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NTUC FAIRPRICE CO-OPERATIVE LTD

FINANCIAL REPORT 2016

an NTUC Social Enterprise

Contents

DIRECTORS' STATEMENT

The Directors present this annual report to the members together with the audited financial statements of the Co-operative for the financial year ended 31 December 2016.

In our opinion:

(a) the financial statements set out on pages 6 to 54 are drawn up in accordance with the provisions of the Co-operative Societies Act, Chapter 62 (the "Act") and Singapore Financial Reporting Standards, so as to give a true and fair view of the financial position of the Group and of the Co-operative as at 31 December 2016, and of the financial performance, changes in equity and cash flows of the Group and of the financial performance and changes in equity of the Co-operative for the year ended 31 December 2016;

(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 2016 have been made in accordance with the By-Laws of the Co-operative and the provisions of the Act.

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

(a) Directors

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

Bobby Chin Yoke Choong
Willy Shee Ping Yah
Wong Heng Tew
Chua Sin Bin (Dr)
Wahab Yusoff
Ng Shin Ein
Stephen Lim Beng Lin
Ronald Ong Whatt Soon
Karthikeyan S/O R. Krishnamurthy *(appointed on 9 June 2016)*
Albert Cheng Yong Kim *(appointed on 9 June 2016)*
Lim Sau Hoong *(appointed on 9 June 2016)*

(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.

(c) Directors' interests

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

Name of Directors and corporation in which interests are held	Shareholdings registered in the name of Directors at the beginning of the financial year/ date of appointment	at the end of the financial year
NTUC Fairprice Co-operative Limited		
Bobby Chin Yoke Choong	20	20
Willy Shee Ping Yah	1,259	1,259
Wong Heng Tew	26	26
Chua Sin Bin (Dr)	39	39
Wahab Yusoff	26	26
Tan Kian Huay (resigned on 9 June 2016)	26	26
Nora Kang Kah Ai (resigned on 9 June 2016)	62	62
Tan Suee Chieh (resigned on 31 December 2016)	20	20
Ng Shin Ein	20	20
Stephen Lim Beng Lin	20	20
Ronald Ong Whatt Soon	20	20
Karthikeyan S/O R. Krishnamurthy	1,610	1,610
Albert Cheng Yong Kim	–	20
Lim Sau Hoong	–	20

(d) Share options

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

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

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

(e) Auditors

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

ON BEHALF OF THE BOARD OF DIRECTORS

Bobby Chin Yoke Choong
Director

Wong Heng Tew
Director

27 April 2017

INDEPENDENT AUDITORS' REPORT

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

Report on the audit of the 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 statement of financial position of the Co-operative as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and statement of profit or loss and other comprehensive income and statement of changes in equity of the Co-operative for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 6 to 54.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position, statement of profit or loss and other comprehensive income and statement of changes in equity of the Co-operative are properly drawn up in accordance with the provisions of the Co-operative Societies Act, Chapter 62 ("the Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and financial position of the Co-operative as at 31 December 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the financial performance and changes in equity of the Co-operative for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *'Auditors' responsibilities for the audit of the financial statements'* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprise the Directors' statement.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of the auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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.

Report on the audit of the 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.

Report on other legal and regulatory requirements

Opinion

In our opinion:

(a) the accounting and other records of those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the Singapore Companies Act, Chapter 50;

(b) the receipt, expenditure, investment of moneys and the acquisition and disposal of assets by the Co-operative during the year are, in all material respects, in accordance with the By-laws of the Co-operative and the provisions of the Act; and

(c) proper accounting and other records have been kept by the Co-operative.

Basis for opinion

We conducted our audit in accordance with SSAs. Our responsibilities under those standards are further described in the *'Auditors' responsibilities for the compliance audit'* section of our report. We are independent of the Group in accordance with the ACRA Code together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on management's compliance.

Management's responsibility for compliance with legal and regulatory requirements

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

Auditors' responsibility for the compliance audit

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

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

KPMG LLP
Public Accountants and Chartered Accountants

Singapore
27 April 2017

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2016

		GROUP		CO-OPERATIVE	
	Note	2016	2015	2016	2015
		$'000	$'000	$'000	$'000
Non-current assets					
Property, plant and equipment	4	**486,796**	674,173	**381,231**	554,832
Subsidiaries	5	**–**	–	**25,738**	25,738
Associates	6	**251,541**	81,256	**263,325**	49,880
Other investments	7	**304,587**	329,379	**197,411**	220,640
Trade and other receivables	8	**4,333**	179,456	**61,703**	233,366
Total non-current assets		**1,047,257**	1,264,264	**929,408**	1,084,456
Current assets					
Inventories	9	**247,248**	230,535	**233,367**	217,959
Other investments	7	**763,540**	649,065	**763,540**	649,065
Trade and other receivables	8	**230,643**	46,809	**232,925**	46,521
Cash and cash equivalents	10	**523,691**	518,083	**456,124**	469,847
Assets held for sale	11	**119,793**	–	**119,793**	–
Total current assets		**1,884,915**	1,444,492	**1,805,749**	1,383,392
Total assets		**2,932,172**	2,708,756	**2,735,157**	2,467,848
Equity					
Share capital	12	**284,207**	284,570	**284,207**	284,570
Retained earnings		**1,557,923**	1,360,580	**1,312,010**	1,145,416
Other reserves	13	**199,779**	195,627	**147,430**	141,714
Total equity		**2,041,909**	1,840,777	**1,743,647**	1,571,700
Non-current liabilities					
Provisions	14	**32,063**	29,696	**30,906**	28,543
Deferred tax liabilities	15	**2,302**	2,431	**–**	–
Total non-current liabilities		**34,365**	32,127	**30,906**	28,543
Current liabilities					
Trade and other payables	16	**855,394**	835,558	**960,604**	867,605
Current tax liabilities		**504**	294	**–**	–
Total current liabilities		**855,898**	835,852	**960,604**	867,605
Total liabilities		**890,263**	867,979	**991,510**	896,148
Total liabilities and equity		**2,932,172**	2,708,756	**2,735,157**	2,467,848

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2016

	Note	GROUP 2016 $'000	GROUP 2015 $'000	CO-OPERATIVE 2016 $'000	CO-OPERATIVE 2015 $'000
Revenue	17	**3,434,131**	3,374,218	**3,228,280**	3,164,917
Inventories consumed		**(2,662,917)**	(2,650,696)	**(2,559,546)**	(2,538,333)
Other income	18	**383,041**	265,966	**327,356**	229,693
Staff and related costs		**(360,096)**	(355,894)	**(299,417)**	(294,512)
Depreciation expense		**(79,200)**	(75,580)	**(67,208)**	(63,300)
Other operating expenses	19	**(389,892)**	(360,283)	**(333,070)**	(303,655)
Profit from operations		**325,067**	197,731	**296,395**	194,810
Share of profits of associates (net of tax)		**2,525**	2,200	**–**	–
Profit before tax and contributions		**327,592**	199,931	**296,395**	194,810
Tax (expense)/credit	20	**(448)**	1,002	**–**	–
Profit before contributions		**327,144**	200,933	**296,395**	194,810
Contributions to:					
– Central Co-operative Fund		**(25)**	(25)	**(25)**	(25)
– Singapore Labour Foundation		**(55,775)**	(35,779)	**(55,775)**	(35,779)
Profit for the year		**271,344**	165,129	**240,595**	159,006
Other comprehensive income					
Items that are or may be reclassified subsequently to profit or loss					
Net change in fair value of available-for-sale financial assets		**12,342**	(47,924)	**13,906**	(43,284)
Net change in fair value of available-for-sale financial assets reclassified to profit or loss		**(8,190)**	(12,580)	**(8,190)**	(12,580)
Other comprehensive income for the year, net of tax		**4,152**	(60,504)	**5,716**	(55,864)
Total comprehensive income for the year attributable to the owners of the Co-operative		**275,496**	104,625	**246,311**	103,142

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2016

	Note	Share capital	Foreign currency translation reserve	Fair value reserve	Retained earnings	Total
		$'000	$'000	$'000	$'000	$'000
Group						
At 1 January 2015		285,141	(276)	256,407	1,275,140	1,816,412
Total comprehensive income for the year						
Profit for the year		–	–	–	165,129	165,129
Other comprehensive income						
Net change in fair value of available-for-sale financial assets		–	–	(47,924)	–	(47,924)
Net change in fair value of available-for-sale financial assets reclassified to profit or loss		–	–	(12,580)	–	(12,580)
Total other comprehensive income		–	–	(60,504)	–	(60,504)
Total comprehensive income for the year		–	–	(60,504)	165,129	104,625
Transactions with owners, recognised directly in equity						
Contributions by and distributions to owners						
Issue of shares	12	1,097	–	–	–	1,097
Redemption of shares	12	(1,668)	–	–	–	(1,668)
Payments relating to appropriations/ distributions approved by members of the Co-operative:						
– Dividends	21	–	–	–	(19,177)	(19,177)
– Patronage rebates		–	–	–	(60,555)	(60,555)
Write-back of rebates in accordance to By-laws 12.4		–	–	–	43	43
At 31 December 2015		284,570	(276)	195,903	1,360,580	1,840,777

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(cont'd)*

Year ended 31 December 2016

	Note	Share capital	Foreign currency translation reserve	Fair value reserve	Retained earnings	Total
		$'000	$'000	$'000	$'000	$'000
Group						
At 1 January 2016		284,570	(276)	195,903	1,360,580	1,840,777
Total comprehensive income for the year						
Profit for the year		–	–	–	271,344	271,344
Other comprehensive income						
Net change in fair value of available-for-sale financial assets		–	–	12,342	–	12,342
Net change in fair value of available-for-sale financial assets reclassified to profit or loss		–	–	(8,190)	–	(8,190)
Total other comprehensive income		–	–	4,152	–	4,152
Total comprehensive income for the year		–	–	4,152	271,344	275,496
Transactions with owners, recognised directly in equity						
Contributions by and distributions to owners						
Issue of shares	12	979	–	–	–	979
Redemption of shares	12	(1,342)	–	–	–	(1,342)
Payments relating to appropriations/ distributions approved by members of the Co-operative:						
– Dividends	21	–	–	–	(16,797)	(16,797)
– Patronage rebates		–	–	–	(57,256)	(57,256)
Write-back of rebates in accordance to By-laws 12.4		–	–	–	52	52
At 31 December 2016		284,207	(276)	200,055	1,557,923	2,041,909

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

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2016

	Note	Share capital $'000	Fair value reserve $'000	Retained earnings $'000	Total $'000
Co-operative					
At 1 January 2015		285,141	197,578	1,066,099	1,548,818
Total comprehensive income for the year					
Profit for the year		–	–	159,006	159,006
Other comprehensive income					
Net change in fair value of available-for-sale financial assets		–	(43,284)	–	(43,284)
Net change in fair value of available-for-sale financial assets reclassified to profit or loss		–	(12,580)	–	(12,580)
Total other comprehensive income		–	(55,864)	–	(55,864)
Total comprehensive income for the year		–	(55,864)	159,006	103,142
Transactions with owners, recognised directly in equity					
Contributions by and distributions to owners					
Issue of shares	12	1,097	–	–	1,097
Redemption of shares	12	(1,668)	–	–	(1,668)
Payments relating to appropriations/ distributions approved by members of the Co-operative:					
– Dividends	21	–	–	(19,177)	(19,177)
– Patronage rebates		–	–	(60,555)	(60,555)
Write-back of rebates in accordance to By-laws 12.4		–	–	43	43
At 31 December 2015		284,570	141,714	1,145,416	1,571,700

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

STATEMENT OF CHANGES IN EQUITY *(cont'd)*

Year ended 31 December 2016

	Note	Share capital $'000	Fair value reserve $'000	Retained earnings $'000	Total $'000
Co-operative					
At 1 January 2016		284,570	141,714	1,145,416	1,571,700
Total comprehensive income for the year					
Profit for the year		–	–	240,595	240,595
Other comprehensive income					
Net change in fair value of available-for-sale financial assets		–	13,906	–	13,906
Net change in fair value of available-for-sale financial assets reclassified to profit or loss		–	(8,190)	–	(8,190)
Total other comprehensive income		–	5,716	–	5,716
Total comprehensive income for the year		–	5,716	240,595	246,311
Transactions with owners, recognised directly in equity					
Contributions by and distributions to owners					
Issue of shares	12	979	–	–	979
Redemption of shares	12	(1,342)	–	–	(1,342)
Payments relating to appropriations/ distributions approved by members of the Co-operative:					
– Dividends	21	–	–	(16,797)	(16,797)
– Patronage rebates		–	–	(57,256)	(57,256)
Write-back of rebates in accordance to By-laws 12.4		–	–	52	52
At 31 December 2016		284,207	147,430	1,312,010	1,743,647

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2016

	Note	2016	2015
		$'000	$'000
Cash flows from operating activities			
Profit before tax and contributions		**327,592**	199,931
Adjustments for:			
Impairment loss on trade receivables		**72**	180
Inventories written-off		**18,781**	16,808
Depreciation of property, plant and equipment		**79,200**	75,580
(Gain)/Loss on disposal of property, plant and equipment (net)		**(114,119)**	384
Gain on disposal of an associate		**–**	(11)
Gain on disposal of available-for-sale financial assets		**(8,190)**	(12,580)
Impairment losses/(Reversal) recognised on:			
– property, plant and equipment		**371**	(5,348)
– other investments		**8,728**	5,354
Share of profits of associates		**(2,525)**	(2,200)
Dividend income		**(43,545)**	(43,899)
Interest income		**(20,922)**	(18,764)
		245,443	215,435
Changes in:			
– Inventories		**(35,494)**	(20,135)
– Trade and other receivables		**(7,729)**	6,251
– Trade and other payables		**10,874**	(19,753)
Cash generated from operations		**213,094**	181,798
Contribution to Central Co-operative Fund paid		**(25)**	(25)
Contribution to Singapore Labour Foundation paid		**(35,446)**	(39,959)
Taxes paid		**(367)**	(184)
Net cash from operating activities		**177,256**	141,630
Cash flows from investing activities			
Purchase of property, plant and equipment		**(76,687)**	(43,534)
Proceeds from disposal of property, plant and equipment		**2,111**	21,480
Dividend received		**43,545**	43,899
Increase in associates		**–**	(1,188)
Interest received		**19,868**	18,764
Purchase of other investments		**(199,657)**	(166,403)
Proceeds from disposal of an associate		**–**	2,931
Proceeds from sale of other investments		**113,588**	132,841
Net cash (used in)/from investing activities		**(97,232)**	8,790
Cash flows from financing activities			
Proceeds from issuance of shares		**979**	1,097
Payment made for redemption of shares		**(1,342)**	(1,668)
Dividends paid on members' shares		**(16,797)**	(19,177)
Payment of patronage rebates to members		**(57,256)**	(60,555)
Net cash used in financing activities		**(74,416)**	(80,303)
Net increase in cash and cash equivalents		**5,608**	70,117
Cash and cash equivalents at beginning of the year		**518,083**	447,966
Cash and cash equivalents at end of the year	10	**523,691**	518,083

Significant non-cash transaction:

During the year, the Group disposed property, plant and equipment with an aggregate net carrying amounts of $53,257,000 for a sale consideration of $213,445,000 in exchange for the ordinary shares in an associate.

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

NOTES TO THE FINANCIAL STATEMENTS

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 27 April 2017.

1. Domicile and activities

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

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

The principal activities of the subsidiaries are disclosed in note 5.

The financial statements of the Group as at and for the year ended 31 December 2016 comprise the Co-operative and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in equity-accounted investees.

2. Basis of preparation

2.1 Statement of compliance

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgements

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

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

There is information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in Note 5 – subsidiaries; whether the Group has de facto control over an investee.

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

- Note 4 – measurement of recoverable amounts of property, plant and equipment;
- Note 5 – assumptions of recoverable amounts relating to investments in subsidiaries;
- Note 6 – assumptions of recoverable amounts relating to investments in associates;
- Note 8 – assessment of the recoverability of trade receivables; and
- Note 14 – provision for reinstatement cost.

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

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

Measurement of fair values

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

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

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

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

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

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

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

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

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

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

- Note 24 – financial instruments

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities.

Certain comparatives amounts have been reclassified to conform with the current year's presentation (see note 27).

3.1 Basis of consolidation

(i) Business combinations

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

The Group measures goodwill at the date of acquisition as:

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

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

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

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

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

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

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

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

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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

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

3.1 Basis of consolidation *(cont'd)*

(iii) Loss of control

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

(iv) Investments in associates

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

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

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

(v) Transactions eliminated on consolidation

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

(vi) Subsidiaries and associates in the separate financial statements

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

3.2 Foreign currency

(i) Foreign currency transactions

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

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

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

3.2 Foreign currency *(cont'd)*

(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 the exchange rates at the reporting date. The income and expenses of foreign operations are translated to Singapore dollars at the exchange rates at the dates of the transactions.

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

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

3.3 Financial instruments

(i) Non-derivative financial assets

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

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

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

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

Loan and receivables

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

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

Cash and cash equivalents

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

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

3.3 Financial instruments *(cont'd)*

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

Available-for-sale financial assets

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

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

(ii) Non-derivative financial liabilities

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

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

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

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

Other financial liabilities comprise trade and other payables.

Share capital

(i) Ordinary shares

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

(ii) Members' shares

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

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

3.4 Property, plant and equipment

(i) Recognition and measurement

Freehold land and construction work-in-progress are stated at cost less accumulated impairment losses. Other 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.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

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

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

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

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

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

3.5 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.

3.6 Impairment

(i) Non-derivative financial assets

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

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

Loan and receivables

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

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

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

Available-for-sale financial assets

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

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

3.6 Impairment *(cont'd)*

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

Associates

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

(ii) Non-financial assets

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

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

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

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

3.7 Non-current assets held for sale

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

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

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

3.9 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.

3.10 Revenue

Sale of goods

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

3.11 Other income

(i) Rental income

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

(ii) 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.

(iii) Franchise fees

Revenue from franchise fees is recognised when all services or conditions relating to a transaction have been substantially performed.

(iv) Interest income

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

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

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

3.12 Government grants

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

3.13 Patronage rebates

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

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

3.14 Lease payments

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

The Group as lessor

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

The Group as lessee

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

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

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

3.15 Tax

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

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

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

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

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

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

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

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

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

3.16 New standards and interpretations not adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016 and earlier application is permitted; however the Group has not early applied the following new or amended standards in preparing these financial statements.

Below is the summary of the requirements for new standards and their potential impact on the financial statements.

Applicable to 2018 financial statements

New standards

Summary of the requirements	Potential impact on the financial statements
FRS 115 *Revenue from Contracts with Customers* FRS 115 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met. When effective, FRS 115 replaces existing revenue recognition guidance, including FRS 18 *Revenue*, FRS 11 *Construction Contracts*, INT FRS 113 *Customer Loyalty Programmes*, INT FRS 115 *Agreements for the Construction of Real Estate*, INT FRS 118 *Transfers of Assets from Customers* and INT FRS 31 *Revenue – Barter Transactions Involving Advertising Services*. FRS 115 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. FRS 115 offers a range of transition options including full retrospective adoption where an entity can choose to apply the standard to its historical transactions and retrospectively adjust each comparative period presented in its 2018 financial statements. When applying the full retrospective method, an entity may also elect to use a series of practical expedients to ease transition.	Based on the Group's initial assessment, it does not expect the adoption of FRS 115 in future financial periods will have a material impact on the financial statements of the Group.
FRS 109 *Financial Instruments* FRS 109 replaces most of the existing guidance in FRS 39 *Financial Instruments: Recognition and Measurement*. It includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from FRS 39. FRS 109 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. Retrospective application is generally required, except for hedge accounting. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. Restatement of comparative information is not mandatory. If comparative information is not restated, the cumulative effect is recorded in opening equity as at 1 January 2018.	The Group is in the process of assessing the potential impact on its financial statements resulting from the application of FRS 109.

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

3.16 New standards and interpretations not adopted *(cont'd)*

Applicable to 2019 financial statements

New standards

Summary of the requirements	Potential impact on the financial statements
FRS 116 *Leases* FRS 116 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use ("ROU") assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. FRS 116 substantially carries forward the lessor accounting requirements in FRS 17 *Leases*. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the FRS 17 operating lease and finance lease accounting models respectively. However, FRS 116 requires more extensive disclosures to be provided by a lessor. When effective, FRS 116 replaces existing lease accounting guidance, including FRS 17, INT FRS 104 *Determining whether an Arrangement contains a Lease*; INT FRS 15 *Operating Leases-Incentives*; and INT FRS 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. FRS 116 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted if FRS 115 is also applied.	The Group has performed a preliminary high-level assessment of the new standard on its existing operating lease arrangements as a lessee (refer to Note 23). Based on the preliminary assessment, the Group expects these operating leases to be recognised as ROU assets with corresponding lease liabilities under the new standard. The operating lease commitments on an undiscounted basis amount to approximately 17.6% of the consolidated total assets and 6.0% of consolidated total liabilities. Assuming no additional new operating leases in future years until the effective date, the Group expects the amount of ROU asset and lease liability to be lower due to discounting and as the lease terms run down.

FRS 115, FRS 109 and FRS 116, when effective, will change the existing accounting standards and guidance applied by the Group in accounting for revenue, financial instruments and leases. These standards are expected to be relevant to the Group. The Group is still assessing the full potential impact on its financial statements resulting from the application of FRS 115, FRS 109 and FRS 116. The Group does not plan to adopt these standards early.

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

4. Property, plant and equipment

	Freehold land	Freehold buildings	Leasehold land and buildings	Furniture, fittings and renovation	Plant and machinery	Equipment and motor vehicles	Computers	Construction-in-progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group									
Cost									
At 1 January 2015	4,625	25,332	613,867	238,212	128,147	95,833	61,255	26	1,167,297
Additions	–	–	–	29,670	3,049	6,800	14,504	2,135	56,158
Disposals	–	–	(21,015)	(7,986)	(1,869)	(2,081)	(1,360)	–	(34,311)
Transfers	–	–	–	(52)	25	–	53	(26)	–
At 31 December 2015	4,625	25,332	592,852	259,844	129,352	100,552	74,452	2,135	1,189,144
Additions	–	–	–	22,631	16,081	13,845	15,108	74	67,739
Disposals	–	–	(82,828)	(12,764)	(2,724)	(3,541)	(6,537)	–	(108,394)
Transfers	–	–	–	16	1,283	–	835	(2,134)	–
Reclassification to assets held for sale	–	–	(216,072)	–	–	–	–	–	(216,072)
At 31 December 2016	4,625	25,332	293,952	269,727	143,992	110,856	83,858	75	932,417
Accumulated depreciation and impairment losses									
At 1 January 2015	–	14,731	130,763	156,895	49,455	63,037	42,305	–	457,186
Depreciation charge for the year	–	778	15,956	25,353	10,866	12,116	10,511	–	75,580
Disposals	–	–	–	(7,567)	(1,572)	(1,983)	(1,325)	–	(12,447)
Reversal of impairment loss	–	–	(263)	(3,023)	(557)	(1,469)	(36)	–	(5,348)
At 31 December 2015	–	15,509	146,456	171,658	58,192	71,701	51,455	–	514,971
Depreciation charge for the year	–	778	15,233	28,515	10,908	12,424	11,342	–	79,200
Disposals	–	–	(28,052)	(12,300)	(2,650)	(3,137)	(6,503)	–	(52,642)
Charge/(Reversal) of impairment loss	–	–	–	127	42	(68)	270	–	371
Reclassification to assets held for sale	–	–	(96,279)	–	–	–	–	–	(96,279)
At 31 December 2016	–	16,287	37,358	188,000	66,492	80,920	56,564	–	445,621
Carrying amounts									
At 1 January 2015	4,625	10,601	483,104	81,317	78,692	32,796	18,950	26	710,111
At 31 December 2015	4,625	9,823	446,396	88,186	71,160	28,851	22,997	2,135	674,173
At 31 December 2016	4,625	9,045	256,594	81,727	77,500	29,936	27,294	75	486,796

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

	Freehold land	Freehold buildings	Leasehold land and buildings	Furniture, fittings and renovation	Plant and machinery	Equipment and motor vehicles	Computers	Construction-in-progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Co-operative									
Cost									
At 1 January 2015	4,625	25,332	542,333	223,259	34,462	91,126	48,568	–	969,705
Additions	–	–	–	28,449	1,110	6,560	13,275	–	49,394
Disposals	–	–	(21,015)	(6,551)	(913)	(1,826)	(734)	–	(31,039)
Transfers	–	–	–	(52)	–	–	52	–	–
At 31 December 2015	4,625	25,332	521,318	245,105	34,659	95,860	61,161	–	988,060
Additions	–	–	–	18,984	4,322	13,680	12,545	–	49,531
Disposals	–	–	(54,372)	(12,135)	(2,111)	(3,475)	(6,375)	–	(78,468)
Reclassification to assets held for sale	–	–	(216,072)	–	–	–	–	–	(216,072)
At 31 December 2016	4,625	25,332	250,874	251,954	36,870	106,065	67,331	–	743,051
Accumulated depreciation and impairment losses									
At 1 January 2015	–	14,731	104,869	146,078	24,612	59,277	35,118	–	384,685
Depreciation charge for the year	–	778	14,683	23,936	3,532	11,623	8,748	–	63,300
Disposals	–	–	–	(6,520)	(913)	(1,745)	(732)	–	(9,910)
Reversal of impairment loss	–	–	(263)	(2,591)	(431)	(1,428)	(134)	–	(4,847)
At 31 December 2015	–	15,509	119,289	160,903	26,800	67,727	43,000	–	433,228
Depreciation charge for the year	–	778	14,248	26,834	4,097	11,996	9,255	–	67,208
Disposals	–	–	(19,268)	(11,844)	(2,058)	(3,074)	(6,366)	–	(42,610)
Charge/(Reversal) of impairment loss	–	–	–	74	31	(82)	250	–	273
Reclassification to assets held for sale	–	–	(96,279)	–	–	–	–	–	(96,279)
At 31 December 2016	–	16,287	17,990	175,967	28,870	76,567	46,139	–	361,820
Carrying amounts									
At 1 January 2015	4,625	10,601	437,464	77,181	9,850	31,849	13,450	–	585,020
At 31 December 2015	4,625	9,823	402,029	84,202	7,859	28,133	18,161	–	554,832
At 31 December 2016	4,625	9,045	232,884	75,987	8,000	29,498	21,192	–	381,231

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

Included within the carrying amounts of furniture, fittings and renovation as at 31 December 2016 is provision for reinstatement costs of $15,297,000 (2015: $15,643,000) for the Group and $14,769,000 (2015: $15,071,000) for the Co-operative.

Impairment loss

As disclosed in note 3, the Group assesses annually whether property, plant and equipment have any indication of impairment in accordance with their accounting policy. Where there is an indication of impairment, the recoverable amounts of property, plant and equipment would be determined based on the higher of fair value less costs to sell and value-in-use calculations. During the year, the Group carried out a review of the property, plant and equipment, including the supermarkets outlets being the cash generating units used in their assessment of impairment. The assessment led to an impairment loss of $371,000 for the Group (2015: reversal of impairment loss of $5,348,000) and impairment loss of $273,000 for the Co-operative (2015: reversal of impairment loss of $4,847,000) being recognised in profit or loss during the year (note 19). In prior year, the write-back of impairment loss represents the adjustment of property, plant and equipment to their recoverable amounts for outlets with positive performance.

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

	GROUP AND CO-OPERATIVE	
	2016	2015
	%	%
Pre-tax discount rate	**10%**	10%
Growth rate	**1%**	1%

5. Subsidiaries

	CO-OPERATIVE	
	2016	2015
	$'000	$'000
Unquoted equity shares, at cost	**30,274**	30,274
Less: Impairment loss	**(4,536)**	(4,536)
	25,738	25,738

During the year, the Co-operative assessed the carrying amount of its investments in subsidiaries for indicators of impairment loss. Based on the Co-operative's assessment, the impairment loss of $4,536,000 recognised on its investment in NewFront Investments Pte Ltd in the prior years continued to be appropriate as the subsidiary was still loss-making as at the reporting date. The recoverable amount of the investment was determined based on net asset position of the subsidiary which approximated its fair value as at 31 December 2016.

5. Subsidiaries *(cont'd)*

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

Name of subsidiaries	Principal activities	Country of incorporation and operation	Ownership interest 2016	Ownership interest 2015
			%	%
Grocery Logistics of Singapore Pte Ltd	Warehousing and distribution	Singapore	**100**	100
AlphaPlus Investments Pte Ltd	Investment holding	Singapore	**100**	100
NewFront Investments Pte Ltd	Investment holding	Singapore	**100**	100
Cheers Holdings (2004) Pte Ltd	Convenience store operator	Singapore	**100**	100
Interstates Market (2007) Pte Ltd	Trading	Singapore	**100**	100
FPTM Pte Ltd	Investment holding	Singapore	**100**	100
Fairprice International (2010) Pte Ltd	Investment holding	Singapore	**100**	100
Thomson Plaza (Private) Limited	Dormant	Singapore	**100**	100
Subsidiaries of AlphaPlus Investments Pte Ltd*				
Thomson Plaza Investments Pte Ltd	Property owner	Singapore	**100**	100

The above subsidiaries are audited by KPMG LLP, Singapore.

* AlphaPlus Investment Pte Ltd is a member of NTUC Fairprice Foundation Ltd. The result and net assets of NTUC Fairprice Foundation Ltd ("Foundation") have not been consolidated as the Memorandum of Association of the Foundation provides that it cannot pay, or transfer directly or indirectly from its income and property to the member in the form of dividend, bonus, or by way of profit, except for payments made in good faith for the return of goods and services. Furthermore, the Memorandum provides that in the event of winding up of the Foundation, the remains after the satisfaction of all its debts and liabilities shall not be paid to or distributed to the member of the Foundation. Approval from the Commissioner of Charities is required if the member were to amend the clauses in the Memorandum of Association. Consequently, the Group does not have control over the assets and reserve of the Foundation and hence the Foundation is not accounted for as a subsidiary of the Group.

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

	Place of incorporation and operation	Number of wholly-owned subsidiaries 2016	Number of wholly-owned subsidiaries 2015
		%	%
Warehousing and distribution	Singapore	**1**	1
Investment holding	Singapore	**4**	4
Convenience store operator	Singapore	**1**	1
Dormant	Singapore	**1**	1
Trading	Singapore	**1**	1
Property owner	Singapore	**1**	1
		9	9

6. Associates

	GROUP		CO-OPERATIVE	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Unquoted equity shares, at cost	**247,794**	80,034	**263,325**	49,880
Share of post-acquisition accumulated profits, net of dividend received	**3,747**	1,222	**–**	–
	251,541	81,256	**263,325**	49,880

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

Name of associates	Principal activities	Country of incorporation and operation	Ownership interest 2016	Ownership interest 2015
			%	%
One Marina Property Services Pte Ltd [1]	Provision of facility management, project management, marketing and leasing services	Singapore	**20.0**	20.0
NTUC Foodfare Co-operative Ltd [1]	Managing of food outlets	Singapore	**50.0**	50.0
SG Domain Pte Ltd [1]	Investment holding	Singapore	**20.0**	20.0
Mercatus Co-operative Limited [1]	Property investment	Singapore	**28.5**	36.7
Subsidiary of NTUC Foodfare Co-operative Ltd				
Foodfare Catering Pte Ltd [1]	Provision of cooked food to army camp	Singapore	**35.0**	35.0
Associates of NewFront Investments Pte Ltd				
NTUC Co-operatives Suzhou Investments Pte Ltd [1]	Investment holding	Singapore	**26.6**	26.6
Nextmall (Cayman Islands) Holdings Corporation [2]	Hypermarket retailing	Cayman Islands	**33.7**	33.7
Quayline Fairprice Sdn Bhd [2]	Supermarket retailing	Malaysia	**40.0**	40.0
Associates of AlphaPlus Investments Pte Ltd				
SMRT Alpha Pte. Ltd. [3]	Real estate management	Singapore	**30.0**	30.0
Associate of Fairprice International (2010) Pte Ltd				
Saigon Co-operative Fairprice Ltd [4]	Supermarket retailing	Vietnam	**36.0**	36.0

(1) Audited by KPMG LLP, Singapore.

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

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

(4) Audited by Deloitte Vietnam.

6. 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	SG Domain Pte Ltd	NTUC Foodfare Co-operative Ltd	Immaterial associates	Total
	$'000	$'000	$'000	$'000	$'000
2016					
Revenue	81,594	–	89,265		
Profit after tax	7,948	–	109		
Other comprehensive income	–	–	–		
Total comprehensive income	7,948	–	109		
Attributable to investee's shareholders	7,948	–	109		
Non-current assets	1,704,763	–	53,756		
Current assets	99,835	157,367	29,670		
Non-current liabilities	(912,188)	–	(3,551)		
Current liabilities	(61,856)	(9,465)	(29,791)		
Net assets	830,554	147,902	50,084		
Attributable to investee's shareholders	830,554	147,902	50,084		
Group's interest in net assets of investee at beginning of the year	20,423	29,580	22,576	8,677	81,256
Group's share of:					
– Profit after tax and other comprehensive income	2,265	–	55	205	2,525
– Total comprehensive income	2,265	–	55	205	2,525
Elimination of unrealised profit on downstream sale	(45,685)	–	–	–	(45,685)
Group's contribution during the year	213,445	–	–	–	213,445
Carrying amount of interest in investee at end of the year	190,448	29,580	22,631	8,882	251,541

6. Associates *(cont'd)*

	Mercatus Co-operative Limited	SG Domain Pte Ltd	NTUC Foodfare Co-operative Ltd	Immaterial associates	Total
	$'000	$'000	$'000	$'000	$'000
2015					
Revenue	58,771	–	57,769		
Profit/(Loss) after tax	5,533	(500)	434		
Other comprehensive income	–	–	–		
Total comprehensive income	5,533	(500)	434		
Attributable to investee's shareholders	5,533	(500)	434		
Non-current assets	966,516	–	39,108		
Current assets	49,113	157,367	39,973		
Non-current liabilities	(912,188)	–	(3,202)		
Current liabilities	(47,847)	(9,465)	(30,727)		
Net assets	55,594	147,902	45,152		
Attributable to investee's shareholders	55,594	147,902	45,152		
Group's interest in net assets of investee at beginning of the year	18,392	29,680	22,359	10,357	80,788
Disposals of associates	–	–	–	(2,920)	(2,920)
Group's share of:					
– Profit/(Loss) after tax and other comprehensive income	2,031	(100)	217	52	2,200
– Total comprehensive income	2,031	(100)	217	52	2,200
Group's contribution during the year	–	–	–	1,188	1,188
Carrying amount of interest in investee at end of the year	20,423	29,580	22,576	8,677	81,256

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

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 $2,537,000 (2015: $857,000).

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.

7. Other investments

	GROUP 2016 $'000	GROUP 2015 $'000	CO-OPERATIVE 2016 $'000	CO-OPERATIVE 2015 $'000
Current investments:				
– Quoted unit trust available-for-sale	**281,087**	245,376	**281,087**	245,376
Less: impairment loss	**(10,491)**	(4,762)	**(10,491)**	(4,762)
	270,596	240,614	**270,596**	240,614
– Quoted equity securities available-for-sale	**206,051**	199,714	**206,051**	199,714
Less: impairment loss	**(3,265)**	(4,473)	**(3,265)**	(4,473)
	202,786	195,241	**202,786**	195,241
– Quoted debt securities available-for-sale	**290,158**	213,210	**290,158**	213,210
	763,540	649,065	**763,540**	649,065
Non-current investments:				
– Quoted unit trust available-for-sale	**277,380**	302,775	**186,661**	209,890
– Unquoted equity securities available-for-sale	**26,457**	25,854	**10,000**	10,000
– Other investments	**750**	750	**750**	750
	304,587	329,379	**197,411**	220,640
	1,068,127	978,444	**960,951**	869,705

Investments in quoted debt securities have stated effective interest rates of 4.36% (2015: 5.06%) per annum and have maturity dates ranging from January 2017 to April 2026 (2015: March 2016 to October 2022). The investments are classified as current as management could liquidate these investments if required.

The following is an analysis of allowance for impairment loss:

	GROUP AND CO-OPERATIVE 2016 $'000	GROUP AND CO-OPERATIVE 2015 $'000
At beginning of the year	**9,235**	3,881
Impairment loss recognised during the year	**8,728**	5,354
Utilised	**(4,207)**	–
At end of the year	**13,756**	9,235

During the year, the Group recognised an impairment loss of $8,728,000 (2015: $5,354,000) on its quoted unit trust available-for-sale and quoted equity securities available-for-sale due to significant and prolonged decline in the fair values.

8. Trade and other receivables

	GROUP		CO-OPERATIVE	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Trade receivables	**16,700**	8,732	**15,831**	7,978
Less: Impairment loss on trade receivables	**(173)**	(180)	**(173)**	(180)
	16,527	8,552	**15,658**	7,798
Trade amounts due from:				
– related parties	**643**	1,684	**643**	1,684
– subsidiaries	**–**	–	**8,071**	3,786
– associates	**318**	92	**318**	92
	961	1,776	**9,032**	5,562
Loans to subsidiaries	**–**	–	**112,356**	108,613
Less: Impairment loss on loans to subsidiaries	**–**	–	**(50,653)**	(50,653)
	–	–	**61,703**	57,960
Loans to associates	**179,739**	179,456	**175,406**	175,406
Deposits	**21,317**	19,963	**18,318**	16,919
Prepayments	**9,864**	10,661	**9,375**	10,436
Interest receivables	**3,160**	2,106	**3,160**	2,106
Other receivables	**3,408**	3,751	**1,976**	3,700
	234,976	226,265	**294,628**	279,887
Non-current	**4,333**	179,456	**61,703**	233,366
Current	**230,643**	46,809	**232,925**	46,521
	234,976	226,265	**294,628**	279,887

The average credit period on sale of goods is 30 days (2015: 30 days).

The trade amounts due from related parties, subsidiaries and associates are trade in nature, unsecured, and interest-free.

The loans to subsidiaries of $61,890,000 (2015: $58,155,000) are unsecured and bear interest at 3.0% (2015: 3.0%) per annum during the year. The remaining loans to subsidiaries of $50,466,000 (2015: $50,458,000) are interest-free. Both loans to subsidiaries are not expected to be repaid within 12 months from the reporting period.

Loan to an associate, Mercatus Co-operative Limited of $175,406 (2015: $175,406) is unsecured and interest-bearing. The interest is based on (i) 6.5% of the shareholder's loan or (ii) 95% of the Co-operative's share of Net Distributable Surplus of each financial year, whichever amount is lower. In prior year, the Co-operative and other shareholder of Mercatus Co-operative Limited had given a letter of undertaking that they will not demand payment of the loan within the next 12 months. On 1 January 2017, the loan to Mercatus Co-operative Limited has been fully repaid by conversion of the loan to ordinary shares in Mercatus Co-operative Limited.

Loan to an associate SMRT Alpha Pte. Ltd. of $4,333,000 (2015: $4,050,000) is unsecured and bears interest at 4.0% (2015: 4.0%) per annum and not expected to be repaid within 12 months from the reporting period.

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 24.

8. Trade and other receivables *(cont'd)*

Impairment losses

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

	GROUP		CO-OPERATIVE	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Neither not past due nor impaired	**7,715**	5,420	**12,942**	6,043
Past due 1 to 30 days	**4,547**	2,102	**4,207**	4,536
Past due 31 to 60 days	**2,444**	881	**2,242**	1,236
Past due more than 61 days	**2,782**	1,925	**5,299**	1,545
	17,488	10,328	**24,690**	13,360

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

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

	GROUP		CO-OPERATIVE	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
At beginning of the year	**180**	19	**180**	19
Impairment loss charged during the year	**72**	180	**72**	180
Utilised	**(79)**	(19)	**(79)**	(19)
At end of the year	**173**	180	**173**	180

The movement in the allowance for impairment in respect of loans to subsidiaries during the year are as follows:

	CO-OPERATIVE	
	2016	2015
	$'000	$'000
At beginning of the year	**50,653**	50,625
Allowance made during the year	**–**	28
At end of the year	**50,653**	50,653

9. Inventories

	GROUP		CO-OPERATIVE	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Retail goods	**247,248**	230,535	**233,367**	217,959

Inventories written-off of $18,781,000 (2015: $16,808,000) and $17,014,000 (2015: $15,328,000) for the Group and Co-operative respectively was recognised in profit or loss during the year.

10. Cash and cash equivalents

	GROUP		CO-OPERATIVE	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Cash on hand	**6,232**	5,514	**5,540**	5,268
Cash at bank	**265,903**	262,030	**199,028**	214,040
Fixed deposits	**251,556**	250,539	**251,556**	250,539
	523,691	518,083	**456,124**	469,847

Fixed deposits of the Group and the Co-operative bear interest at average rates ranging from 0.23% to 1.05% (2015: 0.05% to 0.11%) per annum. The fixed deposits are placed with the financial institutions for an average tenure of approximately 10 days (2015: 21 days).

11. Assets held for sale

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

	GROUP & CO-OPERATIVE			
	2016		2015	
	Carrying value	Fair value	Carrying value	Fair value
	$'000	$'000	$'000	$'000
Property, plant and equipment	**119,793**	438,038	**–**	–

12. Share capital

	CO-OPERATIVE			
	2016	2015	2016	2015
	Number of ordinary shares			
	'000	'000	$'000	$'000
Authorised:				
Ordinary shares [(a)]	**500,000**	300,000	**500,000**	300,000
Issued and paid up:				
At beginning of the year	**284,570**	285,141	**284,570**	285,141
Issue of shares at par for cash	**979**	1,097	**979**	1,097
Redemption of shares	**(1,342)**	(1,668)	**(1,342)**	(1,668)
At end of the year	**284,207**	284,570	**284,207**	284,570
The share capital is represented by:				
Members' shares hold by the founder member National Trade Union Congress [(c) (d) (e)]	**100**	100	**100**	100
Other members' shares [(b) (d) (e)]	**284,107**	284,470	**284,107**	284,470
	284,207	284,570	**284,207**	284,570

12. Share capital *(cont'd)*

[a] During the financial year, the authorised share capital of the Co-operative has increased from $300 million to $500 million divided into 500,000,000 shares of $1 each.

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

[c] This relates to the shares held by the founder member National Trade Union Congress.

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

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

[e] The Co-operative's ordinary shares carry no right to fixed income.

13. Other reserves

	GROUP		CO-OPERATIVE	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Fair value reserve [a]	**200,055**	195,903	**147,430**	141,714
Foreign currency translation reserve [b]	**(276)**	(276)	**–**	–
	199,779	195,627	**147,430**	141,714

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

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

14. Provisions

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

Movements in the provision are as follows:

	GROUP		CO-OPERATIVE	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
At beginning of the year	**29,696**	30,957	**28,543**	29,767
Provisions made during the year	**2,763**	–	**2,568**	–
Utilised	**(396)**	(1,261)	**(205)**	(1,224)
At end of the year	**32,063**	29,696	**30,906**	28,543

A provision for reinstatement cost is recognised when the Group and the Co-operative have a legal and constructive obligation to rectify wear and tear to leased premises under property lease agreements with external parties. The unexpired lease terms range from 1 month to 9 years (2015: 1 month to 11 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% (2015: 5%) that reflects the risks specific to the liability.

15. Deferred tax liabilities

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

	At 1 January 2015	Recognised in profit or loss (note 20)	At 31 December 2015	Recognised in profit or loss (note 20)	At 31 December 2016
	$'000	$'000	$'000	$'000	$'000
Group					
Deferred tax (assets)/liabilities					
Property, plant and equipment	3,471	123	3,594	(121)	3,473
Provisions	(54)	(203)	(257)	–	(257)
Approved donation	(39)	(896)	(935)	–	(935)
Others	–	29	29	(8)	21
	3,378	(947)	2,431	(129)	2,302

16. Trade and other payables

	GROUP		CO-OPERATIVE	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Trade payables				
External parties	**547,666**	550,163	**516,762**	519,608
Amount due to subsidiaries, trade [a]	**–**	–	**9,318**	3,828
Amount due to associates, trade [a]	**5,691**	142	**5,691**	142
Amount due to related parties, trade	**48**	591	**48**	591
	553,405	550,896	**531,819**	524,169
Other payables				
Amounts due to:				
– Subsidiaries [a]	**–**	–	**143,095**	68,136
– Associates [a]	**30,883**	30,883	**30,883**	30,883
Accrued operating expenses [b]	**108,166**	112,799	**93,281**	104,906
Deposits received	**6,718**	8,545	**6,659**	8,486
Patronage rebates and dividends payable	**677**	565	**677**	565
Accrued short-term employee benefits	**27,954**	25,303	**26,501**	23,811
Gift vouchers payable	**58,625**	58,620	**58,625**	58,620
Other payables	**13,166**	12,143	**13,264**	12,225
Contributions to:				
– Central Co-operative Fund [c]	**25**	25	**25**	25
– Singapore Labour Foundation [d]	**55,775**	35,779	**55,775**	35,779
	301,989	284,662	**428,785**	343,436
	855,394	835,558	**960,604**	867,605

[a] The amounts due to subsidiaries and associates are unsecured, interest-free and repayable on demand.

[b] Accrued operating expenses include accruals for purchases of property, plant and equipment for the Group and the Co-operative amounting to $22,495,000 and $21,607,000 (2015: $34,206,000 and $33,846,000) respectively. In making these estimates, management has relied on past experience and knowledge of project engineers and quantity surveyors.

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

16. Trade and other payables *(cont'd)*

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

Included in the balances above are the following:

	GROUP AND CO-OPERATIVE	
	2016	2015
	$'000	$'000
Contribution to Singapore Labour Foundation		
– Current year	**56,108**	35,779
– Prior year	**(333)**	–
	55,775	35,779

The average credit period on purchase of goods is 45 days (2015: 45 days). Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs.

The Group and the Co-operative's exposures to currency risk and liquidity risks for trade and other payables are disclosed in note 24.

17. Revenue

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

18. Other income

	GROUP		CO-OPERATIVE	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Rental income	**39,951**	42,392	**45,227**	47,901
Dividend income	**43,545**	43,899	**38,188**	38,284
Franchise fee income	**274**	267	**–**	–
Interest income/(expense):				
– financial institutions	**1,326**	1,066	**1,326**	1,066
– subsidiaries	**–**	–	**(1,053)**	(28)
– debt securities	**8,607**	6,830	**8,607**	6,830
– associates	**10,989**	10,868	**10,705**	10,705
Gain on disposal of available-for-sale financial assets	**8,190**	12,580	**8,190**	12,580
Advertising and promotion	**14,676**	12,256	**13,122**	10,625
Concessionary, commission and other service income	**123,699**	120,255	**95,259**	92,491
Discounts received	**2,024**	2,147	**1,907**	2,018
Gain on disposal of an associate	**–**	11	**–**	836
Gain on disposal of property, plant and equipment	**114,119**	–	**97,794**	–
Others	**15,641**	13,395	**8,084**	6,385
	383,041	265,966	**327,356**	229,693

19. Other operating expenses

	GROUP		CO-OPERATIVE	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Rental and conservancy charges	**159,861**	148,659	**143,515**	131,139
Utilities	**40,413**	41,934	**35,019**	35,442
Repair, maintenance and supplies	**43,789**	39,834	**36,376**	33,451
Impairment loss/(Reversal) on property, plant and equipment	**371**	(5,348)	**273**	(4,847)
Impairment loss on other investments	**8,728**	5,354	**8,728**	5,354
Impairment loss on trade receivables	**72**	180	**72**	180
Loss on disposal of property, plant and equipment	**–**	384	**–**	(48)
Packing and delivery expenses	**29,491**	30,435	**17,675**	18,963
Donation to NTUC Fairprice Foundation Limited	**10,000**	10,000	**2,600**	5,200
Marketing expenses	**36,615**	30,729	**36,503**	30,556
Impairment loss on amount due from subsidiary	**–**	–	**–**	27
Property tax	**6,039**	6,221	**4,771**	5,287
Security expense	**7,250**	8,306	**6,101**	6,589
Sundry expense	**21,984**	21,604	**21,194**	20,864
Others	**25,279**	21,991	**20,243**	15,498
	389,892	360,283	**333,070**	303,655

20. Tax expense/(credit)

		GROUP	
	Note	2016	2015
		$'000	$'000
Current tax expense:			
Current year		**487**	275
Adjustment in prior years		**90**	(330)
		577	(55)
Deferred tax expense:			
Origination and reversal of temporary difference		**(82)**	(817)
Adjustment in prior years		**(47)**	(130)
	15	**(129)**	(947)
Total tax expense/(credit)		**448**	(1,002)

20. Tax expense/(credit) *(cont'd)*

Reconciliation of effective tax rate

	GROUP	
	2016	2015
	$'000	$'000
Profit before tax	**327,592**	199,931
Income tax expense at statutory tax rate of 17% (2015: 17%)	**55,691**	33,988
Non-deductible expenses	**1,161**	1,462
Exempt income [1]	**(53,677)**	(33,231)
Effect of share of results of associates	**445**	418
Effect of tax concessions		
– donation	**(3,145)**	(2,448)
Tax rebates	**(76)**	(69)
Under/(Over) provision in prior years	**43**	(460)
Others	**6**	(662)
	448	(1,002)

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

Subject to the agreement by the tax authorities, at the end of the reporting year, a subsidiary in the Group has an unutilised capital allowance of $2.1 million (2015: $11.7 million) and unutilised donation of $5.5 million (2015: $5.5 million) available for set-off against future taxable profits.

21. Dividend

	GROUP		CO-OPERATIVE	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Distributions to members of the Co-operative				
– first and final dividend	**16,797**	19,177	**16,797**	19,177

First and final dividend of 6% (2015: 7.5%) was paid out to the members of the Co-operative during the financial year.

22. Patronage rebates, directors' honoraria and dividends

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

	GROUP AND CO-OPERATIVE	
	2016	2015
	$'000	$'000
Patronage rebates	**59,683**	61,815
Directors' honoraria	**597**	438
First and final dividend of 6% (2015: 6%)	**17,052**	17,070
	77,332	79,323

The proposed patronage rebates represent 4.5% (2015: 4.5%) of the eligible purchases.

23. 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	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
(a) Capital commitments:				
Purchase of property, plant and equipment approved by the directors				
– contracted	**8,166**	14,544	**8,166**	6,756

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

	GROUP		CO-OPERATIVE	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Within 1 year	**163,997**	140,121	**154,250**	129,092
After 1 year but within 5 years	**307,511**	190,818	**291,574**	177,394
After 5 years	**43,906**	59,377	**23,489**	29,822
	515,414	390,316	**469,313**	336,308

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

(c) The Group rents out its leasehold properties in Singapore under operating leases. Property rental income earned during the year was $39,951,000 (2015: $42,392,000). As at the end of reporting year, the Group and Co-operative have contracted with certain tenants under non-cancellable operating lease receivables as follows:

	GROUP		CO-OPERATIVE	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Within 1 year	**28,095**	42,830	**32,374**	48,042
After 1 year but within 5 years	**23,676**	36,613	**49,444**	59,150
After 5 years	**432**	14	**116,226**	122,020
	52,203	79,457	**198,044**	229,212

24. 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.

24. Financial instruments *(cont'd)*

Financial risk management (cont'd)

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 and investment securities.

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

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

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

Liquidity risk

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

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

	Carrying amount	Contractual cash flows	Less than 1 year	1 – 5 years	Over 5 years
	$'000	$'000	$'000	$'000	$'000
Group					
2016					
Trade and other payables	855,394	(855,394)	(855,394)	–	–
2015					
Trade and other payables	835,558	(835,558)	(835,558)	–	–
Co-operative					
2016					
Trade and other payables	960,604	(960,604)	(960,604)	–	–
2015					
Trade and other payables	867,605	(867,605)	(867,605)	–	–

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.

24. Financial instruments *(cont'd)*

Financial risk management (cont'd)

Currency risk

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

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

Exposure to currency risk

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

	USD	EUR	CHF	GBP	JPY	AUD	HKD	SEK	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group and Co-operative									
2016									
Financial assets									
Cash and cash equivalents	8,054	189	73	75	–	205	–	–	8,596
Quoted equity securities available-for-sale	128,365	28,456	9,637	8,334	4,838	2,078	–	1,692	183,400
Total financial assets	136,419	28,645	9,710	8,409	4,838	2,283	–	1,692	191,996
Financial liabilities									
Trade and other payables	(7,263)	(2,668)	(460)	(44)	–	–	–	–	(10,435)
Total financial liabilities	(7,263)	(2,668)	(460)	(44)	–	–	–	–	(10,435)
Net financial assets at end of the year	129,156	25,977	9,250	8,365	4,838	2,283	–	1,692	181,561
2015									
Financial assets									
Cash and cash equivalents	9,020	848	223	75	–	97	–	–	10,263
Quoted equity securities available-for-sale	51,422	28,998	7,631	7,650	–	–	2,020	–	97,721
Total financial assets	60,442	29,846	7,854	7,725	–	97	2,020	–	107,984
Financial liabilities									
Trade and other payables	(5,858)	(536)	–	(285)	–	(2,246)	–	–	(8,925)
Total financial liabilities	(5,858)	(536)	–	(285)	–	(2,246)	–	–	(8,925)
Net financial assets/ (liabilities) at end of the year	54,584	29,310	7,854	7,440	–	(2,149)	2,020	–	99,059

24. Financial instruments *(cont'd)*

Financial risk management (cont'd)

Currency risk *(cont'd)*

Sensitivity analysis

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

	GROUP AND CO-OPERATIVE			
	Profit or (loss)		Equity	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
USD	**79**	316	**12,837**	5,142
EUR	**(248)**	31	**2,846**	2,900
CHF	**(39)**	22	**964**	763
GBP	**3**	(21)	**833**	765
JPY	**–**	–	**484**	–
AUD	**21**	(215)	**208**	–
HKD	**–**	–	**–**	202
SEK	**–**	–	**169**	–

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	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Fixed rate instruments				
Other investments	**290,158**	213,210	**290,158**	213,210
Trade and other receivables	**4,333**	4,050	**61,890**	58,155
Cash and cash equivalents	**251,556**	250,539	**251,556**	250,539
	546,047	467,799	**603,604**	521,904
Variable rate instruments				
Trade and other receivables	**175,406**	175,406	**175,406**	175,406

Sensitivity analysis for fixed rate instruments

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

Sensitivity analysis for variable rate instruments

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

24. Financial instruments *(cont'd)*

Financial risk management (cont'd)

Interest rate risk *(cont'd)*

	PROFIT OR (LOSS)	
	100 bp increase	100 bp decrease
	$'000	$'000
Group and Co-operative		
31 December 2016		
Trade and other receivables	**1,754**	(1,754)
31 December 2015		
Trade and other receivables	**1,754**	(1,754)

Equity price risk

The Group and the Co-operative are exposed to equity price risks changes arising from available-for-sale investments. An increase in the underlying equity prices of the available-for-sale investments at the reporting date by 10% (2015: 10%) for the Group and the Co-operative, would increase profit before tax and other components of equity before any tax effect by the amounts shown below. This analysis assumes that all other variables remain constant.

	GROUP	CO-OPERATIVE
	$'000	$'000
2016		
Available-for-sale investments		
Equity	**106,737**	96,020
Profit before tax	**–**	–
2015		
Available-for-sale investments		
Equity	**97,769**	86,895
Profit before tax	**–**	–

Similarly, a decrease in the underlying equity prices by 10% (2015: 10%) and 10% (2015: 10%) for the Group and the Co-operative respectively would decrease profit before tax and other components of equity before any tax effect by the amounts shown below. This analysis assumes that all other variables remain constant.

	GROUP	CO-OPERATIVE
	$'000	$'000
2016		
Available-for-sale investments		
Equity	**106,731**	96,014
Profit before tax	**6**	6
2015		
Available-for-sale investments		
Equity	**93,280**	82,406
Profit before tax	**4,489**	4,489

24. Financial instruments *(cont'd)*

Accounting classifications and fair values

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

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

* Excludes prepayments

24. Financial instruments *(cont'd)*

Accounting classifications and fair values *(cont'd)*

	Carrying amount				Fair Value			
	Loans and receivables	Available-for-sale	Other financial liabilities at amortised cost	Total	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group								
2015								
Financial assets measured at fair value								
Quoted unit trust available-for-sale	–	543,389	–	543,389	543,389	–	–	543,389
Quoted equity securities available-for-sale	–	195,241	–	195,241	195,241	–	–	195,241
Quoted debt securities available-for-sale	–	213,210	–	213,210	213,210	–	–	213,210
Unquoted equity securities available-for-sale	–	15,854	–	15,854	–	–	15,854	15,854
	–	967,694	–	967,694				
Financial assets not measured at fair value								
Unquoted equity securities available-for-sale	–	10,000	–	10,000				
Other investments	–	750	–	750				
Cash and cash equivalents	518,083	–	–	518,083				
Trade and other receivables*	36,148	–	–	36,148				
Loans to associates	179,456	–	–	179,456	–	179,755	–	179,755
	733,687	10,750	–	744,437				
Financial liabilities not measured at fair value								
Trade and other payables	–	–	(835,558)	(835,558)				

* Excludes prepayments

24. Financial instruments *(cont'd)*

Accounting classifications and fair values *(cont'd)*

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

* Excludes prepayments

24. Financial instruments *(cont'd)*

Accounting classifications and fair values *(cont'd)*

	Carrying amount				Fair Value			
	Loans and receivables	Available-for-sale	Other financial liabilities at amortised cost	Total	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Co-operative								
2015								
Financial assets measured at fair value								
Quoted unit trust available-for-sale	–	450,504	–	450,504	450,504	–	–	450,504
Quoted equity securities available-for-sale	–	195,241	–	195,241	195,241	–	–	195,241
Quoted debt securities available-for-sale	–	213,210	–	213,210	213,210	–	–	213,210
	–	858,955	–	858,955				
Financial assets not measured at fair value								
Unquoted equity securities available-for-sale	–	10,000	–	10,000				
Other investments	–	750	–	750				
Cash and cash equivalents	469,847	–	–	469,847				
Trade and other receivables*	36,085	–	–	36,085				
Loans to subsidiaries	57,960	–	–	57,960	–	58,624	–	58,624
Loans to associates	175,406	–	–	175,406	–	175,406	–	175,406
	739,298	10,750	–	750,048				
Financial liabilities not measured at fair value								
Trade and other payables	–	–	(867,605)	(867,605)				

* Excludes prepayments

Determination of fair value

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

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

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

24. Financial instruments *(cont'd)*

Financial instruments measured at fair value based on level 3

	Unquoted equity securities available-for-sale
	$'000
Group	
At 1 January 2015	15,200
Gains in other comprehensive income	654
At 31 December 2015	15,854
Gains in other comprehensive income	603
At 31 December 2016	16,457

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	
Loans to associates	Discounted cash flows: The valuation model considers the present value of expected payment, discounted using a risk-adjusted discount rate.
Co-operative	
Loans to subsidiaries and loans to associates	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:

	2016	2015
	%	%
Group		
Loans to associates	**2.87**	3.00
Co-operative		
Loans to subsidiaries	**2.87**	3.00
Loans to associates	**2.87**	3.00

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

24. Financial instruments *(cont'd)*

Capital management

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

The management periodically reviews the capital structure. Capital comprises total equity.

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

(a) by payment of a dividend not exceeding the maximum rate allowed under the Act, on the amount of shares held by members, subject to the provisions of the Act and in accordance with By-Law 12.3;

(b) by payment of patronage rebates to members in accordance with By-Laws 12.4;

(c) by payment of honoraria to some or all of the members of the Board of Directors in consideration of their services which would not otherwise be remunerated, subject to the provisions of the Act and in accordance with By-Law 9.21;

(d) by issue of bonus certificates or bonus shares; or

(e) by payment to any other funds established in accordance with and subject to the provision of the Act and/or in accordance with the By-Laws.

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

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

25. Related parties

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

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

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

	GROUP		CO-OPERATIVE	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Donations to NTUC Fairprice Foundation Limited	**10,000**	10,000	2,600	5,200
Sales of goods to related party	**(1,171)**	(1,114)	(1,171)	(1,114)
Rental income from:				
– Subsidiaries	**–**	–	(5,810)	(5,810)
– Associates	**(1,375)**	(987)	(1,375)	(987)
– Related parties	**(2,952)**	(3,433)	(2,952)	(3,433)
Interest income from associates	**(10,989)**	(10,868)	(10,705)	(10,705)
Interest expense from subsidiaries	**–**	–	1,053	28
Rental expenses to:				
– Associates	**15,281**	14,998	15,281	14,998
– Related party	**4,148**	3,567	4,148	3,567
Repair and maintenance to associates	**2,746**	2,605	2,746	2,605
(Redemption)/Issuance of link points by related party	**(5,768)**	2,310	(5,768)	2,310
Dividend expenses to:				
– Holding entity	**9,478**	9,875	9,478	9,875
– Related parties	**112**	250	112	250
Purchases from associates	**973**	651	973	651
Printing expenses to:				
– Related party	**708**	1,229	708	1,229
Other operating expenses to:				
– Holding entity	**2,635**	274	2,635	274
– Related party	**178**	861	178	861
Proceed from disposal of property, plant and equipment to an associate	**213,445**	–	131,575	–
Sponsorship to:				
– Related parties	**1,004**	1,418	1,004	1,418
Dividend income from:				
– Associates	**(240)**	(240)	(240)	(240)
– Related parties	**(500)**	(687)	(500)	(687)

Please refer to notes 6 and 8 for additional information on related party transactions with associates.

25. Related parties *(cont'd)*

Management personnel compensation

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

	GROUP AND CO-OPERATIVE	
	2016	2015
	$'000	$'000
Salaries, short-term employee benefits and post-employment benefits:		
– directors	**438**	496
– officers	**8,252**	9,619
	8,690	10,115

26. Subsequent event

On 1 January 2017, the Co-operative disposed off all its retail outlets via sales and purchase agreements with Mercatus Gamma Co-operative Limited in consideration of $438,038,000 issuance of ordinary shares by its associate, Mercatus Co-operative Limited.

On 19 April 2017, the Co-operative entered into a subscription agreement with NTUC Enterprise Co-operative Limited to subscribe $330,000,000 of unsecured fixed rate notes. The Co-operative will classify the unsecured fixed rate notes as held-to-maturity investments.

27. Comparative information

Change in classification

During 2016, the Co-operative modified the classification of the loans to subsidiaries to reflect more appropriately the nature of the loans. Comparative amounts of $57,960,000 in the subsidiaries was reclassified to trade and other receivables (non-current) for consistency.

The reclassification does not have any effect on the statement of profit or loss and other comprehensive income and consolidated statement of cash flows.

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NTUC Fairprice Co-operative Ltd

No. 1 Joo Koon Circle #13-01, FairPrice Hub Singapore 629117

Tel: (65) 6888 1888 Fax: (65) 6397 4001

www.fairprice.com.sg