financial report

five-year financial summary

	FY2003/04	FY2004/05	FY2005/06	FY2006/07	FY2007/08
Income and Expenditure (S$' million)					
Operating Income	189.7	204.0	224.0	248.3	**295.9**
Operating Expenditure (includes depreciation and amortisation)	166.6	183.3	184.0	189.1	**223.8**
Manpower Costs	106.6	108.6	101.7	109.5	**131.8**
Depreciation and Amortisation	14.0	19.1	23.8	28.0	**28.1**
Other Operating Expenditure	46.0	55.6	58.5	51.6	**63.9**
Operating Surplus	23.1	20.7	40.0	59.2	**72.1**
Investment Income	42.5	35.7	18.5	25.0	**17.1**
Investment Expense	2.1	2.5	0.9	1.1	**1.7**
Net Investment Income	40.4	33.2	17.6	23.9	**15.4**
Surplus before Contribution to Government Consolidated Fund	68.3	53.9	57.6	83.1	**87.5**
Capital Expenditure (S$' million)	84.4	48.0	27.9	19.9	**33.8**
Balance Sheet (S$' million)					
Total Equities	572.2	471.4	531.2	597.8	**668.8**
Total Liabilities*	89.6	182.5	175.4	190.0	**207.7**
Total Assets	916.9	653.9	706.6	787.8	**876.5**
Tax Revenue (S$' million)	16,528	17,948	19,861	22,863	**29,113**
Cost per Dollar of Tax Collected (Cent)**	1.01	1.02	0.93	0.83	**0.77**
Cost per Taxpayer (S$)**	54.2	60.6	64.7	67.8	**78.0**

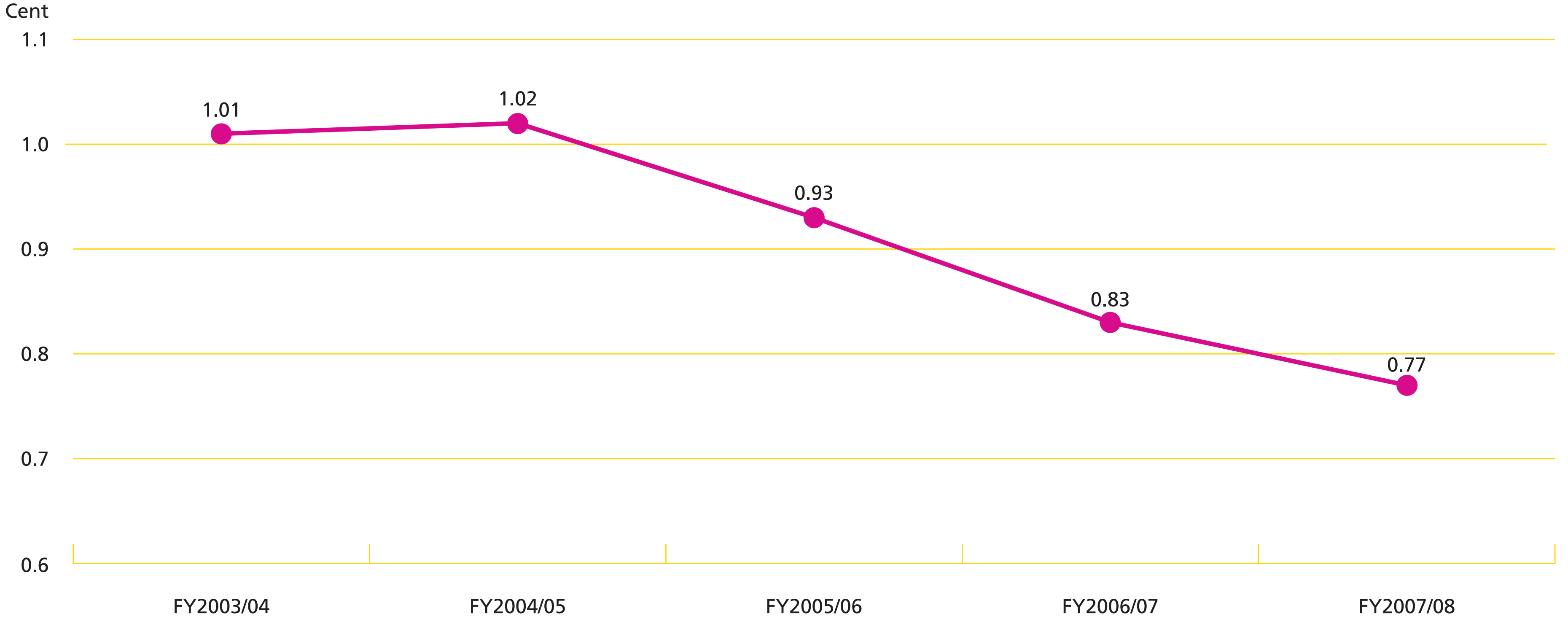
* Exclude Deferred Capital Grants - Government

** All Costs are Costs before Contribution to Government Consolidated Fund

COST PER DOLLAR OF TAX COLLECTED

IRAS aims to keep its cost per dollar of tax competitive vis-à-vis the other tax administrations. This aim is met with IRAS' average cost per dollar of tax collected over 5 years being well managed at below 1 cent. FY2007/08's cost per dollar of tax collected was much lower than last year's. The decrease was mainly due to higher tax collections by 27% compared to an 18% increase in operating costs.

COST PER DOLLAR OF TAX COLLECTED



financial review

FINANCIAL RESULTS

INCOME

Our operating surplus for FY2007/08 has increased by S$12.9 million or 22% to S$72.1 million. The increase is mainly attributable to an increase of S$47.6 million in operating income from agency fee as tax collection increased from S$22,863 million in FY2006/07 to S$29,113 million in FY2007/08.

The investment income of S$17.1 million (FY2006/07: S$25.0 million) consists of interest earned from fixed deposits and bonds, dividends and capital gains from our equities and bonds portfolios.

OPERATING EXPENDITURE

Operating expenditure for FY2007/08 has increased by S$34.7 million to S$223.8 million.

We classify our operating expenditure into 3 main components: (i) Staff Cost, (ii) Information and Technology and (iii) Maintenance and Facilities. Staff Cost accounts for 61% of total operating expenditure (FY2006/07: 60%), followed by Information and Technology at 28% (FY2006/07: 30%) and Maintenance and Facilities at 9% (FY2006/07: 8%).

Staff Cost consists of manpower costs, staff welfare and training costs. As compared to the previous year, Staff Cost has increased by 21% to S$136.8 million. This increase is mainly due to organisation-wide salary revision, which took effect from 1 April 2007, and higher bonus payout to keep our remuneration competitive.

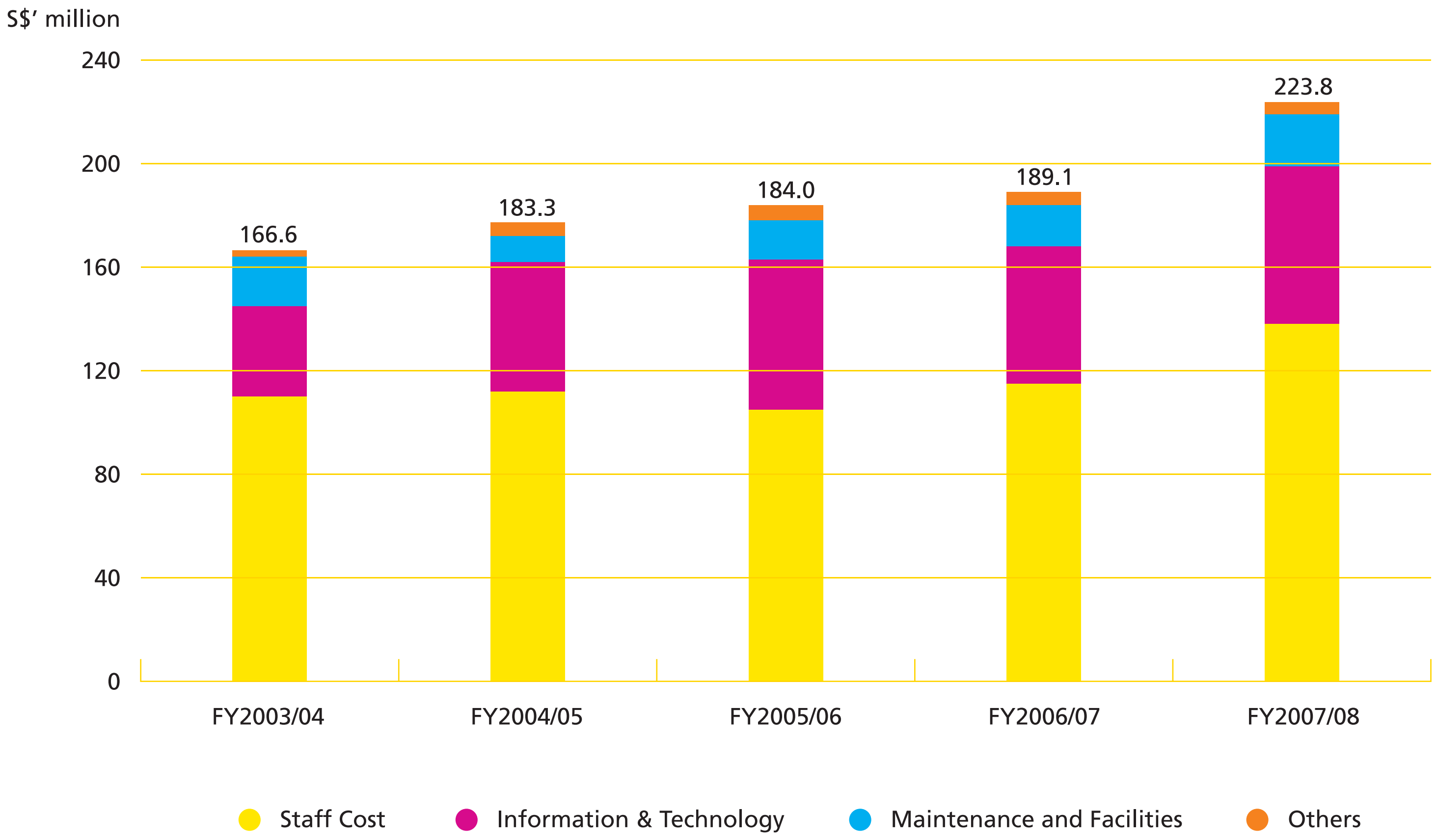
Information and Technology, comprising IT resources, depreciation of computer hardware and amortisation of computer software, continues to be the second highest cost component of IRAS operating costs. Expenditure on Information and Technology has increased by 11% to S$62.7 million. The increase is largely due to additional mainframe computing resources acquired to improve the performance of our tax computer system, Inland Revenue Interactive Network (IRIN) and, the upgrade of monitors from CRT to LCD as part of the IT infrastructure upgrade.

The third main cost component is Maintenance and Facilities. Cost has increased in FY2007/08 by 31% to S$19.1 million. We incurred additional costs on building maintenance as contracts are renewed at higher prices. Moreover, there is significant increase in property tax due to the upward revision of the annual value of Revenue House. The higher consumption together with the increase in utilities rates have contributed to the increase as well.

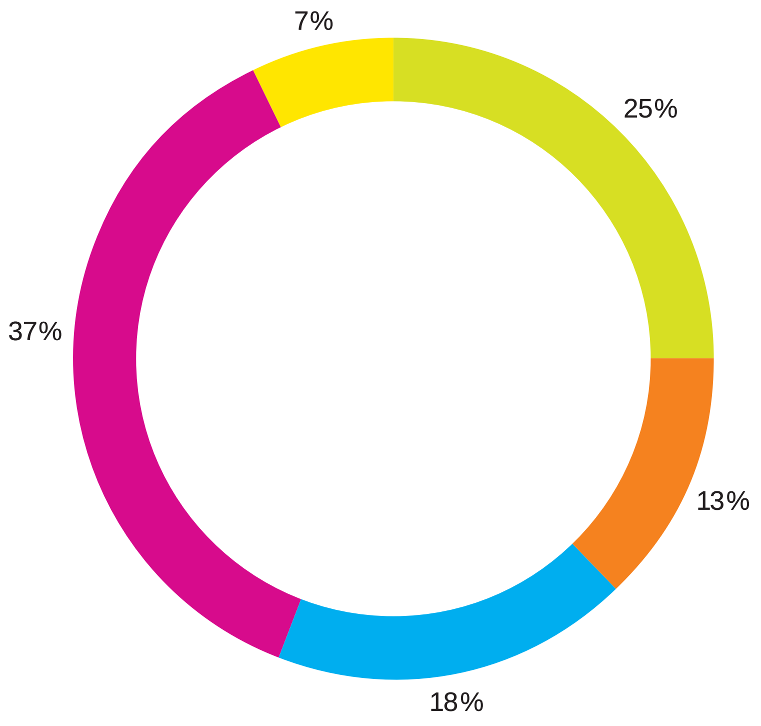
CAPITAL EXPENDITURE

Capital expenditure incurred for the year was S$33.8 million (FY2006/07: S$19.9 million). Of the S$33.8 million, S$32.7 million was spent on development projects while the balance S$1.1 million was spent on replacement of assets. Out of the S$32.7 million spent on development projects, S$21.8 million or 67% was expended on space rationalisation and Information, Communication & Technology infrastructure upgrade project. We achieve better utilisation of space for greater efficiency, free up office space for leasing and leverage on the improved infrastructure to ride on future technologies and enhance staff productivity through the space rationalisation project. The space rationalisation project is expected to be completed in FY2008/09. Expenditure on IRIN system accounted for S$9.1 million or 28% of the total capital expenditure. The development work is mainly related to the minor tax types and is expected to be completed by FY2008/09.

OPERATING EXPENDITURE OVER 5 YEARS



EXPENDITURE BREAKDOWN BY FUNCTION - FY2007/08



Individual Group
- **S$54.0 million (25%)**
- Individual Income Tax Division (20%)
- Taxpayer Services Division (5%)

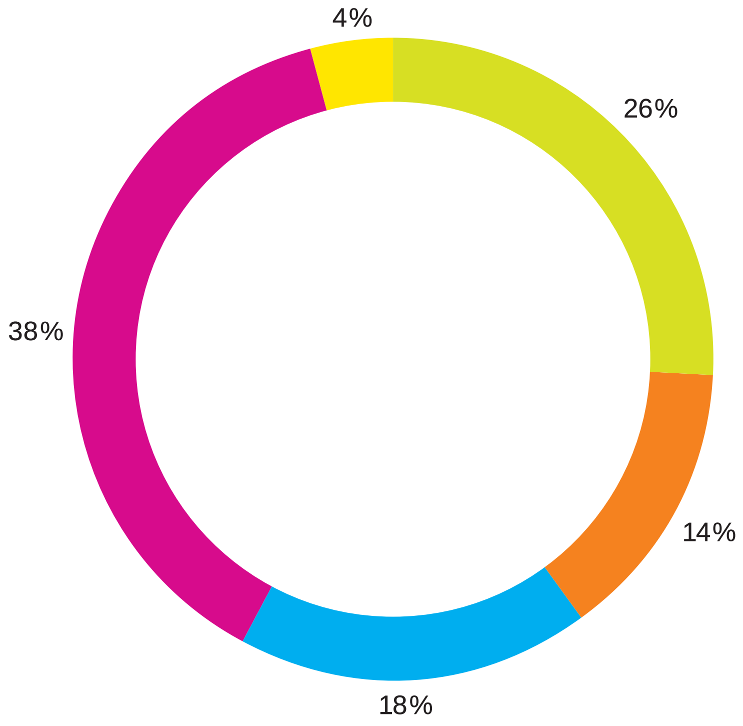
Business Group
- **S$30.1 million (13%)**
- Corporate Tax Division (12%)
- Tax Policy and International Tax Division (1%)

Goods and Services Tax and Property Group
- **S$40.9 million (18%)**
- Property Tax Division (10%)
- Goods and Services Tax Division (8%)

Centralised Service and Corporate Group
- **S$82.5 million (37%)**
- Accounting and Processing Division (12%)
- Corporate Services Division (9%)
- Enforcement Division (9%)
- Corporate Development Division (3%)
- Investigation and Intelligence Division (3%)
- Law Division (1%)

Infocomm Group
- **S$16.3 million (7%)**
- Infocomm Division (7%)

EXPENDITURE BREAKDOWN BY FUNCTION - FY2006/07



Individual Group
- **S$48.8 million (26%)**
- Individual Income Tax Division (21%)
- Taxpayer Services Division (5%)

Business Group
- **S$26.6 million (14%)**
- Corporate Tax Division (13%)
- Tax Policy and International Tax Division (1%)

Goods and Services Tax and Property Group
- **S$35.0 million (18%)**
- Property Tax Division (10%)
- Goods and Services Tax Division (8%)

Centralised Service and Corporate Group
- **S$71.7 million (38%)**
- Accounting and Processing Division (11%)
- Corporate Services Division (11%)
- Enforcement Division (10%)
- Investigation and Intelligence Division (3%)
- Corporate Development Division (2%)
- Law Division (1%)

Infocomm Group
- **S$7.0 million (4%)**
- Infocomm Division (4%)

FINANCIAL POSITION

As at 31 March 2008, our total assets increased by S$88.7 million or 11% to S$876.5 million. Fixed assets, intangible assets, development projects-in-progress and investments accounted for 94% of the total assets (FY2006/07: 93%).

While total liabilities increased by S$17.7 million or 9% to S$207.7 million, our equity position reflected an improvement of S$71.0 million. As at 31 March 2008, our equities amounted to S$668.8 million (FY2006/07: S$597.8 million). Equities are made up of accumulated surplus (FY2007/08: S$667.8 million, FY2006/07: S$596.1 million), share capital (FY2007/08: S$1.0 million, FY2006/07: S$1.0 million) and fair value reserve (FY2007/08: nil, FY2006/07: S$0.7 million). The improved equity position is largely attributable to the favourable financial performance, which led to a net surplus of S$71.7 million in FY2007/08.

Of the S$667.8 million in the accumulated surplus, S$441.9 million (66%) had already been utilised and committed for capital expenditure. While S$380.6 million had been utilised for the purchase of fixed assets, intangible assets, development projects-in-progress and other non-current assets, S$61.3 million was committed for capital expenditure. The balance surplus fund is retained to meet our future capital replacements and as a contingency buffer for operations.

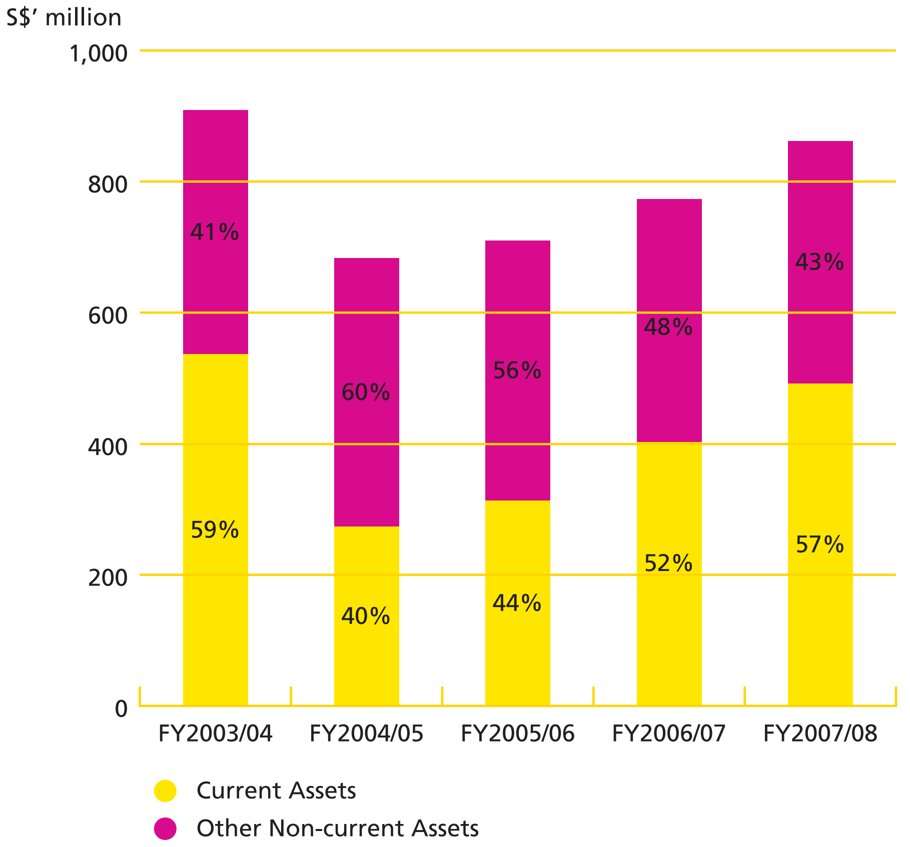
The investment position as at 31 March 2008 was S$443.9 million. It comprised fixed deposits of S$58.2 million and funds managed by fund managers of S$385.7 million.

These funds are placed out with fund managers to invest in bonds and equities with a medium-term horizon. The funds that are set aside to meet our daily operating expenditure are placed in short-term fixed deposits to maintain liquidity.

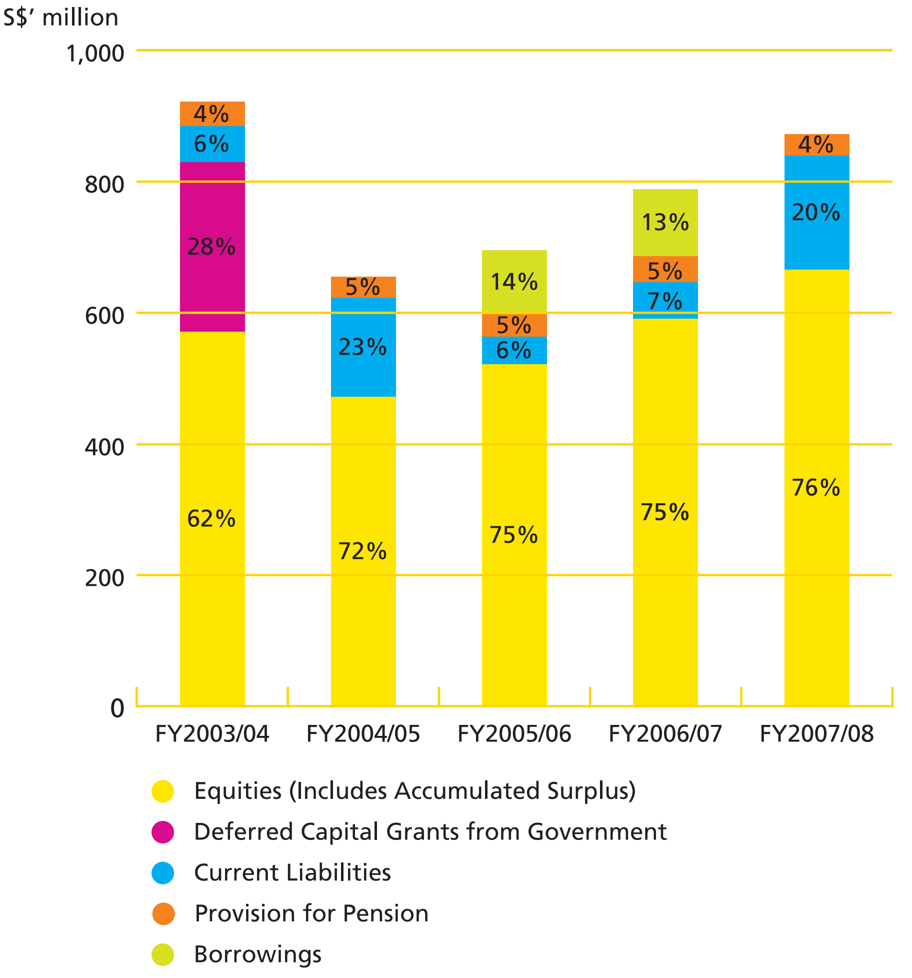
IRAS issued a 3-year S$100 million Fixed Rate Note in June 2005. The Note is due for redemption in June 2008. Our cost of capital rate for FY2007/08 is 3.8%. IRAS has a pension provision that is set aside for future payment to pensionable staff upon their retirement. As at 31 March 2008, the pension provision stood at S$33.1 million, compared with S$35.8 million as at 31 March 2007.

There is an overall net cash outflow of S$40.2 million during the year ended 31 March 2008. This is mainly due to increase in placement of funds with the fund managers. Net cash generated from operating activities amounted to S$104.1 million.

TOTAL ASSETS



TOTAL LIABILITIES AND EQUITIES



value added statement

Total value added available for distribution increased by S$30.5 million or 13.5% to S$256.4 million in the financial year. Employees shared S$136.8 million or 53% in the form of salaries and other staff benefits. IRAS paid S$15.7 million or 6% to the Government Consolidated Fund. A sum of S$99.8 million, comprising depreciation and amortisation (S$28.1 million) and surplus (S$71.7 million), was retained for re-investment and future growth.

	FY2003/04 S$'000	FY2004/05 S$'000	FY2005/06 S$'000	FY2006/07 S$'000	FY2007/08 S$'000
Income from Operations	189,692	203,978	223,958	248,154	**295,807**
Less: Purchase of Goods and Services	41,255	50,951	53,330	46,255	**54,816**
Gross Value Added	148,437	153,027	170,628	201,899	**240,991**
Net Investment Income	40,359	33,261	17,591	23,849	**15,360**
Effect of Adopting FRS 39	-	-	13,111	-	**-**
Gain on Sale of Fixed Assets	29	14	40	177	**78**
Bad Debts	-	(3)	-	(4)	**-**
Exchange Gain / (Loss)	(9)	(7)	(2)	(1)	**1**
Total Value Added Available for Distribution	188,816	186,292	201,368	225,920	**256,430**
Applied as follows:					
To Employees					
- Salaries and Other Staff Costs	110,100	111,647	105,132	113,184	**136,844**
To Government					
- Contribution to Consolidated Fund	15,036	10,790	11,518	16,615	**15,737**
- Property Tax	1,231	1,543	1,704	1,676	**4,034**
- Return of Surplus	55,000	144,919	-	-	**-**
Retained for Re-investment and Future Growth					
- Depreciation and Amortisation	13,961	19,154	23,831	27,986	**28,122**
- Surplus / (Deficit)	(6,512)	(101,761)	59,183	66,459	**71,693**
Total Value Added	188,816	186,292	201,368	225,920	**256,430**

INDICATORS

	FY2003/04	FY2004/05	FY2005/06	FY2006/07	FY2007/08
Employees					
Number	1,688*	1,494*	1,494*	1,410*	**1,580***
Manpower Costs (S$'000)	106,601	108,586	101,662	109,489	**131,800**
Productivity					
Value Added per Employee (S$'000)	111.9	124.7	134.8	160.2	**162.3**
Operating Income per Employee (S$'000)	112.4	136.5	149.9	176.0	**187.2**
Value Added per S$ of Manpower Costs	1.77	1.72	1.98	2.06	**1.95**
Value Added per S$ of Investment in Fixed Assets and Intangible Assets (before depreciation and amortisation)	0.40	0.33	0.35	0.36	**0.41**
Value Added per S$ of Operating Income	1.00	0.91	0.90	0.91	**0.87**
Profitability					
Surplus after Contribution to Government Consolidated Fund (S$'000)	53,309	43,158	46,072	66,459	**71,693**
Return on Operating Income	28.1%	21.2%	20.6%	26.8%	**24.2%**
Return on Average Total Assets	5.9%	5.5%	6.8%	8.9%	**8.6%**
Return on Average Accumulated Surplus	9.3%	8.3%	9.2%	11.8%	**11.3%**

* Exclude 73 officers employed for the development project work (FY2006/07: 190, FY2005/06: 205, FY2004/05: 189 and FY2003/04: 113).

statement by the members of the board

OF THE INLAND REVENUE AUTHORITY OF SINGAPORE FOR THE YEAR ENDED 31 MARCH 2008

In our opinion, the financial statements of the Inland Revenue Authority of Singapore as set out on pages 88 to 109 are drawn up in accordance with the provisions of the Inland Revenue Authority of Singapore Act (Cap. 138A, 1993 Revised Edition) and Statutory Board Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Authority as at 31 March 2008, and the results, changes in equity and cash flows of the Authority for the year ended on that date.

On behalf of the Board

Teo Ming Kian
Chairman
Singapore

Moses Lee
Commissioner of Inland Revenue
Singapore

25 June 2008

report on the audit of the financial statements

OF THE INLAND REVENUE AUTHORITY OF SINGAPORE FOR THE YEAR ENDED 31 MARCH 2008

The accompanying financial statements of the Inland Revenue Authority of Singapore ("the Authority"), set out on pages 88 to 109, have been audited under my directions and in accordance with the provisions of the Inland Revenue Authority of Singapore Act (Cap. 138A, 1993 Revised Edition) ["the Act"]. These financial statements comprise the balance sheet as at 31 March 2008, the income and expenditure statement, statement of changes in equity and cash flow statement of the Authority for the year then ended, and a summary of significant accounting policies and other explanatory notes.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The management is responsible for the preparation and fair presentation of these financial statements in accordance with the Act and Statutory Board Financial Reporting Standards. This responsibility includes:

a) Designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error;
b) selecting and applying appropriate accounting policies; and
c) making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

My responsibility is to express an opinion on these financial statements based on the audit. The audit was conducted in accordance with the Act and Singapore Standards on Auditing. Those standards require that ethical requirements be complied with, and that the audit be planned and performed to obtain reasonable assurance as to 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the entity's management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

OPINION

In my opinion,

a) the financial statements are properly drawn up in accordance with the provisions of the Act and Statutory Board Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Authority as at 31 March 2008, and the results, changes in equity and cash flows of the Authority for the year ended on that date;
b) proper accounting and other records have been kept, including records of all assets of the Authority whether purchased, donated or otherwise; and
c) the receipts, expenditure, investment of moneys and the acquisition and disposal of assets by the Authority during the financial year have been in accordance with the provisions of the Act.

Lim Soo Ping
Auditor-General
Singapore
25 June 2008

balance sheet

AS AT 31 MARCH 2008

	Note	FY2007/08 S$'000	FY2006/07 S$'000
Share capital	3.1	**1,000**	1,000
Accumulated surplus		**667,782**	596,089
Fair value reserve	3.2	**-**	722
		668,782	597,811
Represented by:			
Non-current assets			
Fixed assets	4	**256,706**	244,255
Intangible assets	5	**105,947**	127,536
Development projects-in-progress	6	**17,866**	5,974
Other investments	7	**-**	4,025
Other non-current assets	8	**34**	23
		380,553	381,813
Current assets			
Funds with fund managers	9	**385,671**	252,238
Debtors	11	**43,946**	47,323
Prepayments		**5,047**	4,900
Fixed deposits	12	**58,253**	96,492
Cash and bank balances	12	**3,009**	5,019
		495,926	405,972

	Note	FY2007/08 S$'000	FY2006/07 S$'000
Less:			
Current liabilities			
Creditors and accruals	13	**55,531**	33,653
Advances and deposits		**3,354**	3,956
Provision for contribution to Government Consolidated Fund	14	**15,737**	16,615
Borrowings	15	**99,995**	-
		174,617	54,224
Net current assets		**321,309**	351,748
Less:			
Non-current liabilities			
Borrowings	15	**-**	99,962
Provision for pension	16	**33,080**	35,788
		33,080	135,750
		668,782	597,811

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

income and expenditure statement

FOR THE YEAR ENDED 31 MARCH 2008

	Note	FY2007/08 S$'000	FY2006/07 S$'000
Operating income			
Agency fee		**275,901**	231,013
Other income		**19,983**	17,318
		295,884	248,331
Less:			
Operating expenditure			
Manpower	17	**131,800**	109,489
Services	18	**35,708**	30,927
Depreciation and amortisation	4, 5	**28,122**	27,986
Utilities and communication		**6,893**	5,604
Staff welfare and training		**5,044**	3,695
Maintenance of building and equipment		**4,984**	4,199
Property tax		**4,034**	1,676
Office and other supplies		**4,018**	2,376
Interest expense		**2,333**	2,332
Public relations		**667**	389
General expenses		**211**	433
		223,814	189,106

	Note	FY2007/08 S$'000	FY2006/07 S$'000
Operating surplus		**72,070**	59,225
Non-operating income			
Net investment income	19	**15,360**	23,849
Surplus for the year before contribution to Government Consolidated Fund		**87,430**	83,074
Less:			
Contribution to Government Consolidated Fund	14	**15,737**	16,615
Net surplus for the year		**71,693**	66,459

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

statement of changes in equity

FOR THE YEAR ENDED 31 MARCH 2008

	Note	Share Capital S$'000	Accumulated Surplus S$'000	Fair Value Reserve S$'000	Total S$'000
Balance as at 1 April 2006		1,000	529,630	622	531,252
Net fair value changes on available-for-sale financial assets		-	-	100	100
Net surplus for the year		-	66,459	-	66,459
Balance as at 31 March 2007		**1,000**	**596,089**	**722**	**597,811**
Reduction in fair value reserve on disposal of available-for-sale financial assets	3.2	-	-	(722)	(722)
Net surplus for the year		-	71,693	-	71,693
Balance as at 31 March 2008		**1,000**	**667,782**	**-**	**668,782**

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

cash flow statement

FOR THE YEAR ENDED 31 MARCH 2008

	Note	FY2007/08 S$'000	FY2006/07 S$'000
Cash flows from operating activities			
Agency fee and other income received		**298,959**	222,549
Cash paid to employees and suppliers		**(178,226)**	(151,303)
Contribution to Government Consolidated Fund		**(16,615)**	(14,796)
Net cash from operating activities		**104,118**	56,450
Cash flows from investing activities			
Proceeds from sale of fixed assets		**78**	177
Interest income received		**1,774**	2,752
Payment for purchase of fixed assets and intangible assets		**(1,275)**	(839)
Net proceeds from sale of investments		**3,303**	92
Additional funds placed with fund managers		**(120,000)**	-
Expenditure incurred for development projects		**(25,947)**	(16,788)
Net cash used in investing activities		**(142,067)**	(14,606)
Cash flows from financing activities			
Interest paid		**(2,300)**	(2,300)
Net cash used in financing activities		**(2,300)**	(2,300)
Net (decrease) / increase in cash and cash equivalents		**(40,249)**	39,544
Cash and cash equivalents as at beginning of the year		**101,511**	61,967
Cash and cash equivalents as at end of the year	12	**61,262**	101,511

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

notes to the financial statements

31 MARCH 2008

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 is established under the Inland Revenue Authority of Singapore Act (Cap. 138A, 1993 Revised Edition) and is under the purview of the Ministry of Finance.

The Authority acts as the agent of the Government of Singapore in administering, assessing, collecting and enforcing payment of income tax, property tax, goods and services tax, estate duty, stamp duty, betting duty, private lotteries duty 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 and other government agencies.

The office of the Authority is located at 55 Newton Road, Revenue House, Singapore 307987.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

Under the Accounting Standards Act (No. 39 of 2007) which came into operation on 1 November 2007, the Accountant-General was appointed as the legal authority to prescribe accounting standards for statutory bodies.

The Accountant-General has on 11 March 2008 issued the Statutory Board Financial Reporting Standards (SB-FRS) (http://www.assb.gov.sg/) which take effect retrospectively. The Act requires the financial statements of statutory bodies to be prepared in accordance with these accounting standards.

In line with the above, the financial statements of the Authority have been prepared in accordance with the provisions of the Inland Revenue Authority of Singapore Act (Cap. 138A, 1993 Revised Edition) and the SB-FRS. The adoption of the SB-FRS in place of the Singapore Financial Reporting Standards (SFRS) applied previously does not have any material impact on the accounting policies and figures presented in the financial statements for the financial year ended 31 March 2008. The SB-FRS are equivalent to the SFRS except that certain related party disclosures are optional. As the Authority continues to make the related party disclosures that are now optional, this difference between SB-FRS and SFRS has no material impact on the financial statements of the Authority.

The financial statements are presented in Singapore dollars (S$), which is also the functional currency. They are prepared under the historical cost convention except for certain financial assets and liabilities which are stated at fair value.

The preparation of the financial statements in conformity with SB-FRS requires management to make judgments, estimates and assumptions that affect the application of 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.

2.2 Fixed Assets

(a) Measurement

Fixed assets acquired by the Authority are stated at cost less accumulated depreciation and impairment losses.

(b) Depreciation

Depreciation is calculated on a straight-line basis to write off the cost of the fixed assets over their estimated useful lives as follows:

	Estimated Useful Life
Leasehold Land	Remaining lease period
Building	50 years
Computer Hardware	3 to 8 years
Office Equipment	5 years
Furniture & Fittings	5 years
Motor Vehicles	7 years
Building Systems & Improvements	5 to 20 years

Fixed assets costing less than S$2,000 are charged to the Income and Expenditure Statement in the year of purchase.

(c) Subsequent expenditure

Subsequent expenditure relating to fixed assets 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 during the financial year in which it is incurred.

(d) Disposal

On disposal of a fixed asset item, the difference between the net disposal proceeds and its carrying amount is taken to the Income and Expenditure Statement.

2.3 Intangible Assets

Computer software including software development costs 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.

Computer software is stated at cost less accumulated amortisation and impairment losses. These costs are amortised using the straight-line method over their estimated useful lives of 3 to 8 years. Computer software costing less than S$2,000 are charged to the Income and Expenditure Statement in the year of purchase.

2.4 Impairment of Fixed Assets and Intangible Assets

Assets are reviewed for impairment at each balance sheet date whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the Income and Expenditure Statement.

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. The reversal is recognised in the Income and Expenditure Statement. However, the increased carrying amount of an asset due to a reversal of an impairment loss is recognised to the extent it does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment losses been recognised for that asset in prior years.

2.5 Investments in Financial Assets

(a) Classification

The Authority classifies its investments in financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date, with the exception that the designation of financial assets at fair value through profit or loss is not revocable.

(i) Financial assets at fair value through profit or loss

This category has 2 sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or if so designated by management. Derivatives are also categorised as held for trading. Hedge accounting is not adopted by the Authority.

Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months after the balance sheet date.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Authority provides money, goods or services directly to a debtor with no intention of trading the receivable. Loans and receivables that are due within 12 months after the balance sheet date are classified as current assets and included as Debtors in the Balance Sheet. For those that are due more than 12 months after the balance sheet date, they are classified as non-current assets.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates or equity prices.

(b) Recognition and derecognition

Purchases and sales of investments are recognised on trade-date – the date on which the Authority commits to purchase or sell the asset. Investments are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Authority has transferred substantially all risks and rewards of ownership.

(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

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Realised and unrealised gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" investment category are included in the Income and Expenditure Statement in the period in which they arise. Interest and dividend earned whilst holding trading assets are included in interest and dividend income respectively.

Unrealised gains and losses arising from changes in the fair value of investments classified as available-for-sale are recognised in the fair value reserve within equity. When investments classified as available-for-sale are sold or impaired, the accumulated fair value adjustments in the fair value reserve within equity are included in the Income and Expenditure Statement.

(e) Determination of fair value

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Authority is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the balance sheet date.

(f) Impairment

The Authority assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the investment below its cost is considered in determining whether the investments are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from the fair value reserve within equity and recognised in the Income and Expenditure Statement. Impairment losses recognised in the Income and Expenditure Statement on equity investments are not reversed through the Income and Expenditure Statement, until the equity investments are disposed of.

2.6 Debtors

Debtors including trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of debtors is established when there is objective evidence that the Authority will not be able to collect all amounts due according to the original terms of the receivables. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the allowance is recognised in the Income and Expenditure Statement.

2.7 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is taken to the Income and Expenditure Statement over the period of the borrowings using the effective interest method.

Borrowings which are due to be settled within 12 months after the balance sheet date are included in current borrowings in the Balance Sheet even though the original term was for a period longer than 12 months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the balance sheet date and before the financial statements are authorised for issue. Other borrowings due to be settled more than 12 months after the balance sheet date are included in non-current borrowings in the Balance Sheet.

Borrowing costs are recognised on a time-proportion basis in the Income and Expenditure Statement using the effective interest method.

2.8 Creditors and Accruals

Creditors and accruals including trade and other payables are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest method.

2.9 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.

2.10 Income Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Authority and the revenue can be measured reliably.

Agency fees and income from other services provided are recognised over the period in which the services are rendered.

Interest income is recognised on an accrual basis.

Dividend income is recognised when the shareholder's rights to receive payment is established.

2.11 Employee Benefits

Pension benefits for pensionable employees are provided based on the last drawn salary of the staff and the number of years of service with the Authority using the guidelines set out in the Pensions Act (Cap. 225, 2004 Revised Edition).

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

Employee entitlements to annual leave are recognised when they accrue to employees. Provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

2.12 Foreign Currencies

Transactions in foreign currencies are translated into Singapore dollars using exchange rates prevailing at the dates of transactions. Foreign currency monetary assets and liabilities are translated into the respective measurement currencies at exchange rates ruling at balance sheet date. All resultant exchange differences are recognised in the Income and Expenditure Statement.

Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the dates when the fair values were determined.

2.13 Operating Leases

Leases where the lessor effectively retains substantially all the risks and benefits 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.

3 SHARE CAPITAL AND RESERVE

3.1 Share Capital

The Authority issued the share certificate to the Minister for Finance, a body incorporated by the Minister for Finance (Incorporation) Act (Cap. 183, 1985 Revised Edition) on 22 November 2004 for 1 million shares at S$1.00 par value each.

3.2 Fair Value Reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale investments until the investment is derecognised.

The fair value reserve as at 31 March is made up of unrealised gains from the following available-for-sale investments:

	FY2007/08 S$'000	FY2006/07 S$'000
Unit trusts	-	720
Bonds	-	2
	-	722

4 FIXED ASSETS

4.1 Fixed Assets for FY2007/08

	Leasehold Land S$'000	Building S$'000	Computer Hardware S$'000	Office Equipment S$'000	Furniture & Fittings S$'000	Motor Vehicles S$'000	Building Systems & Improvements S$'000	Total S$'000
COST								
As at 1 April 2007	155,344	137,282	90,310	5,396	18,999	234	33,218	440,783
Additions	-	-	690	42	6	-	277	1,015
Transfer from Development projects-in-progress	-	-	796	-	-	-	16,473	17,269
Disposals	-	(11)	(7,568)	(529)	(2,625)	-	(7)	(10,740)
As at 31 March 2008	155,344	137,271	84,228	4,909	16,380	234	49,961	448,327
ACCUMULATED DEPRECIATION								
As at 1 April 2007	20,731	30,626	89,156	4,930	18,947	199	31,939	196,528
Depreciation	1,595	2,755	647	150	25	20	609	5,801
Disposals	-	(5)	(7,567)	(528)	(2,603)	-	(5)	(10,708)
As at 31 March 2008	22,326	33,376	82,236	4,552	16,369	219	32,543	191,621
NET BOOK VALUE								
As at 31 March 2008	133,018	103,895	1,992	357	11	15	17,418	256,706

4.2 Fixed Assets for FY2006/07

	Leasehold Land S$'000	Building S$'000	Computer Hardware S$'000	Office Equipment S$'000	Furniture & Fittings S$'000	Motor Vehicles S$'000	Building Systems & Improvements S$'000	Total S$'000
COST								
As at 1 April 2006	155,344	137,758	93,827	6,804	19,088	234	32,736	445,791
Additions	-	-	265	-	-	-	482	747
Transfer from Development projects-in-progress	-	-	759	373	-	-	-	1,132
Disposals	-	(476)	(4,541)	(1,781)	(89)	-	-	(6,887)
As at 31 March 2007	155,344	137,282	90,310	5,396	18,999	234	33,218	440,783
ACCUMULATED DEPRECIATION								
As at 1 April 2006	19,136	28,041	92,161	6,540	18,963	166	31,784	196,791
Depreciation	1,595	2,769	1,126	130	67	33	155	5,875
Disposals	-	(184)	(4,131)	(1,740)	(83)	-	-	(6,138)
As at 31 March 2007	20,731	30,626	89,156	4,930	18,947	199	31,939	196,528
NET BOOK VALUE								
As at 31 March 2007	134,613	106,656	1,154	466	52	35	1,279	244,255

5 INTANGIBLE ASSETS

	FY2007/08 S$'000	FY2006/07 S$'000
Cost		
As at 1 April	**180,379**	125,962
Additions	**102**	19
Transfer from Development projects-in-progress	**630**	58,095
Disposals	**(126)**	(3,697)
As at 31 March	**180,985**	180,379
Accumulated amortisation		
As at 1 April	**52,843**	33,416
Amortisation	**22,321**	22,111
Disposals	**(126)**	(2,684)
As at 31 March	**75,038**	52,843
Net book value as at 31 March	**105,947**	127,536

6 DEVELOPMENT PROJECTS-IN-PROGRESS

	FY2007/08 S$'000	FY2006/07 S$'000
Cost		
As at 1 April	**5,974**	46,935
Expenditure incurred	**32,726**	19,125
Transfer to Fixed assets and Intangible assets	**(17,899)**	(59,227)
Charged to Income and Expenditure Statement	**(2,935)**	(859)
As at 31 March	**17,866**	5,974

7 OTHER INVESTMENTS

	FY2007/08 S$'000	FY2006/07 S$'000
At fair value		
Unit trusts	**-**	2,720
Bonds	**-**	1,305
	-	4,025
Effective interest rates	**-**	5.0%

Financial instruments under Other investments are classified as available-for-sale financial assets.

8 OTHER NON-CURRENT ASSETS

	FY2007/08 S$'000	FY2006/07 S$'000
As at 1 April	**23**	114
Provision for impairment loss	**-**	(91)
Reversal of impairment loss	**11**	-
As at 31 March	**34**	23

A reversal of impairment loss was recognised as the recoverable amount of the non-current asset has exceeded its carrying amount.

9 FUNDS WITH FUND MANAGERS

	FY2007/08 S$'000	FY2006/07 S$'000
At fair value		
Bonds	**304,703**	159,665
Equities	**69,486**	87,213
Forward foreign exchange contracts (Note 10)	**(815)**	(23)
	373,374	246,855
Others		
Cash balances and deposits	**7,451**	4,037
Interest and other receivables	**27,425**	1,350
Other payables	**(22,579)**	(4)
	385,671	252,238

Investments under Funds with fund managers are classified as held for trading under the category "financial assets at fair value through profit or loss". The bonds and equities under Funds with fund managers are denominated in the following currencies:

	FY2007/08 S$'000	FY2006/07 S$'000
At fair value		
Bonds denominated in:		
US dollar	**154,779**	33,044
Japanese yen	**45,611**	14,318
Euro	**31,036**	20,080
Indonesian rupiah	**13,613**	-
Singapore dollar	**12,986**	70,478
British pound	**2,965**	17,830
Other currencies	**43,713**	3,915
	304,703	159,665
At fair value		
Equities denominated in:		
Singapore dollar	**16,844**	60,097
US dollar	**16,529**	4,304
Hong Kong dollar	**14,483**	9,224
Korean won	**8,613**	6,935
Malaysian ringgit	**5,177**	1,988
Other currencies	**7,840**	4,665
	69,486	87,213

10 FINANCIAL DERIVATIVES

The table below analyses the contractual or underlying principal amounts and the fair values of the derivative financial instruments held or issued for hedging purposes.

	FY2007/08 S$'000	FY2006/07 S$'000
Forward foreign exchange contracts (Note 9)		
- with positive fair values	**2,198**	187
- with negative fair values	**(3,013)**	(210)
	(815)	(23)

The principal amounts of the derivative financial instruments as at 31 March are as follows:

	FY2007/08 S$'000	FY2006/07 S$'000
Forward foreign exchange contracts	247,568	113,526

11 DEBTORS

	FY2007/08 S$'000	FY2006/07 S$'000
Trade receivables	**43,830**	46,997
Other receivables	**116**	326
	43,946	47,323

Concentrations of credit risk with respect to trade receivables are limited as the Authority's customers are mostly Governmental entities and Government-linked companies. Due to these factors, management believes that there is minimal credit risk in the Authority's trade receivables.

The carrying amounts of current trade and other receivables approximate their fair value. There is no impairment loss on trade receivables to be recognised.

12 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of Cash and bank balances and Fixed deposits. Cash and cash equivalents included in the Cash Flow Statement comprise the following amounts as shown in the Balance Sheet:

	FY2007/08 S$'000	FY2006/07 S$'000
Fixed deposits	**58,253**	96,492
Cash and bank balances	**3,009**	5,019
Cash and cash equivalents as at 31 March	**61,262**	101,511

The fixed deposits are placed on short-term tenure of varying maturities and interest rate terms with major banks in Singapore. Short-term bank fixed deposits as at 31 March 2008 have remaining maturities ranging from 7 days to 38 days (FY2006/07: 5 days to 60 days). The effective interest rates for fixed deposits held at the balance sheet date range from 0.88% - 1.88% (FY2006/07: 2.63% - 3.25%).

13 CREDITORS AND ACCRUALS

	FY2007/08 S$'000	FY2006/07 S$'000
Trade payables	**5,473**	2,237
Accrued interest payable on borrowings	**762**	762
Other accrual for operating expenses	**49,296**	30,654
	55,531	33,653

The carrying amounts of current trade and other payables approximate their fair value.

14 PROVISION FOR 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 18% (FY2006/07: 20%) of the surplus for the year.

15 BORROWINGS

On 1 June 2005, the Authority issued a 3-year S$100 million 2.3% Fixed Rate Note maturing on 1 June 2008. The effective interest rate of this borrowing is 2.33%.

16 PROVISION FOR PENSION

This represents the Authority's share of retirement benefits due to pensionable employees who were transferred from the Civil Service to the Authority when it was established, and gratuities for eligible employees.

	FY2007/08 S$'000	FY2006/07 S$'000
Balance as at 1 April	**38,810**	39,082
Amount provided during the year	**4,031**	5,976
	42,841	45,058
Amount paid during the year	**(6,247)**	(6,248)
Balance as at 31 March	**36,594**	38,810
Amount payable within 1 year	**(3,514)**	(3,022)
Amount payable after 1 year	**33,080**	35,788

The amount payable within 1 year is included in Creditors and accruals. Included in the balance as at 31 March is provision set aside for key management personnel as follows:

	FY2007/08 S$'000	FY2006/07 S$'000
Key management personnel	**2,859**	3,672

17 MANPOWER

Included in the expenditure on Manpower is the following:

	FY2007/08 S$'000	FY2006/07 S$'000
CPF contributions for staff	**12,821**	9,698

18 SERVICES

Included in the expenditure on Services are the following:

	FY2007/08 S$'000	FY2006/07 S$'000
Data centre charges	**21,032**	18,125
Information technology outsourcing charges	**9,834**	9,339
Audit fees: Audit of agency accounts	**354**	284
Audit of corporate accounts	**202**	168
Board members' allowances	**90**	59

19 NET INVESTMENT INCOME

	FY2007/08 S$'000	FY2006/07 S$'000
Interest income	**1,552**	3,009
Gain on sale of other investments	**735**	-
Net income from funds with fund managers:		
Interest income	**13,339**	5,956
Dividends	**3,121**	2,895
Net fair value change	**(1,670)**	13,125
Total investment income	**17,077**	24,985
Less: Investment expense	**(1,717)**	(1,136)
	15,360	23,849

Included in the net fair value change are gains or losses arising from market price and foreign currencies movements of financial instruments classified as "financial assets at fair value through profit or loss".

20 COMMITMENTS

20.1 Capital Commitments

Capital expenditures approved by the Authority as at the balance sheet date but not recognised in the financial statements are as follows:

	FY2007/08 S$'000	FY2006/07 S$'000
Approved and contracted for	**10,073**	4,955
Approved but not contracted for	**51,252**	53,303
	61,325	58,258

20.2 Operating Lease Commitments

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

	FY2007/08 S$'000	FY2006/07 S$'000
Not later than 1 year	**4,209**	2,382
Later than 1 year but not later than 5 years	**2,965**	1,920
	7,174	4,302

21 TAX ACADEMY OF SINGAPORE

The Authority incorporated the Tax Academy of Singapore on 2 August 2006 as a company limited by guarantee to an amount not exceeding S$1.00. The principal activity of the Academy is to provide education and related training in taxation.

The financial transactions of the Academy are not consolidated as they are immaterial. The summarised financial information of the Academy are as follows:

	FY2007/08 S$'000	FY2006/07 S$'000
Assets	**313**	149
Liabilities	**112**	114
Revenue	**847**	386
Net profit	**166**	35

22 RELATED PARTY TRANSACTIONS

22.1 Significant Related Party Transactions

The significant transactions that took place between the Authority and related parties in the normal course of business on terms agreed between the parties during the financial year are as follows:

	FY2007/08 S$'000	FY2006/07 S$'000
Agency fees from		
- Ministry of Finance	**275,901**	231,013
Other income from		
- Other Ministries and Statutory Boards	**12,430**	12,519

22.2 Significant Related Party Account Balances

The significant account balances as at 31 March that the Authority has in relation to related parties are as follows:

	FY2007/08 S$'000	FY2006/07 S$'000
Debtors		
- Ministry of Finance	**41,214**	44,324
Advances and deposits		
- Other Ministries and Statutory Boards	**2,351**	3,076

22.3 Key Management Personnel Compensation

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

	FY2007/08 S$'000	FY2006/07 S$'000
Salaries and other short-term employee benefits	**8,633**	6,919
Post-employment benefits	**288**	121
Other long-term benefits	**1**	3
	8,922	7,043

23 FINANCIAL RISK MANAGEMENT

The Authority's exposure to credit risk arises from customers and financial institutions. The Authority's main customer is the Government. Cash and fixed deposits are placed with high credit quality financial institutions. Credit risk is thus minimised.

The Authority monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Authority's operations. The Authority does not have a significant exposure to liquidity risk as at the balance sheet date.

The Authority invests its surplus funds to meet future capital replacements. Funds are mainly placed with external fund managers for investments. The exposure to foreign exchange risk is minimised by hedging back where appropriate. The exposure to risk for changes in interest rates relates primarily to investment in bonds. The carrying amounts of fixed income securities held as at 31 March are as follows:

Maturity	FY2007/08 S$'000	FY2006/07 S$'000
At fair value		
In 1 year or less	**16,982**	27,319
In more than 1 year but not more than 2 years	**19,575**	5,918
In more than 2 years but not more than 3 years	**10,377**	16,760
In more than 3 years but not more than 4 years	**21,141**	9,563
In more than 4 years but not more than 5 years	**27,211**	11,419
In more than 5 years	**209,417**	89,991
	304,703	160,970

24 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.

25 AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements were authorised for issue by the Board of the Authority on 25 June 2008.