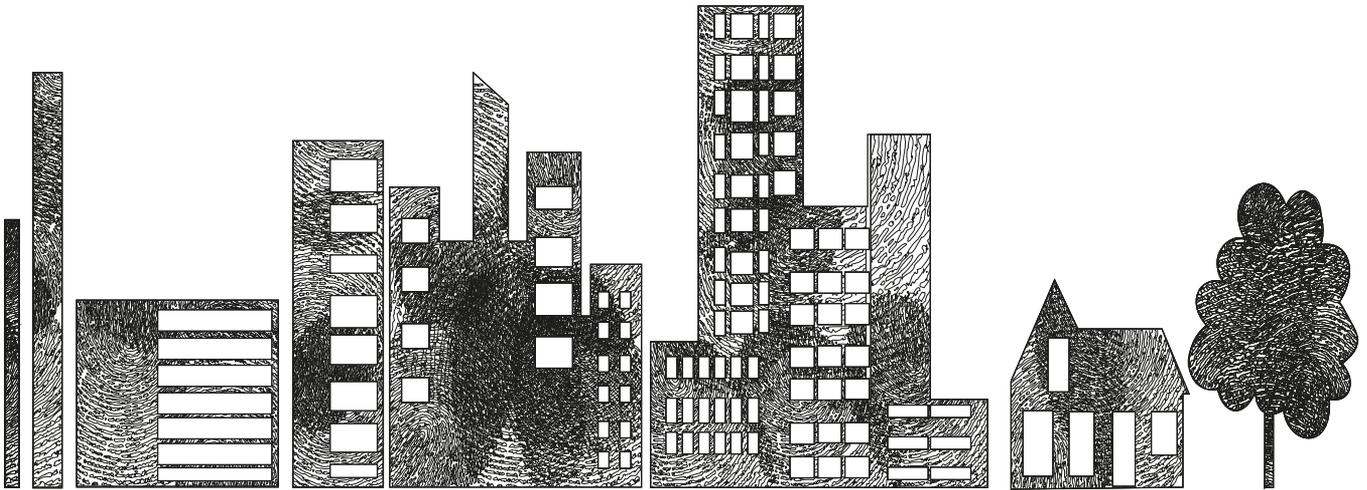




# Sustaining our Environment

National Environment Agency Annual Report 2012/13



A LIVEABLE, CLEAN AND GREEN  
SINGAPORE

**Financial Statements**

For the financial year ended 31 March 2013

**National Environment Agency**  
*(Established under the National Environment Agency Act)*

Audited Financial Statements  
For the financial year ended 31 March 2013

## National Environment Agency

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## **National Environment Agency**

### **Independent Auditor's Report For the financial year ended 31 March 2013**

#### **Independent Auditor's Report to the Members of National Environment Agency**

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### **Report on the Financial Statements**

We have audited the accompanying financial statements of National Environment Agency (the "Agency"), which comprise the balance sheet as at 31 March 2013, the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

#### ***Management's responsibility for the financial statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the National Environment Agency Act (the "Act") and Statutory Board Financial Reporting Standards, and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditors' responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Opinion***

In our opinion, the financial statements are properly drawn up in accordance with the provisions of the Act and Statutory Board Financial Reporting Standards and so as to present fairly, in all material respects, the state of affairs of the Agency as at 31 March 2013 and the results, changes in equity and cash flows of the Agency for the year then ended on that date.

**National Environment Agency**

**Independent Auditor's Report  
For the financial year ended 31 March 2013**

**Independent Auditor's Report to the Members of National Environment Agency**

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**Report on other legal and regulatory requirements**

***Management's responsibility for compliance with legal and regulatory requirements***

The Agency's 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' responsibility***

Our responsibility is to express an opinion on management's compliance based on our audit of the financial statements. We conducted our audit in accordance with Singapore Standards on Auditing. 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 Agency's internal control. Because of the inherent limitations in any accounting and internal control system, non-compliances may nevertheless occur and not be detected.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on management's compliance.

***Opinion***

In our opinion:

- (a) the receipts, expenditure, investment of moneys and the acquisition and disposal of assets by the Agency during the year 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 the Agency whether purchased, donated or otherwise.



Ernst & Young LLP  
Public Accountants and  
Certified Public Accountants  
Singapore

26 June 2013

National Environment Agency

Statement of Comprehensive Income  
For the financial year ended 31 March 2013

	Note	2012/2013 \$	2011/2012 \$
<b>Income</b>			
Management fees	4	43,831,184	40,958,633
Service fees		16,555,516	16,848,455
Regulatory charges		10,029,872	9,543,826
Interest income from banks		1,188,003	1,413,890
Other operating income		999,099	1,831,650
		<u>72,603,674</u>	<u>70,596,454</u>
Less:			
<b>Expenditure</b>			
Staff costs	5	229,674,108	190,705,272
Maintenance, services and supplies	6	298,811,753	274,351,750
Upgrading and improvement		20,438,169	20,861,392
Public education expense		20,940,226	18,409,466
Depreciation of property, plant and equipment		12,754,416	11,249,082
Rental of office and equipment		16,131,366	12,826,884
Finance expense	7	1,064,516	1,205,695
Other operating expenditure	8	25,509,538	20,014,583
		<u>625,324,092</u>	<u>549,624,124</u>
<b>Operating deficit before Government grants</b>		<b>(552,720,418)</b>	<b>(479,027,670)</b>
Add: Government grants	9	<u>540,757,191</u>	<u>467,825,515</u>
Deficit before Contribution to the Consolidated Fund		<b>(11,963,227)</b>	<b>(11,202,155)</b>
Contribution to the Consolidated Fund	10	<u>-</u>	<u>-</u>
<b>Net deficit for the financial year, representing total comprehensive income for the financial year</b>		<b><u>(11,963,227)</u></b>	<b><u>(11,202,155)</u></b>



Ms Chew Gek Khim  
Chairman



Mr Andrew Tan  
Chief Executive Officer

Date: 26 June 2013

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

National Environment Agency

Balance Sheet  
As at 31 March 2013

	Note	At 31 March 2013 \$	At 31 March 2012 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	11	195,587,380	204,554,783
Trade and other receivables	12	35,911,618	39,044,558
Consumables		24,708,247	23,094,776
		<u>256,207,245</u>	<u>266,694,117</u>
<b>Non-current assets</b>			
Property, plant and equipment	13	69,654,427	57,088,349
<b>Total assets</b>		<u>325,861,672</u>	<u>323,782,466</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	14	136,127,702	114,531,456
Payable to the Ministry of the Environment and Water Resources	15	31,713,422	34,675,422
Loan from Government	16	3,950,555	3,646,667
Provision for pensions and death gratuities	17	5,127,984	2,261,998
		<u>176,919,663</u>	<u>155,115,543</u>
<b>Non-current liabilities</b>			
Loan from Government	16	21,880,000	25,526,667
Provision for pensions and death gratuities	17	8,703,605	12,479,167
Deferred capital grants	18	1,085,795	1,425,253
		<u>31,669,400</u>	<u>39,431,087</u>
<b>Total liabilities</b>		<u>208,589,063</u>	<u>194,546,630</u>
<b>NET ASSETS</b>		<u>117,272,609</u>	<u>129,235,836</u>
<b>EQUITY</b>			
Share capital	19	41,301,000	41,301,000
Accumulated surplus		75,971,609	87,934,836
		<u>117,272,609</u>	<u>129,235,836</u>

  
Ms Chew Gek Khim  
Chairman

  
Mr Andrew Tan  
Chief Executive Officer

Date: 26 June 2013

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

**National Environment Agency**

**Statement of Changes in Equity  
For the financial year ended 31 March 2013**

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	<b>Share capital</b>	<b>Accumulated surplus</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Balance 1 April 2012</b>	<b>41,301,000</b>	<b>87,934,836</b>	<b>129,235,836</b>
Total comprehensive income for the financial year	–	(11,963,227)	(11,963,227)
<b>Balance as at 31 March 2013</b>	<b>41,301,000</b>	<b>75,971,609</b>	<b>117,272,609</b>
<b>Balance 1 April 2011</b>	<b>41,301,000</b>	<b>99,136,991</b>	<b>140,437,991</b>
Total comprehensive income for the financial year	–	(11,202,155)	(11,202,155)
<b>Balance as at 31 March 2012</b>	<b>41,301,000</b>	<b>87,934,836</b>	<b>129,235,836</b>

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

## National Environment Agency

### Cash Flow Statement For the financial year ended 31 March 2013

	Note	2012/2013 \$	2011/2012 \$
<b>Cash flows from operating activities</b>			
Net deficit for the financial year		(11,963,227)	(11,202,155)
Adjustments for:			
Government grants	9	(540,757,191)	(467,825,515)
Depreciation of property, plant and equipment	13	12,754,416	11,249,082
Loss on disposal of property, plant and equipment		1,682,741	404,433
Interest expense	7	1,064,516	1,205,695
Interest income		(1,188,003)	(1,413,890)
Plant and equipment expensed off	8	2,638,688	2,286,778
Allowance for impairment loss on trade and other receivables	12	242,842	122,006
Operating cash flow before working capital changes		(535,525,218)	(465,173,566)
Change in operating assets and liabilities:			
- Consumables		(1,613,471)	(1,082,144)
- Trade and other receivables		2,774,118	(2,115,125)
- Trade and other payables		16,795,749	(3,794,766)
- Other receivable from the Ministry of the Environment and Water Resources ("MEWR")		(156)	121
- Payable to MEWR		884,904	626,872
- Provision for pensions and death gratuities		(909,576)	(240,823)
Cash used in operations		(517,593,650)	(471,779,431)
Interest received		1,303,983	1,392,868
Payment to the Consolidated Fund	10	—	(1,008,590)
<b>Net cash used in operating activities</b>		<b>(516,289,667)</b>	<b>(471,395,153)</b>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment		(25,044,553)	(16,588,841)
Proceeds from disposal of property, plant and equipment		37,500	112,533
<b>Net cash used in investing activities</b>		<b>(25,007,053)</b>	<b>(16,476,308)</b>
<b>Cash flows from financing activities</b>			
Grants received from Government		536,649,198	453,318,435
Repayment of loan from Government		(3,342,779)	(3,646,666)
Interest paid on loan from Government		(977,102)	(1,205,695)
<b>Net cash provided by financing activities</b>		<b>532,329,317</b>	<b>448,466,074</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(8,967,403)</b>	<b>(39,405,387)</b>
Cash and cash equivalents at beginning of financial year		204,554,783	243,960,170
<b>Cash and cash equivalents at end of financial year</b>	11	<b>195,587,380</b>	<b>204,554,783</b>

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

## National Environment Agency

### Notes to the Financial Statements For the financial year ended 31 March 2013

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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 40 Scotts Road, Environment Building, #13-00, Singapore 228231.

The principal activities of the Agency include:

- (i) conduct investigations, enforcement and surveillance 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 observations and seismic monitoring and provide related services;
- (iv) conduct weather and climate science research;
- (v) 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;
- (vi) monitor environmental quality and control environmental pollution;
- (vii) control the import, export, sale, possession, use, transport and disposal of hazardous substances and toxic industrial waste;
- (viii) promote resource conservation and energy efficiency;
- (ix) regulate the collection and disposal of solid waste;
- (x) plan, develop, manage and regulate waste-to-resource and waste-to-energy facilities;
- (xi) control the import, export, manufacture, sale, possession, use, transport, storage and disposal of radioactive materials and irradiating apparatuses;
- (xii) enhance the competency of the environment industry workforce and promote environmental thought leadership through knowledge distillation, sharing and training;
- (xiii) build up a vibrant research and development ecosystem in the environment industry and help develop environmental technology competencies and capabilities in Singapore;
- (xiv) help develop a vibrant environment industry in Singapore and promote Singapore-based companies providing environmental services or consultancy services internationally;
- (xv) inculcate pro-environment mindset in the community and raise community ownership of environmental and public health issues in Singapore;
- (xvi) help improve performance, upgrade professionalism and oversee the productivity drive of the cleaning industry; and
- (xvii) build, operate and maintain cemeteries, crematorium and columbarium facilities.

**2. Summary of significant accounting policies**

**(a) Basis of preparation**

The financial statements of the Agency have been prepared in accordance with the provisions of the Act and Statutory Board Financial Reporting Standards ("SB-FRS"). The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with SB-FRS requires management to exercise its judgement in the process of applying the Agency's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas where estimates and assumptions are significant and critical are disclosed in Note 3.

**(b) SB-FRS and Interpretations of SB-FRS effective in the financial year**

The accounting policies adopted are consistent with those of the previous financial year except on 1 April 2012, the Agency adopted all the new and applicable revised SB-FRS and interpretations to SB-FRS that are mandatory for application in the current financial year. The adoption of these standards and interpretations did not have any material impact on the Agency's financial statements.

**(c) SB-FRS and Interpretations of SB-FRS issued but not yet effective**

The Agency has not adopted the following standards and interpretations that have been issued but not yet effective:

Reference	Description	Effective for annual periods beginning on or after
SB-FRS 1	Presentation of Items of Other Comprehensive Income	1 July 2012
SB-FRS 19	Employee Benefits (Revised)	1 January 2013
SB-FRS 113	Fair Value Measurement	1 January 2013
SB-FRS 27	Separate Financial Statements	1 January 2014
SB-FRS 28	Investments in Associates and Joint Ventures	1 January 2014
SB-FRS 32	Offsetting of Financial Assets and Financial Liabilities	1 January 2014
SB-FRS 110	Consolidated Financial Statements	1 January 2014
SB-FRS 111	Joint Arrangements	1 January 2014
SB-FRS 112	Disclosure of Interests in Other Entities	1 January 2014

The standards and interpretations above are expected to have no material impact on the financial statements in the period of initial application.

**2. Summary of significant accounting policies (continued)**

**(d) *Income recognition***

Income comprises the fair value of the consideration received or receivable for the rendering of services. Income is presented net of goods and services tax, rebates and discounts in the ordinary course of the Agency's activities. Income is recognised as follows:

- (i) Service fees are recognised when services are rendered to the customers. Service fees include meteorological services and course fees.
- (ii) Management fees are earned from activities as set out in Note 4 and recognised when due from stallholders.
- (iii) Regulatory charges (including income from licences, permits and fines) are recognised at the point of collection.
- (iv) Interest income is recognised on a time proportion basis using the effective interest method.

**(e) *Property, plant and equipment***

**(i) *Measurement***

All items of property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and any accumulated impairment losses (Note 2(f)).

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The cost of an item of property, plant and equipment is recognised as an asset, if and only if, it is probable that future economic benefits associated with the item will flow to the Agency and the cost of the item can be measured reliably.

## National Environment Agency

### Notes to the Financial Statements For the financial year ended 31 March 2013

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#### 2. Summary of significant accounting policies (continued)

##### (e) *Property, plant and equipment (continued)*

###### (ii) *Depreciation*

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

Leasehold land	30 years (based on lease period)
Building and building improvements	3 - 28 years
Furniture and 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

No depreciation is provided on construction-in-progress as these assets are not yet available for use.

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.

For property, plant and equipment which were transferred to the Agency from the Health Sciences Authority, as part of the transfer of the Centre for Radiation Protection on 1 July 2007, the assets are depreciated over the remaining useful lives at 1 July 2007.

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted prospectively as appropriate, at each balance sheet date. The effects of any revision are recognised in the statement of comprehensive income when the changes arise.

###### (iii) *Subsequent expenditure*

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Agency and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in the statement of comprehensive income when incurred.

###### (iv) *Disposal*

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in the statement of comprehensive income in the year the asset is disposed.

**2. Summary of significant accounting policies (continued)**

**(f) *Impairment of non-financial assets***

Property, plant and equipment are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Agency makes an estimate of the asset's recoverable amount.

For the purpose of impairment testing of these assets, recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) 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.

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 difference between the carrying amount and recoverable amount is recognised as an impairment loss in the statement of comprehensive income.

An assessment is made at each reporting date as to whether there is any indication that previously recognised losses and impairment for an asset may no longer exist or may have decreased. 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 (net of accumulated depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in the statement of comprehensive income.

**(g) *Consumables***

Consumables are carried at the lower of cost and net realisable value and are determined on a weighted average basis. Where necessary, allowance is provided for damaged, obsolete and slow-moving items to adjust the carrying value of consumables to the lower of cost and net realisable value. Net realisable value is determined using an estimate of replacement costs which is a close approximation of net realisable value.

**2. Summary of significant accounting policies (continued)**

(h) ***Financial assets***

(i) *Initial recognition and measurement*

Financial assets are recognised when, and only when, the Agency becomes a party to the contractual provisions of the financial instrument. The Agency determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value plus directly attributable transaction costs.

(ii) *Subsequent measurement*

*Loans and receivables*

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in the statement of comprehensive income when the loans and receivables are derecognised or impaired, and through the amortisation process.

(iii) *De-recognition*

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in the statement of comprehensive income.

**2. Summary of significant accounting policies (continued)**

**(i) Impairment of financial assets**

The Agency assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

For financial assets carried at amortised cost, the Agency first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Agency determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in the statement of comprehensive income.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Agency considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in the statement of comprehensive income.

**(j) Cash and cash equivalents**

Cash and cash equivalents include cash on hand and at banks, cash maintained with Accountant-General's Department ("AGD") and cash held under Centralised Liquidity Management ("CLM") scheme.

**2. Summary of significant accounting policies (continued)**

**(k) Financial liabilities**

*(i) Initial recognition and measurement*

Financial liabilities are recognised when, and only when, the Agency becomes a party to the contractual provisions of the financial instrument. The Agency determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus directly attributable transaction costs.

*(ii) Subsequent measurements*

After initial recognition, all financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised, and through the amortisation process.

*(iii) De-recognition*

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income.

**(l) Provisions**

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 the amount can be reliably estimated. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

**2. Summary of significant accounting policies (continued)**

(m) ***Borrowings***

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings which are due to be settled within twelve months after the balance sheet date are presented as current liabilities in the balance sheet even though the original term was for a period longer than twelve months. Other borrowings due to be settled more than twelve months after the balance sheet date are included as non-current liabilities in the balance sheet.

(n) ***Trade and other payables***

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost, using the effective interest method.

(o) ***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 statement of comprehensive income 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 financial year in which termination takes place.

(p) ***Research costs***

Research costs are recognised as an expense when incurred.

**2. Summary of significant accounting policies (continued)**

**(q) Employee compensation**

*(i) Defined benefit plans*

*Pension and other post employment benefits*

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

An actuarial valuation is conducted once every three years or as and when required to determine the cost of pension benefits and death gratuities due to these officers using the Projected Unit Credit Method. Any actuarial gains or losses are recognised in the statement of comprehensive Income in the year of valuation.

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

*(ii) Defined contribution plan*

*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.

*(iii) Employee leave entitlement*

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

**(r) 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 ("functional currency"). The financial statements are presented in Singapore Dollar (\$), which is the functional and presentation currency of the Agency.

**2. Summary of significant accounting policies (continued)**

**(r) Currency translation (continued)**

*(ii) Transactions and balances*

Transactions in a currency other than the financial currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of transactions.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchanging ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Currency translation differences from the settlement of monetary items or from the translation of monetary items at the balance sheet date are recognised in the statement of comprehensive income.

**(s) Government grants**

Government grants received for the purchase or the construction of depreciable assets are accounted for as deferred capital grants. The deferred capital grants are amortised and charged to the statement of comprehensive income over the period necessary to match the annual depreciation charge of these assets or when the assets are disposed or written off.

Government grants received by the Agency to meet operating expenses are recognised in the statement of comprehensive income in the year these operating expenses are incurred.

Other government grants are recognised in the statement of comprehensive income based on expenses incurred for the projects which are recognised in the statement of comprehensive income in the period.

All grants are recognised when there is reasonable assurance that all attaching conditions are complied with.

## National Environment Agency

### Notes to the Financial Statements For the financial year ended 31 March 2013

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#### 2. Summary of significant accounting policies (continued)

##### (t) *Related parties*

The Agency is established as a statutory board under MEWR and is an entity related to the Government of Singapore. The Agency's related parties refer to Government-related entities including Ministries, Organs of State and other Statutory Boards. The Agency applies the exemption in Paragraph 25 of SB-FRS 24 Related Party Disclosures, and required disclosures are limited to the following information to enable users of the Agency's financial statements to understand the effect of related party transactions on the financial statements:

- (i) the nature and amount of each individually significant transaction with Ministries, Organs of State and other Statutory Boards; and
- (ii) for other transactions with Ministries, Organs of State and other Statutory Boards that are collectively but not individually significant, a qualitative or quantitative indication of their extent.

#### 3. Critical accounting estimates, assumptions and judgements

Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

##### *Provision for pensions and death gratuities*

The Agency is required to pay pension benefits to pensionable officers and death gratuities to officers and daily rated employees transferred over to the Agency on 1 July 2002. The provision for pensions and death gratuities of the Agency as at 31 March 2013 approximated \$13,831,589 (31 March 2012: \$14,741,165) as disclosed in Note 17. The provision has been computed based on certain assumptions and estimates as disclosed in Note 17 and revisions to the assumptions and estimates could impact the provision made.

##### *Useful lives of property, plant and equipment*

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these property, plant and equipment to be within 3 to 30 years. The carrying amount of the Agency's property, plant and equipment at 31 March 2013 was \$69,654,427 (31 March 2012: \$57,088,349). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these property, plant and equipment, therefore future depreciation charges could be revised (Note 13).

#### 4. Management fees

The Agency has been appointed by the 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.

## National Environment Agency

### Notes to the Financial Statements For the financial year ended 31 March 2013

#### 5. Staff costs

	Note	2012/2013 \$	2011/2012 \$
Wages and salaries		193,373,021	160,760,526
Employer's contribution to Central Provident Fund		22,432,140	17,704,970
Pension contributions and death gratuities	17	2,478,945	1,935,283
Other staff costs		11,390,002	10,304,493
		<u>229,674,108</u>	<u>190,705,272</u>

#### 6. Maintenance, services and supplies

Included in maintenance, services and supplies were:

	2012/2013 \$	2011/2012 \$
Incineration services	85,252,687	78,759,950
Public area landscaping, cleaning services and supplies	39,572,639	37,583,770
Maintenance of specialised and industrial equipment	39,238,546	33,797,076
Maintenance of building, markets and hawker centres and office premises	26,959,258	22,915,724
IT services	23,728,615	20,225,146
Industrial supplies	12,899,065	13,399,515
Security and enforcement services	11,490,467	10,731,235
Vector control services	10,088,213	9,760,358
Utilities charges	8,868,233	8,089,617
Table cleaning services	5,290,392	4,462,379
	<u>229,674,108</u>	<u>190,705,272</u>

#### 7. Finance expense

	2012/2013 \$	2011/2012 \$
Interest expense on loan from Government	<u>1,064,516</u>	<u>1,205,695</u>

## National Environment Agency

### Notes to the Financial Statements For the financial year ended 31 March 2013

#### 8. Other operating expenditure

Included in other operating expenditure were:

	<b>2012/2013</b>	2011/2012
	\$	\$
GST expense	<b>11,269,266</b>	9,856,386
Communication expense	<b>3,814,091</b>	3,189,996
Plant and equipment expensed off	<b>2,638,688</b>	2,286,778
Research costs	<b>1,563,473</b>	98,346
	<u><b>1,563,473</b></u>	<u>98,346</u>

#### 9. Government grants

	<b>Note</b>	<b>2012/2013</b>	2011/2012
		\$	\$
Operating grants		<b>531,566,829</b>	459,805,532
Deferred capital grants amortised	18	<b>440,429</b>	618,217
Other grants		<b>8,749,933</b>	7,401,766
		<u><b>540,757,191</b></u>	<u>467,825,515</u>

#### 10. 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). There is no contribution to the Consolidated Fund for 2012/2013 as the year ended with a deficit.

The movement in provision for Contribution to the Consolidated Fund was as follows:

	<b>At 31 March 2013</b>	At 31 March 2012
	\$	\$
Balance at beginning of financial year	-	1,008,590
Amount paid	-	(1,008,590)
Balance at end of financial year	<u>-</u>	<u>-</u>

#### 11. Cash and cash equivalents

	<b>At 31 March 2013</b>	At 31 March 2012
	\$	\$
Cash held under CLM scheme	<b>181,969,658</b>	195,346,865
Cash at banks	<b>10,955,569</b>	2,846,771
Cash maintained with AGD	<b>2,660,553</b>	6,360,547
Cash on hand	<b>1,600</b>	600
	<u><b>195,587,380</b></u>	<u>204,554,783</u>

## National Environment Agency

### Notes to the Financial Statements For the financial year ended 31 March 2013

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#### 11. Cash and cash equivalents (continued)

Cash held under the Centralised Liquidity Management ("CLM") scheme and cash at banks earn interest at floating rates based on daily bank deposit rates.

Cash maintained with AGD does not earn any interest.

#### 12. Trade and other receivables

	At 31 March 2013	At 31 March 2012
	\$	\$
Trade receivables	4,539,059	3,917,952
Less: Allowance for impairment of receivables	<u>(484,907)</u>	<u>(321,785)</u>
Trade receivables – net	4,054,152	3,596,167
Revenue to be collected on behalf of MEWR	27,468,941	31,152,130
Prepayments	396,958	445,684
Deposits	853,885	960,027
Others	<u>3,137,682</u>	<u>2,890,550</u>
	<u><u>35,911,618</u></u>	<u><u>39,044,558</u></u>

Trade receivables are generally on 30 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

The movement in the related allowance for impairment was as follows:

Balance at beginning of financial year	321,785	320,463
Utilisation for the year	(79,720)	(120,684)
Allowance charged	<u>242,842</u>	<u>122,006</u>
Balance at end of financial year	<u><u>484,907</u></u>	<u><u>321,785</u></u>

The age analysis of trade receivables past due but not impaired is as follows:

Past due < 3 months	806,687	225,627
Past due 3 to 6 months	<u>126,540</u>	<u>86,344</u>
Total	<u><u>933,227</u></u>	<u><u>311,971</u></u>

The collateral held by the Agency for trade receivables past due but not impaired is set out below:

Deposits received	<u><u>432,957</u></u>	<u><u>588,160</u></u>
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National Environment Agency

Notes to the Financial Statements  
For the financial year ended 31 March 2013

13. Property, plant and equipment

	Leasehold land \$	Building and building improvements \$	Furniture and fittings, office equipment \$	Computer hardware and software \$	Motor vehicles \$	Plant and machinery \$	Tugs and barges \$	Construction- in-progress \$	Total \$
<u>Cost</u>									
At 1 April 2012	961,790	9,003,378	3,676,125	32,839,931	3,769,649	89,969,787	28,274,403	7,920,287	176,415,350
Additions	–	1,144,329	529,739	2,270,866	456,076	2,442,122	–	20,197,603	27,040,735
Disposals	–	(32,029)	(117,362)	(2,058,890)	(89,067)	(295,565)	–	(1,641,861)	(4,234,774)
Transfers	–	1,262,892	547,307	19,865,450	–	2,160,473	–	(23,836,122)	–
At 31 March 2013	961,790	11,378,570	4,635,809	52,917,357	4,136,658	94,276,817	28,274,403	2,639,907	199,221,311
<u>Accumulated depreciation</u>									
At 1 April 2012	96,179	2,727,173	2,541,982	28,440,915	1,669,685	71,176,335	12,674,732	–	119,327,001
Depreciation	32,060	1,253,310	537,479	6,074,081	313,381	3,244,132	1,299,973	–	12,754,416
Disposals	–	(32,029)	(115,931)	(2,054,083)	(82,752)	(229,738)	–	–	(2,514,533)
At 31 March 2013	128,239	3,948,454	2,963,530	32,460,913	1,900,314	74,190,729	13,974,705	–	129,566,884
<u>Net book value</u>									
<b>At 31 March 2013</b>	<b>833,551</b>	<b>7,430,116</b>	<b>1,672,279</b>	<b>20,456,444</b>	<b>2,236,344</b>	<b>20,086,088</b>	<b>14,299,698</b>	<b>2,639,907</b>	<b>69,654,427</b>
<u>Cost</u>									
At 1 April 2011	961,790	2,398,575	3,508,931	30,120,143	3,163,955	86,643,958	28,274,403	8,247,001	163,318,756
Additions	–	–	266,252	2,791,363	861,497	1,423,796	–	10,274,857	15,617,765
Disposals	–	–	(495,422)	(725,254)	(255,803)	(548,460)	–	(496,232)	(2,521,171)
Transfers	–	6,604,803	396,364	653,679	–	2,450,493	–	(10,105,339)	–
At 31 March 2012	961,790	9,003,378	3,676,125	32,839,931	3,769,649	89,969,787	28,274,403	7,920,287	176,415,350
<u>Accumulated depreciation</u>									
At 1 April 2011	64,119	2,307,526	2,627,505	23,299,002	1,642,327	68,766,885	11,374,760	–	110,082,124
Depreciation	32,060	419,647	408,804	5,867,167	269,128	2,952,304	1,299,972	–	11,249,082
Disposals	–	–	(494,327)	(725,254)	(241,770)	(542,854)	–	–	(2,004,205)
At 31 March 2012	96,179	2,727,173	2,541,982	28,440,915	1,669,685	71,176,335	12,674,732	–	119,327,001
<u>Net book value</u>									
<b>At 31 March 2012</b>	<b>865,611</b>	<b>6,276,205</b>	<b>1,134,143</b>	<b>4,399,016</b>	<b>2,099,964</b>	<b>18,793,452</b>	<b>15,599,671</b>	<b>7,920,287</b>	<b>57,088,349</b>

**National Environment Agency**

**Notes to the Financial Statements  
For the financial year ended 31 March 2013**

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**14. Trade and other payables**

	<b>At 31 March 2013</b>	At 31 March 2012
	\$	\$
Trade payables	<b>52,958,456</b>	43,508,651
Accrual for operating expenditure	<b>61,909,063</b>	50,419,564
Deposits received	<b>17,791,944</b>	16,260,050
Grants received in advance	<b>210,622</b>	132,409
Advance payments received	<b>3,236,897</b>	3,620,205
Others	<b>20,720</b>	590,577
	<b><u>136,127,702</u></b>	<b><u>114,531,456</u></b>

**15. Payable to the Ministry of the Environment and Water Resources (MEWR)**

	<b>At 31 March 2013</b>	At 31 March 2012
	\$	\$
Grant to be returned to MEWR	<b>2,817,629</b>	6,664,377
Payable to MEWR for revenue collected on behalf	<b>28,896,225</b>	28,011,321
Other receivable from MEWR	<b>(432)</b>	(276)
	<b><u>31,713,422</u></b>	<b><u>34,675,422</u></b>

For the financial year ended 31 March 2013, the Agency collected total Government revenue on behalf of MEWR amounting to \$472,073,391 (2011/2012: \$469,301,731).

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

**National Environment Agency**

**Notes to the Financial Statements  
For the financial year ended 31 March 2013**

**16. Loan from Government (unsecured)**

	<b>At 31 March 2013</b>	At 31 March 2012
	\$	\$
Amount repayable within one year	<b>3,950,555</b>	3,646,667
Amount repayable after one year	<b>21,880,000</b>	25,526,667
Loan from Government	<b><u>25,830,555</u></b>	<u>29,173,334</u>

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

Less than one year	<b>3,950,555</b>	3,646,667
Later than one year and not later than five years	<b>14,586,667</b>	14,586,667
Later than five years	<b>7,293,333</b>	10,940,000
	<b><u>25,830,555</u></b>	<u>29,173,334</u>

The interest rate of the loan from Government is fixed at 3.86% per annum (2011/2012: 3.86%) until the maturity of the loan in 2020.

At the balance sheet date, the carrying amount of current portion of loan from government approximates its fair value.

The carrying amount and fair value of non-current portion of loan from government are as follows:

	<b>Carrying amounts</b>		<b>Fair values</b>	
	<b>At 31 March 2013</b>	At 31 March 2012	<b>At 31 March 2013</b>	At 31 March 2012
	\$	\$	\$	\$
Non-current portion of loan from Government	<b><u>21,880,000</u></b>	<u>25,526,667</u>	<b><u>23,214,634</u></b>	<u>26,994,120</u>

The fair value is determined using 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.

National Environment Agency

Notes to the Financial Statements  
For the financial year ended 31 March 2013

17. Provision for pensions and death gratuities

	At 31 March 2013	At 31 March 2012
	\$	\$
<b>Balance sheet obligations for:</b>		
Pensions	13,007,509	13,985,173
Death gratuities	824,080	755,992
	<u>13,831,589</u>	<u>14,741,165</u>
Amount payable within one year	5,127,984	2,261,998
Amount payable after one year	8,703,605	12,479,167
	<u>13,831,589</u>	<u>14,741,165</u>
<b>Statement of comprehensive income charge for:</b>		
Pensions	1,794,091	1,845,016
Death gratuities	684,854	90,267
	<u>2,478,945</u>	<u>1,935,283</u>

The amounts recognised in the statement of comprehensive income were as follows:

	Note	At 31 March 2013	At 31 March 2012
		\$	\$
<u>Pensions</u>			
Current service cost		1,409,644	1,456,641
Interest cost		379,359	383,120
		<u>1,789,003</u>	<u>1,839,761</u>
<u>Death gratuities</u>			
Current service cost		70,919	73,284
Past service cost		598,721	-
Interest cost		15,214	16,983
		<u>684,854</u>	<u>90,267</u>
Total provision for the financial year - net		<u>2,473,857</u>	<u>1,930,028</u>
Pension charged directly to statement of comprehensive income		<u>5,088</u>	<u>5,255</u>
Total included in staff costs	5	<u>2,478,945</u>	<u>1,935,283</u>

## National Environment Agency

### Notes to the Financial Statements For the financial year ended 31 March 2013

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#### 17 Provision for pensions and death gratuities (continued)

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

	<b>At 31 March 2013</b>	At 31 March 2012
	\$	\$
Balance at beginning of financial year	<b>14,741,165</b>	14,981,988
Provision for the financial year - net	<b>2,473,857</b>	1,930,028
Less: Amount paid during the financial year	<b>(3,383,433)</b>	(2,170,851)
Balance at end of financial year	<b><u>13,831,589</u></b>	<b><u>14,741,165</u></b>

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

- (i) All pensionable and non-pensionable officers will retire at the age of 62.
- (ii) The rate used to discount pensions and death gratuities obligations is 2.86% (2011/2012: 2.86%) per annum.
- (iii) The historical rate of salary increases for pensionable officers prior to the establishment of the Agency is 5.56% per annum and the expected rate of salary increases for pensionable officers, non-pensionable officers and daily rated employees is 2.0%, 3.0% and 1.0% per annum respectively.
- (iv) A mortality rate of 3.0 deaths for every 1,000 persons (2011/2012: 3.0 deaths for every 1,000 persons).

The proportion of pension benefits payable to pensionable officers prior to the establishment of the Agency on 1 July 2002, which is to be borne by the Government, is excluded from the amount stated above.

## National Environment Agency

### Notes to the Financial Statements For the financial year ended 31 March 2013

#### 18. Deferred capital grants

	Note	At 31 March 2013	At 31 March 2012
		\$	\$
Balance at beginning of financial year		1,425,253	2,043,470
Add: Capital grants received during the year		100,971	–
Less: Amortisation of deferred capital grants in the statement of comprehensive income	9	<u>(440,429)</u>	<u>(618,217)</u>
		<u><u>1,085,795</u></u>	<u><u>1,425,253</u></u>

#### 19. Share capital

The Agency's share capital comprise fully paid up 41,301,000 (31 March 2012: 41,301,000) ordinary shares, amounting to a total of \$41,301,000 (31 March 2012: \$41,301,000).

#### 20. Commitments

##### (a) *Capital commitments*

Capital expenditure contracted for at the balance sheet date but not recognised as liabilities in the financial statements are as follows:

	At 31 March 2013	At 31 March 2012
	\$	\$
Property, plant and equipment	<u><u>14,591,264</u></u>	<u><u>16,710,418</u></u>

##### (b) *Operating lease commitments*

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

The future minimum lease payable under non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities in the financial statements, are as follows:

	At 31 March 2013	At 31 March 2012
	\$	\$
Not later than one year	14,183,395	6,794,566
Between one and five years	16,601,913	3,272,790
Later than five years	–	–
	<u><u>30,785,308</u></u>	<u><u>10,067,356</u></u>

National Environment Agency

Notes to the Financial Statements  
For the financial year ended 31 March 2013

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20. Commitments (continued)

(c) *Incineration services commitments*

The Agency has two incineration services agreements, for terms of between 15 to 25 years. In accordance to the agreements, the Agency pays monthly incineration service fees for the incineration and related maintenance services based on the services received. For the financial year ended 31 March 2013, the Agency incurred incineration service fees amounting to \$85,252,687 (2011/2012: \$78,759,950).

(d) *Other commitments*

The Agency has an arrangement for the use of computer equipment and related services under an agreement for a Standard ICT Operating Environment ("SOE"), which was entered into between the Government and a service provider. The Agency pays a monthly fee for the use of those equipment and related services. For the financial year ended 31 March 2013, \$7,783,354 (2011/2012: \$5,859,830) was recognised in the statement of comprehensive income.

21. Financial risk management

The Agency, in its normal course of operations, is exposed to a variety of financial risks: credit risk, liquidity risk and capital risk.

(a) *Credit risk*

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Agency. The Agency has no significant concentration of credit risk. The Agency monitors the receivables from customers closely on an on-going basis and has policies in place to ensure the customers maintain sufficient deposits with them. The Agency is not exposed to credit risk for revenue to be collected on behalf of MEWR.

*Collaterals and other credit enhancements*

During the financial year, the Agency took possession of collateral held as security as follows:

	Carrying amounts	
	At 31 March 2013	At 31 March 2012
	\$	\$
Deposits received	<u>156,771</u>	<u>176,376</u>

There were no encashment of bankers' guarantee held as security during the financial year.

## National Environment Agency

### Notes to the Financial Statements For the financial year ended 31 March 2013

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#### 21. Financial risk management (continued)

##### (b) *Liquidity risk*

Liquidity risk arises from 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 position in a timely manner. The Agency obtains its funding requirements from the Government through operating grants. The Agency also manages its liquidity risk by placing primarily its funds in deposits with AGD depending on its immediate cash requirements.

The table below analyses the maturity profile of the Agency's financial liabilities based on contractual principal and interest repayment cash flows.

	<b>Less than 1 year</b>	<b>Between 1 and 5 years</b>	<b>Later than 5 years</b>
	\$	\$	\$
<b>At 31 March 2013</b>			
Trade and other payables	<b>132,890,805</b>	–	–
Loan from Government	<b>4,956,292</b>	<b>16,864,912</b>	<b>7,587,132</b>
Payable to MEWR	<b>31,713,422</b>	–	–
	<b>169,560,519</b>	<b>16,864,912</b>	<b>7,587,132</b>
<b>At 31 March 2012</b>			
Trade and other payables	110,911,251	–	–
Loan from Government	4,711,182	17,425,161	11,591,873
Payable to MEWR	34,675,422	–	–
	150,297,855	17,425,161	11,591,873

##### (c) *Capital risk*

The Agency defines capital as share capital, accumulated surpluses and loan from Government.

The Agency's objective when managing capital is to ensure that it maintains sufficient capital to carry out its statutory functions. To achieve this, the Agency monitors "net operating surplus/deficit" and "debt-equity ratio". There were no changes in the Agency's approach to capital management during the year.

The Agency is not subject to any externally imposed capital requirements.

## National Environment Agency

### Notes to the Financial Statements For the financial year ended 31 March 2013

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#### 22. Fair value of financial instruments

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

*Cash and cash equivalents, trade and other receivables, trade and other payables, payable to the Ministry of the Environment and Water Resources and current portion of loan from Government*

The carrying amounts approximate fair values due to the relatively short-term maturity of these instruments.

*Provision for pensions and death gratuities*

The carrying amount approximates its fair value as the expected future contractual cash outflows are discounted to the net present value using the current market interest rate that is available to the Agency for similar financial liabilities.

*Non-current portion of loan from Government*

The fair value is disclosed in Note 16.

*Classification of financial assets/liabilities*

The carrying amounts of the Authority's financial instruments in each of the following categories are as follows:

	<b>At 31 March 2013</b>	At 31 March 2012
	\$	\$
<b>Loans and receivables</b>		
Cash and cash equivalents	<b>195,587,380</b>	204,554,783
Trade and other receivables	<b>35,514,660</b>	38,598,874
	<b><u>231,102,040</u></b>	<b><u>243,153,657</u></b>
<b>Financial liabilities at amortised cost</b>		
Trade and other payables	<b>132,890,805</b>	110,911,251
Payable to the Ministry of the Environment and Water Resources	<b>31,713,422</b>	34,675,422
Loan from Government	<b>25,830,555</b>	29,173,334
Provision for pensions and death gratuities	<b>13,831,589</b>	14,741,165
	<b><u>204,266,371</u></b>	<b><u>189,501,172</u></b>

## National Environment Agency

### Notes to the Financial Statements For the financial year ended 31 March 2013

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#### 23. Related party transactions

##### (a) *Sale of goods and services*

In addition to the related party information disclosed elsewhere in the financial statements, the following are significant transactions between the Agency and related parties:

	<b>2012/2013</b>	2011/2012
	\$	\$
Meteorological services rendered to Ministries, Organs of State and other Statutory Boards	<u><b>12,824,141</b></u>	<u>13,191,322</u>

##### (b) *Compensation of key management personnel*

	<b>2012/2013</b>	2011/2012
	\$	\$
Salaries and other short term employee benefits	<b>3,764,562</b>	4,397,149
Post-employment benefits - contribution to pension	<b>160,115</b>	203,593
	<u><b>3,924,677</b></u>	<u>4,600,742</u>

Included in the above are Board members' fees amounting to \$191,250 (2011/2012: \$191,250).

#### 24. Authorisation of financial statements

The financial statements of the Agency for the year ended 31 March 2013 were authorised for issue by the Board members of the Agency on 26 June 2013.

National Environment Agency

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