FINANCIAL STATEMENTS 2017/2018

Driving Transformation for a Sustainable Future

National Environment Agency

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Deloitte.

National Environment Agency

(Established under the National Environment Agency Act)

Annual Financial Statements
For the financial year ended 31 March 2018

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(Established under the National Environment Agency Act)

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National Environment Agency

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National Environment Agency

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of National Environment Agency (the "Agency"), which comprise the balance sheet as at 31 March 2018, the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to financial statements, including a summary of significant accounting policies, as set out on pages 5 to 43.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the National Environment Agency Act, Chapter 195 (the "Act") and 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 2018 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 (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 (ACRA) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 Act and Statutory Board Financial Reporting Standards, and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibility 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 SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal 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 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.

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 year are, in all material respects, in accordance with the provisions of the Act; and

(b) proper accounting and other records have been kept, including records of all assets of the Agency whether purchased, donated or otherwise.

Basis for Opinion

We conducted our audit in accordance with 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 other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on management's compliance.

Responsibilities of Management for Compliance with Legal and Regulatory Requirements

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

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 Act.

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

Deloitte & Touche LLP

Public Accountants and
Chartered Accountants
Singapore

9 July 2018

National Environment Agency

Statement of Comprehensive Income
For the financial year ended 31 March 2018

	Note	2017/2018	2016/2017
		$	$
Income			
Management fees	4	**63,554,596**	61,160,835
Service fees		**19,490,992**	19,055,190
Regulatory charges		**14,777,328**	14,765,833
Interest income from banks		**4,305,625**	4,142,897
Other operating income		**9,921,929**	11,655,516
		112,050,470	110,780,271
Less:			
Expenditure			
Staff costs	5	**329,016,389**	308,778,121
Maintenance, services and supplies	6	**462,648,792**	465,254,265
Upgrading and improvement		**9,722,457**	5,678,815
Public education expense		**12,976,857**	14,613,502
Depreciation of property, plant and equipment		**16,782,892**	21,408,363
Rental of office and equipment		**23,241,383**	21,390,560
Finance expense	7	**358,074**	498,739
Other operating expenditure	8	**46,693,025**	37,979,056
		901,439,869	875,601,421
Operating deficit before Government grants		**(789,389,399)**	(764,821,150)
Add: Government grants	9	**806,432,530**	814,665,060
Surplus before contribution to the Consolidated Fund		**17,043,131**	49,843,910
Contribution to the Consolidated Fund	10	**(2,897,332)**	(8,473,465)
Net surplus for the financial year		**14,145,799**	41,370,445
Other comprehensive income that will not be reclassified to income or expenditure in subsequent periods			
Net re-measurement loss on defined benefit plans	19	**-**	(1,169,771)
Total comprehensive income for the financial year		**14,145,799**	40,200,674

Mr Liak Teng Lit
Chairman
9 July 2018

Mr Ronnie Tay
Chief Executive Officer

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

National Environment Agency

Balance Sheet
As at 31 March 2018

	Note	At 31 March 2018	At 31 March 2017
		$	$
ASSETS			
Current assets			
Cash and cash equivalents	11	**870,119,435**	395,848,880
Trade and other receivables	12	**40,694,649**	38,256,360
Held-for-trading investments	13	**119,149,291**	-
Consumables		**37,174,045**	33,529,893
		1,067,137,420	467,635,133
Non-current assets			
Property, plant and equipment	15	**71,156,396**	65,986,110
Held-to-maturity financial assets	14	**10,000,000**	-
Total assets		**1,148,293,816**	533,621,243
LIABILITIES			
Current liabilities			
Trade and other payables	16	**206,951,458**	187,372,553
Payable to the Ministry of the Environment and Water Resources	17	**36,739,722**	43,296,785
Loan from Government	18	**3,342,778**	3,646,667
Provision for pensions and death gratuities	19	**1,388,388**	3,280,258
Provision for contribution to the Consolidated Fund	10	**2,897,332**	8,473,465
		251,319,678	246,069,728
Non-current liabilities			
Loan from Government	18	**3,950,555**	7,293,332
Provision for pensions and death gratuities	19	**6,908,119**	7,804,086
Deferred capital grants	20	**18,235**	24,478
		10,876,909	15,121,896
Total liabilities		**262,196,587**	261,191,624
NET ASSETS		**886,097,229**	272,429,619
EQUITY			
Share capital	21	**685,735,911**	85,165,100
Accumulated surplus		**200,361,318**	187,264,519
		886,097,229	272,429,619

Mr Liak Teng Lit
Chairman
9 July 2018

Mr Ronnie Tay
Chief Executive Officer

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

National Environment Agency

Statement of Changes in Equity
For the financial year ended 31 March 2018

	Note	Share Capital	Accumulated Surplus	Total
		$	$	$
Balance 1 April 2017		**85,165,100**	**187,264,519**	**272,429,619**
Total comprehensive income for the financial year		**-**	**14,145,799**	**14,145,799**
Net surplus for the financial year				
Dividend	22	-	**(1,049,000)**	**(1,049,000)**
Equity injection	21	**600,570,811**	-	**600,570,811**
Balance as at 31 March 2018		**685,735,911**	**200,361,318**	**886,097,229**
Balance 1 April 2016		**41,301,000**	**147,063,845**	**188,364,845**
Total comprehensive income for the financial year				
Net surplus for the financial year		-	41,370,445	41,370,445
Other comprehensive income				
Net re-measurement loss on defined benefit plans		-	(1,169,771)	(1,169,771)
Equity injection	21	43,864,100	-	43,864,100
Balance as at 31 March 2017		**85,165,100**	**187,264,519**	**272,429,619**

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

National Environment Agency

Cash Flow Statement
For the financial year ended 31 March 2018

	Note	2017/2018 $	2016/2017 $
Cash flows from operating activities			
Net surplus for the financial year		**14,145,799**	41,370,445
Adjustments for:			
Contribution to the Consolidated Fund	10	**2,897,332**	8,473,465
Government grants	9	**(806,432,530)**	(814,665,060)
Depreciation of property, plant and equipment	15	**16,782,892**	21,408,363
Loss on disposal of property, plant and equipment		**23,862**	346,026
Interest expense	7	**358,074**	498,739
Interest income		**(4,305,625)**	(4,142,897)
Plant and equipment expensed off	8	**846,152**	667,298
Allowance for impairment loss on trade and other receivables	12	**149,674**	220,669
Provision for pensions and death gratuities	19	**614,541**	689,460
Fair value loss on held-for-trading investments		**850,709**	-
Operating cash flow before working capital changes		**(774,069,120)**	(745,133,492)
Change in operating assets and liabilities:			
- Consumables		**(3,644,152)**	637,826
- Trade and other receivables		**(3,375,921)**	(4,070,550)
- Trade and other payables		**18,789,115**	(20,383,485)
- Other payable to the Ministry of the Environment and Water Resources ("MEWR")		**(447,846)**	(230)
- Payable to MEWR		**4,826,542**	3,294,591
Cash used in operations		**(757,921,382)**	(765,655,340)
Interest received		**5,093,583**	3,946,741
Payments for pension cost		**(3,402,378)**	(1,351,774)
Payment to consolidated fund		**(8,473,465)**	(8,783,158)
Net cash used in operating activities		**(764,703,642)**	(771,843,531)
Cash flows from investing activities			
Purchases of property, plant and equipment		**(21,987,489)**	(18,145,428)
Purchase of held-to-maturity financial assets		**(10,000,000)**	-
Purchase of held-for-trading investments		**(120,000,000)**	-
Proceeds from disposal of property, plant and equipment		**14,516**	11,216
Net cash used in investing activities		**(151,972,973)**	(18,134,212)
Cash flows from financing activities			
Grants received from Government		**795,430,099**	814,638,498
Repayment of loan from Government		**(3,646,666)**	(3,646,667)
Interest paid on loan from Government		**(358,074)**	(498,739)
Equity injection		**600,570,811**	43,864,100
Dividend paid		**(1,049,000)**	-
Net cash from financing activities		**1,390,947,170**	854,357,192
Net increase in cash and cash equivalents		**474,270,555**	64,379,449
Cash and cash equivalents at beginning of financial year		**395,848,880**	331,469,431
Cash and cash equivalents at end of financial year	11	**870,119,435**	395,848,880

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

1. General

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

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

The principal activities of the Agency include:

(i) conduct investigations, enforcement and surveillance of environmental health concerns and vectors of infectious agents;

(ii) conduct research into and develop strategies for prevention and control of environmental health concerns;

(iii) conduct meteorological observations and seismic monitoring;

(iv) provide weather, climate and related services, and conduct research in meteorology;

(v) undertake licensing, coordinate the implementation and management of upgrading programmes for markets and hawker centres, review of hawker policies, plan, construct, develop and manage markets and hawker centres in its own right and as agent of the Government or any body corporate established by written law;

(vi) monitor environmental quality, review building plans for pollution control and environmental health requirements, and control environmental pollution;

(vii) control the import, export, transportation, storage, sale, possession and use of hazardous substances;

(viii) control the import, export, transportation, storage, collection, treatment and disposal of toxic industrial waste;

(ix) promote resource conservation and energy efficiency;

(x) regulate the collection and disposal of solid waste;

(xi) plan, develop, manage and regulate waste-to-resource and waste-to-energy facilities;

(xii) control the import, export, transportation, storage, sale, possession, use, manufacture and disposal of radioactive materials and irradiating apparatuses;

(xiii) enhance the competency of the environment industry workforce and promote environmental thought leadership through knowledge distillation, sharing and training;

(xiv) build up a vibrant research and development ecosystem in the environment industry and help develop environmental technology competencies and capabilities in Singapore;

(xv) develop and drive the transformation of the environmental services industry to be vibrant,sustainable and professional to serve Singapore, as well as growing cities' needs;

(xvi) inculcate pro-environment mindset in the community and raise community ownership of environmental and public health issues in Singapore;

(xvii) oversee planning for after-death facilities, and build, operate and maintain Government-owned cemeteries, crematorium and columbarium facilities; and

(xviii) provision of cleaning services in designated public areas.

2. Summary of significant accounting policies

(a) *Basis of preparation*

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

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

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

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the new/revised SB-FRSs and Interpretations to SB-FRS that are effective on 1 April 2017 and relevant to the Agency. The adoption of these standards and interpretations did not have any material impact on the Agency's financial statements.

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

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

Reference	Description	Effective for annual periods beginning on or after
SB-FRS 109	Financial Instruments	1 January 2018
SB-FRS 115	Revenue from Contracts with Customers	1 January 2018
SB-FRS 1001	Accounting and Disclosure for Non-Exchange Revenue	1 January 2018
SB-FRS 116	Leases	1 January 2019

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

- As at 31 March 2018, the Agency has non-cancellable operating lease commitments of $14,094,050. A preliminary assessment indicates that these arrangements will result in a recognition of a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of SB-FRS 116. This new requirement is expected to have an impact on the amounts recognised in the Agency's financial statements and management is currently assessing its potential impact. It is not practicable to provide a reasonable estimate of the financial effect until the Agency completes the review.

- The application of SB-FRS 115 may have an impact on the income recorded and management is currently assessing its potential impact. It is not practicable to provide a reasonable estimate of the financial effect until the Agency completes the review.

2. Summary of significant accounting policies (continued)

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

- Based on an analysis of the Agency's financial assets and financial liabilities as at 31 March 2018 on the basis of the facts and circumstances that exist at that date, the management of the Agency has assessed the impact of SB-FRS 109 on the Agency's financial statements as follows:

  Classification and measurement
  The classification and measurement of financial assets is determined on the basis of the contractual cash flow characteristics and the objective of the business model associated with holding the asset.

  Key changes include:

  - Held-to-maturity financial asset will be classified under the new Amortised Cost category and the measurement method remains unchanged.
  - Held-for-trading investment will be classified under the new Fair Value Through Profit or Loss category and the measurement method remains unchanged.
  - Loans and receivables will be classified under the new Amortised Cost category and the measurement method remains unchanged.
  - Upon transition, the Agency does not expect any significant impact on the re-measurement, arising from these changes.
  - Classification of financial liabilities will remain unchanged for the Agency.

  Impairment
  The SB-FRS 109 impairment requirements are based on an expected credit loss model (ECL) that replaces the incurred loss model under the current accounting standard. The Agency will be required to recognise either a 12-month or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. SB-FRS 109 will change the Agency's current methodology for determining the provision for financial assets.

  It is not practicable to provide a reasonable estimate of the financial effect until the Agency completes the review.

2. Summary of significant accounting policies (continued)

(d) *Income recognition*

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

(i) Management fees are earned from activities as set out in Note 4 and recognised when due from stallholders.

(ii) Service fees are recognised when services are rendered to the customers. Service fees include meteorological services and course fees.

(iii) Regulatory charges (including income from licences and permits) are recognised at the point of collection.

(iv) Interest income is recognised on a time proportion basis using the effective interest method.

(e) *Property, plant and equipment*

(i) *Measurement*

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

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

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

2. Summary of significant accounting policies (continued)

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

(ii) *Depreciation*

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

Leasehold land	30 years (based on lease period)
Building and building improvements	3 - 28 years
Furniture and fittings, office equipment	5 years
Computer hardware and software	3 years
Motor vehicles	10 years
Plant and machinery	10 years
Tugs and barges	25 years

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

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

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

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

2. Summary of significant accounting policies (continued)

(f) *Impairment of non-financial assets*

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

For the purpose of impairment testing of these assets, recoverable amount (i.e. the higher of the fair value less costs of disposal and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash generating units ("CGU") to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. The difference between the carrying amount and recoverable amount is recognised as an impairment loss in income or expenditure.

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

An assessment is made at each reporting date as to whether there is any indication that previously recognised losses and impairment for an asset may no longer exist or may have decreased. An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of accumulated depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in income or expenditure.

(g) *Consumables*

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

2. Summary of significant accounting policies (continued)

(h) *Financial instruments*

(i) Financial assets

Initial recognition and measurement

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

When financial assets are recognised initially, they are measured at fair value plus directly attributable transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Subsequent measurements

(a) Financial assets at fair value through profit or loss ("FVTPL")

Financial assets are classified as at FVTPL where the financial asset is either held-for-trading or it is designated as at FVTPL.

A financial asset is classified as held-for-trading if:

- It has been acquired principally for the purpose of selling in the near future; or
- On initial recognition, it is part of an identified portfolio of financial instruments that the group manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held-for-trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and FRS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

2. Summary of significant accounting policies (continued)

(h) *Financial instruments (continued)*

(i) Financial assets (continued)

(a) Financial assets at fair value through profit or loss ("FVTPL") (continued)

Subsequent to initial recognition, financial assets at FVTPL are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in the statement of income and expenditure. Net gains or net losses on financial assets at FVTPL include exchange differences, interest and dividend income.

(b) Held-to-maturity financial assets

Bonds with fixed or determinable payments and fixed maturity dates where the Agency has a positive intent and ability to hold to maturity are classified as held-to-maturity financial assets. Subsequent to initial measurement, held-to-maturity investments are measured at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis.

(c) Loans and receivables

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables (including trade and other receivables and cash and cash equivalents) are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the effect of discounting is immaterial.

Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired or when all the risks and rewards of ownership of the asset has been transferred to another entity. 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 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 directly attributable transaction costs.

2. Summary of significant accounting policies (continued)

(h) *Financial instruments (continued)*

(ii) Financial liabilities (continued)

Subsequent measurements

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

Derecognition

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.

(iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the balance sheet, when and only when, there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. A right to set-off must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

(i) *Impairment of financial assets*

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

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

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

2. Summary of significant accounting policies (continued)

(i) *Impairment of financial assets (continued)*

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

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

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

(j) *Cash and cash equivalents*

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

(k) *Provisions*

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

(l) *Borrowings*

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

2. Summary of significant accounting policies (continued)

(l) *Borrowings (continued)*

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

(m) *Trade and other payables*

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

(n) *Operating leases*

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

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

(o) *Research costs*

Research costs are recognised as an expense when incurred.

(p) *Employee benefits*

(i) *Defined benefit plans*

Pension and other post-employment benefits

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

An actuarial valuation is conducted once every three years or as and when required to determine the cost of pension benefits and death gratuities due to these officers using the Projected Unit Credit Method.

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

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2. Summary of significant accounting policies (continued)

(p) *Employee benefits (continued)*

(i) *Defined benefit plans (continued)*

Pension and other post-employment benefits (continued)

Defined benefit costs comprise the following:

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

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

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

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

(ii) *Defined contribution plan*

Contribution to Central Provident Fund ("CPF")

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

(iii) *Employee leave entitlement*

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

(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.

2. Summary of significant accounting policies (continued)

(q) *Currency translation (continued)*

(ii) *Transactions and balances*

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

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

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

(r) *Government grants*

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

Government grants received by the Agency to meet operating expenses are recognised in income or expenditure in the year these operating expenses are incurred.

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

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

(s) *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.

2. Summary of significant accounting policies (continued)

(t) *Related parties*

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

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

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

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

(i) the nature and amount of each individually significant transaction with Ministries, Organs of State and other Statutory Boards; and

(ii) for other transactions with Ministries, Organs of State and other Statutory Boards that are collectively but not individually significant, a qualitative or quantitative indication of their extent.

3. Critical accounting estimates, assumptions and judgements

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

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

Provision for pensions and death gratuities

The Agency is required to pay pension benefits to pensionable officers and death gratuities to officers and daily rated employees transferred over to the Agency on 1 July 2002. The provision for pensions and death gratuities of the Agency as at 31 March 2018 was $8,296,507 (31 March 2017 : $11,084,344) as disclosed in Note 19. The provision has been computed based on certain assumptions and estimates as disclosed in Note 19. Revisions to the assumptions and estimates could affect the provision made.

Useful lives of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these property, plant and equipment to be within 3 to 30 years. The carrying amount of the Agency's property, plant and equipment at 31 March 2018 was $71,156,396 (31 March 2017 : $65,986,110). 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).

4. Management fees

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

5. Staff costs

	Note	2017/2018	2016/2017
		$	$
Wages and salaries		**280,027,333**	262,673,598
Employer's contribution to Central Provident Fund		**36,229,171**	33,306,947
Pension contributions and death gratuities	19	**643,850**	719,554
Other staff costs		**12,116,035**	12,078,022
		329,016,389	308,778,121

6. Maintenance, services and supplies

Included in maintenance, services and supplies were:

	2017/2018	2016/2017
	$	$
Public area landscaping, cleaning services and supplies	**125,266,877**	123,646,983
Incineration services	**92,199,130**	91,160,678
Maintenance of specialised and industrial equipment	**45,542,215**	64,026,724
Maintenance of building, markets and hawker centres and office premises	**41,627,336**	41,369,450
IT services	**33,632,999**	31,651,316
Security and enforcement services	**20,604,343**	19,711,271
Industrial supplies	**21,008,378**	16,636,483
Vector control services	**16,365,537**	14,198,875
Table cleaning services	**7,849,650**	7,249,977
Utilities charges	**7,730,985**	6,997,538

7. Finance expense

	2017/2018	2016/2017
	$	$
Interest expense on loan from Government	**358,074**	498,739

8. Other operating expenditure

Included in other operating expenditure were:

	2017/2018	2016/2017
	$	$
GST expense	**21,146,750**	20,333,439
Communication expense	**7,805,720**	6,780,898
Research costs	**3,810,603**	1,298,225
Plant and equipment expensed off	**846,152**	667,298

9. Government grants

	Note	**2017/2018**	2016/2017
		$	$
Operating grants		**798,720,729**	807,319,214
Deferred capital grants amortised	20	**6,243**	34,366
Other grants		**7,705,558**	7,311,480
		806,432,530	814,665,060

10. Contribution to the Consolidated Fund

The contribution is based on the prevailing statutory corporate income tax rate of 17% for the current financial year (2016/2017 : 17%).

The contribution to the Consolidated Fund was determined as follows:

	2017/2018	2016/2017
	$	$
Surplus before contribution to the Consolidated Fund	**17,043,131**	49,843,910
Contribution to the Consolidated Fund calculated at a tax rate of 17% (2016/2017 : 17%)	**2,897,332**	8,473,465

11. Cash and cash equivalents

	At 31 March 2018	At 31 March 2017
	$	$
Cash held with AGD - under CLM scheme	**260,167,673**	386,884,551
Cash held with AGD - under SBAF scheme	**598,628,444**	-
Cash held with AGD - others	**3,647,641**	5,131,142
Cash at banks	**7,674,277**	3,831,587
Cash on hand	**1,400**	1,600
	870,119,435	395,848,880

Included within the Cash held under Centralised Liquidity Management ("CLM") scheme is an amount of $131,963,306 (2016/2017 : $242,022,878) 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 (Note 21). Under the SBAF scheme, the interest income generated under CLM scheme will accrue to the Government.

12. Trade and other receivables

	At 31 March 2018	At 31 March 2017
	$	$
Trade receivables	**4,634,660**	4,666,125
Less: Allowance for impairment of receivables	**(562,385)**	(578,459)
Trade receivables - net	**4,072,275**	4,087,666
Revenue to be collected on behalf of MEWR	**24,077,329**	23,024,994
Prepayments	**6,485,308**	4,135,923
Deposits	**716,286**	750,212
Interest receivables	**1,988,965**	2,776,923
Others	**3,354,486**	3,480,642
	40,694,649	38,256,360

Trade receivables are generally on 30 days (2016/2017 : 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.

In determining the recoverability of a trade receivable, the Agency considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believes that there are no further credit allowances required in excess of the allowance for impairment of trade receivables.

12. Trade and other receivables (continued)

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

	At 31 March 2018	At 31 March 2017
	$	$
Balance at beginning of financial year	**578,459**	464,151
Utilisation for the year	**(165,748)**	(106,361)
Allowance	**149,674**	220,669
Balance at end of financial year	**562,385**	578,459

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

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

	At 31 March 2018	At 31 March 2017
	$	$
Past due < 3 months	**496,165**	640,548
Past due 3 to 6 months	**115,611**	128,186
Total	**611,776**	768,734

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

	At 31 March 2018	At 31 March 2017
	$	$
Deposits received	**755,831**	582,089

13. Held-for-trading investments

	At 31 March 2018	At 31 March 2017
	$	$
Held-for-trading investments at fair value:		
- Quoted investment fund	**49,692,679**	-
- Unquoted investment fund	**69,456,612**	-
	119,149,291	-

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

Fair value for the quoted investment fund is based on closing quoted market price on the last market day of the financial year.

The quoted and unquoted 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.

14. Held-to-maturity financial asset

	At 31 March 2018	At 31 March 2017
	$	$
Quoted debt security, at amortised cost		
- Current (within 1 year)	**-**	-
- Non-current (more than 1 year)	**10,000,000**	-
	10,000,000	-

The held-to-maturity financial asset has a coupon rate of 2.303% per annum and matures in 5 years.

There were no disposals or allowance for impairment for held-to-maturity financial asset.

The held-to-maturity financial asset is denominated in Singapore dollars, the functional currency of the Agency.

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 2017	**961,790**	**13,833,095**	**6,093,658**	**90,494,619**	**8,182,038**	**119,855,379**	**28,274,403**	**144,477**	**267,839,459**
Additions	**-**	**180,373**	**156,698**	**2,465,848**	**564,868**	**7,066,737**	**-**	**11,557,032**	**21,991,556**
Disposals	**-**	**(3,680)**	**(108,843)**	**(2,937,542)**	**(502,955)**	**(481,468)**	**-**	**-**	**(4,034,488)**
Transfers	**-**	**-**	**-**	**-**	**109,002**	**-**	**-**	**(109,002)**	**-**
At 31 March 2018	**961,790**	**14,009,788**	**6,141,513**	**90,022,925**	**8,352,953**	**126,440,648**	**28,274,403**	**11,592,507**	**285,796,527**
Accumulated depreciation									
At 1 April 2017	**256,477**	**9,528,134**	**5,184,618**	**75,781,515**	**3,949,861**	**87,978,149**	**19,174,595**	**-**	**201,853,349**
Depreciation	**32,060**	**302,064**	**497,325**	**8,302,711**	**787,187**	**5,561,572**	**1,299,973**	**-**	**16,782,892**
Disposals	**-**	**(3,680)**	**(106,771)**	**(2,926,375)**	**(500,166)**	**(459,118)**	**-**	**-**	**(3,996,110)**
At 31 March 2018	**288,537**	**9,826,518**	**5,575,172**	**81,157,851**	**4,236,882**	**93,080,603**	**20,474,568**	**-**	**214,640,131**
Net book value									
At 31 March 2018	**673,253**	**4,183,270**	**566,341**	**8,865,074**	**4,116,071**	**33,360,045**	**7,799,835**	**11,592,507**	**71,156,396**
Cost									
At 1 April 2016	961,790	13,765,645	6,268,155	82,155,080	8,238,454	110,574,931	28,274,403	9,029,237	259,267,695
Additions	-	67,450	67,606	1,362,499	121,922	2,594,270	-	10,682,337	14,896,084
Disposals	-	-	(242,103)	(4,877,621)	(178,338)	(701,100)	-	(325,158)	(6,324,320)
Transfers	-	-	-	11,854,661	-	7,387,278	-	(19,241,939)	-
At 31 March 2017	961,790	13,833,095	6,093,658	90,494,619	8,182,038	119,855,379	28,274,403	144,477	267,839,459
Accumulated depreciation									
At 1 April 2016	224,418	9,131,011	4,745,260	67,543,553	3,370,755	83,522,444	17,874,623	-	186,412,064
Depreciation	32,059	397,123	674,683	13,110,598	757,443	5,136,485	1,299,972	-	21,408,363
Disposals	-	-	(235,325)	(4,872,636)	(178,337)	(680,780)	-	-	(5,967,078)
At 31 March 2017	256,477	9,528,134	5,184,618	75,781,515	3,949,861	87,978,149	19,174,595	-	201,853,349
Net book value									
At 31 March 2017	705,313	4,304,961	909,040	14,713,104	4,232,177	31,877,230	9,099,808	144,477	65,986,110

16. Trade and other payables

	At 31 March 2018	At 31 March 2017
	$	$
Trade payables	**53,850,024**	56,216,434
Accruals	**120,661,748**	99,464,407
Accruals for property, plant and equipment	**6,679,147**	5,828,928
Deposits received	**23,500,389**	23,645,454
Grants received in advance	**-**	60,429
Advance payments received	**2,247,923**	2,102,666
Others	**12,227**	54,235
	206,951,458	187,372,553

Trade payables are non-interest bearing. Trade payables are usually settled on 30 days (2016/2017 : 30 days) term and are denominated in Singapore Dollars.

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

	At 31 March 2018	At 31 March 2017
	$	$
Grant to be returned to MEWR	**9,014,308**	19,950,067
Payable to MEWR for revenue collected on behalf	**28,173,297**	23,346,755
Other receivable from MEWR	**(447,883)**	(37)
	36,739,722	43,296,785

For the financial year ended 31 March 2018, the Agency collected total Government revenue on behalf of MEWR amounting to $372,008,351 (2016/2017 : $354,815,339).

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

18. Loan from Government (unsecured)

	At 31 March 2018	At 31 March 2017
	$	$
Amount repayable within one year	**3,342,778**	3,646,667
Amount repayable after one year	**3,950,555**	7,293,332
Loan from Government	**7,293,333**	10,939,999

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

	At 31 March 2018	At 31 March 2017
	$	$
Less than one year	**3,342,778**	3,646,667
Later than one year and not later than five years	**3,950,555**	7,293,332
Later than five years	**-**	-
	7,293,333	10,939,999

The interest rate of the loan from Government is fixed at 3.86% (2016/2017 : 3.86%) per annum until the maturity of the loan in 2020.

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

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

	Carrying amounts		**Fair values**	
	At 31 March 2018	At 31 March 2017	**At 31 March 2018**	At 31 March 2017
	$	$	$	$
Non-current portion of loan from Government	**3,950,555**	7,293,332	**3,915,819**	7,265,031

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

19. Provision for pensions and death gratuities

	At 31 March 2018	At 31 March 2017
	$	$
Balance sheet obligations for:		
Pensions	**8,204,486**	10,998,270
Death gratuities	**92,021**	86,074
	8,296,507	11,084,344
Amount payable within one year	**1,388,388**	3,280,258
Amount payable after one year	**6,908,119**	7,804,086
	8,296,507	11,084,344
Statement of comprehensive income charge for:		
Pensions	**637,903**	702,103
Death gratuities	**5,947**	17,451
	643,850	719,554

The amounts recognised as expenditure were as follows:

	Note	**2017/2018**	2016/2017
		$	$
Pensions			
Current service cost		**422,457**	584,595
Interest cost		**186,137**	87,414
		608,594	672,009
Death gratuities			
Current service cost		**4,531**	15,679
Interest cost		**1,416**	1,772
		5,947	17,451
Total provision for the financial year - net		**614,541**	689,460
Pension charged directly to income or expenditure		**29,309**	30,094
Total included in staff costs	5	**643,850**	719,554

19. Provision for pensions and death gratuities (continued)

The amounts recognised in other comprehensive income were as follows:

	At 31 March 2018 $	At 31 March 2017 $
Actuarial loss arising from changes in demographic and financial assumptions used in determining the Agency's pensions obligations	**-**	1,367,274
Actuarial gain arising from changes in demographic and financial assumptions used in determining the Agency's death gratuities obligations	**-**	(197,503)
Net re-measurement loss on defined benefit plans, recognised in other comprehensive income	**-**	1,169,771

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

	At 31 March 2018 $	At 31 March 2017 $
Balance at beginning of financial year	**11,084,344**	10,576,887
Provision for the financial year - net	**614,541**	689,460
Net re-measurement loss on defined benefit plans	**-**	1,169,771
Less: Amount paid during the financial year	**(3,402,378)**	(1,351,774)
Balance at end of financial year	**8,296,507**	11,084,344

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.

19. Provision for pensions and death gratuities (continued)

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

(i) All pensionable and non-pensionable officers will retire at the age of 62.

(ii) Pensionable officers are entitled to select one of the following state-managed pension schemes upon retirement:

(1) Annual pension payments;

(2) Reduced pension together with gratuity payment upon retirement; or

(3) Lump sum gratuity payment upon retirement.

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

(iii) The rate used to discount pensions and death gratuities obligations is 1.90% (2016/2017 : 1.90%) per annum.

(iv) The expected rate of salary increases for pensionable officers, non-pensionable officers and daily rated employees is 3.00% per annum (2016/2017 : 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 of the end of the reporting period, assuming if all other assumptions were held constant:

		At 31 March 2018	
		Provision for pensions	**Provision for death gratuities**
	Increase/(decrease)	$	$
Discount rate	+25 basis points	**8,098,648**	**91,414**
	-25 basis points	**8,313,605**	**92,638**
Future salary increases	+25 basis points	**8,362,832**	**94,653**
	-25 basis points	**8,046,139**	**89,380**

19. Provision for pensions and death gratuities (continued)

		At 31 March 2017	
		Provision for pensions	**Provision for death gratuities**
	Increase/(decrease)	$	$
Discount rate	+25 basis points	10,856,313	85,503
	-25 basis points	11,145,045	86,651
Future salary increases	+25 basis points	11,211,063	88,534
	-25 basis points	10,786,389	83,604

20. Deferred capital grants

	Note	**At 31 March 2018**	At 31 March 2017
		$	$
Balance at beginning of financial year		**24,478**	58,844
Less: Amortisation of deferred capital grants in income or expenditure	9	**(6,243)**	(34,366)
Balance at end of financial year		**18,235**	24,478

21. Share capital

	At 31 March 2018	At 31 March 2017	**At 31 March 2018**	At 31 March 2017
	Number of ordinary shares		**$**	$
Issued and paid up:				
At the beginning of the year	**85,165,100**	41,301,000	**85,165,100**	41,301,000
Issued for cash	**-**	43,864,100	**-**	43,864,100
Capital pending issuance	**600,570,811**	-	**600,570,811**	-
At the end of the year	**685,735,911**	85,165,100	**685,735,911**	85,165,100

The Agency's share capital comprise fully paid up ordinary shares which have no par value. Subsequent to the year end on 25 May 2018, the Agency issued shares of $600,570,811 mainly to fund the Integrated Waste Management Facility (Note 11).

22. Dividend

On 27 February 2018, first and final dividend for FY2016/2017 of $1,049,000 equivalent to 1.2317 cents per share was paid to the Government.

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 2018	At 31 March 2017
	$	$
Property, plant and equipment	**40,427,008**	4,988,593

(b) *Operating lease commitments - as lessee*

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

	2017/2018	2016/2017
	$	$
Minimum lease payments under operating leases recognised as an expense in the year	**16,160,583**	15,743,230

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

	At 31 March 2018	At 31 March 2017
	$	$
Not later than one year	**10,342,792**	14,478,242
Between one and five years	**3,751,258**	7,303,828
Later than five years	**-**	-
	14,094,050	21,782,070

(c) *Incineration services commitments*

The Agency has two incineration services agreements, for terms of between 15 to 25 years. In accordance to the agreements, the Agency pays monthly incineration service fees for the incineration and related maintenance services based on the services received. For the financial year ended 31 March 2018, the Agency incurred incineration service fees amounting to $92,199,130 (2016/2017 : $91,160,678).

23. Commitments (continued)

(d) ***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 2018, $13,656,741 (2016/2017 : $12,937,626) 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 2018	At 31 March 2017
	$	$
Not later than one year	**8,403,592**	4,045,738
Between one and five years	**2,399,406**	4,642,888
Later than five years	**-**	-
	10,802,998	8,688,626

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 risk, price risk and capital risk.

(a) ***Credit risk***

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Agency. The major classes of financial assets of the Agency are held-to-maturity financial assets, financial assets at fair value through profit or loss, bank deposits and trade receivables. The Agency limits its credit risk exposure in respect of investments by placing its funds only in statutory board bonds or with professional fund managers awarded by AGD under the Demand Aggregation III Scheme. The Agency limits its credit risk exposure in respect of investments by only investing in liquid funds that are regulated by the respective regulators of the jusrisdictions in which the funds are domiciled.

Bank deposits are placed in banks and financial institutions which are regulated. The cash with AGD under Centralised Liquidity Management are placed with regulated financial instutions.

The Agency monitors the receivables from customers closely on an on-going basis and has policies in place to ensure the customers maintain sufficient deposits with them. The Agency is not exposed to credit risk for revenue to be collected on behalf of MEWR.

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

24. Financial risk management (continued)

(a) *Credit risk (continued)*

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

Collaterals and other credit enhancements
During the financial year, the Agency took possession of collateral held as security as follows:

	At 31 March 2018	At 31 March 2017
	$	$
Deposits utilised	**371,834**	385,251

(b) *Liquidity risk*

Liquidity risk arises from the general funding of the Agency's operating activities. It includes the risk of not being able to fund operating activities at settlement dates and liquidate position in a timely manner. The Agency obtains its funding requirements from the Government through operating grants. The Agency also manages its liquidity risk by placing primarily its funds in deposits with AGD depending on its immediate cash requirements.

The table below analyses the maturity profile of the Agency's financial assets and liabilities based on contractual undiscounted repayment obligations.

	Less than 1 year	**Between 1 and 5 years**	**Later than 5 years**
	$	$	$
At 31 March 2018			
Financial assets:			
Held-for-trading investments	**119,149,291**	**-**	**-**
Held-to-maturity financial asset	**230,300**	**10,921,200**	**-**
Cash and cash equivalents	**870,119,435**	**-**	**-**
Trade and other receivables	**34,209,341**	**-**	**-**
Total undiscounted financial assets	**1,023,708,367**	**10,921,200**	**-**
Financial liabilities:			
Trade and other payables	**204,703,535**	**-**	**-**
Loan from Government	**3,547,042**	**4,040,090**	**-**
Payable to MEWR	**36,739,722**	**-**	**-**
Total undiscounted financial liabilities	**244,990,299**	**4,040,090**	**-**
Total net undiscounted financial assets/(liabilities)	**778,718,068**	**6,881,110**	**-**

24. Financial risk management (continued)

(b) *Liquidity risk (continued)*

	Less than 1 year $	Between 1 and 5 years $	Later than 5 years $
At 31 March 2017			
Financial assets:			
Cash and cash equivalents	**395,848,880**	**-**	**-**
Trade and other receivables	**34,120,437**	**-**	**-**
Total undiscounted financial assets	**429,969,317**	**-**	**-**
Financial liabilities:			
Trade and other payables	**185,209,458**	**-**	**-**
Loan from Government	**4,004,740**	**7,587,132**	**-**
Payable to MEWR	**43,296,785**	**-**	**-**
Total undiscounted financial liabilities	**232,510,983**	**7,587,132**	**-**
Total net undiscounted financial assets/(liabilities)	**197,458,334**	**(7,587,132)**	**-**

(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.

(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.

24. Financial risk management (continued)

(d) *Price risk (continued)*

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 surplus for the year would increase by approximately $11,914,929 (2016/2017: $Nil). A decrease in 10% of the prices would have an equal but opposite effect.

(e) *Capital risk*

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

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

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

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).

25. Fair value of assets and liabilities (continued)

(b) ***Assets that are measured at fair value on recurring basis***

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique and key input
	31 March 2018	31 March 2017		
	$	$		
Unquoted investment fund	69,456,612	-	Level 2	Fair value is based on valuation provided by professional fund manager
Quoted investment fund	49,692,679	-	Level 2	Quoted market price on the last market day of the financial year

(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:

	At 31 March 2018				
	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**
	$	$	$	$	$
Assets					
Held-to-maturity financial asset: Quoted debt security	**-**	**9,968,700**	**-**	**9,968,700**	**10,000,000**
Liabilities					
Non-current portion of loan from Government	**-**	**3,915,819**	**-**	**3,915,819**	**3,950,555**

	At 31 March 2017				
	Quoted prices in active markets for identical instruments (Level 1)	**Significant observable inputs other than quoted prices (Level 2)**	**Significant un-observable inputs (Level 3)**	**Total**	**Carrying amount**
	$	$	$	$	$
Liabilities					
Non-current portion of loan from Government	**-**	**7,265,031**	**-**	**7,265,031**	**7,293,332**

25. Fair value of assets and liabilities (continued)

(c) ***Assets and liabilities not carried at fair value but for which fair value is disclosed (cont'd)***

The basis for determining fair value for level 2 above is disclosed in Note 14 and Note 18.

(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***

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

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

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

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

	At 31 March 2018 $	At 31 March 2017 $
Held-for-trading investments	**119,149,291**	-
Held-to-maturity financial assets	**10,000,000**	-
Loans and receivables		
Cash and cash equivalents	**870,119,435**	395,848,880
Trade and other receivables	**34,209,341**	34,120,437
	1,033,478,067	429,969,317
Financial liabilities at amortised cost		
Trade and other payables	**204,703,535**	185,209,458
Payable to the Ministry of the Environment and Water Resources	**36,739,722**	43,296,785
Loan from Government	**7,293,333**	10,939,999
	248,736,590	239,446,242

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:

	2017/2018	2016/2017
	$	$
Meteorological services rendered to Ministries, Organs of State and other Statutory Boards	**16,816,624**	16,256,862

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

	2017/2018	2016/2017
	$	$
Salaries and other short term employee benefits	**6,791,462**	6,478,410
Employer's contribution to Central Provident Fund	**265,575**	269,146
Post-employment benefits - contribution to pension	**95,064**	272,860
	7,152,101	7,020,416

Included in the above are Board members' fees amounting to $292,500 (2016/2017 : $225,000).

27. Authorisation of financial statements

The financial statements of the Agency for the year ended 31 March 2018 were authorised for issue by the Board members of the Agency on 9 July 2018.

National Environment Agency

Safeguard · Nurture · Cherish

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