Report of the Directors and Financial Statements

NTUC HEALTH CO-OPERATIVE LIMITED

CONTENTS

Directors' statement

The Directors present this annual report to the members together with the audited financial statements of the Co-operative for the financial year ended 31 December 2019.

In our opinion:

(a) the financial statements set out on pages FS1 to FS48 are drawn up in accordance with the provisions of the Singapore Co-operative Societies Act, Chapter 62 (the "Act") and Singapore Financial Reporting Standards, so as to give a true and fair view of the financial position of the Co-operative as at 31 December 2019, and of the financial performance, changes in equity and cash flows of the Co-operative for the year ended 31 December 2019;

(b) at the date of this statement, there are reasonable grounds to believe that the Co-operative will be able to pay its debts as and when they fall due; and

(c) the receipt, expenditure and investment of monies and the 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 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:

Tan Hwee Bin (Chairman)
Adeline Sum Wai Fun
Willie Cheng Jue Hiang
Dr Christopher Lien
Tan Hock Soon
Andrew Chong Yang Hsueh

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

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

(c) Directors' interests in shares or debentures

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

Name of Directors and co-operative in which interests are held	Shareholdings registered in the name of Directors at	
	the beginning of the financial year	the end of the financial year
NTUC Fairprice Co-operative Limited		
Tan Hwee Bin	5,000	5,000
Adeline Sum Wai Fun	20	20
Willie Cheng Jue Hiang	9,000	9,000
Dr Christopher Lien	1,251	1,251
Tan Hock Soon	1,610	1,610

(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

Tan Hwee Bin
Director

Willie Cheng Jue Hiang
Director

22 April 2020

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Independent auditors' report

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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of NTUC Health Co-operative Limited (the 'Co-operative'), which comprise the statement of financial position of the Co-operative as at 31 December 2019, and the statement of comprehensive income and statement of changes in equity and statement of cash flows 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 FS1 to FS48.

In our opinion, the accompanying statement of financial position, 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 Co-operative as at 31 December 2019 and of the results, changes in equity and cash flows of the Co-operative for the year ended on that date.

Basis for opinion

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

Other information

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

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

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

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

Responsibilities of management and directors for the financial statements

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

In preparing the financial statements, management is responsible for assessing the Co-operative'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 Co-operative or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Co-operative'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 Co-operative'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 Co-operative'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 Co-operative 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.

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

22 April 2020

Statements of financial position
As at 31 December 2019

	Note	2019 $	2018 $
Non-current assets			
Property, plant and equipment	4	16,401,163	17,723,021
Right-of-use assets	5	9,519,433	–
Investment properties	6	4,941,877	5,115,048
Investments	7	30,904,878	30,510,066
Investment in associate	8	850,000	–
		62,617,351	53,348,135
Current assets			
Inventories	9	502,089	283,536
Trade and other receivables	10	22,939,181	33,187,298
Prepayments		183,688	311,354
Cash and cash equivalents	11	36,708,416	25,878,444
		60,333,374	59,660,632
Total assets		122,950,725	113,008,767
Equity			
Share capital	12	39,598,764	40,724,464
Fair value reserve	13	538,918	124,106
Accumulated profit		46,211,812	45,823,999
Total equity		86,349,494	86,672,569
Non-current liabilities			
Community Silver Trust	14	3,365,763	2,121,713
Deferred income	15	4,550,359	5,178,514
Lease liabilities	16	5,372,715	–
		13,288,837	7,300,227
Current liabilities			
Community Silver Trust	14	297,883	234,341
Deferred income	15	2,118,717	2,101,759
Lease liabilities	16	4,254,640	–
Trade and other payables	17	16,400,927	16,464,021
Provisions	18	240,227	235,850
		23,312,394	19,035,971
Total liabilities		36,601,231	26,336,198
Total equity and liabilities		122,950,725	113,008,767

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

Statements of comprehensive income
Year ended 31 December 2019

	Note	2019 $	2018 $
Revenue	19	27,418,184	26,079,037
Other income	20	58,287,386	55,641,359
Consumables used		(13,506,742)	(12,843,375)
Staff costs	21	(46,357,360)	(42,727,786)
Depreciation expense		(7,873,129)	(6,635,224)
Rental expense		(1,687,241)	(4,960,125)
Other operating expenses		(15,912,185)	(13,569,902)
Profit from operations		368,913	983,984
Finance income	22	921,692	764,696
Finance costs	22	(239,012)	–
Profit before tax and contributions	23	1,051,593	1,748,680
Tax expense	24	–	–
Profit before contributions		1,051,593	1,748,680
Contributions			
Central Co-operative Fund		(25,000)	(25,000)
Singapore Labour Foundation	25	(110,389)	(275,324)
Profit after contributions		916,204	1,448,356
Honorarium to directors		(127,899)	(148,181)
Profit for the year		788,305	1,300,175
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Equity investments at FVOCI:			
- net change in fair value		414,812	(342,143)
Other comprehensive income for the year		414,812	(342,143)
Total comprehensive income for the year		1,203,117	958,032

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

Statements of changes in equity

	Note	Share capital $	Fair value reserve $	Accumulated profits $	Total equity $
At 1 January 2018		41,590,374	466,249	46,452,659	88,509,282
Total comprehensive income for the year					
Profit for the year		–	–	1,300,175	1,300,175
Other comprehensive income for the year					
Equity investments at FVOCI					
- net change in fair value		–	(342,143)	–	(342,143)
Total other comprehensive income		–	(342,143)	–	(342,143)
Total comprehensive income for the year		–	(342,143)	1,300,175	958,032
Transactions with owners, recognised directly in equity					
Share capital withdrawn during the year	12	(865,910)	–	–	(865,910)
Dividends	12	–	–	(1,928,835)	(1,928,835)
At 31 December 2018		40,724,464	124,106	45,823,999	86,672,569
At 1 January 2019		40,724,464	124,106	45,823,999	86,672,569
Total comprehensive income for the year					
Profit for the year		–	–	788,305	788,305
Other comprehensive income for the year					
Equity investments at FVOCI					
- net change in fair value		–	414,812	–	414,812
Total other comprehensive income		–	414,812	–	414,812
Total comprehensive income for the year		–	414,812	788,305	1,203,117
Transactions with owners, recognised directly in equity					
Share capital withdrawn during the year	12	(1,125,700)	–	–	(1,125,700)
Dividends	12	–	–	(400,492)	(400,492)
At 31 December 2019		39,598,764	538,918	46,211,812	86,349,494

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

Statement of cash flows
Year ended 31 December 2019

	2019	2018
	$	$
Cash flows from operating activities		
Profit before contributions	1,051,593	1,748,680
Income tax expense	–	–
Profit before income tax and contributions	1,051,593	1,748,680
Adjustments for:		
Amortisation of deferred income	(2,342,675)	(3,989,105)
Allowance for doubtful receivables	–	143,445
Depreciation of property, plant and equipment	3,742,846	6,462,053
Depreciation of right-of-use assets	3,957,112	–
Depreciation of investment properties	173,171	173,171
Dividend income	(45,100)	(41,100)
Interest income	(921,692)	(764,696)
Write back of dividends	6,753	29,449
Trade receivables written off	3,357	–
(Gain)/Loss on disposal of property, plant and equipment	(10,969)	16,508
Property, plant and equipment written off	11,485	–
Interest expense	239,012	–
Operating cash flows before working capital changes	5,864,893	3,778,405
Working capital changes:		
Inventories	(218,553)	(234,408)
Trade and other receivables	10,398,759	(15,121,350)
Prepayments	127,666	67,339
Trade and other payables	254,299	(737,957)
Provisions	4,377	–
Community Silver Trust	1,307,592	412,097
Deferred income	1,731,478	3,794,400
Cash generated from/(used in) operations	19,470,511	(8,041,474)
Contributions paid to:		
- Central Co-operative Fund	(25,000)	(25,000)
- Singapore Labour Foundation	(275,324)	(1,033,159)
Interest received	767,693	764,696
Directors' honorarium paid	(148,181)	(149,021)
Net cash generated from/(used in) operating activities	**19,789,699**	**(8,483,958)**

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 $
Cash flows from investing activities			
Dividends received		45,100	41,100
Purchase of property, plant and equipment		(2,440,935)	(5,693,078)
Proceeds from redemption of debt investments	7	–	6,000,000
Proceeds from sale of investment	7	20,000	–
Proceeds from disposal of property, plant and equipment		19,431	–
Purchase of debt investments	7	–	(26,000,000)
Investment in associate	8	(850,000)	–
Net cash used in investing activities		**(3,206,404)**	**(25,651,978)**
Cash flows from financing activities			
Dividends paid to members of the Co-operative		(407,245)	(1,958,284)
Withdrawal of shares		(1,125,700)	(865,910)
Payment of lease liabilities		(3,849,190)	–
Interest paid		(239,012)	–
Net cash used in financing activities		**(5,621,147)**	**(2,824,194)**
Net increase/(decrease) in cash and cash equivalents		**10,962,148**	**(36,960,130)**
Cash and cash equivalents at beginning of the year		25,744,638	62,704,768
Cash and cash equivalents at end of the year	11	**36,706,786**	**25,744,638**

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

Notes to the financial statements

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 22 April 2020.

1 Domicile and activities

NTUC Health Co-operative Limited (the "Co-operative") is registered in Singapore with its registered office at 55 Ubi Avenue 1, #08-01, Singapore 408935.

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

The principal objectives of the Co-operative are those relating to provisions of health and community services to members and the public, and investment holding.

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 Co-operative'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 below.

2.3 Functional and presentation currency

These financial statements are presented in Singapore dollars, which is the Co-operative's functional currency.

2.4 Use of estimates and judgements

The preparation of the financial statements in conformity with FRS 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 are no significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following noted:

Note 7 – fair value and impairment of investments;
Note 26 – extension of lease term options; and
Note 28 – recoverability of doubtful receivables.

2.5 Changes in accounting policies

New standards and amendments

The Co-operative has applied the following FRS, amendments to FRS for the first time for the annual period beginning on 1 January 2019:

- FRS 116 *Leases;*
- INT FRS 123 *Uncertainty over Income Tax Treatments*; and
- *Long-term Interests in Associates and Joint Ventures* (Amendments to FRS 28)

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

FRS 116 *Leases*

The Co-operative 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 Co-operative determined at contract inception whether an arrangement was or contained a lease under INT FRS 104 *Determining whether an Arrangement contains a Lease*. The Co-operative 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 Co-operative elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Co-operative 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 Co-operative leases many assets including property and equipments. The Co-operative 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 Co-operative. Under FRS 116, the Co-operative 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 Co-operative 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 Co-operative has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

Leases classified as operating leases under FRS 17

Previously, the Co-operative classified its 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 Co-operative 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 Co-operative used a number of practical expedients when applying FRS 116 to leases previously classified as operating leases under FRS 17. In particular, the Co-operative:

- 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 (e.g. equipments);
- applied a single discount rate to a portfolio of leases with similar characteristics;
- 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 Co-operative leases out its investment property, including own property and right-of-use assets. The Co-operative has classified these leases as operating leases.

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

Impact on transition

On transition to FRS 116, the Co-operative recognised additional $7,092,219 right-of-use assets and additional $7,092,219 lease liabilities.

When measuring lease liabilities for leases that were classified as operating leases, the Co-operative discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 3.27%.

	1 January 2019 $
Operating lease commitments at 31 December 2018	8,653,248
Discounted using the incremental borrowing rate at 1 January 2019	8,363,801
– Recognition exemption for leases with less than 12 months of lease term at transition	(1,271,582)
Lease liabilities recognised at 1 January 2019	7,092,219

3 Significant accounting policies

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

3.1 Associates

Associates are those entities in which the Co-operative 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 Co-operative holds 20% or more of the voting power of another entity.

Interest in an associate is stated at cost less accumulated impairment loss. The cost includes the purchase consideration and other related acquisition costs.

3.2 Foreign currency transactions

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

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date on which the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of as investment in equity securities designated as fair value through other comprehensive income ("FVOCI").

3.3 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 and includes the cost of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

(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 Co-operative, and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Disposals

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognised net within other income or other expenses in profit or loss on the date of disposal.

(iv) Provision for reinstatement costs

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

(v) 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.

Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use.

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

Freehold property	50 years
Leasehold building	50 years
Leasehold properties	50 years
Dental, medical and fitness equipment	5 years
Motor vehicles	10 years
Furniture and fittings	5 years
Computer and office equipment	3 to 5 years
Computer software	3 to 5 years

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

3.4 Leases

The Co-operative 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 under FRS 116 (applicable from 1 January 2019)

At inception of a contract, the Co-operative 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 Co-operative 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 Co-operative 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 Co-operative has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Co-operative 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 Co-operative by the end of the lease term or the cost of the right-of-use asset reflects that the Co-operative 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 Co-operative's incremental borrowing rate. Generally, the Co-operative uses its incremental borrowing rate as the discount rate.

The Co-operative 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;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Co-operative is reasonably certain to exercise, lease payments in an optional renewal period if the Co-operative is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Co-operative is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Co-operative's estimate of the amount expected to be payable under a residual value guarantee, if the Co-operative 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 Co-operative presents right-of-use assets that do not meet the definition of investment property separately as 'right-of-use assets' and 'lease liabilities' in the statement of financial position.

Short-term leases and leases of low-value assets

The Co-operative 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 Co-operative 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 Co-operative allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Co-operative 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 Co-operative 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 Co-operative considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Co-operative 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 Co-operative 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 Co-operative applies FRS 115 to allocate the consideration in the contract.

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

Generally, the accounting policies applicable to the Co-operative 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.

Policy under FRS 17 (applicable before 1 January 2019)

For contracts entered into before 1 January 2019, the Co-operative 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 Co-operative 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 Co-operative'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 Co-operative 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 Co-operative 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 Co-operative considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

Rental income from investment property is recognised as "other income" on a straight-line basis over the term of the lease. Rental income from sub-leased property is recognised as "other income".

3.5 Investment properties

Investment properties are held either to earn rental income or for capital appreciation or for 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 of the investment property.

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 and comparative years are as follows:

Freehold buildings	50 years
Leasehold buildings and premises	50 years

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised and the carrying amounts of the replaced components are written off to profit or loss. The cost of maintenance, repairs and minor improvements is recognised in profit or loss as incurred.

On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is recognised in profit or loss.

3.6 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, 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 costs necessary to make the sale.

3.7 Financial instrument

(i) Recognition and initial measurement

Non-derivative financial assets and financial liabilities

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Co-operative 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 or FVOCI– equity investment.

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

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

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

Equity investments at FVOCI
On initial recognition of an equity investment that is not held-for-trading, the Co-operative 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: Business model assessment

The Co-operative 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 Co-operative's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

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

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 Co-operative 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 Co-operative 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 Co-operative'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 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.

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

(iii) Derecognition

Financial assets

The Co-operative 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 Co-operative neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

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

Financial liabilities

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

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

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Co-operative 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 and short-term deposits with maturities of one year or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Co-operative in the management of its short-term commitments.

(vi) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with FRS 12.

3.8 Impairment of financial assets

(i) Non-derivative financial assets

The Co-operative recognises loss allowances for ECLs on financial assets measured at amortised costs.

Loss allowances of the Co-operative 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 Co-operative applies the simplified approach to provide for ECLs for all trade receivables. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

General approach

The Co-operative 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 Co-operative 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 Co-operative 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 Co-operative'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 Co-operative considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Co-operative in full, without recourse by the Co-operative to actions such as realising security (if any is held); or
- the financial asset is more than 120 days past due.

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 Co-operative expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

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

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

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

Presentation of allowance for ECLs in the statement of financial position

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

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 Co-operative 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 Co-operative's procedures for recovery of amounts due.

3.9 Impairment of non-financial assets

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

Calculation of recoverable amount

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

Impairment losses are recognised in profit or loss.

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.

Reversals of impairment

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

3.10 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.

3.11 Provision

A provision is recognised if, as a result of a past event, the Co-operative 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.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provision for reinstatement cost

The Co-operative is required to estimate and recognise the cost to be incurred in returning the leased premises to their original condition upon vacating the premises on expiry of the leases. Management has provided for such cost based on the likely amount to be incurred and the period over which it should be amortised.

3.12 Revenue recognition

Goods and services sold

Revenue from the sale of goods and services in the ordinary course of business is recognised when all the Co-operative satisfies a performance obligation (PO) by transferring control of a promised good or service 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 or services. The individual standalone selling price of a good or service 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 and/or services with observable stand-alone selling prices. A discount or variable consideration is allocated to one or more, but not all, of the performance obligations if it relates specifically to those performance obligations.

Transaction price is the amount of consideration in the contract to which the Co-operative expects to be entitled in exchange for transferring the promised goods or services. The transaction price may be fixed or variable and is adjusted for time value of money if the contract includes a significant financing component. Consideration payable to a customer is deducted from the transaction price if the Co-operative does not receive a separate identifiable benefit from the customer. When consideration is variable, the estimate amount is included in the transaction price to the extent that it is highly probable that a significant reversal of the cumulative revenue will not occur when the uncertainty associated with the variable consideration is resolved.

Revenue may not be recognised at a point in time or over time following the timing of satisfaction of the PO. If a PO is satisfied over time, revenue is recognised based on the percentage of completion reflecting the progress towards complete satisfaction of that PO.

3.13 Government grants

An unconditional grant is recognised in profit or loss when the grant becomes receivable.

Capital grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and the Co-operative will comply with the conditions associated with the grant. These grants are then recognised in profit or loss on a systematic basis over the useful life of the asset. Grants that compensate the Co-operative for expenses incurred are recognised in profit or loss on a systematic basis in the same periods in which the expenses are recognised. Operating grant is taken to profit or loss in the period to which they relate.

3.14 Finance income and finance costs

The Company's finance income and finance costs include:

- interest income; and
- 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.

3.15 Other operating income and expenses

Other operating income comprises interest income on funds invested (including financial investments), dividend income, and reclassifications of net gains previously recognised in OCI. 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.

Impairment losses recognised on financial assets (other than trade receivables) and reclassifications of net losses previously recognised in OCI are reported as other operating expenses.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either other operating income or expense depending on whether foreign currency movements are in a net gain or net loss position.

3.16 Contribution to Singapore Labour Foundation and Central Co-operative Fund

In accordance with Section 71(2) of the Co-operative Societies Act, Cap. 62, the Co-operative shall contribute 5% of the first $500,000 of the surplus to the Central Co-operative Fund and 20% of any surplus in excess of $500,000 to the Central Co-operative Fund or Singapore Labour Foundation as the Co-operative may opt.

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 other comprehensive income.

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 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 subsidiary to the extent that the Co-operative 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 the initial recognition of goodwill.

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

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

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

4 Property, plant and equipment

	Freehold property $	Leasehold building $	Leasehold properties $	Dental, medical and fitness equipment $	Furniture and fittings $	Computer and office equipment $	Computer software $	Motor vehicles $	Total $
Cost									
At 1 January 2018	1,712,781	7,778,521	1,174,048	4,237,486	11,132,301	2,778,075	2,767,278	1,822,947	33,403,437
Additions	–	–	–	698,085	2,358,704	236,824	1,260,935	1,138,530	5,693,078
Disposal	–	–	–	(43,890)	(371,770)	(54,702)	(3,005)	(28,447)	(501,814)
Written off	–	–	–	(1,070,105)	(2,647,028)	(1,442,088)	(70,181)	–	(5,229,402)
At 31 December 2018	1,712,781	7,778,521	1,174,048	3,821,576	10,472,207	1,518,109	3,955,027	2,933,030	33,365,299
At 1 January 2019	1,712,781	7,778,521	1,174,048	3,821,576	10,472,207	1,518,109	3,955,027	2,933,030	33,365,299
Additions	–	–	–	692,776	771,709	20,576	574,560	381,314	2,440,935
Disposal	–	–	–	(13,170)	–	(20,725)	–	(20,206)	(54,101)
Written off	–	–	–	(70,108)	(53,480)	(14,914)	–	(17,560)	(156,062)
At 31 December 2019	1,712,781	7,778,521	1,174,048	4,431,074	11,190,436	1,503,046	4,529,587	3,276,578	35,596,071
Accumulated depreciation									
At 1 January 2018	593,772	2,800,267	374,398	2,169,524	5,708,465	1,137,214	1,733,894	377,399	14,894,933
Depreciation	39,494	155,571	27,000	1,247,234	3,113,332	1,149,834	497,317	232,271	6,462,053
Disposal	–	–	–	(43,890)	(367,083)	(48,641)	–	(25,692)	(485,306)
Written off	–	–	–	(1,070,105)	(2,647,028)	(1,442,088)	(70,181)	–	(5,229,402)
At 31 December 2018	633,266	2,955,838	401,398	2,302,763	5,807,686	796,319	2,161,030	583,978	15,642,278
At 1 January 2019	633,266	2,955,838	401,398	2,302,763	5,807,686	796,319	2,161,030	583,978	15,642,278
Depreciation	39,494	155,570	27,000	627,074	1,601,864	302,083	673,585	316,176	3,742,846
Disposal	–	–	–	(13,170)	–	(12,263)	–	(20,206)	(45,639)
Written off	–	–	–	(59,070)	(53,033)	(14,914)	–	(17,560)	(144,577)
At 31 December 2019	672,760	3,111,408	428,398	2,857,597	7,356,517	1,071,225	2,834,615	862,388	19,194,908
Carrying amounts									
At 1 January 2018	1,119,009	4,978,254	799,650	2,067,962	5,423,836	1,640,861	1,033,384	1,445,548	18,508,504
At 31 December 2018	1,079,515	4,822,683	772,650	1,518,813	4,664,521	721,790	1,793,997	2,349,052	17,723,021
At 31 December 2019	1,040,021	4,667,113	745,650	1,573,477	3,833,919	431,821	1,694,972	2,414,190	16,401,163

Change in estimates

In 2018, the Co-operative performed a review which resulted in changes in the expected usage of furniture and fittings. As a result, the expected useful life of the furniture and fittings increased from 3 years to 5 years. The effect of these changes on actual and expected depreciation expense was as follows:

	2018	2019	2020	2021	2022	2023
	$	$	$	$	$	$
(Decrease)/increase in depreciation expense	(425,119)	(428,880)	243,942	454,337	147,525	8,195

5 Right-of-use assets

The Co-operative leases many assets including property and equipment.

	Leasehold properties	Equipment	Total
	$	$	$
Cost			
At 1 January 2019	6,910,192	182,027	7,092,219
Additions	6,325,861	58,465	6,384,326
At 31 December 2019	13,236,053	240,492	13,476,545
Accumulated depreciation			
At 1 January 2019	–	–	–
Depreciation	3,891,969	65,143	3,957,112
At 31 December 2019	3,891,969	65,143	3,957,112
Carrying amounts			
At 1 January 2019	6,910,192	182,027	7,092,219
At 31 December 2019	9,344,084	175,349	9,519,433

Information about leases for which the Co-operative is a lessee is discussed in Note 26.

6 Investment properties

	$
Cost	
At 1 January 2018, 31 December 2018 and 31 December 2019	8,245,933
Accumulated depreciation	
At 1 January 2018	2,957,714
Depreciation for the year	173,171
At 31 December 2018	3,130,885
Depreciation for the year	173,171
At 31 December 2019	3,304,056
Carrying amounts	
At 1 January 2018	5,288,219
At 31 December 2018	5,115,048
At 31 December 2019	4,941,877

As at 31 December 2019, the Co-operative's investment properties are held under the following tenure:

	2019		2018	
	Carrying amount $	Fair value $	Carrying amount $	Fair value $
Leasehold	4,941,877	9,914,604	5,115,048	10,165,920

The fair value of investment property was determined by an external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. The independent valuers provide the fair value of the Co-operative's investment property portfolio every year. The fair value is based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Included in investment properties is a carrying amount of approximately $3,295,687 (2018: $3,405,544) representing the Co-operative's 25% share in certain units jointly-owned with NTUC Income Insurance Co-operative Limited. As at 31 December 2019, the Co-operative have no contingent liabilities and capital commitments in respect of those units.

Amounts recognised in profit or loss

Maintenance expense, included in 'other operating expenses', was as follows:

	2019 $	2018 $
Income-generating property	156,228	209,786

7 Investments

	2019	2018
	$	$
Non-current		
Equity investments at FVOCI	4,904,878	4,510,066
Debt investments at amortised cost	26,000,000	26,000,000
	30,904,878	30,510,066

In 2018, the Co-operative redeemed the debt investments at amortised cost which bore an interest rate of 1.91% and subscribed a new tranche of $6,000,000 of debt investments at amortised costs at 2.25%, and will mature on 20 December 2021. The Co-operative had also subscribed an additional tranche of $20,000,000 of debt investments at amortised costs at interest rate of 1.8%, and will mature on 27 February 2021.

Equity investments designated as at FVOCI

The Co-operative designated the investments shown below as equity investments at FVOCI because these equity investments represent investments that the Co-operative intends to hold for the long-term for strategic purposes.

	Fair value	
	2019	2018
	$	$
Quoted equity investments	2,893,178	2,612,566
Unquoted equity investments	2,011,700	1,897,500
Equity investments at FVOCI	4,904,878	4,510,066

In 2019, the Co-operative disposed unquoted equity investment to its ultimate holding entity as the underlying investment was no longer aligned with the Co-operative's long-term investment strategy. This investment had a fair value of $20,000 (2018: $20,000) at the date of disposal.

The Co-operative’s exposure to credit and market risks, and fair value measurement are disclosed in note 28.

8 Investment in associate

	2019	2018
	$	$
Unquoted equity shares, at cost	850,000	–

Details of the associate is as follows:

Name of associate	Principal activities	Place of incorporation and business	Effective equity interest held 2019 %	2018 %
Davita Singapore Pte Ltd	Dialysis services, clinics and other general medical services	Singapore	10[1]	–

[1] Notwithstanding that the equity interest is not more than 20%, the Co-operative has accounted for Davita Singapore Pte Ltd as an associate in accordance with FRS 28 *Investment in associates and joint ventures* as the Co-operative has significant influence through the board of directors.

The Co-operative's share of results in the associate is not equity accounted for in the financial statements of the Co-operative as the Co-operative is itself a wholly-owned subsidiary of NTUC Enterprise Co-operative Limited, an entity incorporated in Singapore. Consolidated financial statements for public use, are prepared by the immediate holding company, NTUC Enterprise Co-operative Limited, which has its registered office at NTUC Centre 1 Marina Bouvelard, #15-09 One Marina Bouvelard Singapore 018989.

9 Inventories

	2019 $	2018 $
Finished goods	502,089	283,536

The Co-operative's inventories of $6,666,975 (2018: $6,202,756) were recognised as an expense during the period and included in "Consumables used".

10 Trade and other receivables

	2019 $	2018 $
Trade receivables	1,978,433	1,633,864
Allowance for doubtful receivables	(262,289)	(286,649)
	1,716,144	1,347,215
Amount due from ultimate holding entity (non-trade)	305,706	305,055
Amount due from related parties		
- Trade	6,239	1,390
- Non-trade	1,465,639	842,030
Other receivables	18,756,828	30,039,413
Deposits	688,625	652,195
	22,939,181	33,187,298

Non-trade amount due from ultimate holding entity included interest receivables of $305,055 (2018: $305,055).

Non-trade amount due from related parties are unsecured, non-interest bearing and repayable on demand.

Other receivables includes grant and subsidy receivables of $17,785,400 (2018: $29,080,029).

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

11 Cash and cash equivalents

	2019 $	2018 $
Cash at bank	16,629,225	8,819,644
Fixed deposits	20,072,925	17,000,000
Cash on hand	6,266	58,800
Cash and cash equivalents in statement of financial position	36,708,416	25,878,444
Less: Cash at bank in Medifund account	(1,630)	(133,806)
Cash and cash equivalents in the statement of cash flows	36,706,786	25,744,638

Included in cash at bank is $1,630 (2018: $133,806) held on behalf of the Medifund account. A specific bank account is established and maintained for the Medifund account.

The Medifund account is a grant from the Medical Endowment Fund (the "MEF") which is set up by the Government under the Medical and Elderly Care Endowment Schemes Act (Cap. 173A).

For the purpose of any written law in Singapore, all monies in the Medifund account are deemed not to form part of the property of the approved institution if it goes into voluntary or compulsory liquidation. In such event, the monies shall then be vested and paid into the MEF.

12 Share capital

	Number of shares	
	2019	2018
Ordinary shares, fully paid with no par value:		
On issue at 1 January	40,724,464	41,590,374
Withdrawn during the year	(1,125,700)	(865,910)
At 31 December	39,598,764	40,724,464

Rights of member

(a) The membership shares relates to shares held by members where redemption of share is subject to approval of the Board of Directors.

(b) All members are entitled to redeem their shares at the par value or the net asset value of the Co-operative based on the latest audited financial position as at the date of redemption, whichever is lower.

(c) The shares do not carry any rights to fixed income.

(d) In accordance with Section 4.6 of the Co-operative's By-Laws, every member shall, unless otherwise disqualified under the Act or the By-laws, have the right to:

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

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

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

(iv) participate and vote at general meetings; and

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

(e) Members are entitled to receive dividends as and when declared by the Co-operative.

(f) In the event of the winding up of the Co-operative, the assets shall be applied first to the cost of liquidation, then to the discharge of the liabilities of the Co-operative, then to the payment of the share capital or subscription capital, and then, provided that the By-laws of the Co-operative permit, to the payment of a dividend or patronage refund at a rate not exceeding that laid down in the Rules or in the By-Laws.

(g) Any monies remaining after the application of the funds to the purposes specified in the above paragraph (section 88 of Co-operative Societies Act) and any sums unclaimed after two years under Section 89 (2) of the Act (which relates to claims of creditors), shall not be divided among the members but shall be carried to the Co-operative Societies Liquidation Account kept by the Registrar of the Co-operative Societies.

(h) A sum carried to the Co-operative Societies Liquidation Account shall be kept in this Account for at least two years. Out of the Co-operative Societies Liquidation Account such sums may be transferred to the Central Co-operative Fund, or applied generally for the furtherance of co-operative principles in such manner, as the Minister may determine from time to time.

Dividends

	Note	2019	2018
		$	$
Dividends to owners of the Co-operative			
First and final exempt (one-tier) dividend paid of $0.01 (2018: $0.05) per share in respect of the previous financial year		407,245	1,958,284
Write back of dividends		(6,753)	(29,449)
		400,492	1,928,835

In accordance with the Co-operative's by-law Clause 12.3, any dividends not claimed by the Members within three years from the date of payment of the dividends shall be forfeited. As at 31 December 2019, $6,753 (2018: $18,590 and $10,859) of dividends declared in 2015 (2018: 2013 and 2014) have not been claimed by the Members. Accordingly, these dividends amounting to $6,753 and $29,449 have been forfeited and written back to accumulated profits as at 31 December 2019 and 2018 respectively.

13 Reserve

Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of equity investments designated at FVOCI until the assets are disposed of or impaired.

14 Community Silver Trust

The Community Silver Trust ("CST") is a grant scheme, received in advance, whereby the government will provide a matching grant of one dollar for every donation dollar raised by eligible organisations. The objectives are to encourage more donations and provide additional resources for the service providers in the Intermediate and Long Term Care ("ILTC") sector and to enhance capabilities and provide value-added services to achieve affordable and higher quality care. Donations received for ILTC programs are eligible for this grant.

Donations received from 1 April 2011 onwards from ILTC programs are eligible for this grant.

	2019	**2018**
	$	**$**
At 1 January	2,356,054	1,943,957
Increase during the year	1,612,918	1,357,139
Less: Transfer to profit or loss	(305,326)	(945,042)
At 31 December	3,663,646	2,356,054
Analysed as follows:		
Current liabilities	297,883	234,341
Non-current liabilities	3,365,763	2,121,713
	3,663,646	2,356,054

The utilisation of Community Silver Trust of $305,326 during the year (2018:$945,042) has been included in 'Government grant' in Note 20.

15 Deferred income

The deferred income relates to grants received in relation to purchase, or to subsidise the purchase of specific assets and/or capital expenditure. Grants received are initially deferred in the statements of financial position and recognised systematically over the life of the underlying assets purchased.

	2019 $	2018 $
At 1 January	7,280,273	7,474,978
Increase during the year	1,731,478	3,794,400
Less: Transfer to profit or loss	(2,342,675)	(3,989,105)
At 31 December	6,669,076	7,280,273
Analysed as follows:		
Current liabilities	2,118,717	2,101,759
Non-current liabilities	4,550,359	5,178,514
	6,669,076	7,280,273

16 Lease liabilities

	2019 $
Current	4,254,640
Non-current	5,372,715
	9,627,355

Terms and conditions of outstanding lease liabilities are as follows:

	Effective interest rate	Year of maturity	Face value $	Carrying amount $
31 December 2019	2.9%–4.0%	2020–2024	10,080,939	9,627,355

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

	Lease liabilities $
Balance at 1 January 2019	7,092,219
Changes from financing cash flows	
Payment of lease liabilities	(3,849,190)
Interest paid	(239,012)
Total changes from financing cash flows	(4,088,202)
Other changes	
New leases	6,384,326
Interest expense	239,012
Total other changes	6,623,338
Balance at 31 December 2019	9,627,355

17 Trade and other payables

	2019 $	2018 $
Trade payables	1,283,419	646,424
Other payables	2,004,721	1,656,304
Amount due to ultimate holding entity (non-trade)	9,215	25,901
Amount due to related parties		
- Trade	485,171	63,776
- Non-trade	32,846	5,441
Dividend payable	40,573	41,418
Central Co-operative Fund	25,000	25,000
Singapore Labour Foundation	110,389	249,736
Honorarium to directors	127,899	148,181
Accrued operating expenses	9,443,848	8,687,534
Grants received in advance	2,837,846	4,914,306
	16,400,927	16,464,021

Non-trade amounts due to ultimate holding entity and related parties are unsecured, non-interest bearing and repayable on demand.

Included in "Other payables" is an amount relating to Medifund account (see note 11).

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

18 Provisions

	2019 $	2018 $
Provision for reinstatement costs	240,227	235,850

Movements in provision for reinstatement costs:

	2019 $	2018 $
At 1 January	235,850	235,850
Provision made	19,377	–
Provision utilised	(15,000)	–
At 31 December	240,227	235,850

Provision for reinstatement costs

The provision for reinstatement costs are the estimated costs of dismantle, removal or restoration of plant and equipment arising from the acquisition or use of assets, which are recognised and included in the cost of property, plant and equipment.

19 Revenue

	2019 $	2018 $
Dental services	15,978,851	15,556,392
Eldercare services	11,439,333	10,522,645
Total	27,418,184	26,079,037

20 Other income

	2019 $	2018 $
Amortisation of deferred income	2,342,676	3,989,105
Dividend income	45,100	41,100
Gain on disposal of property, plant and equipment	10,969	–
Government grant	53,641,300	48,264,955
Reversal of provision for GST ACAP	–	655,000
License income from related parties	1,000,000	1,000,000
Management fee income	–	111,000
Rental income	881,489	1,005,143
Others	365,852	575,056
	58,287,386	55,641,359

21 Staff costs

	2019 $	2018 $
Salaries, bonuses and other short-term benefits	42,682,510	39,382,076
Employer's contribution to defined contribution plans	3,674,850	3,345,710
	46,357,360	42,727,786

22 Finance income and finance costs

	2019 $	2018 $
Finance income		
Interest income from fixed deposits and bank balances	426,692	345,041
Interest income from debt investment at amortised cost	495,000	419,655
	921,692	764,696
Finance costs		
Interest expense from lease liabilities	239,012	–

23 Profit before tax

The following items have been charged in arriving at profit before tax:

	2019 $	2018 $
Advertisement and promotion expenses	485,158	118,780
Depreciation expenses	7,873,129	6,635,224
Impairment loss on trade receivables	–	143,445
Loss on disposal of property, plant and equipment	–	16,508
Property, plant and equipment written off	11,485	–
Contracted services for provision of services	3,515,113	3,171,179
Trade receivables written off	3,357	–

24 Tax expense

The Co-operative is registered under the Co-operative Societies Act, Chapter 62 which is exempted from income tax under Section 13 of the Income Tax Act, Chapter 134.

25 Singapore Labour Foundation

	2019 $	2018 $
Contribution		
- current year	110,389	249,735
- under provision in prior year	–	25,589
	110,389	275,324

26 Leases

Leases as lessee (FRS 116)

(i) Right-of-use assets

The Co-operative leases many assets including properties and equipment (see note 5 for right-of-use assets recognised on balance sheet as at reporting date).

Amounts recognised in profit or loss

2019 – Leases under FRS 116	**$**
Interest on lease liabilities	239,012
Income from sub-leasing right-of-use assets presented in 'other income'	(271,287)
Expenses relating to leases of short-term leases	1,687,241

2018 – Leases under FRS 17	**$**
Lease expense	4,960,125
Sub-lease income presented in 'other income'	(347,066)

(ii) Amounts recognised in statement of cash flows

	2019
	$
Total cash outflow for leases	4,088,202

Extension options

Some property leases contain extension options exercisable by the Co-operative up to 10 months before the end of contract period. The Co-operative assesses at lease commencement date whether it is reasonably certain to exercise the extension options.

The Co-operative has estimated that the potential lease payments, should it exercise the extension option, would result in an increase of lease liability of $10,231,250.

Leases as lessor

The Co-operative leases out its investment property consisting of its owned commercial properties as well as leased properties (see note 5). All leases are classified as operating leases from a lessor perspective.

Operating leases

The Co-operative leases out its investment properties. The Co-operative 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. Note 6 sets out information about the operating leases of investment properties.

Rental income from investment property and property sublease recognised by the Co-operative during 2019 was $674,475 (2018: $808,140).

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

2019 – Operating leases under FRS 116	**$**
Less than one year	354,195
One to two years	237,969
Two to three years	168,365
Total	760,529

2018 – Operating leases under FRS 17	**$**
Less than one year	463,019
One to five years	569,953
Total	1,032,972

27 Related parties

For the purpose of these financial statements, parties are considered to be related to the Co-operative if the Co-operative has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Co-operative and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

In addition to the transactions disclosed elsewhere in the financial statements, the following significant related party transactions based on terms as agreed between the parties during the financial year:

	2019	**2018**
	$	**$**
With ultimate holding entity		
Management fee expense	1,156,160	1,340,400
Interest income on debt investment at amortised cost	495,000	419,655
With related parties		
Rental expense	823,235	759,112
Rental income	456,128	504,103
Purchase of consumables	2,382,199	1,484,110

Compensation of key management personnel

The compensation of Directors and other members of the key management personnel of the Co-operative during the financial year were as follows:

	2019 $	2018 $
Salaries and other benefits	3,336,286	3,362,390
Employer's contribution to defined contribution plan	150,977	141,729
Director's honorarium	127,899	148,181
	3,615,162	3,652,300

28 Financial risk management

Overview

The Co-operative has exposure to the following risks from its activities:

- credit risk;
- liquidity risk; and
- market risk

This note presents information about the Co-operative's exposure to each of the above risks, the Co-operative's objectives, policies and processes for measuring and managing those risks.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Co-operative's risk management framework. The Co-operative's risk management policies are established to identify and analyse the risks faced by the Co-operative, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Co-operative's activities. The Co-operative, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(i) Credit risk

Credit risk is the risk of financial loss to the Co-operative if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Co-operative's receivables from customers.

The carrying amounts of financial assets represent the Co-operative's maximum exposure to credit risk, before taking into account any collateral held. The Co-operative does not require any collateral in respect of their financial needs.

The maximum exposure to credit risk at the reporting date is as follows:

	Carrying amount 2019 $	Carrying amount 2018 $
Investments	30,904,878	30,510,066
Cash and cash equivalents	36,708,416	25,878,444
Trade and other receivables	22,939,181	33,187,298
	90,552,475	89,575,808

Expected credit loss assessment for individual customers

The Co-operative uses an allowance matrix to measure the ECLs of trade receivables from individual customers, which comprise a very large number of small balances.

Loss rates are based on actual credit loss experience over the past three 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 Co-operative's view of economic conditions over the expected lives of the receivables. As of 2018 and 2019, no scalar factor has been applied.

The following table provides information about the exposure to credit risk for trade and other receivables as at 31 December 2019:

	Gross carrying amount $	Impairment loss allowance $	Net amount $
2019			
Not past due	21,586,588	–	21,586,588
Past due 1 to 30 days	521,917	–	521,917
Past due 31 to 90 days	249,797	–	249,797
Past due 91 to 120 days	132,460	–	132,460
Past due more than 120 days	710,708	(262,289)	448,419
	23,201,470	(262,289)	22,939,181
2018			
Not past due	32,059,312	–	32,059,312
Past due 1 to 30 days	488,719	–	488,719
Past due 31 to 90 days	343,468	–	343,468
Past due 91 to 120 days	55,891	–	55,891
Past due more than 120 days	526,557	(286,649)	239,908
	33,473,947	(286,649)	33,187,298

Movement in the allowance for impairment in respect of trade receivables

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

	2019	2018
	$	$
Balance at 1 January	286,649	209,700
Allowance made during the year	–	143,445
Allowance written-off	(24,360)	(66,496)
At 31 December	262,289	286,649

Non-trade amounts due from related parties

The Co-operative held non-trade receivables from its related parties of $1,465,639 (2018: $842,030). These balances are amounts lent to related parties to satisfy short term funding requirements. The Co-operative uses an approach that is based on an assessment of qualitative and quantitative factors that are indicative of the risk of default (including but not limited to audited financial statements, management accounts and cash flow projections, and available press information, if available, and applying experienced credit judgement). There is no significant increase in credit risk for these exposures. Therefore, impairment on these balances has been measured on the 12-month expected loss basis; and the amount of the allowance is insignificant.

Other receivables

The Co-operative held $18,756,828 (2018: $30,039,413) of other receivables, out of which $17,785,400 (2018: $29,080,029) are grant and subsidy receivables. Impairment on other receivables has been measured on the 12-month expected loss basis. The Co-operative considers that its other receivables to have low credit risk based on the historical loss rates. The amount of allowance on other receivables was negligible.

Cash and cash equivalents

The Co-operative held cash and cash equivalents of $36,708,416 at 31 December 2019 (2018: $25,878,444). 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 Co-operative 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 negligible.

Debt investment

The Co-operative invests in bonds issued by the holding co-operative, NTUC Enterprise Co-operative Limited, of $26,000,000 (2018: $26,000,000) (Note 7). Impairment on the bonds has been measured on the 12-month expected loss basis which reflects the low credit risk of the exposures. The amount of the impairment allowance on these bonds is insignificant.

(ii) Liquidity risk

Liquidity risk is the risk that the Co-operative will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Co-operative'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 Co-operative's reputation.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	Carrying amount $	Contractual cash flows $	Within one year $	Within one to five years $
31 December 2019				
Non-derivative financial liabilities				
Trade and other payables (excluding grants received in advance)	13,563,081	13,563,081	13,563,081	–
Lease liabilities	9,627,355	10,080,939	4,519,340	5,561,599
	23,190,436	23,644,020	18,082,421	5,561,599
31 December 2018				
Non-derivative financial liabilities				
Trade and other payables (excluding grants received in advance)	11,549,715	11,549,715	11,549,715	–

(iii) 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 Co-operative's surplus 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 return.

(iv) Currency risk

As at reporting date, the Co-operative is not exposed to significant currency risks.

(v) Interest rate risk

The Co-operative does not have significant exposure to interest-bearing financial instrument at the end of the reporting period except for its fixed deposits and its debt investments at amortised cost. Debt investments at amortised cost and fixed deposits are fixed rate instruments and a change in interest rate would not affect profit or loss. Cash at bank are short-term and with the current interest level, any future variations in interest rates are not expected to have a material impact on the Co-operative's results. Accordingly, no sensitivity analysis is presented.

(vi) Price risk

Equity price risk arises from equity investments at FVOCI held for the long term for strategic purposes. The primary goal of the Co-operative's investment strategy is to maximise investment returns, in general.

Sensitivity analysis

The sensitivity analysis assumes an instantaneous 5% (2018: 5%) change in the equity prices from the end of the reporting period, with all variables held constant.

	Increase	
	2019	**2018**
	$	**$**
Equity investments at FVOCI	245,244	225,503

(vii) Determination of fair values

Investments in securities

The fair value of equity investment at FVOCI is based on quoted market prices at the reporting date without any deduction for transaction costs.

Investment properties

External and independent valuation companies, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, determines the fair values of the Co-operative's investment properties, for disclosure purposes.

Other financial assets and liabilities

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents and trade and other payables) are assumed to approximate their fair values because of the short period to maturity. All other financial assets and liabilities are discounted to determine their fair values.

For debt investments at amortised costs that are not actively traded in the market, the fair value is determined using valuation techniques where applicable. The Co-operative may use a variety of methods and make assumptions that are based on existing discounted cash flows, to determine the fair value for the remaining financial instruments. Where discounted cash flows are used, the management will estimate the future cash flows and use relevant market rate as the discount rate at the reporting date.

(viii) Fair value hierarchy

The tables below analyse fair value measurements for financial assets and financial liabilities, by the levels in the fair value hierarchy based on the inputs to valuation techniques. The different levels are defined as follows:

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

(ix) 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, for the current year the fair value disclosure of lease liabilities is also not required.

		Carrying amount					Fair value			
	Note	Equity investments at FVOCI $	Debt investments at amortised cost $	Financial assets at amortised costs $	Financial liabilities at amortised cost $	Total carrying amount $	Level 1 $	Level 2 $	Level 3 $	Total $
31 December 2019										
Financial assets measured at fair value										
Equity investments – at FVOCI	7	4,904,878	–	–	–	4,904,878	–	4,845,178	59,700	4,904,878
Financial assets not measured at fair value										
Cash and cash equivalents	11	–	–	36,708,416	–	36,708,416				
Trade and other receivables	10	–	–	22,939,181	–	22,939,181				
Debt investments – at amortised cost	7	–	26,000,000	–	–	26,000,000	–	–	26,000,000	26,000,000
		–	26,000,000	59,647,597	–	85,647,597				
Financial liabilities not measured at fair value										
Trade and other payables*	17	–	–	–	(13,563,081)	(13,563,081)				

*Exclude grants received in advance

		Carrying amount					Fair value			
	Note	**Equity investments at FVOCI $**	**Debt investments at amortised cost $**	**Financial assets at amortised costs $**	**Financial liabilities at amortised cost $**	**Total carrying amount $**	**Level 1 $**	**Level 2 $**	**Level 3 $**	**Total $**
31 December 2018										
Financial assets measured at fair value										
Equity investments – at FVOCI	7	4,510,066	–	–	–	4,510,066	–	4,430,566	79,500	4,510,066
Financial assets not measured at fair value										
Cash and cash equivalents	11	–	–	25,878,444	–	25,878,444				
Trade and other receivables	10	–	–	33,187,298	–	33,187,298				
Debt investments – at amortised cost	7	–	26,000,000	–	–	26,000,000	–	–	26,000,000	26,000,000
		–	26,000,000	59,065,742	–	85,065,742				
Financial liabilities not measured at fair value										
Trade and other payables*	17	–	–	–	(11,549,715)	(11,549,715)				

*Exclude grants received in advance

Level 3 fair values

The following table shows the valuation techniques used in measuring Level 3 fair value:

Type	Fair value $	Valuation technique
2019		
Equity investments at FVOCI	59,700	Lower of NAV or par value
Debt investments at amortised cost	26,000,000	Discounted cash flows
2018		
Equity investments at FVOCI	79,500	Lower of NAV or par value
Debt investments at amortised cost	26,000,000	Discounted cash flows

There were no transfers of classification between levels during the current or prior financial year.

The fair values of other unquoted equity investments are based on broker quotes. The fair value of these instrument are determined through the use of discounted net assets valuation techniques with observable market inputs such as estimated yield rates and market interest rates at the reporting date. These financial instruments have been classified as level 2 in the current financial years. There have been no changes in the valuation techniques of equity investments at FVOCI during the financial year.

Level 3 recurring fair values

The following table show a reconciliation from the opening balances to the ending balances for Level 3 fair values:

	Equity investments at FVOCI $
At 1 January 2018	30,000
Total unrealised gains and losses for the period included in other comprehensive income	
- net change in fair value of FVOCI financial assets	49,500
At 31 December 2018	79,500
At 1 January 2019	79,500
Disposal	(20,000)
Total unrealised gains and losses for the period included in other comprehensive income	
- net change in fair value of FVOCI financial assets	200
At 31 December 2019	59,700

29 New standards and interpretations not adopted

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 Co-operative 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 Co-operative's financial statements.

- *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)
- FRS 117 *Insurance Contracts*

Corporate Information

BOARD OF DIRECTORS

Tan Hwee Bin	*Chairman*
Adeline Sum	
Willie Cheng	
Dr Christopher Lien	
Tan Hock Soon	
Andrew Chong	

BOARD COMMITTEES

Establishment Committee

Tan Hwee Bin	*Chairman*
Adeline Sum	
Willie Cheng	
Theresa Soikkeli	

Audit and Risk Committee

Willie Cheng	*Chairman*
Christopher Lien	
Tan Hock Soon	

REGISTERED ADDRESS

55 Ubi Avenue 1 #08-01
Singapore 408935

AUDITOR

KPMG LLP

BANKERS

DBS Bank Limited
Oversea-Chinese Banking Corporation Limited
The Hongkong and Shanghai Banking Corporation Limited
United Overseas Bank Limited

UNION

Healthcare Services Employees' Union

K Thanaletchimi	*President*
Simon Ong	*General Secretary*
Charles Ng Theng Loon	*Executive Secretary*
Dicky Loe Keng Hoong	*General Treasurer*

NTUC Health - Union Branch Committee

Lim Siew Ngoh	*Branch Chairperson*
Chang Lai Teang Tiffany	*Branch Secretary*
Wallace Phung Chun Jie	*Branch Treasurer*

MEMBERSHIP LISTING AND SHAREHOLDINGS
As at 31 December 2019

S/N	Name of Institutional Shareholder	Total Shares
1	NTUC Enterprise Co-operative Ltd	30,556,944
2	National Trades Union Congress	110,000
3	NTUC Income Insurance Co-operative Limited	1,000,000
4	Singapore Mercantile Co-operative Society Ltd	10,000
5	The Singapore Government Staff Credit Co-operative Society Ltd	10,000
6	The Singapore Teachers' Co-operative Society Limited	50,000
	Institutional Share Capital as at 31 December 2019	31,736,944
	Ordinary Share Capital (14,683 members)	7,861,820
	Total Share Capital as at 31 December 2019	39,598,764