

Financial Statements

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Government Technology Agency and its subsidiaries

Statement by the Board

6-months period from 1 October 2016 (date of establishment) to 31 March 2017

In our opinion:

- (a) the accompanying financial statements of Government Technology Agency ("GovTech") and its subsidiaries (the "Group") as set out on pages 30 to 70 are drawn up in accordance with the provisions of the Government Technology Agency Act (No. 23 of 2016) (the "Act") and Statutory Board Financial Reporting Standards ("SB-FRS") so as to present fairly, in all material respects, the state of affairs of the Group and of GovTech as at 31 March 2017, the results and changes in equity of the Group and of GovTech, and cash flows of the Group for the 6-months period from 1 October 2016 to 31 March 2017;
- (b) proper accounting and other records have been kept, including records of all assets of GovTech whether purchased, donated or otherwise; and
- (c) the receipts, expenditure, investment of moneys and the acquisition and disposal of assets by GovTech during the period have been in accordance with the provisions of the Act.

The Board of the Government Technology Agency has, on the date of this statement, authorised these financial statements for issue.

On behalf of the Board



Ng Chee Khern
Chairman



Jacqueline Poh
Chief Executive

17 August 2017

Government Technology Agency and its subsidiaries

Independent auditors' report

Members of GovTech
Government Technology Agency

Report on the audit of the financial statements

We have audited the financial statements of Government Technology Agency ("GovTech") and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position of the Group and statement of financial position of GovTech as at 31 March 2017, the consolidated statements of income and expenditure and consolidated statements of changes in equity of the Group and the statements of income and expenditure and statements of changes in equity of GovTech and the consolidated statement of cash flows of the Group for the 6-months period from 1 October 2016 to 31 March 2017, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 30 to 70.

In our opinion, the accompanying consolidated financial statements of the Group and the statements of financial position, statement of income and expenditure and statement of changes in equity of GovTech are properly drawn up in accordance with the provisions of the Government Technology Agency Act (No. 23 of 2016) (the "Act") and Statutory Board Financial Reporting Standards ("SB-FRS") so as to present fairly, in all material respects, the state of affairs of the Group and GovTech as at 31 March 2017 and the results and changes in equity of the Group and GovTech and cash flows of the Group for the 6-months period ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the 'Auditors' responsibilities for the audit of the financial statements' section of our report. We are independent of GovTech in accordance with the Accounting and Corporate Regulatory Authority *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ('ACRA Code') together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditors' report thereon.

We have obtained the Listing of Board of Directors, Senior Management, Board Committees and Listing of Subsidiaries prior to the date of this audit report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

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

If, based on the work we have performed on the other information obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Government Technology Agency and its subsidiaries

Independent auditors' report

Members of GovTech
Government Technology Agency

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the provisions of the Act and SB-FRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

A statutory board is constituted based on its Act and its dissolution requires Parliament's approval. In preparing the financial statements, management is responsible for assessing GovTech'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 GovTech or for GovTech to cease operations.

The Audit and Risk Committee is responsible for overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our 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 auditors' report that includes our 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, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our 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.
- Obtain 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 Group's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Government Technology Agency and its subsidiaries

Independent auditors' report

Members of GovTech
Government Technology Agency

- Evaluate 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Risk Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

Report on other legal and regulatory requirements

Opinion

In our opinion:

- (a) the receipts, expenditure, investment of moneys and the acquisition and disposal of assets by GovTech during the 6-months period are, in all material respects, in accordance with the provisions of the Act; and
- (b) proper accounting and other records have been kept, including records of all assets of GovTech and of those subsidiaries incorporated in Singapore of which we are the auditors whether purchased, donated or otherwise.

Basis for opinion

We conducted our audit in accordance with SSAs. Our responsibilities under those standards are further described in the 'Auditors' responsibilities for the compliance audit' section of our report. We are independent of GovTech in accordance with the ACRA Code together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on management's compliance.

Government Technology Agency and its subsidiaries

Independent auditors' report

Members of GovTech
Government Technology Agency

Responsibilities of management for compliance with legal and regulatory requirements

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

Auditors' responsibilities for the compliance audit

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

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

The logo for KPMG LLP, featuring the letters 'KPMG' in a bold, black, sans-serif font, followed by 'LLP' in a smaller, black, sans-serif font.

KPMG LLP

Public Accountants and
Chartered Accountants

Singapore

17 August 2017

Government Technology Agency and its subsidiaries

Statement of financial position

As at 31 March 2017

	Note	Group 31/3/2017 \$'000	GovTech 31/3/2017 \$'000
Non-current assets			
Property, plant and equipment	4	93,426	93,394
Intangible assets	5	20,263	20,263
Subsidiaries	6	–	–
Deferred expenditure	7	1,178	1,178
		<u>114,867</u>	<u>114,835</u>
Current assets			
Trade receivables	8	106,140	104,254
Due from subsidiaries (non-trade)		–	442
Other receivables	9	60,350	58,606
Grants receivables	10	26,582	26,582
Cash and bank balances	12	749,364	740,250
		<u>942,436</u>	<u>930,134</u>
Total assets		<u>1,057,303</u>	<u>1,044,969</u>
Equity			
Share capital	13	36,112	36,112
Capital account	13	413,947	405,095
- General funds	13	160,866	152,014
- Restricted funds	13,14	253,081	253,081
Accumulated surpluses		9,500	9,851
Accumulated surpluses – restricted funds	14	41,940	41,940
Total equity		<u>501,499</u>	<u>492,998</u>

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

Government Technology Agency and its subsidiaries

Statement of financial position (continued)

As at 31 March 2017

	Note	Group 31/3/2017 \$'000	GovTech 31/3/2017 \$'000
Current liabilities			
Deferred income	15	7,113	6,983
Trade payables		66,589	65,419
Other payables, advances and deposits	16a	248,486	245,953
Grants received in advance	10	43,283	43,283
Contribution payable to consolidated fund	17	22,436	22,436
		<u>387,907</u>	<u>384,074</u>
Non-current liabilities			
Deferred income	15	139,171	139,171
Provision for restoration	16b	3,725	3,725
Deferred capital grants		25,001	25,001
		<u>167,897</u>	<u>167,897</u>
Total liabilities		<u>555,804</u>	<u>551,971</u>
Total equity and total liabilities		<u>1,057,303</u>	<u>1,044,969</u>
Net assets of trust and agency funds	19	<u>257</u>	<u>257</u>

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

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

Statements of income and expenditure (continued)

5-months period from 1 October 2016 to 31 March 2017

Note		Group				GovTech				
		General funds		Restricted funds		General funds		Restricted funds		
		1/10/2016 to 31/3/2017	\$'000	1/10/2016 to 31/3/2017	\$'000	1/10/2016 to 31/3/2017	\$'000	1/10/2016 to 31/3/2017	\$'000	
		70,998		208,940		279,938		61,127		270,067
5	Balance brought forward	3,555		953		4,508		3,555		4,508
	Amortisation of intangible assets	140		4,472		4,612		140		4,612
	Property, plant and equipment expensed off	140		–		140		122		122
	Board members' allowance	2,278		15,571		17,849		3,965		19,536
24	Other expenses	(1)		(198)		(199)		(1)		(199)
	Net foreign currency exchange loss/(gain)	–		14		14		–		14
4	Loss on disposal of property, plant and equipment	3,905		–		3,905		3,905		3,905
	Loss on disposal of available-for-sale investments–net	1,671		–		1,671		–		–
	Impairment on property, plant and equipment	–		–		–		4,070		4,070
	Impairment loss of investment in a subsidiary	180		11		191		180		191
	Interest expense	82,866		229,763		312,629		77,063		306,826
22	Total expenses before development expenses	2,996		4,956		7,952		2,996		7,952
	Development project expenses	85,862		234,719		320,581		80,059		314,778
	Total expenditure	(62,619)		16,967		(45,652)		(62,268)		(45,301)
	(Deficit)/Surplus before government grants									
	Government grants									
	Operating grants	36,289		28,203		64,492		36,289		64,492
	Development grants	5,255		19,934		25,189		5,255		25,189
		41,544		48,137		89,681		41,544		89,681
	Deferred capital grants amortised	15,628		2,391		18,019		15,628		18,019
		57,172		50,528		107,700		57,172		107,700
	(Deficit)/Surplus before contribution to consolidated fund and income tax	(5,447)		67,495		62,048		(5,096)		62,399
17	Contribution to consolidated fund	2,018		8,590		10,608		2,018		10,608
11	Income tax expense	–		–		–		–		–
	Inter-department transactions	16,965		(16,965)		–		16,965		(16,965)
	Net surplus/(deficit) for the period, representing total comprehensive income for the period	9,500		41,940		51,440		9,851		51,791

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

Consolidated statement of changes in equity

6-months period from 1 October 2016 to 31 March 2017

Group	Note	Share capital \$'000	Capital account \$'000	Accumulated surpluses \$'000	Accumulated surpluses – restricted funds \$'000	Total \$'000
Transferred from IDA at 1 October 2016 (note 1)		31,409	413,947	–	–	445,356
Total comprehensive income for the period						
Net (deficit)/surplus for the period		–	–	9,500	41,940	51,440
Total comprehensive income for the period		–	–	9,500	41,940	51,440
Transactions with owners, recognised directly in equity						
Contributions by and distributions to owners						
Issue of share capital	13	4,703	–	–	–	4,703
Total contributions by and distributions to owners		4,703	–	–	–	4,703
At 31 March 2017		36,112	413,947	9,500	41,940	501,499

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

Statement of changes in equity

6-months period from 1 October 2016 to 31 March 2017

GovTech

Transferred from IDA at 1 October 2016 (note 1)

Total comprehensive income for the period

Net (deficit)/surplus for the period

Total comprehensive income for the period

Transactions with owners, recognised directly in equity

Contributions by and distributions to owners

Issue of share capital

Total contributions by and distribution to owners

At 31 March 2017

Note	Share capital \$'000	Capital account \$'000	Accumulated surpluses \$'000	Accumulated surpluses – restricted funds \$'000	Total \$'000
	31,409	405,095	–	–	436,504
	–	–	9,851	41,940	51,791
	–	–	9,851	41,940	51,791
13	4,703	–	–	–	4,703
	4,703	–	–	–	4,703
	36,112	405,095	9,851	41,940	492,998

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

Government Technology Agency and its subsidiaries

Consolidated statement of cash flows

6-months period from 1 October 2016 to 31 March 2017

	Note	Group 1/10/2016 to 31/3/2017 \$'000
Cash flows from operating activities		
Deficit before government grants		(45,652)
Adjustments for:		
Depreciation of property, plant and equipment	4	17,463
Impairment loss on property, plant and equipment	4	1,671
Amortisation of intangibles	5	4,508
Amortisation of deferred expenditure	7	229
Interest income		(3,862)
Loss on disposal of property, plant and equipment		14
Amortisation of deferred income in the income and expenditure		(20,465)
Deficit before working capital changes		(46,094)
Changes in:		
Increase in deferred income		36,236
Increase in trade and other payables		72,416
Increase in advances and deposits		(631)
Increase in trade and other receivables		(19,866)
Cash from operations		42,061
Contributions to consolidated fund	17	(40,285)
Net cash from operating activities		1,776
Cash flows from investing activities		
Interest income received		2,380
Proceeds on disposal of property, plant and equipment		111
Purchase of intangible assets		(3,479)
Purchase of property, plant and equipment		(19,784)
Net cash used in investing activities		(20,772)
Cash flows from financing activities		
Operating and development grants received	10	62,025
Increase in cash set aside for specific purposes and restricted fund	Note A	(475,964)
Issue of share capital		4,703
Designation of grants received as share capital proceeds		(4,703)
Net cash from financing activities		(413,939)
Net decrease in cash and bank balances		(432,935)
Cash and cash equivalents transferred from IDA at 1 October 2016	1	706,335
Cash and bank balances at the end of period (Note A)		273,400

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

Government Technology Agency and its subsidiaries

Consolidated statement of cash flows (continued)

6-months period from 1 October 2016 to 31 March 2017

	Note	Group 1/10/2016 to 31/3/2017 \$'000
<u>Note A</u>		
Cash with Accountant-General Department ("AGD")		749,340
Cash at bank		24
Total cash and cash balances		749,364
Less: Cash set aside for restricted funds	12	(475,964)
		273,400

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

Government Technology Agency and its subsidiaries

Notes to the financial statements

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on [Date of signing].

1 DOMICILE AND ACTIVITIES

Government Technology Agency ("GovTech") is a statutory board established in Singapore on 1 October 2016 under the Government Technology Agency Act (No. 23 of 2016). On that date, all undertakings, assets, liabilities and equity of the Info-communications Development Authority ("IDA") were transferred to either GovTech or Info-communications Media Development Authority of Singapore ("IMDA").

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

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

The objectives of GovTech are:

- (a) harness and deploy info-communications technology and related engineering for services that benefit Singapore; and
- (b) develop the necessary capabilities to support the delivery of such services.

The principal activities of GovTech are:

- (a) to advise and make recommendations to the Government on national needs and policies in respect of info-communications technology and related engineering matters;
- (b) to provide, develop, implement or operate, or direct or facilitate the provision, development, implementation or operation, of info-communications technology and related engineering systems and services in the public sector;
- (c) to ensure the security and reliability of info-communications technology and related engineering systems and services in the public sector;
- (d) to provide to the public sector consultancy, project management and other services, manpower and facilities for info-communications technology and related engineering systems and services;
- (e) to undertake the procurement of info-communications technology and related engineering goods (including equipment and systems) and services for —
 - (i) the public sector; and
 - (ii) such other organisation as the Minister may, by written notice to the Agency and with the agreement of that organisation, designate; and
- (f) to promote and develop competencies and professional standards in the public sector in relation to info-communications technology and related engineering matters.

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

Government Technology Agency and its subsidiaries

Notes to the financial statements

2 BASIS OF PREPARATION**2.1 Statement of compliance**

The financial statements have been prepared in accordance with the provision of the Government Technology Agency Act (No. 23 of 2016) and Statutory Board Financial Reporting Standards ("SB-FRS"), including Interpretations of SB-FRS ("INT SB-FRS") and SB-FRS Guidance notes as promulgated by the Accountant-General.

2.2 Basis of measurement

The financial statements have been presented on the historical cost basis except as otherwise described in the notes below.

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgements

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

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

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

- ***Impairment loss on property, plant and equipment***

The Group assesses the carrying amounts of its property, plant and equipment against their recoverable amounts at each reporting date whenever there is any objective evidence or indication of impairment.

Estimates of recoverable amounts were based on the higher of calculated value-in-use and fair value less cost to sell. The fair values are based on estimated amounts obtainable for the sale of the asset in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date, less the cost of disposal, utilising an open market value and replacement costs basis for separately identifiable components of the asset.

- ***Impairment loss on subsidiaries***

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

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

Government Technology Agency and its subsidiaries

Notes to the financial statements

- *Utilisation of tax losses*

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

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

2.5 Changes in accounting policies

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

3 SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

(ii) Transactions eliminated on consolidation

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

(iii) Subsidiaries in the separate financial statements

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

Government Technology Agency and its subsidiaries

Notes to the financial statements

3.2 Foreign currency

(i) Foreign currency transactions

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

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss.

3.3 Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

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

(ii) Subsequent costs

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

Government Technology Agency and its subsidiaries

Notes to the financial statements

(iii) Depreciation

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

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

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

The estimated useful lives for the current period are as follows:

Leasehold Improvements, Furniture and fittings	– over the remaining lease term ranging from 3 to 10 years
Equipment	– 3 to 5 years
Plant and machinery	– 5 to 7 years
Buildings	– 50 years
Infrastructure	– 3 years

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

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

3.4 Intangible assets

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

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

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

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

Application software	– 3 years
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Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period/year and adjusted if appropriate.

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

Government Technology Agency and its subsidiaries

Notes to the financial statements

3.5 Deferred expenditure

Expenditure incurred in providing scholarships is capitalised and stated at cost less accumulated amortisation. Amortisation is calculated on a straight-line basis to write off the cost over the period of the scholarship bond from 1 to 6 years commencing from the period that the scholars commence employment with the Group.

3.6 Government grants and contribution received

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

(i) Operating grants

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

(ii) Development grants

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

(iii) Capital grants

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

3.7 Financial instruments

(i) Non derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Government Technology Agency and its subsidiaries

Notes to the financial statements

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

The Group's non-derivative financial assets comprise loans and receivables.

Loans and receivables

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

Loans and receivables comprise cash and cash equivalents, trade receivables, deposits, interest receivables and amount due from subsidiaries (non-trade). Cash and cash equivalents comprise cash maintained centrally with the Accountant-General's Department ("AGD") as a consolidated pool, cash balances and short-term deposits with maturities of three months or less that are subject to an insignificant risk of changes in their fair value.

(ii) Non derivative financial liabilities

Financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

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

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

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

Other financial liabilities comprise of trade and other payables.

(iii) Share capital

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

Government Technology Agency and its subsidiaries

Notes to the financial statements

3.8 Impairment

(i) Non derivative financial assets

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

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

Loans and receivables

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

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

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

Government Technology Agency and its subsidiaries

Notes to the financial statements

(ii) Non financial assets

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

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

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

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

3.9 Provisions

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

Site Restoration

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

Government Technology Agency and its subsidiaries

Notes to the financial statements

3.10 Employee benefits

(i) Defined contribution plans

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

(ii) Short term employee benefits

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

(iii) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. Accrual is made for the unconsumed leave as a result of services rendered by employees up to the reporting date.

3.11 Trust and agency funds

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

3.12 General funds

These are funds of the Group and GovTech which do not have restrictions on the ability of GovTech to distribute or otherwise apply.

3.13 Restricted funds

These are funds earmarked for specific purposes and for which separate disclosure is necessary as these funds are material. There are legal and other restrictions on the ability of GovTech to distribute or otherwise apply its funds. The treatment is in accordance with Guidance note 1 issued by the Accountant General Department ("AGD"). Restricted funds are accounted for on an accruals basis.

They are accounted for separately in the Statements of comprehensive income and expenditure and the assets and liabilities are disclosed separately in Note 14 of the financial statements.

3.14 Deferred income

When the Group receives a deferred income for provision of services, the Group recognises the deferred income in profit or loss in the period when the service is rendered.

Government Technology Agency and its subsidiaries

Notes to the financial statements

3.15 Income

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

(i) **Service fees**

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

(ii) **Dividend income**

Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established.

(iii) **Development project income**

Development project income is recognised when the services are rendered.

(iv) **Interest income**

Interest income generated from loans and deposits is recognised as it accrues in the statement of comprehensive income, using the effective interest method.

3.16 Interest expense

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

3.17 Leases

Operating leases

Payments made under the operating leases are recognised in the statement of income and expenditure on a straight-line basis over the term of the lease. Lease incentives received are recognised in the statement of income and expenditure as an integral part of the total lease payments made. Leased assets are not recognised in the Company's statement of financial position.

Determining whether an arrangement contains a lease

At inception of an arrangement, the Company determines whether such an arrangement is or contains a lease. This will be the case if the following two criteria: the fulfilment of the arrangement is dependent on the use of a specific asset or assets; and the arrangement contains a right to use the asset(s).

At inception or upon reassessment of the arrangement, the Company separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Company concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently, the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Company's incremental borrowing rate.

Government Technology Agency and its subsidiaries

Notes to the financial statements

3.18 Tax

GovTech is exempt from tax under Section 13(1)(e) of the Income Tax Act (Cap.134, 2014 Revised Edition). Income tax expense comprises current and deferred tax of the subsidiaries of GovTech.

Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

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

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

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

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

3.19 Contribution to consolidated fund

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

Government Technology Agency and its subsidiaries

Notes to the financial statements

3.20 New standards and interpretations not adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 October 2016 and earlier application is permitted. The Group has not early adopted the following new or amended standards in preparing these statements. The Group is currently assessing the potential impact of adopting these new standards and interpretations on the financial statements of the Group.

SB-FRS 115 *Revenue from Contracts with Customers*

SB-FRS 115 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met.

When effective, SB-FRS 115 replaces existing revenue recognition guidance, including SB-FRS 18 *Revenue*, SB-FRS 11 *Construction Contracts*, INT SB-FRS 113 *Customer Loyalty Programmes*, INT SB-FRS 115 *Agreements for the Construction of Real Estate*, INT SB-FRS 118 *Transfers of Assets from Customers* and INT SB-FRS 31 *Revenue – Barter Transactions Involving Advertising Services*.

SB-FRS 115 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. SB-FRS 115 offers a range of transition options including full retrospective adoption where an entity can choose to apply the standard to its historical transactions and retrospectively adjust each comparative period presented in its 2018 financial statements. When applying the full retrospective method, an entity may also elect to use a series of practical expedients to ease transition.

SB-FRS 109 *Financial Instruments*

SB-FRS 109 replaces most of the existing guidance in SB-FRS 39 *Financial Instruments: Recognition and Measurement*. It includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from SB-FRS 39.

SB-FRS 109 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. Retrospective application is generally required, except for hedge accounting. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. Restatement of comparative information is not mandatory. If comparative information is not restated, the cumulative effect is recorded in opening equity as at 1 January 2018.

Government Technology Agency and its subsidiaries

Notes to the financial statements

Applicable to 2019 financial statements

SB-FRS 116 *Leases*

SB-FRS 116 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use (ROU) assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

SB-FRS 116 substantially carries forward the lessor accounting requirements in SB-FRS 17 *Leases*. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the SB-FRS 17 operating lease and finance lease accounting models respectively. However, SB-FRS 116 requires more extensive disclosures to be provided by a lessor.

When effective, SB-FRS 116 replaces existing lease accounting guidance, including SB-FRS 17, INT SB-FRS 104 *Determining whether an Arrangement contains a Lease*; INT SB-FRS 15 *Operating Leases—Incentives*; and INT SB-FRS 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

SB-FRS 116 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted if SB-FRS 115 is also applied.

For those new standards and amendments to standards that are expected to have an effect on the financial statements of the Group in future financial periods, the Group is currently assessing the transition options and the potential impact on its financial statements, in implementing these standards. The Group does not plan to adopt these standards early.

Notes to the financial statements

4 PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold improvement, furniture and fittings					Plant and machinery	Building	Infrastructure	Capital work-in-progress	Total
	\$'000	Equipment	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cost										
Transferred from IDA at 1 October 2016 (note 1)	19,754	78,022		848		213	8,671		34,581	142,089
Additions	99	1,561		166		–	1,602		45,016	48,444
Disposals	–	(353)		–		–	–		–	(353)
Reclassification	1,765	20,158		–		–	–		(21,923)	–
At 31 March 2017	21,618	99,388		1,014		213	10,273		57,674	190,180
Accumulated depreciation and impairment losses										
Transferred from IDA at 1 October 2016 (note 1)	14,750	53,857		433		206	8,602		–	77,848
Depreciation for the period	1,225	16,177		58		3	–		–	17,463
Impairment for the period	–	–		–		–	1,671		–	1,671
Disposals	–	(228)		–		–	–		–	(228)
At 31 March 2017	15,975	69,806		491		209	10,273		–	96,754
Carrying amounts										
Transferred from IDA at 1 October 2016 (note 1)	5,004	24,165		415		7	69		34,581	64,241
At 31 March 2017	5,643	29,582		523		4	–		57,674	93,426

Notes to the financial statements

GovTech

Cost

Transferred from IDA at 1 October 2016 (note 1)						
Additions	19,727	77,955	848	213	34,581	133,324
Disposals	99	1,560	166	–	45,016	46,841
Reclassification	–	(353)	–	–	–	(353)
	1,765	20,158	–	–	(21,923)	–
At 31 March 2017	21,591	99,320	1,014	213	57,674	179,812

Accumulated depreciation

Transferred from IDA at 1 October 2016 (note 1)						
Depreciation for the period	14,723	53,832	433	206	–	69,194
Disposals	1,225	16,166	58	3	–	17,452
	–	(228)	–	–	–	(228)
At 31 March 2017	15,948	69,770	491	209	–	86,418

Carrying amounts

Transferred from IDA at 1 October 2016 (note 1)						
At 31 March 2017	5,004	24,123	415	7	34,581	64,130
	5,643	29,550	523	4	57,674	93,394

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

Government Technology Agency and its subsidiaries

Notes to the financial statements

5 INTANGIBLE ASSETS

	Software \$'000	Software under development \$'000	Total \$'000
Group			
Cost			
Transferred from IDA at 1 October 2016 (note 1)	29,897	11,226	41,123
Additions	120	3,359	3,479
Disposals	(282)	–	(282)
Reclassification	2,659	(2,659)	–
At 31 March 2017	32,394	11,926	44,320
Accumulated depreciation			
Transferred from IDA at 1 October 2016 (note 1)	19,831	–	19,831
Amortisation for the period	4,508	–	4,508
Disposals	(282)	–	(282)
At 31 March 2017	24,057	–	24,057
Carrying amounts			
Transferred from IDA at 1 October 2016 (note 1)	10,066	11,226	21,292
At 31 March 2017	8,337	11,926	20,263
GovTech			
Cost			
Transferred from IDA at 1 October 2016 (note 1)	29,874	11,226	41,100
Additions	120	3,359	3,479
Disposals	(282)	–	(282)
Reclassification	2,659	(2,659)	–
At 31 March 2017	32,371	11,926	44,297
Accumulated depreciation			
Transferred from IDA at 1 October 2016 (note 1)	19,808	–	19,808
Amortisation for the period	4,508	–	4,508
Disposals	(282)	–	(282)
At 31 March 2017	24,034	–	24,034
Carrying amounts			
Transferred from IDA at 1 October 2016 (note 1)	10,066	11,226	21,292
At 31 March 2017	8,337	11,926	20,263

Government Technology Agency and its subsidiaries

Notes to the financial statements

6 SUBSIDIARIES

	GovTech 31/3/2017 \$'000
Unquoted shares, at cost	66,070
Less: Impairment loss	(66,070)
	<u>—</u>

Details of GovTech's subsidiaries as at 31 March 2017 are as follows:

Name of subsidiary	Principal activities/ country of incorporation and operation	Cost of investment by GovTech 31/3/2017 \$'000	Proportion of ownership interest and voting power held 31/3/2017 %
Held by GovTech			
IDA International Pte Ltd	The company has wound down their operations subsequent to 31 March 2015 and transferred all their business activities to other government agencies on 3 December 2015.	*	100
Assurity Trusted Solutions Pte Ltd	Provide information security services including second factor authorisation services.	66,070	100

* The cost of investment in the subsidiary as at 31 March 2017 is \$100. Amount less than \$1,000.

Impairment loss

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

Management noted indicators of impairment with respect to GovTech's investment in a subsidiary, a cash-generating unit ("CGU"), due to the estimated ongoing operating costs expected to be incurred. As a result, management estimated the recoverable amount based on the value-in-use method, to be zero as the estimated cash flows are expected to be negative for the foreseeable future. Hence, a full impairment loss of \$4.070 million was recognised in relation to additional investment in that subsidiary in the current financial year. This has been recognised in GovTech's statement of income and expenditure.

Government Technology Agency and its subsidiaries

Notes to the financial statements

7 DEFERRED EXPENDITURE

	Group and GovTech 31/3/2017 \$'000
Cost	
Transferred from IDA at 1 October 2016 (note 1)	8,317
At 31 March	<u>8,317</u>
Accumulated amortisation	
Transferred from IDA at 1 October 2016 (note 1)	6,910
Amortisation for the period	229
At 31 March	<u>7,139</u>
Carrying amount	
At 31 March	<u>1,178</u>

Expenditure incurred in providing scholarships is capitalised and stated at cost less accumulated amortisation. Amortisation is calculated on a straight-line basis to write off the cost over the period of the scholarship bond from 1 to 6 years commencing from the year that the scholars commence employment with the Group.

8 TRADE RECEIVABLES

	Group 31/3/2017 \$'000	GovTech 31/3/2017 \$'000
Third parties	47,847	45,961
Ministries and statutory boards	58,293	58,293
	<u>106,140</u>	<u>104,254</u>

The average credit period on sales of services is 30 days. No interest is charged on the overdue trade receivables.

The table below is an analysis of trade receivables as at 31 March 2017:

	Group 31/3/2017 \$'000	GovTech 31/3/2017 \$'000
Not past due and not impaired	98,261	96,375
Past due but not impaired	7,879	7,879
	<u>106,140</u>	<u>104,254</u>

There is a concentration risk at both the Group and GovTech levels for receivables due from Singapore Government Organisations ("GO"). However, the credit risks of these balances are assessed to be low.

Government Technology Agency and its subsidiaries

Notes to the financial statements

Included in the Group's and GovTech's trade receivables balance are debtors with a carrying amount of \$7,879 million which are past due as at 31 March 2017 for which no allowance for possible doubtful debts has been provided. The Group and GovTech believe that the unimpaired amounts that are past due are still collectible in full, based on historic payment behaviour. The Group does not hold any collateral or credit enhancements over these balances. These outstanding amounts are unsecured, interest-free and repayable on demand unless otherwise stated. No guarantees have been provided or received in respect of these balances. The average age of these receivables is 74 days.

There were no allowances for impairment of trade receivables as at 31 March 2017.

9 OTHER RECEIVABLES

	Note	Group 31/3/2017 \$'000	GovTech 31/3/2017 \$'000
Deposits		1,263	1,116
Interest receivable		5,072	4,971
Prepayments		40,839	40,690
Other debtors		13,176	11,829
	(a)	60,350	58,606

(a) Other receivables amounts are not past due and not impaired.

10 GRANTS RECEIVED IN ADVANCE/(RECEIVABLES)

	Group and GovTech 1/10/2016 to 31/3/2017 \$'000
Transferred from IDA at 1 October 2016 (note 1)	61,901
Operating grants – Government	32,495
Development grants – Government	29,530
Net grants received during the period	62,025
Transfer to deferred capital grants	(12,841)
Transfer to share capital account	(4,703)
Grants recognised in income and expenditure	(89,681)
At 31 March 2017	16,701
	31/3/2017 \$'000
Classified as	
- Grants received in advance	43,283
- Grants receivables	(26,582)
	16,701

Government Technology Agency and its subsidiaries

Notes to the financial statements

11 INCOME TAX EXPENSE

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

	Group 1/10/2016 to 31/3/2017 \$'000
Current tax expense	
Current period	—
Under provision in prior years	—
	<u>—</u>
Deferred tax expense	
Deferred taxation	—
	<u>—</u>
	Group 1/10/2016 to 31/3/2017 \$'000
Surplus before contribution to consolidated fund and income tax	62,048
Less: Impairment loss of investment in a subsidiary	(4,070)
Less: Surplus of GovTech before contribution to consolidated fund and income tax	(62,399)
Loss before income tax of the subsidiaries	<u>(4,421)</u>
Income tax benefit at Singapore tax rate of 17% (2016: 17%)	(751)
Non-deductible item	307
Tax exempt income	(42)
Effect of deferred tax benefits not recognised	486
	<u>—</u>

As at 31 March 2017, subject to the agreement by the tax authorities, certain subsidiaries of the Group have unutilised tax losses amounting to approximately \$48.530 million and unrecognised capital allowances of approximately \$10.396 million available for offset against future profits. No deferred tax asset arising from the unutilised tax losses has been recognised due to the unpredictability of future profit streams.

Government Technology Agency and its subsidiaries

Notes to the financial statements

12 CASH AND BANK BALANCES

	Group	GovTech
	31/3/2017	31/3/2017
	\$'000	\$'000
Cash with the AGD	749,340	740,250
Bank and cash balances	24	–
	<u>749,364</u>	<u>740,250</u>

The Group participates in the Accountant-General Department's Centralised Liquidity Management Scheme ("CLM") whereby the Group's cash is pooled together and managed centrally by Accountant-General Department ("AGD"), a related party. This does not affect the daily liquidity of the Group. AGD pays interest on the Group's cash balances participating in AGD's CLM. For the 6-months period from 1 October 2016 to 31 March 2017, the effective rate was 1.37%.

Cash and bank balances of the Group and GovTech include an amount of approximately \$475.964 million set aside for restricted fund.

13 EQUITY

	Group and GovTech	
	31/3/2017	31/3/2017
	No. of shares	\$'000
Issued and fully paid up:		
At beginning of period	31,408,500	31,409
Issuance of shares	4,702,791	4,703
At end of period	<u>36,111,291</u>	<u>36,112</u>

GovTech issued an additional 4,702,791 shares to the Minister for Finance, a body corporate incorporated by the Minister for Finance (Incorporation) Act (Chapter 183) for \$4.703 million in cash. The additional fully paid up shares rank *pari passu* in all respects with the existing shares.

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

Capital account

This represents amount transferred from IDA to GovTech upon its formation, arising from the restructuring of IDA and Media Development Authority of Singapore ("MDA") on 1 October 2016.

Government Technology Agency and its subsidiaries

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14 CAPITAL ACCOUNT AND ACCUMULATED SURPLUSES – RESTRICTED FUNDS

The professional services and IT project funds are restricted funds which are not distinctly different in underlying nature and must be used for the purposes of provision of professional services or specified IT projects such as ongoing operations, security, resiliency enhancements and the recurrent costs of hardware and/or during technology refresh.

The funds are sourced from the collection of monies through the provision of services mainly to the whole of government.

The funds are subject to restrictions on the ability of GovTech to distribute or otherwise apply the fund. The basis of accounting in relation to the fund is as stipulated in Note 3.13.

The breakdown of the income and expenditure of the funds are detailed in the statements of income and expenditure and the assets and liabilities of the fund for the Group and GovTech are as follows:

	Group and GovTech 31/3/2017 \$'000
<i>Non-current assets</i>	
Property, plant and equipment	51,810
Intangible assets	12,173
	<u>63,983</u>
<i>Current assets</i>	
Trade receivables	80,992
Due from subsidiaries (non-trade)	104
Other receivables	51,758
Cash and bank balances	475,964
	<u>608,818</u>
<i>Current liabilities</i>	
Deferred income	6,983
Trade payables	57,031
Other payables, advances and deposits	108,090
Grants received in advance	39,078
Contribution payable to consolidated fund	18,505
	<u>229,687</u>
<i>Non-current liabilities</i>	
Provision for restoration	471
Deferred income	147,622
	<u>148,093</u>
<i>Equity</i>	
Capital account	253,081
Accumulated surpluses – restricted funds	41,940
	<u>295,021</u>

Government Technology Agency and its subsidiaries

Notes to the financial statements

15 DEFERRED INCOME

Deferred income mainly comprises of infrastructure fees in relation to Whole of Government's central infrastructure future technology refresh, enhancement and related fees collected in advance that will be recognised in income and expenditure in the period when service is rendered.

16 OTHER PAYABLES, ADVANCES, DEPOSITS AND PROVISION FOR RESTORATION

	Group 31/3/2017 \$'000	GovTech 31/3/2017 \$'000
(a) Other payables, advances and deposits		
Accrual for expenses under development funds	3,565	3,565
Accrual for payroll related expenses	71,226	70,780
Accrual for operating and other expenses	57,893	55,908
Accrual for purchase of fixed assets	32,418	32,418
Amount due to IMDA (i)	72,660	72,660
	<u>237,762</u>	<u>235,331</u>
Advances and deposits	13	13
Provision for unutilised leave	10,711	10,609
	<u>248,486</u>	<u>245,953</u>
(b) Provision for restoration (ii)		
Transferred from IDA at 1 October 2016 (note 1)	3,515	3,515
Provisions made	317	317
Unwind of discount on restoration costs	(107)	(107)
Balance as at 31 March	<u>3,725</u>	<u>3,725</u>
Provisions due:		
Within 1 year	–	–
After 1 year but within 5 years	3,254	3,254
After 5 years	471	471
	<u>3,725</u>	<u>3,725</u>

(i) Amounts due to IMDA represents the difference in allocated and the actual cash and bank balances, interest receivables, accrual for custodian fees and investments at fair value through profit or loss transferred to IMDA as at 30 September 2016. The transfer of these balances arose from the restructure of IDA and MDA to form GovTech and IMDA. Following the formation of the GovTech and the IMDA on 1 October 2016, all undertakings, assets, liabilities and equity of IDA were transferred to either the GovTech or IMDA.

(ii) Provision for restoration relate to cost of dismantling and removing assets and restoring the premises to its original condition as stipulated in the operating lease agreements. The Group and GovTech expect to incur the liability upon termination of the lease.

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17 CONTRIBUTION PAYABLE TO CONSOLIDATED FUND

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

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

	Group and GovTech 1/10/2016 to 31/3/2017 \$'000
Surplus of GovTech before contribution to consolidated fund	62,399
Contribution payable @ 17% (2016: 17%)	10,608
Total contribution to consolidated fund	10,608
Contribution payable to consolidated fund transferred from IDA on 1 October 2016 (note 1)	52,113
Contribution paid during the period	(40,285)
Contribution payable to consolidated fund at 31 March	<u>22,436</u>

18 FINANCIAL INSTRUMENTS**(a) Financial risk management***Overview*

The Group has exposure to the following risks from its use of financial instruments:

- market risk
- credit risk
- liquidity risk

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

Risk management framework

The Group's overall financial risk management seeks to minimise potential adverse effects on its financial performance. It is the Group's policy not to hold derivative financial instruments for speculative purposes although such instruments may be used for hedging exposure. The Board provides written principles for overall financial risk management, which covers specifically on market risk (including price risk, foreign exchange risk, and interest rate risk), credit risk and liquidity risk.

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

As part of the risk management process, the management of the Group also conducts ongoing review of its financial assets held in the investment portfolio.

Government Technology Agency and its subsidiaries

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(b) Market risk

Market risk refers to the risk that changes in market prices such as foreign exchange rates and market interest rates. The Group and GovTech's exposure to each of these factors are presented in the following paragraphs.

(i) Foreign currency risk

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

As at reporting date, the Group and GovTech have minimal exposure to foreign currency risk.

(ii) Interest rate risk

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

The Group and GovTech have exposure to interest rate risks arising from the cash participation in AGD's CLM. Interest rate risks on cash balances are managed through AGD's cash scheme.

Sensitivity analysis

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

Cash and bank balances***Group***

If interest rates had been 25 basis points higher or lower and all other variables were held constant, the Group's surplus before tax for the period ended 31 March 2017 would increase or decrease by \$1.873 million.

GovTech

If interest rates had been 25 basis points higher or lower and all other variables were held constant, GovTech's surplus before tax for the period ended 31 March 2017 would increase or decrease by \$1.85 million.

(c) Credit risk

Credit risk is the risk of financial loss to the Group if the counterparties fails to meet its contractual obligations.

The Group and GovTech's exposure to credit risk arises from its financial assets. The carrying amounts of financial assets in the statement of financial position represent the maximum exposure to credit risk, before taking into account any collateral held. As at 31 March 2017, the Group and GovTech do not hold any collateral in respect of its financial assets.

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

The Group and GovTech mitigate credit risk exposure through regular monitoring of the recoverability of the financial assets.

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(d) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

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

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

(e) Capital management

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

The Group and GovTech reviews its capital structure periodically. There have been no changes to the Group's overall capital policy as compared to 1 October 2016.

(f) Accounting classifications and fair values*Fair values versus carrying amounts*

The carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy are as follows. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

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Notes to the financial statements

	Note	Designated at fair value \$'000	Loan and receivables \$'000	Available for sale \$'000	Other financial liabilities \$'000	Total carrying amount \$'000	Fair value \$'000
Group							
31 March 2017							
Financial assets							
Trade receivables	8	–	106,140	–	–	106,140	106,140
Other receivables*	9	–	19,511	–	–	19,511	19,511
Grants receivables	10	–	26,582	–	–	26,582	26,582
Cash and cash equivalents	12	–	749,364	–	–	749,364	749,364
		–	901,597	–	–	901,597	901,597
Financial liabilities							
Trade payables		–	–	–	66,589	66,589	66,589
Other payables, advances and deposits**	16	–	–	–	237,762	237,762	237,762
		–	–	–	304,351	304,351	304,351
GovTech							
31 March 2017							
Financial assets							
Trade receivables	8	–	104,254	–	–	104,254	104,254
Other receivables*	9	–	17,916	–	–	17,916	17,916
Grants receivables	10	–	26,582	–	–	26,582	26,582
Due from subsidiaries		–	442	–	–	442	442
Cash and cash equivalents	12	–	740,250	–	–	740,250	740,250
		–	889,444	–	–	889,444	889,444
Financial liabilities							
Trade payables		–	–	–	65,419	65,419	65,419
Other payables, advances and deposits**	16	–	–	–	235,331	235,331	235,331
		–	–	–	300,750	300,750	300,750

* excludes prepayment

** excludes advances and deposits, provision for unutilised leave and provision for restoration

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

Government Technology Agency and its subsidiaries

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Other financial assets and liabilities

The carrying amounts of trade receivables, amounts due from subsidiaries (non-trade), other receivables, grants receivables, cash and bank balances, trade payables and other payables, and advances approximate their respective fair values due to the short term to maturity.

19 NET ASSETS OF TRUST AND AGENCY FUNDS

Trust and agency funds comprise the funds, which represent contributions received from MCI, MOF and other government agencies for the purposes of provision of professional services or specified IT projects.

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

	Group and GovTech 31/3/2017 \$'000
Receipts	12,649
Expenditures	(9,446)
Net deficit for the period	3,203
Accumulated surplus as at 1 October 2016 (note 1)	(2,946)
Accumulated surplus at 31 March	257
Represented by:	
Fixed deposits	487
Trade and other payables	(230)
Net assets	257

20 INTEREST INCOME

	Group 1/10/2016 to 31/3/2017 \$'000	GovTech 1/10/2016 to 31/3/2017 \$'000
Cash and bank balances	3,862	3,697

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21 OTHER INCOME

	Group 1/10/2016 to 31/3/2017 \$'000	GovTech 1/10/2016 to 31/3/2017 \$'000
Other service income	11,046	11,867
Others	84	108
	<u>11,130</u>	<u>11,975</u>
<i>Net gain on:</i>		
Loans and receivables	3,671	3,506

22 DEVELOPMENT PROJECT EXPENSES

	Group and GovTech 1/10/2016 to 31/3/2017 \$'000
Development project expenses:	
iN2015 Masterplan	8,061
ICM2025	88
Others	(197)
	<u>7,952</u>

The development activities relate to expenses to develop Singapore info-communications industry.

(i) iN2015 Masterplan

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

(ii) ICM2025

The goal of Infocomm Media Masterplan 2025 ("ICM 2025") is to establish Singapore as a Smart Nation with a globally competitive ICM ecosystem and to Ignite the World's Love for Singapore's Content. Singapore aims to be at the forefront in tapping the potential of Infocomm and Media and nurturing Innovative Talent and Enterprises. In this way, the infocomm and media sectors can contribute to Economic Growth and Social Cohesion, and Better Living for Our People.

Government Technology Agency and its subsidiaries

Notes to the financial statements

23 SALARIES, CPF AND OTHER CONTRIBUTIONS

	Group 1/10/2016 to 31/3/2017 \$'000	GovTech 1/10/2016 to 31/3/2017 \$'000
Wages and salaries	125,530	124,499
Employer's contribution to Central Provident Fund	14,778	14,670
	<u>140,308</u>	<u>139,169</u>

24 OTHER EXPENSES

	Group 1/10/2016 to 31/3/2017 \$'000	GovTech 1/10/2016 to 31/3/2017 \$'000
IT promotion and sponsorship	43	43
Utilities	1,994	1,994
Publicity expense	1,266	1,266
Professional and communication services	10,525	12,361
Irrecoverable GST	2,185	2,185
General and administrative expense	1,100	958
Local travelling	507	500
Amortisation of deferred expenditure	229	229
	<u>17,849</u>	<u>19,536</u>

25 COMMITMENTS*Capital commitments*

At 31 March 2017, capital commitments not provided for in the financial statements are as follows:

	Group 1/10/2016 to 31/3/2017 \$'000	GovTech 1/10/2016 to 31/3/2017 \$'000
Capital expenditure	<u>73,791</u>	<u>69,563</u>

Included in the above capital expenditure are commitments in relation to the implementation (design, build, operate and maintain) of the National Authentication Framework ("NAF") Systems and Services. The Group has contracted for the management and maintenance of the authentication system over 5 years, which gives rise to an annual charge of \$2.164 million following the commissioning of the NAF systems and services in December 2011. The contract was extended for an additional year to end in December 2017 at an adjusted charge of \$5.637 million. The pro-rated commitment of 9 months amounts to \$4.228 million.

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Lease commitments

As at 31 March 2017, the non-cancellable operating lease rentals are payable as follows:

	Group 1/10/2016 to 31/3/2017 \$'000	GovTech 1/10/2016 to 31/3/2017 \$'000
Not later than one year	50,779	50,199
Later than one year but not later than five years	175,396	175,228
Later than five years	33,219	33,219
Total	259,394	258,646

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

Development project expense (to develop Singapore info-communications industry) commitments

As at 31 March 2017, the development project expenses (to develop Singapore info-communications industry) committed amounted to approximately \$34.363 million.

26 RELATED PARTIES

For the purpose of these financial statements, parties are considered to be related to GovTech if GovTech has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where GovTech and the party are subject to common control or significant influence. Related parties may be individuals or other entities. In accordance with SB-FRS paragraph 28A, the Group and GovTech is exempted from disclosing transactions with government-related entities other than Ministries, Organs of State and other Statutory Boards, unless there are circumstances to indicate that these transactions are unusual and their disclosure would be of interest to readers of the financial statements.

Key management personnel compensation comprises:

	Group 1/10/2016 to 31/3/2017 \$'000	GovTech 1/10/2016 to 31/3/2017 \$'000
Short term benefits	2,695	2,424
CPF contributions	173	162
	2,868	2,586

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

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

Government Technology Agency and its subsidiaries

Notes to the financial statements

(a) Transactions with Subsidiaries

	GovTech 1/10/2016 to 31/3/2017 \$'000
Professional service fees	108
Other income	914
	<u>1,022</u>
Other expenses	(1,961)
	<u>(939)</u>

(b) Transactions with Ministries and Statutory Board

	Group 1/10/2016 to 31/3/2017 \$'000	GovTech 1/10/2016 to 31/3/2017 \$'000
Professional service fees	232,064	228,330
Standard ICT service fees	24,173	24,173
Grants received	62,025	62,025
	<u>318,262</u>	<u>314,528</u>
Contribution to consolidated fund	10,608	10,608

27 DIVIDENDS

No dividend was declared by GovTech for the financial year ended 31 March 2017.

28 SUBSEQUENT EVENTS

GovTech, a statutory board under the Ministry of Communications and Information ('MCI') will be placed under the PMO as the implementing agency of the Smart Nation and Digital Government Group with effect from 1 May 2017. This was announced by Prime Minister's Office ('PMO') on 20 March 2017.

29 COMPARATIVES

There are no comparatives as this is GovTech's first set of financial statements since its establishment on 1 October 2016.