in exchange for the shares cancelled, resulting in the excess of refunds over withdrawals.

5. Reserve Account

This account is set up under regulations 7(2) and 7(3) of the Central Provident Fund Regulations (Rg 15). 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).

	2006 S\$'000	2005 S\$'000
Balance as at 1 January	37,230	37,678
Net transfer to:		
Members' accounts	(1,182)	(448)
Balance as at 31 December	36,048	37,230

6. Home Protection Fund and MediShield Fund

The Home Protection Fund is set up under section 33 of the Central Provident Fund Act (Cap. 36) to account for premiums received, claims paid for home insurance cover and operating expenses incurred under the Home Protection Scheme.

The MediShield Fund is set up under section 56 of the Central Provident Fund Act (Cap. 36) to account for premiums received, claims paid for medical insurance cover and operating expenses incurred under the MediShield Scheme. The MediShield Plus portfolio was transferred to an appointed private insurer in October 2005. The insurer who took over the MediShield Plus portfolio is responsible for the insurance operations as well as the financial solvency of the MediShield Plus portfolio.

	Note	HOME PROTECTION FUND		MEDISHIELD FUND	
		2006 S\$'000	2005 S\$'000	2006 S\$'000	2005 S\$'000
Balance as at 1 January		2,191,892	2,041,765	747,920	567,594
Effects of changes in accounting policy	6.1	-	141,829	-	60,186
As restated		2,191,892	2,183,594	747,920	627,780
Add:					
Insurance premiums		104,563	108,697	229,783	185,902
Net income from funds with fund managers	6.2	77,951	101,888	66,050	54,782
Interest from bank deposits		1,871	1,393	1,146	909
		184,385	211,978	296,979	241,593
Less:					
Premium rebates	6.3	473,345	-	-	-
Claims		104,779	99,860	112,823	87,739
Surrenders		75,036	97,851	-	-
Agency fees and other professional charges		5,394	3,240	4,562	5,911
Salaries and staff benefits	19	2,048	1,635	1,384	1,426
Computer software and supplies		564	424	2	1
Printing and postage		500	137	181	710
General and administrative expenditure		425	308	167	125
Maintenance of buildings and equipment		155	209	2	1
Publicity and campaigns		15	14	-	-
Depreciation	8	1	2	1	2
		662,262	203,680	119,122	95,915
		1,714,015	2,191,892	925,777	773,458
Less:					
Funds transferred to private insurer		-	-	11	25,538
Balance as at 31 December		1,714,015	2,191,892	925,766	747,920

6. Home Protection Fund and MediShield Fund (continued)

	Note	HOME PROTECTION FUND		MEDISHIELD FUND	
		2006 S\$'000	2005 S\$'000	2006 S\$'000	2005 S\$'000
Represented by :					
CURRENT ASSETS					
Investments	6.4	1,732,771	2,167,220	868,304	724,155
Sundry debtors		7,345	6,328	9,779	8,937
Accrued interest		7	378	14	493
Bank deposits		25,300	78,800	51,600	15,600
Cash and bank balances		375	479	331	418
		<u>1,765,798</u>	<u>2,253,205</u>	<u>930,028</u>	<u>749,603</u>
Less : CURRENT LIABILITIES					
Claims intimated or admitted but not paid		51,783	61,313	2,319	705
Sundry creditors		-	-	1,943	978
		<u>51,783</u>	<u>61,313</u>	<u>4,262</u>	<u>1,683</u>
NET CURRENT ASSETS		1,714,015	2,191,892	925,766	747,920
TOTAL NET ASSETS		<u>1,714,015</u>	<u>2,191,892</u>	<u>925,766</u>	<u>747,920</u>
		2006 S\$'000	2005 S\$'000	2006 S\$'000	2005 S\$'000
ESTIMATED ACTUARIAL LIABILITIES		<u>1,457,600</u>	<u>1,586,900</u>	<u>769,300</u>	<u>647,100</u>

The estimated actuarial liabilities have been determined in the light of advice received from the Board's independent actuarial advisers. With effect from 1 January 2005, the valuation of each of the insurance funds is performed using the risk-based capital framework for insurers in Singapore. Under this framework, the market value of assets is used.

6. Home Protection Fund and MediShield Fund (continued)

6.1 In accordance with FRS39 (revised 2004) Financial Instruments: Recognition and Measurement, the Insurance Funds' investments which were intended for sale in the short term were recognised at fair value and subsequently re-measured to fair value at the fund statement date with all gains and losses recognised as part of the fair value gain or loss in the respective fund statements in the period in which the changes in fair value arises. Before 1 January 2005 these investments were stated at the lower of cost and market value on an aggregated portfolio basis. Hence, an adjustment was made to adjust the fair value of the Funds as at 1 January 2005.

This change was effected prospectively from 1 January 2005. The increase in the fund sizes as at 1 January 2005 is as follows:

	S\$' 000
Home Protection Fund	141,829
MediShield Fund	60,186

6.2 Net income from funds with fund managers

	HOME PROTECTION FUND		MEDISHIELD FUND	
	2006 S\$'000	2005 S\$'000	2006 S\$'000	2005 S\$'000
INCOME				
Interest income	54,463	50,962	13,029	9,520
Dividend income	14,564	14,785	11,176	8,328
Net fair value gain	11,052	42,371	44,309	39,930
Foreign exchange gain	5,039	461	719	-
Miscellaneous revenue	-	49	-	9
	<u>85,118</u>	<u>108,628</u>	<u>69,233</u>	<u>57,787</u>
Less: EXPENDITURE				
Fund management fees	7,167	6,740	3,183	2,577
Foreign exchange loss	-	-	-	428
	<u>7,167</u>	<u>6,740</u>	<u>3,183</u>	<u>3,005</u>
NET INCOME FROM FUNDS WITH FUND MANAGERS	<u>77,951</u>	<u>101,888</u>	<u>66,050</u>	<u>54,782</u>

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

6. Home Protection Fund and MediShield Fund (continued)

6.3 Premium rebates

In July 2006, the Board distributed S\$473 million of the Home Protection Scheme (HPS) surplus to about 950,000 members in the form of rebates which were credited to their CPF Ordinary Accounts. This was the fourth time that the Board had distributed HPS surplus to members, having made similar distributions on three prior occasions in 1986, 1989 and 1997.

6.4 Investments

	HOME PROTECTION FUND		MEDISHIELD FUND	
	2006 S\$'000	2005 S\$'000	2006 S\$'000	2005 S\$'000
FAIR VALUE				
Funds managed by fund managers	<u>1,732,771</u>	<u>2,167,220</u>	<u>868,304</u>	<u>724,155</u>
Represented by :				
Fixed income securities at fair value				
Denominated in S\$	724,563	883,087	228,430	192,109
Denominated in US\$	460,165	573,428	131,111	111,074
Denominated in other currencies	182,959	216,304	44,015	51,214
Equities at fair value				
Denominated in S\$	95,350	124,598	101,356	72,432
Denominated in US\$	186,961	243,571	191,301	158,493
Denominated in other currencies	157,949	220,676	161,946	142,218
Derivatives at fair value				
Interest-rate futures contracts purchased				
- with positive fair value	-	138	-	-
- with negative fair value	(2,309)	(983)	(858)	(508)
Interest-rate futures contracts sold				
- with positive fair value	628	1,166	766	565
Forward foreign exchange contracts				
- with positive fair value	7,233	8,532	4,048	4,520
- with negative fair value	(2,580)	(1,370)	(1,416)	(620)
Interest-rate swaps				
- with positive fair value	2,805	2,488	-	-
- with negative fair value	(4,214)	(9,210)	-	-
Interest-rate options				
- with positive fair value	2,477	891	-	-
- with negative fair value	(4,005)	(929)	-	-
	1,807,982	2,262,387	860,699	731,497
Add/(Less) :				
Interest and other receivables	132,935	96,108	9,259	11,491
Accruals and payables	(226,436)	(219,043)	(13,209)	(31,759)
Bank deposits	12,472	18,753	10,227	11,487
Cash balances	5,818	9,015	1,328	1,439
	(75,211)	(95,167)	7,605	(7,342)
	<u>1,732,771</u>	<u>2,167,220</u>	<u>868,304</u>	<u>724,155</u>

6. Home Protection Fund and MediShield Fund (continued)

6.4 Investments (continued)

- (a) The fair value of financial instruments (fixed income securities, equities and interest-rate futures contracts) traded in active markets is based on quoted market prices at fund statement date. The quoted market price used for financial assets held by the funds is the current bid price and the quoted market price for financial liabilities is the current ask price. The fair value of interest-rate swaps is calculated as the present value of the estimated future cash flows, discounted at actively quoted interest rate. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the fund statement date. The fair value of options not traded in active market is determined using valuation techniques from external sources where available.
- (b) Hedge accounting for derivatives is not adopted.
- (c) The carrying amounts of the financial assets and financial liabilities approximate their fair values.

6.5 Financial derivatives

Notional principal of the financial derivatives are as follows:

	HOME PROTECTION FUND		MEDISHIELD FUND	
	2006 S\$'000	2005 S\$'000	2006 S\$'000	2005 S\$'000
(i) Interest-rate futures contracts				
(a) Futures contracts purchased	91,264	286,571	38,344	44,522
(b) Futures contracts sold	27,157	116,704	40,172	36,951
(ii) Forward foreign exchange contracts	664,914	835,146	355,917	329,892
(iii) Interest-rate swaps	906,165	557,120	-	-
(iv) Interest-rate options	87,275,634	910,050	-	-

6. Home Protection Fund and MediShield Fund (continued)

6.6 Risk management of insurance contracts

(a) Home Protection Fund

(i) The risks arising from Home Protection Scheme insurance policies are death and permanent incapacity risks of a relatively homogeneous portfolio of 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 Central Provident Fund Act (Cap. 36), the Home Protection Insurance Scheme regulations and the operating policies of the Scheme.

(ii) The policies for mitigating 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 fund and insurance 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 Scheme's actuarial adviser; and
- (e) to retain sufficient surplus to allow for volatility of results.

The insurance portfolio experience, fund solvency and premium adequacy are reviewed by the actuarial adviser of the Home Protection Scheme annually using the risk-based capital framework set out by the Monetary Authority of Singapore for the valuation of liabilities. The actuarial adviser also projects the short and medium term solvency position of the Scheme 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) the mortality risk for the older policies has been charged up front via single premiums. The Board does not have the right to increase the premiums for these policies based on its mortality experience. This increases its 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 wide-spread changes in lifestyle could result in earlier or more claims than expected.

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

Variable	Change in variable	2006	Change in liability (\$m)	2005	Change in liability (\$m)
		Change in variable		Change in liability (\$m)	
Worsening of mortality	+10%		+91.2	+10%	+65.3
Shift in risk-free yield curve	- 0.5%		+28.3	- 0.5%	+39.2
Worsening of base expense level	+10%		+ 7.4	+10%	+ 6.9
Changes in the lapse rate	- 10%		- 0.2	- 10%	+ 0.9

(v) The Home Protection Scheme has no major exposure to concentration of risks.

6. Home Protection Fund and Medishield Fund (continued)

6.6 Risk management of insurance contracts (continued)

(b) MediShield Fund

- (i) The risks arising from MediShield insurance policies 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 Central Provident Fund Act (Cap. 36), MediShield Scheme regulations and the operating policies of the Scheme.

- (ii) The policies for mitigating insurance risks in the MediShield Scheme are :
- (a) to manage the fund and insurance 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 Scheme's actuarial adviser; and
 - (d) to retain sufficient surplus to allow for volatility of results.

The insurance portfolio experience, fund solvency and premium adequacy are reviewed by the actuarial adviser of the MediShield Scheme annually using the risk-based capital framework set out by the Monetary Authority of Singapore for the valuation of liabilities 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 are offered to policyholders between the age of 71 and 85 and the amount of discount depends on the age at entry to the MediShield Scheme.
- (iv) The variability of insurance results will affect the value of insurance liabilities from year to year. Such variations are normal and to be expected in an insurance portfolio. The material variables are:
- (a) average claim amount per claim;
 - (b) claim frequency per person covered;
 - (c) impact of inflation of healthcare costs on claim amounts;
 - (d) recovery rates for patients with claims in payment;
 - (e) long-term impact of inflation of healthcare costs on premiums and hence on the cost of future premium discounts given to members;
 - (f) the discount rate used for calculating the value of liabilities; and
 - (g) lapse rates.

The other variable materially affecting the solvency of MediShield Scheme is the return on investments. Management expenses, while directly affecting the annual surplus of the fund, have a less material effect on the calculated liabilities and long-term solvency.

- (v) Insurance risks are concentrated on specified individual health risks applicable to residents of Singapore. With the exception of continuing outpatient treatments, the amounts of almost all claims are known within one year of the event occurring. For outpatient treatments, each individual claim amount is known within a year; but liability to pay for further treatments may continue for several years.

7. Dependants' Protection Residual Fund

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). The Board had used S\$265 million from DPRF in 2006 to purchase additional coverage for DPS members who were insured under the scheme when it was privatised. The amount of additional coverage depended on the number of years a member had been insured, ranging from S\$1,500 to S\$3,850 per insured member. The balance of the DPRF is used 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.

	Note	2006 S\$'000	Period from 17 September to 31 December 2005 S\$'000
Balance as at 1 January/17 September		278,589	274,406
Add:			
Claims overprovided		20,912	1,789
Interest from bank deposits		3,844	3,096
Miscellaneous revenue		1,719	335
Foreign exchange gain		8	-
Insurance premiums		-	2
		26,483	5,222
Less:			
Return of insurance premiums		97	-
Foreign exchange loss		-	7
Agency fees and other professional charges	7.1	1,638	762
Printing and postage		553	48
Salaries and staff benefits	19	361	217
General and administrative expenditure		31	5
Computer software and supplies		2	-
Publicity and campaigns		1	-
Maintenance of buildings and equipment		1	-
		2,684	1,039
		302,388	278,589
Less:			
Funds transferred to private insurers	7.2	264,572	-
Balance as at 31 December		37,816	278,589
		2006 S\$'000	2005 S\$'000
Represented by:			
CURRENT ASSETS			
Sundry debtors		477	559
Accrued interest		55	1,257
Bank deposits		52,001	345,900
Cash and bank balances		507	406
		53,040	348,122

7. Dependants' Protection Residual Fund (continued)

Represented by:	Note	2006 S\$'000	2005 S\$'000
Less: CURRENT LIABILITIES			
Sundry creditor		109	5,222
Claims intimated or admitted but not paid		11,755	24,356
Provision for claims incurred but not reported	7.3	3,360	39,955
		15,224	69,533
NET CURRENT ASSETS		37,816	278,589
TOTAL NET ASSETS		37,816	278,589

7.1 Agency fees and other professional charges

Agency fees and other professional charges are mainly made up of allocated cost charged by Central Provident Fund for administering the Dependants' Protection Residual Fund.

7.2 Funds transferred to private insurers

A single premium of S\$265 million was paid to the private insurers administering the Dependants' Protection Scheme (DPS) to provide a bonus sum assured to members who were transferred to them. The bonus sum assured ranges between S\$1,500 and S\$3,850 depending on the number of years the member has been insured under the Scheme before it was privatised on 17 September 2005.

7.3 Provision for claims incurred but not reported

Provision for claims incurred but not reported is established for claims that have been incurred but which have not been reported to the Central Provident Fund Board as at 31 December 2006 on covers that had ceased to be active on or before 16 September 2005 and were not transferred to any of the two appointed insurers. These claims may be admitted at a later date after 31 December 2006. The number of such claims is expected to be small.

The amount of provision is estimated based on the actual number of such claims received in 2006.

8. Fixed Assets

	Land S\$'000	Buildings S\$'000	Construction in-progress S\$'000	Building renovation & improvement S\$'000	Machinery & equipment S\$'000	Furniture & fittings S\$'000	Data processing equipment S\$'000	Other assets S\$'000	Total S\$'000
Cost									
At 1 January 2006	54,756	138,512	85	16,471	57,885	1,140	24,276	310	293,435
Additions	-	-	1,001	1,147	1,704	4	169	-	4,025
Disposals	-	-	-	(1)	(2,057)	(104)	(7,822)	-	(9,984)
Reclassifications	-	-	(173)	(233)	473	(67)	-	-	-
At 31 December 2006	54,756	138,512	913	17,384	58,005	973	16,623	310	287,476
Accumulated Depreciation									
At 1 January 2006	6,862	41,312	-	2,173	42,388	764	21,674	145	115,318
Depreciation for the year	447	3,510	-	697	2,714	74	861	10	8,313
Disposals	-	-	-	(1)	(1,707)	(96)	(7,819)	-	(9,623)
Reclassifications	-	-	-	(30)	38	(8)	-	-	-
At 31 December 2006	7,309	44,822	-	2,839	43,433	734	14,716	155	114,008
Net Book Value									
At 31 December 2006	47,447	93,690	913	14,545	14,572	239	1,907	155	173,468
Cost									
At 1 January 2005	54,756	138,272	297	11,181	57,687	899	31,555	310	294,957
Additions	-	-	5,339	2	678	244	2,598	-	8,861
Disposals	-	-	-	-	(743)	(3)	(9,877)	-	(10,623)
Reclassifications	-	-	(5,551)	5,288	263	-	-	-	-
Adjustments	-	240	-	-	-	-	-	-	240
At 31 December 2005	54,756	138,512	85	16,471	57,885	1,140	24,276	310	293,435
Accumulated Depreciation									
At 1 January 2005	6,415	37,802	-	1,518	39,854	674	29,117	134	115,514
Depreciation for the year	447	3,510	-	655	3,077	91	1,262	11	9,053
Disposals	-	-	-	-	(543)	(1)	(8,705)	-	(9,249)
At 31 December 2005	6,862	41,312	-	2,173	42,388	764	21,674	145	115,318
Net Book Value									
At 31 December 2005	47,894	97,200	85	14,298	15,497	376	2,602	165	178,117

Land includes freehold land and land with statutory grant of S\$10,178,000.

Depreciation charges amounting to S\$1,000 (2005: S\$2,000) and S\$1,000 (2005: S\$2,000) were allocated to Home Protection Fund and MediShield Fund respectively. The remaining depreciation charge of S\$8,311,000 (2005: S\$9,049,000) was accounted for under the Central Provident Fund.

9. Intangible Assets

	Computer software S\$'000	Intangible assets under development S\$'000	Total S\$'000
Cost			
At 1 January 2006	3,965	1,314	5,279
Additions	98	244	342
Reclassification	1,472	(1,472)	-
At 31 December 2006	5,535	86	5,621
Accumulated Amortisation			
At 1 January 2006	2,225	-	2,225
Amortisation for the year	1,023	-	1,023
At 31 December 2006	3,248	-	3,248
Net Book Value			
At 31 December 2006	2,287	86	2,373
Cost			
At 1 January 2005	3,349	5,027	8,376
Additions	94	1,759	1,853
Disposals	-	(4,950)	(4,950)
Reclassification	522	(522)	-
At 31 December 2005	3,965	1,314	5,279
Accumulated Amortisation			
At 1 January 2005	1,360	-	1,360
Amortisation for the year	865	-	865
At 31 December 2005	2,225	-	2,225
Net Book Value			
At 31 December 2005	1,740	1,314	3,054

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

The cost incurred for the information technology revamp projects of S\$4.9 million was written off and charged to general and administrative expenditure in 2005 as there was no future economic value for the work performed.

10. Long-Term Investments

	2006 S\$'000	2005 S\$'000
Special issues of Singapore Government securities	108,095,571	107,571,945
Advance deposits	882	4,615,991
	<u>108,096,453</u>	<u>112,187,936</u>

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. The interest rates for the securities are pegged to the rates at which the Board pays interest to its members.

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 members' withdrawal requirements. The interest rate for the advance deposits is pegged to the rate at which the Board pays interest for the Ordinary Account.

Under the existing investment arrangement with the Government, the special issues of Singapore Government securities and advance deposits placed with the Accountant-General through the Monetary Authority of Singapore are unique. In view of this, the carrying amount of long-term investments approximates their fair values.

11. Staff Loans

The total outstanding loans to staff are as follows :

	2006 S\$'000	2005 S\$'000
Amount receivable within 12 months	93	158
Amount receivable after 12 months	324	417
	<u>417</u>	<u>575</u>

The amount receivable within 12 months is included in debtors and deposits. The staff loans are repayable with interest at rates ranging from 4.25% per annum to 5% per annum by monthly instalments over a period of up to 25 years.

The carrying amount of staff loans approximates their fair values.

12. Investments

The investments comprise special issues of Singapore Government securities maturing within 12 months. The interest rates for the securities are pegged to the rates at which the Board pays interest to its members.

The carrying amount of investments approximates their fair values.

13. Debtors and Deposits

	2006 S\$'000	2005 S\$'000
Debtors - scheme	3,789	7,586
Debtors - non-scheme	27,665	4,343
Prepayments	2,609	2,160
Deposits paid	104	110
Staff loans	93	158
	<u>34,260</u>	<u>14,357</u>

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

Debtors and deposits other than prepayments are financial assets. The carrying amounts of these financial assets approximate their fair values.

14. Cash and Cash Equivalents

Cash and cash equivalents included in the cash flow statement comprise bank deposits, cash and bank balances with the following carrying amounts:

	2006 S\$'000	2005 S\$'000
Bank deposits	7,264,290	197,800
Cash and bank balances	149,076	160,775
Cash and cash equivalents as at 31 December	<u>7,413,366</u>	<u>358,575</u>

The carrying amounts of cash and cash equivalents approximate their fair values. The bank deposits have maturities less than one year.

15. Creditors, Accruals and Provisions

	2006 S\$'000	2005 S\$'000
Creditors - scheme	113,306	100,372
Creditors - non-scheme	22,170	19,009
Security, renovation and rental deposits received	3,359	2,807
Accrued expenses	4,383	3,450
Provisions	9,510	7,586
	<u>152,728</u>	<u>133,224</u>

Creditors - scheme include all payable amounts linked to the various CPF schemes.

Creditors and accruals other than provisions are financial liabilities. The carrying amounts of these financial liabilities approximate their fair values.

16. 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 (Cap. 319A). The contribution is computed based on the guidelines specified by the Ministry of Finance.

The carrying amount of contribution payable to Government Consolidated Fund approximates its fair value.

17. 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:

	2006 S\$'000	2005 S\$'000
Ministry of Manpower		
Foreign Workers' Levy	5,496	5,334
Skills Development Levy	365	350
Workfare Bonus Scheme	5,091	-
Ministry of Finance		
Government Top-Up Schemes	3,183	1,871
Growth Dividend	3,001	-
SingPass	2,253	1,859
New Singapore Shares	316	369
Economic Restructuring Shares	314	2,716
Ministry of Health		
Medisave Scheme	1,893	1,567
Ministry of Community Development, Youth and Sports		
Government Paid Maternity Leave Scheme	978	1,008
Mosque Building Fund	120	120
Ministry of Education		
Edusave Pupils Fund	223	471
Ministry of National Development		
CPF Housing Grant	109	114
Ministry of Defence		
National Service Bonus	862	-

18. 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 receivable under non-cancellable operating leases as of 31 December are as follows:

	2006 S\$'000	2005 S\$'000
Within one year	12,901	10,346
After one year but not more than five years	16,284	14,012
	29,185	24,358

19. Salaries and Staff Benefits

Included in salaries and staff benefits are the following items:

	2006 S\$'000	2005 S\$'000
Staff administering Central Provident Fund		
Employer's CPF contribution	7,240	7,033
Staff welfare and training	2,622	3,749
Board members' allowance	103	95
Staff administering Home Protection Fund		
Employer's CPF contribution	213	184
Staff administering Dependants' Protection Residual Fund		
Employer's CPF contribution	43	22
Staff administering MediShield Fund		
Employer's CPF contribution	159	153

20. General and Administrative Expenditure

Included in general and administrative expenditure are the following items:

	2006 S\$'000	2005 S\$'000
Audit fees	444	371
Entertainment expenses	15	13
Overseas travelling expenses	54	10
Rental expense of equipment	971	247

21. Future Capital Expenditure

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

	2006 S\$'000	2005 S\$'000
Amount approved and contracted for	31,555	-
Amount approved but not contracted for	70,808	92,725
	<u>102,363</u>	<u>92,725</u>

22. Financial Risk Management

(a) Market risk

There is no market risk exposure for the Central Provident Fund.

The Insurance Funds are exposed to market risk due to the investments in fixed income securities, equities and derivatives. In diversifying the market risk, the funds have been allocated to different asset classes in various markets.

(b) Interest rate risk

(i) Central Provident Fund

In the management of the interest rate risk of the Central Provident Fund, the interest rates of the investments in special issues of Singapore Government securities are pegged to the rates at which the Board pays interest to its members (i.e. 2.5% per annum and 4% per annum). The interest rate for the advance deposits is pegged to the rate at which the Board pays interest for the Ordinary Account (i.e. 2.5% per annum). These interest rates are affected by changes in the market interest rates and reset every quarter.

The long-term investments of the Central Provident Fund are invested in non-tradeable special issues of Singapore Government securities and advance deposits maturing after 2007, which amount to S\$108,096,453,000 (2005: S\$112,187,936,000). Investments in special issues of Singapore Government securities maturing in 2007 amount to S\$10,822,466,000 (2005: S\$7,790,279,000).

The Central Provident Fund also make placement of bank deposits with maturities of less than 6 months, which amount to S\$7,264,290,000 (2005: S\$197,800,000). The effective interest rates range from 3.1% to 3.6% per annum (2005: 3.2% to 3.4% per annum).

(ii) Insurance Funds

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 fixed income 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.

22. Financial Risk Management (continued)

(b) Interest rate risk (continued)

(ii) Insurance Funds (continued)

The investments in fixed income securities are as follows :

	Amount		Percentage of total investment of the fund	
	2006 S\$'000 At Fair Value	2005 S\$'000 At Fair Value	2006 %	2005 %
Home Protection Fund	1,367,687	1,672,819	78.9	77.2
MediShield Fund	403,556	354,397	46.5	48.9

The carrying amounts of fixed income securities are as follows:

	Years to maturity					
	Less than 1		Between 1 and 5		More than 5	
	2006 S\$'000 At Fair Value	2005 S\$'000 At Fair Value	2006 S\$'000 At Fair Value	2005 S\$'000 At Fair Value	2006 S\$'000 At Fair Value	2005 S\$'000 At Fair Value
Denominated in S\$						
Home Protection Fund	3,748	40,759	420,106	481,278	300,709	361,050
MediShield Fund	14,462	3,705	112,432	91,455	101,536	96,949
Denominated in US\$						
Home Protection Fund	68,242	174,424	68,862	78,590	323,061	320,414
MediShield Fund	36,101	48,759	11,580	17,381	83,430	44,934
Denominated in other currencies						
Home Protection Fund	1,012	4,385	23,200	59,426	158,747	152,493
MediShield Fund	-	-	9,890	23,135	34,125	28,079

22. Financial Risk Management (continued)

(b) Interest rate risk (continued)

(ii) Insurance Funds (continued)

The Insurance funds also place deposits with banks. The bank deposits have maturities less than one year. The carrying amounts and effective interest rates of the bank deposits are as follows:

	Effective interest rates		Amount	
	2006 %	2005 %	2006 S\$'000	2005 S\$'000
Denominated in S\$				
Home Protection Fund	1.1 - 3.8	1.1 - 3.4	27,422	83,540
Dependants' Protection Residual Fund	3.2 - 3.8	3.4	51,900	345,900
MediShield Fund	1.1 - 3.8	1.1 - 3.4	54,207	18,478
Denominated in US\$				
Home Protection Fund	3.8 - 5.2	2.8 - 4.2	10,350	14,013
Dependants' Protection Residual Fund	3.8	-	101	-
MediShield Fund	3.8 - 5.2	2.8 - 4.2	7,620	8,609

(c) Foreign exchange risk

There is no foreign exchange exposure for the Central Provident Fund.

The Insurance Funds are exposed to foreign exchange risks as a result of global investments. Where exposures are certain, these risks are hedged as appropriate.

(d) 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 in the balance sheet.

(i) Central Provident Fund

Credit risk is minimised as the bulk of the Fund's investments is in special issues of Singapore Government securities.

(ii) Insurance Funds

Investments are in bonds, equities and cash equivalents of high credit ratings. There is no significant concentration of credit risk.

(e) 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.

23. Significant Related Party Transactions

(a) Significant transactions with Government ministries and Government-linked companies

The Board is a statutory board established under the Central Provident Fund Act (Cap. 36) (Note 1). As a statutory board, all Government ministries including statutory boards under their purview and Government-linked companies are deemed related parties to the Board.

Some of the more significant transactions between the Board and its supervisory ministry, Ministry of Manpower, other ministries and Government linked companies are listed below:

(i) Income

(a) Agency fees

Agency fees are collected for agency work handled on behalf of the Ministry of Manpower, Ministry of Finance and other ministries. The details of these transactions are shown in Note 17.

(b) Interest income from investment

	2006 S\$'000	2005 S\$'000
Monetary Authority of Singapore	3,994,928	3,766,214

(ii) Expenses

	2006 S\$'000	2005 S\$'000
Government-linked companies		
Singapore Post Ltd		
Printing and postage	2,261	1,654
NCS Pte Ltd		
Maintenance of buildings & equipment	1,588	1,378

(iii) Placement of advance deposits and redemption of special issues of Singapore Government securities

	2006 S\$'000	2005 S\$'000
Placements of advance deposits	6,730,983	16,250,369
Redemptions of special issues of Singapore Government securities	7,790,279	8,500,000

23. Significant Related Party Transactions (continued)

(b) Significant balances due from/to Government ministries & Government-linked companies

The balances due from/to the Government ministries including statutory boards under their purview and Government-linked companies are for different schemes and projects. These balances are not offset as there is no intention to settle on a net basis.

	2006 S\$'000	2005 S\$'000
(i) Balances due from:		
Monetary Authority of Singapore	1,126,194	1,056,650
(ii) Balances due to:		
Ministries		
Ministry of National Development	10,240	15,875
Ministry of Community Development, Youth and Sports	7,291	9,088
Ministry of Finance	2,701	2,146
Ministry of Manpower	1,290	1,367
Government-linked company		
DBS Bank Ltd	13,784	11,210
(c) Key management compensation		
	2006 S\$'000	2005 S\$'000
Salaries and other short-term employee benefits	3,412	2,694
Post employment benefits	147	116
Advisory services provided by board member	64	-

24. New Accounting Standards

(a) FRS 40 Investment property

The Board will adopt FRS 40 on 1 January 2007, which is the effective date of the Standard.

Currently, properties which are not owner-occupied are accounted for under FRS 16 Property, Plant and Equipment as set out in Note 8. These properties will be reclassified from land and buildings to investment properties on 1 January 2007. The net book value of these properties as at 31 December 2006 is S\$48,862,000 (2005: S\$26,746,000).

24. New Accounting Standards (continued)

(b) FRS 107 Financial Instruments : Disclosures

The Board will adopt FRS 107 from annual period beginning 1 January 2008.

FRS 107 will supersede the current FRS 32 Financial Instruments: Disclosure and Presentation on the disclosure requirements for financial instruments. The adoption of this standard is not expected to have any material financial effect on the financial statements in the period of initial application.

(c) Amendment to FRS 1 Presentation of Financial Statements - Capital Disclosures

The Board will adopt the amendments to FRS1 from annual period beginning 1 January 2008.

The amendment to FRS 1 requires the Board to make new disclosures to enable users of the financial statements to evaluate the Board's objectives, policies and processes for managing capital.

25. Approval of Financial Statements

The financial statements were approved and authorised for issue by the Board on 27 March 2007.