Statement by the Board of the Info-Communications Development Authority of Singapore

In our opinion:

(a) the accompanying financial statements of Info-Communications Development Authority of Singapore (the "Authority") and its subsidiaries (the "Group") as set out on pages FS1 to FS66 are drawn up in accordance with the provisions of the Info-Communications Development Authority of Singapore Act (Cap. 137A, 2000 Revised Edition) (the "Act") and Statutory Board Financial Reporting Standards so as to present fairly, in all material respects, the state of affairs of the Group and of the Authority as at 31 March 2014, the results and changes in equity of the Group and of the Authority, and cash flows of the Group for the year ended on the date; and

(b) proper accounting and other records have been kept, including records of all assets of the Authority whether purchased, donated or otherwise; and

(c) the receipts, expenditure, investment of moneys and the acquisition and disposal of assets by the Authority during the year have been in accordance with the provisions of the Act.

The Board of the Info-Communications Development Authority of Singapore has, on the date of this statement, authorised these financial statements for issue.

On behalf of the Board

Yong Ying-I
Chairman

Steven Robert Leonard
Executive Deputy Chairman

24 June 2014

Independent auditors' report

MEMBERS OF THE AUTHORITY INFO-COMMUNICATIONS DEVELOPMENT AUTHORITY OF SINGAPORE

Report on the financial statements

We have audited the financial statements of Info-Communications Development Authority of Singapore (the "Authority") and its subsidiaries (the "Group"), which comprise the statements of financial position of the Group and of the Authority as at 31 March 2014, the statements of income and expenditure, the statements of comprehensive income and statements of changes in equity of the Group and of the Authority and consolidated statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 22 to 77.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Info-communications Development Authority of Singapore Act (Cap. 137A, 2000 Revised Edition) (the "Act") and Statutory Board Financial Reporting Standards ("SB-FRS"), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 and fair presentation of the financial statements 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.

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position, statement of income and expenditure, statement of comprehensive income and statement of changes in equity of the Authority are properly drawn up in accordance with the provisions of the Act and SB-FRS so as to present fairly, in all material respects, the state of affairs of the Group and of the Authority as at 31 March 2014 and the results and changes in equity of the Group and of the Authority and cash flows of the Group for the year ended on that date.

Report on other legal and regulatory requirements

Management's responsibility for compliance with legal and regulatory requirements

Management is responsible for ensuring that the receipts, expenditure, investment of moneys and the acquisition and disposal of assets, are in accordance with the provisions of the Act. This responsibility includes implementing accounting and internal controls as management determines are necessary to enable compliance with the provisions of the Act.

Auditors' responsibility

Our responsibility is to express an opinion on management's compliance based on our audit of the financial statements. We conducted our audit in accordance with Singapore Standards on Auditing. We planned and performed the compliance audit to obtain reasonable assurance about whether the receipts, expenditure, investment of moneys and the acquisition and disposal of assets, are in accordance with the provisions of the Act.

Independent auditors' report

MEMBERS OF THE AUTHORITY INFO-COMMUNICATIONS DEVELOPMENT AUTHORITY OF SINGAPORE

Our compliance audit includes obtaining an understanding of the internal control relevant to the receipts, expenditure, investment of moneys and the acquisition and disposal of assets; and assessing the risks of material misstatement of the financial statements from non-compliance, if any, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Because of the inherent limitations in any accounting and internal control system, non-compliances may nevertheless occur and not be detected.

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

Opinion

In our opinion:

(a) the receipts, expenditure, investment of moneys and acquisition and disposal of assets by the Authority during the year are, in all material respects, in accordance with the provisions of the Act; and

(b) proper accounting and other records have been kept, including records of all assets of the Authority, whether purchased, donated or otherwise.

(c) the accounting and other records of those subsidiaries incorporated in Singapore of which we are the auditors have seem properly kept in accordance with the Singapore Companies Act, Chapter 50.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
24 June 2014

Statements of financial position

AS AT 31 MARCH 2014

		Group		Authority	
	Note	2013/2014	2012/2013	2013/2014	2012/2013
		$'000	$'000	$'000	$'000
NON-CURRENT ASSETS					
Property, plant and equipment	4	13,290	17,080	13,111	13,792
Intangible assets	5	5,241	862	5,209	789
Subsidiaries	6	–	–	251,535	270,575
Deferred expenditure	7	4,053	3,711	4,053	3,711
Available-for-sale financial assets	8	15,669	11,732	–	–
Investments at fair value through profit or loss	9	586,050	809,781	577,577	802,736
		624,303	843,166	851,485	1,091,603
CURRENT ASSETS					
Trade receivables	10	109,637	112,364	109,162	111,506
Due from subsidiaries (non-trade)		–	–	1,207	1,788
Other receivables	11	15,249	13,035	12,338	10,424
Grants receivable (development)	12	83,526	–	83,526	–
Staff loans receivables	13	3	3	3	3
Tax recoverable		323	323	–	–
Investments at fair value through profit or loss	9	126,216	42,398	122,362	38,974
Cash and bank balances	15	258,394	247,155	199,407	177,443
		593,348	415,278	528,005	340,138
TOTAL ASSETS		1,217,651	1,258,444	1,379,490	1,431,741

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

Statements of financial position (continued)

AS AT 31 MARCH 2014

	Note	Group 2013/2014 $'000	Group 2012/2013 $'000	Authority 2013/2014 $'000	Authority 2012/2013 $'000
EQUITY					
Share capital	16	18,001	18,001	18,001	18,001
Capital account	16	356,165	356,165	356,165	356,165
Fair value reserve	16	5,209	6	–	–
Translation reserve	16	(16)	(21)	–	–
Statutory reserve	16	32	30	–	–
Accumulated surpluses		408,094	414,553	395,503	407,185
TOTAL EQUITY		787,485	788,734	769,669	781,351
CURRENT LIABILITIES					
Deferred income	17	94,591	108,824	92,070	106,509
Trade payables	18	26,105	30,758	25,459	28,249
Other payables, advances and deposits	19	146,936	138,572	140,526	134,647
Grants received in advance (operating)	12	7,496	5,235	7,496	5,235
Grants received in advance (development)	12	–	20,512	–	20,512
Income tax payable		424	232	–	–
Provision for pension and medical benefits	20	2,822	2,947	2,822	2,947
Contribution payable to consolidated fund	21	1,462	8,917	1,462	8,917
		279,836	315,997	269,835	307,016
NON-CURRENT LIABILITIES					
Deferred income	17	117,502	119,566	117,167	119,247
Due to subsidiaries (non-trade)	22	–	–	190,000	190,000
Deferred capital grants		3,520	379	3,520	379
Provision for pension and medical benefits	20	29,299	33,748	29,299	33,748
Deferred tax liabilities	14b	9	20	–	–
		150,330	153,713	339,986	343,374
TOTAL LIABILITIES		430,166	469,710	609,821	650,390
TOTAL EQUITY AND TOTAL LIABILITIES		1,217,651	1,258,444	1,379,490	1,431,741
NET ASSETS OF TRUST AND AGENCY FUNDS	24	5,358	6,519	5,358	6,519

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

Statements of income and expenditure

YEAR ENDED 31 MARCH 2014

	Note	Group 2013/2014 $'000	Group 2012/2013 $'000	Authority 2013/2014 $'000	Authority 2012/2013 $'000
INCOME					
Service fees		203,226	192,755	194,921	182,126
Standard ICT service fees		233,260	226,941	233,260	226,941
Licence and frequency fees		69,612	77,411	69,612	77,411
Interest income	25	19,319	18,495	18,838	18,137
Fair value changes on investments at fair value through profit or loss		–	15,802	–	15,802
Capital distributions from available-for-sale financial assets which were previously written off		59	–	–	–
Gain on disposal of Available-for-sale financial assets		–	2,183	–	–
Gain on disposal of investments at fair value through profit or loss		6,202	18,409	6,202	18,249
Other income	26	11,065	8,357	12,293	9,263
Dividend income		74	672	1,963	2,777
Revenue distributions from venture fund		797	–	–	–
TOTAL INCOME BEFORE DEVELOPMENT PROJECT INCOME		543,614	561,025	537,089	550,706
Development project income	27b	10,254	10,430	10,254	10,430
TOTAL INCOME		553,868	571,455	547,343	561,136
EXPENDITURE					
Salaries, CPF and other contributions	28	248,000	230,743	238,846	220,505
Professional services		36,527	34,299	30,443	29,115
Regulatory and promotion expenses		6,592	3,872	3,170	1,888
Standard ICT charges		213,436	206,146	213,436	206,146
Rental expenses		38,691	39,698	38,472	39,418
Staff welfare and allowance		6,381	5,122	6,064	4,865
Repairs and maintenance		3,479	3,949	3,146	3,636
Overseas missions and meetings		3,306	3,785	2,817	2,776
Supplies and services		2,213	2,099	2,213	2,099
Staff training		5,120	5,396	5,075	5,352
Depreciation of property, plant and equipment	4	6,414	7,947	6,236	5,516
Amortisation of intangible assets	5	1,283	668	1,228	612
Provision for pension and medical benefits	20	211	204	211	204
Property, plant and equipment expensed off		303	426	280	426
Board members' allowance		294	338	265	283
Fair value changes on investments at fair value through profit or loss		4,322	614	3,216	146
Other expenses	29	19,106	19,750	17,920	17,815
Balance brought forward		595,678	565,056	573,038	540,802

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

Statements of income and expenditure (continued)

YEAR ENDED 31 MARCH 2014

	Note	Group 2013/2014 $'000	Group 2012/2013 $'000	Authority 2013/2014 $'000	Authority 2012/2013 $'000
Balance carried forward		595,678	565,056	573,038	540,802
Net foreign currency exchange loss		212	62	272	21
(Write back of)/Allowance for impairment on trade receivables	10	(283)	152	(283)	161
(Gain)/Loss on disposal of property, plant and equipment		(8)	6	(8)	3
Impairment loss of available-for-sale financial assets		1,266	–	–	–
Impairment loss of investment in a subsidiary	6	–	–	19,040	7,560
Impairment loss of property, plant and equipment	4	3,936	–	–	–
Interest expenses		–	–	3,700	3,367
TOTAL EXPENSES BEFORE DEVELOPMENT EXPENSES		600,801	565,276	595,759	551,914
Development project expenses	27a	154,925	113,572	158,973	116,680
TOTAL EXPENSES		755,726	678,848	754,732	668,594
DEFICIT BEFORE GOVERNMENT GRANTS		(201,858)	(107,393)	(207,389)	(107,458)
GOVERNMENT GRANTS					
Operating grants		76,858	70,677	76,858	70,677
Development grants		138,547	89,048	138,547	89,048
	12	215,405	159,725	215,405	159,725
Deferred capital grants amortised		581	188	581	188
		215,986	159,913	215,986	159,913
SURPLUS BEFORE CONTRIBUTION TO CONSOLIDATED FUND AND INCOME TAX		14,128	52,520	8,597	52,455
Contribution to consolidated fund	21	(1,462)	(9,567)	(1,462)	(9,567)
Income tax expense	14a	(306)	(281)	–	–
NET SURPLUS FOR THE YEAR		12,360	42,672	7,135	42,888

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

Statements of comprehensive income

YEAR ENDED 31 MARCH 2014

		Group		Authority	
	Note	2013/2014 $'000	2012/2013 $'000	2013/2014 $'000	2012/2013 $'000
GROUP					
NET SURPLUS FOR THE YEAR		12,360	42,672	7,135	42,888
OTHER COMPREHENSIVE INCOME					
Items that may not be reclassified subsequently to profit or loss:					
Defined benefit plan remeasurements	20	1,963	–	1,963	–
Items that may be reclassified subsequently to profit or loss:					
Net change in fair value of available-for-sale financial investments		3,937	(182)	–	–
Net change in fair value of available-for-sale financial assets reclassified to profit or loss		1,266	–	–	–
Foreign currency translation differences – foreign operations		5	(1)	–	–
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		7,171	(183)	1,963	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		19,531	42,489	9,098	42,888

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

Consolidated statement of changes in equity

YEAR ENDED 31 MARCH 2014

	Note	Share capital $'000	Capital account $'000	Fair value reserve $'000	Translation reserve $'000	Statutory reserve $'000	Accumulated surpluses $'000	Total $'000
GROUP								
At 1 April 2012		11,001	356,165	188	(20)	30	379,414	746,778
TOTAL COMPREHENSIVE INCOME FOR THE YEAR								
Profit for the year		–	–	–	–	–	42,672	42,672
OTHER COMPREHENSIVE INCOME								
Net change in fair value of available-for-sale financial investments		–	–	(182)	–	–	–	(182)
Foreign currency translation difference		–	–	–	(1)	–	–	(1)
OTHER COMPREHENSIVE INCOME FOR THE YEAR		–	–	(182)	(1)	–	–	(183)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		–	–	(182)	(1)	–	42,672	42,489
TRANSACTIONS WITH OWNERS, RECOGNISED DIRECTLY IN EQUITY								
CONTRIBUTIONS BY AND DISTRIBUTIONS TO OWNERS								
Issue of share capital	16	7,000	–	–	–	–	–	7,000
Dividend paid for the year	32	–	–	–	–	–	(7,533)	(7,533)
TOTAL CONTRIBUTIONS BY AND DISTRIBUTIONS TO OWNERS		7,000	–	–	–	–	(7,533)	(533)
At 31 March 2013		18,001	356,165	6	(21)	30	414,553	788,734

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

Consolidated statement of changes in equity (continued)

YEAR ENDED 31 MARCH 2014

	Note	Share capital $'000	Capital account $'000	Fair value reserve $'000	Translation reserve $'000	Statutory reserve $'000	Accumulated surpluses $'000	Total $'000
GROUP								
At 1 April 2013		18,001	356,165	6	(21)	30	414,553	788,734
TOTAL COMPREHENSIVE INCOME FOR THE YEAR								
Profit for the year		–	–	–	–	–	12,360	12,360
OTHER COMPREHENSIVE INCOME								
Defined benefit plan remeasurements	20	–	–	–	–	–	1,963	1,963
Net change in fair value of available-for-sale financial investments		–	–	3,937	–	–	–	3,937
Net change in fair value of available-for-sale financial assets reclassified to profit or loss		–	–	1,266	–	–	–	1,266
Transfer to statutory reserve		–	–	–	–	2	(2)	–
Foreign currency translation difference		–	–	–	5	–	–	5
OTHER COMPREHENSIVE INCOME FOR THE YEAR		–	–	5,203	5	2	1,961	7,171
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		–	–	5,203	5	2	14,321	19,531
TRANSACTIONS WITH OWNERS, RECOGNISED DIRECTLY IN EQUITY								
CONTRIBUTIONS BY AND DISTRIBUTIONS TO OWNERS								
Dividend paid for the year	32	–	–	–	–	–	(20,780)	(20,780)
TOTAL CONTRIBUTIONS BY AND DISTRIBUTIONS TO OWNERS		–	–	–	–	–	(20,780)	(20,780)
At 31 March 2014		18,001	356,165	5,209	(16)	32	408,094	787,485

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

Statement of changes in equity

YEAR ENDED 31 MARCH 2014

	Note	Share capital $'000	Capital account $'000	Accumulated surpluses $'000	Total $'000
AUTHORITY					
At 1 April 2012		11,001	356,165	371,830	738,996
Total surplus and comprehensive income for the year		–	–	42,888	42,888
Issue of share capital	16	7,000	–	–	7,000
Dividend paid for the year	32	–	–	(7,533)	(7,533)
At 31 March 2013		18,001	356,165	407,185	781,351
At 1 April 2013		18,001	356,165	407,185	781,351
Total surplus for the year		–	–	7,135	7,135
Total other comprehensive income for the year		–	–	1,963	1,963
Dividend paid for the year	32	–	–	(20,780)	(20,780)
At 31 March 2014		18,001	356,165	395,503	769,669

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

Consolidated statement of cash flows

YEAR ENDED 31 MARCH 2014

	Group	
	2013/2014	2012/2013
	$'000	$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Deficit before government grants	(201,858)	(107,393)
Adjustments for:		
Depreciation of property, plant and equipment	6,414	7,947
Impairment loss of the property, plant and equipment	3,936	–
Amortisation of intangible assets	1,283	668
Amortisation of deferred expenditure	495	716
Deferred expenditure written off	313	–
Impairment loss of available-for-sale financial assets	1,266	–
Allowance of impairment on trade receivables	(283)	161
Provision for pension and medical benefit	211	2,782
Interest income	(19,319)	(18,495)
Capital distributions from available-for-sale financial assets which were previously written off	(59)	–
Net gain on disposal of available-for-sale financial assets	–	(2,183)
Net gain on disposal of investments at fair value through profit or loss	(6,202)	(18,409)
(Gain)/Loss on disposal of property, plant and equipment	(8)	6
Loss on disposal of intangible assets	–	19
Dividend income	(74)	(672)
Fair value changes on investments at fair value through profit or loss (net)	(4,322)	(15,188)
Amortisation of deferred income in the income and expenditure	(76,433)	(78,011)
	(294,640)	(228,052)
Changes in working capital:		
Increase in deferred income	60,136	42,678
Increase/(Decrease) in trade and other payables	3,749	(125,485)
Decrease in advances and deposits	(38)	(425)
Increase/(Decrease) in trade and other receivables	1,536	(23,516)
Cash used in operations	(229,257)	(334,800)
Deferred expenditure paid	(1,150)	(867)
Pension and medical benefit paid	(2,822)	(2,947)
Income tax paid	(123)	(274)
Contributions to consolidated fund	(8,917)	(5,969)
NET CASH USED IN OPERATING ACTIVITIES	(242,269)	(344,857)

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

Consolidated statement of cash flows (continued)

YEAR ENDED 31 MARCH 2014

	Group	
	2013/2014	2012/2013
	$'000	$'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments at fair value through profit or loss	(6,363)	(11)
Proceed from disposal of investments at fair value through profit or loss	156,800	–
Interest income received	18,579	18,010
Dividend income received	74	949
Capital distributions from available-for-sale financial assets which were previously written off	59	–
Purchase of available-for-sale financial assets	–	(4,090)
Proceeds from disposal of available-for-sale financial assets	–	2,537
Proceeds on disposal of property, plant and equipment	29	30
Purchase of intangible assets	(3,807)	(657)
Purchase of property, plant and equipment	(8,436)	(6,291)
NET CASH FROM INVESTING ACTIVITIES	156,935	10,477
CASH FLOWS FROM FINANCING ACTIVITIES		
Operating and development grants received	117,348	238,317
Decrease in cash earmarked for payment of pension and medical benefits	4,574	165
(Increase)/Decrease in cash set aside for specific purposes	(33,114)	35,597
Issue of share capital	–	7,000
Dividends paid	(20,780)	(7,533)
NET CASH FROM FINANCING ACTIVITIES	68,028	273,546
NET DECREASE IN CASH AND BANK BALANCES	(17,306)	(60,834)
Cash and cash equivalents at the beginning of year	69,373	130,208
Effects of exchange rate changes on the balance of cash held in foreign currencies	5	(1)
CASH AND BANK BALANCES AT THE END OF YEAR (NOTE A)	52,072	69,373

Note A

Cash and bank balances:

Cash with Accountant General Department ("AGD")	211,496	242,976
Cash at bank	1,099	1,525
Cash with custodians	45,799	2,654
	258,394	247,155
Less:		
Cash earmarked for payment of pension and medical benefits (Note 15)	(32,121)	(36,695)
Cash set aside for specific purposes (Note 15)	(174,201)	(141,087)
	52,072	69,373

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

Notes to the financial statements

THESE NOTES FORM AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.
THE FINANCIAL STATEMENTS WERE AUTHORISED FOR ISSUE BY THE BOARD ON 24 JUNE 2014.

1 Domicile and activities

Info-Communications Development Authority of Singapore (the "Authority") is a statutory board established in Singapore on 1 December 1999 under the Info-communications Development Authority Act of Singapore Act, (Cap. 137A, 2000 Revised Edition).

As a statutory board, the Authority is subjected to the control of its supervisory ministry, Ministry of Communications and Information ("MCI"), and is required to follow the policies and instructions issued from time to time by MCI and other government ministries and departments such as the Ministry of Finance ("MOF").

The Authority is domiciled in Singapore and has its registered office at 10 Pasir Panjang Road, #10-01, Mapletree Business City, Singapore 117438.

The principal activities of the Authority are:

(a) to develop and promote the efficiency and international competitiveness of the info-communications industry in Singapore;

(b) to ensure that the telecommunication services are readily accessible and delivered competitively at performance standards that meet the social, industrial and commercial needs of Singapore;

(c) to exercise licensing and regulatory functions in respect of telecommunication systems and services in Singapore;

(d) to promote the use of the internet, broadband and electronic commerce and to establish regulatory frameworks for that purpose;

(e) to plan, promote, develop and implement information and communications technology systems and services for government ministries, departments and agencies;

(f) to provide consultancy and advisory services concerning info-communications technology;

(g) to provide administrative support, including the provision of premises, office supplies and equipment and manpower and premises to the Personal Data Protection Commission in the performance of its functions under the Personal Data Protection Act 2012; and

(h) To perform the functions and duties and exercise the powers of the Administration Body under the Personal Data Protection Act 2012, if so appointed.

The consolidated financial statements of the Group comprise the Authority and its subsidiaries (together referred to as the "Group" and individually as the "Group entities"). The principal activities of the subsidiaries are as stated in note 6.

2 Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared in accordance with the provision of the Info-communications Development Authority of Singapore Act (Cap. 137A, 2000 Revised Edition) and Statutory Board Financial Reporting Standards ("SB-FRS"), including Interpretations of SB-FRS ("INT SB-FRS") and SB-FRS Guidance notes as promulgated by the Accountant-General.

2.2 Basis of measurement

The financial statements have been presented on the historical cost basis except for certain financial assets and liabilities which are measured at fair value as stated in the respective accounting policies detailed below.

Notes to the financial statements

2.3 Functional and presentation currency

The financial statements are presented in Singapore dollars, which is the functional currency of the Authority. All financial information presented in Singapore dollars have been rounded to the nearest thousand, unless otherwise stated.

2.4 Use of estimates and judgements

The preparation of financial statements in conformity with SB-FRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is as follows:

- *Classification of investments at fair value through profit or loss and available-for-sale financial assets*
  The Group designated investments at fair value through profit or loss in the following circumstances:

  - The investments form a part of a group of financial assets or financial instruments or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis;

  - The designation eliminated or significantly reduced an accounting mismatch, which would otherwise have arisen; or

  - The asset contains an embedded derivative that significantly modified the cash flows that would otherwise have been required to be bifurcated. Where the embedded derivatives are not capable of being measured separately from the host contracts, either at inception or at subsequent reporting periods, the entire contract is designated as investments at fair value through profit or loss.

  The Group designated any other investment that is not designated as investments at fair value through profit or loss or loans and receivables as available-for-sale financial assets.

- *Service fees*
  The Group applies judgment and consideration of all relevant facts and circumstances in determining whether the Group is acting as a principal or as an agent in its contractual arrangements. The Group would be determined to be acting as a principal when the Group assumes risks and rewards associated with the transactions.

- *OneKey security devices*
  In order to achieve pervasive adoption of strong authentication by public facing online services, OneKey security devices will be distributed free to all Singaporeans and Permanent Residents within the first five years of the roll-out of the National Authentication Framework ("NAF") Programme. Management has assessed that these devices will be expensed off upon the Group incurring the present legal obligations as it reflects the underlying economic substance at the current implementation phase of the NAF project.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

Notes to the financial statements

- *Impairment loss on property, plant and equipment*
  The Group assesses the carrying amounts of its property, plant and equipment against their recoverable amounts at each reporting date to determine whether there is any indication of impairment.

  Estimates of recoverable amounts were based on the higher of calculated value-in-use and fair value less cost to sell as determined by an independent professional valuer. The fair value are based on estimated amounts obtainable for the sale of the asset on an arm's length transaction between knowledgeable, willing parties, less the cost of disposal, utilising an open market value and replacement costs basis for separately identifiable components of the asset.

- *Impairment loss on subsidiaries*
  Management reviews the carrying amounts of the investment in subsidiaries at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount is estimated.

  Estimates of recoverable amounts were based on the higher of calculated value-in-use and fair value less cost to sell. In assessing value-in-use, management need to estimate the future cash flows expected from the cash-generating units and an appropriate discount rate to calculate the present value of future cash flows.

- *Impairment of Available-for-sale financial assets*
  The Group follows the guidance of SB-FRS 39 in determining when an available-for-sale investment is impaired as opposed to a temporary aberration. This determination process requires the exercising of significant judgement and the use of estimates by management. The Group evaluates, among other factors, the duration or the extent to which the fair value of an investment falls short of its carrying amount; the financial health and near term business outlook of the investee entity, including factors such as changes in technology, overall industry and sector performance; as well as operational and financial cash flows historically generated and forecasted to be generated by the investee entity.

  Management regularly monitors these investments for indicators of impairment, including deteriorating financial performance, disorderly change in top management, key product failure, loss of major customers and other adverse news and reports on the investee entities. Management exercises judgement to determine whether there are indicators of impairment has set in based on all relevant information available, and where accessible, interviews conducted with management team of the investee entities.

- *Valuation of investments*
  The determination of fair value for financial assets and financial liabilities for which there is no observable market price requires the use of valuation techniques as described in Note 23. For financial instruments that trade infrequently and have little price transparency, fair value is less objective and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

  The Group's critical judgement is required in determining accounting policy on fair value measurements and in relation to the designation of financial instruments into the different levels (i.e. Level 1 to 3).

- *Provision for medical and pension benefits*
  Provision for medical and pension benefits is estimated by management based on the most recent valuation by professional actuaries. Changes to assumptions and estimates used in the valuation would result in change to the provision for medical and pension benefits amounts estimated.

- *Utilisation of tax losses*
  Certain subsidiaries of the Company have unused tax losses at the end of the reporting period. Utilisation of such losses is subject to the agreement of the Inland Revenue Authority of Singapore and the retention of majority shareholders as defined. These subsidiaries have not recognised any deferred tax benefits in respect of such tax losses which may be available for offsetting against profits due to the unpredictability of future profit streams.

Notes to the financial statements

- *Long-term service contracts*
  Revenue and profit recognition on long-term service contracts are dependent on estimating the eventual outcome of the contracts, as well as work done to date. Actual outcome in terms of total costs or revenue may be higher or lower than estimated at the reporting date, which would affect the revenue and profit recognised in future years. As at the reporting date, the management considered that all costs to complete and revenue can be reliably estimated.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. Differences between the actual results and management's estimates would affect the results of the period in which such differences are determined.

2.5 Changes in accounting policies

The Group has adopted all the new and revised SB-FRSs, INT SB-FRSs and Guidance notes which became effective during the year. Except as disclosed below, the initial adoption of these SB-FRSs, INT SB-FRSs and Guidance notes did not have a material impact on these financial statements.

- *Defined benefit plans and short-term or other long-term employee benefits definition*
  From 1 April 2013, as a result of SB-FRS 19 (2011), all actuarial gains and losses are now required to be recognised immediately in other comprehensive income, it increased the defined benefit expense recognised in profit or loss and correspondingly reduced the defined benefit plan remeasurement loss recognised in other comprehensive income by $1.963 million in 2013/2014. The amendment was not applied retrospectively, as the amount involved is not material.

- *Fair value measurement*
  SB-FRS establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other SB-FRSs. In particular, it unifies the definition of fair value as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. It also replaces and expands the disclosure requirements about fair value measurements in other SB-FRSs, including SB-FRS 107 *Financial Instruments: Disclosures.*

  From 1 January 2013, in accordance with the transitional provisions of SB-FRS 113, the Group has applied the new fair value measurement guidance prospectively, and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the Group's assets and liabilities. The additional disclosures necessary as a result of the adoption of this standard has been included in notes 23.

- *Presentation of items of other comprehensive income*
  From 1 April 2013, as a result of the amendments of SB-FRS 1, the Group has modified the presentation of items of other comprehensive income in its consolidated statement of comprehensive income, to present separately items that would be reclassified to profit or loss in the future from those that would never be. Comparative information has also been re-presented accordingly.

  The adoption of the amendment to FRS 1 has no impact on the recognised assets, liabilities and comprehensive income of the Group.

Notes to the financial statements

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities, except as explained in note 2.5, which addresses changes in accounting policies.

3.1 Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Authority has power to govern the financial and operating policies of an entity so as to obtain benefits from it activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

(ii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expense arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(iii) Subsidiaries in the separate financial statements

Investments in subsidiaries are stated in the Authority's statement of financial position at cost less accumulated impairment losses.

3.2 Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss, except for the following differences which are recognised in other comprehensive income arising on the retranslation of available-for-sale equity instruments (except on impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss).

(ii) Foreign operations

The assets and liabilities of foreign operations are translated to Singapore dollars at exchange rates at the end of the reporting period. The income and expenses of foreign operations are translated to Singapore dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

Notes to the financial statements

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item that are considered to form part of a net investment in a foreign operation are recognised in other comprehensive income, and are presented in the translation reserve in equity.

3.3 Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes: the cost of materials and direct labour; any other costs directly attributable to bringing the assets to a working condition for their intended use; when the Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and capitalised borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognised net in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment, unless it is included in the carrying amount of another asset.

Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use. Capital-work-in-progress is not depreciated.

The estimated useful lives for the current and comparative years are as follows:

Infrastructure	-	3 years
Equipment	-	3 to 5 years
Furniture and fittings	-	10 years
Plant and machinery	-	5 to 7 years
Buildings	-	50 years

Notes to the financial statements

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

Assets below $2,000 are expensed off in the year of purchase.

3.4 Intangible assets

Intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

Amortisation is calculated based on the cost of the asset, less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use.

The estimated useful lives for the current and comparative years are as follows:

Application software	3 years

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

Application software below $10,000 is expensed off in the year of purchase.

3.5 Deferred expenditure

Expenditure incurred in providing scholarships is capitalised and stated at cost less accumulated amortisation. Amortisation is calculated on a straight-line basis to write off the cost over the period of the scholarship bond from 4 to 6 years commencing from the year that the scholars commence employment with the Group.

3.6 Government grants and contribution received

Government grants and contributions from other organisations are recognised initially at their fair value where there is reasonable assurance that the grants and contributions will be received and the Group will comply with the conditions associated with the grants and contributions.

(i) Operating grants

Government grants and contributions from other organisations that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis in the same periods in which the expenses are recognised.

(ii) Development grants

Government grants and contributions from other organisations for specific development project expenditure are recognised as grants received in advance on the statement of financial position, upon receipt or grants receivable where accrued and are recognised in profit or loss on a systematic basis in the same periods in which the development expenses are recognised.

(iii) Capital grants

Capital grants are recognised in profit or loss on a systematic basis over the useful life of the asset. Government grants and contributions from other organisations utilised for the purchase of depreciable assets are initially recorded as "deferred capital grants" on the statement of financial position of the Group. Deferred capital grants are then recognised in the statement of income and expenditure over the periods necessary to match the depreciation of the assets purchased, with the related grants. Upon the disposal of the asset, the balance of the related deferred capital grants is recognised in the statement of income and expenditure to match the net book value of the assets written off.

Notes to the financial statements

3.7 Financial instruments

(i) Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets.

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages and evaluates the performance of the assets on fair value basis in accordance with the Group's documented risk management or investment strategy. Attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein, which takes into account any dividend income, are recognised in profit or loss.

Financial assets designated at fair value through profit or loss comprise equity and debt securities that otherwise would have been classified as available for sale.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and bank balances, trade receivables, due from subsidiaries (non-trade), other receivables, grants receivables and staff loans receivables. Cash and bank balances comprised cash held with Accountant General's Department ("AGD"), cash held with external fund managers, cash on hand and short-term deposits with maturities of three months or less that are subject to an insignificant risk of changes in their fair value. For the purpose of the statement of cash flows, cash and bank balances earmarked for payment of pension and medical benefits to pensioners and set aside for specific purposes as designated by management are excluded.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the above categories of financial assets.

Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments, are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

Notes to the financial statements

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost.

Available-for-sale financial assets comprise equity securities and fund investments.

(ii) Non-derivative financial liabilities

Financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise trade payables, other payables, amount to subsidiaries (non-trade) and contribution payable to consolidated fund.

(iii) Share capital

Shares are classified as equity. Incremental costs directly attributable to the issue of shares are recognised as a deduction from equity, net of tax effects.

(iv) Derivative financial instruments

The Group enters into other derivative financial instruments, when deemed necessary, to manage its exposure to credit risk and other risks.

Embedded derivatives are separate from the host contract and accounted for separately if the economic characteristics and risk of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

In cases where the embedded derivative cannot be separated from its host contract because the Group is unable to measure the embedded derivate separately either at acquisition or at a subsequent financial reporting date, it shall designate the entire hybrid (combined) contract as at fair value through profit or loss.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Separable embedded derivatives

Changes in the fair value of separated embedded derivatives are recognised immediately in profit or loss.

Other non-trading derivatives

When a derivative financial instrument is not designated in a hedge relationship that qualifies for hedge accounting, all changes in its fair value are recognised immediately in profit or loss.

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3.8 Impairment

(i) Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at the end of each reporting period to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event has a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the group, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Loans and receivables

The Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When a subsequent event (e.g. repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit or loss. Changes in cumulative impairment provisions attributable to application of the effective interest method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed. The amount of the reversal is recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and

Notes to the financial statements

the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.9 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as interest expense.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting the obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with the contract.

Site Restoration

In accordance with the applicable terms and conditions in the lease agreement governing the Group's use of assets under operating leases and a provision for site restoration in respect of the leased premises, and the related expense, was recognised at the date of inception of the lease.

3.10 Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

Contributions on the employees' salaries are made to the Central Provident Fund (CPF) as required by law. The CPF contributions are recognised as expenses in the period when the employees rendered their services.

(ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating future benefit that the employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset). The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. Under the method, a "projected accrued benefit" is calculated for each benefit. For all active members

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of the scheme, the "projected accrual benefit" is based on the scheme's accrual formula and upon service as of the valuation date, but using the employee's scheme salary, projected to the age at which the employee is assumed to leave active service. For inactive members, it is the total benefit. The defined benefit obligation/project benefit obligation/plan liability is the discounted present value of the "projected accrued benefits". The service cost is the corresponding value of benefits earned by active members over the year as a result of one more year of service.

Re-measurements from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Group recognises them immediately in other comprehensive income and all expenses related to defined benefit plans in employee benefits expense in profit or loss.

When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised immediately in profit or loss when the plan amendment or curtailment occurs.

The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs. The gain or loss on settlement is the difference between the present value of the defined benefit obligation being settled as determined on the date of settlement and the settlement price, including any plan assets transferred and any payments made directly by the Group in connection with the settlement.

(iii) Termination benefits

Termination benefits are recognised as an expense when the Group is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

(iv) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed when the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

3.11 Trust and agency funds

Moneys received from the Government and other organisations where the Authority is not the owner and beneficiary are accounted for as trust and agency funds. The receipts and expenditure in respect of agency funds are taken directly to the respective funds accounts and the net assets relating to these funds are shown as a separate line item on the statement of financial position. Trust and agency funds are accounted for on an accruals basis.

3.12 Restricted funds

These are funds earmarked for specific purposes and for which separate disclosure is necessary as these funds are material and are subject to restrictions on the ability of the Authority to distribute or otherwise apply its funds. The treatment is in accordance with Guidance Note 3 issued by the Accountant General Department ("AGD"). Restricted funds are accounted for on an accruals basis.

3.13 Income

Income is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Income is recognised when significant risks and rewards of ownership have been transferred to customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuity management involvement with goods, and the amount of revenue can be measured reliably.

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(i) Service fees

Service fees are recognised in the period when the services are rendered to customers, net of goods and service tax.

(ii) Licence and frequency fees

Licence and frequency fees are recognised on the accrual basis over the validity period, except for certain types of fees that are recognised in the year in which they are received, net of goods and services tax.

(iii) Long-term service contracts

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome can be estimated reliably, contract revenue is recognised in income and expenditure in proportion to the stage of completion of the contract. Contract expenses are recognised as incurred unless they create an asset related to future contract activity.

The stage of completion is measured by the proportion of direct labour costs incurred for work performed to date relative to the estimated total direct labour costs. Where the outcome of a contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that is probable will be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

When contract costs incurred to date plus recognised profits less recognised losses exceed gross billings, the surplus representing amounts due from customer is included in other receivables.

(iv) Dividend income

Dividend income is recognised on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

(v) Development project income

Development income is recognised in the same periods in which the development expense is recognised.

(vi) Interest income

Interest income is recognised as it accrues, using the effective interest method.

3.14 Interest expenses

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in statement of income and expenditure using the effective interest method.

3.15 Leases

Operating lease

When entities within the Group are lessees of an operating lease

Where the Group has the use of assets under operating leases, payments made under the leases are recognised in the statement of comprehensive income on a straight-line basis over the term of the lease. Lease incentives received are recognised in the statement of comprehensive income as an integral part of the total lease payments made. Leased assets are not recognised in the Group's statement of financial position.

Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset. At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for

Notes to the financial statements

the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently, the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate.

3.16 Tax

The Authority is a tax-exempted institution under the provisions of the Income Tax Act (Cap.134, 2004 Revised Edition). The subsidiaries of the Authority are subject to local income tax regulation.

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in statement of income and expenditure except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for: temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and temporary differences related to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

3.17 New standards and interpretations not adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning 1 April 2014, and have not been applied in preparing these financial statements. Those new standards, amendments to standards and interpretations are not expected to have a significant effect on the financial statements of the Group and the Authority in future financial periods and which the Group does not plan to early adopt.

Notes to the financial statements

4 Property, plant and equipment

	Furniture and fittings $'000	Equipment $'000	Plant and machinery $'000	Building $'000	Infrastructure $'000	Capital work-in-progress $'000	Total $'000
GROUP							
COST							
At 1 April 2012	15,415	13,951	7,154	809	6,580	1,371	45,280
Additions	647	2,486	45	–	193	2,920	6,291
Disposals	(152)	(1,066)	(2)	–	–	(34)	(1,254)
Reclassification	334	412	270	–	–	(1,016)	–
Reclassification to intangible assets	–	–	–	–	–	(243)	(243)
At 31 March 2013	16,244	15,783	7,467	809	6,773	2,998	50,074
Additions	1,065	1,523	125	–	1,000	4,723	8,436
Disposals	(131)	(192)	(80)	–	–	–	(403)
Reclassification	134	46	–	–	829	(1,009)	–
Reclassification to intangible assets	–	–	–	–	–	(1,855)	(1,855)
At 31 March 2014	17,312	17,160	7,512	809	8,602	4,857	56,252
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSS							
At 1 April 2012	5,007	11,987	6,005	809	2,457	–	26,265
Depreciation for the year	3,953	1,430	355	–	2,209	–	7,947
Disposals	(148)	(1,068)	(2)	–	–	–	(1,218)
At 31 March 2013	8,812	12,349	6,358	809	4,666	–	32,994
Depreciation for the year	4,240	1,866	308	–	–	–	6,414
Disposals	(126)	(176)	(80)	–	–	–	(382)
Impairment loss	–	–	–	–	3,936	–	3,936
At 31 March 2014	12,926	14,039	6,586	809	8,602	–	42,962
CARRYING AMOUNTS							
At 1 April 2012	10,408	1,964	1,149	–	4,123	1,371	19,015
At 31 March 2013	7,432	3,434	1,109	–	2,107	2,998	17,080
At 31 March 2014	4,386	3,121	926	–	–	4,857	13,290

Notes to the financial statements

	Furniture and fittings $'000	Equipment $'000	Plant and machinery $'000	Building $'000	Capital work-in-progress $'000	Total $'000
AUTHORITY						
COST						
At 1 April 2012	15,201	11,489	7,154	809	1,338	35,991
Additions	621	2,355	45	–	2,089	5,110
Disposals	(58)	(1,066)	(2)	–	(4)	(1,130)
Reclassification	334	412	270	–	(1,016)	–
Reclassification to intangible assets	–	–	–	–	(243)	(243)
At 31 March 2013	16,098	13,190	7,467	809	2,164	39,728
Additions	1,065	1,499	125	–	4,724	7,413
Disposals	(118)	(46)	(80)	–	–	(244)
Reclassification	134	46	–	–	(180)	–
Reclassification to intangible assets	–	–	–	–	(1,855)	(1,855)
At 31 March 2014	17,179	14,689	7,512	809	4,853	45,042
ACCUMULATED DEPRECIATION						
At 1 April 2012	4,903	9,826	6,005	809	–	21,543
Depreciation for the year	3,935	1,226	355	–	–	5,516
Disposals	(55)	(1,066)	(2)	–	–	(1,123)
At 31 March 2013	8,783	9,986	6,358	809	–	25,936
Depreciation for the year	4,218	1,710	308	–	–	6,236
Disposals	(121)	(40)	(80)	–	–	(241)
At 31 March 2014	12,880	11,656	6,586	809	–	31,931
CARRYING AMOUNTS						
At 1 April 2012	10,298	1,663	1,149	–	1,338	14,448
At 31 March 2013	7,315	3,204	1,109	–	2,164	13,792
At 31 March 2014	4,299	3,033	926	–	4,853	13,111

Notes to the financial statements

The Authority has legal title to the land and building that is presently the Singapore Philatelic Museum ("SPM"), with an original cost amounting to $3.179 million (2012/2013: $3.179 million), and carrying amount of $1 (2012/2013: $1) as at 31 March 2014.

Capital work-in-progress represents installation of equipment, furniture and fittings in progress, which upon completion, will be reclassified to the relevant asset categories.

Impairment loss
The Group assessed the carrying amounts of its property, plant and equipment against their recoverable amounts at each reporting date to determine whether there is any indication of impairment.

Management noted indicators of impairment with respect to the Group's infrastructure due to changes in the financial circumstances of the infrastructure and the estimated ongoing operating costs to be incurred. As a result, an impairment assessment was performed on the above asset. Management has estimated the recoverable amount based on value-in-use method, to be zero due to estimated negative cash flows to be incurred for the foreseeable future. Hence, the carrying amount of the Infrastructure amounting to $3.936 million was fully impaired and this has been recognised in the Group's income and expenditure statement in the current financial year.

5 Intangible assets

	Group		Authority	
	2013/2014	2012/2013	2013/2014	2012/2013
	$'000	$'000	$'000	$'000
COST				
At 1 April	8,538	8,143	8,375	8,010
Additions	3,807	657	3,793	627
Disposals	(156)	(505)	(103)	(505)
Reclassification from capital work-in-progress	1,855	243	1,855	243
At 31 March	14,044	8,538	13,920	8,375
ACCUMULATED AMORTISATION				
At 1 April	7,676	7,494	7,586	7,460
Amortisation for the year	1,283	668	1,228	612
Disposals	(156)	(486)	(103)	(486)
At 31 March	8,803	7,676	8,711	7,586
CARRYING AMOUNTS				
At 31 March	5,241	862	5,209	789

Notes to the financial statements

6 Subsidiaries

	Authority 2013/2014 $'000	Authority 2012/2013 $'000
Unquoted shares, at cost	287,535	287,535
Less: Impairment loss	(36,000)	(16,960)
	251,535	270,575

Details of the Authority's subsidiaries at the end of reporting period are as follows:

Name of subsidiary	Principal activities/country of incorporation and operation	Cost of investment by the Authority 2013/2014 $'000	Cost of investment by the Authority 2012/2013 $'000	Proportion of ownership interest and voting power held 2013/2014 %	Proportion of ownership interest and voting power held 2012/2013 %
HELD BY THE AUTHORITY					
Infocomm Investments Pte Ltd[a]	Investment holding and investment management/ Singapore	237,822	237,822	100	100
Singapore Network Information Centre (SGNIC) Pte Ltd[a]	Registry of internet domain names/Singapore	3,813	3,813	100	100
IDA International Pte Ltd[a]	Provide consultancy services to foreign governments and public agencies as part of its overall charter to develop, collaborate and promote the Singapore local infocomm enterprises overseas/ Singapore	9,900	9,900	100	100
Assurity Trusted Solutions Pte Ltd[a]	Provide information security services including second factor authorisation services/Singapore	36,000	36,000	100	100
HELD BY SUBSIDIARY					
IDA International Bahrain Pte Ltd SPC[b]	Provide consultancy services/Kingdom of Bahrain	–	–	100	100

[a] Audited by KPMG LLP, Singapore.
[b] Audited by other member firms of KPMG International.

Notes to the financial statements

Impairment loss
At the end of each reporting period, management reviews the carrying amounts of the investment in subsidiaries to determine whether there are any indications that the investment is impaired.

Management noted indicators of impairment with respect to the Authority's investment in a subsidiary, a cash-generating unit ("CGU"), due to changes in its financial circumstances and the estimated ongoing operating costs expected to be incurred. As a result, management estimated the recoverable amount based on the value-in-use method, to be zero due to estimated negative cash flows to be incurred for the foreseeable future. Hence, an impairment loss of $19.040 million (2012/2013: $7.560 million) was recognised in relation to the investment in that subsidiary and this has been recognised in the Authority's statement of income and expenditure.

7 Deferred expenditure

	Group and Authority	
	2013/2014	2012/2013
	$'000	$'000
COST		
At 1 April	9,484	8,617
Additions	1,150	1,122
Written-off	(313)	(255)
At 31 March	10,321	9,484
ACCUMULATED AMORTISATION		
At 1 April	5,773	5,057
Amortisation for the year	495	716
At 31 March	6,268	5,773
CARRYING AMOUNT		
At 31 March	4,053	3,711

Expenditure incurred in providing scholarships is capitalised and stated at cost less accumulated amortisation. Amortisation is calculated on a straight-line basis to write off the cost over the period of the scholarship bond from 4 to 6 years commencing from the year that the scholars commence employment with the Group.

8 Available-for-sale financial assets

		Group		Authority	
	Note	2013/2014 $'000	2012/2013 $'000	2013/2014 $'000	2012/2013 $'000
Unquoted fund investments, at fair value	(i)	1,491	1,625	–	–
Unquoted equity securities, at fair value	(ii)	18,276	12,939	–	–
Less: impairment loss		(4,098)	(2,832)	–	–
		14,178	10,107	–	–
Total		15,669	11,732	–	–

(i) Unquoted fund investments at fair value include impairment losses amounting to $9.69 million (2012/2013: $9.69 million).

Notes to the financial statements

(ii) Movements in allowance for impairment loss in relation to unquoted equity securities during the year are as follows:

	Group		Authority	
	2013/2014 $'000	2012/2013 $'000	2013/2014 $'000	2012/2013 $'000
Unquoted equity securities, at fair value				
At 1 April	2,832	2,832	–	–
Impairment loss	1,266	–	–	–
At 31 March	4,098	2,832	–	–

9 Investments at fair value through profit or loss

	Group		Authority	
	2013/2014 $'000	2012/2013 $'000	2013/2014 $'000	2012/2013 $'000
DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS				
Quoted equity securities	120,167	144,913	120,167	144,913
Quoted debt securities	583,625	704,184	579,772	696,797
Unquoted equity securities	8,474	3,082	–	–
	712,266	852,179	699,939	841,710
CLASSIFIED AS				
- Current	126,216	42,398	122,362	38,974
- Non-current	586,050	809,781	577,577	802,736
	712,266	852,179	699,939	841,710

As at the end of the reporting period, the Authority and the Group do not intend to liquidate certain investments at fair value through profit or loss classified as non-current within the next 12 months, which is consistent with their historical experience.

10 Trade receivables

	Group		Authority	
	2013/2014 $'000	2012/2013 $'000	2013/2014 $'000	2012/2013 $'000
Third parties	31,062	27,207	30,587	26,349
Ministries and statutory boards	78,575	85,157	78,575	85,157
Total	109,637	112,364	109,162	111,506

The average credit period on sales of services is 30 days (2012/2013: 30 days). No interest is charged on the overdue trade receivables.

Notes to the financial statements

The table below is an analysis of trade receivables as at the end of the reporting period:

	Group		Authority	
	2013/2014 $'000	2012/2013 $'000	2013/2014 $'000	2012/2013 $'000
Not past due and not impaired	101,415	112,235	100,940	111,377
Past due but not impaired	8,222	129	8,222	129
Impaired receivables – individually assessed	6	289	6	289
Less : Allowance for impairment	(6)	(289)	(6)	(289)
Total trade receivables, net	109,637	112,364	109,162	111,506

The Group's trade receivable balances are predominately from Singapore Government Organisations ("GO") whose credit risks are assessed to be low. There is no concentration risk at both the Group and Authority levels.

Included in the Group's trade receivables balance are debtors with a carrying amount of $8.222 million (2012/2013: $0.129 million) which are past due at the end of the reporting period for which no allowance for possible doubtful debts has been provided. This is because more than 80% (2012/2013: 70%) of the balance are due from GO and based on historical payment experience, the risk of default of receivables from GO is low. The Group does not hold any collateral over these balances. The outstanding amounts are unsecured, interest-free and repayable on demand unless otherwise stated. No guarantees have been provided or received in respect of the related party balances. The average age of these receivables are 60 days (2012/2013: 57 days).

These receivables are not secured by any collateral or credit enhancements.

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	Group and Authority	
	2013/2014 $'000	2012/2013 $'000
At 1 April	289	155
Amounts recovered during the year	(289)	(9)
Impairment loss recognised	6	161
Amount written off	–	(18)
At 31 March	6	289

Notes to the financial statements

11 Other receivables

	Group		Authority	
	2013/2014 $'000	2012/2013 $'000	2013/2014 $'000	2012/2013 $'000
Deposits	1,009	425	999	422
Interest receivable	8,522	7,782	8,362	7,519
Prepayments	2,178	1,776	1,632	1,363
Sundry debtors	3,540	3,052	1,345	1,120
	15,249	13,035	12,338	10,424

Other receivables amounts are not past due and not impaired.

12 Grants received in advance/(receivable)

	Group and Authority	
	2013/2014 $'000	2012/2013 $'000
At 1 April	25,747	(52,585)
Operating grants – Government	79,216	72,013
Development grants – Government	38,132	166,304
Net grants received during the year	117,348	238,317
Transfer to deferred capital grants	(3,720)	(260)
Grants recognised in income or expenditure	(215,405)	(159,725)
At 31 March	(76,030)	25,747
CLASSIFIED AS		
- Operating	7,496	5,235
- Development	(83,526)	20,512
	(76,030)	25,747

13 Staff loans receivables

	Group and Authority	
	2013/2014 $'000	2012/2013 $'000
Other loans – current	3	3

Other loans which include loans to employees for purchase of computers and renovation purposes, are repayable by monthly instalments at Nil% interest (2012/2013: Nil%) and 5% (2012/2013: 5%) interest per annum respectively, over a period of 2 to 7 years (2012/2013: 2 to 7 years).

Notes to the financial statements

14 Income tax expense

(a) The Authority is a tax exempted institution under the provision of the Income Tax Act (Cap.134, 2004 Revised Edition). The subsidiaries of the Authority are subject to tax under Singapore income tax legislation.

	Group	
	2013/2014 $'000	2012/2013 $'000
CURRENT TAX EXPENSE		
Current year	395	288
Over provision in prior years	(78)	(13)
	317	275
DEFERRED TAX EXPENSE		
Deferred taxation	(11)	6
	306	281
Surplus before contribution to consolidated fund and income tax	14,128	52,520
Add: Dividend from subsidiaries	1,963	2,777
Less: Impairment on investment in subsidiary	(19,040)	(7,560)
Less: Surplus of the Authority subject to contribution to consolidated fund	(8,597)	(52,455)
Loss before income tax of the subsidiaries	(11,546)	(4,718)
Income tax benefit at Singapore tax rate of 17% (2012/2013: 17%)	(1,963)	(802)
Effect of concessionary tax rate	–	(229)
Non-deductible item	783	378
Tax rebate	(30)	–
Tax incentive not recognised	58	36
Tax incentive	(31)	(73)
Income not subject to tax	(106)	(136)
Effect of previously unrecognised deferred tax benefits	–	(83)
Over provision in prior years	(78)	(13)
Effect of deferred tax benefits not recognised	1,678	1,172
Others	(5)	31
	306	281

A subsidiary of the Group invested in certain debt securities which generated income that were taxed at a concessionary tax rate of 10% in prior year and disposed in the prior year.

As at 31 March 2014, subject to the agreement by the tax authorities, certain subsidiaries of the Group have unutilised tax losses amounting to approximately $64.008 million (2012/2013: $56.036 million) available for offset against future profits. No deferred tax asset arising from the unutilised tax losses has been recognised due to the unpredictability of future profit streams.

Notes to the financial statements

(b) Movements in deferred taxation

	Group	
	2013/2014 $'000	2012/2013 $'000
At 1 April	20	14
(Credited)/Charged to income or expenditure	(11)	6
At 31 March	9	20

Deferred tax liabilities are attributable to property, plant and equipment.

15 Cash and bank balances

	Group		Authority	
	2013/2014 $'000	2012/2013 $'000	2013/2014 $'000	2012/2013 $'000
Cash with the AGD	211,496	242,976	153,166	174,622
Cash with custodian	45,799	2,654	45,799	2,654
Bank and cash balances	1,099	1,525	442	167
Total	258,394	247,155	199,407	177,443

The Group participates in the Accountant-General Department's Centralised Liquidity Management Scheme ("CLM") whereby the Group's cash is pooled together and managed centrally by Accountant-General Department ("AGD"), a related party, in fixed deposits. This does not affect the daily liquidity of the Group. AGD pays interest on the Group's cash balances participating in AGD's CLM. For the year, the effective rate was 0.62% (2012/2013: 0.59%).

Cash and bank balances of the Group and Authority include an amount of approximately $32.121 million (2012/2013: $36.695 million) earmarked for payment of pension and medical benefits to pensioners and $174.201 million (2012/2013: $141.087 million) set aside for specific purposes.

Notes to the financial statements

16 Equity

	Group and Authority			
	2013/2014 No. of shares	2012/2013 No. of shares	2013/2014 $'000	2012/2013 $'000
ISSUED AND FULLY PAID UP:				
At beginning of year	18,001,001	11,001,001	18,001	11,001
Issuance of shares	–	7,000,000	–	7,000
At end of year	18,001,001	18,001,001	18,001	18,001

In 2012/2013, the Authority issued an additional 7,000,000 shares to the Minister for Finance, a body corporate incorporated by the Minister for Finance (Incorporation) Act (Chapter 183) for $7 million. The additional fully paid up shares rank pari passu in all respects with the existing shares.

The holders of these shares are entitled to receive dividends as and when declared by the Authority. The shares carry no voting rights nor have a par value.

Capital account
Government grants for the establishment of the Authority, investments in subsidiaries and in other investments are recorded in the capital account.

Fair value reserve
The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired.

Translation reserve
The translation reserve comprises foreign currency differences arising from the translation of the financial statements of foreign operations.

Statutory reserve
The statutory reserve relates to the subsidiary incorporated in Kingdom of Bahrain (note 6).

In accordance with the Bahrain Commercial Companies Law and the subsidiary's Articles of Association, 10% of a subsidiary's profit for the year is required to be transferred to a statutory reserve until it reaches 50% of the issued share capital. The subsidiary may resolve to discontinue such annual transfers when the reserve equals 50% of the issued share capital. The reserve is not available for distribution, except in the circumstances stipulated in the Bahrain Commercial Companies Law.

17 Deferred income

Deferred income mainly comprises licence and related fees that will be recognised in income or expenditure over the remaining period of the licence, which occurs subsequent to the year end.

18 Trade payables

	Group		Authority	
	2013/2014 $'000	2012/2013 $'000	2013/2014 $'000	2012/2013 $'000
Third parties	26,105	30,758	25,459	28,249

Notes to the financial statements

19 Other payables, advances and deposits

	Group		Authority	
	2013/2014 $'000	2012/2013 $'000	2013/2014 $'000	2012/2013 $'000
Accrual for expenses under development funds	12,711	24,789	12,711	24,789
Accrual for payroll related expenses	63,784	52,642	61,745	51,305
Accrual for operating and other expenses	58,228	50,196	54,254	47,608
Accrual for purchase of fixed assets	964	1,451	964	1,451
	135,687	129,078	129,674	125,153
Advances and deposits	89	127	89	127
Provision for unutilised leave	11,160	9,367	10,763	9,367
	146,936	138,572	140,526	134,647

20 Provision for pension and medical benefits

	Group and Authority	
	2013/2014 $'000	2012/2013 $'000
Present value of obligations, representing total employee benefit liabilities	32,121	36,695

The Group makes contributions to two defined benefit plans that provide pension and medical benefits for employees upon retirement.

The employee benefits plans expose the Group to actuarial risks, such as longevity risk and interest rate.

	Group and Authority	
	2013/2014 $'000	2012/2013 $'000
MOVEMENT IN THE PRESENT VALUE OF THE DEFINED BENEFIT OBLIGATIONS		
Defined benefit obligations at 1 April	36,695	36,860
Benefits paid by the plan	(2,822)	(2,947)
Interest Cost	211	204
Actuarial (gain)/loss	(1,963)	2,578
Defined benefit obligations at 31 March	32,121	36,695
CLASSIFIED AS		
Amount due within one year	2,822	2,947
Amounts due after one year	29,299	33,748
	32,121	36,695
EXPENSE RECOGNISED IN INCOME AND EXPENDITURE		
Interest cost	211	204

Notes to the financial statements

The provision has been estimated by management based on the latest valuation of the pension scheme as at 31 March 2014 and 2013 performed by an independent firm of professional actuaries.

Actuarial assumptions
The principal assumptions used by the professional actuaries in determining the pension and medical benefits are as follows:

	Group and Authority	
	2013/2014	**2012/2013**
Discount rate at 31 March	1.4%	0.6%
Mortality age	88 years	88 years
Medical cost trend rate	5.0%	5.0%

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarises how the impact on the defined benefit obligation at the end of the reporting period would have increased/ (decreased) as a result of a change in the respective assumptions by one percent.

	Defined benefit obligations	
	One percentage point increase $'000	**One percentage point decrease** $'000
GROUP AND AUTHORITY		
2013/2014		
Discount rate	(2,245)	2,549
Medical cost trend rate	560	(501)

The above sensitivities are based on the average duration of the benefit obligation determined at the date of the last full actuarial valuation at 31 March 2014 and are applied to adjust the defined benefit obligation at the end of the reporting period for the assumptions concerned. Whilst the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation to the sensitivity of the assumptions shown.

Historical information

	2013/2014 $'000	**2012/2013** $'000	**2011/2012** $'000	**2010/2011** $'000	**2009/2010** $'000	**2008/2009** $'000
Present value of the defined benefit obligation	32,121	36,695	36,860	38,107	40,612	41,549
Experience adjustments rising on plan liabilities	(456)	(28)	1,274	77	1,256	(617)

As at 31 March 2014, the Group expects $2.822 million (2012/2013: $2.947 million) in contributions to be paid to its defined benefit plans in 2013/2014.

Notes to the financial statements

21 Contribution payable to consolidated fund

The Authority is required to make contributions to the Consolidated Fund in accordance with the Statutory Corporations (Contributions to Consolidated Fund) Act (Cap 319A, 2004 Revised Edition) and in accordance with the Finance Circular Minute No. M5/2005 with effect from 2004/2005. The contribution is based on a percentage, as decided by Ministry of Finance, of the net surplus of the Authority (before donations) for the financial year.

The total contribution for the year can be reconciled to the net surplus as follows:

	Group and Authority	
	2013/2014 $'000	**2012/2013** $'000
Surplus of the Authority before contribution to consolidated fund	8,597	52,455
Contribution payable at 17% (2012/2013: 17%)	1,462	8,917
Other repayments to the Ministry of Finance	–	650
Total	1,462	9,567

The 2012/2013 repayment to the Ministry of Finance amounting to $0.650 million pertains to repayments made to the Ministry of Finance for funding provided in previous years, in relation to the Standard Information Communications Technology Operating Environment Programme.

22 Due to subsidiaries (non-trade)

The amount due to subsidiaries comprise:

(i) The deferred payment arrangement with a subsidiary arose from a sale of investment in equity and debt securities by a subsidiary to the Authority in FY2011/2012 at fair market value on the date of sale. The settlement is made via a deferred payment arrangement whereby the outstanding payment will be repaid at amounts to be determined by the subsidiary over a period of up to 5 years. The outstanding amount is unsecured and bears interest at a fixed rate of 2.2% per annum. As at the end of the reporting period, the outstanding payment is not expected to be made within the next 12 months.

(ii) The Authority enters into fixed deposit arrangements with two subsidiaries in FY2012/2013. Under the fixed deposit arrangements, the Authority manages the subsidiaries' funds by investing in debt securities on a pooled basis for up to 3 years and pays a fixed rate interest of 1% per annum to the subsidiaries. The amounts due to the subsidiaries are unsecured and are not expected to be withdrawn within the next 12 months.

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23 Financial instruments

(a) Financial risk management

Overview
The Group has exposure to the following risks from its use of financial instruments:
- market risk
- credit risk
- liquidity risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

Risk management framework
The Group has documented financial risk management policies. These policies set out the Group's overall business strategies and its risk management philosophy. The Group's overall financial risk management objective seeks to minimise potential adverse effects on its financial performance. It is the Group's policy not to hold derivative financial instruments for speculative purposes although such instruments may be used for hedging exposure. The Board provides written principles for overall financial risk management, which covers specifically on market risk (including price risk, foreign exchange risk, and interest rate risk), credit risk and liquidity risk. Such written policies are reviewed periodically by the Board and periodic reviews are undertaken to ensure that the Group's policy are relevant and complied with.

The Group monitors its risk exposure regularly. There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risk.

The Authority has established a governance, risk and compliance framework which sets out, amongst other things, the governance oversight, risk measurement and monitoring processes, to enhance its overall risk management for the investments at fair value through profit or loss. As part of the risk management process, the management of the Group also conducts ongoing review of its financial assets held in the investment portfolio.

(b) Market risk

Market risk refers to the risk arising from uncertainty in the future values of the financial instruments, resulting from movements in factors such as equity prices, foreign exchange rates and market interest rates. The Group and the Authority's exposure to each of these factors are presented in the following paragraphs.

(i) Price risk

Risk management policy
Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate arising from changes in market prices (other than those arising from interest rate risk or currency risk, which are further discussed below), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting similar financial instruments traded in the market.

The Group is exposed to price risk arising from its investments in equity and debt securities, and fund investments categorised as either available-for-sale financial assets or investments at fair value through profit or loss. The Group's equity securities comprise both quoted and unquoted equity securities and fund investments. The Group's debt securities comprise unquoted debt securities that are exposed to price risk. The management monitors the price fluctuations of the investments and assessed the valuation regularly.

The Authority is exposed to price risk arising from its investments in quoted equity debt securities categorised as investments at fair value through profit or loss. The management monitors the price

Notes to the financial statements

fluctuations of the investments and assessed the valuation on a daily basis. In accordance with its governance, risk and compliance framework, the management will report significant price movements to the Investment Committee.

Sensitivity analysis
Available-for-sale financial assets
If the prices of equity securities and fund investments (excluding the unquoted equity securities at cost less impairment) had been 10% higher with all other variables held constant, the increase in the fair value of these investments and the corresponding increase in fair value change reserves for the year ended 31 March 2014 would have been $1.090 million (2012/2013: $1.000 million). Correspondingly, if the prices of equity securities and fund investments (excluding the unquoted equity securities at cost less impairment) had been 10% lower with all other variables held constant, the fair value of these investments and the fair value changes reserves would have decreased by an equal amount.

The Authority does not hold any Available-for-sale financial assets.

Investments at fair value through profit or loss

Group
If the prices of equity and debt securities (excluding the unquoted equity securities at cost less impairment) had been 10% higher with all other variables held constant, the Group's fair value of these financial instruments for the year ended 31 March 2014 would have been higher by $13.090 million (2012/2013: $14.751 million) and $58.363 million (2012/2013: $0.097 million) respectively. Correspondingly, the Group's surplus for the year would have been higher by $71.453 million (2012/2013: $14.848 million).

Conversely, if the prices of equity and debt securities (excluding the unquoted equity securities at cost less impairment) had been 10% lower with all other variables held constant, the Group's fair value of the financial instruments would have been lower by $12.600 million (2012/2013: $14.751 million) and $58.363 million (2012/2013: $0.097 million) respectively. Correspondingly, the Group's surplus for the year would have been lower by $70.963 million (2012/2013: $14.848 million).

Authority
If the prices of quoted equity securities had been 10% higher with all other variables held constant, the Authority's fair value of these financial instruments for the year ended 31 March 2014 would have been higher by $12.530 million (2012/2013: $14.660 million). Correspondingly, the increase in the Authority's surplus for the year would have been $12.020 million (2012/2013: $14.660 million).

Conversely, if the prices of equity had been 10% lower with all other variables held constant, the Authority's fair value of the financial instruments would have been lower by $12.040 million (2012/2013: $14.660 million). Correspondingly, the decrease in the Authority's surplus for the year would have been $12.020 million (2012/2013: $14.660 million).

The 10% represents management's assessment of the possible change in market prices. The sensitivity analysis is for illustrative purposes only. In practice, prices rarely change in isolation and are likely to be interdependent with other market variables.

(ii) Foreign currency risk

Risk management policy
Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate arising from changes in the exchange rate between the foreign currencies and the Singapore dollar.

The foreign currency risk of the Group and the Authority predominantly arise from its investments in equity and debt securities which are denominated in currencies other than Singapore dollar. As a result, these investments expose the Group and the Authority to foreign currency fluctuations.

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Exposure to foreign currency risk

As at 31 March 2014, the major foreign currencies to which the Group and the Authority are exposed to are the United States dollar ("USD"), Euro ("EUR") and Japanese Yen ("JPY"). The quantitative exposure to these foreign currency risks of the Group and the Authority are presented below:

	2013/2014			2012/2013		
	USD $'000	EUR $'000	JPY $'000	USD $'000	EUR $'000	JPY $'000
GROUP						
Available-for-sale financial assets	14,983	–	–	10,948	–	–
Investments at fair value through profit or loss	113,984	3,863	1,154	69,552	469	395
Trade and other receivables	1,314	–	–	1,574	–	–
Cash and bank balances	305	–	–	887	–	–
Other payables	(52)	–	–	(121)	–	–
	130,534	3,863	1,154	82,840	469	395
AUTHORITY						
Investments at fair value through profit or loss	108,599	3,863	1,154	67,441	469	395
Cash and bank balances	282	–	–	64	–	–
	108,881	3,863	1,154	67,505	469	395

The Group and the Authority do not hedge its foreign currency exposure using derivative financial instruments. They manage these foreign exchange risks by close monitoring of the timing of inception and settlement of the transactions.

Sensitivity analysis

A 5% strengthening of the above foreign currencies against the Singapore dollar at 31 March would have increased other comprehensive income and surplus for the year as shown below. Conversely, a 5% weakening of foreign currencies against the Singapore dollar as at 31 March would result in an equal but opposite effect on other comprehensive income and surplus for the year.

5% represents management's assessment of the possible change in foreign currency exchange rates. The analysis assumes that all other variables remain constant. In reality, foreign currency exchange rates rarely change in isolation and are likely to be interdependent.

	Group		Authority	
	Surplus for the year	Other comprehensive income	Surplus for the year	Other comprehensive income
2013/2014				
USD	5,778	749	5,444	–
EUR	193	–	193	–
JPY	58	–	58	–
2012/2013				
USD	3,595	547	3,375	–
EUR	23	–	23	–
JPY	20	–	20	–

Notes to the financial statements

(iii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate arising from changes in interest rates.

The Group and the Authority have exposure to interest rate risks arising from investments in debt securities as well as cash deposits, including the cash participation in AGD's CLM. The Group deploys duration positioning, where appropriate, to mitigate interest rate risk on debt securities. In addition, management monitors the fair value of the investments daily. In accordance with its governance, risk and compliance framework, management will report significant fair value movements to the Investment Committee. Interest rate risks on cash deposits are managed through AGD's cash scheme.

Sensitivity analysis

The sensitivity analysis has been determined based on the exposure to interest rates for debt securities and cash and bank balances at the end of the reporting period. A 100 basis points for debt securities and 25 basis points increase or decrease for cash and bank balances represent management's assessment of the possible change in interest rates.

Cash and bank balances

If interest rates had been 25 basis points higher or lower and all other variables were held constant, the Group's surplus for the year ended 31 March 2014 would increase or decrease by $0.645 million (2012/2013: $0.618 million).

If interest rates had been 25 basis points higher or lower and all other variables were held constant, the Authority's surplus for the year ended 31 March 2014 would increase or decrease by $0.499 million (2012/2013: $0.444 million).

Investment at fair value through profit or loss

If interest rates had been 100 basis points higher and all other variables were held constant, the Group's fair value of the investments at fair value through profit or loss and surplus for the year ended 31 March 2014 would decrease by $21.380 million (2012/2013: $28.260 million). Conversely, a reduction in interest rates by 100 basis points would increase the Group's fair value of the investments at fair value through profit or loss and surplus for the year by $23.250 million (2012/2013: $30.400 million).

If interest rates had been 100 basis points higher and all other variables were held constant, the Authority's fair value of the investments at fair value through profit or loss and surplus for the year ended 31 March 2014 would decrease by $21.570 million (2012/2013: $27.630 million). Conversely, a reduction in interest rates by 100 basis points would increase the Authority's fair value of the investments at fair value through profit or loss and surplus for the year by $23.420 million (2012/2013: $29.750 million).

(c) Credit risk

Credit risk is the risk of default of counterparties which will affect the fair value or future cash flows of a financial instrument.

The Group and the Authority's exposure to credit risk arise from its financial assets. The carrying amounts of financial assets in the statement of financial position represent the maximum exposure to credit risk, before taking into account any collateral held. As at the end of reporting period, the Group and the Authority do not hold any collateral in respect of its financial assets.

Cash and fixed deposits are placed with banks and financial institutions which are regulated.

The Group and the Authority mitigate credit risk exposure through regular monitoring of the recoverability of the financial assets. In respect of its investments in debt securities, it is the policy of the Group and the Authority to invest only in securities which meet the credit criteria approved by its Investment Committee. As at the end of the reporting period, the Group's and the Authority's investments in debt securities are not impaired.

Notes to the financial statements

(d) **Liquidity risk**

Liquidity risk is the risk of not being able to meet financial obligations arising from fluctuations in cashflow of financial assets.

The Group and the Authority are not subject to regulatory requirement to maintain minimum cash level. It is the policy of the Group and the Authority to maintain a level of cash deemed adequate by the management to finance its operations and mitigate the effects of fluctuations in cash flows.

The financial liabilities of the Group and the Authority are presented in the statement of financial position. The current liabilities are non-interest bearing and repayable within one year from the end of the reporting period. The financial assets of the Group and the Authority are able to meet these financial obligations.

The undiscounted cash flow of the Group's and Authority's financial liabilities (including trade payables, other payables and contribution payable to consolidated fund) at the reporting date approximate their carrying amounts and are expected to be settled within the next 12 months and are classified as other financial liabilities.

The following is the contractual maturities of the Authority's non-trade amount due to subsidiaries, including estimated interest payments and excluding the impact of netting agreements:

	Carrying amount $'000	Contractual cash flows $'000	Within 1 year $'000	Within 2 to 5 years $'000
AUTHORITY				
2013/2014				
Due to subsidiaries (non-trade)	190,000	200,630	3,700	196,930
2012/2013				
Due to subsidiaries (non-trade)	190,000	196,974	3,600	193,374

The maturity analyses show the contractual undiscounted cash flows of the Authority's financial liabilities on the basis of their earliest possible contractual maturity.

(e) **Capital management**

The Group and the Authority manage its capital to ensure that the Group and the Authority will continue as going concern.

The capital structure of the Group and the Authority comprise only equity as reflected in the statement of changes in equity. The Group and the Authority are not subject to regulatory capital requirement.

The Group and the Authority review its capital structure periodically. As part of this review, the cost of capital and associated risks are considered. There have been no changes to the Group's overall capital policy as compared to 2012/2013. The Authority is not subject to any regulatory capital requirements.

Notes to the financial statements

(f) Accounting classifications and fair values

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	Note	Designated at fair value $'000	Loan and receivables $'000	Available for sale $'000	Other financial liabilities $'000	Total carrying amount $'000	Fair value $'000
GROUP							
31 MARCH 2014							
FINANCIAL ASSETS							
Investments at fair value through profit or loss, at fair value	9	712,266	–	–	–	712,266	712,266
Available-for-sale financial assets, at fair value	8	–	–	15,669	–	15,669	15,669
Trade receivables	10	–	109,637	–	–	109,637	109,637
Other receivables	11	–	13,071	–	–	13,071	13,071
Grants receivables	12	–	83,526	–	–	83,526	83,526
Staff loans receivables	13	–	3	–	–	3	3
Cash and cash equivalents	15	–	258,394	–	–	258,394	258,394
		712,266	464,631	15,669	–	1,192,566	1,192,566
FINANCIAL LIABILITIES							
Trade payables	18	–	–	–	26,105	26,105	26,105
Other payables, advances and deposits	19	–	–	–	135,687	135,687	135,687
Contribution payable to consolidated fund	21	–	–	–	1,462	1,462	1,462
		–	–	–	163,254	163,254	163,254
31 MARCH 2013							
FINANCIAL ASSETS							
Investments at fair value through profit or loss, at fair value	9	852,179	–	–	–	852,179	852,179
Available-for-sale financial assets, at fair value	8	–	–	11,732	–	11,732	11,732
Trade receivables	10	–	112,364	–	–	112,364	112,364
Other receivables	11	–	11,259	–	–	11,259	11,259
Staff loans receivables	13	–	3	–	–	3	3
Cash and cash equivalents	15	–	247,155	–	–	247,155	247,155
		852,179	370,781	11,732	–	1,234,692	1,234,692

Notes to the financial statements

	Note	Designated at fair value $'000	Loan and receivables $'000	Available for sale $'000	Other financial liabilities $'000	Total carrying amount $'000	Fair value $'000
GROUP							
FINANCIAL LIABILITIES							
Trade payables	18	–	–	–	30,758	30,758	30,758
Other payables, advances and deposits	19	–	–	–	129,078	129,078	129,078
Contribution payable to consolidated fund	21	–	–	–	8,917	8,917	8,917
		–	–	–	168,753	168,753	168,753
AUTHORITY							
31 MARCH 2014							
FINANCIAL ASSETS							
Investments at fair value through profit or loss, at fair value	9	699,939	–	–	–	699,939	699,939
Trade receivables	10	–	109,162	–	–	109,162	109,162
Due from subsidiaries		–	1,207	–	–	1,207	1,207
Other receivables	11	–	10,706	–	–	10,706	10,706
Grants receivables	12	–	83,526	–	–	83,526	83,526
Staff loans receivables	13	–	3	–	–	3	3
Cash and cash equivalents	15	–	199,407	–	–	199,407	199,407
		699,939	404,011	–	–	1,103,950	1,103,950
FINANCIAL LIABILITIES							
Trade payables	18	–	–	–	25,459	25,459	25,459
Other payables, advances and deposits	19	–	–	–	129,674	129,674	129,674
Contribution payable to consolidated fund	21	–	–	–	1,462	1,462	1,462
Due to subsidiaries	22	–	–	–	190,000	190,000	192,717
		–	–	–	346,595	346,595	349,312

Notes to the financial statements

	Note	Designated at fair value $'000	Loan and receivables $'000	Available for sale $'000	Other financial liabilities $'000	Total carrying amount $'000	Fair value $'000
31 MARCH 2013							
FINANCIAL ASSETS							
Investments at fair value through profit or loss, at fair value	9	841,710	–	–	–	841,710	841,710
Trade receivables	10	–	111,506	–	–	111,506	111,506
Due from subsidiaries		–	1,788	–	–	1,788	1,788
Other receivables	11	–	9,061	–	–	9,061	9,061
Staff loans receivables	13	–	3	–	–	3	3
Cash and cash equivalents	15	–	177,443	–	–	177,443	177,443
		841,710	299,801	–	–	1,141,511	1,141,511
FINANCIAL LIABILITIES							
Trade payables	18	–	–	–	28,249	28,249	28,249
Other payables, advances and deposits	19	–	–	–	125,153	125,153	125,153
Contribution payable to consolidated fund	21	–	–	–	8,917	8,917	8,917
Due to subsidiaries	22	–	–	–	190,000	190,000	193,484
		–	–	–	352,319	352,319	355,803

Fair value is defined as the amount at which a financial instrument could be exchanged between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale.

The following methods and assumptions are made to estimate the fair value of each class of financial instruments (where it is practicable to estimate that value).

Securities

Investments at fair value through profit or loss

The Group's and the Authority's investments at fair value through profit or loss represent financial assets designated as fair value through profit or loss on inception. The Authority's investments at fair value through profit or loss are substantially managed externally by professional fund managers within discretion of the investment guidelines mandated by the Authority as set out in the fund management agreements. The Authority manages and evaluates the performance of such investments on a fair value basis in accordance with the Authority's investment policy and strategies.

The fair value of the quoted equity securities is based on the quoted closing market prices (bid prices) on the last day of the financial year.

The fair value of the quoted debt securities are based on the quotes readily and regularly available from an exchange, dealers, brokers, industry group, pricing service or regulatory agency on the last day of the financial year. Debt securities that do not have quoted prices in the market are based on prices of similar securities in the market.

The fair values of the unquoted equity securities are determined in reference to the prices of similar securities issued by investee companies in recent financing exercises, which reflects the arm's length transaction between a willing buyer and a willing seller. Fair values of these securities which distribute regular dividends are determined using dividend discount model.

Notes to the financial statements

For certain unquoted securities, cost less impairment will be an approximate estimation of fair value. These investments represent unquoted equity interest in companies that are involved in start-up activities in the information and communication technology sectors which have a gestation period of approximately 3 to 5 years and would generally be valued at book value until its business or product/service development matures.

Available-for-sale financial assets
The fair value of the funds is based on the latest available unaudited net asset values of the underlying funds provided by the administrator of those funds on the basis that their net asset values approximate their fair values at reporting date.

The valuation techniques utilised to determine the fair values of unquoted equity securities are the same as that used for unquoted equity securities designated at fair value through profit or loss as disclosed above.

Other financial assets and liabilities
The carrying amounts of trade receivables, due from subsidiaries, other receivables, grant receivable, staff loan receivables, cash and bank balances, trade payables and other payables, advances and contribution payable to consolidated fund approximate their respective fair values due to the short-term to maturity.

Non-current non-derivative financial liabilities
The fair value of the long-term amount due to subsidiaries which is determined for disclosure purposes, is calculated based on discounted expected future principal and interest cash flows at the market rate of interest at the reporting date, which ranges from 1.05% to 1.54%.

Fair value hierarchy
The Group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

(a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

(b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e. derived from prices); and

(c) Level 3: inputs for the assets or liability that are not based on observable market data (unobservable inputs).

Notes to the financial statements

Investments measured at fair value and financial assets that are not measured at fair value but for which fair values are disclosed*

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
GROUP				
2014				
Financial assets at fair value through profit or loss	258,220	445,572	8,474	712,266
Available-for-sale financial assets	–	–	15,669	15,669
	258,220	445,572	24,143	727,935
2013				
Financial assets at fair value through profit or loss	396,667	452,430	3,082	852,179
Available-for-sale financial assets	–	–	11,732	11,732
	396,667	452,430	14,814	863,911
AUTHORITY				
2014				
Financial assets at fair value through profit or loss	254,367	445,572	–	699,939
Amounts due to subsidiaries	–	192,717	–	192,717
	254,367	638,289	–	892,656
2013				
Financial assets at fair value through profit or loss	391,298	450,412	–	841,710
Amounts due to subsidiaries	–	193,484	–	193,484
	391,298	643,896	–	1,035,194

* *Excludes financial assets and liabilities whose carrying amounts measured on amortised costs basis approximate their fair values due to their short-term nature and where the effect of discounting is immaterial*

There were no transfers between Level 1 and 2 during the year of the fair value hierarchy during the financial year.

Valuation processes applied by the Group
The Group has an established control framework with respect to the measurement of fair values. The fair value, including level 3, are reviewed periodically, taking into consideration the significant unobservable inputs and valuation estimate adjustments as may be necessary. Where third party information, such as recent transaction prices arising due to recent rounds of financing raised by the investee companies, which reflects the arm's length transaction between a willing buyer and a willing seller is available, it is used as a fair value measurement basis.

Level 3 fair values
The valuation technique and key unobservable inputs used in the determination of fair value of investments at fair value through profit or loss and available-for-sale financial assets are as follows:

Valuation technique
Investments at fair value through profit or loss
The fair values of the unquoted equity securities are determined with reference to the prices of similar securities issued by investee companies in recent financing exercises, which reflect the arm's length transaction between a willing buyer and a willing seller. Fair values of those securities which distribute regular dividends are determined using dividends discount model.

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Available-for-sale financial assets
The fair value of the funds is based on the latest available unaudited net asset values of the underlying funds provided by the administrator of those funds on the basis that their net asset values approximate their fair values at reporting date.

The fair values of the unquoted equity securities are determined with reference to the prices of similar securities issued by investee companies in recent financing exercises, which reflect the arm's length transaction between a willing buyer and a willing seller.

For certain unquoted equity securities, cost less impairment is determined to be a good approximation of fair value. These investments represent unquoted equity interest in companies that are involved in start-up activities in the information and communication technology sectors which have a gestation period of approximately 3 to 5 years and would generally be valued at book value until its business or product/service development matures.

Significant unobservable inputs
Investments at fair value through profit or loss
The key unobservable inputs used include recent transaction prices among other investors (sensitivity analysis as disclosed in note 23(b)(i)), and expected dividends with zero growth rate, discounted at the interest rate that reflects the expected return on investment (discount rate of 2.49% and market risk premium of 5%, see analysis disclosed below).

Available-for-sale financial assets
The key unobservable inputs used include net Asset Value for fund investments (sensitivity analysis as disclosed in note 23), and recent transaction price among other investors (sensitivity analysis as disclosed in note 23(b)(i)).

Inter-relationship between key unobservable inputs and fair value measurement
Investments at fair value through profit or loss
The estimated fair value would increase/(decrease) if the recent transaction prices were higher/(lower), if the average annual dividends declared were higher/(lower) or if market risk premium were higher/(lower).

Available-for-sale financial assets
The estimated fair value would increase/(decrease) if the net asset values for fund investments were higher/(lower), or if the recent transaction prices were higher/(lower).

Financial instruments measured at fair value classified as Level 3

	Investments at fair value through profit or loss $'000	Available-for-sale financial assets $'000	Total $'000
2014			
Opening balance	3,082	11,732	14,814
Total loss in profit or loss	(971)	–	(971)
Total gain in other comprehensive income	–	5,203	5,203
Impairment loss of available-for-sale financial assets	–	(1,266)	(1,266)
Purchases	6,363	–	6,363
Closing balance	8,474	15,669	24,143

Notes to the financial statements

	Investments at fair value through profit or loss $'000	Available-for-sale financial assets $'000	Total $'000
2013			
Opening balance	2,367	8,789	11,156
Total (loss) / gain in profit or loss	(283)	2,183	1,900
Total loss in other comprehensive income	–	(168)	(168)
Disposals during the year	–	(3,162)	(3,162)
Purchases	998	4,090	5,088
Closing balance	3,082	11,732	14,814

Although the Group believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value.

For fair value measurements of an investment in Level 3, measured using the dividend discount model, changing the market risk premium by ±0.5% would have the following effect:

	Income and expenditure		Other comprehensive income	
	Favourable $'000	(Unfavourable) $'000	Favourable $'000	(Unfavourable) $'000
2013/2014				
Unquoted equity securities	64	(66)	–	–
2012/2013				
Unquoted equity securities	92	(79)	–	–

The favourable and unfavourable effects of using reasonably possible alternative assumptions have been calculated by recalibrating the model values using alternative estimates of risk adjusted discount rates that might reasonably have been considered by a market participant for the purpose of pricing the instruments at the reporting date.

24 Net assets of trust and agency funds

Details of the trust and agency funds are set out below and have been prepared from the records of these funds and reflect only transactions handled by the Group and the Authority:

	Group and Authority	
	2013/2014 $'000	2012/2013 $'000
Receipts	180,585	187,319
Interest income	109	92
Expenditures	(181,855)	(184,405)
Net (deficit)/surplus for the year	(1,161)	3,006
Accumulated surplus at 1 April	6,519	3,513
Accumulated surplus at 31 March	5,358	6,519

Notes to the financial statements

	Group and Authority	
	2013/2014 $'000	2012/2013 $'000
Represented by:		
Fixed deposit	6,928	8,157
Interest receivable	56	49
Trade and other payables	(1,626)	(1,687)
Net assets	5,358	6,519

25 Interest income

	Group		Authority	
	2013/2014 $'000	2012/2013 $'000	2013/2014 $'000	2012/2013 $'000
Cash and bank balances	1,103	1,025	828	707
Interest income on financial asset designated at fair value through profit or loss	18,216	17,470	18,010	17,430
Total	19,319	18,495	18,838	18,137

26 Other income

	Group		Authority	
	2013/2014 $'000	2012/2013 $'000	2013/2014 $'000	2012/2013 $'000
Other service income	7,802	3,416	9,126	4,405
Others	3,263	4,941	3,167	4,858
Total	11,065	8,357	12,293	9,263
Net gains/(losses) on:				
Investments at fair value through profit or loss	20,096	51,067	20,996	51,335
Available-for-sale financial assets	(1,207)	2,183	–	–
Loans and receivables	1,386	864	1,111	546
Financial liabilities measured at amortised cost	–	–	(3,700)	(3,367)
Total	20,275	54,114	18,407	48,514

Notes to the financial statements

27 Net development project expenses

(a)

	Group 2013/2014 $'000	Group 2012/2013 $'000	Authority 2013/2014 $'000	Authority 2012/2013 $'000
Development project expenses:				
Infocomm 21 Fund project	(58)	(40)	(58)	(40)
Infocomm Security Masterplan 2	1,203	2,296	1,203	2,296
Wired with Wireless project	219	223	219	223
Connected Singapore Blueprint	939	2,784	939	2,784
iN2015 Masterplan	28,661	23,826	32,709	26,934
Enhanced CITREP: Critical Infocomm Technology Resources Program	–	(694)	–	(694)
Silver Infocomm Hotspot	49	117	49	117
SGIX Grant: Establishment of the Singapore Internet Exchange	249	567	249	567
Green ICT Programme	802	481	802	481
Next Generation National Broadband Network	118,575	83,661	118,575	83,661
MICA Core Innovation Fund project	–	144	–	144
i-Singapore@work	222	130	219	130
i-Best	405	77	405	77
Others	3,659	–	3,662	–
	154,925	113,572	158,973	116,680

(b)

	Group 2013/2014 $'000	Group 2012/2013 $'000	Authority 2013/2014 $'000	Authority 2012/2013 $'000
Less: Development project income/funding (self-funded only)				
Wire with Wireless project	219	223	219	223
Connected Singapore Blueprint	45	197	45	197
iN2015 Masterplan	9,990	9,995	9,990	9,995
MICA Core Innovation Fund	–	15	–	15
	10,254	10,430	10,254	10,430
Net development fund expenses	144,671	103,142	148,719	106,250

The development activities relate to project income (self-funded only) and expenses to develop Singapore Info-communications industry.

(i) Infocomm 21 Fund project
The Infocomm 21 Fund was established in 2000 to facilitate the implementation of the Infocomm 21 Strategic Plan to develop Singapore into a premier info-communications capital in the Asia-Pacific.

(ii) Infocomm Security Masterplan 2
The Infocomm Security Masterplan 2 aims to ensure the high resilience and availability of Singapore's national infocomm infrastructure and entrench the nation's reputation as a secure and trusted hub so as to attract high value-added and critical business operations into Singapore.

(iii) Wired with Wireless project
To position Singapore as a living lab and business catalyst for wireless development in Asia, the "Wired with Wireless" programme promotes the development of mobile infrastructure, products and services. The three main areas of focus are location-based services, mobile commerce and wireless multimedia.

Notes to the financial statements

(iv) Connected Singapore Blueprint
The blueprint aims to develop a vibrant info-communications industry, create advanced info-communications users in all sectors, and create a conductive environment.

(v) iN2015 Masterplan
The Intelligent Nation 2015 ("iN2015") Masterplan is Singapore's long-term strategic info-communications master plan to further enhance quality of life and create new national competitive advantage through info-communications. The plan seeks to enrich the lives of the people, enhance Singapore's economic competitiveness and increase the growth of the info-communications industry.

(vi) Enhanced CITREP: Critical Infocomm Technology Resources Program
Critical Infocomm Technology Resources Program ("CITREP") is a training incentive programme to equip Singapore Infocomm professionals with critical and emerging skills, thus enabling them to enhance their employability and to improve their organisations' competitive edge.

(vii) Silver Infocomm Hotspots
The Silver Infocomm Initiative aims to bridge the digital divide among senior citizens aged 50 and above through addressing their differences in educational background, language and infocomm competencies. Senior citizens can obtain training in digital lifestyle skills and get engaged in the digital age.

(viii) SGIX Grant: Establishment of the Singapore Internet Exchange
SGIX seeks to promote efficient interconnectivity for the Internet in Singapore by being a central point of traffic exchange. It will also seek to improve connectivity to Singapore by attracting regional and international carriers to use Singapore as a hub for Internet traffic. Additional, SGIX aims to increase content hosting by encouraging content providers to host their content in Singapore and hence encourage the growth of data centres.

(ix) Green ICT Programme
The Green ICT Programme aims to create more awareness of the positive impact info-communications technology can make in reducing the carbon footprint and energy costs of organisations.

(x) Next Generation National Broadband Network
The Next Generation National Broadband Network ("Next Gen NBN") is a next generation national digital communication network. The Next Gen NBN will entrench Singapore's Infocomm hub status and open the doors to new economic opportunities, business growth and social vibrancy for the country. The Next Gen NBN will offer pervasive, competitively priced, ultra-high broadband speeds of 1 Gbps and beyond.

(xi) MICA Core Innovation Fund Project
MICA Core Innovation Fund ("CIF") aims to develop new products or services that would improve public service delivery through the creation and implementation of innovation.

(xii) i-Singapore @work
Image of Singapore ("i-Singapore") aims to encourage companies to develop and adopt enterprise geospatial applications to create new business opportunities, improve workforce productivity and enable better decision-making, using public and private sector data.

(xiii) Infocomm Business & Engineering Start-up Programme
Infocomm Business & Engineering Start-up Programme ("iBEST") is to promote Singapore as a key entrepreneurial and innovation hub for global VC-backed infocomm start-ups, as well as a launch pad for them to gain market traction in Asia.

Notes to the financial statements

28 Salaries, CPF and other contributions

	Group		Authority	
	2013/2014 $'000	2012/2013 $'000	2013/2014 $'000	2012/2013 $'000
Wages and salaries	215,676	198,509	207,333	189,429
Employer's contribution to Central Provident Fund	23,325	19,273	22,684	18,534
Other related staff costs	8,999	12,961	8,829	12,542
	248,000	230,743	238,846	220,505

29 Other expenses

	Group		Authority	
	2013/2014 $'000	2012/2013 $'000	2013/2014 $'000	2012/2013 $'000
IT promotion and sponsorship	249	224	249	224
Utilities	4,010	4,915	4,002	4,901
Publicity expense	1,050	607	1,050	607
Telecommunications and internet services	5,518	715	5,265	469
Irrecoverable GST	1,839	2,170	1,839	2,170
General and administrative expense	5,127	9,649	4,266	8,025
Local travelling	817	754	753	703
Amortisation of deferred expenditure	496	716	496	716
	19,106	19,750	17,920	17,815

30 Commitments

Capital and investment commitments

At the end of the reporting period, capital commitments not provided for in the financial statements are as follows:

	Group		Authority	
	2013/2014 $'000	2012/2013 $'000	2013/2014 $'000	2012/2013 $'000
Capital expenditure	93,596	37,180	79,144	6,137

Notes to the financial statements

Lease commitments
The future aggregate minimum lease payments under non-cancellable operating leases for office premises, facilities and equipment contracted for at the end of the reporting period but not recognised as liabilities are as follows:

	Group and Authority	
	2013/2014 $'000	**2012/2013** $'000
Not later than one year	42,300	34,782
Later than one year but not later than five years	167,632	132,615
Later than 5 years	251,792	230,028
	461,724	397,425

Operating lease payments represent rentals payable by the Group for certain of its office properties and office equipment. Leases are recognised for an average terms of 1 to 10 years and rentals are fixed for the duration of the lease except for the lease payments of data centre facilities which are based on the actual number of units used.

Development project expense (to develop Singapore info-communications industry) commitments
As at the end of the reporting period, the development project expenses (to develop Singapore info-communications industry) committed amounted to approximately $0.356 billion (2012/2013: $0.496 billion).

Other commitments
Under the Scholarship Programme, the Authority has an obligation to fund the scholars' educational expenses. At the end of the reporting period, the total committed expenditure is estimated to amount to $3.966 million (2012/2013: $5.226 million).

31 Related parties

For the purpose of these financial statements, parties are considered to be related to the Authority if the Authority has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Authority and the party are subject to common control or common significant influence. Related parties may be individuals or other entities. In accordance with SB-FRS paragraph 27A, the Group and the Authority is exempted from disclosing transactions with government-related entities other than Ministries, Organs of State and other Statutory Boards, unless there are circumstances to indicate that these transactions are unusual and their disclosure would be of interest to readers of the financial statements.

Key management personnel compensation comprises:

	Group		Authority	
	2013/2014 $'000	**2012/2013** $'000	**2013/2014** $'000	**2012/2013** $'000
Short term benefits	8,862	8,277	5,609	4,909
Post employment benefits	5	3	3	3
CPF contributions	221	228	119	119
	9,088	8,508	5,731	5,031

The Group adopts the guidelines set by Public Service Division ("PSD") and takes into consideration the reporting officers' assessment of individual officers in determining the remuneration of key management.

Notes to the financial statements

During the financial year, other than as disclosed elsewhere in the financial statements, the significant transactions with related parties which were carried out in the normal course of business are as follows:

(a) Transactions with Subsidiaries

	Authority	
	2013/2014 $'000	2012/2013 $'000
Dividend income	1,963	2,777
Professional service fees	169	244
Rental income	812	816
Other income	632	629
Recovery of manpower charges	114	210
	3,690	4,676
Interest expenses	(3,700)	(3,367)
Grant expenses	(4,049)	(3,108)
	(7,749)	(6,475)

(b) Transactions with Ministries and Statutory Board

	Authority	
	2013/2014 $'000	2012/2013 $'000
Professional service fees	193,332	181,775
Standard ICT service fees	233,260	226,941
Grant received	117,348	238,317
	543,940	647,033
Contribution to consolidated fund	(1,462)	(9,567)

32 Dividends

During the financial year ended 31 March 2014, the Authority declared and paid a dividend of $1.1544 per share (total dividend: $20.780 million) on the ordinary shares issued to the Minister for Finance in respect of the financial year ended 31 March 2014. In 2012/2013, the dividend paid was $0.4185 per share (total dividend: $7.533 million).

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