

Rallying Together

for a Sustainable Singapore



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

Annual Financial Statements
For the financial year ended 31 March 2021



National Environment Agency

Index

	Page
Independent auditor's report	1
Statement of comprehensive income	5
Balance sheet	6
Statement of changes in equity	7
Statement of cash flows	8
Notes to the financial statements	10

National Environment Agency

Independent auditor's report For the financial year ended 31 March 2021

Independent auditor's report to the Member of National Environment Agency

Report on the audit of the financial statements

Opinion

We have audited the financial statements of National Environment Agency (the "Agency"), which comprise the balance sheet as at 31 March 2021, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Public Sector (Governance) Act 2018 (Act 5 of 2018) (the "PSG Act"), the National Environment Agency Act, Chapter 195 (the "NEA Act") and Singapore Statutory Board Financial Reporting Standards ("SB-FRSs") so as to present fairly, in all material respects, the state of affairs of the Agency as at 31 March 2021 and the results, changes in equity and cash flows of the Agency for the year ended on that date.

Basis for opinion

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

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the PSG Act, the NEA Act and SB-FRSs, 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.

A statutory board is constituted based on its constitutional act and its dissolution requires Parliament's approval. In preparing the financial statements, management is responsible for assessing the Agency's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is intention to wind up the Agency or for the Agency to cease operations.

Those charged with governance are responsible for overseeing the Agency's financial reporting process.

National Environment Agency

Independent auditor's report

For the financial year ended 31 March 2021

Independent auditor's report to the Member of National Environment Agency

Report on the audit of the financial statements (cont'd)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Agency's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Agency to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the management and those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

National Environment Agency

Independent auditor's report For the financial year ended 31 March 2021

Independent auditor's report to the members of National Environment Agency

Report on other legal and regulatory requirements

Opinion

In our opinion:

- (a) the receipts, expenditure, investment of moneys and the acquisition and disposal of assets by the Agency during the financial year are, in all material respects, in accordance with the provisions of the PSG Act, the NEA Act and the requirements of any other written law applicable to moneys of or managed by the Agency; and
- (b) proper accounting and other records have been kept, including records of all assets of the Agency whether purchased, donated or otherwise.

Basis for opinion

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

Responsibilities of management for compliance with legal and regulatory requirements

Management is responsible for ensuring that the receipts, expenditure, investment of moneys and the acquisition and disposal of assets, are in accordance with the provisions of the PSG Act, the NEA Act and the requirements of any other written law applicable to moneys of or managed by the Agency. This responsibility includes monitoring related compliance requirements relevant to the Agency, and implementing internal controls as management determines are necessary to enable compliance with the requirements.

Auditor's responsibilities for the compliance audit

Our responsibility is to express an opinion on management's compliance based on our audit of the financial statements. We planned and performed the compliance audit to obtain reasonable assurance about whether the receipts, expenditure, investment of moneys and the acquisition and disposal of assets, are in accordance with the provisions of the PSG Act, the NEA Act and the requirements of any other written law applicable to moneys of or managed by the Agency.

National Environment Agency

**Independent auditor's report
For the financial year ended 31 March 2021**

Independent auditor's report to the members of National Environment Agency

Report on other legal and regulatory requirements (cont'd)

Auditor's responsibilities for the compliance audit (cont'd)

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.



Ernst & Young LLP

Public Accountants and
Chartered Accountants
Singapore

19 July 2021

National Environment Agency

Statement of comprehensive income For the financial year ended 31 March 2021

	Note	2020/2021 \$	2019/2020 \$
Income			
Management fees	4	41,511,079	62,242,128
Service fees	4	20,037,257	20,080,462
Regulatory charges	4	6,868,500	9,533,389
Other operating income	4	8,867,740	11,624,752
		77,284,576	103,480,731
Less:			
Expenditure			
Staff costs	5	318,350,437	303,991,068
Maintenance, services and supplies	6	499,919,265	458,465,140
Upgrading and improvement		1,237,306	2,267,333
Public education expense		27,032,849	16,214,990
Depreciation of property, plant and equipment and right-of-use assets	15,16	44,999,719	42,201,491
Rental of office and equipment		15,700,518	15,028,014
Finance expense	7	643,478	1,015,678
Other operating expenditure	8	71,987,307	77,138,916
		979,870,879	916,322,630
Operating deficit before Government grants		(902,586,303)	(812,841,899)
Add:			
Non-operating income/(expenditure)			
Interest income		4,611,554	6,030,984
Net gain arising from financial assets at fair value through profit or loss		10,731,374	2,315,787
Amortisation of bond premium		(303,307)	(342,755)
		15,039,621	8,004,016
Deficit before Government grants		(887,546,682)	(804,837,883)
Add: Government grants	9	854,009,944	753,197,374
Deficit before contribution to the Consolidated Fund		(33,536,738)	(51,640,509)
Contribution to the Consolidated Fund		-	-
Net deficit for the financial year		(33,536,738)	(51,640,509)
Other comprehensive income			
Net re-measurement loss on defined benefit plans	19	-	(1,526,118)
Total comprehensive loss for the financial year		(33,536,738)	(53,166,627)



Mr Lee Chuan Seng
Chairman
19 July 2021



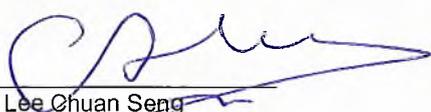
Mr Luke Goh
Chief Executive officer

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

National Environment Agency

**Balance sheet
As at 31 March 2021**

	Note	At 31 March 2021 \$	At 31 March 2020 \$
ASSETS			
Current assets			
Cash and cash equivalents	10	627,268,884	735,867,915
Trade and other receivables	11	35,730,930	36,441,660
Prepayments	12	25,181,333	2,466,083
Lease receivables	22	194,184	188,225
Financial assets at fair value through profit or loss	13	134,443,246	123,711,872
Quoted debt securities at amortised cost	14	4,257,207	15,599,545
Consumables		37,817,930	36,688,402
		864,893,714	950,963,702
Non-current assets			
Prepayments	12	135,557,959	—
Lease receivables	22	4,064,347	4,258,531
Property, plant and equipment	15	247,863,545	205,918,743
Right-of-use assets	16	16,282,364	26,835,203
Quoted debt securities at amortised cost	14	59,844,493	64,305,462
		463,612,708	301,317,939
Total assets		1,328,506,422	1,252,281,641
LIABILITIES			
Current liabilities			
Trade and other payables	17	244,561,412	192,362,589
Grants received in advance		144,472,853	120,987,651
Payable to the Ministry of Sustainability and the Environment	18	71,499,099	40,478,956
Provision for pensions and death gratuities	19	749,987	971,225
		461,283,351	354,800,421
Non-current liabilities			
Trade and other payables	17	12,349,716	16,582,705
Provision for pensions and death gratuities	19	6,558,277	7,333,327
Deferred capital grants	20	335,565	367,116
		19,243,558	24,283,148
Total liabilities		480,526,909	379,083,569
NET ASSETS		847,979,513	873,198,072
EQUITY			
Share capital	21	697,545,370	689,227,191
Accumulated surplus		150,434,143	183,970,881
		847,979,513	873,198,072


Mr Lee Chuan Seng
Chairman
19 July 2021


Mr Luke Goh
Chief Executive officer

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

National Environment Agency

**Statement of changes in equity
For the financial year ended 31 March 2021**

	Note	Share capital \$	Accumulated surplus \$	Total \$
Balance as at 31 March 2020		689,227,191	183,970,881	873,198,072
Total comprehensive income for the financial year				
Net deficit for the financial year		–	(33,536,738)	(33,536,738)
Equity injection	21	8,318,179	–	8,318,179
Balance as at 31 March 2021		697,545,370	150,434,143	847,979,513
Balance as at 1 April 2019		687,352,535	239,154,847	926,507,382
Effect of adopting SB-FRS 116		–	(1,420,762)	(1,420,762)
Balance as at 1 April 2019 (restated)		687,352,535	237,734,085	925,086,620
Transfer of statutory functions to SFA for future replacement of transferred assets		–	(596,577)	(596,577)
Total comprehensive income for the financial year				
Net deficit for the financial year		–	(51,640,509)	(51,640,509)
Net re-measurement loss on defined benefit plans recognised in other comprehensive income	19	–	(1,526,118)	(1,526,118)
Equity injection	21	1,874,656	–	1,874,656
Balance as at 31 March 2020		689,227,191	183,970,881	873,198,072

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

National Environment Agency

Statement of cash flows

For the financial year ended 31 March 2021

	Note	2020/2021 \$	2019/2020 \$
Cash flows from operating activities			
Net deficit for the financial year		(33,536,738)	(51,640,509)
Adjustments for:			
Government grants	9	(854,009,944)	(753,197,374)
Depreciation of property, plant and equipment and right-of-use assets	15,16	44,999,719	42,201,491
(Gain)/loss on sublease arrangement and lease modifications		(83)	679,613
Rental rebates	22	(159,385)	–
Amortisation of bond premium		303,307	342,755
Loss/(gain) on disposal and write-off of property, plant and equipment		584,559	(2,549)
Interest expense	7	134,783	212,268
Interest expense on lease liabilities	22	508,695	803,410
Interest income		(4,611,554)	(6,030,984)
Low value plant and equipment expensed off	8	1,383,907	1,565,584
Adjustments to reinstatement cost provision	8	(1,785,577)	–
Net loss allowance on trade and other receivables	11	319,064	224,496
Provision for pensions and death gratuities	19	221,671	336,439
Provision for carbon tax		4,065,034	4,298,894
Fair value gain on financial assets at fair value through profit or loss		(10,731,374)	(2,315,787)
Operating cash flows before working capital changes		(852,313,916)	(762,522,253)
Change in operating assets and liabilities:			
- Consumables		(1,129,528)	(1,312,280)
- Trade and other receivables		(1,450,890)	15,069,317
- Prepayments		(158,293,764)	3,080,565
- Trade and other payables		49,426,968	(25,404,732)
- Payable to the Ministry of Sustainability and the Environment (“MSE”)		5,220,160	3,183,387
Cash flows used in operations		(958,540,970)	(767,905,996)
Interest received		4,162,901	3,418,759
Payments for pension cost	19	(1,217,959)	(1,555,533)
Payment to consolidated fund		–	(7,945,662)
Payment for carbon tax		(4,374,385)	–
Net cash used in operating activities		(959,970,413)	(773,988,432)

National Environment Agency

Statement of cash flows

For the financial year ended 31 March 2021

	Note	2020/2021 \$	2019/2020 \$
Cash flows from investing activities			
Interest received from quoted debt securities at amortised cost		2,155,103	2,134,423
Net consideration for transfer of statutory functions to SFA		–	(2,152,650)
Proceeds from lease receivables	22	324,331	324,330
Purchases of property, plant and equipment		(59,378,721)	(50,333,035)
Purchase of quoted debt securities at amortised cost		–	(5,040,000)
Proceeds from maturity of quoted debt securities at amortised cost		15,500,000	–
Purchase of financial assets at fair value through profit or loss		–	(30,000,000)
Sale of financial assets at fair value through profit or loss		–	30,000,000
Proceeds from disposal of property, plant and equipment		78,485	112,423
Net cash used in investing activities		(41,320,802)	(54,954,509)
Grants received from Government			
		903,263,578	886,452,978
Repayment of loan from Government		–	(3,950,555)
Interest paid on loan from Government		–	(89,534)
Equity injection	21	8,318,179	1,874,656
Interest paid on lease liabilities	22	(508,695)	(803,410)
Payment for principal portion of lease liabilities	22	(18,380,878)	(17,830,298)
Net cash generated from financing activities		892,692,184	865,653,837
Net (decrease)/increase in cash and cash equivalents		(108,599,031)	36,710,896
Cash and cash equivalents at beginning of financial year	10	735,867,915	699,157,019
Cash and cash equivalents at end of financial year	10	627,268,884	735,867,915

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

National Environment Agency

Notes to the financial statements

For the financial year ended 31 March 2021

1. General information

National Environment Agency (the "Agency"), a Statutory Board under the Ministry of Sustainability and the Environment ("MSE"), was incorporated under the National Environment Agency Act (the "NEA 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:

Public health

- (i) conducting investigations, enforcement and surveillance of environmental health concerns and vectors of infectious agents;
- (ii) conducting research into and develop strategies for prevention and control of environmental health concerns;
- (iii) overseeing the planning for after-death facilities, and building, operating and maintaining Government-owned cemeteries, crematorium and columbarium facilities; and
- (iv) providing cleaning services in designated public areas.

Hawker centres

Developing and reviewing hawker policies and programmes, 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.

Environmental management

- (i) monitoring of environmental quality, reviewing building plans for pollution control and environmental health requirements, and controlling environmental pollution;
- (ii) controlling the import, export, transportation, storage, sale, possession and use of hazardous substances;
- (iii) controlling the import, export, transportation, storage, collection, treatment and disposal of toxic industrial waste;
- (iv) controlling the import, export, transportation, storage, sale, possession, use, manufacture and disposal of radioactive materials and irradiating apparatuses;
- (v) enhancing the competency of the environment industry workforce and promoting environmental thought leadership through knowledge distillation, sharing and training;
- (vi) building a vibrant research and development ecosystem in the environment industry and developing environmental technology competencies and capabilities in Singapore;
- (vii) developing and driving the transformation of the environmental services industry to be vibrant, sustainable and professional to serve Singapore, as well as growing cities' needs;
- (viii) inculcating a pro-environment mindset in the community and raising community ownership of environmental and public health issues in Singapore; and
- (ix) undertaking licensing, providing consultancy services and promoting professionalism in relation to pest control, environmental and other related industries.

National Environment Agency

Notes to the financial statements For the financial year ended 31 March 2021

1. General information (cont'd)

Energy and waste

- (i) promoting resource conservation and energy efficiency and carbon mitigation;
- (ii) regulating the collection and disposal of solid waste; and
- (iii) planning, developing, managing and regulating waste-to-resource and waste-to-energy facilities and landfills.

Meteorological services

- (i) conducting meteorological observations and seismic monitoring; and
- (ii) providing weather, climate and related services, and conducting research in meteorology.

Transfer of statutory functions to Singapore Food Agency

With effect from 1 April 2019, the Agency's food-related statutory functions were transferred to Singapore Food Agency ("SFA"). The carrying value of assets and liabilities transferred to SFA on 1 April 2019 are as follows:

	Carrying value as of 1 April 2019
	\$
Property, plant and equipment (net)	400,303
Trade and other payables	(1,956,376)
	<hr/>
Total net liabilities	(1,556,073)
Accumulated surplus*	(596,577)
	<hr/>
Net consideration for transfer of statutory functions to SFA	(2,152,650)
	<hr/> <hr/>

*Accumulated surplus transferred to SFA relates to funds which have been earmarked by the Agency to fund future replacement of property, plant and equipment that were transferred to SFA.

2. Summary of significant accounting policies

(a) ***Basis of preparation***

The financial statements have been prepared in accordance with the historical cost basis except as disclosed in the accounting policies below and are drawn up in accordance with the provisions of the PSG Act, the NEA Act and Singapore Statutory Board Financial Reporting Standards ("SB-FRSs"), including interpretation of SB-FRS ("INT SB-FRSs") and SB-FRS Guidance Notes.

The Agency adopted all the new and revised SB-FRSs, INT SB-FRS and SB-FRS Guidance Notes that are effective for annual periods beginning on or after 1 April 2020. In addition, the Agency has early adopted the Amendment to SB-FRS 116 *Leases: COVID-19 Related Rent Concessions* effective for annual period beginning on or after 1 April 2021.

National Environment Agency

Notes to the financial statements

For the financial year ended 31 March 2021

2. Summary of significant accounting policies (cont'd)

(a) *Basis of preparation (cont'd)*

The adoption of these SB-FRSs, INT SB-FRSs and SB-FRS Guidance Notes did not result in changes to the Agency's accounting policies and did not have any material effect on the financial performance or position of the Agency.

(b) *Standards issued but not yet effective*

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

Description	Effective for annual periods beginning on or after
Amendments to SB-FRS 16 <i>Property, Plant and Equipment – Proceeds before Intended Use</i>	1 January 2022
Annual Improvements to SB-FRSs (2018-2020)	1 January 2022
Amendments to SB-FRS 1 <i>Presentation of Financial Statements – Classification of Liabilities as Current or Non-current</i>	1 January 2023

The directors have considered and are of the view that the adoption of the above standard will have no material impact on the financial statements in the period of initial application. The Agency will adopt the new standards on the required effective date.

(c) *Income recognition*

Income is measured based on the consideration to which the Agency expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amount collected on behalf of third parties.

Income is recognised when the Agency satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of income recognised is the amount allocated to the satisfied performance obligation. Income is recognised as follows:

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

(d) *Research costs*

Research costs are recognised as an expenditure when incurred.

National Environment Agency

Notes to the financial statements For the financial year ended 31 March 2021

2. Summary of significant accounting policies (cont'd)

(e) *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 expenditure 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.

(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.

National Environment Agency

Notes to the financial statements For the financial year ended 31 March 2021

2. Summary of significant accounting policies (cont'd)

(f) *Contribution to the Consolidated Fund*

Under Section 13(1)(e) and the First Schedule of the Singapore Income Tax Act, Chapter 134, the income of the Agency is exempt from income tax.

In lieu of income tax, the Agency is required to make contribution to the Government Consolidated Fund in accordance with the Statutory Corporations (Contributions to Consolidated Fund) Act, Chapter 319A. The provision is based on the guidelines specified by the Ministry of Finance. It is computed based on the net surplus of the Agency for each of the financial year at the prevailing corporate tax rate for the Year of Assessment. Contribution to the Consolidated Fund is provided for on an accrual basis.

(g) *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 expenditure are recognised in income or expenditure in the year these operating expenditures are incurred.

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

Government grants that are determined on the multi-year block cycle basis are recognised as income when received in the situation when the final grant amount for the block cannot be reliably estimated until formal assessments are done with the Ministry at the mid or end of the cycle. Accordingly, grant adjustments are made when such reassessments are concluded, and amounts that are determined to be refunded are recorded as Payable to the Ministry.

When the block grant amount can be reliably estimated, the Agency will determine the grant income that corresponds to the expenditure incurred for the year and recognise that amount as grant income. The excess of grant received during the year over grant income recognised is recorded as Grant received in advance.

Other government grants are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis.

(h) *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(i)).

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.

National Environment Agency

Notes to the financial statements For the financial year ended 31 March 2021

2. Summary of significant accounting policies (cont'd)

(h) *Property, plant and equipment (cont'd)*

(i) *Measurement (cont'd)*

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:

	<u>Useful lives</u>
Leasehold land	- 30 to 99 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

Construction-in-progress are not depreciated as these assets are not yet available for use.

For property, plant and equipment which were transferred to the Agency from MSE 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 profit or loss 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 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.

National Environment Agency

Notes to the financial statements For the financial year ended 31 March 2021

2. Summary of significant accounting policies (cont'd)

(i) *Impairment of non-financial assets*

The Agency assesses at each reporting date whether there is an indication that an asset 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.

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.

(j) *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.

(k) *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 instruments. The Agency determines the classification of its financial assets at initial recognition.

At initial recognition, the Agency measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in income or expenditure.

Trade receivables are measured at the amount of consideration to which the Agency expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

National Environment Agency

Notes to the financial statements

For the financial year ended 31 March 2021

2. Summary of significant accounting policies (cont'd)

(k) *Financial instruments (cont'd)*

(i) *Financial assets (cont'd)*

Subsequent measurement

(a) Amortised cost

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in income or expenditure when the assets are derecognised or impaired, and through the amortisation process.

(b) Fair value through profit or loss

Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. Gain or loss on a debt instrument that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in income or expenditure in the period in which it arises.

Derecognition

The Agency derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Agency neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Agency recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Agency retains substantially all the risks and rewards of ownership of a transferred financial asset, the Agency continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition 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 for the debt instrument is recognised in income or expenditure.

(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 in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

2. Summary of significant accounting policies (cont'd)

(k) Financial instruments (cont'd)

(ii) Financial liabilities (cont'd)

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss 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.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. 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 derecognition 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.

(l) Impairment of financial assets

The Agency recognises a loss allowance for expected credit losses ("ECLs") on all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Agency expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For trade receivables, the Agency applies a simplified approach in calculating ECLs. Therefore, the Agency does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Agency has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For all other financial instruments, the Agency recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Agency measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

National Environment Agency

Notes to the financial statements For the financial year ended 31 March 2021

2. Summary of significant accounting policies (cont'd)

(l) *Impairment of financial assets (cont'd)*

The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Agency compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Agency considers both quantitative and qualitative information that is available without undue cost or effort.

The Agency presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Agency has reasonable and supportable information that demonstrates otherwise.

Write-off policy

The Agency writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Agency's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in the statement of comprehensive income.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Agency's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. trade and other receivables and finance lease receivables);
- Past-due status;
- Nature, size and industry of debtors;
- Nature of collaterals for finance lease receivables; and
- External credit ratings, where available.

National Environment Agency

Notes to the financial statements For the financial year ended 31 March 2021

2. Summary of significant accounting policies (cont'd)

(l) *Impairment of financial assets (cont'd)*

Measurement and recognition of expected credit losses (cont'd)

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

If the Agency has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Agency measures the loss allowance at an amount equal to 12-month ECL at the current reporting date.

(m) *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 and Statutory Board Approved Funds ("SBAF") scheme that are readily convertible to a known amount of cash and are subject to an insignificant risk or changes in value.

Government grants received by the Agency for the purpose of property, plant and equipment renewal or replacement is recognised in cash held under Sinking Fund.

The cash held under SBAF scheme relates to an equity injection by MOF to fund the Integrated Waste Management Facility. Under the SBAF scheme, the interest income generated will accrue to the Government.

(n) *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 embodying economic benefits 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.

(o) *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.

2. Summary of significant accounting policies (cont'd)

(p) Leases

As lessee

The Agency assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Agency applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Agency recognises lease liabilities representing the obligations to make lease payments and right-of-use ("ROU") assets representing the right to use the underlying leased assets.

Right-of-use ("ROU") assets

The Agency recognises ROU assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of ROU assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The cost of a ROU asset also includes an estimate of the costs to be incurred by the Agency in dismantling and removing the underlying asset, restoring the site on which the asset is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

ROU assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

The useful lives of the ROU assets are as follows:

	<u>Useful lives</u>
Leasehold land	- 2 – 5 years
Building and building improvements	- 2 – 3 years
Office equipment	- 3 – 5 years
Computer hardware	- 3 years

If ownership of the leased asset transfers to the Agency at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The ROU assets are also subjected to impairment. The accounting policy for impairment is set out in Note 2(i).

Lease liabilities

At the commencement date of the lease, the Agency recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments), less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Agency and payments of penalties for terminating the lease, if the lease term reflects the Agency exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenditure in the period in which the event or condition that triggers the payment occurs.

National Environment Agency

Notes to the financial statements For the financial year ended 31 March 2021

2. Summary of significant accounting policies (cont'd)

(p) *Leases (cont'd)*

As lessee (cont'd)

Lease liabilities (cont'd)

In calculating the present value of the lease payments, the Agency uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Agency applies the short-term lease recognition exemption to its short-term leases (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low value are recognised as expenses on a straight-line basis over the lease term.

Subleases

In classifying a sublease, the Agency as an intermediate lessor classifies the sublease as a finance or an operating lease with reference to the right-of-use asset arising from the head lease, rather than the underlying asset.

When the sublease is assessed as a finance lease, the Agency derecognises the right-of-use asset relating to the head lease that it transfers to the sublessee and recognises the net investment in the sublease as lease receivables. Any difference between the right-of-use asset derecognised and the net investment in sublease is recognised in income or expenditure. Lease liabilities relating to the head lease is retained in the balance sheet, which represents the lease payments owed to the head lessor.

When the sublease is assessed as an operating lease, the Agency recognises lease income from the sublease in income or expenditure. The right-of-use asset relating to the head lease is not derecognised.

(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.

National Environment Agency

Notes to the financial statements For the financial year ended 31 March 2021

2. Summary of significant accounting policies (cont'd)

(q) *Currency translation (cont'd)*

(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) *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 MSE 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. Significant 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 expenditure, and the disclosures of contingent liabilities at the end of the reporting period.

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:

(i) 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 99 years. The carrying amount of the Agency's property, plant and equipment at 31 March 2021 was \$247,863,545 (31 March 2020: \$205,918,743). 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 15).

(ii) Incineration service agreements assessed to be not a lease

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 2021, the Agency incurred incineration service fees amounting to \$92,994,392 (2019/2020: \$95,374,910) which included carbon tax expense charged amounting to \$2,157,177 (2019/2020: \$2,729,968). The Agency has assessed that the agreements do not contain a lease as the Agency does not have the right to control the use of the incineration plants.

National Environment Agency

Notes to the financial statements For the financial year ended 31 March 2021

4. Income

(a) Disaggregation of income

The table below shows the disaggregation of the revenue of the Agency based on the various key income streams and the timing of transfer of goods or services (either at a point in time or over time).

	2020/2021 \$	2019/2020 \$
Timing of income recognition		
At a point in time:		
Services fees	1,764,228	1,913,126
Regulatory charges	5,246,235	7,922,771
Other operating income	8,867,740	11,624,752
Over time:		
Management fees ⁽¹⁾	41,511,079	62,242,128
Services fees	18,273,029	18,167,336
Regulatory charges	1,622,265	1,610,618
	77,284,576	103,480,731

⁽¹⁾ 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.

(b) Transaction price allocated to remaining performance obligations

Information relating to the aggregate amount of transaction price allocated to the unsatisfied (or partially unsatisfied) performance obligations is presented in the table below:

	As 31 March 2021 \$	As 31 March 2020 \$
Expected to be recognised in:		
One year or less	787,686	862,057
More than one year	1,041,643	1,250,948
	1,829,329	2,113,005

5. Staff costs

	2020/2021 \$	2019/2020 \$
Wages and salaries	275,875,360	260,065,754
Employer's contribution to Central Provident Fund	34,000,842	32,605,221
Pension contributions and death gratuities (Note 19)	276,825	385,516
Other staff costs	8,197,410	10,934,577
	318,350,437	303,991,068

National Environment Agency

Notes to the financial statements For the financial year ended 31 March 2021

6. Maintenance, services and supplies

Included in maintenance, services and supplies were:

	2020/2021	2019/2020
	\$	\$
Public area landscaping, cleaning services and supplies	134,289,464	131,073,452
Incineration services	92,994,392	95,374,910
Professional, consultancy and contract services	54,238,672	25,744,597
Maintenance of specialised and industrial equipment	34,328,409	30,966,573
Maintenance of building, markets and hawker centres and office premises	38,029,872	39,657,467
IT services	39,499,526	37,137,578
Security and enforcement services	19,414,686	19,179,484
Industrial supplies	12,634,712	11,658,003
Vector control services	22,950,676	21,611,416
Table cleaning services	13,455,794	8,239,354
Utilities charges	7,737,394	8,759,285

7. Finance expense

	2020/2021	2019/2020
	\$	\$
Interest expense on loan from Government	–	76,165
Interest expense on lease liabilities	508,695	803,410
Interest expense on provision for reinstatement cost	134,783	136,103

8. Other operating expenditure

Included in other operating expenditure were:

	2020/2021	2019/2020
	\$	\$
GST expense	26,538,622	23,568,806
Communication expense	7,434,405	7,756,078
Research costs	4,759,924	4,771,964
Low value plant and equipment expensed off	1,383,907	1,565,584
Carbon tax provision	4,065,033	4,298,895
Incentive scheme for motorcycles	10,666,000	19,945,500
Adjustments to reinstatement provision	(1,785,577)	–

Carbon tax

The carbon tax payable is based on taxable greenhouse gas emissions for the relevant reporting period. The Agency's liability for carbon tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Carbon tax is recognised as an expenditure in the statement of comprehensive income.

National Environment Agency

Notes to the financial statements For the financial year ended 31 March 2021

9. Government grants

	2020/2021	2019/2020
	\$	\$
Operating grants (net)	844,551,306	741,886,702
Deferred capital grants amortised	31,551	24,568
Other grants	9,427,087	11,286,104
	854,009,944	753,197,374

The Agency's operations of incineration plants and hawkers are funded on a multi-year block cycle (Note 2(g)).

In FY2019/2020, a mid-term review was performed for grants for the incineration plants block cycle. This resulted in an adjustment of \$120,748,707 from Operating grants to Grants received in advance in the previous financial year. In the current financial year, the excess of grants received over expenditure incurred of \$19,072,318 was recorded as Grants received in advance.

For the financial year ended 31 March 2021, an end-of-cycle review was concluded for the 3-year hawker centres block cycle which ended in FY2019/2020. This resulted in an adjustment of \$28,248,223 from Operating grants to Payable to the Ministry of Sustainability and the Environment (Note 18). In the current financial year, the excess of grants received over expenditure incurred of \$3,329,832 was recorded as Grants received in advance.

10. Cash and cash equivalents

	2020/2021	2019/2020
	\$	\$
Cash held with AGD - under CLM scheme	309,550,424	235,845,892
Cash held with AGD - under SBAF scheme	304,486,954	491,853,175
Cash held with AGD - others	6,887,791	2,254,904
Cash at banks	6,343,715	5,913,944
	627,268,884	735,867,915

Included within the cash held under Centralised Liquidity Management ("CLM") scheme is an amount of \$121,546,011 (2019/2020: \$95,307,262) which relates to cash held under Sinking Fund for the purpose of renewal or replacement of property, plant and equipment. The cash held under Statutory Board Approved Funds ("SBAF") scheme relates to an equity injection by MOF to fund the Integrated Waste Management Facility. Under the SBAF scheme, the interest income generated will accrue to the Government.

The effective interest rate for all cash balances is 0.79% (2019/2020: 1.93%) per annum. Interest rates are repriced within 12 months.

National Environment Agency

Notes to the financial statements For the financial year ended 31 March 2021

11. Trade and other receivables

	2020/2021	2019/2020
	\$	\$
Trade receivables	6,608,507	5,388,891
Less: Loss allowance	(561,974)	(307,262)
Net trade receivables	6,046,533	5,081,629
Revenue to be collected on behalf on MSE	23,074,469	20,446,738
Deposits	829,158	803,207
Interest receivables	848,053	2,690,609
Other receivables ⁽¹⁾	4,932,717	7,419,477
	35,730,930	36,441,660

⁽¹⁾ Includes grant receivables of \$376,065 (2019/2020: \$2,966,481) for research-related costs.

Trade receivables are generally on 30 days (2019/2020: 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.

Expected credit loss provision

Loss allowance for trade receivables has always been measured at an amount equal to lifetime expected credit losses ("ECL"). The ECL on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

As the Agency's historical credit loss experience show significantly different loss patterns for different customer segments (including normal and low risk type), the provision for loss allowance based on past due status is distinguished between the Agency's customer segment of different risk type.

National Environment Agency

Notes to the financial statements
For the financial year ended 31 March 2021

11. Trade and other receivables (cont'd)

Expected credit loss provision (cont'd)

The following tables detail the risk profile of trade receivables from contracts with customers based on the Agency's provision matrix.

Individual customers				
	ECL rate	Gross carrying amount	Lifetime ECL	Total
	%	\$	\$	\$
31 March 2021				
Current	0.01	1,123,892	(112)	1,123,780
1 to 30 days	0.15	358,271	(537)	357,734
31 to 60 days	1.52	246,793	(3,751)	243,042
61 to 90 days	9.01	201,247	(18,133)	183,114
91 to 150 days	40.67	247,606	(100,702)	146,904
> 150 days	78.37	559,831	(438,739)	121,092
Total		2,737,640	(561,974)	2,175,666
31 March 2020				
Current	–	596,858	–	596,858
1 to 30 days	0.05	354,304	(177)	354,127
31 to 60 days	0.96	188,894	(1,813)	187,081
61 to 90 days	7.56	110,635	(8,364)	102,271
91 to 150 days	38.08	131,395	(50,035)	81,360
> 150 days	75.50	326,984	(246,873)	80,111
Total		1,709,070	(307,262)	1,401,808
Corporate customers				
	ECL rate	Gross carrying amount	Lifetime ECL	Total
	%	\$	\$	\$
31 March 2021				
Current	–	3,833,321	–	3,833,321
1 to 30 days	–	35,403	–	35,403
31 to 60 days	–	972	–	972
61 to 90 days	–	6	–	6
91 to 150 days	–	154	–	154
> 150 days	–	1,011	–	1,011
Total		3,870,867	–	3,870,867
31 March 2020				
Current	–	3,665,670	–	3,665,670
1 to 30 days	–	11,916	–	11,916
31 to 60 days	–	940	–	940
61 to 90 days	–	1,295	–	1,295
91 to 150 days	–	–	–	–
> 150 days	–	–	–	–
Total		3,679,821	–	3,679,821

National Environment Agency

Notes to the financial statements For the financial year ended 31 March 2021

11. Trade and other receivables (cont'd)

Expected credit loss provision (cont'd)

The table below shows the movement in lifetime ECL that has been recognised for trade receivables in accordance with the simplified approach set out in SB-FRS 109:

	At 31 March 2021	At 31 March 2020
	\$	\$
Balance at beginning of financial year	307,262	298,108
Loss allowance recognised in income or expenditure:		
Charge for the financial year	352,234	307,262
Write-back	(33,170)	(82,766)
Receivables written off as uncollectible	(64,352)	(215,342)
Balance at end of financial year	<u>561,974</u>	<u>307,262</u>

The Agency has not made any allowance for ECL on deposits, interest receivables and other receivables as the Agency is of the view that these are recoverable.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance.

12. Prepayments

For the financial year ended 31 March 2021, the Agency has awarded a main engineering, procurement and construction contract for Phase 1 of its Tuas Nexus Integrated Waste Management Facility. 10% of the contract value has been paid upfront and included in prepayments at reporting date.

13. Financial assets at fair value through profit or loss

	At 31 March 2021	At 31 March 2020
	\$	\$
Held-for-trading financial assets at fair value		
- Quoted investment funds	<u>134,443,246</u>	<u>123,711,872</u>

The investment funds offer the Agency the opportunity for return through fair value gains. The funds have no fixed maturity or coupon rate.

The quoted investment funds are in a diversified portfolios of various asset classes managed by professional fund managers awarded by Accountant-General's Department ("AGD") under the Demand Aggregation III Scheme.

National Environment Agency

Notes to the financial statements For the financial year ended 31 March 2021

14. Quoted debt securities at amortised cost

	At 31 March 2021	At 31 March 2020
	\$	\$
Quoted debt securities at amortised cost		
- Current	4,257,207	15,599,545
- Non-current	59,844,493	64,305,462
	64,101,700	79,905,007

The average effective interest rate of the quoted debt securities is 2.39% (2019/2020: 2.37%) per annum.

As at 31 March 2021, the quoted debt securities have nominal values amounting to \$63,750,000 (2019/2020: \$79,250,000), with coupon rates ranging from 2.30% to 3.63% (2019/2020: 2.30% to 3.63%) per annum and average maturity of 2.5 years (2019/2020: 3 years).

The quoted debt securities are denominated in Singapore dollars.

For purpose of impairment assessment, the investments in debt securities are considered to have low credit risk as the main counterparties to these instruments are statutory boards of the Singapore Government and government-linked corporations. Accordingly, for the purpose of impairment assessment for these debts instruments, the loss allowance is measured at an amount equal to 12-month expected credit losses (ECL).

In determining the ECL, management has taken into account the historical default experience, the capacity of the issuers of these debt securities to meet their contractual cash flow obligations in the near term, and the economic and business conditions in the long term, as appropriate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance.

National Environment Agency

Notes to the financial statements
For the financial year ended 31 March 2021

15. 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 2019	83,768,390	14,242,173	6,129,728	101,981,324	7,910,442	125,804,945	28,274,403	32,238,633	400,350,038
Additions	238	1,303,028	114,758	634,265	132,769	4,507,531	–	47,162,476	53,855,065
Disposals/write-offs	–	(24,296)	(199,473)	(7,475,036)	(335,823)	(3,803,762)	–	(31,167)	(11,869,557)
Transfers to SFA	–	–	(2,200)	(44,918)	(746,301)	(203,461)	–	–	(996,880)
Transfers	22,321	1,326,644	3,536,936	13,348,423	–	13,802,162	–	(32,036,486)	–
At 31 March 2020 and 1 April 2020	83,790,949	16,847,549	9,579,749	108,444,058	6,961,087	140,107,415	28,274,403	47,333,456	441,338,666
Additions	–	438,319	17,500	5,443,578	580,400	5,638,749	–	55,296,534	67,415,080
Disposals/write-offs	–	(539,246)	(233,456)	(1,791,698)	(588,292)	(7,626,008)	–	(540,097)	(11,318,797)
Transfers	–	302,633	357,550	16,619,873	–	1,177,135	–	(18,457,191)	–
At 31 March 2021	83,790,949	17,049,255	9,721,343	128,715,811	6,953,195	139,297,291	28,274,403	83,632,702	497,434,949
Accumulated depreciation									
At 1 April 2019	878,217	9,901,617	5,668,247	86,711,871	4,205,316	95,945,576	21,774,540	–	225,085,384
Depreciation	874,370	1,200,153	648,013	11,415,354	682,092	6,559,027	1,299,973	–	22,678,982
Disposals/write-offs	–	(23,761)	(198,106)	(7,472,805)	(286,741)	(3,766,453)	–	–	(11,747,866)
Transfers to SFA	–	–	(1,357)	(39,603)	(452,899)	(102,718)	–	–	(596,577)
At 31 March 2020 and 1 April 2020	1,752,587	11,078,009	6,116,797	90,614,817	4,147,768	98,635,432	23,074,513	–	235,419,923
Depreciation	874,427	1,742,497	864,860	12,675,887	644,717	6,672,873	1,299,973	–	24,775,234
Disposals/write-offs	–	(539,246)	(233,456)	(1,761,697)	(588,292)	(7,501,062)	–	–	(10,623,753)
At 31 March 2021	2,627,014	12,281,260	6,748,201	101,529,007	4,204,193	97,807,243	24,374,486	–	249,571,404
Net book value									
At 31 March 2020	82,038,362	5,769,540	3,462,952	17,829,241	2,813,319	41,471,983	5,199,890	47,333,456	205,918,743
At 31 March 2021	81,163,935	4,767,995	2,973,142	27,186,804	2,749,002	41,490,048	3,899,917	83,632,702	247,863,545

National Environment Agency

Notes to the financial statements
For the financial year ended 31 March 2021

16. Right-of-use assets

	Leasehold land \$	Building and building improvements \$	Office equipment \$	Computer hardware \$	Others \$	Total \$
Cost						
At 1 April 2019	–	–	–	–	–	–
Effect of adopting FRS 116	5,698,108	46,459,638	30,885	26,028	–	52,214,659
At 1 April 2019 (restated)	5,698,108	46,459,638	30,885	26,028	–	52,214,659
Effect of sublease arrangement	(5,588,191)	–	–	–	–	(5,588,191)
Additions	–	5,518,603	–	–	1,184,294	6,702,897
Lease modifications	–	(21,767)	–	–	–	(21,767)
At 31 March 2020 and 1 April 2020	109,917	51,956,474	30,885	26,028	1,184,294	53,307,598
Additions	32,030	9,249,978	–	54,623	385,008	9,721,639
Disposals	(80,881)	(8,654,184)	(30,885)	(16,963)	–	(8,782,913)
Lease modifications	–	(3,760)	–	–	(46,233)	(49,993)
At 31 March 2021	61,066	52,548,508	–	63,688	1,523,069	54,196,331

National Environment Agency

Notes to the financial statements
For the financial year ended 31 March 2021

16. Right-of-use assets (cont'd)

	Leasehold land \$	Building and building improvements \$	Office equipment \$	Computer hardware \$	Others \$	Total \$
Accumulated depreciation						
At 1 April 2019	–	–	–	–	–	–
Effect of adopting FRS 116	328,716	6,871,647	19,443	9,489	–	7,229,295
At 1 April 2019 (restated)	328,716	6,871,647	19,443	9,489	–	7,229,295
Effect of sublease arrangement	(279,409)	–	–	–	–	(279,409)
Depreciation	35,088	18,944,583	9,675	8,676	524,487	19,522,509
At 31 March 2020 and 1 April 2020	84,395	25,816,230	29,118	18,165	524,487	26,472,395
Depreciation	24,007	19,525,358	1,767	18,746	654,607	20,224,485
Disposals	(80,881)	(8,654,184)	(30,885)	(16,963)	–	(8,782,913)
At 31 March 2021	27,521	36,687,404	–	19,948	1,179,094	37,913,967
Net book value						
At 31 March 2020	25,522	26,140,244	1,767	7,863	659,807	26,835,203
At 31 March 2021	33,545	15,861,104	–	43,740	343,975	16,282,364

National Environment Agency

**Notes to the financial statements
For the financial year ended 31 March 2021**

17. Trade and other payables

	At 31 March 2021	At 31 March 2020
	\$	\$
Trade payables	77,080,056	48,672,226
Accruals	100,043,984	79,600,552
Accruals for property, plant and equipment	22,113,106	12,724,840
Deposits received	25,365,943	24,559,996
Advance payments received	3,438,971	3,653,040
Lease liabilities (Note 22)	17,259,565	28,104,847
Other payables	11,609,503	11,629,793
	256,911,128	208,945,294
	244,561,412	192,362,589
Current	12,349,716	16,582,705
Non-current	256,911,128	208,945,294

Trade payables are non-interest bearing. Trade payables are usually settled on 30 days (2019/2020: 30 days) term and are denominated in Singapore Dollars.

18. Payable to the Ministry of Sustainability and the Environment (“MSE”)

	At 31 March 2021	At 31 March 2020
	\$	\$
Grant to be returned to MSE	44,322,788	18,522,805
Payable to MSE for revenue collected on behalf	28,026,664	22,638,412
Other receivable from MSE	(850,353)	(682,261)
	71,499,099	40,478,956

For the financial year ended 31 March 2021, the Agency collected total Government revenue on behalf of MSE amounting to \$311,800,407 (2019/2020: \$377,200,309).

The amounts payable to MSE 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 2021

19. Provision for pensions and death gratuities

		At 31 March 2021	At 31 March 2020
		\$	\$
Balance sheet obligations for:			
Pensions		7,292,982	8,290,205
Death gratuities		15,282	14,347
		7,308,264	8,304,552
<hr/>			
Amount payable within one year		749,987	971,225
Amount payable after one year		6,558,277	7,333,327
		7,308,264	8,304,552
<hr/>			
Statement of comprehensive income			
Pensions		275,891	380,721
Death gratuities		934	4,795
		276,825	385,516
<hr/>			
The amounts recognised as expenditure were as follows:			
	Note	2020/2021	2019/2020
		\$	\$
<u>Pensions</u>			
Current service cost		127,755	196,063
Interest cost		92,982	135,581
		220,737	331,644
<hr/>			
<u>Death gratuities</u>			
Current service cost		853	3,131
Interest cost		81	1,664
		934	4,795
<hr/>			
Total provision for the financial year - net		221,671	336,439
<hr/>			
Pension charged directly to income or expenditure		55,154	49,077
Total included in staff costs	5	276,825	385,516
<hr/>			

National Environment Agency

Notes to the financial statements For the financial year ended 31 March 2021

19. Provision for pensions and death gratuities (cont'd)

The amounts recognised in other comprehensive income were as follows:

	2020/2021	2019/2020
	\$	\$
Actuarial loss arising from changes in financial assumptions used in determining the Agency's pensions obligations and due to scheme experience	–	1,594,857
Actuarial gain arising from changes in demographic and financial assumptions used in determining the Agency's death gratuities obligations and due to scheme experience	–	(68,739)
Net re-measurement loss on defined benefit plans, recognised in other comprehensive income	–	1,526,118

An actuarial valuation for pensions and death gratuities is conducted once every three years. The last actuarial valuation was conducted in the previous financial year ended 31 March 2020 and as a result, there was an update to the actuarial assumptions used. Management has performed an assessment in the current financial year and determined there are no significant changes to the actuarial assumptions for the financial year ended 31 March 2021.

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

	At 31 March 2021	At 31 March 2020
	\$	\$
Balance at beginning of financial year	8,304,552	7,997,528
Provision for the financial year – net	221,671	336,439
Net re-measurement loss on defined benefit plans	–	1,526,118
Less: Amount paid during the financial year	(1,217,959)	(1,555,533)
Balance at end of financial year	7,308,264	8,304,552

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 2021

19. Provision for pensions and death gratuities (cont'd)

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 0.76% for Pensionable Officers and 1.37% for Pensioners (2019/2020: 0.76% for Pensionable Officers and 1.37% for Pensioners) per annum.
- (iv) The expected rate of salary increases for pensionable officers, non-pensionable officers and daily rated employees is 3.00% per annum (2019/2020: 3.00% per annum).
- (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 at the end of the reporting period, assuming if all other assumptions were held constant:

		At 31 March 2021		At 31 March 2020	
		Provision for pensions	Provision for death gratuities	Provision for pensions	Provision for death gratuities
		\$	\$	\$	\$
Discount rate	+25 basis points	7,131,265	15,248	8,111,400	14,307
	-25 basis points	7,461,825	15,315	8,476,970	14,387
Future salary increases	+25 basis points	7,306,612	15,371	8,305,287	14,404
	-25 basis points	7,279,426	15,192	8,275,192	14,291

National Environment Agency

Notes to the financial statements For the financial year ended 31 March 2021

20. Deferred capital grants

	Note	At 31 March 2021 \$	At 31 March 2020 \$
Balance at beginning of financial year		367,116	98,999
Addition in the year		–	292,685
Less: Amortisation of deferred capital grants in income or expenditure	9	(31,551)	(24,568)
Balance at end of financial year		<u>335,565</u>	<u>367,116</u>

21. Share capital

	At 31 March 2021	At 31 March 2020	At 31 March 2021 \$	At 31 March 2020 \$
Issued and paid up:				
At the beginning of the year	689,227,191	687,352,535	689,227,191	687,352,535
Capital injections	8,318,179	1,874,656	8,318,179	1,874,656
	<u>697,545,370</u>	<u>689,227,191</u>	<u>697,545,370</u>	<u>689,227,191</u>

The Agency's share capital comprises fully paid up ordinary shares which have no par value. These are held by the Minister of Finance ("MOF").

22. Leases

Agency as a lessee

The Agency has lease contracts for leasehold land, building and building improvements, office equipment and computer hardware. The Agency's obligations under these leases are secured by the lessor's title to the leased assets.

The Agency also has certain leases for land, building, office equipment and computer hardware with lease terms of 12 months or less and leases with low-value. The Agency applies the "short-term lease" and "lease of low-value assets" recognition exemptions for these leases.

(a) Right-of-use assets

The carrying amounts of right-of-use assets and movement during the financial year are disclosed in Note 16.

National Environment Agency

Notes to the financial statements
For the financial year ended 31 March 2021

22. Leases (cont'd)

(b) Lease liabilities

A reconciliation of lease liabilities arising from financing activities is as follows:

	1 April \$	Cash flows:		Rental rebates	Non-cash changes:			31 March \$	
		Principal paid	Interest paid		Additions	Accretion of interests	Lease modifications		Reclassifi- cations
Lease liabilities									
31 March 2021									
- Current	16,966,370	(18,380,878)	(508,695)	(159,385)	7,745,057	508,695	(50,076)	3,589,411	9,710,499
- Non-current	11,138,477	–	–	–	–	–	–	(3,589,411)	7,549,066
	28,104,847	(18,380,878)	(508,695)	(159,385)	7,745,057	508,695	(50,076)	–	17,259,565
31 March 2020									
- Current	16,179,332	(17,830,298)	(803,410)	–	5,694,948	803,410	(21,732)	12,944,120	16,966,370
- Non-current	24,082,597	–	–	–	–	–	–	(12,944,120)	11,138,477
	40,261,929	–	–	–	5,694,948	803,410	(21,732)	–	28,104,847

The maturity analysis of lease liabilities (included under trade and other payables) is disclosed in Note 24.

National Environment Agency

Notes to the financial statements For the financial year ended 31 March 2021

22. Leases (cont'd)

Agency as a lessee (cont'd)

(c) Amounts recognised in income or expenditure

	2020/2021 \$	2019/2020 \$
Interest expense on lease liabilities (Note 7)	508,695	803,410
Depreciation of right-of-use assets (Note 16)	20,224,485	19,522,509
Lease expense not capitalised in lease liabilities:		
- Expenditure relating to short-term leases	453,985	1,208,205
- Expenditure relating to leases of low-value assets	316,809	2,075,591
Total amount recognised in income or expenditure	21,503,974	23,609,715

(d) Total cash outflows for leases

The Agency had total cash outflows for leases of \$19,660,367 (2019/2020: \$21,917,504) during the financial year.

Agency as an intermediate lessor

The Agency has entered into a sublease for one of its leases. The lease term of the sublease constitutes a major part of tenure of the head lease and accordingly, this sublease is classified as a finance lease. The net investment in the sublease is recognised as lease receivables.

	At 31 March 2021 \$	At 31 March 2020 \$
Balance at beginning of financial year	4,446,756	-
Additions	-	4,629,204
Accretions of interest	136,106	141,882
Receipts	(324,331)	(324,330)
Balance at end of financial year	4,258,531	4,446,756
Current	194,184	188,225
Non-current	4,064,347	4,258,531
At 31 March	4,258,531	4,446,756

The Agency recognised interest income on lease receivables of \$136,106 (2019/2020: \$141,882) and had total cash inflow for finance lease receivables of \$324,331 (2019/2020: \$324,330) during the financial year.

National Environment Agency

Notes to the financial statements For the financial year ended 31 March 2021

23. 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 2021	At 31 March 2020
	\$	\$
Property, plant and equipment	1,445,610,823	162,851,799

(b) *Incineration service 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. The incineration service fees incurred for the financial year is disclosed in Note 3.

(c) *Other commitments*

Under the Whole Of Government ("WOG") ICT infrastructure, agencies are required to lease computer equipment and subscribe to a list of WOG ICT Infrastructure services under specific bulk tenders. The Agency pays monthly fees for WOG ICT Infrastructure services. For the financial year ended 31 March 2021, \$16,096,850 (2019/2020: \$15,765,072) was recognised in the statement of comprehensive income for expenditure incurred under WOG. The other commitments at balance sheet date are as follows:

	At 31 March 2021	At 31 March 2020
	\$	\$
Not later than one year	9,422,964	8,590,532
Between one and five years	305,234	8,049,199
	9,728,198	16,639,731

24. Financial risk management

The Agency, in its normal course of operations, is exposed to a variety of financial risks: credit risk, liquidity risk, interest rate risk and price 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 major classes of financial assets of the Agency are cash and cash equivalents, trade and other receivables, quoted debt securities at amortised cost and financial assets at fair value through profit or loss. The Agency limits its credit risk exposure in respect of investments by placing its funds only in statutory board and high quality government-linked corporations bonds or with professional fund managers awarded by AGD under the Demand Aggregation III Scheme.

Bank deposits are placed in banks and financial institutions which are regulated. The cash with AGD are placed with regulated financial institutions.

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 MSE.

Despite the above, the Agency assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Agency regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Agency considers that default has occurred when a financial asset is more than 150 days past due unless the Agency has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

The Agency considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables are generally not recoverable if they meet either of the following criteria:

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Agency, in full (without taking into account any collaterals held by the Agency).

National Environment Agency

Notes to the financial statements For the financial year ended 31 March 2021

24. Financial risk management (cont'd)

(a) Credit risk (cont'd)

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (i) Significant financial difficulty of the borrower;
- (ii) A breach of contract, such as a default or past due event;
- (iii) The Agency, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the Agency would not otherwise consider;
- (iv) It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- (v) The disappearance of an active market for that financial asset because of financial difficulties.

The Agency's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising expected credit losses (ECL)
Performing	The counterparty has a low risk of default and does not have any past- due amounts.	12-month ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL - not credit-impaired
In default	Amount is >150 days past due or there is evidence indicating the asset is credit-impaired.	Lifetime ECL - credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Agency has no realistic prospect of recovery.	Amount is written off

National Environment Agency

Notes to the financial statements For the financial year ended 31 March 2021

24. Financial risk management (cont'd)

(a) Credit risk (cont'd)

The table below details the credit quality of the Agency's financial assets as well as maximum exposure to credit risk by credit risk rating grades:

	Note	Internal credit rating	12-month or lifetime ECL	Gross carrying amount \$	Loss allowance \$	Net carrying amount \$
At 31 March 2021						
Trade receivables	11	(i)	Lifetime ECL (simplified approach)	6,608,507	(561,974)	6,046,533
Other receivables (excluding revenue to be collected on behalf of MSE)	11	Performing	12-month ECL	6,609,928	–	6,609,928
Quoted debt securities at amortised cost	14	Performing	12-month ECL	64,101,700	–	64,101,700
					(561,974)	
At 31 March 2020						
Trade receivables	11	(i)	Lifetime ECL (simplified approach)	5,388,891	(307,262)	5,081,629
Other receivables (excluding revenue to be collected on behalf of MSE)	11	Performing	12-month ECL	10,913,293	–	10,913,293
Quoted debt securities at amortised cost	14	Performing	12-month ECL	79,905,007	–	79,905,007
					(307,262)	

- (i) The Agency determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience derived from the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

The Agency has adopted procedures in extending credit terms to customers and in monitoring its credit risk. The Agency only grants credit to creditworthy counterparties.

Cash is held with creditworthy institutions and is subject to immaterial credit loss.

The Agency's credit exposure is concentrated mainly in Singapore. It has no significant concentration of credit risk with any single customer or group of customers.

National Environment Agency

**Notes to the financial statements
For the financial year ended 31 March 2021**

24. Financial risk management (cont'd)

(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 \$	More than 5 years \$
At 31 March 2021			
Financial assets:			
Financial assets at fair value through profit or loss	134,443,246	-	-
Quoted debt securities at amortised cost	5,927,449	62,299,340	-
Cash and cash equivalents	627,268,884	-	-
Trade and other receivables	35,730,930	-	-
Lease receivables	324,331	1,621,653	3,540,609
Total undiscounted financial assets	803,694,840	63,920,993	3,540,609
Financial liabilities:			
Trade and other payables	209,426,695	5,391,563	3,540,609
Payable to MSE	27,176,311	-	-
Total undiscounted financial liabilities	236,603,006	5,391,563	3,540,609
Total net undiscounted financial assets	567,091,834	58,529,430	-

National Environment Agency

Notes to the financial statements
For the financial year ended 31 March 2021

24. Financial risk management (cont'd)

(b) *Liquidity risk (cont'd)*

	Less than 1 year \$	Between 1 and 5 years \$	More than 5 years \$
At 31 March 2020			
Financial assets:			
Financial assets at fair value through profit or loss	123,711,872	–	–
Quoted debt securities at amortised cost	17,652,967	54,902,439	13,324,350
Cash and cash equivalents	735,867,915	–	–
Trade and other receivables	36,441,660	–	–
Lease receivables	324,331	1,621,653	3,864,940
Total undiscounted financial assets	913,998,745	56,524,092	17,189,290
Financial liabilities:			
Trade and other payables	167,726,740	8,508,669	3,864,940
Payable to MSE	21,956,151	–	–
Total undiscounted financial liabilities	189,682,891	8,508,669	3,864,940
Total net undiscounted financial assets	724,315,854	48,015,423	13,324,350

(c) *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of the Agency's financial instruments will fluctuate because of changes in market interest rates.

The Agency's exposure to interest rates relate mainly to the cash placed with reputable banks and financial institutions and deposits held with AGD. The interest rates for cash with AGD are based on deposit rates determined by the financial institutions with which the cash are deposited and are expected to move in tandem with market interest rate movements.

Interest rate sensitivity analysis has not been presented as management does not expect any reasonable changes in interest rates to have a material impact on the Agency's income.

24. Financial risk management (cont'd)

(d) **Price risk**

Market price risk is the risk that the fair value or future cash flows of the Agency's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates). The Agency's exposure to changes in market prices relates primarily to unit trusts managed by professional fund managers awarded by AGD under the Demand Aggregation III Scheme.

The Agency's objective is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. It is the Agency's policy to achieve an appropriate diversification in its investment portfolio in order to mitigate such risk.

At the reporting date, if market prices for the unit trusts investments had increased by 10%, assuming all other variables remain constant, the Agency's deficit (2019/2020: deficit) for the year would decrease by approximately \$13,444,325 (2019/2020: decrease by \$12,371,187). A decrease in 10% of the prices would have an equal but opposite effect.

25. 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 that are measured at fair value on recurring basis**

Some of the Agency's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation techniques(s) and inputs used).

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique and key input
	31 March 2021	31 March 2020		
	\$	\$		
Quoted investment funds	134,443,246	123,711,872	Level 2	Fair value is based on valuation provided by professional fund managers

National Environment Agency

Notes to the financial statements
For the financial year ended 31 March 2021

25. Fair value of assets and liabilities (cont'd)

(c) *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 but for which fair value is disclosed:

	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 \$
At 31 March 2021					
Quoted debt securities at amortised cost	-	66,337,562	-	66,337,562	64,101,700
At 31 March 2020					
Quoted debt securities at amortised cost	-	82,091,732	-	82,091,732	79,905,007

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

These are cash and cash equivalents, trade and other receivables, trade and other payables and payable to the Ministry of Sustainability and the Environment.

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

(e) *Classification of financial assets and financial liabilities*

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

	At 31 March 2021 \$	At 31 March 2020 \$
Financial assets at fair value through profit or loss	134,443,246	123,711,872
Financial assets at amortised cost:		
Cash and cash equivalents	627,268,884	735,867,915
Trade and other receivables	35,730,930	36,441,660
Lease receivables	4,258,531	4,446,756
Quoted debt securities	64,101,700	79,905,007
	865,803,291	980,373,210

National Environment Agency

Notes to the financial statements
For the financial year ended 31 March 2021

25. Fair value of assets and liabilities (cont'd)

(e) *Classification of financial assets and financial liabilities (cont'd)*

	At 31 March 2021 \$	At 31 March 2020 \$
Financial liabilities at amortised cost:		
Trade and other payables	216,940,449	178,318,138
Payable to the Ministry of Sustainability and the Environment	27,176,311	21,956,151
	244,116,760	200,274,289

26. 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:

	2020/2021 \$	2019/2020 \$
Meteorological services rendered to Ministries, Organs of State and other Statutory Boards	18,461,834	18,042,438

(b) *Compensation of key management personnel*

	2020/2021 \$	2019/2020 \$
Salaries and other short-term employee benefits	5,551,237	6,369,471
Employer's contribution to Central Provident Fund	209,072	273,836
Post-employment benefits-contribution to pension	117,252	51,648
	5,877,561	6,694,955

Included in the above are Board members' fees amounting to \$292,500 (2019/2020: \$270,000).

27. Coronavirus Disease (COVID-19) impact

The outbreak of the Coronavirus Disease (COVID-19) in Singapore in early 2020 has caused disruptions to businesses and operations globally. To mitigate the effects of COVID-19 on Singapore's health and economy, the Government has implemented a series of precautionary and control measures, such as the implementation of the "Circuit Breaker", to control the outbreak of COVID-19 in Singapore.

The management of the Agency have assessed that there are no material adverse effects arising from the COVID-19 situation on the Agency's results for the financial year ended 31 March 2020. The Agency continues to support the Government in implementing the various assistance measures.

The financial impact of the assistance measures and the COVID-19 outbreak on the Agency's results for the financial year ended 31 March 2021 are as follows:

(a) **Management fees income**

Management fees (Note 4) decreased by \$20,731,049 (2020/2021: \$41,511,079; 2019/2020: \$62,242,128). The bulk of this decrease was due to rental waivers granted by the Agency to market and hawker centre stallholders under the Government's COVID-19 Budget initiatives. In line with the various support schemes by the Government to businesses whose operations have been affected by the COVID-19 pandemic, the Agency waived rental fees payable from tenants for the months of April to August 2020.

(b) **Government grants**

Government grants received (Note 9) increased by \$100,812,570 (2020/2021: \$854,009,944; 2019/2020: \$753,197,374). Out of this \$100,812,570:

- (i) \$8,818,988 is due to grant received from the Agency's Parent Ministry mainly for the subsidies for table cleaning and centralised dishwashing disbursed to hawker centre stallholders to help them defray their operations costs during the circuit breaker period where no dining-in was allowed; and
- (ii) \$36,856,392 is due to funding received from the Agency's Parent Ministry for Covid-19 related operations carried out by the Agency, namely the implementation and enforcement of Safe Distancing Measures for food & beverage establishments, markets and hawker centres, and the performance of wastewater surveillance.

(c) **Expected credit loss assessment on trade and other receivables**

Based on the Agency's expected credit loss assessment of trade and other receivables as at 31 March 2021, there is no significant impact on the expected credit loss provision. Disclosures on the credit loss provision for the financial year ended 31 March 2021 is in Note 11.

28. Authorisation of financial statements

The financial statements of the Agency for the year ended 31 March 2021 were authorised for issue by the Board members of the Agency on 19 July 2021.

National Environment Agency

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

www.nea.gov.sg