FairPriceGroup
Everything Food Made Easy

Everything FOOD Made Easy

Financial Report
2019

CONTENTS

EVERYTHING FOOD MADE EASY

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 2019.

In our opinion:

(a) the financial statements set out on pages 6 to 87 are drawn up so as to give a true and fair view of the state of affairs of the Group and the Co-operative as at 31 December 2019 and of the results, changes in equity of the Group and the Co-operative and cash flows of the Group for the year ended on that date in accordance with the provisions of the Co-operative Societies Act, Chapter 62 (the "Act") and Singapore Financial Reporting Standards;

(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 2019 have been made in accordance with the By-Laws of the Co-operative and the provisions of the Act and the Rules (made under section 95 of the Act).

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

(a) Directors

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

Bobby Chin Yoke Choong	
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	
Ho Wah Lee	(Appointed on 1 January 2019)
Kee Teck Koon	(Appointed on 26 August 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.

DIRECTORS' STATEMENT

(c) Directors' interests

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

	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/ at date of appointment**	**At end of the financial year**
NTUC Fairprice Co-operative Limited		
Bobby Chin Yoke Choong	20	20
Stephen Lim Beng Lin	20	20
Ronald Ong Whatt Soon	20	20
Karthikeyan S/O R. Krishnamurthy	1,610	1,610
Albert Cheng Yong Kim	20	20
Lim Sau Hoong	20	20
Kristy Tan Ruyan	20	20
Lee Seow Hiang	20	20
Ho Wah Lee	–	20
Kee Teck Koon	–	20
Wahab Yusoff (Resigned on 23 May 2019)	26	26

(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

Singapore
23 April 2020

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 2019, 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 87.

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 the Co-operative as at 31 December 2019 and of the results and changes in equity of the Group and the Co-operative and consolidated cash flows of the Group for the year ended on that date in accordance with the provisions of the Act and FRSs.

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.

INDEPENDENT AUDITORS' REPORT

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

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.

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.

INDEPENDENT AUDITORS' REPORT

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

Auditors' responsibilities for the audit of the financial statements (cont'd)

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 receipt, expenditure, investment of monies and the acquisition and disposal of assets by the Co-operative during the year are, in all material respects, in accordance with the By-laws of the Co-operative and the provisions of the Act and the Rules (made under section 95 of the Act); and

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

Basis for opinion

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

Management's responsibility for compliance with legal and regulatory requirements

Management is responsible for ensuring that the receipt, expenditure, investment of monies and the acquisition and disposal of assets, are in accordance with the By-laws of the Co-operative and the provisions of the Act and the Rules (made under section 95 of the Act). This responsibility includes monitoring related compliance requirements relevant to the Co-operative, and implementing internal controls as management determines are necessary to enable compliance with the By-laws of the Co-operative and the provisions of the Act and the Rules (made under section 95 of the Act).

Auditors' responsibility for the compliance audit

Our responsibility is to express an opinion on management's compliance based on our audit of the financial statements. We planned and performed the compliance audit to obtain reasonable assurance about whether the receipt, expenditure, investment of monies and the acquisition and disposal of assets, are in accordance with the By-laws of the Co-operative and the provisions of the Act and the Rules (made under section 95 of the Act).

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

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
23 April 2020

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2019

	Note	GROUP 2019	GROUP 2018	CO-OPERATIVE 2019	CO-OPERATIVE 2018
		$'000	$'000	$'000	$'000
Non-current assets					
Property, plant and equipment	4	**629,107**	517,642	**419,563**	400,802
Right-of-use assets	5	**1,446,600**	–	**1,151,933**	–
Investment properties	6	**8,746**	–	**–**	–
Intangible assets	7	**323,499**	36,244	**12,286**	16,393
Subsidiaries	8	**–**	–	**378,827**	46,164
Associates	9	**869,355**	857,502	**968,120**	947,075
Other investments	10	**1,325,925**	1,196,712	**1,201,728**	1,066,594
Trade and other receivables	11	**10,790**	400	**75,634**	70,037
Total non-current assets		**4,614,022**	2,608,500	**4,208,091**	2,547,065
Current assets					
Other investments	10	**239,401**	231,124	**236,985**	231,124
Trade and other receivables	11	**128,438**	78,035	**73,163**	73,430
Inventories	12	**298,763**	279,574	**278,098**	265,026
Cash and cash equivalents	13	**414,535**	294,045	**279,488**	241,278
Total current assets		**1,081,137**	882,778	**867,734**	810,858
Total assets		**5,695,159**	3,491,278	**5,075,825**	3,357,923
Equity					
Share capital	14	**436,740**	437,864	**436,740**	437,864
Retained earnings		**1,944,755**	1,892,584	**1,770,673**	1,747,304
Other reserves	15	**379,070**	246,993	**304,774**	171,701
Equity attributable to members of the Co-operative		**2,760,565**	2,577,441	**2,512,187**	2,356,869
Non-controlling interests	8	**4,184**	–	**–**	–
Total equity		**2,764,749**	2,577,441	**2,512,187**	2,356,869
Non-current liabilities					
Borrowings	16	**267,490**	40,000	**267,000**	40,000
Lease liabilities	17	**1,199,066**	–	**1,003,503**	–
Provisions	18	**53,211**	41,417	**40,907**	40,017
Deferred tax liabilities	19	**23,389**	3,466	**–**	–
Trade and other payables	20	**10,740**	–	**–**	–
Total non-current liabilities		**1,553,896**	84,883	**1,311,410**	80,017
Current liabilities					
Borrowings	16	**88,744**	20,000	**80,000**	20,000
Lease liabilities	17	**271,366**	–	**167,712**	–
Trade and other payables	20	**1,014,922**	808,658	**1,004,516**	901,037
Current tax liabilities		**1,482**	296	**–**	–
Total current liabilities		**1,376,514**	828,954	**1,252,228**	921,037
Total liabilities		**2,930,410**	913,837	**2,563,638**	1,001,054
Total liabilities and equity		**5,695,159**	3,491,278	**5,075,825**	3,357,923

* See note 2.5. The Group and the Co-operative initially applied FRS116 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying FRS116 is recognised in retained earnings at the date of initial application.

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

STATEMENTS OF PROFIT OR LOSS

Year ended 31 December 2019

	Note	GROUP 2019	GROUP 2018	CO-OPERATIVE 2019	CO-OPERATIVE 2018
		$'000	$'000	$'000	$'000
Revenue	21	**3,573,045**	3,450,035	**3,288,132**	3,239,486
Inventories consumed		**(2,646,510)**	(2,633,154)	**(2,563,087)**	(2,534,298)
Other income	22	**220,441**	182,240	**151,445**	148,928
Staff and related costs		**(456,217)**	(422,543)	**(352,228)**	(355,037)
Depreciation expense		**(290,389)**	(72,659)	**(234,828)**	(60,402)
Other operating expenses	23	**(335,355)**	(454,773)	**(239,007)**	(394,245)
Profit from operations		**65,015**	49,146	**50,427**	44,432
Investment income	24	**63,486**	59,813	**92,848**	77,952
Finance costs	25	**(39,177)**	(1,552)	**(35,940)**	(2,351)
Share of profit of equity-accounted investees (net of tax)		**34,714**	45,123	**–**	–
Profit before tax and contributions		**124,038**	152,530	**107,335**	120,033
Tax expense	26	**(899)**	(281)	**–**	–
Contributions to:					
- Central Co-operative Fund		**(50)**	(25)	**(25)**	(25)
- Singapore Labour Foundation		**(21,280)**	(23,563)	**(21,365)**	(23,563)
Profit for the year		**101,809**	128,661	**85,945**	96,445
Profit attributable to:					
Members of the Co-operative		**101,714**	128,661	**85,945**	96,445
Non-controlling interest		**95**	–	**–**	–
Profit for the year		**101,809**	128,661	**85,945**	96,445

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

STATEMENTS OF COMPREHENSIVE INCOME

Year ended 31 December 2019

	GROUP		CO-OPERATIVE	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Profit for the year	**101,809**	128,661	**85,945**	96,445
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Equity investments at FVOCI				
- net change in fair value	**144,075**	(13,148)	**133,542**	(24,288)
Items that are or may be reclassified subsequently to profit or loss				
Debt investments at FVOCI				
- net change in fair value	**9,438**	(7,828)	**9,438**	(7,828)
Debt investments at FVOCI				
- reclassified to profit or loss	**(18)**	1,238	**(18)**	1,238
Other comprehensive income for the year, net of tax	**153,495**	(19,738)	**142,962**	(30,878)
Total comprehensive income for the year	**255,304**	108,923	**228,907**	65,567
Total comprehensive income attributable to:				
Members of the Co-operative	**255,177**	108,923	**228,907**	65,567
Non-controlling interest	**127**	–	–	–
Total comprehensive income for the year	**255,304**	108,923	**228,907**	65,567

* See note 2.5. The Group and the Co-operative initially applied FRS116 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying FRS116 is recognised in retained earnings at the date of initial application.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2019

		Attributable to members of the Co-operative							
	Note	Share capital	Retained earnings	Fair value reserve	Foreign currency translation reserve	Capital reserve	Total	Non-controlling interest	Total equity
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
GROUP									
At 1 January 2018		339,347	1,763,424	286,275	(276)	–	2,388,770	–	2,388,770
Adjustments on initial application of FRS109 (net of tax)		–	–	49,000	–	–	49,000	–	49,000
Adjusted balance at 1 January 2018		339,347	1,763,424	335,275	(276)	–	2,437,770	–	2,437,770
Total comprehensive income for the year									
Profit for the year		–	128,661	–	–	–	128,661	–	128,661
Other comprehensive income									
Net change in fair value:									
- equity investments at FVOCI		–	–	(13,148)	–	–	(13,148)	–	(13,148)
- debt investments at FVOCI		–	–	(7,828)	–	–	(7,828)	–	(7,828)
Debt investments at FVOCI – reclassified to profit or loss		–	–	1,238	–	–	1,238	–	1,238
Total other comprehensive income		–	–	(19,738)	–	–	(19,738)	–	(19,738)
Total comprehensive income for the year		–	128,661	(19,738)	–	–	108,923	–	108,923
Transactions with owners, recognised directly in equity									
Contributions by and distributions to owners									
Issue of shares	14	100,388	–	–	–	–	100,388	–	100,388
Redemption of shares	14	(1,871)	–	–	–	–	(1,871)	–	(1,871)
Payments relating to appropriations/distributions approved by members of the Co-operative:									
- Dividends	27	–	(17,820)	–	–	–	(17,820)	–	(17,820)
- Patronage rebates		–	(50,129)	–	–	–	(50,129)	–	(50,129)
Write-back of rebates in accordance to By-laws 12.4		–	180	–	–	–	180	–	180
Total transactions with owners		98,517	(67,769)	–	–	–	30,748	–	30,748
Transfer of fair value reserve of equity investments at FVOCI upon disposal		–	68,268	(68,268)	–	–	–	–	–
At 31 December 2018		437,864	1,892,584	247,269	(276)	–	2,577,441	–	2,577,441

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (cont'd)

Year ended 31 December 2019

	Note	Share capital	Retained earnings	Fair value reserve	Foreign currency translation reserve	Capital reserve	Total	Non-controlling interest	Total equity
		Attributable to members of the Co-operative							
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
GROUP									
At 1 January 2019		437,864	1,892,584	247,269	(276)	–	2,577,441	–	2,577,441
Adjustment on initial application of FRS 116 (net of tax)		–	–	–	–	–	–	–	–
Adjusted balance at 1 January 2019		437,864	1,892,584	247,269	(276)	–	2,577,441	–	2,577,441
Total comprehensive income for the year									
Profit for the year		–	101,714	–	–	–	101,714	95	101,809
Other comprehensive income									
Net change in fair value:									
- equity investments at FVOCI		–	–	144,043	–	–	144,043	32	144,075
- debt investments at FVOCI		–	–	9,438	–	–	9,438	–	9,438
Debt investments at FVOCI – reclassified to profit or loss		–	–	(18)	–	–	(18)	–	(18)
Total other comprehensive income		–	–	153,463	–	–	153,463	32	153,495
Total comprehensive income for the year		–	101,714	153,463	–	–	255,177	127	255,304
Transactions with owners, recognised directly in equity									
Contributions by and distributions to owners									
Acquisition of subsidiaries	31	–	–	–	–	1,536	1,536	4,057	5,593
Issue of shares	14	650	–	–	–	–	650	–	650
Redemption of shares	14	(1,774)	–	–	–	–	(1,774)	–	(1,774)
Payments relating to appropriations/distributions approved by members of the Co-operative:									
- Dividends	27	–	(21,880)	–	–	–	(21,880)	–	(21,880)
- Patronage rebates		–	(50,685)	–	–	–	(50,685)	–	(50,685)
Write-back of rebates in accordance to By-laws 12.4		–	100	–	–	–	100	–	100
Total transactions with owners		(1,124)	(72,465)	–	–	1,536	(72,053)	4,057	(67,996)
Transfer of fair value reserve of equity investments at FVOCI upon disposal		–	22,922	(22,922)	–	–	–	–	–
At 31 December 2019		436,740	1,944,755	377,810	(276)	1,536	2,760,565	4,184	2,764,749

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

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2019

	Note	Share capital $'000	Retained earnings $'000	Fair value reserve $'000	Total $'000
CO-OPERATIVE					
At 1 January 2018		339,347	1,650,360	221,847	2,211,554
Adjustments on initial application of FRS 109 (net of tax)		–	–	49,000	49,000
Adjusted balance at 1 January 2018		339,347	1,650,360	270,847	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		–	96,445	(30,878)	65,567
Transactions with owners, recognised directly in equity					
Contributions by and distributions to owners					
Issue of shares	14	100,388	–	–	100,388
Redemption of shares	14	(1,871)	–	–	(1,871)
Payments relating to appropriations/ distributions approved by members of the Co-operative:					
- Dividends	27	–	(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	1,747,304	171,701	2,356,869

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

STATEMENT OF CHANGES IN EQUITY (cont'd)

Year ended 31 December 2019

	Note	Share capital $'000	Retained earnings $'000	Fair value reserve $'000	Total $'000
CO-OPERATIVE					
At 1 January 2019		437,864	1,747,304	171,701	2,356,869
Adjustments on initial application of FRS 116 (net of tax)		–	–	–	–
Adjusted balance at 1 January 2019		437,864	1,747,304	171,701	2,356,869
Total comprehensive income for the year					
Profit for the year		–	85,945	–	85,945
Other comprehensive income					
Net change in fair value:					
- equity investments at FVOCI		–	–	133,542	133,542
- debt investments at FVOCI		–	–	9,438	9,438
Debt investments at FVOCI – reclassified to profit or loss		–	–	(18)	(18)
Total other comprehensive income		–	–	142,962	142,962
Total comprehensive income for the year		–	–	142,962	142,962
Transactions with owners, recognised directly in equity					
Contributions by and distributions to owners					
Issue of shares	14	650	–	–	650
Redemption of shares	14	(1,774)	–	–	(1,774)
Payments relating to appropriations/ distributions approved by members of the Co-operative:					
- Dividends	27	–	(21,880)	–	(21,880)
- Patronage rebates		–	(50,685)	–	(50,685)
Write-back of rebates in accordance to By-laws 12.4		–	100	–	100
Total transactions with owners		(1,124)	(72,465)	–	(73,589)
Transfer of fair value in respect of equity investments at FVOCI upon disposal		–	9,889	(9,889)	–
At 31 December 2019		436,740	1,770,673	304,774	2,512,187

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2019

	Note	2019	2018
		$'000	**$'000**
Cash flows from operating activities			
Profit before tax and contributions		**124,038**	152,530
Adjustments for:			
Amortisation of intangible assets		**5,554**	4,986
Intangible assets written-off		**2,333**	5
Inventories written-off		**27,725**	25,754
Debt investments written-off		**-**	3,750
Depreciation of property, plant and equipment		**71,882**	72,659
Depreciation of right-of-use assets		**218,453**	-
Depreciation of investment properties		**54**	-
Gain on derecognition of right-of-use assets		**(36)**	-
(Gain)/Loss on disposal of an associate		**(1,154)**	10
Loss on disposal of property, plant and equipment		**3,062**	1,345
(Gain)/Loss on disposal of debt investments – FVOCI		**(18)**	1,238
(Reversal of)/Impairment losses recognised on:			
- trade receivables		**1,117**	(39)
- debt investments – FVOCI		**(70)**	379
- investment in an associate		**1,428**	-
- loan to an associate		-	4,333
Share of profit of equity-accounted investees		**(34,714)**	(45,123)
Dividend income		**(40,717)**	(45,211)
Interest income		**(21,527)**	(19,979)
Finance costs		**39,177**	1,552
		396,587	158,189
Changes in:			
- Inventories		**(44,391)**	(30,522)
- Trade and other receivables		**23,253**	17,356
- Trade and other payables		**50,831**	19,455
- Provision		**(1,345)**	(489)
Cash generated from operations		**424,935**	163,989
Contribution to Central Co-operative Fund paid		**(50)**	(25)
Contribution to Singapore Labour Foundation paid		**(23,563)**	-
Taxes paid		**(1,375)**	(589)
Net cash from operating activities		**399,947**	163,375
Cash flows from investing activities			
Purchase of property, plant and equipment		**(96,309)**	(141,690)
Purchase of intangible assets		**(2,557)**	(7,762)
Proceeds from disposal of property, plant and equipment		**1,304**	268
Proceeds from sale of an associate		**-**	1,749
Dividend received		**40,717**	45,211
Acquisitions through business combinations (net of cash acquired)	31	**32,067**	-
Interest received		**21,326**	20,044
Purchase of other investments		**(179,609)**	(218,446)
Changes in investments in associates		**(2,482)**	-
Proceeds from sale of other investments		**203,783**	211,088
Net cash from/(used in) investing activities		**18,240**	(89,538)

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

CONSOLIDATED STATEMENT OF CASH FLOWS (cont'd)

Year ended 31 December 2019

	Note	2019	2018
		$'000	**$'000**
Cash flows from financing activities			
Fixed deposit pledged with bank		**(129)**	–
Proceeds from issuance of shares		**650**	691
Proceeds from borrowings		**40,000**	–
Payment made for redemption of shares	14	**(1,774)**	(1,871)
Dividends paid on members' shares	27	**(21,880)**	(17,820)
Payment of patronage rebates to members		**(50,470)**	(50,001)
Interest paid		**(39,177)**	(1,550)
Repayment of borrowings		**(24,651)**	(30,000)
Payment of lease liabilities		**(200,395)**	–
Net cash used in financing activities		**(297,826)**	(100,551)
Net increase/(decrease) in cash and cash equivalents		**120,361**	(26,714)
Cash and cash equivalents at beginning of the year		**294,045**	320,759
Cash and cash equivalents at end of the year	13	**414,406**	294,045

Significant non-cash transactions:

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

- The Group acquired subsidiaries, NTUC Foodfare Co-operative Limited and Kopitiam Investments Pte Ltd for a purchase consideration of $331,663,000. The acquisition was partially financed by loans of $267,000,000.
- Dividends amounting to $22,045,000 were paid by an associate to the Group in the form of subscribing additional shares in the associate.

In prior year, the Group had 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 20.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

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 2020.

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 8.

The financial statements of the Group as at and for the year ended 31 December 2019 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").

This is the first set of the Group's annual financial statements in which FRS 116 Leases has been applied. The related changes to significant accounting policies are described in note 2.5.

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 no information about critical judgements in applying the entity's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

2 Basis of preparation *(cont'd)*

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

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment 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 right-of-use assets;
- Note 7 – measurement of recoverable amounts of intangible assets;
- Note 8 – assumptions of recoverable amounts relating to investments in subsidiaries;
- Note 9 – assumptions of recoverable amounts relating to investments in associates;
- Note 11 – assessment of recoverability of trade receivables; and
- Note 18 – provision for reinstatement cost.

Measurement of fair values

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

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

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

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

- Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 : inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices).
- Level 3 : inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

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

- Note 6 – investment properties
- Note 32 – financial instruments

2 Basis of preparation *(cont'd)*

2.5 Changes in accounting policies

New standards and amendments

The Group has applied the following FRSs, amendments to and interpretations of FRSs for the first time for the annual period beginning on 1 January 2019:

- FRS 116 *Leases*
- INT FRS 123 *Uncertainty over Income Tax Treatments*
- 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*
- Amendments to FRS 23: *Borrowing costs eligible for capitalisation*

Other than FRS 116, the application of these amendments to standards and interpretations does not have a material effect on the financial statements.

FRS 116 *Leases*

The Group applied FRS 116 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under FRS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in FRS 116 have not generally been applied to comparative information.

Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under INT FRS 104 *Determining whether an Arrangement contains a Lease*. The Group now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in FRS 116.

On transition to FRS 116, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied FRS 116 only to contracts that were previously identified as leases. Contracts that were not identified as leases under FRS 17 and INT FRS 104 were not reassessed for whether there is a lease under FRS 116. Therefore, the definition of a lease under FRS 116 was applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee

As a lessee, the Group leases many assets including properties and IT equipment. The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under FRS 116, the Group recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

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

2 Basis of preparation *(cont'd)*

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

Leases classified as operating leases under FRS 17

Previously, the Group classified property leases as operating leases under FRS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the respective lessee entities incremental borrowing rates applicable to the leases as at 1 January 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Group used a number of practical expedients when applying FRS 116 to leases previously classified as operating leases under FRS 17. In particular, the Group:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets;
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.

As a lessor

The Group leases out its investment properties, including own properties and right-of-use assets. The Group has classified these leases as operating leases.

The Group is not required to make any adjustments on transition to FRS 116 for leases in which it acts as a lessor, except for a sub-lease.

The Group sub-leases some of its properties. Under FRS 17, the head lease and sub-lease contracts were classified as operating leases. On transition to FRS 116, right-of-use assets recognised from the head leases are presented in properties, and measured at fair value at that date. The Group assessed the classification of the sub-lease contracts with reference to the right-of-use asset rather than the underlying asset, and concluded that they are operating leases under FRS 116.

The Group has also entered into a sub-lease, which has been classified as a finance lease.

The Group has applied FRS 115 *Revenue from Contracts with Customers* to allocate consideration in the contract to each lease and non-lease component.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

2 Basis of preparation *(cont'd)*

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

Impact on financial statements

Impact on transition*

On transition to FRS 116, the Group recognised additional right-of-use assets and additional lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised below.

	1 January 2019
	$'000
GROUP	
Lease receivables	3,051
Right-of-use assets	1,196,608
Lease liabilities	(1,199,659)
CO-OPERATIVE	
Lease receivables	3,051
Right-of-use assets	1,129,326
Lease liabilities	(1,132,377)

* For the impact of FRS 116 on profit or loss for the period, see note 29. For the details of accounting policies under FRS 116 and FRS 17, see note 3.7.

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The discount rates applied range from 2.32% to 3.47%.

	1 January 2019
	$'000
GROUP	
Operating lease commitments at 31 December 2018 as disclosed under FRS 17 in the Group's financial statements	574,394
Discounted using the incremental borrowing rate at 1 January 2019	495,789
Extension options reasonably certain to be exercised	703,870
Lease liabilities recognised at 1 January 2019	1,199,659

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.

Certain comparative accounts have been re-presented as a result of a change in classification of certain other investments during the current year (see note 10).

3.1 Basis of consolidation

(i) Business combinations

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

The Group measures goodwill at the date of acquisition as:

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

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

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

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

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

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

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

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

3 Significant accounting policies *(cont'd)*

3.1 Basis of consolidation *(cont'd)*

(ii) Subsidiaries

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

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

(iii) Acquisitions from entities under common control

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

(iv) Loss of control

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

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

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

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

When the Group's share of losses exceeds its 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.

(vi) 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.

(vii) Subsidiaries and associates in the separate financial statements

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

3 Significant accounting policies *(cont'd)*

3.2 Foreign currency

(i) Foreign currency transactions

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

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are generally recognised in profit or loss.

(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.

3.3 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

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.

3 Significant accounting policies *(cont'd)*

3.3 Financial instruments *(cont'd)*

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

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

Financial assets at amortised cost

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

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

Debt investments at FVOCI

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

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

Equity investments at FVOCI

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

Financial assets at FVTPL

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

Financial assets: Business model assessment

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

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

3 Significant accounting policies *(cont'd)*

3.3 Financial instruments *(cont'd)*

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

Financial assets: Business model assessment *(cont'd)*

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

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

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

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

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

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

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

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

Financial assets at FVTPL

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

Financial assets at amortised cost

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

3 Significant accounting policies *(cont'd)*

3.3 Financial instruments *(cont'd)*

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

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

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 liabilities: Classification, subsequent measurement and gains and losses

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

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

(iii) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which 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.

3 Significant accounting policies *(cont'd)*

3.3 Financial instruments *(cont'd)*

(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.

(v) Cash and cash equivalents

Cash and cash equivalents comprise cash balances 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.

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.

(viii) Intra-group financial guarantees

Financial guarantees are financial instruments issued by the Group that require that issuer to make specified payments to reimburse the holder for the loss it incurs because of a specified debtor fail to meet payment when due in accordance with the original or modified terms of a debt instrument.

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.

3 Significant accounting policies *(cont'd)*

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

(ii) Subsequent costs

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

(iii) Provision for instatement costs

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

(iv) Depreciation

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

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

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

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

Freehold buildings	-	20 to 42 years
Leasehold buildings	-	15 to 84 years
Furniture, fittings and renovation	-	1 to 15 years
Plant and machinery	-	2 to 10 years
Equipment and motor vehicles	-	2 to 7 years
Computers	-	1 to 5 years

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

3.5 Intangible assets

(i) Goodwill

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

Subsequent measurement

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

3 Significant accounting policies *(cont'd)*

3.5 Intangible assets *(cont'd)*

(ii) Brand name

Brand name that arises upon acquisition of subsidiaries is measured initially at cost. The cost of brand name acquired is the fair value as at the date of acquisition. Following to initial acquisition, brand name is measured at cost less accumulated impairment losses. The brand is assessed to have indefinite useful life because based on the current market share of the brand name, there is no foreseeable limit to the period over which the brand name is expected to generate net cash inflows for the Group. The brand name is tested for impairment annually or whenever there is indication of impairment.

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

(iii) Other intangible assets

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

Subsequent expenditure

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

Amortisation

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

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

Software and licenses	-	3 to 5 years
Tenant contracts	-	4 to 5 years

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

3.6 Investment properties

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

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

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

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

Investment properties	-	26 to 82 years

3 Significant accounting policies *(cont'd)*

3.7 Leases

The Group has applied FRS 116 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under FRS 17 and INT FRS 104. The details of accounting policies under FRS 17 and INT FRS 104 are disclosed separately.

Policy applicable from 1 January 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in FRS 116.

This policy is applied to contracts entered into, on or after 1 January 2019.

(i) As a lessee

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

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

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

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

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

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

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

3 Significant accounting policies *(cont'd)*

3.7 Leases *(cont'd)*

(i) As a lessee *(cont'd)*

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

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

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

Short-term leases and leases of low-value assets

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

(ii) As a lessor

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

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

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

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

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

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

Generally, the accounting policies applicable to the Group as a lessor in the comparative period were not different from FRS 116 except for the classification of the sub-lease entered into during current reporting period that resulted in a finance lease classification.

3 Significant accounting policies *(cont'd)*

3.7 Leases *(cont'd)*

Leases - Policy applicable before 1 January 2019

For contracts entered into before 1 January 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
    - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
    - the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
    - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

(i) As a lessee

In the comparative period, as a lessee the Group classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Group's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

(ii) As a lessor

When the Group acted as a lessor, it determined at lease inception whether each lease was a finance lease or an operating lease.

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

Rental income from sub-leased property is recognised as "other income".

3.8 Inventories

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

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

3 Significant accounting policies *(cont'd)*

3.9 Impairment

(i) Non-derivative financial assets

The Group recognises loss allowances for ECLs on:

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

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

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

Simplified approach

The Group applies the simplified approach to provide for ECLs for all trade receivables (including lease 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

3 Significant accounting policies *(cont'd)*

3.9 Impairment *(cont'd)*

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

Measurement of ECLs

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

Credit-impaired financial assets

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

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

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

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.

3 Significant accounting policies *(cont'd)*

3.9 Impairment *(cont'd)*

(ii) Non-financial assets

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

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

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 and only to the extent that the recoverable amount increases. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

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

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 Significant accounting policies *(cont'd)*

3.10 Employee benefits

(i) Defined contribution plans

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

(ii) Short-term employee benefits

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

3.11 Provision

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

3.12 Revenue

(i) Sale of food and beverages and retail goods

Revenue from sale of goods in the ordinary course of business is recognised when the Group satisfied a performance obligation ("PO") by transferring control of a promised good to the customer. 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 POs.

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

(ii) Income from food court operations

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

3 Significant accounting policies *(cont'd)*

3.13 Other income

(i) Rental income

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

(ii) Concessionary and commission income

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

(iii) Advertising, promotion and other service income

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

(iv) Management fee income

Management fee income received from a subsidiary relates to the charges of services provided to the subsidiary.

(v) Fitting out income

Fitting out income recoverable from tenants in relation to cost of renovating the stalls is recognised in profit or loss on a straight-line basis over the term of the lease.

(vi) Sponsorship income

Sponsorship income from suppliers is recognised on a straight-line basis over the sponsored period.

3.14 Investment income

(i) Dividend income

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

(ii) Interest income or interest expense

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 Significant accounting policies *(cont'd)*

3.15 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.

3.16 Patronage rebates

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

3.17 Tax

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

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

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

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

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

3 Significant accounting policies *(cont'd)*

3.17 Tax *(cont'd)*

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

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

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

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

3.18 New standards and interpretations not yet effective

A number of new standards, interpretations and amendments to standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Group has not early adopted the new or amended standards and interpretations in preparing these financial statements.

The following new FRSs, interpretations and amendments to FRSs are not expected to have a significant impact on the Group's consolidated financial statements and the Co-operative's statement of financial position.

- *Amendments to References to Conceptual Framework in FRS Standards*
- *Definition of a Business* (Amendments to FRS 103)
- *Definition of Material* (Amendments to FRS 1 and FRS 8)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

4 Property, plant and equipment

	Note	Freehold land	Freehold buildings	Leasehold 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 2018		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
Acquisitions through business combinations	31	–	–	54,215	140,554	–	14,897	14,872	2,579	227,117
Additions		–	–	37,317	22,974	6,669	10,203	10,158	13,749	101,070
Disposals		–	–	–	(15,738)	(2,225)	(2,862)	(13,076)	–	(33,901)
Transfer		–	–	–	–	693	–	–	(693)	–
At 31 December 2019		4,456	22,554	449,980	442,560	168,004	148,052	100,972	16,987	1,353,565
Accumulated depreciation and impairment losses										
At 1 January 2018		–	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
Acquisitions through business combinations	31	–	–	21,982	95,013	–	10,878	12,601	–	140,474
Depreciation charge for the year		–	357	11,389	24,044	10,373	11,311	14,408	–	71,882
Disposals		–	–	–	(12,144)	(1,978)	(2,654)	(12,759)	–	(29,535)
At 31 December 2019		–	14,749	98,866	326,375	89,742	115,177	79,549	–	724,458
Carrying amounts										
At 1 January 2018		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
At 31 December 2019		4,456	7,805	351,114	116,185	78,262	32,875	21,423	16,987	629,107

As at 31 December 2019, the leasehold buildings of the Group with a carrying amount of $15,847,000 are pledged as security to secure borrowings as disclosed in note 16.

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

	Freehold land	Freehold buildings	Leasehold 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 2018	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
Additions	–	–	37,317	16,020	1,505	8,073	9,385	–	72,300
Disposals	–	–	–	(5,865)	(289)	(2,443)	(11,667)	–	(20,264)
At 31 December 2019	4,456	22,554	352,687	280,024	39,169	122,315	73,663	–	894,868
Accumulated depreciation and impairment losses									
At 1 January 2018	–	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
Depreciation charge for the year	–	357	10,466	16,921	2,299	10,151	12,513	–	52,707
Disposals	–	–	–	(5,238)	(230)	(2,337)	(11,627)	–	(19,432)
At 31 December 2019	–	14,749	55,199	215,996	35,082	98,490	55,789	–	475,305
Carrying amounts									
At 1 January 2018	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
At 31 December 2019	4,456	7,805	297,488	64,028	4,087	23,825	17,874	–	419,563

Included within the carrying amounts of furniture, fittings and renovation as at 31 December 2019 is provision for reinstatement costs of $26,166,000 (2018: $20,647,000) for the Group and $20,671,000 (2018: $20,007,000) for the Co-operative.

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Year ended 31 December 2019

5 Right-of-use assets

The Group and Co-operative lease many assets, including land and buildings and equipment.

	Note	Land and buildings	Equipment	Total
		$'000	$'000	$'000
GROUP				
Cost				
At 1 January 2019		–	–	–
Recognition of right-of-use asset on initial application of FRS 116		1,196,608	–	1,196,608
Adjusted balance at 1 January 2019		1,196,608	–	1,196,608
Acquisitions through business combinations	31	271,328	–	271,328
Additions		263,912	21	263,933
Derecognition of right-of-use assets*		(1,346)	–	(1,346)
At 31 December 2019		1,730,502	21	1,730,523
Accumulated depreciation and impairment losses				
At 1 January 2019		–	–	–
Acquisitions through business combinations	31	65,470	–	65,470
Depreciation charge for the year		218,449	4	218,453
At 31 December 2019		283,919	4	283,923
Carrying amounts				
At 1 January 2019		1,196,608	–	1,196,608
At 31 December 2019		1,446,583	17	1,446,600
CO-OPERATIVE				
Cost				
At 1 January 2019		–	–	–
Recognition of right-of-use asset on initial application of FRS 116		1,129,326	–	1,129,326
Adjusted balance at 1 January 2019		1,129,326	–	1,129,326
Additions		206,056	–	206,056
Derecognition of right-of-use assets*		(1,328)	–	(1,328)
Balance at 31 December 2019		1,334,054	–	1,334,054
Accumulated depreciation and impairment losses				
At 1 January 2019		–	–	–
Depreciation charge for the year		182,121	–	182,121
At 31 December 2019		182,121	–	182,121
Carrying amounts				
At 1 January 2019		1,129,326	–	1,129,326
At 31 December 2019		1,151,933	–	1,151,933

* Derecognition of the right-of-use assets during 2019 including an early termination of the lease agreements.

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

6 Investment properties

	Note	Group
		$'000
Cost		
At 1 January 2019		–
Acquisition through business acquisition	31	12,403
At 31 December 2019		12,403
Accumulated depreciation		
At 1 January 2019		–
Acquisition through business acquisition	31	3,603
Depreciation charge for the year		54
At 31 December 2019		3,657
Carrying amounts		
At 1 January 2019		–
At 31 December 2019		8,746

The fair value of investment properties for the Group as at 31 December 2019 is $8,800,000.

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

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

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

As at 31 December 2019, investment properties of the Group with a carrying amount of $8,746,000 are pledged as security to secure borrowings as disclosed in note 16.

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Year ended 31 December 2019

7 Intangible assets

	Note	Goodwill	Brand name	Software and licenses	Tenant contracts	Total
		$'000	$'000	$'000	$'000	$'000
GROUP						
Cost						
At 1 January 2018		23,269	–	23,740	–	47,009
Additions		–	–	7,762	–	7,762
Write-off		–	–	(1,234)	–	(1,234)
At 31 December 2018		23,269	–	30,268	–	53,537
Additions		–	–	2,557	–	2,557
Acquisitions through business combinations	31	183,063	100,678	5,551	4,490	293,782
Write-off		–	–	(4,458)	–	(4,458)
At 31 December 2019		206,332	100,678	33,918	4,490	345,418
Amortisation						
At 1 January 2018		–	–	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
Acquisitions through business combinations	31	–	–	1,197	–	1,197
Amortisation charge for the year		–	–	5,368	186	5,554
Write-off		–	–	(2,125)	–	(2,125)
At 31 December 2019		–	–	21,733	186	21,919
Carrying amounts						
At 1 January 2018		23,269	–	10,204	–	33,473
At 31 December 2018		23,269	–	12,975	–	36,244
At 31 December 2019		206,332	100,678	12,185	4,304	323,499

7 Intangible assets *(cont'd)*

	Goodwill	Software and licenses	Total
	$'000	$'000	$'000
CO-OPERATIVE			
Cost			
At 1 January 2018	6,085	18,043	24,128
Additions	–	5,821	5,821
Write-off	–	(1,234)	(1,234)
At 31 December 2018	6,085	22,630	28,715
Additions	–	2,320	2,320
Write-off	–	(4,441)	(4,441)
At 31 December 2019	6,085	20,509	26,594
Amortisation			
At 1 January 2018	–	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
Amortisation charge for the year	–	4,095	4,095
Write-off	–	(2,109)	(2,109)
At 31 December 2019	–	14,308	14,308
Carrying amounts			
At 1 January 2018	6,085	8,209	14,294
At 31 December 2018	6,085	10,308	16,393
At 31 December 2019	6,085	6,201	12,286

Impairment testing of cash generating units ("CGUs") containing goodwill

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

	2019	2018
	$'000	$'000
Food and beverage services	**183,063**	*
Retail	**6,085**	6,085
Trading	**17,184**	17,184
	206,332	23,269

* Not relevant

7 Intangible assets *(cont'd)*

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

	Discount rate		Growth rate		Terminal growth rate	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
	%	**%**	**%**	**%**	**%**	**%**
Food and beverage services	**7.5**	*	**1.0**	*	**1.3**	*
Retail	**10.0**	10.0	**1.0**	1.0	**1.0**	1.0
Trading	**10.0**	10.0	**4.0 – 7.0**	5.0	**1.0**	1.0

* Not relevant

As at 31 December 2019, the estimated recoverable amount of the CGU exceeded its carrying amount. The recoverable amounts of the CGUs are determined based on value in use calculations. The value in use calculation is a discounted cash flow model using cash flow projections based on the most recent forecasts approved by management covering 1 to 5 years. Cash flows beyond these periods are extrapolated using the estimated terminal growth rates stated in the table above. The terminal growth rates used for each CGU are within management's expectation of the long term average growth rates of the respective industry in which the CGUs operate. The discount rates applied are the weighted average cost of capital from the relevant business segments.

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 assumption 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	
	2019	**2018**
	%	**%**
Discount rate:		
- Food and beverage services	**5.9**	*
- Retail	*	*
- Trading	**3.8**	2.0

* Not relevant

8 Subsidiaries

	CO-OPERATIVE	
	2019	2018
	$'000	$'000
Unquoted equity shares, at cost	**383,363**	50,700
Less: Impairment loss	**(4,536)**	(4,536)
	378,827	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 2019.

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 2019	Ownership interest 2018
			%	%
Grocery Logistics of Singapore Pte Ltd	Warehousing and distribution	Singapore	**100.0**	100.0
AlphaPlus Investments Pte Ltd	Investment holding	Singapore	**100.0**	100.0
NewFront Investments Pte Ltd	Investment holding	Singapore	**100.0**	100.0
Cheers Holdings (2004) Pte Ltd	Convenience store operator	Singapore	**100.0**	100.0
Interstates Market (2007) Pte Ltd	Trading	Singapore	**100.0**	100.0
FPTM Pte Ltd	Investment holding	Singapore	**100.0**	100.0
Fairprice International (2010) Pte Ltd	Investment holding	Singapore	**100.0**	100.0
Origins Healthcare Pte Ltd	Trading	Singapore	**100.0**	100.0
NTUC Enterprise Nexus Co-operative Limited ("Nexus")	Shared services provider	Singapore	**99.0**	–
Kopitiam Investment Pte Ltd ("Kopitiam")	Food outlets operator	Singapore	**100.0**	–
NTUC Foodfare Co-operative Ltd ("NTUC Foodfare")	Managing of food outlets	Singapore	**99.9**	–

8 Subsidiaries *(cont'd)*

Name of subsidiaries	Principal activities	Country of incorporation and operation	Ownership interest 2019	2018
			%	%
Subsidiary of AlphaPlus Investments Pte Ltd (i)				
Thomson Plaza Investments Pte Ltd	Property owner	Singapore	**100.0**	100.0
Subsidiary of Nexus				
Cleaning Concept Pte Ltd	Provision of cleaning services	Singapore	**100.0**	–
Subsidiaries of Kopitiam				
Kopitiam Properties Pte Ltd	Investment holding	Singapore	**100.0**	–
S28 Holdings Pte Ltd	Investment holding	Singapore	**100.0**	–
Bagus Management Pte Ltd	Operation of food courts and provision of related services	Singapore	**100.0**	–
Copitiam Pte Ltd	Operation of food courts and provision of related services	Singapore	**100.0**	–
Kopisi Pte Ltd	Operation of food courts and provision of related services	Singapore	**100.0**	–
Renaissance Properties Pte Ltd	Operation of food courts/ centre, operation and promotion of the Lau Pa Sat festival market and provision of related services	Singapore	**100.0**	–
The Dessert Shop Pte Ltd	Manufacturer and wholesaler of desserts and beverages	Singapore	**100.0**	–
The Pau Shop Pte Ltd	Manufacturer, distributor and retailer of dim sum, bakery products and beverages	Singapore	**100.0**	–
Shi Hui Yuan Pte Ltd	Food stall operator and restaurants	Singapore	**100.0**	–
Kleanway Pte Ltd	General cleaning contractors	Singapore	**100.0**	–
Pa Sat (Kopitiam) Pte Ltd	General wholesale trade	Singapore	**100.0**	–
iMetrics Pte Ltd	Software and hardware engineering and all activities related to information technology	Singapore	**100.0**	–

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

8 Subsidiaries *(cont'd)*

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	
		2019	**2018**
Warehousing and distribution	Singapore	**1**	1
Investment holding	Singapore	**6**	4
Convenience store operator	Singapore	**1**	1
Trading	Singapore	**5**	2
Property owner	Singapore	**1**	1
Shared services provider	Singapore	**1**	–
Food operations	Singapore	**7**	–
Information technology	Singapore	**1**	–
Provision of cleaning services	Singapore	**2**	–
		25	9

Non-controlling interests

The following subsidiary have a material non-controlling interests ("NCI").

Name of entity	Country of incorporation	Ownership interests held by NCI	
		2019	**2018**
		%	**%**
NTUC Foodfare	Singapore	**0.025**	–

8 Subsidiaries *(cont'd)*

The following summarises the financial information of the Group's subsidiary with material non-controlling interests, prepared in accordance with FRS and the Group's accounting policies. The information is before inter-company eliminations with other entities in the Group.

	NTUC Foodfare
	$'000
2019	
Revenue	28,614
Profit for the year	1,452
Other comprehensive income for the year	488
Total comprehensive income for the year	1,940
Attributable to NCI from the date of acquisition to 31 December 2019:	
- Profit	95
- Other comprehensive income	32
- Total comprehensive income	127
Non-current assets	93,805
Current assets	39,376
Non-current liabilities	(30,226)
Current liabilities	(47,167)
Net assets	55,788
Net assets attributable to NCI	4,184
Cash flows from operating activities	36,379
Cash flows used in investing activities	(24,146)
Cash flows used in financing activities	(943)
Net increase in cash and cash equivalents	11,290

9 Associates

	GROUP 2019	GROUP 2018	CO-OPERATIVE 2019	CO-OPERATIVE 2018
	$'000	$'000	$'000	$'000
Interests in associates	**869,355**	857,502	**968,120**	947,075

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

Name of associates	Principal activities	Country of incorporation and operation	Ownership interest 2019	Ownership interest 2018
			%	%
NTUC Foodfare [1]	Managing of food outlets	Singapore	*	50.0
SG Domain Pte Ltd [1]	Investment holding	Singapore	**20.0**	20.0
Mercatus Co-operative Limited [1]	Property investment	Singapore	**41.37**	41.37
Subsidiary of NTUC Foodfare				
Foodfare Catering Pte Ltd [1]	Catering and supply of food and beverage	Singapore	**–**	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
Associate 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) Under members' voluntary liquidation.
(3) Audited by Ernst and Young LLP, Singapore.
(4) Audited by Deloitte Vietnam.

* Become a subsidiary on 1 October 2019

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

9 Associates *(cont'd)*

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

	Mercatus Co-operative Limited	NTUC Foodfare Co-operative Limited	Immaterial associates	Total
	$'000	$'000	$'000	$'000
2019				
Revenue	259,723			
Profit after tax	76,858			
Other comprehensive income	(5,227)			
Total comprehensive income	71,631			
Attributable to investee's shareholders	69,598			
Attributable to NCI	2,033			
Non-current assets	4,628,237			
Current assets	274,701			
Non-current liabilities	(1,897,742)			
Current liabilities	(507,881)			
Net assets	2,497,315			
Attributable to NCI	145,402			
Attributable to investee's shareholders	2,351,913			
Group's interest in net assets of investee at beginning of the year	794,399	23,695	39,408	857,502
Group's share of:				
- Profit after tax and other comprehensive income	31,729	220	2,765	34,714
- Total comprehensive income	31,729	220	2,765	34,714
Carrying amount of interest in associate acquired as subsidiary	-	(23,915)	-	(23,915)
Dividend received during the year	(22,045)	-	-	(22,045)
Group's contribution during the year	22,045	-	2,482	24,527
Impairment loss on investment in an associate	-	-	(1,428)	(1,428)
Carrying amount of interest in investee at end of the year	826,128	-	43,227	869,355

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Year ended 31 December 2019

9 Associates *(cont'd)*

	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

During the year, $22,045,000 of the Group's contribution relates to the dividend paid via issuance of ordinary shares by Mercatus Co-operative Limited.

In prior year, the 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.

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 (2018: $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.

10 Other investments

	GROUP		CO-OPERATIVE	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Quoted unit trust - FVOCI	**752,027**	638,692	**633,634**	529,925
Quoted equity investments - FVOCI	**243,138**	205,919	**237,344**	205,919
Quoted debt investments - FVOCI	**239,401**	231,124	**236,985**	231,124
Unquoted equity investments - FVOCI	**10**	21,351	**–**	–
Unquoted debt investment - at amortised cost	**330,000**	330,000	**330,000**	330,000
Other investments	**750**	750	**750**	750
	1,565,326	1,427,836	**1,438,713**	1,297,718
Non-current	**1,325,925**	1,196,712	**1,201,728**	1,066,594
Current	**239,401**	231,124	**236,985**	231,124
	1,565,326	1,427,836	**1,438,713**	1,297,718

During 2019, the Group modified the classification of quoted unit trust (FVOCI) and quoted equity investments (FVOCI) from current to non-current to reflect more appropriately the way in which the asset is held under the Group's business model assessment. Comparative amounts in the statements of financial position were re-represented for consistency.

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

Dividend income related to unit trusts and equity investments at FVOCI for the Group and Co-operative amounting to $40,717,000 (2018: $45,211,000) and $35,703,000 (2018: $39,031,000) respectively.

Investments in quoted debt securities for the Group and Co-operative with effective interest rates of 3.06% (2018: 3.07%) and 3.04% (2018: 3.07%) per annum respectively have maturity dates ranging from January 2020 to April 2077 (2018: February 2019 to December 2049).

Investments in unquoted debt with effective interest rate of 3.1% (2018: 3.1%) per annum for the Group and Co-operative have maturity date until April 2047 (2018: April 2047).

11 Trade and other receivables

	GROUP		CO-OPERATIVE	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Trade receivables	**42,609**	21,857	**18,510**	20,563
Less: Impairment loss	**(7,830)**	(33)	**(54)**	(33)
	34,779	21,824	**18,456**	20,530
Trade amounts due from:				
- Ultimate holding entity	**707**	132	**9**	132
- Related parties	**955**	326	**312**	327
- Subsidiaries	**–**	–	**2,078**	1,042
- Associates	**629**	478	**629**	478
	2,291	936	**3,028**	1,979
Loans to subsidiaries	**–**	–	**125,888**	120,290
Less: Impairment loss	**–**	–	**(50,653)**	(50,653)
	–	–	**75,235**	69,637
Loans to associates	**4,333**	4,333	**–**	–
Less: Impairment loss	**(4,333)**	(4,333)	**–**	–
	–	–	**–**	–
Lease receivables	**1,607**	–	**1,607**	–
Deposits	**54,823**	24,658	**21,297**	21,556
Prepayments	**21,656**	19,738	**18,614**	19,196
Interest receivables	**9,907**	9,705	**9,870**	9,705
Other receivables:				
- External parties	**10,466**	1,074	**190**	364
- Holding entity	**3,699**	500	**500**	500
	139,228	78,435	**148,797**	143,467
Non-current	**10,790**	400	**75,634**	70,037
Current	**128,438**	78,035	**73,163**	73,430
	139,228	78,435	**148,797**	143,467

The average credit period on sale of goods is 30 to 60 days (2018: 30 days).

The loans to subsidiaries of $75,388,000 (2018: $69,799,000) are unsecured and bear interest at 3.0% (2018: 3.0%) per annum during the year. The remaining loans to subsidiaries of $50,500,000 (2018: $50,491,000) 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% (2018: 4.0%) per annum and is not expected to be repaid within 12 months from the reporting period. In prior year, the loan to associate has been fully impaired.

The Group and the Co-operative's exposure to credit and currency risks, and impairment losses for trade and other receivables, are disclosed in note 32.

12 Inventories

	GROUP		CO-OPERATIVE	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Retail goods	**298,763**	279,574	**278,098**	265,026

Inventories of $27,725,000 (2018: $25,754,000) and $25,837,000 (2018: $23,761,000) for the Group and the Co-operative respectively was written off in the profit or loss during the year.

13 Cash and cash equivalents

	GROUP		CO-OPERATIVE	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Cash on hand	**7,708**	8,505	**6,763**	7,208
Cash at bank	**401,957**	281,360	**272,185**	229,890
Fixed deposits	**4,870**	4,180	**540**	4,180
	414,535	294,045	**279,488**	241,278
Deposit pledged	**(129)**	–	**–**	–
Cash and cash equivalents in the consolidated statement of cash flows	**414,406**	294,045	**279,488**	241,278

Fixed deposits of the Group and the Co-operative bear interest at average rates ranging from 1.37% to 2.50% (2018: 1.37% to 2.50%) per annum. The fixed deposits are placed with the financial institutions for an average tenure of approximately 28 days (2018: 28 days).

Fixed deposits of the Group amounting to $129,000 (2018: $nil) are pledged to the banks for banking facilities granted to the Group.

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14 Share capital

	CO-OPERATIVE			
	2019	2018	2019	2018
	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	**437,864**	339,347	**437,864**	339,347
Issued during the year	**650**	100,388	**650**	100,388
Redemption of shares	**(1,774)**	(1,871)	**(1,774)**	(1,871)
At end of the year	**436,740**	437,864	**436,740**	437,864
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]	**436,640**	437,764	**436,640**	437,764
	436,740	437,864	**436,740**	437,864

[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.

15 Other reserves

	GROUP		CO-OPERATIVE	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Fair value reserve [(a)]	**377,810**	247,269	**304,774**	171,701
Foreign currency translation reserve [(b)]	**(276)**	(276)	**–**	–
Capital reserve [(c)]	**1,536**	–	**–**	–
	379,070	246,993	**304,774**	171,701

(a) The fair value reserve comprises:

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

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

(c) Capital reserve arises from acquisition of subsidiaries under common control.

16 Borrowings

	GROUP		CO-OPERATIVE	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Non-current				
Secured bank loan	**490**	–	**–**	–
Unsecured bank loan	**267,000**	40,000	**267,000**	40,000
	267,490	40,000	**267,000**	40,000
Current				
Secured bank loan	**8,744**	–	**–**	–
Unsecured bank loan	**80,000**	20,000	**80,000**	20,000
	88,744	20,000	**80,000**	20,000
	356,234	60,000	**347,000**	60,000

The borrowings of the Group are secured as follows:

(i) letter of charge and set-off executed by the Group in respect of fixed deposits of not less than $125,000 to be placed with the banks;

(ii) legal assignment of the rental income and sale proceeds in respect of certain food courts operated by the Group and its subsidiaries;

(iii) personal guarantee executed by a former director of the subsidiaries;

(iv) legal mortgages on the Group's investment properties (see note 6); and

(v) legal mortgages on the Group's leasehold properties (see note 4).

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

16 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					
2019					
Secured bank loan	**SGD**	**3.18 – 5.45**	**2020 – 2033**	**9,600**	**9,234**
Unsecured bank loan	**SGD**	**1.63 – 2.76**	**2020 – 2024**	**377,859**	**347,000**
				387,459	**356,234**
2018					
Unsecured bank loan	SGD	1.78 – 1.99	2019 – 2020	61,180	60,000
CO-OPERATIVE					
2019					
Unsecured bank loan	SGD	**1.63 – 2.76**	**2020 – 2024**	**377,859**	**347,000**
2018					
Unsecured bank loan	SGD	1.78 – 1.99	2019 – 2020	61,180	60,000

17 Lease liabilities

	GROUP		CO-OPERATIVE	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Non-current	**1,199,066**	–	**1,003,503**	–
Current	**271,366**	–	**167,712**	–
	1,470,432	–	**1,171,215**	–

Terms and conditions of outstanding lease liabilities are as follows:

	Currency	Nominal interest rate	Year of maturity	Face value	Carrying amount
		%		$'000	$'000
GROUP					
2019					
Lease liabilities	**SGD**	**1.95 – 4.32**	**2020 – 2072**	**1,694,823**	**1,470,432**
CO-OPERATIVE					
2019					
Lease liabilities	SGD	1.95 – 3.10	2020 – 2072	1,355,710	1,171,215

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Year ended 31 December 2019

17 Lease liabilities *(cont'd)*

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

	Note	Lease liabilities	Borrowings	Total
		$'000	$'000	$'000
GROUP				
Balance at 1 January 2018		–	90,000	90,000
Changes from financing cash flows				
Repayment of borrowings		–	(30,000)	(30,000)
Interest paid		–	(1,550)	(1,550)
Total changes from financing cash flows		–	(31,550)	(31,550)
Other changes				
Liability-related				
Interest expense		–	1,552	1,552
Change in accrued interest		–	(2)	(2)
Total liability-related other changes		–	1,550	1,550
Balance at 31 December 2018		–	60,000	60,000
Balance at 1 January 2019		–	60,000	60,000
Adjustment on initial adoption of FRS 116 *		1,199,659	–	1,199,659
Adjusted balance at 1 January 2019		1,199,659	60,000	1,259,659
Changes from investing cash flow				
Acquisitions through business combinations	31	208,617	280,885	489,502
Total changes from investing cash flow		208,617	280,885	489,502
Changes from financing cash flows				
Repayment of borrowings		–	(24,651)	(24,651)
Proceeds from borrowings		–	40,000	40,000
Payment of lease liabilities		(200,395)	–	(200,395)
Interest paid		(36,902)	(2,275)	(39,177)
Total changes from financing cash flows		(237,297)	13,074	(224,223)
Other changes				
Liability-related				
New leases and revised rental rate		263,933	–	263,933
Interest expense		36,902	2,275	39,177
Derecognition of lease liabilities		(1,382)	–	(1,382)
Total liability-related other changes		299,453	2,275	301,728
Balance at 31 December 2019		1,470,432	356,234	1,826,666

* See note 2.5

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

18 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:

	Note	GROUP 2019	GROUP 2018	CO-OPERATIVE 2019	CO-OPERATIVE 2018
		$'000	$'000	$'000	$'000
At beginning of the year		**41,417**	40,397	**40,017**	39,078
Acquisitions through business combinations	31	**10,609**	–	**–**	–
Provisions made during the year		**2,530**	1,509	**1,711**	1,370
Utilised		**(1,345)**	(489)	**(821)**	(431)
At end of the year		**53,211**	41,417	**40,907**	40,017

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 54 years (2018: 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% (2018: 5.0%) that reflects the risks specific to the liability.

19 Deferred tax liabilities

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

	At 1 January 2018	Recognised in profit or loss (note 26)	At 31 December 2018	Acquisition through business combination (note 31)	Recognised in profit or loss (note 26)	At 31 December 2019
	$'000	$'000	$'000	$'000	$'000	$'000
GROUP						
Deferred tax liabilities						
Property, plant and equipment	4,637	–	4,637	3,141	(1,449)	6,329
Intangible assets	–	–	–	17,138	–	17,138
Provisions	(257)	–	(257)	–	1,024	767
Approved donation	(935)	–	(935)	–	–	(935)
Others	21	–	21	–	69	90
	3,466	–	3,466	20,279	(356)	23,389

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

20 Trade and other payables

	Note	GROUP 2019 $'000	GROUP 2018 $'000	CO-OPERATIVE 2019 $'000	CO-OPERATIVE 2018 $'000
Trade payables					
External parties		**612,809**	544,720	**540,756**	510,076
Amount due to subsidiaries		**–**	–	**7,744**	8,753
Amount due to associates		**–**	230	**–**	230
Amount due to related parties		**346**	–	**109**	–
		613,155	544,950	**548,609**	519,059
Other payables					
Amounts due to:					
- Ultimate holding entity		**500**	–	**–**	–
- Subsidiaries		**–**	–	**168,344**	128,754
- Associates		**30,643**	30,643	**30,643**	30,643
- Related parties		**214**	–	**–**	–
- Directors		**80**	–	**–**	–
Accrued operating expenses [(a)]		**172,389**	92,363	**115,784**	88,267
Accrued short-term employee benefits		**31,445**	28,789	**29,982**	27,321
Contributions to:					
- Central Co-operative Fund [(b)]		**50**	25	**25**	25
- Singapore Labour Foundation [(c)]		**23,277**	23,563	**21,365**	23,563
Contract liabilities	21	**61,911**	59,759	**57,157**	59,759
Deposits received		**35,010**	5,439	**5,384**	5,402
Patronage rebates and dividends payable		**602**	487	**602**	487
Stored value cards [(d)]		**19,312**	–	**–**	–
Others		**37,074**	22,640	**26,621**	17,757
		412,507	263,708	**455,907**	381,978
Non-current		**10,740**	–	**–**	–
Current		**1,014,922**	808,658	**1,004,516**	901,037
		1,025,662	808,658	**1,004,516**	901,037

(a) Accrued operating expenses include accruals for purchases of property, plant and equipment for the Group and the Co-operative amounting to $5,142,000 and $3,169,000 (2018: $2,911,000 and $2,603,000) 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.

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

The average credit period on purchase of goods is 45 - 60 days (2018: 45 days). Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs.

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

21 Revenue

	GROUP		CO-OPERATIVE	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Sale of food and beverages	**39,821**	–	**–**	–
Sale of retail goods	**3,501,023**	3,450,035	**3,288,132**	3,239,486
Income from food court operations	**32,201**	–	**–**	–
	3,573,045	3,450,035	**3,288,132**	3,239,486

Revenue is recognised when control of the goods has transferred, being at the point the customer purchases the goods at the food court or retail outlets.

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

Contract liabilities

The following table provides information about contract liabilities from contracts with customers.

		GROUP		CO-OPERATIVE	
	Note	**2019**	**2018**	**2019**	**2018**
		$'000	**$'000**	**$'000**	**$'000**
Contract liabilities	20	**61,911**	59,759	**57,157**	59,759

The contract liabilities primarily relate to:

- advance consideration received from customers for sale of gift vouchers of $57,157,000 (2018: $59,759,000); and
- advance consideration received from suppliers for promotion of beverage of $4,754,000 (2018: $nil).

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

		GROUP		CO-OPERATIVE	
	Note	**2019**	**2018**	**2019**	**2018**
		$'000	**$'000**	**$'000**	**$'000**
At 1 January		**59,759**	50,521	**59,759**	50,521
Acquisition through business combinations	31	**5,511**	–	**–**	–
Revenue recognised that was included in the contract liabilities at the beginning of the period		**(61,193)**	(50,521)	**(59,759)**	(50,521)
Additions due to advances received but performance obligation not fulfilled		**57,834**	59,759	**57,157**	59,759
At 31 December	20	**61,911**	59,759	**57,157**	59,759

22 Other income

	GROUP		CO-OPERATIVE	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Advertising, promotion and other service income	**97,806**	100,795	**71,219**	74,766
Concessionary and commission income	**25,949**	27,360	**22,436**	23,689
Discounts received	**2,038**	1,775	**1,919**	1,669
Franchise fee income	**208**	212	**–**	–
Government grant	**2,938**	–	**–**	–
Management fee	**3,099**	–	**–**	–
Rental income from property sublease	**30,642**	30,356	**35,700**	35,701
Rental income from lease receivables	**1,505**	–	**1,505**	–
Subscription fee	**812**	–	**–**	–
Others	**55,444**	21,742	**18,666**	13,103
	220,441	182,240	**151,445**	148,928

23 Other operating expenses

	GROUP		CO-OPERATIVE	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Amortisation of intangible asset	**5,554**	4,986	**4,095**	3,717
Donation to NTUC Fairprice Foundation Limited	**10,000**	10,000	**3,200**	5,000
Expenses relating to short-term leases	**372**	–	**372**	–
Expenses relating to leases low-value assets	**1,620**	–	**1,620**	–
Expenses relating to variable lease payments	**29,891**	–	**4,020**	–
Impairment loss on investment in an associate	**1,428**	–	**–**	–
Impairment loss on loan to an associate	**–**	4,333	**–**	–
Intangible assets written off	**2,333**	5	**2,332**	5
Loss on disposal of property, plant and equipment	**3,062**	1,345	**3,015**	1,285
Marketing expenses	**28,497**	30,460	**28,386**	30,353
Packing and delivery expenses	**32,558**	34,299	**45,892**	22,246
Property tax	**3,568**	3,028	**1,999**	1,694
Professional fee	**24,664**	15,193	**23,989**	14,693
Rental and conservancy charges	**–**	213,422	**–**	198,392
Repair, maintenance and supplies	**77,140**	53,776	**43,847**	46,519
Impairment loss/(Reversal of) impairment loss on trade receivables	**1,117**	(39)	**21**	(39)
Security expense	**4,736**	5,862	**3,589**	4,814
Sundry expense	**27,078**	26,155	**26,087**	26,340
Utilities	**42,107**	38,327	**33,902**	32,310
Others	**39,630**	13,621	**12,641**	6,916
	335,355	454,773	**239,007**	394,245

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24 Investment income

	GROUP		CO-OPERATIVE	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Debt investments written-off	**–**	(3,750)	**–**	(3,750)
Dividend income	**40,717**	45,211	**71,248**	61,624
Gain/(Loss) on disposal of an associate	**1,154**	(10)	**–**	1,716
Interest income				
- Financial institutions	**704**	323	**689**	323
- Debt investments	**20,823**	19,656	**20,823**	19,656
Loss on disposal of debt investments - FVOCI	**18**	(1,238)	**18**	(1,238)
Reversal of/(Impairment loss)				
- Debt investments - FVOCI	**70**	(379)	**70**	(379)
	63,486	59,813	**92,848**	77,952

25 Finance costs

	GROUP		CO-OPERATIVE	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Interest expense				
- Subsidiaries	**–**	–	**957**	799
- Financial institutions	**2,275**	1,552	**1,592**	1,552
Interest on lease liabilities	**36,902**	–	**33,391**	–
	39,177	1,552	**35,940**	2,351

26 Tax expense

	Note	GROUP 2019	GROUP 2018
		$'000	$'000
Current tax expense:			
Current year		**1,491**	411
Changes in estimates related to prior years		**(236)**	(130)
		1,255	281
Deferred tax expense:			
Origination and reversal of temporary difference		**(452)**	–
Changes in estimates related to prior years		**96**	–
	19	**(356)**	–
Total tax expense		**899**	281

Reconciliation of effective tax rate

	GROUP 2019	GROUP 2018
	$'000	$'000
Profit before tax	**124,038**	152,530
Tax expense at statutory tax rate of 17% (2018: 17%)	**21,086**	25,930
Non-deductible expenses	**3,118**	1,370
Exempt income [1]	**(15,285)**	(17,423)
Effect of share of profit of equity–accounted investees	**(5,901)**	(7,671)
Unrecognised deferred tax assets	**(576)**	–
Effect of tax concessions–donations	**(1,403)**	(1,737)
Tax rebates	**–**	(56)
Changes in estimates related to prior years	**(140)**	(130)
Others	**–**	(2)
	899	281

[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.

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

	GROUP 2019	GROUP 2018
	$'000	$'000
Deductible temporary differences	**1,552**	–
Unutilised tax losses	**6,963**	–
	8,515	–

At the date of acquisition, the Group has acquired deductible temporary differences of $583,000 and unutilised tax losses of $11,318,000 from a subsidiary.

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

27 Dividend

	GROUP		CO-OPERATIVE	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Distributions to members of the Co-operative				
- first and final dividend	**21,880**	17,820	**21,880**	17,820

First and final dividend of 6.0% (2018: 6.0%) was paid out to the members of the Co-operative during the financial year.

28 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	
	2019	2018
	$'000	$'000
Patronage rebates	**50,410**	50,685
Directors' honoraria	**491**	477
First and final dividend of 5.0% (2018: 6.0%)	**21,840**	21,880
	72,741	73,042

The proposed patronage rebates represent 4.0% (2018: 4.0%) of the eligible purchases.

29 Leases

Leases as lessee (FRS 116)

The Group leases properties and warehouses. The leases typically run for a period of three to five years, with an option to renew the lease after that date. Lease payments are renegotiated every three to five years to reflect market rentals. For certain leases, the Group is restricted from entering into any sub-lease arrangements. Previously, these leases were classified as operating leases under FRS 17.

One of the leased properties has been sub-let by the Group. The lease and sub-lease expire in 2021.

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

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

(i) Right-of-use assets

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

29 Leases *(cont'd)*

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

(ii) Amounts recognised in profit or loss

	GROUP	CO-OPERATIVE
	$'000	$'000
2019 – Leases under FRS 116		
Interest on lease liabilities	36,902	33,391
Income from sub-leasing right-of-use assets presented in 'other income'	(30,642)	(35,700)
Expenses relating to short-term leases	372	372
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	1,620	1,620
2018 – Operating leases under FRS 17		
Lease expense	213,422	198,392
Sub-lease income presented in 'other income'	(30,356)	(35,701)

(iii) Amounts recognised in consolidated statement of cash flows

	GROUP 2019
	$'000
Total cash outflow for leases	237,297

Extension options

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

Leases as lessor

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

Finance lease

During 2019, the Group has sub-leased a building that has been presented as part of a right-of-use asset.

During 2019, the Group and Co-operative recognised a gain of $36,000 and $9,000 respectively on derecognition of the right-of-use asset pertaining to the building and presented the gain as part of 'net gain on derecognition of the right-of-use assets' in other income.

During 2019, the Group recognised interest income on lease receivables of $60,000 (2018: $nil).

29 Leases *(cont'd)*

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

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

Finance lease *(cont'd)*

The following table sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date. Under FRS 17, the Group did not have any finance leases as a lessor.

	2019
	$'000
Less than one year	1,505
One to two years	125
Total undiscounted lease receivable	1,630
Unearned finance income	(23)
Net investment in the lease	1,607

Operating lease

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

Rental income from property sub-lease recognised by the Group during 2019 was $30,642,000 (2018: $30,356,000).

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

	GROUP	CO-OPERATIVE
	$'000	$'000
2019 – Operating leases under FRS 116		
Less than one year	75,782	26,111
One to two years	45,614	13,886
Two to three years	18,110	6,659
Three to four years	2,896	2,010
Four to five years	801	718
More than five years	156	139
Total	143,359	49,523
2018 – Operating leases under FRS 17		
Less than one year	31,420	36,842
Between one and five years	35,664	37,323
More than five years	6	2
Total	67,090	74,167

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

30 Commitments

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

	GROUP		CO-OPERATIVE	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Capital commitments:				
Purchase of property, plant and equipment				
- contracted	**246,485**	79,013	**195,841**	76,367

31 Business combinations

On 1 October 2019, the Group acquired 100% and 99% of the shares and voting interests in Kopitiam and Nexus respectively from the ultimate holding entity. On the same date, the Group acquired the remaining 49.9% of the shares and voting interests in NTUC Foodfare from the ultimate holding entity. As a result, the Group's equity interest in NTUC Foodfare increased from 50.0% to 99.9%, granting control of NTUC Foodfare.

For the date of acquisition to 31 December 2019, Kopitiam, Nexus and NTUC Foodfare contributed revenue of $43,408,000, $nil and $28,614,000 respectively, and a loss of $2,277,000, $nil and a profit of $1,484,000 respectively to the Group's results. If the acquisition had occurred on 1 January 2019, management estimates that consolidated revenue would have been $3,778,760,000, and consolidated profit for the year would have been $103,840,000. In determining these amounts, management has assumed that the fair value adjustments that arise on the date of acquisition had occurred on 1 January 2019.

31 Business combinations *(cont'd)*

Identifiable assets acquired and liabilities assumed

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

	Note	2019
		$'000
Property, plant and equipment	4	**86,643**
Right-of-use assets	5	**205,858**
Investment properties	6	**8,800**
Intangible assets	7	**109,522**
Other investments		**8,081**
Inventories		**2,523**
Trade and other receivables		**81,910**
Cash and cash equivalents		**83,995**
Trade and other payables		**(153,375)**
Provisions	18	**(10,609)**
Current tax liabilities		**(1,306)**
Deferred tax liabilities	19	**(20,279)**
Borrowings		**(13,885)**
Lease liabilities	17	**(208,617)**
Non-controlling interest		**(4,057)**
Total identifiable net assets		**175,204**
Total identifiable net assets		**175,204**
Less: Amount previously accounted for as an associate remeasured at fair value		**(25,068)**
Net assets acquired		**150,136**
Goodwill arising from acquisition	7	**183,063**
Gain from bargain purchase recognised in capital reserve		**(1,536)**
Total purchase consideration		**331,663**
Less: Deferred purchase consideration		**(12,735)**
Less: Cash and cash equivalents in subsidiaries acquired		**(83,995)**
Less: Novation of loans from ultimate holding entity		**(267,000)**
Net cash inflow		**(32,067)**

The re-measurement to fair values of the Group's pre-existing 50.0% interest in NTUC Foodfare resulted in a gain of $1,154,000. This amount has been recognised in investment income in profit or loss (see note 24).

31 Business combinations *(cont'd)*

Goodwill

Goodwill and gain on bargain purchase arising from the acquisition of the subsidiaries in the financial year ended 31 December 2019 amounted to $183,063,000 and $1,536,000 respectively.

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

Measurement of fair values

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

Assets required	Valuation technique
Property, plant and equipment	Direct comparison method: The direct comparison method considers the sales value of comparable properties and adjusting the sales price to that reflective of the property.
Investment properties	Direct comparison method and income method: The direct comparison method considers the sales value of comparable properties and adjusting the sales price to that reflective of the property. The income method considers the present value of net annual rental income of the property over the remaining lease term of the lease.
Intangible assets	Relief-from-royalty method and multi-period excess earnings method: The relief-from-royalty method considers the discounted estimated royalty payments that are expected to be avoided as result of the brand name being owned. The multi-period excess earnings method considers the present value of net cash flows expected to be generated by the tenant contracts, by excluding any cash flows related to contributory assets.

32 Financial instruments

Financial risk management

Risk management framework

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

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

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

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

32 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 represent the Group and the Co-operative's maximum exposure to credit risk, before taking into account any collateral held. The Group and the Co-operative do not hold any collateral in respect of their financial assets, except for balances with tenants where security deposits are obtained.

Impairment loss

Expected credit loss assessment

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

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

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

		GROUP	
	Weighted average loss rate	**Gross carrying amount**	**Impairment loss allowance**
	%	**$'000**	**$'000**
2019			
Current (not past due)	**0.88**	**20,800**	**(184)**
1 – 30 days past due	**0.66**	**6,538**	**(43)**
31 – 60 days past due	**0.08**	**2,399**	**(2)**
More than 60 days past due	**50.13**	**15,163**	**(7,601)**
		44,900	**(7,830)**
2018			
Current (not past due)	–	10,749	–
1 – 30 days past due	–	3,639	–
31 – 60 days past due	–	4,301	–
More than 60 days past due	0.80	4,104	(33)
		22,793	(33)

32 Financial instruments *(cont'd)*

Expected credit loss assessment *(cont'd)*

	CO-OPERATIVE		
	Weighted average loss rate	**Gross carrying amount**	**Impairment loss allowance**
	%	**$'000**	**$'000**
2019			
Current (not past due)	**–**	**9,197**	**–**
1 – 30 days past due	**–**	**6,138**	**–**
31 – 60 days past due	**–**	**956**	**–**
More than 60 days past due	**1.03**	**5,247**	**(54)**
		21,538	**(54)**
2018			
Current (not past due)	–	10,814	–
1 – 30 days past due	–	3,441	–
31 – 60 days past due	–	4,266	–
More than 60 days past due	0.82	4,021	(33)
		22,542	(33)

Other receivables/deposits/lease receivables

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

Loans to subsidiaries

The Co-operative had loans to subsidiaries with a carrying amount of $75,235,000 (2018: $69,637,000). Impairment on these balances has been measured on the 12-month expected loss basis. The assessment is based on qualitative and quantitative factors that are indicative of the risk of default, including but not limited to audited financial statements, and management accounts, if available, and applying experienced credit judgement. The amount of the allowance on loans to subsidiaries is $50,653,000 (2018: $50,653,000).

32 Financial instruments *(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 2018	215	215
Impairment loss reversed	(39)	(39)
Impairment loss utilised	(143)	(143)
At 31 December 2018	33	33
At 1 January 2019	**33**	**33**
Impairment loss recognised	**1,204**	**53**
Impairment loss reversed	**(87)**	**(32)**
Acquisitions through business combinations (note 31)	**6,680**	**–**
At 31 December 2019	**7,830**	**54**

Cash and cash equivalents

The Group and the Co-operative held cash and cash equivalents of $414,535,000 and $279,488,000 (2018: $294,045,000 and $241,278,000), respectively at 31 December 2019. The cash and cash equivalents are held with banks and financial institutions with sound credit ratings.

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

Debt 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 monitors the changes in credit risk to the tracking published external credit ratings annually. The 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. 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.

32 Financial instruments *(cont'd)*

Cash and cash equivalents *(cont'd)*

	2019		2018	
	FVOCI	At amortised costs	FVOCI	At amortised costs/
	12-month ECL	12-month ECL	12-month ECL	12-month ECL
	$'000	$'000	$'000	$'000
GROUP				
Credit rating				
BBB- to AAA	**219,543**	330,000	**217,634**	330,000
BB- to BB+	**18,690**	–	**12,172**	–
B- to B+	**1,477**	–	**1,697**	–
Gross carrying amounts	**239,710**	330,000	**231,503**	330,000
Loss allowance	**(309)**	–	**(379)**	–
Carrying amount	**239,401**	330,000	**231,124**	330,000
CO-OPERATIVE				
Credit rating				
BBB- to AAA	**217,127**	330,000	**217,634**	330,000
BB- to BB+	**18,690**	–	**12,172**	–
B- to B+	**1,477**	–	**1,697**	–
Gross carrying amounts	**237,294**	330,000	**231,503**	330,000
Loss allowance	**(309)**	–	**(379)**	–
Carrying amount	**236,985**	330,000	**231,124**	330,000

The Group and the Co-operative did not have any debt investments that were past due but not impaired at 31 December 2019.

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

	2019	2018
	12-month ECL	12-month ECL
	$'000	$'000
GROUP/CO-OPERATIVE		
Balance as at 1 January	**379**	–
Impairment loss recognised	**–**	379
Impairment reversed	**(70)**	–
Balance as at 31 December	**309**	379

32 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					
2019					
Borrowings	**356,234**	**(387,459)**	**(95,026)**	**(292,433)**	**–**
Lease liabilities	**1,470,432**	**(1,694,823)**	**(305,084)**	**(946,887)**	**(442,852)**
Trade and other payables*	**963,751**	**(963,751)**	**(955,044)**	**(8,707)**	**–**
	2,790,417	**(3,046,033)**	**(1,355,154)**	**(1,248,027)**	**(442,852)**
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)	–
CO-OPERATIVE					
2019					
Borrowings	**347,000**	**(377,859)**	**(88,322)**	**(289,537)**	**–**
Lease liabilities	**1,171,215**	**(1,355,710)**	**(199,131)**	**(750,108)**	**(406,471)**
Trade and other payables*	**947,359**	**(947,359)**	**(947,359)**	**–**	**–**
	2,465,574	**(2,680,928)**	**(1,234,812)**	**(1,039,645)**	**(406,471)**
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)	–

* Excludes contract liabilities

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

32 Financial instruments *(cont'd)*

Market risk

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

Currency risk

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

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

Exposure to currency risk

The Group's and the Co-operative's 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									
2019									
Financial assets									
Cash and cash equivalents	**3,883**	**17**	**(2)**	**129**	**93**	**79**	**–**	**6**	**4,205**
Quoted equity investments - FVOCI	**92,318**	**18,744**	**7,442**	**10,598**	**7,088**	**2,109**	**2,752**	**–**	**141,051**
Quoted debt investments - FVOCI	**92,240**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**92,240**
Total financial assets	**188,441**	**18,761**	**7,440**	**10,727**	**7,181**	**2,188**	**2,752**	**6**	**237,496**
Financial liabilities									
Trade and other payables	**(8,424)**	**(323)**	**–**	**(846)**	**–**	**(1,687)**	**–**	**–**	**(11,280)**
Total financial liabilities	**(8,424)**	**(323)**	**–**	**(846)**	**–**	**(1,687)**	**–**	**–**	**(11,280)**
Net financial assets at end of the year	**180,017**	**18,438**	**7,440**	**9,881**	**7,181**	**501**	**2,752**	**6**	**226,216**
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

32 Financial instruments *(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	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
USD	**(454)**	(410)	**18,456**	14,195
EUR	**(31)**	41	**1,874**	2,615
CHF	**–**	9	**744**	884
GBP	**(72)**	(77)	**1,060**	767
JPY	**9**	41	**709**	456
AUD	**(161)**	(245)	**211**	97
HKD	**–**	–	**275**	769
SEK	**1**	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 Nominal amount		CO-OPERATIVE Nominal amount	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Fixed rate instruments				
Borrowings	**348,768**	60,000	**347,000**	60,000
Other investments	**569,401**	561,124	**566,985**	561,124
Trade and other receivables	**–**	–	**75,388**	69,799
Cash and cash equivalents	**4,870**	4,180	**540**	4,180
	923,039	625,304	**989,913**	695,103
Variable rate instruments				
Borrowings	**7,466**	–	**–**	–

32 Financial instruments *(cont'd)*

Sensitivity analysis for variable rate instruments

For variable rate instrument, a reasonably possible change of 100 basis points in interest rates at the reporting date would have increased (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

	Profit or loss	
	100bp increase	**100bp decrease**
	$'000	**$'000**
GROUP		
31 December 2019		
Variable rate instruments	**(746)**	**746**

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.

Equity price risk

The Group and the Co-operative are exposed to equity price risks changes arising from equity investments at FVOCI. An increase in the underlying equity prices of the equity investments at FVOCI at the reporting date by 10% (2018: 10%) for the Group and the Co-operative, would increase other components of equity before any tax effect by the amounts shown below. Similarly, a 10% decrease in underlying equity price of the equity investments would have the equal but opposite effect. This analysis assumes that all other variables remain constant.

	GROUP	CO-OPERATIVE
	$'000	**$'000**
2019		
Equity investments at FVOCI		
Equity	**99,517**	**87,098**
2018		
Equity investments at FVOCI		
Equity	84,461	73,584

32 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. Further, the fair value disclosure of lease liabilities is also not required for the current year.

	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									
2019									
Financial assets measured at fair value									
Quoted unit trust - FVOCI	–	752,027	–	–	752,027	752,027	–	–	752,027
Quoted equity investments - FVOCI	–	243,138	–	–	243,138	243,138	–	–	243,138
Quoted debt investments - FVOCI	–	–	239,401	–	239,401	239,401	–	–	239,401
Unquoted equity investments - FVOCI	–	10	–	–	10	–	–	10	10
	–	995,175	239,401	–	1,234,576				
Financial assets not measured at fair value									
Unquoted debt investment	330,000	–	–	–	330,000	–	357,162	–	357,162
Other investments	750	–	–	–	750	–	–	–	–
Cash and cash equivalents	414,535	–	–	–	414,535	–	–	–	–
Trade and other receivables*	117,572	–	–	–	117,572	–	–	–	–
	862,857	–	–	–	862,857				
Financial liabilities not measured at fair value									
Borrowings	–	–	–	(356,234)	(356,234)	–	(330,697)	–	(330,697)
Lease liabilities	–	–	–	(1,470,432)	(1,470,432)	–	–	–	–
Trade and other payables**	–	–	–	(963,751)	(963,751)	–	–	–	–
	–	–	–	(2,790,417)	(2,790,417)				

* Excludes prepayments

** Excludes contract liabilities

32 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
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

32 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									
2019									
Financial assets measured at fair value									
Quoted unit trust - FVOCI	–	633,634	–	–	633,634	633,634	–	–	633,634
Quoted equity investments - FVOCI	–	237,344	–	–	237,344	237,344	–	–	237,344
Quoted debt investments - FVOCI	–	–	236,985	–	236,985	236,985	–	–	236,985
	–	870,978	236,985	–	1,107,963				
Financial assets not measured at fair value									
Unquoted debt investment	330,000	–	–	–	330,000	–	357,162	–	357,162
Other investments	750	–	–	–	750	–	–	–	–
Cash and cash equivalents	279,488	–	–	–	279,488	–	–	–	–
Trade and other receivables*	54,948	–	–	–	54,948	–	–	–	–
Loans to subsidiaries	75,235	–	–	–	75,235	–	75,962	–	75,962
	740,421	–	–	–	740,421				
Financial liabilities not measured at fair value									
Borrowings	–	–	–	(347,000)	(347,000)	–	(321,463)	–	(321,463)
Lease liabilities	–	–	–	(1,171,215)	(1,171,215)	–	–	–	–
Trade and other payables**	–	–	–	(947,359)	(947,359)	–	–	–	–
	–	–	–	(2,465,574)	(2,465,574)				

* Excludes prepayments and loans to subsidiaries

** Excludes contract liabilities

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

32 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

32 Financial instruments *(cont'd)*

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 properties is determined based on the 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.

Financial instruments measured at fair value based on level 3

	Unquoted equity investments - FVOCI
	$'000
GROUP	
At 1 January 2018	16,468
Gains in other comprehensive income	4,883
At 31 December 2018	21,351
Gains in other comprehensive income	782
Proceed from disposal	(22,123)
At 31 December 2019	10

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

32 Financial instruments *(cont'd)*

Financial instruments not measured at fair value

Type	Valuation Technique
GROUP	
Unquoted debt investment and lease liabilities	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, unquoted debt investment and lease liabilities	

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

	2019	2018
	%	%
CO-OPERATIVE		
Loans to subsidiaries	**2.0**	2.0

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.

33 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	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Donations to NTUC Fairprice Foundation Limited	**10,000**	10,000	**3,200**	5,000
Sales of goods to related parties	**(1,149)**	(122)	**(1,149)**	(122)
Rental income from:				
- Subsidiaries	**–**	–	**(516)**	(5,810)
- Associates	**(423)**	(653)	**(423)**	(653)
- Related parties	**(705)**	(563)	**(705)**	(563)
- Holding entity	**(269)**	–	**(269)**	–
Interest income from holding entity	**(10,230)**	(10,230)	**(10,230)**	(10,230)
Interest expense from subsidiaries	**–**	–	**–**	799
Rental expenses to:				
- Associates	**48,105**	50,789	**48,105**	49,695
- Related party	**117**	4,142	**117**	4,142
Redemption link points by related party	**(8,188)**	(734)	**(8,188)**	(734)
Dividend expenses to:				
- Holding entity	**9,478**	9,478	**9,478**	9,478
- Related parties	**5,478**	111	**5,478**	111
Purchases from:				
- Associates	**805**	690	**805**	690
- Subsidiaries	**–**	–	**9,854**	8,766
Other operating expenses to:				
- Holding entity	**6,623**	3,923	**6,623**	3,923
- Related party	**2,103**	3,238	**2,103**	3,238
- Associate	**918**	–	**918**	–
Sponsorship to:				
- Related parties	**1,000**	1,000	**1,000**	1,000
Dividend income from:				
- Associates	**(22,045)**	(22,593)	**(22,045)**	(22,593)
- Related parties	**(15)**	(515)	**(15)**	(515)
- Subsidiary	**–**	–	**(13,500)**	–

Please refer to notes 9 and 11 for additional information on related party transactions with associates.

33 Related parties *(cont'd)*

Management personnel compensation

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

	GROUP		CO-OPERATIVE	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Salaries, short-term employee benefits and post-employment benefits:				
- directors	**540**	518	**477**	518
- officers	**10,569**	8,871	**9,305**	8,871
	11,109	9,389	**9,782**	9,389

34 Subsequent event

On 2 January 2020, the Group disposed an investment property to a third party for a sale consideration of $12,000,000.

On 11 March 2020, the World Health Organisation declared the 2019 Novel Coronavirus ("Covid-19") outbreak a pandemic. The Covid-19 pandemic outbreak has impacted the Group's financials and business operations in 2020. The full impact of COVID-19 is unfolding as the pandemic situation is still evolving rapidly and significant uncertainties exist over how long this situation will persist. The Group is taking precautionary measures in accordance with guidelines provided by the respective authorities in Singapore for the health and safety of our stakeholders, including our employees. The Group has also activated its business continuity plans, using technology as an enabler, to ensure that the provision of essential services to our customers are not disrupted. At the global level, certain countries have imposed certain restrictions which have impacted the global supply chain.

In this respect, the Group has put in place the following measures with an adequate level of financial strength that will mitigate our risks exposures in ensuring that our businesses remain resilient and sustainable:

- Refining our sourcing strategy to ensure that our supply sources are sufficiently diversified to mitigate the risk of disruption to our supply chains. This includes securing suitable replacement products, ramping up our internal stockpile for certain essential products and working with logistic players which forms part of the dynamic procurement process to provide stability food supplies to our customers;
- Regularly reviewing our business continuity plans to make timely adjustments in view of the fast evolving situation which may affect our operations and compliance with regulatory requirements;
- Putting in place contingency and scenario planning to better manage our businesses and operations; and
- Planning ahead for any potential liquidity and funding requirements including securing adequate standby credit facilities from various financial institutions, and costs re-prioritisation.

The Group is monitoring the situation closely and will proactively manage our businesses and take the necessary actions to ensure that our businesses remain robust in continuing to deliver our social mission to the community for the longer-term.

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