FairPriceGroup

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Here To Serve

FINANCIAL REPORT 2022

Contents

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 2022.

In our opinion:

(a) the financial statements set out on pages 7 to 81 are drawn up so as to give a true and fair view of the state of affairs of the Group and the Co-operative as at 31 December 2022 and of the results, changes in equity of the Group and the Co-operative and cash flows of the Group for the year ended on that date in accordance with the provisions of the Co-operative Societies Act 1979 (the "Act") and Financial Reporting Standards in Singapore;

(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 2022 have been made in accordance with the By-Laws of the Co-operative and the provisions of the Act and the Rules (made under section 95 of the Act).

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

(A) DIRECTORS

The Directors of the Co-operative in office at the date of this statement are as follows:

Kee Teck Koon
Seah Kian Peng (Appointed on 5 April 2022)
Albert Cheng Yong Kim
Lim Sau Hoong
Kristy Tan Ruyan
Lee Seow Hiang
Ho Wah Lee
Ronald Ong Whatt Soon
Tan Hwee Bin
Ong Hwee Liang
Robert Yap Min Choy

(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

(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 Co-operative in which interests are held	Shareholdings registered in the name of Directors At beginning of the financial year	 At end of the financial year
NTUC Fairprice Co-operative Limited		
Bobby Chin Yoke Choong	20	–**
Ronald Ong Whatt Soon	20	20
Albert Cheng Yong Kim	20	20
Lim Sau Hoong	20	20
Kristy Tan Ruyan	20	20
Lee Seow Hiang	20	20
Ho Wah Lee	20	20
Kee Teck Koon	20	20
Tan Hwee Bin	5,000	5,000
Ong Hwee Liang	26	26
Robert Yap Min Choy	20	20
Seah Kian Peng	–*	15,039

* Appointed on 5 April 2022
** Retired on 17 May 2022

(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

Kee Teck Koon
Director

Ho Wah Lee
Director

19 April 2023

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 2022, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and statement of profit or loss, statement of 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 7 to 81.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position, statement of profit or loss, statement of 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 1979 ("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 the Co-operative as at 31 December 2022 and of the results and changes in equity of the Group and the Co-operative and consolidated cash flows of the Group for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *'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.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Goodwill impairment assessment (S$165,046,000)
(Refer to Note 7 to the financial statements)

Risk

As at 31 December 2022, the Group recorded goodwill of $165,046,000.

As disclosed in Note 7, the Group allocated the goodwill to three cash-generating units ("CGUs"), arising from acquisition of businesses. Goodwill is tested for impairment annually by estimating the recoverable amount of the CGUs. Management applies value-in-use (discounted cash flow) method to determine the recoverable amount of the CGUs.

Management's impairment test of goodwill and other intangible assets is subjective and requires management to make significant judgement on the selection of various key assumptions that are affected by future market and economic conditions.

Our response

Our procedures included, among others, assessing the appropriateness of the methodology used in determining the recoverable amount of the goodwill. We assessed the determination of the CGUs that goodwill is allocated to, and the reasonableness of the key assumptions used in the 5-year cashflow forecasts, by comparing average growth rates to past performance and future plans. We also compared the discount rates applied to the cost of capital of comparable listed companies and compared the terminal growth rate to macroeconomic data. We evaluated the sensitivity of the average growth rate by considering the downside scenarios against reasonably plausible changes to this key assumption. We also tested the mathematical accuracy of the discounted cash flows.

Independent auditors' report

REPORT ON THE AUDIT OF FINANCIAL STATEMENTS (CONT'D)

Our findings

We found the application of discounted cash flow method and the identification of CGUs to be acceptable. We found the key assumptions and estimates used in determining the recoverable amounts for the CGUs to be within a supportable range. Based on management's value-in-use assessment as at 31 December 2022, no impairment was required for all CGUs.

Cash sales/receipts arising from operations (S$452,685,000)
(Refer to Note 13 to the financial statements)

Risk

A substantial volume of the sales from supermarket and food and beverage operations is derived from cash sales. In view of the high volume of cash transactions, there are risks that misappropriation of cash and certain cash sales may not be recorded.

Our response

We assessed the Group's controls over the recording of sales, collection and custody of cash including segregation of duties. We tested key controls such as reconciliation of sales to records of receipts and cash and bank balances. We requested for and obtained bank confirmations as at 31 December 2022 to ascertain existence and completeness of cash at bank. We have also performed surprise cash counts at selected outlets as a test of unpredictability to address risk of fraud.

Our findings

We found that the controls over cash and cash sales were operating effectively. We found the cash and bank balances, and revenue recognised in the financial statements to be supportable.

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.

We have obtained all other information prior to the date of this auditors' report.

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

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.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless the law or regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Independent auditors' report

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion

In our opinion:

(a) 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 the Rules (made under section 95 of the Act); and

(b) 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 and the Rules (made under section 95 of the Act). This responsibility includes monitoring related compliance requirements relevant to the Co-operative, and implementing internal controls as management determines are necessary to enable compliance with the By-laws of the Co-operative and the provisions of the Act and the Rules (made under section 95 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 and the Rules (made under section 95 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 internal control system, non-compliances may nevertheless occur and not be detected.

The engagement partner on the audit resulting in this independent auditors' report is Yeo Lik Khim.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
19 April 2023

Statements of financial position

As at 31 December 2022

	Note	Group 2022 $'000	Group 2021 $'000	Co-operative 2022 $'000	Co-operative 2021 $'000
Non-current assets					
Property, plant and equipment	4	835,206	738,789	545,694	537,669
Right-of-use assets	5	1,334,967	1,362,066	1,085,147	1,103,015
Investment properties	6	10,686	10,852	–	–
Intangible assets	7	300,559	291,249	6,695	7,516
Subsidiaries	8	–	–	310,477	310,477
Associates	9	967,045	939,787	1,026,799	1,008,844
Other investments	10	1,394,416	1,596,303	1,391,733	1,590,543
Trade and other receivables	11	94,442	64,214	296,034	230,688
Total non-current assets		4,937,321	5,003,260	4,662,579	4,788,752
Current assets					
Trade and other receivables	11	149,270	216,886	185,859	160,184
Inventories	12	298,904	291,264	262,811	271,348
Cash and cash equivalents	13	452,685	535,438	308,023	404,239
Total current assets		900,859	1,043,588	756,693	835,771
Total assets		5,838,180	6,046,848	5,419,272	5,624,523
Equity					
Share capital	14	433,993	435,493	433,993	435,493
Retained earnings		2,022,675	2,152,508	2,073,145	1,968,244
Other reserves	15	(12,101)	214,269	(48,722)	200,432
Equity attributable to members of the Co-operative		2,444,567	2,802,270	2,458,416	2,604,169
Non-controlling interests		15,028	16,167	–	–
Total equity		2,459,595	2,818,437	2,458,416	2,604,169
Non-current liabilities					
Borrowings	16	571,623	270,516	567,000	267,000
Lease liabilities	17	1,145,291	1,158,682	952,029	966,460
Provisions	18	60,039	58,340	48,992	46,575
Deferred tax liabilities	19	30,309	27,135	–	–
Trade and other payables	20	3,091	6,767	–	94,329
Total non-current liabilities		1,810,353	1,521,440	1,568,021	1,374,364
Current liabilities					
Borrowings	16	75,027	208,349	–	207,000
Lease liabilities	17	266,722	276,565	189,590	184,130
Trade and other payables	20	1,224,623	1,219,385	1,203,245	1,254,860
Current tax liabilities		1,860	2,672	–	–
Total current liabilities		1,568,232	1,706,971	1,392,835	1,645,990
Total liabilities		3,378,585	3,228,411	2,960,856	3,020,354
Total liabilities and equity		5,838,180	6,046,848	5,419,272	5,624,523

Statements of profit or loss

Year ended 31 December 2022

		Group		Co-operative	
	Note	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Revenue	21	4,334,607	4,216,106	3,719,281	3,798,833
Inventories consumed		(3,117,414)	(3,043,635)	(2,909,037)	(2,978,005)
Other income		338,058	399,024	248,465	266,853
Staff and related costs		(790,460)	(699,467)	(579,466)	(500,785)
Depreciation expense		(368,919)	(383,559)	(247,060)	(243,303)
Other operating expenses		(402,481)	(389,853)	(257,071)	(275,658)
(Loss)/profit from operations		(6,609)	98,616	(24,888)	67,935
Investment income	22	64,272	60,641	309,865	82,685
Finance costs	23	(55,642)	(49,355)	(48,190)	(44,772)
Share of profit of equity-accounted investees (net of tax)		3,722	33,949	–	–
Profit before tax and contributions	24	5,743	143,851	236,787	105,848
Tax expense	25	(2,670)	(728)	–	–
Contributions to:					
- Central Co-operative Fund		(50)	–	(25)	25
- Singapore Labour Foundation	26	(48,075)	(6,095)	(47,291)	(6,087)
(Loss)/profit for the year		(45,052)	137,028	189,471	99,786
(Loss)/profit attributable to:					
Members of the Co-operative		(45,263)	134,830	189,471	99,786
Non-controlling interest		211	2,198	–	–
(Loss)/profit for the year		(45,052)	137,028	189,471	99,786

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

Statements of comprehensive income

Year ended 31 December 2022

	Note	Group		Co-operative	
		2022	**2021**	**2022**	**2021**
		$'000	**$'000**	**$'000**	**$'000**
(Loss)/profit for the year		(45,052)	137,028	189,471	99,786
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Equity investments at FVOCI - net change in fair value		(249,554)	74,584	(249,154)	74,220
Items that are or may be reclassified subsequently to profit or loss					
Share of net change in reserves of associates		27,241	9,916	–	–
Other comprehensive income for the year, net of tax		(222,313)	84,500	(249,154)	74,220
Total comprehensive income for the year		(267,365)	221,528	(59,683)	174,006
Total comprehensive income attributable to:					
Members of the Co-operative		(267,563)	219,309	(59,683)	174,006
Non-controlling interest		198	2,219	–	–
Total comprehensive income for the year		(267,365)	221,528	(59,683)	174,006

Consolidated statement of changes in equity

Year ended 31 December 2022

	Note	Attributable to members of the Co-operative							
	Note	Share capital $'000	Retained earnings $'000	Fair value reserve $'000	Foreign currency translation reserve $'000	Capital reserve $'000	Total $'000	Non-controlling interest $'000	Total equity $'000
Group									
At 1 January 2021		436,205	2,107,594	125,752	(276)	1,536	2,670,811	4,623	2,675,434
Total comprehensive income for the year									
Profit for the year		–	134,830	–	–	–	134,830	2,198	137,028
Other comprehensive income									
Net change in fair value:									
- equity investments at FVOCI		–	–	74,563	–	–	74,563	21	74,584
Share of net change in reserves of associates		–	–	(2,519)	(6,250)	18,685	9,916	–	9,916
Total other comprehensive income		–	–	72,044	(6,250)	18,685	84,479	21	84,500
Total comprehensive income for the year		–	134,830	72,044	(6,250)	18,685	219,309	2,219	221,528
Transactions with owners, recognised directly in equity									
Contributions by and distributions to owners									
Acquisition of subsidiaries under common control	31	–	–	–	–	3,067	3,067	–	3,067
Issue of shares	14	651	–	–	–	–	651	–	651
Redemption of shares	14	(1,363)	–	–	–	–	(1,363)	–	(1,363)
Payments relating to appropriations/ distributions approved by members of the Co-operative:									
- Dividends	27	–	(23,579)	–	–	–	(23,579)	(300)	(23,879)
- Patronage rebates		–	(66,584)	–	–	–	(66,584)	–	(66,584)
Write-back of Patronage rebates		–	247	–	–	–	247	–	247
		(712)	(89,916)	–	–	3,067	(87,561)	(300)	(87,861)
Changes in ownership interest in subsidiary									
Acquisition of subsidiaries with non-controlling interest	31	–	–	–	–	(289)	(289)	9,625	9,336
Total transactions with owners		(712)	(89,916)	–	–	2,778	(87,850)	9,325	(78,525)
At 31 December 2021		435,493	2,152,508	197,796	(6,526)	22,999	2,802,270	16,167	2,818,437

Consolidated statement of changes in equity (cont'd)

Year ended 31 December 2022

	Note	Attributable to members of the Co-operative							
		Share capital $'000	Retained earnings $'000	Fair value reserve $'000	Foreign currency translation reserve $'000	Capital reserve $'000	Total $'000	Non-controlling interest $'000	Total equity $'000
Group									
At 1 January 2022		435,493	2,152,508	197,796	(6,526)	22,999	2,802,270	16,167	2,818,437
Total comprehensive income for the year									
Loss for the year		–	(45,263)	–	–	–	(45,263)	211	(45,052)
Other comprehensive income									
Net change in fair value:									
- equity investments at FVOCI		–	–	(249,541)	–	–	(249,541)	(13)	(249,554)
Share of net change in reserves of associates		–	–	981	264	25,996	27,241	–	27,241
Total other comprehensive income		–	–	(248,560)	264	25,996	(222,300)	(13)	(222,313)
Total comprehensive income for the year		–	(45,263)	(248,560)	264	25,996	(267,563)	198	(267,365)
Transactions with owners, recognised directly in equity									
Contributions by and distributions to owners									
Issue of shares	14	565	–	–	–	–	565	–	565
Redemption of shares	14	(2,065)	–	–	–	–	(2,065)	–	(2,065)
Payments relating to appropriations/ distributions approved by members of the Co-operative:									
- Dividends	27	–	(23,508)	–	–	–	(23,508)	(976)	(24,484)
- Patronage rebates		–	(61,168)	–	–	–	(61,168)	–	(61,168)
Write-back of Patronage rebates		–	106	–	–	–	106	–	106
		(1,500)	(84,570)	–	–	–	(86,070)	(976)	(87,046)
Changes in ownership interest in subsidiary									
Acquisition of subsidiaries with non-controlling interest	31	–	–	–	–	–	–	4,779	4,779
Change in shareholding	31	–	–	–	–	(4,070)	(4,070)	(5,140)	(9,210)
Total transactions with owners		(1,500)	(84,570)	–	–	(4,070)	(90,140)	(1,337)	(91,477)
At 31 December 2022		433,993	2,022,675	(50,764)	(6,262)	44,925	2,444,567	15,028	2,459,595

Statement of changes in equity

Year ended 31 December 2022

	Note	Share capital $'000	Retained earnings $'000	Fair value reserve $'000	Total $'000
Co-operative					
At 1 January 2021		436,205	1,958,374	126,212	2,520,791
Total comprehensive income for the year					
Profit for the year		–	99,786	–	99,786
Other comprehensive income					
Net change in fair value:					
- equity investments at FVOCI		–	–	74,220	74,220
Total other comprehensive income		–	–	74,220	74,220
Total comprehensive income for the year		–	99,786	74,220	174,006
Transactions with owners, recognised directly in equity					
Contributions by and distributions to owners					
Issue of shares	14	651	–	–	651
Redemption of shares	14	(1,363)	–	–	(1,363)
Payments relating to appropriations/distributions approved by members of the Co-operative:					
- Dividends	27	–	(23,579)	–	(23,579)
- Patronage rebates		–	(66,584)	–	(66,584)
Write-back of Patronage rebates		–	247	–	247
Total transactions with owners		(712)	(89,916)	–	(90,628)
At 31 December 2021		435,493	1,968,244	200,432	2,604,169

Statement of changes in equity (cont'd)

Year ended 31 December 2022

	Note	Share capital $'000	Retained earnings $'000	Fair value reserve $'000	Total $'000
Co-operative					
At 1 January 2022		435,493	1,968,244	200,432	2,604,169
Total comprehensive income for the year					
Profit for the year		–	189,471	–	189,471
Other comprehensive income					
Net change in fair value:					
- equity investments at FVOCI		–	–	(249,154)	(249,154)
Total other comprehensive income		–	–	(249,154)	(249,154)
Total comprehensive income for the year		–	189,471	(249,154)	(59,683)
Transactions with owners, recognised directly in equity					
Contributions by and distributions to owners					
Issue of shares	14	565	–	–	565
Redemption of shares	14	(2,065)	–	–	(2,065)
Payments relating to appropriations/distributions approved by members of the Co-operative:					
- Dividends	27	–	(23,508)	–	(23,508)
- Patronage rebates		–	(61,168)	–	(61,168)
Write-back of Patronage rebates		–	106	–	106
Total transactions with owners		(1,500)	(84,570)	–	(86,070)
At 31 December 2022		433,993	2,073,145	(48,722)	2,458,416

Consolidated statement of cash flows

Year ended 31 December 2022

	2022 $'000	2021 $'000
Cash flows from operating activities		
Profit before tax and contributions	5,743	143,851
Adjustments for:		
Allowance for inventory obsolescence, net	2,066	2,479
Depreciation of property, plant and equipment	75,695	78,977
Depreciation of right-of-use assets	293,058	304,416
Depreciation of investment properties	166	166
Amortisation of intangible assets	7,053	10,275
Loss on derecognition of right-of-use assets	4,694	430
Loss on disposal of other investment	–	190
Gain on disposal of equity investments – FVOCI, net	(605)	–
Intangible assets written-off	18	44
Inventories written-off	38,578	41,959
Gain on disposal of property, plant and equipment, net	(15,363)	(278)
Property, plant and equipment written-off	874	927
Impairment losses recognised on trade receivables	4,022	4,341
Share of profit of equity-accounted investees	(3,722)	(33,949)
Dividend income	(50,558)	(49,662)
Interest income	(13,095)	(10,979)
Finance costs	55,628	49,165
	404,252	542,352
Changes in:		
- inventories	(36,130)	21,262
- trade and other receivables	84,944	65,159
- trade and other payables	(62,918)	(81,653)
- provisions	(2,065)	(1,158)
Cash generated from operations	388,083	545,962
Contribution to Central Co-operative Fund paid	(25)	–
Contribution to Singapore Labour Foundation paid	(5,420)	(25,901)
Taxes paid	(3,157)	(88)
Net cash from operating activities	379,481	519,973

Consolidated statement of cash flows (cont'd)

Year ended 31 December 2022

	Note	2022 $'000	2021 $'000
Cash flows from investing activities			
Acquisitions through business combinations (net of cash acquired)	31	(3,524)	(8,758)
Additions in investments in associates		–	(1,428)
Dividend received		54,263	49,662
Interest received		11,486	10,935
Proceeds from disposal of property, plant and equipment		69,758	1,388
Proceeds from disposal of financial asset		3,446	–
Purchase of property, plant and equipment		(176,390)	(187,435)
Purchase of intangible assets		(1,753)	(1,642)
Purchase of other investments		(50,396)	(49,423)
Receipt of deferred income	20	–	43,609
Loan to a related party		(31,360)	(47,000)
Net cash used in investing activities		(124,470)	(190,092)
Cash flows from financing activities			
Acquisitions of non-controlling interest		(9,270)	–
Proceeds from minority shareholders		60	–
Dividends paid on members' shares	27	(23,508)	(23,579)
Payment of patronage rebates to members		(61,168)	(66,584)
Dividends paid to non-controlling interest	27	(976)	(300)
Deposit pledged with bank		129	(129)
Proceeds from issuance of shares	14	565	651
Payment made for redemption of shares	14	(2,065)	(1,363)
Repayment of borrowings	17	(290,553)	(30,464)
Proceeds from borrowings	17	393,902	47,000
Payment of lease liabilities	17	(292,769)	(289,508)
Interest paid	17	(51,982)	(49,165)
Net cash used in financing activities		(337,635)	(413,441)
Net decrease in cash and cash equivalents		(82,624)	(83,560)
Cash and cash equivalents at beginning of the year		535,309	618,869
Cash and cash equivalents at end of the year	13	452,685	535,309

Significant non-cash transactions:

During the year, dividends amounting to $17,955,000 (2021: $17,955,000) were paid by an associate to the Group in the form of additional subscription of shares in the associate (see Note 9).

Notes to the financial statements

Year ended 31 December 2022

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 19 April 2023.

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 Co-operative's immediate and ultimate holding entity is NTUC Enterprise Co-operative Limited, which is incorporated in the Republic of Singapore.

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 8.

The financial statements of the Group as at and for the year ended 31 December 2022 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 1979 (the "Act") and Financial Reporting Standards in Singapore ("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 prospectively.

Management is of the opinion that there are no critical judgements in applying the Group's accounting policies that have significant effect on the amounts recognised in the financial statements.

Notes to the financial statements

Year ended 31 December 2022

2 BASIS OF PREPARATION (CONT'D)

2.4 Use of estimates and judgements (cont'd)

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

- Note 4 – measurement of recoverable amounts of property, plant and equipment; and
- Note 7 – measurement of recoverable amounts of intangible assets.

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 property valuations, 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. as 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 6 – investment properties
- Note 32 – financial instruments

2.5 Changes in accounting policies

New standards and amendments

The Group has applied the following FRSs, amendments to and interpretations of FRSs for the first time for the annual period beginning on 1 January 2022:

- Amendments to FRS 116: COVID-19 Related Rent Concessions beyond 30 June 2021

The application of these standards and amendments to standards did not have a material effect on the financial statements.

Notes to the financial statements
Year ended 31 December 2022

3 SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Basis of consolidation

(i) Business combinations

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group (see Note ii). In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

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 equity transactions.

Notes to the financial statements

Year ended 31 December 2022

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of consolidation (cont'd)

(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. Losses applicable to NCI in a subsidiary are allocated to the NCI even if doing so causes the NCI to have a deficit balance.

(iii) Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative year presented or, if later, at the date that common control was established. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group's controlling shareholder's financial statements. The components of equity of the acquired entities are added to the same components within Group equity and any gain or loss arising is recognised directly in equity.

(iv) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(v) Investments in associates ("equity-accounted investees")

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 investment 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.

(vi) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) 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.

Notes to the financial statements

Year ended 31 December 2022

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of consolidation (cont'd)

(vii) 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 translated 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 generally recognised in profit or loss. However, foreign currency differences arising from the translation of an equity investment designated as at fair value through other comprehensive income ("FVOCI") are recognised in the OCI.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Singapore dollars at 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 control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

3.3 Financial instruments

(i) Recognition and initial measurement

Non-derivative financial assets and financial liabilities

Trade receivables and debt investments issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, or minus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Non-derivative financial assets

On initial recognition, a financial asset is classified as measured at amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Notes to the financial statements

Year ended 31 December 2022

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Financial instruments (cont'd)

(ii) Classification and subsequent measurement (cont'd)

Non-derivative financial assets (cont'd)

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

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

Debt investments at FVOCI

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Equity investments at FVOCI

On initial recognition of an equity investment that is not held-for-trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

Financial assets at FVTPL

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets: Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Notes to the financial statements

Year ended 31 December 2022

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Financial instruments (cont'd)

(ii) Classification and subsequent measurement (cont'd)

Financial assets: Business model assessment (cont'd)

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held-for-trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Non-derivative financial assets: Subsequent measurement and gains and losses

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Notes to the financial statements

Year ended 31 December 2022

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Financial instruments (cont'd)

(ii) Classification and subsequent measurement (cont'd)

Non-derivative financial assets: Subsequent measurement and gains and losses (cont'd)

<u>Equity investments at FVOCI</u>

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Non-derivative financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Directly attributable transaction costs are recognised in profit or loss as incurred.

Other financial liabilities are initially measured at fair value less directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss.

(iii) Derecognition

Financial assets

The Group derecognises a financial asset when:

- the contractual rights to the cash flows from the financial asset expire; or
- it transfers the rights to receive the contractual cash flows in a transaction in which either:
  - substantially all of the risks and rewards of ownership of the financial asset are transferred; or
  - the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Transferred assets are not derecognised when the Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iv) Offsetting

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

Notes to the financial statements
Year ended 31 December 2022

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Financial instruments (cont'd)

(v) Derivative financial instruments

Written put options to non-controlling interests are recognised at fair value. At the end of each reporting date, the liability is measured and the changes are taken directly to equity.

(vi) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and fixed deposits 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.

(vii) Share capital

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.

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.

If significant 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 is recognised in profit or loss.

(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) Provision for reinstatement costs

A provision is recognised for the estimated costs of dismantlement, removal or restoration of property, plant and equipment arising from the acquisition or use of assets. The estimated costs are capitalised and included in the cost of property, plant and equipment and are depreciated over the useful life of the asset.

Notes to the financial statements

Year ended 31 December 2022

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Property, plant and equipment (cont'd)

(iv) 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 52 years
Leasehold buildings	-	15 to 84 years
Furniture, fittings and renovation	-	1 to 15 years
Plant and machinery	-	2 to 20 years
Equipment and motor vehicles	-	2 to 10 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) Brand name and trademark

Brand name and trademark that arise upon acquisition of subsidiaries are measured initially at cost. The cost of brand name and trademark acquired is the fair value as at the date of acquisition. Following to initial acquisition, brand name and trademark is measured at cost less accumulated amortisation and impairment losses. These costs are amortised to profit or loss using straight-line method over 10 to 15 years.

A brand name is assessed to have indefinite useful life when there is no foreseeable limit to the period over which the brand name is expected to generate net cash inflows for the Group based on the current market share of the brand name. The brand name is tested for impairment annually or whenever there is indication of impairment.

The useful life of the brand name with indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Notes to the financial statements
Year ended 31 December 2022

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Intangible assets (cont'd)

(iii) 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.

Amortisation

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

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of other 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 licences	-	3 to 5 years
Customer relationship	-	8 to 10 years
Tenant contracts	-	4 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 Investment properties

Investment properties are held either to earn rental income or capital appreciation or both, but not for sale in the ordinary course of business, use in the production or supply of goods or services, or for administrative purposes. Investment properties are stated at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition or construction of the investment properties. The cost of self-constructed investment properties includes the cost of materials and direct labour and any other costs directly attributable to bringing the investment properties to a working condition for their intended use and capitalised borrowing costs.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives at each component of investment properties.

The estimated useful lives for the current year are as follows:

Investment properties	-	26 to 84 years

3.7 Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Notes to the financial statements
Year ended 31 December 2022

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Leases (cont'd)

(i) As a lessee (cont'd)

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's incremental borrowing rate. Generally, the Group uses its lessee's incremental borrowing rate as the discount rate.

The Group determines its lessee's incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'right-of-use assets' and lease liabilities in the statements of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

COVID-19 related rent concessions

The Group has applied Amendments to FRS 116: *COVID-19 Related Rent Concessions beyond 30 June 2021*. The Group applies the practical expedient allowing it not to assess whether eligible rent concessions that are a direct consequence of the COVID-19 pandemic are lease modifications. The Group applies the practical expedient consistently to contracts with similar characteristics and in similar circumstances.

Notes to the financial statements

Year ended 31 December 2022

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Leases (cont'd)

(ii) As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies FRS 115 to allocate the consideration in the contract.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'. Rental income from sub-leased property is recognised as "other income".

3.8 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.

3.9 Impairment

(i) Non-derivative financial assets

The Group recognises loss allowances for ECLs on:

- financial assets measured at amortised cost;
- debt investments measured at FVOCI; and
- lease receivables.

Loss allowances of the Group are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Simplified approach

The Group applies the simplified approach to provide for ECLs for all trade receivables. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

Notes to the financial statements

Year ended 31 December 2022

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 Impairment (cont'd)

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

General approach

The Group applies the general approach to provide for ECLs on all other financial instruments. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Group assumes that the credit risk on a financial asset that has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default:

- the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 180 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt investments at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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

- significant financial difficulty of the debtor;
- a breach of contract such as a default or being more than 180 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Notes to the financial statements

Year ended 31 December 2022

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 Impairment (cont'd)

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

Presentation of allowance for ECLs in the statements of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of these assets.

For debt investments at FVOCI, loss allowances are charged to profit or loss and recognised in OCI.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(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, and intangible assets that have indefinite useful lives, 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 of disposal. 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.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

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 CGUs 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 and only to the extent that the recoverable amount increases. 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.

An impairment loss in respect of an associate is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with the requirements for non-financial assets. An impairment loss is recognised in profit or loss. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount and only to the extent that the recoverable amount increases.

Notes to the financial statements

Year ended 31 December 2022

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 Impairment (cont'd)

(ii) Non-financial assets (cont'd)

Goodwill that forms part of the carrying amount of an investment in an associate is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

3.10 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.

3.11 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.

3.12 Revenue

(i) Sale of food and beverages and retail goods

Revenue from sale of goods in the ordinary course of business is recognised when the Group satisfied a performance obligation ("PO") by transferring control of a promised good to the customer, being at the point the customer purchases the goods. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied PO.

The transaction price is allocated to each PO in the contract on the basis of the relative stand-alone selling prices of the promised goods. The individual stand-alone selling price of a good that has not previously been sold on a stand-alone basis, or has a highly variable selling price, is determined based on the residual portion of the transaction price after allocating the transaction price to goods with observable stand-alone selling prices. A discount or variable consideration is allocated to one or more, but not all, of the performance obligations if it relates specifically to those POs.

Transaction price is the amount of consideration in the contract to which the Group expects to be entitled in exchange for transferring the promised goods. Consideration payable to a customer is deducted from the transaction price if the Group does not receive a separate identifiable benefit from the customer.

(ii) Income from food and beverage operations

Rental income arising from investment properties and operating leases on sub-leases of food stall is accounted for on a straight-line basis over the lease term. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis. The variable portion of the rental income which is computed based on a percentage of the food court tenants' gross sales is recognised when such sales are earned.

Notes to the financial statements

Year ended 31 December 2022

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 Revenue (cont'd)

(iii) Services

Revenue from service orders and term projects is recognised when the entity satisfies the performance obligation generally when the significant acts have been completed or transfer of control occurs.

3.13 Other income

(i) Rental income

Rental income arising from operating leases on sub-leases of space is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis. The variable portion of the rental income which is computed based on a percentage of the tenants' gross sales is recognised when such sales are earned.

(ii) Concessionary and commission income

Concessionary and commission income are recognised at a point of time in which the services are provided by the Group.

(iii) Advertising, promotion and other service income

Advertising, promotion and other service income are recognised over time based on the percentage of completion reflecting the progress towards complete satisfaction of that PO.

(iv) Management fee income

Management fee income received from subsidiaries and related parties relates to the charges of services provided to the subsidiaries and related parties.

3.14 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 or interest expense

The Group's interest income and finance costs include:

- interest income;
- interest expense; or
- loss on disposal of other investment.

Interest income or expense is recognised using the effective interest method.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

Notes to the financial statements

Year ended 31 December 2022

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 Investment income (cont'd)

(ii) Interest income or interest expense (cont'd)

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

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.

3.15 Government grants

Government grants related to assets are initially recognised as deferred income at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant. These grants are then recognised in profit or loss as 'other income' on a systematic basis over the useful life of the asset. Grants that compensate the Group for expenses incurred are recognised in profit or loss as 'other income' on a systematic basis in the same periods in which the expenses are recognised, unless the conditions for receiving the grant are met after the related expenses have been recognised. In this case, the grant is recognised when it becomes receivable.

3.16 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 clause 12.4.

3.17 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are 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.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under FRS 37 *Provisions, Contingent Liabilities and Contingent Assets.*

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. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

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;
- 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; and
- taxable temporary differences arising on initial recognition of goodwill.

Notes to the financial statements

Year ended 31 December 2022

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.17 Tax (cont'd)

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.

Deferred tax assets are recognised for unused tax losses, unused 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 used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. 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; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

3.18 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the chief operating decision maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Co-operative's headquarters), head office expenses, and tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment.

3.19 New standards and interpretations not yet effective

A number of new standards, interpretations and amendments to standards are effective for annual periods beginning after 1 January 2022 and earlier application is permitted; however, the Group has not early adopted the new or amended standards and interpretations in preparing these financial statements. None of these are expected to have a significant impact on the Group's consolidated financial statements and the Co-operative's statement of financial position.

Notes to the financial statements

Year ended 31 December 2022

4 PROPERTY, PLANT AND EQUIPMENT

	Note	Freehold land and buildings $'000	Leasehold buildings $'000	Furniture, fittings and renovation $'000	Equipment, motor vehicles and computers $'000	Construction-in-progress $'000	Total $'000
Group							
Cost							
At 1 January 2021		27,007	412,105	427,098	392,971	106,828	1,366,009
Acquisitions of subsidiaries	31	–	–	2,999	1,576	–	4,575
Additions		–	–	34,876	25,583	145,387	205,846
Disposals/Write-off		–	(8,962)	(25,223)	(12,590)	–	(46,775)
Reclassification and transfer		–	(8,799)	(860)	1,635	(2,445)	(10,469)
At 31 December 2021		27,007	394,344	438,890	409,175	249,770	1,519,186
Acquisitions of subsidiaries	31	–	5,265	–	6,089	32,071	43,425
Additions		–	11,015	33,185	34,292	105,680	184,172
Disposals/Write-off		–	(56,288)	(39,820)	(19,275)	(47)	(115,430)
Reclassification and transfer		–	4,549	(4,005)	(544)	(216)	(216)
At 31 December 2022		27,007	358,885	428,250	429,737	387,258	1,631,137
Accumulated depreciation and impairment losses							
At 1 January 2021		15,104	110,828	337,311	282,168	–	745,411
Acquisitions of subsidiaries	31	–	–	914	706	–	1,620
Depreciation charge for the year		357	12,037	37,456	29,127	–	78,977
Disposals/Write-off		–	(8,962)	(24,417)	(11,359)	–	(44,738)
Reclassification and transfer		–	(897)	(783)	807	–	(873)
At 31 December 2021		15,461	113,006	350,481	301,449	–	780,397
Depreciation charge for the year		357	11,951	32,558	30,829	–	75,695
Disposals/Write-off		–	(4,944)	(35,163)	(20,054)	–	(60,161)
At 31 December 2022		15,818	120,013	347,876	312,224	–	795,931
Carrying amounts							
At 1 January 2021		11,903	301,277	89,787	110,803	106,828	620,598
At 31 December 2021		11,546	281,338	88,409	107,726	249,770	738,789
At 31 December 2022		11,189	238,872	80,374	117,513	387,258	835,206

Notes to the financial statements

Year ended 31 December 2022

4 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Freehold land and buildings $'000	Leasehold buildings $'000	Furniture, fittings and renovation $'000	Equipment, motor vehicles and computers $'000	Construction-in-progress $'000	Total $'000
Co-operative						
Cost						
At 1 January 2021	27,007	314,820	283,714	224,724	85,778	936,043
Additions	–	–	17,047	16,795	118,376	152,218
Disposals/Write-off	–	–	(6,253)	(5,696)	–	(11,949)
At 31 December 2021	27,007	314,820	294,508	235,823	204,154	1,076,312
Additions	–	–	17,861	21,644	66,516	106,021
Disposals/Write-off	–	(55,850)	(13,309)	(10,367)	–	(79,526)
At 31 December 2022	27,007	258,970	299,060	247,100	270,670	1,102,807
Accumulated depreciation and impairment losses						
At 1 January 2021	15,104	65,665	228,697	193,674	–	503,140
Depreciation charge for the year	357	10,466	20,201	16,392	–	47,416
Disposals/Write-off	–	–	(6,236)	(5,677)	–	(11,913)
At 31 December 2021	15,461	76,131	242,662	204,389	–	538,643
Depreciation charge for the year	357	9,814	18,888	14,694	–	43,753
Disposals/Write-off	–	(4,840)	(10,280)	(10,163)	–	(25,283)
At 31 December 2022	15,818	81,105	251,270	208,920	–	557,113
Carrying amounts						
At 1 January 2021	11,903	249,155	55,017	31,050	85,778	432,903
At 31 December 2021	11,546	238,689	51,846	31,434	204,154	537,669
At 31 December 2022	11,189	177,865	47,790	38,180	270,670	545,694

Included within the carrying amounts of furniture, fittings and renovation is provision for reinstatement costs of $15,497,000 (2021: $18,428,000) for the Group and $12,006,000 (2021: $15,792,000) for the Co-operative.

Impairment test for property, plant and equipment and right-of-use assets

The Group reviews the carrying amounts of the assets 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. When considering impairment indicators, the Group considers both internal (e.g. adverse changes in operating and financial performance of the assets) and external sources (e.g. adverse changes in the business environment). If an indicator of impairment is noted, further management estimate is required to determine the amount of impairment, if any. The recoverable amount of the Group's property, plant and equipment was determined based on the value-in-use calculation.

Determining the value-in-use ("VIU") of property, plant and equipment and right-of-use assets, which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Group to make estimates and assumptions that can materially affect the financial statements. Any resulting impairment losses could have a material adverse impact on the Group's financial condition and results of operations.

The Group has considered the market conditions (including the impact of post COVID-19) as at the reporting date, in making estimates and judgments on the recoverability of assets. Based on the management's VIU assessment, no impairment loss is necessary as at the reporting date.

Notes to the financial statements

Year ended 31 December 2022

5 RIGHT-OF-USE ASSETS

	Note	Land and buildings $'000	Equipment $'000	Total $'000
Group				
Cost				
At 1 January 2021		1,897,463	608	1,898,071
Acquisitions of subsidiaries	31	17,608	19	17,627
Additions		157,094	202	157,296
Reassessment and modification		(41,596)	–	(41,596)
Derecognition of right-of-use assets*		(18,713)	(125)	(18,838)
At 31 December 2021		2,011,856	704	2,012,560
Acquisitions of subsidiaries	31	4,386	–	4,386
Additions		191,813	125	191,938
Reassessment and modification		(91,404)	–	(91,404)
Derecognition of right-of-use assets*		(207,505)	(137)	(207,642)
At 31 December 2022		1,909,146	692	1,909,838
Accumulated depreciation and impairment losses				
At 1 January 2021		465,641	145	465,786
Acquisitions of subsidiaries	31	1,932	1	1,933
Depreciation charge for the year		304,110	306	304,416
Reassessment and modification		(106,086)	–	(106,086)
Derecognition of right-of-use assets*		(15,499)	(56)	(15,555)
At 31 December 2021		650,098	396	650,494
Depreciation charge for the year		292,850	208	293,058
Reassessment and modification		(228,858)	–	(228,858)
Derecognition of right-of-use assets*		(139,707)	(116)	(139,823)
At 31 December 2022		574,383	488	574,871
Carrying amounts				
At 1 January 2021		1,431,822	463	1,432,285
At 31 December 2021		1,361,758	308	1,362,066
At 31 December 2022		1,334,763	204	1,334,967
Co-operative				
Cost				
At 1 January 2021		1,475,325	–	1,475,325
Additions		56,781	–	56,781
Reassessment and modification		(24,476)	–	(24,476)
Derecognition of right-of-use assets*		(2,168)	–	(2,168)
At 31 December 2021		1,505,462	–	1,505,462
Additions		66,137	–	66,137
Reassessment and modification		(82,548)	–	(82,548)
Derecognition of right-of-use assets*		(34,655)	–	(34,655)
At 31 December 2022		1,454,396	–	1,454,396

Notes to the financial statements
Year ended 31 December 2022

5 RIGHT-OF-USE ASSETS (CONT'D)

	Land and buildings $'000	Equipment $'000	Total $'000
Co-operative			
Accumulated depreciation and impairment losses			
At 1 January 2021	301,022	–	301,022
Depreciation charge for the year	195,887	–	195,887
Reassessment and modification	(93,455)	–	(93,455)
Derecognition of right-of-use assets*	(1,007)	–	(1,007)
At 31 December 2021	402,447	–	402,447
Depreciation charge for the year	203,307	–	203,307
Reassessment and modification	(218,267)	–	(218,267)
Derecognition of right-of-use assets*	(18,238)	–	(18,238)
At 31 December 2022	369,249	–	369,249
Carrying amounts			
At 1 January 2021	1,174,303	–	1,174,303
At 31 December 2021	1,103,015	–	1,103,015
At 31 December 2022	1,085,147	–	1,085,147

* Derecognition of the right-of-use assets including early termination of the lease agreements.

Information about leases for which the Group and Co-operative is a lessee is discussed in Note 29.

6 INVESTMENT PROPERTIES

	Group $'000
Cost	
At 1 January 2021	5,903
Transfer from property, plant and equipment	8,775
At 31 December 2021, 1 January 2022 and 31 December 2022	14,678
Accumulated depreciation	
At 1 January 2021	2,787
Depreciation charge for the year	166
Transfer from property, plant and equipment	873
At 31 December 2021	3,826
Depreciation charge for the year	166
At 31 December 2022	3,992
At 1 January 2021	3,116
At 31 December 2021	10,852
At 31 December 2022	10,686

The fair value of investment properties for the Group as at 31 December 2022 is $15,300,000 (2021: $14,850,000).

The management has considered sale of comparable properties approach in arriving at the fair value as at the reporting date. The sale of comparable properties approach involves the analysis of comparable sales of similar properties and adjusting the sales prices to that reflective of the investment properties.

Notes to the financial statements

Year ended 31 December 2022

6 INVESTMENT PROPERTIES (CONT'D)

The valuation technique involves certain estimates. The key assumption used to determine the fair value of investment properties include price per square meter.

The fair values of the investment properties are categorised as Level 3 fair value.

7 INTANGIBLE ASSETS

	Note	Goodwill $'000	Brand name and trademark $'000	Software and licences $'000	Customer relationship $'000	Tenant contracts $'000	Total $'000
Group							
Cost							
At 1 January 2021		206,582	100,678	41,907	–	4,490	353,657
Acquisitions of subsidiaries	31	19,461	26,808	2,694	–	–	48,963
Additions		–	–	1,642	–	–	1,642
Transfer from property, plant & equipment	4	–	–	1,694	–	–	1,694
Write-off/Disposal		–	–	(1,154)	–	–	(1,154)
At 31 December 2021		226,043	127,486	46,783	–	4,490	404,802
Acquisitions of subsidiaries	31	7,603	1,586	–	5,223	–	14,412
Additions		–	850	903	–	–	1,753
Transfer from property, plant & equipment	4	–	–	216	–	–	216
Write-off/Disposal		–	–	(284)	–	–	(284)
At 31 December 2022		233,646	129,922	47,618	5,223	4,490	420,899
Amortisation and impairment losses							
At 1 January 2021		68,600	–	31,985	–	1,309	101,894
Acquisitions of subsidiaries	31	–	–	2,494	–	–	2,494
Amortisation charge for the year		–	2,012	7,364	–	899	10,275
Write-off/Disposal		–	–	(1,110)	–	–	(1,110)
At 31 December 2021		68,600	2,012	40,733	–	2,208	113,553
Amortisation charge for the year		–	2,195	3,428	531	899	7,053
Write-off/Disposal		–	–	(266)	–	–	(266)
At 31 December 2022		68,600	4,207	43,895	531	3,107	120,340
Carrying amounts							
At 1 January 2021		137,982	100,678	9,922	–	3,181	251,763
At 31 December 2021		157,443	125,474	6,050	–	2,282	291,249
At 31 December 2022		165,046	125,715	3,723	4,692	1,383	300,559

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7 INTANGIBLE ASSETS (CONT'D)

	Goodwill $'000	Software and licences $'000	Total $'000
Co-operative			
Cost			
At 1 January 2021	6,085	25,059	31,144
Additions	–	674	674
Write-off	–	(9)	(9)
At 31 December 2021	6,085	25,724	31,809
Additions	–	89	89
Write-off	–	(69)	(69)
At 31 December 2022	6,085	25,744	31,829
Amortisation			
At 1 January 2021	–	21,008	21,008
Amortisation charge for the year	–	3,294	3,294
Write-off	–	(9)	(9)
At 31 December 2021	–	24,293	24,293
Amortisation charge for the year	–	910	910
Write-off	–	(69)	(69)
At 31 December 2022	–	25,134	25,134
Carrying amounts			
At 1 January 2021	6,085	4,051	10,136
At 31 December 2021	6,085	1,431	7,516
At 31 December 2022	6,085	610	6,695

During the year, the Group recognised goodwill of $7,603,000 due to purchase consideration paid for the acquisition of OJJ Holdings Pte Ltd. Please refer to Note 31 for additional information on the acquisition.

In 2021, the Group recognised goodwill of $19,461,000 due to purchase consideration paid for the acquisition of Kiosks Collective Pte Ltd. Please refer to Note 31 for additional information on the acquisition.

Impairment testing of CGUs containing goodwill and intangible assets with indefinite useful life

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

	2022 $'000	2021 $'000
Food and beverage	134,174	134,174
Retail	6,085	6,085
Trading	24,787	17,184
	165,046	157,443

ii) Brand name with indefinite useful life (Note 3.5(ii)) amounting to $100,677,000, is tested for impairment annually and whenever there is indication of impairment, together with the food and beverage CGU and goodwill.

Notes to the financial statements

Year ended 31 December 2022

7 INTANGIBLE ASSETS (CONT'D)

Impairment test

Key assumptions used in the estimation of value-in-use were as follows:

	Discount rate		Average growth rate		Terminal growth rate	
	2022	2021	2022	2021	2022	2021
	%	%	%	%	%	%
Food and beverage	9.5	7.0 – 10.0	4.7 – 13.6	10.2 – 10.8	1.0	1.5
Retail	7.0	6.5	1.0	1.0	1.0	1.0
Trading	7.0 – 11.6	6.5	1.0 – 4.1	1.0	1.0	1.0

In 2022 and 2021, no impairment losses were recognised as the recoverable amounts exceeded the carrying value.

The recoverable amounts of the CGUs are determined based on value-in-use calculations. The value-in-use calculation is a discounted cash flow model using cash flow projections based on the most recent forecasts approved by management covering 1 to 5 years. Cash flows beyond these periods are extrapolated using the estimated terminal growth rates stated in the table above. The terminal growth rates used for each CGU are within management's expectation of the long-term average growth rates of the respective industry in which the CGUs operate. The discount rates applied are the weighted average cost of capital from the relevant business segments.

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 assumption would need to change for the estimated recoverable amount to be equal to the carrying amount.

	Change required for carrying amount to equal to the recoverable amount	
	2022	2021
	%	%
Discount rate:		
- Food and beverage	2.1 – 2.2	1.7
- Retail	6.9	4.0
- Trading	3.3 – 6.9	10.9

Notes to the financial statements
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8 SUBSIDIARIES

	Co-operative 2022 $'000	Co-operative 2021 $'000
Unquoted equity shares, at cost	39,352	39,352
Less: Impairment loss	(4,536)	(4,536)
	34,816	34,816
Advances to subsidiaries	275,661	275,661
	310,477	310,477

Movement in allowance for impairment loss is as follows:

	Co-operative 2022 $'000	Co-operative 2021 $'000
As at 1 January	4,536	73,136
Disposal of a subsidiary	–	(68,600)
As at 31 December	4,536	4,536

In 2021, the Co-operative transferred certain subsidiaries to intermediate holding companies, which are direct subsidiaries of the Co-operative, as part of a group restructuring exercise. As a result of the group restructuring, the investments have been converted to advances to the intermediate holding companies of the subsidiaries. There is no impact to the Group as this is a common control transaction.

The advances to subsidiaries are unsecured, interest-free and have no fixed terms of repayment. The settlement of the advances is neither planned nor likely to occur in the foreseeable future and hence the advances are classified as non-current.

The Group issued written put options to purchase the remaining equity interests held by NCI in certain subsidiaries. The written put options relate to the contractual right that the NCI have, which, if exercised, requires the Group to repurchase the shares held by NCI. Management assessed the fair values of the derivatives (put options) as at 31 December 2022 to be $nil (2021: $nil). The fair values of the derivatives are categorised as Level 3 fair value. The fair value measurement is disclosed in Note 32.

As at the reporting date, there were no indications of impairment or reversal of previously recognised impairment loss for its subsidiaries.

Notes to the financial statements
Year ended 31 December 2022

8 SUBSIDIARIES (CONT'D)

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

Name of subsidiaries	Principal activities	Country of incorporation and operation	Ownership interest 2022 %	Ownership interest 2021 %
AlphaPlus Investments Pte Ltd [1]	Investment holding	Singapore	100.0	100.0
NewFront Investments Pte Ltd [1]	Investment holding	Singapore	100.0	100.0
Cheers Holdings (2004) Pte Ltd [1]	Convenience store operator	Singapore	100.0	100.0
Interstates Market (2007) Pte Ltd [1]	Dormant	Singapore	100.0	100.0
FPTM Pte Ltd [1]	Investment holding	Singapore	100.0	100.0
Fairprice International (2010) Pte Ltd [1]	Investment holding	Singapore	100.0	100.0
NTUC Enterprise Nexus Co-operative Limited ("Nexus") [1]	Shared services provider	Singapore	99.0	99.0
NTUC Foodfare Co-operative Ltd ("NTUC Foodfare") [1]	Managing of food outlets	Singapore	99.9	99.9
Fairprice Group Holdings Pte Ltd [1]	Investment holding	Singapore	100.0	100.0
NTUC Link Private Limited ("Link") [1]	Operation of a loyalty program business	Singapore	100.0	100.0
<u>Subsidiary of Fairprice Group Holdings Pte Ltd</u>				
Fairprice Group Food Services Pte Ltd [1]	Operation of food courts and food kiosks	Singapore	100.0	100.0
Fairprice Group Food Solutions Pte Ltd [1]	Wholesale of food and beverages	Singapore	100.0	100.0
Fairprice Group Supply Chain Pte Ltd [1]	Wholesale trade of goods without a dominant product	Singapore	100.0	100.0
<u>Subsidiary of Fairprice Group Supply Chain Pte Ltd</u>				
Grocery Logistics of Singapore Pte Ltd [1]	Warehousing and distribution	Singapore	100.0	100.0
<u>Subsidiary of Fairprice Group Food Solutions Pte Ltd</u>				
Origins Healthcare Pte Ltd [1]	Trading	Singapore	100.0	100.0
OJJ Holdings Pte Ltd ("OJJ Holdings") [3]	Investment holding	Singapore	51.0	–
<u>Subsidiary of Fairprice Group Food Services Pte Ltd</u>				
Kopitiam Investment Pte Ltd ("Kopitiam") [1]	Food outlets operator	Singapore	100.0	100.0
Kiosks Collective Pte Ltd ("Kiosks Collective") [2]	Investment holding	Singapore	60.0	60.0

Notes to the financial statements
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8 SUBSIDIARIES (CONT'D)

Name of subsidiaries	Principal activities	Country of incorporation and operation	Ownership interest 2022 %	Ownership interest 2021 %
Subsidiary of Fairprice Group Food Services Pte Ltd (cont'd)				
Shiok! Retail Concepts Pte Ltd *** (1)	Food stall operator and restaurants	Singapore	100.0	–
Subsidiary of AlphaPlus Investments Pte Ltd (i)				
Thomson Plaza Investments Pte Ltd (1)	Dormant	Singapore	100.0	100.0
Subsidiary of Nexus				
Cleaning Concept Pte Ltd (1)	Provision of cleaning services	Singapore	100.0	100.0
Subsidiary of NTUC Foodfare				
Foodfare Catering Pte Ltd (1)	Catering and supply of food and beverages	Singapore	100.0	70.0
Subsidiaries of Kopitiam				
Renaissance Properties Pte Ltd (1)	Operation of food courts/centres, operation and promotion of the Lau Pa Sat festival market and provision of related services	Singapore	*	100.0
Shiok! Retail Concepts Pte Ltd *** (1)	Food stall operator and restaurants	Singapore	–	100.0
iMetrics Pte Ltd ** (1)	Software and hardware engineering and all activities related to information technology	Singapore	100.0	100.0
Fairprice Group Hawker Centre Pte Ltd (1)	Operation of food courts/coffee shops	Singapore	100.0	100.0
Ichido Pte Ltd ** (1)	Toto and 4D retailer	Singapore	–	100.0
Subsidiary of Link				
Link Loyalty Services Pte Ltd (1)	General trading and operation of a jointly controlled business	Singapore	100.0	100.0
Subsidiary of Kiosks Collective				
Pezzo-International Pte Ltd (2)	Leasing of non-financial intangible assets	Singapore	60.0	60.0
Pezzo Singapore Pte Ltd (2)	Operation of food kiosks	Singapore	60.0	60.0
Crave Foods Pte Ltd (2)	Operation of food kiosks	Singapore	60.0	60.0

Notes to the financial statements

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8 SUBSIDIARIES (CONT'D)

Name of subsidiaries	Principal activities	Country of incorporation and operation	Ownership interest 2022 %	Ownership interest 2021 %
Subsidiary of Kiosks Collective (cont'd)				
Ya Lor Braised Duck Pte Ltd [(2)]	Operation of food kiosks	Singapore	42.0	42.0
Hey Yogurt Pte Ltd [(2)]	Operation of food kiosks	Singapore	60.0	60.0
Big Bird Takeout Pte Ltd [(2)]	Operation of food kiosks	Singapore	60.0	60.0
Lucky Dumplings Pte Ltd [(2)]	Operation of food kiosks	Singapore	42.0	42.0
A Noodle Story Pte Ltd ("A Noodle Story") [(2)]	Operation of food kiosks	Singapore	42.0	–
Fruce Pte Ltd ("Fruce") [(2)]	Operation of beverage kiosks	Singapore	42.0	–
Subsidiary of OJJ Holdings				
OJJ Foods Pte Ltd [(3)]	Importers and dealers of pork and edible products	Singapore	51.0	–
OJJ – Tierney's Foods Pte Ltd [(3)]	Manufacture and distribution of meat products	Singapore	51.0	–
Soon Hin Foods Pte Ltd [(3)]	Importers and dealers of pork and edible products	Singapore	51.0	–
Heng Kee Foods Pte Ltd [(3)]	Manufacture and distribution of meat and other food products	Singapore	35.7	–
Leong Sheng Foods Pte Ltd [(3)]	Manufacture and distribution of meat and other food products	Singapore	51.0	–

(1) Audited by KPMG LLP, Singapore.
(2) Audited by Assurance Partners LLP.
(3) Audited by RSM Chio Lim LLP.
* The entities are amalgamated into Kopitiam during the year.
** The entities are under voluntary liquidation.
*** The entity's shareholder has changed from Kopitiam to Fairprice Group Food Services Pte Ltd arising from internal restructuring.
(i) AlphaPlus Investments Pte Ltd is a member of NTUC Fairprice Foundation Ltd ("Foundation"). The result and net assets of the Foundation have not been consolidated as the Memorandum of Association ("M&A") 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 in return for goods and services. Furthermore, the Memorandum provides that in the event of winding up of the Foundation, the residual assets 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 M&A. 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.

Management is of the opinion that the NCI for each subsidiary are immaterial to the Group individually and in aggregate and accordingly, no summarised financial information for subsidiaries with NCI is disclosed.

Notes to the financial statements

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9 ASSOCIATES

	Group		Co-operative	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Interests in associates	967,045	939,787	1,026,799	1,008,844

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

Name of associates	Principal activities	Country of incorporation and operation	Ownership interest 2022 %	Ownership interest 2021 %
SG Domain Pte Ltd [1]	Investment holding	Singapore	20.0	20.0
Mercatus Co-operative Limited [1]	Property investment	Singapore	41.37	41.37
Associates of NewFront Investments Pte Ltd				
NTUC Co-operatives Suzhou Investments Pte Ltd [1]	Investment holding	Singapore	26.6	26.6
Associate of AlphaPlus Investments Pte Ltd				
Stellar Alpha Pte. Ltd. (f.k.a SMRT Alpha Pte Ltd) [2]	Real estate management	Singapore	30.0	30.0
Associate of Fairprice International (2010) Pte Ltd				
Saigon Co-operative Fairprice Limited Liability Company [3]	Supermarket retailing	Vietnam	36.0	36.0

(1) Audited by KPMG LLP, Singapore.
(2) Audited by PricewaterhouseCoopers LLP, Singapore.
(3) Audited by A&C Auditing and Consulting Co., Ltd.

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9 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 $'000	Immaterial associates $'000	Total $'000
2022			
Revenue	280,656		
Profit after tax	4,659		
Other comprehensive income	79,943		
Total comprehensive income	84,602		
Attributable to investee's shareholders	83,270		
Attributable to NCI	1,332		
Non-current assets	2,660,645		
Current assets	2,437,584		
Non-current liabilities	(1,845,996)		
Current liabilities	(643,031)		
Net assets	2,609,202		
Attributable to NCI	23,585		
Attributable to investee's shareholders	2,585,617		
Group's interest in net assets of investee at beginning of the year	891,476	48,311	939,787
Group's share of:			
- Profit after tax	1,597	2,125	3,722
- Other comprehensive income	28,815	(1,574)	27,241
- Total comprehensive income	30,412	551	30,963
Dividend received during the year	(21,660)	–	(21,660)
Group's contribution during the year	17,955	–	17,955
Carrying amount of interest in investee at end of the year	918,183	48,862	967,045

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9 ASSOCIATES (CONT'D)

	Mercatus Co-operative Limited $'000	Immaterial associates $'000	Total $'000
2021			
Revenue	253,723		
Profit after tax	89,908		
Other comprehensive income	27,876		
Total comprehensive income	117,784		
Attributable to investee's shareholders	115,423		
Attributable to NCI	2,361		
Non-current assets	4,676,631		
Current assets	620,553		
Non-current liabilities	(2,057,198)		
Current liabilities	(588,513)		
Net assets	2,651,473		
Attributable to NCI	145,972		
Attributable to investee's shareholders	2,505,501		
Group's interest in net assets of investee at beginning of the year	845,516	48,978	894,494
Group's share of:			
- Profit after tax	32,917	1,032	33,949
- Other comprehensive income	13,043	(3,127)	9,916
- Total comprehensive income	45,960	(2,095)	43,865
Dividend received during the year	(17,955)	–	(17,955)
Group's contribution during the year	17,955	1,428	19,383
Carrying amount of interest in investee at end of the year	891,476	48,311	939,787

During the year, $21,660,000 (2021: $17,955,000) of the Group's contribution relates to the dividend paid via issuance of ordinary shares and cash dividend by 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 $5,679,000 (2021: $10,202,000).

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.

At each reporting date, the Group assesses whether the investments are impaired. This assessment takes into account the assumptions about future business outlook, operational and financial cash flows of the investee companies. Under the Group's formal impairment assessment of its investment, the recoverable amount is determined based on the higher of fair value less costs to sell and value-in-use calculations by management, on CGU basis.

Based on the Group's assessment, there were no indications of possible impairment for its interests in associates.

Notes to the financial statements

Year ended 31 December 2022

10 OTHER INVESTMENTS

	Group		Co-operative	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Quoted equity investments - FVOCI	1,758	5,254	–	–
Unquoted equity investments - FVOCI	1,061,946	1,260,449	1,061,133	1,259,943
Unquoted debt investment - at amortised cost	330,000	330,000	330,000	330,000
Other investments	712	600	600	600
	1,394,416	1,596,303	1,391,733	1,590,543
Non-current	1,394,416	1,596,303	1,391,733	1,590,543

The fair value of quoted equity investments is based on quoted bid price.

Dividend income related to equity investments at FVOCI for the Group and Co-operative amounted to $50,558,000 (2021: $49,662,000) and $50,396,000 (2021: $49,406,000) respectively.

The fair value of the unquoted equity investments is categorised as Level 2 fair value based on observable market data (see Note 2.4).

Investments in unquoted debt with effective interest rate of 3.1% (2021: 3.1%) per annum for the Group and Co-operative have maturity date until April 2047 (2021: April 2047).

Notes to the financial statements

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11 TRADE AND OTHER RECEIVABLES

	Group		Co-operative	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Trade receivables	61,077	60,050	17,301	20,360
Less: Impairment loss	(17,470)	(13,476)	(2,682)	(794)
	43,607	46,574	14,619	19,566
Trade amounts due from:				
- Ultimate holding entity	265	212	2	–
- Related parties	10,037	4,866	1,020	1,783
- Subsidiaries	–	–	12,836	9,867
- Associates	13	–	1	–
	10,315	5,078	13,859	11,650
Loans to subsidiaries	–	–	383,185	280,650
Less: Impairment loss	–	–	(50,790)	(50,790)
	–	–	332,395	229,860
Lease receivables	1,766	2,954	1,546	2,954
Deposits	49,655	64,367	23,352	35,580
Prepayments	24,563	21,835	18,767	18,902
Interest receivables	8,884	7,275	11,609	8,858
Unbilled receivables	8,731	68,184	5,678	55,506
Other receivables:				
- External parties	16,474	17,233	7,693	5,268
- Ultimate holding entity	619	500	619	500
- Subsidiaries	–	–	51,359	2,128
- Associates	210	26	31	26
- Related parties	78,888	47,074	366	74
	243,712	281,100	481,893	390,872
Non-current	94,442	64,214	296,034	230,688
Current	149,270	216,886	185,859	160,184
	243,712	281,100	481,893	390,872

The average credit period on sale of goods is 30 to 60 days (2021: 30 to 60 days).

The loans to subsidiaries of $324,960,000 (2021: $222,471,000) are unsecured and bear interest ranging from 2.16% to 6.07% (2021: 0.46% to 2.26%) per annum and are not expected to be repaid within 12 months from the reporting period. The remaining loans to subsidiaries of $58,225,000 (2021: $58,179,000) are interest-free, unsecured and are not expected to be repaid within 12 months from the reporting period. In 2021, the Co-operative has recognised an impairment loss of $24,000 on loans to subsidiaries.

Included in the other receivables from related parties in 2022 is a loan amounted to $78,360,000 (2021: $47,000,000) which is unsecured, bears interest rate of 4.67% (2021: 0.46%) per annum and is not expected to be repaid within 12 months from the reporting period. Included in the other receivables to subsidiaries in 2022 is a dividend of $185,000,000 declared by the subsidiary which offset the loan from a subsidiary of $94,329,000 in Note 20.

Unbilled receivables mainly relate to receivables from government and external parties. Prepayments comprise amounts paid to suppliers and for certain acquisition made by the Group.

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 32.

Notes to the financial statements

Year ended 31 December 2022

12 INVENTORIES

	Group		Co-operative	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Raw materials and consumables	16,972	4,093	–	–
Work in progress	1,160	–	–	–
Retail goods	285,623	291,391	267,642	275,529
Allowance for inventory obsolescence	(4,851)	(4,220)	(4,831)	(4,181)
	298,904	291,264	262,811	271,348

Movement in allowance for inventory obsolescence during the financial year are as follows:

	Group		Co-operative	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
At 1 January	4,220	9,425	4,181	9,425
Allowance made during the year	4,799	4,220	4,779	4,181
Reversal of allowance during the year	(2,733)	(1,741)	(2,694)	(1,741)
Utilised during the year	(1,435)	(7,684)	(1,435)	(7,684)
At 31 December	4,851	4,220	4,831	4,181

Inventories of $38,578,000 (2021: $41,959,000) and $36,750,000 (2021: $39,995,000) for the Group and the Co-operative respectively was written off during the year.

During the year, the Group and the Co-operative wrote down the inventories to their net realisable value, which resulted in a loss of $4,799,000 and $4,779,000 respectively (2021: $4,220,000 and $4,181,000) under cost of inventories consumed.

Source of estimation uncertainty

The Group recognises allowance on inventory obsolescence when inventories are identified as obsolete. Obsolescence is based on the physical condition of inventory items and other factors including the age of the inventories, forecasted demand as well as discontinuation plan of the goods.

Notes to the financial statements

Year ended 31 December 2022

13 CASH AND CASH EQUIVALENTS

	Group		Co-operative	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Cash on hand	9,452	9,213	7,731	7,149
Cash at bank	442,968	525,832	300,292	397,090
Fixed deposits	265	393	–	–
	452,685	535,438	308,023	404,239
Deposit pledged	–	(129)	–	–
Cash and cash equivalents in the consolidated statement of cash flows	452,685	535,309	308,023	404,239

Fixed deposits of the Group bear interest at average rates of 0.9% (2021: 0.1% to 0.5%) per annum. The fixed deposits are placed with the financial institutions for an average tenure of approximately 365 days (2021: 90 days to 365 days).

In 2021, fixed deposits of the Group amounting to $129,000 were pledged to the banks for banking facilities granted to the Group.

14 SHARE CAPITAL

	Co-operative			
	2022	2021	2022	2021
	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	435,493	436,205	435,493	436,205
Issued during the year	565	651	565	651
Redemption during the year	(2,065)	(1,363)	(2,065)	(1,363)
At end of the year	433,993	435,493	433,993	435,493
The share capital is represented by:				
Members' shares held by the founder member National Trade Union Congress [b] [c] [d]	37,663	35,643	37,663	35,643
Other members' shares [a] [c] [d]	396,330	399,850	396,330	399,850
	433,993	435,493	433,993	435,493

[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 clause 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.

Notes to the financial statements

Year ended 31 December 2022

14 SHARE CAPITAL (CONT'D)

(c) In accordance with By-laws clause 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 clause 4.6 also states that, every member shall, unless otherwise disqualified under the Co-operative Societies Act 1979 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.

15 OTHER RESERVES

	Group		Co-operative	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Fair value reserve [a]	(50,764)	197,796	(48,722)	200,432
Foreign currency translation reserve [b]	(6,262)	(6,526)	–	–
Capital reserve [c]	44,925	22,999	–	–
	(12,101)	214,269	(48,722)	200,432

(a) The fair value reserve comprises:

- the cumulative net change in the fair value of quoted equity investment and unquoted equity investment designated at FVOCI; and
- the cumulative net change in fair value of debt investments at FVOCI until the assets are derecognised or reclassified. This amount is reduced by the amount of loss allowance.

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

(c) Capital reserve arises from acquisition of subsidiaries under common control and share of reserves of associates.

Notes to the financial statements

Year ended 31 December 2022

16 BORROWINGS

	Group 2022 $'000	Group 2021 $'000	Co-operative 2022 $'000	Co-operative 2021 $'000
Non-current				
Unsecured bank loan	269,350	267,000	267,000	267,000
Unsecured loan	2,273	3,516	–	–
Unsecured bond	300,000	–	300,000	–
	571,623	270,516	567,000	267,000
Current				
Unsecured bank loan	73,784	87,131	–	87,000
Unsecured loan	1,243	121,218	–	120,000
	75,027	208,349	–	207,000
	646,650	478,865	567,000	474,000

Information about the Group's and the Co-operative's exposure to interest rate and liquidity risks is included in Note 32.

The unsecured bond relates to bond issued by the Co-operative under Multicurrency Medium Term Note Programme ("MTN"). The bond matures on 24 May 2029 and interest is repayable semi-annually from the date of issuance.

Terms and debt repayment schedule

Terms and conditions of outstanding Singapore dollar borrowings are as follows:

	Nominal interest rate %	Year of maturity	Face value $'000	Carrying amount $'000
Group				
2022				
Unsecured loan	2	2023 - 2025	3,618	3,516
Unsecured bank loan	2 – 3.25	2023 - 2025	351,212	343,134
Unsecured bond	3.46	2029	372,660	300,000
			727,490	646,650
2021				
Unsecured loan	2	2022 - 2025	124,912	124,734
Unsecured bank loan	0.46 – 5	2022 - 2024	368,916	354,131
			493,828	478,865
Co-operative				
2022				
Unsecured bank loan	2.72 – 2.76	2024	274,389	267,000
Unsecured bond	3.46	2029	372,660	300,000
			647,049	567,000
2021				
Unsecured loan	–	2022	120,000	120,000
Unsecured bank loan	0.46 – 2.76	2022 - 2024	368,783	354,000
			488,783	474,000

Notes to the financial statements

Year ended 31 December 2022

17 LEASE LIABILITIES

	Group		Co-operative	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Non-current	1,145,291	1,158,682	952,029	966,460
Current	266,722	276,565	189,590	184,130
	1,412,013	1,435,247	1,141,619	1,150,590

Terms and conditions of outstanding Singapore dollar lease liabilities are as follows:

	Nominal interest rate %	Year of maturity	Face value $'000	Carrying amount $'000
Group				
2022				
Lease liabilities	1.00 – 6.72	2023 - 2072	1,606,083	1,412,013
2021				
Lease liabilities	0.72 – 5.25	2022 - 2072	1,603,988	1,435,247
Co-operative				
2022				
Lease liabilities	1.22 – 4.89	2023 - 2072	1,293,723	1,141,619
2021				
Lease liabilities	0.81 – 3.07	2022 - 2072	1,293,923	1,150,590

Notes to the financial statements

Year ended 31 December 2022

17 LEASE LIABILITIES (CONT'D)

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

	Note	Lease liabilities $'000	Borrowings $'000	Total $'000
Group				
Balance at 1 January 2021		1,486,414	454,005	1,940,419
Changes from financing cash flows				
Repayment of borrowings		–	(30,464)	(30,464)
Proceeds from borrowings		–	47,000	47,000
Payment of lease liabilities		(289,508)	–	(289,508)
Interest paid		(39,607)	(9,558)	(49,165)
Total changes from financing cash flows		(329,115)	6,978	(322,137)
Changes arising from obtaining control of subsidiaries	31	16,579	5,320	21,899
Other changes				
Liability-related				
Interest expense		39,607	9,558	49,165
Derecognition of lease liabilities		(2,917)	–	(2,917)
New leases and revised rental rate		224,679	–	224,679
Amortisation of deemed interest expense		–	3,004	3,004
Total liability-related other changes		261,369	12,562	273,931
Balance at 31 December 2021		1,435,247	478,865	1,914,112
Balance at 1 January 2022		1,435,247	478,865	1,914,112
Changes from financing cash flows				
Repayment of borrowings		–	(290,553)	(290,553)
Proceeds from borrowings		–	393,902	393,902
Payment of lease liabilities		(292,769)	–	(292,769)
Interest paid		(40,303)	(11,679)	(51,982)
Total changes from financing cash flows		(333,072)	91,670	(241,402)
Changes arising from obtaining control of subsidiaries	31	4,456	64,436	68,892
Other changes				
Liability-related				
Interest expense		40,303	15,325	55,628
Derecognition of lease liabilities		(67,675)	–	(67,675)
New leases and revised rental rate		332,754	–	332,754
Accrued interest		–	(3,646)	(3,646)
Total liability-related other changes		305,382	11,679	317,061
Balance at 31 December 2022		1,412,013	646,650	2,058,663

Notes to the financial statements

Year ended 31 December 2022

18 PROVISIONS

This relates to the provision of reinstatement cost to be incurred for dismantlement, 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:

	Note	Group 2022 $'000	Group 2021 $'000	Co-operative 2022 $'000	Co-operative 2021 $'000
At beginning of the year		58,340	51,152	46,575	39,737
Assumed in business combinations	31	–	775	–	–
Provisions made during the year		3,764	7,571	2,903	6,853
Utilised		(1,876)	(951)	(486)	(15)
Provisions reversed		(189)	(207)	–	–
At end of the year		60,039	58,340	48,992	46,575

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 50 years (2021: 1 month to 51 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 5.0% (2021: 5.0%) that reflects the risks specific to the liability.

19 DEFERRED TAX LIABILITIES

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

	At 1 January 2021 $'000	Recognised in profit or loss (Note 25) $'000	Acquisition of subsidiaries (Note 31) $'000	At 31 December 2021 $'000	Recognised in profit or loss (Note 25) $'000	Acquisition of subsidiaries (Note 31) $'000	At 31 December 2022 $'000
Group							
Deferred tax liabilities							
Property, plant and equipment	4,553	8,014	25	12,592	(3,053)	790	10,329
Intangible assets	17,138	(763)	4,557	20,932	(641)	1,155	21,446
Provisions	2,532	(2,802)	–	(270)	(171)	–	(441)
Approved donation	(1,135)	(3,542)	–	(4,677)	4,486	–	(191)
Lease liabilities	–	(12,558)	–	(12,558)	1,745	–	(10,813)
Right-of-use assets	–	12,176	–	12,176	(2,009)	–	10,167
Others	85	(1,145)	–	(1,060)	872	–	(188)
	23,173	(620)	4,582	27,135	1,229	1,945	30,309

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20 TRADE AND OTHER PAYABLES

	Group		Co-operative	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Trade payables				
External parties	686,675	668,478	592,797	600,079
Amount due to ultimate holding entity	3	3	–	–
Amount due to subsidiaries	–	–	25,913	22,628
Amount due to associates	2	2	–	–
Amount due to related parties	140	97	–	–
	686,820	668,580	618,710	622,707
Other payables				
Amounts due to:				
- External parties	880	13,253	–	13,253
- Ultimate holding entity [(a)]	152	4	152	4
- Subsidiaries [(a)]	–	–	171,730	207,308
- Associates [(a)]	30,656	30,714	30,643	30,643
- Related parties [(a)]	1,749	201	1,584	130
Loan from a subsidiary [(b)]	–	–	–	94,329
Accrued operating expenses [(c)]	77,250	150,563	45,695	121,687
Accrued short-term employee benefits	167,186	149,605	127,728	114,034
Contributions to:				
- Central Co-operative Fund [(d)]	75	50	50	25
- Singapore Labour Foundation [(e)]	48,156	5,501	47,372	5,494
Contract liabilities [(f)]	96,366	82,297	95,678	73,418
Deposits received	20,959	23,136	4,353	4,892
Deferred grant income [(g)]	1,616	3,137	–	–
Deferred income [(h)]	40,917	43,609	34,513	40,265
Stored value cards [(i)]	24,053	23,265	–	–
Others	30,879	32,237	25,037	21,000
	540,894	557,572	584,535	726,482
Total	1,227,714	1,226,152	1,203,245	1,349,189
Non-current	3,091	6,767	–	94,329
Current	1,224,623	1,219,385	1,203,245	1,254,860
	1,227,714	1,226,152	1,203,245	1,349,189

(a) Outstanding non-trade balances with ultimate holding entity, subsidiaries, associates and related parties are unsecured, interest-free and repayable on demand.

(b) In 2021, the loan from a subsidiary of $94,329,000 was unsecured, bore interest of 1.95% per annum. The amount was fully repaid during the year by offsetting against dividend declared by the subsidiary (Note 11).

(c) Accrued operating expenses include accruals for purchases of property, plant and equipment for the Group and the Co-operative amounting to $22,491,000 and $19,235,000 (2021: $18,473,000 and $12,929,000) respectively.

(d) In accordance with Section 71(2)(a) of the Co-operative Societies Act 1979, 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.

(e) In accordance with Section 71(2)(b) of the Co-operative Societies Act 1979, 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.

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Year ended 31 December 2022

20 TRADE AND OTHER PAYABLES (CONT'D)

(f) The contract liabilities primarily relate to advance consideration received from customers for sale of gift vouchers, gift cards and e-vouchers of $84,078,000 (2021: $73,418,000) and loyalty points redeemable by cardholders of $12,288,000 (2021: $8,879,000).

(g) Deferred grant income relates to the wage support and subsidies received from the government but not earned as at reporting period.

(h) Deferred income relates to payment received from vendor but not earned as at reporting period.

(i) The amount represents advance payments from customers by way of purchase and top-up of Kopitiam card.

The average credit period on purchase of goods is 45 to 60 days (2021: 45 to 60 days). Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs.

The Group and the Co-operative's exposures to currency and liquidity risks for trade and other payables are disclosed in Note 32.

21 REVENUE

	Group		Co-operative	
	2022 $'000	**2021 $'000**	**2022 $'000**	**2021 $'000**
Sale of food and beverage	178,279	158,526	–	–
Sale of retail goods	4,030,840	3,947,726	3,719,281	3,798,833
Income from food and beverage operations	125,488	109,854	–	–
	4,334,607	4,216,106	3,719,281	3,798,833

Payment of the transaction price is due immediately at the point the customer purchases the goods. It is the Group's policy to sell its retail goods to the end customers with a right of return. Based on the accumulated historical experience, the estimated amount of returns was negligible. It is considered highly probable that a significant reversal in the cumulative revenue recognised will not occur given the consistent level of returns in the past years. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date.

Significant changes in the contract liabilities during the year are as follows:

		Group		Co-operative	
	Note	**2022 $'000**	**2021 $'000**	**2022 $'000**	**2021 $'000**
At 1 January		82,297	54,894	73,418	54,894
Revenue recognised that was included in the contract liabilities at the beginning of the period		(177,643)	(54,894)	(73,418)	(54,894)
Additions due to advances received but performance obligation not fulfilled		191,712	82,297	95,678	73,418
At 31 December	20	96,366	82,297	95,678	73,418

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22 INVESTMENT INCOME

	Group		Co-operative	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Dividend income				
- Associates	–	–	21,660	17,955
- Subsidiaries	–	–	219,977	400
- Other investments	50,558	49,662	50,396	49,406
Interest income				
- Financial institutions	1,245	705	1,015	496
- Ultimate holding entity	10,230	10,202	10,230	10,202
- Loan to a related party	1,620	72	–	–
- Loans to subsidiaries	–	–	6,587	4,226
Gain on disposal of equity investments - FVOCI	619	–	–	–
	64,272	60,641	309,865	82,685

23 FINANCE COSTS

	Group		Co-operative	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Interest expense				
- Subsidiaries	–	–	3,725	5,079
- Financial institutions	9,012	9,558	7,839	9,451
- Unsecured bond	6,313	–	6,313	–
Interest on lease liabilities	40,303	39,607	30,299	30,127
Loss on disposal of other investment	–	190	–	115
Loss on disposal of equity investments - FVOCI	14	–	14	–
	55,642	49,355	48,190	44,772

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24 PROFIT BEFORE TAX AND CONTRIBUTIONS

The following items have been included in arriving at profit before tax and contributions:

	Note	Group 2022 $'000	Group 2021 $'000	Co-operative 2022 $'000	Co-operative 2021 $'000
Audit fees paid to:					
- Auditors of the Co-operative		980	913	444	395
- Other auditors		331	147	62	–
Non-audit fees paid to:					
- Auditors of the Co-operative		477	709	273	107
- Other auditors		6	–	–	–
Packing and logistic expenses		87,349	106,240	59,919	65,442
Occupancy expenses		83,230	61,202	46,129	37,171
Contributions to defined contribution plans		62,034	56,012	39,059	37,120
Repair, maintenance and supplies		61,609	56,620	44,031	41,559
Inventories written-off	12	38,578	41,959	36,750	39,995
Professional fee		24,380	17,040	20,738	15,804
Loss/(profit) on derecognition of right-of-use assets		4,695	430	(158)	–
Impairment losses recognised on trade receivables	32	4,022	4,341	1,888	539
Property, plant and equipment written-off	4	874	927	383	36
Intangible assets written-off	7	18	44	–	–
Advertising, promotion and other service income		(120,495)	(124,757)	(107,369)	(109,909)
Concessionary and commission income		(33,214)	(31,244)	(28,022)	(27,714)
Rental income from property sublease		(26,532)	(26,032)	(32,634)	(34,909)
Government grants		(22,535)	(92,804)	(11,986)	(59,484)
Gain on disposal of property, plant and equipment, net	4	(15,363)	(278)	(15,104)	–

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25 TAX EXPENSE

	Note	Group 2022 $'000	Group 2021 $'000
Current tax expense:			
Current year		1,953	2,308
Changes in estimates related to prior years		(512)	(960)
		1,441	1,348
Deferred tax expense:			
Origination and reversal of temporary difference		1,952	3,578
Changes in estimates related to prior years		(723)	(4,198)
	19	1,229	(620)
Total tax expense		2,670	728

Reconciliation of effective tax rate

	Group 2022 $'000	Group 2021 $'000
Profit before tax	5,743	143,851
Tax expense at statutory tax rate of 17% (2021: 17%)	976	24,455
Non-deductible expenses	7,183	2,379
Exempt income [1]	(2,213)	(19,034)
Effect of share of profit of equity–accounted investees	(633)	(5,772)
Recognition of tax effect of previously unrecognised tax losses, temporary differences and capital allowances	(2,261)	–
Unrecognised deferred tax assets	969	4,361
Effect of tax concessions – donations	–	(38)
Changes in estimates related to prior years	(1,235)	(5,158)
Others	(116)	(465)
	2,670	728

[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 1979 is exempted from income tax under Section 13(1)(f)(ii) of the Singapore Income Tax Act, Chapter 134.

No deferred tax assets have been recognised in respect of the following:

	Group 2022 $'000	Group 2021 $'000
Deductible temporary differences	12,161	16,195
Unutilised tax losses	32,636	34,815
Capital allowances	122	1,507
	44,919	52,517

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom. The unutilised tax losses which is available for set off against future profits are subject to agreement by the tax authority and compliance with tax regulations. These temporary differences and unutilised tax losses do not expire under the current legislation.

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26 CONTRIBUTIONS TO SINGAPORE LABOUR FOUNDATION

	Group		Co-operative	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Current year	48,156	14,599	47,372	14,591
Changes related to prior year	(81)	(8,504)	(81)	(8,504)
	48,075	6,095	47,291	6,087

In December 2021, the Ministry of Culture, Community and Youth gazetted that COVID-19-related income will be exempted from Co-operative's contributions. Accordingly, the contribution relating to prior year was adjusted.

27 DIVIDEND

	Group		Co-operative	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Distributions to members of the Co-operative				
- first and final dividend in respect of prior year of 5.5% (2021: 5.5%)	23,508	23,579	23,508	23,579
Distributions to NCI	976	300	–	–
	24,484	23,879	23,508	23,579

28 PATRONAGE REBATES, DIRECTORS' HONORARIA, DIVIDENDS AND BONUS CERTIFICATES

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

	Group and Co-operative	
	2022	2021
	$'000	$'000
Patronage rebates of 2.0% [(a)] (2021: 4.5%)	26,741	63,575
Directors' honoraria	760	562
First and final dividend of 10% [(b)] (2021: 5.5%)	43,399	23,952
Bonus certificates	108,499	–
	179,399	88,089

(a) As part of our ongoing efforts to deliver better and more immediate value to our members, the member benefits for 2022 include an upfront component of 2% issued in LinkPoints, subject to a spending cap of $6,000 per annum. Collectively a total of 4% member benefits.

(b) Inclusive of a one-off special dividend of 5%.

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29 LEASES

Leases as lessee

The Group leases properties and warehouses. The leases typically run for a period of three to five years, with an option to renew the lease after that date. Lease payments are renegotiated every three to five years to reflect market rentals. For certain leases, the Group is restricted from entering into any sub-lease arrangements.

The Group leases IT equipment with contract terms of one to three years. These leases are short-term and/or leases of low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

Information about leases for which the Group is a lessee is presented below.

(i) Right-of-use assets

The Group and Co-operative leases many assets including land, buildings and equipment (see Note 5 for right-of-use assets recognised on the statements of financial position as at reporting date).

(ii) Amounts recognised in profit or loss

	Group		Co-operative	
	2022	**2021**	**2022**	**2021**
	$'000	**$'000**	**$'000**	**$'000**
Interest on lease liabilities	40,303	39,607	30,299	30,127
Income from sub-leasing right-of-use assets presented in 'other income'	(26,532)	(26,032)	(32,634)	(34,909)
Expenses relating to short-term leases	4,750	409	2,824	–
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	416	286	–	135
Expenses relating to variable lease payments	7,207	12,640	1,663	6,621

(iii) Amounts recognised in consolidated statement of cash flows

	Group	
	2022	**2021**
	$'000	**$'000**
Total cash outflow for leases	333,072	329,115

Extension options

Some property leases contain extension options exercisable by the Group up to nine months before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

Leases as lessor

The Group leases out its property leases. All leases are classified as operating leases from a lessor perspective with the exception of a sub-lease, which the Group has classified as a finance sub-lease.

Notes to the financial statements

Year ended 31 December 2022

29 LEASES (CONT'D)

(iii) Amounts recognised in consolidated statement of cash flows (cont'd)

Finance lease

During 2022, the Group has sub-leased a building that has been presented as part of a right-of-use asset.

During 2022, the Group and the Co-operative recognised interest income on lease receivables of $32,000 (2021: $45,000) and $31,000 (2021: $45,000) respectively.

The following table sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date.

	Group		Co-operative	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Less than one year	1,508	1,438	1,438	1,438
One to two years	270	1,438	120	1,438
Two to three years	–	121	–	121
Total undiscounted lease receivable	1,778	2,997	1,558	2,997
Unearned finance income	(12)	(43)	(12)	(43)
Net investment in the lease	1,766	2,954	1,546	2,954

Operating lease

The Group leases out its leased properties. The Group has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

Rental income from property sub-lease recognised by the Group during 2022 was $26,352,000 (2021: $26,032,000).

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

	Group		Co-operative	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Less than one year	62,754	54,000	21,564	20,656
One to two years	29,268	22,475	12,073	12,245
More than two years	15,182	7,714	8,709	5,247
Total	107,204	84,189	42,346	38,148

30 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	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Capital commitments:				
Purchase of property, plant and equipment				
- contracted	23,142	92,020	–	49,432

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31 ACQUISITION OF SUBSIDIARIES AND NON-CONTROLLING INTEREST

On 1 January 2022, the Group acquired 51% of the shares and voting interests in OJJ Holdings.

From the date of acquisition to 31 December 2022, OJJ Holdings contributed revenue of $132,437,000 and a profit of $3,038,000 respectively to the Group results.

On 1 January 2021, the Group acquired 60% of the shares and voting interests in Kiosks Collective from Chiang Zhan Xiang. On the same date, the Group acquired 100% of the shares and voting interests in Link (NTUC Link Private Limited) with net asset of $3,067,000 from the immediate and ultimate holding entity, NTUC Enterprise Co-operative Limited, through an internal restructuring at a nominal consideration of $1.

Identifiable assets acquired and liabilities assumed

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

	Note	2022 $'000	2021 $'000
Property, plant and equipment	4	43,425	2,955
Right-of-use assets	5	4,386	15,694
Intangible assets	7	6,809	27,008
Other investments		112	–
Inventories		12,154	353
Trade and other receivables		19,797	7,950
Cash and cash equivalents		8,858	24,713
Trade and other payables		(14,242)	(24,024)
Provisions	18	–	(775)
Current tax liabilities		(904)	(980)
Deferred tax liabilities	19	(1,945)	(4,582)
Borrowings	17	(64,436)	(5,320)
Lease liabilities	17	(4,456)	(16,579)
Non-controlling interest		(4,779)	(9,336)
Total identifiable net assets		4,779	17,077
Goodwill arising from acquisition of business	7	7,603	19,461
Gain from acquisition of subsidiaries under common control		–	(3,067)
Total purchase considerations		12,382	33,471
Less: Cash and cash equivalents in subsidiaries acquired		(8,858)	(24,713)
Net cash outflow		3,524	8,758

Goodwill and gain from acquisition of subsidiary under common control

Goodwill from business combinations and gain from acquisition of subsidiaries under common control in the financial year ended 31 December 2022 amounted to $7,603,000 and $nil (2021: $19,461,000 and $3,067,000) respectively. Gain from acquisition of subsidiary under common control is recognised in capital reserve.

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

Notes to the financial statements

Year ended 31 December 2022

31 ACQUISITION OF SUBSIDIARIES AND NON-CONTROLLING INTEREST (CONT'D)

Measurement of fair values

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

Assets required	Valuation technique
Brand name and trademark	Relief-from-royalty method: The relief-from-royalty method considers the discounted estimated royalty payments that are expected to be avoided as a result of the brand name and trademark being owned.
Customer relationship	Multi-Period Excess Earning method: The multi-period excess earning method that estimates revenues and cash flows derived from the intangible asset and then deducts portions of the cash flow that can be attributed to supporting assets.
Property, plant and equipment	The carrying amount of property, plant and equipment is approximate fair values.

Acquisition of non-controlling interest ("NCI")

In April 2022, the Group acquired an additional 30% interest in Foodfare Catering Pte Ltd, increasing its ownership from 70% to 100%. The carrying amount of Foodfare Catering's net assets in the Group's financial statements on the date of the acquisition was $17,333,000.

	2022 $'000
Carrying amount of NCI acquired ($17,333,000 x 30%)	5,200
Consideration paid to NCI	9,270
Decrease in equity attributable to owners of the Company	(4,070)

The decrease in the capital reserve of $4,070,000 is attributable to owners of the Company. During the year, there is a contribution of $60,000 from NCI to the Group.

32 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 investments.

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.

Notes to the financial statements
Year ended 31 December 2022

32 FINANCIAL INSTRUMENTS (CONT'D)

Credit risk (cont'd)

At the reporting date, there is no significant concentration of credit risk. The carrying amounts of financial assets 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, except for balances with tenants where security deposits are obtained.

Impairment loss

Expected credit loss assessment

The Group uses an allowance matrix to measure the ECLs of trade receivables.

Loss rates are based on actual credit loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December:

	Group			
	Weighted average loss rate %	Gross carrying amount $'000	Impairment loss allowance $'000	Credit impaired
2022				
Current (not past due)	7.65	24,133	(1,845)	No
1 – 30 days past due	–	22,903	–	No
31 – 60 days past due	0.03	3,745	(1)	No
More than 60 days past due	75.80	20,611	(15,624)	Yes
		71,392	(17,470)	
2021				
Current (not past due)	–	28,378	–	No
1 – 30 days past due	0.11	6,650	(7)	No
31 – 60 days past due	0.34	3,481	(12)	No
More than 60 days past due	50.55	26,619	(13,457)	Yes
		65,128	(13,476)	

Notes to the financial statements

Year ended 31 December 2022

32 FINANCIAL INSTRUMENTS (CONT'D)

Credit risk (cont'd)

Impairment loss (cont'd)

Expected credit loss assessment (cont'd)

	Weighted average loss rate	Co-operative Gross carrying amount	Impairment loss allowance	Credit impaired
	%	$'000	$'000	
2022				
Current (not past due)	11.20	16,446	(1,845)	No
1 – 30 days past due	–	10,296	–	No
31 – 60 days past due	–	2,433	–	No
More than 60 days past due	42.17	1,985	(837)	Yes
		31,160	(2,682)	
2021				
Current (not past due)	–	21,441	–	No
1 – 30 days past due	–	7,026	–	No
31 – 60 days past due	–	1,667	–	No
More than 60 days past due	42.32	1,876	(794)	Yes
		32,010	(794)	

Other receivables/deposits/lease receivables

The Group assesses on a forward-looking basis the expected credit loss associated with financial assets at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The Group considers that the credit risk of these counter parties has not increased.

Loans to a related party and subsidiaries

The Group and Co-operative had loans to a related party and subsidiaries with a carrying amount of $78,360,000 and $332,395,000 respectively (2021: $47,000,000 and $229,860,000). Impairment on these balances has been measured on the 12-month expected loss basis. The assessment is based on qualitative and quantitative factors that are indicative of the risk of default, including but not limited to audited financial statements, and management accounts, if available, and applying experienced credit judgement. The amount of the allowance on loans to subsidiaries is $50,790,000 (2021: $50,790,000).

Notes to the financial statements

Year ended 31 December 2022

32 FINANCIAL INSTRUMENTS (CONT'D)

Credit risk (cont'd)

Movements in allowance for impairment in respect of trade receivables

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

	Group Impairment loss allowance $'000	Co-operative Impairment loss allowance $'000
At 1 January 2021	8,989	270
Acquisition of subsidiaries	371	–
Impairment loss recognised	4,646	783
Impairment loss reversed	(305)	(244)
Amounts written off	(225)	(15)
At 31 December 2021	13,476	794
At 1 January 2022	13,476	794
Acquisition of subsidiaries	1,064	–
Impairment loss recognised	4,464	1,956
Impairment loss reversed	(442)	(68)
Amounts written off	(1,092)	–
At 31 December 2022	17,470	2,682

Cash and cash equivalents

The Group and the Co-operative held cash and cash equivalents of $452,685,000 and $308,023,000 (2021: $535,438,000 and $404,239,000) respectively as at 31 December 2022. The cash and cash equivalents are held with banks and financial institutions with sound credit ratings.

Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The amount of the allowance on cash and cash equivalents was insignificant.

Debt investment

The Group invests in bonds issued by the holding co-operative, NTUC Enterprise Co-operative Limited, of $330,000,000 (2021: $330,000,000). Impairment on the bonds has been measured on the 12-month expected loss basis which reflects the low credit risk of the exposure. There is no impairment allowance on these bonds.

The Group and the Co-operative did not have any debt investments that were past due but not impaired as at 31 December 2022.

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.

Notwithstanding the Group's net loss for the year and net current liability position as at 31 December 2022, the financial statements have been prepared on a going concern basis because management, having assessed the sources of liquidity and funding available to the Group, believes that the Group can continue as a going concern for the foreseeable future. These include cash reserves, other investments (Note 10), unissued multicurrency medium term note programme and undrawn bank facilities as at 31 December 2022, to finance the Group's cash flows requirements. In addition, the Group achieved positive net cash from operating activities for the financial year ended 31 December 2022.

Notes to the financial statements

Year ended 31 December 2022

32 FINANCIAL INSTRUMENTS (CONT'D)

Liquidity risk (cont'd)

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					
2022					
Borrowings	646,650	(727,490)	(93,251)	(323,859)	(310,380)
Lease liabilities	1,412,013	(1,606,083)	(306,755)	(867,865)	(431,463)
Trade and other payables*	1,064,762	(1,064,762)	(1,061,671)	(3,091)	–
	3,123,425	(3,398,335)	(1,461,677)	(1,194,815)	(741,843)
2021					
Borrowings	478,865	(493,828)	(208,499)	(285,329)	–
Lease liabilities	1,435,247	(1,603,991)	(312,257)	(847,653)	(444,081)
Trade and other payables*	1,073,844	(1,073,844)	(1,067,077)	(6,767)	–
	2,987,956	(3,171,663)	(1,587,833)	(1,139,749)	(444,081)
Co-operative					
2022					
Borrowings	567,000	(647,049)	(17,689)	(318,980)	(310,380)
Lease liabilities	1,141,619	(1,293,723)	(219,874)	(688,261)	(385,588)
Trade and other payables*	1,073,054	(1,073,054)	(1,073,054)	–	–
	2,781,673	(3,013,826)	(1,310,617)	(1,007,241)	(695,968)
2021					
Borrowings	474,000	(488,783)	(207,065)	(281,718)	–
Lease liabilities	1,150,590	(1,293,923)	(210,065)	(675,927)	(407,931)
Trade and other payables*	1,141,177	(1,141,177)	(1,141,177)	–	–
Loan from a subsidiary	94,329	(101,058)	(1,839)	(99,219)	–
	2,860,096	(3,024,941)	(1,560,146)	(1,056,864)	(407,931)

* Excludes contract liabilities, deferred grant income, deferred income, stored value cards and loan from a subsidiary

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 transacts businesses mainly in Singapore dollars. Accordingly, the Group's exposure to currency risk is not expected to be material.

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Year ended 31 December 2022

32 FINANCIAL INSTRUMENTS (CONT'D)

Market risk (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	
	2022 $'000	**2021 $'000**	**2022 $'000**	**2021 $'000**
Fixed rate instruments				
Other investments	330,000	330,000	330,000	330,000
Trade and other receivables	78,360	47,000	324,960	229,860
Cash and cash equivalents	265	393	–	–
Borrowings	(576,473)	(358,865)	(567,000)	(354,000)
Trade and other payables	–	–	–	(94,329)
	(167,848)	18,528	87,960	111,531

As at 31 December 2022, the Group have variable rate instruments amounting to approximately $70,176,000 (2021: $nil)

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

	Profit or loss	
	100 bp increase $'000	**100 bp decrease $'000**
31 December 2022		
Variable rate instruments		
Borrowings	(702)	702

Equity price risk

The Group and the Co-operative are exposed to equity price risk changes arising from equity investments at FVOCI. An increase in the underlying equity prices of the equity investments at FVOCI at the reporting date by 10% (2021: 10%) for the Group and the Co-operative, would increase other components of equity before any tax effect by the amounts shown below. Similarly, a 10% decrease in underlying equity price of the equity investments would have the equal but opposite effect. This analysis assumes that all other variables remain constant.

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Year ended 31 December 2022

32 FINANCIAL INSTRUMENTS (CONT'D)

Market risk (cont'd)

Equity price risk (cont'd)

	Group $'000	Co-operative $'000
2022		
Equity investments at FVOCI		
Equity	106,370	106,113
2021		
Equity investments at FVOCI		
Equity	126,570	125,994

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 of 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	
	Amortised cost $'000	Equity investments - FVOCI $'000	Other financial liabilities at amortised cost $'000	Total $'000	Level 1 $'000	Level 2 $'000
Group						
2022						
Financial assets measured at fair value						
Quoted equity investments - FVOCI	–	1,758	–	1,758	1,758	–
Unquoted equity investments - FVOCI	–	1,061,946	–	1,061,946	–	1,061,946
	–	1,063,704	–	1,063,704		
Financial assets not measured at fair value						
Unquoted debt investment	330,000	–	–	330,000	–	285,067
Other investments	712	–	–	712		
Cash and cash equivalents	452,685	–	–	452,685		
Trade and other receivables*	219,149	–	–	219,149		
	1,002,546	–	–	1,002,546		
Financial liabilities not measured at fair value						
Borrowings	–	–	(646,650)	(646,650)	–	(633,904)
Lease liabilities	–	–	(1,412,013)	(1,412,013)		
Trade and other payables**	–	–	(1,064,762)	(1,064,762)		
	–	–	(3,123,425)	(3,123,425)		

* Excludes prepayments
** Excludes contract liabilities, deferred grant income, deferred income and stored value cards

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Year ended 31 December 2022

32 FINANCIAL INSTRUMENTS (CONT'D)

Market risk (cont'd)

Accounting classifications and fair values (cont'd)

	Carrying amount				Fair value	
	Amortised cost $'000	Equity investments - FVOCI $'000	Other financial liabilities at amortised cost $'000	Total $'000	Level 1 $'000	Level 2 $'000
Group						
2021						
Financial assets measured at fair value						
Quoted equity investments - FVOCI	–	5,254	–	5,254	5,254	–
Unquoted equity investments - FVOCI	–	1,260,449	–	1,260,449	–	1,260,449
	–	1,265,703	–	1,265,703		
Financial assets not measured at fair value						
Unquoted debt investment	330,000	–	–	330,000	–	297,763
Other investments	600	–	–	600		
Cash and cash equivalents	535,438	–	–	535,438		
Trade and other receivables*	259,265	–	–	259,265		
	1,125,303	–	–	1,125,303		
Financial liabilities not measured at fair value						
Borrowings	–	–	(478,865)	(478,865)	–	(463,407)
Lease liabilities	–	–	(1,435,247)	(1,435,247)		
Trade and other payables**	–	–	(1,073,844)	(1,073,844)		
	–	–	(2,987,956)	(2,987,956)		

* Excludes prepayments

** Excludes contract liabilities, deferred grant income, deferred income and stored value cards

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Year ended 31 December 2022

32 FINANCIAL INSTRUMENTS (CONT'D)

Market risk (cont'd)

Accounting classifications and fair values (cont'd)

	Carrying amount				Fair value
	Amortised cost $'000	Equity investments - FVOCI $'000	Other financial liabilities at amortised cost $'000	Total $'000	Level 2 $'000
Co-operative					
2022					
Financial assets measured at fair value					
Unquoted equity investments - FVOCI	–	1,061,133	–	1,061,133	1,061,133
Financial assets not measured at fair value					
Unquoted debt investment	330,000	–	–	330,000	285,067
Other investments	600	–	–	600	
Cash and cash equivalents	308,023	–	–	308,023	
Trade and other receivables*	130,731	–	–	130,731	
Loans to subsidiaries	332,395	–	–	332,395	327,047
	1,101,749	–	–	1,101,749	
Financial liabilities not measured at fair value					
Borrowings	–	–	(567,000)	(567,000)	(554,026)
Lease liabilities	–	–	(1,141,619)	(1,141,619)	
Trade and other payables**	–	–	(1,073,054)	(1,073,054)	
	–	–	(2,781,673)	(2,781,673)	
Co-operative					
2021					
Financial assets measured at fair value					
Unquoted equity investments - FVOCI	–	1,259,943	–	1,259,943	1,259,943
Financial assets not measured at fair value					
Unquoted debt investment	330,000	–	–	330,000	297,763
Other investments	600	–	–	600	
Cash and cash equivalents	404,239	–	–	404,239	
Trade and other receivables*	142,110	–	–	142,110	
Loans to subsidiaries	229,860	–	–	229,860	224,181
	1,106,809	–	–	1,106,809	
Financial liabilities not measured at fair value					
Borrowings	–	–	(474,000)	(474,000)	(460,576)
Lease liabilities	–	–	(1,150,590)	(1,150,590)	
Trade and other payables**	–	–	(1,141,177)	(1,141,177)	
Loan from a subsidiary	–	–	(94,329)	(94,329)	(89,567)
	–	–	(2,860,096)	(2,860,096)	

* Excludes prepayments and loans to subsidiaries

** Excludes contract liabilities, deferred grant income, deferred income and loan from a subsidiary

Notes to the financial statements

Year ended 31 December 2022

32 FINANCIAL INSTRUMENTS (CONT'D)

Market risk (cont'd)

Determination of fair value

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

Financial instruments measured at fair value

Quoted equity investments are traded in an active market and their fair values are determined with reference to quoted bid prices at the reporting date.

The fair value of unquoted equity investments, held by the Co-operative, is determined based on the net asset value in the investment fund's valuation reports at the reporting date. The unquoted equity instruments trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. The Co-operative uses the valuation provided by the fund administrators of these financial instruments which are based on a variety of methods and makes assumptions that are based on market conditions existing at the balance sheet date. The fair value of unquoted investments is the indicative prices provided by fund administrators at the reporting date.

The fair values of the derivatives (put options) included within Level 3 are measured at net present value of the exercise price of the option, which is derived using the contracted forward price formula based on the expected revenue or EBITDA of the investee, and discounted at the risk-adjusted discount rate at the reporting date. The risk-adjusted discount rate is 9.5% (2021: 10.0%). The estimated fair value would increase (decrease) if the expected revenue or EBITDA were higher (lower), or the risk-adjusted discount rate was lower (higher).

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
Group	
Unquoted debt investment and borrowings	Discounted cash flows: The valuation model considers the present value of expected payment, discounted using a risk-adjusted discount rate.
Co-operative	
Unquoted debt investment, loans to subsidiaries, borrowings and loan from a subsidiary	Discounted cash flows: The valuation model considers the present value of expected payment, discounted using a risk-adjusted discount rate.

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

	2022 %	2021 %
Group and Co-operative		
Unquoted debt investment	4.14	3.80
Borrowings	4.33 – 4.59	0.91 – 3.47
Co-operative		
Loans to subsidiaries	4.39 – 4.74	2.29 – 3.22
Loan from a subsidiary	–	3.47

Notes to the financial statements
Year ended 31 December 2022

32 FINANCIAL INSTRUMENTS (CONT'D)

Financial instruments not measured at fair value (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 clause 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-laws clause 12.3;

b) by payment of patronage rebates to members in accordance with By-laws clause 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-laws clause 9.22;

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 improved capital requirements.

33 RELATED PARTIES

The Co-operative is a subsidiary of NTUC Enterprise Co-operative Limited incorporated in the Republic of Singapore, which is also the Co-operative's ultimate holding entity.

During the financial year, the Group and Co-operative entered into the following transactions with related parties:

	Group		Co-operative	
	2022	**2021**	**2022**	**2021**
	$'000	**$'000**	**$'000**	**$'000**
Donations to NTUC Fairprice Foundation Limited	–	21,134	–	21,134
Sales of goods to:				
- Ultimate holding entity	–	(3)	–	(2)
- Subsidiaries	–	–	(50,793)	(47,360)
- Related parties	(7,830)	(5,504)	(1,172)	(1,399)

Notes to the financial statements

Year ended 31 December 2022

33 RELATED PARTIES (CONT'D)

	Group		Co-operative	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Rental income from:				
- Subsidiaries	–	–	(9,035)	(9,221)
- Related parties	(584)	(439)	(584)	(439)
Interest income from:				
- Ultimate holding entity	(10,230)	(10,202)	(10,230)	(10,202)
- Subsidiaries	–	–	(6,587)	(4,226)
- Related parties	(1,620)	(72)	–	–
Other income from:				
- Ultimate holding entity	(1,040)	(1,639)	(58)	–
- Subsidiaries	–	–	(2,528)	(817)
- Related parties	(16,993)	(6,327)	(8,089)	–
Interest expense to subsidiaries	–	–	3,725	5,079
Rental expenses to:				
- Subsidiaries	–	–	2,100	1,395
- Associates	52,204	59,210	42,679	47,238
- Related parties	6,311	6,443	5,090	5,611
Issuance and redemption of link points issued by subsidiaries (2021: subsidiary)	(6,875)	(4,078)	(6,847)	(7,378)
Dividend paid to:				
- Ultimate holding entity	13,237	8,688	13,237	8,688
- Related parties	4,026	4,021	4,026	4,021
Purchases from:				
- Ultimate holding entity	–	99	–	99
- Subsidiaries	–	–	184,730	172,456
- Associates	3,644	4,158	3,644	4,142
- Related parties	51,293	28,683	51,293	28,683
Other operating expenses to:				
- Ultimate holding entity	11,507	477	11,504	–
- Subsidiaries	–	–	94,428	83,461
- Associates	58	550	–	–
- Related parties	1,864	1,279	1,422	1,000
Dividend income from:				
- Subsidiary	–	–	(219,977)	(400)
- Associates	–	–	(21,660)	(17,955)

Please refer to Notes 11 and 20 for additional information on related parties balances.

Notes to the financial statements

Year ended 31 December 2022

33 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		Co-operative	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Salaries, short-term employee benefits and post-employment benefits:				
- directors	575	553	575	553
- officers	11,796	8,501	11,796	8,501
	12,371	9,054	12,371	9,054

In addition, certain officers receive remuneration directly from the Co-operative's holding entity. In respect of their services rendered to the Group, the Co-operative's holding entity did not recharge such costs to the Group in 2021 and recharge certain costs to the Group in 2022.

34 OPERATING SEGMENTS

The Group has the following two strategic divisions which are its reportable segments. These divisions offer different products and services. The Group's Chief Executive Officer reviews internal management reports of each division at least monthly. The following summary describes the operations in each of the Group's reportable segments:

- Retail. Includes sale of retail goods and fresh produce and convenience stores operations.
- Food Services. Include sale of food and beverages, and managing of food courts and food outlets.

Other operations include the trading, warehousing and distribution and operation of loyalty program business. None of these segments meets any of the quantitative thresholds for determining reportable segments in 2022 or 2021.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit/(loss) from operations, as included in the internal management reports that are reviewed by the Group's Chief Executive Officer. Segment profit/(loss) is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Notes to the financial statements

Year ended 31 December 2022

34 OPERATING SEGMENTS (CONT'D)

Information about reportable segments

	Retail $'000	Food Services $'000	All other segments $'000	Elimination $'000	Group $'000
2022					
Group					
External revenue	3,921,362	303,765	109,480	–	4,334,607
Inter-segment revenue	–	–	40,924	(40,924)	–
	3,921,362	303,765	150,404	(40,924)	4,334,607
Segment profit/(loss) from operations	(23,679)	(11,294)	20,578	7,786	(6,609)
Assets	2,780,547	373,893	696,793	(374,514)	3,476,719
Associates					967,045
Other investments					1,394,416
Reportable segment assets					5,838,180
Liabilities	2,993,747	639,496	728,361	(983,019)	3,378,585
Reportable segment liabilities					3,378,585
Other segment information:					
Capital expenditure	(108,276)	(34,117)	(41,779)	–	(184,172)
Depreciation expense	(264,479)	(87,756)	(21,570)	4,886	(368,919)
Finance costs	(49,322)	(9,467)	(8,792)	11,939	(55,642)
Inventories written off	(38,578)	–	–	–	(38,578)
2021					
Group					
External revenue	3,943,742	268,380	3,984	–	4,216,106
Inter-segment revenue	–	–	12,463	(12,463)	–
	3,943,742	268,380	16,447	(12,463)	4,216,106
Segment profit/(loss) from operations	81,725	(8,366)	27,098	(1,841)	98,616
Assets	2,862,392	373,163	667,520	(392,317)	3,510,758
Associates					939,787
Other investments					1,596,303
Reportable segment assets					6,046,848
Liabilities	3,110,548	611,370	488,510	(982,017)	3,228,411
Reportable segment liabilities					3,228,411
Other segment information:					
Capital expenditure	(157,772)	(17,868)	(30,206)	–	(205,846)
Depreciation expense	(257,902)	(110,350)	(19,742)	4,435	(383,559)
Finance costs	(45,593)	(8,208)	(5,884)	10,330	(49,355)
Inventories written off	(41,959)	–	–	–	(41,959)

Notes to the financial statements
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35 SUBSEQUENT EVENT

In December 2022, the Co-operative's associate, Mercatus Co-operative Limited has entered into sale and purchase agreement to divest their interest in retail assets of Jurong Point and Thomson Plaza. The divestment was completed on 31 March 2023.

FairPriceGroup

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