



NTUC FAIRPRICE
CO-OPERATIVE LTD
FINANCIAL

REPORT 2017

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DIRECTORS' STATEMENT

The Directors present this annual report to the members together with the audited financial statements of NTUC Fairprice Co-operative Limited (the "Co-operative") for the financial year ended 31 December 2017.

In our opinion:

- (a) the financial statements set out on pages 6 to 61 are drawn up in accordance with the provisions of the Co-operative Societies Act, Chapter 62 (the "Act") and Singapore Financial Reporting Standards, so as to give a true and fair view of the financial position of the Group and of the Co-operative as at 31 December 2017, and of the financial performance, changes in equity and cash flows of the Group and of the financial performance and changes in equity of the Co-operative for the year ended 31 December 2017;
- (b) at the date of this statement, there are reasonable grounds to believe that the Co-operative will be able to pay its debts when they fall due; and
- (c) the receipts, expenditure, investment of monies, acquisition and disposal of assets made by the Co-operative during the year ended 31 December 2017 have been made in accordance with the By-Laws of the Co-operative and the provisions of the Act.

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

(a) Directors

The directors in office at the date of this statement are as follows:

Bobby Chin Yoke Choong
Chua Sin Bin (Dr)
Wahab Yusoff
Stephen Lim Beng Lin
Ronald Ong Whatt Soon
Karthikeyan S/O R. Krishnamurthy
Albert Cheng Yong Kim
Lim Sau Hoong
Kristy Tan Ruyan (*appointed on 29 May 2017*)
Lee Seow Hiang (*appointed on 1 January 2018*)

(b) Arrangements to enable Directors to acquire shares or debentures

Neither at the end of nor at any time during the financial year was the Co-operative a party to any arrangement whose object is to enable the Directors of the Co-operative to acquire benefits by means of the acquisition of shares in or debentures of the Co-operative or any other body corporate.

DIRECTORS' STATEMENT *(cont'd)*

(c) Directors' interests

The Directors of the Co-operative held office during the financial year who had interests in the shares of the Co-operative and its related corporations as recorded in the register of Directors' shareholdings kept by the Co-operative are as follows:

Name of Directors and corporation in which interests are held	Shareholdings registered in the name of Directors at	
	the beginning of the financial year/ date of appointment	the end of the financial year
NTUC Fairprice Co-operative Limited		
Bobby Chin Yoke Choong	20	20
Chua Sin Bin (Dr)	39	39
Wahab Yusoff	26	26
Stephen Lim Beng Lin	20	20
Ronald Ong Whatt Soon	20	20
Karthikeyan S/O R. Krishnamurthy	1,610	1,610
Albert Cheng Yong Kim	20	20
Lim Sau Hoong	20	20
Kristy Tan Ruyan	–	20
Ng Shin Ein <i>(resigned on 29 May 2017)</i>	20	20
Wong Heng Tew <i>(resigned on 29 May 2017)</i>	26	26
Willy Shee Ping Yah <i>(resigned on 29 May 2017)</i>	1,259	1,259

(d) Share options

There were no share options granted by the Co-operative during the financial year.

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Co-operative.

There were no unissued shares of the Co-operative under options as at the end of the financial year.

(e) Auditors

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

Bobby Chin Yoke Choong

Director

Ronald Ong Whatt Soon

Director

24 April 2018

INDEPENDENT AUDITORS' REPORT

Members of the Co-operative
NTUC Fairprice Co-operative Limited

Report on the audit of financial statements

Opinion

We have audited the financial statements of NTUC Fairprice Co-operative Limited ('the Co-operative') and its subsidiaries ('the Group'), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Co-operative as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and statement of profit or loss and other comprehensive income and statement of changes in equity of the Co-operative for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 6 to 61.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position, statement of profit or loss and other comprehensive income and statement of changes in equity of the Co-operative are properly drawn up in accordance with the provisions of the Co-operative Societies Act, Chapter 62 ('the Act') and Financial Reporting Standards in Singapore ('FRSs') so as to give a true and fair view of the state of affairs of the Group and of the Co-operative as at 31 December 2017 and of the results, changes in equity and cash flows of the Group and of the results and changes in equity of the Co-operative 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 'Auditors' 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 *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 contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' 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, 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.

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

INDEPENDENT AUDITORS' REPORT *(cont'd)*

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

Auditors' 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 auditors' 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 controls.
- Obtain an understanding of internal controls 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 controls.
- 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 auditors' 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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 the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

INDEPENDENT AUDITORS' REPORT *(cont'd)*

Report on other legal and regulatory requirements

Opinion

In our opinion:

- (a) the accounting and other records of those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the Singapore Companies Act, Chapter 50;
- (b) the receipt, expenditure, investment of monies and the acquisition and disposal of assets by the Co-operative during the year are, in all material respects, in accordance with the By-laws of the Co-operative and the provisions of the Act; and
- (c) proper accounting and other records have been kept by the Co-operative.

Basis for opinion

We conducted our audit in accordance with SSAs. Our responsibilities under those standards are further described in the 'Auditors' 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.

Management's responsibility for compliance with legal and regulatory requirements

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

Auditors' responsibility 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 receipt, expenditure, investment of monies and the acquisition and disposal of assets, are in accordance with the By-laws of the Co-operative and the provisions of the Act.

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

KPMG LLP

Public Accountants and Chartered Accountants

Singapore

24 April 2018

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2017

	Note	GROUP		CO-OPERATIVE	
		2017	2016	2017	2016
		\$'000	\$'000	\$'000	\$'000
Non-current assets					
Property, plant and equipment	4	472,080	486,796	371,710	381,231
Intangible assets	5	33,473	–	14,294	–
Subsidiaries	6	–	–	46,164	25,738
Associates	7	755,686	251,541	866,063	263,325
Other investments	8	670,740	304,587	551,761	197,411
Trade and other receivables	9	4,333	4,333	62,456	61,703
Total non-current assets		1,936,312	1,047,257	1,912,448	929,408
Current assets					
Inventories	10	274,806	247,248	261,161	233,367
Other investments	8	784,843	763,540	784,843	763,540
Trade and other receivables	9	95,269	230,643	93,241	232,925
Cash and cash equivalents	11	320,759	523,691	259,918	456,124
Assets held for sale	12	–	119,793	–	119,793
Total current assets		1,475,677	1,884,915	1,399,163	1,805,749
Total assets		3,411,989	2,932,172	3,311,611	2,735,157
Equity					
Share capital	13	339,347	284,207	339,347	284,207
Retained earnings		1,763,424	1,557,923	1,650,360	1,312,010
Other reserves	14	285,999	199,779	221,847	147,430
Total equity		2,388,770	2,041,909	2,211,554	1,743,647
Non-current liabilities					
Borrowings	15	40,000	–	40,000	–
Provisions	16	40,397	32,063	39,078	30,906
Deferred tax liabilities	17	3,466	2,302	–	–
Total non-current liabilities		83,863	34,365	79,078	30,906
Current liabilities					
Borrowings	15	50,000	–	50,000	–
Trade and other payables	18	888,752	855,394	970,979	960,604
Current tax liabilities		604	504	–	–
Total current liabilities		939,356	855,898	1,020,979	960,604
Total liabilities		1,023,219	890,263	1,100,057	991,510
Total liabilities and equity		3,411,989	2,932,172	3,311,611	2,735,157

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2017

	Note	GROUP		CO-OPERATIVE	
		2017	2016	2017	2016
		\$'000	\$'000	\$'000	\$'000
			Re-presented		Re-presented
Revenue	19	3,401,855	3,434,131	3,194,732	3,228,280
Inventories consumed		(2,613,650)	(2,662,917)	(2,510,261)	(2,559,546)
Other income	20	183,982	196,265	151,008	163,599
Staff and related costs		(395,331)	(360,096)	(330,478)	(299,417)
Depreciation expense		(72,382)	(79,200)	(61,289)	(67,208)
Other operating expenses	21	(410,395)	(381,547)	(356,452)	(324,538)
Profit from operations		94,079	146,636	87,260	141,170
Gain on disposal of property, plant and equipment to an associate		191,071	114,502	318,245	97,990
Investment income	22	68,791	63,929	107,070	57,235
Share of profit of equity-accounted investees (net of tax)		27,386	2,525	–	–
Profit before tax and contributions		381,327	327,592	512,575	296,395
Tax expense	23	(1,601)	(448)	–	–
Profit before contributions		379,726	327,144	512,575	296,395
Contributions to:					
– Central Co-operative Fund		(25)	(25)	(25)	(25)
– Singapore Labour Foundation		(99,697)	(55,775)	(99,697)	(55,775)
Profit for the year		280,004	271,344	412,853	240,595
Other comprehensive income					
<i>Items that are or may be reclassified subsequently to profit or loss</i>					
Net change in fair value of available-for-sale financial assets		97,340	12,342	85,537	13,906
Net change in fair value of available-for-sale financial assets reclassified to profit or loss		(11,120)	(8,190)	(11,120)	(8,190)
Other comprehensive income for the year, net of tax		86,220	4,152	74,417	5,716
Total comprehensive income for the year attributable to the owners of the Co-operative		366,224	275,496	487,270	246,311

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2017

	Note	Share capital \$'000	Foreign currency translation reserve \$'000	Fair value reserve \$'000	Retained earnings \$'000	Total \$'000
Group						
At 1 January 2016		284,570	(276)	195,903	1,360,580	1,840,777
Total comprehensive income for the year						
Profit for the year		–	–	–	271,344	271,344
Other comprehensive income						
Net change in fair value of available-for-sale financial assets		–	–	12,342	–	12,342
Net change in fair value of available-for-sale financial assets reclassified to profit or loss		–	–	(8,190)	–	(8,190)
Total other comprehensive income		–	–	4,152	–	4,152
Total comprehensive income for the year		–	–	4,152	271,344	275,496
Transactions with owners, recognised directly in equity						
Contributions by and distributions to owners						
Issue of shares	13	979	–	–	–	979
Redemption of shares	13	(1,342)	–	–	–	(1,342)
Payments relating to appropriations/distributions approved by members of the Co-operative:						
– Dividends	24	–	–	–	(16,797)	(16,797)
– Patronage rebates		–	–	–	(57,256)	(57,256)
Write-back of rebates in accordance to By-laws 12.4		–	–	–	52	52
At 31 December 2016		284,207	(276)	200,055	1,557,923	2,041,909

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (cont'd)

Year ended 31 December 2017

	Note	Share capital \$'000	Foreign currency translation reserve \$'000	Fair value reserve \$'000	Retained earnings \$'000	Total \$'000
Group						
At 1 January 2017		284,207	(276)	200,055	1,557,923	2,041,909
Total comprehensive income for the year						
Profit for the year		–	–	–	280,004	280,004
Other comprehensive income						
Net change in fair value of available-for-sale financial assets		–	–	97,340	–	97,340
Net change in fair value of available-for-sale financial assets reclassified to profit or loss		–	–	(11,120)	–	(11,120)
Total other comprehensive income		–	–	86,220	–	86,220
Total comprehensive income for the year		–	–	86,220	280,004	366,224
Transactions with owners, recognised directly in equity						
Contributions by and distributions to owners						
Issue of shares	13	56,897	–	–	–	56,897
Redemption of shares	13	(1,757)	–	–	–	(1,757)
Payments relating to appropriations/distributions approved by members of the Co-operative:						
– Dividends	24	–	–	–	(16,758)	(16,758)
– Patronage rebates		–	–	–	(57,929)	(57,929)
Write-back of rebates in accordance to By-laws 12.4		–	–	–	184	184
At 31 December 2017		339,347	(276)	286,275	1,763,424	2,388,770

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

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2017

	Note	Share capital \$'000	Fair value reserve \$'000	Retained earnings \$'000	Total \$'000
Co-operative					
At 1 January 2016		284,570	141,714	1,145,416	1,571,700
Total comprehensive income for the year					
Profit for the year		–	–	240,595	240,595
Other comprehensive income					
Net change in fair value of available-for-sale financial assets		–	13,906	–	13,906
Net change in fair value of available-for-sale financial assets reclassified to profit or loss		–	(8,190)	–	(8,190)
Total other comprehensive income		–	5,716	–	5,716
Total comprehensive income for the year		–	5,716	240,595	246,311
Transactions with owners, recognised directly in equity					
Contributions by and distributions to owners					
Issue of shares	13	979	–	–	979
Redemption of shares	13	(1,342)	–	–	(1,342)
Payments relating to appropriations/distributions approved by members of the Co-operative:					
– Dividends	24	–	–	(16,797)	(16,797)
– Patronage rebates		–	–	(57,256)	(57,256)
Write-back of rebates in accordance to By-laws 12.4		–	–	52	52
At 31 December 2016		284,207	147,430	1,312,010	1,743,647

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

STATEMENT OF CHANGES IN EQUITY (cont'd)

Year ended 31 December 2017

	Note	Share capital \$'000	Fair value reserve \$'000	Retained earnings \$'000	Total \$'000
Co-operative					
At 1 January 2017		284,207	147,430	1,312,010	1,743,647
Total comprehensive income for the year					
Profit for the year		–	–	412,853	412,853
Other comprehensive income					
Net change in fair value of available-for-sale financial assets		–	85,537	–	85,537
Net change in fair value of available-for-sale financial assets reclassified to profit or loss		–	(11,120)	–	(11,120)
Total other comprehensive income		–	74,417	–	74,417
Total comprehensive income for the year		–	74,417	412,853	487,270
Transactions with owners, recognised directly in equity					
Contributions by and distributions to owners					
Issue of shares	13	56,897	–	–	56,897
Redemption of shares	13	(1,757)	–	–	(1,757)
Payments relating to appropriations/distributions approved by members of the Co-operative:					
– Dividends	24	–	–	(16,758)	(16,758)
– Patronage rebates		–	–	(57,929)	(57,929)
Write-back of rebates in accordance to By-laws 12.4		–	–	184	184
At 31 December 2017		339,347	221,847	1,650,360	2,211,554

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2017

	Note	2017 \$'000	2016 \$'000
Cash flows from operating activities			
Profit before tax and contributions		381,327	327,592
Adjustments for:			
Amortisation of intangible assets	5	2,821	–
Impairment loss on trade receivables	21	59	72
Inventories written-off	10	21,244	18,781
Depreciation of property, plant and equipment	4	72,382	79,200
Gain on disposal of property, plant and equipment to an associate		(191,071)	(114,502)
Loss on disposal of property, plant and equipment	21	373	383
Gain on disposal of available-for-sale financial assets	22	(11,120)	(8,190)
(Reversal of)/Impairment losses recognised on:			
– property, plant and equipment	4	(2,631)	371
– other investments	8	2,002	8,728
Share of profit of equity-accounted investees		(27,386)	(2,525)
Dividend income	22	(43,615)	(43,545)
Finance income	22	(16,972)	(20,922)
Finance cost	22	914	–
		188,327	245,443
Changes in:			
– Inventories		(24,306)	(35,494)
– Trade and other receivables		(16,731)	(7,729)
– Trade and other payables		(36,468)	10,874
Cash generated from operations		110,822	213,094
Contribution to Central Co-operative Fund paid		(25)	(25)
Contribution to Singapore Labour Foundation paid		–	(35,446)
Taxes paid		(544)	(367)
Net cash from operating activities		110,253	177,256
Cash flows from investing activities			
Purchase of property, plant and equipment		(48,119)	(76,687)
Purchase of intangible assets	5	(6,504)	–
Proceeds from disposal of property, plant and equipment		418	2,111
Dividend received		43,615	43,545
Acquisitions through business combinations (net of cash acquired)	27	(33,139)	–
Interest received		10,362	19,868
Purchase of other investments		(447,979)	(199,657)
Changes in investments in associates		(1,137)	–
Proceeds from sale of other investments		155,861	113,588
Net cash used in investing activities		(326,622)	(97,232)

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

CONSOLIDATED STATEMENT OF CASH FLOWS (cont'd)

Year ended 31 December 2017

	Note	2017 \$'000	2016 \$'000
Cash flows from financing activities			
Proceeds from issuance of shares		789	979
Proceeds from borrowings	15	90,000	–
Payment made for redemption of shares	13	(1,757)	(1,342)
Dividends paid on members' shares	24	(16,758)	(16,797)
Payment of patronage rebates to members		(57,929)	(57,256)
Interest paid		(908)	–
Net cash from/(used in) financing activities		13,437	(74,416)
Net (decrease)/increase in cash and cash equivalents			
Cash and cash equivalents at beginning of the year		523,691	518,083
Cash and cash equivalents at end of the year	11	320,759	523,691

Significant non-cash transactions

During the year, the Group has the following significant non-cash transactions:

- The Group disposed property, plant and equipment to an associate with carrying amount of \$119,793,000 (2016: \$53,257,000) for a sale consideration of \$438,038,000 (2016: \$213,445,000) in exchange for the ordinary shares in an associate. In 2017, \$58,000 (2016: \$Nil) of transaction fees were incurred.
- The Group issued 56,108,000 of shares with the value of \$56,108,000 to Singapore Labour Foundation for nil consideration.
- The loan to Mercatus Co-operative Limited ("Mercatus") of \$164,700,000 has been fully repaid by conversion of the loan to ordinary shares in Mercatus.

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

NOTES TO THE FINANCIAL STATEMENTS

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 24 April 2018.

1. Domicile and activities

NTUC Fairprice Co-operative Limited (the "Co-operative") is a Co-operative incorporated in Singapore with its principal place of business and registered office at No. 1 Joo Koon Circle, #13-01, Singapore 629117.

The principal activities of the Co-operative are those relating to supermarket, department store and convenience store retailing and investment holding, with the social mission to contribute towards a reduction in the cost of living in Singapore.

The principal activities of the subsidiaries are disclosed in note 6.

The financial statements of the Group as at and for the year ended 31 December 2017 comprise the Co-operative and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in equity-accounted investees.

2. Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared in accordance with the provisions of the Co-operative Societies Act, Chapter 62 (the "Act") and Singapore Financial Reporting Standards ("FRSs").

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except as otherwise described in the notes below.

2.3 Functional and presentation currency

These financial statements are presented in Singapore dollars, which is the Co-operative's functional currency. All financial information presented in Singapore dollars have been rounded to the nearest thousand, unless otherwise stated.

2.4 Use of estimates and judgements

The preparation of the financial statements in conformity with FRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There is information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in Note 6 – subsidiaries; whether the Group has de facto control over an investee.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 4 – measurement of recoverable amounts of property, plant and equipment;
- Note 6 – assumptions of recoverable amounts relating to investments in subsidiaries;
- Note 7 – assumptions of recoverable amounts relating to investments in associates;
- Note 9 – assessment of the recoverability of trade receivables; and
- Note 16 – provision for reinstatement cost.

NOTES TO THE FINANCIAL STATEMENTS

2. Basis of preparation *(cont'd)*

2.4 Use of estimates and judgements *(cont'd)*

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. The finance team has overall responsibility for all significant fair value measurements, including Level 3 fair values, and reports directly to the Chief Financial Officer.

The finance team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the finance team assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of FRS, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 28 – financial instruments

2.5 Changes in accounting policies

The Group has applied the following amendments for the first time for the annual period beginning on 1 January 2017:

- *Disclosure Initiative (Amendments to FRS 7);*
- *Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to FRS 12); and*
- *Clarification of the scope of FRS 112 (Improvements to FRSs 2016).*

Other than the amendments to FRS 7, the adoption of these amendments did not have any impact on the current or prior period and is not likely to affect future periods.

Disclosure Initiative (Amendments to FRS 7)

From 1 January 2017, as a result of the amendments to FRS 7, the Group has provided additional disclosure in relation to the changes in liabilities arising from financing activities for the year ended 31 December 2017. Comparative information has not been presented (see note 15).

NOTES TO THE FINANCIAL STATEMENTS

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities, except as explained in note 2.5, which addresses changes in accounting policies.

3.1 Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method in accordance with FRS 103 *Business Combination* as at the date of acquisition, which is the date on which control is transferred to the Group.

The Group measures goodwill at the date of acquisition as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interest ("NCI") in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree,

over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Any goodwill that arises is tested annually for impairment.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is recognised at fair value at the date of acquisition and included in the consideration transferred. If the contingent consideration that meets the definition of a financial instrument is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

NCI that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured either at fair value or at the NCI proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the acquisition date. The measurement basis taken is elected on a transaction-by-transaction basis. All other NCI are measured at acquisition-date fair value, unless another measurement basis is required by FRSs.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners and therefore no adjustments are made to goodwill and no gain or loss is recognised in profit or loss.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, 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. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

NOTES TO THE FINANCIAL STATEMENTS

3. Significant accounting policies *(cont'd)*

3.1 Basis of consolidation *(cont'd)*

(iii) Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(iv) Investments in associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies of these entities. Significant influence is presumed to exist when the Group holds 20% or more of the voting power of another entity.

Investments in associates are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income ("OCI") of equity-accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment, together with any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation to fund the investee's operations or has made payments on behalf of the investee.

(v) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(vi) Subsidiaries and associates in the separate financial statements

Investments in subsidiaries and associates are stated in the Co-operative's statement of financial position at cost less accumulated impairment losses.

3.2 Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognised in profit or loss, except for the differences which are recognised in OCI arising on the translation of available-for-sale equity instruments (except on impairment in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss).

NOTES TO THE FINANCIAL STATEMENTS

3. Significant accounting policies *(cont'd)*

3.2 Foreign currency *(cont'd)*

(ii) Foreign operations

The assets and liabilities of foreign operations, excluding goodwill and fair value adjustments arising on acquisition, are translated to Singapore dollars at the exchange rates at the reporting date. The income and expenses of foreign operations are translated to Singapore dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI, and presented in the foreign currency translation reserve (translation reserve) in equity.

When a foreign operation is disposed of such that significant influence is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its investment in an associate that includes a foreign operation while retaining significant influence, the relevant proportion of the cumulative amount is reclassified to profit or loss.

3.3 Financial instruments

(i) Non-derivative financial assets

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into the following categories: loans and receivables and available-for-sale financial assets.

Loan and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents and trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the above categories of financial assets. Available-for-sale financial assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments, are recognised in OCI and presented in the fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

Available-for-sale financial assets comprise unit trusts, equity securities and debt securities.

NOTES TO THE FINANCIAL STATEMENTS

3. Significant accounting policies *(cont'd)*

3.3 Financial instruments *(cont'd)*

(ii) Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. Financial liabilities for contingent consideration payable in a business combination are recognised at the date of acquisition. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial liabilities into other financial liabilities category. Such financial liabilities are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise borrowings and trade and other payables.

Share capital

(i) Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

(ii) Members' shares

Members' shares are classified as equity. Incremental costs directly attributable to the issue of members' shares are recognised as a deduction from equity.

3.4 Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes:

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the assets to a working condition for their intended use;
- when the Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- capitalised borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

3. Significant accounting policies *(cont'd)*

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

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment, unless it is included in the carrying amount of another asset. Freehold land and construction-in-progress are not depreciated.

Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives for the current and comparative years are as follows:

Freehold buildings	– 20 to 42 years
Leasehold land and buildings	– 16 to 50 years
Furniture, fittings and renovation	– 1 to 15 years
Plant and machinery	– 2 to 10 years
Equipment and motor vehicles	– 2 to 7 years
Computers	– 1 to 5 years

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

3.5 Intangible assets

(i) Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition, see note 3.1(i).

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the associates.

(ii) Other intangible assets

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

NOTES TO THE FINANCIAL STATEMENTS

3. Significant accounting policies *(cont'd)*

3.5 Intangible assets *(cont'd)*

(ii) Other intangible assets *(cont'd)*

Amortisation

Amortisation is calculated based on the cost of asset, less its residual value.

Amortisation is recognised on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful lives for current and comparative years are as follows:

Software and licenses – 3 to 5 years

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

3.6 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average method, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

3.7 Impairment

(i) Non-derivative financial assets

A financial asset not carried at fair value through profit or loss, including interests in associates, is assessed at the end of each reporting period to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event(s) has occurred after the initial recognition of the asset, and that the loss event(s) has an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment. The Group considers a decline of 20% to be significant and a period of 9 months to be prolonged.

Loan and receivables

The Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

3. Significant accounting policies (cont'd)

3.7 Impairment (cont'd)

(i) Non-derivative financial assets (cont'd)

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit or loss. Changes in cumulative impairment provisions attributable to application of the effective interest method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed. The amount of the reversal is recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in OCI.

Associates

An impairment loss in respect of an associate is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in profit or loss. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit ("CGU") exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amounts of any goodwill allocated to the CGU ("group of CGUs"), and then to reduce the carrying amounts of the other assets in the group of CGU on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.8 Non-current assets held for sale

Non-current assets that are highly probable to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets are remeasured in accordance with the Group's accounting policies. Thereafter, the assets, classified as held for sale are generally measured at the lower of their carrying amount and fair value less costs to sell.

Property, plant and equipment once classified as held for sale are not amortised or depreciated.

NOTES TO THE FINANCIAL STATEMENTS

3. Significant accounting policies *(cont'd)*

3.9 Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

(ii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

3.10 Provision

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

3.11 Revenue

Sale of goods

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

3.12 Other income

(i) Rental income

Rental income is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

(ii) Franchise fees income

Franchise fees income is recognised when all services or conditions relating to a transaction have been substantially performed.

(iii) Advertising, promotion, concessionary, commission and other service income

Advertising, promotion, concessionary, commission and other service income are recognised when the services are rendered.

NOTES TO THE FINANCIAL STATEMENTS

3. Significant accounting policies *(cont'd)*

3.13 Investment income

(i) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

(ii) Interest income

Interest income is recognised as it accrues in profit or loss, using the effective interest method.

(iii) Interest expense

Interest expense comprise interest expense on borrowings. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

3.14 Government grants

Cash grants received from government related to various employment and wage credit scheme is recognised in profit or loss and set-off against staff costs.

3.15 Patronage rebates

Patronage rebates distributed to the members of the Co-operative/NTUC Union cardholders ("members") are recognised as a liability in the Co-operative's and the Group's financial statements in the period in which the patronage rebates are approved by the members at the annual general meeting. Patronage rebates which are not claimed within 3 years from the date of payment by members are written back in accordance with By-laws 12.4 and the rules of NTUC Union Card Scheme.

3.16 Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the lease term.

The Group as lessee

Contingent rentals are recognised as expenses in the periods in which they are incurred.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

NOTES TO THE FINANCIAL STATEMENTS

3. Significant accounting policies *(cont'd)*

3.17 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and
- temporary differences related to investments in subsidiaries and associates to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

NOTES TO THE FINANCIAL STATEMENTS

4. Property, plant and equipment

	Note	Freehold Land \$'000	Freehold buildings \$'000	Leasehold land and buildings \$'000	Furniture, fittings and renovation \$'000	Plant and machinery \$'000	Equipment and motor vehicles \$'000	Computers \$'000	Construction-in-progress \$'000	Total \$'000
Group										
Cost										
At 1 January 2016		4,625	25,332	592,852	259,844	129,352	100,552	74,452	2,135	1,189,144
Additions		–	–	–	22,631	16,081	13,845	15,108	74	67,739
Disposals		–	–	(82,828)	(12,764)	(2,724)	(3,541)	(6,537)	–	(108,394)
Transfers		–	–	–	16	1,283	–	835	(2,134)	–
Reclassification to assets held for sale		(169)	(2,778)	(207,943)	(5,182)	–	–	–	–	(216,072)
At 31 December 2016		4,456	22,554	302,081	264,545	143,992	110,856	83,858	75	932,417
Additions		–	–	13	30,055	3,995	11,204	14,998	618	60,883
Disposals		–	–	–	(11,359)	(2,861)	(7,198)	(2,163)	–	(23,581)
Transfers		–	–	–	(99)	63	–	106	(70)	–
Reclassification to intangible assets	5	–	–	–	–	–	–	(17,236)	–	(17,236)
Acquisitions through business combinations	27	–	–	–	971	1	343	149	–	1,464
At 31 December 2017		4,456	22,554	302,094	284,113	145,190	115,205	79,712	623	953,947
Accumulated depreciation and impairment losses										
At 1 January 2016		–	15,509	146,456	171,658	58,192	71,701	51,455	–	514,971
Depreciation charge for the year		–	778	15,233	28,515	10,908	12,424	11,342	–	79,200
Disposals		–	–	(28,052)	(12,300)	(2,650)	(3,137)	(6,503)	–	(52,642)
Charge/(Reversal) of impairment loss		–	–	–	127	42	(68)	270	–	371
Reclassification to assets held for sale		–	(2,669)	(89,253)	(4,357)	–	–	–	–	(96,279)
At 31 December 2016		–	13,618	44,384	183,643	66,492	80,920	56,564	–	445,621
Depreciation charge for the year		–	417	10,048	27,969	9,836	12,812	11,300	–	72,382
Disposals		–	–	–	(10,880)	(2,712)	(7,131)	(2,067)	–	(22,790)
Reversal of impairment loss		–	–	–	(1,332)	(212)	(618)	(469)	–	(2,631)
Reclassification to intangible assets	5	–	–	–	–	–	–	(10,715)	–	(10,715)
At 31 December 2017		–	14,035	54,432	199,400	73,404	85,983	54,613	–	481,867
Carrying amounts										
At 1 January 2016		4,625	9,823	446,396	88,186	71,160	28,851	22,997	2,135	674,173
At 31 December 2016		4,625	9,045	256,594	81,727	77,500	29,936	27,294	75	486,796
At 31 December 2017		4,456	8,519	247,662	84,713	71,786	29,222	25,099	623	472,080

NOTES TO THE FINANCIAL STATEMENTS

4. Property, plant and equipment (cont'd)

Note	Freehold Land	Freehold buildings	Leasehold land and buildings	Furniture, fittings and renovation	Plant and machinery	Equipment and motor vehicles	Computers	Construction-in-progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Co-operative									
Cost									
At 1 January 2016	4,625	25,332	521,318	245,105	34,659	95,860	61,161	–	988,060
Additions	–	–	–	18,984	4,322	13,680	12,545	–	49,531
Disposals	–	–	(54,372)	(12,135)	(2,111)	(3,475)	(6,375)	–	(78,468)
Reclassification to assets held for sale	(169)	(2,778)	(207,943)	(5,182)	–	–	–	–	(216,072)
At 31 December 2016	4,456	22,554	259,003	246,772	36,870	106,065	67,331	–	743,051
Additions	–	–	13	27,788	1,295	9,954	13,820	–	52,870
Disposals	–	–	–	(10,903)	(1,560)	(7,089)	(1,982)	–	(21,534)
Transfer	–	–	–	(99)	–	–	99	–	–
Reclassification to intangible assets	5	–	–	–	–	–	(11,751)	–	(11,751)
Acquisitions through business combinations	–	–	–	937	1	308	143	–	1,389
At 31 December 2017	4,456	22,554	259,016	264,495	36,606	109,238	67,660	–	764,025
Accumulated depreciation and impairment losses									
At 1 January 2016	–	15,509	119,289	160,903	26,800	67,727	43,000	–	433,228
Depreciation charge for the year	–	778	14,248	26,834	4,097	11,996	9,255	–	67,208
Disposals	–	–	(19,268)	(11,844)	(2,058)	(3,074)	(6,366)	–	(42,610)
Charge/(Reversal) of impairment loss	–	–	–	74	31	(82)	250	–	273
Reclassification to assets held for sale	–	(2,669)	(89,253)	(4,357)	–	–	–	–	(96,279)
At 31 December 2016	–	13,618	25,016	171,610	28,870	76,567	46,139	–	361,820
Depreciation charge for the year	–	417	9,351	25,934	3,364	12,362	9,861	–	61,289
Disposals	–	–	–	(10,511)	(1,442)	(7,025)	(1,890)	–	(20,868)
Reversal of impairment loss	–	–	–	(892)	(201)	(458)	(275)	–	(1,826)
Reclassification to intangible assets	5	–	–	–	–	–	(8,100)	–	(8,100)
At 31 December 2017	–	14,035	34,367	186,141	30,591	81,446	45,735	–	392,315
Carrying amounts									
At 1 January 2016	4,625	9,823	402,029	84,202	7,859	28,133	18,161	–	554,832
At 31 December 2016	4,625	9,045	232,884	75,987	8,000	29,498	21,192	–	381,231
At 31 December 2017	4,456	8,519	224,649	78,354	6,015	27,792	21,925	–	371,710

NOTES TO THE FINANCIAL STATEMENTS

4. Property, plant and equipment (cont'd)

Included within the carrying amounts of furniture fittings and renovation as at 31 December 2017 is provision for reinstatement costs of \$21,236,000 (2016: \$15,297,000) for the Group and \$20,646,000 (2016: \$14,769,000) for the Co-operative.

Impairment loss

As disclosed in note 3, the Group assesses annually whether property, plant and equipment have any indication of impairment in accordance with their accounting policy. Where there is an indication of impairment, the recoverable amounts of property, plant and equipment would be determined based on the higher of fair value less costs to sell and value-in-use calculations.

During the year, management undertook a review of identification of cash generating units ("CGUs"). Arising from the review, there is a change in the CGUs from individual supermarket outlets to the Group's entire supermarket business as management has determined that the assets can be used interchangeably between supermarket outlets. The assessment led to a reversal of impairment loss of \$2,631,000 and \$1,826,000 for the Group and the Co-operative respectively. The write-back of impairment loss represents the adjustment of property, plant and equipment.

In the prior year, the Group and the Co-operative recognised impairment losses of \$371,000 and \$273,000 respectively.

The estimates of recoverable amounts were based on the value-in-use of the Group's supermarkets. The key assumptions used in the estimation of the recoverable amounts represent management's assessment of future trends in the relevant industries and have been based on historical data from both external and internal sources are set out below:

	GROUP AND CO-OPERATIVE	
	2017	2016
	%	%
Pre-tax discount rate	10.0	10.0
Growth rate	1.0	1.0

5. Intangible assets

	Note	Software and licenses \$'000	Goodwill \$'000	Total \$'000
Group				
Cost				
At 1 January and 31 December 2016		–	–	–
Reclassification from property, plant and equipment	4	17,236	–	17,236
Additions		6,504	–	6,504
Acquisitions through business combinations	27	–	23,269	23,269
At 31 December 2017		23,740	23,269	47,009
Amortisation				
At 1 January and 31 December 2016		–	–	–
Reclassification from property, plant and equipment	4	10,715	–	10,715
Amortisation charge for the year		2,821	–	2,821
At 31 December 2017		13,536	–	13,536
Carrying amounts				
At 1 January and 31 December 2016		–	–	–
At 31 December 2017		10,204	23,269	33,473

NOTES TO THE FINANCIAL STATEMENTS

5. Intangible assets (cont'd)

	Note	Software and licenses \$'000	Goodwill \$'000	Total \$'000
Co-operative				
Cost				
At 1 January and 31 December 2016		–	–	–
Reclassification from property, plant and equipment	4	11,751	–	11,751
Additions		6,292	–	6,292
Acquisitions through business combinations	27	–	6,085	6,085
At 31 December 2017		18,043	6,085	24,128
Amortisation				
At 1 January and 31 December 2016		–	–	–
Reclassification from property, plant and equipment	4	8,100	–	8,100
Amortisation charge for the year		1,734	–	1,734
At 31 December 2017		9,834	–	9,834
Carrying amounts				
At 1 January and 31 December 2016		–	–	–
At 31 December 2017		8,209	6,085	14,294

Impairment testing of CGUs containing goodwill

For the purpose of impairment testing, goodwill has been allocated to the Group's CGU as follows:

	2017 \$'000	2016 \$'000
Retail	6,085	–
Trading	17,184	–
	23,269	–

The recoverable amount of this CGU was determined based on value-in-use, estimated using discounted cash flows.

The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and have been based on historical data from both external and internal sources.

	2017 %	2016 %
Pre-tax discount rate	10.0	–
Growth rate	3.0 – 9.0	–

The discount rate used was pre-tax and reflected specific risks relating to the retail and trading segments. Management determined the budgeted growth rate based on past performance and its expectations of market developments. The cash flow projections beyond the one-year have been extrapolated on the basis of a zero terminal growth rate. The cash flow projections included specific estimates for the years.

Revenue growth was projected taking into account the average growth levels experienced over the past three years and the estimated revenue growth for the next five years. The weighted average growth rates used were consistent with forecasts included in industry.

NOTES TO THE FINANCIAL STATEMENTS

5. Intangible assets (cont'd)

Impairment testing of CGUs containing goodwill (cont'd)

The estimated recoverable amount of the CGU exceeded its carrying amount. Management has identified that a reasonably possible change in a key assumption could cause the carrying amount to exceed the recoverable amount. The following table shows the amount by which this assumptions would need to change for the estimated recoverable amount to be equal to the carrying amount.

	Change required for carrying amount to equal the recoverable amount	
	2017	2016
	%	%
Discount rate:		
- Retail	11.0	–
- Trading	2.0	–

6. Subsidiaries

	CO-OPERATIVE	
	2017	2016
	\$'000	\$'000
Unquoted equity shares, at cost	50,700	30,274
Less: Impairment loss	(4,536)	(4,536)
	46,164	25,738

The Co-operative assessed the carrying amount of its investments in subsidiaries for indicators of impairment loss. Based on the Co-operative's assessment, the impairment loss of \$4,536,000 recognised on its investment in NewFront Investments Pte Ltd in the prior years continued to be appropriate as the subsidiary was still loss-making as at the reporting date. The recoverable amount of the investment was determined based on net asset position of the subsidiary which approximated its fair value as at 31 December 2017.

Details of the Co-operative's subsidiaries as at 31 December are as follows:

Name of subsidiaries	Principal activities	Country of incorporation and operation	Ownership interest	
			2017	2016
			%	%
Grocery Logistics of Singapore Pte Ltd	Warehousing and distribution	Singapore	100	100
AlphaPlus Investments Pte Ltd	Investment holding	Singapore	100	100
NewFront Investments Pte Ltd	Investment holding	Singapore	100	100
Cheers Holdings (2004) Pte Ltd	Convenience store operator	Singapore	100	100
Interstates Market (2007) Pte Ltd	Trading	Singapore	100	100
FPTM Pte Ltd	Investment holding	Singapore	100	100
Fairprice International (2010) Pte Ltd	Investment holding	Singapore	100	100
Thomson Plaza (Private) Limited ⁽ⁱ⁾	Dormant	Singapore	–	100
Origins Healthcare Pte Ltd	Trading	Singapore	100	–
Subsidiaries of AlphaPlus Investments Pte Ltd⁽ⁱⁱ⁾				
Thomson Plaza Investments Pte Ltd	Property owner	Singapore	100	100

NOTES TO THE FINANCIAL STATEMENTS

6. Subsidiaries (cont'd)

The above subsidiaries are audited by KPMG LLP, Singapore.

- (i) On 2 May 2017, the Group disposed of its 100% equity interest in Thomson Plaza (Private) Limited to its associate for a consideration of \$103,000.
- (ii) AlphaPlus Investment Pte Ltd is a member of NTUC Fairprice Foundation Ltd. The result and net assets of NTUC Fairprice Foundation Ltd ("Foundation") have not been consolidated as the Memorandum of Association of the Foundation provides that it cannot pay, or transfer directly or indirectly from its income and property to the member in the form of dividend, bonus, or by way of profit, except for payments made in good faith for the return of goods and services. Furthermore, the Memorandum provides that in the event of winding up of the Foundation, the remains after the satisfaction of all its debts and liabilities shall not be paid to or distributed to the member of the Foundation. Approval from the Commissioner of Charities is required if the member were to amend the clauses in the Memorandum of Association. Consequently, the Group does not have control over the assets and reserve of the Foundation and hence the Foundation is not accounted for as a subsidiary of the Group.

Information about the composition of the Group at the end of the financial year is as follows:

	Place of incorporation and operation	Number of wholly-owned subsidiaries	
		2017	2016
Warehousing and distribution	Singapore	1	1
Investment holding	Singapore	4	4
Convenience store operator	Singapore	1	1
Dormant	Singapore	–	1
Trading	Singapore	2	1
Property owner	Singapore	1	1
		9	9

7. Associates

	GROUP		CO-OPERATIVE	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Interests in associates	755,686	251,541	866,063	263,325

NOTES TO THE FINANCIAL STATEMENTS

7. Associates (cont'd)

Details of the associates as at 31 December are as follows:

Name of associates	Principal activities	Country of incorporation and operation	Ownership interest	
			2017	2016
			%	%
One Marina Property Services Pte Ltd ⁽¹⁾	Provision of facility management, project management, marketing and leasing services	Singapore	20.0	20.0
NTUC Foodfare Co-operative Ltd ⁽¹⁾	Managing of food outlets	Singapore	50.0	50.0
SG Domain Pte Ltd ⁽¹⁾	Investment holding	Singapore	20.0	20.0
Mercatus Co-operative Limited ⁽¹⁾	Property investment	Singapore	39.9	28.5
Subsidiary of NTUC Foodfare Co-operative Ltd				
Foodfare Catering Pte Ltd ⁽¹⁾	Provision of cooked food to army camp	Singapore	35.0	35.0
Associates of NewFront Investments Pte Ltd				
NTUC Co-operatives Suzhou Investments Pte Ltd ⁽¹⁾	Investment holding	Singapore	26.6	26.6
Nextmall (Cayman Islands) Holdings Corporation ⁽²⁾	Hypermarket retailing	Cayman Islands	33.7	33.7
Quayline Fairprice Sdn Bhd ⁽²⁾	Supermarket retailing	Malaysia	40.0	40.0
Associates of AlphaPlus Investments Pte Ltd				
SMRT Alpha Pte. Ltd. ⁽³⁾	Real estate management	Singapore	30.0	30.0
Associate of Fairprice International (2010) Pte Ltd				
Saigon Co-operative Fairprice Ltd ⁽⁴⁾	Supermarket retailing	Vietnam	36.0	36.0

(1) Audited by KPMG LLP, Singapore.

(2) Co-operative is under members' voluntary liquidation.

(3) Audited by Ernst and Young LLP, Singapore.

(4) Audited by Deloitte Vietnam.

NOTES TO THE FINANCIAL STATEMENTS

7. Associates (cont'd)

Summarised financial information of each of the Group's material associates, based on their respective unaudited financial statements prepared in accordance with FRS, modified for fair value adjustments on acquisition and differences in the Group's accounting policies and analysis, in aggregate, the carrying amount and share of profit and other comprehensive income of the remaining individually immaterial associates are as follows:

	Mercatus Co- operative Limited	NTUC Foodfare Co-operative Ltd	Immaterial associates	Total
	\$'000	\$'000	\$'000	\$'000
2017				
Revenue	193,473	106,264		
Profit after tax	62,416	358		
Other comprehensive income	(38)	1,252		
Total comprehensive income	62,378	1,610		
Attributable to investee's shareholders	62,378	1,610		
Non-current assets	4,598,973	50,230		
Current assets	369,151	34,801		
Non-current liabilities	(2,365,394)	(2,794)		
Current liabilities	(244,573)	(32,644)		
Net assets	2,358,157	49,593		
Attributable to NCI	201,734	3,763		
Attributable to investee's shareholders	2,156,423	45,830		
Group's interest in net assets of investee at beginning of the year	190,448	22,631	38,462	251,541
Group's share of:				
– Profit after tax and other comprehensive income	26,027	284	1,075	27,386
– Total comprehensive income	26,027	284	1,075	27,386
Elimination of unrealised profit on downstream sale	(127,116)	–	–	(127,116)
Group's contribution during the year	602,738	–	1,137	603,875
Carrying amount of interest in investee at end of the year	692,097	22,915	40,674	755,686

NOTES TO THE FINANCIAL STATEMENTS

7. Associates (cont'd)

	Mercatus Co-operative Limited	NTUC Foodfare Co-operative Ltd	Immaterial associates	Total
	\$'000	\$'000	\$'000	\$'000
2016				
Revenue	77,146	89,265		
Profit after tax	7,948	109		
Other comprehensive income	–	–		
Total comprehensive income	7,948	109		
Attributable to investee's shareholders	7,948	109		
Non-current assets	1,704,763	53,756		
Current assets	99,835	29,670		
Non-current liabilities	(912,188)	(3,551)		
Current liabilities	(61,856)	(29,791)		
Net assets	830,554	50,084		
Attributable to investee's shareholders	830,554	50,084		
Group's interest in net assets of investee at beginning of the year	20,423	22,576	38,257	81,256
Group's share of:				
– Profit after tax and other comprehensive income	2,265	55	205	2,525
– Total comprehensive income	2,265	55	205	2,525
Elimination of unrealised profit on downstream sale	(45,685)	–	–	(45,685)
Group's contribution during the year	213,445	–	–	213,445
Carrying amount of interest in investee at end of the year	190,448	22,631	38,462	251,541

In 2017, the Group's contribution relates to the Group's disposal of its property, plant and equipment to Mercatus Co-operative Limited for a sale consideration of \$438,038,000 (2016: \$213,445,000) in exchange for the ordinary shares issued by Mercatus Co-operative Limited to the Group during the year.

During the year, the loan to Mercatus Co-operative Limited of \$164,700,000 has been fully repaid via conversion of the loan to ordinary shares in Mercatus Co-operative Limited.

The Group's share of results of certain associates has been recognised to the extent of the carrying amount of the investments as there is no obligation to contribute to any losses in excess of the amount of investment. The accumulated unrecognised share of losses amounted to approximately \$3,042,000 (2016: \$2,537,000).

There are no significant restrictions on the ability of associates to transfer funds to the Group in form of cash dividends, or to repay loans or advances made by the Group.

NOTES TO THE FINANCIAL STATEMENTS

8. Other investments

	GROUP		CO-OPERATIVE	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Current investments:				
– Quoted unit trust available-for-sale	310,410	281,087	310,410	281,087
<i>Less: impairment loss</i>	(10,491)	(10,491)	(10,491)	(10,491)
	299,919	270,596	299,919	270,596
– Quoted equity securities available-for-sale	230,032	206,051	230,032	206,051
<i>Less: impairment loss</i>	(5,267)	(3,265)	(5,267)	(3,265)
	224,765	202,786	224,765	202,786
– Quoted debt securities available-for-sale	260,159	290,158	260,159	290,158
	784,843	763,540	784,843	763,540
Non-current investments:				
– Quoted unit trust available-for-sale	313,522	277,380	211,011	186,661
– Unquoted equity securities available-for-sale	26,468	26,457	10,000	10,000
– Unquoted debt security	330,000	–	330,000	–
– Other investments	750	750	750	750
	670,740	304,587	551,761	197,411
	1,455,583	1,068,127	1,336,604	960,951

Investments in quoted debt securities with effective interest rates of 4.3% (2016: 4.4%) per annum have maturity dates ranging from January 2018 to April 2026 (2016: January 2017 to April 2026). The investments are classified as current as management could liquidate these investments if required.

The following is an analysis of allowance for impairment loss:

	GROUP AND CO-OPERATIVE	
	2017	2016
	\$'000	\$'000
At beginning of the year	13,756	9,235
Impairment loss recognised during the year	2,002	8,728
Utilised	–	(4,207)
At end of the year	15,758	13,756

During the year, the Group recognised an impairment loss of \$2,002,000 on its quoted equity securities available-for-sale securities. In 2016, the Group recognised an impairment loss of \$8,728,000 on its quoted unit trust available-for-sale and quoted equity securities available-for-sale.

NOTES TO THE FINANCIAL STATEMENTS

9. Trade and other receivables

	GROUP		CO-OPERATIVE	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Trade receivables	40,132	16,700	39,068	15,831
Less: Impairment loss	(215)	(173)	(215)	(173)
	39,917	16,527	38,853	15,658
Trade amounts due from:				
- related parties	233	643	233	643
- subsidiaries	–	–	3,436	8,071
- associates	596	318	596	318
	829	961	4,265	9,032
Loans to subsidiaries	–	–	113,109	112,356
Less: Impairment loss	–	–	(50,653)	(50,653)
	–	–	62,456	61,703
Loans to associates	4,333	179,739	–	175,406
Deposits	25,377	21,317	22,281	18,318
Prepayments	15,178	9,864	14,967	9,375
Interest receivables	9,770	3,160	9,770	3,160
Other receivables	4,198	3,408	3,105	1,976
	99,602	234,976	155,697	294,628
Non-current	4,333	4,333	62,456	61,703
Current	95,269	230,643	93,241	232,925
	99,602	234,976	155,697	294,628

The average credit period on sale of goods is 30 days (2016: 30 days).

The loans to subsidiaries of \$62,629,000 (2016: \$61,890,000) are unsecured and bear interest at 3.0% (2016: 3.0%) per annum during the year. The remaining loans to subsidiaries of \$50,480,000 (2016: \$50,466,000) are interest-free. Both loans to subsidiaries are not expected to be repaid within 12 months from the reporting period.

Loan to an associate, SMRT Alpha Pte. Ltd. of \$4,333,000 (2016: \$4,333,000) is unsecured and bears interest at 4.0% (2016: 4.0%) per annum and not expected to be repaid within 12 months from the reporting period.

In 2016, loan to an associate, Mercatus Co-operative Limited, of \$175,406,000 is unsecured and interest-bearing. The interest is based on (i) 6.5% of the shareholder's loan or (ii) 95% of the Co-operative's share of Net Distributable Surplus of each financial year, whichever amount is lower. During the year, the loan to Mercatus Co-operative Limited of \$164,700,000 has been fully repaid via conversion of the loan to ordinary shares in Mercatus Co-operative Limited (see note 7).

The Group and the Co-operative's exposure to credit and currency risks, and impairment losses for trade and other receivables, are disclosed in note 28.

NOTES TO THE FINANCIAL STATEMENTS

9. Trade and other receivables (cont'd)

Impairment losses

The ageing of trade receivables (including trade receivables with related parties) that were not impaired at the reporting date was:

	GROUP		CO-OPERATIVE	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Neither not past due nor impaired	22,965	7,715	22,284	12,942
Past due 1 to 30 days	10,822	4,547	10,526	4,207
Past due 31 to 60 days	2,791	2,444	2,707	2,242
Past due more than 61 days	4,168	2,782	7,601	5,299
	40,746	17,488	43,118	24,690

The Group and the Co-operative believe that the unimpaired amounts that are past due by more than 30 days are still collectible, based on historic payment behaviour and extensive analyses of customer credit risk, including underlying customers' credit ratings, when available.

The movement in the allowance for impairment in respect of trade receivables during the year are as follows:

	GROUP		CO-OPERATIVE	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
At beginning of the year	173	180	173	180
Impairment loss charged during the year	59	72	59	72
Utilised	(17)	(79)	(17)	(79)
At end of the year	215	173	215	173

10. Inventories

	GROUP		CO-OPERATIVE	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Retail goods	274,806	247,248	261,161	233,367

Inventories of \$21,244,000 (2016: \$18,781,000) and \$19,602,990 (2016: \$17,014,000) for the Group and Co-operative respectively was written off in the profit or loss during the year.

11. Cash and cash equivalents

	GROUP		CO-OPERATIVE	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Cash on hand	7,041	6,232	6,047	5,540
Cash at bank	306,532	265,903	246,685	199,028
Fixed deposits	7,186	251,556	7,186	251,556
	320,759	523,691	259,918	456,124

Fixed deposits of the Group and the Co-operative bear interest at average rates ranging from 0.62% to 1.38% (2016: 0.23% to 1.05%) per annum. The fixed deposits are placed with the financial institutions for an average tenure of approximately 13 days (2016: 10 days).

NOTES TO THE FINANCIAL STATEMENTS

12. Assets held for sale

On 1 January 2017, the Co-operative entered into an agreement to sell the property, plant and equipment to an associate. Fair value measurement is based on the consideration that is expected to be received from the sale of property, plant and equipment. The transaction was completed during the year.

	GROUP AND CO-OPERATIVE			
	2017		2016	
	Carrying value	Fair value	Carrying value	Fair value
	\$'000	\$'000	\$'000	\$'000
Property, plant and equipment	–	–	119,793	438,038

13. Share capital

	CO-OPERATIVE			
	2017	2016	2017	2016
	Number of ordinary shares			
	'000	'000	\$'000	\$'000
Authorised:				
Ordinary shares	500,000	500,000	500,000	500,000
Issued and paid up:				
At beginning of the year	284,207	284,570	284,207	284,570
Issued during the year	56,897	979	56,897	979
Redemption of shares	(1,757)	(1,342)	(1,757)	(1,342)
At end of the year	339,347	284,207	339,347	284,207
The share capital is represented by:				
Members' shares held by the founder member National Trade Union Congress ^{(b) (c) (d)}	100	100	100	100
Other members' shares ^{(a) (c) (d)}	339,247	284,107	339,247	284,107
	339,347	284,207	339,347	284,207

(a) This relates to the shares held by members where the Co-operative has the right of refusal to redeem the members' shares. Included in the members' shares is 100,000,000 shares allotted to NTUC Enterprise Co-operative Limited by the Co-operative amounting to \$100,000,000 which are not to be withdrawn or transferred within ten years from the date of their issue. Members include an individual person or institution or organisation duly admitted to the membership of the Co-operative in accordance with the By-laws of the Co-operative. In accordance with By-laws 5.6, the shares are redeemable at the lower of the nominal value of \$1 per share or the net asset value of the share.

(b) This relates to the shares held by the founder member National Trade Union Congress.

(c) In accordance with By-laws 4.2.2, the Board of Directors shall have the absolute discretion to approve or reject any application for membership or for additional shares without assigning any reason for its decision. By-laws 4.6 also states that, every member shall, unless otherwise disqualified under the Co-operative Societies Act, Chapter 62 or the By-laws, have the right to:

- (i) avail himself of all services of the Society;
- (ii) stand for election to office, subject to the provisions of the Act and the By-laws, where applicable;
- (iii) be co-opted to hold office in the Society, where applicable;
- (iv) participate and vote at general meetings; and
- (v) enjoy all other rights, privileges or benefits provided under the By-laws.

(d) The Co-operative's ordinary shares carry no right to fixed income.

NOTES TO THE FINANCIAL STATEMENTS

14. Other reserves

	GROUP		CO-OPERATIVE	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Fair value reserve ^(a)	286,275	200,055	221,847	147,430
Foreign currency translation reserve ^(b)	(276)	(276)	–	–
	285,999	199,779	221,847	147,430

(a) The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the assets are derecognised or impaired.

(b) Foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign associates.

15. Borrowings

	GROUP AND CO-OPERATIVE	
	2017	2016
	\$'000	\$'000
Non-current		
Unsecured bank loan	40,000	–
Current		
Unsecured bank loan	50,000	–

Market and liquidity risks

Information about the Group's and the Co-operative's exposure to interest rate and liquidity risks is included in note 28.

Terms and debt repayment schedule

Terms and conditions of outstanding borrowings are as follows:

	Currency	Nominal interest rate	Year of maturity	Face value	Carrying amount
		%		\$'000	\$'000
Group and Co-operative 2017					
Unsecured bank loans	SGD	1.19–1.78	2018–2020	90,000	90,000

NOTES TO THE FINANCIAL STATEMENTS

15. Borrowings (cont'd)

Reconciliation of movements of liabilities to cash flows arising from financing activities

	<u>Borrowings</u>
	<u>\$'000</u>
Balance at 1 January 2017	–
Changes from financing cash flows	
Proceeds from borrowings	90,000
Interest paid	(908)
Total changes from financing cash flows	<u>89,092</u>
Other changes	
Liability-related	
Interest expense	914
Change in accrued interest	(6)
Total liability-related other changes	<u>908</u>
Balance at 31 December 2017	<u><u>90,000</u></u>

16. Provisions

This relates to the provision of reinstatement cost to be incurred for dismantle, removal or restoration of the property, plant and equipment arising from the acquisition or use of assets, which is capitalised and included in the cost of property, plant and equipment.

Movements in the provision are as follows:

	GROUP		CO-OPERATIVE	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
At beginning of the year	32,063	29,696	30,906	28,543
Provisions made during the year	8,983	2,763	8,797	2,568
Utilised	(649)	(396)	(625)	(205)
At end of the year	<u>40,397</u>	32,063	<u>39,078</u>	30,906

A provision for reinstatement cost is recognised when the Group and the Co-operative have a legal and constructive obligation to rectify wear and tear to leased premises under property lease agreements with external parties. The unexpired lease terms range from 1 month to 9 years (2016: 1 month to 9 years). The provision is based on the best estimate of the expenditure with reference to past experience. It is expected that these costs will be incurred after one year from the date of the financial year. The provision is discounted using a current rate of 5% (2016: 5%) that reflects the risks specific to the liability.

NOTES TO THE FINANCIAL STATEMENTS

17. Deferred tax liabilities

The following are the major deferred tax (assets)/liabilities recognised by the Group, and the movements thereon, during the current and prior reporting periods:

	At 1 January 2016	Recognised in profit or loss (note 23)	At 31 December 2016	Acquired in business combinations (note 27)	Recognised in profit or loss (note 23)	At 31 December 2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Group						
Deferred tax liabilities/(assets)						
Property, plant and equipment	3,594	(121)	3,473	2	1,162	4,637
Provisions	(257)	–	(257)	–	–	(257)
Approved donation	(935)	–	(935)	–	–	(935)
Others	29	(8)	21	–	–	21
	2,431	(129)	2,302	2	1,162	3,466

18. Trade and other payables

	GROUP		CO-OPERATIVE	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Trade payables				
External parties	545,241	547,666	513,369	516,762
Amount due to subsidiaries, trade	–	–	8,882	9,318
Amount due to associates, trade	190	5,691	190	5,691
Amount due to related parties, trade	324	48	–	48
	545,755	553,405	522,441	531,819
Other payables				
Amounts due to:				
– Subsidiaries	–	–	120,163	143,095
– Associates	30,747	30,883	30,747	30,883
Accrued operating expenses ^(a)	107,911	108,166	95,010	93,281
Deposits received	4,789	6,718	4,741	6,659
Patronage rebates and dividends payable	539	677	539	677
Accrued short-term employee benefits	30,727	27,954	29,166	26,501
Gift vouchers payable	50,521	58,625	50,521	58,625
Other payables	18,041	13,166	17,929	13,264
Contributions to:				
– Central Co-operative Fund ^(b)	25	25	25	25
– Singapore Labour Foundation ^(c)	99,697	55,775	99,697	55,775
	342,997	301,989	448,538	428,785
	888,752	855,394	970,979	960,604

(a) Accrued operating expenses include accruals for purchases of property, plant and equipment for the Group and the Co-operative amounting to \$26,276,000 and \$25,403,000 (2016: \$22,495,000 and \$21,607,000) respectively. In making these estimates, management has relied on past experience and knowledge.

(b) In accordance with Section 71(2)(a) of the Co-operative Societies Act, Chapter 62, the Co-operative contributes 5% of the first \$500,000 of its surplus resulting from the operations of the Co-operative to the Central Co-operative Fund and this amount is due to be paid in the next financial year.

NOTES TO THE FINANCIAL STATEMENTS

18. Trade and other payables (cont'd)

- (c) In accordance with Section 71(2)(b) of the Co-operative Societies Act, Chapter 62, the Co-operative has opted to contribute 20% of the surplus in excess of \$500,000 from the operations of the Co-operative to the Singapore Labour Foundation ("SLF") and the amount is due to be paid in the next financial year.

Included in the balances above are the following:

	GROUP AND CO-OPERATIVE	
	2017	2016
	\$'000	\$'000
Contribution to Singapore Labour Foundation		
– Current year	99,697	56,108
– Prior year	–	(333)
	99,697	55,775

The average credit period on purchase of goods is 45 days (2016: 45 days). Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs.

The Group and the Co-operative's exposures to currency risk and liquidity risk for trade and other payables are disclosed in note 28.

19. Revenue

Revenue of the Group and the Co-operative represents invoiced value of goods sold.

20. Other income

	GROUP		CO-OPERATIVE	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
		Re-presented		Re-presented
Rental income	27,928	39,951	33,204	45,227
Franchise fee income	729	274	–	–
Advertising and promotion	14,640	14,676	13,317	13,122
Concessionary, commission and other service income	118,318	123,699	90,415	95,259
Discounts received	1,875	2,024	1,764	1,907
Others	20,492	15,641	12,308	8,084
	183,982	196,265	151,008	163,599

NOTES TO THE FINANCIAL STATEMENTS

21. Other operating expenses

	GROUP		CO-OPERATIVE	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
		Re-presented		Re-presented
Rental and conservancy charges	197,662	159,861	183,095	143,515
Utilities	38,079	40,413	32,580	35,019
Repair, maintenance and supplies	48,065	43,789	40,093	36,376
(Reversal)/Impairment loss on property, plant and equipment	(2,631)	371	(1,826)	273
Loss on disposal of property, plant and equipment	373	383	332	196
Amortisation of intangible asset	2,821	–	1,734	–
Impairment loss on trade receivables	59	72	59	72
Packing and delivery expenses	30,373	29,491	18,671	17,675
Donation to NTUC Fairprice Foundation Limited	10,000	10,000	3,700	2,600
Marketing expenses	29,380	36,615	29,273	36,503
Property tax	2,537	6,039	1,251	4,771
Security expense	6,636	7,250	5,524	6,101
Sundry expense	23,505	21,984	22,722	21,194
Others	23,536	25,279	19,244	20,243
	410,395	381,547	356,452	324,538

22. Investment Income

	GROUP		CO-OPERATIVE	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Dividend income	43,615	43,545	82,712	38,188
Gain on disposal of available-for-sale financial assets	11,120	8,190	11,120	8,190
Impairment loss on other investments	(2,002)	(8,728)	(2,002)	(8,728)
Interest income				
- financial institutions	408	1,326	408	1,326
- debt securities	16,564	8,607	16,564	8,607
- associates	–	10,989	–	10,705
Interest expense				
- subsidiaries	–	–	(818)	(1,053)
- financial institutions	(914)	–	(914)	–
	68,791	63,929	107,070	57,235

NOTES TO THE FINANCIAL STATEMENTS

23. Tax expense

	Note	GROUP	
		2017	2016
		\$'000	\$'000
Current tax expense:			
Current year		610	487
Changes in estimates related to prior years		(171)	90
		439	577
Deferred tax expense:			
Origination and reversal of temporary difference		1,042	(82)
Changes in estimates related to prior years		120	(47)
	17	1,162	(129)
Total tax expense		1,601	448
Reconciliation of effective tax rate			
Profit before tax		381,327	327,592
Tax expense at statutory tax rate of 17% (2016: 17%)		64,826	55,691
Non-deductible expenses		1,487	1,161
Exempt income ⁽¹⁾		(67,205)	(53,677)
Effect of share of results of associates		4,552	445
Effect of tax concessions			
– donation		(2,028)	(3,145)
Tax rebates		(15)	(76)
Charges in estimates related to prior years		(51)	43
Others		35	6
		1,601	448

(1) Exempt income mainly pertains to the Co-operative's income. The income of any Co-operative Society registered under the Co-operative Societies Act, Chapter 62 is exempted from income tax under Section 13(1)(f)(ii) of the Singapore Income Tax Act, Chapter 134.

NOTES TO THE FINANCIAL STATEMENTS

24. Dividend

	GROUP		CO-OPERATIVE	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Distributions to members of the Co-operative				
– first and final dividend	16,758	16,797	16,758	16,797

First and final dividend of 6.0% (2016: 6.0%) was paid out to the members of the Co-operative during the financial year.

25. Patronage rebates, directors' honoraria and dividends

Subsequent to the end of the financial year, the Board of Directors proposed the following patronage rebates, directors' honoraria and dividends. The patronage rebates, directors' honoraria and dividends have not been provided for, subject to approval in the Annual General Meeting.

	GROUP AND CO-OPERATIVE	
	2017	2016
	\$'000	\$'000
Patronage rebates	52,350	59,683
Directors' honoraria	518	597
First and final dividend of 6.0% (2016: 6.0%)	20,360	17,052
	73,228	77,332

The proposed patronage rebates represent 4.0% (2016: 4.5%) of the eligible purchases.

26. Commitments

As at the end of the financial year, the Group and the Co-operative have the following outstanding commitments which have not been provided in the financial statements:

	GROUP		CO-OPERATIVE	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
(a) Capital commitments:				
Purchase of property, plant and equipment approved by the directors				
– contracted	61,392	8,166	61,392	8,166

(b) Commitments under non-cancellable operating lease payables are as follows:

	GROUP		CO-OPERATIVE	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Within 1 year	186,720	163,997	175,351	154,250
After 1 year but within 5 years	312,527	307,511	298,003	291,574
After 5 years	44,189	43,906	20,003	23,489
	543,436	515,414	493,357	469,313

Operating lease payments represent rental payable by the Group and the Co-operative for certain office and outlets premises. Leases are negotiated for an average term of 3 years and fixed for an average of 3 years.

NOTES TO THE FINANCIAL STATEMENTS

26. Commitments (cont'd)

- (c) The Group rents out its leasehold properties in Singapore under operating leases. Property rental income earned during the year was \$27,928,000 (2016: \$39,951,000). As at the end of reporting year, the Group and Co-operative have contracted with certain tenants under non-cancellable operating lease receivables as follows:

	GROUP		CO-OPERATIVE	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Within 1 year	22,604	28,095	27,320	32,374
After 1 year but within 5 years	33,812	23,676	54,987	49,444
After 5 years	57	432	110,491	116,226
	56,473	52,203	192,798	198,044

27. Business combinations

On 1 July 2017, the Group acquired the business of Unity Pharmacy from NTUC Health Co-operative Limited, for a cash consideration of \$13,708,000. On the same date, the Group acquired 80% equity interest in Origins Healthcare Pte Ltd ("Origins") from NTUC Health Co-operative Limited, for a cash consideration of \$16,829,000 and the remaining 20% equity interest for a cash consideration of \$3,700,000 on 11 August 2017.

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

	Note	2017
		\$'000
Property, plant and equipment		1,464
Inventories		24,496
Trade and other receivables		6,044
Cash and cash equivalents		1,098
Trade and other payables		(21,927)
Current tax liabilities		(205)
Deferred tax liabilities		(2)
Net assets acquired		10,968
Goodwill	5	23,269
Cash consideration paid, satisfied in cash		34,237
Cash acquired		(1,098)
Net cash outflow		33,139

Goodwill

Goodwill arising from the acquisition in the financial year ended 31 December 2017 has been recognised as follows:

	Origins	Unity
	\$'000	\$'000
Total consideration transferred	19,568	13,571
Fair value of total identifiable net assets attributable to the Group	(2,384)	(7,486)
Goodwill	17,184	6,085

The goodwill arising is mainly from expected synergies from combining operations.

NOTES TO THE FINANCIAL STATEMENTS

28. Financial instruments

Financial risk management

Risk management framework

The Group's activities expose it to a variety of financial risks, particularly credit risk, liquidity risk and market risk. Where appropriate, the Group's risk management policies seek to minimise potential adverse effects of these risks on the financial performance of the Group.

Matters pertaining to risk management strategies and execution require the decision and approval of the Board of Directors.

The Board of Directors is regularly updated on the Group's financial investments.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risk. Financial risk exposures are measured using sensitivity analysis indicated below.

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, and arises principally from the Group's receivables from customers, related parties and investment securities.

Transactions involving financial instruments are entered into only with counterparties that are of acceptable credit quality. Cash and fixed deposits are placed with banks and financial institutions which are regulated.

The Group establishes an allowance for impairment that represents its estimate of the specific loss component in respect of trade receivables. The allowance account in respect of trade receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible. At that point, the financial asset is considered irrecoverable and the amount charged to the allowance account is written off against the carrying amount of the impaired financial asset.

At the reporting date, there is no significant concentration of credit risk. The carrying amounts of financial assets in the statements of financial position represent the Group and the Co-operative's maximum exposure to credit risk, before taking into account any collateral held. The Group and the Co-operative do not hold any collateral in respect of their financial assets.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The following are the expected contractual undiscounted cash outflows of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	Carrying amount \$'000	Contractual cash flows \$'000	Less than 1 year \$'000	1 – 5 years \$'000	Over 5 years \$'000
Group					
2017					
Borrowings	90,000	(91,916)	(50,789)	(41,127)	–
Trade and other payables	888,752	(888,752)	(888,752)	–	–
	978,752	(980,668)	(939,541)	(41,127)	–
2016					
Trade and other payables	855,394	(855,394)	(855,394)	–	–

NOTES TO THE FINANCIAL STATEMENTS

28. Financial instruments (cont'd)

Liquidity risk (cont'd)

	Carrying amount \$'000	Contractual cash flows \$'000	Less than 1 year \$'000	1 – 5 years \$'000	Over 5 years \$'000
Co-operative					
2017					
Borrowings	90,000	(91,916)	(50,789)	(41,127)	–
Trade and other payables	970,979	(970,979)	(970,979)	–	–
	1,060,979	(1,062,895)	(1,021,768)	(41,127)	–
2016					
Trade and other payables	960,604	(960,604)	(960,604)	–	–

It is not expected that the cash flows in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Group is exposed to foreign currency risk on purchases that are denominated in currencies other than the respective functional currencies of Group entities. The currencies in which these transactions primarily are denominated in US Dollar ("USD"), EURO ("EUR"), Swiss Franc ("CHF"), British Sterling Pound ("GBP"), Japanese Yen ("JPY"), Australian Dollar ("AUD"), Hong Kong Dollar ("HKD") and Swedish Krona ("SEK").

The Group manages its foreign exchange exposure by adopting a policy of matching receipts and payments, and asset purchases, in the currency of the relevant entity, where possible.

Exposure to currency risk

The Group's and the Co-operative's exposure to foreign currencies are as follows:

	USD \$'000	EUR \$'000	CHF \$'000	GBP \$'000	JPY \$'000	AUD \$'000	HKD \$'000	SEK \$'000	Total \$'000
Group and Co-operative									
2017									
Financial assets									
Cash and cash equivalents	9,675	–	–	–	–	–	–	–	9,675
Quoted equity securities available-for-sale	107,365	26,399	6,258	4,298	219	–	7,590	–	152,129
Total financial assets	117,040	26,399	6,258	4,298	219	–	7,590	–	161,804
Financial liabilities									
Trade and other payables	(6,976)	(298)	–	(472)	–	(1,996)	–	–	(9,742)
Total financial liabilities	(6,976)	(298)	–	(472)	–	(1,996)	–	–	(9,742)
Net financial assets/ (liabilities) at end of the year	110,064	26,101	6,258	3,826	219	(1,996)	7,590	–	152,062

NOTES TO THE FINANCIAL STATEMENTS

28. Financial instruments (cont'd)

Currency risk (cont'd)

Exposure to currency risk (cont'd)

	USD	EUR	CHF	GBP	JPY	AUD	HKD	SEK	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Group and Co-operative									
2016									
Financial assets									
Cash and cash equivalents	8,054	189	73	75	–	205	–	–	8,596
Quoted equity securities available-for-sale	128,365	28,456	9,637	8,334	4,838	2,078	–	1,692	183,400
Total financial assets	136,419	28,645	9,710	8,409	4,838	2,283	–	1,692	191,996
Financial liabilities									
Trade and other payables	(7,263)	(2,668)	(460)	(44)	–	–	–	–	(10,435)
Total financial liabilities	(7,263)	(2,668)	(460)	(44)	–	–	–	–	(10,435)
Net financial assets at end of the year	129,156	25,977	9,250	8,365	4,838	2,283	–	1,692	181,561

Sensitivity analysis

A 10% strengthening of the following major currencies against the functional currencies of the Group's entities at the reporting date held by the Group and the Co-operative would increase/(decrease) equity and profit or (loss) by the amounts shown below. Similarly, a 10% weakening would have the equal but opposite effect. This analysis assumes that all other variables, in particular interest rates, remain constant.

	GROUP AND CO-OPERATIVE			
	Profit or (loss)		Equity	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
USD	270	79	10,736	12,837
EUR	(30)	(248)	2,640	2,846
CHF	–	(39)	626	964
GBP	(47)	3	430	833
JPY	–	–	22	484
AUD	(200)	21	–	208
HKD	–	–	759	–
SEK	–	–	–	169

NOTES TO THE FINANCIAL STATEMENTS

28. Financial instruments (cont'd)

Interest rate risk

The Group's exposure to changes in interest rates relates primarily to interest-earning financial assets and interest-bearing financial liabilities. Interest rate risk is managed by the Group on an on-going basis with the primary objective of limiting the extent to which net interest expense could be affected by an adverse movement in interest rates. The Group does not use derivative financial instruments to hedge against such risk exposure.

Exposure to interest rate risk

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments was as follows:

	GROUP Nominal amount		CO-OPERATIVE Nominal amount	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Fixed rate instruments				
Borrowings	90,000	–	90,000	–
Other investments	590,159	290,158	590,159	290,158
Trade and other receivables	4,333	4,333	62,629	61,890
Cash and cash equivalents	7,186	251,556	7,186	251,556
	691,678	546,047	749,974	603,604
Variable rate instruments				
Trade and other receivables	–	175,406	–	175,406

Sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, in respect of the fixed rate instruments, a change in interest rates at the reporting date would not affect profit or loss.

Sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rate at the reporting date would have increased/(decreased) profit or (loss) by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or (loss)	
	100 bp increase	100 bp decrease
	\$'000	\$'000
Group and Co-operative		
31 December 2017		
Variable rate instruments	–	–
31 December 2016		
Variable rate instruments	1,754	(1,754)

NOTES TO THE FINANCIAL STATEMENTS

28. Financial instruments (cont'd)

Equity price risk

The Group and the Co-operative are exposed to equity price risks changes arising from available-for-sale investments. An increase in the underlying equity prices of the available-for-sale investments at the reporting date by 10% (2016: 10%) for the Group and the Co-operative, would increase profit before tax and other components of equity before any tax effect by the amounts shown below. This analysis assumes that all other variables remain constant.

	GROUP \$'000	CO-OPERATIVE \$'000
2017		
Available-for-sale investments		
Equity	109,836	99,585
Profit before tax	-	-
2016		
Available-for-sale investments		
Equity	106,737	96,020
Profit before tax	-	-

Similarly, a decrease in the underlying equity prices by 10% (2016: 10%) and 10% (2016: 10%) for the Group and the Co-operative respectively would decrease profit before tax and other components of equity before any tax effect by the amounts shown below. This analysis assumes that all other variables remain constant.

	GROUP \$'000	CO-OPERATIVE \$'000
2017		
Available-for-sale investments		
Equity	109,809	99,558
Profit before tax	27	27
2016		
Available-for-sale investments		
Equity	106,731	96,014
Profit before tax	6	6

NOTES TO THE FINANCIAL STATEMENTS

28. Financial instruments (cont'd)

Accounting classifications and fair values

The carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy are as follows. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Carrying amount				Fair Value			
	Loans and receivables	Available-for-sale	Other financial liabilities at amortised cost	Total	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Group								
2017								
Financial assets measured at fair value								
Quoted unit trust available-for-sale	–	613,441	–	613,441	613,441	–	–	613,441
Quoted equity securities available-for-sale	–	224,765	–	224,765	224,765	–	–	224,765
Quoted debt securities available-for-sale	–	260,159	–	260,159	260,159	–	–	260,159
Unquoted equity securities available-for-sale	–	16,468	–	16,468	–	–	16,468	16,468
	–	1,114,833	–	1,114,833				
Financial assets not measured at fair value								
Unquoted debt security	330,000	–	–	330,000	–	358,214	–	358,214
Unquoted equity securities available-for-sale	–	10,000	–	10,000				
Other investments	–	750	–	750				
Cash and cash equivalents	320,759	–	–	320,759				
Trade and other receivables*	80,091	–	–	80,091				
Loans to associates	4,333	–	–	4,333	–	4,960	–	4,960
	735,183	10,750	–	745,933				
Financial liabilities not measured at fair value								
Borrowings	–	–	(90,000)	(90,000)	–	(86,727)	–	(86,727)
Trade and other payables	–	–	(888,752)	(888,752)				
	–	–	(978,752)	(978,752)				

* Excludes prepayments and loans to associates

NOTES TO THE FINANCIAL STATEMENTS

28. Financial instruments (cont'd)

Accounting classifications and fair values (cont'd)

	Carrying amount				Fair Value			
	Loans and receivables	Available-for-sale	Other financial liabilities at amortised cost	Total	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Group								
2016								
Financial assets measured at fair value								
Quoted unit trust available-for-sale	–	547,976	–	547,976	547,976	–	–	547,976
Quoted equity securities available-for-sale	–	202,786	–	202,786	202,786	–	–	202,786
Quoted debt securities available-for-sale	–	290,158	–	290,158	290,158	–	–	290,158
Unquoted equity securities available-for-sale	–	16,457	–	16,457	–	–	16,457	16,457
	–	1,057,377	–	1,057,377				
Financial assets not measured at fair value								
Unquoted equity securities available-for-sale	–	10,000	–	10,000				
Other investments	–	750	–	750				
Cash and cash equivalents	523,691	–	–	523,691				
Trade and other receivables*	45,373	–	–	45,373				
Loans to associates	179,739	–	–	179,739	–	179,705	–	179,705
	748,803	10,750	–	759,553				
Financial liabilities not measured at fair value								
Trade and other payables	–	–	(855,394)	(855,394)				

* Excludes prepayments and loans to associates

NOTES TO THE FINANCIAL STATEMENTS

28. Financial instruments (cont'd)

Accounting classifications and fair values (cont'd)

	Carrying amount				Fair Value			
	Loans and receivables	Available-for-sale	Other financial liabilities at amortised cost	Total	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Co-operative								
2017								
Financial assets measured at fair value								
Quoted unit trust available-for-sale	–	510,930	–	510,930	510,930	–	–	510,930
Quoted equity securities available-for-sale	–	224,765	–	224,765	224,765	–	–	224,765
Quoted debt securities available-for-sale	–	260,159	–	260,159	260,159	–	–	260,159
	–	995,854	–	995,854				
Financial assets not measured at fair value								
Unquoted debt security	330,000	–	–	330,000	–	358,214	–	358,214
Unquoted equity securities available-for-sale	–	10,000	–	10,000				
Other investments	–	750	–	750				
Cash and cash equivalents	259,918	–	–	259,918				
Trade and other receivables*	78,274	–	–	78,274				
Loans to subsidiaries	62,456	–	–	62,456	–	64,782	–	64,782
	730,648	10,750	–	741,398				
Financial liabilities not measured at fair value								
Borrowings	–	–	(90,000)	(90,000)	–	(86,727)	–	(86,727)
Trade and other payables	–	–	(970,979)	(970,979)				
	–	–	(1,060,979)	(1,060,979)				

* Excludes prepayments and loans to subsidiaries

NOTES TO THE FINANCIAL STATEMENTS

28. Financial instruments (cont'd)

Accounting classifications and fair values (cont'd)

	Carrying amount				Fair Value			
	Loans and receivables	Available-for-sale	Other financial liabilities at amortised cost	Total	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Co-operative								
2016								
Financial assets measured at fair value								
Quoted unit trust available-for-sale	–	457,257	–	457,257	457,257	–	–	457,257
Quoted equity securities available-for-sale	–	202,786	–	202,786	202,786	–	–	202,786
Quoted debt securities available-for-sale	–	290,158	–	290,158	290,158	–	–	290,158
	–	950,201	–	950,201				
Financial assets not measured at fair value								
Unquoted equity securities available-for-sale	–	10,000	–	10,000				
Other investments	–	750	–	750				
Cash and cash equivalents	456,124	–	–	456,124				
Trade and other receivables*	48,144	–	–	48,144				
Loans to subsidiaries	61,703	–	–	61,703	–	61,917	–	61,917
Loans to associates	175,406	–	–	175,406	–	175,406	–	175,406
	741,377	10,750	–	752,127				
Financial liabilities not measured at fair value								
Trade and other payables	–	–	(960,604)	(960,604)				

* Excludes prepayments and loans to associates and subsidiaries

Determination of fair value

Fair values have been determined for measurement and disclosure purposes based on the following methods.

The fair values of quoted unit trusts, quoted equity securities and quoted debt securities traded in an active market and are determined with reference to quoted bid prices at the reporting date.

The fair values of certain unquoted equity securities included within level 3 are estimated based on the Group's share of the net assets values of the investee company, which take into consideration the fair value of the underlying property held by the investee company. The fair value of the investment property is determined based on the capitalisation approach. The significant unobservable input is price per square meter. Any significant isolated increases (decreases) in the estimated price per square meter would result in a significantly higher (lower) fair value measurement.

NOTES TO THE FINANCIAL STATEMENTS

28. Financial instruments (cont'd)

Financial instruments measured at fair value based on level 3

	Unquoted equity securities available-for-sale
	\$'000
Group	
At 1 January 2016	15,854
Gains in other comprehensive income	603
At 31 December 2016	16,457
Gains in other comprehensive income	11
At 31 December 2017	16,468

There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the financial year.

Financial instruments not measured at fair value

Type	Valuation Technique
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Group

Loans to associates and unquoted debt securities

Discounted cash flows: The valuation model considers the present value of expected payment, discounted using a risk-adjusted discount rate.

Co-operative

Loans to subsidiaries, loans to associates and unquoted debt securities

The interest rate used to discount estimated cash flows is set out below:

	2017	2016
	%	%
Group/Co-operative		
Loan to associates	2.4	2.9
Co-operative		
Loans to subsidiaries	2.4	2.9

The fair values of certain unquoted equity securities have not been determined as the fair value cannot be determined reliably. As a result, the variability in the range of recoverable fair value estimates derived from valuation techniques is expected to be significant.

NOTES TO THE FINANCIAL STATEMENTS

28. Financial instruments *(cont'd)*

Capital management

The Group's policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of the business.

Management periodically reviews the capital structure. Capital comprises total equity.

In accordance with By-laws 12.2, the net profit shall be distributed as follows, subject to approval in the Annual General Meeting:

- (a) by payment of a dividend not exceeding the maximum rate allowed under the Act, on the amount of shares held by members, subject to the provisions of the Act and in accordance with By-Law 12.3;
- (b) by payment of patronage rebates to members in accordance with By-Laws 12.4;
- (c) by payment of honoraria to some or all of the members of the Board of Directors in consideration of their services which would not otherwise be remunerated, subject to the provisions of the Act and in accordance with By-Law 9.21;
- (d) by issue of bonus certificates or bonus shares; or
- (e) by payment to any other funds established in accordance with and subject to the provision of the Act and/or in accordance with the By-Laws.

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

Neither the Co-operative nor any of its subsidiaries are subject to externally imposed capital requirements.

NOTES TO THE FINANCIAL STATEMENTS

29. Related parties

The Co-operative is a subsidiary of NTUC Enterprise Co-operative Limited ("NTUC Enterprise"), incorporated in the Republic of Singapore, which is also the Co-operative's ultimate holding entity. Related companies in these financial statements refer to members of the holding entity's group of companies.

Some of the Group's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties is reflected in these financial statements.

During the financial year, the Group entered into the following transactions with related parties:

	GROUP		CO-OPERATIVE	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Donations to NTUC Fairprice Foundation Limited	10,000	10,000	3,700	2,600
Sales of goods to related party	(104)	(1,171)	(104)	(1,171)
Rental income from:				
– Subsidiaries	–	–	(5,810)	(5,810)
– Associates	(797)	(1,375)	(797)	(1,375)
– Related parties	(1,686)	(2,952)	(1,686)	(2,952)
Interest income from associates	–	(10,989)	–	(10,705)
Interest income from holding entity	(7,203)	–	(7,203)	–
Interest expense from subsidiaries	–	–	818	1,053
Rental expenses to:				
– Associates	45,950	15,281	44,863	15,281
– Related party	3,799	4,148	3,799	4,148
Repair and maintenance to associates	2,883	2,746	2,883	2,746
Issuance/(Redemption) of link points by related party	457	(5,768)	457	(5,768)
Dividend expenses to:				
– Holding entity	9,478	9,478	9,478	9,478
– Related parties	111	112	111	112
Purchases from associates	722	973	722	973
Printing expenses to:				
– Related party	34	708	34	708
Other operating expenses to:				
– Holding entity	4,444	2,635	4,444	2,635
– Related party	601	178	601	178
Proceed from disposal of property, plant and equipment to an associate	438,038	213,445	438,038	131,575
Sponsorship to:				
– Related parties	1,007	1,004	1,007	1,004
Dividend income from:				
– Associates	(240)	(240)	(240)	(240)
– Related parties	(515)	(500)	(515)	(500)

Please refer to notes 7 and 9 for additional information on related party transactions with associates.

NOTES TO THE FINANCIAL STATEMENTS

29. Related parties (cont'd)

Management personnel compensation

The remuneration of directors and other members of key management during the financial year was as follows:

	GROUP AND CO-OPERATIVE	
	2017	2016
	\$'000	\$'000
Salaries, short-term employee benefits and post-employment benefits:		
– directors	518	438
– officers	9,609	8,252
	10,127	8,690

30. New standards and interpretations not adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2017 and earlier application is permitted; however, the Group has not early applied the following new or amended standards in preparing these statements.

The expected impact on adoption of FRS 109 *Financial Instruments* and FRS 116 *Leases* are described below. The information below reflects the Group's expectation of the implication arising from changes in the accounting treatment.

Applicable to 2018 financial statements

FRS 109 *Financial instruments*

FRS 109 replaces most of the existing guidance in FRS 39 *Financial Instruments: Recognition and Measurement*. It includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from FRS 39.

FRS 109 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. Retrospective application is generally required, except for hedge accounting. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. Restatement of comparative information is not mandatory. If comparative information is not restated, the cumulative effect is recorded in opening equity as at 1 January 2018.

The revised guidance on the classification and measurement of financial instrument, a new expected credit loss model for calculating impairment on financial assets of FRS 109 that would have an impact on the Group, with effect from annual periods beginning on or after 1 January 2018, are as described below.

Classification and measurement – Loans and receivables that are currently accounted for at amortised cost will continue to be accounted for using amortised cost model under FRS 109, except for related parties balances where contractual terms do not meet solely payments of principal and interest test. Under FRS 109, the Group will measure such related parties balances at fair value through profit and loss. The Group expects a significant change to the measurement basis arising from adopting the new classification and measurement model under FRS 109. As at 31 December 2017:

- The Group has equity investments classified as available-for-sale with a fair value of \$838,206,000. Under FRS109, the Group has designated these investments as measured at FVOCI. Consequently, all fair value gains and losses will be reported in OCI, no impairment losses will be recognised in profit or loss and no gains or losses will be reclassified to profit or loss on disposal.
- The Group has debt investments classified as available-for-sale with a fair value of \$260,159,000. Under FRS109, the Group has designated these investments as measured at FVOCI. Consequently, all fair value gains and losses will be reported in OCI. Impairment losses will be recognised in profit or loss and gains or losses will be reclassified to profit or loss on disposal.

NOTES TO THE FINANCIAL STATEMENTS

30. New standards and interpretations not adopted (cont'd)

Applicable to 2018 financial statements (cont'd)

FRS 109 Financial instruments (cont'd)

- The Group has unquoted equity investments with a book value of \$26,468,000. Under FRS109, the Group has designated these investments as measured at FVOCI. Consequently, all fair value gains and losses will be reported in OCI, no impairment losses will be recognised in profit or loss and no gains or losses will be reclassified to profit or loss on disposal.
- The Group has debt investments classified as loans and receivables with a book value of \$330,000,000. Loans and receivables that are currently accounted for at amortised cost will continue to be accounted for using amortised cost model under FRS 109.

Impairment – The Group plans to apply the simplified approach and record lifetime expected impairment losses on all trade receivables arising from the application of FRS 115. The Group plans to apply the general approach and record 12-month expected credit losses on other receivables and intercompany loans. The Group does not expect significant financial impact on adoption of FRS 109 and impairment losses are likely to be insignificant.

The Group is currently finalising the testing of its expected credit loss model and the quantum of the final transition adjustments may be different upon finalisation.

Applicable to 2019 financial statements

FRS 116 Leases

FRS 116 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use ("ROU") assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

FRS 116 substantially carries forward the lessor accounting requirements in FRS 17 Leases.

Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the FRS 17 operating lease and finance lease accounting models respectively. However, FRS 116 requires more extensive disclosures to be provided by a lessor.

When effective, FRS 116 replaces existing lease accounting guidance, including FRS 17, INT FRS 104 *Determining whether an Arrangement contains a Lease*, INT FRS 15 *Operating Leases – Incentives*, and INT FRS 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

FRS 116 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted if FRS 115 is also applied.

The Group has performed a preliminary high-level assessment of the new standard on its existing operating lease arrangements as a lessee (see note 26). Based on the preliminary assessment, the Group expects these operating leases to be recognised as ROU assets with corresponding lease liabilities under the new standard. The operating lease commitments on an undiscounted basis amount to approximately 15.9% of the consolidated total assets and 53.1% of the consolidated total liabilities. Assuming no additional new operating leases in future years until the effective date, the Group expects the amount of ROU asset and lease liability to be lower due to discounting and as the lease terms run down.

The Group is still in the process of assessing the impact of the new FRSs, amendments to and interpretations of the FRSs on the financial statements.

Except for the new standards above, none of the others are expected to have a significant effect on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31. Comparative information

Change in classification

During the year, the Group modified the presentation of its investing activities in the statements of profit or loss and other comprehensive income to better reflect more appropriately the way in which the Group derived its economic benefits from its investments. Accordingly, certain comparative amounts in the statements of profit or loss and other comprehensive income have been reclassified to conform with the current year's presentation.

Since the amounts are reclassification within the operating and investing activities in the statements of profit or loss and other comprehensive income, this reclassification did not have any effect on the statements of financial position and cash flows.

Group	As previously reported	Reclassification	As re-presented
	\$'000	\$'000	\$'000
Other income	383,041	(186,776)	196,265
Other operating expenses	(389,892)	8,345	(381,547)
Gain on disposal of property, plant and equipment to an associate	–	114,502	114,502
Investment income	–	63,929	63,929

Co-operative	As previously reported	Reclassification	As re-presented
	\$'000	\$'000	\$'000
Other income	327,356	(163,757)	163,599
Other operating expenses	(333,070)	8,532	(324,538)
Gain on disposal of property, plant and equipment to an associate	–	97,990	97,990
Investment income	–	57,235	57,235

32. Subsequent events

On 2 January 2018, the Co-operative disposed its 12.7% interest in NTUC Choice Homes Co-operative Limited to its associate, Mercatus Co-operative Limited, for a consideration of \$59 million. The consideration was satisfied by way of issuance 39 million shares of Mercatus to the Co-operative.

On 13 February 2018, the Co-operative purchased a leasehold commercial property, The Woodgrove for a purchase consideration of \$55,850,000.

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