

ANNUAL REPORT

For the financial year ended 30 June 2014

ABF Singapore Bond Index Fund

MANAGERS

Nikko Asset Management Asia Limited
12 Marina View, #18-02, Asia Square Tower 2,
Singapore 018961
Company Registration No. 198202562H

DIRECTORS

Frederick Reidenbach
Blair Chilton Pickerell
Lim Say Boon
V Arivazhagan
Seet Oon Hui Eleanor
Andrew Ross Long
Yu-Ming Wang

TRUSTEE & REGISTRAR

HSBC Institutional Trust Services (Singapore) Limited
21 Collyer Quay, #10-02 HSBC Building
Singapore 049320

AUDITORS

PricewaterhouseCoopers LLP
8 Cross Street, #17-00 PWC Building
Singapore 048424

SOLICITORS TO THE MANAGERS

Allen & Gledhill LLP
One Marina Boulevard #28-00
Singapore 018989

SOLICITORS TO THE TRUSTEE

WongPartnership LLP
12 Marina Boulevard Level 28
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Singapore 018982

CUSTODIAN

The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road Central, Hong Kong

This report is also available on our website (www.nikkoam.com.sg)

PERFORMANCE SUMMARY

Returns (%)	3 Mth	6 Mth	1 Yr	3 Yr	5 Yr	Since Inception
iBoxx ABF Singapore Bond Index	1.46	2.45	2.57	1.87	2.46	2.99
ABF Singapore Bond Index Fund	1.40	2.30	2.33	1.61	2.19	2.71

Source: ©2014 Morningstar, Inc. & Nikko Asset Management Asia Limited, as at 30 June 2014. Returns are calculated on a NAV-NAV¹ basis, in SGD, and assuming all dividends and distributions are reinvested, if any. Returns for period in excess of 1 year are annualised. Past performance is not indicative of future performance.

Note:

(1) Nil subscription fee or preliminary charge

Inception Date: 31 August 2005

About ABF Singapore Bond Index Fund

The ABF Singapore Bond Index Fund (the "Fund") is Singapore's first exchange traded bond fund. The Fund invests in a portfolio of high quality, Singapore government and quasi government bonds. It closely tracks the basket of bonds in the iBoxx ABF Singapore Bond Index. The target tracking error of the fund is set at not more than 0.4% per annum.

The Fund is a collective investment scheme, authorised in Singapore and listed on the Singapore Exchange Securities Trading Limited (the "SGX-ST").

FUND DETAILS*	
Net Asset Value ("NAV") per unit as of 30 June 2014	S\$ 1.1505
Fund Size as of 30 June 2014	S\$ 509.79 million
Fund Currency	Singapore Dollar
Inception Date	31 August 2005
Lot Size (via SGX-ST)	1,000 units per lot
Lot Size (via participating dealers)	50,000 units
Management Fee	0.15% p.a.
Trustee Fee	0.05% p.a.

*** Please refer to the Fund's prospectus for more information on payable fees and charges**

The Fund is an index fund which seeks investment results that correspond closely to the total return of the iBoxx ABF Singapore Bond Index before fees and expenses. The iBoxx ABF Singapore Bond Index is an indicator of investment returns of debt obligations denominated in Singapore dollars issued or guaranteed by the government of Singapore or any government of People's Republic of China, Hong Kong SAR, Indonesia, Korea, Malaysia, Philippines, Singapore or Thailand (collectively, the "Asian Governments"), by an agency or instrumentality of the Singapore government (or any other Asian Government), by a Singapore government (or any other Asian Government) sponsored entity or a quasi-Singapore government (or any other Asian Government) entity and Singapore dollar denominated debt

obligations issued by supranational financial institutions. The Index Provider determines the composition of the iBoxx ABF Singapore Bond Index in accordance with its rules and procedures for the iBoxx ABF Singapore Bond Index (which may change from time to time), and publishes information regarding the composition, investment characteristics and return of the iBoxx ABF Singapore Bond Index.

The Fund is designed for investors who seek an “index-based” approach to investing in a portfolio of Singapore government (or any other Asian Government) sovereign and quasi-sovereign bond securities in a cost effective and easy to access manner. Units may also be used as an asset allocation tool or as a trading instrument. Whilst the Fund invests in a portfolio of bonds issued by the Singapore government (or any other Asian Government) and quasi-sovereign Singapore (or any other Asian Government) entities, the Fund itself is not guaranteed by the Singapore government, any Singapore government agency or any government or government agency of any other country.

Note: Investors are advised to refer to the Fund’s prospectus for more details on the Fund.

IMPORTANT INFORMATION

This document is for information only with no consideration given to the specific investment objective, financial situation and particular needs of any specific person. Any securities mentioned herein are for illustration purposes only and should not be construed as a recommendation for investment. You should seek advice from a financial adviser before making any investment. In the event that you choose not to do so, you should consider whether the investment selected is suitable for you. Investments in unit trusts are not deposits in, obligations of, or guaranteed or insured by Nikko Asset Management Asia Limited (**"Nikko AM Asia"**).

Past performance or any prediction, projection or forecast is not indicative of future performance. The funds may use or invest in financial derivative instruments. The value of units and income from them may fall or rise. Investments in the funds are subject to investment risks, including the possible loss of principal amount invested. You should read the relevant prospectus and product highlights sheet obtainable from appointed distributors of Nikko AM Asia or our website (www.nikkoam.com.sg) before investing.

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The performance of the ETF's price on the Singapore Stock Exchange ("SGX") may be different from the net asset value per unit of the ETF. The ETF may also be delisted from the SGX. Transaction in units of the ETF will result in brokerage commissions. Listing of the units does not guarantee a liquid market for the units. Units of the ETF may be bought or sold throughout trading hours of the SGX through any brokerage account. Investors should note that the ETF differs from a typical unit trust and units may only be created or redeemed directly by a participating dealer in large creation or redemption units. Investors may only redeem the units with Nikko AM Asia under certain specified conditions.

The CPF interest rate for the Ordinary Account ("OA") is based on the 12-month fixed deposit and month-end savings rates of major local banks, subject to a minimum 2.5% interest per annum. The interest rate for Special, Medisave and Retirement Accounts ("SMRA") is pegged to the 12-month average yield of 10-year Singapore Government Securities yield plus 1%. A 4% floor rate will be maintained for interest earned on SMRA until 31 December 2014, after which a 2.5% minimum rate will apply. An extra 1% interest is paid on the first S\$60,000 of a member's combined balances, including up to S\$20,000 in the OA. The first S\$20,000 in the OA and the first S\$40,000 in the Special Account ("SA") cannot be invested under the CPF Investment Scheme ("CPFIS").

Nikko Asset Management Asia Limited. Registration Number 198202562H

SOFT DOLLAR COMMISSIONS/ARRANGEMENTS

In its management of the ABF Singapore Bond Index Fund (the “Fund”), the Manager currently does not receive or enter into any soft dollar commissions or arrangements.

ABF SINGAPORE BOND INDEX FUND

(Constituted under a Trust Deed registered in the Republic of Singapore)

REPORT OF THE TRUSTEE

For the financial year ended 30 June 2014

The Trustee is under a duty to take into custody and hold the assets of ABF Singapore Bond Index Fund (the “Fund”) in trust for the unitholders. In accordance with the Securities and Futures Act (Cap. 289), its subsidiary legislation and the Code on Collective Investment Schemes, the Trustee shall monitor the activities of the Manager for compliance with the limitations imposed on the investment and borrowing powers as set out in the Trust Deed in each annual accounting year and report thereon to unitholders in an annual report.

To the best knowledge of the Trustee, the Managers have, in all material respects, managed the Fund during the year covered by these financial statements, set out on pages 9 to 27, in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed.

For and on behalf of the Trustee
HSBC Institutional Trust Services (Singapore) Limited

Authorised signatory

ABF SINGAPORE BOND INDEX FUND

(Constituted under a Trust Deed registered in the Republic of Singapore)

STATEMENT BY THE MANAGER

For the financial year ended 30 June 2014

In the opinion of the directors of Nikko Asset Management Asia Limited, the accompanying financial statements set out on pages 9 to 27, comprising the Statement of Total Return, Statement of Financial Position, Statement of Movements of Unitholders' Funds, Statement of Portfolio and Notes to the Financial Statements are drawn up so as to present fairly, in all material respects, the financial position of ABF Singapore Bond Index Fund (the "Fund") as at 30 June 2014, and the total return and changes in unitholders' funds for the year then ended in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants. At the date of this statement, there are reasonable grounds to believe that the Fund will be able to meet its financial obligations as and when they materialise.

For and on behalf of the Manager
Nikko Asset Management Asia Limited

Authorised signatory

**INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF
ABF SINGAPORE BOND INDEX FUND**
(Constituted under a Trust Deed registered in the Republic of Singapore)

We have audited the financial statements of ABF Singapore Bond Index Fund (the "Fund"), which comprise the Statement of Financial Position and Statement of Portfolio as at 30 June 2014, the Statement of Total Return and Statement of Movements of Unitholders' Funds for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 9 to 27.

Manager's Responsibility for the Financial Statements

The Fund's Manager (the "Manager") is responsible for the preparation and fair presentation of these financial statements in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants, and for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 judgment, 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 Fund'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 Fund's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Manager, 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 financial statements present fairly, in all material respects, the financial position of the Fund as at 30 June 2014 and the total return for the year then ended in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants.

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
Singapore

ABF SINGAPORE BOND INDEX FUND*(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF TOTAL RETURN***For the financial year ended 30 June 2014*

	Note	2014 S\$	2013 S\$
Expenses			
Audit fee		30,141	34,887
Custodian fee		100,760	100,806
Management fee		761,002	744,274
Legal and professional fee		63,055	33,604
Trustee fee		253,667	248,111
Transaction costs		9,672	14,430
Other expenses		38,316	138,406
		1,256,613	1,314,518
Net expenses		(1,256,613)	(1,314,518)
Net gains or losses on value of investments			
Net gains/(losses) on investments		12,934,107	(12,720,005)
Net foreign exchange gains/(losses)		329	(412)
		12,934,436	(12,720,417)
Total return/(deficit) for the year before income tax		11,677,823	(14,034,935)
Less: Income tax	3	-	-
Total return/(deficit) for the year after income tax		11,677,823	(14,034,935)

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

ABF SINGAPORE BOND INDEX FUND*(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF FINANCIAL POSITION***As at 30 June 2014*

	Note	2014 S\$	2013 S\$
ASSETS			
Portfolio of investments		509,285,436	505,782,691
Cash and bank balances	5	978,836	911,788
Receivables	4	-	86,032
Prepayment		1,120	-
Total assets		510,265,392	506,780,511
LIABILITIES			
Payables	6	478,261	358,159
Total liabilities		478,261	358,159
EQUITY			
Net assets attributable to unitholders	8	509,787,131	506,422,352

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

ABF SINGAPORE BOND INDEX FUND*(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF MOVEMENTS OF UNITHOLDERS' FUNDS***For the financial year ended 30 June 2014*

	Note	2014 S\$	2013 S\$
Net assets attributable to unitholders at the beginning of financial year		506,422,352	483,143,143
Operations			
Change in net assets attributable to unitholders resulting from operations		11,677,823	(14,034,935)
Unitholders' contributions/(withdrawals)			
Creation of units		4,716,017	49,907,192
Cancellation of units		(2,883,071)	(7,392,741)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units		1,832,946	42,514,451
Distributions	7	(10,145,990)	(5,200,307)
Total increase in net assets attributable to unitholders		3,364,779	23,279,209
Net assets attributable to unitholders at the end of financial year	8	509,787,131	506,422,352

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

ABF SINGAPORE BOND INDEX FUND*(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF PORTFOLIO***As at 30 June 2014***By Industry (Primary)**

	Nominal holdings at 30 June 2014	Fair value at 30 June 2014 S\$	Percentage of total net assets attributable to unitholders at 30 June 2014 %
Quoted Fixed Income Securities			
COMMERCIAL SERVICES			
PSA Corporation Limited 4% 05/06/2019	1,000,000	1,080,597	0.21
		1,080,597	0.21
ELECTRIC			
SP Power Assets Limited EMTN 3.4% 19/09/2032	1,000,000	952,980	0.19
SP Power Assets Limited EMTN 4.19% 18/08/2015	1,250,000	1,298,292	0.25
SP Power Assets Limited EMTN 4.665% 18/08/2020	1,000,000	1,114,207	0.22
SP Power Assets Limited EMTN 4.84% 22/10/2018	2,000,000	2,221,793	0.44
		5,587,272	1.10
ENGINEERING CONSTRUCTION			
Land Transport Authority 2.71% 27/05/2020	1,000,000	1,024,008	0.20
Land Transport Authority 3.275% 29/10/2025	3,250,000	3,273,597	0.64
		4,297,605	0.84
FINANCE			
Temasek Financial I Limited GMTN 3.265% 19/02/2020	5,750,000	6,094,429	1.19
Temasek Financial I Limited GMTN 4.2% 02/08/2050	4,000,000	4,308,273	0.85
		10,402,702	2.04
REAL ESTATE			
Housing & Development Board MTN 1.23% 30/01/2018	6,000,000	5,881,286	1.15
Housing & Development Board MTN 1.95% 22/09/2021	500,000	471,296	0.09
Housing & Development Board MTN 2.088% 30/08/2022	7,000,000	6,522,880	1.28
Housing & Development Board MTN 2.223% 28/05/2019	1,250,000	1,248,479	0.25
Housing & Development Board MTN 2.505% 27/06/2024	3,000,000	2,795,499	0.55
Housing & Development Board MTN 3.008% 26/03/2021	3,000,000	3,061,170	0.60
Housing & Development Board Series 55 2.365% 19/09/2018	9,250,000	9,376,653	1.84
		29,357,263	5.76
SOVEREIGN			
Singapore Government Bond 0.5% 01/04/2018	17,350,000	17,203,550	3.37
Singapore Government Bond 1.125% 01/04/2016	40,100,000	40,627,776	7.97
Singapore Government Bond 2.25% 01/06/2021	31,500,000	32,107,087	6.30
Singapore Government Bond 2.375% 01/04/2017	26,550,000	27,971,166	5.49
Singapore Government Bond 2.5% 01/06/2019	35,800,000	38,035,499	7.46
Singapore Government Bond 2.75% 01/04/2042	20,850,000	19,514,522	3.83
Singapore Government Bond 2.75% 01/07/2023	20,400,000	21,093,378	4.13
Singapore Government Bond 2.875% 01/07/2015	34,400,000	35,269,247	6.92
Singapore Government Bond 2.875% 01/09/2030	16,325,000	16,064,441	3.15
Singapore Government Bond 3% 01/09/2024	25,130,000	26,258,802	5.15
Singapore Government Bond 3.125% 01/09/2022	27,580,000	29,525,237	5.79
Singapore Government Bond 3.25% 01/09/2020	29,666,000	32,370,528	6.35
Singapore Government Bond 3.375% 01/09/2033	16,700,000	17,627,403	3.46
Singapore Government Bond 3.5% 01/03/2027	34,928,000	37,680,581	7.39
Singapore Government Bond 3.75% 01/09/2016	31,930,000	34,239,756	6.72
Singapore Government Bond 4% 01/09/2018	25,650,000	28,894,822	5.67
		454,483,795	89.15

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

ABF SINGAPORE BOND INDEX FUND*(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF PORTFOLIO***As at 30 June 2014***By Industry (Primary) (continued)**

	Nominal holdings at 30 June 2014	Fair value at 30 June 2014 S\$	Percentage of total net assets attributable to unitholders at 30 June 2014 %
Total Quoted Fixed Income Securities		505,209,234	99.10
Accrued interest receivable on quoted fixed income securities		4,076,202	0.80
Portfolio of investments		509,285,436	99.90
Other net assets		501,695	0.10
Net assets attributable to unitholders		509,787,131	100.00

By Industry (Summary)

	Percentage of total net assets attributable to unitholders at 30 June 2014 %	Percentage of total net assets attributable to unitholders at 30 June 2013 %
Quoted Fixed Income Securities		
Commercial Services	0.21	0.21
Electric	1.10	1.10
Engineering Construction	0.84	0.99
Finance	2.04	1.62
Real Estate	5.76	4.53
Sovereign	89.15	90.60
Accrued interest receivable on quoted fixed income securities	0.80	0.82
Portfolio of investments	99.90	99.87
Other net assets	0.10	0.13
Net assets attributable to unitholders	100.00	100.00

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

ABF SINGAPORE BOND INDEX FUND*(Constituted under a Trust Deed registered in the Republic of Singapore)***STATEMENT OF PORTFOLIO***As at 30 June 2014*

	Fair value at 30 June 2014 S\$	Percentage of total net assets attributable to unitholders at 30 June 2014 %	Percentage of total net assets attributable to unitholders at 30 June 2013 %
By Geography (Secondary)			
Singapore	505,209,234	99.10	99.05
Accrued interest receivable on quoted fixed income securities	4,076,202	0.80	0.82
Portfolio of investments	509,285,436	99.90	99.87
Other net assets	501,695	0.10	0.13
Net assets attributable to unitholders	509,787,131	100.00	100.00

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

ABF SINGAPORE BOND INDEX FUND

(Constituted under a Trust Deed registered in the Republic of Singapore)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

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

1. General

ABF Singapore Bond Index Fund (the “Fund”) is a Singapore domiciled fund constituted under a Trust Deed dated 12 August 2005 as amended by Supplemental Deed (collectively referred to as the “Deeds”). The Deeds are governed by the laws of the Republic of Singapore. The Trustee of the Fund is HSBC Institutional Trust Services (Singapore) Limited (the “Trustee”). The Manager of the Fund is Nikko Asset Management Asia Limited (the “Manager”).

2. Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

(a) Basis of preparation

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss, and in accordance with the Statement of Recommended Accounting Practice 7 “Reporting Framework for Unit Trusts” (“RAP 7”) issued by the Institute of Singapore Chartered Accountants.

On 1 July 2013, the Fund adopted Singapore Financial Reporting Standards 113 “Fair value measurement” (“FRS 113”) which is effective for annual periods beginning on or after 1 January 2013. The standard improves consistency and reduces complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across Financial Reporting Standards (“FRS”). The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within FRS. If an asset or a liability measured at fair value has a bid price and an ask price, the standard requires valuation to be based on a price within the bid-ask spread that is most representative of fair value and allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurement within a bid-ask spread.

The adoption of FRS 113 did not have any impact on the Fund’s financial position, performance or disclosure in notes to the financial statements.

ABF SINGAPORE BOND INDEX FUND

(Constituted under a Trust Deed registered in the Republic of Singapore)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

2. Significant accounting policies (continued)

(b) Recognition of income

Interest income is recognised on a time-proportion basis using the effective interest rate method.

(c) Foreign currency translation

(i) Functional and presentation currency

The Fund qualifies as an authorised scheme under the Securities and Futures Act ("SFA") of Singapore and is offered to retail investors in Singapore. The Fund's activities are substantially based in Singapore, with subscriptions and redemptions of the units of the Fund being denominated in Singapore dollars.

The performance of the Fund is measured and reported to the investors in Singapore dollars. The Manager considers the Singapore Dollar as the currency which most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are expressed in Singapore dollars, which is the Fund's functional and presentation currency.

(ii) Transactions and balances

Foreign currency monetary assets and liabilities are translated into Singapore dollars at the rates of exchange prevailing at the date of the Statement of Financial Position. The net unrealised gain or loss is taken to the Statement of Total Return. Transactions during the year are recorded in Singapore dollars at the rates of exchange ruling on transaction dates. All realised gains or losses are recognised in the Statement of Total Return.

(d) Distributions

The Manager has the absolute discretion to determine whether a distribution is to be made. In such an event, an appropriate amount will be transferred to a distribution account to be paid on the distribution date. The amount shall not be treated as part of the property of the Fund. Distributions are accrued for at the point in time when the necessary approvals have been obtained and a legal or constructive obligation has been created.

ABF SINGAPORE BOND INDEX FUND

(Constituted under a Trust Deed registered in the Republic of Singapore)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

2. Significant accounting policies (continued)

(e) Financial derivatives

Financial derivatives are entered into for the purposes of efficient portfolio management, tactical asset allocation or specific hedging of financial assets held as determined by the Manager and in accordance with the provisions of the Trust Deed.

Financial derivatives outstanding at the end of the financial year are valued at forward rates or at current market prices using the “mark-to-market” method, as applicable and the resultant gains and losses are taken up in the Statement of Total Return.

(f) Investments

Investments are classified as financial assets at fair value through profit and loss.

(i) *Initial recognition*

Purchases of investments are recognised on the trade date. Investments are recorded at fair value on initial recognition.

(ii) *Subsequent measurement*

Investments are subsequently carried at fair value. Net change in fair value on investments are included in the Statement of Total Return in the year in which they arise.

(iii) *Derecognition*

Investments are derecognised on the trade date of disposal. The resultant realised gains and losses on the sales of investments are computed on the basis of the difference between the weighted average cost and selling price gross of transaction costs, and are taken up in the Statement of Total Return.

(g) Basis of valuation of investments

The fair value of financial assets and liabilities traded in active markets is based on quoted market prices at the close of trading on the reporting date. The quoted market price for these investments held by the Fund is the current market quoted bid price furnished by the Index Provider, a pricing service approved by the Manager and the Trustee.

ABF SINGAPORE BOND INDEX FUND

(Constituted under a Trust Deed registered in the Republic of Singapore)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

2. Significant accounting policies (continued)**(h) Receivables**

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables are initially recognised at their fair value and subsequently carried at amortised cost using the effective interest method, less accumulated impairment losses.

(i) Units in issue

All units issued by the Trust provide the investors with the right to redeem for cash at the value proportionate to the investors' share in the Trust's net assets at redemption date. Such instruments give rise to a financial liability for the present value of the redemption amount.

3. Income tax

The Fund was granted the status of a Designated Unit Trust by the Inland Revenue Authority of Singapore.

In accordance to Section 35(12) and (12A) of the Income Tax Act (Cap 134) of Singapore, subject to certain conditions, the following income shall not form part of the statutory income of the Fund and is thus not taxable for the year of assessment:

- (a) gains or profits derived from Singapore or elsewhere from the disposal of securities;
- (b) interest (other than interest for which tax has been deducted under section 45 of the Income Tax Act);
- (c) dividends derived from outside Singapore and received in Singapore;
- (d) gains or profits derived from foreign exchange transactions, transactions in futures contracts, transactions in interest rate or currency forwards swaps or option contracts and transactions in forwards, swaps or option contracts relating to any securities or financial index; and
- (e) distributions from foreign unit trusts derived from outside Singapore and received in Singapore.

ABF SINGAPORE BOND INDEX FUND*(Constituted under a Trust Deed registered in the Republic of Singapore)***NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 30 June 2014***4. Receivables**

	2014	2013
	S\$	S\$
Amount receivable for creation of units	-	86,032

5. Cash and bank balances

The cash and bank balances are placed with a financial institution related to the Trustee.

6. Payables

	2014	2013
	S\$	S\$
Amount payable for cancellation of units	222,430	-
Amount due to the Manager	189,814	190,499
Amount due to the Trustee	20,904	19,598
Provision for audit fee	27,526	28,111
Other payables	17,587	119,951
	478,261	358,159

Management fee is payable to Nikko Asset Management Asia Limited. Trustee fee is payable to HSBC Institutional Trust Services (Singapore) Limited.

7. Distributions

	2014	2013
	S\$	S\$
Final distribution of S\$2.30 per 100 units in respect of the financial year ended 30 June 2013	10,145,990	-
Final distribution of S\$1.28 per 100 units in respect of the financial year ended 30 June 2012	-	5,200,307
	10,145,990	5,200,307

ABF SINGAPORE BOND INDEX FUND*(Constituted under a Trust Deed registered in the Republic of Singapore)***NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 30 June 2014***8. Units in issue**

During the year ended 30 June 2014 and 30 June 2013 the number of units issued, redeemed and outstanding were as follow:

	2014	2013
Units at beginning of the financial year	441,476,000	405,752,000
Units created	4,168,000	41,940,000
Units cancelled	(2,532,300)	(6,216,000)
Units at end of the financial year	443,111,700	441,476,000
	2014	2013
Net assets attributable to unitholders - S\$	509,787,131	506,422,352
Net asset value per unit - S\$	1.150	1.147

For subscriptions and redemptions and for various fee calculations as well as for reporting purpose, investments are stated at the market quoted bid price furnished by the Index Provider on the valuation day for the purpose of determining net asset value per unit.

A reconciliation of the net asset value as reported in the Statement of Financial Position to the net asset value as determined for the purpose of processing unit subscription and redemption is not presented as there is no difference to the net assets attributable to unitholders value per unit.

9. Financial risk management

The Fund's activities expose it to a variety of risk, including but not limited to market risk (including currency risk, interest rate risk and price risk), liquidity risk and credit risk. The Manager is responsible for the implementation of the overall risk management programme, which seeks to minimise potential adverse effects on the Fund's financial performance. Specific guidelines on exposures to individual securities and certain industries and/or countries are in place as part of the overall financial risk management to reduce the Fund's risk exposures to these risks.

The Fund's primary objective is to provide investors with investment returns that correspond closely to the total return of the iBoxx ABF Singapore Bond Index before fees and expenses.

ABF SINGAPORE BOND INDEX FUND

(Constituted under a Trust Deed registered in the Republic of Singapore)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

9. Financial risk management (continued)

The Fund's assets primarily consist of financial instruments such as debt obligations denominated in Singapore dollars issued or guaranteed by any Asian Government, by an agency or instruments of any Asian Government, by an Asian Government sponsored entity or a quasi-Asian Government entity, which is determined by the Index Provider as being constituent securities of the iBoxx ABF Singapore Bond Index.

The financial instruments are held in accordance with the published investment policies of the Fund and managed accordingly to achieve the investment objectives.

(a) Market risk - Price risk

Price risk is the risk that arises from uncertainties about future prices of financial instruments.

The Fund's investment is substantially dependent on the changes of market prices. The Fund's overall market positions are monitored regularly so as to assess changes in fundamentals and valuation. However, events beyond reasonable control of the Manager could affect the prices of the underlying investments and hence the net asset value of the Fund.

The Fund's market price risk is managed through diversification of the investment portfolio across various industries.

The market prices of financial assets held by the Fund are primarily dependent on prevailing market interest rates, as the Fund invests primarily in listed sovereign and quasi sovereign bonds. Hence, no separate price risk sensitivity analysis is prepared as it is covered as part of interest rate risk sensitivity analysis.

(b) Market risk - Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates (fair value risk).

The Manager will regularly assess the economic condition, monitor changes in interest rates outlook and take appropriate measures accordingly to control the impact of interest rate risk. The Fund's overall market positions are monitored frequently and are reviewed formally on a quarterly basis by the Manager.

ABF SINGAPORE BOND INDEX FUND*(Constituted under a Trust Deed registered in the Republic of Singapore)***NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 30 June 2014***9. Financial risk management (continued)****(b) Market risk - Interest rate risk (continued)**

The tables below summarise the Fund's exposure to interest rate risk. They include the Fund's assets and liabilities categorised by the earlier of contractual re-pricing or maturity dates.

	<u>Floating rate</u>		<u>Fixed rate</u>		<u>Non-interest bearing</u>	
		Up to 1 year	1-5 years	Over 5 years		Total
	S\$	S\$	S\$	S\$	S\$	S\$
As at 30 June 2014						
Assets						
Portfolio of investments	-	-	243,348,916	261,860,318	4,076,202	509,285,436
Cash and bank balances	978,836	-	-	-	-	978,836
Prepayments	-	-	-	-	1,120	1,120
Total assets	978,836	-	243,348,916	261,860,318	4,077,322	510,265,392
Liabilities						
Payables	-	-	-	-	478,261	478,261
Total liabilities	-	-	-	-	478,261	478,261

	<u>Floating rate</u>		<u>Fixed rate</u>		<u>Non-interest bearing</u>	
		Up to 1 year	1-5 years	Over 5 years		Total
	S\$	S\$	S\$	S\$	S\$	S\$
As at 30 June 2013						
Assets						
Portfolio of investments	-	-	221,994,686	279,645,662	4,142,343	505,782,691
Cash and bank balances	911,788	-	-	-	-	911,788
Receivables	-	-	-	-	86,032	86,032
Total assets	911,788	-	221,994,686	279,645,662	4,228,375	506,780,511
Liabilities						
Payables	-	-	-	-	358,159	358,159
Total liabilities	-	-	-	-	358,159	358,159

As at 30 June 2014, an increase/ decrease of interest rates by 1% (2013: 1%), with all other variables remaining constant, would result in an increase/ decrease of the net assets attributable to unitholders by approximately 6% (2013: 6%). Changes in interest rates are revised annually depending on management's current view of market volatility and other factors.

ABF SINGAPORE BOND INDEX FUND*(Constituted under a Trust Deed registered in the Republic of Singapore)***NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 30 June 2014***9. Financial risk management (continued)****(c) Market risk - Currency risk**

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates.

To minimise currency risk, the Fund mainly holds its excess cash in its functional currency. For hedging purposes, the Fund may also enter into forward foreign exchange contracts.

The Manager does not consider currency risk to be significant as most of the financial assets and financial liabilities of the Fund are denominated in Singapore dollars, which is the functional currency of the Fund.

(d) Liquidity risk

Liquidity risk is the risk of loss arising from the inability of the Fund to meet its obligations as and when they fall due without incurring unacceptable cost or losses.

The Fund is exposed to daily cash redemptions from unitholders. However, in accordance with the Fund's prospectus, minimum holdings and redemption size is set.

To manage the liquidity risk, a cash buffer is maintained in the Fund and monitored for minimum cash balances to prevent any extensive disposition of assets which may occur at lower prices and overdraft situations to meet trade settlements and obligations.

The Fund's securities are considered readily realisable, as the majority of securities are listed on the recognised stock exchange.

The Fund's financial liabilities and net settled derivative financial liabilities are analysed using contractual undiscounted cash flows for maturity groupings based on the remaining period at the reporting date to the contractual maturity date. At the year end, all liabilities are either payable upon demand or due in less than 3 months. The impact of discounting is not significant.

Liabilities

	Less than 3 months	
	As at 30 June 2014 S\$	As at 30 June 2013 S\$
Payables	478,261	358,159
Contractual cash out flows (excluding gross settled derivatives)	478,261	358,159

ABF SINGAPORE BOND INDEX FUND*(Constituted under a Trust Deed registered in the Republic of Singapore)***NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 30 June 2014***9. Financial risk management (continued)****(e) Credit risk**

Credit risk is the risk that a counterparty will be unable to fulfil its obligation to the Fund in part or in full as and when they fall due.

Concentrations of credit risk are minimised primarily by:

- ensuring counterparties as well as the respective credit limits are approved;
- ensuring there is control in place to identify and assess the creditworthiness of counterparties and review such controls on a semi-annual basis; and
- ensuring that transactions are undertaken with a large number of counterparties.

The Fund invests in financial assets, which have an investment grade as rated by Standard & Poor's. The credit ratings are reviewed regularly.

The table below analyses the Fund's investments by credit ratings:

	Fixed rate securities	
	Fair value as at	
	30 June 2014	30 June 2013
Rating	S\$	S\$
AAA	498,541,365*	494,986,236*
AA	5,587,272	-
AA-	-	5,585,977
Not rated	1,080,597	1,068,135
Accrued interest receivable on quoted fixed income securities	4,076,202	4,142,343
Total	509,285,436	505,782,691

* The balance includes securities that are issued by government agencies of governments that have a AAA rating as rated by Standard & Poor's.

All trade settlement with approved counterparties are on Delivery versus Payment and/or Receipt versus Payment basis, with the exception of initial public offerings, new issues and placement transactions.

Credit risk arises from cash and bank balances and outstanding and committed transactions with brokers. The table below summarises the credit rating of bank and custodian in which the Fund's assets are held as at 30 June 2014 and 30 June 2013.

ABF SINGAPORE BOND INDEX FUND*(Constituted under a Trust Deed registered in the Republic of Singapore)***NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 30 June 2014***9. Financial risk management (continued)****(e) Credit risk (continued)**

	Credit rating as at 30 June 2014	Credit rating as at 30 June 2013	Source of credit rating
Bank balances			
- The Hong Kong and Shanghai Banking Corporation Limited	AA-	AA-	Standard & Poor's
Custodian			
- The Hong Kong and Shanghai Banking Corporation Limited	AA-	AA-	Standard & Poor's

The credit ratings are based on Long-Term Local Issuer Ratings published by the rating agency.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets.

(f) Capital management

The Fund's capital is represented by the net assets attributable to unitholders. The Fund strives to invest the subscriptions of redeemable participating units in investments that meet the Fund's investment objectives while maintaining sufficient liquidity to meet unitholder redemptions.

(g) Fair value estimation

The Fund 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:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

ABF SINGAPORE BOND INDEX FUND*(Constituted under a Trust Deed registered in the Republic of Singapore)***NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 30 June 2014***9. Financial risk management (continued)****(g) Fair value estimation (continued)**

The following table analyses within the fair value hierarchy the Fund's financial assets and liabilities (by class) measured at fair value at 30 June 2014 and 2013:

	Level 1 S\$	Level 2 S\$	Level 3 S\$	Total S\$
<u>30 June 2014</u>				
Assets				
Financial assets designated at fair value through profit or loss at inception:				
- Quoted fixed income securities	-	509,285,436	-	509,285,436
	-	509,285,436	-	509,285,436
<u>30 June 2013</u>				
Assets				
Financial assets designated at fair value through profit or loss at inception:				
- Quoted fixed income securities	-	505,782,691	-	505,782,691
	-	505,782,691	-	505,782,691

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. These include investment-grade corporate and government bonds.

Except for cash and bank balances which are classified as Level 1, the Fund's assets and liabilities not measured at fair value at 30 June 2014 and 2013 have been classified as Level 2. The carrying amounts of these assets and liabilities approximate their fair values as at the Statement of Financial Position date.

10. Related party transactions

The Manager of the Fund is Nikko Asset Management Asia Limited, a subsidiary of Nikko Asset Management International Limited. The Trustee is HSBC Institutional Trust Services (Singapore) Limited, a subsidiary of the HSBC Holdings PLC.

ABF SINGAPORE BOND INDEX FUND*(Constituted under a Trust Deed registered in the Republic of Singapore)***NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 30 June 2014***10. Related party transactions (continued)**

In addition to related party information shown elsewhere in the financial statements, the following significant transactions and balances with related parties, at terms agreed between the parties and within the provisions of the Trust Deed:

	2014	2013
	S\$	S\$
<i>Related party balances</i>		
- Current account bank balances maintained with a related company of the Trustee	978,836	911,788

11. Financial ratios

Expense ratio	2014	2013
Total operating expenses	S\$ 1,246,941	1,300,088
Average daily net asset value	S\$ 504,584,750	498,725,285
Total expense ratio¹	% 0.25	0.26

Turnover ratio	2014	2013
Lower of total value of purchases or sales	S\$ 200,500,439	186,423,678
Average daily net asset value	S\$ 504,584,750	498,725,285
Total turnover ratio²	% 39.74	37.38

¹ The expense ratio has been computed based on the guidelines laid down by the Investment Management Association of Singapore ("IMAS"). The calculation of the expense ratio at financial year end was based on total operating expenses divided by the average net asset value for the year. The total operating expenses do not include brokerage and other transactions costs, performance fee, interest expense, distribution paid out to unitholders, foreign exchange gains/losses, front or back end loads arising from the purchases or sales of other funds and tax deducted at source or arising out of income received. The Fund does not pay any performance fee. The average net asset value is based on the daily balances.

² The portfolio turnover ratio is calculated in accordance with the formula stated in the Code on Collective Investment Schemes. The calculation of the portfolio turnover ratio was based on the lower of the total value of purchases and sales of the underlying investments, divided by the average daily net asset value. In line with Statement of Recommended Accounting Practice 7 "Reporting framework for Unit Trusts" ("RAP 7") issued by the Institute of Singapore Chartered Accountants in June 2012, total value of purchases or sale for the current year do not include brokerage and other transaction costs.

ABF SINGAPORE BOND INDEX FUND*(Constituted under a Trust Deed registered in the Republic of Singapore)***REPORT TO UNITHOLDERS***For the financial year ended 30 June 2014*

The following contains additional information relating to the Fund.

1. Distribution of investments

Please refer to the Statement of Portfolio on pages 12 to 14.

2. Credit rating of debt securities

CREDIT RATINGS	Fair value at 30 June 2014 S\$	Percentage of total net assets attributable to unitholders at 30 June 2014 %	Percentage of total net assets attributable to unitholders at 30 June 2013 %
AAA	498,541,365	97.79	97.74
AA	5,587,272	1.10	-
AA-	-	-	1.10
Not rated	1,080,597	0.21	0.21
Accrued interest receivable on quoted fixed income securities	4,076,202	0.80	0.82
	509,285,436	99.90	99.87

3. Top 10 holdings**10 largest holdings at 30 June 2014**

	Cost S\$	Fair value S\$	Percentage of total net assets attributable to unitholders %
Singapore Government Bond 1.125% 01/04/2016	40,744,339	40,627,776	7.97
Singapore Government Bond 2.5% 01/06/2019	38,023,098	38,035,499	7.46
Singapore Government Bond 3.5% 01/03/2027	38,985,771	37,680,581	7.39
Singapore Government Bond 2.875% 01/07/2015	36,663,201	35,269,247	6.92
Singapore Government Bond 3.75% 01/09/2016	35,511,484	34,239,756	6.72
Singapore Government Bond 3.25% 01/09/2020	32,392,745	32,370,528	6.35
Singapore Government Bond 2.25% 01/06/2021	32,585,614	32,107,087	6.30
Singapore Government Bond 3.125% 01/09/2022	30,716,324	29,525,237	5.79
Singapore Government Bond 4% 01/09/2018	29,429,946	28,894,822	5.67
Singapore Government Bond 2.375% 01/04/2017	28,419,234	27,971,166	5.49

ABF SINGAPORE BOND INDEX FUND*(Constituted under a Trust Deed registered in the Republic of Singapore)***REPORT TO UNITHOLDERS***For the financial year ended 30 June 2014***3. Top 10 holdings (continued)**

10 largest holdings at 30 June 2013

	Cost S\$	Fair value S\$	Percentage of total net assets attributable to unitholders %
Singapore Government Bond 2.875% 01/07/2015	38,646,083	37,929,600	7.49
Singapore Government Bond 3.5% 01/03/2027	37,754,212	36,243,138	7.16
Singapore Government Bond 3.75% 01/09/2016	34,465,858	34,154,968	6.74
Singapore Government Bond 3.25% 01/09/2020	33,911,901	33,423,909	6.60
Singapore Government Bond 1.375% 01/10/2014	33,530,762	33,319,755	6.58
Singapore Government Bond 3.625% 01/07/2014	33,972,631	32,887,560	6.49
Singapore Government Bond 3.125% 01/09/2022	34,132,167	32,521,830	6.42
Singapore Government Bond 4% 01/09/2018	30,528,300	29,828,925	5.89
Singapore Government Bond 2.5% 01/06/2019	28,913,946	28,275,237	5.58
Singapore Government Bond 2.375% 01/04/2017	27,357,736	27,186,903	5.37

4. Exposure to derivatives

Nil.

5. Global exposure to financial derivatives

N/A.

6. Collateral

Nil.

7. Securities Lending or Repurchase Transactions

Nil.

8. Investment in unit trusts, mutual funds and collective investment schemes

Nil.

9. Borrowings

Nil.

ABF SINGAPORE BOND INDEX FUND*(Constituted under a Trust Deed registered in the Republic of Singapore)***REPORT TO UNITHOLDERS***For the financial year ended 30 June 2014***10. Amount of redemptions and subscriptions for the financial year ended 30 June 2014****S\$**

Redemptions	(2,883,071)
Subscriptions	<u>4,716,017</u>

11. Turnover ratios

Please refer to Note 11 of the Notes to the financial statements on page 27.

12. Expense ratios

Please refer to Note 11 of the Notes to the financial statements on page 27.

13. Related party transactions

Please refer to Note 10 of the Notes to the financial statements on page 27.

14. Additional information**Service Providers:**

Fund Manager	: Nikko Asset Management Asia Limited appointed on 12 Aug 05; any retirement or removal per Clause 29 of Trust Deed
Remuneration Basis	: 0.15% p.a. on NAV
Trustee/Custodian/ Valuation Agent/ Fund Registrar	: HSBC Institutional Trust Services (Singapore) Limited
Market Makers	: DBS Vickers Securities (S) Pte Ltd, OCBC Bank & Deutsche Bank AG, Singapore Branch
Participating Dealers	: DBS Vickers Securities (S) Pte Ltd, CIMB-GK Securities Pte Ltd, Phillip Securities Pte Ltd & Deutsche Bank AG, Singapore Branch
Corporate Secretariat	: Boardroom Corporate & Advisory Services Pte Ltd
Auditor	: PricewaterhouseCoopers appointed on 12 Aug 05
Audit Partner	: Patrick Yeo
Tax Agent	: Ernst & Young Solutions LLP
Solicitors to Managers	: Allen & Gledhill LLP
Solicitors to Trustee	: WongPartnership LLP

15. Any other material information that will adversely impact the valuation of the fund

Nil.

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