FairPrice

Here to make lives better

NTUC FAIRPRICE CO-OPERATIVE LTD

FINANCIAL REPORT 2018

an NTUC Social Enterprise

Contents

DIRECTORS' STATEMENT

The Directors present this annual report to the members together with the audited financial statements of NTUC Fairprice Co-operative Limited (the "Co-operative") for the financial year ended 31 December 2018.

In our opinion:

(a) the financial statements set out on pages 6 to 71 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 2018, 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 2018;

(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 2018 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 of the Co-operative in office at the date of this statement are as follows:

Bobby Chin Yoke Choong
Wahab Yusoff
Stephen Lim Beng Lin
Ronald Ong Whatt Soon
Karthikeyan S/O R. Krishnamurthy
Albert Cheng Yong Kim
Lim Sau Hoong
Kristy Tan Ruyan
Lee Seow Hiang *(Appointed on 1 January 2018)*
Ho Wah Lee *(Appointed on 1 January 2019)*

(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:

	Shareholdings registered in the name of Directors at	
Name of Directors and Co-operative in which interests are held	**At beginning of the financial year/ date of appointment**	**At end of the financial year**
NTUC Fairprice Co-operative Limited		
Bobby Chin Yoke Choong	20	20
Wahab Yusoff	26	26
Stephen Lim Beng Lin	20	20
Ronald Ong Whatt Soon	20	20
Karthikeyan S/O R. Krishnamurthy	1,610	1,610
Albert Cheng Yong Kim	20	20
Lim Sau Hoong	20	20
Kristy Tan Ruyan	20	20
Lee Seow Hiang	–	20
Chua Sin Bin (Dr) *(resigned on 17 May 2018)*	39	39

(d) Share options

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

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

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

(e) Auditors

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

On behalf of the Board of Directors

Bobby Chin Yoke Choong
Director

Ronald Ong Whatt Soon
Director

23 April 2019

INDEPENDENT AUDITORS' REPORT

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

Report on the audit of financial statements

Opinion

We have audited the financial statements of NTUC Fairprice Co-operative Limited ('the Co-operative') and its subsidiaries ('the Group'), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Co-operative as at 31 December 2018, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and statement of profit or loss, statement of comprehensive income and statement of changes in equity of the Co-operative for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 6 to 71.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position, statement of profit or loss, statement of comprehensive income and statement of changes in equity of the Co-operative are properly drawn up in accordance with the provisions of the Co-operative Societies Act, Chapter 62 ('the Act') and Financial Reporting Standards in Singapore ('FRSs') so as to give a true and fair view of the state of affairs of the Group and of the Co-operative as at 31 December 2018 and of the results, changes in equity and cash flows of the Group and of the results and changes in equity of the Co-operative for the year ended on that date.

Basis for opinion

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

Other information

Management is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

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

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

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

Responsibilities of management and directors for the financial statements

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

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

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

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Report on other legal and regulatory requirements

Opinion

In our opinion:

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

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

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

Basis for opinion

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

Management's responsibility for compliance with legal and regulatory requirements

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

Auditors' responsibility for the compliance audit

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

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

KPMG LLP
Public Accountants and Chartered Accountants

Singapore
23 April 2019

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2018

	Note	GROUP 2018 $'000	GROUP 2017 $'000	CO-OPERATIVE 2018 $'000	CO-OPERATIVE 2017 $'000
Non-current assets					
Property, plant and equipment	4	**517,642**	472,080	**400,802**	371,710
Intangible assets	5	**36,244**	33,473	**16,393**	14,294
Subsidiaries	6	**–**	–	**46,164**	46,164
Associates	7	**857,502**	755,686	**947,075**	866,063
Other investments	8	**678,970**	670,740	**548,852**	551,761
Trade and other receivables	9	**400**	4,333	**70,037**	62,456
Total non-current assets		**2,090,758**	1,936,312	**2,029,323**	1,912,448
Current assets					
Inventories	10	**279,574**	274,806	**265,026**	261,161
Other investments	8	**748,866**	784,843	**748,866**	784,843
Trade and other receivables	9	**78,035**	95,269	**73,430**	93,241
Cash and cash equivalents	11	**294,045**	320,759	**241,278**	259,918
Total current assets		**1,400,520**	1,475,677	**1,328,600**	1,399,163
Total assets		**3,491,278**	3,411,989	**3,357,923**	3,311,611
Equity					
Share capital	12	**437,864**	339,347	**437,864**	339,347
Retained earnings		**1,892,584**	1,763,424	**1,747,304**	1,650,360
Other reserves	13	**246,993**	285,999	**171,701**	221,847
Total equity		**2,577,441**	2,388,770	**2,356,869**	2,211,554
Non-current liabilities					
Borrowings	14	**40,000**	40,000	**40,000**	40,000
Provisions	15	**41,417**	40,397	**40,017**	39,078
Deferred tax liabilities	16	**3,466**	3,466	**–**	–
Total non-current liabilities		**84,883**	83,863	**80,017**	79,078
Current liabilities					
Borrowings	14	**20,000**	50,000	**20,000**	50,000
Trade and other payables	17	**808,658**	888,752	**901,037**	970,979
Current tax liabilities		**296**	604	**–**	–
Total current liabilities		**828,954**	939,356	**921,037**	1,020,979
Total liabilities		**913,837**	1,023,219	**1,001,054**	1,100,057
Total liabilities and equity		**3,491,278**	3,411,989	**3,357,923**	3,311,611

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2018

	Note	GROUP 2018 $'000	GROUP 2017 $'000	CO-OPERATIVE 2018 $'000	CO-OPERATIVE 2017 $'000
Revenue	18	**3,450,035**	3,401,855	**3,239,486**	3,194,732
Inventories consumed		**(2,633,154)**	(2,613,650)	**(2,534,298)**	(2,510,261)
Other income	19	**182,240**	183,982	**148,928**	151,008
Staff and related costs		**(422,543)**	(395,331)	**(355,037)**	(330,478)
Depreciation expense		**(72,659)**	(72,382)	**(60,402)**	(61,289)
Other operating expenses	20	**(454,773)**	(410,395)	**(394,245)**	(356,452)
Profit from operations		**49,146**	94,079	**44,432**	87,260
Gain on disposal of property, plant and equipment to an associate		**–**	191,071	**–**	318,245
Investment income	21	**58,261**	68,791	**75,601**	107,070
Share of profit of equity-accounted investees (net of tax)		**45,123**	27,386	**–**	–
Profit before tax and contributions		**152,530**	381,327	**120,033**	512,575
Tax expense	22	**(281)**	(1,601)	**–**	–
Profit before contributions		**152,249**	379,726	**120,033**	512,575
Contributions to:					
– Central Co-operative Fund		**(25)**	(25)	**(25)**	(25)
– Singapore Labour Foundation		**(23,563)**	(99,697)	**(23,563)**	(99,697)
Profit for the year		**128,661**	280,004	**96,445**	412,853
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Equity investments at FVOCI – net change in fair value		**(13,148)**	–	**(24,288)**	–
Items that are or may be reclassified subsequently to profit or loss					
Available-for-sale financial assets:					
– Fair value changes arising during the year		**–**	97,340	**–**	85,537
– Fair value gain realised and transferred to profit or loss		**–**	(11,120)	**–**	(11,120)
Debt investments at FVOCI – net change in fair value		**(7,828)**	–	**(7,828)**	–
Debt investments at FVOCI – reclassified to profit or loss		**1,238**	–	**1,238**	–
Other comprehensive income for the year, net of tax		**(19,738)**	86,220	**(30,878)**	74,417
Total comprehensive income for the year attributable to the owners of the Co-operative		**108,923**	366,224	**65,567**	487,270

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2018

	Note	Share capital	Foreign currency translation reserve	Fair value reserve	Retained earnings	Total
		$'000	$'000	$'000	$'000	$'000
Group						
At 1 January 2017		284,207	(276)	200,055	1,557,923	2,041,909
Total comprehensive income for the year						
Profit for the year		–	–	–	280,004	280,004
Other comprehensive income						
Net change in fair value of available-for-sale financial assets		–	–	97,340	–	97,340
Net change in fair value of available-for-sale financial assets reclassified to profit or loss		–	–	(11,120)	–	(11,120)
Total other comprehensive income		–	–	86,220	–	86,220
Total comprehensive income for the year		–	–	86,220	280,004	366,224
Transactions with owners, recognised directly in equity						
Contributions by and distributions to owners						
Issue of shares	12	56,897	–	–	–	56,897
Redemption of shares	12	(1,757)	–	–	–	(1,757)
Payments relating to appropriations/ distributions approved by members of the Co-operative:						
– Dividends	23	–	–	–	(16,758)	(16,758)
– Patronage rebates		–	–	–	(57,929)	(57,929)
Write-back of rebates in accordance to By-laws 12.4		–	–	–	184	184
Total transactions with owners		55,140	–	–	(74,503)	(19,363)
At 31 December 2017		339,347	(276)	286,275	1,763,424	2,388,770

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

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

Year ended 31 December 2018

	Note	Share capital	Foreign currency translation reserve	Fair value reserve	Retained earnings	Total
		$'000	$'000	$'000	$'000	$'000
Group						
At 1 January 2018		339,347	(276)	286,275	1,763,424	2,388,770
Adjustments on initial application of FRS 109 (net of tax)	29	–	–	49,000	–	49,000
Adjusted balance at 1 January 2018		339,347	(276)	335,275	1,763,424	2,437,770
Total comprehensive income for the year						
Profit for the year		–	–	–	128,661	128,661
Other comprehensive income						
Net change in fair value:						
– equity investments at FVOCI		–	–	(13,148)	–	(13,148)
– debt investments at FVOCI		–	–	(7,828)	–	(7,828)
Debt investments at FVOCI – reclassified to profit or loss		–	–	1,238	–	1,238
Total other comprehensive income		–	–	(19,738)	–	(19,738)
Total comprehensive income for the year		–	–	(19,738)	128,661	108,923
Transactions with owners, recognised directly in equity						
Contributions by and distributions to owners						
Issue of shares	12	100,388	–	–	–	100,388
Redemption of shares	12	(1,871)	–	–	–	(1,871)
Payments relating to appropriations/ distributions approved by members of the Co-operative:						
– Dividends	23	–	–	–	(17,820)	(17,820)
– Patronage rebates		–	–	–	(50,129)	(50,129)
Write-back of rebates in accordance to By-laws 12.4		–	–	–	180	180
Total transactions with owners		98,517	–	–	(67,769)	30,748
Transfer of fair value reserve of equity investments at FVOCI upon disposal		–	–	(68,268)	68,268	–
At 31 December 2018		437,864	(276)	247,269	1,892,584	2,577,441

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

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2018

	Note	Share capital	Fair value reserve	Retained earnings	Total
		$'000	$'000	$'000	$'000
Co-operative					
At 1 January 2017		284,207	147,430	1,312,010	1,743,647
Total comprehensive income for the year					
Profit for the year		–	–	412,853	412,853
Other comprehensive income					
Net change in fair value of available-for-sale financial assets		–	85,537	–	85,537
Net change in fair value of available-for-sale financial assets reclassified to profit or loss		–	(11,120)	–	(11,120)
Total other comprehensive income		–	74,417	–	74,417
Total comprehensive income for the year		–	74,417	412,853	487,270
Transactions with owners, recognised directly in equity					
Contributions by and distributions to owners					
Issue of shares	12	56,897	–	–	56,897
Redemption of shares	12	(1,757)	–	–	(1,757)
Payments relating to appropriations/distributions approved by members of the Co-operative:					
– Dividends	23	–	–	(16,758)	(16,758)
– Patronage rebates		–	–	(57,929)	(57,929)
Write-back of rebates in accordance to By-laws 12.4		–	–	184	184
Total transactions with owners		55,140	–	(74,503)	(19,363)
At 31 December 2017		339,347	221,847	1,650,360	2,211,554

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

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

Year ended 31 December 2018

	Note	Share capital	Fair value reserve	Retained earnings	Total
		$'000	$'000	$'000	$'000
Co-operative					
At 1 January 2018		339,347	221,847	1,650,360	2,211,554
Adjustments on initial application of FRS 109 (net of tax)	29	–	49,000	–	49,000
Adjusted balance at 1 January 2018		339,347	270,847	1,650,360	2,260,554
Total comprehensive income for the year					
Profit for the year		–	–	96,445	96,445
Other comprehensive income					
Net change in fair value:					
– equity investments at FVOCI		–	(24,288)	–	(24,288)
– debt investments at FVOCI		–	(7,828)	–	(7,828)
Debt investments at FVOCI – reclassified to profit or loss		–	1,238	–	1,238
Total other comprehensive income		–	(30,878)	–	(30,878)
Total comprehensive income for the year		–	(30,878)	96,445	65,567
Transactions with owners, recognised directly in equity					
Contributions by and distributions to owners					
Issue of shares	12	100,388	–	–	100,388
Redemption of shares	12	(1,871)	–	–	(1,871)
Payments relating to appropriations/distributions approved by members of the Co-operative:					
– Dividends	23	–	–	(17,820)	(17,820)
– Patronage rebates		–	–	(50,129)	(50,129)
Write-back of rebates in accordance to By-laws 12.4		–	–	180	180
Total transactions with owners		98,517	–	(67,769)	30,748
Transfer of fair value in respect of equity investments at FVOCI upon disposal		–	(68,268)	68,268	–
At 31 December 2018		437,864	171,701	1,747,304	2,356,869

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2018

	Note	2018 $'000	2017 $'000
Cash flows from operating activities			
Profit before tax and contributions		152,530	381,327
Adjustments for:			
Amortisation of intangible assets	5	4,986	2,821
(Reversal)/Impairment loss on trade receivables	20	(39)	59
Inventories written-off	10	25,754	21,244
Intangible assets written-off	5	5	–
Debt investments written-off	21	3,750	–
Depreciation of property, plant and equipment	4	72,659	72,382
Gain on disposal of property, plant and equipment to an associate		–	(191,071)
Loss on disposal of an associate		10	–
Loss on disposal of property, plant and equipment	20	1,345	373
Gain on disposal of available-for-sale financial assets	21	–	(11,120)
Loss on disposal of debt investments – FVOCI	21	1,238	–
(Reversal of)/Impairment losses recognised on:			
– property, plant and equipment	4	–	(2,631)
– other investments	21	–	2,002
– debt investments – FVOCI	21	379	–
– loan to an associate	20	4,333	–
Share of profit of equity-accounted investees	7	(45,123)	(27,386)
Dividend income	21	(45,211)	(43,615)
Finance income	21	(19,979)	(16,972)
Finance cost	21	1,552	914
		158,189	188,327
Changes in:			
– Inventories		(30,522)	(24,306)
– Trade and other receivables		17,356	(16,731)
– Trade and other payables		19,455	(44,802)
– Provision		1,020	8,334
Cash generated from operations		165,498	110,822
Contribution to Central Co-operative Fund paid		(25)	(25)
Taxes paid		(589)	(544)
Net cash from operating activities		164,884	110,253
Cash flows from investing activities			
Purchase of property, plant and equipment		(143,199)	(48,119)
Purchase of intangible assets		(7,762)	(6,504)
Proceeds from disposal of property, plant and equipment		268	418
Proceeds from sale of an associate		1,749	–
Dividend received		45,211	43,615
Acquisitions through business combinations (net of cash acquired)		–	(33,139)
Interest received		20,044	10,362
Purchase of other investments		(218,446)	(447,979)
Changes in investments in associates		–	(1,137)
Proceeds from sale of other investments		211,088	155,861
Net cash used in investing activities		(91,047)	(326,622)

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

CONSOLIDATED STATEMENT OF CASH FLOWS *(cont'd)*

Year ended 31 December 2018

	Note	2018	2017
		$'000	$'000
Cash flows from financing activities			
Proceeds from issuance of shares		691	789
Proceeds from borrowings		–	90,000
Payment made for redemption of shares	12	(1,871)	(1,757)
Dividends paid on members' shares	23	(17,820)	(16,758)
Payment of patronage rebates to members		(50,001)	(57,929)
Interest paid		(1,550)	(908)
Repayment of loans		(30,000)	–
Net cash (used in)/from financing activities		(100,551)	13,437
Net decrease in cash and cash equivalents		(26,714)	(202,932)
Cash and cash equivalents at beginning of the year		320,759	523,691
Cash and cash equivalents at end of the year	11	294,045	320,759

Significant non-cash transactions:

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

- The Group disposed of its unquoted equity investment to its associate, Mercatus Co-operative Limited for a sale consideration of $58,999,000 in exchange for the ordinary shares issued by Mercatus Co-operative Limited.
- Dividends amounting to $22,593,000 were paid by an associate to the Group in the form of subscribing additional shares in the associate.
- The Group issued 99,697,204 ordinary shares with value of $99,697,204 to Singapore Labour Foundation representing the Group's contribution under Section 71(2)(b) of the Co-operative Societies Act, Chapter 62, see note 17.

In prior year, the Group had the following significant non-cash transactions:

- The Group disposed property, plant and equipment to an associate with carrying amount of $119,793,000 for a sale consideration of $438,038,000 in exchange for the ordinary shares in an associate. In 2017, $58,000 of transaction fees were incurred.
- The Group issued 56,108,000 ordinary shares with value of $56,108,000 to Singapore Labour Foundation representing the Group's contribution under Section 71(2)(b) of the Co-operative Societies Act, Chapter 62.
- The loan to Mercatus Co-operative Limited ("Mercatus") of $164,700,000 has been fully repaid by conversion of the loan to ordinary shares in Mercatus.

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

NOTES TO THE FINANCIAL STATEMENTS

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 23 April 2019.

1. Domicile and activities

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

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

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

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

The financial statements of the Group as at and for the year ended 31 December 2018 comprise the Co-operative and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in equity-accounted investees.

2. Basis of preparation

2.1 Statement of compliance

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgements

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

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

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

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

- Note 4 – measurement of recoverable amounts of property, plant and equipment;
- Note 5 – measurement of recoverable amounts of intangible assets;
- Note 6 – assumptions of recoverable amounts relating to investments in subsidiaries;
- Note 7 – assumptions of recoverable amounts relating to investments in associates;
- Note 9 – assessment of recoverability of trade receivables; and
- Note 15 – 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 27 – financial instruments.

2.5 Changes in accounting policies

The Group has applied the following amendments for the first time for the annual period beginning on 1 January 2018:

- FRS 115 *Revenue from Contracts with Customers* which includes clarifications to FRS 115 *Revenue from Contracts with Customers;*
- FRS 109 *Financial Instruments* (Supersedes FRS 39);
- *Measuring an Associate or Joint Venture at Fair Value* (Amendments to FRS 28); and
- INT FRS 122 *Foreign Currency Transactions and Advance Consideration.*

The application of the above standards and interpretations do not have a material effect on the financial statements, except for FRS 109.

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

2.5 Changes in accounting policies *(cont'd)*

FRS 109 *Financial Instruments*

FRS 109 *Financial Instruments* sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. It also introduces a new 'expected credit loss' ("ECL") model and a new general hedge accounting model. The Group adopted FRS 109 from 1 January 2018.

The Group has used an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of FRS 109 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of FRS 109, but rather those of FRS 39.

Changes in accounting policies resulting from the adoption of FRS 109 have been generally applied by the Group retrospectively, except as described below.

- The following assessments were made on the basis of facts and circumstances that existed at 1 January 2018.
  - The determination of the business model within which a financial asset is held;
  - The determination of whether the contractual terms of a financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding;
  - The designation of an equity investment that is not held-for-trading as at fair value through other comprehensive income ("FVOCI"); and
  - The designation and revocation of previous designations of certain financial assets and financial liabilities measured at fair value through profit or loss ("FVTPL").
- If a debt investment has low credit risk at 1 January 2018, the Group had assumed that the credit risk on the asset has not increased significantly since its initial recognition.

An explanation of how the adoption of FRS109 has affected the Group and Co-operative's financial statements is set out below.

Classification of financial assets

Under FRS 109, financial assets are classified in the following categories: measured at amortised cost, FVOCI – debt instrument, FVOCI – equity instrument; or FVTPL. The classification of financial assets under FRS 109 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. FRS 109 eliminates the previous FRS 39 categories of held-to-maturity, loans and receivables and available-for-sale.

For an explanation of how the Group classifies and measures financial assets and related gains and losses under FRS 109, see note 3.3.

The adoption of FRS 109 has not had a significant effect on the Group's accounting policies for financial liabilities.

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

2.5 Changes in accounting policies *(cont'd)*

FRS 109 *Financial Instruments*

Classification of financial assets *(cont'd)*

The following table and the accompanying notes below explain the original measurement categories under FRS 39 and the new measurement categories under FRS 109 for each class of the Group's and Co-operative's financial assets as at 1 January 2018.

	Note	Original classification under FRS 39	New classification under FRS 109	1 JANUARY 2018 Original carrying amount under FRS 39	 New carrying amount under FRS 109
				$'000	$'000
Group					
Financial assets					
Quoted unit trust	(a)	Available-for-sale	FVOCI – equity instrument	**613,441**	613,441
Quoted equity investments	(a)	Available-for-sale	FVOCI – equity instrument	**224,765**	224,765
Quoted debt investments	(b)	Available-for-sale	FVOCI – debt instrument	**260,159**	260,159
Unquoted equity investments	(a)	Available-for-sale	FVOCI – equity instrument	**26,468**	75,468
Unquoted debt investments	(c)	Held-to-maturity	Amortised cost	**330,000**	330,000
Other investments		Loans and receivables	FVTPL	**750**	750
Trade and other receivables*	(d)	Loans and receivables	Amortised cost	**84,424**	84,424
Cash and cash equivalents	(d)	Loans and receivables	Amortised cost	**320,759**	320,759
Total financial assets				**1,860,766**	1,909,766
Co-operative					
Financial assets					
Quoted unit trust	(a)	Available-for-sale	FVOCI – equity instrument	**510,930**	510,930
Quoted equity investments	(a)	Available-for-sale	FVOCI – equity instrument	**224,765**	224,765
Quoted debt investments	(b)	Available-for-sale	FVOCI – debt instrument	**260,159**	260,159
Unquoted equity investments	(a)	Available-for-sale	FVOCI – equity instrument	**10,000**	59,000
Unquoted debt investments	(c)	Held-to-maturity	Amortised cost	**330,000**	330,000
Other investments		Loans and receivables	FVTPL	**750**	750
Trade and other receivables*	(d)	Loans and receivables	Amortised cost	**140,730**	140,730
Cash and cash equivalents	(d)	Loans and receivables	Amortised cost	**259,918**	259,918
Total financial assets				**1,737,252**	1,786,252

* Excludes prepayments

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

2.5 Changes in accounting policies *(cont'd)*

FRS 109 *Financial Instruments* *(cont'd)*

Classification of financial assets *(cont'd)*

(a) These equity investments represent investments that the Group and the Co-operative intend to hold for the long term for strategic purposes. The Group and the Co-operative have designated these investments at 1 January 2018 as measured at FVOCI. Unlike FRS 39, the accumulated fair value reserve related to these investments will never be reclassified to profit or loss.

(b) The debt investments categorised as available-for-sale under FRS 39 are held by the Group to provide interest income, but may be sold to meet liquidity requirements arising in the normal course of business. The Group and the Co-operative consider that these investments are held within a business model whose objective is achieved both by collecting contractual cash flows and by selling securities. The debt investments mature in more than one year and the contractual terms of these financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These assets have therefore been classified as financial assets at FVOCI under FRS 109.

(c) Debt investments that were previously classified as held-to-maturity are now classified at amortised cost. The Group and the Co-operative intend to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

(d) Trade and other receivables and cash and cash equivalents that were classified as loans and receivables under FRS 39 are now classified at amortised cost.

Impairment of financial assets

FRS 109 replaces the 'incurred loss' model in FRS 39 with an 'expected credit loss' ("ECL") model. The new impairment model applies to financial assets measured at amortised cost, and debt investments at FVOCI, but not to equity instruments.

The impairment methodology under FRS 39 and FRS 109 for each class of financial assets is different. The amount of the allowance upon the adoption of the new impairment model was insignificant.

3. Significant accounting policies

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

3.1 Basis of consolidation

(i) Business combinations

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

The Group measures goodwill at the date of acquisition as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interest ("NCI") in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree, over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Any goodwill that arises is tested annually for impairment.

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

3.1 Basis of consolidation *(cont'd)*

(i) Business combinations *(cont'd)*

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. Adjustments to NCI arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

(ii) Subsidiaries

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

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to NCI in a subsidiary are allocated to the NCI even if doing so causes the NCI to have a deficit balance.

(iii) Loss of control

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

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

3.1 Basis of consolidation *(cont'd)*

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

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

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

When the Group's share of losses exceeds its 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 generally recognised in profit or loss.

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

Foreign currency differences are recognised in OCI, and presented in the foreign currency translation reserve ("translation reserve") in equity. When a foreign operation is disposed of such that significant influence is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its investment in an associate that includes a foreign operation while retaining significant influence, the relevant proportion of the cumulative amount is reclassified to profit or loss.

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

3.3 Financial instruments

(i) Recognition and initial measurement

Non-derivative financial assets and financial liabilities

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

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

(ii) Classification and subsequent measurement

Non-derivative financial assets – Policy applicable from 1 January 2018

On initial recognition, a financial asset is classified as measured at amortised cost; fair value through other comprehensive income ("FVOCI") – debt investment; FVOCI – equity investment; or FVTPL.

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

<u>Financial assets at amortised cost</u>

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

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

<u>Debt investments at FVOCI</u>

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

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

<u>Equity investments at FVOCI</u>

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

<u>Financial assets at FVTPL</u>

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

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

3.3 Financial instruments *(cont'd)*

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

Financial assets: Business model assessment – Policy applicable from 1 January 2018

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

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

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

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

Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest – Policy applicable from 1 January 2018

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

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

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

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

3.3 Financial instruments *(cont'd)*

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

Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest – Policy applicable from 1 January 2018 *(cont'd)*

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

Non-derivative financial assets: Subsequent measurement and gains and losses – Policy applicable from 1 January 2018

Financial assets at FVTPL

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

Financial assets at amortised cost

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

Debt investments at FVOCI

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

Equity investments at FVOCI

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

Non-derivative financial assets – Policy applicable before 1 January 2018

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

Non-derivative financial assets: Subsequent measurement and gains and losses – Policy applicable before 1 January 2018

Loan and receivables

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

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

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

3.3 Financial instruments *(cont'd)*

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

Non-derivative financial assets: Subsequent measurement and gains and losses – Policy applicable before 1 January 2018 *(cont'd)*

Available-for-sale financial assets

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

Available-for-sale financial assets comprised equity investments and debt investments.

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

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

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

(iii) Derecognition

Financial assets

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

The Group enters into transactions whereby it transfers assets recognised in its statements of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

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

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

(iv) Offsetting

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

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

3.3 Financial instruments *(cont'd)*

(v) 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.

(vi) Share capital

Ordinary shares

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

Members' shares

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

3.4 Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

The gain or loss on disposal of an item of property, plant and equipment 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.

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

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

(iii) Depreciation *(cont'd)*

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

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

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

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

3.5 Intangible assets

(i) Goodwill

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

Subsequent measurement

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

(ii) Other intangible assets

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

Subsequent expenditure

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

Amortisation

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

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

Software and licenses	–	3 to 5 years

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

3.6 Inventories

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

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

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

3.7 Impairment

(i) Non-derivative financial assets

Policy applicable from 1 January 2018

The Group recognises loss allowances for ECLs on

- financial assets measured at amortised costs; and
- debt investments measured at FVOCI.

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

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

Simplified approach

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

General approach

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

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

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

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

The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held).

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

Measurement of ECLs

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

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

3.7 Impairment *(cont'd)*

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

Credit-impaired financial assets

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

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

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

Presentation of allowance for ECLs in the statements of financial position

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

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

Write-off

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

Policy applicable before 1 January 2018

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

Objective evidence that financial assets (including equity securities) were impaired included 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 was objective evidence of impairment. The Group considered a decline of 20% to be significant and a period of 9 months to be prolonged.

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

3.7 Impairment *(cont'd)*

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

Loan and receivables

The Group considered evidence of impairment for loans and receivables at both an individual asset and collective level. All individually significant assets were individually assessed for impairment. Those found not to be impaired were then collectively assessed for any impairment that had been incurred but not yet identified. Assets that were not individually significant were collectively assessed for impairment. Collective assessment was carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group used historical information, the timing of recoveries and the amount of loss incurred, and made an adjustment if current economic and credit conditions were such that the actual losses were likely to be greater or lesser than suggested by historical trends.

An impairment loss was calculated as the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses were recognised in profit or loss and reflected in an allowance account. When the Group considered that there were no realistic prospects of recovery of the asset, the relevant amounts were written off. If the amount of impairment loss subsequently decreased and the decrease was related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss was reversed through profit or loss.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets were recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The amount reclassified was 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. If the fair value of an impaired available-for-sale debt security subsequently increased and the increase was related objectively to an event occurring after the impairment loss was recognised, then the impairment loss was reversed through profit or loss. Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale were not reversed through profit or loss.

(ii) Associates

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

(iii) Non-financial assets

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

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

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

3.7 Impairment *(cont'd)*

(iii) Non-financial assets *(cont'd)*

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

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

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

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

3.8 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.

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

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

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

3.10 Revenue *(cont'd)*

Sale of goods *(cont'd)*

Transaction price is the amount of consideration in the contract to which the Group expects to be entitled in exchange for transferring the promised goods.

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) Franchise fees income

Franchise fees income is recognised over time following the timing of satisfaction of the PO.

(iii) Concessionary and commission income

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

(iv) Advertising, promotion and other service income

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

3.12 Investment income

(i) Dividend income

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

(ii) Interest income or expense

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

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

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

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

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

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

3.14 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.

3.15 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

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.

3.16 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.

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

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

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

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

3.16 Tax *(cont'd)*

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

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

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

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

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

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.

4. Property, plant and equipment

	Note	Freehold land	Freehold buildings	Leasehold land and buildings	Furniture, fittings and renovation	Plant and machinery	Equipment and motor vehicles	Computers	Construction-in-progress	Total
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group										
Cost										
At 1 January 2017		4,456	22,554	302,081	264,545	143,992	110,856	83,858	75	932,417
Additions		–	–	13	30,055	3,995	11,204	14,998	618	60,883
Disposals		–	–	–	(11,359)	(2,861)	(7,198)	(2,163)	–	(23,581)
Transfers		–	–	–	(99)	63	–	106	(70)	–
Reclassification to intangible assets	5	–	–	–	–	–	–	(17,236)	–	(17,236)
Acquisitions through business combinations	26	–	–	–	971	1	343	149	–	1,464
At 31 December 2017		4,456	22,554	302,094	284,113	145,190	115,205	79,712	623	953,947
Additions		–	–	56,354	16,645	19,835	13,104	13,167	729	119,834
Disposals		–	–	–	(5,988)	(2,158)	(2,495)	(3,861)	–	(14,502)
At 31 December 2018		4,456	22,554	358,448	294,770	162,867	125,814	89,018	1,352	1,059,279
Accumulated depreciation and impairment losses										
At 1 January 2017		–	13,618	44,384	183,643	66,492	80,920	56,564	–	445,621
Depreciation charge for the year		–	417	10,048	27,969	9,836	12,812	11,300	–	72,382
Disposals		–	–	–	(10,880)	(2,712)	(7,131)	(2,067)	–	(22,790)
Reversal of impairment loss		–	–	–	(1,332)	(212)	(618)	(469)	–	(2,631)
Reclassification to intangible assets	5	–	–	–	–	–	–	(10,715)	–	(10,715)
At 31 December 2017		–	14,035	54,432	199,400	73,404	85,983	54,613	–	481,867
Depreciation charge for the year		–	357	11,063	25,482	9,971	11,955	13,831	–	72,659
Disposals		–	–	–	(5,420)	(2,028)	(2,296)	(3,145)	–	(12,889)
At 31 December 2018		–	14,392	65,495	219,462	81,347	95,642	65,299	–	541,637
Carrying amounts										
At 1 January 2017		4,456	8,936	257,697	80,902	77,500	29,936	27,294	75	486,796
At 31 December 2017		4,456	8,519	247,662	84,713	71,786	29,222	25,099	623	472,080
At 31 December 2018		4,456	8,162	292,953	75,308	81,520	30,172	23,719	1,352	517,642

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

	Note	Freehold land	Freehold buildings	Leasehold land and buildings	Furniture, fittings and renovation	Plant and machinery	Equipment and motor vehicles	Computers	Construction-in-progress	Total
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Co-operative										
Cost										
At 1 January 2017		4,456	22,554	259,003	246,772	36,870	106,065	67,331	–	743,051
Additions		–	–	13	27,788	1,295	9,954	13,820	–	52,870
Disposals		–	–	–	(10,903)	(1,560)	(7,089)	(1,982)	–	(21,534)
Transfer		–	–	–	(99)	–	–	99	–	–
Reclassification to intangible assets	5	–	–	–	–	–	–	(11,751)	–	(11,751)
Acquisitions through business combinations	26	–	–	–	937	1	308	143	–	1,389
At 31 December 2017		4,456	22,554	259,016	264,495	36,606	109,238	67,660	–	764,025
Additions		–	–	56,354	10,844	1,929	9,822	12,024	–	90,973
Disposals		–	–	–	(5,470)	(582)	(2,375)	(3,739)	–	(12,166)
At 31 December 2018		4,456	22,554	315,370	269,869	37,953	116,685	75,945	–	842,832
Accumulated depreciation and impairment losses										
At 1 January 2017		–	13,618	25,016	171,610	28,870	76,567	46,139	–	361,820
Depreciation charge for the year		–	417	9,351	25,934	3,364	12,362	9,861	–	61,289
Disposals		–	–	–	(10,511)	(1,442)	(7,025)	(1,890)	–	(20,868)
Reversal of impairment loss		–	–	–	(892)	(201)	(458)	(275)	–	(1,826)
Reclassification to intangible assets	5	–	–	–	–	–	–	(8,100)	–	(8,100)
At 31 December 2017		–	14,035	34,367	186,141	30,591	81,446	45,735	–	392,315
Depreciation charge for the year		–	357	10,366	23,176	2,905	11,406	12,192	–	60,402
Disposals		–	–	–	(5,004)	(483)	(2,176)	(3,024)	–	(10,687)
At 31 December 2018		–	14,392	44,733	204,313	33,013	90,676	54,903	–	442,030
Carrying amounts										
At 1 January 2017		4,456	8,936	233,987	75,162	8,000	29,498	21,192	–	381,231
At 31 December 2017		4,456	8,519	224,649	78,354	6,015	27,792	21,925	–	371,710
At 31 December 2018		4,456	8,162	270,637	65,556	4,940	26,009	21,042	–	400,802

Included within the carrying amounts of furniture, fittings and renovation as at 31 December 2018 is provision for reinstatement costs of $20,647,000 (2017: $21,236,000) for the Group and $20,007,000 (2017: $20,646,000) for the Co-operative.

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

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 amount of property, plant and equipment would be determined based on the higher of fair value less costs to sell and value in use calculations.

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

As at 31 December 2018, the estimated recoverable amount of the CGU exceeded its carrying amount. The recoverable amount of this CGU was based on the value in use determined by discounting pre-tax future cash flows to be generated from the Group's supermarkets.

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

	GROUP AND CO-OPERATIVE	
	2018	2017
	%	%
Discount rate	**10.0**	10.0
Growth rate	**1.0**	1.0

The discount rate was a pre-tax measure based on the weighted average cost of capital of the retail and trading segments.

Revenue growth was projected taking into account the average growth levels experienced over the past three years and the estimated revenue growth for the next five years. The weighted average growth rates used were consistent with information obtained from market comparables.

5. Intangible assets

	Note	Software and licenses	Goodwill	Total
		$'000	$'000	$'000
Group				
Cost				
At 1 January 2017		–	–	–
Reclassification from property, plant and equipment	4	17,236	–	17,236
Additions		6,504	–	6,504
Acquisitions through business combinations	26	–	23,269	23,269
At 31 December 2017		23,740	23,269	47,009
Additions		7,762	–	7,762
Write-off		(1,234)	–	(1,234)
At 31 December 2018		30,268	23,269	53,537
Amortisation				
At 1 January 2017		–	–	–
Reclassification from property, plant and equipment	4	10,715	–	10,715
Amortisation charge for the year		2,821	–	2,821
At 31 December 2017		13,536	–	13,536
Amortisation charge for the year		4,986	–	4,986
Write-off		(1,229)	–	(1,229)
At 31 December 2018		17,293	–	17,293
Carrying amounts				
At 1 January 2017		–	–	–
At 31 December 2017		10,204	23,269	33,473
At 31 December 2018		12,975	23,269	36,244

5. Intangible assets *(cont'd)*

	Note	Software and licenses	Goodwill	Total
		$'000	$'000	$'000
Co-operative				
Cost				
At 1 January 2017		–	–	–
Reclassification from property, plant and equipment	4	11,751	–	11,751
Additions		6,292	–	6,292
Acquisitions through business combinations	26	–	6,085	6,085
At 31 December 2017		18,043	6,085	24,128
Additions		5,821	–	5,821
Write-off		(1,234)	–	(1,234)
At 31 December 2018		22,630	6,085	28,715
Amortisation				
At 1 January 2017		–	–	–
Reclassification from property, plant and equipment	4	8,100	–	8,100
Amortisation charge for the year		1,734	–	1,734
At 31 December 2017		9,834	–	9,834
Amortisation charge for the year		3,717	–	3,717
Write-off		(1,229)	–	(1,229)
At 31 December 2018		12,322	–	12,322
Carrying amounts				
At 1 January 2017		–	–	–
At 31 December 2017		8,209	6,085	14,294
At 31 December 2018		10,308	6,085	16,393

Impairment testing of CGUs containing goodwill

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

	2018	2017
	$'000	$'000
Retail	**6,085**	6,085
Trading	**17,184**	17,184
	23,269	23,269

As at 31 December 2018, the estimated recoverable amount of the CGU exceeded its carrying amount. The recoverable amount of this CGU was based on the value in use determined by discounting pre-tax future cash flows to be generated from the Group's supermarkets.

5. Intangible assets *(cont'd)*

Impairment testing of CGUs containing goodwill *(cont'd)*

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

	2018	2017
	%	%
Discount rate	**10.0**	10.0
Growth rate	**1.0–5.0**	3.0–9.0

The discount rate was a pre-tax measure based on the weighted average cost of capital of the retail and trading segments.

Revenue growth was projected taking into account the average growth levels experienced over the past three years and the estimated revenue growth for the next five years. The weighted average growth rates used were consistent with information obtained from market comparables.

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

	Change required for carrying amount to equal the recoverable amount	
	2018	2017
	%	%
Discount rate:		
– Retail	*	*
– Trading	**2.0**	2.0

* Not relevant

6. Subsidiaries

	CO-OPERATIVE	
	2018	2017
	$'000	$'000
Unquoted equity shares, at cost	**50,700**	50,700
Less: Impairment loss	**(4,536)**	(4,536)
	46,164	46,164

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 2018.

6. 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 2018	Ownership interest 2017
			%	%
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
Origins Healthcare Pte Ltd	Trading	Singapore	**100**	100
Subsidiaries of AlphaPlus Investments Pte Ltd (i)				
Thomson Plaza Investments Pte Ltd	Property owner	Singapore	**100**	100

The above subsidiaries are audited by KPMG LLP, Singapore.

(i) 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 2018	Number of wholly-owned subsidiaries 2017
Warehousing and distribution	Singapore	**1**	1
Investment holding	Singapore	**4**	4
Convenience store operator	Singapore	**1**	1
Trading	Singapore	**2**	2
Property owner	Singapore	**1**	1
		9	9

7. Associates

	GROUP 2018 $'000	GROUP 2017 $'000	CO-OPERATIVE 2018 $'000	CO-OPERATIVE 2017 $'000
Interests in associates	**857,502**	755,686	**947,075**	866,063

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

Name of associates	Principal activities	Country of incorporation and operation	Ownership interest 2018 %	Ownership interest 2017 %
One Marina Property Services Pte Ltd [(1)]	Provision of facility management, project management, marketing and leasing services	Singapore	–	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	**41.37**	39.9
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.

7. Associates *(cont'd)*

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

	Mercatus Co-operative Limited	NTUC Foodfare Co-operative Ltd	Immaterial associates	Total
	$'000	$'000	$'000	$'000
2018				
Revenue	255,238	118,828		
Profit after tax	72,414	3,165		
Other comprehensive income	(1,836)	–		
Total comprehensive income	70,578	3,165		
Attributable to investee's shareholders	69,342	3,042		
Attributable to NCI	1,236	123		
Non-current assets	4,440,963	44,787		
Current assets	540,586	32,063		
Non-current liabilities	(2,219,536)	–		
Current liabilities	(334,943)	(24,549)		
Net assets	2,427,070	52,301		
Attributable to NCI	143,561	4,912		
Attributable to investee's shareholders	2,283,509	47,389		
Group's interest in net assets of investee at beginning of the year	692,097	22,915	40,674	755,686
Group's share of:				
– Profit after tax and other comprehensive income	43,303	780	1,040	45,123
– Total comprehensive income	43,303	780	1,040	45,123
Disposal of an associate	–	–	(2,306)	(2,306)
Dividend received during the year	(22,593)	–	–	(22,593)
Group's contribution during the year	81,592	–	–	81,592
Carrying amount of interest in investee at end of the year	794,399	23,695	39,408	857,502

7. Associates *(cont'd)*

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

During the year, the Group's contribution relates to the Group's disposal of its unquoted equity investment to its associate, Mercatus Co-operative Limited for a sale consideration of $58,999,000 in exchange for the ordinary shares issued by Mercatus Co-operative Limited to the Group. The remaining $22,593,000 of the Group's contribution relates to the dividend paid via issuance of ordinary shares by Mercatus Co-operative Limited.

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

The Group's share of results of certain associates has been recognised to the extent of the carrying amount of the investments as there is no obligation to contribute to any losses in excess of the amount of investment. The accumulated unrecognised share of losses amounted to approximately $3,042,000 (2017: $3,042,000).

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.

8. Other investments

	GROUP		CO-OPERATIVE	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Current investments:				
– Quoted unit trust available-for-sale	–	310,410	–	310,410
Less: Impairment loss	–	(10,491)	–	(10,491)
	–	299,919	–	299,919
– Quoted unit trust – FVOCI	**311,823**	–	**311,823**	–
– Quoted equity securities available-for-sale	–	230,032	–	230,032
Less: Impairment loss	–	(5,267)	–	(5,267)
	–	224,765	–	224,765
– Quoted equity investments – FVOCI	**205,919**	–	**205,919**	–
– Quoted debt securities available-for-sale	–	260,159	–	260,159
– Quoted debt investments – FVOCI	**231,124**	–	**231,124**	–
	748,866	784,843	**748,866**	784,843
Non-current investments:				
– Quoted unit trust available-for-sale	–	313,522	–	211,011
– Quoted unit trust – FVOCI	**326,869**	–	**218,102**	–
– Unquoted equity securities available-for-sale	–	26,468	–	10,000
– Unquoted equity investments – FVOCI	**21,351**	–	–	–
– Unquoted debt investment – at amortised cost	**330,000**	330,000	**330,000**	330,000
– Other investments	**750**	750	**750**	750
	678,970	670,740	**548,852**	551,761
	1,427,836	1,455,583	**1,297,718**	1,336,604

Investments in quoted debt securities with effective interest rates of 3.07% (2017: 3.24%) per annum have maturity dates ranging from February 2019 to December 2049 (2017: January 2018 to April 2026). The investments are classified as current as management could liquidate these investments if required.

Equity investments designated as at FVOCI

At 1 January 2018, the Group designated equity investments as at FVOCI because these equity investments represent investments that the Group intends to hold for the long-term for strategic purposes. In 2017, these investments were classified as available-for-sale.

9. Trade and other receivables

	GROUP		CO-OPERATIVE	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Trade receivables	**21,857**	40,132	**20,563**	39,068
Less: Impairment loss	**(33)**	(215)	**(33)**	(215)
	21,824	39,917	**20,530**	38,853
Trade amounts due from:				
– Holding entity	**132**	–	**132**	–
– Related parties	**326**	233	**327**	233
– Subsidiaries	**–**	–	**1,042**	3,436
– Associates	**478**	596	**478**	596
	936	829	**1,979**	4,265
Loans to subsidiaries	**–**	–	**120,290**	113,109
Less: Impairment loss	**–**	–	**(50,653)**	(50,653)
	–	–	**69,637**	62,456
Loans to associates	**4,333**	4,333	**–**	–
Less: Impairment loss	**(4,333)**	–	**–**	–
	–	4,333	**–**	–
Deposits	**24,658**	25,377	**21,556**	22,281
Prepayments	**19,738**	15,178	**19,196**	14,967
Interest receivables	**9,705**	9,770	**9,705**	9,770
Other receivables:				
– External parties	**1,074**	4,198	**364**	3,105
– Holding entity	**500**	–	**500**	–
	78,435	99,602	**143,467**	155,697
Non-current	**400**	4,333	**70,037**	62,456
Current	**78,035**	95,269	**73,430**	93,241
	78,435	99,602	**143,467**	155,697

The average credit period on sale of goods is 30 days (2017: 30 days).

The loans to subsidiaries of $69,799,000 (2017: $62,629,000) are unsecured and bear interest at 3.0% (2017: 3.0%) per annum during the year. The remaining loans to subsidiaries of $50,491,000 (2017: $50,480,000) are interest-free. Both loans to subsidiaries are not expected to be repaid within 12 months from the reporting period.

Loan to an associate is unsecured and bears interest at 4.0% (2017: 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 27.

10. Inventories

	GROUP		CO-OPERATIVE	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Retail goods	**279,574**	274,806	**265,026**	261,161

Inventories of $25,754,000 (2017: $21,244,000) and $23,761,000 (2017: $19,602,990) for the Group and the Co-operative respectively was written off in the profit or loss during the year.

11. Cash and cash equivalents

	GROUP		CO-OPERATIVE	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Cash on hand	**8,505**	7,041	**7,208**	6,047
Cash at bank	**281,360**	306,532	**229,890**	246,685
Fixed deposits	**4,180**	7,186	**4,180**	7,186
	294,045	320,759	**241,278**	259,918

Fixed deposits of the Group and the Co-operative bear interest at average rates ranging from 1.37% to 2.50% (2017: 0.62% to 1.38%) per annum. The fixed deposits are placed with the financial institutions for an average tenure of approximately 28 days (2017: 13 days).

12. Share capital

	CO-OPERATIVE			
	2018	2017	2018	2017
	Number of ordinary shares			
	'000	'000	$'000	$'000
Authorised:				
Ordinary shares	**500,000**	500,000	**500,000**	500,000
Issued and paid up:				
At beginning of the year	**339,347**	284,207	**339,347**	284,207
Issued during the year	**100,388**	56,897	**100,388**	56,897
Redemption of shares	**(1,871)**	(1,757)	**(1,871)**	(1,757)
At end of the year	**437,864**	339,347	**437,864**	339,347
The share capital is represented by:				
Members' shares hold by the founder member National Trade Union Congress [(b) (c) (d)]	**100**	100	**100**	100
Other members' shares [(a) (c) (d)]	**437,764**	339,247	**437,764**	339,247
	437,864	339,347	**437,864**	339,347

12. Share capital *(cont'd)*

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

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

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

(i) avail himself of all services of the Society;

(ii) stand for election to office, subject to the provisions of the Act and the By-laws, where applicable;

(iii) be co-opted to hold office in the Society, where applicable;

(iv) participate and vote at general meetings; and

(v) enjoy all other rights, privileges or benefits provided under the By-laws.

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

13. Other reserves

	GROUP		CO-OPERATIVE	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Fair value reserve [a]	**247,269**	286,275	**171,701**	221,847
Foreign currency translation reserve [b]	**(276)**	(276)	**–**	–
	246,993	285,999	**171,701**	221,847

(a) The fair value reserve comprises:

- the cumulative net change in the fair value of quoted unit trusts designated at FVOCI (2017: available-for-sale financial assets);
- the cumulative net change in the fair value of equity investments designated at FVOCI (2017: available-for-sale financial assets); and
- the cumulative net change in fair value of debt investments at FVOCI (2017: available-for-sale financial assets) until the assets are derecognised or reclassified. This amount is reduced by the amount of loss allowance

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

14. Borrowings

	GROUP AND CO-OPERATIVE	
	2018	2017
	$'000	$'000
Non-current		
Unsecured bank loan	**40,000**	40,000
Current		
Unsecured bank loan	**20,000**	50,000

Information about the Group's and the Co-operative's exposure to interest rate and liquidity risks is included in note 27.

14. Borrowings *(cont'd)*

Terms and debt repayment schedule

Terms and conditions of outstanding borrowings are as follows:

	Currency	Nominal interest rate	Year of maturity	Face value	Carrying amount
		%		$'000	$'000
Group and Co-operative					
2018					
Unsecured bank loan	SGD	**1.78 – 1.99**	2019 – 2020	**60,000**	60,000
2017					
Unsecured bank loan	SGD	**1.19 – 1.78**	2018 – 2020	**90,000**	90,000

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

	Borrowings	
	2018	2017
	$'000	$'000
Balance at 1 January	**90,000**	–
Changes from financing cash flows		
Repayment of borrowings	**(30,000)**	–
Proceeds from borrowings	**–**	90,000
Interest paid	**(1,550)**	(908)
Total changes from financing cash flows	**58,450**	89,092
Other changes		
Liability-related		
Interest expense	**1,552**	914
Change in accrued interest	**(2)**	(6)
Total liability-related other changes	**1,550**	908
Balance at 31 December	**60,000**	90,000

15. 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	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
At beginning of the year	**40,397**	32,063	**39,078**	30,906
Provisions made during the year	**1,509**	8,983	**1,370**	8,797
Utilised	**(489)**	(649)	**(431)**	(625)
At end of the year	**41,417**	40,397	**40,017**	39,078

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 (2017: 1 month to 9 years). The provision is based on the best estimate of the expenditure with reference to past experience. It is expected that these costs will be incurred after one year from the date of the financial year. The provision is discounted using a current rate of 5.0% (2017: 5.0%) that reflects the risks specific to the liability.

16. 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 2017	Acquired in business combinations (note 26)	Recognised in profit or loss (note 22)	At 31 December 2017	Recognised in profit or loss (note 22)	At 31 December 2018
	$'000	$'000	$'000	$'000	$'000	$'000
Group						
Deferred tax liabilities/(assets)						
Property, plant and equipment	3,473	2	1,162	4,637	–	4,637
Provisions	(257)	–	–	(257)	–	(257)
Approved donation	(935)	–	–	(935)	–	(935)
Others	21	–	–	21	–	21
	2,302	2	1,162	3,466	–	3,466

17. Trade and other payables

	GROUP		CO-OPERATIVE	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Trade payables				
External parties	**544,720**	545,241	**510,076**	513,369
Amount due to subsidiaries, trade	**–**	–	**8,753**	8,882
Amount due to associates, trade	**230**	190	**230**	190
Amount due to related parties, trade	**–**	324	**–**	–
	544,950	545,755	**519,059**	522,441
Other payables				
Amounts due to:				
– Subsidiaries	**–**	–	**128,754**	120,163
– Associates	**30,643**	30,747	**30,643**	30,747
Accrued operating expenses [(a)]	**92,363**	107,911	**88,267**	95,010
Deposits received	**5,439**	4,789	**5,402**	4,741
Patronage rebates and dividends payable	**487**	539	**487**	539
Accrued short-term employee benefits	**28,789**	30,727	**27,321**	29,166
Gift vouchers payable	**59,759**	50,521	**59,759**	50,521
Other payables	**22,640**	18,041	**17,757**	17,929
Contributions to:				
– Central Co-operative Fund [(b)]	**25**	25	**25**	25
– Singapore Labour Foundation [(c)]	**23,563**	99,697	**23,563**	99,697
	263,708	342,997	**381,978**	448,538
	808,658	888,752	**901,037**	970,979

(a) Accrued operating expenses include accruals for purchases of property, plant and equipment for the Group and the Co-operative amounting to $2,911,000 and $2,603,000 (2017: $26,276,000 and $25,403,000) respectively. In making these estimates, management has relied on past experience and knowledge.

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

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

The average credit period on purchase of goods is 45 days (2017: 45 days). Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs.

The Group and the Co-operative's exposures to currency risk and liquidity risk for trade and other payables are disclosed in note 27.

18. Revenue

The Group operates a chain of retail outlets selling consumer products.

Revenue is recognised when control of the goods has transferred, being at the point the customer purchases the goods at the retail outlet.

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

19. Other income

	GROUP		CO-OPERATIVE	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Rental income	**30,356**	27,928	**35,701**	33,204
Franchise fee income	**212**	729	**–**	–
Concessionary and commission income	**27,360**	30,896	**23,689**	26,824
Advertising, promotion and other service income	**100,795**	102,062	**74,766**	76,908
Discounts received	**1,775**	1,875	**1,669**	1,764
Others	**21,742**	20,492	**13,103**	12,308
	182,240	183,982	**148,928**	151,008

20. Other operating expenses

	GROUP		CO-OPERATIVE	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Rental and conservancy charges	**213,422**	197,662	**198,392**	183,095
Utilities	**38,327**	38,079	**32,310**	32,580
Repair, maintenance and supplies	**53,776**	48,065	**46,519**	40,093
Reversal on property, plant and equipment	**–**	(2,631)	**–**	(1,826)
Intangible assets written off	**5**	–	**5**	–
Loss on disposal of property, plant and equipment	**1,345**	373	**1,285**	332
Amortisation of intangible asset	**4,986**	2,821	**3,717**	1,734
(Reversal)/Impairment loss on trade receivables	**(39)**	59	**(39)**	59
Impairment loss on loan to an associate	**4,333**	–	**–**	–
Packing and delivery expenses	**34,299**	30,373	**22,246**	18,671
Donation to NTUC Fairprice Foundation Limited	**10,000**	10,000	**5,000**	3,700
Marketing expenses	**30,460**	29,380	**30,353**	29,273
Property tax	**3,028**	2,537	**1,694**	1,251
Security expense	**5,862**	6,636	**4,814**	5,524
Sundry expense	**26,155**	23,505	**26,340**	22,722
Others	**28,814**	23,536	**21,609**	19,244
	454,773	410,395	**394,245**	356,452

21. Investment income

	GROUP		CO-OPERATIVE	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Dividend income	**45,211**	43,615	**61,624**	82,712
Gain on disposal of available-for-sale financial assets	**–**	11,120	**–**	11,120
Loss on disposal of debt investments – FVOCI	**(1,238)**	–	**(1,238)**	–
(Loss)/Gain on disposal of an associate	**(10)**	–	**1,716**	–
Debt investment written off	**(3,750)**	–	**(3,750)**	–
Impairment loss:				
– Other investments	**–**	(2,002)	**–**	(2,002)
– Debt investments – FVOCI	**(379)**	–	**(379)**	–
Interest income				
– Financial institutions	**323**	408	**323**	408
– Debt investments	**19,656**	16,564	**19,656**	16,564
Interest expense				
– Subsidiaries	**–**	–	**(799)**	(818)
– Financial institutions	**(1,552)**	(914)	**(1,552)**	(914)
	58,261	68,791	**75,601**	107,070

22. Tax expense

	Note	GROUP 2018 $'000	GROUP 2017 $'000
Current tax expense:			
Current year		**411**	610
Changes in estimates related to prior years		**(130)**	(171)
		281	439
Deferred tax expense:			
Origination and reversal of temporary difference		**–**	1,042
Changes in estimates related to prior years		**–**	120
	16	**–**	1,162
Total tax expense		**281**	1,601

Reconciliation of effective tax rate

	GROUP 2018 $'000	GROUP 2017 $'000
Profit before tax	**152,530**	381,327
Tax expense at statutory tax rate of 17% (2017: 17%)	**25,930**	64,826
Non-deductible expenses	**1,370**	1,487
Exempt income [(1)]	**(17,423)**	(57,998)
Effect of share of profit of equity – accounted investees	**(7,671)**	(4,655)
Effect of tax concessions		
– donation	**(1,737)**	(2,028)
Tax rebates	**(56)**	(15)
Changes in estimates related to prior years	**(130)**	(51)
Others	**(2)**	35
	281	1,601

(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.

23. Dividend

	GROUP 2018 $'000	GROUP 2017 $'000	CO-OPERATIVE 2018 $'000	CO-OPERATIVE 2017 $'000
Distributions to members of the Co-operative				
– first and final dividend	**17,820**	16,758	**17,820**	16,758

First and final dividend of 6.0% (2017: 6.0%) was paid out to the members of the Co-operative during the financial year.

24. 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	
	2018	2017
	$'000	$'000
Patronage rebates	**53,959**	52,350
Directors' honoraria	**477**	518
First and final dividend of 6.0% (2017: 6.0%)	**26,271**	20,360
	80,707	73,228

The proposed patronage rebates represent 4.0% (2017: 4.0%) of the eligible purchases.

25. 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	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
(a) Capital commitments:				
Purchase of property, plant and equipment approved by the directors				
– contracted	**79,013**	61,392	**76,367**	61,392

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

	GROUP		CO-OPERATIVE	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Within 1 year	**195,811**	186,720	**183,322**	175,351
After 1 year but within 5 years	**316,835**	312,527	**303,091**	298,003
After 5 years	**61,748**	44,189	**38,837**	20,003
	574,394	543,436	**525,250**	493,357

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 $30,356,000 (2017: $27,928,000). 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	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Within 1 year	**31,420**	22,604	**36,842**	27,320
After 1 year but within 5 years	**35,664**	33,812	**37,323**	40,446
After 5 years	**6**	57	**2**	9
	67,090	56,473	**74,167**	67,775

26. Business combinations

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

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

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

Goodwill

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

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

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

27. 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.

27. Financial instruments *(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, related parties and investments.

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

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

Impairment loss

Expected credit loss assessment as at 1 January and 31 December 2018

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

Loss rates are based actual credit loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables. The exposures to credit risk and ECL for trade receivables as at 31 December 2018 is insignificant.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2018:

	GROUP		CO-OPERATIVE	
	Gross carrying amount	Impairment loss allowance	Gross carrying amount	Impairment loss allowance
	$'000	$'000	$'000	$'000
Current (not past due)	**10,749**	–	**10,814**	–
1 – 30 days past due	**3,639**	–	**3,441**	–
31 – 60 days past due	**4,301**	–	**4,266**	–
More than 60 days past due	**4,104**	(33)	**4,021**	(33)
	22,793	(33)	**22,542**	(33)

Other receivables/deposits

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

Loans to subsidiaries

The Co-operative holds loans to a subsidiaries of $69,637,000 (2017: $62,456,000). Impairment on these balances has been measured on the 12-month expected loss basis. The amount of the allowance on loans to subsidiaries was insignificant.

27. Financial instruments *(cont'd)*

Credit risk *(cont'd)*

Impairment loss *(cont'd)*

Movements in allowance for impairment in respect of trade receivables

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

	GROUP	CO-OPERATIVE
	Impairment loss allowance	Impairment loss allowance
	$'000	$'000
At 1 January 2017 per FRS 39	173	173
Impairment losses recognised	59	59
Impairment losses utilised	(17)	(17)
At 31 December 2017 per FRS 39	215	215
At 1 January 2018 per FRS 39 and FRS 109	215	215
Impairment loss reversed	(39)	(39)
Impairment loss utilised	(143)	(143)
At 31 December 2018 per FRS 109	33	33

Cash and cash equivalents

The Group and the Co-operative held cash and cash equivalents of $294,045,000 and $241,278,000 (2017: $320,759,000 and $259,918,000), respectively at 31 December 2018. The cash and cash equivalents are held with banks and financial institutions with sound credit ratings.

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

Comparative information under FRS 39

The ageing analysis of trade receivables and impairment losses as at 31 December 2017 was as follows:

	GROUP		CO-OPERATIVE	
	Gross carrying amount	Impairment loss allowance	Gross carrying amount	Impairment loss allowance
	$'000	$'000	$'000	$'000
Current (not past due)	**22,965**	–	**22,284**	–
1 – 30 days past due	**10,822**	–	**10,526**	–
31 – 60 days past due	**2,791**	–	**2,707**	–
More than 60 days past due	**4,383**	(215)	**7,816**	(215)
	40,961	(215)	**43,333**	(215)

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.

27. Financial instruments *(cont'd)*

Credit risk *(cont'd)*

Impairment loss *(cont'd)*

Comparative information under FRS 39 *(cont'd)*

Debt investments

The Group limits its exposure to credit risk on investments held by investing only in liquid debt, securities and only with counterparties that have a credit rating of at least B- from Fitch Ratings Inc and B- from Standard & Poor's Global Ratings.

The Group checks the changes in credit risk to the tracking published external credit ratings annually. 12-month and lifetime probabilities of default are based on historical data supplied by Moody's Investors Service for each credit rating and are recalibrated based on current bond yields and CDS prices. Loss given default ("LGD") parameters generally reflect an assumed recovery rate of 40% except when a security is credit-impaired, in which case the estimate of loss is based on the instrument's current market price and original effective interest rate.

The following table presents an analysis of the credit quality of debt investments at amortised cost and FVOCI (2017: available-for-sale). It indicates whether assets measured at amortised cost or FVOCI were subject to a 12-month ECL or lifetime ECL allowance and, in latter case, whether they are credit-impaired.

	GROUP AND CO-OPERATIVE		
	2018		2017
	FVOCI	At amortised costs	
Credit rating	12-month ECL	12-month ECL	Available-for-sale
	$'000	$'000	$'000
BBB- to AAA	**217,634**	**330,000**	575,407
BB- to BB+	**12,172**	**–**	10,694
B- to B+	**1,318**	**–**	4,058
Gross carrying amounts	**231,124**	**330,000**	590,159
Loss allowance	**(379)**	**–**	–
Carrying amount	**230,745**	**330,000**	590,159

The Group and the Co-operative did not have any debt investments that were past due but not impaired at 31 December 2017.

The movement in the allowance for impairment in respect of debt investments at FVOCI during the year was as follows:

	GROUP AND CO-OPERATIVE
	2018
	12-month ECL
	$'000
Balance as at 1 January per FRS 39/FRS109	**–**
Impairment loss recognised	**379**
Balance as at 31 December	**379**

The investments held at 31 December 2017 were previously classified as available-for-sale and no impairment loss had been recognised at that date or during 2017.

27. Financial instruments *(cont'd)*

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					
2018					
Borrowings	60,000	(61,180)	(20,763)	(40,417)	–
Trade and other payables	808,658	(808,658)	(808,658)	–	–
	868,658	(869,838)	(829,421)	(40,417)	–
2017					
Borrowings	90,000	(91,916)	(50,789)	(41,127)	–
Trade and other payables	888,752	(888,752)	(888,752)	–	–
	978,752	(980,668)	(939,541)	(41,127)	–
Co-operative					
2018					
Borrowings	60,000	(61,180)	(20,763)	(40,417)	–
Trade and other payables	901,037	(901,037)	(901,037)	–	–
	961,037	(962,217)	(921,800)	(40,417)	–
2017					
Borrowings	90,000	(91,916)	(50,789)	(41,127)	
Trade and other payables	970,979	(970,979)	(970,979)	–	–
	1,060,979	(1,062,895)	(1,021,768)	(41,127)	–

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.

27. Financial instruments *(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 in US Dollar ("USD"), EURO ("EUR"), Swiss Franc ("CHF"), British Sterling Pound ("GBP"), Japanese Yen ("JPY"), Australian Dollar ("AUD"), Hong Kong Dollar ("HKD") and Swedish Krona ("SEK").

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

Exposure to currency risk

The Group's and the Co-operative's exposures 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									
2018									
Financial assets									
Cash and cash equivalents	3,476	720	87	258	407	250	–	70	5,268
Quoted equity investments – FVOCI	58,184	26,158	8,838	7,675	4,568	977	7,687	1,487	115,574
Quoted debt investments – FVOCI	83,761	–	–	–	–	–	–	–	83,761
Total financial assets	145,421	26,878	8,925	7,933	4,975	1,227	7,687	1,557	204,603
Financial liabilities									
Trade and other payables	(7,573)	(315)	–	(1,024)	–	(2,701)	–	–	(11,613)
Total financial liabilities	(7,573)	(315)	–	(1,024)	–	(2,701)	–	–	(11,613)
Net financial assets/ (liabilities) at end of the year	137,848	26,563	8,925	6,909	4,975	(1,474)	7,687	1,557	192,990
2017									
Financial assets									
Cash and cash equivalents	9,675	–	–	–	–	–	–	–	9,675
Quoted equity securities available-for-sale	107,365	26,399	6,258	4,298	219	–	7,590	–	152,129
Total financial assets	117,040	26,399	6,258	4,298	219	–	7,590	–	161,804
Financial liabilities									
Trade and other payables	(6,976)	(298)	–	(472)	–	(1,996)	–	–	(9,742)
Total financial liabilities	(6,976)	(298)	–	(472)	–	(1,996)	–	–	(9,742)
Net financial assets/ (liabilities) at end of the year	110,064	26,101	6,258	3,826	219	(1,996)	7,590	–	152,062

27. Financial instruments *(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	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
USD	**(410)**	270	**14,195**	10,736
EUR	**41**	(30)	**2,615**	2,640
CHF	**9**	–	**884**	626
GBP	**(77)**	(47)	**767**	430
JPY	**41**	–	**456**	22
AUD	**(245)**	(200)	**97**	–
HKD	**–**	–	**769**	759
SEK	**7**	–	**148**	–

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		CO-OPERATIVE	
	Nominal amount		Nominal amount	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Fixed rate instruments				
Borrowings	**60,000**	90,000	**60,000**	90,000
Other investments	**561,124**	590,159	**561,124**	590,159
Trade and other receivables	**–**	4,333	**69,799**	62,629
Cash and cash equivalents	**4,180**	7,186	**4,180**	7,186
	625,304	691,678	**695,103**	749,974

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.

27. Financial instruments *(cont'd)*

Equity price risk

The Group and the Co-operative are exposed to equity price risks changes arising from equity investments at FVOCI (2017: available-for-sale investments). An increase in the underlying equity prices of the equity investments at FVOCI (2017: available-for-sale investments) at the reporting date by 10% (2017: 10%) for the Group and the Co-operative, would increase profit before tax and other components of equity before any tax effect by the amounts shown below. This analysis assumes that all other variables remain constant.

	GROUP $'000	CO-OPERATIVE $'000
2018		
Equity investments at FVOCI		
Equity	**84,461**	73,584
2017		
Available-for-sale investments		
Equity	**109,836**	99,585

Similarly, a decrease in the underlying equity prices by 10% (2017: 10%) and 10% (2017: 10%) for the Group and the Co-operative respectively would decrease profit before tax and other components of equity before any tax effect by the amounts shown below. This analysis assumes that all other variables remain constant.

	GROUP $'000	CO-OPERATIVE $'000
2018		
Equity investments at FVOCI		
Equity	**84,461**	73,584
2017		
Available-for-sale investments		
Equity	**109,809**	99,558
Profit before tax	**27**	27

27. 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			
	Amortised cost	Equity investments – FVOCI	Debt investments – FVOCI	Other financial liabilities at amortised cost	Total	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group									
2018									
Financial assets measured at fair value									
Quoted unit trust – FVOCI	–	638,692	–	–	638,692	638,692	–	–	638,692
Quoted equity investments – FVOCI	–	205,919	–	–	205,919	205,919	–	–	205,919
Quoted debt investments – FVOCI	–	–	231,124	–	231,124	231,124	–	–	231,124
Unquoted equity investments – FVOCI	–	21,351	–	–	21,351	–	–	21,351	21,351
	–	865,962	231,124	–	1,097,086				
Financial assets not measured at fair value									
Unquoted debt investment	330,000	–	–	–	330,000	–	357,695	–	357,695
Other investments	750	–	–	–	750	–	–	–	–
Cash and cash equivalents	294,045	–	–	–	294,045	–	–	–	–
Trade and other receivables*	58,697	–	–	–	58,697	–	–	–	–
	683,492	–	–	–	683,492				
Financial liabilities not measured at fair value									
Borrowings	–	–	–	(60,000)	(60,000)	–	(57,909)	–	(57,909)
Trade and other payables	–	–	–	(808,658)	(808,658)	–	–	–	–
	–	–	–	(868,658)	(868,658)				

* Excludes prepayments and loans to associates

27. 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								
2017								
Financial assets measured at fair value								
Quoted unit trust available-for-sale	–	613,441	–	613,441	613,441	–	–	613,441
Quoted equity securities available-for-sale	–	224,765	–	224,765	224,765	–	–	224,765
Quoted debt securities available-for-sale	–	260,159	–	260,159	260,159	–	–	260,159
Unquoted equity securities available-for-sale	–	16,468	–	16,468	–	–	16,468	16,468
	–	1,114,833	–	1,114,833				
Financial assets not measured at fair value								
Unquoted debt security	330,000	–	–	330,000	–	358,214	–	358,214
Unquoted equity securities available-for-sale	–	10,000	–	10,000	–	–	–	–
Other investments	–	750	–	750	–	–	–	–
Cash and cash equivalents	320,759	–	–	320,759	–	–	–	–
Trade and other receivables*	80,091	–	–	80,091	–	–	–	–
Loans to associates	4,333	–	–	4,333	–	4,960	–	4,960
	735,183	10,750	–	745,933				
Financial liabilities not measured at fair value								
Borrowings	–	–	(90,000)	(90,000)	–	(86,727)	–	(86,727)
Trade and other payables	–	–	(888,752)	(888,752)	–	–	–	–
	–	–	(978,752)	(978,752)				

* Excludes prepayments and loans to associates

27. Financial instruments *(cont'd)*

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

	Carrying amount					Fair Value			
	Amortised cost	Equity investments – FVOCI	Debt investments – FVOCI	Other financial liabilities at amortised cost	Total	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Co-operative									
2018									
Financial assets measured at fair value									
Quoted unit trust – FVOCI	–	529,925	–	–	529,925	529,925	–	–	529,925
Quoted equity investments – FVOCI	–	205,919	–	–	205,919	205,919	–	–	205,919
Quoted debt investments – FVOCI	–	–	231,124	–	231,124	231,124	–	–	231,124
	–	735,844	231,124	–	966,968				
Financial assets not measured at fair value									
Unquoted debt investment	330,000	–	–	–	330,000	–	357,695	–	357,695
Other investments	750	–	–	–	750	–	–	–	–
Cash and cash equivalents	241,278	–	–	–	241,278	–	–	–	–
Trade and other receivables*	54,634	–	–	–	54,634	–	–	–	–
Loans to subsidiaries	69,637	–	–	–	69,637	–	73,459	–	73,459
	696,299	–	–	–	696,299				
Financial liabilities not measured at fair value									
Borrowings	–	–	–	(60,000)	(60,000)	–	(57,909)	–	(57,909)
Trade and other payables	–	–	–	(901,037)	(901,037)	–	–	–	–
	–	–	–	(961,037)	(961,037)				

* Excludes prepayments and loans to subsidiaries

27. Financial instruments *(cont'd)*

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

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

* Excludes prepayments and loans to associates and subsidiaries

Determination of fair value

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

The fair values of quoted unit trusts, quoted equity investments and quoted debt investments 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 investments included within level 3 are estimated based on the Group's share of the net assets values of the investee company, which take into consideration the fair value of the underlying property held by the investee company. The fair value of the investment property is determined based on the capitalisation approach and 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.

27. Financial instruments *(cont'd)*

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

Financial instruments measured at fair value based on level 3

	GROUP Unquoted equity investments – FVOCI $'000
At 1 January 2017	**16,457**
Gains in other comprehensive income	**11**
At 31 December 2017	**16,468**
Gains in other comprehensive income	**4,883**
At 31 December 2018	**21,351**

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

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

	2018 %	2017 %
Group/Co-operative		
Loan to associates	**N/A**	2.4
Co-operative		
Loans to subsidiaries	**2.0**	2.4

27. Financial instruments *(cont'd)*

Capital management

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

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

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

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

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

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

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

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

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

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

28. 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	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Donations to NTUC Fairprice Foundation Limited	**10,000**	10,000	**5,000**	3,700
Sales of goods to related parties	**(122)**	(104)	**(122)**	(104)
Rental income from:				
– Subsidiaries	**–**	–	**(5,810)**	(5,810)
– Associates	**(653)**	(797)	**(653)**	(797)
– Related parties	**(563)**	(1,686)	**(563)**	(1,686)
Interest income from holding entity	**(10,230)**	(7,203)	**(10,230)**	(7,203)
Interest expense from subsidiaries	**–**	–	**799**	818
Rental expenses to:				
– Associates	**50,789**	45,950	**49,695**	44,863
– Related party	**4,142**	3,799	**4,142**	3,799
Repair and maintenance to associates	**–**	2,883	**–**	2,883
(Redemption)/Issuance of link points by related party	**(734)**	457	**(734)**	457
Dividend expenses to:				
– Holding entity	**9,478**	9,478	**9,478**	9,478
– Related parties	**111**	111	**111**	111
Purchases from:				
– Associates	**690**	722	**690**	722
– Subsidiaries	**–**	–	**8,766**	1,878
Printing expenses to:				
– Related party	**–**	34	**–**	34
Other operating expenses to:				
– Holding entity	**3,923**	4,444	**3,923**	4,444
– Related party	**3,238**	601	**3,238**	601
Proceed from disposal of property, plant and equipment to an associate	**–**	438,038	**–**	438,038
Sponsorship to:				
– Related parties	**1,000**	1,007	**1,000**	1,007
Dividend income from:				
– Associates	**(22,593)**	(240)	**(22,593)**	(240)
– Related parties	**(515)**	(515)	**(515)**	(515)

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

28. 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	
	2018	**2017**
	$'000	**$'000**
Salaries, short-term employee benefits and post-employment benefits:		
– directors	**518**	597
– officers	**8,871**	9,174
	9,389	9,771

29. New standards and interpretations not adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted; however, the Group has not early applied the following new or amended standards in preparing these financial statements.

The following new FRSs, interpretations and amendments to FRSs are effective for annual periods beginning after 1 January 2018:

Applicable to 2019 financial statements

- FRS 116 *Leases*
- Amendments to FRS 23: *Amendments relating to borrowing costs eligible for capitalisation*
- Amendments to FRS 28: *Long-term interests in Associates and Joint Ventures*
- Amendments to FRS 112: *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

FRS 116 *Leases*

FRS 116 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use ("ROU") asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to FRS 17 Leases. 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*. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted.

The Group and Co-operative plan to apply FRS 116 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting FRS 116 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information. The Group and the Co-operative plan to apply the practical expedient to grandfather the definition of a lease on transition. This means that they will apply FRS 116 to all contracts entered into before 1 January 2019 and identified as leases in accordance with FRS 17 and INT FRS 104.

29. New standards and interpretations not adopted

FRS 116 *Leases* *(cont'd)*

(i) The Group and Co-operative as a lessee

The Group expects to measure lease liabilities by applying discount rates of 2.32% to 3.51% to their portfolio of outlet lease agreements in Singapore. Furthermore, the Group and Co-operative are likely to apply the practical expedient to recognise amounts of ROU assets equal to their lease liabilities at 1 January 2019. For lease contracts that contain the option to renew, the Group and the Company are expected to use hindsight in determining the lease term.

The Group and the Co-operative expect their existing operating lease arrangements to be recognised as ROU assets with corresponding lease liabilities under FRS 116. Lease payments that are increased every five years to reflect market rentals are included in the measurement of lease liabilities as at date of initial application.

As at 1 January 2019, the Group expects an increase in ROU assets of $907 million, an increase in finance lease receivables from sublease of $3 million (see note ii below) and an increase in lease liabilities of $910 million. The Co-operative expects an increase in ROU assets of $851 million, an increase in finance lease receivables from sublease of $3 million (see note ii below) and an increase in lease liabilities of $854 million as at 1 January 2019.

The nature of expenses related to those leases will change as FRS 116 replaces the straight- line operating lease expense with depreciation charge for ROU assets and interest expense on lease liabilities.

No significant impact is expected for the Group's and the Co-operative's finance leases.

(ii) The Group as lessor

FRS 116 substantially carries forward the current existing lessor accounting requirements. Accordingly, the Group continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the existing operating lease and finance lease accounting models respectively.

The Group will reassess the classification of sub-leases in which the Group is a lessor. Based on the information currently available, the Group expects that it will reclassify a sub-lease as a finance lease, resulting in recognition of a finance lease receivable of $3 million as at 1 January 2019.

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