Mercatus

HARNESSING OPPORTUNITIES, FORGING AHEAD

Annual Report
2020

2020 was a year of unprecedented challenges. In navigating a new reality, we continue to seek opportunities to amplify our strengths as we forge ahead together with our stakeholders to create a sustainable future.

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About Us

Mercatus Co-operative Limited ("Mercatus") is an investor, owner and manager of real estate that strives to generate sustainable, long-term returns, while supporting the social objectives of NTUC Enterprise. As a responsible organisation, Mercatus is committed to growing sustainably by expanding its current portfolio of commercial real estate both locally and globally.

One of the largest mall owners by floor space in Singapore, Mercatus owns and manages strategically-located shopping malls – Jurong Point, AMK Hub and Swing By @ Thomson Plaza, and co-owns NEX. It also owns a total of 35 strata-titled assets in shopping malls and various HDB sites across Singapore, and a 30-storey Grade A office building – One Marina Boulevard – that houses multinational corporations, government agencies as well as NTUC and its social enterprises dedicated to serving the community's needs.

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A premium Grade A office building located in Singapore's Central Business District.

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The biggest mall in the north-east region of Singapore.

04. 35 Strata-titled Assets in HDB estates and shopping malls island-wide.

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An enclave within a suburban mall with a rich community heritage located along Upper Thomson Road.

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The largest regional shopping mall in the west of Singapore.

Business Strategy

Investment Management

Create value and deliver growth by

- Investing, developing and managing a diversified portfolio of strategically located commercial properties in Singapore
- Identifying and investing in overseas commercial properties

Asset & Property Management

Achieve operational excellence by

- Undertaking asset enhancement initiatives to increase asset value
- Adopting a proactive leasing and tenant management approach, so as to achieve stable returns and maximise occupancy

Capital Management

Deliver stable and sound returns by

- Adopting a proactive and prudent capital management framework
- Maintaining funding flexibility for future capital expenditure and acquisitions
- Establishing platforms to manage third party capital

Sustainability

Embrace sustainable principles by

- Integrating Economic, Environment, Social & Corporate Governance (EESG) factors within our business activities

Year in Review

February 2020

- Implemented various precautionary measures promptly at our retail and office properties upon DORSCON level raised to orange.

March 2020

- Rolled out assistance package and other initiatives to support our mall retail tenants amid COVID-19 outbreak.
- Gave out a total of 550 Care Packs to our frontline as well as service provider colleagues, in partnership with Singapore Industrial and Services Employees' Union (SISEU).
- Supported our Malaysian colleagues with temporary accommodation on short notice during Malaysia's sudden lockdown.
- Divested 303 Choa Chu Kang Avenue 4 for $51 million.

April 2020

- Announced additional tenant support in the form of rent relief during Circuit Breaker period.

May 2020

- Established our Sustainable Financing Framework and obtained our first $300 million green loan from OCBC Bank under the Framework to refinance an existing loan relating to Jurong Point.

June 2020

- Continued to extend rent relief to retail tenants in our properties, granting eligible tenants rent rebates equivalent to four months or more of base rent.
- Welcomed visitors back to malls with commencement of Phase 2, and launched promotional campaigns in collaboration with tenants.
- Conducted virtual training sessions for staff online, ensuring that employees continued to gain knowledge in the new operating environment.
- Maintained staff engagement through our first-ever virtual employee engagement event, offering insights on the outlook and tips on work-life integration.

July 2020

- Bade our former CEO, Mr David Poh farewell, as we welcomed our new CEO Ms Tan Ser Joo to lead the organisation forward.
- Secured a $128 million green loan from DBS Bank to refinance an existing loan relating to Jurong Point.

September 2020

- Launched collaboration with partners such as WhyQ, Fairprice, GrabMart and GrabFood, to support the retail tenants and provide shoppers with greater convenience and better value.

November 2020

- Rolled out the Integrated Management System, combining all aspects of current management systems, processes and standards across our portfolio into a single digital platform.
- Divested 642 Bukit Batok Central for $2 million.
- Enhanced M Malls app with new features to support "Flash Deals" campaigns offering discounted e-vouchers during limited time periods, which were sold out within two hours on the same day of the launch.

December 2020

- Launched Tenant Service Portal with multiple tenant service modules including resource library, profile management, administration, operational requests as well as Casual Mall Leasing space booking, offering tenants greater convenience and contributing to higher operational efficiencies.

January 2021

- Completed revamp of multi-concept enclave Swing By @ Thomson Plaza, along with introduction of a 7-metre tall digital tree fitted with 2,685 LED panels.
- NEX achieved the BCA Green Mark Goldplus award, an improvement from its former Green Mark Gold Certification.

March 2021

- Partnered Australia's Dexus to acquire an indirect 30% interest in 1 Bligh Street, a commercial property in Sydney.

Chairman's Statement

Dear Members,

2020 was a year of unprecedented challenges for all of us. The pandemic has brought the adaptability and resilience of our people, especially that of our frontline colleagues, to the forefront.

Since the onset of the COVID-19 pandemic in February 2020, we have been working in partnership with our tenants to navigate through these difficult times. Against this challenging backdrop, we remain committed to our mission to be a responsible investor, owner and manager of real estate so as to generate sustainable, long-term returns while supporting the social objectives of NTUC Enterprise.

By adopting a cautious approach, we delivered an encouraging performance in 2020. The Co-operative registered total revenue of $256.5 million, which fell by 7.9% from $278.6 million in 2019, and net surplus before contribution of $70.3 million, down by 24.8% from $93.6 million in 2019. While the pandemic has caused disruptions to many businesses, and impacted the retail industry significantly, our strong financial position and resilient portfolio will allow us to tide through this crisis.

$256.5M
Total Revenue

$70.3M
Net Surplus Before Contribution

82%
of Our People are SISEU Members

SUPPORTING OUR TENANTS

According to the Singapore Business Federation's National Business Survey (NBS) 2020/2021[1], almost two-thirds of businesses reported being negatively impacted by the COVID-19 pandemic, with an average decline in revenue of 31%. With the retail sector severely affected, many of our tenants recognised the need to pivot their businesses in order to keep them viable.

We have been fully supportive of the initiatives in the Fortitude Budget to address business challenges. Eligible[2] retail tenants have received rental relief equating to four months or more of base rents. Total rent relief granted to tenants by Mercatus was $73.9 million, out of which Mercatus funded $39.2 million and the balance $34.7 million being the SME grants and property tax rebates from the government. In addition, we have extended the interest waiver for outstanding rent payments from 1 February until 31 October 2020 and then further to 31 December 2020.

With consumers' swift adoption of online channels, many of our tenants have taken their businesses online, accelerating the rise of the digital economy. We proactively engage our tenants to create fresh experiential and omnichannel shopping experiences such as targeted promotional campaigns and live streaming sessions for shoppers. These marketing initiatives contributed to the 150% increase in the membership figures for the M Malls loyalty programme. Through members-only campaigns such as the purchase of M Mall vouchers at attractive prices and partnerships with WhyQ, Fairprice, GrabMart and GrabFood, we continually create opportunities to bring value to our members.

As the retail landscape in Singapore continues to evolve in this new operating environment, we seek to leverage on market trends and tap on consumer analysis to better understand shoppers' changing behaviours and preferences.

CREATING VALUE THROUGH ASSET ENHANCEMENT

Pandemic notwithstanding, we had pressed on with our asset enhancement initiatives. 2020 saw the completion of the rejuvenation works for Swing By @ Thomson Plaza ("SB@TP"). The newly revamped multi-concept enclave now evokes a heritage feel amidst its contemporary designs, while presenting more than 40 new stores spanning Food & Beverage (F&B), retail, entertainment, and lifestyle options as well as family-friendly amenities.

Inspired by SB@TP's surroundings of lush greenery within the Thomson precinct, we also introduced a digital tree – the first of its kind in malls in Singapore – which represents the forging of nature and foliage as a distinct identity for the enclave. The 7-metre tall tree, which is fitted with 2,685 LED panels, hosts various exciting imagery adapted to the enclave's ever-changing themes, as well as interactive elements to delight shoppers.

With visitors able to enjoy greater accessibility to Thomson Plaza when the Thomson-East Coast Line becomes operational this year, we can look forward to SB@TP's continual evolution with the changing times.

[1] The survey, conducted in October and November 2020 and involving 1,075 companies, covered a wide range of topics including the impact of COVID-19 on businesses, sentiments regarding economic recovery, priorities and challenges for companies, Government Budget and support, digitalisation and transformation, and internationalisation.

[2] Excluding banks and supermarkets.

Distribution of Care Packs to the Jurong Point team.

DIVERSIFYING INCOME SOURCES

Committed to growing sustainably, we continue to seek opportunities to diversify our income sources through expanding our current portfolio of commercial real estate both locally and globally. I am pleased to share that we will be making our first foray overseas, with an upcoming investment in Australia.

1 Bligh Street in Sydney, Australia.

Partnering one of Australia's leading real estate groups Dexus through a new joint venture, we have signed a Sales and Purchase agreement to acquire an indirect 30% interest in a premium-grade office tower at 1 Bligh Street in Sydney's financial district.[3]

ADVANCING OUR SUSTAINABILITY GOALS

In recognising that our actions have far-reaching impact on our stakeholders, we take a holistic and collaborative approach towards advancing sustainability causes that are meaningful to the communities in which we operate, its people and the environment. Our new Sustainability Framework reflects the integration of Economic, Environment, Social & Corporate Governance (EESG) factors within our business activities. More information on the five key pillars and the material factors under the framework can be found here on pages 24 to 33.

We have earlier set targets for our environment commitments in terms of carbon emission, energy and water with 2017 as the baseline. I am pleased to report that we are on track to achieve our 2022 targets, with at least a 6% decrease in each of these factors achieved in 2020. All of Mercatus' commercial properties have attained BCA Green Mark certification, with NEX achieving the BCA Green Mark Gold[Plus] award in January this year.

In 2020, Mercatus secured a total of $428 million in green loans to refinance its existing loans relating to one of our green buildings – Jurong Point. Our Sustainable Finance Framework is guided by the Green Loan Principles (2018 and further revised on 5 May 2020) and Sustainability Bond Guidelines (2018) by the Loan Market Association and the International Capital Market Association respectively. This demonstrates our commitment towards supporting green and more inclusive developments in Singapore.

"I am pleased to share that we will be making our first foray overseas, with an upcoming investment in Australia. Partnering one of Australia's leading real estate groups Dexus through a new joint venture, we have signed a Sales and Purchase agreement to acquire an indirect 30% interest in a premium-grade office tower at 1 Bligh Street in Sydney's financial district.[3]"

[3] The acquisition is subject to obtaining regulatory approval from the relevant authority in Australia.

DEEPENING OUR CAPABILITIES

On the resources front, we continued to strengthen our management bench with new members armed with strong competencies from relevant industries, including Tan Ser Joo's succession as the new Chief Executive Officer on 1 July 2020 and Annie Lee who joined us as Managing Director, Commercial on 20 July 2020.

With the pandemic accelerating the adoption of remote work, driving employee engagement was more critical than ever. We maintained close ties with the Singapore Industrial & Services Employees' Union (SISEU) to support and bolster employee relations. As at December 2020, a heartening 82% of our workforce had already enrolled and are enjoying the benefits of a fully-funded membership. To show our appreciation to our frontline employees and service provider colleagues, we partnered SISEU in March to give out a total of 550 Care Packs.

With the foundation for the Digital Roadmap put in place, we have expanded our process automation portfolio for the implementation of various applications and increased the end-user touchpoints for our employees. The integration of these digital touchpoints into our well-established backend system and infrastructure contributes towards improved work efficiency and optimisation of business processes.

RESPONDING AS ONE COMMUNITY

The pandemic did not stop us from putting up a united front, as we continued to support those in need within our community. We remained committed towards contributing to the NTUC-U Care Fund for the eighth consecutive year, in support of alleviating the financial burden of low-income families through assistance programmes such as U Stretch and U Care Back to School vouchers.

The #MCares spirit remained strong as the Mercatus family came together to fulfill the wishes of beneficiaries from Sunbeam Place @ Singapore Children's Society, spreading festive joy as the year drew to a close.

EMERGING STRONGER POST-PANDEMIC

With the Singapore economy projected to grow between 4-6%, we are optimistic that by being committed to our goals and working together as a team, we will emerge stronger and remain invested at the forefront of this challenging and changing real estate landscape.

The pandemic has certainly accelerated our digitalisation progress and investments in technology. We will forge ahead on our digital transformation journey and harness the opportunities the pandemic has availed, to build a scalable and state-of-the art infrastructure to support our growth, lead the real estate technology adoption as well as strengthen our data protection and cybersecurity regimes.

Building on our asset and property management expertise, we will continue to undertake asset enhancement initiatives and build on our operational excellence to increase our assets' value and sustainability.

Our stakeholders are valuable collaborators in our sustainability journey. Our pursuit towards sustainable operations will see us engaging more closely with our stakeholders to improve efficiencies in various aspects of operations. This includes investment in smart and innovative technologies such as the Integrated Building Management System ("IBMS") and sustainable procurement policies which translates to overall cost savings as well as fair employment practices from our service providers.

We remain focused on delivering stable and sound returns by implementing a proactive and prudent capital management framework, maintaining funding flexibility for future capex and acquisitions, and establishing platforms to manage 3rd party capital.

IN APPRECIATION

The strong support from our members, Board of Directors, valued business partners, shoppers and tenants have kept us going during these challenging times. We thank you for your continued support.

We also extend our appreciation to our management and staff for their efforts this past year. Your display of resilience and unwavering dedication in the face of adversity have made it possible for us to navigate today's challenging environment as one united team.

Ms May Ng
Chairman

Spreading festive joy at Sunbeam Place @ Singapore Children's Society.

Financial Highlights

$256.5M
TOTAL REVENUE

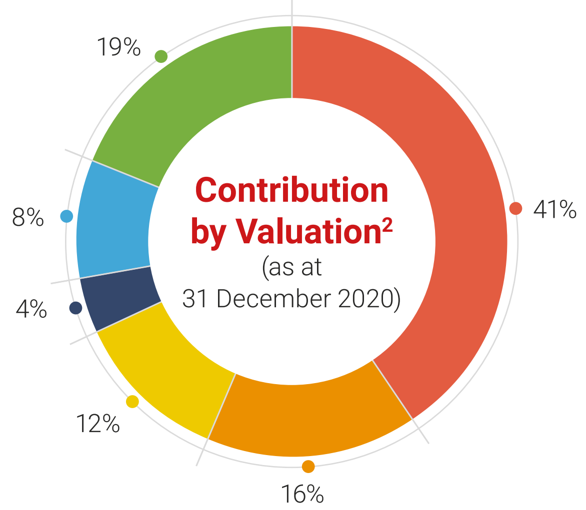
3.46
WEIGHTED AVERAGE DEBT MATURITY (YEARS)

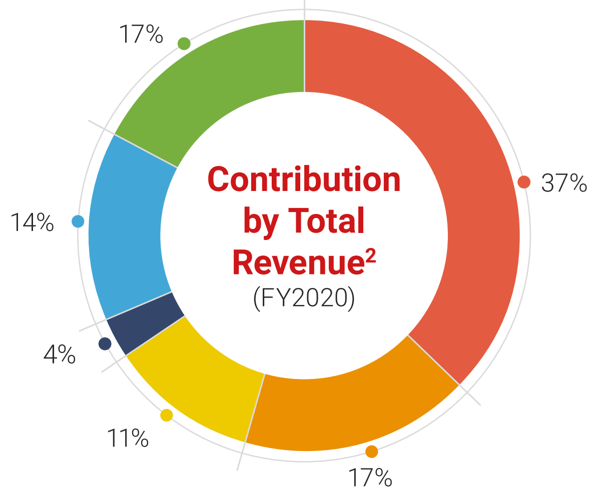
$70.3M
NET SURPLUS BEFORE CONTRIBUTION

2.61%
WEIGHTED AVERAGE COST OF DEBT (ALL-IN)

51.3%
LEVERAGE RATIO[1]

3.03X
INTEREST COVERAGE RATIO





- Jurong Point
- AMK Hub
- One Marina Boulevard
- Swing By @ Thomson Plaza
- Strata-titled Assets
- NEX

1) Includes Mercatus' proportionate share of its joint venture borrowings and asset value.
2) Reflects 50% share of NEX's valuation and total revenue. NEX's financial results are accounted for as "share of results of joint venture, net of tax" in the Group's financial statements.

Operational Review

99.0%
OCCUPANCY
(as at 31 December 2020)

104.6M
SHOPPER TRAFFIC FOR 2020

TOP 10 TENANTS CONTRIBUTION

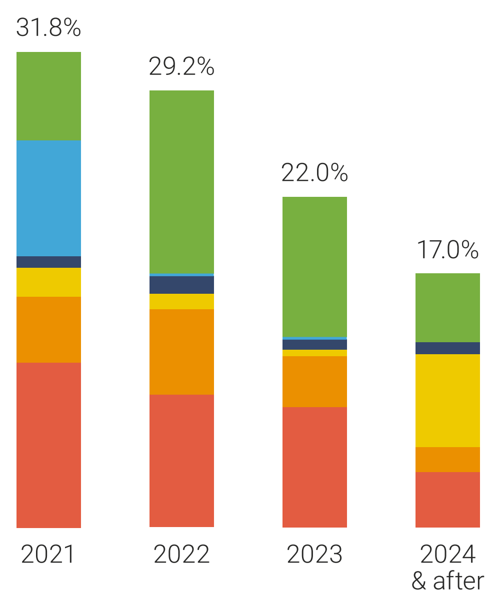
For the month of December 2020

- NTUC Fairprice Co-operative Limited
- Allen & Gledhill LLP
- Instant Singapore Pte Ltd
- SkillsFuture Singapore Agency
- R E & S Enterprises Pte Ltd
- Cold Storage Singapore (1983) Pte Ltd
- Isetan (Singapore) Limited
- NTUC Club
- Kopitiam Investment Pte Ltd
- BHG (Singapore) Pte Ltd

26.3%
Gross Rent

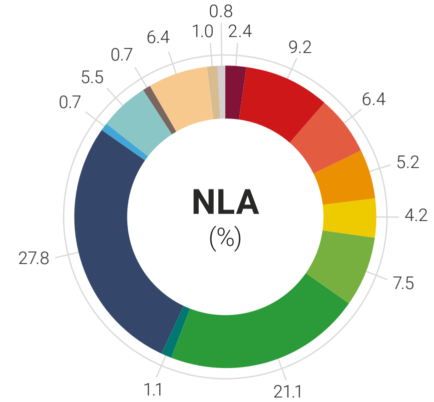
41.1%
Total NLA

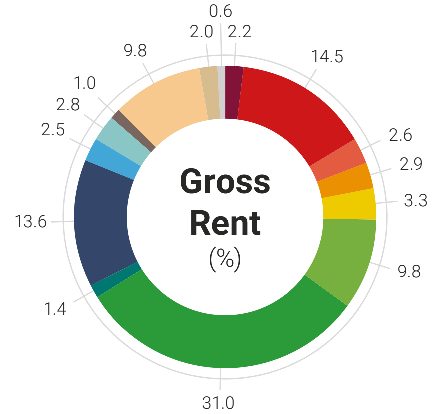
LEASE EXPIRY PROFILE



- Jurong Point
- AMK Hub
- One Marina Boulevard
- Swing By @ Thomson Plaza
- Strata-titled Assets
- NEX

TENANT RETAIL TRADE CATEGORIES





- Arts & Crafts, Books & Stationery, Gifts & Souvenirs, Toys & Hobbies
- Beauty & Wellness
- CSFS, Education and Others
- Department Store
- Electronics & Technology, Information Technology
- Fashion & Accessories, Shoes & Bags, Kids
- Food & Beverages
- Home & Furnishings
- Hypermarket and Supermarket
- Jewellery & Watches
- Leisure & Entertainment, Music & Video
- Sporting Goods & Apparel
- Sundry & Services and Lifestyle
- Telecommunication
- Value Store & Specialty Mart

HARNESSING OPPORTUNITIES

STRENGTHENING PORTFOLIO

Combined Valuation

$5.2B

as at 31 December 2020

5

Retail and Office Properties

35

Strata-titled Assets in Housing Development Board Estates and Shopping Malls

Creating value through our portfolio remains key. Through maximising occupancy at our strategically located shopping malls and office property, we seek to achieve stable rental returns across all our properties.

320,000
Square Feet
Net Lettable Area

$828.0
Million
Appraised Value
(as at 31 December 2020)

$53.2
Million
Total Revenue
(FY2020)

210
Tenants

100%
Ownership

99.0%
Occupancy
(as at 31 December 2020)

99
Years
Lease Tenure
(from 24 August 2004)

AMK HUB

Located in the heart of Ang Mo Kio, AMK Hub is a family-friendly retail mall with 320,000 square feet of lettable space, offering a variety of over 200 shops spread over six levels. The mall, which is conveniently connected to Ang Mo Kio MRT and Bus Interchange as part of an Integrated Transport Hub, attracts an average footfall of 1.9 million visitors a month.

As a one-stop destination for dining, entertainment and lifestyle needs, AMK Hub continues to refresh its tenant mix to serve the diverse needs of shoppers, having welcomed new tenants such as Aspire Hub, Crave, Maki-san and My Digital Lock in 2020.

With other social enterprises like NTUC Foodfare, NTUC Income, NTUC Club, NTUC LearningHub and Unity Denticare also situated in the mall, members in the community can have their social and welfare needs well taken care of, all at one location.

Further to the completion of the rejuvenation and renovation works at AMK Hub in 2019, a new vibrancy has been injected at Basements 1 & 2 with the myriad of F&B choices including the ever popular A&W and Swensen's and new offerings such as Shake Shake in a Tub and Moo Moo Yoghurt.

720,000
Square Feet
Net Lettable Area

$2,106.5
Million
Appraised Value
(as at 31 December 2020)

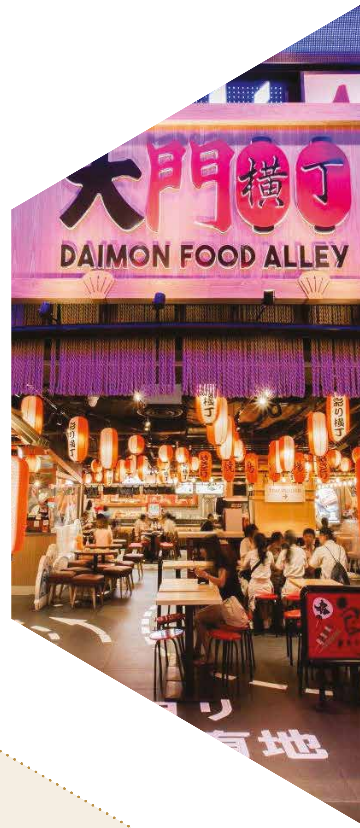
$113.3
Million
Total Revenue
(FY2020)

343
Tenants

Jurong Point

With 720,000 square feet of lettable space, Jurong Point is one of Singapore's largest suburban havens. Strategically located in the western part of Singapore and connected to Boon Lay MRT and Bus Interchange, the mall attracts an average footfall of 4.3 million visits a month.

Jurong Point is also home to a number of thematic precincts, such as Japanese and Hong Kong streets. The 6-storey mall aims to meet shoppers' diverse needs with anchor tenants like Fairprice Xtra (24 hr), NTUC Income, Harvey Norman, BHG, Kopitiam, Malaysia Boleh!, Popular and close to 400 retail and food & beverage outlets that offer a dazzling array of merchandise, services and culinary delights. Jurong Point continues to draw shoppers with its new offerings in the form of IKEA Planning Studio, a collaboration with Livspace, A&W, Nando's, SLR Revolution, Welcia and many more.



Apart from being a retail destination, Jurong Point also shares its space with a large cluster of 11 community and civic institutions, such as SAGE, AMP, TARA and My First Skool.

94
Years
Lease Tenure
(JP1 – from 16 February 1998)

99
Years
Lease Tenure
(JP2 – from 21 June 2006)

97.3%
Occupancy
(as at 31 December 2020)

100%
Ownership
(of strata space owned)

As the pandemic escalated in early 2020, the enforcement of safe management measures was especially challenging for a retail destination of Jurong Point's scale. Precautionary measures to limit entry points into the properties, and increased sanitisation procedures were swiftly put in place at Jurong Point and our other properties to ensure the safety of all our tenants and visitors are being prioritised at all times.

Swing By
@ Thomson Plaza

Swing By @ Thomson Plaza

With the completion of the asset enhancement works in early 2021, Swing By @ Thomson Plaza ("SB@TP") was relaunched as a multi-concept enclave within Thomson Plaza offering one-stop amenities including F&B, retail, entertainment and lifestyle options.

Occupying Level 1 and Level 3 of the mall, the enclave now hosts over 60 tenants, including anchor brands like FairPrice Finest, Koufu and Peach Garden. It is also home to specialised gourmet brands – Betsubara, Hajime Tonkatsu & Ramen and Tingkat PeraMakan, along with the ever-popular Aston Specialities, Daiso, Cow Play Cow Moo, Sushi Tei and many more.

Inspired by the Thomson Precinct's lush surroundings, SB@TP introduced an avant-garde centrepiece in the form of a digital tree at level one of the enclave.

When Thomson-East Coast Line becomes operational later this year, accessibility to Thomson Plaza via the Upper Thomson MRT station will be further enhanced.

110,000
Square Feet
Net Lettable Area
(strata owned)

$199.6 Million
Appraised Value
(as at 31 December 2020)

$10.4 Million
Total Revenue
(FY2020)

54
Tenants

100%
Ownership
(of strata space owned)

99.3%
Occupancy
(as at 31 December 2020)

99 Years
Lease Tenure
(from 15 October 1976)

One Marina Boulevard

One Marina Boulevard ("OMB") is a 30-storey Grade A office building located in the downtown core of the Central Business District. Boosting a panoramic view of the Marina Bay, OMB has a direct link to Raffles Place MRT station and Downtown MRT station via an air-conditioned underground pedestrian network.

Home to key tenants such as NTUC and Allen & Gledhill, it recently welcomed new tenants American Express, Arcc Spaces and China Telecom (Asia Pacific) to the building.

430,000
Square Feet
Net Lettable Area

$644.0
Million
Appraised Value
(as at 31 December 2020)

$33.9
Million
Total Revenue
(FY2020)

16
Tenants

100%
Ownership

99.9%
Occupancy
(as at 31 December 2020)

94
Years
Lease Tenure
(from 1 April 2006)

630,000
Square Feet
Net Lettable Area

$1,926.0 Million
Appraised Value
(100% - as at 31 December 2020)

$107.1 Million
Total Revenue
(FY2020)

313
Tenants

50%
Ownership

99.8%
Occupancy
(as at 31 December 2020)

99 Years
Lease Tenure
(from 26 June 2008)

NEX

Strategically located at Serangoon Central, NEX is the biggest mall in the North-East region of Singapore. This 7-storey mall is fully integrated with the Serangoon MRT and Bus Interchange Station, where the North-East Line and the Circle Line intersect. A vibrant, social and recreational hub for the North-East community, NEX features a comprehensive and eclectic mix of retail, entertainment and dining options.

Joining the perennial favourites in the likes of Isetan, FairPrice Xtra (24 hr), Cold Storage (24 hr), Anytime Fitness (24 hr) at NEX in 2020 are established brands such as Beauty In The Pot, Home & Giving, Kanshoku Ramen Bar, Spacio Aesthetics and Yun Nans. NEX also offers shoppers access to international brands such as Clarins, Cotton On, H&M, Kiehl's, M.A.C, Pandora, Sephora, Swarovski, Origins and Uniqlo.

The family-friendly mall also houses the Serangoon Public Library under the Urban Redevelopment Authority (URA)'s Community Sports Facilities Scheme, to bring library services closer to the community.

PROPERTY PROFILE

Strata-titled Assets

370,000
Square Feet
Net Lettable Area

$444.2 Million
Appraised Value
(as at 31 December 2020)

$43.1 Million
Total Revenue
(FY2020)

35
Strata-titled Assets

100%
Ownership
(of strata space owned)

99.5%
Occupancy
(as at 31 December 2020)

Range from
30–99 Years
Except Coronation Plaza (freehold)

Our portfolio of strata-titled assets comprises a mixture of 35 assets within shopping malls and HDB sites in various locations across Singapore including Coronation Plaza and Bukit Timah Plaza. The assets offer net lettable area ranging from about 800 to 44,000sf.

FORGING AHEAD

ADVANCING SUSTAINABILITY

Achieved
BCA Green Mark Certification
for all Commercial Properties

Contributed to
NTUC-U Care Fund
for eight consecutive years

Our impact underpins Mercatus' sustainability. That is why we are committed to support our tenants and positively engage our stakeholders, contributing to our collective sustainability.

Advancing Sustainability

As an investor, owner and manager of real estate that strives to generate sustainable, long-term returns, Mercatus is committed to doing our part to contribute towards The Singapore Green Plan 2030 in partnership with the government and various partners to build a more sustainable future.

Having identified several Sustainable Development Goals ("SDGs") that are aligned to our sustainability strategy, we have developed a Sustainability Framework to further articulate our approach towards sustainable development. The Framework encompasses our five key sustainability pillars: value creation, human capital management, strong institutions, environment and social progression.

FIVE KEY PILLARS & MATERIAL FACTORS

Pillars	Description	Material Factors
Value Creation	Managing our assets and investments to derive sustainable returns	1. Financial performance & returns 2. Responsible investing 3. Sustainable finance
Human Capital Management	Employees engagement, commitment and development	1. Employment & talent management 2. Health, well-being and safety of Workplace 3. Inclusivity
Strong Institutions	Strong governance, transparency, prudent risk management, ethics and credibility	1. Corporate governance 2. Ethical business and compliance 3. Data governance & cybersecurity
Environment	Cost & operational sustainability	1. Water & waste management 2. Climate change & emissions reduction (includes energy sources & consumption) 3. Construction & building materials
Social Progression	Strong and lasting partnerships and relationship for mutual benefits	1. Donations and supporting communities

ADVANCING SUSTAINABILITY

Our Sustainability Steering Committee, which reports to the Board of Directors, comprises Board Members as well senior management. The committee, which seeks to develop Mercatus' sustainability objectives and strategy, as well as manage and monitor our sustainability performance, is supported by a Sustainability Task Force. The task force, formed by key members of the portfolio operations team, is responsible for driving the various sustainability initiatives across the Mercatus portfolio.

Our Sustainability Achievements in 2020

SUSTAINABLE FINANCING

In May 2020, Mercatus secured its maiden green loan of $300 million from OCBC Bank under its newly launched Sustainable Finance Framework (the "Framework"), to refinance an existing loan relating to one of its green buildings, Jurong Point.

Mercatus' Sustainability Framework was prepared in accordance with (i) Green Bond Principlaes (2018) and (ii) Sustainability Bond Guidelines (2018) by the International Capital Market Associations, (iii) Green Loan Principles (revised on 5 May 2020) by the Loan Market Association and the International Capital Market Association, and (iv) Green Bond Standards and (v) Sustainability Bond Standards by the ASEAN Capital Markets Forum. Designed to support Mercatus' contribution to the achievement of the SDGs aligned to its sustainability strategy, the Framework provides the criteria and guidelines to pave the way forward for the Co-operative to enter into more green or sustainable finance transactions in future.

We subsequently obtained a second green loan of $128 million from DBS Bank in July, also to refinance a Jurong Point loan.

Our Sustainability Achievements in 2020

HUMAN CAPITAL MANAGEMENT

Our employees are the driving force for Mercatus' sustainable growth. At the forefront of our response to the pandemic are our frontliner employees, who have demonstrated resilience and adaptability in order to maintain operations at our properties over the past year. The provision of a safe and conducive environment for our employees remains of utmost importance, with precautionary measures being enforced to protect their health, well-being and safety being put in place.

To this end, we have also achieved:

i) the ISO 45001 standard for occupational health and safety for improved occupational health and safety, elimination of hazards and to minimise related risks

ISO 45001
HEALTH & SAFETY
MANAGEMENT

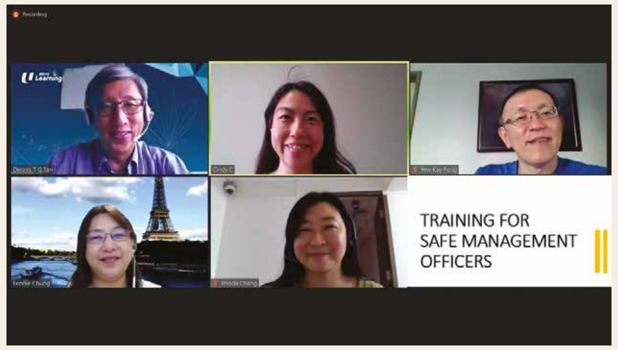
ii) bizSAFE STAR in recognition that our Workplace Safety and Health Management System identifies, manages and controls workplace risks or hazards in compliance with the Workplace Safety and Health (WSH) Act

bizSAFE Star

To prepare and transform our workforce for Worker 4.0, we had launched the Mercatus Training Framework in 2019 targetted at equipping employees with a combination of adaptive, technology and technical (A-T-T) skills. Despite a challenging 2020, we delivered a holistic suite of training programmes, with 94% of our employees having received training in A-T-T skills. Each employee clocked an average of 43.3 learning hours, a 170% increase of what was achieved the previous year.

Some of our employees had attended "Building Resilience and Growth Mindset" workshops before the pandemic alert was raised. While supporting our employees through the unprecedented disruption brought about by the pandemic, training and development for topics such as "Training for Safe Management Officers" and "Problem Solving & Decision Making" had continued through virtual platforms.

Many of our employees, while working remotely, also made time to upskill themselves through virtual courses offered by providers such as NTUC Learning Hub. To keep the workforce engaged and maintain team dynamics during the year, we continued to hold virtual get-togethers including employee engagement events and a year-end celebratory event with fun and games.



DATA GOVERNANCE AND CYBERSECURITY

Mercatus embarked on its digitalisation journey in 2017. This has allowed us to move swiftly and seamlessly during the circuit breaker to support working from home operations, with little impact on day-to-day operations and no disruptions to payments. The pandemic had further accelerated our digitalisation process and sped up the implementation of several technology solutions to support the various safe management initiatives such as complying with capacity limits and contact tracing at our properties.

The rise of the digital economy resulted in greater focus on areas such as data governance and cybersecurity. To this end, we put in place a data governance framework to define roles and responsibilities, and processes for ensuring accountability for and ownership of data assets across the organisation. In terms of cybersecurity, we have implemented revised IT policies and security standards as well as cybersecurity initiatives to protect end points, infrastructure, applications and data. To expand upon employee awareness and preparedness, we will continue to conduct regular training, phishing simulations and feedback sessions.

Our Sustainability Achievements in 2020

ENVIRONMENT

Having set our environment commitments in terms of carbon emission, energy and water with 2017 as the baseline, we are on track to achieve our 2022 and 2030 targets. Our achievements in terms of the ISO standards and various awards met thus far, pave the way for us to continue to implement more sustainable strategies and policies.

By tapping on smart facilities management technologies, we have been able to increase operational productivity and enjoy greater cost savings. These include the installation of EV chargers for alternative energy sources and the use of smart water metering and leak detection system to improve water efficiency. To enhance waste management, we make use of eco digesters to recycle food waste, while providing avenues to recycle electronic waste.

All of Mercatus' commercial properties have attained Building and Construction Authority (BCA) Green Mark certification. The certification is testament of how we strive towards maintaining and bettering our Green Mark ratings (where applicable), while increasing the resource efficiency of our buildings.

6%
15.21 kWh/m²/month

Energy

Based Year 2017
Target by 2022: 8%
Target by 2030: 30%

8.4%
0.176 cu.m/m²/month

Water

Based Year 2017
Target by 2022: 8.5%
Target by 2030: 30%

6%
6.37 $kgCO_2e$/m²/month

Carbon Emission

Based Year 2017
Target by 2022: 8%
Target by 2030: 30%

$6.4M
$6,435,485.53 up to date

Saving

- Bulk Procurement
- Energy Procurement

Awards & Certificates

ISO 14001 – Environmental Management
ISO 22301 – Business Continuity Management
ISO 46001 – Water Efficiency Management
ISO 50001 – Energy Management
ISO 45001 – Workplace Health & Safety
Gold Plus
Platinum
Healthier Workplace
Sustainability Leadership Award
Water Efficiency Building
SG Clean
5-Star Happy Toilet
Community Partnership Award
Safety & Security Watch Group
Fire Safety Excellence Award

SOCIAL PROGRESSION AND STAKEHOLDER ENGAGEMENT

We are invested in building strong and lasting partnerships with our stakeholders and the community, for mutual benefits. Mercatus has been supporting the NTUC-U Care Fund for the past eight years, with our $400,000 contribution in 2020 going towards lessening the beneficiaries' financial burden during the challenging year.

The emergence of the COVID-19 pandemic served to bring to the forefront the ability of our people to join forces as one united force and support the community. Back in February 2020 when the alert for the spread of the novel coronavirus alert was announced, we came together as one NTUC Enterprise by helping to stock Fairprice outlets when there was a surge in buyers trying to stockup supplies.

One of Mercatus' key longstanding stakeholders is the Singapore Industrial & Services Employees Union ("SISEU"). February 2020 saw the establishment of the inaugural Mercatus SISEU Branch Committee (2020-2024), which serves as a link between the leaders at the union headquarters and Mercatus employees to bring about increased productivity and improved working conditions.

Navigating the pandemic from the frontline was no easy feat. To show our appreciation, SISEU had partnered Mercatus' management to distribute a total of 550 Care Packs containing thermometers, sanitisers, surgical masks, anti-bacterial wipes and an appreciation note, to employees and contractors onsite our properties in March 2020.

While the safe management measures made it more challenging to come together to do good, the #MCares spirit remained strong. As the year drew to a close, the Mercatus family spread festive joy by fulfilling the wishes of beneficiaries from Sunbeam Place @ Singapore Children's Society.

As pandemic measures start to ease, we look forward to welcoming more employees back to the workplace and more opportunities for employee engagement in the new year.

ADVANCING SUSTAINABILITY

Corporate Governance

Mercatus recognises and is committed to high standards of corporate governance in line with the policies and rules established by the Registry of Co-operative Societies.

1. THE BOARD'S CONDUCT OF AFFAIRS

The Mercatus Board of Directors (the "Board") holds four scheduled meetings each financial year. Of the four meetings held in FY2020, three were conducted by electronic means due to the COVID-19 pandemic.

The Board has also formed various Board committees, specifically the Audit and Risk Committee, Establishment Committee and Investment Committee, to assist and support it in discharging its responsibilities. Each Board Committee has its own terms of reference with clear compositions, authorities and duties.

Recognising the importance of sound and adequate information flow to the Board, the Mercatus Senior Management provides the Board with timely and relevant reports on matters to be brought before the Board prior to Board meetings, to ensure that each Board member is given sufficient time to review them. This enables the Board member to bring his or her perspective to the Board meetings to facilitate robust discussion and enable informed decisions to be made.

The Co-operative's strategies and budgets, as well as its business operations, are regularly reviewed and assessed at Board meetings.

The Board conducts itself according to the Co-operative's by-laws which set out the Board's duties and powers. During Board meetings, the Board practises collective decision-making by consensus after robust discussions. These are led by the Chairman, who encourages questions by Directors and ensures that they are addressed by Senior Management. Discussions and decisions taken at Board meetings are recorded in the minutes taken by the Co-operative Secretary who attends every Board meeting.

i) Directors' Orientation

New Board members are briefed on Mercatus' business and operations through an on-boarding programme. The Co-operative provides information packs to new Directors and the Co-operative Secretary conducts on-boarding sessions in-person to induct them to the Co-operative's business operations, organisational structure and financial performance.

2. BOARD COMPOSITION, SIZE AND DIVERSITY

Each of the Directors is nominated by the Founder Member or an Institutional Member of the Co-operative. The profiles of the Directors are set out on pages 36 and 37.

The Board believes that engaging in a regular process of self-assessment and renewal is key to the sustainability of the Co-operative.

As part of the renewal process, the by-laws of the Co-operative require each Director to hold office until the third Annual General Meeting following the date of his or her election whereupon the Director shall retire and be eligible for re-election by Board members. Effectively, this results in all Directors having to retire and subject himself or herself to re-election at least once every three years.

3. ASSESSMENT AND EVALUATION OF BOARD PERFORMANCE

Mercatus has implemented a process for assessing the effectiveness of the Board and its Board committees annually. Under the stewardship of NTUC Enterprise's Nominating and HR Committee, Mercatus administers a comprehensive on-line survey to gather feedback from its Directors on the Board's performance.

Through the survey, Directors evaluate the Board's performance on factors including board composition, information management, Board processes/Board roles and functioning, representation of shareholders and social mission, Board strategy and priorities, CEO development and succession planning, risk management as well as the overall perception of the Board. The findings from the evaluations are presented to the Board to facilitate improvements to the Board's practices. Mercatus engages a third-party professional consultant to review and refresh the questions regularly.

4. RISK MANAGEMENT AND INTERNAL CONTROLS

The Board, with the assistance of the Audit and Risk Committee ("ARC"), oversees the enterprise risk management and internal control policies for the Co-operative. The Management has set in place a risk management framework and system of internal controls that are necessary and relevant to the business. The ARC reviews the effectiveness of Mercatus' internal control systems, including financial, operational, compliance and information technology controls and risk management system.

The key internal controls and risk management system are as follows:

i) Policies and Procedures

The Co-operative has set up formal policies and procedures to ensure proper governance within the operational, financial, information technology ("IT") and human resources working environment within the Group. There is a set of Board-approved Delegation of Authority ("DOA") which sets out the approval limits for investment, divestments, development projects, treasury transactions, various operational and capital expenditures and lease transactions. The policies and procedures are reviewed regularly to ensure they are up-to-date and in line with business environment requirements at any point in time.

ii) Whistleblowing Policy

In order to promote good corporate governance, Mercatus has in place a whistleblowing policy to provide an avenue for internal and external parties to raise concerns, in confidence, about any irregularities relating to the Co-operative, while protecting the whistle-blower from any reprisals or victimisation for whistleblowing in good faith. There are three channels for reporting, including one which is managed by the Co-operative's independent outsourced internal auditor.

ADVANCING SUSTAINABILITY

Corporate Governance

iii) Code of Conduct
Code of conduct training is arranged on at least a twice-yearly basis and new employees are provided a copy of Mercatus code of conduct policy. A refresher of the code of conduct training is provided to all new employees during new hire orientation. All employees are required to provide annual declaration relating to code of conduct.

iv) Risk Management
Risk Management is an integral part of the Co-operative's business strategy. The Board determines the risk governance approach, overall risk tolerance and risk strategy of the Co-operative. The Board ensures that the Management has set up a sound system of risk management and internal controls. The ARC recommends to the Board an appropriate level of risk appetite, tolerance for risk, strategies for risk management, and parameters to be used to monitor risk management performance. The Enterprise Risk Management Framework ("ERMF") is constantly reviewed and updated with changes in business environment and conditions.

The ARC also assists the Board in assessing the suitability, adequacy and effectiveness of the risk management system. The ARC guides the Management in the formulation of risk management policies and processes to effectively identify, evaluate and manage any material risks and ensure that a robust risk management and internal control system is maintained. The Risk Management & Corporate Governance ("RM&CG") department oversees the ERMF framework for the Co-operative, working together with the respective business owners to put in controls to manage the risks identified.

Ownership of risks lies with the Management, and the day-to-day management of risks is embedded into key organisational processes such as planning, budgeting and performance management activities. The CEO and key management personnel are responsible for the adequacy and effectiveness of the Mercatus' risk management and internal control systems. The RM&CG team regularly reviews the risk limit indicators and the existing business environment to assess if there are changes in the risks identified and requirements for new or change in controls to mitigate the risks.

Financial Risks
The key financial risks include liquidity risks, interest rate risks and leverage risks. The Management regularly reviews Mercatus' debt profile, maintains diversified sources of funding and ensures a well-spread debt maturity profile, monitors and manages interest rate within the fixed rate ratio limit. The ARC and Board are updated on these as well as the financial risk limit indicators during the meetings.

Operational Risks
This refers to risk arising from business operations, including procurement, facilities management and asset management, resulting from inadequate or failure of internal processes, human and system or from external events in relations to operations. Mercatus has in place policies and procedures, monitoring and reporting framework to manage the day-to-day operations of the business activities and to mitigate operational risks. Internal audits are also carried out periodically to review compliance with Standard Operating Procedures ("SOPs") and to identify any lapses in procedures. Lapses and gaps in SOPs are corrected on a timely basis after being identified. Emergency Response and Recovery Plans are in place and being reviewed and tested regularly to prepare for any emergencies, and minimise impact of potential operational disruptions to critical business operations during catastrophic events. The Co-operative has also procured adequate insurance coverage to protect against unforeseen losses.

Investment Risk
As part of business growth, Mercatus may acquire or dispose of properties. In order to protect against the risk of loss arising from lack of investment strategy, there are SOPs set out for evaluation of deals, including due diligence criteria, sensitivity analysis and procedures and approval based on DOA.

Information Technology Risk
Mercatus has in place policies and procedure to protect against risk relating to loss due to breach of confidentiality, integrity and availability of information assets, arising from external and internal threats. The Digital and Technology ("D&T") team regularly reviews and updates the policies and procedures to ensure that they are in line with the changes in internal and external Information Technology ("IT") environment. The D&T team carries out evaluation of the external service providers and ensures there are IT disaster recovery plans for the service platforms provided by the vendors. All employees are required to complete a mandatory online training course on IT security awareness to ensure that they are aware of cybersecurity threats and are equipped with the knowledge of identifying them.

Audit and Risk Committee
The ARC supports the Board in financial, risk and audit matters, so as to maximise the effectiveness of the Board and foster active participation and contribution. The Management provides full co-operation in providing information and resources, and in implementing or carrying out all requests made by the ARC. The ARC has direct access to the internal and external auditors, and full discretion to invite any Director or key management personnel to attend its meetings.

The ARC comprises of three members, all of whom are independent, non-executive directors.

Internal Audit
The internal audit function is outsourced to RSM Risk Advisory Pte Ltd ("RSM") which is staffed by qualified executives. RSM reports to the Chairman of the ARC, has unrestricted access to the ARC and is guided by the International Standards for the Professional Practice of Internal Auditing published by the Institute of Internal Auditors ("IIA"). The ARC reviews and approves the annual internal audit plan, the internal audit reports and audit activities.

FORGING AHEAD

DEEPENING CAPABILITIES

Provides Equal Opportunities for Career Advancement and New Skills Learning

Staff Strength of

>250

with equal representation

Our people are our assets. Their capabilities and commitment empower ours. For that reason, we invest in our people by deepening their skills, expanding their knowledge and enabling their aspirations.

Board of Directors

1. MS MAY NG
Chairman
Ms Ng is presently the Chief Executive Officer of Pan-United Corporation Ltd and sits on the boards of several subsidiaries of the Pan-United Group. She has been a Director of NTUC Enterprise Co-operative Limited since 2015 and was conferred the Meritorious Service Award in 2014 by NTUC for her continuous support, dedication and significant contribution to the Labour Movement.

2. MS ADELINE SUM
Deputy Chairman
Ms Sum is the Chief Executive Officer of Singapore Labour Foundation and Deputy Chief Executive Officer, Strategic Alignment of NTUC Enterprise Co-operative Limited. She also holds directorships in several NTUC social enterprises and ComfortDelgro Corporation Limited.

3. MR WONG HENG TEW
Director
Mr Wong is currently an Advisory Director of Temasek International Advisors. Prior to that, he was the Managing Director of Investments and Chief Representative of Temasek Holdings in Vietnam.

Mr Wong is also an Independent Non-executive Director of Sabana Real Estate Investment Management Pte Ltd and holds several other directorships including in Azalea Asset Management and Temasek Foundation Innovates. Mr Wong was conferred the Friend of Labour Award in 2014 by NTUC for his continuous support, dedication and significant contribution to the Labour Movement.

4. MR SOONG HEE SANG
Director
Mr Soong is currently an Independent Non-executive Director of Keppel-Pacific Oak US REIT Management Pte Ltd. Prior to this, Mr Soong was with GIC Real Estate where he took on the roles of Managing Director (Deputy Head Asia) from 2006 to 2013, and Managing Director (London) from 2013 to 2016. Before he joined GIC Real Estate, Mr Soong was with the CapitaLand group where he held various appointments including the Chief Executive Officer (New Markets) of CapitaLand Residential Limited, Chief Executive Officer of CapitaCommercial Trust and Country Director and Managing Director for London.

5. MR NG ENG KIONG
Director
Mr Ng is presently the Honorary Advisor of the Singapore Green Building Council ("SGBC"). He was the founding Board Member of the SGBC when it was first incorporated in May 2009 and served as its third President from 2013 to 2015. Mr Ng was with Squire Mech for 29 years, led the firm as Managing Director since 2000 and took on the role of Senior Director prior to his retirement from the company in 2019. Mr Ng is appointed a member of the Building Project Committee to oversee the revamp of the Singapore Art Museum. He was conferred the Friend of Labour Award in 2019 by NTUC for his continuous support, dedication and significant contribution to the Labour Movement.

6. MR WILLY SHEE
Director
Mr Shee is presently the Senior Advisor of CBRE Pte Ltd. He was the Chairman of CBRE, Asia, from 2005 to 2016 and has been with CBRE for more than 40 years.

Before CBRE, Mr Shee was the Acting Deputy Chief Valuer at the Singapore Inland Revenue Authority. He holds several other directorships including Director of Bund Center Investments Ltd, Keppel Land Ltd, Sinarmas Land Ltd and Sabana Real Estate Investment Management Pte Ltd. Mr Shee is the Honorary Secretary and Committee Member of The Singapore Turf Club, a Fellow Member of the Singapore Institute of Directors and the Singapore Institute of Surveyors and Valuers. Mr Shee was conferred the Friend of Labour Award in 2009 by NTUC for his continuous support, dedication and significant contribution to the Labour Movement.

7. MR TAN KIAN HUAY
Director
Mr Tan provides strategic advisory to Senior Management and oversees the execution of projects undertaken by Mercatus. Mr Tan has over 40 years of experience in the building and construction industry, including serving as the Managing Director of Obayashi Singapore Pte. Ltd. from 1989 to 2004. He was also previously a director of NTUC Choice Homes Co-operative Ltd, NTUC Fairprice Co-operative Ltd and Jurong Health Services Pte Ltd. Mr Tan, a former President of the Singapore Institute of Building, is currently a fellow and was a former second Vice President of the Society of Project Managers.

Mr Tan was conferred the Friend of Labour Award in 2013 by NTUC for his continuous support, dedication and significant contribution to the Labour Movement.

8. MR KEN NG
Director
Mr Ng is currently the Deputy Chief Executive Officer and Chief Investment Officer of NTUC Enterprise Co-operative Limited. Prior to joining NTUC Enterprise in 2019, he was the Chief Executive of NTUC Income Insurance Co-operative Limited. Before joining NTUC Income, Mr Ng held various senior leadership positions in leading multinational insurers in Asia and has worked in the UK, Hong Kong, China and Singapore.

9. MR BENJAMIN TANG
Director
Mr Tang is an elected member of the NTUC Central Committee, as well as President of the Port Officers' Union, which represents all Professionals, Managers and Executives working in PSA. A Civil and Structural Engineering graduate of the Nanyang Technological University, he works as a Senior Manager in PSA, overseeing building development projects in the upcoming Tuas Megaport.

AUDIT & RISK COMMITTEE
Wong Heng Tew (Chairman)
Ng Eng Kiong
Willy Shee

INVESTMENT COMMITTEE
May Ng (Chairman)
Soong Hee Sang
Adeline Sum
Wong Heng Tew

ESTABLISHMENT COMMITTEE
May Ng (Chairman)
Adeline Sum
Willy Shee

MERCATUS STRATEGIC INVESTMENT MANAGEMENT BOARD COMMITTEE (MSIM)
Soong Hee Sang (Chairman)
Wong Heng Tew
Ken Ng
Tan Ser Joo (with effect from 1 July 2020)

Senior Management

1. MS TAN SER JOO

Chief Executive Officer

Appointed as Chief Executive Officer on 1 July 2020, Ms Tan leads the senior leadership team in Mercatus to achieve its long-term and sustainable growth objectives. Ms Tan joined Mercatus in 2016 and was most recently Managing Director, Commercial of Mercatus where she oversaw and led the asset enhancement initiatives, growth and operations of Mercatus' retail and office portfolios. In her role, Ms Tan had also scaled up the core capabilities of the asset and property management teams. She has over 25 years of real estate experience including property investment, asset management, property development, property management, leasing, marketing and property taxation and valuation. Having worked in Singapore and China, Ms Tan has held various senior positions including CEO of APM Property Management Pte Ltd, Executive director and Head of Investment & Asset Management of the trustee-manager of Perennial China Retail Trust and the Senior Vice President, Investment & Asset Management of Perennial Real Estate Pte Ltd. Prior to that, she was the Head of Investment & Asset Management and Senior Vice President of CapitaMalls Asia Limited and the Investment Manager of CapitaMall Trust Management Limited.

2. MS LOKE HUEY TENG

Managing Director, Finance & Strategic Development / Chief Financial Officer

Ms Loke has responsibility for the strategic planning, managing and running of core corporate functions, including financial reporting, treasury, risk management, legal, compliance and corporate communications. Ms Loke has over 20 years of experience in business development, investment, capital markets, corporate finance and accounting. Before Mercatus, she was the Chief Financial Officer of Mapletree Commercial Trust Management. She had served in different roles within the Mapletree Group since she joined them in May 2004 and was responsible for the public listing of two other Mapletree REITs. Prior to Mapletree, Ms Loke was with the PSA Corporation, and involved in international business development.

3. MR RAJAT MITTAL

Managing Director, Digital & Technology

Mr Mittal is responsible for leading the organisation's digital strategy and technology development. He has over two decades of experience delivering digital outcomes for organisations across advanced markets and emerging economies. In his previous role as the Digital Transformation Director at Cisco Systems, Mr Mittal worked with government bodies, infrastructure operators, and private sector organisations in developing new digital platforms, business models and industry ecosystems. Prior to his eight-year stint at Cisco Systems, he led consulting in areas of Product Strategy and Business Development for Wipro Technologies.

4. MR TEO YUNG FUNG

Managing Director, Investment

Mr Teo is responsible for overseeing the investment function and managing the performance and growth of the investment portfolio. Mr Teo has close to 25 years of investment experience. During which, he oversaw the private equity and real estate investment portfolios at NTUC Income for more than 10 years, leading the respective investment teams in executing and managing various investment strategies. Prior to joining NTUC Income, he was with Temasek Holdings, holding responsibilities in private equity fund investments. He was also with Rothschild Group, raising and managing various private equity investment funds.

5. MS ANNIE LEE

Managing Director, Commercial

Ms Lee oversees the group asset strategy, and is responsible for the growth and performance of the retail and office portfolios. She has over 22 years of real estate experience, with strong expertise in leasing, retail planning, asset management and property management. Before joining Mercatus, Ms Lee was Deputy CEO (Singapore) of Perennial Real Estate Holdings Pte Ltd where she oversaw the operations of Perennial's business in Singapore, which included the planning and implementation of policies, initiatives and operational systems. She was also involved in acquisitions, divestments, strategic development as well as overseas projects in Malaysia and Myanmar. Prior to that, Ms Lee was Vice President, Asset Management of GIC Real Estate Pte Ltd and also Head of Leasing (Singapore) of CapitaLand Retail Limited, where she was seconded to VivoCity as Senior Development Manager for more than two and a half years.

6. MS ELLINA CHIA

Director, Asset Management

Ms Chia is responsible for preserving and improving the long-term performance of properties through developing asset business plans and asset enhancement works for the retail and office portfolio. She has accumulated more than 23 years of real estate experience in lease administration, investment and asset management. Prior to joining Mercatus, she was the Vice President of Asset Management with CapitaLand where she was responsible for the overall asset performance, and development of One-North Star Vista project. During her tenure with CapitaLand, Ms Chia held various positions, including planning and managing of REIT and non-REIT Singapore assets. She also stationed in Japan for three years to manage a private retail fund, including a secondment to Lendlease Japan for 18 months to work on the acquisition of non-performing loans.

7. MS FRANCES SEETOH

Director, Finance

Ms Seetoh is responsible for financial and management accounting, consolidation, reporting and analysis for Mercatus Group of companies, joint ventures and third-party real estate portfolio. She has over 20 years of financial management experience, including financial and treasury operation management, reporting and analysis and strategic business planning. During her career, she has led business setups, transformations and integrations. Prior to joining Mercatus, Ms Seetoh was the Vice President, Business Planning and Analysis of Singapore Stock Exchange Limited.

8. MS JUNE ANG

Director, Retail Management Director, Retail & Portfolio Operations (with effect from 1 April 2021)

Ms Ang is responsible for the operational efficiency of the retail portfolio, which include overseeing the leasing, marketing communications and facilities management functions as well as the malls' management teams. Ms Ang has over 15 years of experience in real estate management with CapitaLand. She was seconded to China and India for two and a half years to set up new structure and processes for operating teams. In the last three years, she led the teams at Plaza Singapura and Atrium@Orchard in her role as the Vice President to complete asset enhancement and project development works.

9. MS SYNNETTE NG

Director, Human Resources

Ms Ng is responsible for human capital management and leadership development for the workforce. Ms Ng has over 15 years of Human Resources ("HR") experience in talent management, change leadership, organisation effectiveness, leadership development, and workforce engagement. Prior to Mercatus, Ms Ng was on the Asia Pacific leadership team of Diageo Global Travel Retail and led the HR strategies for both Asia commercial teams and global functions. During her earlier tenure at FedEx Express, she was the business partner to Singapore, Malaysia, and Indonesia markets. She also held the position of Asia Pacific Senior Industrial Psychologist, and was responsible for the development and delivery of organisational development outcomes.

FINANCIAL STATEMENTS

Directors' Statement

Year ended 31 December 2020

The Directors present this annual report to the members of the Co-operative together with the audited financial statements of the Co-operative for the financial year ended 31 December 2020.

In our opinion:

(a) the financial statements set out on pages 48 to 114 are drawn up in accordance with the provisions of the Co-operative Societies Act, Chapter 62 (the "Act") and Singapore Financial Reporting Standards, so as to give a true and fair view of the financial position of the Group and of the Co-operative as at 31 December 2020, and of the financial performance, changes in equity and cash flows of the Group and of the results and changes in equity of the Co-operative for the year ended on 31 December 2020;

(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, investment of moneys and acquisition and disposal of assets by the Co-operative during the year ended 31 December 2020 have been made in accordance with the By-Laws of the Co-operative and the provisions of the Act and the Rules (made under section 95 of the Act).

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

(A) DIRECTORS

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

May Ng Bee Bee	Chairman
Adeline Sum Wai Fun	Deputy Chairman
Tan Kian Huay	Director
Wong Heng Tew	Director
Soong Hee Sang	Director
Willy Shee Ping Yah	Director
Ng Eng Kiong	Director
Ken Ng Wai Kin	Director
Benjamin Tang Chun Wai	Director (Appointed on 27 May 2020)

(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 objects are, or one of whose objects is, to enable the Directors of the Co-operative to acquire benefits by means of the acquisition of shares in or debentures of the Co-operative or any other body corporate.

(C) DIRECTORS' INTERESTS

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

	Shareholdings registered in the name of Directors (including those held by their spouses and/or children)	
Name of Directors and Co-operative in which interests are held	**At beginning of the financial year**	**At end of the financial year**
NTUC Fairprice Co-operative Limited		
Adeline Sum Wai Fun	20	20
Willy Shee Ping Yah	1,259	1,259
Wong Heng Tew	52	52

(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

May Ng Bee Bee
Chairman

Wong Heng Tew
Director

16 April 2021

Independent Auditors' Report

Year ended 31 December 2020

Members of the Co-operative
Mercatus Co-operative Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of Mercatus Co-operative Limited ('the Co-operative') and its subsidiaries ('the Group'), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Co-operative as at 31 December 2020, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and statement of comprehensive income and statement of changes in equity of the Co-operative for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 48 to 114.

In our opinion, the accompanying consolidated financial statements of the Group and the 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 Group and the Co-operative as at 31 December 2020 and of the results, changes in equity and cash flows of the Group and of the results and changes in equity of the Co-operative for the year ended on that date.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

IMPAIRMENT ASSESSMENT OF INVESTMENT PROPERTIES ($3,776 MILLION AS AT 31 DECEMBER 2020) (REFER TO NOTE 5 TO THE FINANCIAL STATEMENTS)

The key audit matter	How the matter was addressed in our audit
The Group owns a portfolio of investment properties comprising retail and office units, constituting 77% of the total assets as at 31 December 2020. These properties are carried at cost less accumulated depreciation and impairment loss, and are subject to an annual review to assess whether or not they may be impaired. The Group engages external valuers to appraise the valuations of these properties, and uses such valuation reports to determine whether the properties are at risk of being impaired i.e. an indication of impairment is noted when the external valuation of the property is lower than the property's carrying amount. The properties at risk are then subject to a detailed impairment review whereby their recoverable amounts are estimated. The Group uses a combination of internal and external valuations in estimating the recoverable amount of its properties, which is determined to be the higher of the fair value less costs to sell and value-in-use of these properties. The fair values of the properties are determined based on the independent professional valuations undertaken using the direct comparison method, capitalisation approach and discounted cash flow approach, whereas the value-in-use estimates of the properties are derived from discounted cash flow forecasts prepared by management. The estimation of the recoverable amount of the properties involves the determination of valuation methodologies, and the use of estimates and assumptions. Changes to the estimates and assumptions may have a significant impact to the recoverable amounts. The valuers for certain properties have highlighted in their valuation reports that the real estate market has been impacted by the uncertainty that the Coronavirus Disease ("COVID-19") pandemic has caused and given the unprecedented set of circumstances on which to base a judgement, less certainty, and a higher degree of caution, should be attached to their valuations than would normally be the case. The valuer for certain properties has also recommended to keep the valuation of the properties under frequent review.	Where independent professional valuers are engaged to appraise the valuations of the Group's properties, we have assessed the appropriateness of the valuation methodologies and accompanying assumptions used by the valuers, taking into consideration available industry data and prevailing market conditions. For properties with indicators of impairment noted, we evaluated the methodologies and assumptions applied in the estimation of the properties' recoverable amount. These include comparing the key assumptions supporting management's value-in-use calculations, particularly the forecasted cash flows, discount rates, terminal growth rates, and average revenue growth to available market data. <u>Findings:</u> We found that the methodologies used by the external valuers were consistent with market practices and the assumptions applied were comparable to market data. The key assumptions supporting management's value-in-use calculations were also in line with the historical trends achieved on the properties, the Group's plans for the properties and available market data.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

OTHER INFORMATION

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

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

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

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

RESPONSIBILITIES OF MANAGEMENT AND DIRECTORS FOR THE FINANCIAL STATEMENTS

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

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

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless the law or regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

OPINION

In our opinion:

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

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

Independent Auditors' Report (Cont'd)
Year ended 31 December 2020

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS (CONT'D)

BASIS FOR OPINION

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

MANAGEMENT'S RESPONSIBILITY FOR COMPLIANCE WITH LEGAL AND REGULATORY REQUIREMENTS

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

AUDITORS' RESPONSIBILITY FOR THE COMPLIANCE AUDIT

Our responsibility is to express an opinion on management's compliance based on our audit of the financial statements. We planned and performed the compliance audit to obtain reasonable assurance about whether the receipt, expenditure, investment of 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 and the Rules (made under section 95 of the Act).

Our compliance audit includes obtaining an understanding of the internal control relevant to the receipt, expenditure, investment of 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 internal control system, non-compliances may nevertheless occur and not be detected.

The engagement partner on the audit resulting in this independent auditors' report is Lo Mun Wai.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
16 April 2021

Statements of Financial Position

As at 31 December 2020

	Note	Group 2020 $'000	Group 2019 $'000	Co-operative 2020 $'000	Co-operative 2019 $'000
Non-current assets					
Property, plant and equipment	4	4,442	3,636	2,050	1,741
Investment properties	5	3,775,567	3,835,009	–	–
Investment in subsidiaries	6	–	–	752,853	752,853
Investment in a joint venture	7	331,085	334,592	–	–
Other investments	8	260,000	455,000	–	–
		4,371,094	4,628,237	754,903	754,594
Current assets					
Other investments	8	195,000	–	–	–
Trade and other receivables	9	25,240	27,236	3,810,316	3,798,245
Cash and cash equivalents	10	335,333	212,511	258,872	165,562
		555,573	239,747	4,069,188	3,963,807
Assets held for sale	11	1,217	34,954	–	–
		556,790	274,701	4,069,188	3,963,807
Total assets		4,927,884	4,902,938	4,824,091	4,718,401
Non-current liabilities					
Loans and borrowings	12	1,974,905	1,855,186	1,974,905	1,855,186
Trade and other payables, including derivatives	13	55,191	42,556	20,887	6,677
		2,030,096	1,897,742	1,995,792	1,861,863
Current liabilities					
Loans and borrowings	12	279,960	419,888	279,960	419,888
Trade and other payables	13	82,945	87,993	199,684	130,948
		362,905	507,881	479,644	550,836
Total liabilities		2,393,001	2,405,623	2,475,436	2,412,699
Net assets		2,534,883	2,497,315	2,348,655	2,305,702
Equity					
Membership shares	14	1,912,014	1,856,976	1,912,014	1,856,976
Accumulated profits		93,354	98,245	74,554	71,007
Other reserves	15	384,710	396,692	362,087	377,719
Equity attributable to members of the Co-operative		2,390,078	2,351,913	2,348,655	2,305,702
Non-controlling interests		144,805	145,402	–	–
Total equity		2,534,883	2,497,315	2,348,655	2,305,702

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

Statements of Comprehensive Income

Year ended 31 December 2020

	Note	Group 2020 $'000	Group 2019 $'000	Co-operative 2020 $'000	Co-operative 2019 $'000
Revenue	16	225,879	262,798	44,995	32,682
Other income	17	30,660	15,851	*	47
Depreciation expense		(63,611)	(63,900)	(461)	(313)
Property tax		(21,895)	(23,554)	–	–
Staff costs		(23,134)	(23,498)	(8,631)	(8,968)
Maintenance fee expense		(14,189)	(14,222)	–	–
Other expenses		(30,210)	(27,184)	(7,927)	(5,448)
Finance income	18	12,634	12,665	104,186	124,960
Finance costs	18	(59,011)	(64,864)	(59,003)	(64,451)
Share of results of joint venture, net of tax		13,243	19,506	–	–
Profit before tax and contributions	19	70,366	93,598	73,159	78,509
Tax expense	20	(25)	(19)	–	–
Profit before contributions		70,341	93,579	73,159	78,509
Contributions to:					
- Central Co-operative Fund	21	2	(104)	–	(25)
- Singapore Labour Foundation	21	(15,922)	(16,616)	(14,574)	(15,649)
Profit for the year		54,421	76,859	58,585	62,835
Other comprehensive income					
Item that are or may be reclassified subsequently to profit or loss:					
Effective portion of changes in fair value of cash flow hedge		(15,632)	(5,227)	(15,632)	(5,227)
Total comprehensive income for the year		38,789	71,632	42,953	57,608
Profit attributable to:					
Members of the Co-operative		52,618	74,826	58,585	62,835
Non-controlling interests		1,803	2,033	–	–
		54,421	76,859	58,585	62,835
Total comprehensive income attributable to:					
Members of the Co-operative		36,986	69,599	42,953	57,608
Non-controlling interests	6	1,803	2,033	–	–
Total comprehensive income for the year		38,789	71,632	42,953	57,608

* *denotes amount less than $1,000*

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

Consolidated Statement of Changes In Equity

Year ended 31 December 2020

	Note	Attributable to members of the Co-operative				Non-controlling interests	Total equity
		Membership shares	Accumulated profits	Other reserves (Note 15)	Total		
		$'000	$'000	$'000	$'000	$'000	$'000
Group							
At 1 January 2019		1,803,627	81,613	398,268	2,283,508	143,562	2,427,070
Total comprehensive income for the year							
Profit for the year		–	74,826	–	74,826	2,033	76,859
Other comprehensive income							
Effective portion of changes in fair value of cash flow hedge		–	–	(5,227)	(5,227)	–	(5,227)
Total other comprehensive income		–	–	(5,227)	(5,227)	–	(5,227)
Total comprehensive income for the year		–	74,826	(5,227)	69,599	2,033	71,632
Transactions with members, recognised directly in equity							
Contributions by and distributions to members							
Issuance of bonus shares	14	53,349	(53,349)	–	–	–	–
Dividends paid		–	–	–	–	(1,458)	(1,458)
Total contributions by and distributions to members		53,349	(53,349)	–	–	(1,458)	(1,458)
Change in ownership interest in subsidiaries							
Capital contribution from non-controlling interest		–	–	–	–	71	71
Total change in ownership interest in subsidiaries		–	–	–	–	71	71
Total transactions with members		53,349	(53,349)	–	–	(1,387)	(1,387)
Transfers	15	–	(4,845)	3,651	(1,194)	1,194	–
At 31 December 2019		1,856,976	98,245	396,692	2,351,913	145,402	2,497,315

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

Consolidated Statement of Changes In Equity (Cont'd)

Year ended 31 December 2020

	Note	Attributable to members of the Co-operative				Non-controlling interests	Total equity
		Membership shares	Accumulated profits	Other reserves (Note 15)	Total		
		$'000	$'000	$'000	$'000	$'000	$'000
Group							
At 1 January 2020		1,856,976	98,245	396,692	2,351,913	145,402	2,497,315
Total comprehensive income for the year							
Profit for the year		–	52,618	–	52,618	1,803	54,421
Other comprehensive income							
Effective portion of changes in fair value of cash flow hedge		–	–	(15,632)	(15,632)	–	(15,632)
Total other comprehensive income		–	–	(15,632)	(15,632)	–	(15,632)
Total comprehensive income for the year		–	52,618	(15,632)	36,986	1,803	38,789
Transactions with members, recognised directly in equity							
Contributions by and distributions to members							
Issuance of bonus shares	14	55,038	(55,038)	–	–	–	–
Dividends paid		–	–	–	–	(1,194)	(1,194)
Total contributions by and distributions to members		55,038	(55,038)	–	–	(1,194)	(1,194)
Change in ownership interest in subsidiaries							
Disposal of controlling interest in subsidiary		–	–	–	–	(27)	(27)
Total change in ownership interest in subsidiaries		–	–	–	–	(27)	(27)
Total transactions with members		55,038	(55,038)	–	–	(1,221)	(1,221)
Transfers	15	–	(2,471)	3,650	1,179	(1,179)	–
At 31 December 2020		1,912,014	93,354	384,710	2,390,078	144,805	2,534,883

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

Statement of Changes in Equity

Year ended 31 December 2020

	Note	Membership shares $'000	Accumulated profits $'000	Capital reserve $'000	Hedging reserve $'000	Total equity $'000
Co-operative						
At 1 January 2019		1,803,627	61,521	384,821	(1,875)	2,248,094
Total comprehensive income for the year						
Profit for the year		–	62,835	–	–	62,835
Other comprehensive income						
Effective portion of changes in fair value of cash flow hedge		–	–	–	(5,227)	(5,227)
Total other comprehensive income		–	–	–	(5,227)	(5,227)
Total comprehensive income for the year		–	62,835	–	(5,227)	57,608
Transactions with members, recognised directly in equity						
Contributions by and distributions to members						
Issuance of bonus shares	14	53,349	(53,349)	–	–	–
Total contributions by and distributions to members		53,349	(53,349)	–	–	–
Total transactions with members		53,349	(53,349)	–	–	–
At 31 December 2019		1,856,976	71,007	384,821	(7,102)	2,305,702

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

Statement of Changes in Equity (Cont'd)

Year ended 31 December 2020

	Note	Membership shares $'000	Accumulated profits $'000	Capital reserve $'000	Hedging reserve $'000	Total equity $'000
Co-operative						
At 1 January 2020		1,856,976	71,007	384,821	(7,102)	2,305,702
Total comprehensive income for the year						
Profit for the year		–	58,585	–	–	58,585
Other comprehensive income						
Effective portion of changes in fair value of cash flow hedge		–	–	–	(15,632)	(15,632)
Total other comprehensive income		–	–	–	(15,632)	(15,632)
Total comprehensive income for the year		–	58,585	–	(15,632)	42,953
Transactions with members, recognised directly in equity						
Contributions by and distributions to members						
Issuance of bonus shares	14	55,038	(55,038)	–	–	–
Total contributions by and distributions to members		55,038	(55,038)	–	–	–
Total transactions with members		55,038	(55,038)	–	–	–
At 31 December 2020		1,912,014	74,554	384,821	(22,734)	2,348,655

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

Consolidated Statement of Cash Flows

Year ended 31 December 2020

	Note	Group 2020 $'000	Group 2019 $'000
Cash flows from operating activities			
Profit before tax and contributions		70,366	93,598
Adjustments for:			
Depreciation of property, plant and equipment	4	936	954
Depreciation of investment property	5	62,675	62,946
Gain on disposal of asset held for sale and investment property, net	17	(16,614)	(1,139)
Property, plant and equipment written off	19	110	409
Allowance for doubtful receivables and bad debt expense		1,349	–
Share of results of joint venture, net of tax	7	(13,243)	(19,506)
Finance income	18	(12,634)	(12,665)
Finance costs	18	59,011	64,864
Operating cash flows before changes in working capital		151,956	189,461
Changes in working capital:			
Trade and other receivables		(6,889)	(5,325)
Trade and other payables		(26,117)	(17,195)
Cash generated from operating activities		118,950	166,941
Tax paid		(7)	(12)
Net cash flows from operating activities		118,943	166,929
Cash flows from investing activities			
Additions of investment properties		(2,627)	(9,176)
Purchase of property, plant and equipment		(1,997)	(2,639)
Proceeds from disposal of asset held for sale and investment property		53,070	14,440
Grant received for property, plant and equipment and investment properties		289	288
Interest received		12,893	11,426
Dividend received from joint venture		24,000	31,500
Net cash flows from investing activities		85,628	45,839
Cash flows from financing activities			
Contribution from non-controlling interests		–	11
Dividend paid to non-controlling interests		(1,194)	(1,458)
Interest paid		(60,555)	(60,294)
Proceeds from loans and borrowings		620,000	500,000
Repayments of loans and borrowings		(640,000)	(655,000)
Net cash flows used in financing activities		(81,749)	(216,741)
Net increase/(decrease) in cash and cash equivalents		122,822	(3,973)
Cash and cash equivalents at beginning of the year		212,511	216,484
Cash and cash equivalents as at end of the year	10	335,333	212,511

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

Consolidated Statement of Cash Flows (Cont'd)

Year ended 31 December 2020

SIGNIFICANT NON-CASH TRANSACTIONS

In 2020, there was the following significant non-cash transaction:

- dividends declared were paid by issuing 55 million membership shares under a bonus issue (as set out in the Co-operative's By-Laws Section 12.2(d)) where 30 membership shares were issued for every 1,000 membership shares (note 14).

In 2019, there was the following significant non-cash transaction:

- dividends declared were paid by issuing 53 million membership shares under a bonus issue (as set out in the Co-operative's By-Laws Section 12.2(d)) where 30 membership shares were issued for every 1,000 membership shares (note 14).

The accompanying notes form an integral part of these 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 16 April 2021.

1 DOMICILE AND ACTIVITIES

Mercatus Co-operative Limited (the "Co-operative") is incorporated in Singapore and constituted under the Co-operative Societies Act (Chapter 62). The address of the Co-operative's registered office is No.1 Marina Boulevard, #15-01 One Marina Boulevard, Singapore 018989.

The Co-operative is a subsidiary of NTUC Enterprise Co-operative Limited ("NE"), which is also the holding co-operative.

The principal activity of the Co-operative is that of property owner, investment and real estate management, and investment holding. The principal activities of the subsidiaries are set out in note 6 to the financial statements.

The financial statements of the Group as at and for the year ended 31 December 2020 comprise the Co-operative and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interests in a joint venture.

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

Items included in the financial statements of the Group are measured using the currency that best reflects the economic substance of the underlying transactions, events and conditions relevant to that entity (the "functional currency").

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

2 BASIS OF PREPARATION (CONT'D)

2.4 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is described in note 5 – Impairment assessment of investment properties.

2.5 MEASUREMENT OF FAIR VALUES

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

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

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

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

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

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

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

Further information about the assumptions made in measuring fair values is included in Note 5 - Investment property.

2 BASIS OF PREPARATION (CONT'D)

2.6 CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendments to FRSs which are effective for the first time for the annual period beginning on 1 January 2020:

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

The Group has early adopted *Covid-19-Related Rent Concessions – Amendments to FRS 116* issued on 28 May 2020. The amendment introduces an optional practical expedient for leases in which the Group is a lessee i.e. for leases to which the Group applies the practical expedient, the Group is not required to assess whether the eligible rent concessions that are a direct consequence of the COVID-19 coronavirus pandemic are lease modifications. The Group has applied the amendment retrospectively. The amendment has no impact on accumulated profits at 1 January 2020. Details of the accounting policies are set out in note 3.13.

The adoption of these standards and amendments to standards did not have a material effect on the Group's financial statements.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except as disclosed in note 2.6.

The accounting policies have been applied consistently by Group entities.

3.1 BASIS OF CONSOLIDATION

(i) Business combinations

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group (see note ii). In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The Group measures goodwill at the acquisition date as:

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 BASIS OF CONSOLIDATION (CONT'D)

(i) Business combinations (cont'd)

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

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

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

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

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

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners and therefore no adjustments are made to goodwill and no gain or loss is recognised in profit or loss. Adjustments to NCI arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

(ii) Subsidiaries

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

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

(iii) Loss of control

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 BASIS OF CONSOLIDATION (CONT'D)

(iv) Investments in joint venture (equity-accounted investee)

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Investment in a joint venture is accounted for using the equity method and is recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the equity-accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that joint control commences until the date that joint control ceases.

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

(v) Transactions eliminated on consolidation

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

(vi) Accounting for subsidiaries and joint venture by the Co-operative

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

3.2 PROPERTY, PLANT AND EQUIPMENT

(i) Recognition and measurement

Construction work-in-progress are stated at cost less any accumulated impairment losses. Other items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset 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.

If significant 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(ii) 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.

No depreciation is charged for construction work-in-progress. Depreciation on other property, plant and equipment is recognised from the date that the property, plant and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

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

Furniture, fittings and equipment	3 to 10 years
Building improvements and renovation	5 to 10 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(iii) Subsequent costs

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

(iv) 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.

3.3 INVESTMENT PROPERTIES

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

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

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives at each component of investment properties. No depreciation is charged for investment properties under construction.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 INVESTMENT PROPERTIES (CONT'D)

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

Leasehold land	over remaining period of the lease of 99 years
Leasehold buildings and premises	50 years
Freehold 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 recognised in 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 FINANCIAL INSTRUMENTS

(i) Recognition and initial measurement

Non-derivative financial assets and financial liabilities

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

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

(ii) Classification and subsequent measurement

Non-derivative financial assets

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

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

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 FINANCIAL INSTRUMENTS (CONT'D)

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

Non-derivative financial assets (cont'd)

Debt investments at FVOCI

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

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

Equity investments at FVOCI

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

Financial assets at FVTPL

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

Financial assets: Business model assessment

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 FINANCIAL INSTRUMENTS (CONT'D)

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

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

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

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

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

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

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

<u>Financial assets at FVTPL</u>

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

<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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 FINANCIAL INSTRUMENTS (CONT'D)

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

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

<u>Debt investments at FVOCI</u>

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income (OCI). On derecognition, gains and losses accumulated in OCI are reclassified to 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 classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Directly attributable transaction costs are recognised in profit or loss as incurred.

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

(iii) Derecognition

Financial assets

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

The Group enters into transactions whereby it transfers assets recognised in its 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 FINANCIAL INSTRUMENTS (CONT'D)

(iii) Derecognition (cont'd)

Financial liabilities

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

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

(iv) Offsetting

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

(v) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. For the purpose of the statement of cash flows, bank overdrafts that are repayable on demand and that form an integral part of the Group's cash management are included in cash and cash equivalents.

(vi) Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge its interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value and any directly attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein recognised in profit or loss.

The Group designates certain derivative financial instruments as hedging instruments in qualifying hedging relationships.

At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Notes to The Financial Statements
Year ended 31 December 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 FINANCIAL INSTRUMENTS (CONT'D)

(vi) Derivative financial instruments and hedge accounting (cont'd)

Hedges directly affected by interest rate benchmark (IBOR) reform

For the purpose of evaluating whether there is an economic relationship between the hedged item(s) and the hedging instrument(s), the Group assumes that the benchmark interest rate is not altered as a result of IBOR reform.

The Group will cease to apply the specific policy for assessing the economic relationship between the hedged item and the hedging instrument (i) to a hedged item or hedging instrument when the uncertainty arising from IBOR reform is no longer present with respect to the timing and the amount of the interest rate benchmark-based cash flows of the respective item or instrument or (ii) when the hedging relationship is discontinued. For its highly probable assessment of the hedged item, the Group will no longer apply the specific policy when the uncertainty arising from IBOR reform about the timing and the amount of the interest rate benchmark-based future cash flows of the hedged item is no longer present, or when the hedging relationship is discontinued.

Cash flow hedges

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in interest rates.

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

When the hedged forecast transaction subsequently results in the recognition of a non-financial item, the amount accumulated in the hedging reserve is included directly in the initial cost of the non-financial item when it is recognised.

For all other hedged forecast transactions, the amount accumulated in the hedging reserve is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until, for a hedge of a transaction resulting in recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve are immediately reclassified to profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 IMPAIRMENT OF FINANCIAL ASSETS

(i) Non-derivative financial assets

The Group recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost.

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

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

Simplified approach

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

General approach

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 IMPAIRMENT OF FINANCIAL ASSETS (CONT'D)

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

Measurement of ECLs

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

Credit-impaired financial assets

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

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

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

Presentation of allowance for ECLs in the 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 Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Joint venture

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 IMPAIRMENT OF NON-FINANCIAL ASSETS

The carrying amounts of the Group's non-financial assets 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 to reduce the carrying amounts of the 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.

3.7 NON-CURRENT ASSETS HELD FOR SALE

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

3.8 EMPLOYEE BENEFITS

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which 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 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 PROVISIONS

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

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 year, 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.

3.10 MEMBERSHIP SHARES

Membership shares are classified as equity. Incremental costs directly attributable to the issue of membership shares are recognised as a deduction from equity.

3.11 GOVERNMENT GRANTS

Government grants are recognised when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant. For grants relating to acquisition of long-term assets, the grant received is off-set against the cost of the long-term assets and reduces future depreciation or amortisation expenses.

Grants that compensate the Group for expenses incurred are recognised in profit or loss as an offset against the related cost on a systematic basis in the periods in which the expenses are recognised, unless the conditions for receiving the grant are met after the related expenses have been recognised. In this case, the grant is recognised when it becomes receivable.

3.12 REVENUE

Rental income

Rental income from investment properties is recognised 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.

Management fee income

Management fee income from the provision of investment management, asset management and property management services are recognised when the services are rendered.

Dividend income

Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.13 LEASES

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

As a lessee

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

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

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

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses, except for right-of-use assets that meet the definition of investment property.

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

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

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

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

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Year ended 31 December 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.13 LEASES (CONT'D)

As a lessee (cont'd)

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

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

Short-term leases and leases of low-value assets

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

COVID-19 related rent concessions

The Group has applied *COVID-19 Related Rent Concessions – Amendment to FRS 116*. The Group applies the practical expedient allowing it not to assess whether eligible rent concessions that are a direct consequence of the COVID-19 pandemic are lease modifications. The Group applies the practical expedient consistently to contracts with similar characteristics and in similar circumstances. For rent concessions in leases to which the Group choose not to apply the practical expedient, or that do not qualify for the practical expedient, the Group assesses whether there is a lease modification.

As a lessor

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.13 LEASES (CONT'D)

As a lessor (cont'd)

If an arrangement contains lease and non-lease components, then the Group applies FRS 115 *Revenue from Contracts with Customers* to allocate the consideration in the contract.

The Group applies the derecognition and impairment requirements in FRS 109 *Financial Instruments* to the net investment in the lease (see note 3.5). The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Group recognises lease payments received from investment property under operating leases as income on a straight-line basis over the lease term as part of 'rental income'.

3.14 FINANCE INCOME AND FINANCE COSTS

Finance income comprises interest income on cash balances, investments in debt instruments and loans to subsidiaries. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings and amortisation of borrowing costs. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset or the amortised cost of the financial liability.

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

3.15 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 financial 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.15 TAX (CONT'D)

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

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

Deferred tax is not recognised for:

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

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting year, 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 tax rates and tax laws that have been enacted or substantively enacted by the reporting date, and reflects uncertainty related to income taxes, if any.

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

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

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

3.16 NEW STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

A number of new standards, amendments to standards and interpretations are not yet effective and have not been applied in preparing these financial statements. Based on a preliminary assessment, the adoption of these new accounting standards and interpretations are not expected to have a material impact on the Group's financial statements.

4 PROPERTY, PLANT AND EQUIPMENT

	Furniture, fittings and equipment $'000	Building improvements and renovation $'000	Construction in progress $'000	Total $'000
Group				
Cost				
At 1 January 2019	5,170	2,844	460	8,474
Additions	1,741	549	349	2,639
Disposals/written-off	(892)	(1,081)	–	(1,973)
Transfer	248	(248)	–	–
Reclassification to investment properties (see note 5)	–	–	(460)	(460)
Government grant received	(288)	–	–	(288)
At 31 December 2019	5,979	2,064	349	8,392
Additions	1,677	132	188	1,997
Disposals/written-off	(203)	(38)	–	(241)
Transfer	299	–	(299)	–
Reclassification to investment properties (see note 5)	–	–	(50)	(50)
Government grant received	(95)	–	–	(95)
At 31 December 2020	7,657	2,158	188	10,003
Accumulated depreciation				
At 1 January 2019	3,576	1,790	–	5,366
Depreciation for the year	682	272	–	954
Disposals/written-off	(804)	(760)	–	(1,564)
Transfer	73	(73)	–	–
At 31 December 2019	3,527	1,229	–	4,756
Depreciation for the year	762	174	–	936
Disposals/written-off	(113)	(18)	–	(131)
At 31 December 2020	4,176	1,385	–	5,561
Carrying amounts				
At 1 January 2019	1,594	1,054	460	3,108
At 31 December 2019	2,452	835	349	3,636
At 31 December 2020	3,481	773	188	4,442

4 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Furniture, fittings and equipment $'000	Building improvements and renovation $'000	Construction in progress $'000	Total $'000
Co-operative				
Cost				
At 1 January 2019	904	–	–	904
Additions	1,008	456	299	1,763
Disposals	(717)	–	–	(717)
At 31 December 2019	1,195	456	299	1,950
Additions	582	–	188	770
Disposals	(35)	–	–	(35)
Transfer	299	–	(299)	–
At 31 December 2020	2,041	456	188	2,685
Accumulated depreciation				
At 1 January 2019	566	–	–	566
Depreciation for the year	248	65	–	313
Disposals	(670)	–	–	(670)
At 31 December 2019	144	65	–	209
Depreciation for the year	370	91	–	461
Disposals	(35)	–	–	(35)
At 31 December 2020	479	156	–	635
Carrying amounts				
At 1 January 2019	338	–	–	338
At 31 December 2019	1,051	391	299	1,741
At 31 December 2020	1,562	300	188	2,050

5 INVESTMENT PROPERTIES

	Leasehold land	Leasehold buildings and premises	Freehold buildings and premises	Total
	$'000	$'000	$'000	$'000
Group				
Cost				
At 1 January 2019	2,674,632	1,354,863	19,300	4,048,795
Addition	–	9,176	–	9,176
Reclassification from construction in progress (note 4)	–	460	–	460
Adjustment	–	(701)	–	(701)
At 31 December 2019	2,674,632	1,363,798	19,300	4,057,730
Addition	–	6,453	–	6,453
Reclassification from construction in progress (note 4)	–	50	–	50
Disposal	–	(1,533)	–	(1,533)
Reclassification to assets held for sale (note 11)	–	(1,320)	–	(1,320)
Adjustment	–	(436)	–	(436)
Government grant received	–	(194)	–	(194)
At 31 December 2020	2,674,632	1,366,818	19,300	4,060,750
Accumulated depreciation				
At 1 January 2019	77,588	81,415	772	159,775
Depreciation for the year	32,747	29,813	386	62,946
At 31 December 2019	110,335	111,228	1,158	222,721
Depreciation for the year	32,309	30,366	–	62,675
Disposal	–	(110)	–	(110)
Reclassification to assets held for sale (note 11)	–	(103)	–	(103)
At 31 December 2020	142,644	141,381	1,158	285,183
Carrying amounts				
At 1 January 2019	2,597,044	1,273,448	18,528	3,889,020
At 31 December 2019	2,564,297	1,252,570	18,142	3,835,009
At 31 December 2020	2,531,988	1,225,437	18,142	3,775,567

5 INVESTMENT PROPERTIES (CONT'D)

Investment properties comprise a number of commercial properties that are leased to related parties and external customers. Each of the leases contains an initial non-cancellable period of between 1 to 9 years (2019: 1 to 9 years). Subsequent renewals are negotiated with the lessee. During the year, contingent rent of $6.8 million (2019: $6.6 million) was charged and recognised as rental income in profit or loss.

In November 2020, the Group sold one of its investment properties at S$2.0 million and recognised a net gain of $0.6 million (note 17).

The following amounts relating to the investment properties are recognised in the statement of comprehensive income:

	Group	
	2020	2019
	$'000	$'000
Rental income	216,698	248,240
Operating expenses	126,353	128,650

IMPAIRMENT ASSESSMENT

Management performed an annual review of the carrying amounts of investment properties for indicators of impairment. In 2020, an indicator of impairment was noted for one of the Group's investment properties. The recoverable amount of the investment property (determined to be the higher of fair value less costs to sell and value-in-use) was estimated using the value-in-use approach and was derived from discounted cash flow forecasts prepared by management. As at 31 December 2020, the recoverable amount of the investment property was determined to be higher than its carrying amount and no impairment of the property was required.

The same impairment assessment was performed on the investment property in 2019, with no impairment of the property required as at 31 December 2019.

DETERMINATION OF FAIR VALUE FOR DISCLOSURE

The Group adopts the cost model to measure the investment properties, and discloses their fair values. External and independent valuation companies, having appropriate recognised professional qualifications and recent experience in the locations and category of properties being valued, value the Group's investment properties.

The fair value of investment properties for the Group as at 31 December 2020 is $4,221 million (2019: $4,281 million). The valuations are carried out by Knight Frank Pte Ltd and Savills Valuation and Professional Services (S) Pte Ltd (2019: Jones Lang LaSalle Property Consultants Pte Ltd and Savills Valuation and Professional Services (S) Pte Ltd), which are firms of independent professional valuers.

5 INVESTMENT PROPERTIES (CONT'D)

DETERMINATION OF FAIR VALUE FOR DISCLOSURE (CONT'D)

The valuers have considered valuation techniques including the direct comparison method, the capitalisation approach, and the discounted cash flow approach in arriving at the fair value as at the reporting date. The direct comparison method involves the analysis of comparable sales of similar properties and adjusting the sales prices to that reflective of the investment properties. The capitalisation approach capitalises an income stream into a present value using revenue multipliers or single-year capitalisation rates. The discounted cash flow approach involves the estimation and the projection of an income stream over a period and discounting the income stream with an approximate rate of return.

The valuation techniques involve certain estimates. The key assumptions used to determine the fair value of investment properties include price per square foot, capitalisation rate, terminal yield, discount rate and average rental growth rate.

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

COVID-19 IMPACT

The valuers for certain properties have highlighted in their valuation reports that the real estate market has been impacted by the uncertainty that the Coronavirus Disease ("COVID-19") pandemic has caused and given the unprecedented set of circumstances on which to base a judgement, less certainty, and a higher degree of caution, should be attached to their valuations than would normally be the case. The valuer for certain properties has also recommended to keep the valuation of the properties under frequent review.

6 INVESTMENT IN SUBSIDIARIES

	Co-operative	
	2020	2019
	$'000	$'000
Investment in subsidiaries	752,853	752,853

During the financial year ended 31 December 2020, the shares in Mercatus Uno Pte. Ltd. and Mercatus Dos Pte. Ltd. were transferred from Mercatus Tres Pte. Ltd. to the Co-operative at a consideration of $2 each.

During the financial year ended 31 December 2019, the Co-operative incorporated 2 subsidiaries with a share capital of $200,000 each. The Co-operative also registered 2 limited liability partnerships with contributions of $1 million and $1.1 million, respectively.

6 INVESTMENT IN SUBSIDIARIES (CONT'D)

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

Name	Place of incorporation and business	Principal activities	Effective equity interest 2020 %	Effective equity interest 2019 %
Subsidiaries of the Co-operative				
Mercatus Tres Pte. Ltd. (formerly known as Mercatus Holdings Pte. Ltd.) [1] [7]	Singapore	Investment holding	100	100
Mercatus Alpha Co-operative Limited [1]	Singapore	Property owner	100[6]	100[6]
Mercatus Beta Co-operative Limited [1]	Singapore	Property owner	100[6]	100[6]
Mercatus Delta Co-operative Limited [1]	Singapore	Property owner	100[6]	100[6]
Mercatus Gamma Co-operative Limited [1]	Singapore	Property owner	100[6]	100[6]
Mercatus Epsilon Co-operative Limited [1]	Singapore	Property owner	100[6]	100[6]
Mercatus Zeta Co-operative Limited [1]	Singapore	Dormant	50	50
NTUC Choice Homes Co-operative Ltd [1]	Singapore	Investment holding	69.6	69.6
Mercatus Strategic Advisors LLP [5]	Singapore	Investment and real estate management	99	99
Mercatus Property Services Pte. Ltd. [1]	Singapore	Real estate management	100	100
Mercatus Uno Pte. Ltd. [2]	Singapore	Dormant	100[8]	–
Mercatus Dos Pte. Ltd. [2]	Singapore	Dormant	100[8]	–

6 INVESTMENT IN SUBSIDIARIES (CONT'D)

Name	Place of incorporation and business	Principal activities	Effective equity interest 2020 %	Effective equity interest 2019 %
Subsidiary of Mercatus Beta Co-operative Limited				
Thomson Plaza (Private) Limited [2]	Singapore	Dormant	100	100
Subsidiary of Mercatus Epsilon Co-operative Limited				
SMCP Pte. Ltd. [1]	Singapore	Carpark management and operation services	100	100
Subsidiaries of Mercatus Tres Pte. Ltd. (formerly known as Mercatus Holdings Pte. Ltd.)				
Mercatus Uno Pte. Ltd. [2]	Singapore	Dormant	-	100[8]
Mercatus Dos Pte. Ltd. [2]	Singapore	Dormant	-	100[8]
Subsidiary of NTUC Choice Homes Co-operative Ltd				
Choicehomes Investments Pte. Ltd. [1]	Singapore	Investment holding	69.6	69.6
Subsidiaries of Choicehomes Investments Pte. Ltd.				
Punggol Field EC Pte. Ltd. [1] [3] [4]	Singapore	Property development	-	41.8
Pasir Ris EC Pte. Ltd. [1] [3]	Singapore	Property development	41.8	41.8

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Year ended 31 December 2020

6 INVESTMENT IN SUBSIDIARIES (CONT'D)

Name	Place of incorporation and business	Principal activities	Effective equity interest 2020 %	Effective equity interest 2019 %
Subsidiary of Mercatus Strategic Advisors LLP				
Mercatus Strategic Investment Management LLP [5]	Singapore	Investment and real estate management	99	99
Subsidiary of Mercatus Property Services Pte. Ltd.				
MPSL Pte. Ltd. [1]	Singapore	Real estate management	100	100

(1) Audited by KPMG LLP Singapore
(2) Not required to be audited under the laws of country of incorporation
(3) Although the Group owns less than 50% of Punggol Field EC Pte. Ltd. and Pasir Ris EC Pte. Ltd., management has determined that the Group has control through the Board of Directors of these entities.
(4) The Company was liquidated on 31 January 2020.
(5) Incorporated in January 2019. Not required to be audited under the laws of country of incorporation.
(6) Each co-operative has 2 institutional members. The other member is NE which owns 10,000 shares.
(7) The company name change was effected on 20 May 2020.
(8) The shares have been transferred from Mercatus Tres Pte. Ltd. to the Co-operative on 14 February 2020

NON-CONTROLLING INTERESTS

The following subsidiary has non-controlling interests (NCI) that are material to the Group.

Name	Country of incorporation	Ownership interests held by NCI 2020 %	Ownership interests held by NCI 2019 %
NTUC Choice Homes Co-operative Limited ("NCH")	Singapore	30.4	30.4

6 INVESTMENT IN SUBSIDIARIES (CONT'D)

NON-CONTROLLING INTERESTS (CONT'D)

The following summarised financial information for the above subsidiary is prepared in accordance with FRS and the Group's accounting policies.

Group	NTUC Choice Homes Co-operative Limited $'000
2020	
Profit, representing total comprehensive income	5,908
Attributable to NCI:	
- Profit, representing total comprehensive income	1,803
Non-current assets	260,000
Current assets	213,015
Current liabilities	(1,508)
Net assets	471,507
Net assets attributable to NCI	144,737
Cash flow used in operating activities	(4,678)
Cash flow from investing activities	10,557
Cash flow used in financing activities	(3,928)
Net increase in cash and cash equivalents	1,951
2019	
Profit, representing total comprehensive income	6,341
Attributable to NCI:	
- Profit, representing total comprehensive income	2,033
Non-current assets	455,000
Current assets	16,097
Current liabilities	(1,542)
Net assets	469,555
Net assets attributable to NCI	145,402
Cash flow used in operating activities	(4,297)
Cash flow from investing activities	9,054
Cash flow used in financing activities	(4,190)
Net increase in cash and cash equivalents	567

7 INVESTMENT IN A JOINT VENTURE

	Group 2020 $'000	Group 2019 $'000
Investment in a joint venture	331,085	334,592

The Group has 50% (2019: 50%) interest in the ownership and voting rights in a joint venture, Gold Ridge Pte Ltd, that is held through a subsidiary. This joint venture is incorporated in Singapore and is a strategic venture in retail property investment. The Group jointly controls the venture with partners under a contractual agreement which requires unanimous consent for all major decisions over the relevant activities.

The following summarises the financial information of Gold Ridge Pte Ltd based on its financial statements prepared in accordance with FRS, and the Group's accounting policies.

	Gold Ridge Pte Ltd 2020 $'000	Gold Ridge Pte Ltd 2019 $'000
Revenue and other income	118,434	127,636
Profit from continuing operations and total comprehensive income for the year	26,485	39,012
Profit from continuing operations include:		
– Interest income	152	632
– Depreciation and amortisation	(21,623)	(21,508)
– Interest expense	(20,265)	(24,342)
– Income tax expense	(10,590)	(12,962)
Non-current assets	1,468,927	1,490,885
Current assets	55,327	56,942
Non-current liabilities	(834,962)	(840,451)
Current liabilities	(27,125)	(38,192)
Net assets	662,167	669,184
– Cash and cash equivalents	51,802	55,184
– Non-current financial liabilities (excluding deferred tax liabilities)	(824,250)	(830,021)
Group's interest in net assets of joint venture at beginning of the year	334,592	353,836
Dividends income for the year	(16,750)	(38,750)
Share of total comprehensive income	13,243	19,506
Carrying amount of interest in joint venture at end of the year	331,085	334,592

7 INVESTMENT IN A JOINT VENTURE (CONT'D)

The joint venture leases out investment properties in Singapore under operating leases. The following table sets out the maturity analysis of the Group's share of lease receivables, showing the undiscounted lease payments to be received after the reporting date.

	Group	
	2020	2019
	$'000	$'000
2020		
Less than one year	45,228	43,028
One to two years	33,356	26,942
Two to three years	12,196	14,400
Three to four years	3,797	4,195
Four to five years	968	887
Total	95,545	89,452

8 OTHER INVESTMENTS

	Group	
	2020	2019
	$'000	$'000
Non-current		
Debt investments – at amortised cost	260,000	455,000
Current		
Debt investments – at amortised cost	195,000	–
Total	455,000	455,000

Included in the debt investments classified as at amortised cost are the Group's investments in unquoted bonds issued by the holding co-operative, NE. The terms and conditions of the outstanding debt investments classified as at amortised cost are as follows:

Nominal interest rate (%)	Interest payments	Year of maturity	Group 2020 $'000	Group 2019 $'000
(i) 2.25%	Annually	2021	100,000	100,000
(ii) 2.40%	Annually	2021	75,000	75,000
(iii) 2.30%	Annually	2021	20,000	20,000
(iv) 2.30%	Annually	2022	260,000	260,000
			455,000	455,000

Information about the Group's exposure to credit and market risks, and fair value measurement, is included in note 24.

9 TRADE AND OTHER RECEIVABLES

	Group		Co-operative	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Trade receivables				
- external parties	4,855	1,859	–	44
- related parties	132	2,266	35	–
Allowance for doubtful receivables	(1,331)	–	–	–
	3,656	4,125	35	44
Interest receivable	5,672	5,931	–	207
Loans to subsidiaries:				
- Measured at amortised cost	–	–	294,000	294,000
- Measured at FVTPL	–	–	3,503,479	3,503,479
Grant receivable	302	–	302	–
Other receivables	14,606	16,666	12,158	150
	24,236	26,722	3,809,974	3,797,880
Prepayments	1,004	514	342	365
	25,240	27,236	3,810,316	3,798,245

Loans to subsidiaries are unsecured, repayable on demand and comprise the following:

(a) $294 million (2019: $294 million) with a weighted average interest of 2.79% (2019: 2.78%) per annum during the year; and

(b) $3,503 million (2019: $3,503 million) with the interest calculated based on (i) 6.5% (2019: 6.5%) of the shareholders' loan amount or (ii) 99% of the subsidiaries' net surplus (2019: 99% of the subsidiaries' net surplus) of each financial year, whichever amount is lower.

10 CASH AND CASH EQUIVALENTS

	Group		Co-operative	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Cash at bank	334,429	47,181	258,872	24,562
Fixed deposits	904	165,330	–	141,000
	335,333	212,511	258,872	165,562

11 ASSETS HELD FOR SALE

(a) In May 2018, the Group received a notice of compulsory acquisition from Singapore Land Authority (SLA) for one of its leasehold investment properties. The carrying value of the investment property at 31 December 2019 was $35 million. The compulsory acquisition was completed in March 2020 at a consideration of $51 million and the Group recognised a net gain of $16 million.

(b) In December 2020, the Group entered into a sale and purchase agreement with an external party to sell one of its leasehold investment properties at $2 million, subject to authority's approval. The carrying value of the investment property as at 31 December 2020 was $1.2 million. The Group expects to recognise a gain of approximately of $0.8 million upon completion of the sale.

12 LOANS AND BORROWINGS

	Group		Co-operative	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Non-current				
Unsecured bank loans	1,426,397	1,406,473	1,426,397	1,406,473
Unsecured fixed rate notes	548,508	448,713	548,508	448,713
	1,974,905	1,855,186	1,974,905	1,855,186
Current				
Unsecured bank loans	279,960	419,888	279,960	419,888

Terms and conditions of outstanding loans and borrowings are as follows:

	Nominal interest rate	Year of maturity	Face value	Carrying amount
	%		$'000	$'000
Group				
2020				
Unsecured bank loans	SOR[1]+Margin	2021-2026	1,218,000	1,216,457
Unsecured bank loans	SIBOR[3]+Margin	2021	40,000	40,000
Unsecured bank loans	2.38% - 2.64%	2021-2022	450,000	449,900
Unsecured fixed rate notes	2.80% - 3.28%	2024-2030	550,000	548,508
			2,258,000	2,254,865
2019				
Unsecured bank loans	SOR[1]+Margin	2020-2025	1,278,000	1,276,592
Unsecured bank loans	COF[2]+Margin	2020-2023	100,000	99,969
Unsecured bank loans	2.38% - 2.64%	2021-2022	450,000	449,800
Unsecured fixed rate notes	2.80% - 3.28%	2024-2028	450,000	448,713
			2,278,000	2,275,074

12 LOANS AND BORROWINGS (CONT'D)

	Nominal interest rate	Year of maturity	Face value	Carrying amount
	%		$'000	$'000
Co-operative				
2020				
Unsecured bank loans	SOR[1]+Margin	2021-2026	1,218,000	1,216,457
Unsecured bank loans	SIBOR[3]+Margin	2021	40,000	40,000
Unsecured bank loans	2.38% - 2.64%	2021-2022	450,000	449,900
Unsecured fixed rate notes	2.80% - 3.28%	2024-2030	550,000	548,508
			2,258,000	2,254,865
2019				
Unsecured bank loans	SOR[1]+Margin	2020-2025	1,278,000	1,276,592
Unsecured bank loans	COF[2]+Margin	2020-2023	100,000	99,969
Unsecured bank loans	2.38% - 2.64%	2021-2022	450,000	449,800
Unsecured fixed rate notes	2.80% - 3.28%	2024-2028	450,000	448,713
			2,278,000	2,275,074

(1) *Swap Offer Rate*
(2) *Bank's cost of funds*
(3) *Singapore Interbank Offered Rate*

UNSECURED FIXED RATE NOTES

On 24 January 2019 and 23 January 2020, the Co-operative issued unsecured fixed rate notes of $100 million at 3.28% per annum and $100 million at 3.08% per annum respectively, under the $1,000 million Multicurrency Medium Term Note Programme ("MTN"). The notes mature in 2025 and 2030 respectively and interest is repayable semi-annually from the date of issuance.

INTEREST RATE SWAPS

The Group entered into interest rate swaps with a counter party to provide fixed rate funding for unsecured bank loans. Details of the interest rate swaps are set out in note 24.

12 LOANS AND BORROWINGS (CONT'D)

RECONCILIATION OF MOVEMENTS OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

	Loans and borrowings $'000	Interest rate swaps used for hedging – liabilities (Note 13) $'000	Interest payable* $'000	Total $'000
Group				
Balance as at 1 January 2019	2,429,814	(1,875)	9,093	2,437,032
Changes from financing cash flows				
Interest paid	–	–	(60,294)	(60,294)
Proceeds from loans and borrowings	500,000	–	–	500,000
Repayment of loans and borrowings	(655,000)	–	–	(655,000)
Total changes from financing cash flows	(155,000)	–	(60,294)	(215,294)
Interest expense	–	–	63,812	63,812
Change in fair value	–	(5,227)	–	(5,227)
Others	260	–	–	260
Balance as at 31 December 2019	2,275,074	(7,102)	12,611	2,280,583
Balance as at 1 January 2020	2,275,074	(7,102)	12,611	2,280,583
Changes from financing cash flows				
Interest paid	–	–	(60,555)	(60,555)
Proceeds from loans and borrowings	620,000	–	–	620,000
Repayment of loans and borrowings	(640,000)	–	–	(640,000)
Total changes from financing cash flows	(20,000)	–	(60,555)	(80,555)
Interest expense	–	–	57,875	57,875
Change in fair value	–	(15,632)	–	(15,632)
Others	(209)	–	–	(209)
Balance as at 31 December 2020	2,254,865	(22,734)	9,931	2,242,062

* *Included as part of trade and other payables.*

13 TRADE AND OTHER PAYABLES, INCLUDING DERIVATIVES

	Group		Co-operative	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Advance rental	2,605	2,637	–	–
Rental and other deposits	58,872	58,129	–	–
Interest payable on loans and borrowings	9,931	12,611	9,931	12,611
Amounts due to subsidiaries	–	–	165,014	96,894
Accrued expenses	20,620	26,094	6,090	4,299
Deferred grant income	473	–	110	–
Other payables	6,875	6,913	2,091	1,045
Derivative financial liability	22,734	7,102	22,734	7,102
Contribution payable to:				
- Central Co-operative Fund	102	103	25	25
- Singapore Labour Foundation	15,924	16,960	14,576	15,649
	138,136	130,549	220,571	137,625
Trade and other payables				
Current	82,945	87,993	199,684	130,948
Non-current	55,191	42,556	20,887	6,677
	138,136	130,549	220,571	137,625

AMOUNTS DUE TO SUBSIDIARIES

The amounts due to subsidiaries are non-trade related, unsecured, interest-free and repayable on demand.

14 MEMBERSHIP SHARES

	Group and Co-operative			
	2020		2019	
	No. of shares ('000)	$'000	No. of shares ('000)	$'000
Issued and fully paid membership shares, at par value of $1 each:				
In issue at 1 January	1,856,976	1,856,976	1,803,627	1,803,627
Issued during the year	55,038	55,038	53,349	53,349
At 1 January and 31 December	1,912,014	1,912,014	1,856,976	1,856,976

The shares are held by 3 members.

In 2020, dividends declared were paid by issuing 55 million membership shares under a bonus issue (as set out in the Co-operative's By-Laws Section 12.2(d)) where 30 membership shares were issued for 1,000 membership shares.

14 MEMBERSHIP SHARES (CONT'D)

In 2019, dividends declared were paid by issuing 53 million membership shares under a bonus issue (as set out in the Co-operative's By-Laws Section 12.2(d)) where 30 membership shares were issued for every 1,000 membership shares.

RIGHTS OF MEMBERS

(a) The Board shall have the right at any time after the cessation of membership to redeem the Ordinary Shares of such Member unless such shares shall have been transferred pursuant to Section 5.4 of the Co-operative's By-Laws.

(b) Subject to the provisions of the By-Laws, the value of the shares payable to a Member upon the withdrawal of his shares shall not be more than the nominal value of the shares or the net asset value of the shares based on the last audited balance sheet of the Co-operative, whichever is the less after deducting any sums due from the member to the Co-operative, as at the date of the withdrawal.

(c) In accordance with Section 4.5 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 Co-operative;

(ii) nominate candidates for election or to be co-opted to office, subject to the provisions of the Act and the By-Laws;

(iii) be represented by delegates, subject to the provisions of the Act and the By-Laws;

(iv) participate and vote at General Meetings; and

(v) enjoy all other rights, privileges and benefits as prescribed by the By-Laws.

(d) A Member whose name appears on the books of the Society on the last day of the financial year shall be eligible to dividends on shares and bonus shares when declared subject always to the restrictions imposed on the payment of dividends in the Rules (made under section 95 of the Act) and the By-Laws.

(e) 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 (made under section 95 of the Act) or in the By-Laws for any period during which no dividend or patronage refund was in fact paid.

CAPITAL RISK MANAGEMENT POLICIES AND OBJECTIVES

The Co-operative manages its capital to ensure that it will be able to continue as going concern and invests in quality assets at a fair rate of return and largely capital protected. The Co-operative makes adjustments to its capital structure, taking into account changes in economic conditions. To maintain or adjust the capital structure, the Co-operative may adjust the dividend payment to shareholders or return capital to members.

The Group and the Co-operative's overall strategy remains unchanged during the year.

Notes to The Financial Statements
Year ended 31 December 2020

15 OTHER RESERVES

	Group		Co-operative	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Capital reserve	386,457	386,457	384,821	384,821
Asset replacement reserve	18,253	14,603	–	–
Hedging reserve	(22,734)	(7,102)	(22,734)	(7,102)
Dividend reserve	2,734	2,734	–	–
	384,710	396,692	362,087	377,719

The movement of other reserves of the Group is as follows:

	Capital reserve	Asset replacement reserve	Hedging reserve	Dividend reserve	Total
	$'000	$'000	$'000	$'000	$'000
Group					
At 1 January 2019	386,457	10,952	(1,875)	2,734	398,268
Other comprehensive income					
Effective portion of changes in fair value of cash flow hedge	–	–	(5,227)	–	(5,227)
Total other comprehensive income	–	–	(5,227)	–	(5,227)
Total comprehensive income for the year	–	–	(5,227)	–	(5,227)
Transfers	–	3,651	–	–	3,651
At 31 December 2019 and 1 January 2020	386,457	14,603	(7,102)	2,734	396,692
Other comprehensive income					
Effective portion of changes in fair value of cash flow hedge	–	–	(15,632)	–	(15,632)
Total other comprehensive income	–	–	(15,632)	–	(15,632)
Total comprehensive income for the year	–	–	(15,632)	–	(15,632)
Transfers	–	3,650	–	–	3,650
At 31 December 2020	386,457	18,253	(22,734)	2,734	384,710

15 OTHER RESERVES (CONT'D)

CAPITAL RESERVE

Capital reserve arose from the following:

(i) acquisition of investment properties in relation to the past property restructuring exercise; and
(ii) acquisition of a subsidiary and the subsequent acquisition of additional interest in the subsidiary, representing the excess of the fair value of the membership shares issued over the par value of the membership shares issued in satisfaction of the purchase consideration.

ASSET REPLACEMENT RESERVE

The asset replacement reserve was established to meet the replacement and renewal expenses for building, plant and equipment owned and managed by the Group.

HEDGING RESERVE

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss as the hedged cash flows or items affect profit or loss.

DIVIDEND RESERVE

This relates to the Group's share of the dividend reserve of a subsidiary which has established a separate dividend reserve for the proposed final exempt dividend to its shareholders at its next annual general meeting.

16 REVENUE

	Group		Co-operative	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Rental income from investment properties*	216,698	248,240	–	–
Management fee income	3,482	3,075	30,261	29,949
Dividend income	–	–	14,734	2,733
Others	5,699	11,483	–	–
	225,879	262,798	44,995	32,682

* *Included rental rebates (over and above the government cash grants under the Rental Relief Framework and the passing down of property tax rebates under the Resilience and Fortitude Budget) of approximately $31.6 million given to tenants to cushion the impact of the COVID-19 pandemic during the year ended 31 December 2020.*

Notes to The Financial Statements
Year ended 31 December 2020

17 OTHER INCOME

	Group		Co-operative	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Gain on disposal of asset held for sale and investment property, net	16,614	1,139	–	–
Managing agent fee income	4,408	5,550	–	–
Government grants	1,905	–	–	–
Others	7,733	9,162	*	47
	30,660	15,851	*	47

* *denotes amount less than $1,000*

Government grant income

During the year, the Group received $9.2 million (2019: Nil) cash grants from the Singapore Government under the Rental Relief Framework. Of this amount, the Group has passed on $7.3 million (2019: Nil) to eligible tenants.

18 FINANCE INCOME AND FINANCE COSTS

	Group		Co-operative	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Finance income				
Interest income under the effective interest method, arising from financial assets measured at amortised cost:				
- Loans to subsidiaries	–	–	8,196	8,281
- Fixed deposits and bank balances	2,129	2,454	128	879
- Debt instruments – unquoted bonds	10,505	10,109	–	–
- Others	–	102	–	–
	12,634	12,665	8,324	9,160
Interest income from financial assets carried at FVTPL – loans to subsidiaries	–	–	95,862	115,800
Total finance income	12,634	12,665	104,186	124,960
Finance costs				
Interest expense and borrowing costs on financial liabilities measured at amortised cost:				
- Bank loans	42,270	51,326	42,270	50,913
- Medium Term Notes	16,733	13,538	16,733	13,538
- Others	8	–	–	–
	59,011	64,864	59,003	64,451

19 PROFIT BEFORE TAX AND CONTRIBUTIONS

Included in profit before tax and contributions are the following items:

	Group		Co-operative	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Property, plant and equipment written off	110	409	–	47
Allowance for doubtful receivables	1,331	–	–	–
Included in staff costs:				
- defined contribution plans	2,034	1,878	529	552

The Group has been awarded government grants under the Jobs Support Scheme which is a wage subsidy programme introduced in Singapore in response to the COVID-19 pandemic. The grant income of $2.9 million (2019: Nil) was recognised in profit or loss as an offset against the related wages and salaries for local employees.

During the year, the Group received property tax rebates amounting to $21.0 million (2019: Nil) from the Singapore Government. Of this amount, the Group has passed on $20.2 million (2019: Nil) to eligible tenants.

20 TAX EXPENSE

	Group	
	2020	2019
	$'000	$'000
Current tax		
Current year	25	11
Under provision in respect of previous year	–	8
	25	19
Reconciliation of effective tax rate		
Profit before tax and contributions	70,366	93,598
Share of results of associate and joint venture	(13,243)	(19,506)
	57,123	74,092
Tax calculated using Singapore tax rate of 17% (2019: 17%)	9,711	12,596
Exempt income*	(11,176)	(14,089)
Non-deductible expenses	1,489	1,504
Under provision in respect of previous year	–	8
Others	1	–
	25	19

* *Includes income of any co-operative society registered under the Co-operative Societies Act, Chapter 62, which is exempted from income tax under Section 13 (1)(f)(ii) of the Singapore Income Tax Act, Chapter 134.*

21 CONTRIBUTIONS TO CENTRAL CO-OPERATIVE FUND AND SINGAPORE LABOUR FOUNDATION

In accordance with Section 71(2)(a) of the Act, all co-operatives under the Group contributes 5% of the first $0.5 million of its surplus resulting from the operations during the year to the Central Co-operative Fund.

In accordance with Section 71(2)(b) of the Act, all co-operatives under the Group have opted to contribute 20% of its surplus (excluding capital gains arising from the disposal of any office premises and shares) in excess of $0.5 million from the operations to the Singapore Labour Foundation.

22 LEASES

A. LEASES AS LESSEE

The Group and Co-operative lease office space, common areas and equipment with contract terms of one month to ten years. These leases are short-term and/or leases of low-value items. The Group and Co-operative have elected not to recognise right-of-use assets and lease liabilities for these leases.

Amounts recognised in profit or loss

	2020	2019
	$'000	$'000
Group		
Expenses relating to short-term leases	368	553
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	189	166
Co-operative		
Expenses relating to short-term leases	551	527
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	116	75

The total cash outflow for leases recognised in the consolidated statement of cash flows is $557,000 (2019: $719,000).

B. LEASES AS LESSOR

The Group leases out its investment property consisting of its owned commercial properties and strata-titled units (see note 5). All leases are classified as operating leases from a lessor perspective.

Operating lease

The Group leases out its investment properties. The Group has classified these leases as operating leases because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Note 5 sets out information about the operating leases of investment property.

Rental income recognised by the Group during 2020 was $217 million (2019: $248 million).

23 COMMITMENTS

(I) OPERATING LEASE COMMITMENTS

a) Leases as lessor

The Group leases out investment properties in Singapore under operating leases. The following table sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date.

	Group	
	2020	2019
	$'000	$'000
Less than one year	200,064	217,677
One to two years	112,301	155,073
Two to three years	64,590	71,178
Three to four years	30,070	35,771
Four to five years	22,834	19,841
More than five years	183,768	200,242
Total	613,627	699,782

(II) CAPITAL COMMITMENT

The Group had capital commitment of $20 million (2019: $12 million) in relation to asset enhancement initiatives of the investment properties.

24 FINANCIAL INSTRUMENTS

OVERVIEW

The Group has exposure to the following risks from its activities:

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

This note presents information about the Group's exposure to each of the above risks, and the Group's objectives, policies and processes for measuring and managing the risk.

24 FINANCIAL INSTRUMENTS (CONT'D)

RISK MANAGEMENT FRAMEWORK

The Group's overall risk management strategy seeks to minimise adverse effects from the volatility of financial markets on the Group's financial performance.

The Board of Directors of the Co-operative are responsible for setting the objectives and underlying principles of financial risk management for the Group. The management then establishes the detailed policies such as authority levels, oversight responsibilities, risk identification and measurement, and exposure limits, in accordance with the objectives and underlying principles approved by the Board of Directors.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risk.

(I) CREDIT RISK

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and debt investments. The Group has a credit policy in place which establishes credit limits for tenants and monitor their balances on an ongoing basis. Credit evaluation are performed on all tenants requiring credit over a certain amount.

The carrying amounts of trade and other receivables, other investments and cash and cash equivalents represent the Group's and the Co-operative's maximum exposure to credit risk. Cash and cash equivalents are placed in banks and financial institutions which are regulated.

The Group and the Co-operative have no significant concentration of credit risk, except for the loans to subsidiaries by the Co-operative.

Impairment loss

Expected credit loss assessment (ECL)

The Group uses an allowance matrix to measure the ECLs of trade receivables from individual customers. ECL is calculated based on actual credit loss experience over the past three years, and adjusted for differences between economic conditions during the period over which the historic data has been collected, current market conditions and the Group's view of economic conditions over the expected lives of the receivables.

Impairment loss on financial assets recognised in profit and loss were as follows:

	2020	2019
	$'000	$'000
Recognition of expected credit losses on trade receivables	1,331	–

24 FINANCIAL INSTRUMENTS (CONT'D)

(I) CREDIT RISK (CONT'D)

Impairment loss (cont'd)

Exposure to credit risk

	Gross carrying amount $'000	Allowance for doubtful receivables $'000
2020		
Current and past due less than 30 days	2,486	(613)
Past due 30 – 60 days	285	(12)
Past due more than 60 days	2,216	(706)
	4,987	(1,331)
2019		
Current and past due less than 30 days	3,169	–
Past due 30 – 60 days	120	–
Past due more than 60 days	836	–
	4,125	–

Movements in the allowance for doubtful receivables are as follows:

	Group	
	2020 $'000	2019 $'000
At 1 January	–	–
Allowance made	1,331	–
At 31 December	1,331	–

Trade receivables that are individually credit-impaired at the balance sheet date relate to debtors that have defaulted on payments. Based on the Group's historical experience of the collection of trade receivables, management believes that there is no additional credit risk beyond those which have been provided for.

24 FINANCIAL INSTRUMENTS (CONT'D)

(I) CREDIT RISK (CONT'D)

Impairment loss (cont'd)

Debt investments

The Group invests in bonds issued by the holding co-operative, NTUC Enterprise Co-operative Limited, of $455 million (2019: $455 million) (note 8). Impairment on the bonds has been measured on the 12-month expected loss basis which reflects the low credit risk of the exposure. There is no impairment allowance on these bonds.

Cash and cash equivalents

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

Derivatives

The derivatives are entered into with bank and financial institution counterparties, with sound credit ratings. As at the reporting date, the Group and the Co-operative have entered into interest rate swaps with a total notional amount of $960 million (2019: $855 million).

Amounts due from subsidiaries, including loans to subsidiaries

The Co-operative has balances owing from its subsidiaries of $294 million (2019: $294 million). These balances include amounts lent to subsidiaries to satisfy funding requirements. 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 negligible.

(II) LIQUIDITY RISK

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

24 FINANCIAL INSTRUMENTS (CONT'D)

(II) LIQUIDITY RISK (CONT'D)

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

	Carrying amount $'000	Contractual cash flows $'000	Cash flows Within 1 year $'000	Cash flows More than 1 year $'000
Group				
2020				
Non-derivative financial liabilities				
Trade and other payables*	112,295	(112,295)	(77,991)	(34,304)
Loans and borrowings	2,254,865	(2,610,807)	(520,127)	(2,090,680)
	2,367,160	(2,723,102)	(598,118)	(2,124,984)
Derivative financial liability				
Interest rate swaps used for hedging (net-settled)	22,734	(25,339)	(10,944)	(14,395)
2019				
Non-derivative financial liabilities				
Trade and other payables*	120,810	(120,810)	(84,931)	(35,879)
Loans and borrowings	2,275,074	(2,459,320)	(474,235)	(1,985,085)
	2,395,884	(2,580,130)	(559,166)	(2,020,964)
Derivative financial liability				
Interest rate swaps used for hedging (net-settled)	7,102	(4,487)	(2,155)	(2,332)

* *Excludes advance rental, deferred grant income, interest rate swaps and tax liabilities*

24 FINANCIAL INSTRUMENTS (CONT'D)

(II) LIQUIDITY RISK (CONT'D)

	Carrying amount $'000	Contractual cash flows $'000	Cash flows Within 1 year $'000	Cash flows More than 1 year $'000
Co-operative				
2020				
Non-derivative financial liabilities				
Trade and other payables*	197,727	(197,727)	(197,727)	–
Loans and borrowings	2,254,865	(2,610,807)	(520,127)	(2,090,680)
	2,452,592	(2,808,534)	(717,854)	(2,090,680)
Derivative financial liability				
Interest rate swaps used for hedging (net-settled)	22,734	(25,339)	(10,944)	(14,395)
2019				
Non-derivative financial liabilities				
Trade and other payables*	130,523	(130,523)	(130,523)	–
Loans and borrowings	2,275,074	(2,459,320)	(474,235)	(1,985,085)
	2,405,597	(2,589,843)	(604,758)	(1,985,085)
Derivative financial liability				
Interest rate swaps used for hedging (net-settled)	7,102	(4,487)	(2,155)	(2,332)

* *Excludes advance rental, deferred grant income, interest rate swaps and tax liabilities*

24 FINANCIAL INSTRUMENTS (CONT'D)

(III) MARKET RISK – CASH FLOW AND INTEREST RATE RISKS

Market risk is the risk that changes in market prices will affect the Group's profit or loss, 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.

Interest rate risk

The Group seeks to maintain an efficient and optimal interest cost structure using a mix of fixed and variable interest rate instruments. The Group's exposure to interest rates arises mainly from variable bank borrowings. The Group manages these interest rates using floating-to-fixed interest rate swaps.

Where used, interest rate derivatives are classified as cash flow hedges and stated at fair value within the Group's statement of financial position.

The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the reference interest rates, tenors, repricing dates and maturities and the notional or par amounts. If a hedging relationship is directly affected by uncertainty arising from interest rate benchmark reform, then the Group assumes for this purpose that the benchmark interest rate is not altered as a result of interest rate benchmark reform.

The Group assesses whether the derivative designated in each hedging relationship is expected to be effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

In these hedge relationships, the main sources of ineffectiveness are:

- the effect of the counterparty and the Group's own credit risk on the fair value of the swaps, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in interest rates; and
- differences in repricing dates between the swaps and the borrowings

Hedging relationships that are impacted by interest rate benchmark reform may experience ineffectiveness because of a timing mismatch between the hedged item and the hedging instrument regarding interest rate benchmark reform transition. For further details, see 'Managing IBOR reform and associated risks' below.

Managing IBOR reform and associated risks

Overview

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform'). The Group has exposures to IBORs on its financial instruments that will be replaced or reformed as part of these market-wide initiatives. There is uncertainty over the timing and the methods of transition for replacing the existing benchmark IBORs with alternative rates. In Singapore, the transition of the two key Singapore Dollar interest rate benchmarks that are widely referenced in financial contracts, namely Singapore interbank offered rates (SIBORs) and Singapore swap offer rates (SORs) to the Singapore Overnight Rate Average (SORA), is also ongoing.

24 FINANCIAL INSTRUMENTS (CONT'D)

(III) MARKET RISK – CASH FLOW AND INTEREST RATE RISKS (CONT'D)

Interest rate risk (cont'd)

Managing IBOR reform and associated risks (cont'd)

Overview (cont'd)

Management monitors and manages the transition to alternative rates. The management evaluates the extent to which contracts reference IBOR cash flows, whether such contracts will need to be amended as a result of IBOR reform and how to manage communication about IBOR reform with counterparties.

Derivatives

The Group holds interest rate swaps for risk management purposes which are designated in cash flow hedging relationships. The interest rate swaps have floating legs that are indexed to SOR. The Group's derivative instruments are governed by contracts based on the International Swaps and Derivatives Association (ISDA)'s master agreements. On 14 January 2021, the Group signed up to adhere to the IBOR Fallbacks Protocol launched by ISDA in October 2020, which allows the Group's existing interest rate swap contracts to reference the Fallback Rate when the existing IBOR ceases. No derivative instruments have been modified as at 31 December 2020.

Hedge accounting

The Group has evaluated the extent to which its cash flow hedging relationships are subject to uncertainty driven by IBOR reform as at the reporting date. The Group's hedged items and hedging instruments continue to be indexed to IBOR benchmark rates. IBOR continues to be used as a reference rate in financial markets and is used in the valuation of instruments with maturities that exceed the expected end date for IBOR. In Singapore, SIBOR and SOR continue to be used as reference rates in financial markets and are used in the valuation of instruments with maturities that exceed the expected end date for SIBOR and SOR. The Group applies the amendments to FRS 109 issued in December 2019 to those hedging relationships directly affected by IBOR reform.

The Group's SOR cash flow hedging relationships extend beyond the anticipated cessation date for IBOR. For derivative transactions, the IBOR Fallbacks Protocol stated that the Fallback Rate will be triggered when there is a permanent discontinuation of SOR. In addition, the Fallback Rate will be the primary fallback rate for legacy SOR corporate loans. As such, the Group does not expect the transition to the Fallback Rate to impact the hedging relationship, for example its effectiveness assessment and highly probable assessment.

The Group has measured its hedging instruments indexed to Singapore-dollar SOR using available quoted market rates for SOR-based instruments of the same tenor and similar maturity and has measured the cumulative change in the present value of hedged cash flows attributable to changes in SOR on a similar basis.

The Group's exposure to SOR designated in a hedging relationship is limited to a notional amount of $960 million at 31 December 2020 (2019: $855 million) attributable to the interest rate swaps hedging SOR cash flows on the Group's SGD bank loans maturing between 30 June 2022 to 29 May 2026 (2019: 30 June 2020 to 27 June 2025).

24 FINANCIAL INSTRUMENTS (CONT'D)

(III) MARKET RISK – CASH FLOW AND INTEREST RATE RISKS (CONT'D)

Interest rate risk (cont'd)

Managing IBOR reform and associated risks (cont'd)

Exposure to interest rate risk

At the reporting date, the profile of the variable interest-bearing financial instruments is as follows:

	Group Carrying amount		Co-operative Carrying amount	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Variable rate instruments				
Cash at bank	334,429	47,181	258,872	24,562
Loans to subsidiaries	–	–	3,503,479	3,503,479
Loans and borrowings^	(296,457)	(521,561)	(296,457)	(521,561)
	37,972	(474,380)	3,465,894	3,006,480

^ *Excludes the $960 million (2019: $855 million) term loans which are hedged by the interest rate swaps*

Cash flow sensitivity analysis for variable rate instruments

The Group's financial assets and liabilities at variable rates for which effective hedges have not been entered into are denominated in Singapore Dollars. If the Singapore Dollar interest rates increase/decrease by 0.5% with other variables held constant, the profit/(loss) before tax and contributions will increase/(decrease) by the amounts as follows:

	Profit/(Loss) before tax and contributions			
	2020		2019	
	Increase by 0.50%	Decrease by 0.50%	Increase by 0.50%	Decrease by 0.50%
	$'000	$'000	$'000	$'000
Group				
Variable rate instruments				
- Cash at bank	1,672	(1,672)	236	(236)
- Loans and borrowings	(1,482)	1,482	(2,608)	2,608
	190	(190)	(2,372)	2,372

24 FINANCIAL INSTRUMENTS (CONT'D)

(III) MARKET RISK – CASH FLOW AND INTEREST RATE RISKS (CONT'D)

Cash flow sensitivity analysis for variable rate instruments (cont'd)

	Profit/(Loss) before tax and contributions			
	2020		2019	
	Increase by 0.50%	Decrease by 0.50%	Increase by 0.50%	Decrease by 0.50%
	$'000	$'000	$'000	$'000
Co-operative				
Variable rate instruments				
- Cash at bank	1,294	(1,294)	123	(123)
- Loans and borrowings	(1,482)	1,482	(2,608)	2,608
	(188)	188	(2,485)	2,485

Variation in interest receivable on the loans to subsidiaries is dependent on the net surplus of the subsidiaries of each financial year, instead of interest rate changes. Accordingly, loans to subsidiaries are not included in the above sensitivity analysis.

Hedge accounting – cash flow hedges

The Group hedges its exposure to changes in interest rates of its variable rate borrowings by entering into interest rate swaps with notional contract amount of $960 million (2019: $855 million) whereby it receives variable rates equal to the Singapore swap offer rate on the notional amount and pays fixed interest rate between 0.55% to 2.20% (2019: 1.55% to 2.20%) per annum. The hedges are in place for a 1 to 6 years (2019: 2 to 5 years) tenure to years 2021 to 2026 (2019: 2020 to 2024).

There was no hedge ineffectiveness recognised in the Group's profit or loss in 2020 and 2019. Accordingly, the changes in the value of the hedging instruments of $15.6 million (2019: $5.2 million) were recognised in the Group's other comprehensive income and recognised in equity as part of hedging reserve.

(IV) 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.

Notes to The Financial Statements
Year ended 31 December 2020

24 FINANCIAL INSTRUMENTS (CONT'D)

(IV) ACCOUNTING CLASSIFICATIONS AND FAIR VALUES (CONT'D)

31 December 2020	Note	Financial assets at amortised cost $'000	Financial assets at fair value through profit or loss $'000	Fair value – hedging instruments $'000	Other financial liabilities $'000	Total carrying amount $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total fair value $'000
Group										
Financial assets not measured at fair value										
Cash and cash equivalents	10	335,333	–	–	–	335,333				
Trade and other receivables*	9	24,236	–	–	–	24,236				
Debt investments – at amortised cost	8	455,000	–	–	–	455,000				
		814,569	–	–	–	814,569				
Financial liabilities not measured at fair value										
Loans and borrowings	12	–	–	–	2,254,865	2,254,865	575,183	1,709,855	–	2,285,038
Trade and other payables^	13	–	–	–	112,295	112,295				
		–	–	–	2,367,160	2,367,160				
Financial liabilities measured at fair value										
Interest rate swaps used for hedging	13	–	–	22,734	–	22,734	–	22,734	–	22,734
Co-operative										
Financial assets not measured at fair value										
Cash and cash equivalents	10	258,872	–	–	–	258,872				
Loans to subsidiaries	9	294,000	–	–	–	294,000				
Trade and other receivables*	9	12,495	–	–	–	12,495				
		565,367	–	–	–	565,367				
Financial assets measured at fair value										
Loans to subsidiaries	9	–	3,503,479	–	–	3,503,479	–	3,503,479	–	3,503,479
Financial liabilities not measured at fair value										
Loans and borrowings	12	–	–	–	2,254,865	2,254,865	575,183	1,709,855	–	2,285,038
Trade and other payables^	13	–	–	–	197,727	197,727				
		–	–	–	2,452,592	2,452,592				
Financial liabilities measured at fair value										
Interest rate swaps used for hedging	13	–	–	22,734	–	22,734	–	22,734	–	22,734

^ *Excludes advance rental, deferred grant income, interest rate swaps and tax liabilities*
* *Excludes prepayment*

Notes to The Financial Statements
Year ended 31 December 2020

24 FINANCIAL INSTRUMENTS (CONT'D)

(IV) ACCOUNTING CLASSIFICATIONS AND FAIR VALUES (CONT'D)

31 December 2019	Note	Financial assets at amortised cost $'000	Financial assets at fair value through profit or loss $'000	Fair value – hedging instruments $'000	Other financial liabilities $'000	Total carrying amount $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total fair value $'000
Group										
Financial assets not measured at fair value										
Cash and cash equivalents	10	212,511	–	–	–	212,511				
Trade and other receivables*	9	26,722	–	–	–	26,722				
Debt investments – at amortised cost	8	455,000	–	–	–	455,000				
		694,233	–	–	–	694,233				
Financial liabilities not measured at fair value										
Loans and borrowings	12	–	–	–	2,275,074	2,275,074	453,069	1,823,844	–	2,276,913
Trade and other payables^	13	–	–	–	120,810	120,810				
		–	–	–	2,395,884	2,395,884				
Financial liabilities measured at fair value										
Interest rate swaps used for hedging	13	–	–	7,102	–	7,102	–	7,102	–	7,102
Co-operative										
Financial assets not measured at fair value										
Cash and cash equivalents	10	165,562	–	–	–	165,562				
Loans to subsidiaries	9	294,000	–	–	–	294,000				
Trade and other receivables*	9	401	–	–	–	401				
		459,963	–	–	–	459,963				
Financial assets measured at fair value										
Loans to subsidiaries	9	–	3,503,479	–	–	3,503,479	–	3,503,479	–	3,503,479
Financial liabilities not measured at fair value										
Loans and borrowings	12	–	–	–	2,275,074	2,275,074	453,069	1,823,844	–	2,276,913
Trade and other payables^	13	–	–	–	130,523	130,523				
		–	–	–	2,405,597	2,405,597				
Financial liabilities measured at fair value										
Interest rate swaps used for hedging	13	–	–	7,102	–	7,102	–	7,102	–	7,102

^ *Excludes advance rental, interest rate swaps and tax liabilities*
* *Excludes prepayment*

24 FINANCIAL INSTRUMENTS (CONT'D)

(IV) ACCOUNTING CLASSIFICATIONS AND FAIR VALUES (CONT'D)

The following table shows the valuation techniques used in measuring Level 2 fair values.

Type	Valuation technique
Group	
Loans and borrowings	The fair value is calculated based on discounted cash flows using a risk-adjusted discount rate.
Interest rate swaps	The fair value is based on banks' quotes
Loans to subsidiaries	The fair value is calculated based on discounted cash flows which approximates the carrying amount.

In 2020 and 2019, there were no transfers between the different levels of the fair value hierarchy.

25 RELATED PARTY TRANSACTIONS

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

	Group		Co-operative	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Rental, advertising and promotion income from related entities	51,251	50,112	–	–
Management fee income from related entities	7,866	2,652	30,261	29,949
Maintenance, rental and training expenses to related entities	(11,974)	(6)	(621)	(531)
Management fees paid to related entities	(5,622)	(2,731)	(5,566)	(2,678)
Rebates (granted to)/received from related entities	(6,255)	–	25	–

25 RELATED PARTY TRANSACTIONS (CONT'D)

KEY MANAGEMENT PERSONNEL REMUNERATION

Key management personnel compensation comprised:

	Group		Co-operative	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Short-term benefits	2,792	2,547	2,792	2,547
Post-employment benefits (including CPF)	102	70	102	70
Directors' fees	273	267	221	227
	3,167	2,884	3,115	2,844

26 COMPARATIVE INFORMATION

During the year, the Group and the Co-operative reclassified management fee income and dividend income (for the Co-operative only) from "other income" to "revenue". The reclassification was undertaken to better reflect the revenue of the principal activities of the Group and the Co-operative. Accordingly, the comparative information had been restated to conform with current year's presentation.

The effect of the reclassification is set out below:

	As previously reported	Reclassification	As restated
	$'000	$'000	$'000
Group			
Revenue	259,723	3,075	262,798
Other income	18,926	(3,075)	15,851
Company			
Revenue	–	32,682	32,682
Other income	32,729	(32,682)	47

The reclassification had no impact on the consolidated statement of financial position, consolidated statement of changes in equity and consolidated statement of cashflows for the Group and the statement of financial position and statement of changes in equity for the Co-operative for the comparative period presented and the opening statement of financial position of the Group and the Co-operative as at 1 January 2019.

27 COVID-19

The Group has been closely monitoring the COVID-19 outbreak since early 2020, given the disruptions and uncertainty that it has globally. As at the date of this report, management has considered substantially the available information in its assessment of the impact of COVID-19 on the Group. However, as the situation continues to evolve, the full impact of COVID-19 on the Group in the medium-to-longer term cannot be ascertained. Given the unprecedented COVID-19 situation, management will continue to monitor the situation and take the appropriate measures to deal with the implications of COVID-19 in accordance with guidelines, regulations and legislations provided by the authorities in Singapore.

28 SUBSEQUENT EVENT

In March 2021, the Group entered into an agreement to acquire an indirect 30% interest in an Australia Trust that owns a premium grade office building in the central business district of Sydney, Australia. The Group's share of the consideration for the acquisition is Australian Dollars 375 million. The completion of the acquisition is subject to fulfilment of conditions precedent which includes obtaining regulatory approval from the relevant authority in Australia.

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