

G.N. 3810

SECURITIES AND FUTURES ORDINANCE (Chapter 571)

Pursuant to section 240(9b) of the Securities and Futures Ordinance, the audited financial statements of the Investor Compensation Fund for the financial year ended 31 March 2006 are set out on pages 8241 to 8253.

Martin WHEATLEY, *Chairman of
Investor Compensation Fund Committee*

INVESTOR COMPENSATION FUND (the Fund)
REPORT OF THE INVESTOR COMPENSATION FUND COMMITTEE
(the Committee)

The members of the Committee present their annual report and the audited financial statements for the year ended 31 March 2006.

1. *ESTABLISHMENT OF THE FUND*

Part XII of the Securities and Futures Ordinance (Chapter 571) established the Fund on 1 April 2003.

2. *FINANCIAL RESULTS*

The Committee presents the financial results which are set out in the financial statements on pages 8244 to 8253.

3. *MEMBERS OF THE COMMITTEE*

The members of the Committee during the year ended 31 March 2006 and up to the date of this report were:—

Mr. Martin WHEATLEY, (*Chairman*) [appointed on 21 June 2005]

Mr. Gerald GREINER

Mrs. Alexa LAM

Ms. Anna H.Y. WU, S.B.S., J.P.

Mr. Eddy FONG, S.B.S., J.P.

[appointed on 21 June 2005]

Mr. Peter AU-YANG

[appointed on 1 April 2005 and resigned on 20 June 2005]

4. *INTERESTS IN CONTRACTS*

No contract of significance to which the Fund was a party and in which a Committee member had a material interest, whether directly or indirectly, subsisted at the balance sheet date or at any time during the year.

5. *AUDITORS*

The retiring auditors, KPMG, being eligible, offer themselves for re-appointment.

4 May 2006

On behalf of the Committee
Martin WHEATLEY
Chairman

AUDITORS' REPORT
TO THE SECURITIES AND FUTURES COMMISSION (THE SFC)

We have audited the financial statements of the Investor Compensation Fund (the Fund) established under Part XII of the Securities and Futures Ordinance set out on pages 8244 to 8253 which have been prepared in accordance with International Financial Reporting Standards.

Respective responsibilities of the SFC and auditors

The Securities and Futures Ordinance requires the SFC to keep proper accounts of the Fund and to prepare financial statements of the Fund in respect of each financial year. The directors of the SFC do so on the basis that these financial statements should give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently, that judgements and estimates are made which are prudent and reasonable and that the reasons for any significant departure from applicable accounting standards are stated.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Basis of opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the SFC in the preparation of the financial statements and of whether the accounting policies are appropriate to the Fund's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Fund as at 31 March 2006 and of its surplus and cash flows for the year then ended, and have been properly prepared in accordance with International Financial Reporting Standards.

4 May 2006

KPMG
Certified Public Accountants
Hong Kong

INVESTOR COMPENSATION FUND
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2006

(Expressed in Hong Kong dollars)

| | <i>Note</i> | 2006 \$'000 | 2005 \$'000 |
|--|-------------|----------------|----------------|
| <i>Income</i> | | | |
| Net investment income | 3 & 5 | 73,212 | 28,668 |
| Levy from the SEHK | 3 & 6 | 144,983 | 163,914 |
| Levy from the HKFE | 3 & 6 | 11,464 | 13,279 |
| | | 229,659 | 205,861 |
| | | 229,659 | 205,861 |
| <i>Expenses</i> | | | |
| ICC expenses | 7 | 3,263 | 4,066 |
| Auditors' remuneration | | 65 | 55 |
| Bank charges | | 1,125 | 947 |
| Professional fees | | 2,469 | 1,539 |
| Exchange difference | | 4,687 | 383 |
| Sundry expenses | | 1 | 1 |
| | | 11,610 | 6,991 |
| | | 11,610 | 6,991 |
| <i>Surplus</i> | | 218,049 | 198,870 |
| <i>Accumulated surplus brought forward</i> | | 353,479 | 154,609 |
| <i>Accumulated surplus carried forward</i> | | 571,528 | 353,479 |

The notes on pages 8248 to 8253 form part of these financial statements.

INVESTOR COMPENSATION FUND
BALANCE SHEET
AT 31 MARCH 2006

(Expressed in Hong Kong dollars)

| | <i>Note</i> | 2006 \$'000 | 2005 \$'000 |
|--|-------------|----------------|----------------|
| <i>Current assets</i> | | | |
| Financial assets designated at fair value through profit or loss | | | |
| —Debt securities | 8 | 1,357,440 | 1,182,665 |
| —Equity securities | 8 | 145,608 | 122,409 |
| Other receivables | | — | 384 |
| Interest receivable | | 17,848 | 13,731 |
| Due from ICC | | 1,726 | 1,111 |
| Levy receivable from the SEHK | | — | 16,434 |
| Levy receivable from the HKFE | | — | 1,283 |
| Fixed and call deposits with banks | 9 | 152,341 | 81,663 |
| Cash at bank | 9 | 9 | 37,295 |
| | | 1,674,972 | 1,456,975 |
| <i>Current liabilities</i> | | | |
| Accounts payable and accrued charges | | 766 | 818 |
| <i>Net current assets</i> | | 1,674,206 | 1,456,157 |
| <i>Net assets</i> | | 1,674,206 | 1,456,157 |
| Representing:— | | | |
| <i>Compensation fund</i> | | | |
| Contributions from UECF | 10 | 994,718 | 994,718 |
| Contributions from CECF | 10 | 107,960 | 107,960 |
| Accumulated surplus | | 571,528 | 353,479 |
| | | 1,674,206 | 1,456,157 |

Approved and authorised for issue by the Securities and Futures Commission (the SFC) on 4 May 2006 and signed on its behalf by

Martin WHEATLEY
Chairman of the SFC

Eddy C. FONG
Non-executive Director of the SFC

The notes on pages 8248 to 8253 form part of these financial statements.

INVESTOR COMPENSATION FUND
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2006

(Expressed in Hong Kong dollars)

| | 2006 \$'000 | 2005 \$'000 |
|--|------------------|------------------|
| Compensation Fund balance as at 1 April | 1,456,157 | 962,209 |
| Surplus for the year | 218,049 | 198,870 |
| Contributions from UECF | — | 295,078 |
| Compensation Fund balance as at 31 March | <u>1,674,206</u> | <u>1,456,157</u> |

The notes on pages 8248 to 8253 form part of these financial statements.

INVESTOR COMPENSATION FUND
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2006
(Expressed in Hong Kong dollars)

| | 2006 \$'000 | 2005 \$'000 |
|---|----------------|----------------|
| <i>Cash flows from operating activities</i> | | |
| Surplus for the year | 218,049 | 198,870 |
| Net investment income | (73,212) | (28,668) |
| Exchange difference | 4,687 | 383 |
| Decrease/(increase) in levies receivable | 17,717 | (139) |
| (Increase)/decrease in amount due from ICC | (615) | 667 |
| (Decrease)/increase in accounts payable and accrued charges | (52) | 752 |
| | 166,574 | 171,865 |
| <i>Cash flows from investing activities</i> | | |
| Purchase of debt securities | (3,331,795) | (2,729,479) |
| Purchase of equity securities | — | (99,990) |
| Sale or maturity of debt securities | 3,146,281 | 1,692,647 |
| Sale of equity securities | 641 | 278 |
| Interest received | 51,691 | 21,582 |
| | (133,182) | (1,114,962) |
| <i>Cash flows from financing activities</i> | | |
| Contributions received from UECF | — | 295,078 |
| | — | 295,078 |
| Net cash from operating activities | 166,574 | 171,865 |
| Net cash used in investing activities | (133,182) | (1,114,962) |
| Net cash from financing activities | — | 295,078 |
| Net increase / (decrease) in cash and cash equivalents | 33,392 | (648,019) |
| Cash and cash equivalents at beginning of the year | 118,958 | 766,977 |
| <i>Cash and cash equivalents at end of the year</i> | 152,350 | 118,958 |
| <i>Analysis of the balance of cash and cash equivalents:—</i> | | |
| | 2006 \$'000 | 2005 \$'000 |
| Fixed and call deposits with banks | 152,341 | 81,663 |
| Cash at bank | 9 | 37,295 |
| | 152,350 | 118,958 |

INVESTOR COMPENSATION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2006

(Expressed in Hong Kong dollars)

1. *PURPOSE, LIMITATION AND PRINCIPAL ACTIVITY*

The Securities and Futures Ordinance (SFO) provides for the establishment of the Investor Compensation Fund (the Fund) to compensate investors who suffer a loss due to the default of an intermediary in relation to trading of products on Hong Kong Exchanges and Clearing Limited. The defaulting intermediary must be licensed or registered with the Securities and Futures Commission (SFC) for dealing in securities, futures contracts or securities margin financing.

The SFC is primarily responsible for the administration and management of the Fund in accordance with Section 238 of the SFO, but has transferred some functions to the Investor Compensation Company Ltd. (ICC) under Section 80 of the SFO. ICC is thus responsible for receipt, determination and payment of valid claims against the Fund in respect of defaults of intermediaries occurring on or after 1 April 2003. Upon making payment to a claimant, the SFC is subrogated to the claimant's right against the defaulter.

Pursuant to Section 244 of the SFO, the Chief Executive in Council has by order set the maximum amount of compensation at \$150,000 per claimant for a single default in relation to securities traded at the Stock Exchange of Hong Kong Limited (SEHK) or futures contracts traded at the Hong Kong Futures Exchange Limited (HKFE).

If amounts owed to claimants against the Fund exceed the Fund's net assets, the SFC would apportion compensation payments to claimants as provided in the Securities & Futures (Investor Compensation-Claims) Rules. The SFC would pay unpaid claim amounts when funds became available in the Fund.

2. *MONEY CONSTITUTING THE FUND*

The Fund mainly consists of the amounts paid from the two existing compensation funds, the Unified Exchange Compensation Fund (UECF) and the Commodity Exchange Compensation Fund (CECF). The SFC will also pay into the Fund any remaining balance in the Securities Dealers' Deposits Fund and the Commodities Dealers' Deposits Fund after repaying the dealers' deposits and any money due to the registered dealers in accordance with Section 76 (11) of Schedule 10 of the SFO.

Other sources of money for the Fund include the levies chargeable on securities traded on the SEHK and futures contracts traded on the HKFE, and returns earned on the investment of the Fund.

3. *SIGNIFICANT ACCOUNTING POLICIES*

The Fund prepares its financial statements in accordance with International Financial Reporting Standards ("IFRSs") (including applicable International Accounting Standards and Interpretations) promulgated by the International Accounting Standards Board ('IASB'). We set out below a summary of our significant accounting policies.

Basis of preparation

We have prepared these financial statements using the historical cost basis as the measurement basis, except that we state financial instruments classified as designated at fair value through profit or loss at their fair value (see accounting policy stated below).

We prepare the financial statements in conformity with IFRSs which requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. We make estimates and associated assumptions based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

We review estimates and underlying assumptions on an ongoing basis. We recognise revisions to accounting estimates in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Recognition of income

We recognise income in the income and expenditure account provided it is probable that the economic benefits will flow to the Fund and we can measure reliably the revenue and costs. We record our income as follows:

Net investment income Net investment income comprises (i) interest income from bank deposits and debt securities; (ii) unrealised gain or loss on revaluation of debt securities and equity securities and (iii) realised gain or loss on redemption and disposal of debt securities and equity securities. We record interest income as it accrues using the effective interest method.

Levy We record levy as income at a fixed rate on every leviable SEHK transaction and HKFE contract on an accrual basis.

Translation of foreign currencies

We translate foreign currency transactions during the year into Hong Kong dollars at the exchange rates ruling at the transaction dates. We translate monetary assets and liabilities denominated in foreign currencies into Hong Kong dollars at the exchange rates ruling at the balance sheet date. We record exchange gains and losses on translation in the income and expenditure account.

Financial Instruments

(i) Initial recognition

We classify the financial instruments into different categories at inception, depending on the purpose for which the assets were acquired or the liabilities were incurred. The categories are: fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets and other financial liabilities.

We measure financial instruments at fair value, which normally will be equal to the transaction price, plus, in case of a financial asset or financial liability not held at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. We charge transaction costs on financial assets and financial liabilities at fair value through profit or loss to expense immediately.

We recognise the financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument. We recognise regular purchase or sale of financial assets using settlement date accounting. From this date, we record in our books any gains and losses arising from changes in fair value of the financial assets or financial liabilities.

The Fund's financial instruments mainly consists of debt and equity securities designated at fair value through profit or loss. We state financial assets and liabilities under this category at fair value and recognise changes in the fair value in the income and expenditure account in the period in which they arise. Upon disposal or repurchase, the difference between the net sale proceeds or the net payment and the carrying value is included in the income and expenditure account.

(ii) Fair value measurement principles

We determine the fair value of financial instruments based on their quoted market prices on a recognised stock exchange or a price from a broker/dealer for non-exchange-traded financial instruments at the balance sheet date without any deduction for estimated future selling costs. Financial assets are priced at current bid prices, while financial liabilities are priced at current asking prices.

(iii) Derecognition

We derecognise a financial asset when the contractual rights to receive the cash flows from the financial asset expire, or where the financial asset together with substantially all the risks and rewards of ownership, have been transferred.

We derecognise a financial liability when the obligation specified in the contract is discharged, cancelled or expires.

(iv) *Offsetting*

We offset the financial assets and financial liabilities and report the net amount in the balance sheet where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Impairment

(i) *Recognition of impairment loss*

We review the carrying amounts of the Fund's assets at each balance sheet date to determine whether there is any objective evidence of impairment. If any such evidence exists, we estimate the asset's recoverable amount. We recognise in the income and expenditure account the difference between the asset's carrying amount and the recoverable amount as an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount.

(ii) *Calculation of impairment loss*

We calculate the recoverable amount of the Fund's receivables by discounting their expected future cash flows to their present value at the original effective interest rate inherent in the asset. We do not discount receivables with a short duration in the calculation of their recoverable amount.

(iii) *Reversals of impairment loss*

We reverse an impairment loss in respect of an asset in a subsequent period if the circumstances and events that have objectively linked to the write down or write-off cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future. We reverse an impairment loss only to the extent that the asset's carrying amount does not exceed the carrying amount that we would have determined if we had not recognised any impairment loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, 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, having been within three months of maturity at acquisition.

Other receivables

We state other receivables initially at fair value and thereafter at amortised cost less impairment losses.

Provision for compensation

We make provision for liabilities arising from claims resulting from defaults for which the SFC or ICC has published a notice calling for claims pursuant to Section 3 of the Securities and Futures (Investor Compensation-Claims) Rules. The provision covers all such claims received up to the date on which the financial statements are approved by the SFC.

The maximum liability of the Fund to claims for each default case is set at \$150,000 per claimant.

Other payables

We state other payables initially at fair value and thereafter at amortised cost unless the effect of discounting would be immaterial in which case we state them at cost.

Contingent liability

Unless the probability of outflow of economic benefits is remote, we disclose obligations as contingent liability where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably. We also disclose possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events unless the probability of outflow of economic benefits is remote.

Related parties

For the purpose of these financial statements, we consider that the following are related parties of the Fund:

- (i) parties that the Fund has the ability, directly or indirectly, to control or to significantly influence in making financial and operating decisions;
- (ii) parties that have the ability, directly or indirectly, to control or to significantly influence the Fund in making financial and operating decisions; and
- (iii) parties that are subject to common control or common significant influence.

Related parties may be individuals (being members of key management personnel, and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Fund where those parties are individuals.

Impact of the newly implemented IFRSs

In December 2003 and March 2004, the IASB approved amendments to a number of existing standards as a result of the Improvements project and issued several new standards. The objectives of the Improvements project were to reduce or eliminate alternatives, redundancies and conflicts with the standards, to deal with some convergence issues and to make other improvements.

As a result, we adopted the newly implemented IFRSs for the financial period starting from 1 April 2005. However, the adoption of these newly implemented IFRSs do not have a significant impact on the financial statements of the Fund.

4. *TAXATION*

The interest and profits on investment earned by the Fund are not subject to profits tax under Section 14 of the Inland Revenue Ordinance.

5. *NET INVESTMENT INCOME*

| | <i>2006</i> | <i>2005</i> |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| Interest income from bank deposits and debt securities | 47,985 | 20,080 |
| Realised (loss)/gain on disposal of equity securities | (1) | 44 |
| Realised gain/(loss) on redemption/disposal of debt securities | 5,578 | (2,252) |
| Gain on revaluation of equity securities | 24,467 | 22,632 |
| Loss on revaluation of debt securities | (4,817) | (11,836) |
| Net investment income | <u>73,212</u> | <u>28,668</u> |

6. *LEVY FROM THE SEHK/HKFE*

From 1 April 2003, the Fund received levy chargeable on leviable SEHK transactions and leviable HKFE contracts pursuant to Part 2 and Part 3 of the Securities and Futures (Investor Compensation—Levy) Rules.

After the Securities and Futures (Investor Compensation—Levy) (Amendment) Rules 2005 came into effect on 28 October 2005, a levy suspension and re-instatement mechanism is established whereby the investor compensation levies can be suspended when the net asset value of the Fund exceeds \$1.4 billion, and subsequently reinstated when the net asset value of the Fund falls below \$1 billion. Pursuant to the Securities and Futures (Investor Compensation Levy) (Amendment) Rules 2005 and the Gazette on 11 November 2005, no person is required to pay any levy to the Fund in respect of a sale and purchase of securities and futures contract with effect from 19 December 2005.

7. *ICC EXPENSES*

The SFC formed the Investor Compensation Company Limited (ICC) in September 2002 to perform functions on behalf of the Fund in relation to the compensation to investors and other functions under Part III and Part XII of the SFO. The Fund is responsible for funding the establishment and operation of ICC. For the year ended 31 March 2006, ICC incurred cost of \$3,263,000 for its operations (2005: \$4,066,000).

8. *FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS*

| | 2006 \$'000 | 2005 \$'000 |
|---|------------------|------------------|
| (a) Debt securities | | |
| (i) Listing status | | |
| Listed—outside Hong Kong | 385,850 | 654,186 |
| Unlisted | 971,590 | 528,479 |
| | <u>1,357,440</u> | <u>1,182,665</u> |
| (ii) Maturity profile | | |
| —Within one year | 695,808 | 580,646 |
| —After one year but within two years | 442,602 | 295,638 |
| —After two years but within five years | 156,279 | 254,587 |
| —After five years | 62,751 | 51,794 |
| | <u>1,357,440</u> | <u>1,182,665</u> |
| (iii) The weighted average effective interest rate of debt securities at 31 March 2006 was 4.88% (2005: 3.78%). | | |
| (b) Equity securities | | |
| Unlisted | <u>145,608</u> | <u>122,409</u> |

9. *DEPOSITS WITH BANKS AND CASH AT BANK*

The effective interest rate of deposits with banks and cash at bank at 31 March 2006, ranged from 3.8% to 4.72% (2005: 1.98% to 2.8%). The balances matured within one year at both 31 March 2006 and 31 March 2005.

10. *CONTRIBUTIONS FROM UECF AND CECF*

Under Sections 74(2) and 75(2) of Schedule 10 of the SFO, the SFC may pay into the Fund such sum of money from the UECF and the CECF as it considers appropriate after 1 April 2003. Upto 31 March 2006, the SFC paid \$994,718,000 (2005: \$994,718,000) and \$107,960,000 (2005: \$107,960,000) into the Fund from the UECF and the CECF respectively.

11. *RELATED PARTY TRANSACTIONS*

We have related party relationships with the SFC, the ICC, the SEHK, the HKFE, the UECF and the CECF. During the year, there were no significant related party transactions other than those disclosed in the financial statements (refer to notes 6, 7 and 10).

12. *FINANCIAL INSTRUMENTS*

Financial assets of the Fund comprise debt securities and pooled fund. The underlying investments of the pooled fund mainly include equity securities.

(i) *Credit risk*

The Fund's investment policy only allows the Fund to invest in pooled funds, fixed rate dated securities or in bank deposits. Other than those holdings of pooled funds and fixed rate dated securities issued by the US Treasury and multilateral agencies with AAA credit rating, the policy limits the Fund's exposure to each organisation and each country to not more than 15% and 20% of the Fund's total investments respectively. During the year, the Fund complied with the above investment policy and, as a result, was not exposed to significant credit risk.

(ii) *Interest rate risk*

The Fund's interest bearing assets mainly comprises debt securities and bank deposits. It limits its interest rate risks by investing mainly in fixed rate dated debt securities. The Fund's bank deposits expose only to short term bank deposit interest repricing risk. We considered that the Fund was not exposed to significant interest rate risk. In respect of its interest bearing assets, their effective interest rates and maturity profile are disclosed in the respective notes to the financial statements.

(iii) *Exchange rate risk*

The Fund's investment policy allows the Fund to have US dollar foreign exchange exposure. As the HK dollar is pegged with the US dollar, the Fund was not exposed to significant foreign exchange risk.

(iv) *Market risk*

The investment activities of the Fund expose it to various types of market risks which are associated with the markets in which it invests, to the extent of the amount invested in debt securities and equity securities. Such risk will be reflected in the price and the carrying value of the financial assets concerned.

13. *CONTINGENT LIABILITIES*

As at the date of this report, the Fund has six outstanding claims in respect of four intermediaries. The validity of these claims is under investigation. We have not made any provision for these claims. The maximum contingent liability of the Fund to these claims is \$900,000 (As at 31 March 2005: \$900,000).

14. *NON-ADJUSTING POST BALANCE SHEET EVENT*

Pursuant to Section 75(9) of Schedule 10 of the SFO, after all claims against the CECF have been disposed of and all deposits paid to the CECF under Section 82 of the repealed CTO have been reimbursed to the HKFE, the SFC shall pay the remaining balance of the CECF to the Fund. Section 75(11) of Schedule 10 of the SFO also stipulates that where the SFC is unable to locate a successful claimant within three years from the date their claim was allowed, the money must be paid into the Fund. The three year period started to run from 1 April 2003 and expired on 31 March 2006. As at 31 March 2006, there was an unclaimed balance of \$158,013 payable to 10 claimants. Such balance should be paid into the Fund after the lapse of the three year time barred period on 31 March 2006.

On 3 April 2006, \$932,010 was transferred into the Fund from the CECF, leaving a cash balance of \$51,583 in CECF which will be used to settle all outstanding liabilities of the CECF before winding up.

15. *POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING PERIOD ENDED 31 MARCH 2006*

Up to the date of issue of these financial statement, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the accounting period ended 31 March 2006 and which have not been adopted in these financial statements.

Of these developments, the following relate to matters that may be relevant to the Fund's operations and financial statements:

*Effective for accounting periods
beginning on or after*

IFRS 7, Financial instruments: disclosures

1 January 2007

We are in the process of making an assessment of what the impact of the new standard is expected to be in the period of initial application. So far it has concluded that while the adoption of them may result in new or amended disclosures, it is unlikely to have a significant impact on the Fund's results of operations and financial position.