

ANNUAL REPORT
2019 / 2020



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SINGAPORE FOOD AGENCY AND ITS SUBSIDIARY

Financial Statements
for the financial year from 1 April 2019
(date of establishment) to 31 March 2020

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SINGAPORE FOOD AGENCY AND ITS SUBSIDIARY

STATEMENT BY THE BOARD FOR THE YEAR ENDED 31 MARCH 2020

The Singapore Food Agency (the “Agency”) was formed on 1 April 2019 pursuant to Part 8 of The Singapore Food Agency Act 2019 to take over all the food related matters from the Agri-Food and Veterinary Authority (the “AVA”), Health Science Authority (“HSA”) and the National Environment Agency (“NEA”). All business and undertakings and all rights and obligations of the AVA, HSA and NEA relating to food were transferred to the Agency. On 1 April 2019, the AVA ceased to exist as a statutory board.

In the opinion of the members of the Board:

- (a) the accompanying financial statements of the Singapore Food Agency (the “Agency”) and its subsidiary (the “Group”) as set out on pages 6 to 44 are drawn up in accordance with the provisions of the Singapore Food Agency Act 2019 (Act 11 of 2019) (the “Act”), the Public Sector (Governance) Act 2018, Act 5 of 2018 (the “PSG Act”) and Statutory Board Financial Reporting Standards so as to present fairly, in all material respects, the state of affairs of the Agency and the Group as at 31 March 2020, and the results and changes in equity of the Agency and the Group, and cash flows of the Group, for the year ended on that date.
- (b) proper accounting and other records have been kept, including records of all assets of the Agency whether purchased, donated or otherwise; and
- (c) the receipts, expenditure, investment of moneys and acquisition and disposal of assets by the Agency during the financial year ended 31 March 2020 have been in accordance with the provisions of the Act, the PSG Act and the requirements of any other written law applicable to moneys of or managed by the Agency.

The Board Members have, on the date of this statement, authorised these financial statements for issue.

On behalf of the Board Members



Lim Chuan Poh
Chairman



Lim Kok Thai
Chief Executive Officer

Singapore
31 August 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE BOARD OF SINGAPORE FOOD AGENCY

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Singapore Food Agency (the "Agency"), and its subsidiary (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Agency as at 31 March 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of comprehensive income and statement of changes in equity of the Agency for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position, statement of comprehensive income and statement of changes in equity of the Agency are properly drawn up in accordance with the provisions of the Singapore Food Agency 2019 (Act 11 of 2019) (the "Act"), the Public Sector (Governance) Act 2018, Act 5 of 2018 (the "PSG Act") and Statutory Board Financial Reporting Standards ("SB-FRS") so as to present fairly, in all material respects, the state of affairs of the Group and the Agency as at 31 March 2020 and the results and changes in equity of the Group and the Agency and cash flows of the Group 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 Group 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.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report comprises the Statement by the Board, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE BOARD OF SINGAPORE FOOD AGENCY

Report on the Audit of the Financial Statements (Continued)

Responsibilities of Management 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 Act, the PSG Act and SB-FRS, and for such internal control 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 Group'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 Group or for the Group to cease operations.

Those charged with governance are responsible for overseeing the Group'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 Group'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 Group'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 Group to cease to continue as a going concern.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
THE BOARD OF SINGAPORE FOOD AGENCY**

Report on the Audit of the Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Report on Other Legal and Regulatory Requirements

Opinion

In our opinion,

- (a) the receipts, expenditure, investment of moneys and the acquisition and disposal of assets by the Agency during the year are, in all material respects, in accordance with the provisions of the Act, the PSG Act and the requirements of any other written law applicable to moneys of or managed by the Agency.
- (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 Group in accordance with the ACRA Code together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on management's compliance.

Responsibilities of Management for Compliance with Legal and Regulatory Requirements

Management is responsible for ensuring that the receipts, expenditure, investment of moneys and the acquisition and disposal of assets, are in accordance with the provisions of the Act, the PSG 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.



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
THE BOARD OF SINGAPORE FOOD AGENCY**

Report on Other Legal and Regulatory Requirements (Continued)

Auditor's Responsibilities for the Compliance Audit

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

A handwritten signature in black ink, appearing to read 'BDO LLP'.

BDO LLP
Public Accountants and
Chartered Accountants

Singapore
31 August 2020

SINGAPORE FOOD AGENCY AND ITS SUBSIDIARY

STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2020

	Notes	The Agency FY19/20 \$	The Group FY19/20 \$
CAPITAL AND RESERVES			
Share capital	4	1,000	1,000
Other reserve	5	47,010,907	47,314,020
Accumulated surplus		14,349,499	14,341,379
		<u>61,361,406</u>	<u>61,656,399</u>
Represented by:			
NON-CURRENT ASSETS			
Property, plant and equipment	6	85,875,604	85,875,604
Right-of-use asset, leasehold property	7	22,151,965	22,151,965
Subsidiary	8	2	-
		<u>108,027,571</u>	<u>108,027,569</u>
CURRENT ASSETS			
Prepayments		1,169,660	1,169,660
Trade and other receivables	9	7,205,687	7,204,726
Capital grants receivable		874,604	874,604
Cash and cash equivalents	10	100,086,888	100,387,241
		<u>109,336,839</u>	<u>109,636,231</u>
CURRENT LIABILITIES			
Trade and other payables	11	29,668,790	29,673,187
Rental, security and other deposits	11	6,936,891	6,936,891
Payable to Parent Ministry	12	3,385,983	3,385,983
Other grants received in advance		80,000	80,000
Lease liabilities	13	8,994,896	8,994,896
Provision for pension benefits	14	1,489,186	1,489,186
Provision for contribution to consolidated fund	15	3,070,072	3,070,072
		<u>53,625,818</u>	<u>53,630,215</u>
NET CURRENT ASSETS		55,711,021	56,006,016
NON-CURRENT LIABILITIES			
Lease liabilities	13	39,927,539	39,927,539
Provision for pension benefits	14	4,960,589	4,960,589
Deferred capital grants	16	57,260,645	57,260,645
Provision for reinstatement costs		228,413	228,413
		<u>102,377,186</u>	<u>102,377,186</u>
		<u>61,361,406</u>	<u>61,656,399</u>
Net assets of MFRD Fund	17	38,438	38,438

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

SINGAPORE FOOD AGENCY AND ITS SUBSIDIARY

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD FROM 1 APRIL 2019 (DATE OF ESTABLISHMENT) TO 31 MARCH 2020

	Notes	The Agency FY19/20 \$	The Group FY19/20 \$
INCOME			
Certificate and permit fees		18,891,868	18,891,868
Licence fees		6,885,935	6,885,935
Rental and conservancy charges	18	33,618,924	33,618,924
Sale of land		1,151,402	1,151,402
Interest income		1,861,719	1,861,719
Other income		3,967,538	3,966,578
		<u>66,377,386</u>	<u>66,376,426</u>
EXPENDITURE			
Staff costs	19	82,610,928	82,610,928
General and administrative expenses	20	75,072,264	75,079,424
Depreciation of property, plant and equipment	6	13,026,260	13,026,260
Amortisation of right-of-use assets, leasehold property	7	3,281,772	3,281,772
Loss on disposal of property, plant and equipment		88,812	88,812
Loss allowance on trade receivables	9	757,736	757,736
Interest expense	13	1,220,218	1,220,218
		<u>176,057,990</u>	<u>176,065,150</u>
DEFICIT BEFORE GRANTS		(109,680,604)	(109,688,724)
GRANTS			
Operating grants	21	116,300,454	116,300,454
Transfer from deferred capital grants	16	11,439,397	11,439,397
		<u>127,739,851</u>	<u>127,739,851</u>
SURPLUS BEFORE CONTRIBUTION TO CONSOLIDATED FUND AND TAXATION		18,059,247	18,051,127
Contribution to Consolidated Fund	15	(3,070,072)	(3,070,072)
Income tax	23	-	-
SURPLUS FOR THE FINANCIAL YEAR		14,989,175	14,981,055
OTHER COMPREHENSIVE INCOME:			
Actuarial loss on defined benefit plan	14	(639,676)	(639,676)
Other comprehensive income, net of tax		(639,676)	(639,676)
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		14,349,499	14,341,379

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

SINGAPORE FOOD AGENCY AND ITS SUBSIDIARY

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD FROM 1 APRIL 2019 (DATE OF ESTABLISHMENT) TO 31 MARCH 2020

	Share capital \$	Other reserve \$	Accumulated surplus \$	Total \$
The Agency				
Net assets transferred on 1 April 2019, date of establishment	-	47,010,907	-	47,010,907
Issuance of share capital	1,000	-	-	1,000
Surplus for the financial year	-	-	14,989,175	14,989,175
Other comprehensive income for the financial year, net of tax	-	-	(639,676)	(639,676)
Total comprehensive income for the financial year	-	-	14,349,499	14,349,499
Balance at 31 March 2020	1,000	47,010,907	14,349,499	61,361,406
The Group				
Net assets transferred on 1 April 2019, date of establishment	-	47,314,020	-	47,314,020
Issuance of share capital	1,000	-	-	1,000
Surplus for the financial year	-	-	14,981,055	14,981,055
Other comprehensive income for the financial year, net of tax	-	-	(639,676)	(639,676)
Total comprehensive income for the financial year	-	-	14,341,379	14,341,379
Balance at 31 March 2020	1,000	47,314,020	14,341,379	61,656,399

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

SINGAPORE FOOD AGENCY AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD FROM 1 APRIL 2019 (DATE OF ESTABLISHMENT) TO 31 MARCH 2020

	The Group FY19/20 \$
CASH FLOWS FROM OPERATING ACTIVITIES	
Deficit before grants	(109,688,724)
Adjustments for:	
Depreciation of property, plant and equipment	13,026,260
Loss on disposal of property, plant and equipment	88,812
Amortisation of right-of-use assets	3,281,772
Property, plant and equipment written-off	693,451
Property, plant and equipment expensed off	461,229
Loss allowance on trade receivables	757,736
Interest income	(1,861,719)
Interest expense	1,220,218
Provision for pension benefits	184,659
Operating deficit before working capital changes	(91,836,306)
Changes in working capital excluding cash and cash equivalents:	
Prepayments	(486,693)
Trade and other receivables	(4,437,992)
Trade and other payables	(814,241)
Amount due to Government	101,340
Rental, security and other deposits	711,086
	(96,762,806)
Payment of contribution to consolidated fund	(3,505,996)
Payment of pension benefits	(1,273,503)
Net cash used in operating activities	(101,542,305)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property, plant and equipment	(4,382,343)
Proceeds from disposal of property, plant and equipment	130,664
Interest income received	1,363,855
Net cash used in investing activities	(2,887,824)
CASH FLOWS FROM FINANCING ACTIVITIES	
Government grants received	122,336,374
Interest paid	(1,220,218)
Repayment of obligation under leases	(5,919,217)
Cash generated from financing activities	115,196,939
Net increase in cash and cash equivalents	10,766,810
Cash and cash equivalents transferred on 1 April 2019, date of establishment	89,620,431
Cash and cash equivalents at end of financial year (Note 10)	100,387,241

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

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

1. Domicile and activities

The Singapore Food Agency (the “Agency”) was formed on 1 April 2019 pursuant to Part 8 of The Singapore Food Agency Act 2019 to take over all the food related matters from the Agri-Food and Veterinary Authority (the “AVA”), Health Science Authority (“HSA”) and the National Environment Agency (“NEA”). All business and undertakings and all rights and obligations under food-related functions of the AVA, HSA and NEA were transferred to the Agency. On the date of establishment of the Agency, the assets and liabilities under food-related functions of the AVA, HSA and NEA were transferred to the Agency at their respective book value, which was accounted for based on the accounting policies that is consistent with the Agency, with a corresponding amount credited to other reserve account (Note 5). On 1 April 2019, the AVA ceased to exist as a statutory board.

The Agency is established in Singapore under the Singapore Food Agency Act 2019 (Act 11 of 2019) under the purview of the Ministry of the Environment and Water Resources (“MEWR”), the Parent Ministry. MEWR has been renamed as the Ministry of Sustainability and the Environment (“MSE”) with effective from 27 July 2020. As a statutory board, the Agency is subject to the directions of the Parent Ministry and is required to implement policies and comply with instructions from its Parent Ministry and other government ministries and departments such as the Ministry of Finance.

The registered office is at 52 Jurong Gateway Road, #14-01, Singapore 608550.

The principal activities of the Agency are:

- (a) to support regulation of the production of primary produce and animal feed to ensure the safety and wholesomeness of food supply in Singapore;
- (b) to support regulation of the handling and supply of food to ensure that it is safe and suitable for human consumption and to promote public health;
- (c) to support assessing and otherwise requiring that food produced in or imported into Singapore complies with Singapore food standards so as to ensure that it is safe and suitable for human consumption;
- (d) to support regulation of the construction, hygiene and operating procedures of premises, vehicles and equipment used for the handling or supply of food;
- (e) to support regulation of businesses engaged in the handling or supply of food so as to minimise food safety risks and to ensure the provision of information relating to food to enable consumers to make informed choices;
- (f) to undertake or facilitate the education and training of persons engaged in the handling or supply of food to enable them to minimise food safety risks;
- (g) to support regulation of street hawking and trade fairs, whether or not engaged in the handling or supply of food;
- (h) to develop food education initiatives, including the publication of information to increase public awareness of food supply resilience, food safety, food standards and food labels;
- (i) to protect and conserve fisheries and to regulate the fisheries industry, including the use and control of fishing ports and harbours;
- (j) to promote and develop the food industry, including any enterprise based on or using agri-biotechnology, agrotechnology or food biotechnology;
- (k) to develop, manage and control the common property of the food processing facilities, food-distribution facilities and fishing ports in Singapore, and to provide and improve services or amenities to persons working in these facilities or ports to enhance the operations of businesses operating in them;
- (l) to advise the Government on matters relating to the food industry and to food, food safety and food supply, and on matters that may be included in food standards;
- (m) to represent the Government internationally on matters relating to fisheries, and to food, food businesses, food safety, food supply and on matters that may be included in food standards;

1. Domicile and activities (Continued)

The principal activities of the Agency are: (Continued)

- (n) to collect, compile and analyse data about food, the food industry, food businesses, food safety, food supply and matters that may be included in food standards, and to publish the results of any such compilation and analysis or abstracts of those results;
- (o) to accredit, or facilitate accreditation by others in Singapore of, persons in the food industry;
- (p) to promote or undertake research into matters relating to food, the food industry, food businesses, food safety, food supply and on any matter which may be included in food standards;
- (q) to cooperate and collaborate in particular with:
 - (i) any public officer or other public authority or Health Officer in the administration of the Infectious Diseases Act (Cap. 137);
 - (ii) the Health Sciences Authority in the administration of the Health Products Act (Cap. 122D);
 - (iii) the Director-General of Public Health in the administration of the Environmental Public Health Act (Cap. 95); and
 - (iv) the National Parks Board in the discharge of its functions;
- (r) to perform such other functions as may be conferred on the Agency by any other Act.

The principal activity of the subsidiary is disclosed in Note 8 to the financial statements.

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements have been prepared in accordance with the historical cost basis, except as disclosed in accounting policies below, and are drawn up in accordance with the provisions the Singapore Food Agency Act 2019 (Act 11 of 2019) (the "Act"), the Public Sector (Governance) Act 2018, Act 5 of 2018 (the "PSG Act"), and Statutory Board Financial Reporting Standards ("SB-FRS") including related Interpretations of SB-FRS ("INT SB-FRS").

The preparation of financial statements in compliance with SB-FRS requires management to make judgements, estimates and assumptions that affect the Group's application of accounting policies and reported amounts of assets, liabilities, revenue and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates. The areas where such judgements or estimates have the most significant effect on the financial statements are disclosed in Note 3.

New standards, amendments and interpretations effective from 1 April 2019

Since the date of the establishment of the Agency, the Agency and the Group adopted all the new and revised SB-FRSs and INT SB-FRS that are effective from that date and are relevant to its operations. These new and revised SB-FRSs and INT SB-FRS are not expected to impact the Group as they required accounting which is consistent with the Group's current accounting policies except as detailed below.

2. Summary of significant accounting policies (Continued)**2.1 Basis of preparation (Continued)***New standards, amendments and interpretations effective from 1 April 2019 (Continued)***SB-FRS 116 Leases**

SB-FRS 116 supersedes SB-FRS 17 Leases and provides a single lessee accounting model which eliminates the distinction between operating and finance leases for lessee. SB-FRS 116 requires lessee to capitalise all leases on the consolidated statement of financial position by recognising a 'right-of-use' asset and a corresponding lease liability for the present value of the obligation to make lease payments, except for certain short-term leases and leases of low-value assets. Subsequently, the 'right-of-use' assets will be amortised and the lease liabilities will be measured at amortised cost. From the perspective of a lessor, the classification and accounting for operating and finance leases remains substantially unchanged under SB-FRS 116.

The Group applied SB-FRS 116 upon establishment of the Group on 1 April 2019. Under SB-FRS 116, the Group recognises right-of-use assets and lease liabilities for most leases. For those low-value assets based on the value of the underlying asset when new and leases with a lease term of 12 month or less, the Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

On adoption of SB-FRS 116, the Group recognised right-of-use assets and lease liabilities in relation to leasehold property, office premises and other operating facilities. Lease liabilities were measured at the present value of the remaining lease payments, discounted using lessee's incremental borrowing rate as at 1 April 2019. The weighted average incremental borrowing rate applied to lease liabilities on 1 April 2019 was 3.20% per annum.

The right-of-use assets were measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. The effect of adopting SB-FRS 116 as at 1 April 2019 was as follows:

	The Agency & Group Increase \$
Assets	
Property, plant and equipment	944,113
Right-of-use asset, leasehold property	<u>25,433,737</u>
Liabilities	
Lease liabilities	<u>26,377,850</u>

2. Summary of significant accounting policies (Continued)**2.1 Basis of preparation (Continued)***New standards, amendments and interpretations effective from 1 April 2019 (Continued)***SB-FRS 116 Leases (Continued)**

The aggregate lease liabilities recognised in the statements of financial position of the Group as at 1 April 2019 and the operating lease commitment as at 31 March 2019 transferred from AVA can be reconciled as follows:

	The Agency and Group \$
Operating lease commitment as at 31 March 2019 transferred from AVA	10,935,708
Less: Effect of short-term lease	(3,491,018)
Add: Effect of extension options reasonably certain to be exercised	<u>22,200,000</u>
	29,644,690
Effect of discounting using the incremental borrowing rate as at date of initial application	<u>(3,266,840)</u>
Lease liabilities as at 1 April 2019	<u>26,377,850</u>

New standards, amendments and interpretations issued but not yet effective

There are a number of standards, amendments to standards, and interpretations, which have been issued that are effective in future accounting periods and the Group has not decided to early adopt. The Group does not expect any of these standards upon adoption will have a material impact to the Group.

2.2 Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity (the "functional currency"). The consolidated financial statements of the Group and the statement of financial position, statement of comprehensive income and statement of changes in equity of the Agency are presented in Singapore dollars ("S\$"), which is also the functional currency of the Agency.

2.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Agency and its subsidiary as at the end of the financial year. The financial statements of the subsidiary used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Agency. Consistent accounting policies are applied to like transactions and events in similar circumstances.

2. Summary of significant accounting policies (Continued)

2.3 Basis of consolidation (Continued)

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiary is consolidated from the date of acquisition, being the date on which the Group obtains control, and continues to be consolidated until the date that such control ceases.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when controls is lost;
- de-recognises the carrying amount of any non-controlling interest;
- de-recognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss;
- re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or accumulated surplus, as appropriate.

2.4 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

Recognition and measurement

All items of property, plant and equipment, including right-of-use assets held by lessee are initially recorded at cost. The cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. 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 Group and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Right-of-use assets are subsequently measured at cost less any accumulated depreciation, any accumulated impairment loss and, if applicable, adjusted for any remeasurement of the lease liabilities.

Subsequent cost

When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

2. Summary of significant accounting policies (Continued)**2.4 Property, plant and equipment (Continued)**Depreciation

Depreciation is computed utilising the straight-line method to allocate depreciable amounts of the assets over their estimated useful lives or lease terms as follows:

	<u>Years</u>
Leasehold land and buildings	3 - 30 (over the period of the lease)
Motor vehicles and vessels	1 - 10
Mechanical and electrical equipment	1 - 10
Furniture and fittings	1 - 8
Laboratory tools and equipment	1 - 8
IT equipment	1 - 8
Right-of-use assets:	
- Office premises	2 - 8
- Operating facilities	2 - 3

No depreciation is provided on development work-in-progress. Development work-in-progress is transferred to the various categories of property, plant and equipment and depreciated upon the completion of the development project.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate, at each reporting date as a change in estimates.

For acquisitions and disposals during the financial year, depreciation is provided from the month of acquisition and to the month before disposal respectively. Fully depreciated assets are retained in the financial statements until they are no longer in use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on de-recognition of the asset is included in profit or loss in the year the asset is derecognised.

2.5 Right-of-use asset, leasehold property

Right-of-use asset from a leasehold property which is the property held to earn rentals and/or capital appreciation, are measured initially at their cost, including transactions.

Right-of-use asset, leasehold property is subsequently measured at cost less any accumulated depreciation, any accumulated impairment loss and, if applicable, adjusted for any remeasurement of the lease liabilities. The right-of-use asset, leasehold property under cost model are depreciated on a straight-line basis over the shorter of either the remaining lease term or the remaining useful life of the right-of-use asset, leasehold property.

The estimated useful life of the right-of-use asset, leasehold property is as follows:

Leasehold building	8 years (over the period of the lease)
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The carrying amount of right-of-use asset, leasehold property is reviewed for impairment when events or changes in circumstances indicate that the right-of-use asset, leasehold property may be impaired. The accounting policy on impairment is as described in Note 2.8 to the financial statements.

2. Summary of significant accounting policies (Continued)

2.6 Subsidiary

A subsidiary is an entity that is controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

In the Agency's separate financial statements, shares in the subsidiary are stated at cost less allowance for any impairment loss on an individual subsidiary basis.

2.7 Leases

As lessee

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- leases of low value assets; and
- leases with a duration of twelve months or less.

The payments for leases of low value assets and short-term leases are recognised as an expense on a straight-line basis over the lease term.

Initial measurement

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used.

Variable lease payments are only included in the measurement of the lease liability if it is depending on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying amount of lease liabilities also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Group if it is reasonably certain to assess that option; and
- any penalties payables for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right-of-use assets are initially measured at the amount of lease liabilities, reduced by any lease incentives received and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset.

The Group presents the right-of-use assets and lease liabilities separately from other assets and other liabilities in the statements of financial position.

2. Summary of significant accounting policies (Continued)

2.7 Leases (Continued)

As lessee (Continued)

Subsequent measurement

Right-of-use assets are subsequently measured at cost less any accumulated depreciation, any accumulated impairment loss and, if applicable, adjusted for any remeasurement of the lease liabilities. The right-of-use assets under cost model are depreciated on a straight-line basis over the shorter of either the remaining lease term or the remaining useful life of the right-of-use assets. If the lease transfers ownership of the underlying asset by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise the purchase option, the right-of-use assets are depreciated over the useful life of the underlying asset.

The carrying amount of right-of-use assets are reviewed for impairment when events or changes in circumstances indicate that the right-of-use asset may be impaired. The accounting policy on impairment is as described in Note 2.8 to the financial statements.

Subsequent to initial measurement, lease liabilities are adjusted to reflect interest charged at a constant periodic rate over the remaining lease liabilities, lease payment made and if applicable, account for any remeasurement due to reassessment or lease modifications.

After the commencement date, interest on the lease liabilities are recognised in profit or loss, unless the costs are eligible for capitalisation in accordance with other applicable standards.

When the Group revises its estimate of any lease term (i.e. probability of extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments over the revised term. The carrying amount of lease liabilities is similarly revised when the variable element of the future lease payment dependent on a rate or index is revised. In both cases, an equivalent adjustment is made to the carrying amount of the right-of-use assets. If the carrying amount of the right-of-use assets is reduced to zero and there is a further reduction in the measurement of lease liabilities, the remaining amount of the remeasurement is recognised directly in profit or loss.

When the Group renegotiates the contractual terms of a lease with the lessor, the accounting treatment depends on the nature of the modification:

- If the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional right-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy;
- In all other cases where the renegotiation increases the scope of the lease (i.e. extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount.
- If the renegotiation results in a decrease in scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference being recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

2. Summary of significant accounting policies (Continued)

2.7 Leases (Continued)

As lessor

When the Group is a lessor, it determines whether each lease entered is a finance or an operating lease at the lease inception date and reassessed only if there is a lease modification. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Whereas, it is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

If the lease arrangement contains lease and non-lease components, the Group applies the principles within SB-FRS 115 to allocate consideration in the lease arrangement.

The Group recognises lease payments under operating leases as income on a straight-line basis over the lease term unless another systematic basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished. Initial direct cost incurred in negotiating and arranging an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income.

Any modification to an operating lease is accounted for as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

2.8 Impairment of non-financial assets

The Group assesses at the end of the financial year whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses of continuing operations are recognised in profit or loss.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

2.9 Financial instruments

The Group recognises a financial asset or a financial liability in its statements of financial position when, and only when, the Group becomes party to the contractual provisions of the instrument.

2. Summary of significant accounting policies (Continued)

2.9 Financial instruments (Continued)

Financial assets

The Group classifies its financial assets as amortised cost in accordance with the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset.

Amortised cost

These assets arise principally from the provision of services to customers (e.g. trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment. Interest income from these financial assets is included in interest income using the effective interest rate method.

Impairment provisions for trade receivables are recognised based on the simplified approach within SB-FRS 109 using the lifetime expected credit losses. During this process, the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables.

The expected credit loss rates are determined based on historical loss rates, adjusted for the current conditions and forecast of future economic conditions that may affect the ability of the customers to settle the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for non-trade amounts are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether at each reporting date, there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

At each reporting date, the Group assess on a forward looking basis whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit-impaired when one or events that have a detrimental impact on the estimated future cash flows of the financial assets have occurred.

2. Summary of significant accounting policies (Continued)

2.9 Financial instruments (Continued)

Financial assets (Continued)

Amortised cost (Continued)

Evidence that a financial asset is credit-impaired includes the following observable data:

- (i) Significant financial difficulty of the borrower or issuer;
- (ii) A breach of contract such as a default or past due events;
- (iii) It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or the disappearance of an active market for a security because of financial difficulties.

The Group's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the statements of financial position.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs. The Group classifies ordinary shares as equity instruments.

Financial liabilities

The Group classifies all financial liabilities as subsequently measured at amortised cost.

Trade and other payables

Trade and other payables (excluding goods and services tax), amount due to Government and rental, security and other deposits are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount and the consideration paid is recognised in profit or loss.

2. Summary of significant accounting policies (Continued)

2.10 Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances with banks; and cash with the Accountant-General's Department ("AGD"). Cash with AGD refers to cash that is managed by AGD under Centralised Liquidity Management ("CLM") as set out in the Accountant-General's Circular No. 4/2009 Centralised Liquidity Management for Statutory Boards and Ministries.

2.11 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made.

The Group reviews the provisions annually and where in their opinion, the provision is inadequate or excessive, due adjustment is made.

2.12 Share capital

Shares are issued to the Minister for Finance ("MOF"), the body incorporated by the Minister for Finance (Incorporation) Act, for all equity financing received from the Government. The shares issued are classified as equity and are valued at the considerations received for the issuance of the shares.

2.13 Dividends

Dividends proposed by the Agency are not accounted for in capital and reserves as an appropriation of accumulated surplus, until they have been declared by the Agency. When these dividends have been declared and approved by the Agency, they are recognised as a liability.

2.14 Income recognition

Income is recognised when a performance obligation is satisfied. Income is measured based on consideration of which the Group expects to be entitled in exchange for transferring promised good or services to a customer, excluding amounts collected on behalf of third parties (i.e. sales related taxes). The consideration promised in the contracts with customers may include fixed amounts, variable amounts or both. The Group's income is derived from fixed price contracts and therefore, the amount of income earned for each contract is determined by reference to those fixed prices. The following specific recognition criteria must also be met before income is recognised:

- (a) Certificate and permit fees are recognised at a point in time when certificate or permits are issued.
- (b) Licence fees are recognised at a point in time when licences are issued or renewed.
- (c) Rental and conservancy charges and vehicle entry fees from operating leases are recognised in accordance with accounting policy in Note 2.7 to the financial statements.
- (d) Income from sale of land is recognised at a point in time when the land possession is transferred.
- (e) Interest income is recognised using the effective interest method.
- (f) Other income comprises mainly rendering of services such as berthing fees, inspection fees and laboratory fees which are recognised at a point in time when the service is rendered.

2. Summary of significant accounting policies (Continued)

2.15 Grants

Grants from the Government and other government agencies ("Government grants") are recognised as a receivable at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately in profit or loss.

Government grants and contributions from other parties utilised for the purchase or construction of property, plant and equipment are taken to the deferred capital grants account. These grants and contributions are transferred from grants received in advance when the capital expenditure is incurred and all conditions attached to the grants are complied. Such grants are taken to the deferred capital grants upon utilisation of the grants if the assets are capitalised or to the statement of comprehensive income if the assets are written off in the year of purchase.

Non-monetary grants related to assets are taken at their fair values to the deferred capital grants account.

Deferred capital grants are recognised in the profit or loss over the periods necessary to match the depreciation of the assets purchased or received with the related grants. On disposal of the property, plant and equipment, the balance of the related grants is taken to the profit or loss to match the net book value of the property, plant and equipment disposed.

Grants and contributions received for the purchase or construction of property, plant and equipment but which are not yet utilised are taken to the capital grants received in advance account.

Operating grants whose purpose is to meet the current financial year's operating expenses are recognised as income in the same financial year.

2.16 Employee benefits

(i) Short-term employee benefits

Salaries and bonuses are recognised when the services giving rise to the payment obligation have been satisfactorily rendered by the employees.

(ii) Defined contribution plans

The Group contributes to the Central Provident Fund ("CPF"), a defined contribution plan regulated and managed by the Government of Singapore, which is applicable to the majority of the employees. The contributions to CPF are charged to the profit or loss in the period in which the related service is performed.

(iii) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. Accrual is made for the unconsumed leave as a result of services rendered by employees up to the end of the reporting period.

2. Summary of significant accounting policies (Continued)

2.16 Employee benefits (Continued)

(iv) Defined benefit plans

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation (derived using a discount rate) at the end of the reporting period.

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the defined benefit liability
- Re-measurements of defined benefit liability

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

Net interest on the defined benefit liability is the change during the period in the defined benefit liability that arises from the passage of time which is determined by applying the discount rate to the defined benefit liability. Interest on the defined benefit liability is recognised as expense or income in profit or loss.

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 profit or loss in subsequent periods.

2.17 Contribution to consolidated fund

The contribution to the Consolidated Fund is required under Section 3(a) of the Statutory Corporations (Contributions to Consolidated Fund) Act (Cap.319A). The contribution rate and the framework governing such contributions are determined by the Ministry of Finance.

Accounting surplus would be used for the purpose of computing the contribution and the contribution is accounted for on an accrual basis.

2.18 Income tax

(a) Current income tax

Current tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by end of the financial year.

Current taxes are recognised in the statements of comprehensive income except that tax relating to items recognised directly in equity is recognised directly in equity.

2. Summary of significant accounting policies (Continued)

2.18 Income tax (Continued)

(b) Deferred tax

Deferred income tax is provided using the liability method on temporary differences at the date of the statements of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets and liabilities are recognised for all temporary differences, except where the deferred tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at the end of the financial year and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of the financial year and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of the financial year.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Deferred tax is recognised in profit or loss, except when it relates to items recognised outside profit or loss, in which case the tax is also recognised either in other comprehensive income or directly in equity, or where it arises from the initial accounting for a business combination.

(c) Goods and services tax ("GST")

Revenues, expenses and assets are recognised net of the amount of goods and services tax except:

- Where the goods and services tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the goods and services tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of goods and services tax included.

The net amount of goods and services tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 2, management made judgements, estimates and assumptions about the carrying amounts of assets and liabilities that were not readily apparent from other sources. The estimates and associated assumptions were based on historical experience and other factors that were considered reasonable under the circumstances. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

3.1 Critical judgements made in applying the entity's accounting policies

The following are the critical judgements, apart from those involving estimations (see below) that management has made in the process of applying the Group's accounting policies and which have a significant effect on the amounts recognised in the financial statements.

Determining the lease term

The Group leases leasehold property, office premises and other operating facilities from related and non-related parties. Included in the lease arrangements, there are extension and termination options held and exercisable only by the Group. In determining the lease term, management considers the likelihood of either to exercise the extension option, or not to exercise the termination option. Management considers all facts and circumstances that create an economic incentive to extend and economic penalty or costs relating to the termination of lease.

Management has included potential cash outflows of \$34,365,865 in the measurement of lease liabilities for leasehold property, office premise, other operating facilities, as it is reasonably certain that the extension options of these leases will be exercised. The assessment on lease terms is reviewed at the end of the financial year if there is a significant change in the Group's intentions, business plan or other circumstances unforeseen since it was first estimated.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the financial year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Depreciation 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 1 - 30 years. The carrying amount of the Agency and Group's property, plant and equipment as at 31 March 2020 is \$85,875,604. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

3. Critical accounting judgements and key sources of estimation uncertainty (Continued)

3.2 Key sources of estimation uncertainty (Continued)

Provision for pension benefits

The cost of defined benefit pension plans as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases and mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed on a yearly basis. The Agency and the Group's net benefit liability as at 31 March 2020 is \$6,449,775.

In determining the appropriate discount rate, management considers the market yields on government bond as Singapore is not considered to be a country with deep corporate bond market.

The mortality rate is based on publicly available mortality tables for Singapore. Future salary increases are based on historical data.

Further details about the assumptions used are disclosed in Note 14.

Loss allowance for impairment of trade and other receivables

Trade receivables

The Group has elected to apply the simplified approach within SB-FRS 109, based on lifetime expected credit losses ("ECL"), in determining the provision for loss allowance on trade receivables at the end of the financial year, using a provision matrix.

Management determines the expected loss arising from default for trade receivables, by categorising them based on its historical loss pattern, historical payment profile as well as credit risk profile of customer. As at 31 March 2020, the Agency and the Group's provision for loss allowance amounted to \$102,799.

Notwithstanding the above, the Group evaluates the expected credit loss on customers in financial difficulties separately. As at 31 March 2020, the Agency and the Group's credit impaired loss allowance amounted to \$676,942. The carrying amount of the Agency and the Group's trade receivables as at 31 March 2020 is \$1,726,876.

Other receivables

Management determines whether there is significant increase in credit risk of these non-trade amounts since initial recognition. Management considers various areas like credit risk profile as well as historical payment trend. There is no significant increase in credit risk as at 31 March 2020. The carrying amount of the Agency and Group's other receivables as at 31 March 2020 is \$3,854,725 and \$3,853,765 respectively.

3. Critical accounting judgements and key sources of estimation uncertainty (Continued)**3.2 Key sources of estimation uncertainty (Continued)****Measurement of lease liabilities**

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term. The Group estimates the incremental rate using observable inputs (such as market interest rates) when available and make certain entity-specific estimates (such as own credit rating, lease term, security as well as lease value) in order to reflect what the Group would have to pay.

The incremental borrowing rate applied to lease liabilities as at 31 March 2020 was 3.20% per annum. The Agency and the Group's carrying amount of lease liabilities as at 31 March 2020 was \$48,922,435.

4. Share capital

	The Agency & Group FY19/20	
	No. of shares	\$
On 1 April 2019, date of establishment of the Agency and Group	-	-
Issuance of share capital	1,000	1,000
At end of the financial year	1,000	1,000

The holder of ordinary shares is entitled to receive dividends as declared only when the Agency generates an accounting surplus for the year. As a new statutory board, the Agency is not required to declare dividends for the first 2 financial years in accordance to the capital management framework. The shares carry no voting rights and have no par value.

5. Other reserve

The other reserve represents the difference between the value of share capital issued and the net assets transferred from the AVA and its subsidiary, HSA and NEA on 1 April 2019, the date of establishment of the Agency and the Group (Note 1).

SINGAPORE FOOD AGENCY AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

6. Property, plant and equipment

The Agency & Group	Leasehold land and buildings	Motor vehicles and vessels	Mechanical and electrical equipment	Furniture and fittings	Laboratory tools and equipment	IT equipment	Right-of-use assets (Note A)	Development work-in- progress	Total
Cost	\$	\$	\$	\$	\$	\$	\$	\$	\$
Transferred on establishment of the Agency and the Group Effect on adoption of SB-FRS 116 (Note 2.1)	50,305,810	1,019,463	826,828	662,387	7,908,713	1,069,426	-	3,999,684	65,792,311
Additions	-	-	-	-	-	-	944,113	-	944,113
Disposals/written off	(129,371)	-	(64,329)	-	(120,196)	(67,208)	28,463,802	3,034,700	32,846,145
Transfers	-	16,509	349,000	-	168,417	3,300,464	-	(461,229)	(842,333)
At 31 March 2020	50,176,439	1,035,972	1,134,499	662,387	9,173,649	4,410,610	29,407,915	2,738,765	98,740,236
Accumulated depreciation Depreciation for the financial year	5,637,138	261,543	239,293	384,956	1,449,879	1,711,582	3,341,869	-	13,026,260
Disposals	(129,370)	-	(7,065)	-	(18,170)	(7,023)	-	-	(161,628)
At 31 March 2020	5,507,768	261,543	232,228	384,956	1,431,709	1,704,559	3,341,869	-	12,864,632
Net book value									
At 31 March 2020	44,668,671	774,429	902,271	277,431	7,741,940	2,706,051	26,066,046	2,738,765	85,875,604

SINGAPORE FOOD AGENCY AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

6. Property, plant and equipment (Continued)

Note A: Right-of-use assets

	Right-of-use assets		
	Office premises	Operating facilities	Total
	\$	\$	\$
The Agency & Group			
Cost			
Effects on adoption of SB-FRS 116	-	944,113	944,113
Additions	26,297,250	2,166,552	28,463,802
At 31 March 2020	26,297,250	3,110,665	29,407,915
Accumulated depreciation			
Depreciation for the financial year	2,150,336	1,191,533	3,341,869
At 31 March 2020	2,150,336	1,191,533	3,341,869
Net book value			
At 31 March 2020	24,146,914	1,919,132	26,066,046

7. Right-of-use asset, leasehold property

	The Agency & Group FY19/20 \$
Balance as at 1 April 2019	
- Effects on adoption of SB-FRS 116 (Note 2.1)	25,433,737
Amortisation charge	(3,281,772)
Balance as at 31 March 2020	22,151,965

The following amounts are recognised in profit or loss:

	The Agency & Group 1 April 2019 (date of establishment) to 31 March 2020 \$
Rental income from right-of-use asset, leasehold property (Note 18)	28,018,862

SINGAPORE FOOD AGENCY AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

8. Subsidiary

	The Agency FY19/20 \$
Unquoted equity shares, at cost	<u>2</u>

The subsidiary, whose principal place of business and incorporation is in Singapore, is as follows:

Name of company	Principal activity	Equity interest FY19/20 %
Agrifood Technologies Pte Ltd	Consultancy services	100%

The financial statements of the subsidiary are audited by BDO LLP.

9. Trade and other receivables

	The Agency FY19/20 \$	The Group FY19/20 \$
Trade receivables	2,506,617	2,506,617
Less: Loss allowance	(779,741)	(779,741)
Net trade receivables	<u>1,726,876</u>	<u>1,726,876</u>
Other receivables	5,478,811	5,477,850
Total trade and other receivables	<u>7,205,687</u>	<u>7,204,726</u>
Add:		
- Cash and cash equivalents (Note 10)	100,086,888	100,387,241
- Capital grants receivable	874,604	874,604
Financial assets at amortised costs	<u>108,167,179</u>	<u>108,466,571</u>

Trade receivables are non-interest bearing and are generally on 30 days terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Other receivables are unsecured, non-interest bearing and repayable on demand.

SINGAPORE FOOD AGENCY AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

9. Trade and other receivables (Continued)

Movement in loss allowances on trade receivables during the financial year are as follows:

	The Agency & Group Non-credit impaired \$	Credit impaired * \$	Total \$
Transferred on establishment of the Agency/Group on 1 April 2019	33,777	-	33,777
Loss allowance charged for the financial year	80,794	676,942	757,736
Amount written off	(11,772)	-	(11,772)
Balance at the end of the financial year	<u>102,799</u>	<u>676,942</u>	<u>779,741</u>

At 31 March 2020, the lifetime expected loss provision for the Agency and Group's trade receivables are as follows:

The Agency & Group	Current \$	More than 30 days past due \$	More than 60 days past due \$	More than 90 days past due \$	Total \$
Expected loss rate	3.05%-5.05%	3.05%-5.05%	3.05%-5.05%	3.08%-5.31%	
Gross carrying amount					
- Trade receivables	1,607,024	165,499	4,497	729,597	2,506,617
Impairment	<u>73,120</u>	<u>5,426</u>	<u>210</u>	<u>24,043</u>	<u>102,799</u>

* Trade receivables that are individually determined to be impaired at the end of the reporting period relate to debtors that have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

Other receivables are considered to be a low credit risk and subject to immaterial credit loss. The credit risk for these assets have not increased significantly since their initial recognition.

10. Cash and cash equivalents

	The Agency FY19/20 \$	The Group FY19/20 \$
Cash and bank balances	<u>100,086,888</u>	<u>100,387,241</u>

Cash and bank balances of the Agency include cash held with Accountant General's Department ("AGD"). All Statutory Boards and Ministries are required to participate in the Centralised Liquidity Management ("CLM"), whereby the AGD will centrally manage the cash of Statutory Boards and Ministries to achieve greater efficiency. The effective interest rate of the cash with the AGD ranges from 1.67% to 2.13% per annum.

SINGAPORE FOOD AGENCY AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

11. Trade and other payables

	The Agency FY19/20 \$	The Group FY19/20 \$
Trade payables	5,293,441	5,293,441
Goods and services taxes	540,638	540,638
Accrued operating expenses	23,834,711	23,839,108
Total trade and other payables	29,668,790	29,673,187
Add:		
- Rental, security and other deposits	6,936,891	6,936,891
- Payable to the Parent Ministry (Note 12)	3,385,983	3,385,983
- Lease liabilities (Note 13)	48,922,435	48,922,435
Less:		
- Goods and services taxes	(540,638)	(540,638)
- Provision for unutilised leave	(4,031,226)	(4,031,226)
Total financial liabilities at amortised cost	84,342,235	84,346,632

Trade payables are non-interest bearing and normally settled on 30-day terms. The contracted undiscounted cash outflows on trade and other payables are expected to approximate their carrying amounts and to be settled within one year.

12. Payable to the Parent Ministry

	The Agency & Group FY19/20 \$
Operating grant to be returned to Parent Ministry	3,184,471
Payable to Parent Ministry for revenue collected on behalf	201,512
	3,385,983

The amount payable to Parent Ministry is unsecured, interest-free and to be settled in cash.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

13. Lease liabilities

	The Agency & Group FY19/20 \$
Leasehold property, office premises and operating facilities	
At 1 April 2019	
- Adoption of SB-FRS 116	26,377,850
Addition	28,463,802
Interest expense	1,220,218
Lease payments	
- Principal portion	(5,919,217)
- Interest portion	(1,220,218)
At 31 March 2020	<u>48,922,435</u>

The maturity analysis of lease liabilities of the Agency and the Group as at 31 March 2020 are as follows:

	The Agency & Group FY19/20 \$
Contractual undiscounted cash flows	
- Not later than a year	10,401,489
- Between one and two years	9,589,866
- Between two and five years	25,605,665
- After five years	7,886,770
	<u>53,483,790</u>
Less: Future interest expense	(4,561,355)
Present value of lease liabilities	<u>48,922,435</u>
 Presented in statements of financial position	
- Non-current	39,927,539
- Current	8,994,896
	<u>48,922,435</u>

The Group leases a number of office premises and operating facilities in Singapore. These leases typically run for a period of 2 to 8 years.

The Group also has several lease contracts that include extension options. The options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs.

There are no externally imposed covenant on the lease arrangement.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

14. Provision for pension benefits

The Agency operates a defined benefit scheme for certain employees under the provisions of the Pension Act (Chapter. 225, 2004 Revised Edition). Defined retirement benefit obligations due to pensionable officers are recognised in the statements of financial position in accordance with the Pensions Act (Chapter 225, 2004 Revised Edition). The pension liability is determined based on the last drawn salaries of the respective pensionable officers and the pensionable officers' cumulative service period served with the Agency at the time of retirement, on assumption that all pensionable officers work till the age of 62 years and opt for fully commuted gratuity on retirement. The Agency does not need to bear any medical liabilities for pensionable officers upon their retirement.

Changes in the present value of the defined benefit obligation are as follows:

	The Agency & Group FY19/20 \$
Transferred on establishment of the Agency/Group on 1 April 2019	6,898,943
Payments during the financial year	(1,273,503)
Changes charged to profit or loss	
- Interest cost	124,051
- Current service cost	60,608
Re-measurement losses in other comprehensive income	
- Actuarial loss on valuation	639,676
Balance at the end of the financial year	<u>6,449,775</u>

The provision for defined benefit obligation is payable as follows:

	The Agency & Group FY19/20 \$
Within one year	1,489,186
After one year	<u>4,960,589</u>
	<u>6,449,775</u>

The actuarial valuation of the present value of the defined benefit obligation was carried out by a qualified independent actuary in the current financial year using the projected unit credit method in accordance to SB-FRS 19.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

14. Provision for pension benefits (Continued)

The defined benefit obligation exposes the Agency and the Group to actuarial risks such as interest risk, longevity risk and salary risk.

Interest risk	The present value of the defined benefit obligation is calculated using a discount rate determined by referenced to observed bond yields. An increase in discount rate will decrease the defined benefit obligation.
Longevity risk	The present value of the defined benefit obligation is calculated by reference to S0408 Singapore mortality table. An increase in life expectancy of participants will increase the defined benefit obligation.
Salary risk	The present value of the defined benefit obligation is calculated by reference to the future salaries of participants. As such an increase in the salary of participants will increase the defined benefit obligation.

The actuarial assumptions used in computing the pension benefits are:

FY19/20

Discount rate	Active employees - 0.83% per annum Retirees - 1.33% per annum
Salary inflation	2.00% per annum
Mortality rate	S0408 Singapore mortality table
Retirement age	62 years old

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

	Change in assumption	FY19/20	
		Impact on defined obligation	
		Increase in assumption	Decrease in assumption
		\$	\$
Discount rates	0.25%	(126,824)	132,155
Mortality rates	0.10%	(146,970)	160,431

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 1 Apr 2000, which is to be borne by the Government, is excluded from the amount stated above.

The Agency and the Group expect to make payment of \$115,496 for service and interest cost to the defined benefit pension plans for the upcoming financial year ending 31 March 2021.

The estimated duration of the defined benefit pension plans for pensionable officers and pensioners to be approximately 1 year and 11 years respectively.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

15. Contribution to Consolidated Fund

The contribution to the Consolidated Fund is required under section 3(a) of the Statutory Corporations (Contributions to Consolidated Fund) Act (Cap. 319A). The contribution rate and the framework governing such contributions are determined by the Ministry of Finance.

The contribution is based on 17% of the surplus for the financial year.

	The Agency & Group FY19/20 \$
Current year provision	3,070,072
	<u>3,070,072</u>

The Contribution to Consolidated Fund amounting to \$3,505,996 payable by AVA was transferred to the Agency upon Agency's establishment on 1 April 2019, and paid out by the Agency to MOF during the financial year.

16. Deferred capital grants

	The Agency and the Group FY19/20 \$
Transferred on establishment of the Agency/Group on 1 April 2019	64,749,836
Transfer from capital grants	2,761,512
Transfer from operating grants (Note 21)	1,188,694
Less: Amortisation of deferred capital grants in income or expenditure	<u>(11,439,397)</u>
Balance at end of financial year	<u>57,260,645</u>

17. MFRD fund

This fund was transferred from the AVA to the Agency upon Agency's establishment on 1 April 2019. The fund is to be held in trust for activities undertaken by the Marine Fisheries Research Department ("MFRD")/Southeast Asian Fisheries Development Centre ("SEAFDEC") in Singapore.

SINGAPORE FOOD AGENCY AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

17. MFRD fund (Continued)

The assets and liabilities of the fund are as follows:

	The Agency & Group FY19/20	
	\$	US\$
ACCUMULATED SURPLUS	38,438	26,971
Represented by:		
CURRENT ASSETS		
Cash and bank balances	28,345	19,889
Fixed deposits	10,093	7,082
	38,438	26,971
Net current assets, representing net assets	38,438	26,971

The income and expenditure of the fund for the financial year ended 31 March 2020 is as follows:

	The Agency & Group 1 April 2019 (date of establishment) to 31 March 2020	
	\$	US\$
INCOME		
Interest from fixed deposits	28	19
Less:		
EXPENDITURE		
General and administrative expenses	1,086	762
	(1,058)	(743)

Note:

For purpose of making references to financial statements of other departments of SEAFDEC, items in the income and expenditure and assets and liabilities had been translated to United States dollar ("US\$") at the exchange rate prevailing at balance sheet date of US\$1 = \$1.4251.

18. Rental and conservancy charges

	The Agency & Group 1 April 2019 (date of establishment) to 31 March 2020 \$
Fishery ports	5,600,062
Right-of-use asset, leasehold property	28,018,862
	33,618,924

SINGAPORE FOOD AGENCY AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

19. Staff costs

	The Agency & Group 1 April 2019 (date of establishment) to 31 March 2020 \$
Salaries, allowances and bonus	70,916,491
Central provident fund contributions	9,703,946
Pension benefits (Note 14)	184,659
Other staff costs	1,805,832
	<u>82,610,928</u>
Staff costs include key management remuneration as follows:	
Short term employee benefits	3,969,949
Post-employment benefits	384,920
	<u>4,354,869</u>

Key management refers to the leadership team who have the authority and responsibility for planning, directing and controlling the activities of the Agency.

20. General and administrative expenses

	The Agency 1 April 2019 (date of establishment) to 31 March 2020 \$	The Group 1 April 2019 (date of establishment) to 31 March 2020 \$
Information Communication & Technology	15,896,183	15,896,183
Maintenance of facilities & equipment	14,383,424	14,383,424
Professional and Other services	8,729,183	8,735,949
Contract Services	7,766,399	7,766,399
Utilities	4,302,713	4,302,713
Lease expenses on short term leases	3,799,820	3,799,820
Laboratory, office and other supplies	3,594,910	3,594,926
Payment to International Organisations	3,229,859	3,229,859
Staff development and well being	2,757,247	2,757,247
Travel and Transport	1,372,448	1,372,598
Other operating expenses	9,240,078	9,240,306
	<u>75,072,264</u>	<u>75,079,424</u>

SINGAPORE FOOD AGENCY AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

21. Operating grants

	The Agency & Group 1 April 2019 (date of establishment) to 31 March 2020 \$
Received during the financial year	120,673,619
Operating grants to be returned to Parent Ministry (Note 12)	(3,184,471)
Transfer to deferred capital grants (Note 16)	(1,188,694)
Transfer to statements of comprehensive income	<u>116,300,454</u>

22. Total government grants

Total grants received from the Government since the establishment of the Agency are as follows:

	The Agency & Group 1 April 2019 (date of establishment) to 31 March 2020 \$
Operating grants	120,673,619
Capital and other grants	<u>1,662,755</u>
	<u>122,336,374</u>

In addition to the above, there is an amount of grants received in advance amounting to \$304,153 and deferred capital grant amounting to \$64,749,836 transferred to the Agency upon Agency's establishment on 1 April 2019.

SINGAPORE FOOD AGENCY AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

23. Income tax

A reconciliation between tax and the product of accounting profit multiplied by the applicable corporate tax rate for the financial years ended 31 March 2020 are as follows:

	The Group 1 April 2019 (date of establishment) to 31 March 2020 \$
Surplus before contribution to Consolidated Fund and taxation	18,051,127
Less: The Agency's surplus before contribution to Consolidated Fund and income tax expense	18,059,247
The subsidiary's loss before income tax expense	(8,120)
Income tax at statutory rate of 17%	(1,380)
Deferred tax assets not recognised	1,380
	-

As at 31 March 2020, the Group has unabsorbed losses of approximately \$160,507 available for set-off against future taxable income, subject to compliance with the relevant provisions of the Singapore Income Tax Act and agreement within the tax authorities.

Deferred tax asset arising from the unabsorbed tax losses have not been recognised since there is no reasonable certainty of their realisation in future periods.

24. Commitments

Lease commitments

As lessee

As at 31 March 2020, the Group has approximately \$15,840 of aggregate undiscounted commitments respectively for short-term leases.

As lessor

The Group has entered into commercial property lease on its right-of-use asset, leasehold property and premises lease at the Agency's fishery ports with expiry date ranging from 31 March 2020 to 30 April 2023.

At the end of the financial year, maturity analysis of lease income receivables based on undiscounted lease payments to be received on an annual basis are as follows:

	The Group & Agency 1 April 2019 (date of establishment) to 31 March 2020 \$
Not later than one financial year	20,249,495
Later than one financial year but not later than five financial years	15,616,611
	35,866,106

24. Commitments (Continued)*Capital commitments*

Capital expenditure, in relation to future acquisition of property, plant and equipment, contracted during the financial year but not provided for in the financial statements amounted to \$392,706 at the end of the financial year.

25. Significant related party transactions

The Agency is a statutory board incorporated under the Singapore Food Agency Act (Note 1). As a statutory board, all Government ministries and departments, statutory boards and Organs of State are deemed related parties of the Agency.

During the financial year, the Agency has significant transactions, at terms agreed between the related parties, with its Parent Ministry, and other related parties listed below, other than statutory charges and transactions disclosed elsewhere in the financial statements:

	The Group & Agency 1 April 2019 (date of establishment) to 31 March 2020 \$
Ministries and Statutory Boards	
Ministry of National Development	
- Repayment of obligation and interest under leases	<u>4,357,391</u>
Parent Ministry	
- Repayment of obligation and interest under leases	<u>4,307,031</u>

26. Financial risk management

The Group's activities expose it to interest rate risk, credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise adverse effects from the volatility of financial markets on the Group's financial performance.

The Board Members is responsible for setting the objectives and underlying principles of financial risk management for the Group. The Group's management then establishes the detailed policies such as authority levels, oversight responsibilities, risk identification and measurement, in accordance with the objectives and underlying principles approved by the Board.

Market risk exposures are measured using sensitivity analysis as indicated below.

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's interest-bearing financial instruments relate mainly to cash deposited with AGD. The interest rates for Cash deposited 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. The Group is of the view that any fluctuation in interest rates is not likely to have a significant impact on the surplus before contribution to consolidated fund and taxation and to accumulated surplus.

26. Financial risk management (Continued)

(b) *Credit risk*

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit and collectability risk on trade receivables. It is Group's policy to assess the credit risk of new customers before entering contracts.

The Group has policies in place to ensure that services are made to customers with appropriate credit history, and that surplus funds are placed with reputable banks.

The Group determines concentrations of credit risk by quarterly monitoring the creditworthiness rating of existing customers and through a monthly review of the trade receivables' ageing analysis. In monitoring the customers' credit risk, customers are grouped according to their credit characteristics. The Group has no significant concentrations of credit risk.

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

Trade receivables and other receivables that are neither past due nor impaired are with creditworthy debtors with good payment track record with the Group. Cash and cash equivalents that are neither past due nor impaired are placed with banks and financial institutions with high credit ratings.

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

There is no other class of financial assets that is past due and/or impaired except for trade receivables. The ageing analysis of trade receivables is disclosed in Note 8 to the financial statements.

As at 31 March 2020, the Group do not have any significant credit exposure to any single counterparty or any group of counterparties having similar characteristics. Accordingly, the Agency and the Group's provision for loss allowance and credit impairment amounted to \$102,799 and \$676,942 respectively.

Bank balances

Credit risk also arises from balances held with banks. The management monitors the credit ratings of the counterparties regularly. Impairment of cash and bank balances have been measured based on 12-month expected credit loss model. At the end of the financial year, the Group did not expect any material credit losses from non-performances by these banks and financial institutions which are assigned with minimum rating "A-" and above by international credit-rating agencies.

(c) *Liquidity risk*

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

26. Financial risk management (Continued)

(c) Liquidity risk (Continued)

The Group's liquidity risk is minimal as the Group maintains sufficient cash balances and internally generated cash flows to finance their operating activities and committed liabilities. In addition, the Group is financially supported by grants primarily from the Government.

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance its operations and mitigate the effects of fluctuations in cash flows.

27. Fair value of assets and liabilities

Fair values

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale.

Financial instruments whose carrying amounts approximate fair value

Management has determined that the carrying amounts of cash and cash equivalents, trade and other receivables, trade and other payables, amount due to Government and rental, security and other deposits reasonably approximate their fair values due to their relative short term maturity.

28. Capital management

The Agency and the Group's objectives when managing capital are to safeguard the Agency and the Group's ability to continue as a going concern and to support the Agency's mission. Under the Capital Management Framework for Statutory Boards, the Agency is expected to declare annual dividend to the Minister for Finance, a body incorporated by the Minister for Finance (Incorporation) Act, in return for any equity injection. The annual dividend to be declared is based on an agreed formula stipulated by the Ministry of Finance in the Finance Circular Minute No. M26/2008.

There were no changes in the Group's approach to capital management during the financial year.

The Agency and its subsidiary are not subject to externally imposed capital requirements.

29. Events subsequent to the reporting date

The Coronavirus Disease (COVID-19) outbreak and the measures taken to contain the spread of the pandemic have created a high level of uncertainty to global economic prospects and large volatility in investment markets and business operations, both domestically and globally.

The Agency is monitoring the situation closely and will continue to assess the impact on the Group's performance.

Subsequent to year-end, the Singapore Multi-Ministry Taskforce implemented an elevated set of safe distancing measures from 7 April 2020, to pre-empt the trend of increasing local transmission of COVID-19. The full impact of the expenditure relating to the implementation of the safe distancing measures will be reflected in the next financial year.

29. Events subsequent to the reporting date (Continued)

In addition, in line with the Government's support package to help businesses, SFA has provided 2 to 4 months of rental waiver to its tenants at the Fishery Ports and Pasir Panjang Wholesale Centre. The full financial impact of these rental waivers will be reflected in the next financial year.

30. Comparative information

No comparative figures have been presented as this is the first set of audited financial statements prepared by the Group since the date of its establishment (Note 1).

31. Authorisation of financial statements for issue

The consolidated financial position the Group and the statement of financial position of the Agency as at 31 March 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of comprehensive income and statement of changes in equity of the Agency for the financial year then ended 31 March 2020 were authorised for issue by the Board Members of the Agency on 31 August 2020.