

**ANNUAL REPORT**

*For the financial year ended 31 March 2014*

**SINGAPORE DEPOSIT INSURANCE  
CORPORATION LIMITED**

*(Incorporated in Singapore. Registration Number: 200600593Z)*

**DEPOSIT INSURANCE FUND**

*(Established under the Deposit Insurance Act Cap. 77A and re-constituted under the  
Deposit Insurance and Policy Owners' Protection Schemes Act Cap. 77B)*

**POLICY OWNERS' PROTECTION LIFE FUND**

*(Established under the Deposit Insurance and Policy Owners' Protection Schemes Act  
Cap. 77B)*

**POLICY OWNERS' PROTECTION GENERAL FUND**

*(Established under the Deposit Insurance and Policy Owners' Protection Schemes Act  
Cap. 77B)*



**Building a better  
working world**

ANNUAL REPORT  
*For the financial year ended 31 March 2014*

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Building a better  
working world

**SINGAPORE DEPOSIT INSURANCE CORPORATION LIMITED**  
*(Incorporated in Singapore)*

**ANNUAL REPORT**

*For the financial year ended 31 March 2014*

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# SINGAPORE DEPOSIT INSURANCE CORPORATION LIMITED

## DIRECTORS' REPORT

*For the financial year ended 31 March 2014*

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The directors present their report to the members together with the audited financial statements of the Company for the financial year ended 31 March 2014.

### **Directors**

The directors in office at the date of this report are as follows:

Mr Koh Yong Guan, Chairman  
Mr Han Eng Juan  
Mrs Hauw-Quek Soo Hoon  
Mr Wong Yew Meng  
Mr Ang Peng Koon Patrick

### **Arrangements to enable directors to acquire shares and debentures**

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares, or debentures of the Company or any body corporate.

### **Directors' interests in shares or debentures**

According to the register of directors' shareholdings, no director who held office at the end of the financial year had interests in the shares or debentures of the Company or its related corporations.

The Company is a public company limited by guarantee and has no share capital. Three directors are also members of the Company, but they have no personal interest in the Company, which is designated under the Deposit Insurance and Policy Owners' Protection Schemes Act Cap. 77B as the deposit insurance and policy owners' protection fund agency. There were also no debentures in issue in the Company at the end of the financial year.

### **Dividends**

In accordance with the Memorandum of Association of the Company, no dividends shall be paid to its members.

**SINGAPORE DEPOSIT INSURANCE CORPORATION LIMITED**

**DIRECTORS' REPORT**

*For the financial year ended 31 March 2014*

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**Directors' contractual benefits**

Except as disclosed in the accompanying financial statements, since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company with the director, or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

**Share options**

The Company is a company limited by guarantee. As such, there are no share options or unissued ordinary shares.

**Auditors**

Ernst & Young LLP have expressed their willingness to accept reappointment as auditor.

On behalf of the board of directors



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KOH YONG GUAN  
Director



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HAN ENG JUAN  
Director

6 June 2014

**SINGAPORE DEPOSIT INSURANCE CORPORATION LIMITED**

**STATEMENT BY DIRECTORS**

*For the financial year ended 31 March 2014*

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In the opinion of the directors,

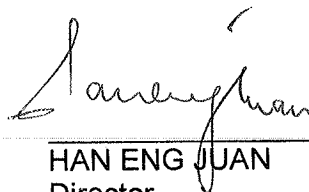
- (i) the accompanying financial statements as set out on pages 6 to 27 are drawn up so as to give a true and fair view of the state of affairs of the Company as at 31 March 2014 and of the results and cash flows of the Company for the financial year then ended; and
  
- (ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the board of directors



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KOH YONG GUAN  
Director



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HAN ENG JUAN  
Director

6 June 2014

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
SINGAPORE DEPOSIT INSURANCE CORPORATION LIMITED  
For the financial year ended 31 March 2014**

**Report on the Financial Statements**

We have audited the accompanying financial statements of Singapore Deposit Insurance Corporation Limited (the "Company"), set out on pages 6 to 27, which comprise the balance sheet as at 31 March 2014, the statement of comprehensive income and cash flow statement of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

**Management's responsibility for the financial statements**

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act"), the Deposit Insurance and Policy Owners' Protection Schemes Act Cap. 77B (the "DI-PPF Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheet and to maintain accountability of assets.

**Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
SINGAPORE DEPOSIT INSURANCE CORPORATION LIMITED  
For the financial year ended 31 March 2014 (continued)**

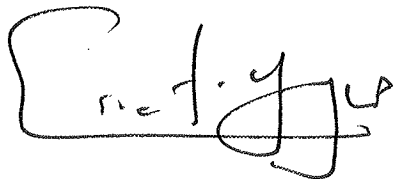
**Opinion**

In our opinion, the financial statements of the Company are properly drawn up in accordance with the provisions of the Act, the DI-PPF Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company as at 31 March 2014 and the results and cash flows of the Company for the financial year ended on that date.

**Report on Other Legal and Regulatory Requirements**

In our opinion,

- (a) the accounting and other records required by the Act and the DI-PPF Act to be kept by the Company have been properly kept in accordance with the provisions of these Acts; and
- (b) the receipts, expenditure, investment of moneys and the acquisition and disposal of assets by the Company during the financial year have been made in accordance with the provisions of DI-PPF Act.



Ernst & Young LLP  
Public Accountants and  
Chartered Accountants  
Singapore

6 June 2014

**SINGAPORE DEPOSIT INSURANCE CORPORATION LIMITED**

**STATEMENT OF COMPREHENSIVE INCOME**

*For the financial year ended 31 March 2014*

	Note	2014	2013
		\$	\$
<b>Income:</b>			
Recovery from the Deposit Insurance Fund	2.2	2,009,257	2,100,916
Recovery from the Policy Owners' Protection Life Fund	2.2	905,282	747,757
Recovery from the Policy Owners' Protection General Fund	2.2	514,963	424,932
Government grants	2.2	3,394	4,439
<b>Total income</b>		<b>3,432,896</b>	<b>3,278,044</b>
<b>Expenses:</b>			
Employee compensation	3	1,744,952	1,399,178
Depreciation and amortisation	8, 9	468,982	584,008
Other expenses	4	1,218,962	1,294,858
<b>Total expenses</b>		<b>3,432,896</b>	<b>3,278,044</b>
Profit before income tax		-	-
Income tax expense	5	-	-
Net profit		-	-
Other comprehensive income		-	-
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>

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

**SINGAPORE DEPOSIT INSURANCE CORPORATION LIMITED**

**BALANCE SHEET**

*As at 31 March 2014*

	Note	2014 \$	2013 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	4,462,172	3,540,964
Trade and other receivables	7	257,495	174,585
Prepayments		46,366	4,793
		<u>4,766,033</u>	<u>3,720,342</u>
<b>Non-current assets</b>			
Property, plant and equipment	8	394,073	47,116
Intangible assets	9	1,298,453	952,980
		<u>1,692,526</u>	<u>1,000,096</u>
<b>Total assets</b>		<u>6,458,559</u>	<u>4,720,438</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Advance from the Deposit Insurance Fund	10	2,598,498	2,141,405
Advance from the Policy Owners' Protection Life Fund	10	1,849,020	1,276,373
Advance from the Policy Owners' Protection General Fund	10	1,049,898	726,627
Other payables	10	961,143	576,033
<b>Total liabilities</b>		<u>6,458,559</u>	<u>4,720,438</u>
<b>NET ASSETS</b>		<u>-</u>	<u>-</u>

The Company is a public company limited by guarantee and has no share capital. The Company has no retained earnings or accumulated losses since its incorporation. As such, no statement of change in equity is presented.

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

**SINGAPORE DEPOSIT INSURANCE CORPORATION LIMITED**

**CASH FLOW STATEMENT**

*For the financial year ended 31 March 2014*

	Note	2014	2013
		\$	\$
<b>Cash flows from operating activities</b>			
Net profit		-	-
Adjustments for:			
Depreciation and amortisation		468,982	584,008
Government grants		(3,394)	(4,439)
		<u>465,588</u>	<u>579,569</u>
Changes in working capital			
Trade and other receivables		(82,910)	(5,398)
Advance from the Deposit Insurance Fund		457,093	(404,734)
Advance from the Policy Owners' Protection Life Fund		572,647	1,030,628
Advance from the Policy Owners' Protection General Fund		323,271	576,883
Other payables		385,110	401,017
Prepayments		(41,573)	3,581
Government grants received		3,394	4,439
<b>Net cash from operating activities</b>		<u>2,082,620</u>	<u>2,185,985</u>
<b>Cash flows from investing activities</b>			
Additions to property, plant and equipment	8	(384,571)	(42,722)
Additions to intangible assets	9	(776,841)	(311,202)
<b>Net cash used in investing activities</b>		<u>(1,161,412)</u>	<u>(353,924)</u>
<b>Net increase in cash and cash equivalents</b>		<b>921,208</b>	<b>1,832,061</b>
Cash and cash equivalents at beginning of financial year	6	<u>3,540,964</u>	<u>1,708,903</u>
<b>Cash and cash equivalents at end of financial year</b>	6	<u>4,462,172</u>	<u>3,540,964</u>

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

# SINGAPORE DEPOSIT INSURANCE CORPORATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 31 March 2014*

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

### 1. General information

Singapore Deposit Insurance Corporation Limited (hereinafter called the "Company") is designated under section 56 of the Deposit Insurance and Policy Owners' Protection Schemes Act Cap. 77B (the "DI-PPF Act") to be the deposit insurance and policy owners' protection fund agency (the "Agency") for the purposes of the DI-PPF Act. The Company was previously designated by the Minister under section 12 of the Deposit Insurance Act Cap. 77A (the "DI Act") as the deposit insurance agency until the repeal of the DI Act on 1 May 2011. Accordingly, in the notes to the financial statements, DI-PPF Act refers collectively to the DI Act in force up to 30 April 2011 and the DI-PPF Act which came into force on 1 May 2011. The Company is a public company limited by guarantee incorporated under the Companies Act Cap. 50 on 13 January 2006 and is domiciled in Singapore. The address of its registered office is 10 Shenton Way, #11-06, MAS Building, Singapore 079117.

The objects of the Company are as stipulated under section 57 of the DI-PPF Act, and include the following:

- (a) to administer the Deposit Insurance Scheme (the "DI Scheme") and the Policy Owners' Protection Scheme (the "PPF Scheme") in accordance with the DI-PPF Act;
- (b) to administer and manage the Deposit Insurance Fund (the "DI Fund"), the Policy Owners' Protection Life Fund (the "PPF Life Fund") and the Policy Owners' Protection General Fund (the "PPF General Fund") in accordance with the DI-PPF Act;
- (c) to administer and manage the insurance business of a failed PPF Scheme member; and
- (d) to take such steps as may be directed by the Minister or after consultation with the Monetary Authority of Singapore (the "MAS"), to contribute to the stability of the financial system.

In order to fulfil the above objects, the Company may transfer moneys to its account from the DI Fund, the PPF Life Fund and the PPF General Fund pursuant to section 57(4) of the DI-PPF Act.

The DI Scheme was established in Singapore for the benefit of insured depositors in respect of their insured deposits placed with DI Scheme members as specified in the DI-PPF Act. The PPF Scheme was established in Singapore for the benefit of policy owners in respect of their protected policies as specified in the DI-PPF Act.

The DI Fund re-constituted under section 9 of the DI-PPF Act, and subject to the directions of the Minister, is administered and managed by the Company. All premium contributions and moneys receivable under the DI Scheme are payable into the DI Fund and all expenditure and other moneys are payable out of the DI Fund as authorised under the DI-PPF Act.

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

# SINGAPORE DEPOSIT INSURANCE CORPORATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2014

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### 1. General information (continued)

The PPF Life Fund and the PPF General Fund, established under section 34 of the DI-PPF Act, and subject to the directions of the Minister, are administered and managed by the Company. All levies and moneys receivable under the PPF Scheme from Scheme members carrying on life business are payable into the PPF Life Fund and all expenditure and other moneys are payable out of the PPF Life Fund as authorised under the DI-PPF Act. All levies and moneys receivable under the PPF Scheme from Scheme members carrying on general business are payable into the PPF General Fund and all expenditure and other moneys are payable out of the PPF General Fund as authorised under the DI-PPF Act.

### 2. Summary of significant accounting policies

#### 2.1 Basis of preparation

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS"). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

##### (a) Judgments made in applying accounting policies

The preparation of these financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Company's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. Although these estimates are based on the Company's best knowledge of current events and actions, actual results may ultimately differ from those estimates. The area involving a higher degree of judgement or complexity, or area where assumptions and estimates are significant to the financial statements is as follows:

##### *Amortisation of intangible assets*

These assets are amortised on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these assets to be within 3 to 5 years. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future amortisation charges could be revised.

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

# SINGAPORE DEPOSIT INSURANCE CORPORATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2014

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### 2. Summary of significant accounting policies (continued)

#### 2.1 Basis of preparation (continued)

(b) Interpretations and amendments to published standards effective in 2013

The adoption of the new and revised standards effective for annual periods beginning on or after 1 April 2013 did not have any impact on the Company's financial statements.

(c) Standards issued but not yet effective

The Company has not adopted the following standards that have been issued but not yet effective for annual periods beginning on or after 1 January 2014.

Description	Effective for annual periods beginning on or after
Revised FRS 27 Separate Financial Statements	1 January 2014
Revised FRS 28 Investments in Associates and Joint Ventures	1 January 2014
Amendments to FRS 32 Offsetting Financial Assets and Financial Liabilities	1 January 2014
FRS 110 Consolidated Financial Statements	1 January 2014
FRS 111 Joint Arrangements	1 January 2014
FRS 112 Disclosure of Interests in Other Entities	1 January 2014

The adoption of these standards will not have a material impact on the Company's financial statements.

#### 2.2 Revenue

Income from the DI Fund, the PPF Life Fund and the PPF General Fund (hereafter collectively referred to as the "Funds") represent moneys recoverable from the DI Fund, the PPF Life Fund and the PPF General Fund respectively for expenditure properly incurred and as authorised under the DI-PPF Act.

Income from the DI Fund, the PPF Life Fund and the PPF General Fund is recognised in the period in which the relevant expenditure is charged to the statement of comprehensive income.

Government grants received are recognised as income.

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

# SINGAPORE DEPOSIT INSURANCE CORPORATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 31 March 2014*

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### 2. Summary of significant accounting policies (continued)

#### 2.3 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and are subject to an insignificant risk of changes in value.

#### 2.4 Financial assets

##### (a) Initial recognition and measurement

Financial assets are recognised when, and only when, the Company becomes a party to the contractual provisions of the financial instrument.

The Company determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus directly attributable transaction costs.

##### (b) Subsequent measurement

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

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in the statement of comprehensive income when the loans and receivables are derecognised or impaired, and through the amortisation process.

##### (c) De-recognition

A financial asset is derecognised when the contractual right to receive cash flows from the financial asset has expired or has been transferred and the Company has transferred substantially all risks and rewards of ownership. On de-recognition of a financial asset, the difference between the carrying amount and the sum of the consideration received is recognised in the statement of comprehensive income.

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

# SINGAPORE DEPOSIT INSURANCE CORPORATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 31 March 2014*

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### 2. Summary of significant accounting policies (continued)

#### 2.5 Impairment of financial assets

The Company assesses at each financial year-end whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the financial asset is impaired.

##### *Financial assets carried at amortised cost*

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred the amount of loss is calculated as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the asset is reduced through the use of an impairment allowance account. The impairment loss is recognised in the statement of comprehensive income.

When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in the statement of comprehensive income.

If in the subsequent period, the amount of the impairment decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost at the reversal date. Impairment loss is reversed through the statement of comprehensive income.

#### 2.6 Property, plant and equipment

##### (a) Recognition and measurement

Property, plant and equipment are recognised at cost less accumulated depreciation and accumulated impairment losses (Note 2.8).

The cost includes purchase price, the cost of replacing part of the property, plant and equipment and any costs that are directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

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

# SINGAPORE DEPOSIT INSURANCE CORPORATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 31 March 2014*

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### 2. Summary of significant accounting policies (continued)

#### 2.6 Property, plant and equipment (continued)

##### (b) Depreciation

Depreciation on property, plant and equipment is calculated on a straight-line basis over their estimated useful lives. The estimated useful lives are as follows:

	<u>Useful lives</u>
Furniture, fittings and other office equipment	3 to 5 years
Computer equipment and software	3 to 5 years

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each financial year-end. The effects of any revision are recognised in the statement of comprehensive income when the changes arise.

##### (c) Subsequent expenditure

Subsequent expenditure is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance expenses are recognised in the statement of comprehensive income when incurred.

##### (d) Disposal

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in the statement of comprehensive income.

#### 2.7 Intangible assets

Intangible assets consist of computer software and development costs for computer application systems.

##### (a) Recognition and measurement

Intangible assets are recognised at cost less accumulated amortisation and accumulated impairment losses (Note 2.8).

The cost includes purchase price and any costs that are directly attributable to bringing to use or to develop the specific asset.

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

**NOTES TO THE FINANCIAL STATEMENTS**

*For the financial year ended 31 March 2014*

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**2. Summary of significant accounting policies (continued)**

**2.7 Intangible assets (continued)**

**(b) Amortisation**

Amortisation of intangible assets is calculated using a straight-line basis over their estimated useful lives. The estimated useful lives are 3 to 5 years.

The residual values, estimated useful lives and amortisation method of intangible assets are reviewed, and adjusted as appropriate, at each financial year-end. The effects of any revision are recognised in the statement of comprehensive income when the changes arise.

Intangible assets under development are not amortised.

**(c) Subsequent expenditure**

Subsequent expenditure relating to intangible assets that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be reliably measured. All other subsequent expenses are recognised in the statement of comprehensive income when incurred.

**(d) Disposal**

On disposal of an item of intangible assets, the difference between the disposal proceeds and its carrying amount is recognised in the statement of comprehensive income.

**2.8 Impairment of non-financial assets**

Property, plant and equipment and intangible assets are reviewed for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. The difference between the carrying amount and recoverable amount is recognised as an impairment loss in the statement of comprehensive income.

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

# SINGAPORE DEPOSIT INSURANCE CORPORATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 31 March 2014*

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### 2. Summary of significant accounting policies (continued)

#### 2.8 Impairment of non-financial assets (continued)

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of accumulated depreciation or amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in the statement of comprehensive income.

#### 2.9 Advances from the Funds and other payables

Advances from the DI Fund, the PPF Life Fund and the PPF General Fund and other payables are initially carried at fair value, and subsequently measured at amortised cost, using the effective interest method.

#### 2.10 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the balance sheet, when and only when, there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

#### 2.11 Operating lease

Leases of assets where substantially all risks and rewards incidental to ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are recognised in the statement of comprehensive income on a straight-line basis over the period of the lease.

When a lease is terminated before the lease period expires, any payment made (or received) by the Company as penalty is recognised as an expense (or income) when termination takes place.

#### 2.12 Employee compensation

##### (a) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Company pays fixed contributions into separate entities such as the Central Provident Fund, and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years.

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

# SINGAPORE DEPOSIT INSURANCE CORPORATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 31 March 2014*

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### 2. Summary of significant accounting policies (continued)

#### 2.12 Employee compensation (continued)

(a) Defined contribution plans (continued)

The Company's contribution to the defined contribution plans are recognised in the financial period to which they relate.

(b) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the financial year-end date.

(c) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after financial year-end date are discounted to present value.

#### 2.13 Currency translation

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Singapore Dollars, which is the Company's functional and presentation currency.

(b) Transactions and balances

Transactions denominated in a currency other than Singapore Dollar ("foreign currency") are translated into Singapore Dollar using the exchange rates prevailing at the dates of the transactions. Currency translation differences resulting from the settlement of such transactions and from the translation at the closing rates at the balance sheet date of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

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

# SINGAPORE DEPOSIT INSURANCE CORPORATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2014

### 2. Summary of significant accounting policies (continued)

#### 2.14 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and the Company will comply with the attached conditions. Government grants relating to costs are deferred and taken to the statement of comprehensive income over the period necessary to match them with the costs they are intended to compensate.

Government grants relating to assets are included in non-current liabilities as other liabilities and are recognised in the statement of comprehensive income on a straight-line basis over the expected useful lives of the related assets.

#### 2.15 Related parties

A related party is defined as follows:

- (a) A person or a close member of that person's family is related to the Company if that person:
  - (i) has control or joint control over the Company;
  - (ii) has significant influence over the Company; or
  - (iii) is a member of the key management personnel of the Company.
  
- (b) An entity is related to the Company if:
  - (i) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;
  - (ii) the entity is controlled or jointly controlled by a person identified in (a);
  - (iii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity.

### 3. Employee compensation

	2014	2013
	\$	\$
Wages and salaries	1,528,526	1,221,914
Employer's contribution to Central Provident Fund	142,674	104,361
Directors' fees	68,438	68,438
Others	5,314	4,465
	<u>1,744,952</u>	<u>1,399,178</u>

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

# SINGAPORE DEPOSIT INSURANCE CORPORATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2014

### 4. Other expenses

	2014	2013
	\$	\$
Rental	226,781	224,911
Office maintenance	7,930	7,013
Telecommunication charges	4,649	4,094
Travel	7,957	12,739
Trade association membership	15,371	15,832
Audit fees	41,600	34,796
Legal, accounting and other fees	15,830	2,925
Company secretary fees	2,008	2,390
Consultancy fees	37,284	199,446
IT expenses	208,173	313,748
Publicity	615,107	458,287
Others	36,272	18,677
	<u>1,218,962</u>	<u>1,294,858</u>

### 5. Income tax expense

The expenses recovered from the DI Fund, the PPF Life Fund and the PPF General Fund are not taxable as long as the income of the respective fund is exempted from income tax. Each fund is exempted from income tax until such time that the fund reaches its target fund size or 2018, whichever is the earlier.

### 6. Cash and cash equivalents

	2014	2013
	\$	\$
Cash at bank and on hand	<u>4,462,172</u>	<u>3,540,964</u>

Cash at bank and on hand constitute moneys withdrawn by the Company from:

- the DI Fund to carry out the objects and purposes of the DI Scheme pursuant to section 10 of the DI-PPF Act; and
- the PPF Life Fund and the PPF General Fund to carry out the objects and purposes of the PPF Scheme pursuant to section 35 of the DI-PPF Act.

As the Agency of the respective Funds as defined in the DI-PPF Act, the Company can only utilise the money in the bank accounts for purposes as stated above. Therefore, the bank accounts are held by the Company but are specified as trust accounts.

Cash at bank and on hand are non-interest bearing and denominated in Singapore Dollar.

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

SINGAPORE DEPOSIT INSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2014

7. Trade and other receivables

	2014	2013
	\$	\$
Refundable deposits	60,965	56,355
Receivable from Comptroller of Goods and Services Tax	196,530	118,230
Total trade and other receivables	<u>257,495</u>	<u>174,585</u>
Add: Cash and cash equivalents (Note 6)	4,462,172	3,540,964
Total loans and receivables	<u>4,719,667</u>	<u>3,715,549</u>

Trade and other receivables are non-interest bearing and denominated in Singapore Dollar.

8. Property, plant and equipment

	Furniture, fittings and other office equipment	Computer equipment and software	Total
	\$	\$	\$
<b>2014</b>			
<u>Cost</u>			
Beginning of financial year	78,827	256,938	335,765
Additions	159,475	225,096	384,571
End of financial year	<u>238,302</u>	<u>482,034</u>	<u>720,336</u>
<u>Accumulated depreciation</u>			
Beginning of financial year	65,085	223,564	288,649
Depreciation	14,944	22,670	37,614
End of financial year	<u>80,029</u>	<u>246,234</u>	<u>326,263</u>
<b>Net book value</b>			
<b>End of financial year</b>	<u>158,273</u>	<u>235,800</u>	<u>394,073</u>
<b>2013</b>			
<u>Cost</u>			
Beginning of financial year	78,827	214,216	293,043
Additions	-	42,722	42,722
End of financial year	<u>78,827</u>	<u>256,938</u>	<u>335,765</u>
<u>Accumulated depreciation</u>			
Beginning of financial year	60,510	211,550	272,060
Depreciation	4,575	12,014	16,589
End of financial year	<u>65,085</u>	<u>223,564</u>	<u>288,649</u>
<b>Net book value</b>			
<b>End of financial year</b>	<u>13,742</u>	<u>33,374</u>	<u>47,116</u>

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

SINGAPORE DEPOSIT INSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2014

9. Intangible assets

	Computer software \$	Software under development \$	Total \$
<b>2014</b>			
<u>Cost</u>			
Beginning of financial year	3,057,956	-	3,057,956
Additions	474,734	302,107	776,841
End of financial year	3,532,690	302,107	3,834,797
<u>Accumulated amortisation</u>			
Beginning of financial year	2,104,976	-	2,104,976
Amortisation	431,368	-	431,368
End of financial year	2,536,344	-	2,536,344
<b>Net book value</b>			
<b>End of financial year</b>	<b>996,346</b>	<b>302,107</b>	<b>1,298,453</b>
<b>2013</b>			
<u>Cost</u>			
Beginning of financial year	2,746,754	-	2,746,754
Additions	311,202	-	311,202
	3,057,956	-	3,057,956
<u>Accumulated amortisation</u>			
Beginning of financial year	1,537,557	-	1,537,557
Amortisation	567,419	-	567,419
End of financial year	2,104,976	-	2,104,976
<b>Net book value</b>			
<b>End of financial year</b>	<b>952,980</b>	-	<b>952,980</b>

10. Advances from the Funds and other payables

Advances from the DI Fund, the PPF Life Fund and the PPF General Fund to cover the Company's operating and capital expenditures and other payables are non-interest bearing and repayable on demand. They are denominated in Singapore Dollar.

Total liabilities of the company represent the total financial liabilities carried at amortised cost.

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

# SINGAPORE DEPOSIT INSURANCE CORPORATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2014

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### 11. Goods and Services Tax ("GST")

The Company has been granted remission of GST input tax on all business purchases made by the Company based on the GST exemption conditions granted by Ministry of Finance.

### 12. Company limited by guarantee

The Company is a public company limited by guarantee and has no share capital. In the event of a winding-up of the Company, the liability of each of the 3 members of the Company is limited to such amount as may be required but not exceeding the sum of \$1.

### 13. Commitments

#### (a) Capital commitments

Capital expenditures contracted for at the balance sheet date but not recognised in the financial statements, are as follows:

	2014	2013
	\$	\$
Property, plant and equipment	264,163	404,860
Intangible assets - Software under development	1,586,984	1,798,032

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

# SINGAPORE DEPOSIT INSURANCE CORPORATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 31 March 2014*

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### 13. Commitments (continued)

#### (b) Operating lease commitments

The Company leases office premises under non-cancellable operating lease agreement. The lease has ranging terms, escalation clauses and renewal rights.

The future aggregate minimum lease payments under non-cancellable operating leases contracted for at the reporting date but not recognised as liabilities, are as follows:

	2014 \$	2013 \$
Not later than one year	241,341	204,618
Later than one year but not later than five years	462,569	-
	<u>703,910</u>	<u>204,618</u>

### 14. Financial risk management objectives and policies

The Company's activities expose it to credit risk and liquidity risk.

#### (a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligation. The Company's exposure to credit risk arises primarily from trade and other receivables and current account balance held with banks. The Company minimises credit risk by dealing with high credit rating counterparties. The Company's financial assets comprise:-

- (i) cash and cash equivalent that are placed with major banks in Singapore; and
- (ii) trade and other receivables totalling \$257,495 (2013: \$174,585) of which 100% (2013: 99%) are due from the Comptroller of Goods and Services Tax and the MAS.

The Company has no past due or impaired assets.

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

# SINGAPORE DEPOSIT INSURANCE CORPORATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 31 March 2014*

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### 14. Financial risk management objectives and policies (continued)

#### (b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations due to shortage of funds.

##### (i) *Liabilities-related risk*

The Company's budget is determined before the start of each financial year in accordance with the provisions of the DI-PPF Act. The Company would ensure that each of the DI Fund, the PPF Life Fund and the PPF General Fund, maintains sufficient cash and liquid assets to meet the Company's budget spending in respect of the individual funds.

All financial liabilities of the Company are current and due within the next 12 months or are repayable on demand.

##### (ii) *Contingent liabilities-related risk*

The making of compensation payments pursuant to the DI Scheme established under the DI-PPF Act arises from the occurrence of future events that are not within the control of the DI Fund or the Company. The Company will pay compensation out of the DI Fund to the insured depositors of a failed DI Scheme member when required to do so by the MAS under section 21(2) of the DI-PPF Act. The Company may raise cash from the assets held by the DI Fund which comprises Singapore Government Securities and MAS bills. Where this is insufficient, the Company will obtain loans on behalf of the DI Fund while awaiting payments from the realisation of the assets of the failed DI Scheme member.

The Company entered into an agreement with the MAS on 9 February 2012 where the MAS may provide the Company a contingent liquidity facility of up to \$20 billion, in the event liquidity is needed for compensation payments to insured depositors. For the financial year ended 31 March 2014, there was no request and no drawdown on the facility. Furthermore, the Company may raise additional premium contributions in accordance with section 15 of the DI-PPF Act.

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

# SINGAPORE DEPOSIT INSURANCE CORPORATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2014

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### 14. Financial risk management objectives and policies (continued)

#### (b) Liquidity risk (continued)

##### (ii) *Contingent liabilities-related risk (continued)*

The making of payments pursuant to the PPF Scheme established under the DI-PPF Act arises from the occurrence of future events that are not within the control of the PPF Life Fund, the PPF General Fund or the Company. When required by the MAS under section 46(2) of the DI-PPF Act, the Company will pay out of or utilise the PPF Life Fund or the PPF General Fund in the following manner:

- make payment of compensation to insured policy owners or third parties;
- utilise the PPF Life Fund or the PPF General Fund to fund transfer or run-off of the insurance business of a failed PPF Scheme member.

The Company may raise cash from the assets held by the PPF Life Fund or the PPF General Fund which comprises Singapore Government Securities and MAS bills. Where this is insufficient, the Company will obtain loans on behalf of the PPF Life Fund or the PPF General Fund while awaiting payments from realisation of the assets of the failed PPF Scheme member. The Company may also raise additional levies in accordance with section 40 of the DI-PPF Act.

#### (c) Market risk

##### (i) *Currency risk*

The Company's business operations are not exposed to significant foreign currency risks as it has no significant transactions denominated in foreign currencies.

##### (ii) *Equity price risk*

The Company has no exposure to equity price risk as it does not hold equity financial assets.

##### (iii) *Interest rate risk*

The Company has insignificant financial assets or liabilities that are exposed to interest rate risks as the cash and cash equivalents, trade and other receivables and advances from the Funds are non-interest bearing.

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

# SINGAPORE DEPOSIT INSURANCE CORPORATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2014

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### 14. Financial risk management objectives and policies (continued)

#### (d) Fair value measurement

The carrying value of cash and cash equivalents, trade and other receivables, advance from the Deposit Insurance Fund, advance from the Policy Owners' Protection Life Fund, advance from the Policy Owners' Protection General Fund and other payables are not carried at fair value, however, these values approximate their fair values at the balance sheet date due to their short-term nature.

### 15. Related party transactions

#### (a) Purchase of services

In addition to the related party information disclosed elsewhere in the financial statements, the Company paid \$4,940 relating to legal and company secretarial services, to a firm of which a director of the Company was a partner for part of the financial year ended 31 March 2013.

The director was no longer in office during this financial year and at the date of this report.

#### (b) Compensation of key management personnel

Key management personnel compensation is as follows:

	2014	2013
	\$	\$
Salaries and other short-term employee benefits	465,039	385,559
Post-employment benefits - contribution to Central Provident Fund	6,922	6,797
	<u>471,961</u>	<u>392,356</u>

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

# SINGAPORE DEPOSIT INSURANCE CORPORATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 31 March 2014*

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### **16. Capital management**

The Company does not have a share capital and does not borrow to finance day-to-day expenditures. Since expenditures are made on behalf of the Funds, the Company draws advances from the Funds to pay their respective share of capital and operating expenditures and recovers their respective share of operating expenditures and depreciation amounts by offsetting against the advances from the Funds at the end of each financial year.

To safeguard the Company's ability to continue as a going concern, the Company ensures that the Funds maintain sufficient cash and liquid assets to meet their respective share of the Company's budget for capital and operating expenditures.

### **17. Authorisation of financial statements**

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Singapore Deposit Insurance Corporation Limited on 6 June 2014.

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

**ANNUAL REPORT**

*For the financial year ended 31 March 2014*

**DEPOSIT INSURANCE FUND**

*(Established under the Deposit Insurance Act Cap. 77A and re-constituted under the Deposit Insurance and Policy Owners' Protection Schemes Act Cap. 77B)*



**Building a better  
working world**

## **DEPOSIT INSURANCE FUND**

*(Established under the Deposit Insurance Act Cap. 77A and re-constituted under the Deposit Insurance and Policy Owners' Protection Schemes Act Cap. 77B)*

## **ANNUAL REPORT**

*For the financial year ended 31 March 2014*

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## DEPOSIT INSURANCE FUND

### STATEMENT BY SINGAPORE DEPOSIT INSURANCE CORPORATION LIMITED

*For the financial year ended 31 March 2014*

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In the opinion of the directors of Singapore Deposit Insurance Corporation Limited (the "Agency"),

- (a) the accompanying financial statements as set out on pages 4 to 18 are drawn up so as to present fairly, in all material respects, the state of affairs of the Deposit Insurance Fund (the "DI Fund") as at 31 March 2014, and the results, cash flows and changes in accumulated surplus for the financial year ended 31 March 2014 and have been prepared in accordance with the provisions of the Deposit Insurance and Policy Owners' Protection Schemes Act Cap. 77B (the "DI-PPF Act"); and
- (b) at the date of this statement, there are reasonable grounds to believe that the DI Fund will be able to pay its debts as and when they fall due.

On behalf of Singapore Deposit Insurance Corporation Limited

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KOH YONG GUAN  
Director



HAN ENG JUAN  
Director

6 June 2014

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
SINGAPORE DEPOSIT INSURANCE CORPORATION LIMITED  
- DEPOSIT INSURANCE FUND  
For the financial year ended 31 March 2014**

**Report on the Financial Statements**

We have audited the accompanying financial statements of Deposit Insurance Fund (the "DI Fund"), set out on pages 4 to 18, which comprise the balance sheet as at 31 March 2014, the statement of comprehensive income, statement of changes in accumulated surplus and cash flow statement for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

**Management's responsibility for the financial statements**

The management of Singapore Deposit Insurance Corporation Limited (the "Agency") is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Deposit Insurance and Policy Owners' Protection Schemes Act Cap. 77B ("the DI-PPF Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheet and to maintain accountability of assets.

**Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management of the Agency, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
SINGAPORE DEPOSIT INSURANCE CORPORATION LIMITED  
- DEPOSIT INSURANCE FUND**

**For the financial year ended 31 March 2014 (continued)**

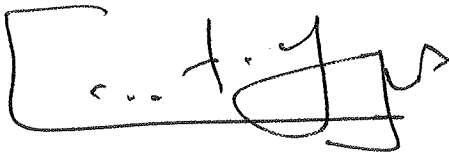
**Opinion**

In our opinion, the financial statements of the DI Fund are properly drawn up in accordance with the provisions of the DI-PPF Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the DI Fund as at 31 March 2014 and the results, changes in accumulated surplus and cash flows of the DI Fund for the financial year ended on that date.

**Report on Other Legal and Regulatory Requirements**

In our opinion,

- (a) the accounting and other records have been properly kept, including records of all assets of the DI Fund whether purchased, donated or otherwise; and
- (b) the receipts, expenditure and investment of moneys by the DI Fund during the financial year have been made in accordance with the provisions of the DI-PPF Act.



Ernst & Young LLP  
Public Accountants and  
Chartered Accountants  
Singapore

6 June 2014

## DEPOSIT INSURANCE FUND

### STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 March 2014

	Note	2014 \$	2013 \$
<u>Income:</u>			
Premium contributions	2.2	26,904,727	25,119,738
Interest income from financial assets	2.2	4,210,709	3,672,744
		<u>31,115,436</u>	<u>28,792,482</u>
<u>Expenses:</u>			
Net expenditure incurred by Singapore Deposit Insurance Corporation Limited	3	2,009,257	2,100,916
Other expenses		20	60
Total expenses		<u>2,009,277</u>	<u>2,100,976</u>
Net surplus		29,106,159	26,691,506
Other comprehensive income		-	-
Total comprehensive income		<u>29,106,159</u>	<u>26,691,506</u>

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

## DEPOSIT INSURANCE FUND

### BALANCE SHEET

As at 31 March 2014

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	Note	2014 \$	2013 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	870,438	21,785
Advance to the Agency	6	2,598,498	2,141,405
Other receivables	6	489,981	418,773
Financial assets, held-to-maturity	7	4,389,602	4,773,552
		<u>8,348,519</u>	<u>7,355,515</u>
<b>Non-current assets</b>			
Financial assets, held-to-maturity	7	151,386,707	123,273,552
		<u>159,735,226</u>	<u>130,629,067</u>
<b>TOTAL ASSETS AND NET ASSETS</b>		<b>159,735,226</b>	<b>130,629,067</b>
<b>ACCUMULATED SURPLUS</b>		<b>159,735,226</b>	<b>130,629,067</b>

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

## DEPOSIT INSURANCE FUND

### STATEMENT OF CHANGES IN ACCUMULATED SURPLUS

*For the financial year ended 31 March 2014*

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	Note	2014 \$	2013 \$
Beginning of financial year		130,629,067	103,937,561
Total comprehensive income for the financial year		29,106,159	26,691,506
End of financial year	8(d)	<u>159,735,226</u>	<u>130,629,067</u>

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

## DEPOSIT INSURANCE FUND

### CASH FLOW STATEMENT

For the financial year ended 31 March 2014

	Note	2014 \$	2013 \$
<b>Cash flows from operating activities</b>			
Net surplus		29,106,159	26,691,506
Less: Interest income from financial assets		(4,210,709)	(3,672,744)
		<u>24,895,450</u>	<u>23,018,762</u>
Changes in working capital			
- Advance to the Agency		(457,093)	404,734
<b>Net cash from operating activities</b>		<u>24,438,357</u>	<u>23,423,496</u>
<b>Cash flows from investing activities</b>			
Purchases of financial assets, held-to-maturity		(33,055,201)	(29,777,914)
Proceeds upon maturity of financial assets, held-to-maturity		4,772,238	999,150
Interest received from financial assets		4,693,259	3,770,694
<b>Net cash used in investing activities</b>		<u>(23,589,704)</u>	<u>(25,008,070)</u>
<b>Net decrease in cash and cash equivalents</b>		<b>848,653</b>	<b>(1,584,574)</b>
Cash and cash equivalents at beginning of financial year	5	21,785	1,606,359
<b>Cash and cash equivalents at end of financial year</b>	<b>5</b>	<u><b>870,438</b></u>	<u>21,785</u>

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

## DEPOSIT INSURANCE FUND

### NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 31 March 2014*

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

#### 1. General information

The Deposit Insurance Fund (the "DI Fund") was established under section 9 of the Deposit Insurance Act Cap. 77A (the "DI Act") and re-constituted on 1 May 2011 under section 9 of the Deposit Insurance and Policy Owners' Protection Schemes Act Cap. 77B (the "DI-PPF Act"). Accordingly, in the notes to the financial statements, DI-PPF Act refers collectively to the DI Act in force up to 30 April 2011 and the DI-PPF Act which came into force on 1 May 2011. Subject to the directions of the Minister, the DI Fund is administered and managed by Singapore Deposit Insurance Corporation Limited (the "Agency") designated by the Minister under section 56 of the DI-PPF Act as the deposit insurance and policy owners' protection fund agency.

The Agency is a public company limited by guarantee incorporated under the Companies Act Cap. 50 on 13 January 2006 and is domiciled in Singapore. The address of its registered office is 10 Shenton Way, #11-06, MAS Building, Singapore 079117.

The principal activities of the Agency are the administration of the Deposit Insurance Scheme (the "DI Scheme") and the Policy Owners' Protection Scheme and the administration and management of the DI Fund, the Policy Owners' Protection Life Fund and the Policy Owners' Protection General Fund.

The DI Scheme was established in Singapore for the benefit of insured depositors in respect of their insured deposits placed with DI Scheme members up to \$50,000 as specified in the DI-PPF Act from 1 May 2011.

#### 2. Significant accounting policies

##### 2.1 Basis of preparation

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS"). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The financial statements are the responsibility of the Agency.

## DEPOSIT INSURANCE FUND

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2014

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#### 2. Significant accounting policies (continued)

##### 2.1 Basis of preparation (continued)

###### (a) Judgments made in applying accounting policies

The preparation of these financial statements in conformity with FRS requires the Agency to exercise its judgement in the process of applying the DI Fund's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. Although these estimates are based on the Agency's best knowledge of current events and actions, actual results may ultimately differ from those estimates. The area involving a higher degree of judgement or complexity, or area where assumptions and estimates are significant to the financial statements is as follows:

###### *Financial assets, held-to-maturity*

The Agency follows the guidance of FRS 39 in classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, the Agency evaluates its intention and ability to hold such investments to maturity.

If the Agency fails to keep these investments to maturity other than for specific circumstances explained in FRS 39, it will be required to reclassify the entire held-to-maturity financial assets as available for sale. The investments will be required to be measured at fair value instead of at amortised cost upon reclassification.

###### (b) Interpretations and amendments to published standards effective in 2013

The adoption of the new and revised standards effective for annual periods beginning on or after 1 April 2013 did not have any impact on the DI Fund's financial statements.

## DEPOSIT INSURANCE FUND

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2014

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#### 2. Significant accounting policies (continued)

##### 2.1 Basis of preparation (continued)

###### (c) Standards issued but not yet effective

The DI Fund has not adopted the following standards that have been issued but not yet effective for annual periods beginning on or after 1 January 2014:-

Description	Effective for annual periods beginning on or after
Revised FRS 27 Separate Financial Statements	1 January 2014
Revised FRS 28 Investments in Associates and Joint Ventures	1 January 2014
Amendments to FRS 32 Offsetting Financial Assets and Financial Liabilities	1 January 2014
FRS 110 Consolidated Financial Statements	1 January 2014
FRS 111 Joint Arrangements	1 January 2014
FRS 112 Disclosure of Interests in Other Entities	1 January 2014

The adoption of these standards will not have a material impact on the DI Fund's financial statements.

##### 2.2 Revenue

###### *Premium contributions*

The Monetary Authority of Singapore (the "MAS") is charged under the DI-PPF Act to compute the premium contributions payable by DI Scheme members and refunds, and to notify the amounts to the Agency. Premium contributions are recognised in the period in which the premium contributions are due, by reference to the written notices given by the Agency to the DI Scheme members. Refunds of premium contributions are recognised in the period in which the notice to refund is received from the MAS.

###### *Interest income from financial assets*

Interest income from financial assets is recognised in the statement of comprehensive income for financial assets measured at amortised cost 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 assets. When calculating the effective interest rate, cash flows are estimated by considering the contractual terms of the financial assets, including transaction costs, premiums and discounts. For financial assets written down due to impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring impairment loss.

## DEPOSIT INSURANCE FUND

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2014

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#### 2. Significant accounting policies (continued)

##### 2.3 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and are subject to an insignificant risk of changes in value.

##### 2.4 Financial assets

###### (a) Initial recognition and measurement

Financial assets are classified in the following categories: loans and receivables and held-to-maturity. Financial assets are recognised when, and only when, the DI Fund becomes a party to the contractual provisions of the financial instrument. The Agency determines the classification of the financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus directly attributable transaction costs.

###### (b) Subsequent measurement

###### (i) *Loans and receivables*

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

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in the statement of comprehensive income when the loans and receivables are derecognised or impaired, and through the amortisation process.

###### (ii) *Financial assets, held-to-maturity*

Financial assets, held-to-maturity, are non-derivative financial assets with fixed or determinable payments and fixed maturities that the DI Fund has the positive intention and ability to hold to maturity.

Subsequent to initial recognition, held-to-maturity financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in the statement of comprehensive income when the assets are derecognised or impaired, and through the amortisation process.

If the DI Fund were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Financial assets, held-to-maturity, are presented as non-current assets, except for those maturing within 12 months after the financial year-end date which are presented as current assets.

## DEPOSIT INSURANCE FUND

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2014

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#### 2. Significant accounting policies (continued)

##### 2.4 Financial assets (continued)

###### (c) De-recognition

A financial asset is derecognised when the contractual right to receive cash flows from the financial assets have expired or have been transferred and the DI Fund has transferred substantially all risks and rewards of ownership.

On de-recognition of a financial asset, the difference between the carrying amount and the sum of the consideration received is recognised in the statement of comprehensive income.

Regular way purchases and sales of financial assets are recognised on value date - the date on which the sold assets are delivered and the purchased assets are paid for. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

Receivables that are factored out to banks and other financial institutions with recourse are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as borrowings.

##### 2.5 Impairment of financial assets

The Agency assesses at each financial year-end whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired.

###### *Financial assets carried at amortised cost*

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of loss is calculated as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an impairment allowance account. The impairment loss is recognised in the statement of comprehensive income.

## DEPOSIT INSURANCE FUND

### NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 31 March 2014*

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#### 2. Significant accounting policies (continued)

##### 2.5 Impairment of financial assets (continued)

When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in the statement of comprehensive income.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost at the reversal date. Impairment loss is reversed through the statement of comprehensive income.

##### 2.6 Provisions for other liabilities and charges

Provisions for other liabilities and charges are recognised when the DI Fund has a legal or constructive obligation that as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. In particular, provision for liability to make:

- (a) compensation payment is recognised when the Agency receives notification from the MAS under section 21 of the DI-PPF Act; and
- (b) refund of premium contributions received is recognised when the Agency:
  - (i) receives notification from the MAS under section 18 of the DI-PPF Act; or
  - (ii) receives approval under section 17 of the DI-PPF to refund or remit premium contributions.

##### 2.7 Currency translation

Items included in the financial statements of the DI Fund are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Singapore Dollars, which is the DI Fund's functional and presentation currency.

## DEPOSIT INSURANCE FUND

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2014

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**3. Net expenditure incurred by Singapore Deposit Insurance Corporation Limited**

Net expenditure incurred by the Agency in carrying out the objects of the DI-PPF Act are payable from the DI Fund as provided under the DI-PPF Act.

**4. Income tax**

The DI Fund does not have taxable income for this financial year. The premium contributions received from DI Scheme members are exempted from income tax based on the income tax exemption conditions granted by Ministry of Finance.

**5. Cash and cash equivalents**

	2014	2013
	\$	\$
Cash at bank and on hand	<u>870,438</u>	<u>21,785</u>

Cash at bank and on hand are non-interest bearing and denominated in Singapore Dollar.

**6. Advance to the Agency and other receivables**

Advance to the Agency to cover the Agency's operating and capital expenditures and other receivables are non-interest bearing and have no fixed term of repayment. They are denominated in Singapore Dollar.

## DEPOSIT INSURANCE FUND

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2014

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#### 7. Financial assets, held-to-maturity

The DI Fund's held-to-maturity investments comprise:

	2014	2013
	\$	\$
<i>Current</i>		
Singapore Government treasury bills and MAS bills	4,389,602	4,773,552
<i>Non-current</i>		
Singapore Government bonds	151,386,707	123,273,552
<b>Total</b>	<b>155,776,309</b>	<b>128,047,104</b>

The total fair value of the held-to-maturity investments, measured using quoted market bid prices as at 31 March 2014 was \$155,805,989 (2013: \$139,468,734). The non-current held-to-maturity investments have maturity dates between 2016 and 2042.

#### 8. Financial risk management

##### (a) Market risk

###### (i) *Currency risk*

The DI Fund's operations are not exposed to significant foreign currency risks as its investments and operating transactions are denominated in Singapore Dollar.

###### (ii) *Equity price risk*

The DI Fund has no exposure to equity price risk as it does not hold equity financial assets.

###### (iii) *Interest rate risk*

There are two elements of interest rate risk. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

The DI Fund's investments in Singapore Government bonds are not subjected to cash flow interest rate risk as the interest payments are fixed. The DI Fund's investments in Singapore Government treasury bills and MAS bills are not exposed to significant interest rate risk due to the short-term nature of these securities.

## DEPOSIT INSURANCE FUND

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2014

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#### 8. Financial risk management (continued)

(a) Market risk (continued)

(iii) *Interest rate risk (continued)*

The DI Fund's investments are subject to fair value interest rate risk. The changes in fair value due to interest rate movements are not reflected in the financial statements, as these securities are accounted for as held-to-maturity financial assets. See Note 7 for details on the investments' fair values as at year end.

(b) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligation. The DI Fund's exposure to credit risk arises primarily from investments, current account balance held with banks or MAS and advance to agency. The DI Fund minimises credit risk by dealing with high credit rating counterparties. The DI Fund's financial assets comprise:

- (i) Investments in Singapore Government Securities, MAS bills and accrued interest receivable on such securities; the issuer, the Singapore Government, has a credit rating of "AAA" from Standard & Poor's and Fitch Ratings;
- (ii) Current account balances with a major bank in Singapore and the MAS; and
- (iii) Advance to the Agency to fund the Agency's budget spending.

The DI Fund has no past due or impaired assets.

(c) Liquidity risk

Liquidity risk is the risk that the DI Fund will encounter difficulty in meeting financial obligations due to shortage of funds.

(i) *Liabilities-related risk*

The DI Fund is responsible for funding the expenditure of the Agency in discharging functions prescribed in the DI-PPF Act. The cash outflow required is the Agency's budget which is determined before the start of each financial year in accordance with the provisions of the DI-PPF Act. The DI Fund's annual cash inflows are predictable, comprising

- premium contributions which are usually collected on the first day of the financial year; and
- coupon from holdings of Singapore Government bonds.

Therefore, the DI Fund is able to provide adequate funding to meet the Agency's budget spending.

## DEPOSIT INSURANCE FUND

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2014

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#### 8. Financial risk management (continued)

(c) Liquidity risk (continued)

(ii) *Contingent liabilities-related risk*

The making of compensation payments pursuant to the DI Scheme established under the DI-PPF Act arises from the occurrence of future events that are not within the control of the DI Fund or the Agency. The Agency will pay compensation out of the DI Fund to the insured depositors of a failed DI Scheme member when required to do so by the MAS under section 21(2) of the DI-PPF Act. The Agency may raise cash from the assets held by the DI Fund which comprises Singapore Government Securities and MAS bills. Where this is insufficient, the Agency will obtain loans on behalf of the DI Fund while awaiting payments from realisation of the assets of the failed DI Scheme member. The Agency entered into an agreement with the MAS on 9 February 2012 where the MAS may provide the Agency a contingent liquidity facility of up to \$20 billion, in the event liquidity is needed for compensation payments to insured depositors. For the financial year ended 31 March 2014, there was no request and no drawdown on the facility. Furthermore, the Agency may raise additional premium contributions in accordance with section 15 of the DI-PPF Act.

(d) Accumulated surplus

The management of the DI Fund's accumulated surplus is circumscribed by the DI-PPF Act. Premium contributions income is determined by the MAS which is charged under the DI-PPF Act to set the premium rates at which premium contributions are levied on DI Scheme members. As for investments, the Agency is required to invest the DI Fund's moneys with the objects of capital preservation and maintenance of liquidity.

The Agency ensures that the DI Fund maintains sufficient cash and liquid assets to meet the fund's share of the Agency's budget for capital and operating expenditures.

## DEPOSIT INSURANCE FUND

### NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 31 March 2014*

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#### 8. Financial risk management (continued)

(e) Fair value measurement

The financial assets, held to maturity are not carried at fair value, however, the fair values are disclosed in Note 7, based on quoted market bid-prices at the balance sheet date traded in active markets.

The carrying value of cash and cash equivalents, advance to the Agency and other receivables are not carried at fair value, however, these values approximate their fair value at the balance sheet date due to their short-term nature.

#### 9. Authorisation of financial statements

These financial statements were authorised for issue by the directors of the Agency on 6 June 2014.

**ANNUAL REPORT**  
*For the financial year ended 31 March 2014*

**POLICY OWNERS' PROTECTION LIFE FUND**  
*(Established under the Deposit Insurance and Policy Owners' Protection Schemes Act  
Cap. 77B)*



**Building a better  
working world**

**POLICY OWNERS' PROTECTION LIFE FUND**

*(Established under the Deposit Insurance and Policy Owners' Protection Schemes Act Cap. 77B)*

**ANNUAL REPORT**

*For the financial year ended 31 March 2014*

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# POLICY OWNERS' PROTECTION LIFE FUND

## STATEMENT BY SINGAPORE DEPOSIT INSURANCE CORPORATION LIMITED

*For the financial year ended 31 March 2014*

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In the opinion of the directors of Singapore Deposit Insurance Corporation Limited (the "Agency"),

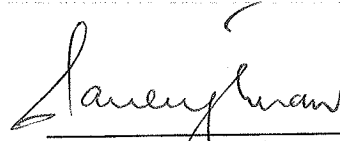
- (a) the accompanying financial statements as set out on pages 4 to 18 are drawn up so as to present fairly, in all material respects, the state of affairs of the Policy Owners' Protection Life Fund as at 31 March 2014, and the results, cash flows and changes in accumulated surplus for the financial year ended 31 March 2014 and have been prepared in accordance with the provisions of the Deposit Insurance and Policy Owners' Protection Schemes Act Cap.77B; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Policy Owners' Protection Life Fund will be able to pay its debts as and when they fall due.

On behalf of Singapore Deposit Insurance Corporation Limited



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KOH YONG GUAN  
Director



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HAN ENG JUAN  
Director

6 June 2014

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
SINGAPORE DEPOSIT INSURANCE CORPORATION LIMITED  
- POLICY OWNERS' PROTECTION LIFE FUND  
For the financial year ended 31 March 2014**

**Report on the Financial Statements**

We have audited the accompanying financial statements of Policy Owners' Protection Fund (the "PPF Life Fund"), set out on pages 4 to 18, which comprise the balance sheet as at 31 March 2014, and the statement of comprehensive income, statement of changes in accumulated surplus and cash flow statement for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Financial Statements**

The management of Singapore Deposit Insurance Corporation Limited (the "Agency") is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Deposit Insurance and Policy Owners' Protection Schemes Act Cap. 77B (the "DI-PPF Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheet and to maintain accountability of assets.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management of the Agency, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
SINGAPORE DEPOSIT INSURANCE CORPORATION LIMITED  
- POLICY OWNERS' PROTECTION LIFE FUND  
For the financial year ended 31 March 2014 (continued)**

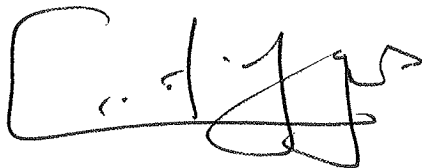
**Opinion**

In our opinion, the financial statements of the PPF Life Fund are properly drawn up in accordance with the provisions of the DI-PPF Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the PPF Life Fund as at 31 March 2014 and the results, changes in accumulated surplus and cash flows of the PPF Life Fund for the financial year ended on that date.

**Report on Other Legal and Regulatory Requirements**

In our opinion,

- (a) the accounting and other records have been properly kept, including records of all assets of the PPF Life Fund whether purchased, donated or otherwise; and
- (b) the receipts, expenditure and investment of moneys by the PPF Life Fund during the financial year have been in accordance with the provisions of the DI-PPF Act.



Ernst & Young LLP  
Public Accountants and  
Chartered Accountants  
Singapore

6 June 2014

# POLICY OWNERS' PROTECTION LIFE FUND

## STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 March 2014

	Note	2014 \$	2013 \$
<u>Income:</u>			
Levies	2.2	26,858,025	24,165,834
Interest income from financial assets	2.2	996,113	622,693
		<u>27,854,138</u>	<u>24,788,527</u>
<u>Expenses:</u>			
Net expenditure incurred by Singapore Deposit Insurance Corporation Limited	3	905,282	747,757
Other expenses		80	60
Total expenses		<u>905,362</u>	<u>747,817</u>
Net surplus		26,948,776	24,040,710
Other comprehensive income		-	-
Total comprehensive income		<u>26,948,776</u>	<u>24,040,710</u>

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

## POLICY OWNERS' PROTECTION LIFE FUND

### BALANCE SHEET

As at 31 March 2014

	Note	2014 \$	2013 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	1,070,284	1,006
Advance to the Agency	6	1,849,020	1,276,373
Other receivables	6	296,633	194,371
Financial assets, held-to-maturity	7	1,836,074	2,751,889
		<u>5,052,011</u>	<u>4,223,639</u>
<b>Non-current assets</b>			
Financial assets, held-to-maturity	7	58,020,448	31,900,044
		<u>63,072,459</u>	<u>36,123,683</u>
<b>TOTAL ASSETS AND NET ASSETS</b>		<b>63,072,459</b>	<b>36,123,683</b>
<b>ACCUMULATED SURPLUS</b>		<b>63,072,459</b>	<b>36,123,683</b>

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

## POLICY OWNERS' PROTECTION LIFE FUND

### STATEMENT OF CHANGES IN ACCUMULATED SURPLUS

*For the financial year ended 31 March 2014*

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	Note	2014 \$	2013 \$
Beginning of financial year		36,123,683	12,082,973
Total comprehensive income for the financial year		26,948,776	24,040,710
End of financial year	8(d)	<u>63,072,459</u>	<u>36,123,683</u>

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

# POLICY OWNERS' PROTECTION LIFE FUND

## CASH FLOW STATEMENT

For the financial year ended 31 March 2014

	Note	2014 \$	2013 \$
<b>Cash flows from operating activities</b>			
Net surplus		26,948,776	24,040,710
Less: Interest income from financial assets		(996,113)	(622,693)
		<u>25,952,663</u>	<u>23,418,017</u>
Changes in working capital			
- Advance to the Agency		(572,647)	(1,030,628)
<b>Net cash from operating activities</b>		<u>25,380,016</u>	<u>22,387,389</u>
<b>Cash flows from investing activities</b>			
Purchases of financial assets, held-to-maturity		(28,230,077)	(24,605,461)
Proceeds upon maturity of financial assets, held-to-maturity		2,748,910	605,546
Interest received from financial assets		1,170,429	741,652
<b>Net cash used in investing activities</b>		<u>(24,310,738)</u>	<u>(23,258,263)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1,069,278</b>	<b>(870,874)</b>
Cash and cash equivalents at beginning of financial year	5	<u>1,006</u>	<u>871,880</u>
<b>Cash and cash equivalents at end of financial year</b>	5	<u>1,070,284</u>	<u>1,006</u>

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

# POLICY OWNERS' PROTECTION LIFE FUND

## NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 31 March 2014*

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

### 1. General information

The Policy Owners' Protection Life Fund (the "PPF Life Fund"), established under section 34 of the Deposit Insurance and Policy Owners' Protection Schemes Act Cap. 77B (the "DI-PPF Act") and subject to the directions of the Minister, is administered and managed by Singapore Deposit Insurance Corporation Limited (the "Agency") designated by the Minister under section 56 of the DI-PPF Act as the deposit insurance and policy owners' protection fund agency.

The Agency is a public company limited by guarantee incorporated under the Companies Act Cap. 50 on 13 January 2006 and is domiciled in Singapore. The address of its registered office is 10 Shenton Way, #11-06, MAS Building, Singapore 079117.

The principal activities of the Agency are the administration of the Deposit Insurance Scheme and the Policy Owners' Protection Scheme (the "PPF Scheme") and the administration and management of the Deposit Insurance Fund, the PPF Life Fund and the Policy Owners' Protection General Fund.

The PPF Scheme was established in Singapore for the benefit of policy owners in respect of their protected policies as specified in the DI-PPF Act.

### 2. Significant accounting policies

#### 2.1 Basis of preparation

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS"). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The financial statements are the responsibility of the Agency.

# POLICY OWNERS' PROTECTION LIFE FUND

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2014

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### 2. Significant accounting policies (continued)

#### 2.1 Basis of preparation (continued)

##### (a) Judgments made in applying accounting policies

The preparation of these financial statements in conformity with FRS requires the Agency to exercise its judgement in the process of applying the PPF Life Fund's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. Although these estimates are based on the Agency's best knowledge of current events and actions, actual results may ultimately differ from those estimates. The area involving a higher degree of judgement or complexity, or area where assumptions and estimates are significant to the financial statements, is as follows:

##### *Financial assets, held-to-maturity*

The Agency follows the guidance of FRS 39 in classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, the Agency evaluates its intention and ability to hold such investments to maturity.

If the Agency fails to keep these investments to maturity other than for specific circumstances explained in FRS 39, it will be required to reclassify the entire held-to-maturity financial assets as available for sale. The investments will be required to be measured at fair value instead of at amortised cost upon reclassification.

##### (b) Interpretations and amendments to published standards effective in 2013

The adoption of the new and revised standards effective for annual periods beginning on or after 1 April 2013 did not have any impact on the PPF Life Fund's financial statements.

# POLICY OWNERS' PROTECTION LIFE FUND

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2014

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### 2. Significant accounting policies (continued)

#### 2.1 Basis of preparation (continued)

##### (c) Standards issued but not yet effective

The PPF Life Fund has not adopted the following standards that have been issued but not yet effective for annual periods beginning on or after 1 January 2014.

Description	Effective for annual periods beginning on or after
Revised FRS 27 Separate Financial Statements	1 January 2014
Revised FRS 28 Investments in Associates and Joint Ventures	1 January 2014
Amendments to FRS 32 Offsetting Financial Assets and Financial Liabilities	1 January 2014
FRS 110 Consolidated Financial Statements	1 January 2014
FRS 111 Joint Arrangements	1 January 2014
FRS 112 Disclosure of Interests in Other Entities	1 January 2014

The adoption of these standards will not have a material impact on the PPF Life Fund's financial statements.

#### 2.2 Revenue

##### *Levies*

The Monetary Authority of Singapore (the "MAS") is charged under the DI-PPF Act to compute the levies payable by PPF Scheme members and refunds, and to notify the amounts to the Agency. Levies are recognised in the period in which the levies are due, by reference to the written notices given by the Agency to the PPF Scheme members. Refunds of levies are recognised in the period in which the notice to refund is received from the MAS.

##### *Interest income from financial assets*

Interest income from financial assets is recognised in the statement of comprehensive income for financial assets measured at amortised cost 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 assets. When calculating the effective interest rate, cash flows are estimated by considering the contractual terms of the financial assets, including transaction costs, premiums and discounts. For financial assets written down due to impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring impairment loss.

# POLICY OWNERS' PROTECTION LIFE FUND

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2014

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### 2. Significant accounting policies (continued)

#### 2.3 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and are subject to an insignificant risk of changes in value.

#### 2.4 Financial assets

##### (a) Initial recognition and measurement

Financial assets are classified in the following categories: loans and receivables and held-to-maturity. Financial assets are recognised when, and only when, the PPF Life Fund becomes a party to the contractual provisions of the financial instrument. The Agency determines the classification of the financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus directly attributable transaction costs.

##### (b) Subsequent measurement

###### (i) *Loans and receivables*

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

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in the statement of comprehensive income when the loans and receivables are derecognised or impaired, and through the amortisation process.

###### (ii) *Financial assets, held-to-maturity*

Financial assets, held-to-maturity, are non-derivative financial assets with fixed or determinable payments and fixed maturities that the PPF Life Fund has the positive intention and ability to hold to maturity.

Subsequent to initial recognition, held-to-maturity financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in the statement of comprehensive income when the assets are derecognised or impaired, and through the amortisation process.

# POLICY OWNERS' PROTECTION LIFE FUND

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2014

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### 2. Significant accounting policies (continued)

#### 2.4 Financial assets (continued)

##### (b) Subsequent measurement (continued)

##### (ii) *Financial assets, held-to-maturity (continued)*

If the PPF Life Fund were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Financial assets, held-to-maturity, are presented as non-current assets, except for those maturing within 12 months after the financial year-end date which are presented as current assets.

##### (c) De-recognition

A financial asset is derecognised when the contractual right to receive cash flows from the financial assets have expired or have been transferred and the PPF Life Fund has transferred substantially all risks and rewards of ownership.

On de-recognition of a financial asset, the difference between the carrying amount and the sum of the consideration received is recognised in the statement of comprehensive income.

Regular way purchases and sales of financial assets are recognised on value date - the date on which the sold assets are delivered and the purchased assets are paid for. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

Receivables that are factored out to banks and other financial institutions with recourse are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as borrowings.

#### 2.5 Impairment of financial assets

The Agency assesses at each financial year-end whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired.

# POLICY OWNERS' PROTECTION LIFE FUND

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2014

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### 2. Significant accounting policies (continued)

#### 2.5 Impairment of financial assets (continued)

##### *Financial assets carried at amortised cost*

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of loss is calculated as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an impairment allowance account. The impairment loss is recognised in the statement of comprehensive income.

When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in the statement of comprehensive income.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost at the reversal date. Impairment loss is reversed through the statement of comprehensive income.

#### 2.6 Provisions for other liabilities and charges

Provisions for other liabilities and charges are recognised when the PPF Life Fund has a legal or constructive obligation that as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. In particular, provision for liability to make:

- (a) compensation payment and payment to fund the transfer or the run-off of the insurance business of a failed PPF Scheme member are recognised when the Agency receives notification from the MAS under section 46 of the DI-PPF Act; and
- (b) refund of levies received is recognised when the Agency:
  - (i) receives notification from the MAS under section 43 of the DI-PPF Act; or
  - (ii) receives approval under section 42 of the DI-PPF Act to refund or remit levies.

# POLICY OWNERS' PROTECTION LIFE FUND

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2014

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### 2. Significant accounting policies (continued)

#### 2.7 Currency translation

Items included in the financial statements of the PPF Life Fund are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Singapore Dollars, which is the PPF Life Fund's functional and presentation currency.

### 3. Net expenditure incurred by Singapore Deposit Insurance Corporation Limited

Net expenditure incurred by the Agency in carrying out the objects of the DI-PPF Act are payable from the PPF Life Fund as provided under the DI-PPF Act.

### 4. Income tax

The PPF Life Fund does not have taxable income for this financial year. The levies received from PPF Scheme members are exempted from income tax based on the income tax exemption conditions granted by Ministry of Finance.

### 5. Cash and cash equivalents

	2014 \$	2013 \$
Cash at bank and on hand	<u>1,070,284</u>	<u>1,006</u>

Cash at bank and on hand are non-interest bearing and denominated in Singapore Dollar.

### 6. Advance to the Agency and other receivables

Advance to the Agency to cover the Agency's operating and capital expenditures and other receivables are non-interest bearing and have no fixed term of repayment. They are denominated in Singapore Dollar.

# POLICY OWNERS' PROTECTION LIFE FUND

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2014

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### 7. Financial assets, held-to-maturity

The PPF Life Fund's held-to-maturity investments comprise:

	2014	2013
	\$	\$
<i>Current</i>		
Singapore Government treasury bills and MAS bills	1,836,074	2,751,889
<i>Non-current</i>		
Singapore Government bonds	58,020,448	31,900,044
<b>Total</b>	<b>59,856,522</b>	<b>34,651,933</b>

The total fair value of the held-to-maturity investments, measured using quoted market bid prices as at 31 March 2014 was \$56,821,107 (2013: \$34,053,957). The non-current held-to-maturity investments have maturity dates between 2018 and 2042.

### 8. Financial risk management

#### (a) Market risk

##### (i) *Currency risk*

The PPF Life Fund's operations are not exposed to significant foreign currency risks as its investments and operating transactions are denominated in Singapore Dollar.

In the event that the PPF Life Fund has a legal and constructive obligation to make compensation payment and payment to fund for the transfer or the run-off of the insurance business of a failed PPF Scheme member, such obligations may be exposed to currency risk if there are insured policies denominated in a currency other than Singapore Dollar. However, this exposure cannot be reliably estimated at this juncture as the occurrence of such event is not within the control of the PPF Life Fund or the Agency.

##### (ii) *Equity price risk*

The PPF Life Fund has no exposure to equity price risk as it does not hold equity financial assets.

# POLICY OWNERS' PROTECTION LIFE FUND

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2014

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### 8. Financial risk management (continued)

#### (a) Market risk (continued)

##### (iii) *Interest rate risk*

There are two elements of interest rate risk. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

The PPF Life Fund's investments in Singapore Government bonds are not subjected to cash flow interest rate risk as the interest payments are fixed. The PPF Life Fund's investments in Singapore Government treasury bills and MAS bills are not exposed to significant interest rate risk due to the short-term nature of these securities.

The PPF Life Fund's investments are subject to fair value interest rate risk. The changes in fair value due to interest rate movements are not reflected in the financial statements, as these securities are accounted for as held-to-maturity financial assets. See Note 7 for details on the investments' fair values as at the end of the financial year.

#### (b) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligation. The PPF Life Fund's exposure to credit risk arises primarily from investments, current account balance held with banks or MAS and advance to agency. The PPF Life Fund minimises credit risk by dealing with high credit rating counterparties. The PPF Life Fund's financial assets comprise:

- (i) Investments in Singapore Government Securities, MAS bills and accrued interest receivable on such securities; the issuer, the Singapore Government, has a credit rating of "AAA" from Standard & Poor's and Fitch Ratings
- (ii) Current account balances with a major bank in Singapore and the MAS
- (iii) Advance to the Agency to fund the Agency's budget spending

The PPF Life Fund has no past due or impaired assets.

# POLICY OWNERS' PROTECTION LIFE FUND

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2014

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### 8. Financial risk management (continued)

#### (c) Liquidity risk

##### (i) *Liabilities-related risk*

The PPF Life Fund is responsible for funding the expenditure of the Agency in discharging functions prescribed in the DI-PPF Act. The cash outflow required is the Agency's budget which is determined before the start of each financial year in accordance with the provisions of the DI-PPF Act. The PPF Life Fund's annual cash inflows are predictable, comprising

- levies which are usually collected every July; and
- coupon from holdings of Singapore Government bonds.

Therefore, the PPF Life Fund is able to provide adequate funding to meet the Agency's budget spending.

##### (ii) *Contingent liabilities-related risk*

The making of compensation payments pursuant to the PPF Scheme established under the DI-PPF Act arises from the occurrence of future events that are not within the control of the PPF Life Fund or the Agency. The Agency will pay out of or utilise the PPF Life Fund in the following manner when required to do so by the MAS under section 46(2) of the DI-PPF Act:

- make payment of compensation to insured policy owners;
- fund transfer or run-off of the insurance business of a failed PPF Scheme member.

The Agency may raise cash from the assets held by the PPF Life Fund which comprises Singapore Government Securities and MAS bills. Where this is insufficient, the Agency will obtain loans on behalf of the PPF Life Fund while awaiting payments from the realisation of the assets of the failed PPF Scheme member. The Agency may also raise additional levies in accordance with section 40 of the DI-PPF Act.

# POLICY OWNERS' PROTECTION LIFE FUND

## NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 31 March 2014*

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### 8. Financial risk management (continued)

#### (d) Accumulated surplus

The management of the PPF Life Fund's accumulated surplus is circumscribed by the DI-PPF Act. Levies income is determined by the MAS which is charged under the DI-PPF Act to set the rates at which levies are levied on PPF Scheme members. As for investments, the Agency is required to invest the PPF Life Fund's moneys with the objects of capital preservation and maintenance of liquidity.

The Agency ensures that the PPF Life Fund maintains sufficient cash and liquid assets to meet the fund's share of the Agency's budget for capital and operating expenditures.

#### (e) Fair value measurement

The financial assets, held to maturity are not carried at fair value, however, the fair values are disclosed in Note 7, based on quoted market bid-prices at the balance sheet date traded in active markets.

The carrying value of cash and cash equivalents, advance to the Agency and other receivables are not carried at fair value, however, these values approximate their fair value at the balance sheet date due to their short-term nature.

### 9. Authorisation of financial statements

These financial statements were authorised for issue by the directors of the Agency on 6 June 2014.

**ANNUAL REPORT**  
*For the financial year ended 31 March 2014*

**POLICY OWNERS' PROTECTION GENERAL FUND**  
*(Established under the Deposit Insurance and Policy Owners' Protection Schemes Act  
Cap. 77B)*



**Building a better  
working world**

**POLICY OWNERS' PROTECTION GENERAL FUND**

*(Established under the Deposit Insurance and Policy Owners' Protection Schemes Act Cap. 77B)*

**ANNUAL REPORT**

*For the financial year ended 31 March 2014*

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## POLICY OWNERS' PROTECTION GENERAL FUND

### STATEMENT BY SINGAPORE DEPOSIT INSURANCE CORPORATION LIMITED

*For the financial year ended 31 March 2014*

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In the opinion of the directors of Singapore Deposit Insurance Corporation Limited (the "Agency"),

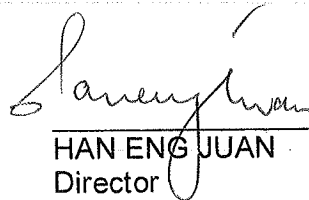
- (a) the accompanying financial statements as set out on pages 4 to 18 are drawn up so as to present fairly, in all material respects, the state of affairs of the Policy Owners' Protection General Fund as at 31 March 2014, and the results, cash flows and changes in accumulated surplus for the financial year ended 31 March 2014 and have been prepared in accordance with the provisions of the Deposit Insurance and Policy Owners' Protection Schemes Act Cap. 77B; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Policy Owners' Protection General Fund will be able to pay its debts as and when they fall due.

On behalf of Singapore Deposit Insurance Corporation Limited

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KOH YONG GUAN  
Director



HAN ENG JUAN  
Director

6 June 2014

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
SINGAPORE DEPOSIT INSURANCE CORPORATION LIMITED  
- POLICY OWNERS' PROTECTION GENERAL FUND  
For the financial year ended 31 March 2014**

**Report on the Financial Statements**

We have audited the accompanying financial statements of Policy Owners' Protection General Fund (the "PPF General Fund"), set out on pages 4 to 18, which comprise the balance sheet as at 31 March 2014, and the statement of comprehensive income, statement of changes in accumulated surplus and cash flow statement for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Financial Statements**

The management of Singapore Deposit Insurance Corporation Limited (the "Agency") is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Deposit Insurance and Policy Owners' Protection Schemes Act Cap. 77B (the "DI-PPF Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheet and to maintain accountability of assets.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management of the Agency, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
SINGAPORE DEPOSIT INSURANCE CORPORATION LIMITED  
- POLICY OWNERS' PROTECTION GENERAL FUND  
For the financial year ended 31 March 2014 (continued)**

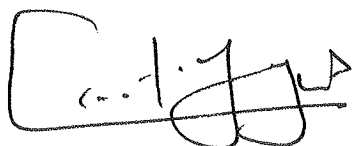
**Opinion**

In our opinion, the financial statements of the PPF General Fund are properly drawn up in accordance with the provisions of the DI-PPF Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the PPF General Fund as at 31 March 2014 and the results, changes in accumulated surplus and cash flows of the PPF General Fund for the financial year ended on that date.

**Report on Other Legal and Regulatory Requirements**

In our opinion,

- (a) the accounting and other records have been properly kept, including records of all assets of the PPF General Fund whether purchased, donated or otherwise; and
- (b) the receipts, expenditure and investment of moneys by the PPF General Fund during the financial year have been in accordance with the provisions of the DI-PPF Act.



Ernst & Young LLP  
Public Accountants and  
Chartered Accountants  
Singapore

6 June 2014

## POLICY OWNERS' PROTECTION GENERAL FUND

### STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 March 2014

	Note	2014 \$	2013 \$
<u>Income:</u>			
Levies	2.2	2,991,780	2,676,498
Interest income from financial assets	2.2	64,433	34,704
		<u>3,056,213</u>	<u>2,711,202</u>
<u>Expenses:</u>			
Net expenditure incurred by Singapore Deposit Insurance Corporation Limited	3	514,963	424,932
Other expenses		60	60
Total expenses		<u>515,023</u>	<u>424,992</u>
Net surplus		2,541,190	2,286,210
Other comprehensive income		-	-
Total comprehensive income		<u>2,541,190</u>	<u>2,286,210</u>

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

## POLICY OWNERS' PROTECTION GENERAL FUND

### BALANCE SHEET

As at 31 March 2014

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	Note	2014 \$	2013 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	601,334	26,033
Advance to the Agency	6	1,049,898	726,627
Other receivables	6	11,128	4,251
Financial assets, held-to-maturity	7	201,924	703,000
		<u>1,864,284</u>	<u>1,459,911</u>
<b>Non-current assets</b>			
Financial assets, held-to-maturity	7	4,061,599	1,924,782
		<u>4,061,599</u>	<u>1,924,782</u>
<b>TOTAL ASSETS AND NET ASSETS</b>		<u>5,925,883</u>	<u>3,384,693</u>
<b>ACCUMULATED SURPLUS</b>		<u>5,925,883</u>	<u>3,384,693</u>

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

## POLICY OWNERS' PROTECTION GENERAL FUND

### STATEMENT OF CHANGES IN ACCUMULATED SURPLUS

*For the financial year ended 31 March 2014*

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	Note	2014 \$	2013 \$
Beginning of financial year		3,384,693	1,098,483
Total comprehensive income for the financial year		2,541,190	2,286,210
End of financial year	8(d)	<u>5,925,883</u>	<u>3,384,693</u>

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

# POLICY OWNERS' PROTECTION GENERAL FUND

## CASH FLOW STATEMENT

For the financial year ended 31 March 2014

	Note	2014 \$	2013 \$
<b>Cash flows from operating activities</b>			
Net surplus		2,541,190	2,286,210
Less: Interest income from financial assets		(64,433)	(34,704)
		<u>2,476,757</u>	<u>2,251,506</u>
Changes in working capital			
- Advance to the Agency		(323,271)	(576,883)
<b>Net cash from operating activities</b>		<u>2,153,486</u>	<u>1,674,623</u>
<b>Cash flows from investing activities</b>			
Purchases of financial assets, held-to-maturity		(2,356,144)	(2,238,099)
Proceeds upon maturity of financial assets, held-to-maturity		702,627	33,975
Interest received from financial assets		75,332	51,895
<b>Net cash used in investing activities</b>		<u>(1,578,185)</u>	<u>(2,152,229)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>			
		575,301	(477,606)
Cash and cash equivalents at beginning of financial year	5	<u>26,033</u>	<u>503,639</u>
<b>Cash and cash equivalents at end of financial year</b>	5	<u>601,334</u>	<u>26,033</u>

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

# POLICY OWNERS' PROTECTION GENERAL FUND

## NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 31 March 2014*

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

### 1. General information

The Policy Owners' Protection General Fund (the "PPF General Fund") established under section 34 of the Deposit Insurance and Policy Owners' Protection Schemes Act Cap. 77B (the "DI-PPF Act") and subject to the directions of the Minister, is administered and managed by Singapore Deposit Insurance Corporation Limited (the "Agency") designated by the Minister under section 56 of the DI-PPF Act as the deposit insurance and policy owners' protection fund agency.

The Agency is a public company limited by guarantee incorporated under the Companies Act Cap. 50 on 13 January 2006 and is domiciled in Singapore. The address of its registered office is 10 Shenton Way, #11-06, MAS Building, Singapore 079117.

The principal activities of the Agency are the administration of the Deposit Insurance Scheme and the Policy Owners' Protection Scheme (the "PPF Scheme") and the administration and management of the Deposit Insurance Fund, the Policy Owners' Protection Life Fund and the PPF General Fund.

The PPF Scheme was established in Singapore for the benefit of policy owners in respect of their protected policies as specified in the DI-PPF Act.

### 2. Significant accounting policies

#### 2.1 Basis of preparation

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS"). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The financial statements are the responsibility of the Agency.

# POLICY OWNERS' PROTECTION GENERAL FUND

## NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 31 March 2014*

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### 2. Significant accounting policies (continued)

#### 2.1 Basis of preparation (continued)

##### (a) Judgments made in applying accounting policies

The preparation of these financial statements in conformity with FRS requires the Agency to exercise its judgement in the process of applying the PPF General Fund's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. Although these estimates are based on the Agency's best knowledge of current events and actions, actual results may ultimately differ from those estimates. The area involving a higher degree of judgement or complexity, or area where assumptions and estimates are significant to the financial statements, is as follows:

##### *Financial assets, held-to-maturity*

The Agency follows the guidance of FRS 39 in classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, the Agency evaluates its intention and ability to hold such investments to maturity.

If the Agency fails to keep these investments to maturity other than for specific circumstances explained in FRS 39, it will be required to reclassify the entire held-to-maturity financial assets as available for sale. The investments will be required to be measured at fair value instead of at amortised cost upon reclassification.

##### (b) Interpretations and amendments to published standards effective in 2013

The adoption of the new and revised standards effective for annual periods beginning on or after 1 April 2013 did not have any impact on the PPF General Fund's financial statements.

# POLICY OWNERS' PROTECTION GENERAL FUND

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2014

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### 2. Significant accounting policies (continued)

#### 2.1 Basis of preparation (continued)

##### (c) Standards issued but not yet effective

The PPF General Fund has not adopted the standards that have been issued but not yet effective for annual periods beginning on or after 1 January 2014.

Description	Effective for annual periods beginning on or after
Revised FRS 27 Separate Financial Statements	1 January 2014
Revised FRS 28 Investments in Associates and Joint Ventures	1 January 2014
Amendments to FRS 32 Offsetting Financial Assets and Financial Liabilities	1 January 2014
FRS 110 Consolidated Financial Statements	1 January 2014
FRS 111 Joint Arrangements	1 January 2014
FRS 112 Disclosure of Interests in Other Entities	1 January 2014

The adoption of these standards will not have a material impact on the PPF General Fund's financial statements.

#### 2.2 Revenue

##### *Levies*

The Monetary Authority of Singapore (the "MAS") is charged under the DI-PPF Act to compute the levies payable by PPF Scheme members and refunds, and to notify the amounts to the Agency. Levies are recognised in the period in which the levies are due, by reference to the written notices given by the Agency to the PPF Scheme members. Refunds of levies are recognised in the period in which the notice to refund is received from the MAS.

##### *Interest income from financial assets*

Interest income from financial assets is recognised in the statement of comprehensive income for financial assets measured at amortised cost 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 assets. When calculating the effective interest rate, cash flows are estimated by considering the contractual terms of the financial assets, including transaction costs, premiums and discounts. For financial assets written down due to impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring impairment loss.

# POLICY OWNERS' PROTECTION GENERAL FUND

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2014

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### 2. Significant accounting policies (continued)

#### 2.3 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and are subject to an insignificant risk of changes in value.

#### 2.4 Financial assets

##### (a) Initial recognition and measurement

Financial assets are classified in the following categories: loans and receivables and held-to-maturity. Financial assets are recognised when, and only when, the PPF General Fund becomes a party to the contractual provisions of the financial instrument. The Agency determines the classification of the financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus directly attributable transaction costs.

##### (b) Subsequent measurement

###### (i) *Loans and receivables*

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

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in the statement of comprehensive income when the loans and receivables are derecognised or impaired, and through the amortisation process.

###### (ii) *Financial assets, held-to-maturity*

Financial assets, held-to-maturity, are non-derivative financial assets with fixed or determinable payments and fixed maturities that the PPF General Fund has the positive intention and ability to hold to maturity.

Subsequent to initial recognition, held-to-maturity financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in the statement of comprehensive income when the assets are derecognised or impaired, and through the amortisation process.

# POLICY OWNERS' PROTECTION GENERAL FUND

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2014

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### 2. Significant accounting policies (continued)

#### 2.4 Financial assets (continued)

##### (b) Subsequent measurement (continued)

##### (ii) *Financial assets, held-to-maturity (continued)*

If the PPF General Fund were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Financial assets, held-to-maturity, are presented as non-current assets, except for those maturing within 12 months after the financial year-end date which are presented as current assets.

##### (c) De-recognition

A financial asset is derecognised when the contractual right to receive cash flows from the financial assets have expired or have been transferred and the PPF General Fund has transferred substantially all risks and rewards of ownership.

On de-recognition of a financial asset, the difference between the carrying amount and the sum of the consideration received is recognised in the statement of comprehensive income.

Regular way purchases and sales of financial assets are recognised on value date - the date on which the sold assets are delivered and the purchased assets are paid for. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

Receivables that are factored out to banks and other financial institutions with recourse are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as borrowings.

#### 2.5 Impairment of financial assets

The Agency assesses at each financial year-end whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired.

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## POLICY OWNERS' PROTECTION GENERAL FUND

### NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 31 March 2014*

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#### 2. Significant accounting policies (continued)

##### 2.5 Impairment of financial assets (continued)

###### *Financial assets carried at amortised cost*

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of loss is calculated as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an impairment allowance account. The impairment loss is recognised in the statement of comprehensive income.

When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in the statement of comprehensive income.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost at the reversal date. Impairment loss is reversed through the statement of comprehensive income.

##### 2.6 Provisions for other liabilities and charges

Provisions for other liabilities and charges are recognised when the PPF General Fund has a legal or constructive obligation that as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. In particular, provision for liability to make:

- (a) compensation payment and payment to fund the transfer or the run-off of the insurance business of a failed PPF Scheme member are recognised when the Agency receives notification from the MAS under section 46 of the DI-PPF Act; and
- (b) refund of levies received is recognised when the Agency:
  - (i) receives notification from the MAS under section 43 of the DI-PPF Act; or
  - (ii) receives approval under section 42 of the DI-PPF Act to refund or remit levies.

# POLICY OWNERS' PROTECTION GENERAL FUND

## NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 31 March 2014*

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### 2. Significant accounting policies (continued)

#### 2.7 Currency translation

Items included in the financial statements of the PPF General Fund are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Singapore Dollars, which is the PPF General Fund's functional and presentation currency.

### 3. Net expenditure incurred by Singapore Deposit Insurance Corporation Limited

Net expenditure incurred by the Agency in carrying out the objects of the DI-PPF Act are payable from the PPF General Fund as provided under the DI-PPF Act.

### 4. Income tax

The PPF General Fund does not have taxable income for this financial year. The levies received from PPF Scheme members are exempted from income tax based on the income tax exemption conditions granted by Ministry of Finance.

### 5. Cash and cash equivalents

	2014	2013
	\$	\$
Cash at bank and on hand	<u>601,334</u>	<u>26,033</u>

Cash at bank and on hand are non-interest bearing and denominated in Singapore Dollar.

### 6. Advance to the Agency and other receivables

Advance to the Agency to cover the Agency's operating and capital expenditures and other receivables are non-interest bearing and have no fixed term of repayment. They are denominated in Singapore Dollar.

# POLICY OWNERS' PROTECTION GENERAL FUND

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2014

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### 7. Financial assets, held-to-maturity

The PPF General Fund's held-to-maturity investments comprise:

	2014 \$	2013 \$
<i>Current</i>		
Singapore Government treasury bills and MAS bills	201,924	703,000
<i>Non-current</i>		
Singapore Government bonds	4,061,599	1,924,782
<b>Total</b>	<b>4,263,523</b>	<b>2,627,782</b>

The total fair value of the held-to-maturity investments, measured using quoted market bid prices as at 31 March 2014 was \$4,053,233 (2013: \$2,596,551). The non-current held-to-maturity investments have maturity dates between 2018 and 2030.

### 8. Financial risk management

#### (a) Market risk

##### (i) *Currency risk*

The PPF General Fund's operations are not exposed to significant foreign currency risks as its investments and operating transactions are denominated in Singapore Dollar.

In the event that the PPF General Fund has a legal and constructive obligation to make compensation payment and payment to fund for the transfer or the run-off of the insurance business of a failed PPF Scheme member, such obligations may be exposed to currency risk if there are insured policies denominated in a currency other than Singapore Dollar. However, this exposure cannot be reliably estimated at this juncture as the occurrence of such event is not within the control of the PPF General Fund or the Agency.

##### (ii) *Equity price risk*

The PPF General Fund has no exposure to equity price risk as it does not hold equity financial assets.

# POLICY OWNERS' PROTECTION GENERAL FUND

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2014

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### 8. Financial risk management (continued)

#### (a) Market risk (continued)

##### (iii) *Interest rate risk*

There are two elements of interest rate risk. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

The PPF General Fund's investments in Singapore Government bonds are not subjected to cash flow interest rate risk as the interest payments are fixed. The PPF General Fund's investments in Singapore Government treasury bills and MAS bills are not exposed to significant interest rate risk due to the short-term nature of these securities.

The PPF General Fund's investments are subject to fair value interest rate risk. The changes in fair value due to interest rate movements are not reflected in the financial statements, as these securities are accounted for as held-to-maturity financial assets. See Note 7 for details on the investments' fair values as at the end of the financial year.

#### (b) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligation. The PPF Life Fund's exposure to credit risk arises primarily from investments, current account balance held with banks or MAS and advance to agency. The PPF Life Fund minimises credit risk by dealing with high credit rating counterparties. The PPF General Fund's financial assets comprise:

- (i) Investments in Singapore Government Securities, MAS bills and accrued interest receivable on such securities; the issuer, the Singapore Government, has a credit rating of "AAA" from Standard & Poor's and Fitch Ratings
- (ii) Current account balances with a major bank in Singapore and the MAS
- (iii) Advance to the Agency to fund the Agency's budget spending

The PPF General Fund has no past due or impaired assets.

# POLICY OWNERS' PROTECTION GENERAL FUND

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2014

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### 8. Financial risk management (continued)

#### (c) Liquidity risk

##### (i) *Liabilities-related risk*

The PPF General Fund is responsible for funding the expenditure of the Agency in discharging functions prescribed in the DI-PPF Act. The cash outflow required is the Agency's budget which is determined before the start of each financial year in accordance with the provisions of the DI-PPF Act. The PPF General Fund's annual cash inflows are predictable, comprising

- levies which are usually collected every July; and
- coupon from holdings of Singapore Government bonds.

Therefore, the PPF General Fund is able to provide adequate funding to meet the Agency's budget spending.

##### (ii) *Contingent liabilities-related risk*

The making of compensation payments pursuant to the PPF Scheme established under the DI-PPF Act arises from the occurrence of future events that are not within the control of the PPF General Fund or the Agency. The Agency will pay out of or utilise the PPF General Fund in the following manner when required to do so by the MAS under section 46(2) of the DI-PPF Act.

- make payment of compensation to insured policy owners or third parties;
- fund transfer or run-off of the insurance business of a failed PPF Scheme member.

The Agency may raise cash from the assets held by the PPF General Fund which comprises Singapore Government Securities and MAS bills. Where this is insufficient, the Agency will obtain loans on behalf of the PPF General Fund while awaiting payments from the realisation of the assets of the failed PPF Scheme member. The Agency may also raise additional levies in accordance with section 40 of the DI-PPF Act.

# POLICY OWNERS' PROTECTION GENERAL FUND

## NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 31 March 2014*

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### 8. Financial risk management (continued)

#### (d) Accumulated surplus

The management of the PPF General Fund's accumulated surplus is circumscribed by the DI-PPF Act. Levies income is determined by the MAS which is charged under the DI-PPF Act to set the rates at which levies are levied on PPF Scheme members. As for investments, the Agency is required to invest the PPF General Fund's moneys with the objects of capital preservation and maintenance of liquidity.

The Agency ensures that the PPF General Fund maintains sufficient cash and liquid assets to meet the fund's share of the Agency's budget for capital and operating expenditures.

#### (e) Fair value measurement

The financial assets, held to maturity are not carried at fair value, however, the fair values are disclosed in Note 7, based on quoted market bid-prices at the balance sheet date traded in active markets.

The carrying value of cash and cash equivalents, advance to the Agency and other receivables approximate their fair value at the balance sheet date due to their short-term nature.

### 9. Authorisation of financial statements

These financial statements were authorised for issue by the directors of the Agency on 6 June 2014.