

**AUDITORS' REPORT TO THE
MEMBERS OF THE NATIONAL
ENVIRONMENT AGENCY**

We have audited the financial statements of the National Environment Agency ("the Agency") set out on pages 2 to 28 for the financial year ended 31 March 2006. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform our audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- (a) the financial statements of the Agency are properly drawn up in accordance with the provisions of the National Environment Agency Act ("the Act") and Singapore Financial Reporting Standards, so as to give a true and fair view of the state of affairs of the Agency as at 31 March 2006 and the results, changes in equity and cash flows of the Agency for the financial year ended on that date; and
- (b) the accounting and other records required by the Act, including records of all assets of the Agency whether purchased, donated or otherwise, to be kept by the Agency during the financial year have been properly kept in accordance with the provisions of the Act.

During the course of our audit, nothing came to our notice that caused us to believe that the receipt, expenditure, investments of monies, acquisition and disposal of assets by the Agency during the financial year have not been in accordance with the provisions of the Act.




PricewaterhouseCoopers
Certified Public Accountants

Singapore, 12 September 2006

**INCOME AND EXPENDITURE
STATEMENT**
FOR THE FINANCIAL YEAR ENDED
31 MARCH 2006

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	Notes	2005/2006 \$	2004/2005 \$
Income			
Management fees	3	28,274,953	27,522,507
Service fees		14,256,034	14,495,641
Regulatory fees and fines		7,892,334	8,335,546
Interest income		1,907,773	658,687
Other operating income		621,233	453,416
		52,952,327	51,465,797
Less:			
Expenditure			
Staff costs	4	147,449,269	150,020,915
Maintenance, services and supplies	5	120,473,154	105,410,992
Upgrading and improvement		21,988,891	22,013,442
Depreciation of property, plant and equipment		13,566,203	13,834,334
Rental of office, car park lots and equipment		9,107,375	8,691,421
Finance expense	6	2,047,113	-
Other operating expenditure		16,025,456	13,472,939
		330,657,461	313,444,043
Operating deficit before Government grants	7	(277,705,134)	(261,978,246)
Add: Government grants			
- in respect of current financial year	8	289,541,563	278,282,967
- in respect of FY2002/2003	8	-	12,200,000
		289,541,563	290,482,967
Surplus before contribution to the Consolidated Fund		11,836,429	28,504,721
Contribution to the Consolidated Fund	9	(2,367,286)	(4,484,876)
Net surplus for the financial year		9,469,143	24,019,845



Mr Simon Tay
Chairman



Mr Lee Yuen Hee
Chief Executive Officer

12 September 2006

The accompanying notes form an integral part of these financial statements. Auditors' Report – Page 1.

BALANCE SHEET
AS AT 31 MARCH 2006

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	Notes	At 31 March 2006 \$	At 31 March 2005 \$
ASSETS			
Current assets			
Cash and cash equivalents	10	109,551,976	86,545,389
Trade and other receivables	11	26,954,340	29,827,574
Consumables, at cost		33,966,387	35,025,485
		170,472,703	151,398,448
Non-current assets			
Property, plant and equipment	12	65,551,104	70,056,330
		65,551,104	70,056,330
Total assets		236,023,807	221,454,778
LIABILITIES			
Current liabilities			
Trade and other payables	13	55,931,221	47,068,725
Payable to the Ministry of the Environment and Water Resources ("MEWR")	14	23,805,734	27,952,125
Loan from Government	15	3,646,667	3,646,667
Provision for contribution to the Consolidated Fund	9	2,367,286	3,260,944
		85,750,908	81,928,461
Non-current liabilities			
Loan from Government	15	47,406,666	51,053,333
Deferred capital grants	16	6,432,035	3,036,722
Provision for pensions and gratuities	17	13,922,220	12,393,427
		67,760,921	66,483,482
Total liabilities		153,511,829	148,411,943
NET ASSETS		82,511,978	73,042,835
EQUITY			
Share capital	18	41,300,000	41,300,000
Accumulated surplus		41,211,978	31,742,835
		82,511,978	73,042,835



Mr Simon Tay
Chairman



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Chief Executive Officer

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**STATEMENT OF
CHANGES IN EQUITY**
FOR THE FINANCIAL YEAR ENDED
31 MARCH 2006

	Notes	Share Capital \$	Accumulated Surplus \$	Total \$
Balance at 1 April 2005		41,300,000	31,742,835	73,042,835
Net surplus for the financial year		-	9,469,143	9,469,143
Balance at 31 March 2006		41,300,000	41,211,978	82,511,978
Balance at 1 April 2004		-	7,722,990	7,722,990
Issuance of share	18	41,300,000	-	41,300,000
Net surplus for the financial year		-	24,019,845	24,019,845
Balance at 31 March 2005		41,300,000	31,742,835	73,042,835

CASH FLOW STATEMENT
FOR THE FINANCIAL YEAR ENDED
31 MARCH 2006

	Notes	2005/2006 \$	2004/2005 \$
Cash flows from operating activities			
Operating deficit before Government grants		(277,705,134)	(261,978,246)
Adjustments for:			
Depreciation of property, plant and equipment	12	13,566,203	13,834,334
(Gain)/loss on disposal of property, plant and equipment		(200,533)	175,467
Interest expense		2,047,113	-
Interest income		(1,907,773)	(658,687)
Operating cash flow before working capital change		(264,200,124)	(248,627,132)
Change in operating assets and liabilities			
- Consumables		1,059,098	(1,144,336)
- Trade and other receivables		2,981,372	(6,629,310)
- Trade and other payables		8,868,836	12,308,084
- Payable to MEWR	14	(4,146,391)	5,251,072
- Provision for pensions and gratuities		1,528,793	6,331,390
Cash used in operations		(253,908,416)	(232,510,232)
Payment to Consolidated Fund		(3,260,944)	(3,402,212)
Net cash outflow from operating activities		(257,169,360)	(235,912,444)
Cash flows from investing activities			
Interest received		1,799,635	658,687
Purchases of property, plant and equipment		(9,122,986)	(4,544,521)
Proceeds from disposal of property, plant and equipment		262,542	94,824
Net cash outflow from investing activities		(7,060,809)	(3,791,010)
Cash flows from financing activities			
Grants received from Government		292,930,536	293,505,439
Proceeds from issuance of shares	18	-	41,300,000
Loan received from Government	15	-	54,700,000
Repayment of Loan from Government		(3,646,667)	-
Interest paid on loan from Government		(2,047,113)	-
Payment to MEWR for assets transferred		-	(135,665,179)
Net cash inflow from financing activities		287,236,756	253,840,260
Net increase in cash and cash equivalents		23,006,587	14,136,806
Cash and cash equivalents at beginning of the financial year		86,545,389	72,408,583
Cash and cash equivalents at end of the financial year	10	109,551,976	86,545,389

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

1. GENERAL

National Environment Agency (the "Agency"), a Statutory Board under the Ministry of the Environment and Water Resources ("MEWR"), was incorporated under the National Environment Agency Act on 1 July 2002.

The address of its principal place of operation is located:
40 Scotts Road, Environment Building, #13-00, Singapore 228231.

The principal activities of the Agency include:

- (i) conduct investigations and surveillances of environmental health concerns and vectors of infectious agents;
- (ii) conduct research into and develop strategies for prevention and control of environmental health concerns;
- (iii) conduct meteorological and seismic observations and provide related services;
- (iv) undertake licensing, coordinate the implementation and management of upgrading programmes for markets and hawker centres, review of hawker policies, construct, develop and manage markets and hawker centres in its own right and as agent of the Government or any body corporate established by written law; and
- (v) construct, develop, manage and regulate refuse treatment and disposal facilities.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements have been prepared in accordance with the provisions of the National Environment Agency Act and Singapore Financial Reporting Standards ("FRS"). The financial statements have been prepared under the historical cost convention.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Agency's accounting policies. It also requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

In FY2005/2006, the Agency adopted the new or revised FRS that are applicable in the current financial year. The FY2005/2006 financial statements have been amended as required, in accordance with the relevant transitional provision in the respective FRS. The following are the FRS that are relevant to the Agency:

FRS 1	(revised 2004)	Presentation of Financial Statements
FRS 2	(revised 2004)	Inventories
FRS 8	(revised 2004)	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 10	(revised 2004)	Events after the Balance Sheet Date
FRS 16	(revised 2004)	Property, Plant and Equipment
FRS 17	(revised 2004)	Leases
FRS 21	(revised 2004)	The Effects of Changes in Foreign Exchange Rates
FRS 24	(revised 2004)	Related Party Disclosures
FRS 32	(revised 2004)	Financial Instruments: Disclosure and Presentation
FRS 36	(revised 2004)	Impairment of Assets
FRS 39	(revised 2004)	Financial Instruments: Recognition and Measurement

The adoption of the above FRS did not result in substantial changes to the Agency's accounting policies.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Income recognition

Income comprises the fair value for the rendering of services, net of goods and services tax, rebates and discounts. The following specific criteria must be met before income is recognised:

- (i) Service fees and management fees are recognised when services are rendered and accepted by the customer. Service fees include meteorological services and course fees. Management fees are earned from activities as set out in note 3.
- (ii) Regulatory fees and fines are recognised at the point of collection of the settlements. Regulatory fees include income from licences and permits.
- (iii) Interest income is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the Agency reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and thereafter amortising the discount as interest income.

(c) Property, plant and equipment

Property, plant and equipment are initially recorded at cost and subsequently stated at cost less accumulated depreciation and accumulated impairment losses [note 2(d)].

Repairs and maintenance are taken to the Income and Expenditure Statement. The cost of major renovations and restorations is included in the carrying amount of the asset when it is incurred for bringing the asset to its working condition and location for its intended use or is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Agency.

(i) Depreciation

Depreciation is calculated on a straight-line method to allocate the depreciable amounts of property, plant and equipment over their estimated useful lives. The estimated useful lives are as follows:

Building improvement	3 – 5 years
Furniture & fittings, office equipment	5 years
Computer hardware and software	3 years
Motor vehicles	10 years
Plant and machinery	10 years
Tugs and barges	25 years

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Property, plant and equipment (continued)

(i) Depreciation (continued)

For property, plant and equipment which were transferred to the Agency from MEWR on the Agency's establishment on 1 July 2002, the assets are depreciated over the remaining useful lives at 1 July 2002 based on the total useful lives as stated above.

The useful lives and depreciation methods are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

Work-in-progress is not depreciated until each stage of development is completed and becomes available for use.

(ii) Subsequent Expenditure

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

(iii) Disposal

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Impairment of assets

Assets including property, plant and equipment are reviewed for impairment whenever there is any indication that these assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated to determine the amount of impairment loss.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash generating units ("CGU") to which the asset belongs to.

If the recoverable amount of the asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. The impairment loss is recognised in the Income and Expenditure Statement.

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

(e) Consumables

Consumables mainly comprise spare parts for plant and machinery.

Consumables are stated at the lower of cost and net realisable value and are determined on a weighted average basis

(f) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured for allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Agency will not be able to collect all amounts due according to the original terms of the receivables. The amount of 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 allowance is recognised in the Income and Expenditure Statement.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and at banks, cash maintained with Accountant-General's Department ("AGD") and deposits with financial institutions.

(h) Provisions for other liabilities and charges

Provisions are recognised when the Agency has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

(i) Loan

Loans are recognised initially at fair value, net of transaction costs incurred. Loans 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 loans using the effective interest method.

Loans which are due to be settled within twelve months after the balance sheet date are included in current liabilities in the balance sheet. Other loans due to be settled more than twelve months after the balance sheet date are included in non-current liabilities in the balance sheet.

(j) Operating Leases

Leases of assets in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are taken to the Income and Expenditure Statement on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

(k) Research costs

Research costs are recognised as an expense when incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(I) Employee benefits

(i) Pensions and other post employment benefits

Provision for pension benefits is made for pensionable officers transferred to the Agency on 1 July 2002. Provision for gratuities is made for all officers and daily rated employees transferred to the Agency on 1 July 2002.

An actuarial valuation is conducted to determine the cost of pension benefits and gratuities due to these officers using the Projected Unit Credit Method.

The pension benefits and gratuities are computed based on existing guidelines found in the Pensions Act and circulars issued by the Public Service Division.

(ii) Contribution to Central Provident Fund ("CPF")

The Agency makes contributions to the CPF scheme in Singapore. Contributions to CPF schemes are recognised as an expenditure in the period in which the related service is performed. The Agency will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years.

(iii) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to the employees. A 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. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Currency translation

(i) *Functional and presentation currency*

Items included in the financial statements of the Agency are measured using the currency of the primary economic environment in which the Agency operates ("the functional currency"). The financial statements are presented in Singapore Dollars, which is the functional and presentation currency of the Agency.

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of transactions. Foreign currency monetary assets and liabilities are translated into the functional currency at the rates of exchange prevailing at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are taken to the Income and Expenditure Statement.

(n) Government Grants

Grants from the Government are recognised when there is a reasonable assurance that the grants will be received and the Agency will comply with attached conditions. Operating grants are deferred and taken to the Income and Expenditure Statement over the period necessary to match them with the expenses they are intended to compensate. Capital grants are included as deferred capital grants and are taken to the Income and Expenditure Statement on a straight-line basis over the expected useful lives of the related assets.

3. MANAGEMENT FEES

The Agency has been appointed by Housing Development Board ("HDB") on 1 April 2004 to manage, lease and maintain HDB markets and hawker centres in consideration of a management fee which represents the rental collected from the markets' and hawker centres' stallholders.

4. STAFF COSTS

	2005/2006	2004/2005
	\$	\$
Wages and salaries	124,061,004	124,054,471
CPF contributions	12,323,966	13,197,300
Pension contributions and gratuities	4,409,467	6,879,581
Other staff costs	6,654,832	5,889,563
	147,449,269	150,020,915

5. MAINTENANCE, SERVICES AND SUPPLIES

Included in maintenance, services and supplies were:

	2005/2006	2004/2005
	\$	\$
Public area landscaping, cleaning services and supplies	25,706,012	24,517,575
Maintenance of specialised and industrial equipment	19,793,715	18,153,155
Maintenance of building, HDB markets and hawker centres and office premises	18,693,567	17,754,060
Industrial supplies	15,716,173	14,794,726
IT services	6,902,341	7,491,984
Utilities charges	5,778,391	4,809,790
Table cleaning services	3,174,182	2,415,709
Security and escort services	1,997,221	2,064,352
Vector control services	8,635,286	1,862,304

6. FINANCE EXPENSE

	2005/2006 \$	2004/2005 \$
Interest expense on loan from Government	2,047,113	-

7. OPERATING DEFICIT BEFORE GOVERNMENT GRANTS

The following items have been included in arriving at operating deficit before Government grants:

	2005/2006 \$	2004/2005 \$
Research costs	492,371	242,737
Foreign exchange (gain)/losses – net	(842)	11,853

8. GOVERNMENT GRANTS

	2005/2006 \$	2004/2005 \$
In respect of current financial year		
Operating grants	288,458,592	274,623,373
Deferred capital grants amortised (note 16)	1,082,971	3,659,594
	289,541,563	278,282,967
In respect of FY2002/2003		
Operating grants	-	12,200,000
	289,541,563	290,482,967

9. CONSOLIDATED FUND

(a) Contribution to the Consolidated Fund

In lieu of income tax, the Agency is to make contribution to the Consolidated Fund of the Government in accordance with the Statutory Corporations (Contributions to Consolidated Fund) Act (Cap 319A). The contribution is based on the prevailing statutory corporate income tax rate of 20% for current financial year (2004/2005: 20%).

	2005/2006 \$	2004/2005 \$
Contribution to the Consolidated Fund is made up of:		
- Contribution for current financial year	2,367,286	3,260,944
- Under contribution in preceding financial year	-	1,223,932
	2,367,286	4,484,876

The contribution on the surplus for the financial year differs from the amount that would arise using the standard contribution rate due to the following:

	2005/2006 \$	2004/2005 \$
Surplus before contribution to the Consolidated Fund for the financial year	11,836,429	28,504,721
Contribution at a rate of 20% (2004/2005: 20%)	2,367,286	5,700,944
Government grant in respect of FY2002/2003 not subject to contribution	-	(2,440,000)
	2,367,286	3,260,944

(b) Movements in provision for contribution to the Consolidated Fund

	2005/2006 \$	2004/2005 \$
Balance at beginning of financial year	3,260,944	2,178,280
Amount paid	(3,260,944)	(3,402,212)
Under provision in preceding financial year	-	1,223,932
Contribution for current financial year	2,367,286	3,260,944
Balance at end of financial year	2,367,286	3,260,944

NOTES TO THE FINANCIAL
STATEMENTS
FOR THE FINANCIAL YEAR ENDED
31 MARCH 2006

10. CASH AND CASH EQUIVALENTS

	At 31 March 2006 \$	At 31 March 2005 \$
Cash maintained with AGD	26,575,552	22,917,548
Cash at banks and on hand	12,523,351	12,176,751
Fixed deposits with banks	70,453,073	51,451,090
	109,551,976	86,545,389

Cash maintained with AGD does not earn any interest.

Cash at banks earn interest at floating rates based on daily bank deposit rates. The weighted average effective interest rate of the cash at banks as at 31 March 2006 is 2.875% (31 March 2005: nil) per annum.

The fixed deposits are short term in nature with varying maturity periods of between one to three months (31 March 2005: one to three months). The weighted average effective interest rate of the fixed deposits as at 31 March 2006 is 3.18% (31 March 2005: 1.74%) per annum.

The carrying amounts of cash and cash equivalents approximate their fair value.

11. TRADE AND OTHER RECEIVABLES

	At 31 March 2006 \$	At 31 March 2005 \$
Trade receivables	2,217,286	2,267,753
Less: allowance for impairment	(497,874)	(376,944)
	1,719,412	1,890,809
Revenue to be collected on behalf of MEWR	21,854,121	20,856,935
Deposits receivable from HDB	-	4,171,279
Prepayments	2,812,145	2,325,055
Deposits	142,582	236,825
Staff advances	1,620	20,450
Others	424,460	326,221
	26,954,340	29,827,574

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

11. TRADE AND OTHER RECEIVABLES (continued)

Trade receivables of the Agency are stated after deducting allowance for impairment of:

	At 31 March 2006 \$	At 31 March 2005 \$
Balance at beginning of financial year	376,944	6,231
Charge for the financial year	131,871	372,623
Bad debts written-off	(10,941)	(1,910)
Balance at end of financial year	497,874	376,944
Bad debts written off directly to Income and Expenditure Statement	220	6

12. PROPERTY, PLANT AND EQUIPMENT

	Building improvement \$	Furniture & fittings, office equipment \$	Computer hardware and software \$	Motor vehicles \$	Plant and machinery \$	Tugs and barges \$	Work-in- progress \$	Total \$
Cost								
At 1 April 2005	-	1,984,636	6,688,815	2,209,224	69,858,219	28,274,403	953,636	109,968,933
Additions	-	254,381	3,984,844	49,515	938,223	-	3,896,023	9,122,986
Disposals	-	(14,309)	(46,157)	-	(99,171)	-	-	(159,637)
Transfers / adjustment	590,605	324,300	489,602	-	1,616,405	-	(3,020,912)	-
At 31 March 2006	590,605	2,549,008	11,117,104	2,258,739	72,313,676	28,274,403	1,828,747	118,932,282
Accumulated depreciation								
At 1 April 2005	-	1,538,995	4,898,001	921,137	28,979,545	3,574,925	-	39,912,603
Depreciation charge	118,121	433,900	1,522,853	311,091	9,880,265	1,299,973	-	13,566,203
Disposals	-	(13,777)	(45,328)	-	(38,523)	-	-	(97,628)
At 31 March 2006	118,121	1,959,118	6,375,526	1,232,228	38,821,287	4,874,898	-	53,381,178
Net book value								
At 31 March 2006	472,484	589,890	4,741,578	1,026,511	33,492,389	23,399,505	1,828,747	65,551,104

12. PROPERTY, PLANT AND EQUIPMENT (continued)

	Furniture & fittings, office equipment	Computer hardware and software	Motor vehicles	Plant and machinery	Tugs and barges	Work-in-progress	Total
	\$	\$	\$	\$	\$	\$	\$
Cost							
At 1 April 2004	2,016,449	4,543,187	2,445,539	68,659,469	28,274,403	49,049	105,988,096
Additions	28,275	2,154,374	105,298	1,314,527	-	942,047	4,544,521
Disposals	(60,088)	(46,206)	(341,613)	(115,777)	-	-	(563,684)
Transfers	-	37,460	-	-	-	(37,460)	-
At 31 March 2005	1,984,636	6,688,815	2,209,224	69,858,219	28,274,403	953,636	109,968,933
Accumulated depreciation							
At 1 April 2004	1,214,174	3,651,265	716,724	18,514,547	2,274,952	-	26,371,662
Depreciation charge	374,142	1,292,941	357,035	10,510,243	1,299,973	-	13,834,334
Disposals	(49,321)	(46,205)	(152,622)	(45,245)	-	-	(293,393)
At 31 March 2005	1,538,995	4,898,001	921,137	28,979,545	3,574,925	-	39,912,603
Net book value							
At 31 March 2005	445,641	1,790,814	1,288,087	40,878,674	24,699,478	953,636	70,056,330

During the year, the Agency purchased property, plant and equipment comprising mainly of computer hardware of \$2,461,394 (2004/2005: nil) from MEWR.

13. TRADE AND OTHER PAYABLES

	At 31 March 2006	At 31 March 2005
	\$	\$
Trade payables	19,099,100	12,803,613
Accrual for operating expenditure	25,277,013	24,627,892
Deposits received	10,641,489	9,252,883
Grants received in advance	6,660	13,000
Deferred revenue	863,716	317,444
Others	43,243	53,893
	55,931,221	47,068,725

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

14. PAYABLE TO MEWR

	At 31 March 2006 \$	At 31 March 2005 \$
Payable to MEWR for revenue collected on behalf Other payable to MEWR	22,669,983 1,135,751	19,882,545 8,069,580
	23,805,734	27,952,125

For the financial year ended 31 March 2006, the Agency collected total Government revenue on behalf of MEWR amounting to \$298,496,412 (2004/2005: \$ 271,254,248).

The amounts payable to MEWR are unsecured, interest-free and expected to be repaid within the next twelve months.

15. LOAN FROM GOVERNMENT

	At 31 March 2006 \$	At 31 March 2005 \$
Loan from Government Less: Amount repayable within one year	51,053,333 (3,646,667)	54,700,000 (3,646,667)
	47,406,666	51,053,333

(i) Security granted

The loan from Government is unsecured.

(ii) Maturity of loan from Government

The loan is repayable over a period of 15 years, commencing on 1 April 2005, at a monthly installment of \$303,889. The long term loan from Government has the following maturity:

	At 31 March 2006 \$	At 31 March 2005 \$
Less than six months	1,823,333	1,823,333
Between six to twelve months	1,823,334	1,823,334
	3,646,667	3,646,667
Later than one year and not later than five years	14,586,667	14,586,667
Later than five years	32,819,999	36,466,666
	51,053,333	54,700,000

15. LOAN FROM GOVERNMENT (continued)

(iii) Interest rate risks

The interest rate of the loan from Government is fixed at 3.86% per annum (2004/2005: 3.86%) until the maturity of the loan in 2020.

(iv) Fair value

The fair value of the loan from Government as at 31 March 2006 amounted to \$50,702,246 (31 March 2005: \$54,700,000).

The fair value is determined from a discounted cash flow analysis, using a discount rate based upon the borrowing rates which the Agency expect would be available to the Agency at the balance sheet date.

16. DEFERRED CAPITAL GRANTS

	At 31 March 2006 \$	At 31 March 2005 \$
Balance at beginning of financial year	3,036,722	-
Capital grants received during the year	4,478,284	6,696,316
Less: Amortisation of deferred capital grants in the Income and Expenditure Statement (note 8)	(1,082,971)	(3,659,594)
Balance at end of financial year	6,432,035	3,036,722

The current portion of the deferred capital grants as at 31 March 2006 is \$1,465,525 (31 March 2005: \$801,837).

17. PROVISION FOR PENSIONS AND GRATUITIES

	At 31 March 2006 \$	At 31 March 2005 \$
Balance sheet obligations		
Pensions	10,849,994	9,048,113
Gratuities	3,072,226	3,345,314
	13,922,220	12,393,427
Income and expenditure charge for		
Pensions provision for the year	3,219,016	3,504,863
Gratuities provision for the year	1,150,555	3,345,314
	4,369,571	6,850,177
Pensions and gratuities charged directly to Income and Expenditure Statement	39,896	29,404
	4,409,467	6,879,581

The movement in liability recognised in the balance sheet is as follows:

	At 31 March 2006 \$	At 31 March 2005 \$
Balance at beginning of financial year	12,393,427	6,062,037
Provision for the financial year	4,369,571	6,850,177
Less: Amount paid during the financial year	(2,840,778)	(518,787)
Balance at end of financial year	13,922,220	12,393,427

17. PROVISION FOR PENSIONS AND GRATUITIES (continued)

The principal assumptions used in determining the Agency's pensions and gratuities obligations are:

- (i) All pensionable officers will retire at the age of 60 and non-pensionable officers will retire at the age of 62.
- (ii) The rate used to discount pensions and gratuities obligations is 3.0% (2004/2005: 3.0%) per annum.
- (iii) The historical rate of salary increases for pensionable officers prior to the establishment of the Agency is 4.7% per annum and the expected rate of salary increases for monthly rated employees and daily rated employees is 3% and 2% per annum respectively.
- (iv) A mortality rate of 6.3 deaths for every 1,000 persons (2004/2005: 6.3 deaths for every 1,000 persons).

Pension benefits payable to pensionable officers prior to the establishment of the Agency on 1 July 2002 will be borne by the Government and is excluded from the amount stated above.

18. SHARE CAPITAL

	At 31 March 2006 Shares	At 31 March 2005 Shares	At 31 March 2006 \$	At 31 March 2005 \$
At beginning of the financial year	41,300,000	-	41,300,000	-
Shares issued during financial year	-	41,300,000	-	41,300,000
At the end of the financial year	41,300,000	41,300,000	41,300,000	41,300,000

The Agency issued a total of 41,300,000 ordinary shares with par value of \$1 per share to Minister for Finance on 31 March 2005. All issued shares are fully paid.

19. COMMITMENTS

(a) Capital commitments

The Agency had the following capital commitments in relation to property, plant and equipment at the balance sheet date but not recognised in the financial statements:

	At 31 March 2006 \$	At 31 March 2005 \$
Property, plant and equipment	1,074,219	2,800,813

(b) Operating lease commitments

The Agency leases various offices, land and open space under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

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

	At 31 March 2006 \$	At 31 March 2005 \$
Not later than one year	5,452,338	7,831,161
Later than one year but not later than five years	2,144,373	3,908,802
Later than five years	15,504	16,234
	7,612,215	11,756,197

20. FINANCIAL RISK MANAGEMENT

The Agency, in its normal course of operation, is exposed to a variety of financial risks.

(i) Foreign exchange risk

The Agency is exposed to minimal foreign exchange risk in its normal course of operation.

20. FINANCIAL RISK MANAGEMENT (continued)

(ii) *Interest rate risk*

The Agency's operating income and cash flows are substantially independent of changes in market interest rates. The Agency's interest bearing assets consists mainly of cash balances and fixed deposits placed with reputable financial institutions. The Agency has significant interest bearing liabilities arising from Government loan. The loan from Government is obtained at a fixed rate which exposes the Agency to fair value rate risk.

(iii) *Credit risk*

Credit risk arising from the inability of a counter party to meet the terms of the Agency's financial instrument contracts is generally limited to the amounts, if any, by which the counter party's obligations exceed the obligations of the Agency. It is the Agency's policy to enter into financial instruments with a diversity of creditworthy counter parties. Therefore, the Agency does not expect to incur material credit losses on its risk management or other financial instruments.

The Agency has significant transactions and balances with the Government.

The Agency's maximum exposure to credit risk in the event the counter parties fail to perform their obligations as of 31 March 2006 in relation to each class of recognised financial assets is the carrying amount of cash and cash equivalents, and trade and other receivables.

(iv) *Liquidity risk*

Liquidity risk arises in the general funding of the Agency's operating activities. It includes the risk of not being able to fund operating activities at settlement dates and liquidate positions in a timely manner at reasonable price. The Agency obtains its funding requirements from the Government as operating grants. The Agency also manages its liquidity risk by placing primarily its funds in deposits with reputable financial institutions for varying periods of between less than a week to one year depending on its immediate cash requirements.

21. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

The Agency is a Statutory Board established under the National Environment Agency Act (Cap. 195) (Note 1). As a Statutory Board, the Organs of State and Government Ministries including Statutory Boards under their purview are deemed related parties to the Agency.

In addition to information disclosed elsewhere in the financial statements, the significant transactions between the Agency and its related parties comprising of its supervisory ministry, Ministry of the Environment and Water Resources ("MEWR") and other ministries and Statutory Boards are set out below:

(i) Service fees

Service fees are for meteorological services provided to the Ministry of Defence ("Mindef") and Civil Aviation Authority of Singapore ("CAAS").

	2005/2006 \$	2004/2005 \$
CAAS	5,482,424	5,914,811
Mindef	5,841,628	5,760,617

(ii) Staff costs – training expenditure

	2005/2006 \$	2004/2005 \$
Civil Service College	658,827	869,773

(iii) Maintenance, services and supplies expenditure

	2005/2006 \$	2004/2005 \$
HDB	12,549,735	11,345,083
Infocomm Development Authority of Singapore ("IDA")	358,743	-
Inland Revenue Authority of Singapore ("IRAS")	516,791	221,487
MEWR	4,099,787	6,264,389
Public Utilities Board	456,042	395,261

21. RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with related parties (continued)

(iv) Upgrading and improvement expenditure

	2005/2006 \$	2004/2005 \$
HDB	1,666,523	1,180,054

(v) Rental of office, car park lots and equipment

	2005/2006 \$	2004/2005 \$
CAAS	1,190,150	1,190,807
MEWR	4,806,737	4,641,160
Singapore Land Authority	1,763,667	1,845,540

(vi) Other operating expenditure

Other operating expenditure refers to regulatory fees and telecommunication charges.

	2005/2006 \$	2004/2005 \$
IDA	322,933	74,960

(b) Balances due from/to Government Ministries and Statutory Boards

The balances due from/to the Government Ministries and Statutory Boards in relation to the transactions set out in note 21(a) are listed below:

	At 31 March 2006 \$	At 31 March 2005 \$
(i) Balances due from		
CAAS	633,133	525,000
HDB	127,911	4,317,377
(ii) Balances due to		
HDB	8,099,532	2,827,555
IRAS	4,173,929	4,065,166

21. RELATED PARTY TRANSACTIONS (continued)

(c) Key management's remuneration

	2005/2006	2004/2005
	\$	\$
Salaries and other short term employee benefits	2,252,839	2,174,853
Post-employment benefits – contribution to pension	249,135	231,469
	2,501,974	2,406,322

Included in the above are Directors' fees amounting to \$102,917 (2004/2005: \$80,000). Part of the key management's remuneration amounting to \$202,643 (2004/2005: \$236,260) was paid by Prime Minister's Office and subsequently reimbursed by the Agency.

22. NEW ACCOUNTING STANDARDS AND FRS INTERPRETATIONS

Certain new accounting standards and interpretations have been published that are mandatory for accounting periods beginning on or after 1 January 2006. The Agency does not expect that adoption of these accounting standards or interpretations will have a material impact on the Agency's financial statements.

23. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements for the financial year ended 31 March 2006 were authorised for issue by the Board of the Agency on 12 September 2006.

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