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THE CENTRAL DEPOSITORY (PTE) LTD. FINANCIAL STATEMENTS 2003

THE CENTRAL DEPOSITORY (PTE) LIMITED

(Securities Clearing and Depository division of SGX)

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Auditors

PricewaterhouseCoopers
Certified Public Accountants, Singapore
8 Cross Street
#17-00 PWC Building
Singapore 048424

Board of Directors

Mr J Y Pillay
Mr Hsieh Fu Hua
Mr Ang Swee Tian
Mr Peter Chia Chon Hian
Mr George Teo Eng Kim
Gan Seow Ann

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Directors' report

For the financial year ended 30 June 2003

The directors present their report to the shareholder together with the audited financial statements for the financial year ended 30 June 2003.

Directors

The directors at the date of this report are:

J Y Pillay
Hsieh Fu Hua (appointed 1 March 2003)
Ang Swee Tian
Peter Chia Chon Hian
George Teo Eng Kim
Gan Seow Ann (appointed 5 September 2002)

Principal activities

The principal activities of the Company are to provide clearing, depository and related services for securities transactions. The principal activities of the subsidiaries are set out in Note 8 to the financial statements.

There have been no significant changes in the principal activities of the Company and its subsidiaries during the financial year.

Results for the financial year

	\$'000
Profit after tax	<u>9,579</u>

Material movements in reserves and provisions

Material movements in reserves and provisions are set out in the financial statements.

Acquisition and disposal of subsidiaries

There were no acquisition or disposal of interests in subsidiaries during the financial year.

Issue of shares and debentures

There were no issues of shares or debentures during the financial year.

Arrangements to enable directors to acquire shares and debentures

The Company was not, at any time during the financial year, a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of an acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' interests in shares or debentures

According to the register of directors' shareholdings, none of the directors holding office at end of the financial year had interest in the share capital of the Company at any time during the financial year.

The interests in the shares in, or debentures of, related companies of directors holding office at end of the financial year, who are also directors of the holding company are recorded in the register of directors' shareholdings of the holding company. Interests of directors who are not directors of the holding company, are as follows:

(i) Interests in the share capital of the holding company

	Number of ordinary shares of \$0.01 each registered in the name of director at 01.07.2002 or date of appointment, if later		Number of ordinary shares of \$0.01 each in which a director is deemed to have an interest at 01.07.2002 or date of appointment, if later	
<u>Singapore Exchange Limited</u>	<u>30.06.2003</u>		<u>30.06.2003</u>	
Ang Swee Tian	155,000	155,000	12,000	12,000
Peter Chia Chon Hian	85,000	85,000	–	–

(ii) Interests in the options to subscribe for ordinary shares of the holding company granted pursuant to the Scheme for Group Employees

	Number of unissued ordinary shares of \$0.01 each under option held by director at 01.07.2002 or date of appointment, if later	
<u>Singapore Exchange Limited</u>	<u>30.06.2003</u>	
Ang Swee Tian	1,225,000	500,000
Peter Chia Chon Hian	925,000	350,000
Gan Seow Ann	575,000	–

Dividends

No dividends have been paid, declared or proposed since the end of the preceding financial year.

Bad and doubtful debts

Before the financial statements were made out, the directors took reasonable steps to ascertain the action taken in relation to the writing off of bad debts and providing for doubtful debts. The directors have satisfied themselves that all known bad debts have been written off and that adequate provision has been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would render any amounts written off for bad debts or provided for doubtful debts inadequate to any substantial extent.

Current assets

Before the financial statements were made out, the directors took reasonable steps to ascertain that current assets which were unlikely to realise their book values in the ordinary course of business have been written down to their estimated realisable values or that adequate provision has been made for the diminution in values of such current assets.

At the date of this report, the directors are not aware of any circumstances, not otherwise dealt with in this report, which would render the values attributed to current assets in the financial statements misleading.

Charges on assets and contingent liabilities

At the date of this report, no charges have arisen since the end of the financial year on the assets of the Company which secure the liability of any other person, nor has any contingent liability arisen since the end of the financial year.

Ability to meet obligations

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Company to meet its obligations as and when they fall due.

Other circumstances affecting the financial statements

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

Unusual items

In the opinion of the directors, the results of the operations during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature, except for the exceptional impairment loss on the Company's property as set out in Note 7 to the financial statements.

Unusual items after the financial year

In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which would affect substantially the results of the operations of the Company for the financial year in which this report is made.

Directors' contractual benefits

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than as disclosed in this report) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest, except that certain directors are directors and/or executives of the holding company and received remuneration and benefits in those capacities.

Share options

There were no share options granted during the financial year to subscribe for unissued shares of the Company.

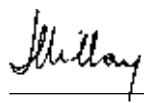
No shares have been issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company.

There were no unissued shares of the Company under option at the end of the financial year.

Auditors

The auditors, PricewaterhouseCoopers, have expressed their willingness to accept re-appointment.

On behalf of the directors



J Y Pillay
Director



Hsieh Fu Hua
Director

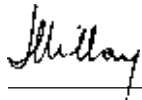
11 September 2003



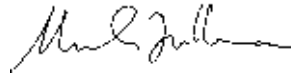
Statement by directors

In the opinion of the directors, the financial statements set out on pages 9 to 23 are drawn up so as to give a true and fair view of the state of affairs of the Company at 30 June 2003 and of the results of the business and changes in equity for the financial year then ended, and at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the directors



J Y Pillay
Director



Hsieh Fu Hua
Director

11 September 2003

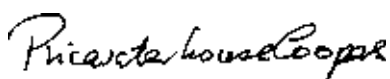
Auditors' report to the shareholder of the Central Depository (Pte) Limited

We have audited the financial statements of The Central Depository (Pte) Limited for the financial year ended 30 June 2003 set out on pages 9 to 23. These financial statements are the responsibility of the directors. 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 plan and perform our audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- (a) the accompanying financial statements are properly drawn up in accordance with the provisions of the Singapore Companies Act ("Act") and Singapore Statements of Accounting Standard and so as to give a true and fair view of:
 - (i) the state of affairs of the Company at 30 June 2003, the profit and changes in equity for the financial year ended on that date; and
 - (ii) the other matters required by section 201 of the Act to be dealt with in the financial statements; and
- (b) the accounting and other records, and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.



PricewaterhouseCoopers
Certified Public Accountants

Singapore, 11 September 2003

Balance sheets

As at 30 June 2003

	Notes	2003 \$'000	2002 \$'000
Current assets			
Cash and cash equivalents	3	134,093	147,741
Trade and other debtors	4	318,354	289,001
Amount due from holding & related companies	5	34,588	7
Clearing fund	6	34,062	33,578
		521,097	470,327
Non-current assets			
Property, plant and equipment	7	43,970	71,795
Investments in subsidiaries	8	400	400
		44,370	72,195
Total assets		565,467	542,522
Current liabilities			
Trade and other creditors	9	306,094	288,518
Amount due to holding company and related companies	5	184	3,407
Clearing members' contributions to clearing fund	6	9,062	8,578
Provision for surplus leased premises and unutilised leave	10	1,156	585
Taxation	13	10,861	12,896
		327,357	313,984
Non-current liabilities			
Provision for surplus leased premises	10	1,211	1,098
Deferred tax liabilities	13	296	416
		1,507	1,514
Total liabilities		328,864	315,498
Net assets		236,603	227,024
Equity			
Share capital	11	100,000	100,000
Reserves		136,603	127,024
		236,603	227,024

Income statement

For the financial year ended 30 June 2003

	Notes	2003 \$'000	2002 \$'000
Operating revenue			
Clearing fees		66,926	76,534
Account maintenance and processing fees		24,485	27,701
Membership fees		688	1,000
Other computer services		972	989
Other operating revenue		3,095	5,724
Total operating revenue		96,166	111,948
Operating expenses			
Staff cost recharges		9,047	9,162
Occupancy costs		1,401	2,339
Depreciation		1,801	1,268
System maintenance and rental		660	649
Management fees payable to holding company		31,199	35,090
Management fees payable to related companies		271	701
Provision for surplus leased premises		662	1,423
Other operating expenses		5,874	6,363
Total operating expenses		50,915	56,995
Profit from operating activities		45,251	54,953
Non-operating revenue			
Interest income		1,431	1,986
Other non-operating revenue		536	418
Total non-operating revenue		1,967	2,404
Exceptional item - Impairment loss on property		(26,872)	—
Profit before tax	12	20,346	57,357
Tax	13	(10,767)	(11,027)
Profit after tax		9,579	46,330



Statement of changes in equity

For the financial year ended 30 June 2003

	Share capital \$'000	Clearing fund reserve * \$'000	Retained profits \$'000	Total \$'000
Balance as at 1 July 2002	100,000	25,000	102,024	227,024
Net profit - total recognised gains for the financial year	—	—	9,579	9,579
Balance as at 30 June 2003	100,000	25,000	111,603	236,603
Balance as at 1 July 2001	100,000	25,000	55,694	180,694
Net profit - total recognised gains for the financial year	—	—	46,330	46,330
Balance as at 30 June 2002	100,000	25,000	102,024	227,024

* Clearing fund reserve is not available for distribution as cash dividends to the shareholder of the Company

Notes to the financial statements

For the financial year ended 30 June 2003

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

1. General

The Company is incorporated and domiciled in Singapore. The address of the registered office is:

2 Shenton Way
#19-00, SGX Centre 1
Singapore 068804

The principal activities of the Company are to provide clearing, depository and related services for securities transactions. The principal activities of subsidiaries are set out in Note 8 to the financial statements.

2. Significant accounting policies

(a) Basis of accounting

The financial statements are prepared in accordance with the historical cost convention modified to include property at fair value and are expressed in Singapore dollars.

The financial statements have been prepared in compliance with Singapore Statements of Accounting Standard ("SAS").

(b) Basis of consolidation

The Company is not required to prepare consolidated financial statements pursuant to Section 201(3B) of the Companies Act, as it is a wholly owned subsidiary of Singapore Exchange Limited, a company incorporated in Singapore.

The registered office of Singapore Exchange Limited is 2 Shenton Way, #19-00, SGX Centre 1, Singapore 068804.

(c) Foreign currencies

Transactions in foreign currencies during the financial year are converted to Singapore dollars at the rates of exchange prevailing on the transaction dates. Foreign currency monetary assets and liabilities are translated into Singapore dollars at the rates of exchange prevailing at the balance sheet date or at contracted rates where they are covered by forward exchange contracts. Exchange differences arising are taken to the income statement.

(d) Bad and doubtful debts

Bad debts are written off and specific provisions are made for those debts considered to be doubtful.

(e) Investments in subsidiaries

Investments in subsidiaries that are intended to be held for the long term are stated in the financial statements at cost less provision. Provision is made in recognition of any diminution in the value of the investments which is other than temporary, determined on an individual investment basis.



2. Significant accounting policies (continued)

(f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation.

When the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its estimated recoverable amount.

(g) Depreciation of property, plant and equipment

Depreciation is calculated on a straight-line basis to write off the cost of property, plant and equipment over their expected useful lives as follows:

Leasehold land	Remaining term of the lease from date of occupation
Leasehold building	Lower of 50 years or remaining lease period
Leasehold improvements	Lower of 5 years or remaining lease period
Furniture, fittings and office equipment	3 to 10 years
Computers - Hardware	3 to 5 years
- Software	1 to 3 years
Motor vehicles	4 years

No depreciation is provided on work-in-progress.

Fully depreciated assets still in use are retained in the financial statements.

(h) Revenue recognition

Revenue is recognised on the following basis:

- (i) trading, clearing and settlement income on a due date basis;
- (ii) account maintenance fees, on a time proportion basis;
- (iii) processing fees, when services are rendered; and
- (iv) interest income, on a time proportion basis.

(i) Taxation

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The principal temporary differences arise from depreciation on property, plant and equipment and revaluations of certain non-current assets. Tax rates enacted or substantively enacted by the balance sheet date are used to determine deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2. Significant accounting policies (continued)

(j) Accounting for leases

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of the leased assets, and operating leases under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised at the estimated present value of the underlying lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate of return on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance charge is charged to the income statement over the lease period. Plant and equipment acquired under finance leases is depreciated over the useful life of the asset.

Operating lease payments are charged to the income statement on a straight-line basis over the period of the lease.

When a finance or operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the financial year in which termination takes place.

(k) Government grants

Government grants relating to income are offset against related expenses. Government grants relating to assets are deducted against the assets to arrive at the carrying amount of the assets.

(l) Provisions

Provisions are recognised when the Company has a present obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Surplus leased premises

Provision is made for surplus leased premises which are currently leased under non-cancellable operating leases and are expected to be sub-let for lower rentals than it is presently obliged to pay under the existing lease.

The provision has been calculated on the basis of absolute dollar which the Group has to pay the landlord after deducting any rental received or expected to receive from subletting the surplus leased premises from the rent which the Group is obliged to pay under the original lease agreements with the landlord.

(m) Share capital

Ordinary shares are classified as equity.

Dividends on ordinary shares are recognised in equity in the year in which they are declared.

(n) Comparatives

Where necessary, comparative figures have been reclassified to conform with changes in presentation in the current year.

3. Cash and cash equivalents

	2003 \$'000	2002 \$'000
Cash at bank and on hand	7,093	147,741
Fixed deposits with banks	127,000	–
	134,093	147,741

Cash at bank of \$4,681,000 (2002: \$147,452,000) bear interest at an average rate of 0.53% (2002: 0.60%) per annum.

The fixed deposits at the balance sheet date have the following average maturity and weighted average effective interest rate:

	2003	2002
Average maturity (days)	23	–
Effective weighted average interest rate (% per annum)	0.35	–

4. Trade and other debtors

	2003 \$'000	2002 \$'000
Trade debtors	317,912	288,427
Less: Provision for doubtful debts (Note (a))	(484)	(464)
	317,428	287,963
Other debtors (Note (b))	926	1,038
	318,354	289,001

(a) Movements in provision for doubtful debts are as follows:

	2003 \$'000	2002 \$'000
Balance at the beginning of the financial year	464	318
Bad debts recovered	(79)	–
Provision for doubtful debts	99	146
Balance at the end of the financial year	484	464

(b) Other debtors comprise:

Interest receivable	78	104
Deposits	46	35
Prepayments	239	556
Others (non-trade)	563	343
	926	1,038

5. Holding company and related companies

	2003 \$'000	2002 \$'000
(a) Amounts due from related companies		
Due from holding company – trade	34,577	–
Due from fellow subsidiaries – trade	7	–
Due from fellow subsidiaries – non-trade	4	7
	34,588	7
(b) Amounts due to holding company and related companies		
Due to holding company – trade	–	3,317
Due to fellow subsidiaries – trade	12	2
Due to fellow subsidiaries – non-trade	172	88
	184	3,407
(c) The Company is a wholly owned subsidiary of Singapore Exchange Limited, incorporated in Singapore, which is also the Company's ultimate holding company.		

The amounts due from/(to) the holding company, subsidiaries and fellow subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

6. Clearing Fund

The Clearing Fund was established under the clearing rules of the Company. The clearing fund is to provide resources to enable the Company to discharge its obligations, and liabilities of defaulting clearing members arising from transactions in approved securities.

The Company has prescribed that the fund size will be \$160 million. The Company has contributed \$25 million (2002: \$25 million) in cash to the Clearing Fund. Clearing members of the securities exchange are required to contribute a total of at least \$15 million in cash, acceptable assets or an equivalent amount in the form of bank guarantees, each member's contribution being in proportion to their market share. The Company has also purchased \$45 million insurance cover and has provided from its own resources, a standby line of credit amounting to \$75 million to support the Clearing Fund (2002: \$45 million and \$75 million respectively).

Payments out of The Central Depository (Pte) Limited ("CDP") clearing fund shall be made in the following order:

- (i) Contributions by defaulting clearing members
- (ii) Contributions of CDP
- (iii) Contributions by all other clearing members on pro-rata basis in the proportion of each clearing member's turnover to the total turnover of all clearing members at that point of default.
- (iv) Insurance
- (v) Standby line of credit provided by CDP



6. Clearing Fund (continued)

Clearing fund contributions comprise:

	2003 \$'000	2002 \$'000
Cash contributions by clearing members	9,062	8,578
Cash contributions by the Company	25,000	25,000
	34,062	33,578
Contribution by clearing members in the form of bank guarantees	8,323	9,524
	42,385	43,102

As at 30 June 2003, all cash contributions are placed in interest bearing accounts with banks. Interest earned on the cash contributions by clearing members is credited to the clearing members while interest earned on the cash contributions by the Company is credited to the Company.

The bank guarantees are not included in the Company's balance sheet.

The contributions of clearing members are recorded as current liabilities of the Company.

The contributions by the Company are included in the reserves of the Company.

7. Property, plant and equipment

	Leasehold land and building \$'000	Leasehold improvements \$'000	Furniture, fittings and office equipment \$'000	Motor vehicles \$'000	Computers \$'000	Work-in- progress ** \$'000	Total \$'000
Cost							
At 1 July 2002	66,076	746	3,716	47	3,695	4,070	78,350
Additions #	–	7	17	–	62	757	843
Disposal	–	–	–	–	(7)	–	(7)
Intercompany transfer	–	–	–	–	(2)	–	(2)
At 30 June 2003	66,076	753	3,733	47	3,748	4,827	79,184
Accumulated depreciation							
At 1 July 2002	576	719	3,324	40	1,896	–	6,555
Depreciation charge	865	21	97	7	811	–	1,801
Disposals	–	–	–	–	(13)	–	(13)
Intercompany transfer	–	–	–	–	(1)	–	(1)
At 30 June 2003	1,441	740	3,421	47	2,693	–	8,342
Accumulated impairment charge							
Impairment charge during the financial year and balance at 30 June 2003	26,872	–	–	–	–	–	26,872
Net book value							
At 30 June 2003	37,763	13	312	–	1,055	4,827	43,970
Net book value							
At 30 June 2002	65,500	27	392	7	1,799	4,070	71,795

** Work-in-progress comprises system infrastructure under development.

Amounts shown are net of government grant received during the year (Note 14).

The Company owns property which is fully utilised by the Company. In view of the current weak property market, the directors deem it prudent to restate the fair value of the property as at 30 June 2003 and the changes in fair value are charged to income statement.

8. Investments in subsidiaries

Name of subsidiaries	Principal activities	Country of business and incorporation	Equity holding held		Cost of investment	
			2003 %	2002 %	2003 \$'000	2002 \$'000
Macronet Information Pte Ltd	Provide corporate share registration and custody-related services	Singapore	100	100	200	200
Options Clearing Company (Pte) Limited	Provide facilities for the registration of options and the maintenance of margin for the options relating to securities	Singapore	100	100	200	200
CDP Nominees Pte Ltd	Dormant	Singapore	100	100	#	#
CDP Nominees (II) Pte Ltd	Dormant	Singapore	100	100	#	#
Asiaclear Pte Ltd	Dormant	Singapore	100	100	#	#
Globalclear Pte Ltd	Dormant	Singapore	100	100	#	#
					<u>400</u>	<u>400</u>

\$2

9. Trade and other creditors

	2003 \$'000	2002 \$'000
Trade creditors	301,987	279,641
Other creditors (Note (a))	4,107	8,877
	<u>306,094</u>	<u>288,518</u>

(a) Other creditors comprise:

Provision for bonus and Central Provident Fund	1,009	1,896
Accrued expenses	1,700	1,323
GST payable (net)	917	591
Advance receipts	466	379
Brokerage payable	—	24
Deposits & unclaimed monies	15	—
Retention sums	—	4,664
	<u>4,107</u>	<u>8,877</u>



10. Provision for surplus leased premises and unutilised leave

(a) Current

	2003 \$'000	2002 \$'000
Provision for surplus leased premises	874	325
Provision for unutilised leave	282	260
	1,156	585

(b) Non-current

	2003 \$'000	2002 \$'000
Provision for surplus leased premises	1,211	1,098

(c) Movements in provision for unutilised leave are as follows:

	2003 \$'000	2002 \$'000
Balance at the beginning of the financial year	260	–
Provision for unutilised leave	22	260
Balance at the end of the financial year	282	260

(d) Movements in provision for surplus leased premises are as follows:

	2003 \$'000	2002 \$'000
Balance at the beginning of the financial year	1,423	–
Provision for surplus leased premises	662	1,423
Balance at the end of the financial year	2,085	1,423

11. Share capital

(a) Authorised ordinary share capital

	2003 \$'000	2002 \$'000
200 million (2002: 200 million) ordinary shares of \$1 each (2002: \$1 each)	200,000	200,000

(b) Issued and fully paid ordinary share capital

	2003 \$'000	2002 \$'000
100 million (2002: 100 million) ordinary shares of \$1 each (2002: \$1 each)	100,000	100,000

12. Profit before tax

	2003 \$'000	2002 \$'000
<u>Profit before tax is arrived at after:</u>		
<i>Charging:</i>		
Auditors' remuneration		
- current year	67	65
- overprovision in prior years	(11)	(16)
Depreciation of property, plant and equipment		
- Leasehold land and building	865	576
- Leasehold improvements	21	45
- Furniture, fittings and office equipment	97	63
- Motor vehicles	7	12
- Computers	811	572
Provision for doubtful trade debts	99	146
Net foreign exchange loss	–	46
Rental expenses - operating leases	1,172	1,777
Provision for unutilised leave	22	260
Provision for surplus leased premises	662	1,423
<i>And crediting:</i>		
Gain on disposal of property, plant and equipment	6	13
Bad debts recovered (trade)	79	–
Interest income		
- Fixed deposits	647	1,499
- Bank	1,402	3,302
Net foreign exchange gain	57	–

13. Taxation

(a) Tax expense

	2003 \$'000	2002 \$'000
<u>Tax expense attributable to profit is made up of:</u>		
Current tax	10,887	12,900
Deferred tax	(178)	336
	10,709	13,236
(Over)/underprovision in preceding financial years		
- Current income tax	-	(2,209)
- Deferred tax	58	-
	10,767	11,027



13. Taxation (continued)

(b) Tax reconciliation

The income tax expense on the results for the financial year varies from the amount of income tax determined by applying the Singapore standard rate of income tax to profit before taxation due to the following factors:

	2003 \$'000	2002 \$'000
Profit before tax	20,346	57,357
Tax calculated at a tax rate of 22% (2002: 22%)	4,476	12,618
Singapore statutory income exemption	(12)	(12)
Differences not agreed with income tax authority	107	449
Expenses not deductible for tax purposes	6,138	138
Effect of different tax rates on income	—	43
	10,709	13,236

(c) Movements in provision for taxation

	2003 \$'000	2002 \$'000
Balance at the beginning of the financial year	12,896	15,452
Income tax paid	(12,922)	(13,247)
Current financial year's tax expense on profit	10,887	12,900
(Over)/underprovision in preceding financial years	—	(2,209)
Balance at the end of the financial year	10,861	12,896

(d) Composition of deferred tax liabilities

Deferred tax liabilities comprise the estimated expense at current income tax rates on the following items:

	2003 \$'000	2002 \$'000
Difference in depreciation of property, plant and equipment for accounting and income tax purposes	296	393
Interest income receivable for tax purpose	—	23
	296	416

(e) Movements in deferred tax liabilities

	2003 \$'000	2002 \$'000
Balance at the beginning of the financial year	416	80
(Credited)/charged to income statement	(120)	336
Balance at the end of the financial year	296	416

14. Government grant

During the year, the Company received a government grant of approximately \$52,000 (2002: \$686,000) from the Financial Sector Development Fund ("FSDF").

Reimbursement for property, plant and equipment of approximately \$17,000 (2002: \$661,000) was deducted from the relevant assets to arrive at the carrying amount of the assets. The remaining balance of approximately \$35,000 (2002: \$25,000) was offset against related expenses in the income statement.

15. Lease commitments

Commitments in relation to non-cancellable operating leases for building premises and computer equipment contracted for at the reporting date but not recognised as liabilities, are payable as follows:

	2003 \$'000	2002 \$'000
Not later than one financial year	1,496	1,285
Later than one financial year but not later than five financial years	2,786	4,548
	<u>4,282</u>	<u>5,833</u>
Total contracted sublease income receivable	(1,453)	–
Net lease commitments	<u>2,829</u>	<u>5,833</u>

In respect of non-cancellable operating leases, the dollars provisions have been recognised:

	2003 \$'000	2002 \$'000
Surplus leased premises (Note 10)	<u>2,085</u>	<u>1,423</u>

The above leases do not contain renewal options or purchase options. They do not contain escalation clauses and do not provide for contingent rents. Lease terms do not contain restrictions on the Company's activities concerning dividends, additional debt or further leasing.

16. Contingent liability

At the balance sheet date, the Company is committed to provide a line of credit amounting to \$75 million to the Clearing Fund to be utilised in accordance with CDP's Clearing Rules (see Note 6).

17. Number of employees

All employees of the Singapore Exchange Group are employed by the holding company, Singapore Exchange Limited.

18. Related party transactions

Disclosure of related party transactions is not made in the financial statements as the Company is a wholly-owned subsidiary of Singapore Exchange Limited which is incorporated in Singapore and provides consolidated financial statements.

19. Financial risk management

The financial risk management of the Company is undertaken by the holding company as part of the operations of the Group, and these processes and policies are described in the financial statements of the holding company.

20. Net fair value of financial assets and liabilities

Financial assets and liabilities are carried at cost which approximate their fair values.

21. Authorisation of financial statements

These financial statements have been authorised for issue by the Board of Directors on 11 September 2003.

