

FINANCIAL SECTOR DEVELOPMENT FUND
STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March	Note	2014	2013
		\$'000	\$'000
Interest Income		25,272	18,853
Dividend Income		73,297	70,402
Gain from Financial Instruments at Fair Value through Profit or Loss		13,921	33,482
Foreign Exchange Loss		(14,131)	(23,407)
Other Income		281	293
Total Income		98,640	99,623
<u>Less:</u>			
Investment Expenses		5,775	4,859
Grants		39,062	31,595
Total Expenditure		44,837	36,454
Net Surplus and Total Comprehensive Income for the Year	3	53,803	63,169

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

**FINANCIAL SECTOR DEVELOPMENT FUND
BALANCE SHEET**

As at 31 March	Note	2014	2013
		\$'000	\$'000
ACCUMULATED FUND			
Capital Account		471,635	471,635
Accumulated Surplus		735,737	681,934
	4	1,207,372	1,153,569
 <u>Represented by:</u>			
ASSETS			
Bank Balances and Deposits	5	221,449	241,206
Financial Assets at Fair Value through Profit or Loss		989,601	952,426
Loans and Receivables		54,921	21,515
		1,265,971	1,215,147
 <u>Less:</u>			
LIABILITIES			
Financial Liabilities at Fair Value through Profit or Loss		3,309	2,360
Accruals and Other Liabilities		55,290	59,218
		58,599	61,578
NET ASSETS OF THE FUND		1,207,372	1,153,569

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

THARMAN SHANMUGARATNAM
MINISTER-IN-CHARGE
FINANCIAL SECTOR DEVELOPMENT FUND

RAVI MENON
MANAGING DIRECTOR
MONETARY AUTHORITY OF SINGAPORE

26 JUNE 2014

FINANCIAL SECTOR DEVELOPMENT FUND
STATEMENT OF CHANGES IN EQUITY

	Note	Capital Account \$'000	Accumulated Surplus \$'000	Total \$'000
Balance as at 1 April 2012		471,635	618,765	1,090,400
Total Comprehensive Income for the Year		-	63,169	63,169
Balance as at 31 March 2013		<u>471,635</u>	<u>681,934</u>	<u>1,153,569</u>
Total Comprehensive Income for the Year		-	53,803	53,803
Balance as at 31 March 2014	4	<u>471,635</u>	<u>735,737</u>	<u>1,207,372</u>

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

FINANCIAL SECTOR DEVELOPMENT FUND

CASH FLOW STATEMENT

For the year ended 31 March	Note	2014 \$'000	2013 \$'000
Cash Flows from Operating Activities			
Surplus for the Year		53,803	63,169
Adjustments for:			
Interest Income		(25,272)	(18,853)
Dividend Income		(73,297)	(70,402)
Gain from Financial Instruments at Fair Value through Profit or Loss		(13,921)	(33,482)
Foreign Exchange Loss		14,131	23,407
Operating Cash Flows before Changes in Working Capital		<u>(44,556)</u>	<u>(36,161)</u>
Decrease in Loans and Receivables		704	270
(Decrease) / Increase in Accruals and Other Liabilities		(4,912)	7,216
Dividend Received on Singapore Exchange Limited Shares		69,998	67,498
Interest Received from Bank Balances and Deposits held in Trust		765	730
Net Cash from Operating Activities		<u>21,999</u>	<u>39,553</u>
Cash Flows from Investing Activities			
Net Increase in Financial Instruments at Fair Value through Profit or Loss		(70,144)	(104,528)
Dividend Received		3,299	3,094
Interest Received		24,153	16,933
Net Cash used in Investing Activities		<u>(42,692)</u>	<u>(84,501)</u>
Net Decrease in Cash and Cash Equivalents		(20,693)	(44,948)
Cash and Cash Equivalents as at beginning of the year		179,191	223,713
Effect of Exchange Rate Changes on Cash and Cash Equivalents		71	426
Cash and Cash Equivalents as at end of the year	5	<u>158,569</u>	<u>179,191</u>

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

FINANCIAL SECTOR DEVELOPMENT FUND NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

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

1 GENERAL

The Financial Sector Development Fund (hereinafter called the Fund) is established under Section 30A of the Monetary Authority of Singapore Act (Chapter 186, 1999 Revised Edition). It is controlled and administered by the Authority. The Authority provides administrative and accounting support to the Fund. The Fund shall be used for the objects and purposes set out in Section 30B of the Act, namely,

- a) the promotion of Singapore as a financial centre;
- b) the development and upgrading of skills and expertise required by the financial services sector;
- c) the development and support of educational and research institutions, research and development programmes and projects relating to the financial services sector; and
- d) the development of infrastructure to support the financial services sector in Singapore.

The Fund shall be deemed not to be a fund of the Authority for the purposes of any written law.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

- a) The financial statements have been prepared in accordance with the provisions of the Monetary Authority of Singapore Act (Chapter 186, 1999 Revised Edition) and the Singapore Financial Reporting Standards (FRS) and on an accrual basis.
- b) The following new or revised FRSs are relevant to the Fund and have been adopted by the Fund in the current financial year.

Amendments to FRS 107 Disclosures – Offsetting Financial Assets and Financial Liabilities

Amendments to FRS 107 introduce more extensive disclosures that focus on quantitative information that will enable the evaluation of the effect or potential effect of netting arrangements, including rights of set-off associated with recognised financial assets and liabilities on the financial positions.

FRS 113 Fair Value Measurement

FRS 113 defines fair value and establishes a single framework for measuring fair value. It replaces and expands the disclosure requirements for fair value measurements in other FRSs including FRS107.

Except for the additional disclosures, there is no significant impact on the Fund's financial statements from the adoption of the new or revised FRSs.

- c) The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Fund's accounting policies. It also requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expenditure during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from these estimates.
- d) The financial statements are presented in Singapore dollars, the Fund's functional currency, and rounded to the nearest thousand, unless otherwise stated.

2.2 Income Recognition

- a) Interest income

Interest income is recognised on a time-proportionate basis using the effective interest method. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or, where appropriate, a shorter period to the net carrying amount.

- b) Dividend income

Dividend income is recognised when the right to receive payment is established.

2.3 Financial Assets

- a) Classification

The Fund's investments in financial assets are classified as financial assets at fair value through profit or loss and loans and receivables.

- i) Financial assets at fair value through profit or loss are financial derivatives or financial assets other than loans and receivables, designated by management as such on initial recognition as it results in more relevant information, because they are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information is provided internally on that basis to management and the Investment Working Committee. They include fixed income securities, equities, commodities and an infrastructure fund. Financial derivatives are used to manage exposures to market risks like foreign exchange and interest rate risks arising from investment activities and can be used for trading.

ii) Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

b) Recognition and Derecognition

Purchases and sales of investments are recognised on the date when the Fund commits to purchase or sell the asset. Investments are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership.

c) Initial and Subsequent Measurements

Financial assets at fair value through profit or loss and financial derivatives are initially recognised and subsequently measured at fair value with changes in fair value and profit/loss on disposal included in the statement of comprehensive income in the period in which they arise. Transaction costs for financial assets at fair value through profit or loss are recognised as expenses on the transaction dates. Loans and receivables are carried at amortised cost and approximate their fair values.

d) Impairment

The Fund assesses at each balance sheet date whether there is objective evidence that an impairment loss on loans and receivables has been incurred. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Impairment losses, if any, are recognised in the statement of comprehensive income for the period.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for loans and receivables no longer exist or have decreased. The reversal, if any, is recognised in the statement of comprehensive income. However, the increase in the carrying amount of loans and receivables due to a reversal of an impairment is recognised to the extent that it does not exceed the carrying amount that would have been determined (net of amortisation) had no impairment losses been recognised for the loans and receivables in prior years.

2.4 Financial Liabilities

The Fund classifies its financial liabilities in the following categories: (a) financial derivatives; and (b) accruals and other liabilities. Financial derivatives - liabilities, classified as fair value through profit or loss, are carried at fair value, with changes in fair value recognised in fair value gain/loss through profit or loss in the statement of comprehensive income. Accruals and other liabilities are carried at amortised cost using the effective interest method.

A financial liability is derecognised from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired.

2.5 Offsetting of Financial Assets/Liabilities and Income/Expenditure

Financial assets and liabilities are set off and the net amount presented in the balance sheet when, and only when, there is a legally enforceable right to set off the amounts and an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Income and expenditure are netted only when permitted by the accounting standards.

2.6 Foreign Currency Translation

Transactions in a foreign currency are measured using the exchange rate prevailing at the date of the transaction. Foreign exchange gain/loss resulting from the settlement of such transactions and the translation of assets and liabilities denominated in foreign currencies, into Singapore dollars, at the exchange rate prevailing at the balance sheet date, are recognised in the statement of comprehensive income.

3 INCOME AND EXPENDITURE FROM FINANCIAL ASSETS AND LIABILITIES

	<u>2014</u>	<u>2013</u>
	\$'000	\$'000
3.1 Net Income/(Loss) from		
i) Financial Assets at Fair Value through Profit or Loss		
Held for Trading - Financial Derivatives	8,193	17,792
Financial Assets Designated as Fair Value through Profit or Loss at Initial Recognition	13,720	11,621
ii) Loans and Receivables	(372)	(865)
iii) Accruals and Other Liabilities	(246)	(1,501)
iv) Singapore Exchange Limited Shares held	69,998	67,498
	91,293	94,545
3.2 Interest Income from Financial Assets not at Fair Value through Profit or Loss		
i) Bank Balances and Deposits	531	853
ii) Loans and Receivables	7	19
	538	872
Total Net Income from Financial Assets and Liabilities	<u>91,831</u>	<u>95,417</u>
3.3 Grants	(39,062)	(31,595)
3.4 Other Net Income/(Loss)	1,034	(653)
Total Comprehensive Income for the Year	<u>53,803</u>	<u>63,169</u>

4 CAPITAL AND ACCUMULATED SURPLUS

4.1 The capital and accumulated surplus of the Fund comprise:

	<u>2014</u> \$'000	<u>2013</u> \$'000
Capital Account	471,635	471,635
Accumulated Surplus	735,737	681,934
Accumulated Fund as at 31 March	<u>1,207,372</u>	<u>1,153,569</u>

4.2 The Fund's Capital Account consists of the net sale proceeds of the Singapore Exchange Limited's (SGX) shares, in accordance with Section 30A (2) of the Monetary Authority of Singapore Act (Chapter 186, 1999 Revised Edition).

4.3 As at 31 March 2014, SEL Holdings Pte Ltd (SEL) holds 249,991,184 SGX shares for the benefit of the Fund as stipulated under Section 11(2) of the Exchanges (Demutualisation and Merger) Act (Chapter 99B, 2000 Revised Edition). These SGX shares held have a market valuation of \$1.7 billion as at 31 March 2014 (31 March 2013: \$1.9 billion). In the event of a sale, net sale proceeds of these shares (after deducting expenses allowed under Section 10(1) and the par value of those shares) shall be paid by SEL into the Fund under Section 10(2) of the Exchanges (Demutualisation and Merger) Act (Chapter 99B, 2000 Revised Edition).

4.4 The Fund's capital management policy is to preserve the capital value of the Fund in line with inflation, whilst taking into consideration, the Fund's desired return and risk tolerance, so that income from the investment of moneys in the Fund can be applied to the objects and expenditure of the Fund and meet all of its commitments under Section 30B of the Monetary Authority of Singapore Act (Chapter 186, 1999 Revised Edition).

4.5 The capital management process includes periodic reviews of the adequacy of the Fund's capital and grant commitments, in relation to all material risks, commensurate with the desired returns. Regular updates are provided to the Fund's Investment Working Committee, Advisory Committee and the Minister-in-Charge.

5 BANK BALANCES AND DEPOSITS

5.1 These comprise the following:

	<u>Note</u>	<u>2014</u> \$'000	<u>2013</u> \$'000
Cash and Cash Equivalents		158,569	179,191
Bank Balances and Deposits held by Singapore Exchange Limited in trust for the Fund	5.2	62,880	62,015
		<u>221,449</u>	<u>241,206</u>

- 5.2 Included in bank balances and deposits of \$221.4 million as at 31 March 2014 is US\$50.0 million (\$62.9 million) (31 March 2013: US\$50.0 million [\$62.0 million]) held by Singapore Exchange Ltd, in trust for a Fund-supported market infrastructure project. The Fund reserves the right, to vary or change the amount for the project or withdraw any part of or the entire amount for this project, and recover in full, or part, any moneys disbursed if specified terms and conditions, including satisfying the project's key performance indicators, are not met or upon the occurrence of specified events.

6 FINANCIAL RISK MANAGEMENT

- 6.1 Two committees, the Advisory Committee and Investment Working Committee which include members from the financial industry, advise on the usage and administration of the Fund, and manage its investments and risk management strategies respectively.
- 6.2 The Fund's investments are mainly in financial instruments, which are exposed to various specific risks outlined below. These risks are managed by establishing specific controls at the aggregate and individual portfolio levels, through diversification and regular monitoring.
- 6.3 Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices and includes currency, interest rate, equity, commodity and other price risks. Market risks are managed through the diversification of the Fund's investments across various asset classes, countries, regions and sectors.

The Fund is managed by external fund managers, who assess the macroeconomic outlook and market developments in formulating investment strategies.

Sensitivity analysis is performed for reasonably possible movements in each key variable with all other variables held constant, to demonstrate the impact on profit or loss and equity resulting from the change in each key variable. The correlation of variables will have a significant effect in determining the ultimate fair values and/or amortised costs of financial assets.

	Profit or Loss and Equity Impact	
	<u>2014</u>	<u>2013</u>
Change in Market Risk:	\$'000	\$'000
a) Foreign Currency		
USD by 5%	14,277	13,013
EUR by 5%	40	24
BRL by 5%	2,589	2,779
b) Interest Rate		
by 1%	38,534	30,699
c) Equity		
by 10%	59,049	24,052
d) Commodity		
by 10%	(87)	(470)

6.3a) **Currency Risk**

- i) Currency risk is the risk of loss from foreign assets and liabilities due to changes in foreign exchange rates. The carrying amounts of the Fund's assets and liabilities are denominated in the following currencies:

As at 31 March	2014					
	SGD	USD	EUR	BRL	Others	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ASSETS						
Bank Balances and Deposits	123,261	92,943	116	333	4,796	221,449
Financial Assets at Fair Value through Profit or Loss						
Financial Derivatives Receivable	384,328	(271,200)	(52,168)	-	(53,661)	7,299
Fixed Income Securities	116,608	285,824	116,138	21,376	265,835	805,781
Fixed Income Securities pledged as collateral for financial derivatives	-	3,023	-	-	-	3,023
Equities	-	46,658	-	29,928	88,070	164,656
Infrastructure Fund (Unquoted)	-	8,842	-	-	-	8,842
	500,936	73,147	63,970	51,304	300,244	989,601
Loans and Receivables						
Other Receivables	2,356	33,836	2,784	2,249	9,348	50,573
Receivables pledged as collateral for financial derivatives	-	1,848	-	-	-	1,848
Receivables from SEL Holdings Pte Ltd	2,500	-	-	-	-	2,500
	4,856	35,684	2,784	2,249	9,348	54,921
TOTAL ASSETS	629,053	201,774	66,870	53,886	314,388	1,265,971
LIABILITIES						
Financial Liabilities at Fair Value through Profit or Loss						
Financial Derivatives Payable	(21,272)	(91,871)	64,983	-	51,469	3,309
Accruals and Other Liabilities						
Accounts Payable - Grants	38,990	-	-	-	-	38,990
Other Payables	(1,896)	8,108	1,096	2,106	6,886	16,300
	37,094	8,108	1,096	2,106	6,886	55,290
TOTAL LIABILITIES	15,822	(83,763)	66,079	2,106	58,355	58,599
NET ASSETS	613,231	285,537	791	51,780	256,033	1,207,372

- ii) Other currencies include mainly South African rand, Hong Kong dollar, Mexican peso and Malaysian ringgit.

- iii) The carrying amounts of loans and receivables and accruals and other liabilities approximate their fair value.

6.3a) **Currency Risk**

i) Currency risk is the risk of loss from foreign assets and liabilities due to changes in foreign exchange rates. The carrying amounts of the Fund's assets and liabilities are denominated in the following currencies:

As at 31 March						2013
	SGD	USD	EUR	BRL	Others	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ASSETS						
Bank Balances and Deposits	146,481	89,480	736	516	3,993	241,206
Financial Assets at Fair Value through Profit or Loss						
Financial Derivatives Receivable	364,270	(168,214)	(95,330)	-	(96,009)	4,717
Fixed Income Securities	120,366	302,095	94,980	19,377	253,700	790,518
Fixed Income Securities pledged as collateral for financial derivatives	-	1,241	-	-	-	1,241
Equities	-	47,027	-	28,862	80,061	155,950
	484,636	182,149	(350)	48,239	237,752	952,426
Loans and Receivables						
Other receivables	4,375	2,960	5,367	126	6,187	19,015
Receivables from SEL Holdings Pte Ltd	2,500	-	-	-	-	2,500
	6,875	2,960	5,367	126	6,187	21,515
TOTAL ASSETS	637,992	274,589	5,753	48,881	247,932	1,215,147
LIABILITIES						
Financial Liabilities at Fair Value through Profit or Loss						
Financial Derivatives Payable	(6,990)	9,088	(146)	(6,707)	7,115	2,360
Accruals and Other Liabilities						
Accounts Payable - Grants	43,873	-	-	-	-	43,873
Other Payables	3,611	5,232	5,412	-	1,090	15,345
	47,484	5,232	5,412	-	1,090	59,218
TOTAL LIABILITIES	40,494	14,320	5,266	(6,707)	8,205	61,578
NET ASSETS	597,498	260,269	487	55,588	239,727	1,153,569

ii) Other currencies include mainly South African rand, Hong Kong dollar, Mexican peso and Malaysian ringgit.

iii) The carrying amounts of loans and receivables and accruals and other liabilities approximate their fair value.

6.3b) **Interest Rate Risk**

Interest rate risk is the risk of loss from a financial instrument due to changes in market interest rates. The Fund manages interest rate risks by setting duration limits on its investments. The table below summarises the Fund's exposure to interest rate re-pricing risks, categorised by the earlier of contractual re-pricing or maturity dates.

As at 31 March	Non-Interest Bearing	Earlier of Repricing/Contractual Maturity Date				2014
		Up to 3 months	Over 3 months and up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total
		\$'000	\$'000	\$'000	\$'000	\$'000
ASSETS						
Bank Balances and Deposits	61,569	129,698	30,182	-	-	221,449
Financial Assets at Fair Value through Profit or Loss						
Financial Derivatives Receivable	7,299	-	-	-	-	7,299
Fixed Income Securities	-	99,700	48,708	276,819	380,554	805,781
Fixed Income Securities pledged as collateral for financial derivatives	-	1,002	2,021	-	-	3,023
Equities	164,656	-	-	-	-	164,656
Infrastructure Fund (Unquoted)	8,842	-	-	-	-	8,842
	180,797	100,702	50,729	276,819	380,554	989,601
Loans and Receivables						
Other Receivables	21,524	29,049	-	-	-	50,573
Receivables pledged as collateral for financial derivatives	-	1,848	-	-	-	1,848
Receivables from SEL Holdings Pte Ltd	2,500	-	-	-	-	2,500
	24,024	30,897	-	-	-	54,921
TOTAL ASSETS	266,390	261,297	80,911	276,819	380,554	1,265,971
LIABILITIES						
Financial Liabilities at Fair Value through Profit or Loss						
Financial Derivatives Payable	3,309	-	-	-	-	3,309
Accruals and Other Liabilities						
Accounts Payable - Grants	38,990	-	-	-	-	38,990
Other Payables	16,300	-	-	-	-	16,300
	55,290	-	-	-	-	55,290
TOTAL LIABILITIES	58,599	-	-	-	-	58,599
NET ASSETS	207,791	261,297	80,911	276,819	380,554	1,207,372

6.3b) **Interest Rate Risk**

Interest rate risk is the risk of loss from a financial instrument due to changes in market interest rates. The Fund manages interest rate risks by setting duration limits on its investments. The table below summarises the Fund's exposure to interest rate re-pricing risks, categorised by the earlier of contractual re-pricing or maturity dates.

As at 31 March	Non-Interest Bearing	Earlier of Repricing/Contractual Maturity Date				2013
		Up to 3 months	Over 3 months and up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total
		\$'000	\$'000	\$'000	\$'000	\$'000
ASSETS						
Bank Balances and Deposits	61,191	150,248	29,767	-	-	241,206
Financial Assets at Fair Value through Profit or Loss						
Financial Derivatives Receivable	4,673	44	-	-	-	4,717
Fixed Income Securities	-	105,550	60,694	244,247	380,027	790,518
Fixed Income Securities pledged as collateral for financial derivatives	-	1,241	-	-	-	1,241
Equities	155,950	-	-	-	-	155,950
	160,623	106,835	60,694	244,247	380,027	952,426
Loans and Receivables						
Other receivables	17,402	1,613	-	-	-	19,015
Receivables from SEL Holdings Pte Ltd	2,500	-	-	-	-	2,500
	19,902	1,613	-	-	-	21,515
TOTAL ASSETS	241,716	258,696	90,461	244,247	380,027	1,215,147
LIABILITIES						
Financial Liabilities at Fair Value through Profit or Loss						
Financial Derivatives Payable	2,340	20	-	-	-	2,360
Accruals and Other Liabilities						
Accounts Payable - Grants	43,873	-	-	-	-	43,873
Other Payables	15,345	-	-	-	-	15,345
	59,218	-	-	-	-	59,218
TOTAL LIABILITIES	61,558	20	-	-	-	61,578
NET ASSETS	180,158	258,676	90,461	244,247	380,027	1,153,569

6.4 Credit Risk

- a) Credit risk is the risk of loss arising from a party's failure to discharge an obligation under a financial contract and includes counterparty, custodian and issuer credit risk.
- b) The Fund's credit risks are managed by transacting with well-rated entities within assigned limits. Credit risks are also mitigated by diversifying credit exposures across counterparties and issuers.
- c) The Fund enters into master netting arrangements with counterparties where it is appropriate and feasible to do so to mitigate counterparty risk. The credit risk associated with favourable contracts is reduced by a master netting arrangement to the extent that if an event of default occurs, all amounts with the counterparty are settled on a net basis. Master netting arrangements do not result in an offset of financial assets and liabilities on the balance sheet, as the legal right to set off the transactions is conditional upon default.

These netting arrangements include derivative master agreements (including the International Swaps and Derivatives Association (ISDA) Master Agreement) and global master repurchase agreements. The collateral received and posted under these agreements is generally conducted under terms that are in accordance with normal market practice. In these agreements, the counterparty is typically allowed to sell or re-pledge these non-cash collateral (i.e. securities) lent or transferred, but has an obligation to return the securities at maturity. If the securities decrease in value, the Fund may, in certain circumstances, be required to pledge or return additional collateral.

In addition, the Fund receives cash and other collateral such as marketable securities to reduce its credit exposure.

- d) The Fund manages issuer credit risk by imposing minimum credit rating requirements on the investment of its fixed income securities. Single issuer limits are placed to control the credit exposure to any one issuer and to mitigate the extent of loss resulting from a default.
- e) The total carrying amounts of bank balances, deposits, financial derivatives, fixed income securities, loans and receivables and infrastructure fund represent the Fund's maximum credit exposure.

6.4f) **Credit Risk**

The credit exposure by rating of financial assets including fixed income securities and credit derivatives held by the Fund under total assets is analysed below.

As at 31 March	Credit Ratings			2014
	AAA	AA+ to BBB-	Unrated and Others	Total
	\$'000	\$'000	\$'000	\$'000
ASSETS				
Bank Balances and Deposits	1,063	220,386	-	221,449
Financial Assets at Fair Value through Profit or Loss				
Financial Derivatives Receivable	-	29	7,270	7,299
Fixed Income Securities	294,351	459,350	52,080	805,781
Fixed Income Securities pledged as collateral for financial derivatives	-	3,023	-	3,023
Infrastructure Fund (Unquoted)	-	-	8,842	8,842
	294,351	462,402	68,192	824,945
Loans and Receivables				
Other Receivables	1,622	46,412	2,539	50,573
Receivables pledged as collateral for financial derivatives	-	1,848	-	1,848
Receivables from SEL Holdings Pte Ltd	-	-	2,500	2,500
	1,622	48,260	5,039	54,921
	297,036	731,048	73,231	1,101,315

As at 31 March	Credit Ratings			2013
	AAA	AA+ to BBB-	Unrated and Others	Total
	\$'000	\$'000	\$'000	\$'000
ASSETS				
Bank Balances and Deposits	124,867	116,339	-	241,206
Financial Assets at Fair Value through Profit or Loss				
Financial Derivatives Receivable	-	25	4,692	4,717
Fixed Income Securities	284,896	450,454	55,168	790,518
Fixed Income Securities pledged as collateral for financial derivatives	-	1,241	-	1,241
	284,896	451,720	59,860	796,476
Loans and Receivables				
Other receivables	1,684	13,822	3,509	19,015
Receivables from SEL Holdings Pte Ltd	-	-	2,500	2,500
	1,684	13,822	6,009	21,515
	411,447	581,881	65,869	1,059,197

6.4g) The disclosures set out in the tables below pertain to financial assets and liabilities that are not offset in the Fund's balance sheet but are subject to enforceable master netting arrangement or similar agreement that covers similar financial instruments. The disclosures enable the evaluation of the potential effect of netting arrangements on the Fund's financial position.

As at 31 March 2014	Gross amounts on balance sheet	Gross amounts subject to netting arrangements but not set off in the balance sheet	Related amounts not set off in the balance sheet		Net amount
			Financial instruments	Cash collateral	
	\$'000	\$'000 (A)	\$'000 (B)	\$'000 (C)	\$'000 (A)-(B)-(C)=(D)
Financial assets					
Financial assets at Fair value through Profit or Loss	989,601				
Financial Derivatives		2,042	292	-	1,750
Loans and receivables	54,921				
Repurchase agreements		29,049	29,049	-	-
		31,091	29,341	-	1,750
Financial liabilities					
Financial liabilities at Fair value through Profit or Loss	3,309				
Financial Derivatives		1,103	292	811	-
		1,103	292	811	-
As at 31 March 2013					
	Gross amounts on balance sheet	Gross amounts subject to netting arrangements but not set off in the balance sheet	Related amounts not set off in the balance sheet		Net amount
	\$'000	\$'000 (A)	\$'000 (B)	\$'000 (C)	\$'000 (A)-(B)-(C)=(D)
Financial assets					
Financial assets at Fair value through Profit or Loss	952,426				
Financial Derivatives		849	45	-	804
Loans and receivables	21,515				
Repurchase agreements		1,613	1,613	-	-
		2,462	1,658	-	804
Financial liabilities					
Financial liabilities at Fair value through Profit or Loss	2,360				
Financial Derivatives		276	45	-	231
		276	45	-	231

- h) *Securities Pledged and Transferred*
The Fund enters into transactions where financial assets may be transferred to counterparties under terms that are in accordance with normal market practice.
- The Fund has determined that it retains substantially all the risks and rewards of these securities and has not derecognised them. If the securities decrease in value, the Fund may be required to pledge additional collateral.
- i) *Financial Assets that are neither past due nor impaired*
The Fund's balances and deposits with banks, receivables and other investments that are neither past due nor impaired, are mainly with banks and financial institutions with high credit-ratings assigned by international credit-rating agencies.
- j) *Financial Assets that are past due and/or impaired*
There are no financial assets that are past due as at 31 March 2014 and 31 March 2013.

6.5 Liquidity Risk

Liquidity risk is the risk that the Fund will encounter difficulty in selling a financial asset at close to its fair value at short notice to meet liabilities when they fall due. Limits are imposed on investments to ensure adequate diversification of cash flow sources. The table below analyses the financial assets and liabilities of the Fund based on undiscounted cash flows by remaining contractual maturities.

As at 31 March	2014					Total
	No Specific Maturity	Contractual Maturity Date				
		Up to 3 months	Over 3 months and up to 1 year	Over 1 year and up to 5 years	Over 5 years	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ASSETS						
Bank Balances and Deposits	61,569	97,000	-	62,880	-	221,449
Financial Assets at Fair Value through Profit or Loss						
Financial Derivatives Receivable						
Net Settled Derivatives	-	3,618	92	208	(31)	3,887
Gross Settled Derivatives						
Outflow	-	(405,470)	-	-	-	(405,470)
Inflow	-	408,883	-	-	-	408,883
Fixed Income Securities	77,217	20,295	71,112	365,816	482,509	1,016,949
Fixed Income Securities pledged as collateral for financial derivatives	-	1,002	2,021	-	-	3,023
Equities	164,656	-	-	-	-	164,656
Infrastructure Fund (Unquoted)	8,842	-	-	-	-	8,842
	250,715	28,328	73,225	366,024	482,478	1,200,770
Loans and Receivables						
Other Receivables	1,704	41,924	-	-	-	43,628
Receivables pledged as collateral for financial derivatives	1,848	-	-	-	-	1,848
Receivables from SEL Holdings Pte Ltd	2,500	-	-	-	-	2,500
	6,052	41,924	-	-	-	47,976
TOTAL ASSETS	318,336	167,252	73,225	428,904	482,478	1,470,195
LIABILITIES						
Financial Liabilities at Fair Value through Profit or Loss						
Financial Derivatives Payable						
Net Settled Derivatives	-	1,428	184	625	(347)	1,890
Gross Settled Derivatives						
Outflow	-	133,006	-	-	-	133,006
Inflow	-	(131,529)	-	-	-	(131,529)
	-	2,905	184	625	(347)	3,367
Accruals and Other Liabilities						
Accounts Payable - Grants	38,990	-	-	-	-	38,990
Other Payables	-	16,300	-	-	-	16,300
	38,990	16,300	-	-	-	55,290
TOTAL LIABILITIES	38,990	19,205	184	625	(347)	58,657
NET ASSETS	279,346	148,047	73,041	428,279	482,825	1,411,538

6.5 Liquidity Risk

Liquidity risk is the risk that the Fund will encounter difficulty in selling a financial asset at close to its fair value at short notice to meet liabilities when they fall due. Limits are imposed on investments to ensure adequate diversification of cash flow sources. The table below analyses the financial assets and liabilities of the Fund based on undiscounted cash flows by remaining contractual maturities.

As at 31 March

	No Specific Maturity	Contractual Maturity Date				2013
		Up to 3 months	Over 3 months and up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ASSETS						
Bank Balances and Deposits	61,191	118,000	62,015	-	-	241,206
Financial Assets at Fair Value through Profit or Loss						
Financial Derivatives Receivable						
Net Settled Derivatives	-	1,690	22	(275)	92	1,529
Gross Settled Derivatives						
Outflow	-	(473,643)	-	-	-	(473,643)
Inflow	-	476,325	-	-	-	476,325
Fixed Income Securities	70,388	34,170	79,549	318,849	453,099	956,055
Fixed Income Securities pledged as collateral for financial derivatives	-	1,241	-	-	-	1,241
Equities	155,950	-	-	-	-	155,950
	226,338	39,783	79,571	318,574	453,191	1,117,457
Loans and Receivables						
Other receivables	2,629	9,991	-	-	-	12,620
Receivables from SEL Holdings Pte Ltd	2,500	-	-	-	-	2,500
	5,129	9,991	-	-	-	15,120
TOTAL ASSETS	292,658	167,774	141,586	318,574	453,191	1,373,783
LIABILITIES						
Financial Liabilities at Fair Value through Profit or Loss						
Financial Derivatives Payable						
Net Settled Derivatives	-	1,915	53	141	(137)	1,972
Gross Settled Derivatives						
Outflow	-	39,985	-	-	-	39,985
Inflow	-	(39,680)	-	-	-	(39,680)
	-	2,220	53	141	(137)	2,277
Accruals and Other Liabilities						
Accounts Payable - Grants	43,873	-	-	-	-	43,873
Other Payables	30	15,315	-	-	-	15,345
	43,903	15,315	-	-	-	59,218
TOTAL LIABILITIES	43,903	17,535	53	141	(137)	61,495
NET ASSETS	248,755	150,239	141,533	318,433	453,328	1,312,288

6.6 Concentration Risk

Concentration risk is the risk of loss arising due to a disproportionate exposure to specific countries, regions and sectors. Investment limits are set to provide diversification of financial assets across countries, regions and sectors to mitigate concentration risk. The table below summarises the Fund's exposure to concentration risk.

As at 31 March **2014**

	North America	Developed Europe	Asia Pacific	Emerging Countries and Others	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<u>FIXED INCOME SECURITIES</u>					
Government	70,842	70,609	95,595	190,257	427,303
Government Related	7,648	9,719	32,527	8,052	57,946
Corporates	107,376	79,655	32,766	5,176	224,973
Others	10,633	8,774	1,960	77,215	98,582
Total	196,499	168,757	162,848	280,700	808,804

EQUITIES

Energy	-	6,897	-	-	6,897
Financials	-	-	-	24,333	24,333
Information Technology	-	3,606	-	35,269	38,875
Consumer Staples	-	3,521	-	22,731	26,252
Consumer Discretionary	-	9,319	-	10,871	20,190
Industrials	-	-	6,250	12,588	18,838
Telecommunication Services	-	-	-	17,652	17,652
Utilities	-	-	-	11,619	11,619
Total	-	23,343	6,250	135,063	164,656

As at 31 March **2013**

	North America	Developed Europe	Asia Pacific	Emerging Countries and Others	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<u>FIXED INCOME SECURITIES</u>					
Government	91,852	58,771	87,030	191,022	428,675
Government Related	7,563	10,220	33,318	6,680	57,781
Corporates	104,186	71,703	37,180	4,892	217,961
Others	8,363	7,184	1,412	70,383	87,342
Total	211,964	147,878	158,940	272,977	791,759

EQUITIES

Energy	-	5,968	-	3,105	9,073
Financials	-	-	-	17,722	17,722
Information Technology	-	4,303	-	29,229	33,532
Consumer Staples	4,808	3,536	-	26,698	35,042
Consumer Discretionary	1,695	6,195	-	7,908	15,798
Industrials	-	-	-	11,430	11,430
Materials	-	3,317	-	2,532	5,849
Telecommunication Services	-	-	-	21,854	21,854
Utilities	-	-	-	5,650	5,650
Total	6,503	23,319	-	126,128	155,950

6.7 Fair Values of Financial Assets and Liabilities

- a) The Fund measures the fair values of its financial assets and liabilities at the following different levels of inputs:
- i) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date;
 - ii) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices). Where the fair value of the financial instrument is measured by a valuation technique that uses independently sourced broker, dealer quotes and observable market parameters such as foreign exchange rates, yield curves and volatilities, it is disclosed at this level; and
 - iii) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs). Where no market data can be observed and judgement is required, the valuation of the financial instrument takes into account factors such as the illiquidity and price volatility of the asset class and adjustments are made for uncertainties in the input parameters and modelling methods.

6.7b) **Assets and Liabilities Measured at Fair Value**

The following table summarises the financial assets and liabilities recorded at fair value by level of the fair value hierarchy.

As at 31 March **2014**

	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Financial Assets at Fair Value through Profit or Loss				
Financial Derivatives Receivable	3,529	3,770	-	7,299
Fixed Income Securities	236,184	569,597	-	805,781
Fixed Income Securities pledged as collateral for financial derivatives	3,023	-	-	3,023
Equities	164,656	-	-	164,656
Infrastructure Fund (Unquoted)	-	-	8,842	8,842
	407,392	573,367	8,842	989,601

Financial Liabilities at Fair Value through Profit or Loss

Financial Derivatives Payable	903	2,406	-	3,309
	903	2,406	-	3,309

NET ASSETS **406,489** **570,961** **8,842** **986,292**

As at 31 March **2013**

	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Financial Assets at Fair Value through Profit or Loss				
Financial Derivatives Receivable	963	3,754	-	4,717
Fixed Income Securities	254,032	536,486	-	790,518
Fixed Income Securities pledged as collateral for financial derivatives	1,241	-	-	1,241
Equities	155,950	-	-	155,950
	412,186	540,240	-	952,426

Financial Liabilities at Fair Value through Profit or Loss

Financial Derivatives Payable	1,723	637	-	2,360
	1,723	637	-	2,360

NET ASSETS **410,463** **539,603** **-** **950,066**

6.7c) **Transfers from/to Level 1 and 2**

The following transfers from/to Level 1 and 2 within the fair value hierarchy took place during the financial year ended 31 March 2014.

	<u>2014</u> \$'000	<u>2013</u> \$'000
<u>Fixed Income Securities</u>		
Transfers from Level 2 to Level 1	4,416	-
Net Transfers	<u>4,416</u>	<u>-</u>

Transfers from Level 2 to Level 1 of the fair value hierarchy reflect increased availability of price quotes due to improved liquidity in the market for such debt securities.

6.7d) **Assets Measured at Fair Value under Level 3**

Movements in the Fund's Level 3 financial assets are as follows:

<u>As at 31 March</u>	<u>2014</u>		
	<u>Fixed Income Securities</u>	<u>Infrastructure Fund (Unquoted)</u>	<u>Total</u>
	\$'000	\$'000	\$'000
Financial Assets at Fair Value through Profit or Loss			
Balance as at 1 April 2013	-	-	-
Purchases	-	8,842	8,842
Balance as at 31 March 2014	<u>-</u>	<u>8,842</u>	<u>8,842</u>

<u>As at 31 March</u>	<u>2013</u>		
	<u>Fixed Income Securities</u>	<u>Infrastructure Fund (Unquoted)</u>	<u>Total</u>
	\$'000	\$'000	\$'000
Financial Assets at Fair Value through Profit or Loss			
Balance as at 1 April 2012	985	-	985
Sales	(985)	-	(985)
Balance as at 31 March 2013	<u>-</u>	<u>-</u>	<u>-</u>

Financial assets are transferred into Level 3 when their valuation inputs are no longer based on observable market data. Transfers of financial assets out of Level 3 are made when their valuation inputs can be based on observable market data.

6.7e) **Effect of Changes in Significant Unobservable Inputs of Level 3 Financial Instruments**

<u>Financial Assets at Fair Value through Profit or Loss</u>	<u>Fair Value as at 31 March 2014</u> \$'000	<u>Valuation Technique</u>	<u>Unobservable Input</u>	<u>Range of Inputs</u>
Infrastructure Fund (Unquoted)	8,842	Net asset value	Adjusted net asset value of the Fund	N/A
Total	8,842			

The fair value of the investment in the unquoted infrastructure fund as at 31 March 2014 has been estimated by the Fund's share of the net asset value of the infrastructure fund.

7 FINANCIAL DERIVATIVES: ASSETS/LIABILITIES

Derivative financial instruments are financial instruments whose values fluctuate in response to changes in the values of the underlying assets, interest or exchange rates or indices and include forwards, futures, options and swaps. These instruments allow the Fund to transfer, modify or reduce their foreign exchange and interest rate risks.

Forward foreign exchange contracts are agreements to purchase or sell fixed amounts of currency at agreed rates of exchange on a specified future date.

Foreign exchange options give the buyer on payment of a premium the right, but not the obligation, to buy or sell a specified amount of currency at a specified exchange rate on or before a specified future date.

Interest rate futures are exchange-traded agreements to purchase or sell a standard amount of a specified fixed income security or time deposit at an agreed interest rate on a specified future date.

Interest rate options give the buyer on payment of a premium the right, but not the obligation, to fix the rate of interest on a future deposit or loan, for a specified period commencing on a specified future date.

Interest rate forwards are contracts to purchase or sell an underlying fixed income security at an agreed price on a specified future date.

Interest rate swaps are agreements to exchange the interest obligations with a counterparty for a specified period without exchanging the underlying (or notional) principal.

Equity-related futures are exchange-traded agreements to purchase or sell a standard amount of a specified equity index at an agreed price or level on a specified future date.

Equity-related swaps are agreements to exchange the return of changes in equity prices against changes in a reference interest rate for a specified period.

Commodity-related futures are exchange-traded agreements to purchase or sell a standard amount of a specified commodity or commodity index at an agreed price on a specified future date.

Credit default swaps involve the transfer of credit risk of a reference asset from the protection buyer to the protection seller. The protection buyer makes one or more payments to the seller in exchange for the seller's obligation to make a payment to the buyer contingent upon the occurrence of a pre-defined credit event related to a specified reference entity.

- 7.1 The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognised on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instrument and, therefore, do not indicate the Fund's exposure to credit or price risks. The fair values of derivative instruments are normally zero or negligible at inception and the subsequent change in value is favourable

(derivative assets) or unfavourable (derivative liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments, the extent to which the instruments are favourable and unfavourable and, thus the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

7.2 The contractual or underlying principal amounts of the derivative financial instruments and their corresponding gross positive (derivative receivable) and negative (derivative payable) fair values at balance sheet date, are analysed below. The notional or contractual amounts indicate the volume of transactions outstanding at the balance sheet date:

	2014			2013		
	Contract or underlying principal amount	Fair Value		Contract or underlying principal amount	Fair Value	
		Receivable	Payable		Receivable	Payable
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Foreign exchange contracts						
Forwards	548,736	3,499	1,437	555,348	2,757	508
Interest rate contracts						
Futures purchased	67,403	156	309	57,403	329	-
Futures sold	73,880	240	72	62,546	-	865
Forwards purchased	-	-	-	2,708	14	50
Forwards sold	-	-	-	2,589	50	11
Swaps	-	-	-	20,439	44	20
Equity-related contracts						
Futures purchased	28,708	803	-	22,520	92	172
Futures sold	6,433	-	21	5,286	10	15
Swaps	88,845	-	493	72,434	771	-
Commodity-related contracts						
Futures purchased	5,418	2,204	136	3,099	200	587
Futures sold	6,285	124	365	7,802	333	84
Other derivatives						
Credit default swaps purchased	20,759	38	402	9,868	108	24
Credit default swaps sold	3,812	235	74	1,905	9	24
	<u>850,279</u>	<u>7,299</u>	<u>3,309</u>	<u>823,947</u>	<u>4,717</u>	<u>2,360</u>

8 RELATED PARTY TRANSACTIONS

- 8.1 The Fund maintained a non-interest bearing current account with the Authority to facilitate grant disbursements. The Fund's current account balance with the Authority at 31 March 2014 was \$1.1 million (31 March 2013: \$6.9 million).
- 8.2 The Fund also placed deposits with the Authority, in the ordinary course of business and at arm's length, earning interest income disclosed below:

	<u>2014</u> \$'000	<u>2013</u> \$'000
Interest Income	<u>193</u>	<u>444</u>

The Fund's deposit balance with the Authority at 31 March 2014 was \$nil (31 March 2013: \$118.0 million).

9 COMMITMENTS

- 9.1 The Fund has outstanding grant commitments, totalling to \$60.7 million as at 31 March 2014 (31 March 2013: \$81.7 million).
- 9.2 As at 31 March 2014, the Fund has remaining commitment to invest up to US\$42.1 million (\$52.9 million) (31 March 2013: US\$50 million [\$62.0 million]) in an infrastructure fund.

10 NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

New or revised accounting standards and interpretations to existing standards have been issued that are relevant for accounting periods beginning on or after 1 January 2014 or later periods and which the Fund has not early adopted. The following new or revised standards that are applicable, are not expected to have a significant impact on the Fund's financial statements.

Amendments to FRS 32 – Offsetting Financial Assets and Financial Liabilities

The amendments clarify that in order to qualify for offsetting financial assets and financial liabilities in the balance sheet, the right of set-off must not be contingent on a future event (e.g. defaults). It must be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy of the entity and all of the counterparties. Finally, the amendments specify situations when offsetting is permitted when gross settlement mechanisms (e.g. clearing house) are used.

FRS 110 Consolidated Financial Statements

FRS 110 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more entities. It replaces all of the guidance on control and consolidation in FRS 27 "Consolidated and Separate Financial Statements" and INT FRS 12 "Consolidation – Special Purpose Entities". Control exists under FRS 110 when the investor has power,

exposure or rights to variable returns and the ability to use that power to affect its return from the investee.

FRS 112 Disclosure of Interests in Other Entities

FRS 112 requires disclosure of information that enables the evaluation of the nature, risks and financial effects associated with the entity's interests in (a) subsidiaries, (b) associates, (c) joint arrangements and (d) unconsolidated structured entities.

11 COMPARATIVE FIGURES

During the financial year, the Fund has reclassified gains/losses on foreign exchange forwards from Gain/Loss from Financial Instruments at Fair Value through Profit or Loss to Foreign Exchange Gain/Loss to better reflect the effects of foreign exchange on financial instruments. As a result, gain on foreign exchange forwards of \$7.3 million in the comparative figures has been reclassified to conform with the current year's presentation.

12 AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements for the year ended 31 March 2014 were authorised by the Minister-in-Charge for issuance and signed by the Minister and Managing Director of Monetary Authority of Singapore on 26 June 2014.