

STATEMENT OF ACCOUNTS OF THE DEPOSIT PROTECTION SCHEME FUND INCOME AND EXPENDITURE ACCOUNT

for the year ended 31 March 2009

(Expressed in Hong Kong dollars)

	Note	2009	2008
Income			
Contributions		\$ 330,756,596	\$ 310,950,193
Interest income from cash and balances with bank and the Exchange Fund		1,777,490	5,852,386
Interest income from available-for-sale securities		6,090,884	8,683,701
Exchange (losses)/gains		(1,870,743)	282,198
Other income		30,907	60,000
		\$ 336,785,134	\$ 325,828,478
Expenditure			
Staff costs	6	\$ 5,216,167	\$ 5,473,024
Premises costs		2,343,627	2,336,172
Depreciation and amortisation		4,075,685	2,962,048
Office supplies		19,622	96,076
Overseas travel		91,592	32,054
Transport and travelling		5,093	4,003
Hire of services		24,704,824	22,495,039
Communications		65,375	65,961
Printing and publicity		19,955,869	15,485,853
Other expenses		1,903,682	1,024,661
		\$ 58,381,536	\$ 49,974,891
Surplus for the year		\$ 278,403,598	\$ 275,853,587

The notes on page 51 to 67 form part of this statement of accounts.

STATEMENT OF ACCOUNTS OF THE DEPOSIT PROTECTION SCHEME FUND BALANCE SHEET

as at 31 March 2009

(Expressed in Hong Kong dollars)

	Note	2009	2008
Non-current assets			
Fixed assets	7	\$ 6,211,528	\$ 3,663,231
Intangible assets	8	10,899,398	10,450,302
		\$ 17,110,926	\$ 14,113,533
Current assets			
Other receivables	9	\$ 875,963	\$ 820,025
Available-for-sale securities	10	775,730,067	312,805,015
Cash and balances with bank and the Exchange Fund	12	631,524,035	347,581,496
		\$ 1,408,130,065	\$ 661,206,536
Current liabilities			
Contributions received in advance		\$ 254,765,057	\$ 245,729,293
Other payables	11	480,224,298	17,541,419
		\$ 734,989,355	\$ 263,270,712
Net current assets		\$ 673,140,710	\$ 397,935,824
Net assets		\$ 690,251,636	\$ 412,049,357
Represented by			
Accumulated surplus		\$ 690,172,681	\$ 411,769,083
Investment revaluation reserve		78,955	280,274
		\$ 690,251,636	\$ 412,049,357

Approved and authorised for issue by the Hong Kong Deposit Protection Board on 29 July 2009.

Professor Andrew Chan Chi-fai, SBS, JP

Chairman

The notes on page 51 to 67 form part of this statement of accounts.

STATEMENT OF ACCOUNTS OF THE DEPOSIT PROTECTION SCHEME FUND

STATEMENT OF CHANGES IN NET ASSETS

for the year ended 31 March 2009

(Expressed in Hong Kong dollars)

	2009	2008
Fund balance as at 1 April	\$ 412,049,357	\$ 135,915,684
Surplus for the year	278,403,598	275,853,587
Change in fair value of available-for-sale securities	(201,319)	280,086
Fund balance as at 31 March	\$ 690,251,636	\$ 412,049,357

STATEMENT OF ACCOUNTS OF THE DEPOSIT PROTECTION SCHEME FUND

CASH FLOW STATEMENT

for the year ended 31 March 2009

(Expressed in Hong Kong dollars)

	2009	2008
Operating activities		
Surplus for the year	\$ 278,403,598	\$ 275,853,587
Interest income	(7,868,374)	(14,536,087)
Exchange losses/(gains)	1,870,743	(282,198)
Depreciation and amortisation	4,075,685	2,962,048
Cash inflow from operating surplus before changes in operating assets and liabilities	\$ 276,481,652	\$ 263,997,350
Changes in operating assets and liabilities		
Increase in other receivables	(55,938)	(516,969)
Increase in contributions received in advance	9,035,764	17,027,778
Increase in other payables	462,682,879	7,827,211
Net cash inflow from operating activities	\$ 748,144,357	\$ 288,335,370
Investing activities		
Purchase of intangible assets	\$ (3,023,569)	\$ (2,798,487)
Purchase of fixed assets	(4,049,509)	(892,252)
Interest received	1,777,490	5,852,386
Purchase of available-for-sale securities	(1,318,383,312)	(412,554,233)
Redemption of available-for-sale securities	859,477,082	139,970,838
Net cash outflow from investing activities	\$ (464,201,818)	\$ (270,421,748)
Net increase in cash and cash equivalents	\$ 283,942,539	\$ 17,913,622
Cash and cash equivalents at 1 April	347,581,496	329,667,874
Cash and cash equivalents at 31 March	\$ 631,524,035	\$ 347,581,496
Analysis of balance of cash and cash equivalents		
Cash and balances with bank and the Exchange Fund	\$ 631,524,035	\$ 347,581,496

STATEMENT OF ACCOUNTS OF THE DEPOSIT PROTECTION SCHEME FUND

NOTES TO THE STATEMENT OF ACCOUNTS

for the year ended 31 March 2009

(Expressed in Hong Kong dollars)

1 PURPOSE AND ACTIVITIES

The Deposit Protection Scheme Fund (the "Fund") is established under the Deposit Protection Scheme Ordinance (the "Ordinance") for the purpose of providing compensation to depositors under certain circumstances in respect of deposits maintained with banks that are members of the Deposit Protection Scheme (the "Scheme"). The Hong Kong Deposit Protection Board (the "Board") manages the Fund in accordance with the provisions of the Ordinance. The Fund mainly consists of contributions collected from Scheme members and returns on investments of the Fund. Expenditure incurred in the establishment and maintenance of the Scheme, as well as the management and administration of the Fund are paid from the Fund.

The Hong Kong SAR Government announced in October 2008 the use of the Exchange Fund to guarantee repayment of all customer deposits held in all authorized institutions in Hong Kong, following the principles of the Deposit Protection Scheme, until the end of 2010.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The statement of accounts of the Fund has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs" is a collective term which includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and accounting principles generally accepted in Hong Kong. The statement of accounts has been prepared under the historical cost convention, as modified by the revaluation of available-for-sale securities.

The preparation of statement of accounts in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Fund's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the statement of accounts are disclosed in Note 4.

- (i) Standards, amendments and interpretations effective in 2008

HKAS 39 (Amendment) "Financial instruments: Recognition and measurement" and HKFRS 7 (Amendment) "Financial instruments: Disclosures" – "Reclassification of financial assets"

These amendments do not have any impact on the Fund's statement of accounts as the Fund has not reclassified any financial assets.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(a) Basis of preparation *(continued)*

- (ii) Standards, amendments and interpretations effective in 2008 but not relevant to the Fund's operations

The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 April 2008, but are not relevant to the Fund's operations:

HK(IFRIC) – Int 12 "Service concession arrangements"; and
HK(IFRIC) – Int 14 "HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction"

- (iii) Standards, amendments and interpretations that are not yet effective and have not been early adopted by the Fund

The Fund has chosen not to early adopt the following new and revised HKFRSs which have been issued but are not yet effective. Adoption of these new and revised HKFRSs is not expected to have any significant effect on the Fund's results of operations or financial position.

HKAS 1 (Revised) "Presentation of financial statements";
HKAS 16 (Amendment) "'Property, plant and equipment" (and consequential amendment to HKAS 7, 'Statement of cash flows')
HKAS 19 (Amendment) "Employee benefits";
HKAS 37 "Provisions, contingent liabilities and contingent assets";
HKAS 36 (Amendment) "Impairment of assets";
HKAS 38 (Amendment) 'Intangible assets";
HKAS 23 (Revised) "Borrowing costs";
HKAS 23 (Amendment) "Borrowing costs";
HKAS 27 (Revised) "Consolidated and separate financial statements";
HKAS 32 (Amendment) "Financial instruments: Presentation" and HKAS 1 (Amendment) "Presentation of financial statements" – "Puttable financial instruments and obligations arising on liquidation";
HKAS 39 (Amendment) "Financial instruments: Recognition and measurement" – "Eligible hedged items";
HKFRS 1 (Revised) "First time adoption of Hong Kong Financial Reporting Standards";
HKFRS 2 (Amendment) "Share-based payment" – "Vesting conditions and cancellations";
HKFRS 3 (Revised) "Business combinations";

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(a) Basis of preparation *(continued)*

- (iii) Standards, amendments and interpretations that are not yet effective and have not been early adopted by the Fund *(continued)*

HKFRS 7 (Amendment) "Financial instruments: Disclosures" – "Improving disclosures about financial instrument";

HKFRS 8 "Operating segments";

HK(IFRIC) – Int 9 (Amendment) "Reassessment of embedded derivatives" and HKAS 39 "Financial instruments: Recognition and measurement" – "Embedded derivatives";

HK(IFRIC) – Int 13 "Customer loyalty programmes";

HK(IFRIC) – Int 15 "Agreements for the construction of real estate";

HK(IFRIC) – Int 16 "Hedges of a net investment in a foreign operation";

HK(IFRIC) – Int 17 "Distributions of non-cash assets to owners"; and

HK(IFRIC) – Int 18 "Transfer of assets from customers".

(b) Revenue recognition

Revenue is recognised in the income and expenditure account when it is probable that economic benefits will flow to the Fund and the revenue can be measured reliably.

Contributions and exemption fees are collected from Scheme members as specified in Schedule 4 to the Ordinance. They are accounted for on an accrual basis.

Contributions are calculated based on the amount of relevant deposits and the respective supervisory rating of each non-exempted bank applicable at a specified date. Contributions are collected annually in advance for each calendar year.

Interest income is recognised in the income and expenditure account using the effective interest method.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Revenue recognition *(continued)*

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Fund estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(c) Expenses

All expenses are recognised in the income and expenditure account on an accrual basis.

(d) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses. Depreciation is calculated on a straight-line basis to write off the assets over their estimated useful lives as follows:

	Years
Computer hardware/software costs:	
• Servers	5
• Others, e.g. personal computers, printers and accessories	3
Office furniture, equipment and fixtures	5

Only items costing HK\$10,000 or more are capitalised. Gains or losses arising from the disposal of a fixed asset are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income and expenditure account in the month of disposal.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount exceeds its estimated recoverable amount. The recoverable amount is the higher of the asset's net selling price and value in use.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Financial assets

The Fund classifies its investments in debt securities as available-for-sale securities. Available-for-sale securities are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or market prices.

Purchases and disposal of available-for-sale securities are recognised on the trade-date – the date on which the Fund commits to purchase or dispose of the securities. They are initially recognised at fair value plus transaction costs and subsequently held at fair value.

Unrealised gains and losses arising from changes in the fair value are recognised directly in reserve, until the available-for-sale securities are derecognised or impaired at which time the cumulative gain or loss previously recognised in the reserve should be recognised in the income and expenditure account. However, interest calculated using the effective interest method is recognised in the income and expenditure account.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the securities and other changes in the carrying amount of the securities. The translation differences on monetary securities are recognised in the income and expenditure account. Other changes in the carrying amount are recognized in reserve.

When the available-for-sale securities are disposed, the difference between the net sale proceeds and the carrying value, and the accumulated fair value adjustments in the reserve are treated as gains or losses on disposal.

(f) Fair value measurement principles

The fair value of quoted investments in active markets is based on current bid prices. If the market for a financial asset is not active, the Fund establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and other valuation techniques commonly used by market participants.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Intangible assets

Costs that are directly associated with the development of identifiable and unique systems controlled and used by the Fund, and that will probably generate economic benefit exceeding costs beyond one year, are recognised as intangible assets. Expenditure on development of the Payout System is capitalised if the systems are technically and commercially feasible. The expenditure capitalised includes the direct labour and costs of materials. Intangible assets are stated at cost less accumulated amortisation and any impairment losses.

Amortisation of intangible assets with definite life is charged to the income and expenditure account on a straight-line basis over the assets' estimated useful life of 5 years.

(h) Impairment of financial assets

The Fund assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale securities, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in income and expenditure account – is removed from reserve and recognised in the income and expenditure account. If, in a subsequent period, the fair value of a debt securities classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income and expenditure account, the impairment loss is reversed through the income and expenditure account.

(i) Impairment of other assets

Assets that have an indefinite useful life or are not yet available for use are not subject to amortisation, but are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the date of transaction including: cash at bank and on hand, demand deposits with banks, other financial institutions and the Monetary Authority ("MA") for the account of the Exchange Fund, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

(k) Other payables

Other payables are initially recognised at fair value and thereafter stated at amortised cost.

(l) Translation of foreign currencies

(i) Functional and presentation currency

Items included in the statement of accounts are measured using the currency of the primary economic environment in which the Fund operates ("the functional currency"). The statement of accounts is presented in Hong Kong dollars, which is the Fund's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income and expenditure account.

(m) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income and expenditure account on a straight-line basis over the period of the lease.

When an 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 period in which termination takes place.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(n) Provisions and contingent liabilities

Provisions are recognised when the Fund has a present legal or constructive obligation as a result of past events where it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation that reflects current market assessments of the time value of money and the risks specific to the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(o) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are recognised when the absence occurs.

(ii) Pension obligations

The Fund offers a mandatory provident fund scheme, the assets of which are generally held in separate trustee – administered funds. These pension plans are generally funded by payments from employees and by the Fund. The Fund's contributions to the mandatory provident fund scheme are expensed as incurred.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(p) Related parties

Related parties are those parties which have the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or entities.

3 RISK MANAGEMENT

(a) Governance

The Fund is established under the Ordinance for the purpose of providing compensation to depositors under certain circumstances in respect of deposits maintained with banks which are members of the Scheme. Under Part 4 of the Ordinance, the Fund is to consist of:

- contributions and late payment fees collected from Scheme members;
- money recovered by the Board from, or out of the assets of, failed Scheme members;
- returns on investments;
- money borrowed by the Board for the purpose of performing its functions; and
- any other money lawfully paid into the Fund.

The Board established an Investment Committee and delegated its power to the Committee to place, or invest, money of the Fund that is not immediately required by the Board for the performance of its functions. In particular, the Investment Committee:

- makes recommendations on the investment policy and strategy in respect of the Fund;
- monitors the investment performance of the Fund and establishes proper risk management controls for the investment activities of the Board; and
- works on any other matters as determined from time to time by the Board.

Operating within the requirements under the Ordinance and policies endorsed by the Investment Committee, the Board's staff conduct the day-to-day investment management and risk management of the Fund.

3 RISK MANAGEMENT *(continued)*

(b) Investment management and control

Under section 21 of the Ordinance, the Fund or any part of it may be invested in the following investment instruments:

- deposits with the MA for the account of the Exchange Fund;
- Exchange Fund Bills;
- US Treasury Bills; and
- any other investment approved by the Financial Secretary.

In December 2008, the Financial Secretary approved an expansion of the investment scope of the Fund to cover Exchange Fund Notes and US Treasury Notes with remaining term to maturity of not more than 2 years, and Hong Kong dollar and US dollar deposits of up to 3 months in tenor with financial institutions.

Investment activities of the Fund are conducted in accordance with the requirements set out in the Ordinance and the policies endorsed by the Investment Committee to ensure the investment objectives of capital preservation and maintaining sufficient liquidity are met.

The Board's Management Team is responsible for the day-to-day investment management of the Fund. Investment reports showing the latest market values, rate of return, maturity profile, types of financial instruments held and limit exposures are regularly submitted to the Investment Committee for control purpose.

(c) Financial risk management

Market risk

Market risk is the risk that changes in market variables such as interest rates, equity prices and exchange rates which may affect the fair value or cash flows of a financial instrument. Market risk to the Fund mainly comprises interest rate risk and currency risk.

3 RISK MANAGEMENT *(continued)*

(c) Financial risk management *(continued)*

(i) Interest rate risk

Interest rate risk refers to the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Since the tenor of the Exchange Fund Bills and Notes and US Treasury Bills and Notes held by the Fund do not exceed 2 years, any impacts of interest rate fluctuations on the Fund are considered minimal.

(ii) Currency risk

Currency risk is the risk of loss arising from changes in foreign exchange rates. The investments held by the Fund are denominated either in Hong Kong dollars or US dollars. Because of the linked exchange rate with the US dollar, the exchange risk to the Fund is considered minimal.

As at 31 March 2009, if interest rates increased by 25 basis points with all other variables remaining stable, the increase in net assets of the Fund for the year would amount to approximately HK\$461,311 (2008: HK\$839,354), arising substantially from the increase in interest receivable from cash balances with bank and the Exchange Fund. Conversely, if interest rates decreased by 25 basis points, the effect would be a decrease in net assets of the Fund of the same amount.

Liquidity risk

Liquidity risk refers to the risk that the Fund may not have sufficient funds available to meet its liabilities as they fall due. In addition, the Fund may not be able to liquidate its financial assets at a price close to the fair value within a short period of time.

Given that the Fund can only make deposits with the MA for the account of the Exchange Fund or with financial institutions approved by the Investment Committee or invest in the highly liquid Exchange Fund Bills and Notes and US Treasury Bills and Notes, the liquidity of the Fund is maintained at a high level at all times.

3 RISK MANAGEMENT *(continued)*

(c) Financial risk management *(continued)*

Credit risk

The Fund is exposed to credit risk as a borrower or a counterparty may not be able or willing to perform its contractual obligations in full when due. The credit risk of the Fund can be broken into (i) counterparty risk from placement activities; (ii) counterparty risk from investment transactions; (iii) issuer risk arising from debt securities holdings; and (iv) country risk.

Counterparty credit exposures arise mainly from the Fund's deposit placements with the MA for the account of the Exchange Fund and financial institutions approved by the Investment Committee and securities transactions with financial institutions. In this respect, the Fund will only conduct securities transactions with counterparties approved by the Investment Committee. Issuer risk arises from investments in debt securities. The types of investment securities of the Fund are limited to Exchange Fund Bills and Notes and US Treasury Bills and Notes, both with minimal default risk. In addition to the counterparty and issuer risks, the Fund is exposed to country risk, which is confined to the sovereign risk of Hong Kong and the US and the country risk of financial institutions approved by the Investment Committee given the Fund's limited types of investments. The Fund's credit exposures are reported regularly to the Investment Committee based on its delegated authority from the Board.

Fair value of financial assets and financial liabilities

The fair value of the financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Fund is the current bid price. In the absence of such quoted market prices, fair values are estimated using present value or other valuation techniques, with inputs based on market conditions existing at the balance sheet date.

3 RISK MANAGEMENT *(continued)*

(c) Financial risk management *(continued)*

Fair value of financial assets and financial liabilities (continued)

The fair values of financial assets and liabilities not presented on the Fund's balance sheet at their fair value are estimated as follows:

- (i) Bank balances and balances with the Exchange Fund

The fair values of bank balances and balances with the Exchange Fund are their carrying amounts.

- (ii) Other receivables

The estimated fair value of other receivables, which are non-interest bearing balances, is their carrying value.

- (iii) Other payables

The estimated fair value of other payables, which are non-interest bearing balances, is their carrying value.

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The Fund makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions made in the preparation of these accounts do not have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

5 TAXATION

No provision for Hong Kong Profits Tax has been made as the Board is exempt from Hong Kong Profits Tax pursuant to section 10 of the Ordinance.

STATEMENT OF ACCOUNTS OF THE DEPOSIT PROTECTION SCHEME FUND

NOTES TO THE STATEMENT OF ACCOUNTS

6 STAFF COSTS

	2009	2008
Salaries	\$ 4,594,406	\$ 4,823,854
Gratuity	412,056	414,055
Other employee benefits	209,705	235,115
	<u>\$ 5,216,167</u>	<u>\$ 5,473,024</u>

7 FIXED ASSETS

	Office equipment, furniture and fixtures	Computer hardware/ software	Total
Cost			
As at 1 April 2008	\$ 1,007,974	\$ 3,772,597	\$ 4,780,571
Additions	24,320	4,025,189	4,049,509
As at 31 March 2009	<u>\$ 1,032,294</u>	<u>\$ 7,797,786</u>	<u>\$ 8,830,080</u>
Accumulated depreciation			
As at 1 April 2008	\$ 268,143	\$ 849,197	\$ 1,117,340
Charge for the year	202,000	1,299,212	1,501,212
As at 31 March 2009	<u>\$ 470,143</u>	<u>\$ 2,148,409</u>	<u>\$ 2,618,552</u>
Net book value			
As at 31 March 2009	<u>\$ 562,151</u>	<u>\$ 5,649,377</u>	<u>\$ 6,211,528</u>
As at 31 March 2008	<u>\$ 739,831</u>	<u>\$ 2,923,400</u>	<u>\$ 3,663,231</u>

for the year ended 31 March 2009

(Expressed in Hong Kong dollars)

8 INTANGIBLE ASSETS

	Development costs of Payout System
Cost	
As at 1 April 2008	\$ 12,899,487
Additions	3,023,569
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As at 31 March 2009	\$ 15,923,056
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Accumulated amortisation	
As at 1 April 2008	\$ 2,449,185
Charge for the year	2,574,473
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As at 31 March 2009	\$ 5,023,658
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Net book value	
As at 31 March 2009	\$ 10,899,398
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As at 31 March 2008	\$ 10,450,302
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9 OTHER RECEIVABLES

	2009	2008
Prepayment	\$ 858,790	\$ 779,133
Interest receivables	673	4,043
Contribution receivables	—	20,349
Others	16,500	16,500
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	\$ 875,963	\$ 820,025
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STATEMENT OF ACCOUNTS OF THE DEPOSIT PROTECTION SCHEME FUND

NOTES TO THE STATEMENT OF ACCOUNTS

10 AVAILABLE-FOR-SALE SECURITIES

	2009	2008
Debt securities:		
– Unlisted US Treasury Bills	\$ 775,730,067	\$ 312,805,015

11 OTHER PAYABLES

	2009	2008
Hire of services	\$ 15,827,948	\$ 14,896,238
Staff expenses	456,397	534,487
Unsettled securities trades (a)	462,645,033	—
Others	1,294,920	2,110,694
	\$ 480,224,298	\$ 17,541,419

(a) This amount represents unsettled securities trades. These were subsequently settled on 1 April 2009.

12 MATERIAL RELATED PARTY TRANSACTIONS

Pursuant to section 6 of the Ordinance, the Board shall perform its functions through the MA unless indicated otherwise by the Financial Secretary. The Hong Kong Monetary Authority ("HKMA") has assigned a team of staff to assist the Board in discharging its functions. The team is headed by an Executive Director of the HKMA, who is designated as the Chief Executive Officer of the Board. The HKMA also supports the Board on aspects such as accounting, administration, human resources, and information technology.

The related party transactions with the HKMA are as follows:

	Note	2009	2008
Aggregate amounts outstanding at the year end			
Balances with the Exchange Fund	(a)	\$ 163,992,879	\$ 343,215,625
Interest income from balances with the Exchange Fund	(a)	1,776,240	5,785,908
Operating expenses reimbursed to the HKMA	(b)	\$ 14,701,143	\$ 12,589,792

(a) During the year, the Fund placed deposits with the Exchange Fund amounting to HK\$163,992,879 (2008: HK\$343,215,625) and earned interest amounting to HK\$1,776,240 (2008: HK\$5,785,908) at a rate which makes reference to the market interest rates.

(b) Certain operating expenses are reimbursed to the HKMA on a cost recovery basis in accordance with the provision set out in the Ordinance.

(c) During the year, the HKMA provided the Board a standby facility from the Exchange Fund for meeting the necessary liquidity required for payment of compensation in the event of a bank failure. The maximum amount which may be drawn under the facility is HK\$40,000,000,000 (2008: HK\$40,000,000,000) of which nil (2008: nil) was drawn during the year.

13 APPROVAL OF STATEMENT OF ACCOUNTS

The statement of accounts was approved by the Board on 29 July 2009.