

Statement by Management

For the financial year ended 31 March 2017

In the opinion of the Management, the financial statements of the Fund as set out on pages 1 to 27 are drawn up so as to present fairly the state of affairs of the Fund as at 31 March 2017, the results and changes in equity of the Fund for the financial year ended on that date, and of the cash flows of the Fund for the financial year then ended.

THARMAN SHANMUGARATNAM

Minister-in-Charge

Financial Sector Development Fund

RAVI MENON

Managing Director

Monetary Authority of Singapore

22 June 2017

**INDEPENDENT AUDITOR'S REPORT
ON THE AUDIT OF THE FINANCIAL STATEMENTS OF
THE FINANCIAL SECTOR DEVELOPMENT FUND
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017**

Opinion

The financial statements of the Financial Sector Development Fund (the Fund), set out on pages 1 to 27, have been audited under my direction. These financial statements comprise the balance sheet as at 31 March 2017, and the statement of comprehensive income, statement of changes in equity, and cash flow statement for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Monetary Authority of Singapore Act (Cap. 186, 1999 Revised Edition) (the Act) and Singapore Financial Reporting Standards (FRSs) so as to present fairly, in all material respects, the state of affairs of the Fund as at 31 March 2017 and the results, changes in equity and cash flows of the Fund for the financial year ended on that date.

Basis for Opinion

The audit was conducted in accordance with Singapore Standards on Auditing (SSAs). The responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of this report. As the Auditor-General, I am independent of the Fund and I exercise my duties and powers in accordance with the Constitution of the Republic of Singapore (1999 Revised Edition) and the Audit Act (Cap. 17, 1999 Revised Edition). Ethical requirements that are relevant to the audit and in line with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) have been fulfilled. I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinion.

Other Information

The management of the Monetary Authority of Singapore is responsible for the other information. The other information comprises the information included in the Statement by Management but does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with the audit of the financial statements, the auditor's responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or the knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work performed, there is a material misstatement of this other information, that fact will be reported. I have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The management of the Monetary Authority of Singapore is responsible for the preparation and fair presentation of the financial statements in accordance with the provisions of the Act and FRSs, and for such internal controls as management determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Fund is constituted based on the Act and its dissolution requires Parliament's approval. In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is intention to wind up the Fund or for the Fund to cease operations.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, professional judgement is exercised and professional scepticism is maintained throughout the audit. An audit also includes:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtaining an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal controls.

- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I will draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, modify my opinion. My conclusion is based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls identified during the audit are communicated to those charged with governance.

TAN YOKE MENG WILLIE
AUDITOR-GENERAL
SINGAPORE

23 June 2017

FINANCIAL SECTOR DEVELOPMENT FUND

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March	Note	2017 \$'000	2016 \$'000
Interest Income		32,795	28,691
Dividend Income		73,920	78,918
Gain / (Loss) from Financial Instruments at Fair Value through Profit or Loss		35,112	(34,017)
Foreign Exchange Gain / (Loss)		22,841	(25,550)
Other Income		305	357
Total Income		164,973	48,399
<u>Less:</u>			
Investment Expenses		6,160	7,817
Grants	9	33,981	33,186
Other Expenses	10	131	128
Total Expenditure		40,272	41,131
Net Surplus and Total Comprehensive Income for the Year	3	124,701	7,268

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

FINANCIAL SECTOR DEVELOPMENT FUND
BALANCE SHEET

<u>As at 31 March</u>	<u>Note</u>	<u>2017</u>	<u>2016</u>
		\$'000	\$'000
ACCUMULATED FUND			
Capital Account		471,635	471,635
Accumulated Surplus		978,404	853,703
	4	<u>1,450,039</u>	<u>1,325,338</u>
 <u>Represented by:</u>			
ASSETS			
Bank Balances and Deposits	5	173,298	195,167
Financial Assets at Fair Value through Profit or Loss		1,298,097	1,160,871
Loans and Receivables		30,284	16,899
		1,501,679	1,372,937
 <u>Less:</u>			
LIABILITIES			
Financial Liabilities at Fair Value through Profit or Loss		6,480	5,455
Accruals and Other Liabilities		45,160	42,144
		51,640	47,599
 NET ASSETS OF THE FUND		 <u>1,450,039</u>	 <u>1,325,338</u>

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

FINANCIAL SECTOR DEVELOPMENT FUND
STATEMENT OF CHANGES IN EQUITY

	Note	Capital Account \$'000	Accumulated Surplus \$'000	Total \$'000
Balance as at 1 April 2015		471,635	846,435	1,318,070
Total Comprehensive Income for the Year		-	7,268	7,268
Balance as at 31 March 2016		471,635	853,703	1,325,338
Total Comprehensive Income for the Year		-	124,701	124,701
Balance as at 31 March 2017	4	471,635	978,404	1,450,039

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	2017	2016
		\$'000	\$'000
Cash Flows from Operating Activities			
Surplus for the Year		124,701	7,268
Adjustments for:			
Interest Income		(32,795)	(28,691)
Dividend Income		(73,920)	(78,918)
(Gain) / Loss from Financial Instruments at Fair Value through Profit or Loss		(35,112)	34,017
Foreign Exchange (Gain) / Loss		(22,841)	25,550
Operating Cash Flows before Changes in Working Capital		(39,967)	(40,774)
Changes in operating assets and liabilities			
Decrease in Deposits held in Trust		-	7,054
Decrease / (Increase) in Loans and Receivables		573	(337)
Increase / (Decrease) in Accruals and Other Liabilities		1,055	(1,774)
Dividends Received on Singapore Exchange Limited Shares		69,998	74,997
Interest Received from Bank Balances and Deposits		898	1,227
Net Cash generated from Operating Activities		32,557	40,393
Cash Flows (used in) / from Investing Activities			
Net Increase in Financial Instruments		(92,983)	(122,685)
Dividends Received		4,078	3,764
Interest Received		31,501	26,459
Net Cash used in Investing Activities		(57,404)	(92,462)
Net Decrease in Cash and Cash Equivalents		(24,847)	(52,069)
Cash and Cash Equivalents as at beginning of the year		134,570	187,545
Effect of Exchange Rate Changes on Cash and Cash Equivalents		696	(906)
Cash and Cash Equivalents as at end of the year	5	110,419	134,570

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 2017

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 (the “Fund”) is established under Section 30A of the Monetary Authority of Singapore Act (Cap. 186, 1999 Revised Edition). It is controlled and administered by the Monetary Authority of Singapore (“MAS” or the “Authority”), located at 10 Shenton Way, MAS Building, Singapore 079117. 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 (Cap. 186, 1999 Revised Edition) and the Singapore Financial Reporting Standards (FRS) and on an accrual basis.
- b) The following new or revised FRSs relevant to the Fund are applicable in the current financial year.

Effective for the Fund's accounting periods beginning on or after 1 April 2016

Amendments to FRS 1 Presentation of Financial Statements: Disclosure Initiative

The amendments to FRS 1 clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

The new or revised FRSs applicable in the current financial year do not have a significant impact on the Fund's financial statements.

- 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, including dividend income from shares held by SEL Holdings Pte Ltd ("SEL") for the benefit of the Fund, 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 MAS management. They include fixed income securities, equities, commodities and an infrastructure fund.

- 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 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. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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.

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

	<u>2017</u>	<u>2016</u>
	\$'000	\$'000
3.1 Net Income/(Loss) from		
i) Financial Assets at Fair Value through Profit or Loss		
Held for Trading - Financial Derivatives	11,350	(15,442)
Financial Assets Designated as Fair Value through Profit or Loss at Initial Recognition	73,441	(19,693)
ii) Loans and Receivables	173	407
iii) Accruals and Other Liabilities	(31)	33
iv) Singapore Exchange Limited Shares held by SEL for the benefit of the Fund	69,998	74,997
	154,931	40,302
3.2 Interest Income/(Expense) from Financial Assets or Liabilities not at Fair Value through Profit or Loss		
i) Bank Balances and Deposits	1,334	1,268
Total Net Income from Financial Assets and Liabilities	<u>156,265</u>	<u>41,570</u>
3.3 Grants	(33,981)	(33,186)
3.4 Other Net Income / (Expenditure)	2,417	(1,116)
Total Comprehensive Income for the Year	<u><u>124,701</u></u>	<u><u>7,268</u></u>

4 CAPITAL AND ACCUMULATED SURPLUS

4.1 The capital and accumulated surplus of the Fund comprise:

	<u>2017</u> \$'000	<u>2016</u> \$'000
Capital Account	471,635	471,635
Accumulated Surplus	978,404	853,703
Accumulated Fund as at 31 March	<u>1,450,039</u>	<u>1,325,338</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 (Cap. 186, 1999 Revised Edition).

4.3 As at 31 March 2017, 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 (Cap. 99B, 2000 Revised Edition). These SGX shares have a market valuation of \$1.93 billion as at 31 March 2017 (31 March 2016: \$1.99 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 (Cap. 99B, 2000 Revised Edition).

4.4 The Fund seeks to generate good long-term returns subject to liquidity and risk parameters in support of its objects and purpose under Section 30B of the Monetary Authority of Singapore Act (Cap. 186, 1999 Revised Edition). The liquidity and risk parameters set for the Fund takes into accounts its long term investment horizon and ability to ride through short-term volatility in market valuations.

4.5 Periodic reviews are conducted on the adequacy of the Fund's capital and its grant commitments, taking into consideration the risks applicable to the Fund and its expected returns. Regular updates are provided to the MAS management and the Minister-in-Charge.

5 BANK BALANCES AND DEPOSITS

5.1 These comprise the following:

	<u>Note</u>	<u>2017</u> \$'000	<u>2016</u> \$'000
Cash and Cash Equivalents		110,419	134,570
Bank Balances and Deposits held by Singapore Exchange Limited in trust for the Fund	5.2	62,879	60,597
		<u>173,298</u>	<u>195,167</u>

- 5.2 Included in bank balances and deposits of \$173.3 million as at 31 March 2017 is US\$45.0 million (\$62.9 million) (31 March 2016: US\$45.0 million [\$60.6 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 The MAS Markets and Investment Committee manages the Fund's investment and risk management strategies.

- 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 Presentation of Risk Disclosures

Changes have been made to the presentation of the information about exposure to risks arising from financial instruments, based on the information provided internally to senior management. These include, among others, changes in the groupings of currencies in the disclosures on currency risk and changes in the groupings of countries in the disclosures on concentration risk. The comparatives for the preceding financial year have also been restated to be consistent with the presentation in the current financial year.

6.4 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.

Change in Market Risk:	<u>Profit or Loss and Equity Impact</u>	
	<u>2017</u> \$'000	<u>2016</u> \$'000
a) Foreign Currency		
USD by 5%	32,114	16,228
BRL by 5%	2,704	2,262
HKD by 5%	1,690	1,837
ZAR by 5%	2,423	2,003
b) Interest Rate		
by 1%	35,829	49,510
c) Equity		
by 10%	45,841	31,200
d) Commodity		
by 10%	4,618	3,119

6.4a) Currency Risk

- i) Currency risk is the risk of loss from foreign assets and liabilities due to changes in foreign exchange rates. The table below summarises the Fund's currency risk exposure based on the net carrying amounts of the foreign currency denominated assets and liabilities.

At 31 March	2017		2016	
	\$'000	%	\$'000	%
Singapore Dollar	465,576	32.1	665,739	50.2
US Dollar	642,960	44.4	324,564	24.5
Brazilian Real	54,088	3.7	45,241	3.4
Hong Kong Dollar	33,800	2.3	36,735	2.8
South African Rand	48,465	3.3	40,069	3.0
Others	205,150	14.2	212,990	16.1
Total	1,450,039	100	1,325,338	100

- ii) Other currencies include mainly British Pound, Indonesian Rupiah, Malaysian Ringgit and Swedish Krona (31 March 2016: Other currencies include mainly Mexican Peso, Malaysian Ringgit, Polish Zloty and Turkish Lira).

6.4b) Interest Rate Risk

i) 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 financial instruments that have exposure to interest rate re-pricing risks, categorised by the earlier of contractual re-pricing or maturity dates.

As at 31 March	Earlier of Repricing/Contractual Maturity Date					2017
	Non-Interest Bearing	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	74,420	54,165	44,713	-	-	173,298
Financial Assets at Fair Value through Profit or Loss						
Financial Derivatives Receivable	6,925	25	71	-	-	7,021
Fixed Income Securities	-	115,642	289,926	237,003	406,292	1,048,863
Equities	207,829	-	-	-	-	207,829
Infrastructure Fund (Unquoted)	34,384	-	-	-	-	34,384
	249,138	115,667	289,997	237,003	406,292	1,298,097
Loans and Receivables						
Other Receivables	14,873	12,911	-	-	-	27,784
Receivables from SEL Holdings Pte Ltd	2,500	-	-	-	-	2,500
	17,373	12,911	-	-	-	30,284
TOTAL ASSETS	340,931	182,743	334,710	237,003	406,292	1,501,679
LIABILITIES						
Financial Liabilities at Fair Value through Profit or Loss						
Financial Derivatives Payable	6,465	15	-	-	-	6,480
Accruals and Other Liabilities						
Accounts Payable - Grants	26,447	-	-	-	-	26,447
Other Payables	18,713	-	-	-	-	18,713
	45,160	-	-	-	-	45,160
TOTAL LIABILITIES	51,625	15	-	-	-	51,640
NET ASSETS	289,306	182,728	334,710	237,003	406,292	1,450,039

6.4b) Interest Rate Risk (continued)

As at 31 March	Earlier of Repricing/Contractual Maturity Date					2016
	Non-Interest Bearing	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	59,570	92,506	43,091	-	-	195,167
Financial Assets at Fair Value through Profit or Loss						
Financial Derivatives Receivable	13,260	44	62	-	-	13,366
Fixed Income Securities	-	150,915	23,667	271,728	505,975	952,285
Equities	170,771	-	-	-	-	170,771
Infrastructure Fund (Unquoted)	24,449	-	-	-	-	24,449
	208,480	150,959	23,729	271,728	505,975	1,160,871
Loans and Receivables						
Other Receivables	13,757	642	-	-	-	14,399
Receivables from SEL Holdings Pte Ltd	2,500	-	-	-	-	2,500
	16,257	642	-	-	-	16,899
TOTAL ASSETS	284,307	244,107	66,820	271,728	505,975	1,372,937
LIABILITIES						
Financial Liabilities at Fair Value through Profit or Loss						
Financial Derivatives Payable	4,473	982	-	-	-	5,455
Accruals and Other Liabilities						
Accounts Payable - Grants	25,431	-	-	-	-	25,431
Other Payables	14,424	2,289	-	-	-	16,713
	39,855	2,289	-	-	-	42,144
TOTAL LIABILITIES	44,328	3,271	-	-	-	47,599
NET ASSETS	239,979	240,836	66,820	271,728	505,975	1,325,338

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

iii) The carrying amounts of financial assets pledged as collateral for financial derivatives amounted to \$11.9 million as at 31 March 2017 (31 March 2016: \$4.8 million).

6.5 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 and issuer credit risk.
- b) The Fund's credit risks are managed by transacting with entities of acceptable creditworthiness 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 such as International Swaps and Derivatives Association (ISDA) Master Agreement and Global Master Repurchase Agreements (GMRA).

The collateral received and posted under these agreements are subject to terms that are in accordance with market practice. In these agreements, the counterparty is typically allowed to sell or re-pledge non-cash collateral (i.e. securities) transferred, but has an obligation to return the securities at maturity. If the securities received decrease in value, the Fund may, in certain circumstances, call for additional collateral.

- 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.
- f) The credit exposure by rating of the fixed income securities held by the Fund is analysed below:

As at 31 March	2017	2016
	\$'000	\$'000
AAA	454,385	252,504
AA+ to BBB-	528,574	567,307
Unrated and Others	65,904	132,474
	<u>1,048,863</u>	<u>952,285</u>

- g) The analysis has been updated to align with the current policy of using credit ratings from three rating agencies. The comparatives for the preceding financial year, based on credit ratings from two rating agencies, have not been restated as the relevant data from the additional rating agency was not collected.

6.5h) Credit Risk (continued)

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 2017	Gross amounts on balance sheet	Gross amounts subject to netting arrangements but not set off in the balance sheet	Related amounts not set off		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	1,298,097				
Financial Derivatives		4,828	2,443	-	2,385
Loans and Receivables	30,284				
Repurchase Agreements		12,715	12,715	-	-
		17,543	15,158	-	2,385
Financial Liabilities					
Financial Liabilities at Fair Value through Profit or Loss	6,480				
Financial Derivatives		2,923	2,443	196	284
		2,923	2,443	196	284
As at 31 March 2016					
	Gross amounts on balance sheet	Gross amounts subject to netting arrangements but not set off in the balance sheet	Related amounts not set off		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	1,160,871				
Financial Derivatives		3,913	236	2,289	1,388
Loans and Receivables	16,899				
Repurchase Agreements		-	-	-	-
		3,913	236	2,289	1,388
Financial Liabilities					
Financial Liabilities at Fair Value through Profit or Loss	5,455				
Financial Derivatives		1,294	236	642	416
		1,294	236	642	416

i) *Securities Pledged and Transferred*

The Fund enters into transactions like repurchase agreements and securities lending arrangements where financial assets are sold or transferred to counterparties under terms that are in accordance with normal market practice.

The Fund retains substantially all the risks and rewards of these securities and has not derecognised them. In these transactions, the counterparty is typically allowed to sell or re-pledge those securities lent or transferred, but has an obligation to return securities at maturity. If the securities lent decrease in value, the Fund may be required to pledge additional collateral.

For repurchase agreements and securities lending transactions, the securities transferred and lent respectively, are classified as "fair value through profit or loss".

j) *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.

k) *Financial Assets that are past due and/or impaired*

There is no other class of financial assets that is past due except for loans and receivables.

The age analysis of loans and receivables past due but not impaired is as follows:

As at 31 March	Up to 3 months past due	Over 3 and up to 6 months past due	Over 6 months past due	2017 Total
	\$'000	\$'000	\$'000	\$'000
Loans and Receivables				
Receivables	150	-	-	150
As at 31 March				2016 Total
	\$'000	\$'000	\$'000	\$'000
Loans and Receivables				
Receivables	-	-	-	-

Receivables up to 3 months past due as at 31 March 2017 were collected in April 2017, after the financial year-end.

6.6 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	Contractual Maturity Date					2017
	No Specific Maturity	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	74,420	35,999	-	62,879	-	173,298
Financial Assets at Fair Value through Profit or Loss						
Financial Derivatives						
Receivable						
Net Settled	-	2,663	126	49	(89)	2,749
Gross Settled						
Outflow	-	(707,373)	(5,002)	-	-	(712,375)
Inflow	-	711,527	5,102	-	-	716,629
Fixed Income Securities	48,483	43,124	314,297	356,196	547,200	1,309,300
Equities	207,829	-	-	-	-	207,829
Infrastructure Fund (Unquoted)	34,384	-	-	-	-	34,384
	290,696	49,941	314,523	356,245	547,111	1,558,516
Loans and Receivables						
Other Receivables	1,782	18,301	-	-	-	20,083
Receivables from SEL Holdings Pte Ltd	2,500	-	-	-	-	2,500
	4,282	18,301	-	-	-	22,583
TOTAL ASSETS	369,398	104,241	314,523	419,124	547,111	1,754,397
LIABILITIES						
Financial Liabilities at Fair Value through Profit or Loss						
Financial Derivatives						
Payable						
Net Settled	-	2,797	763	1,327	(808)	4,079
Gross Settled						
Outflow	-	504,877	112	-	-	504,989
Inflow	-	(502,220)	(112)	-	-	(502,332)
	-	5,454	763	1,327	(808)	6,736
Accruals and Other Liabilities						
Accounts Payable - Grants	26,448	-	-	-	-	26,448
Other Payables	251	18,461	-	-	-	18,712
	26,699	18,461	-	-	-	45,160
TOTAL LIABILITIES	26,699	23,915	763	1,327	(808)	51,896

6.6 Liquidity Risk (continued)

	As at 31 March					2016
	No Specific Maturity	Contractual Maturity Date				Total
		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	59,570	75,000	-	60,597	-	195,167
Financial Assets at Fair Value through Profit or Loss						
Financial Derivatives Receivable						
Net Settled	-	4,542	269	236	13	5,060
Gross Settled						
Outflow	-	(388,479)	-	-	-	(388,479)
Inflow	-	396,771	-	-	-	396,771
Fixed Income Securities	46,436	92,510	51,135	382,115	632,862	1,205,058
Equities	170,771	-	-	-	-	170,771
Infrastructure Fund (Unquoted)	24,449	-	-	-	-	24,449
	241,656	105,344	51,404	382,351	632,875	1,413,630
Loans and Receivables						
Other Receivables	2,508	4,299	-	-	-	6,807
Receivables from SEL Holdings Pte Ltd	2,500	-	-	-	-	2,500
	5,008	4,299	-	-	-	9,307
TOTAL ASSETS	306,234	184,643	51,404	442,948	632,875	1,618,104
LIABILITIES						
Financial Liabilities at Fair Value through Profit or Loss						
Financial Derivatives Payable						
Net Settled	-	1,463	462	600	3	2,528
Gross Settled						
Outflow	-	191,410	-	-	-	191,410
Inflow	-	(188,889)	-	-	-	(188,889)
	-	3,984	462	600	3	5,049
Accruals and Other Liabilities						
Accounts Payable - Grants	25,431	-	-	-	-	25,431
Other Payables	2,434	14,279	-	-	-	16,713
	27,865	14,279	-	-	-	42,144
TOTAL LIABILITIES	27,865	18,263	462	600	3	47,193

6.7 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	2017				
	Americas	Asia & Oceania	Europe, the Middle East & Africa (EMEA)	Others	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<u>FIXED INCOME SECURITIES</u>					
Government	388,393	143,552	108,735	-	640,680
Government Related	15,427	27,217	3,861	-	46,505
Corporates	189,680	41,154	71,448	-	302,282
Others	10,863	-	84	48,449	59,396
Total	604,363	211,923	184,128	48,449	1,048,863
<u>EQUITIES</u>					
Consumer Discretionary	-	11,092	3,042	-	14,134
Consumer Staples	15,765	13,044	5,244	-	34,053
Financials	10,032	28,745	11,851	-	50,628
Industrials	12,113	9,606	-	-	21,719
Information Technology	2,104	41,688	4,822	-	48,614
Telecommunication Services	4,327	14,067	9,317	-	27,711
Utilities	2,153	8,536	-	-	10,689
Energy	281	-	-	-	281
Total	46,775	126,778	34,276	-	207,829

As at 31 March	2016				
	Americas	Asia & Oceania	Europe, the Middle East & Africa (EMEA)	Others	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<u>FIXED INCOME SECURITIES</u>					
Government	188,040	194,187	185,184	-	567,411
Government Related	12,665	32,491	10,302	-	55,458
Corporates	144,529	35,613	74,634	-	254,776
Others	21,154	1,029	6,037	46,420	74,640
Total	366,388	263,320	276,157	46,420	952,285
<u>EQUITIES</u>					
Consumer Discretionary	-	11,020	2,657	-	13,677
Consumer Staples	13,992	11,129	781	-	25,902
Financials	2,320	25,765	6,398	-	34,483
Industrials	8,363	8,572	-	-	16,935
Information Technology	2,824	34,657	7,331	-	44,812
Telecommunication Services	4,804	17,965	5,682	-	28,451
Utilities	-	6,511	-	-	6,511
Energy	-	-	-	-	-
Total	32,303	115,619	22,849	-	170,771

6.8 Fair Values of Financial Assets and Liabilities

- a) The Fund assesses and classifies its financial assets and liabilities measured at fair value into three levels of fair value hierarchy based on the availability of observable market prices, data or 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 as well as adjustments for uncertainties in the input parameters and valuation modelling methods.

6.8b) 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	2017			
	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Financial Assets at Fair Value through Profit or Loss				
Financial Derivatives Receivable	2,058	4,963	-	7,021
Fixed Income Securities	442,125	606,738	-	1,048,863
Equities	207,829	-	-	207,829
Infrastructure Fund (Unquoted)	-	-	34,384	34,384
	652,012	611,701	34,384	1,298,097
Financial Liabilities at Fair Value through Profit or Loss				
Financial Derivatives Payable	2,759	3,721	-	6,480
	2,759	3,721	-	6,480

As at 31 March	2016			
	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Financial Assets at Fair Value through Profit or Loss				
Financial Derivatives Receivable	1,873	11,493	-	13,366
Fixed Income Securities	300,775	651,510	-	952,285
Equities	170,771	-	-	170,771
Infrastructure Fund (Unquoted)	-	-	24,449	24,449
	473,419	663,003	24,449	1,160,871
Financial Liabilities at Fair Value through Profit or Loss				
Financial Derivatives Payable	1,559	3,896	-	5,455
	1,559	3,896	-	5,455

6.8c) **Transfers from/to Level 1 and 2**

There are no transfers from/to Level 1 and 2 within the fair value hierarchy during the financial years ended 31 March 2017 and 2016.

6.8d) **Assets Measured at Fair Value under Level 3**

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

As at 31 March	2017	2016
	Infrastructure Fund (Unquoted) \$'000	Infrastructure Fund (Unquoted) \$'000
Financial Assets at Fair Value through Profit or Loss		
Balance as at 1 April	24,449	14,475
- Gain/(Loss) from Financial Instruments at Fair Value through Profit or Loss	1,664	(1,841)
- Foreign Exchange Gain/(Loss)	850	(348)
Total Unrealised Gains or Losses recognised in Profit/(Loss)	2,514	(2,189)
Purchases	7,421	12,163
Balance as at 31 March	34,384	24,449

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.

6.8e) **Effect of Changes in Significant Unobservable Inputs of Level 3 Financial Instruments**

Financial Assets at Fair Value through Profit or Loss	Fair Value as at 31 March 2017 \$'000	Fair Value as at 31 March 2016 \$'000	Valuation Technique	Unobservable Input	Range of Inputs
Infrastructure Fund (Unquoted)	34,384	24,449	Net asset value	Adjusted net asset value of the Fund	N/A
Total	34,384	24,449			

The fair value of the investment in the unquoted infrastructure fund 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 futures are exchange-traded agreements to purchase or sell a standard amount of a specified currency at an agreed rate of exchange on a specified future date.

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

Equity-related futures are typically 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 payments based on an equity-linked return against 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 or an underlying pool of liquid corporate issuers.

- 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 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 notional 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 following table summarises the notional amounts of derivative financial instruments held at the balance sheet date:

	2017			2016		
	Notional Amount	Fair Value		Notional Amount	Fair Value	
		Receivable	Payable		Receivable	Payable
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Foreign exchange contracts						
Forwards	1,218,961	4,137	2,598	589,031	8,356	2,566
Futures	-	-	-	19,646	66	119
Interest rate contracts						
Futures	118,970	103	554	125,280	206	535
Swaps	16,071	96	15	41,656	107	982
Equity-related contracts						
Futures	147,118	823	418	44,795	245	292
Swaps	362,524	709	420	100,903	2,717	-
Commodity- related contracts						
Futures	89,342	1,132	1,786	45,676	1,355	613
Other derivatives						
Credit default swaps	38,806	21	689	6,478	314	348
	1,991,792	7,021	6,480	973,465	13,366	5,455

8 RELATED PARTY TRANSACTIONS

8.1 The Fund maintains a non-interest bearing current account with the Authority to facilitate grant disbursements. The Fund's current account balance with the Authority as at 31 March 2017 was \$0.1 million (31 March 2016: \$0.7 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>2017</u>	<u>2016</u>
	\$'000	\$'000
Interest Income	<u>289</u>	<u>557</u>

The Fund's deposit balance with the Authority as at 31 March 2017 was \$36 million (31 March 2016: \$nil).

9 GRANTS

- 9.1 The Managing Director of the Monetary Authority of Singapore is the Chairman of the Institute of Banking and Finance (IBF) Council which provides guidance on the strategic direction of IBF to ensure that it remains relevant and adds value to the financial industry.
- 9.2 The Fund has outstanding commitments to IBF of \$4.7 million as at 31 March 2017 (31 March 2016: \$9.0 million).

	<u>2017</u>	<u>2016</u>
	<u>\$'000</u>	<u>\$'000</u>
Outstanding commitment as at 1 April	8,961	9,483
Additional grants committed during the year	221	6,362
Grants expenses during the year	(2,924)	(6,159)
Grants expired during the year	(1,567)	(725)
Balance as at 31 March	<u>4,691</u>	<u>8,961</u>

10 OTHER EXPENSES

Other expenses include audit fees amounting to \$0.13 million (31 March 2016: \$0.11 million) payable by the Fund.

11 COMMITMENTS

- 11.1 The Fund has outstanding grant commitments, totalling to \$76.9 million as at 31 March 2017 (31 March 2016: \$56.8 million).
- 11.2 As at 31 March 2017, the Fund has a remaining commitment to invest up to US\$24.3 million (\$34.0 million) (31 March 2016: US\$29.6 million [\$39.9 million]) in an infrastructure fund.

12 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 after 1 April 2016 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 except for FRS 109 which is under review and assessment of its impact.

Effective for the Fund's accounting periods beginning on or after 1 April 2017

Amendments to FRS 7 Statement of Cash Flows: Disclosure Initiative

The amendments to FRS 7 require additional disclosures to enable the user of financial statements to evaluate changes in liabilities arising from financing activities, such as providing a reconciliation between opening and closing balances in the balance sheet for liabilities arising from financing activities, and its link to the statement of cash flows.

Effective for the Fund's accounting periods beginning on or after 1 April 2018

FRS 109 Financial Instruments

FRS 109 replaces the existing guidance in FRS 39 Financial Instruments: Recognition and Measurement. It includes revised guidance on the classification and measurement of financial instruments and introduces a new expected credit loss model for impairment of financial assets as well as new requirements for general hedge accounting.

13 AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements for the year ended 31 March 2017 were authorised by the Minister-in-Charge for issuance and signed by the Minister and Managing Director of Monetary Authority of Singapore on 22 June 2017.