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National Environment Agency
ANNUAL REPORT 2008/2009
Our Environment - Sustain and Enjoy

FINANCIAL STATEMENTS

For the financial year
ended 31 March 2009



Our Environment - Sustain and Enjoy

NATIONAL ENVIRONMENT AGENCY
(Established under the National Environment Agency Act)

FINANCIAL STATEMENTS
For the financial year ended 31 March 2009

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE NATIONAL ENVIRONMENT AGENCY

We have audited the accompanying financial statements of National Environment Agency (the "Agency") set out on pages 2 to 30, which comprise the balance sheet as at 31 March 2009, and the income and expenditure statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the National Environment Agency Act (the "Act") and Statutory Board Financial Reporting Standards. This responsibility includes:

- (a) designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error;
- (b) selecting and applying appropriate accounting policies; and
- (c) making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

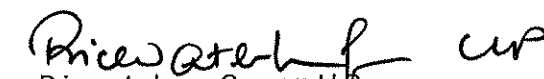
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion,

- (a) the financial statements are properly drawn up in accordance with the provisions of the Act and Statutory Board Financial Reporting Standards and so as to give a true and fair view of the state of affairs of the Agency as at 31 March 2009 and of the results, changes in equity and cash flows of the Agency for the year then ended on that date; and
- (b) the accounting and other records required by the Act to be kept by the Agency have been properly kept in accordance with the provisions of the Act.

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


PricewaterhouseCoopers LLP
Public Accountants and Certified Public Accountants
Singapore, 07 JUL 2009

NATIONAL ENVIRONMENT AGENCY

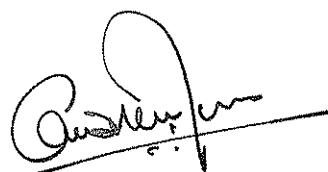
INCOME AND EXPENDITURE STATEMENT

For the financial year ended 31 March 2009

	Note	2008/2009 \$	2007/2008 \$
Income			
Management fees	4	29,252,882	30,216,347
Service fees		17,788,524	17,002,921
Regulatory fees and fines		23,422,707	18,791,526
Interest income from banks		1,062,029	2,612,640
Other operating income		2,410,251	1,595,914
		<u>73,936,393</u>	<u>70,219,348</u>
Less:			
Expenditure			
Staff costs	5	164,506,925	176,477,549
Maintenance, services and supplies	6	164,953,439	143,160,447
Upgrading and improvement		62,599,516	30,995,012
Public education expense		24,046,559	17,994,537
Depreciation of property, plant and equipment		13,676,881	15,032,714
Rental of office, car park lots and equipment		9,407,833	8,814,730
Finance expense	7	1,624,862	1,770,283
Other operating expenditure	8	20,910,040	15,092,206
		<u>461,726,055</u>	<u>409,337,478</u>
Operating deficit before Government grants		(387,789,662)	(339,118,130)
Add: Government grants	9	398,762,207	340,014,774
Surplus before Contribution to the Consolidated Fund		10,972,545	896,644
Contribution to the Consolidated Fund	10	(1,975,058)	(161,396)
Net surplus for the financial year		8,997,487	735,248



Ms Chew Gek Khim
Chairman



Mr Andrew Tan
Chief Executive Officer

Date: 07 JUL 2009

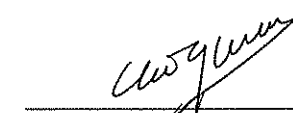
The accompanying notes form an integral part of these financial statements.

NATIONAL ENVIRONMENT AGENCY

BALANCE SHEET

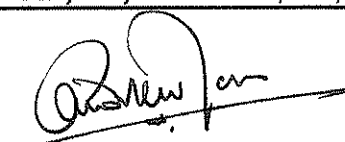
As at 31 March 2009

	Note	At 31 March 2009 \$	At 31 March 2008 \$
ASSETS			
Current assets			
Cash and cash equivalents	11	164,620,720	125,939,071
Trade and other receivables	12	28,356,462	30,690,404
Receivable from the Ministry of the Environment and Water Resources ("MEWR")	13	-	25,209,859
Consumables	14	29,510,150	36,697,363
		<u>222,487,332</u>	<u>218,536,697</u>
Non-current assets			
Property, plant and equipment	15	46,161,316	52,156,446
Total assets		268,648,648	270,693,143
LIABILITIES			
Current liabilities			
Trade and other payables	16	70,043,218	75,334,042
Payable to MEWR	13	21,879,619	26,005,584
Loan from Government	17	3,646,667	3,646,666
Provision for pensions and death gratuities	18	1,471,451	654,581
Provision for Contribution to the Consolidated Fund	10	1,975,058	161,396
		<u>99,016,013</u>	<u>105,802,269</u>
Non-current liabilities			
Loan from Government	17	36,466,666	40,113,333
Provision for pensions and death gratuities	18	17,296,065	17,123,306
Deferred capital grants	19	3,618,429	4,401,247
		<u>57,381,160</u>	<u>61,637,886</u>
Total liabilities		156,397,173	167,440,155
NET ASSETS		112,251,475	103,252,988
EQUITY			
Share capital	20	41,301,000	41,300,000
Accumulated surplus		70,950,475	61,952,988
		<u>112,251,475</u>	<u>103,252,988</u>



Ms Chew Gek Khim
Chairman

Date: 07 JUL 2009



Mr Andrew Tan
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 2009

	Share capital \$	Accumulated surplus \$	Total \$
Balance at 1 April 2008	41,300,000	61,952,988	103,252,988
Issue of shares	1,000	-	1,000
Net surplus for the financial year	-	8,997,487	8,997,487
Balance at 31 March 2009	41,301,000	70,950,475	112,251,475
Balance at 1 April 2007	41,300,000	61,217,740	102,517,740
Net surplus for the financial year	-	735,248	735,248
Balance at 31 March 2008	41,300,000	61,952,988	103,252,988

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

NATIONAL ENVIRONMENT AGENCY

CASH FLOW STATEMENT
For the financial year ended 31 March 2009

	Note	2008/2009 \$	2007/2008 \$
Cash flows from operating activities			
Net surplus		8,997,487	735,248
Adjustments for:			
Contribution to the Consolidation Fund	10	1,975,058	161,396
Government grants	9	(398,762,207)	(340,014,774)
Depreciation of property, plant and equipment	15	13,676,881	15,032,714
Loss on disposal of property, plant and equipment		38,607	363,708
Interest expense		1,624,862	1,770,283
Interest income		(1,062,029)	(2,612,640)
Operating cash flow before working capital changes		(373,511,341)	(324,564,065)
Change in operating assets and liabilities, net of effects from transfer of business unit			
- Consumables		7,187,213	(2,824,810)
- Trade and other receivables		2,231,950	(1,950,992)
- Trade and other payables		(6,127,184)	9,760,992
- Receivable from Ministry of Environment and Water Resources ("MEWR")		(69,331)	39,776
- Payable to MEWR		(5,459,397)	838,212
- Provision for pensions and death gratuities		989,629	1,104,777
Cash used in operations		(374,758,461)	(317,596,110)
Interest received		1,164,022	2,688,217
Payment to Consolidated Fund	10	(161,396)	(5,001,441)
Net cash used in operating activities		(373,755,835)	(319,909,334)
Cash flows from investing activities			
Proceeds from transfer of business unit	11	-	1,747,590
Purchases of property, plant and equipment		(7,068,731)	(10,708,938)
Proceeds from disposal of property, plant and equipment		184,733	52,287
Net cash used in investing activities		(6,883,998)	(8,909,061)
Cash flows from financing activities			
Proceeds from issuance of shares		1,000	-
Grants received from Government		424,592,011	313,393,450
Repayment of loan from Government		(3,646,667)	(3,646,667)
Interest paid on loan from Government		(1,624,862)	(1,770,283)
Net cash provided by financing activities		419,321,482	307,976,500
Net increase/(decrease) in cash and cash equivalents		38,681,649	(20,841,895)
Cash and cash equivalents at beginning of financial year		125,939,071	146,780,966
Cash and cash equivalents at end of financial year	11	164,620,720	125,939,071

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

NATIONAL ENVIRONMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2009

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

1. General

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

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

The principal activities of the Agency include:

- (i) conduct investigations, enforcement and surveillance of environmental health concerns and vectors of infectious agents;
- (ii) conduct research into and develop strategies for prevention and control of environmental health concerns;
- (iii) conduct meteorological observations and seismic monitoring and provide related services;
- (iv) undertake licensing, coordinate the implementation and management of upgrading programmes for markets and hawker centres, review of hawker policies, construct, develop and manage markets and hawker centres in its own right and as agent of the Government or any body corporate established by written law;
- (v) monitor environmental quality and control environmental pollution;
- (vi) control the use and transport of hazardous substances through licensing and inspections;
- (vii) promote resource conservation and energy efficiency;
- (viii) construct, develop, manage and regulate refuse treatment and disposal facilities;
- (ix) regulate the import, export, manufacture, sale, possession, use, transport and disposal of radioactive materials and irradiating apparatuses;
- (x) build up a vibrant research and development ecosystem in the environment industry and to help develop environmental technology competencies and capabilities in Singapore; and
- (xi) help to develop a vibrant environmental industry in Singapore and promote Singapore environmental companies internationally.

NATIONAL ENVIRONMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2009

2. Significant accounting policies (continued)

(a) Basis of preparation

Pursuant to the Accounting Standards Act 2007, these financial statements of the National Environment Agency (the "Agency") have been prepared in accordance with Statutory Board Financial Reporting Standards ("SB-FRS"). These financial statements have been prepared under the historical cost convention, 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 area where estimates and assumptions is significant and critical is disclosed in Note 3.

Interpretations and amendments to SB-FRS effective in 2008/2009

On 1 April 2008, the Agency adopted the new or revised SB-FRS and interpretations to SB-FRS that are mandatory for application in the current financial year. Changes to 2008/2009 financial statements have been made as required, in accordance with the relevant transitional provisions in the respective SB-FRS.

The following are the new or revised SB-FRS that are relevant to the Agency:-

- | | |
|-----------------------|---|
| SB-FRS 1 (Amendments) | - Presentation of Financial Statements: Capital Disclosures |
| SB-FRS 1 (Revised) | - Presentation of Financial Statements |
| SB-FRS 107 | - Financial Instruments: Disclosures |

The adoption of the above new or revised SB-FRS did not result in substantial changes to the Agency's accounting policies.

(b) Income recognition

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

- (i) Service fees and management fees are recognised when services are rendered to the customers. Service fees include meteorological services and course fees. Management fees are earned from activities as set out in Note 4.
- (ii) Fines and regulatory fees (including income from licences and permits) are recognised at the point of collection.

NATIONAL ENVIRONMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2009

2. Significant accounting policies (continued)

(b) Income recognition

- (iii) Interest income is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the Agency reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continue amortising the discount as interest income on the recoverable amount.

(c) Property, plant and equipment

(i) *Measurement*

All property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses [Note 2(d)].

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.

(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:

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

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 2008, the assets are depreciated over the remaining useful lives at 1 July 2008.

NATIONAL ENVIRONMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2009

2. Significant accounting policies (continued)

(c) Property, plant and equipment (continued)

(ii) *Depreciation* (continued)

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

No depreciation is provided on construction-in-progress.

(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 expense is recognised in the Income and Expenditure Statement when incurred.

(iv) *Disposal*

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in the Income and Expenditure Statement.

(d) 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.

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

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

NATIONAL ENVIRONMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2009

2. Significant accounting policies (continued)

(d) Impairment of non-financial assets (continued)

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

(e) Consumables

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

(f) Financial assets

The Agency classifies its financial assets as cash and cash equivalents and trade and other receivables. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

Financial assets are initially recognised at fair value plus transaction cost and subsequently carried at amortised cost using the effective interest method. They are presented as current assets, except for those maturing later than twelve months after the balance sheet date which are presented as non-current assets. They are derecognised when the right to receive cash flows from the financial assets have expired or have been transferred and the Agency has transferred substantially all risks and rewards of ownership.

The Agency assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. An allowance for impairment of trade and other receivables is recognised when there is objective evidence that the Agency will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the allowance is recognised in the Income and Expenditure Statement within "Other operating expenditure".

NATIONAL ENVIRONMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2009

2. Significant accounting policies (continued)

(g) Cash and cash equivalents

For the purpose of presentation in the cash flow statement, cash and cash equivalents include cash on hand and at banks, cash maintained with Accountant-General's Department ("AGD") and deposits with financial institutions.

(h) Provisions for other liabilities and charges

Provisions for other liabilities and charges are recognised when the Agency has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

(i) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Income and Expenditure Statement 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.

(j) 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.

(k) Fair value estimation of financial assets and liabilities

The fair values of current financial assets and liabilities, carried at amortised cost, approximate their carrying amount.

The fair values of non-current financial liabilities such as borrowings and provision for pensions and death gratuities carried at amortised cost are estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Agency for similar financial liabilities.

NATIONAL ENVIRONMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2009

2. Significant accounting policies (continued)

(l) Operating leases

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

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

(m) Research costs

Research costs are recognised as an expense when incurred.

(n) Employee compensation

(i) *Pensions and other post employment benefits*

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

An actuarial valuation is conducted to determine the cost of pension benefits and 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 Pensions Act and circulars issued by the Public Service Division.

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

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

(iii) *Employee leave entitlement*

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

NATIONAL ENVIRONMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2009

2. Significant accounting policies (continued)

(o) Currency translation

(i) *Functional and presentation currency*

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

(ii) *Transactions and balances*

Transactions in a currency other than the financial currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of transactions. Currency translation differences from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates of the balance sheet date are recognised in the Income and Expenditure Statement.

(p) Government grants

Government grants received for the purchase or the construction of depreciable assets are accounted for as deferred capital grants. The deferred capital grants are amortised and charged to the Income and Expenditure Statement over the period necessary to match the annual depreciation charge of these assets or when the assets are disposed or written off. Where the grants relate to an expense item, it is recognised in the Income and Expenditure Statements over the periods necessary to match them on a systematic basis, to the costs, which it is intended to compensate.

NATIONAL ENVIRONMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2009

3. Critical accounting estimates, assumptions and judgements

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

Provision for pensions and death gratuities

The Agency is required to pay pension benefits to pensionable officers and death gratuities to officers and daily rated employees transferred over to the Agency on 1 July 2002. The provision for pensions and death gratuities of the Agency as at 31 March 2009 approximated \$18,767,516 (31 March 2008: \$17,777,887) as disclosed in Note 18. The provision has been computed based on certain assumptions and estimates as disclosed in Note 18 and revisions to the assumptions and estimates could impact the provision made.

Write-down in value of consumables

The Agency will be decommissioning Ulu Pandan Incineration Plant ("UPIP") within the next twelve months. Resulting from the impending decommissioning of UPIP, consumables at UPIP will not be utilised by the Agency. As at 31 March 2009, the Agency wrote down the value of consumables by \$3,480,596 (Note 14) to its net realisable value.

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

	2008/2009 \$	2007/2008 \$
Wages and salaries	140,241,297	150,757,382
Employer's contribution to Central Provident Fund	13,511,360	15,281,738
Pension contributions and death gratuities (Note 18)	2,975,495	2,635,933
Other staff costs	7,778,773	7,802,496
	164,506,925	176,477,549

NATIONAL ENVIRONMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2009

6. Maintenance, services and supplies

Included in maintenance, services and supplies were:

	2008/2009 \$	2007/2008 \$
Maintenance of specialised and industrial equipment	33,973,704	31,830,450
Public area landscaping, cleaning services and supplies	27,511,831	23,171,255
Maintenance of building, HDB markets and hawker centres and office premises	21,452,373	23,428,322
Industrial supplies	22,258,826	14,589,570
IT services	9,710,560	7,388,395
Utilities charges	8,031,686	6,585,636
Vector control services	5,732,925	4,515,360
Table cleaning services	3,571,016	3,504,725
Security and escort services	8,043,786	5,001,687

7. Finance expense

	2008/2009 \$	2007/2008 \$
Interest expense on loan from Government	1,624,862	1,770,283

8. Other operating expenditure

Included in other operating expenditure were:

	2008/2009 \$	2007/2008 \$
GST expense	9,177,198	6,602,775
Write-down in value of consumables	3,480,596	-
Communication expense	2,500,968	2,606,342
Research costs	204,033	271,625

9. Government grants

	2008/2009 \$	2007/2008 \$
Operating grants	386,983,469	333,745,725
Deferred capital grants amortised (Note 19)	1,079,318	2,087,998
Other grants	10,699,420	4,181,051
	398,762,207	340,014,774

NATIONAL ENVIRONMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2009

10. Consolidated Fund

(a) Contribution to the Consolidated Fund

In lieu of income tax, the Agency is to make contribution to the Consolidated Fund of the Government in accordance with the Statutory Corporations (Contributions to Consolidated Fund) Act (Cap 319A). The contribution is based on the prevailing statutory corporate income tax rate of 18% for current financial year (2007/2008: 18%).

The Contribution to the Consolidated Fund is determined as follows:

	2008/2009 \$	2007/2008 \$
Surplus before Contribution to the Consolidated Fund	10,972,545	896,644
Contribution to the Consolidated Fund calculated at a tax rate of 18% (2007/2008: 18%)	1,975,058	161,396

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

	2008/2009 \$	2007/2008 \$
Balance at beginning of financial year	161,396	5,001,441
Amount paid	(161,396)	(5,001,441)
Contribution for current financial year	1,975,058	161,396
Balance at end of financial year	1,975,058	161,396

11. Cash and cash equivalents

	At 31 March 2009 \$	At 31 March 2008 \$
Cash maintained with AGD	5,016,202	5,080,638
Cash at banks and on hand	8,088,186	10,482,655
Fixed deposits with banks	151,516,332	110,375,778
	164,620,720	125,939,071

NATIONAL ENVIRONMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2009

11. Cash and cash equivalents (continued)

Cash maintained with AGD does not earn any interest.

Cash at banks earn interest at floating rates based on daily bank deposit rates. The weighted average effective interest rate of the cash at banks as at 31 March 2009 is 0% (31 March 2008: 0%) per annum.

The fixed deposits are short term in nature with varying maturity periods of between a few days to six months (31 March 2008: one to three months). The weighted average effective interest rate of the fixed deposits as at 31 March 2009 is 0.27% (31 March 2008: 1.22%) per annum.

Transfer of business unit

On 1 July 2007, the Centre for Radiation Protection was transferred from the Health Sciences Authority to the Agency.

The aggregate effects of the transfer of this business unit on the cash flows of the Agency for the financial year ended 31 March 2008 were:

	At fair values \$	Carrying amounts of transfer \$
<u>Identifiable assets and liabilities</u>		
Consumables	254,965	254,965
Property, plant and equipment	463,252	463,252
Total assets	718,217	718,217
Deferred revenue	(2,228,280)	(2,228,280)
Deferred capital grants	(237,527)	(237,527)
	(2,465,807)	(2,465,807)
Identifiable net liabilities transferred	(1,747,590)	(1,747,590)
Net cash inflow on transfer	(1,747,590)	

NATIONAL ENVIRONMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2009

12. Trade and other receivables

	At 31 March 2009 \$	At 31 March 2008 \$
Trade receivables	3,038,003	2,428,891
Less: allowance for impairment of receivables	(417,468)	(824,891)
Trade receivables – net	2,620,535	1,604,000
Revenue to be collected on behalf of MEWR	20,867,436	25,108,334
Prepayments	2,823,384	2,815,145
Deposits	174,637	164,349
Others	1,870,470	998,576
	28,356,462	30,690,404

13. Receivable from/(Payable to) MEWR

	At 31 March 2009 \$	At 31 March 2008 \$
Grant (payable to)/receivable from MEWR	(1,402,564)	25,210,058
Payable to MEWR for revenue collected on behalf	(20,546,187)	(26,005,584)
Other receivable from/(payable to) MEWR	69,132	(199)
	(21,879,619)	(795,725)

Represented by:

Receivable from MEWR	-	25,209,859
Payable to MEWR	(21,879,619)	(26,005,584)

For the financial year ended 31 March 2009, the Agency collected total Government revenue on behalf of MEWR amounting to \$341,153,577 (2007/2008: \$318,394,247).

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

NATIONAL ENVIRONMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2009

14. Consumables

	At 31 March 2009 \$	At 31 March 2008 \$
Consumables	32,990,746	36,697,363
Write-down in value of consumables	(3,480,596)	-
	29,510,150	36,697,363

During the financial year, the Agency wrote down the value of consumables by \$3,480,596 (2007/2008: \$nil) arising from the impending decommissioning of Ulu Pandan Incineration Plant.

15. Property, plant and equipment

	Building improvement \$	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 2008	2,266,436	3,112,689	14,986,498	2,737,405	77,575,492	28,274,403	4,764,688	133,717,611
Additions	-	435,150	3,596,071	413,086	2,039,839	-	1,420,945	7,905,091
Disposals	-	(75,281)	(103,225)	(376,637)	(235,597)	-	(112,090)	(902,830)
Transfers	-	35,856	3,091,810	-	1,325,416	-	(4,453,082)	-
At 31 March 2009	2,266,436	3,508,414	21,571,154	2,773,854	80,705,150	28,274,403	1,620,461	140,719,872
Accumulated depreciation								
At 1 April 2008	2,034,538	2,304,909	11,903,618	1,669,842	56,173,415	7,474,843	-	81,561,165
Depreciation charge	210,680	335,300	2,263,100	287,985	9,279,844	1,299,972	-	13,676,881
Disposals	-	(74,636)	(103,228)	(313,771)	(187,855)	-	-	(679,490)
At 31 March 2009	2,245,218	2,565,573	14,063,490	1,644,056	65,265,404	8,774,815	-	94,558,556
Net book value								
At 31 March 2009	21,218	942,841	7,507,664	1,129,798	15,439,746	19,499,588	1,620,461	46,161,316
Cost								
At 1 April 2007	2,201,646	2,613,887	12,430,511	2,406,065	73,112,134	28,274,403	2,682,393	123,721,039
Additions	64,790	578,632	2,066,339	392,566	5,143,513	-	2,926,350	11,172,190
Disposals	-	(82,061)	(118,423)	(61,226)	(860,429)	-	(53,479)	(1,175,618)
Transfers	-	2,231	608,071	-	180,274	-	(790,576)	-
At 31 March 2008	2,266,436	3,112,689	14,986,498	2,737,405	77,575,492	28,274,403	4,764,688	133,717,611
Accumulated depreciation								
At 1 April 2007	1,089,108	2,068,285	9,057,701	1,458,433	47,439,676	6,174,871	-	67,288,074
Depreciation charge	945,430	318,467	2,964,339	259,966	9,244,540	1,299,972	-	15,032,714
Disposals	-	(82,061)	(118,422)	(48,557)	(510,583)	-	-	(759,623)
Transfers	-	218	-	-	(218)	-	-	-
At 31 March 2008	2,034,538	2,304,909	11,903,618	1,669,842	56,173,415	7,474,843	-	81,561,165
Net book value								
At 31 March 2008	231,898	807,780	3,082,880	1,067,563	21,402,077	20,799,560	4,764,688	52,156,446

NATIONAL ENVIRONMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2009

16. Trade and other payables

	At 31 March 2009 \$	At 31 March 2008 \$
Trade payables	32,940,265	26,825,036
Accrual for operating expenditure	22,602,230	35,514,747
Deposits received	11,842,225	11,331,247
Deferred revenue	2,471,997	1,545,027
Others	186,501	117,985
	<u>70,043,218</u>	<u>75,334,042</u>

17. Loan from Government (unsecured)

	At 31 March 2009 \$	At 31 March 2008 \$
Loan from Government	40,113,333	43,759,999
Less: Amount repayable within one year	(3,646,667)	(3,646,666)
	<u>36,466,666</u>	<u>40,113,333</u>

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

	At 31 March 2009 \$	At 31 March 2008 \$
Less than six months	1,823,333	1,823,333
Between six to twelve months	1,823,334	1,823,333
	<u>3,646,667</u>	<u>3,646,666</u>
Later than one year and not later than five years	14,586,666	14,586,667
Later than five years	21,880,000	25,526,666
	<u>40,113,333</u>	<u>43,759,999</u>

NATIONAL ENVIRONMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2009

17. Loan from Government (unsecured) (continued)

The interest rate of the loan from Government is fixed at 3.86% per annum (2007/2008: 3.86%) until the maturity of the loan in 2020.

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

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

	<u>Carrying amounts</u>		<u>Fair values</u>	
	At 31 March 2009 \$	At 31 March 2008 \$	At 31 March 2009 \$	At 31 March 2008 \$
Non-current portion of loan from government	<u>36,466,666</u>	<u>40,113,333</u>	<u>37,809,340</u>	<u>41,197,191</u>

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

NATIONAL ENVIRONMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2009

18. Provision for pensions and death gratuities

	At 31 March 2009 \$	At 31 March 2008 \$
Balance sheet obligations for:		
Pensions	16,528,101	15,617,746
Death gratuities	2,239,415	2,160,141
	<u>18,767,516</u>	<u>17,777,887</u>
Income and Expenditure Statement charge for:		
Pensions	2,912,982	3,515,110
Death gratuities	95,217	(833,413)
	<u>3,008,199</u>	<u>2,681,697</u>
The amounts recognised in the Income and Expenditure Statement were as follows:		
<u>Pensions</u>		
Current service cost	2,602,247	2,848,309
Interest cost	310,735	397,474
Actuarial losses	-	269,327
	<u>2,912,982</u>	<u>3,515,110</u>
<u>Death gratuities</u>		
Current service cost	63,486	106,579
Interest cost	31,731	71,373
Actuarial gains	-	(1,011,365)
	<u>95,217</u>	<u>(833,413)</u>
Total provision for the financial year	<u>3,008,199</u>	<u>2,681,697</u>
Pension credited directly to Income and Expenditure Statement	(32,704)	(45,764)
Total included in staff costs (Note 5)	<u>2,975,495</u>	<u>2,635,933</u>

NATIONAL ENVIRONMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2009

18. Provision for pensions and death gratuities (continued)

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

	At 31 March 2009 \$	At 31 March 2008 \$
Balance at beginning of financial year	17,777,887	16,673,110
Provision for the financial year	3,008,199	2,681,697
Less: Amount paid during the financial year	(2,018,570)	(1,576,920)
Balance at end of financial year	<u>18,767,516</u>	<u>17,777,887</u>
Amount payable within one year	1,471,451	654,581
Amount payable after one year	17,296,065	17,123,306
	<u>18,767,516</u>	<u>17,777,887</u>

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

- All pensionable and non-pensionable officers will retire at the age of 62.
- The rate used to discount pensions and death gratuities obligations is 2.0% (2007/2008: 2.0%) per annum.
- The historical rate of salary increases for pensionable officers prior to the establishment of the Agency is 4.7% per annum and the expected rate of salary increases for pensionable officers, non-pensionable officers and daily rated employees is 2.0%, 3.0% and 1.0% per annum respectively.
- A mortality rate of 3.0 deaths for every 1,000 persons (2007/2008: 3.0 deaths for every 1,000 persons).

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

NATIONAL ENVIRONMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2009

19. Deferred capital grants

	At 31 March 2009 \$	At 31 March 2008 \$
Balance at beginning of financial year	4,401,247	5,453,582
Capital grants received during the year	296,500	798,136
Capital grants received for the transfer of business unit	-	237,527
Less: Amortisation of deferred capital grants in the Income and Expenditure Statement (Note 9)	(1,079,318)	(2,087,998)
Balance at end of financial year	3,618,429	4,401,247

The current portion of the deferred capital grants as at 31 March 2009 is \$850,820 (31 March 2008: \$1,027,745).

20. Share capital

The Agency's share capital comprise fully paid up 41,301,000 (2007/2008: 41,300,000) ordinary shares with no par value, amounting to a total of \$41,301,000 (2007/2008: \$41,300,000).

During the financial year, the Agency issued 1,000 ordinary shares for a total consideration of \$1,000 for cash.

21. Commitments

(a) Capital commitments

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

	At 31 March 2009 \$	At 31 March 2008 \$
Property, plant and equipment	12,829,881	8,066,936

NATIONAL ENVIRONMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2009

21. Commitments (continued)

(b) Operating lease commitments

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

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

	At 31 March 2009 \$	At 31 March 2008 \$
Not later than one year	6,502,558	7,776,776
Between one and five years	3,715,356	3,005,720
Later than five years	9,566	9,563
	10,227,480	10,792,059

22. Financial risk management

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

(a) Market risk

(i) Currency risk

The Agency is exposed to minimal currency risk in its normal course of operation as majority of its financial assets and liabilities are denominated in Singapore Dollar.

(ii) Price risk

The Agency is not exposed to equity price risk as it does not hold any equity financial assets.

NATIONAL ENVIRONMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2009

22. Financial risk management (continued)

(a) Market risk (continued)

(iii) *Cash flow and fair value interest rate risks*

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Agency's interest bearing assets consist mainly of cash balances and fixed deposits placed with reputable financial institutions. Other than these, the Agency's operating income and cash flows are substantially independent of changes in market interest rates.

The Agency's interest rate risk mainly arises from the loan from Government. The loan from Government is obtained at a fixed rate which exposes the Agency to fair value interest rate risk.

The Agency has not hedged its exposure risk to interest rates as the risk is not expected to be significant.

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Agency. The Agency has no significant concentration of credit risk. The Agency monitors the receivables from customers closely on an on-going basis and has policies in place to ensure the customers maintain sufficient deposits with them. The maximum exposure to credit risk for each class of financial assets is the carrying amount of that class of financial asset presented on the balance sheet. The Agency's major classes of financial assets are bank deposits, and trade and other receivables. The Agency is not exposed to credit risk for revenue to be collected on behalf of MEWR.

(i) *Financial assets that are neither past due nor impaired*

Bank deposits that are neither past due nor impaired are mainly deposits with banks with acceptable credit ratings assigned by international credit-rating agencies. Trade receivables that are neither past due nor impaired are substantially companies with good collection track record with the Agency.

NATIONAL ENVIRONMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2009

22. Financial risk management (continued)

(b) Credit risk (continued)

(ii) *Financial assets that are past due and/or impaired*

There is no other class of financial assets that is past due and/or impaired except for trade receivables.

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

	At 31 March 2009 \$	At 31 March 2008 \$
Past due < 3 months	154,651	221,777
Past due 3 to 6 months	34,939	82,144
Total	189,590	303,921

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

	At 31 March 2009 \$	At 31 March 2008 \$
Deposits received	400,107	281,809

The carrying amount of trade receivables individually determined to be impaired and the movement in the related allowance for impairment are as follows:

	At 31 March 2009 \$	At 31 March 2008 \$
Trade receivables	3,038,003	2,428,891
Less: Allowance for impairment of receivables	(417,468)	(824,891)
Trade receivables – net	2,620,535	1,604,000

NATIONAL ENVIRONMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2009

22. Financial risk management (continued)

(b) Credit risk (continued)

(ii) Financial assets that are past due and/or impaired (continued)

	At 31 March 2009 \$	At 31 March 2008 \$
Beginning of financial year	824,891	784,176
(Write back)/Charge for the year	(74,400)	95,023
Allowance utilised	(333,023)	(54,308)
End of financial year	<u>417,468</u>	<u>824,891</u>

(iii) Collaterals and other credit enhancements

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

	<u>Carrying amounts</u>	
	At 31 March 2009 \$	At 31 March 2008 \$
Deposits received	<u>292,212</u>	<u>118,011</u>

There are no encashment of bankers' guarantee during the financial year.

(c) Liquidity risk

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

NATIONAL ENVIRONMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2009

22. Financial risk management (continued)

(c) Liquidity risk (continued)

The table below analyses the maturity profile of the Agency's financial liabilities based on contractual undiscounted cash flows.

	Less than 1 year \$	Between 1 and 5 years \$	Later than 5 years \$
At 31 March 2009			
Trade and other payables	67,571,221	-	-
Loan from Government	5,130,799	19,118,507	24,452,044
Payable to MEWR	21,879,619	-	-
	<u>94,581,639</u>	<u>19,118,507</u>	<u>24,452,044</u>
At 31 March 2008			
Trade and other payables	73,789,015	-	-
Loan from Government	5,271,528	19,684,316	29,017,033
Payable to MEWR	26,005,584	-	-
	<u>105,066,127</u>	<u>19,684,316</u>	<u>29,017,033</u>

(d) Capital risk

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

The Agency's primary objective when managing capital is to safeguard the ability to support the Agency's stability and growth.

The Agency monitors the "net operating surplus/deficit" and "debt-equity ratio". There were no changes in the Agency's approach to capital management during the year.

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

NATIONAL ENVIRONMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2009

23. Related party transactions

Key management's remuneration

	2008/2009	2007/2008
	\$	\$
Salaries and other short term employee benefits	2,886,341	3,376,716
Post-employment benefits - contribution to pension	261,960	232,019
	<u>3,148,301</u>	<u>3,608,735</u>

Included in the above are Board members' fees amounting to \$140,625 (2007/2008: \$150,625).

24. Events occurring after balance sheet date

In April 2009, NEA signed a letter of acceptance to lease a piece of land at Kim Chuan Road for 30 years and paid a consideration of \$1 million. This land will be used to build an Upper Air Observatory.

25 Authorisation of financial statements

The financial statements for the financial year ended 31 March 2009 were authorised for issue by the Board members of the Agency on 07 JUL 2009

