INLAND REVENUE AUTHORITY OF SINGAPORE

FINANCIAL STATEMENTS FOR THE

FINANCIAL YEAR ENDED 31 MARCH 2019

INLAND REVENUE AUTHORITY OF SINGAPORE
STATEMENT BY THE MEMBERS OF THE BOARD
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

In our opinion, the financial statements of the Inland Revenue Authority of Singapore (the Authority) as set out on pages 1 to 31 are drawn up in accordance with the provisions of the Inland Revenue Authority of Singapore Act (Cap. 138A, 2012 Revised Edition), the Public Sector (Governance) Act 2018 (Act 5 of 2018) and the Statutory Board Financial Reporting Standards so as to present fairly, in all material respects, the state of affairs of the Authority as at 31 March 2019, and the results, changes in equity and cash flows of the Authority for the financial year ended on that date.

On behalf of the Board

TAN CHING YEE	NG WAI CHOONG
CHAIRMAN	COMMISSIONER OF INLAND REVENUE /
SINGAPORE	CHIEF EXECUTIVE OFFICER
	SINGAPORE

24 June 2019

INDEPENDENT AUDITOR'S REPORT
ON THE AUDIT OF THE FINANCIAL STATEMENTS OF
THE INLAND REVENUE AUTHORITY OF SINGAPORE
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

Report on the Audit of the Financial Statements

Opinion

The financial statements of the Inland Revenue Authority of Singapore (the Authority), set out on pages 1 to 31, have been audited under my direction. These financial statements comprise the statement of financial position as at 31 March 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Public Sector (Governance) Act 2018 (Act 5 of 2018) (the PSG Act), the Inland Revenue Authority of Singapore Act (Cap. 138A, 2012 Revised Edition) (the IRAS Act) and Statutory Board Financial Reporting Standards so as to present fairly, in all material respects, the state of affairs of the Authority as at 31 March 2019 and the results, changes in equity and cash flows of the Authority for the financial year ended on that date.

Basis for Opinion

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

Other Information

The management is responsible for the other information. The other information obtained at the date of this auditor's report is the Statement by the Members of the Board but does not include the financial statements and my auditor's report thereon.

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

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

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

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

The management is responsible for the preparation and fair presentation of the financial statements in accordance with the provisions of the PSG Act, the IRAS Act and Statutory Board Financial Reporting Standards, and for such internal controls as management determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtaining an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal controls.

- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Concluding on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I will draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, modify my opinion. My conclusion is based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

Opinion

In my opinion:

(a) the receipts, expenditure, investment of moneys and the acquisition and disposal of assets by the Authority during the financial year are, in all material respects, in accordance with the provisions of the PSG Act, the IRAS Act and the requirements of any other written law applicable to moneys of or managed by the Authority; and

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

Basis for Opinion

The audit was conducted in accordance with SSAs. The responsibilities under those standards are further described in the Auditor's Responsibilities for the Compliance Audit section of this report. As the Auditor-General, I am independent of the Authority and I exercise my duties and powers in accordance with the Constitution of the Republic of Singapore and the Audit Act. Ethical requirements that are relevant to the audit and in line with the ACRA Code have been fulfilled. I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinion on management's compliance.

Responsibilities of Management for Compliance with Legal and Regulatory Requirements

The 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 PSG Act, the IRAS Act and the requirements of any other written law applicable to moneys of or managed by the Authority. This responsibility includes monitoring related compliance requirements relevant to the Authority, and implementing internal controls as management determines are necessary to enable compliance with the requirements.

Auditor's Responsibilities for the Compliance Audit

My responsibility is to express an opinion on management's compliance based on the audit of the financial statements. The compliance audit was planned and performed 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 PSG Act, the IRAS Act and the requirements of any other written law applicable to moneys of or managed by the Authority.

A compliance audit includes obtaining an understanding of the internal controls 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 Authority's internal controls. Because of the inherent limitations in any internal control system, non-compliances may nevertheless occur and not be detected.

GOH SOON POH
AUDITOR-GENERAL
SINGAPORE
24 June 2019

INLAND REVENUE AUTHORITY OF SINGAPORE
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019

	Note	FY2018/19	FY2017/18
		S$'000	S$'000
Share capital	3	7,823	7,823
Accumulated surplus		718,717	654,980
		726,540	**662,803**
Represented by:			
Non-current assets			
Property, plant and equipment	4	207,534	218,371
Intangible assets	5	20,889	20,727
Development projects-in-progress	6	11,210	6,925
Prepayments		953	5,648
Other non-current asset	7	9	13
		240,595	251,684
Current assets			
Funds with fund managers	8	401,696	397,013
Trade and other receivables	9	37,420	34,248
Prepayments		6,346	7,951
Cash and cash equivalents	10	167,497	105,512
		612,959	544,724
Less:			
Current liabilities			
Trade and other payables	11	77,068	84,759
Advances and deposits		2,133	1,748
Deferred income	12	417	979
Contribution payable to Government Consolidated Fund	13	13,351	10,795
Provision for unutilised leave	14	11,285	11,298
Provision for pension and gratuities	15	1,463	2,848
		105,717	112,427
Net current assets		507,242	432,297
Less:			
Non-current liabilities			
Deferred income	12	2,514	1,958
Provision for pension and gratuities	15	18,783	19,220
		726,540	**662,803**

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

INLAND REVENUE AUTHORITY OF SINGAPORE
STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

	Note	FY2018/19 S$'000	FY2017/18 S$'000
Operating income			
Agency fee		450,974	434,547
Other income		41,250	39,751
	16	492,224	474,298
Less:			
Operating expenditure			
Manpower	17	258,719	257,418
Service and lease expenses	18	99,449	100,979
Depreciation and amortisation	4, 5, 7	22,585	22,858
Maintenance of building and equipment		18,197	18,672
Staff welfare and training		8,178	7,956
Utilities and communication		6,626	6,351
Property tax		4,240	4,048
Office and other supplies		1,956	3,478
Grants and subsidies		634	670
Public relations and events		491	985
General expenses		875	844
		421,950	424,259
Operating surplus		**70,274**	**50,039**
Net investment income	19	**8,264**	**13,461**
Other comprehensive loss			
Item that will not be reclassified to Operating surplus			
Actuarial loss	15	(667)	(325)
Surplus for the financial year before contribution to Government Consolidated Fund		**77,871**	**63,175**
Less:			
Contribution to Government Consolidated Fund	13	13,351	10,795
Net surplus for the financial year, representing total comprehensive income for the financial year		**64,520**	**52,380**

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

INLAND REVENUE AUTHORITY OF SINGAPORE
STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

	Note	Share Capital S$'000	Accumulated Surplus S$'000	Total S$'000
Balance as at 1 April 2017		7,823	728,803	736,626
Total comprehensive income for the financial year		-	52,380	52,380
Dividends	20	-	(126,203)	(126,203)
Balance as at 31 March 2018		7,823	654,980	662,803
Total comprehensive income for the financial year		-	64,520	64,520
Dividends	20	-	(783)	(783)
Balance as at 31 March 2019		**7,823**	**718,717**	**726,540**

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

INLAND REVENUE AUTHORITY OF SINGAPORE
STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

	Note	FY2018/19 S$'000	FY2017/18 S$'000
Cash flows from operating activities			
Agency fee and other income received		489,495	474,681
Cash paid to employees and suppliers		(399,636)	(386,778)
Contribution to Government Consolidated Fund		(10,795)	(13,159)
Net cash from operating activities		79,064	74,744
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		-	51
Interest income received		1,896	2,423
Withdrawal of funds placed with fund managers	8	131,260	-
Funds placed with fund managers	8	(130,000)	-
Payment for purchase of property, plant and equipment and intangible assets		(3,874)	(504)
Expenditure on development projects		(15,980)	(22,106)
Net cash used in investing activities		(16,698)	(20,136)
Cash flows from financing activities			
Dividends paid	20	(783)	(126,203)
Government grant received		402	2,937
Net cash used in financing activities		(381)	(123,266)
Net increase/(decrease) in cash and cash equivalents		61,985	(68,658)
Cash and cash equivalents as at beginning of the financial year		105,512	174,170
Cash and cash equivalents as at end of the financial year	10	167,497	105,512

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

INLAND REVENUE AUTHORITY OF SINGAPORE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

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

1 GENERAL ACTIVITIES

The Inland Revenue Authority of Singapore (the Authority) was established under the Inland Revenue Authority of Singapore Act (Cap. 138A, 2012 Revised Edition) and is under the purview of the Ministry of Finance.

The Authority acts as the agent of the Government of the Republic of Singapore (the Government) in administering, assessing, collecting and enforcing payment of income tax, property tax, goods and services tax, estate duty, stamp duty, betting and sweepstake duties, private lotteries duty, casino tax and such other taxes as may be agreed between the Government and the Authority.

Pursuant to these principal activities, the Authority will advise the Government on the formulation of tax policies and represent Singapore internationally in respect of matters relating to taxation.

As a statutory board, the Authority is subject to the directions of the Ministry of Finance and is required to comply with policies and instructions issued from time to time by the Ministry of Finance and other government agencies.

The registered office and principal place of operation of the Authority is located at 55 Newton Road, Revenue House, Singapore 307987.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements of the Authority have been prepared in accordance with the provisions of the Inland Revenue Authority of Singapore Act (Cap. 138A, 2012 Revised Edition), the Public Sector (Governance) Act 2018 (Act 5 of 2018) and the Statutory Board Financial Reporting Standards (SB-FRS).

(a) Functional currency and presentation

The financial statements are presented in Singapore dollars (S$), which is also the Authority's functional currency. All financial information presented in Singapore dollars has been rounded to the nearest thousand, unless otherwise stated.

(b) Basis of measurement

The financial statements are prepared on the historical cost basis except for certain financial assets and liabilities as disclosed in the accounting policies below.

(c) Use of estimates and judgements

The preparation of the 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 expenditure. These are based on management's best knowledge of current events and relevant factors that are believed to be reasonable under the circumstances. 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.

Critical Accounting Estimate

The management's use of estimates and assumptions are integral to the valuation of property, plant and equipment and intangible assets, and the provision for pension and gratuities. The useful life and impairment of property, plant and equipment and intangible assets are reviewed on an annual basis as described in Notes 2.2, 2.3 and 2.6 to the financial statements. Details of the underlying assumptions that are made by management for the provision for pension and gratuities are as set out in Note 15 to the financial statements.

(d) Changes in accounting policies

On 1 April 2018, the Authority adopted the following new or revised SB-FRS mandatory for application for the financial year:
- SB-FRS 109: Financial Instruments
- SB-FRS 115: Revenue from Contracts with Customers

The application of these new or revised SB-FRS resulted in the following changes to the Authority's accounting policies.

SB-FRS 109: Financial Instruments
SB-FRS 109 introduces new requirements for classification and measurement of financial instruments, impairment of financial assets and hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in SB-FRS 109 are based on an expected credit loss model and replace the SB-FRS 39 incurred loss model.

(i) Classification and measurement

The Authority's funds with fund managers continue to be classified as financial assets at fair value through profit or loss. Trade and other receivables and cash and cash equivalents previously classified as loans and receivables and measured at amortised cost are now classified as financial assets at amortised cost. The classification of these financial assets did not result in changes to the carrying amount of these financial assets at 1 April 2018.

There are no changes in classification and measurement for the Authority's financial liabilities.

(ii) Impairment

SB-FRS 109 requires the Authority to record expected credit losses on all of its debt securities, loans, trade receivables and financial guarantees, if any, either on a 12-month or lifetime basis. The Authority applies the simplified approach on its financial assets, excluding financial assets measured at fair value through profit or loss, and measures the loss allowance for these financial assets at an amount equal to the lifetime expected credit losses. The adoption of the new impairment model did not affect the carrying amount of its Trade and other receivables and Cash and cash equivalents at 1 April 2018, as no loss allowance was recognised.

The Authority's accounting policies relating to financial assets are set out in Note 2.7 to the financial statements.

SB-FRS 115: Revenue from Contracts with Customers

SB-FRS 115 introduces a single comprehensive model for entities to account for revenue from contracts with customers and supersedes SB-FRS 11 Construction Contracts, SB-FRS 18 Revenue and related interpretations. Under SB-FRS 115, revenue is recognised at an amount that reflects the consideration which the Authority expects to be entitled to in exchange for transferring goods and services to its customers. Revenue may be recognised at a point in time or over time, as and when a performance obligation is satisfied.

The adoption of SB-FRS 115 has no material impact on the Authority's financial statements for current or prior financial years.

The Authority's accounting policies relating to income recognition are set out in Note 2.11 to the financial statements.

2.2 Property, Plant and Equipment

(a) Measurement

Property, plant and equipment acquired by the Authority are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items.

(b) Depreciation

Depreciation is calculated on a straight-line basis from the date the property, plant and equipment are ready for use to write off the cost of the property, plant and equipment, less residual value, over their estimated useful lives as follows:

	Estimated Useful Lives
Leasehold Land	97 years
Building	50 years
Building Systems & Improvements	4 to 20 years
Computer Hardware	2 to 5 years
Office Equipment	5 years
Furniture & Fittings	5 years
Motor Vehicles	7 years

Property, plant and equipment costing less than S$2,000 are charged to the Statement of Comprehensive Income in the year of purchase.

The residual value, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and that the expected pattern of consumption of the future economic benefits are embodied in the items of property, plant and equipment.

(c) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Authority and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense when incurred.

(d) Disposal

On disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is taken to the Statement of Comprehensive Income.

2.3 Intangible Assets

Intangible assets consist of computer software and software development costs for various computer applications. They are capitalised on the basis of the costs incurred to acquire or develop and bring to use the software. Direct expenditure, which enhances or extends the performance of computer software beyond its specifications and which can be reliably measured, is recognised as a capital improvement and added to the original cost of the software. Cost associated with maintaining computer software is recognised as an expense when incurred. On disposal of an item of intangible assets, the difference between the net disposal proceeds and its carrying amount is taken to the Statement of Comprehensive Income.

Intangible assets are stated at cost less accumulated amortisation and impairment losses. These costs are amortised using the straight-line method from the date the intangible assets are ready for use over their estimated useful lives of 2 to 8 years. Computer software and development costs costing less than S$2,000 are charged to the Statement of Comprehensive Income in the year of purchase.

The amortisation period and the amortisation method are reviewed at each financial year-end to ensure that the amount, method and period of amortisation are consistent with previous estimates and that the expected pattern of consumption of the future economic benefits are embodied in the items of the intangible assets.

2.4 Development Projects-in-progress

Development projects-in-progress relate mainly to Infocomm Technology projects, carried out by the Authority during the financial year. The cost of development projects-in-progress includes the cost of materials, direct labour and any other costs directly attributable to bringing the assets to a working condition for their intended use. No depreciation or amortisation is calculated for development projects-in-progress until they are ready for use and transferred to property, plant and equipment or intangible assets.

2.5 Other Non-current Asset

Other non-current asset relates to club membership, which is being held on a long-term basis, and previously stated at cost less accumulated impairment losses. The Authority has decided not to renew the membership when it expires on 31 December 2021 and has adopted the approach to depreciate the net carrying amount of the club membership as at 1 April 2017 on a straight-line basis over the remaining tenure.

2.6 Impairment of Non-financial Assets

Property, plant and equipment, intangible assets, development projects-in-progress and other non-current asset are reviewed for impairment at each financial year-end or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

An asset's recoverable amount is the higher of the asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. The recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows on its own. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. The difference between the carrying amount and the recoverable amount is recognised as an impairment loss in the Statement of Comprehensive Income.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. A previously recognised impairment loss is reversed only if there has been a change in estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated depreciation or amortisation) had no impairment loss been recognised for the asset in prior years. The reversal is recognised in the Statement of Comprehensive Income.

2.7 Financial Assets

(a) Classification

The Authority classifies its financial assets in the following categories: amortised cost and fair value through profit or loss. The classification depends on the contractual cash flow characteristics of the financial assets and the business model under which they are held. Management determines the classification of its financial assets at initial recognition and re-evaluates this classification when there is a change in business model under which they are held.

(i) Amortised cost

This category comprises non-equity financial assets that meet both of the following conditions:
- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They arise when the Authority provides money, goods or services directly to a debtor with no intention of trading the financial asset. Financial assets in this category are presented as current assets if they are due within 12 months after the financial year-end. For those that are due more than 12 months after the financial year-end, they are classified as non-current assets.

The Authority's trade and other receivables and cash and cash equivalents are classified as financial assets at amortised cost.

(ii) Fair value through profit or loss

This category comprises financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset shall be measured at fair value through profit or loss unless it is measured at amortised cost. On initial recognition, financial assets may be designated at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. Assets in this category are presented as current assets if they are either held for trading or are expected to be realised within 12 months after the financial year-end.

The Authority's investments in funds with fund managers are classified as financial assets at fair value through profit or loss.

(b) Recognition and derecognition

Purchases and sales of financial assets are recognised on trade-date – the date on which the Authority commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Authority has transferred substantially all risks and rewards of ownership. On derecognition of financial assets measured at amortised cost and fair value through profit or loss, the difference between the carrying amount and the sum of the consideration received is recognised in profit or loss.

(c) Initial measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value.

(d) Subsequent measurement

Financial assets measured at fair value through profit or loss are subsequently carried at fair value. Financial assets measured at amortised cost are carried at amortised cost using the effective interest method.

Any resultant gains or losses arising from changes in the fair value of the financial assets measured at fair value through profit or loss are included in net investment income/(loss) in the Statement of Comprehensive Income in the period in which they arise. Interest earned on financial assets measured at fair value through profit or loss is also included in net investment income/(loss).

(e) Impairment

The Authority applies the simplified approach and recognises a loss allowance for expected credit losses on financial assets, excluding financial assets measured at fair value through profit or loss. The Authority measures the loss allowance for these financial assets at an amount equal to the lifetime expected credit losses. Lifetime expected credit losses are estimated based on the Authority's credit loss experience, adjusted for factors that are specific to the debtors and general economic conditions, taking into consideration both the current and the forecast direction of conditions. The amount of the allowance is recognised in the Statement of Comprehensive Income.

2.8 Cash and Cash Equivalents

Cash and cash equivalents comprise deposits with the Accountant-General's Department that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

2.9 Trade and Other Payables

Trade and other payables including accruals are initially measured at fair value and subsequently measured at amortised cost using the effective interest method. A payable is derecognised when the obligation is discharged or cancelled or expired. The difference between the carrying amount of a payable (or part of a payable) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

2.10 Provisions

Provisions are recognised when the Authority has a present obligation (legal or constructive) as a result of a past event where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed at each financial year-end and adjusted to reflect the current best estimate, taking into consideration the time value of money. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed.

2.11 Income Recognition

Revenue is recognised when the Authority satisfies a performance obligation by transferring control of a promised good or service to the customer. The amount of revenue recognised is the amount of the transaction price allocated to satisfy the performance obligation. Revenue may be recognised at a point in time or over time following the timing of satisfaction of the performance obligation.

(a) Agency fee from Ministry of Finance

The Authority acts as the agent of the Government in administering, assessing, collecting and enforcing payment of income tax, property tax, goods and services tax, estate duty, stamp duty, betting and sweepstake duties, private lotteries duty, casino tax and such other taxes as may be agreed between the Government and the Authority.

Agency fee is determined based on an agreement and is recognised over the period when the services have been rendered.

(b) Income from administration of government schemes

The Authority acts on behalf of the Government in the administration of various government schemes.

Income is determined based on an agreement and is recognised over the period when the administrative services have been rendered. The portion of income that is related to transactional services is recognised at the point in time when the services have been performed.

(c) Income from property valuation related services

The Authority performs property valuation related services for other Government Agencies and the public.

Income is recognised at the point in time when the services have been performed.

(d) Interest income

Interest income is recognised using the effective interest method.

(e) Rental income

Rental income from operating leases are recognised on a straight-line basis over the lease term.

2.12 Employee Benefits

(a) Defined benefit plan

Pensionable employees transferred from the Civil Service to the Authority when it was established on 1 September 1992 are entitled to pension benefits in accordance with the provisions of the Pensions Act (Cap. 225, 2004 Revised Edition). Pension liability attributable to the services rendered by these employees prior to the establishment of the Authority will be borne by the Government and is excluded from the Authority's provision of pension.

A pensionable employee may, at retirement, opt for pension to be paid monthly for his remaining lifetime, as a lump sum upon retirement or in a combination of both at a reduced rate.

Provision for pension and gratuities recognised in the Statement of Financial Position represents the present value of the pension obligations as at the financial year-end and is computed by the Authority annually based on the principal assumptions described in Note 15. Discount rates used are the yields as at the financial year-end on government bonds that have maturity dates approximating the tenure of the related pension obligations.

Current service costs of the pensionable employees and interest costs on the provision for pension obligations that arise from the passage of time are recognised in expenditure on manpower in the Statement of Comprehensive Income. Actuarial gains and losses arising from changes in principal assumptions are recognised in other comprehensive income.

(b) Defined contribution plan

Contributions are made to the Central Provident Fund (CPF) scheme as required by law. The CPF contributions are recognised as expenditure on manpower in the same period as the employment that gives rise to the contribution.

(c) Employee leave entitlement

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

2.13 Operating Leases

(a) Where the Authority is the lessor

Leases where the Authority effectively retains substantially all the risks and rewards of ownership of the leased asset are classified as operating leases. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

(b) Where the Authority is the lessee

Leases where the lessor effectively retains substantially all the risks and rewards of ownership of the lease term are classified as operating leases. Operating lease payments are recognised as an expense in the Statement of Comprehensive Income on a straight-line basis over the lease term.

2.14 Government Grants

Government grants are recognised at their fair values where there is reasonable assurance that the Authority will comply with the conditions attaching to them and the grants will be received. When the grants relate to compensation for expenses incurred, they are recognised in the Statement of Comprehensive Income in the same periods in which the expenses are recognised. Where the grants relate to assets, the grants are recognised as deferred income in the Statement of Financial Position. The deferred income is recognised in the Statement of Comprehensive Income on a systematic basis over the periods necessary to match the depreciation and amortisation of the assets, or when the assets are disposed or written off.

2.15 New Accounting Standards Not Yet Effective

At the date of authorisation of these financial statements, the following new SB-FRS (including its consequential amendments) that are relevant to the Authority were issued but not yet effective:

Effective for annual periods beginning on or after 1 January 2019

- Amendments to SB-FRS 19 *Employee Benefits*
- Amendments to SB-FRS 109 *Financial Instruments*
- SB-FRS 116 *Leases*

The management expects that the adoption of Amendments to SB-FRS 19 and Amendments to SB-FRS 109 will have no material impact on the financial statements in the year of initial application. The nature of the impending changes in accounting policy on adoption of SB-FRS 116 is described below.

SB-FRS 116 *Leases*

SB-FRS 116 requires lessees to recognise most leases on the Statement of Financial Position to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemptions for lessees – leases of low value assets and short-term leases. The accounting approach for lessors will not change significantly.

The Authority plans to adopt the new standard on the required effective date without restating prior periods. As at 31 March 2019, the Authority as the lessee has non-cancellable operating lease commitments of S$152.4 million which are disclosed in Note 21.3 as operating lease commitments as required under SB-FRS 17. The Authority has performed an assessment and expects that some of these arrangements will meet the definition of a lease under SB-FRS 116. Hence the Authority will recognise a right-of-use asset and a corresponding liability in respect of these leases unless they qualify as low value or short-term leases upon application.

As at 1 April 2019, the Authority expects to recognise a right-of-use asset and a corresponding lease liability of S$139.8 million each.

3 SHARE CAPITAL

	FY2018/19 Number of shares (in ’000)	FY2018/19 S$’000	FY2017/18 Number of shares (in ’000)	FY2017/18 S$’000
As at 31 March	7,823	7,823	7,823	7,823

The shares are fully paid and are held by the Minister for Finance, a body incorporated by the Minister for Finance (Incorporation) Act (Cap. 183, 2014 Revised Edition). The shares have no par value.

4 PROPERTY, PLANT AND EQUIPMENT

4.1 Property, Plant and Equipment for FY2018/19

	Leasehold Land S$'000	Building S$'000	Building Systems & Improvements S$'000	Computer Hardware S$'000	Office Equipment S$'000	Furniture & Fittings S$'000	Motor Vehicles S$'000	Total S$'000
COST								
As at 1 April 2018	155,344	137,104	64,692	47,635	3,703	1,351	216	410,045
Additions	-	-	214	96	13	2	-	325
Transfer from Development projects-in-progress (Note 6)	-	-	827	2,492	8	-	-	3,327
Disposals	-	-	(121)	(6,190)	(21)	(3)	-	(6,335)
As at 31 March 2019	155,344	137,104	65,612	44,033	3,703	1,350	216	407,362
ACCUMULATED DEPRECIATION								
As at 1 April 2018	38,272	60,540	51,644	36,051	3,605	1,346	216	191,674
Depreciation for the financial year	1,594	2,742	2,307	7,793	49	4	-	14,489
Disposals	-	-	(121)	(6,190)	(21)	(3)	-	(6,335)
As at 31 March 2019	39,866	63,282	53,830	37,654	3,633	1,347	216	199,828
NET BOOK VALUE								
As at 31 March 2019	115,478	73,822	11,782	6,379	70	3	0	207,534

4.2 Property, Plant and Equipment for FY2017/18

	Leasehold Land S$'000	Building S$'000	Building Systems & Improvements S$'000	Computer Hardware S$'000	Office Equipment S$'000	Furniture & Fittings S$'000	Motor Vehicles S$'000	Total S$'000
COST								
As at 1 April 2017	155,344	137,173	57,861	44,693	3,838	1,356	216	400,481
Reclassifications	-	(69)	69	113	(113)	-	-	-
Additions	-	-	521	172	2	-	-	695
Transfer from Development projects-in-progress (Note 6)	-	-	6,532	4,728	-	-	-	11,260
Disposals	-	-	(291)	(2,071)	(24)	(5)	-	(2,391)
As at 31 March 2018	155,344	137,104	64,692	47,635	3,703	1,351	216	410,045
ACCUMULATED DEPRECIATION								
As at 1 April 2017	36,678	57,793	49,010	29,855	3,576	1,338	209	178,459
Reclassifications	-	(2)	2	21	(21)	-	-	-
Depreciation for the financial year	1,594	2,749	2,923	8,246	74	13	7	15,606
Disposals	-	-	(291)	(2,071)	(24)	(5)	-	(2,391)
As at 31 March 2018	38,272	60,540	51,644	36,051	3,605	1,346	216	191,674
NET BOOK VALUE								
As at 31 March 2018	117,072	76,564	13,048	11,584	98	5	0	218,371

5 INTANGIBLE ASSETS

	Internally Developed S$'000	Acquired S$'000	Total S$'000
5.1 Intangible Assets for FY2018/19			
COST			
As at 1 April 2018	241,390	17,290	258,680
Additions	-	2,973	2,973
Transfer from Development projects-in-progress (Note 6)	5,229	52	5,281
Disposals	-	(452)	(452)
As at 31 March 2019	246,619	19,863	266,482
ACCUMULATED AMORTISATION			
As at 1 April 2018	221,884	16,069	237,953
Amortisation for the financial year	6,779	1,313	8,092
Disposals	-	(452)	(452)
As at 31 March 2019	228,663	16,930	245,593
NET BOOK VALUE			
As at 31 March 2019	17,956	2,933	20,889
5.2 Intangible Assets for FY2017/18			
COST			
As at 1 April 2017	233,951	17,175	251,126
Additions	-	396	396
Transfer from Development projects-in-progress (Note 6)	7,439	252	7,691
Disposals	-	(533)	(533)
As at 31 March 2018	241,390	17,290	258,680
ACCUMULATED AMORTISATION			
As at 1 April 2017	215,215	16,023	231,238
Amortisation for the financial year	6,669	579	7,248
Disposals	-	(533)	(533)
As at 31 March 2018	221,884	16,069	237,953
NET BOOK VALUE			
As at 31 March 2018	19,506	1,221	20,727

5.3 Intangible assets include the Inland Revenue Interactive Network, the Authority's core tax administration system, with a Net Book Value of S$12.6 million (FY2017/18: S$17.9 million) and a remaining amortisation period of up to 6 years (FY2017/18: 7 years).

6 DEVELOPMENT PROJECTS-IN-PROGRESS

	FY2018/19 S$'000	FY2017/18 S$'000
COST		
As at 1 April	6,925	10,391
Additions	12,893	15,485
Transfer to Property, plant and equipment (Note 4)	(3,327)	(11,260)
Transfer to Intangible assets (Note 5)	(5,281)	(7,691)
As at 31 March	11,210	6,925

7 OTHER NON-CURRENT ASSET

	FY2018/19 S$'000	FY2017/18 S$'000
COST		
As at 31 March	114	114
ACCUMULATED IMPAIRMENT LOSSES		
As at 31 March	(97)	(97)
ACCUMULATED DEPRECIATION		
As at 1 April	(4)	-
Depreciation for the financial year	(4)	(4)
As at 31 March	(8)	(4)
NET BOOK VALUE		
As at 31 March	9	13

As stated in Note 2.5, the Authority has adopted the approach to depreciate the net carrying amount of the asset as at 1 April 2017 amounting to S$17,600 on a straight-line basis over the remaining tenure of the membership.

8 FUNDS WITH FUND MANAGERS

	FY2018/19 S$'000	FY2017/18 S$'000
Unquoted unit trusts at fair value as at 31 March	401,696	397,013

The unquoted unit trusts are managed by two fund managers appointed under the Accountant-General's Department's Demand Aggregate Schemes for Fund Management Services.

During the financial year, the Authority disposed of one of the funds managed by fund managers for cash consideration of S$131.3 million. The Authority reinvested S$130 million into another fund managed by fund managers.

The unquoted unit trusts are denominated in Singapore dollar.

9 TRADE AND OTHER RECEIVABLES

	FY2018/19 S$'000	FY2017/18 S$'000
Trade receivables	35,596	32,976
Other receivables	1,824	1,272
As at 31 March	37,420	34,248

Credit risk with respect to Trade and other receivables is limited as the receivables are mostly due from governmental entities and government-linked companies. These balances are unsecured, non-interest bearing and usually settled within 1 month from the invoice date and within credit terms granted to them.

10 CASH AND CASH EQUIVALENTS

	FY2018/19 S$'000	FY2017/18 S$'000
Deposits with Accountant-General's Department as at 31 March	167,497	105,512

Deposits are placed with Accountant-General's Department under the Whole-of-Government Centralised Liquidity Management for cost efficiency and better credit risk management. The effective interest rate of Cash and cash equivalents is 1.90% (FY2017/18: 1.32%) per annum.

11 TRADE AND OTHER PAYABLES

	FY2018/19 S$'000	FY2017/18 S$'000
Payables for employee benefits	45,036	47,132
Trade payables	16,647	20,114
Other accrual for operating and capital expenditure	15,385	17,513
As at 31 March	77,068	84,759

Trade and other payables are unsecured, non-interest bearing and usually paid within 1 month from the invoice date.

12 DEFERRED INCOME

The deferred income pertains to grants from the Ministry of Health for the development of computer software.

	FY2018/19 S$'000	FY2017/18 S$'000
As at 1 April	2,937	-
Grant related to Development projects-in-progress	9	2,937
Grant related to Intangible assets	402	-
Less: Recognised in profit or loss during the financial year	(417)	-
As at 31 March	2,931	2,937
Amount to be recognised within 1 year	417	979
Amount to be recognised after 1 year	2,514	1,958

13 CONTRIBUTION TO GOVERNMENT CONSOLIDATED FUND

The contribution to the Government Consolidated Fund is in accordance with section 3(a) of the Statutory Corporations (Contributions to Consolidated Fund) Act (Cap. 319A, 2004 Revised Edition). Under this Act, the Minister for Finance has the authority to prescribe the contributions to be made by the Statutory Boards in respect of their annual accounting surplus as well as their past accumulated surplus in lieu of income tax. The contribution rate and the framework governing such contributions are determined by the Ministry of Finance.

The contribution is based on 17% (FY2017/18: 17%) of the surplus, excluding Other comprehensive income, for the financial year.

14 PROVISION FOR UNUTILISED LEAVE

	FY2018/19 S$'000	FY2017/18 S$'000
As at 1 April	11,298	11,199
Net provision (written back)/made during the financial year	(13)	99
As at 31 March	11,285	11,298

15 PROVISION FOR PENSION AND GRATUITIES

	FY2018/19 S$'000	FY2017/18 S$'000
As at 1 April	22,068	23,103
Charged to expenditure on Manpower:		
Current service costs	12	233
Interest costs	501	476
Actuarial loss/(gain) charged to Other comprehensive income:		
From changes in demographic assumptions	303	561
From changes in financial assumptions	364	(236)
	23,248	24,137
Amount paid during the financial year	(3,002)	(2,069)
As at 31 March	20,246	22,068
Amount payable within 1 year	1,463	2,848
Amount payable after 1 year	18,783	19,220

The principal assumptions used in determining the Authority's pension obligations are:

(a) pensionable employees will retire at the age of 62 and opt for pension to be paid as a lump sum upon retirement;

(b) the discount rates for determining present value of lump sum due to pensionable employees range from 1.92% to 2.07% (FY2017/18: 1.90% to 2.29%) per annum, depending on the tenure of the related pension obligations, and 2.38% (FY2017/18: 2.61%) per annum for pensions due to pensioners who opted for monthly pensions;

(c) the estimated future salary increases range from 0% to 17.90% (FY2017/18: 0% to 17.90%); and

(d) the life expectancy for male and female pensioners range from 80.7 to 84.1 years (FY2017/18: 80.6 to 84.0 years) and 85.2 to 87.5 years (FY2017/18: 85.1 to 87.4 years) respectively.

If the discount rates change by 50 basis points with all other assumptions remaining constant, the impact on the Authority's pension liability as at 31 March will be as follows:

	FY2018/19 S$'000	FY2017/18 S$'000
+50 basis points	(810)	(830)
–50 basis points	861	882

If the life expectancy for male and female change by 0.3 year with all other assumptions remaining constant, the impact on the Authority's pension liability as at 31 March will be as follows:

	FY2018/19 S$'000	FY2017/18 S$'000
+0.3 year	252	231
–0.3 year	(254)	(233)

Included in the balance as at 31 March is provision set aside for key management personnel as follows:

	FY2018/19 S$'000	FY2017/18 S$'000
Key management personnel	1,410	1,348

16 OPERATING INCOME

	FY2018/19 S$'000	FY2017/18 S$'000
(a) Disaggregation of Revenue		
Types of services		
Agency fee from Ministry of Finance	450,974	434,547
Income from administration of government schemes	14,904	10,014
Income from property valuation related services	4,752	4,892
Others	2,212	3,548
	472,842	453,001
Timing of recognition		
Over time	455,119	438,346
At a point in time	17,723	14,655
	472,842	453,001
(b) Rental income	19,382	21,297
	492,224	474,298

17 MANPOWER

Included in the expenditure on Manpower is the following:

	FY2018/19 S$'000	FY2017/18 S$'000
CPF contributions for staff	27,532	27,755

18 SERVICE AND LEASE EXPENSES

Included in the expenditure on services and leases are the following:

	FY2018/19 S$'000	FY2017/18 S$'000
Data centre leasing charges	32,831	8,113
Infocomm technology outsourcing charges	30,478	30,417
Data centre operation charges	10,732	39,248
Computer equipment leasing charges	1,780	1,087
Audit fees:		
Audit of agency accounts	714	714
Audit of corporate accounts	376	376
Board members' allowances	203	212

19 NET INVESTMENT INCOME

	FY2018/19 S$'000	FY2017/18 S$'000
Income from Funds with fund managers:		
Fair value gain	5,943	11,162
Investment expenses	(40)	(40)
	5,903	11,122
Interest income:		
Deposits with Accountant-General's Department	2,361	2,339
Net investment income	8,264	13,461

Included in the fair value gain are gains arising from price movements of unquoted unit trusts classified as financial assets measured at fair value through profit or loss.

20 DIVIDENDS

	FY2018/19 S$'000	FY2017/18 S$'000
Dividend paid in respect of the previous financial year	783	16,203
Special dividend	-	110,000
	783	126,203

The dividend of S$783,000 (FY2017/18: S$16,203,000) was made in accordance with the Capital Management Framework for Statutory Boards outlined in Finance Circular Minute No. M26/2008.

21 COMMITMENTS

21.1 Capital Commitments

Capital expenditure approved and contracted for by the Authority as at the financial year-end but not recognised in the financial statements are as follows:

	FY2018/19 S$'000	FY2017/18 S$'000
Development Projects approved and contracted for	31,675	27,313

21.2 Operating Lease Commitments – where the Authority is the lessor

The future minimum lease receivables under non-cancellable operating leases contracted for at the financial year-end but not recognised as receivables, are as follows:

	FY2018/19 S$'000	FY2017/18 S$'000
Related parties		
- Not later than 1 year	6,309	16,204
- Later than 1 year but not later than 5 years	87	6,126
Non-related parties		
- Not later than 1 year	548	299
- Later than 1 year but not later than 5 years	384	37
	7,328	22,666

The Authority leased part of its office building to tenants under operating leases. The leases typically run for a period of 1 to 3 years, with an option to renew the lease on expiry. None of the leases include contingent rental.

21.3 Operating Lease Commitments – where the Authority is the lessee

The future minimum lease payables under non-cancellable operating leases contracted for at the financial year-end but not recognised as liabilities, are as follows:

	FY2018/19 S$'000	FY2017/18 S$'000
Not later than 1 year	38,545	31,512
Later than 1 year but not later than 5 years	113,846	140,979
Later than 5 years	-	6,069
	152,391	178,560

The operating lease commitments above relate to leasing of data centre facilities and computers. These leases have tenures ranging from two to five years. The Authority has an option to extend the lease for data centre facilities for up to 10 years.

With the adoption of SB-FRS 116 in FY2019/20, some of the assets leased under the contracts included in the above operating lease commitments will be recognised as a right-of-use asset, with a corresponding lease liability. The effects of SB-FRS 116 are described in Note 2.15.

22 TAX ACADEMY OF SINGAPORE

The Authority incorporated the Tax Academy of Singapore (the Academy) on 2 August 2006 as a company limited by guarantee to an amount not exceeding S$1.00, and is the sole member of the Academy. The principal objects of the Academy are to promote education, research and information exchange in the field of taxation and other related fields of knowledge, for the purposes of educating the public, raising the overall competency of tax professionals for the benefit of the public and raising the vibrancy of the tax community in Singapore or elsewhere, providing taxation-related training for policymakers and tax administrators in Singapore and abroad, and serving as a strategic tool for engagement with foreign tax officials from the region.

The financial transactions of the Academy, a subsidiary of the Authority, are not consolidated as they are immaterial. The summarised financial information of the Academy, audited by Crowe Horwath First Trust LLP (the comparative information was audited by RSM Chio Lim LLP), are as follows:

	FY2018/19 S$'000	FY2017/18 S$'000
Assets	3,161	3,191
Liabilities	372	478
Revenue	1,935	2,339
Total comprehensive income	75	334

23 RELATED PARTY TRANSACTIONS

23.1 Significant Related Party Transactions

In addition to the information disclosed elsewhere in the financial statements, the significant transactions that took place between the Authority and related parties on terms agreed between the parties during the financial year are as follows:

	FY2018/19 S$'000	FY2017/18 S$'000
Ministry of Finance		
- Agency fee income	450,974	434,547
- Rental income	7,285	7,285
- Reimbursement of service costs incurred	3,304	3,262
- Procurement of services	(8,422)	(8,910)
Other Ministries and Statutory Boards		
- Rental income	9,121	10,978
- Other income	6,910	3,062
- Procurement of services	(8,530)	(5,176)

23.2 Significant Related Party Account Balances

In addition to the information disclosed elsewhere in the financial statements, the significant account balances as at 31 March that the Authority has in relation to related parties are as follows:

	FY2018/19 S$'000	FY2017/18 S$'000
Ministry of Finance		
- Trade receivables	30,438	29,203
Other Ministries and Statutory Boards		
- Trade payables	(813)	(857)

23.3 Key Management Personnel Compensation

Key management personnel compensation during the financial year is as follows:

	FY2018/19 S$'000	FY2017/18 S$'000
Salaries and other short-term employee benefits	9,222	10,760
CPF contribution	632	750
Post-employment benefits	54	69
Other long-term benefits	4	3
	9,912	11,582

The Commissioner of Inland Revenue/Chief Executive Officer, Deputy Commissioners, Assistant Commissioners, and Chief Legal Officer are considered as key management personnel.

24 FINANCIAL RISK MANAGEMENT

The Authority's activities expose it to interest rate risk, currency risk, price risk, credit risk, liquidity risk and capital risk. The Authority's overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on the Authority's financial performance. The Authority invests its surplus funds to meet future capital replacements. To meet this objective, the Authority seeks to achieve capital preservation and optimise investment returns at acceptable risk levels through adequate risk diversification.

The funds are placed in unit trusts that are managed by the fund managers appointed under the Accountant-General's Department's Demand Aggregate Schemes for Fund Management Services. The appointed fund managers are given discretion in managing the funds, subject to the investment guidelines set out in the tender specifications of the scheme. The Authority's investment policies are approved by the Board.

24.1 Interest Rate Risk

The exposure to risk of changes in interest rates relates primarily to interest-bearing assets and deposits with Accountant-General's Department (AGD). The interest rates are based on deposit rates determined by the financial institutions with which the cash are deposited and are expected to move in tandem with market interest rate movements.

The Authority does not have any significant exposure to interest rate risk as at the financial year-end.

24.2 Currency Risk

The Authority is not exposed to significant foreign currency risk as the monetary assets and liabilities of the Authority are denominated primarily in Singapore dollars.

24.3 Price Risk

The Authority is exposed to price risk arising from the investments in unit trusts. The price risk is the potential loss in fair value resulting from the decrease in the net asset value of the unit trusts.

If prices of the unit trusts change by 5% with all other variables remaining constant, the impact on the Authority's surplus for the financial year will be as follows:

	FY2018/19 **S$'000**	**FY2017/18** **S$'000**
+5%	20,085	19,850
–5%	(20,085)	(19,850)

24.4 Credit Risk

The Authority's exposure to credit risk arises from deposits with AGD, trade and other receivables and funds with fund managers. The maximum exposure at the end of the financial year is the carrying amount of these assets as indicated.

Credit risks on trade and other receivables are disclosed in Note 9. Deposits with AGD are placed with high credit quality financial institutions. Funds for investments are placed in unit trusts that are managed by licensed and reputable fund managers.

Based on an assessment of qualitative and quantitative factors that are indicative of the risk of default, the exposure to credit risk arising from deposits with AGD, and Trade and other receivables are low. Therefore, the Authority determined that no impairment allowance is necessary.

24.5 Liquidity Risk

The Authority monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Authority's operations. The funds placed in unit trusts can be liquidated readily when required. The Authority does not have a significant exposure to liquidity risk as at the financial year-end.

24.6 Capital Risk

The Authority manages its capital to ensure it will be able to continue as a going concern while fulfilling its objective as a statutory board. The capital structure of the Authority consists of share capital and accumulated surplus. There were no changes in the capital management approach during the financial year. The Authority is not subject to externally imposed capital requirements, except for the Capital Management Framework for Statutory Boards outlined in Finance Circular Minute No. M26/2008.

24.7 Fair Value Measurements

The carrying amounts of current financial assets and liabilities carried at amortised cost approximate their respective fair value due to the relative short term maturity.

The Authority measures fair value of its financial assets using the following fair value hierarchy that reflects the significance of the inputs used in the measurements:

(a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
(b) Level 2: valuation techniques based on observable inputs, either directly (that is, as prices) or indirectly (that is, derived from prices); and
(c) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

In infrequent circumstances where a valuation technique for financial instruments is based on significant unobservable inputs, such instruments will be included in Level 3.

The following table presents the financial assets measured at fair value and classified by level of fair value measurement hierarchy:

	Level 1 S$'000	**Level 2 S$'000**	**Level 3 S$'000**	**Total S$'000**
Unquoted unit trusts at fair value				
As at 31 March 2019	-	401,696	-	401,696
As at 31 March 2018	-	397,013	-	397,013

The fair values of the unquoted unit trusts are derived based on the valuations obtained from fund managers.

There were no transfers between the levels during the financial year.

25 AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements were authorised for issue by the Board of the Authority on 24 June 2019.