NTUC Health Co-operative Limited
Registration Number: S92CS0208D

Annual Report
Year ended 31 December 2018

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 2018.

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 2018, and of the financial performance, changes in equity and cash flows of the Co-operative for the year ended 31 December 2018;

(b) at the date of this statement, there are reasonable grounds to believe that the Co-operative will be able to pay its debts 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 2018 have been made in accordance with the By-laws of the Co-operative and provisions of the Act.

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

(a) Directors

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

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

No director who held office at the end of the financial year had interests in shares, debentures, warrants and share options in the Co-operative, or of related corporations, either at the beginning of the financial year or at the end of the financial year.

(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

8 May 2019

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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 2018, 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 2018 and of the financial performance, 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. The other information comprises the Directors' statement.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, 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 accounting and other records of those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the Singapore Companies Act, Chapter 50;

(b) the receipt, expenditure 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

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

Basis for opinion

We conducted our audit in accordance with SSAs. Our responsibilities under those standards are further described in the '*Auditors' responsibilities for the compliance audit*' section of our report. We are independent of the 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 moneys and the acquisition and disposal of assets, are in accordance with the By-laws of the Co-operative and the provisions of the Act. This responsibility includes implementing accounting and internal controls as management determines are necessary to enable compliance with the By-laws of the Co-operative and the provisions of the Act.

Auditors' responsibility for the compliance audit

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

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

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
8 May 2019

Statements of financial position
As at 31 December 2018

	Note	2018 $	2017 $
Non-current assets			
Property, plant and equipment	4	17,723,021	18,508,504
Investment properties	5	5,115,048	5,288,219
Investments	6	30,510,066	4,852,209
		53,348,135	28,648,932
Current assets			
Inventories	7	283,536	49,128
Investments	6	–	6,000,000
Trade and other receivables	8	33,187,298	18,209,393
Prepayments		311,354	378,693
Cash and cash equivalents	9	25,878,444	62,956,015
		59,660,632	87,593,229
Total assets		113,008,767	116,242,161
Equity			
Share capital	10	40,724,464	41,590,374
Fair value reserve	11	124,106	466,249
Accumulated profits		45,823,999	46,452,659
Total equity		86,672,569	88,509,282
Non-current liabilities			
Community Silver Trust	12	2,356,054	1,943,957
Deferred income	13	5,178,514	4,747,673
		7,534,568	6,691,630
Current liabilities			
Trade and other payables	14	16,464,021	18,078,094
Deferred income	13	2,101,759	2,727,305
Provisions	15	235,850	235,850
		18,801,630	21,041,249
Total liabilities		26,336,198	27,732,879
Total equity and liabilities		113,008,767	116,242,161

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

Statements of comprehensive income
Year ended 31 December 2018

	Note	2018 $	2017 $
Continuing operations			
Revenue	16	26,246,828	24,845,743
Other income	17	56,274,454	60,514,570
Consumables used		(12,296,333)	(11,235,607)
Staff costs	18	(42,722,710)	(40,334,041)
Depreciation expense		(6,635,224)	(4,737,551)
Rental expense		(4,960,125)	(4,695,829)
Other operating expenses		(14,158,210)	(10,419,543)
Profit before tax and contributions from continuing operations	19	1,748,680	13,937,742
Tax expense	20	–	–
Profit before contributions from continuing operations		1,748,680	13,937,742
Discontinued operation			
Profit from discontinued operation (net of tax)	21	–	7,083,240
Profit before contributions		1,748,680	21,020,982
Contributions			
Central Co-operative Fund		(25,000)	(25,000)
Singapore Labour Foundation	22	(275,324)	(1,033,159)
Profit after contributions		1,448,356	19,962,823
Honorarium to directors		(148,181)	(127,943)
Profit for the year		1,300,175	19,834,880
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Equity investments at FVOCI:			
- net change in fair value		(342,143)	–
Items that may be reclassified subsequently to profit or loss:			
Fair value gain in available-for-sale financial assets		–	639,233
Other comprehensive income for the year		(342,143)	639,233
Total comprehensive income for the year		958,032	20,474,113

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

Statements of changes in equity
Year ended 31 December 2018

	Note	Share capital $	Fair value reserve $	Accumulated profits $	Total equity $
At 1 January 2017		26,908,074	(172,984)	27,021,400	53,756,490
Total comprehensive income for the year					
Profit for the year		–	–	19,834,880	19,834,880
Other comprehensive income for the year					
Available-for-sale financial assets:					
- fair value gain		–	639,233	–	639,233
Total other comprehensive income		–	639,233	–	639,233
Total comprehensive income for the year		–	639,233	19,834,880	20,474,113
Transactions with owners, recognised directly in equity					
Share issued during the year	10	15,000,000	–	–	15,000,000
Share capital withdrawn during the year	10	(317,700)	–	–	(317,700)
Dividends	10	–	–	(403,621)	(403,621)
At 31 December 2017		41,590,374	466,249	46,452,659	88,509,282

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

Statements of changes in equity (cont'd)
Year ended 31 December 2018

	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	10	(865,910)	–	–	(865,910)
Dividends	10	–	–	(1,928,835)	(1,928,835)
At 31 December 2018		40,724,464	124,106	45,823,999	86,672,569

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

Statement of cash flows
Year ended 31 December 2018

	2018 $	2017 $
Cash flows from operating activities		
Profit before contributions	1,748,680	21,020,982
Income tax expense	–	–
Profit before income tax and contributions	1,748,680	21,020,982
Adjustments for:		
Amortisation of deferred income	(3,989,105)	(3,339,186)
Allowance for doubtful receivables	143,445	109,807
Depreciation of property, plant and equipment	6,462,053	5,068,125
Depreciation of investment properties	173,171	173,171
Dividend income	(41,100)	(43,700)
Interest income	(764,696)	(415,355)
Write back of dividends	29,449	–
Allowance for inventory obsolescence	–	(463,819)
Inventories written off	–	366,228
Gain on disposal of discontinued operations	–	(7,020,000)
Gain on disposal of subsidiary	–	(15,227,246)
Loss on disposal of property, plant and equipment	16,508	79,726
Operating cash flows before working capital changes	3,778,405	308,733
Working capital changes:		
Inventories	(234,408)	1,329,469
Trade and other receivables	(15,121,350)	(5,351,090)
Prepayments	67,339	325,679
Trade and other payables	(737,957)	982,804
Provisions	–	6,000
Community Silver Trust	412,097	660,669
Deferred income	3,794,400	6,223,676
Cash (used in)/generated from operations	(8,041,474)	4,485,940
Contributions paid to:		
- Central Co-operative Fund	(25,000)	(25,000)
- Singapore Labour Foundation	(1,033,159)	(563,218)
Interest received	764,696	415,355
Directors’ honorarium paid	(149,021)	(184,500)
Net cash (used in)/generated from operating activities	**(8,483,958)**	**4,128,577**

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

Consolidated statement of cash flows (cont'd)
Year ended 31 December 2018

	Note	2018 $	2017 $
Cash flows from investing activities			
Dividends received		41,100	43,700
Purchase of property, plant and equipment		(5,693,078)	(6,647,091)
Proceeds from redemption of debt investments	6	6,000,000	–
Purchase of debt investments	6	(26,000,000)	–
Proceeds from disposal of business		–	14,933,390
Proceeds from disposal of subsidiary		–	15,329,010
Net cash (used in)/generated from investing activities		**(25,651,978)**	**23,659,009**
Cash flows from financing activities			
Share capital issued during the year		–	15,000,000
Dividends paid to members of the Co-operative		(1,958,284)	(403,621)
Withdrawal of shares		(865,910)	(317,700)
Net cash (used in)/generated from financing activities		**(2,824,194)**	**14,278,679**
Net (decrease)/increase in cash and cash equivalents		**(36,960,130)**	**42,066,265**
Cash and cash equivalents at beginning of the year		62,704,768	20,638,503
Cash and cash equivalents at end of the year	9	**25,744,638**	**62,704,768**

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 8 May 2019.

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 retail pharmacy, 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”).

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 Changes in accounting policies

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

- FRS 115 *Revenue from Contracts with Customers (Supersedes FRS 18);*
- FRS 109 *Financial Instruments (Supersedes FRS 39); and*
- *Clarification of transfers of Investment Property (Amendments to FRS 40).*

FRS 109 Financial Instruments sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. It also introduces a new ‘expected credit loss’ (ECL) model and a new general hedge accounting model. The Co-operative adopted FRS 109 from 1 January 2018. For detailed explanation of the adoption of FRS 109, see note 27.

The adoption of these amendments did not have any significant impact on the current or prior period and is not likely to affect future periods.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, unless otherwise indicated.

3.1 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:

- available-for-sale financial assets (except on impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss)

3.2 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 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. 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.

3.3 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.

3.4 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.

3.5 Financial instrument – Policy applicable from 1 January 2018

(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 fair value through other comprehensive income ("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

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

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

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

Financial liabilities are 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 three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Co-operative in the management of its short-term commitments.

3.6 Impairment of financial assets – Policy applicable from 1 January 2018

(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.

3.7 Financial assets – Policy applicable before 1 January 2018

The Co-operative initially recognised loans and receivables and deposits on the date that they were originated. All other financial assets were recognised initially on the trade date at which the Co-operative became a party to the contractual provisions of the instrument.

The Co-operative derecognised a financial asset when the contractual rights to the cash flows from the asset expired, or it transferred the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset were transferred. Any interest in transferred financial assets that was created or retained by the Co-operative was recognised as a separate asset or liability.

Financial assets and liabilities were offset and the net amount presented in the statement of financial position when, and only when, the Co-operative had a legal right to offset the amounts and intended either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Co-operative classified non-derivative financial assets into the following categories: held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

(i) Held-to-maturity financial assets

If the Co-operative had the positive intent and ability to hold debt securities to maturity, then such financial assets were classified as held-to-maturity. Held-to-maturity financial assets were recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets were measured at amortised cost using the effective interest method, less any impairment losses.

Held-to-maturity financial assets comprised unquoted debt securities.

(ii) Loans and receivables

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

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

Cash and cash equivalents comprised cash in hand and bank deposits that were readily convertible to a known amount of cash and were subjected to an insignificant risk of changes in their fair value.

(iii) Available-for-sale financial assets

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

Certain available-for-sale unquoted equity investments were initially recognised at fair value plus directly attributable acquisition costs and were subsequently measured at cost less accumulated impairment loss as fair values cannot be reliably measured.

Available-for-sale financial assets comprised equity securities.

3.8 Impairment of financial assets – Policy applicable before 1 January 2018

A financial asset not carried at fair value through profit or loss was assessed at each reporting date to determine whether there was any objective evidence that it was impaired. A financial asset was impaired if objective evidence indicated that a loss event had occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that could be estimated reliably.

Objective evidence that financial assets (including equity securities) were impaired included default or delinquency by a debtor, restructuring of an amount due to the Co-operative on terms that the Co-operative would not consider otherwise, indications that a debtor or issuer would enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Co-operative, economic conditions that correlated with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost was objective evidence of impairment. The Co-operative considered a decline of 20% to be significant and a period of nine months to be prolonged.

(i) Loans and receivables and held-to-maturity investment securities

The Co-operative considered evidence of impairment for loans and receivables and held-to-maturity investment securities at both a specific asset and collective level. All individually significant loans and receivables and held-to-maturity investment securities were assessed for specific impairment. All individually significant receivables and held-to-maturity investment securities found not to be specifically impaired were then collectively assessed for any impairment that had been incurred but not yet identified. Loans and receivables and held-to-maturity investment securities that were not individually significant were collectively assessed for impairment by grouping together loans and receivables and held-to-maturity investment securities with similar risk characteristics.

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

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

(ii) Available-for-sale financial assets

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

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

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 Financial liabilities – Policy applicable before 1 January 2018

Financial liabilities (including liabilities designated at fair value through profit or loss) were recognised initially on the trade date, which was the date that the Co-operative became a party to the contractual provisions of the instrument.

The Co-operative derecognised a financial liability when its contractual obligations were discharged, cancelled or expired.

Financial assets and liabilities were offset and the net amount presented in the statement of financial position when, and only when, the Co-operative had a legal right to offset the amounts and intended either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Co-operative classified non-derivative financial liabilities into the other financial liabilities category.

Such financial liabilities were recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities were measured at amortised cost using the effective interest method.

Other financial liabilities comprised trade and other payables.

3.11 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.

3.12 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.

3.13 Revenue recognition

(i) ***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.

(ii) ***Rental income***

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

(iii) Advertising income

Advertising income comprises display income and trading term rebate from suppliers. Display income is recognised on straight-line basis over the duration of display. Trading term rebate is recognised when the entitlement to the rebate is established.

3.14 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.

3.15 Lease payments

The Co-operative leases retail shop units and eldercare centres under operating leases. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Determining whether an arrangement contains a lease

At inception of an arrangement, the Co-operative determines whether such an arrangement is or contains a lease. This will be the case if the following two criteria are met:

- the fulfilment of the arrangement is dependent on the use of a specific asset or assets; and
- the arrangement contains a right to use the asset(s).

At inception or upon reassessment of the arrangement, the Co-operative separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Co-operative concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently, the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Co-operative's incremental borrowing rate.

3.16 Other operating income and expenses

Other operating income comprises interest income on funds invested (including financial investments (2017: available-for-sale financial assets)), dividend income, gains on the disposal of available-for-sale financial assets and reclassifications of net gains previously recognised in OCI. Interest income is recognised as it accrues in profit or loss, using the effective interest method. 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.

Losses on disposal of available-for-sale financial assets, 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.

3.17 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.

3.18 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.

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.

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

3.17 Discontinued operations

A discontinued operation is a component of the Co-operative's business, the operations and cash flows of which:

- represents a separate major line of business or geographical area of operations; or
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations;

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of profit or loss is re-presented as if the operation had been discontinued from the start of the comparative year.

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
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
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

Change in estimates

During 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

	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 2017	1,712,781	7,778,521	1,174,048	3,496,331	15,200,185	2,969,301	2,958,157	1,340,967	36,630,291
Additions	–	–	–	1,035,391	3,550,893	1,003,442	288,847	768,518	6,647,091
Disposal	–	–	–	(294,236)	(793,847)	(566,489)	(345,865)	–	(2,000,437)
Disposal of business (note 21)	–	–	–	–	(6,824,930)	(628,179)	(133,861)	(286,538)	(7,873,508)
At 31 December 2017	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
Accumulated depreciation									
At 1 January 2017	554,278	2,644,697	347,398	1,751,730	9,397,340	1,470,126	1,828,655	237,773	18,231,997
Depreciation	39,494	155,570	27,000	709,342	2,949,770	656,695	349,132	181,122	5,068,125
Disposal	–	–	–	(291,548)	(755,907)	(540,100)	(333,156)	–	(1,920,711)
Disposal of business (note 21)	–	–	–	–	(5,882,738)	(449,507)	(110,737)	(41,496)	(6,484,478)
At 31 December 2017	593,772	2,800,267	374,398	2,169,524	5,708,465	1,137,214	1,733,894	377,399	14,894,933
Carrying amounts									
At 1 January 2017	1,158,503	5,133,824	826,650	1,744,601	5,802,845	1,499,175	1,129,502	1,103,194	18,398,294
At 31 December 2017	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

5 Investment properties

	$
Cost	
At 1 January 2017, 31 December 2017 and 31 December 2018	8,245,933
Accumulated depreciation	
At 1 January 2017	2,784,543
Depreciation for the year	173,171
At 31 December 2017	2,957,714
Depreciation for the year	173,171
At 31 December 2018	3,130,885
Carrying amounts	
At 1 January 2017	5,461,390
At 31 December 2017	5,288,219
At 31 December 2018	5,115,048

As at 31 December 2018, the Co-operative's investment properties are held under the following tenure:

	2018		**2017**	
	Carrying amount $	**Fair value $**	**Carrying amount $**	**Fair value $**
Leasehold	5,115,048	10,165,920	5,288,219	10,518,000

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 $3,405,544 (2017: $3,515,400) representing the Co-operative's 25% share in certain units jointly-owned with NTUC Income Insurance Co-operative Limited. As at 31 December 2018, the Co-operative have no contingent liabilities and capital commitments in respect of those units.

6 Investments

	Note	2018 $	2017 $
Non-current			
Equity investments – available-for-sale		–	4,822,209
Equity investments – amortised cost		–	230,000
Equity investments at FVOCI	(a)	4,710,066	–
Less: Allowance for impairment loss		(200,000)	(200,000)
Debt investments at amortised cost	(b)	26,000,000	–
		30,510,066	4,852,209
Current			
Debt investments – held-to-maturity	(b)	–	6,000,000
Total		30,510,066	10,852,209

(a) At 1 January 2018, 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. In 2017, these investments were classified as available-for-sale.

No strategic investments were disposed of during 2018, and there were no transfer of any cumulative gain or loss within equity relating to these investments.

(b) During the year, the Co-operative redeemed the debt investments - held-to-maturity 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.

7 Inventories

	2018 $	2017 $
Finished goods	283,536	49,128
Less: Allowance for inventory obsolescence	–	–
	283,536	49,128

The Co-operative’s inventories of $5,655,713 (2017: $10,510,636) were recognised as an expense during the period and included in “Consumables used”.

The movement in allowance for inventory obsolescence during the year is as follows:

	2018 $	2017 $
At 1 January	–	463,819
Allowance for inventory obsolescence (net)	–	463,467
Allowance utilised	–	(366,228)
Disposal of business	–	(561,058)
At 31 December	–	–

Allowance for inventory obsolescence and reversals included in “Consumables used”.

The Co-operative’s inventories of $nil (2017: $366,228) were written off as an expense and included in “Consumables used”.

8 Trade and other receivables

	2018 $	2017 $
Trade receivables	1,636,680	1,778,001
Amount due from related parties		
- Trade	1,390	2,325
- Non-trade	842,030	1,183,430
Other receivables	30,341,652	14,811,290
Deposits	652,195	644,047
	33,473,947	18,419,093
Allowance for doubtful receivables	(286,649)	(209,700)
	33,187,298	18,209,393

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

Other receivables includes grant and subsidy receivables of $29,080,029 (2017: $14,295,413).

The Co-operative’s exposure to credit and currency risks, and impairment losses for trade and other receivables, are disclosed in note 25.

9 Cash and cash equivalents

	2018 $	2017 $
Cash at bank	8,819,644	18,108,636
Fixed deposits	17,000,000	44,800,000
Cash on hand	58,800	47,379
Cash and cash equivalents in statement of financial position	25,878,444	62,956,015
Less: Cash at bank in Medifund account	(133,806)	(251,247)
Cash and cash equivalents in the statement of cash flows	25,744,638	62,704,768

Included in cash at bank is $133,806 (2017: $251,247) 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.

10 Share capital

	Number of shares 2018	2017
Ordinary shares, fully paid with no par value:		
On issue at 1 January	41,590,374	26,908,074
Issued during the year	–	15,000,000
Withdrawn during the year	(865,910)	(317,700)
At 31 December	40,724,464	41,590,374

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	2018 $	2017 $
Dividends to owners of the Co-operative			
First and final exempt (one-tier) dividend paid of $0.05 (2017: $0.015) per share in respect of the previous financial year		1,958,284	403,621
Write back of dividends		(29,444)	–
		1,928,840	403,621

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 2018, $18,590 and $10,859 of dividends declared in 2013 and 2014 have not been claimed by the Members. Accordingly, these dividends amounting to $29,449 have been forfeited and written back to accumulated profits as at 31 December 2018.

11 Reserve

Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of equity investments designated at FVOCI (2017: available-for-sale financial assets) until the assets are disposed of or impaired.

12 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.

	2018 $	2017 $
At 1 January	1,943,957	1,283,288
Increase during the year	1,357,139	1,359,502
Less: Transfer to profit or loss	(945,042)	(698,833)
At 31 December	2,356,054	1,943,957

The utilisation of Community Silver Trust of $945,042 during the year (2017: 698,833) has been included in 'Government grant' in Note 17.

13 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.

	2018 $	2017 $
At 1 January	7,474,978	4,590,488
Increase during the year	3,794,400	6,223,676
Less: Transfer to profit or loss	(3,989,105)	(3,339,186)
At 31 December	7,280,273	7,474,978
Analysed as follows:		
Current liabilities	2,101,759	2,727,305
Non-current liabilities	5,178,514	4,747,673
	7,280,273	7,474,978

14 Trade and other payables

	2018 $	2017 $
Trade payables	403,755	611,300
Other payables	2,255,004	3,301,049
Amount due to related parties – non-trade	92,325	404,381
Dividend payable	41,418	43,963
Central Co-operative Fund	25,000	25,000
Singapore Labour Foundation	249,736	1,033,159
Honorarium to directors	148,181	149,021
Accrued operating expenses	8,603,387	8,180,537
Grants received in advance	4,645,215	4,329,684
	16,464,021	18,078,094

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

Included in “Other payables” is an amount relating to Medifund account (see note 9).

The Co-operative’s exposures to currency risk and liquidity risk related to trade and other payables are disclosed in note 25.

15 Provisions

	2018 $	2017 $
Provision for reinstatement costs	235,850	235,850

Movements in provision for reinstatement costs:

	2018 $	2017 $
At 1 January	235,850	1,114,850
Provision made	–	6,000
Disposal of business (note 21)	–	(885,000)
At 31 December	235,850	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.

16 Revenue

	2018 $	2017 $
Continuing operations		
Dental services	15,556,392	16,143,751
Eldercare services	10,690,436	8,701,992
	26,246,828	24,845,743
Discontinued operations (note 21)		
Sales of goods	–	46,842,292
Total	26,246,828	71,688,035

17 Other income

	2018 $	2017 $
Advertising income	7,477	11,215
Amortisation of deferred income	3,989,105	3,339,186
Dividend income	41,100	43,700
Foreign exchange gain, net	22	144
Government grant	48,248,816	40,296,359
Reversal of provision for GST ACAP	655,000	–
Interest income	764,696	415,355
License income	1,000,000	–
Management fee income	111,000	–
Gain on disposal of a subsidiary (note 21)	–	15,227,246
Rental income	1,005,143	919,265
Others	452,095	262,100
	56,274,454	60,514,570

18 Staff costs

	2018 $	2017 $
Salaries, bonuses and other short-term benefits	39,377,000	37,045,761
Employer's contribution to defined contribution plans	3,345,710	3,288,280
	42,722,710	40,334,041

19 Profit before tax and contributions from continuing operations

The following items have been charged in arriving at profit before tax and contributions from continuing operations:

	2018 $	2017 $
Advertisement and promotion expenses	118,780	112,903
Impairment loss on trade receivables	143,445	109,807
Patronage rebates/discounts	–	48,303
Loss on disposal of property, plant and equipment	16,508	79,726

20 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.

21 Disposal of business and a subsidiary

On 23 June 2017, as part of corporate reorganisation, the Co-operative entered into a sale and purchase of business and share agreement with a related corporation, NTUC Fairprice Co-operative Limited, for the disposal of the Unity division ("the Business"), and the disposal of its subsidiary, Origins Healthcare Pte Ltd, for a total cash consideration of $30,262,400.

	Note	Co-operative 2017 $
Results of discontinued operation		
Revenue	16	46,842,292
Other operating income		4,523,290
Consumables used		(34,533,656)
Staff costs		(7,261,771)
Depreciation expense		(503,745)
Rental expense		(5,147,708)
Other operating expenses		(3,855,462)
Results from operating activities		63,240
Tax expense		–
Results from operating activities (net of tax)		63,240
Gain on sale of discontinued operation		7,020,000
Profit from discontinued operation (net of tax)		7,083,240
Cash flows from discontinued operation		
Net cash used in operating activities		(3,827,520)
Net cash from investing activities		14,933,390
Net cash from for the year		11,105,870

Effect of disposal on the financial position

	Co-operative 2017 $
Plant and equipment	1,389,030
Trade and other receivables	4,158,637
Inventories	22,602,746
Trade and other payables	(19,352,023)
Provisions	(885,000)
Net assets disposed	7,913,390
Proceeds from disposal of business	(14,933,390)
Gain on disposal of business	(7,020,000)

On 30 June 2017, the Co-operative sold 80% of its interest in Origins Healthcare Pte Ltd for a cash consideration of $15,329,010 and recorded a gain on disposal of subsidiary of $15,227,246 included in 'other operating income'.

22 Singapore Labour Foundation

	2018 $	2017 $
Contribution		
- current year	249,735	1,033,159
- under provision in prior year	25,589	–
	275,324	1,033,159

23 Operating lease commitments

The Co-operative as lessees

The Co-operative leases various retail outlets and day care centres under non-cancellable operating leases. The leases typically run for a period of 10 years, with an option to renew the lease after that date. Lease payments are increased every five years to reflect market rentals. Some leases provide for additional rent payments that are based on changes in a local price index. For certain operating leases, the Co-operative is restricted from entering into any sublease arrangements.

The leases have variable lease charge of 0.25% (2017: 0.25% to 15%) of targeted gross sales as stipulated on the lease agreement and are negotiated for an average term of 3 years.

The future minimum lease payables under non-cancellable operating leases contracted for at the end of the reporting period but not recognised as liabilities, are as follows:

	2018 $	2017 $
Within one year	4,155,599	4,388,050
After one year but within five years	3,102,875	5,446,261
	7,258,474	9,834,311

The Co-operative as lessors

The Co-operative leases out various retail and office space under non-cancellable operating leases. The leases are committed for an average of 3 years.

The future minimum lease receivables under non-cancellable operating leases contracted for at the end of the reporting period but not recognised as receivables, are as follows:

	2018 $	2017 $
Within one year	463,019	562,248
After one year but within five years	569,953	1,032,972
	1,032,972	1,595,220

Rental income earned by the Co-operative from the investment properties amounted to $461,075 (2017: $451,946). Direct operating expenses arising from rental-generating investment properties during the financial period amounted to $213,299 (2017: $244,167).

24 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:

	2018 $	2017 $
With subsidiary		
Purchase of goods	–	358,718
Rental income	–	69,990
With related parties		
Rental paid	759,112	1,183,371
Patronage rebates/discounts	–	823,864
Management fee expense	1,340,400	1,404,600
Rental income	504,103	475,220
Purchase of goods	1,905,785	1,529,546

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:

	2018 $	2017 $
Salaries and other benefits	3,362,390	2,852,884
Employer's contribution to defined contribution plan	141,729	156,170
Director's honorarium	148,181	149,021
	3,652,300	3,158,075

25 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	
	2018	**2017**
	$	**$**
Investments	30,510,066	10,852,209
Cash and cash equivalents	25,878,444	62,956,015
Trade and other receivables	33,187,298	18,209,393
	89,575,808	92,017,617

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

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, 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 2018:

	Gross $	Impairment $	Net $
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 more than 90 days	582,448	(286,649)	295,799
	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 and other receivables during the year was as follows:

	$
At 1 January 2017 as per FRS 39	562,557
Allowance made during the year	109,807
Allowance utilised	(263,414)
Disposal of business	(199,250)
At 31 December 2017 as per FRS 39	209,700
At 1 January 2018 as per FRS 39	209,700
Adjustment on initial application of FRS 109	–
At 1 January 2018 as per FRS 109	209,700
Allowance made during the year	143,445
Allowance utilised	(66,496)
At 31 December 2018	286,649

Non trade amounts due from related parties

The Co-operative held non trade receivables from its related parties of $842,030 (2017: $1,183,430). The Co-operative uses a similar approach for assessment of ECLs for these receivables to those used for debt investments. Impairment on these balances has been measured on the 12-month expected loss basis which reflects the low credit risk of the exposures. The amount of the allowance on these balances is insignificant.

Other receivables

The Co-operative held $30,341,652 (2017: $14,811,290) of other receivables, out of which $29,080,029 (2017: $14,295,413) are grant and subsidiary 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 $25,878,444 at 31 December 2018 (2017: $62,956,015). 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 (2017: $6,000,000) (Note 6). 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.

Comparative information under FRS 39

The aging of trade and other receivables as at 31 December 2017 was as follows:

	Gross	**Impairment**	**Net**
	$	**$**	**$**
Not past due	16,728,188	–	16,728,188
Past due 1 to 30 days	671,419	–	671,419
Past due 31 to 90 days	184,348	–	184,348
Past due more than 90 days	835,138	(209,700)	625,438
	18,419,093	(209,700)	18,209,393

The Co-operative establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for Co-operative of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Based on historical default rates, the Co-operative believes that the amount of impairment allowance made is adequate in respect of trade and other receivables. These receivables are mainly arising from customers that have a good collection track record with the Co-operative

(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 1 year $
31 December 2018			
Non-derivative financial liabilities			
Trade and other payables (excluding grants received in advance)	11,818,806	11,818,806	11,818,806
31 December 2017			
Non-derivative financial liabilities			
Trade and other payables (excluding grants received in advance)	13,748,410	13,748,410	13,748,410

(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.

(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 (2017: fixed deposits and held-to-maturity investments). Debt investments at amortised cost and fixed deposits (2017: held-to-maturity 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

The Co-operative is exposed to equities price risk because of the quoted and unquoted investments securities and debt securities held by the Co-operative which are classified either as available-for-sale or at fair value through profit or loss.

Sensitivity analysis

The sensitivity analysis assumes an instantaneous 5% (2017: 5%) change in the equity prices from the end of the reporting period, with all variables held constant.

	Increase	
	2018	**2017**
	$	**$**
Equity investments at FVOCI	223,028	–
Available-for-sale financial assets	–	242,610

(vii) Determination of fair values

Investments in securities

The fair value of equity investment at FVOCI (2017: available-for-sale financial assets) 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 Company 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); and
- Level 3: unobservable inputs for the asset or liability.

Financial assets and liabilities carried at fair value

	Level 1 $	Level 2 $	Level 3 $
31 December 2018			
Assets			
Equity investments at FVOCI			
- Quoted equity investments	–	2,612,566	–
- Other unquoted equity investments	–	1,818,000	79,500
Debt investments at amortised cost	–	–	26,000,000
31 December 2017			
Available-for-sale financial assets			
- Quoted equity investments	–	2,876,209	–
- Other unquoted equity investments	–	1,946,000	30,000
Held-to-maturity financial assets			
- Other unquoted debt security	–	–	6,000,000

Level 3 fair values

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

Type	Fair value $	Valuation technique
2018		
Equity investments at FVOCI	79,500	Lower of NAV or par value
Debt investments at amortised cost	26,000,000	Discounted cash flows
2017		
Available-for-sale financial assets	30,000	Lower of NAV or par value
Held-to-maturity investments	6,000,000	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 available-for-sale financial assets during the financial year.

(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.

	Note	Equity investments at FVOCI $	Debt investments at amortised cost $	Financial assets at amortised costs $	Financial liabilities at amortised cost $	Total carrying amount $
31 December 2018						
Assets						
Cash and cash equivalents	9	–	–	25,878,444	–	25,878,444
Trade and other receivables	8	–	–	33,187,298	–	33,187,298
Investments	6	4,510,066	26,000,000	–	–	30,510,066
		4,510,066	26,000,000	59,065,742	–	89,575,808
Liabilities						
Trade and other payables	14	–	–	–	(16,464,021)	(16,464,021)

	Note	Available-for-sale financial assets $	Held-to-maturity financial assets $	Loans and receivables $	Financial liabilities at amortised cost $	Total carrying amount $
31 December 2017						
Assets						
Cash and cash equivalents	9	–	–	62,956,015	–	62,956,015
Trade and other receivables	8	–	–	18,209,393	–	18,209,393
Investments	6	4,852,209	6,000,000	–	–	10,852,209
		4,852,209	6,000,000	81,165,408	–	92,017,617
Liabilities						

Trade and other payables	14	–	–	–	(18,078,094)	(18,078,094)

26 Subsequent events

On 29 March 2019, the Co-operative signed a shareholders' agreement to operate a joint venture company for 850,000 shares at $1 per share and representing 10% of the total issued and outstanding share capital of the joint venture company allocated and issued. The principal activities of this joint venture is the operation of hemodialysis treatment related facilities and services.

27 Adoption of new standards

The Co-operative applied the following FRSs which are mandatorily effective for annual period beginning on 1 January 2018.

- FRS 115 Revenue from Contracts with Customers which includes clarifications to FRS 115 Revenue from Contracts with Customers;

- FRS 109 Financial Instruments which includes amendments arising from FRS 104 Insurance Contracts;

The application of the above standards and interpretations do not have a material effect on the financial statements.

FRS 115 Revenue from Contracts with Customers

FRS 115 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces FRS 8 Revenue, FRS 11 Construction Contracts and related interpretations. Under FRS 115, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

Based on the Co-operative's assessment, fees collected for nursing home admission, which were recognised as revenue upon collection, should be recognised over the estimated length of stay in the nursing home under FRS 115. The estimated impact from the change in timing of revenue recognition was assessed to be not significant. Accordingly, there is no impact on opening equity at 1 January 2018 arising from the transition to FRS 115.

FRS 109 Financial Instruments

FRS 109 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces FRS 39 Financial Instruments: Recognition and Measurement.

Classification of financial assets and financial liabilities

The adoption of FRS 109 has not had a significant effect on the Co-operative's accounting policies for financial liabilities. The following table and the accompanying notes below explain the original measurement categories under FRS 39 and the new measurement categories under FRS 109 for each class of the Co-operative's financial assets as at 1 January 2018.

	Classification under FRS 39	Classification under FRS 109	Amount under FRS 39	Amount under FRS 109
Financial assets				
Equity investments	Available-for-sale	FVOCI	4,510,066	4,510,066
Debt investment	Amortised Cost	Amortised cost	26,000,000	26,000,000
Trade and other receivables	Loans and receivables	Amortised cost	33,187,298	33,187,298
Cash and cash equivalents	Loans and receivables	Amortised cost	25,878,444	25,878,444
Total financial assets			89,575,808	89,575,808

Impairment of financial assets

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

For assets in the scope of the FRS 109 impairment model, impairment losses are generally expected to increase and become more volatile.

The Co-operative has determined that the application of FRS 109's impairment requirements at 1 January 2018 does not result in significant additional allowance for impairment. Accordingly, there is no impact on opening equity at 1 January 2018.

28 New standards and interpretations not adopted

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

The following standards are expected to have a material impact on the Co-operative's financial statements in the period of initial application.

FRS 116 Leases

FRS 116 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use (ROU) asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to FRS 17 *Leases.* FRS 116 replaces existing lease accounting guidance, including FRS 17, INT FRS 104 *Determining whether an Arrangement contains a Lease*, INT FRS 15 *Operating Leases – Incentives*, and INT FRS 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted.

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

i. The Co-operative as a lessee

The Co-operative expects to measure lease liabilities by applying a single discount rate to their portfolio of leases. Furthermore, the Co-operative is likely to apply the practical expedient to recognise amounts of ROU assets equal to their lease liabilities at 1 January 2019. For lease contracts that contain the option to renew, the Co-operative is expected to use hindsight in determining the lease term.

The Co-operative expects their existing operating lease arrangements to be recognised as ROU assets with corresponding lease liabilities under FRS 116. Lease payments that are increased every five years to reflect market rentals, and those that are based on changes in local price index, are included in the measurement of lease liabilities as at date of initial application. In addition, the Co-operative will no longer recognise provisions for operating leases that it assessed to be onerous. Instead, the Co-operative will include the payments due under the lease in their lease liability.

As at 1 January 2019, the Co-operative expects an increase in ROU assets of $6,778,557, an increase finance lease receivables from sublease of $395,431 (see note ii below), an increase in lease liabilities of $6,734,594, a decrease in provisions of $nil, and an increase in retained earnings of $nil. The Co-operative expects an increase in ROU assets and lease liabilities of $6,778,557 and 6,734,594 respectively as at 1 January 2019.

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

ii. The Co-operative as a lessor

FRS 116 substantially carries forward the current existing lessor accounting requirements. Accordingly, the Co-operative continues to classify its leases as operating leases, and to account for leases using the existing operating lease accounting model.

No significant impact is expected for leases in which the Co-operative is a lessor.

Corporate Information

BOARD OF DIRECTORS

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

BOARD COMMITTEES

Establishment Committee

Tan Hwee Bin	*Chairman*
Willie Cheng	
Adeline Sum	

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 Ltd
Oversea-Chinese Banking Corporation Limited
United Overseas Bank Limited

UNION

Healthcare Services Employees' Union

K Thanaletchimi	*President*
Diana Chia Siew Fui	*General Secretary*
Charles Ng Theng Loon	*Executive Secretary*
Dicky Loe Keng Hoong	*General Treasurer*

NTUC Health - Union Branch Committee

Enid Maria D'Souza	*Branch Chairperson*
Lim Siew Ngoh	*Branch Secretary*

MEMBERSHIP LISTING AND SHAREHOLDINGS
As at 31 December 2018

S/N	Name of Institutional Shareholder	Total Shares
1	NTUC Enterprise Co-operative Ltd	30,556,944
2	National Trades Union Congress	110,000
4	NTUC Income Insurance Co-operative Limited	1,000,000
5	Singapore Mercantile Co-operative Society Ltd	10,000
6	The Singapore Government Staff Credit Co-operative Society Ltd	10,000
7	The Singapore Teachers' Co-operative Society Limited	50,000
	Institutional Share Capital as at 31 December 2018	31,736,944
	Ordinary Share Capital (16,155 members)	8,987,520
	Total Share Capital as at 31 December 2018	40,724,646