FINANCIAL STATEMENTS 2018/2019

Embracing Change 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 2019

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(Established under the National Environment Agency Act)

Annual Financial Statements
For the financial year ended 31 March 2019

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National Environment Agency

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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 2019, 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 55.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Public Sector (Governance) Act 2018, Act 5 of 2018 (the Public Sector (Governance) Act), 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 2019 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's and Those Charged with Governance for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 Public Sector (Governance) Act, the Act and the requirements of any other written law applicable to moneys of or managed by the Agency; and

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

Basis for Opinion

We conducted our audit in accordance with 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 Public Sector (Governance) Act, the Act and the requirements of any other written law applicable to moneys of or managed by the Agency. This responsibility includes monitoring related compliance requirements relevant to the Agency, and implementing internal controls as management determines are necessary to enable compliance with the requirements.

Auditor's Responsibilities for the Compliance Audit

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

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

Deloitte & Touche LLP

Public Accountants and
Chartered Accountants
Singapore

19 July 2019

National Environment Agency

Statement of Comprehensive Income
For the financial year ended 31 March 2019

	Note	2018/2019	2017/2018
		$	$
Income			
Management fees	4	**65,050,479**	63,554,596
Service fees	4	**20,172,697**	19,490,992
Regulatory charges	4	**14,664,787**	14,777,328
Other operating income	4	**14,249,891**	9,921,929
		114,137,854	107,744,845
Less:			
Expenditure			
Staff costs	5	**330,568,857**	329,016,389
Maintenance, services and supplies	6	**473,514,525**	462,648,792
Upgrading and improvement		**6,193,888**	9,722,457
Public education expense		**14,487,770**	12,976,857
Depreciation of property, plant and equipment		**16,343,062**	16,782,892
Rental of office and equipment		**27,623,423**	23,241,383
Finance expense	7	**217,634**	358,074
Other operating expenditure	8	**85,248,248**	45,842,316
		954,197,407	900,589,160
Operating deficit before Government grants		**(840,059,553)**	(792,844,315)
Add:			
Non-operating income/expenditure			
Interest income		**4,484,033**	4,305,625
Net gain/(loss) arising from financial assets at fair value through profit or loss		**2,246,794**	(850,709)
Amortisation of bond premium		**(158,181)**	-
		6,572,646	3,454,916
Deficit before Government grants		**(833,486,907)**	(789,389,399)
Add: Government grants	9	**880,226,098**	806,432,530
Surplus before contribution to the Consolidated Fund		**46,739,191**	17,043,131
Contribution to the Consolidated Fund	10	**(7,945,662)**	(2,897,332)
Net surplus for the financial year, representing total comprehensive income for the financial year		**38,793,529**	14,145,799

Mr Lee Chuan Seng
Chairman
19 July 2019

Mr Tan Meng Dui
Chief Executive Officer

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

National Environment Agency

Balance Sheet
As at 31 March 2019

	Note	At 31 March 2019 $	At 31 March 2018 $
ASSETS			
Current assets			
Cash and cash equivalents	11	**699,157,019**	870,119,435
Trade and other receivables	12	**57,859,472**	40,694,649
Financial assets at fair value through profit or loss (2018 : Held-for-trading investments)	13	**121,396,085**	119,149,291
Consumables		**35,376,122**	37,174,045
		913,788,698	1,067,137,420
Non-current assets			
Property, plant and equipment	15	**175,264,654**	71,156,396
Quoted debt securities at amortised cost (2018 : Held-to-maturity financial assets)	14	**75,173,544**	10,000,000
Total assets		**1,164,226,896**	1,148,293,816
LIABILITIES			
Current liabilities			
Trade and other payables	16	**191,881,350**	206,951,458
Payable to the Ministry of the Environment and Water Resources	17	**24,904,748**	36,739,722
Loan from Government	18	**3,950,555**	3,342,778
Provision for pensions and death gratuities	19	**1,124,198**	1,388,388
Provision for contribution to the Consolidated Fund	10	**7,945,662**	2,897,332
		229,806,513	251,319,678
Non-current liabilities			
Loan from Government	18	**-**	3,950,555
Provision for pensions and death gratuities	19	**6,873,330**	6,908,119
Provision for carbon tax		**940,672**	-
Deferred capital grants	20	**98,999**	18,235
		7,913,001	10,876,909
Total liabilities		**237,719,514**	262,196,587
NET ASSETS		**926,507,382**	886,097,229
EQUITY			
Share capital	21	**687,352,535**	685,735,911
Accumulated surplus		**239,154,847**	200,361,318
		926,507,382	886,097,229

Mr Lee Chuan Seng
Chairman
19 July 2019

Mr Tan Meng Dui
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 2019

	Note	Share Capital	Accumulated Surplus	Total
		$	$	$
Balance 1 April 2018		**685,735,911**	**200,361,318**	**886,097,229**
Total comprehensive income for the financial year				
Net surplus for the financial year		**-**	**38,793,529**	**38,793,529**
Equity injection	21	**1,616,624**	**-**	**1,616,624**
Balance as at 31 March 2019		**687,352,535**	**239,154,847**	**926,507,382**
Balance 1 April 2017		**85,165,100**	**187,264,519**	**272,429,619**
Total comprehensive income for the financial year				
Net surplus for the financial year		-	14,145,799	14,145,799
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**

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

National Environment Agency

Cash Flow Statement
For the financial year ended 31 March 2019

	Note	2018/2019 $	2017/2018 $
Cash flows from operating activities			
Net surplus for the financial year		**38,793,529**	14,145,799
Adjustments for:			
Contribution to the Consolidated Fund	10	**7,945,662**	2,897,332
Government grants	9	**(880,226,098)**	(806,432,530)
Depreciation of property, plant and equipment	15	**16,343,062**	16,782,892
Amortisation of bond premium		**158,181**	-
Loss on disposal / write off of property, plant and equipment		**216,237**	23,862
Interest expense	7	**217,634**	358,074
Interest income		**(4,484,033)**	(4,305,625)
Plant and equipment expensed off	8	**520,797**	846,152
(Reversal of) Loss allowance on trade and other receivables	12	**(50,426)**	149,674
Provision for pensions and death gratuities	19	**412,542**	614,541
Provision for carbon tax		**940,672**	-
Fair value (gain) / loss on financial assets at fair value through profit or loss		**(2,246,794)**	850,709
Operating cash flow before working capital changes		**(821,459,035)**	(774,069,120)
Change in operating assets and liabilities:			
- Consumables		**1,797,923**	(3,644,152)
- Trade and other receivables		**(16,714,455)**	(3,375,921)
- Trade and other payables		**(16,444,358)**	18,789,115
- Other payable to the Ministry of the Environment and Water Resources ("MEWR")		**(9,341,939)**	(447,846)
- Payable to MEWR		**389,289**	4,826,542
Cash used in operations		**(861,772,575)**	(757,921,382)
Interest received		**3,238,297**	5,093,583
Payments for pension cost		**(711,521)**	(3,402,378)
Payment to consolidated fund		**(2,897,332)**	(8,473,465)
Net cash used in operating activities		**(862,143,131)**	(764,703,642)
Cash flows from investing activities			
Interest received from quoted debt securities at amortised cost		**845,794**	-
Purchases of property, plant and equipment		**(120,251,708)**	(21,987,489)
Purchase of quoted debt securities at amortised cost (2018 : held-to-maturity financial assets)		**(65,331,725)**	(10,000,000)
Purchase of financial assets at fair value through profit or loss (2018 : held-for-trading investments)		**-**	(120,000,000)
Proceeds from disposal of property, plant and equipment		**33,250**	14,516
Net cash used in investing activities		**(184,704,389)**	(151,972,973)
Cash flows from financing activities			
Grants received from Government		**877,815,523**	795,430,099
Repayment of loan from Government		**(3,342,778)**	(3,646,666)
Interest paid on loan from Government		**(204,265)**	(358,074)
Equity injection		**1,616,624**	600,570,811
Dividend paid		**-**	(1,049,000)
Net cash from financing activities		**875,885,104**	1,390,947,170
Net (decrease) increase in cash and cash equivalents		**(170,962,416)**	474,270,555
Cash and cash equivalents at beginning of financial year		**870,119,435**	395,848,880
Cash and cash equivalents at end of financial year	11	**699,157,019**	870,119,435

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 2018 and relevant to the Agency. The adoption of these new/revised SB-FRSs does not result in changes to the Agency's accounting policy and has no material effect on the amounts reported for the current or prior years except as disclosed below.

SB-FRS 109 *Financial Instruments*

SB-FRS 109 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) impairment of financial assets and 3) general hedge accounting. Details of these new requirements as well as their impact on the financial statements are described below.

The Agency applied FRS 109 with an initial application date of 1 April 2018. The Agency has not restated the comparative information, which continues to be reported under SB-FRS 39 and there is no material effect on the comparative information from the adoption of SB-FRS 109.

The significant accounting policies for financial instruments under SB-FRS 109 is as disclosed below.

1) Classification and measurement

The Agency has applied the requirements of SB-FRS 109 to instruments that have not been derecognised as at 1 April 2018 and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The classification of financial assets is based on two criteria: the Agency's business model for managing the assets and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding. The Agency's financial assets as disclosed in Note 13 are not held within a business model whose objective is to collect contractual cash flows, nor are they held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets. Accordingly, these financial assets are measured at fair value through profit or loss ("FVTPL") under SB-FRS 109 with effect from 1 April 2018. Financial assets previously classified as held-for-trading financial assets under SB-FRS 39 are now classified as financial assets at fair value through profit or loss. Except for the change in classification, the financial assets will continue to be measured on the same basis as was adopted under SB-FRS 39, i.e. at fair value through profit or loss.

2. Summary of significant accounting policies (continued)

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

1) Classification and measurement (continued)

Financial assets previously classified as held-to-maturity financial assets under SB-FRS 39 are now classified as quoted debt securities at amortised cost. Except for the change in classification, the financial assets will continue to be measured on the same basis as was adopted under SB-FRS 39, i.e. at amortised cost.

All other financial assets and financial liabilities (i.e. cash and cash equivalents, trade and other receivables, and trade and other payables) will also continue to be measured on the same basis as was adopted under SB-FRS 39, i.e. at amortised cost.

2) Impairment of financial assets

SB-FRS 109 requires an expected credit loss model as opposed to an incurred credit loss model under SB-FRS 39. The expected credit loss model requires the Agency to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. It is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, SB-FRS 109 requires the Agency to recognise a loss allowance for expected credit losses on i) debt investments subsequently measured at amortised cost or at fair value through other comprehensive income ("FVTOCI"), ii) lease receivables, iii) contract assets and iv) loan commitments and financial guarantee contracts to which the impairment requirements of SB-FRS 109 apply. There are no adjustments to the loss allowance provided by the Agency due to the adoption of SB-FRS 109.

SB-FRS 115 *Revenue from Contracts with Customers*

SB-FRS 115 supersedes SB-FRS 18 Revenue and the related Interpretations. SB-FRS 115 introduces a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in SB-FRS 115 to deal with specific scenarios.

The Agency has applied SB-FRS 115 using the modified retrospective method with the cumulative effect of initially applying this Standard recognised at the date of initial application (1 April 2018) as an adjustment (if any) to the opening balance of accumulated surplus. Therefore, the comparative information is not restated and continues to be reported under SB-FRS 18 and the related Interpretations. The Agency has elected to apply this Standard retrospectively only to contracts that are not completed contracts at the date of initial application.

The Agency's significant accounting policies for its revenue streams are disclosed below in Note 4. Apart from providing more extensive disclosures on the Agency's revenue transactions, there is no material impact to the comparative information.

2. Summary of significant accounting policies (continued)

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

SB-FRS 1001 *Accounting and Disclosure for Non-Exchange Revenue*

SB-FRS 1001 was issued to specify the financial reporting requirements for non-exchange revenue received by Statutory Boards. Revenue received by Statutory Boards arise from both exchange and non-exchange transactions. Where there is an exchange of approximately equal value, these are exchange transactions and are addressed in other SB-FRS. When a Statutory Board receives resources and provides no or nominal consideration directly in return, these are clearly non-exchange revenue transactions and are addressed in this standard. Some examples of non-exchange revenue are taxes, levies, fines, penalties and donations.

The adoption of SB-FRS 1001 did not have any material impact on the amounts reported in the current year or opening retained earnings.

(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 116	Leases	1 January 2019
Amendments to SB-FRS 19	Employee Benefits: Plan Amendment, Curtailment or Settlement	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 2019, the Agency has non-cancellable operating lease commitments of $48,896,301. 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.

2. Summary of significant accounting policies (continued)

(d) *Income recognition*

Before 1 April 2018

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.

From 1 April 2018

Income comprises the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Agency recognises income when it transfers control of a service to a customer. Income is recognised as follows:

(i) Management fees are earned from activities as set out in Note 4 and recognised over time.

(ii) Service fees are recognised when services are rendered to the customers over time. Service fees include meteorological services and course fees. Certain service fees are recognised at a point in time when the performance obligation has been satisfied.

(iii) Regulatory charges (including income from licences and permits) are recognised at the point of collection. Certain regulatory charges are recognised when services are rendered to the customers over time.

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

(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)).

2. Summary of significant accounting policies (continued)

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

(i) *Measurement (continued)*

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

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

(ii) *Depreciation*

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

Leasehold land	30 to 99 years (based on lease period)
Building and building improvements	3 to 28 years
Furniture and fittings, office equipment	5 years
Computer hardware and software	3 years
Motor vehicles	10 years
Plant and machinery	10 years
Tugs and barges	25 years

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

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

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

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

2. Summary of significant accounting policies (continued)

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

(iii) *Subsequent expenditure*

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

(iv) *Disposal*

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

(f) *Impairment of non-financial assets*

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

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

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

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

2. Summary of significant accounting policies (continued)

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

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.

(h) *Financial instruments*

(i) Financial assets

Financial assets (before 1 April 2018)

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.

2. Summary of significant accounting policies (continued)

(h) ***Financial instruments (continued)***

(i) Financial assets (continued)

Financial assets (before 1 April 2018) (continued)

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.

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 comprehensive income. Net gains or net losses on financial assets at FVTPL include exchange differences, interest and dividend income.

2. Summary of significant accounting policies (continued)

(h) ***Financial instruments (continued)***

(i) Financial assets (continued)

(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.

Financial assets (from 1 April 2018)

Initial recognition and measurement

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

2. Summary of significant accounting policies (continued)

(h) ***Financial instruments (continued)***

(i) Financial assets (continued)

Financial assets (from 1 April 2018) (continued)

Initial recognition and measurement (continued)

Financial assets held at FVTPL are recognised at fair value.

Subsequent measurement

(a) Financial assets at amortised cost

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets are measured at amortised cost using the effective interest method. Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost.

(b) Financial assets at fair value through profit or loss (“FVTPL”)

Financial assets that do not meet the criteria for being measured at amortised cost or fair value through other comprehensive income (“FVTOCI”) are measured at fair value through profit or loss (“FVTPL”).

Financial assets at FVTPL are measured at fair value as at each reporting date, with any fair value gains or losses recognised in the statement of comprehensive income. Net gain or net loss recognised in statement of comprehensive income includes any dividend or interest earned on the financial asset and is reported as non-operating income/expenditure.

Derecognition

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

2. Summary of significant accounting policies (continued)

(h) ***Financial instruments (continued)***

(i) Financial assets (continued)

Financial assets (from 1 April 2018) (continued)

Derecognition

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable 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.

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.

2. Summary of significant accounting policies (continued)

(i) *Impairment of financial assets*

Impairment of financial assets (before 1 April 2018)

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

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

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

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

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

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

Impairment of financial assets (from 1 April 2018)

The Agency recognises a loss allowance for expected credit losses ("ECL") on trade and other receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Agency recognises lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Agency's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

2. Summary of significant accounting policies (continued)

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

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

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

Significant increase in credit risk

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

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

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

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

2. Summary of significant accounting policies (continued)

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

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

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

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

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

a) Significant financial difficulty of the borrower;

b) A breach of contract, such as a default or past due event;

c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

d) It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

e) The disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

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

2. Summary of significant accounting policies (continued)

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

Measurement and recognition of expected credit losses

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

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

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

- Nature of financial instruments (i.e. the group's trade and other receivables, finance lease receivables and amounts due from customers are each assessed as a separate group. Loans to related parties are assessed for expected credit losses on an individual basis);
- Past-due status;
- Nature, size and industry of debtors;
- Nature of collaterals for finance lease receivables; and
- External credit ratings where available.

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

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

2. Summary of significant accounting policies (continued)

(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.

Carbon tax

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

(l) *Borrowings*

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

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

(m) *Trade and other payables*

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

2. Summary of significant accounting policies (continued)

(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.

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.

2. Summary of significant accounting policies (continued)

(p) *Employee benefits (continued)*

(i) *Defined benefit plans (continued)*

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.

(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.

2. Summary of significant accounting policies (continued)

(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.

(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.

2. Summary of significant accounting policies (continued)

(t) ***Related parties (continued)***

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 2019 was $7,997,528 (31 March 2018 : $8,296,507) 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 99 years (31 March 2018 : 3 to 30 years). The carrying amount of the Agency's property, plant and equipment at 31 March 2019 was $175,264,654 (31 March 2018 : $71,156,396). 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. Income

	2018/2019
	$
Timing of income recognition	
At a point in time:	
Services fees	**2,572,692**
Regulatory charges	**13,610,013**
Other operating income	**14,249,891**
Over time:	
Management fees[1]	**65,050,479**
Services fees	**17,600,005**
Regulatory charges	**1,054,774**
	114,137,854

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

The aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) for services at the end of the reporting period is $2,594,068. Management expects that $1,073,149 of the transaction price allocated to the partially unsatisfied contracts as at 31 March 2019 will be recognised as income during the next reporting period and the remaining $1,520,919 will be recognised as income in financial year ending beyond 31 March 2020.

5. Staff costs

	Note	2018/2019	2017/2018
		$	$
Wages and salaries		**284,502,501**	280,027,333
Employer's contribution to Central Provident Fund		**35,581,974**	36,229,171
Pension contributions and death gratuities	19	**461,561**	643,850
Other staff costs		**10,022,821**	12,116,035
		330,568,857	329,016,389

6. Maintenance, services and supplies

Included in maintenance, services and supplies were:

	2018/2019	2017/2018
	$	$
Public area landscaping, cleaning services and supplies	**128,778,230**	125,266,877
Incineration services	**93,041,255**	92,199,130
Maintenance of specialised and industrial equipment	**47,757,255**	45,542,215
Maintenance of building, markets and hawker centres and office premises	**39,553,418**	41,627,336
IT services	**37,193,115**	33,632,999
Security and enforcement services	**21,256,518**	20,604,343
Industrial supplies	**16,947,232**	21,008,378
Vector control services	**19,042,569**	16,365,537
Table cleaning services	**8,351,391**	7,849,650
Utilities charges	**8,786,122**	7,730,985

7. Finance expense

	2018/2019	2017/2018
	$	$
Interest expense on loan from Government	**217,634**	358,074

8. Other operating expenditure

Included in other operating expenditure were:

	2018/2019	2017/2018
	$	$
GST expense	**22,240,963**	21,146,750
Communication expense	**7,574,089**	7,805,720
Research costs	**10,095,349**	3,810,603
Plant and equipment expensed off	**520,797**	846,152
Carbon tax	**940,672**	-
Incentive scheme for motorcycles	**29,124,000**	-

9. Government grants

	Note	2018/2019	2017/2018
		$	$
Operating grants		**861,500,797**	798,720,729
Deferred capital grants amortised	20	**8,296**	6,243
Other grants		**18,717,005**	7,705,558
		880,226,098	806,432,530

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 (2017/2018 : 17%).

The contribution to the Consolidated Fund was determined as follows:

	2018/2019	2017/2018
	$	$
Surplus before contribution to the Consolidated Fund	**46,739,191**	17,043,131
Contribution to the Consolidated Fund calculated at a tax rate of 17% (2017/2018 : 17%)	**7,945,662**	2,897,332

11. Cash and cash equivalents

	At 31 March 2019	At 31 March 2018
	$	$
Cash held with AGD - under CLM scheme	**180,519,529**	260,167,673
Cash held with AGD - under SBAF scheme	**505,932,543**	598,628,444
Cash held with AGD - others	**4,711,830**	3,647,641
Cash at banks	**7,991,717**	7,674,277
Cash on hand	**1,400**	1,400
	699,157,019	870,119,435

Included within the Cash held under Centralised Liquidity Management (“CLM”) scheme is an amount of $80,323,093 (2017/2018 : $130,970,326) 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 2019	At 31 March 2018
	$	$
Trade receivables	**12,020,601**	4,634,660
Less: Loss allowance	**(298,108)**	(562,385)
Trade receivables - net	**11,722,493**	4,072,275
Revenue to be collected on behalf of MEWR	**25,330,733**	24,077,329
Prepayments	**6,425,701**	6,485,308
Deposits	**821,526**	716,286
Interest receivables	**2,388,907**	1,988,965
Others[(1)]	**11,170,112**	3,354,486
	57,859,472	40,694,649

[(1)] Includes grant receivables of $6,225,268 (2017/2018 : $Nil) for research-related costs.

Trade receivables are generally on 30 days (2017/2018 : 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.

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

The following tables detail the risk profile of trade receivables from contracts with customers based on the Agency's provision matrix. As the Agency's historical credit loss experience show significantly different loss patterns for different customer segments (including normal and low risk type), the provision for loss allowance based on past due status is further distinguished between the Agency's customer segment of different risk type.

	Individual customers			
	ECL rate	Estimated total gross carrying amount at default	Lifetime ECL	Total
	%	$	$	$
2019				
Current	-	1,216,572	-	1,216,572
1 to 30 days	0.06	312,826	(188)	312,638
31 to 60 days	1.04	141,313	(1,469)	139,844
61 to 90 days	7.85	76,784	(6,027)	70,757
91 to 150 days	38.89	99,544	(38,713)	60,831
> 150 days	68.68	366,498	(251,711)	114,787
Total		**2,213,537**	**298,108**	**1,915,429**

12. Trade and other receivables (continued)

	Corporate customers			
	ECL rate	Estimated total gross carrying amount at default	Lifetime ECL	Total
	$	$	$	$
2019				
Current	-	9,411,121	-	9,411,121
1 to 30 days	-	393,938	-	393,938
31 to 60 days	-	1,695	-	1,695
61 to 90 days	-	310	-	310
91 to 150 days	-	-	-	-
> 150 days	-	-	-	-
Total		**9,807,064**	**-**	**9,807,064**

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

	At 31 March 2019
	$
Beginning of financial year	**562,385**
Loss allowance recognised in income or expenditure during the year on:	
Asset originated	**298,108**
Reversal of unutilised amounts	**(348,534)**
Receivables written off as uncollectible	**(213,851)**
End of financial year	**298,108**

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

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

12. Trade and other receivables (continued)

Before 1 April 2018
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.

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

	At 31 March 2018
	$
Balance at beginning of financial year	578,459
Utilisation for the year	(165,748)
Allowance	149,674
Balance at end of financial year	562,385

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
	$
Past due < 3 months	496,165
Past due 3 to 6 months	115,611
Total	611,776

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

	At 31 March 2019	At 31 March 2018
	$	$
Deposits received	**657,659**	755,831

13. Financial assets at fair value through profit or loss (2018 : Held-for-trading investments)

	At 31 March 2019	At 31 March 2018
	$	$
Held-for-trading financial assets at fair value (2018 : Held-for-trading investments at fair value):		
- Quoted investment fund	**50,865,635**	49,692,679
- Unquoted investment fund	**70,530,450**	69,456,612
	121,396,085	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.

Unquoted investment fund is measured at fair value through profit or loss in accordance with SB-FRS 109 *Financial Instruments*.

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. Quoted debt securities at amortised cost (2018 : Held-to-maturity financial assets)

	At 31 March 2019	At 31 March 2018
	$	$
Quoted debt securities, at amortised cost		
- Current (within 1 year)	**-**	-
- Non-current (more than 1 year)	**75,173,544**	10,000,000
	75,173,544	10,000,000

The average effective interest rate of the quoted debt securities is 2.367% (2017/2018 : 2.303%) per annum.

As at 31 March 2019, the quoted debt securities have nominal values amounting to $74,250,000 (2017/2018 : $10,000,000), with coupon rates ranging from 2.303% to 3.630% (2017/2018 : 2.303%) per annum and average maturity of 4 years (2017/2018 : 5 years).

The quoted debt security is denominated in Singapore dollars, the functional currency of the Agency.

14. Quoted debt securities at amortised cost (continued)

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

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

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

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 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**
Additions	**82,806,600**	**810,468**	**243,120**	**8,274,671**	**393,667**	**2,108,863**	**-**	**26,063,418**	**120,700,807**
Disposals	**-**	**(578,083)**	**(257,705)**	**(1,348,512)**	**(836,178)**	**(3,086,566)**	**-**	**-**	**(6,107,044)**
Write off	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(40,252)**	**(40,252)**
Transfers	**-**	**-**	**2,800**	**5,032,240**	**-**	**342,000**	**-**	**(5,377,040)**	**-**
At 31 March 2019	**83,768,390**	**14,242,173**	**6,129,728**	**101,981,324**	**7,910,442**	**125,804,945**	**28,274,403**	**32,238,633**	**400,350,038**
Accumulated depreciation									
At 1 April 2018	**288,537**	**9,826,518**	**5,575,172**	**81,157,851**	**4,236,882**	**93,080,603**	**20,474,568**	**-**	**214,640,131**
Depreciation	**589,680**	**653,182**	**350,380**	**6,899,257**	**769,065**	**5,781,526**	**1,299,972**	**-**	**16,343,062**
Disposals	**-**	**(578,083)**	**(257,305)**	**(1,345,237)**	**(800,631)**	**(2,916,553)**	**-**	**-**	**(5,897,809)**
At 31 March 2019	**878,217**	**9,901,617**	**5,668,247**	**86,711,871**	**4,205,316**	**95,945,576**	**21,774,540**	**-**	**225,085,384**
Net book value									
At 31 March 2019	**82,890,173**	**4,340,556**	**461,481**	**15,269,453**	**3,705,126**	**29,859,369**	**6,499,863**	**32,238,633**	**175,264,654**
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

16. Trade and other payables

	At 31 March 2019	At 31 March 2018
	$	$
Trade payables	**71,940,560**	53,850,024
Accruals	**82,568,119**	120,661,748
Accruals for property, plant and equipment	**7,649,043**	6,679,147
Deposits received	**24,831,195**	23,500,389
Grants received in advance	**390,985**	-
Advance payments received	**4,489,221**	2,247,923
Others	**12,227**	12,227
	191,881,350	206,951,458

Trade payables are non-interest bearing. Trade payables are usually settled on 30 days (2017/2018 : 30 days) term and are denominated in Singapore Dollars.

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

	At 31 March 2019	At 31 March 2018
	$	$
Grant to be returned to MEWR	**6,131,984**	9,014,308
Payable to MEWR for revenue collected on behalf	**28,562,586**	28,173,297
Other receivable from MEWR	**(9,789,822)**	(447,883)
	24,904,748	36,739,722

For the financial year ended 31 March 2019, the Agency collected total Government revenue on behalf of MEWR amounting to $392,801,903 (2017/2018 : $372,008,351).

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 2019	At 31 March 2018
	$	$
Amount repayable within one year	**3,950,555**	3,342,778
Amount repayable after one year	**-**	3,950,555
Loan from Government	**3,950,555**	7,293,333

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 2019	At 31 March 2018
	$	$
Less than one year	**3,950,555**	3,342,778
Later than one year and not later than five years	**-**	3,950,555
Later than five years	**-**	-
	3,950,555	7,293,333

The interest rate of the loan from Government is fixed at 3.86% (2017/2018 : 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 2019	At 31 March 2018	**At 31 March 2019**	At 31 March 2018
	$	$	$	$
Non-current portion of loan from Government	**-**	3,950,555	**-**	3,915,819

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 2019	At 31 March 2018
	$	$
Balance sheet obligations for:		
Pensions	**7,900,781**	8,204,486
Death gratuities	**96,747**	92,021
	7,997,528	8,296,507
Amount payable within one year	**1,124,198**	1,388,388
Amount payable after one year	**6,873,330**	6,908,119
	7,997,528	8,296,507
Statement of comprehensive income charge for:		
Pensions	**456,835**	637,903
Death gratuities	**4,726**	5,947
	461,561	643,850

The amounts recognised as expenditure were as follows:

	Note	**2018/2019**	2017/2018
		$	$
Pensions			
Current service cost		**257,101**	422,457
Interest cost		**150,715**	186,137
		407,816	608,594
Death gratuities			
Current service cost		**3,721**	4,531
Interest cost		**1,005**	1,416
		4,726	5,947
Total provision for the financial year - net		**412,542**	614,541
Pension charged directly to income or expenditure		**49,019**	29,309
Total included in staff costs	5	**461,561**	643,850

19. Provision for pensions and death gratuities (continued)

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

	At 31 March 2019	At 31 March 2018
	$	$
Balance at beginning of financial year	**8,296,507**	11,084,344
Provision for the financial year - net	**412,542**	614,541
Less: Amount paid during the financial year	**(711,521)**	(3,402,378)
Balance at end of financial year	**7,997,528**	8,296,507

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.

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% (2017/2018 : 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 (2017/2018 : 3.00% per annum).

19. Provision for pensions and death gratuities (continued)

(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 2019	
		Provision for pensions	**Provision for death gratuities**
	Increase/(decrease)	$	$
Discount rate	+25 basis points	**7,798,861**	**96,109**
	-25 basis points	**8,005,861**	**97,395**
Future salary increases	+25 basis points	**8,053,266**	**99,514**
	-25 basis points	**7,748,296**	**93,970**

		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

20. Deferred capital grants

	Note	At 31 March 2019	At 31 March 2018
		$	$
Balance at beginning of financial year		**18,235**	24,478
Addition in the year		**89,060**	-
Less: Amortisation of deferred capital grants in income or expenditure	9	**(8,296)**	(6,243)
Balance at end of financial year		**98,999**	18,235

21. Share capital

	At 31 March 2019	At 31 March 2018	At 31 March 2019	At 31 March 2018
	Number of ordinary shares		$	$
Issued and paid up:				
At the beginning of the year	**685,735,911**	85,165,100	**685,735,911**	85,165,100
Issued for cash	**-**	-	**-**	-
Capital pending issuance	**1,616,624**	600,570,811	**1,616,624**	600,570,811
At the end of the year	**687,352,535**	685,735,911	**687,352,535**	685,735,911

The Agency's share capital comprise fully paid up ordinary shares which have no par value. Subsequent to the year end on 24 May 2019 (2017/2018 : 25 May 2018), the Agency issued shares of $1,616,624 (2017/2018 : $600,570,811) mainly to fund the Agency's capital projects [2018 : 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.

There were no dividend declared during the year.

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 2019	At 31 March 2018
	$	$
Property, plant and equipment	**49,124,374**	40,427,008

(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.

	2018/2019	2017/2018
	$	$
Minimum lease payments under operating leases recognised as an expense in the year	**17,670,174**	16,160,583

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 2019	At 31 March 2018
	$	$
Not later than one year	**20,712,734**	10,342,792
Between one and five years	**23,631,419**	3,751,258
Later than five years	**4,552,148**	-
	48,896,301	14,094,050

23. Commitments (continued)

(c) ***Incineration services commitments***

The Agency has two incineration services agreements, for terms of between 15 to 25 years. In accordance to the agreements, the Agency pays monthly incineration service fees for the incineration and related maintenance services based on the services received. For the financial year ended 31 March 2019, the Agency incurred incineration service fees amounting to $93,041,255 (2017/2018 : $92,199,130) which included carbon tax expense charged amounting to $613,159 (2017/2018 : $Nil).

(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 2019, $16,333,718 (2017/2018 : $13,656,741) 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 2019	At 31 March 2018
	$	$
Not later than one year	**11,099,836**	8,403,592
Between one and five years	**16,687,974**	2,399,406
Later than five years	**-**	-
	27,787,810	10,802,998

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 cash and cash equivalents, trade and other receivables, quoted debt securities at amortised cost and financial assets at fair value through profit or loss. The Agency limits its credit risk exposure in respect of investments by placing its funds only in statutory board 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.

24. Financial risk management (continued)

(a) *Credit risk (continued)*

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

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

	At 31 March 2019 $	At 31 March 2018 $
Deposits utilised	**479,721**	371,834

Before adoption SB-FRS 109 as at 1 April 2018

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

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

Adoption SB-FRS 109 as at 1 April 2018

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

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

24. Financial risk management (continued)

(a) *Credit risk (continued)*

Adoption SB-109 as at 1 April 2018 (continued)

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

	Note	Internal credit rating	12-month or lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
				$	$	$
2018/2019						
Trade receivable	12	(i)	Lifetime ECL (simplified approach)	**12,020,601**	**(298,108)**	**11,722,493**
Other receivables (excluding revenue to be collected on behalf of MEWR and prepayments)	12	Performing	12-month ECL	**14,380,545**	**-**	**14,380,545**
Quoted debt securities at amortised cost	14	Performing	12-month ECL	**75,173,544**	-	**75,173,544**
					(298,108)	

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

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

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

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

24. Financial risk management (continued)

(b) *Liquidity risk*

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

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

	Less than 1 year $	Between 1 and 5 years $	Later than 5 years $
At 31 March 2019			
Financial assets:			
Financial assets at fair value through profit or loss	**121,396,085**	**-**	**-**
Quoted debt securities at amortised cost	**2,078,068**	**66,777,806**	**13,648,700**
Cash and cash equivalents	**699,157,019**	**-**	**-**
Trade and other receivables	**51,433,771**	**-**	**-**
Total undiscounted financial assets	**874,064,943**	**66,777,806**	**13,648,700**
Financial liabilities:			
Trade and other payables	**187,001,144**	**-**	**-**
Loan from Government	**4,040,090**	**-**	**-**
Payable to MEWR	**24,904,748**	**-**	**-**
Total undiscounted financial liabilities	**215,945,982**	**-**	**-**
Total net undiscounted financial assets/(liabilities)	**658,118,961**	**66,777,806**	**13,648,700**

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 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**	**-**

(c) *Interest rate risk*

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

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

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

24. Financial risk management (continued)

(d) ***Price risk***

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

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

At the reporting date, if market prices for the unit trusts investments had increased by 10%, assuming all other variables remain constant, the Agency's surplus for the year would increase by approximately $12,139,609 (2017/2018 : $11,914,929). 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).

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique and key input
	31 March 2019	31 March 2018		
	$	$		
Unquoted investment fund	70,530,450	69,456,612	Level 2	Fair value is based on valuation provided by professional fund manager.
Quoted investment fund	50,865,635	49,692,679	Level 2	Quoted market price on the last market day of the financial year.

25. Fair value of assets and liabilities (continued)

(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 2019

	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					
Quoted debt securities	**-**	**75,570,725**	**-**	**75,570,725**	**75,173,544**

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

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

25. Fair value of assets and liabilities (continued)

(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 2019 $	At 31 March 2018 $
Financial assets at fair value through profit or loss (2018 : Held-for-trading investments)	**121,396,085**	119,149,291
Financial assets at amortised cost		
Cash and cash equivalents	**699,157,019**	870,119,435
Trade and other receivables	**51,433,771**	34,209,341
Quoted debt securities (2018 : Held-to-maturity financial assets)	**75,173,544**	10,000,000
	947,160,419	1,033,478,067
Financial liabilities at amortised cost		
Trade and other payables	**187,001,144**	204,703,535
Payable to the Ministry of the Environment and Water Resources	**24,904,748**	36,739,722
Loan from Government	**3,950,555**	7,293,333
	215,856,447	248,736,590

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:

	2018/2019	2017/2018
	$	$
Meteorological services rendered to Ministries, Organs of State and other Statutory Boards	**17,630,676**	16,816,624

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

	2018/2019	2017/2018
	$	$
Salaries and other short term employee benefits	**6,155,775**	6,791,462
Employer's contribution to Central Provident Fund	**243,734**	265,575
Post-employment benefits - contribution to pension	**97,823**	95,064
	6,497,332	7,152,101

Included in the above are Board members' fees amounting to $292,500 (2017/2018 : $292,500).

27. Subsequent event

On 1 April 2019, the Singapore Food Agency (“SFA”) was established under the Ministry of Environment and Water Resources (“MEWR”). The SFA brings together food-related functions carried out by the former Agri-Food & Veterinary Authority of Singapore, the National Environment Agency and the Health Sciences Authority.

Under the legislative requirements of the Singapore Food Agency Act 2019, assets amounting to $400,303, liabilities amounting to $2,565,769 and employees that relate solely to the food-related functions of the National Environment Agency were transferred to SFA on the date of transfer, 1 April 2019.

28. Authorisation of financial statements

The financial statements of the Agency for the year ended 31 March 2019 were authorised for issue by the Board members of the Agency on 19 July 2019.

National Environment Agency
Safeguard · Nurture · Cherish

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