

BUILDING A SUSTAINABLE ENVIRONMENT

MAKING A DIFFERENCE IN THE ENVIRONMENT WE LIVE IN

ANNUAL REPORT 2013/2014
FINANCIAL STATEMENTS



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

Annual Financial Statements
For the financial year ended 31 March 2014

National Environment Agency

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National Environment Agency

Independent Auditor's Report For the financial year ended 31 March 2014

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

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 2014, 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 2014 and the results, changes in equity and cash flows of the Agency for the year ended on that date.

National Environment Agency

**Independent Auditor's Report
For the financial year ended 31 March 2014**

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

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

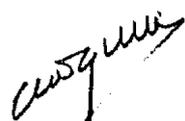
Public Accountants and
Chartered Accountants
Singapore

30 June 2014

National Environment Agency

**Statement of Comprehensive Income
For the financial year ended 31 March 2014**

	Note	2013/2014 \$	2012/2013 \$
Income			
Management fees	4	46,941,720	43,831,184
Service fees		16,964,548	16,555,516
Regulatory charges		10,675,024	10,029,872
Interest income from banks		1,061,747	1,188,003
Other operating income		2,314,782	999,099
		<u>77,957,821</u>	<u>72,603,674</u>
Less:			
Expenditure			
Staff costs	5	262,701,246	229,674,108
Maintenance, services and supplies	6	323,620,190	298,811,753
Upgrading and improvement		13,082,984	20,438,169
Public education expense		19,989,313	20,940,226
Depreciation of property, plant and equipment		18,423,490	12,754,416
Rental of office and equipment		17,706,329	16,131,366
Finance expense	7	918,323	1,064,516
Other operating expenditure	8	28,230,434	25,509,538
		<u>684,672,309</u>	<u>625,324,092</u>
Operating deficit before Government grants		(606,714,488)	(552,720,418)
Add: Government grants	9	599,123,365	540,757,191
Deficit before Contribution to the Consolidated Fund		(7,591,123)	(11,963,227)
Contribution to the Consolidated Fund	10	—	—
Net deficit for the financial year		(7,591,123)	(11,963,227)
Other comprehensive income that will not be reclassified to income or expenditure in subsequent periods			
Net re-measurement loss on defined benefit plans	17	(1,753,141)	—
Total comprehensive income for the financial year		(9,344,264)	(11,963,227)



Ms Chew Gek Khim
Chairman
Date: 30 June 2014



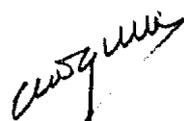
Mr Ronnie Tay
Chief Executive Officer

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

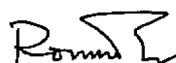
National Environment Agency

**Balance Sheet
As at 31 March 2014**

	Note	At 31 March 2014 \$	At 31 March 2013 \$
ASSETS			
Current assets			
Cash and cash equivalents	11	191,103,539	195,587,380
Trade and other receivables	12	33,418,543	35,911,618
Consumables		<u>27,520,752</u>	<u>24,708,247</u>
		<u>252,042,834</u>	<u>256,207,245</u>
Non-current assets			
Property, plant and equipment	13	<u>72,966,431</u>	<u>69,654,427</u>
Total assets		<u>325,009,265</u>	<u>325,861,672</u>
LIABILITIES			
Current liabilities			
Trade and other payables	14	151,157,568	136,127,702
Payable to the Ministry of the Environment and Water Resources	15	29,592,779	31,713,422
Loan from Government	16	3,646,667	3,950,555
Provision for pensions and death gratuities	17	<u>3,244,205</u>	<u>5,127,984</u>
		<u>187,641,219</u>	<u>176,919,663</u>
Non-current liabilities			
Loan from Government	16	18,233,333	21,880,000
Provision for pensions and death gratuities	17	10,509,653	8,703,605
Deferred capital grants	18	<u>696,715</u>	<u>1,085,795</u>
		<u>29,439,701</u>	<u>31,669,400</u>
Total liabilities		<u>217,080,920</u>	<u>208,589,063</u>
NET ASSETS		<u>107,928,345</u>	<u>117,272,609</u>
EQUITY			
Share capital	19	41,301,000	41,301,000
Accumulated surplus		<u>66,627,345</u>	<u>75,971,609</u>
		<u>107,928,345</u>	<u>117,272,609</u>



Ms Chew Gek Khim
Chairman
Date: 30 June 2014



Mr Ronnie Tay
Chief Executive Officer

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 2014**

	Share Capital	Accumulated surplus	Total
	\$	\$	\$
Balance 1 April 2013	41,301,000	75,971,609	117,272,609
Net deficit for the financial year	-	(7,591,123)	(7,591,123)
<u>Other comprehensive income</u>			
Net re-measurement loss on defined benefit plans	-	(1,753,141)	(1,753,141)
Total comprehensive income for the financial year	-	(9,344,264)	(9,344,264)
Balance as at 31 March 2014	41,301,000	66,627,345	107,928,345
Balance 1 April 2012	41,301,000	87,934,836	129,235,836
Net deficit for the year, representing total comprehensive income for the financial year	-	(11,963,227)	(11,963,227)
Balance as at 31 March 2013	41,301,000	75,971,609	117,272,609

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

National Environment Agency

Cash Flow Statement For the financial year ended 31 March 2014

	Note	2013/2014 \$	2012/2013 \$
Cash flows from operating activities			
Net deficit for the financial year		(7,591,123)	(11,963,227)
Adjustments for:			
Government grants	9	(599,123,365)	(540,757,191)
Depreciation of property, plant and equipment	13	18,423,490	12,754,416
Loss on disposal of property, plant and equipment		114,383	1,682,741
Interest expense	7	918,323	1,064,516
Interest income		(1,061,747)	(1,188,003)
Plant and equipment expensed off	8	810,566	2,638,688
Allowance for impairment loss on trade and other receivables	12	120,713	242,842
Operating cash flow before working capital changes		(587,388,760)	(535,525,218)
Change in operating assets and liabilities:			
- Consumables		(2,812,505)	(1,613,471)
- Trade and other receivables		2,362,143	2,774,118
- Trade and other payables		5,849,275	16,795,749
- Other receivable from the Ministry of the Environment and Water Resources ("MEWR")		(166)	(156)
- Payable to MEWR		(3,446,816)	884,904
- Provision for pensions and death gratuities		(1,830,872)	(909,576)
Cash used in operations		(587,267,701)	(517,593,650)
Interest received		1,071,966	1,303,983
Net cash used in operating activities		(586,195,735)	(516,289,667)
Cash flows from investing activities			
Purchases of property, plant and equipment		(13,211,911)	(25,044,553)
Proceeds from disposal of property, plant and equipment		30,095	37,500
Net cash used in investing activities		(13,181,816)	(25,007,053)
Cash flows from financing activities			
Grants received from Government		599,850,002	536,649,198
Repayment of loan from Government		(3,950,555)	(3,342,779)
Interest paid on loan from Government		(1,005,737)	(977,102)
Net cash provided by financing activities		594,893,710	532,329,317
Net decrease in cash and cash equivalents		(4,483,841)	(8,967,403)
Cash and cash equivalents at beginning of financial year		195,587,380	204,554,783
Cash and cash equivalents at end of financial year	11	191,103,539	195,587,380

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 2014

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 (the "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, plan, 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 storage, import, export, sale, possession, use and transport of hazardous substances;
- (viii) control the collection, import, export, transportation, storage, treatment and disposal of toxic industrial waste;
- (ix) promote resource conservation and energy efficiency;
- (x) regulate the collection and disposal of solid waste;
- (xi) plan, develop, manage and regulate waste-to-resource and waste-to-energy facilities;
- (xii) control the import, export, manufacture, sale, possession, use, transport, storage and disposal of radioactive materials and irradiating apparatuses;
- (xiii) enhance the competency of the environment industry workforce and promote environmental thought leadership through knowledge distillation, sharing and training;
- (xiv) build up a vibrant research and development ecosystem in the environment industry and help develop environmental technology competencies and capabilities in Singapore;

National Environment Agency

Notes to the Financial Statements For the financial year ended 31 March 2014

1. General (continued)

- (xv) help develop a vibrant environment industry in Singapore and promote Singapore-based companies providing environmental services or consultancy services internationally;
- (xvi) inculcate pro-environment mindset in the community and raise community ownership of environmental and public health issues in Singapore;
- (xvii) help improve performance, upgrade professionalism and oversee the productivity drive of the cleaning industry; and
- (xviii) 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 2013, 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.

National Environment Agency

Notes to the Financial Statements For the financial year ended 31 March 2014

2. Summary of significant accounting policies (continued)

(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 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
SB-FRS 36	Amendments to SB-FRS 36: Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
SB-FRS 39	Amendments to SB-FRS 39: Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
SB-FRS 19	Amendments to SB-FRS 19: Defined Benefit Plans: Employee Contributions	1 July 2014

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

(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 and permits) are recognised at the point of collection.
- (iv) Interest income is recognised on a time proportion basis using the effective interest method.

2. Summary of significant accounting policies (continued)

(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.

(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 income or expenditure when the changes arise.

2. Summary of significant accounting policies (continued)

(e) Property, plant and equipment (continued)

(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 income or expenditure 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 income or expenditure in the year the asset is disposed.

(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 costs of disposal 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 income or expenditure.

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

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 income or expenditure.

2. Summary of significant accounting policies (continued)

(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.

(h) **Financial instruments**

(i) *Financial assets*

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.

Subsequent measurement

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 income or expenditure when the loans and receivables are derecognised or impaired, and through the amortisation process.

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 income or expenditure.

2. Summary of significant accounting policies (continued)

(h) Financial instruments (continued)

(ii) Financial liabilities

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.

Subsequent measurements

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

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 income or expenditure.

(iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the balance sheets, when and only when, there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

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 income or expenditure.

When the asset becomes uncollectible, the carrying amount of impaired financial asset 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 income or expenditure.

(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) ***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.

(l) ***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 income or expenditure 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.

(m) ***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.

(n) ***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 income or expenditure 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.

(o) ***Research costs***

Research costs are recognised as an expense when incurred.

2. Summary of significant accounting policies (continued)

(p) Employee benefits

(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.

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.

Defined benefit costs comprise the following:

- Service cost
- Interest cost on the provision for defined benefits
- Re-measurements of the provision for defined benefits

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognised as expense in income or expenditure. Past service costs are recognised when plan amendment or curtailment occurs.

Interest cost on the provision for defined benefits is the change during the period in the provision that arises from the passage of time which is determined by applying the discount rate based on the Singapore Government bond yield to the provision. Interest cost on the provision is recognised in income or expenditure.

Re-measurements comprising actuarial gains and losses are recognised immediately in other comprehensive income in the period in which they arise. Re-measurements are recognised in accumulated surplus within equity and are not reclassified to income or expenditure in subsequent periods.

(ii) Defined contribution plan

Contribution to Central Provident Fund ("CPF")

The Agency makes contributions to the CPF scheme in Singapore. Contributions to the CPF scheme are recognised as an expenditure in the period in which the related service is performed.

2. Summary of significant accounting policies (continued)

(p) Employee benefits (continued)

(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.

(q) 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.

(ii) Transactions and balances

Transactions in a currency other than the functional 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 measured.

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

(r) 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 income or expenditure 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 income or expenditure in the year these operating expenses are incurred.

Other government grants are recognised in income or expenditure based on expenses incurred for the projects which are recognised in the same period.

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

2. Summary of significant accounting policies (continued)

(s) Related parties

For the purpose of these financial statements, parties are considered to be related to the Agency if the Agency has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Agency and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Agency is a statutory board under the purview of MEWR and is an entity related to the Government of Singapore. Accordingly, the Agency's related parties include Government-related entities such as Ministries, Organs of State and other Statutory Boards.

In accordance with Paragraph 28A of SB-FRS 24 *Related Party Disclosures*, the Agency is exempted from disclosing transactions with government-related entities other than Ministries, Organs of State and other Statutory Boards, unless there are circumstances to indicate that these transactions are unusual and their disclosure would be of interest to readers of the financial statements.

The Agency also applies the exemption in Paragraph 25 of SB-FRS 24 *Related Party Disclosures*. Required disclosures of transactions and outstanding balances with government-related entities are limited to the following information to enable users of the Agency's financial statements to understand the effect of the 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

The preparation of the Agency's financial statements in conformity with SB-FRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

Estimates and underlying assumptions are reviewed on an ongoing basis and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. In particular, information about significant areas of critical judgements and estimation uncertainty in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described below:

National Environment Agency

Notes to the Financial Statements

For the financial year ended 31 March 2014

3. Critical accounting estimates, assumptions and judgements (continued)

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 2014 was \$13,753,858 (31 March 2013: \$13,831,589) as disclosed in Note 17. The provision has been computed based on certain assumptions and estimates as disclosed in Note 17. Revisions to the assumptions and estimates could affect 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 2014 was \$72,966,431 (31 March 2013: \$69,654,427). 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.

5. Staff costs

	Note	2013/2014 \$	2012/2013 \$
Wages and salaries		223,708,314	193,373,021
Employer's contribution to Central Provident Fund		26,168,408	22,432,140
Pension contributions and death gratuities	17	1,217,651	2,478,945
Other staff costs		11,606,873	11,390,002
		<u>262,701,246</u>	<u>229,674,108</u>

National Environment Agency

Notes to the Financial Statements For the financial year ended 31 March 2014

6. Maintenance, services and supplies

Included in maintenance, services and supplies were:

	2013/2014	2012/2013
	\$	\$
Incineration services	85,639,180	85,252,687
Public area landscaping, cleaning services and supplies	44,529,708	39,572,639
Maintenance of specialised and industrial equipment	39,037,299	39,238,546
IT services	28,470,192	23,728,615
Maintenance of building, markets and hawker centres and office premises	26,034,211	26,959,258
Security and enforcement services	14,735,359	11,490,467
Industrial supplies	14,555,076	12,899,065
Vector control services	9,027,127	10,088,213
Utilities charges	8,599,302	8,868,233
Table cleaning services	6,520,193	5,290,392
	<u>284,508,850</u>	<u>267,348,116</u>

7. Finance expense

	2013/2014	2012/2013
	\$	\$
Interest expense on loan from Government	918,323	1,064,516
	<u>918,323</u>	<u>1,064,516</u>

8. Other operating expenditure

Included in other operating expenditure were:

	2013/2014	2012/2013
	\$	\$
GST expense	12,787,016	11,269,266
Research costs	4,613,504	1,563,473
Communication expense	4,611,323	3,814,091
Plant and equipment expensed off	810,566	2,638,688
	<u>22,822,409</u>	<u>18,285,522</u>

National Environment Agency

Notes to the Financial Statements For the financial year ended 31 March 2014

9. Government grants

	Note	2013/2014	2012/2013
		\$	\$
Operating grants		588,015,377	531,566,829
Deferred capital grants amortised	18	389,080	440,429
Other grants		10,718,908	8,749,933
		<u>599,123,365</u>	<u>540,757,191</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 2013/2014 as the year ended with a deficit.

11. Cash and cash equivalents

	At 31 March 2014	At 31 March 2013
	\$	\$
Cash held under CLM scheme	183,684,755	181,969,658
Cash at banks	2,985,908	10,955,569
Cash maintained with AGD	4,431,276	2,660,553
Cash on hand	1,600	1,600
	<u>191,103,539</u>	<u>195,587,380</u>

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 Accountant-General's Department ("AGD") does not earn any interest.

National Environment Agency

Notes to the Financial Statements For the financial year ended 31 March 2014

12. Trade and other receivables

	At 31 March 2014	At 31 March 2013
	\$	\$
Trade receivables	4,011,166	4,539,059
Less: Allowance for impairment of receivables	<u>(519,250)</u>	<u>(484,907)</u>
Trade receivables – net	3,491,916	4,054,152
Revenue to be collected on behalf of MEWR	25,457,398	27,468,941
Prepayments	1,222,899	396,958
Deposits	721,351	853,885
Others	<u>2,524,979</u>	<u>3,137,682</u>
	<u><u>33,418,543</u></u>	<u><u>35,911,618</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. All trade receivables are denominated in Singapore Dollars.

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

Balance at beginning of financial year	484,907	321,785
Utilisation for the year	(86,370)	(79,720)
Allowance charged	<u>120,713</u>	<u>242,842</u>
Balance at end of financial year	<u><u>519,250</u></u>	<u><u>484,907</u></u>

Trade receivables that are individually determined to be impaired at the end of the financial year relate to debtors that are in significant financial difficulties and have defaulted on payments.

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

Past due < 3 months	282,258	806,687
Past due 3 to 6 months	<u>101,029</u>	<u>126,540</u>
Total	<u><u>383,287</u></u>	<u><u>933,227</u></u>

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

Deposits received	<u><u>413,352</u></u>	<u><u>432,957</u></u>
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National Environment Agency

Notes to the Financial Statements

For the financial year ended 31 March 2014

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 \$
Cost									
At 1 April 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
Additions	–	122,828	326,873	9,978,708	1,862,793	2,872,182	–	6,717,789	21,881,173
Disposals	–	–	(129,330)	(443,575)	(232,543)	(1,517,930)	–	(135,135)	(2,458,513)
Transfers	–	1,903,754	1,143,260	768,450	–	1,365,856	–	(5,181,320)	–
At 31 March 2014	961,790	13,405,152	5,976,612	63,220,940	5,766,908	96,996,925	28,274,403	4,041,241	218,643,971
Accumulated depreciation									
At 1 April 2013	128,239	3,948,454	2,963,530	32,460,913	1,900,314	74,190,729	13,974,705	–	129,566,884
Depreciation	32,059	2,432,710	670,852	10,039,386	455,637	3,492,873	1,299,973	–	18,423,490
Disposals	–	–	(128,674)	(443,575)	(230,412)	(1,510,173)	–	–	(2,312,834)
At 31 March 2014	160,298	6,381,164	3,505,708	42,056,724	2,125,539	76,173,429	15,274,678	–	145,677,540
Net book value									
At 31 March 2014	801,492	7,023,988	2,470,904	21,164,216	3,641,369	20,823,496	12,999,725	4,041,241	72,966,431
Cost									
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
Accumulated depreciation									
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
Net book value									
At 31 March 2013	833,551	7,430,116	1,672,279	20,456,444	2,236,344	20,086,088	14,299,698	2,639,907	69,654,427

National Environment Agency

Notes to the Financial Statements For the financial year ended 31 March 2014

14. Trade and other payables

	At 31 March 2014	At 31 March 2013
	\$	\$
Trade payables	45,225,055	52,958,456
Accruals	83,586,001	61,909,063
Deposits received	18,979,534	17,791,944
Grants received in advance	-	210,622
Advance payments received	3,324,299	3,236,897
Others	42,679	20,720
	<u>151,157,568</u>	<u>136,127,702</u>

Trade payables are non-interest bearing. Trade payables are usually settled on 30-day terms and are denominated in Singapore Dollars.

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

	At 31 March 2014	At 31 March 2013
	\$	\$
Grant to be returned to MEWR	4,143,968	2,817,629
Payable to MEWR for revenue collected on behalf	25,449,409	28,896,225
Other receivable from MEWR	(598)	(432)
	<u>29,592,779</u>	<u>31,713,422</u>

For the financial year ended 31 March 2014, the Agency collected total Government revenue on behalf of MEWR amounting to \$438,132,610 (2012/2013: \$472,073,391).

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 2014**

16. Loan from Government (unsecured)

	At 31 March 2014	At 31 March 2013
	\$	\$
Amount repayable within one year	3,646,667	3,950,555
Amount repayable after one year	18,233,333	21,880,000
Loan from Government	<u>21,880,000</u>	<u>25,830,555</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	3,646,667	3,950,555
Later than one year and not later than five years	14,282,778	14,586,667
Later than five years	3,950,555	7,293,333
	<u>21,880,000</u>	<u>25,830,555</u>

The interest rate of the loan from Government is fixed at 3.86% per annum (2012/2013: 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:

	Carrying amounts		Fair values	
	At 31 March 2014	At 31 March 2013	At 31 March 2014	At 31 March 2013
	\$	\$	\$	\$
Non-current portion of loan from Government	<u>18,233,333</u>	<u>21,880,000</u>	<u>18,482,504</u>	<u>23,214,634</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 2014

17. Provision for pensions and death gratuities

	At 31 March 2014	At 31 March 2013
	\$	\$
Balance sheet obligations for:		
Pensions	13,508,846	13,007,509
Death gratuities	245,012	824,080
	<u>13,753,858</u>	<u>13,831,589</u>
Amount payable within one year	3,244,205	5,127,984
Amount payable after one year	10,509,653	8,703,605
	<u>13,753,858</u>	<u>13,831,589</u>
Statement of comprehensive income charge for:		
Pensions	3,549,360	1,794,091
Death gratuities	(578,568)	684,854
	<u>2,970,792</u>	<u>2,478,945</u>

The amounts recognised as expenditure were as follows:

	Note	2013/2014	2012/2013
		\$	\$
<u>Pensions</u>			
Current service cost		933,481	1,409,644
Interest cost		251,428	379,359
		<u>1,184,909</u>	<u>1,789,003</u>
<u>Death gratuities</u>			
Current service cost		20,196	70,919
Past service cost		-	598,721
Interest cost		18,042	15,214
		<u>38,238</u>	<u>684,854</u>
Total provision for the financial year - net		<u>1,223,147</u>	<u>2,473,857</u>
Pension (credited)/charged directly to income or expenditure		(5,496)	5,088
Total included in staff costs	5	<u>1,217,651</u>	<u>2,478,945</u>

National Environment Agency

Notes to the Financial Statements For the financial year ended 31 March 2014

17. Provision for pensions and death gratuities (continued)

The amounts recognised in other comprehensive income were as follows:

	2013/2014	2012/2013
	\$	\$
Actuarial loss arising from changes in demographic and financial assumptions used in determining the Agency's pensions obligations	2,369,947	–
Actuarial gain arising from changes in demographic and financial assumptions used in determining the Agency's death gratuities obligations	(616,806)	–
Net re-measurement loss on defined benefit plans, recognised in other comprehensive income	1,753,141	–

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

	At 31 March 2014	At 31 March 2013
	\$	\$
Balance at beginning of financial year	13,831,589	14,741,165
Provision for the financial year – net	1,223,147	2,473,857
Net re-measurement loss on defined benefit plans	1,753,141	–
Less: Amount paid during the financial year	(3,054,019)	(3,383,433)
Balance at end of financial year	13,753,858	13,831,589

The Agency and the Singapore Government jointly finance the payment of gratuity, pension or allowance to pensionable officers at their retirement. The split of pension costs is determined based on the accumulated pensionable emoluments earned by the pensionable employee while he was in the government services as compared with his service with the Agency up to his retirement.

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 2014**

17. Provision for pensions and death gratuities (continued)

The cost of defined benefit pension plans and other post-employment medical benefits as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension and death gratuity benefit obligations for the defined benefit plans are shown below:

- (i) All pensionable and non-pensionable officers will retire at the age of 62.
- (ii) Pensionable officers are entitled to select one of the following state-managed pension schemes upon retirement:
 - (1) Annual pension payments;
 - (2) Reduced pension together with gratuity payment upon retirement; or
 - (3) Lump sum gratuity payment upon retirement.

Accrual for defined benefit pension obligations is made assuming that scheme (3) will be selected by these employees upon retirement based on the Agency's historical experience, and represents the present value of defined benefit pension obligations.

- (iii) The rate used to discount pensions and death gratuities obligations is 1.54% (2012/2013: 2.86%) per annum.
- (iv) 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.
- (v) Assumptions regarding future mortality are based on published statistics and mortality tables.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligations as of the end of the reporting period, assuming if all other assumptions were held constant:

		At 31 March 2014	
		Provision for pensions	Provision for death gratuities
Increase/(decrease)		\$	\$
Discount rate	+25 basis points	13,333,919	243,006
	-25 basis points	13,689,432	246,309
Future salary increases	+0.25%	13,569,181	245,922
	-0.25%	13,449,140	244,094

As at 31 March 2014, the average duration of the defined benefit obligation is 4 years for pensionable officers and 17 years for pensioners.

National Environment Agency

Notes to the Financial Statements For the financial year ended 31 March 2014

18. Deferred capital grants

	Note	At 31 March 2014	At 31 March 2013
		\$	\$
Balance at beginning of financial year		1,085,795	1,425,253
Add: Capital grants received during the year		–	100,971
Less: Amortisation of deferred capital grants in income or expenditure	9	<u>(389,080)</u>	<u>(440,429)</u>
		<u>696,715</u>	<u>1,085,795</u>

19. Share capital

The Agency's share capital comprises fully paid up 41,301,000 (31 March 2013: 41,301,000) ordinary shares, amounting to a total of \$41,301,000 (31 March 2013: \$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 2014	At 31 March 2013
	\$	\$
Property, plant and equipment	<u>11,706,474</u>	<u>14,591,264</u>

(b) *Operating lease commitments – as lessee*

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 2014	At 31 March 2013
	\$	\$
Not later than one year	13,034,012	14,183,395
Between one and five years	6,165,742	16,601,913
Later than five years	–	–
	<u>19,199,754</u>	<u>30,785,308</u>

National Environment Agency

Notes to the Financial Statements For the financial year ended 31 March 2014

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 2014, the Agency incurred incineration service fees amounting to \$85,639,180 (2012/2013: \$85,252,687).

(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 2014, \$8,352,519 (2012/2013: \$7,783,354) was recognised in income or expenditure.

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.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are with creditworthy debtors with good payment record. Cash and cash equivalents are placed with reputable financial institutions with high credit rating and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 12.

Collaterals and other credit enhancements

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

	At 31 March 2014	At 31 March 2013
	\$	\$
Deposits received	<u>224,050</u>	<u>156,771</u>

National Environment Agency

Notes to the Financial Statements For the financial year ended 31 March 2014

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 assets and liabilities based on contractual undiscounted repayment obligations.

	Less than 1 year \$	Between 1 and 5 years \$	Later than 5 years \$
At 31 March 2014			
Financial assets:			
Cash and cash equivalents	191,103,539	–	–
Trade and other receivables	33,418,543	–	–
	<hr/>		
Total undiscounted financial assets	224,522,082	–	–
	<hr/>		
Financial liabilities:			
Trade and other payables	147,833,269	–	–
Loan from Government	4,426,960	15,984,994	4,040,090
Payable to MEWR	29,592,779	–	–
	<hr/>		
Total undiscounted financial liabilities	181,853,008	15,984,994	4,040,090
	<hr/>		
Total net undiscounted financial assets/(liabilities)	42,669,074	(15,984,994)	(4,040,090)
	<hr/>		

National Environment Agency

**Notes to the Financial Statements
For the financial year ended 31 March 2014**

21. Financial risk management (continued)

(b) Liquidity risk (continued)

	Less than 1 year \$	Between 1 and 5 years \$	Later than 5 years \$
At 31 March 2013			
Financial assets:			
Cash and cash equivalents	195,587,380	–	–
Trade and other receivables	35,911,618	–	–
Total undiscounted financial assets	231,498,998	–	–
Financial liabilities:			
Trade and other payables	132,890,805	–	–
Loan from Government	4,956,292	16,864,912	7,587,132
Payable to MEWR	31,713,422	–	–
Total undiscounted financial liabilities	169,560,519	16,864,912	7,587,132
Total net undiscounted financial assets/(liabilities)	61,938,479	(16,864,912)	(7,587,132)

(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 2014

22. Fair value of assets and liabilities

(a) Fair value hierarchy

The Agency classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy have the following levels:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Agency can access at the measurement date,
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices), and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

(b) Assets and liabilities not carried at fair value but for which fair value is disclosed

The following table shows an analysis of the Agency's assets and liabilities not measured at fair value at 31 March 2014 but for which fair value is disclosed:

	At 31 March 2014				
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant un-observable inputs (Level 3)	Total	Carrying amount
	\$	\$	\$	\$	\$
Liabilities					
Non-current portion of loan from Government	–	18,482,504	–	18,482,504	18,233,333

The basis for determining fair value is disclosed in Note 16.

National Environment Agency

Notes to the Financial Statements For the financial year ended 31 March 2014

22. Fair value of assets and liabilities (continued)

(c) ***Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value***

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.

(d) ***Classification of financial assets/liabilities***

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

	At 31 March 2014	At 31 March 2013
	\$	\$
Loans and receivables		
Cash and cash equivalents	191,103,539	195,587,380
Trade and other receivables	32,195,644	35,514,660
	<u>223,299,183</u>	<u>231,102,040</u>
Financial liabilities at amortised cost		
Trade and other payables	147,833,269	132,890,805
Payable to the Ministry of the Environment and Water Resources	29,592,779	31,713,422
Loan from Government	21,880,000	25,830,555
	<u>199,306,048</u>	<u>190,434,782</u>

National Environment Agency

Notes to the Financial Statements For the financial year ended 31 March 2014

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:

	2013/2014	2012/2013
	\$	\$
Meteorological services rendered to Ministries, Organs of State and other Statutory Boards	<u>13,540,421</u>	<u>12,824,141</u>

(b) *Compensation of key management personnel*

	2013/2014	2012/2013
	\$	\$
Salaries and other short term employee benefits	4,870,166	4,358,780
Employer's contribution to Central Provident Fund	165,717	110,002
Post-employment benefits - contribution to pension	<u>151,842</u>	<u>160,115</u>
	<u>5,187,725</u>	<u>4,628,897</u>

Included in the above are Board members' fees amounting to \$199,688 (2012/2013: \$191,250).

24. Authorisation of financial statements

The financial statements of the Agency for the year ended 31 March 2014 were authorised for issue by the Board members of the Agency on 30 June 2014.

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