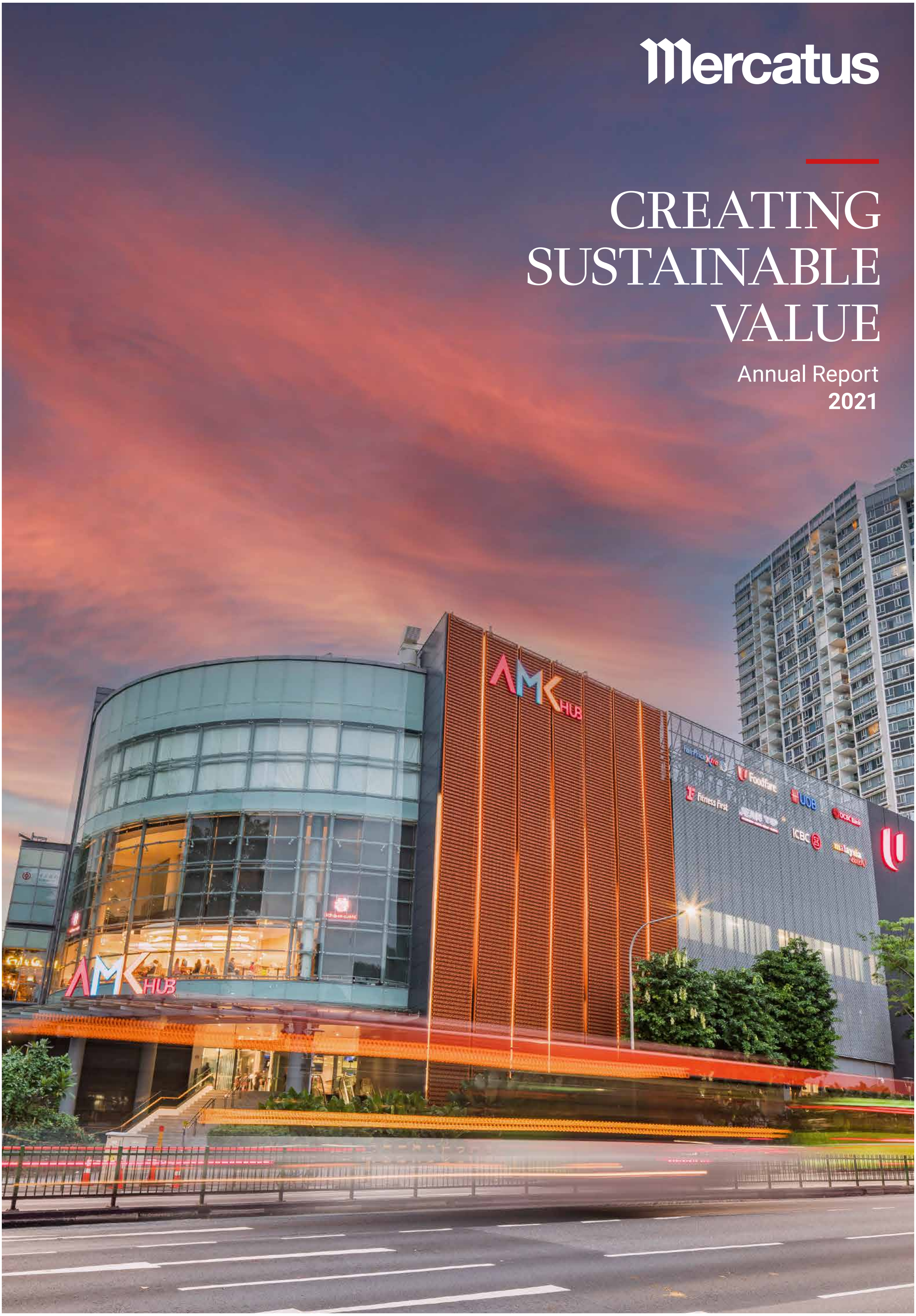
Mercatus

CREATING SUSTAINABLE VALUE

Annual Report
2021



2021 was a year of significance for Mercatus. Amidst the ongoing pandemic and the uncertain economic landscape, we celebrated our 10th anniversary and harnessed opportunities to expand our geographical footprint. Creating sustainable value remains a key goal for us, as we steer our growth path towards continued success in the years ahead.

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. With more than S$10 billion of assets under management, our portfolio includes commercial assets in Singapore and Sydney, Australia. As one of the largest mall owners by floor space in Singapore, we own and manage strategically-located retail malls – AMK Hub, Jurong Point and Swing By @ Thomson Plaza, and co-own NEX. We also own strata-titled assets within retail malls and at heartland sites in various locations across Singapore, and a 31-storey Grade A office building (One Marina Boulevard) – that houses multinational corporations as well as NTUC and its social enterprises dedicated to serving the community's needs. We are committed to growing sustainably by expanding our current portfolio of commercial real estate both locally and globally.

01. *AMK Hub*
02. *Jurong Point*
03. *NEX*
04. *One Marina Boulevard*
05. *Swing By @ Thomson Plaza*
06. *Strata-titled Assets*
07. *1 Bligh (Sydney, Australia)*

Contents

Celebrating 10 Years

We have come a long way since our journey began in May 2011. Born out of the consolidation of all real estate assets owned by the National Trade Union Congress ("NTUC"), the Singapore Labour Foundation ("SLF") and their affiliated unions, we spearheaded a cohesive real estate strategy for NTUC Enterprise ("NE") through our ownership and management of a portfolio of commercial properties. By providing social enterprises with access to commercial space, we strived to generate long-term sustainable returns for the Labour Movement.

Mercatus, a word with Latin origins, refers to a place where one gathers for the purposes of commerce or marketplace as we know it. Merging our social enterprise background with our footing in the real estate industry, we seek to create "Hubs of Daily Life" in the heartlands linked to transit hubs for communities to gather, interact, and fulfil their lifestyle needs.

2014 saw us moving into our first office at One Marina Boulevard, sharing office space with SLF and NTUC Choice Homes. As our business grew, we moved again subsequently before settling into our current space in 2019.

After acquiring our first property – AMK Hub in November 2011, our diversified portfolio has grown from strength to strength from the asset size of S$600 million then to more than S$10 billion in assets under management today.

Our Logo

The Mercatus logo reflects its real estate linkage, with the visual of the letter "M" being made up of an abstract representation of buildings. The colour red exudes the brand's warmth, dynamism and pioneering spirit.

The secondary graphic – Line Block, which is also developed from the "M" visual, resembles an engraving on a block and represents the long-lasting impact of the brand on society as it grows sustainably through the years.

Mercatus

To mark the momentous occasion of Mercatus' 10th anniversary, we launched a series of celebratory events in June including the inaugural 10 out of 10 awards in recognition of employees who are Most Reliable, Most Collaborative and Most Innovative. A NETS Flashpay card was also specially commissioned to serve as a momento and token of appreciation to employees and stakeholders.

As the Mercatus team expanded over the years, so did the strong M spirit.

Not forgetting our colleagues on the ground who have worked tirelessly to serve the community, we put together a special anniversary carepack to convey our heartfelt thanks.

Poised to ride out the challenges brought about by the pandemic, the next 10 years will see Mercatus working in partnership with its stakeholders to create a brighter, more sustainable future together.

Our Core Values

Mercatus' company culture is shaped by our core values, which not only make up our organisational identity but also drives us forward in achieving our business objectives.

Promote fairness and equality

Uphold Integrity
in the work we do, the decisions we make and what we practise

Build teamwork and collaboration

Value People, Value Outcome
by being inclusive, open and to respect constructive feedback

Develop agility, practise continuous learning and be innovative

Be Enterprising
with a winning mindset, the courage to decide, act and take ownership, while embracing changes

Business Strategy

Investment Management

Create value and deliver growth by

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

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

Sustainability

Embrace sustainable principles by

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

Year in Review

January 2021

- Launched revamped multi-concept enclave at Swing By @ Thomson Plaza, along with interactive digital tree known as "The Canopy", injecting a new sense of vibrancy to the mall.

March 2021

- Obtained S$900 million green loan from DBS, OCBC Bank and UOB, through joint venture entity Gold Ridge Pte. Ltd. to refinance NEX, a BCA Green Mark Gold^Plus building. This is Gold Ridge's maiden green loan and marks its first foray into sustainable finance.
- Signed Sales and Purchase agreement, in partnership with Dexus of Australia, to acquire a 33.3% interest in 1 Bligh, a 29-storey office building located in Sydney's CBD, for A$375 million. The acquisition was completed in July 2021, and marked Mercatus' first acquisition outside Singapore.

June 2021

- Marked Mercatus' 10th anniversary with employees via a series of celebratory events, including the launch of the inaugural 10 out of 10 awards to recognise employees' achievements.
- Invested A$79 million in Brookfield Place, a 27-storey commercial tower in Sydney for an effective stake of 7.6%.

July 2021

- Launched Smart Locker #OTOT (Own Time Own Target) initiative in Jurong Point and AMK Hub, to provide convenient collection service for shoppers' online purchases.
- Secured its third Green Loan of S$200 million from DBS Bank to refinance existing loan relating to Jurong Point, a BCA Green Mark Platinum building.

August 2021

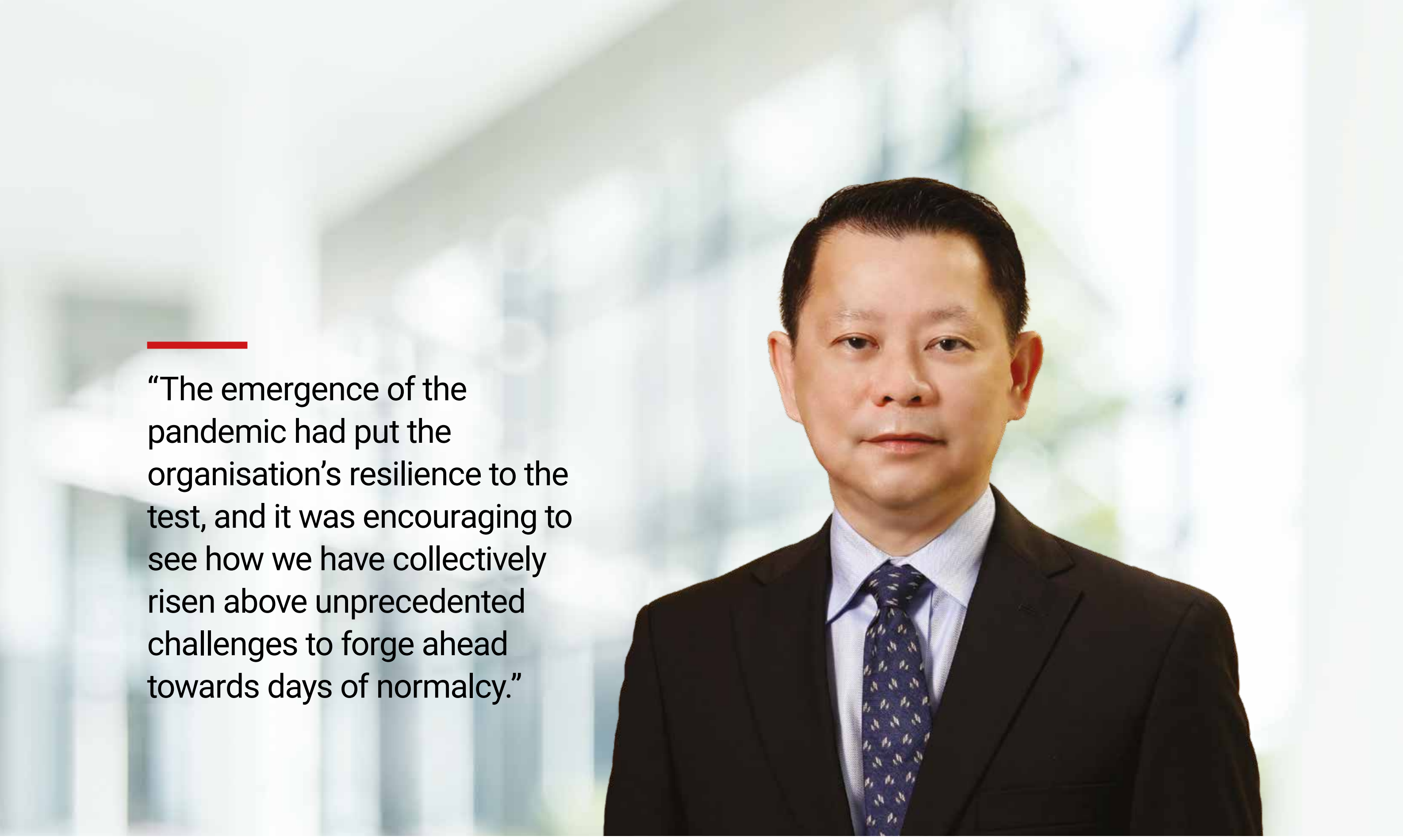
- Divested strata-titled asset located at 505 Bishan Street 11 for S$8 million.
- Received a A$250 million green loan from OCBC Bank in Singapore to partially finance Mercatus' acquisition of its effective 30% interest in 1 Bligh, marking its first green loan denominated in a foreign currency (Australian dollars) and its fourth green loan under its Sustainable Finance Framework.

Spot the brightly coloured #OTOT lockers at AMK Hub and Jurong Point, which shoppers can use to collect their online purchases from our tenants.

The Canopy injected a new vibrancy to Swing By @ Thomson Plaza, while the new Upper Thomson MRT Station brought more traffic to the enclave.

A S$900 million green loan was obtained to refinance NEX, which was awarded BCA Green Mark Gold^Plus certification early last year.

Chairman's Statement



"The emergence of the pandemic had put the organisation's resilience to the test, and it was encouraging to see how we have collectively risen above unprecedented challenges to forge ahead towards days of normalcy."

Dear Members,

Mercatus has come a long way since its incorporation in 2011, ten years ago. The emergence of the pandemic had put the organisation's resilience to the test, and it was encouraging to see how we have collectively risen above unprecedented challenges to forge ahead towards days of normalcy. It was also heartening to witness how our people, especially those on the frontline, demonstrated immense grit and adaptability, as we supported each other through one obstacle after another.

IMPROVING FINANCIAL RESILIENCE

While the effects of the pandemic continue to impact businesses and our stakeholders, we delivered a promising performance in 2021, having registered total revenue of S$270.5 million (an increase of 5.5% from S$256.5 million in 2020), and net surplus after tax and before contribution of S$96.8 million (an increase of 37.7% from S$70.3 million in 2020).

We made significant strides this year to reinforce our position as a diversified real estate investor, through two acquisitions in Sydney, Australia. We partnered with Dexus, one of Australia's largest owners and managers of office properties, and acquired a 33.3% interest in 1 Bligh – an iconic premium-grade, 29-storey building located in Sydney's Central Business District – for A$375 million. We also invested A$79 million in Brookfield Place, another commercial tower in Sydney for an effective stake of 7.6%.

As at December 2021, the combined valuation of Mercatus' owned assets had grown to S$5.6 billion, an increase of 7.7% from S$5.2 billion as at December 2020. Our portfolio is now made up of 92% Singapore assets and 8% Australia assets, and further diversified with 81% being retail and 19% being office assets. We are in a sound financial position, owning a portfolio of resilient assets.

STANDING UNITED WITH TENANTS

With many of our tenants adversely impacted by the various COVID-19 measures and restrictions, we had reached out to them with targeted rental, operational and marketing support to help them tide over this difficult time. Together, we have navigated through evolving Safe Management Measures as well as disruptions to our supply chain and manpower.

Mercatus has committed to uphold the Code of Conduct (CoC) for the Leasing of Retail Premises in Singapore, which was launched on 1 June 2021. This includes compliance with the Fair Tenancy Framework, the use of CoC compliant lease agreements for new leases in our retail portfolio, as well as the sharing of sales data by trade category with our tenants.

We will continue to seek out ways in which to collaborate with our tenants towards a stronger landlord-tenant relationship.

SERVING CUSTOMERS BETTER

We continue to enhance the value of our assets as social spaces for communities to connect. During the year, we completed asset enhancement initiatives for both AMK Hub and Jurong Point. Phase 2 of AMK Hub's asset enhancement works had significantly improved the visibility of shopfronts on Level 2, while a more vibrant Basement 1 emerged with new low-height kiosks, together with a wider array retail and F&B options. Jurong Point's appeal as a retail destination was further boosted with its newly re-configured main atrium which offers greater flexibility in layout to cater to varying event needs.

S$270.5 Million
Total Revenue

S$96.8 Million
Net Surplus After Tax and Before Contribution

70%
of Our People are SISEU Members

The Customer Service Counter at AMK Hub was relocated from Basement 1 to Level 2 in April 2021 to further enhance shoppers' experience.

CHAIRMAN'S STATEMENT

M Privileges members can tap on the enhanced M Malls application to enjoy a seamless experience when earning rewards at our malls.

Since the commencement of the Thomson-East Coast Line in August 2021, Swing By @ Thomson Plaza has witnessed more shoppers visiting to check out what the enclave has to offer. "The Canopy", the 7-metre interactive digital tree located near Patisserie G and other F&B options at level 1, continues to delight shoppers with its vibrant imagery and engaging content.

We have rolled our new enhancements to the M Mall application to improve shoppers' experience, garnering positive outcomes for tenants. We also supported our tenants through collaborations such as flash deals to promote tenants' offerings, as well as rewards via the M Privileges loyalty programme. Third-party collaboration with partners such as NEX had also contributed to an increase in M Privileges membership by 30% to almost 170,000 members today.

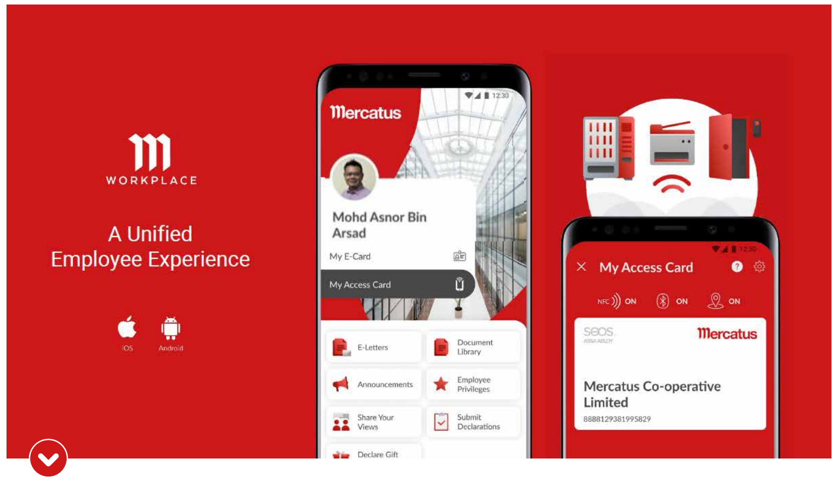
CONTRIBUTING TO A MORE SUSTAINABLE FUTURE

The Mercatus' Sustainability Committee, led by Eng Kiong and comprising a cross-functional team, supports the Board in driving Mercatus' sustainability agenda. We have made significant progress towards our five key sustainability pillars: value creation, human capital management, strong institutions, environment and social progression.

We made good progress in reducing carbon emissions and waste as well as increased efficiency in the use of energy and water. We have also embarked on green leases.

In March 2021, Mercatus' joint venture entity, Gold Ridge Pte Ltd, obtained its maiden green loan of S$900 million to refinance NEX, a BCA Green Mark Gold^{Plus} building. We followed with another S$200

The new F&B kiosks at Jurong Point Level 1 added to the dazzling array of food options at the lifestyle hub.



A Mercatus digital transformation initiative, the M Workplace application provides employees with quick access to information and work processes.

million green loan to refinance an existing loan for the acquisition of BCA Green Mark Platinum Jurong Point. We target to have 80% of our debt under green financing.

STRENGTHENING HUMAN CAPITAL

With the strong commitment of our employees, we have raised productivity across the organisation by streamlining and digitalising key work processes. Working closely together in the Mercatus Company Training Committee (CTC) with Singapore Industrial & Services Employees' Union (SISEU) and NTUC LearningHub, we jointly supported 200 employees in taking up relevant skills upgrading programmes, achieving an average of 43 hours per employee in 2021. A key emphasis has been in the enhancing of digital related skills, and the launch of the M Workplace application has helped to improve digital literacy and the employee-journey experience.

Together with SISEU, we also continued to enhance employee engagement throughout the year. As at December 2021, 70% of our workforce are members of SISEU and enjoy all the services of the Labour movement, fully funded by Mercatus.

IN APPRECIATION

The support of all our stakeholders has enabled us to come this far, and on behalf of the Board, I wish to extend our appreciation to our members, business partners, shoppers and tenants for your faith and support.

To our employees, the prolonged pandemic may have posed various challenges, both at work and on a personal level, but your dedication and resourcefulness have enabled us to make it through successfully, together. On behalf of the Board, I would like to convey my heartfelt appreciation to each of you for your unwavering commitment and contribution.

I also wish to express my deep appreciation to Ms May Ng and Mr Willy Shee who had retired from the Board in May 2021. During their three terms of directorship on the Board, both had contributed invaluable insights and guidance to the leadership team. In particular, May, in her capacity as Chairman, had steered the organisation towards several notable achievements. All of us in Mercatus wish May and Willy every success in their other roles.

Ser Joo had stepped down as Chief Executive Officer ("CEO") on 31 December 2021. In her various roles in Mercatus over five years and most recently as CEO, she was instrumental in working with the Board, management teams and employees to drive Mercatus' growth. We would like to record our thanks to her for her invaluable contributions to Mercatus and wish her all the very best. Adeline has graciously accepted the challenge of taking over Ser Joo to lead Mercatus forward, as Executive Director. With her breadth and depth of experience, we look forward to her stewardship.

We can all look forward to steady recovery and growth in 2022 as Singapore transits to living with COVID-19.

Soong Hee Sang
Chairman

2021 Financial Highlights

S$270.5 Million
TOTAL REVENUE

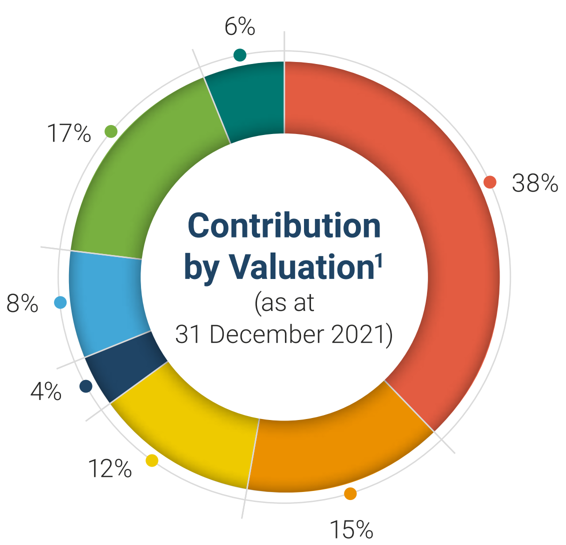
3.12
WEIGHTED AVERAGE DEBT MATURITY (YEARS)

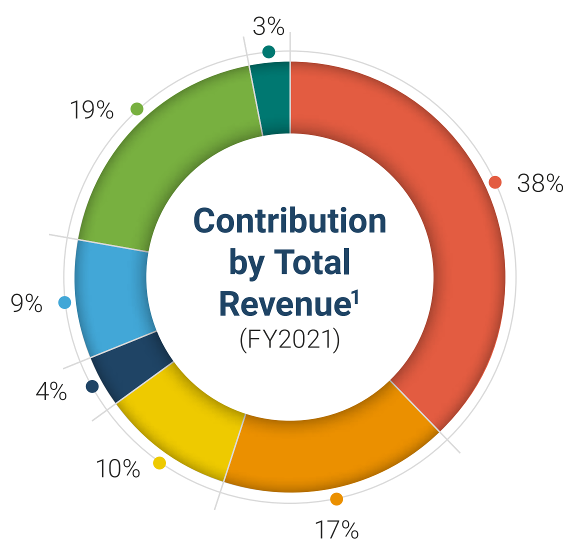
S$96.8 Million
NET SURPLUS AFTER TAX AND BEFORE CONTRIBUTION

2.35%
WEIGHTED AVERAGE COST OF DEBT (ALL-IN)

53.6%
LEVERAGE RATIO

3.86
INTEREST COVERAGE RATIO





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

[1] Includes Mercatus' proportionate share of revenue and valuation of assets held through joint ventures. Revenue contribution from 1 Bligh covers period from 9 July - 31 December 2021.

Operational Review

98.3%
OCCUPANCY
(as at 31 December 2021)

107.5M
SHOPPER TRAFFIC FOR 2021

TOP 10 TENANTS

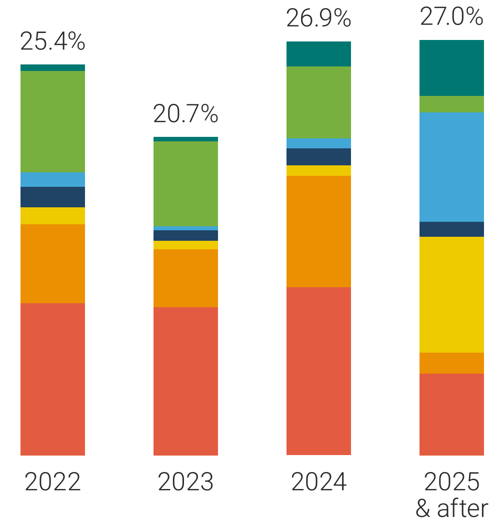
- NTUC Fairprice Co-operative Limited
- Eastern Development Pte Limited
- Clayton Utz
- Instant Singapore Pte Ltd
- R E & S Enterprises Pte Ltd
- NTUC Club
- Kopitiam Investment Pte Ltd
- Cold Storage Singapore (1983) Pte Ltd
- BHG (Singapore) Pte Ltd
- NTUC Foodfare Co-operative Ltd

Based on gross rental income for December 2021, excluding gross turnover rent.
Based on Mercatus' proportionate interest in the underlying properties.

27.1%
Gross Rent

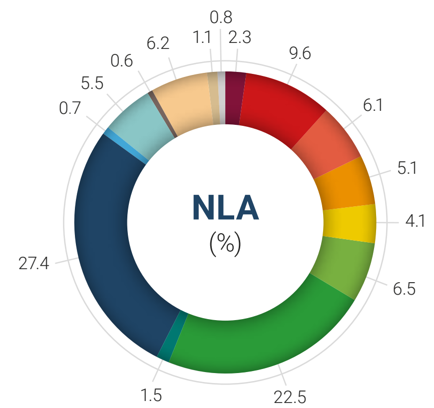
42.2%
Total NLA

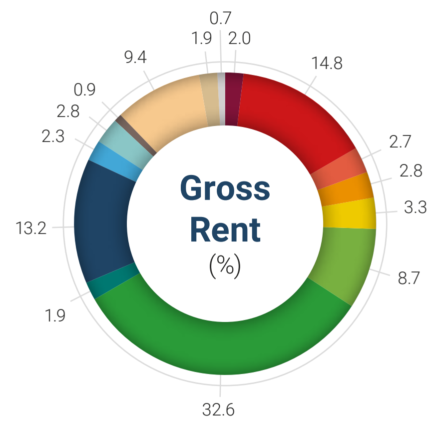
LEASE EXPIRY PROFILE



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

TENANT RETAIL TRADE CATEGORIES





- Arts & Crafts, Books & Stationery, Gifts & Souvenirs, Toys & Hobbies
- Beauty & Wellness
- Community/Sports Facilities Scheme, 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

CREATING SUSTAINABLE VALUE

GROWING OUR PORTFOLIO

6
Retail and Office Properties in Singapore and Australia

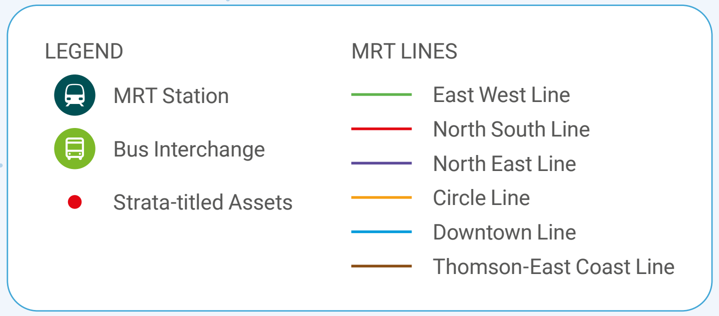
Strata-titled Assets in
33
locations islandwide, in heartlands and shopping malls

Combined Valuation
S$5.6 Billion
as at
31 December 2021

Office Property in Singapore

1 Bligh

Office Property in Sydney, Australia



As we forge ahead to strengthen and expand our portfolio of commercial assets, we will continue to be a value creator for our stakeholders and deliver sustainable returns across our retail and office properties.

PROPERTY PROFILE

AMK Hub

https://www.amkhub.com.sg

A prominent landmark in the heart of the Ang Mo Kio estate, AMK Hub has been serving the community as their heartland mall of choice for more than a decade. A family-friendly hub, it houses more than 200 shops spread over 320,000 square feet of lettable space across six levels. Directly connected to an integrated transport hub comprising Ang Mo Kio MRT Station and Bus Interchange, it attracted an average footfall of almost 2 million visitors a month in 2021.

In January 2021, AMK Hub commenced Phase 2 of its asset enhancement works which improved the visibility of shopfronts. We also carried out a phase upgrading of the air-conditioning as part of life cycle replacement, enhancing the thermal comfort and boosting the mall's energy efficiency.

Shoppers can now enjoy a wider array of F&B and retail options, with new tenants such as A-One Signature, Gong Yuan Ma La Tang, Paris Baguette, Daxi, Yakiniku Like, Swee Choon Express, Playground by Playmade, Popeyes and Kim Able.

Since July 2021, shoppers were also able to make use of the newly launched Smart Locker #OTOT (Own Time Own Target) initiative to collect their purchases at their convenience from the lockers located at the AMK Hub Basement 3 carpark.

320,000
Square Feet
Net Lettable Area

S$846.0 Million
Appraised Value (as at 31 December 2021)

S$57.0 Million
Total Revenue (FY2021)

209
Tenants

99.7%
Occupancy (as at 31 December 2021)

99 Years
Lease Tenure (from 24 August 2004)

Jurong Point

https://www.jurongpoint.com.sg

Prominently situated in the west region of Singapore, Jurong Point is easily accessible via Boon Lay MRT Station and Bus Interchange. It serves 4.5 million visitors who pass through its doors monthly. Shoppers are spoilt for choice with thematic shopping precincts, such as Japanese and Hong Kong streets and about 370 tenants offering a wide variety of merchandise, services and F&B offerings.

In a move to further boost the retail destination's appeal, Jurong Point underwent asset enhancement initiatives which were completed in early 2022. The newly configured main atrium offers greater flexibility in layout to cater to varying event needs. With a new media screen taking its place at the mall entrance facing the MRT station, shoppers can look forward to exciting contents including live streaming of in-mall events. Some of the new tenants at Jurong Point include Dunkin Donuts, Mr Coconut, Genki Sushi, Tang Tang Malatang, City Hot Pot, Anytime Fitness and Kiztopia Club which had made its first foray into the heartlands.

720,000
Square Feet
Net Lettable Area
(strata-owned)

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

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

S$2,107.5
Million
Appraised Value
(as at 31 December 2021)

S$128.7
Million
Total Revenue
(FY2021)

370
Tenants

98.7%
Occupancy
(as at 31 December 2021)

PROPERTY PROFILE

Swing By @ Thomson Plaza

https://swingbythomsonplaza.com.sg

Having been relaunched as a multi-concept enclave within Thomson Plaza, Swing By @ Thomson Plaza ("SB@TP") injected vibrancy to the Thomson area and continues to entice shoppers with its evolving F&B, retail, entertainment and lifestyle options. The opening of the Upper Thomson MRT Station in August 2021 brought shoppers directly to Thomson Plaza's doorsteps, further boosting the accessibility of the mall.

Standing tall as an eye-catching focal point at Level 1, "The Canopy" digital tree engages shoppers with its exciting everchanging content which includes showcase by tenants and advertisers.

Occupying Level 1 and Level 3 of the mall, the enclave is home to almost 60 tenants. New tenants such as Huggs Collective, Patisserie G, Tamago-EN, Tai Chong Kok and Wonderful Bapsang have further enhanced the variety of F&B offerings available at Swing By @ Thomson Plaza.

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

S$203.1
Million
Appraised Value (as at 31 December 2021)

S$13.3
Million
Total Revenue (FY2021)

59
Tenants

100%
Occupancy (as at 31 December 2021)

99
Years
Lease Tenure (from 15 October 1976)

PROPERTY PROFILE

One Marina Boulevard

A Grade A Green Mark Gold[Plus] office building, One Marina Boulevard ("OMB") is located in the heart of the Central Business District. Boosting a panoramic view of the Marina Bay, the 31-storey building is directly linked to Raffles Place MRT Interchange and Downtown MRT Station via an air-conditioned underground pedestrian linkway. Catering to the needs of its tenants' employees and the working population in the vicinity, OMB boosts of on-site amenities and services including medical and dental clinics, F&B offerings, childcare centre as well as various meeting, convention and end-trip facilities.

Wealth Management Institute opened its new campus at OMB in February 2022, joining notable tenants such as NTUC, Allen & Gledhill, American Express, Arcc Spaces and China Telecom (Asia Pacific).

430,000
Square Feet
Net Lettable Area

S$650.0
Million
Appraised Value (as at 31 December 2021)

S$33.5
Million
Total Revenue (FY2021)

18
Tenants

94.4%
Occupancy (as at 31 December 2021)

94
Years
Lease Tenure (from 1 April 2006)

NEX

https://www.nex.com.sg

630,000
Square Feet
Net Lettable Area

S$1,956.0
Million
Appraised Value
(100% - as at
31 December 2021)

S$124.7
Million
Total Revenue
(FY2021)

323
Tenants

50%
Ownership

100%
Occupancy
(as at 31 December
2021)

99
Years
Lease Tenure
(from 26 June 2008)

The largest mall in the North-East region of Singapore, 7-storey NEX is easily accessible via the integrated transport hub located at Serangoon Central. The hub is seamlessly integrated to the mall, as well as the air-conditioned Serangoon Bus Interchange and Serangoon MRT Station, where the North-East Line and the Circle Line intersect.

Beyond serving the residents of Serangoon, Kovan and Serangoon Gardens, NEX's appealing mix of retail, entertainment and dining options attract shoppers from all over Singapore.

During the year, NEX welcomed new tenants such as Dyson, Hooga, Paris Baguette, Saizeriya, SEORAE Korean Charcoal BBQ, Seoul Yummy, Watches of Switzerland and more. In addition to the dazzling array of F&B options, diners can also check out &JOY Japanese Food Street and Food Republic.

Vibrant new lighting at NEX's atrium greeted shoppers in October 2021. The lighting, which can be configured remotely, lends a warm and upbeat vibe to the interior of the mall.

Strata-titled Assets

Our portfolio of strata-titled assets comprises a mixture of strata-titled units located at 33 locations across Singapore. Some of the units can be found within buildings such as Tanjong Pagar Plaza and Boon Lay Shopping Centre while others are at HDB heartland sites like Bukit Batok Central and Telok Blangah. The units' net lettable area ranges from approximately 1,000sf to 44,000sf.

360,000
Square Feet
Net Lettable Area
in Total

S$437.0
Million
Appraised Value
(as at 31 December
2021)

S$30.8
Million
Total Revenue
(FY2021)

33
Locations Across
Singapore

99.8%
Occupancy
(as at 31 December
2021)

Lease tenures
range from
30–99
Years
Except Coronation
Plaza (freehold)

1 Bligh

http://1bligh.com.au

Mercatus marked its first acquisition outside of Singapore and its first foray into Australia in partnership with Dexus, one of Australia's largest owners and managers of office properties, when it jointly acquired a 33.3% interest in 1 Bligh, Sydney in July 2021 for A$375 million.

Located in Sydney's Central Business District, 1 Bligh is an iconic premium-grade, 29-storey building with 27 levels of office space and 4 levels of basement carpark. Major tenants located in the building include Clayton Utz, the Commonwealth Government, Papuan Oil Search and Bloomberg Australia Pty Ltd.

Known for setting the benchmark in innovation and environmental design with its sustainability features, 1 Bligh maintained its 5.5 star NABERS[1] Energy rating while bettering its NABERS[1] Water rating by one star to 5.5 stars in 2021. The property also maintained its 5.0 star Green Star rating.

460,000
Square Feet
Net Lettable Area

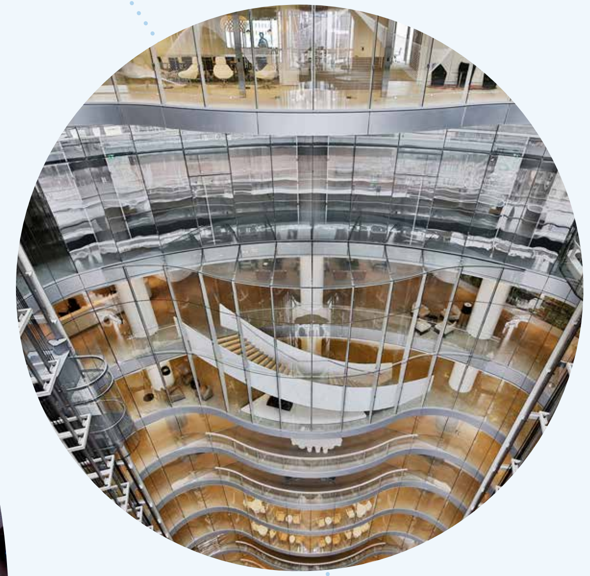
A$1,140.0 Million
Appraised Value (100% - as at 31 December 2021)

A$28.8[2] Million
Total Revenue

29
Tenants

Approximately **30%**
Mercatus Ownership

96.1%
Occupancy (as at 31 December 2021)



The completion of the new End of Trip (EoT) Facility in December 2021 saw the provision of 15 showers, 231 lockers, 61 bicycle parking lots, a wellness room, styling stations and water fountains.

[1] NABERS is a national rating system that measures the environmental performance of Australian buildings and tenancies.
[2] For period covering 9 July - 31 December 2021.

CREATING SUSTAINABLE VALUE

MAKING A DIFFERENCE

On track
to achieve environmental targets by 2030

Working towards
80%
of debt being covered by green financing

Contributed to
NTUC-U Care Fund
for nine consecutive years

With sustainability lying at the very core of its post-pandemic recovery, Mercatus is more committed than ever to make a difference to achieve our business objectives as an organisation.

Sustainability Report

The pandemic has caused much disruptions to businesses and organisations globally, resulting in many of them relooking at the way they operate and how to shape a more sustainable future.

Our Sustainability Framework, which was based on the Sustainable Development Goals ("SDGs") identified to be aligned with our sustainability strategy, defines Mercatus' commitments towards sustainable development.

The five pillars under the Framework set out to translate our purpose of being an investor, owner and manager of real estate into practice, defining:

FIVE KEY PILLARS & MATERIAL FACTORS

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

Our Sustainability Committee, which reports to the Board of Directors, comprises Board Members as well as 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. All employees are engaged to contribute towards achieving the sustainability targets.

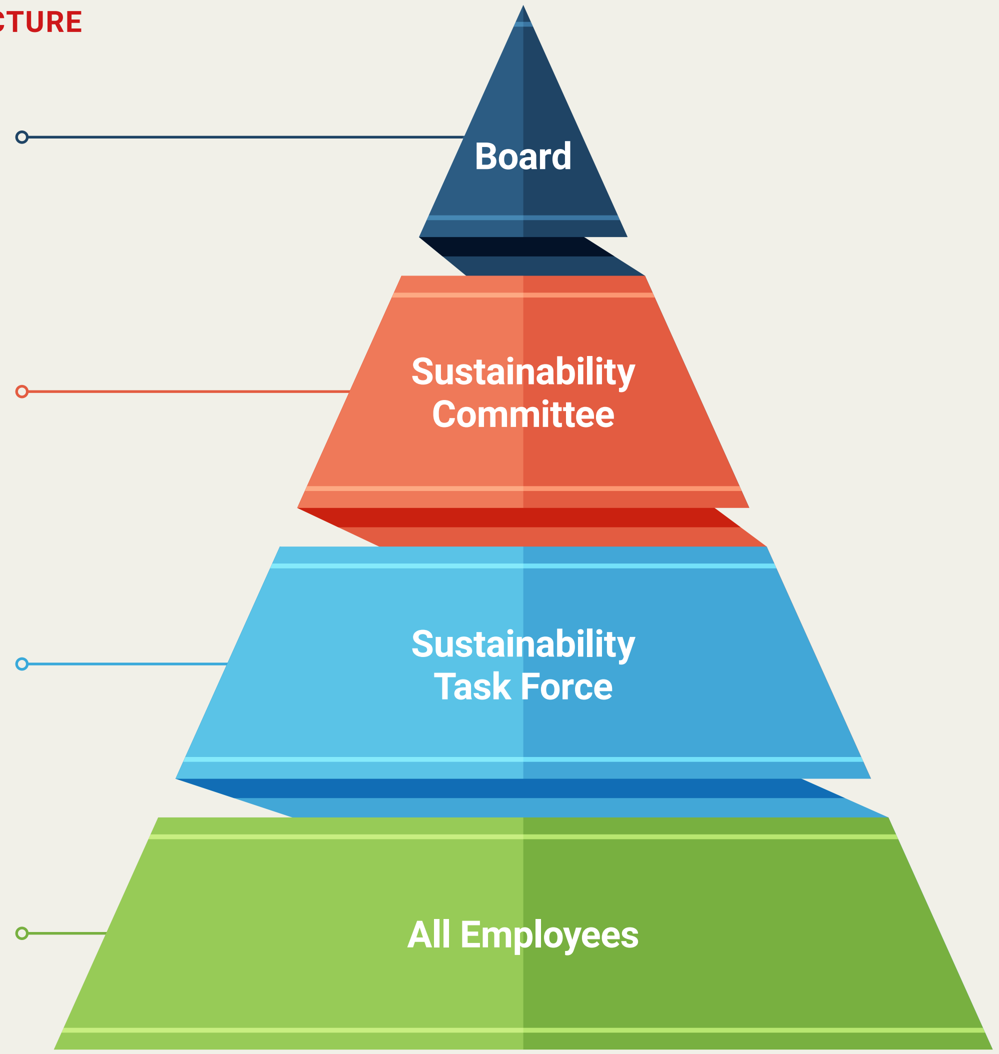
MERCATUS' SUSTAINABILITY GOVERNANCE STRUCTURE

Drives sustainability strategy and integration of ESG with business objectives.

Assists the Board in developing, managing and reporting of sustainability initiatives.

Supports the Committee in implementing sustainability initiatives across the Mercatus portfolio.

Adopts sustainability agenda and strives towards achieving sustainability goals.



SUSTAINABILITY REPORT

Our Sustainability Achievements in 2021

SUSTAINABLE FINANCING

In March 2021, Mercatus' joint venture entity Gold Ridge Pte Ltd obtained its maiden green loan of S$900 million to refinance NEX, a BCA Green Mark Gold[Plus] building. In July 2021, Mercatus followed with another S$200 million green loan to refinance an existing loan for the acquisition of BCA Green Mark Platinum Jurong Point.

In addition, Mercatus subsequently received a A$250 million green loan from OCBC Bank in Singapore to partially finance Mercatus' acquisition of its effective 30% interest in 1 Bligh. This marks Mercatus' first green loan denominated in a foreign currency (Australian dollars) and its fourth green loan under its Sustainable Finance Framework ("Framework").

The Framework is guided by the (i) Green Bond Principles (2018) and (ii) Sustainability Bond Guidelines (2018) by the International Capital Market Associations, (iii) Green Loan Principles (2021) and (iv) Social Loan Principles (2021) by the Loan Market Association, Loan Syndications & Trading Association and the Asia Pacific Loan Market Association, and (iv) Green Bond Standards and (v) Sustainability Bond Standards by the ASEAN Capital Markets Forum (together "the Principles").

Having secured green financing totaling more than S$880 million, we aim to achieve our target of having 80% of our debt to be green financing.

HUMAN CAPITAL MANAGEMENT

Human capital plays a pivotal role in the achievement of a successful environment, social and governance (ESG) strategy. By placing emphasis on the programmes, practices and culture that matter to today's talent, we are able to adapt and apply the strategy together with other stakeholders, to meet the needs of tomorrow.

As we emerge from the pandemic, we leveraged on the opportunity to improve our workforce productivity and organisational effectiveness. The adoption of technology on the operations level, such as the deployment of the automated gantries at the malls to verify vaccination status, has enabled us to better manage our manpower resources and reduce costs in the longer term.

With employee wellness being brought to the forefront, we had worked with Promises Pte Ltd, a provider for corporate programmes and training pertaining to mental health, and MoneyOwl Pte Ltd, a financial advisor, to launch employee assistance programmes to support employees in the areas of personal development and financial wellness respectively. During the year, we also conducted our inaugural organisation climate survey, in collaboration with Mercer (Singapore), providing an open and direct platform for employees to provide constructive feedback towards improving the working environment and overall culture at Mercatus.

To further strengthen the talent and capability of employees, we launched LHubGo to provide on-demand and on-the-go learning development. This is complemented by the existing blend of virtual and in-person training. On average in the year 2021, each employee benefited from 43 hours of learning within the holistic Adaptive-Technical-Technology learning framework, designed to 'future-proof' our workforce.

In support of the SG United trainee programme since its launch in October 2020, we had enlisted five trainees to join us. Stemming from our belief to develop younger leaders, three of them have stayed on with us on a long-term basis.

To provide better protection for our employees working at the frontlines during the COVID-19 pandemic, we facilitated our own contact tracing efforts within Mercatus by working with D'Crypt Pte Ltd to launch 'Blue Pass' technology. With each employee carrying a "Blue Pass", the reaction time to the detection of COVID-19 cases on the ground is significantly reduced, thus mitigating the spread of COVID-19.

Our Sustainability Achievements in 2021

ENVIRONMENT

Having set our environment commitments in terms of reducing carbon emission, energy and water with 2017 as the baseline, we are on track to achieve our 2030 targets.

We have embarked on the journey towards achieving BCA Green Mark 2021 (GM: 2021) certification for our buildings. In addition to being aligned with the United Nation (UN) Sustainable Development Goals (SDGs) to cover key sustainability outcomes, the revised scheme also includes an increase in energy efficiency standard with the aim of achieving Super Low Energy (SLE) buildings.

One of the sustainability initiatives planned for the year include the installation of solar film to reduce the heat coming through skylights, which will improve the energy efficiency significantly. In addition, we will also be implementing a comprehensive Smart Car Park Lighting System in our properties to manage lighting points remotely and in real time. The grouping of lighting points will also enable us to adapt lighting behaviour such as the management of energy consumption by the grouping based on inputs from the sensors.

Under the Singapore Green Plan 2030 (SGP30), Singapore has developed a comprehensive Electric Vehicle (EV) Roadmap to ramp the country's efforts for EV adoption. In support of this push, Mercatus will be rolling out EV charging points at AMK Hub, Jurong Point and One Marina Boulevard.

18% **Target Index** 13.1 kWh/m²/month	**Energy** Base Year 2017 Target by 2030: 50%
26% **Target Index** 0.182 cu.m/m²/month	**Water** Base Year 2017 Target by 2030: 50%
18% **Target Index** 5.5 $kgCO_2e/m^2$/month	**Carbon Emission** Base Year 2017 Target by 2030: 50%
11% **Target Recycling Effort** 15.26%	**Waste** Base Year 2017 Target Recycling Effort by 2030: 50%

The installation of solar film on skylights, such as the one at Jurong Point, will help reduce the heat coming through and enhance the dining experience of patrons.

Housekeeping staff at Jurong Point can make use of the rest areas provided to have their meals and socialise with colleagues.

SOCIAL PROGRESSION & STAKEHOLDER ENGAGEMENT

Essential service workers form an integral part of Singapore's workforce, and are a valued component of the Mercatus' manpower resources. In May 2021, Jurong Pointed hosted a visit by the (then) Minister for Manpower Mrs Josephine Teo, Senior Minister of State for Manpower, Mr Zaqy Mohamad, Mr Fahmi Aliman, Director, Operations and Mobilisation Division Secretariat, NTUC and Mr Douglas Foo, Vice-President, SNEF to show them the rest areas that the mall had set aside for outsourced housekeeping staff and security officers.

The four rest areas in Jurong Point - two each for outsourced housekeeping staff and security officers are fully equipped with lockers, water dispensers, fridges and microwave ovens. Similar rest areas are also available at Mercatus' other retail properties AMK Hub and Swing By @ Thomson Plaza. By investing in the well-being of our workers, we are confident that they will continue to do their best work and contribute positively to the organisation.

As part of Mercatus' 10th anniversary celebrations, senior management also personally distributed care packs to frontline staff as a token of appreciation for their dedication to their jobs.

We continue to maintain close linkages with one of Mercatus' longstanding stakeholders, the Singapore Industrial & Services ("SISEU") Union. As at 31 December 2021, 70% of our people are members of the union and enjoy the benefits of a fully funded membership. Our support of SISEU also extends beyond serving Mercatus employees. In October 2021, SISEU Exco member cum Mercatus employee Corinne Tan joined Advisor Ms Tin Pei Ling in distributing Care Packs and bringing cheer to some residents in Macpherson.

As one of the social enterprises under NTUC Enterprise, Mercatus remains committed to making a difference to the community. As at 31 December 2021, 33.1% of net lettable space across the entire Mercatus portfolio was tenanted to fellow social enterprises to provide essential services to the community.

In support of the NTUC U Care Fund, Mercatus has continued to make its yearly donation of S$400,000 for the ninth year running. The donation is Mercatus' contribution towards making a difference in the lives of the beneficiaries through the various programmes that U Care runs for low-income union members and their families.

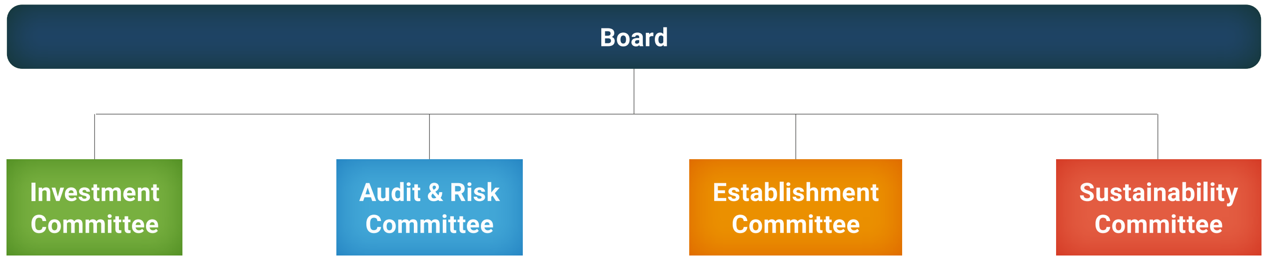
AMK Hub employees receiving their 10th Anniversary Care Packs, a token of appreciation for their contribution to Mercatus.

CORPORATE GOVERNANCE

Corporate Governance

Mercatus (also referred to as the "Co-operative") 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.

Mercatus' governance framework is as follows:



The Mercatus Board is collectively responsible for the success of the Co-operative. The Board has formed various Board Committees, specifically the Investment Committee, Audit & Risk Committee, Establishment Committee, and Sustainability Committee, to assist and support it in discharging its duties and responsibilities. The Board Committees are structured to include Directors with appropriate qualifications and skills. Each Board Committee has its own terms of reference with clear compositions, authorities and duties. All terms of reference are reviewed and updated when necessary to ensure their continued relevance.

The Investment Committee assists the Board in reviewing investment opportunities, both greenfield developments and completed projects, as well as major capital expenditures as proposed by the Mercatus Investment Team. It consists of three members: the Chairman of the Board, Deputy Chairman and the Chairman of the Audit & Risk Committee.

The Audit and Risk Committee ("ARC") assists the Board to review and monitor the financial reporting process, risk management process, internal control systems and compliance with laws, regulations and the code of business conduct and ethics. The Committee currently comprises three members of the Board and meets at least twice a year. The ARC meets the Internal Auditor and External Auditors independently without management's presence at least once a year.

The Establishment Committee provides oversight on the policies for the remuneration, appointment and development of senior management, and the compensation and benefits philosophy and framework for employees. It comprises three Directors including the Chairman and Deputy Chairman of the Board and meets at least once a year.

The Sustainability Committee was formed in 2021 to support Mercatus' on-going commitment to the five pillars of our sustainability framework, namely value creation, human capital management, strong institution, environment and social progression. It has six members including two Directors and the Chief Executive Officer, and meets at least twice a year.

1. THE BOARD'S CONDUCT OF AFFAIRS

The Mercatus Board of Directors (the "Board") holds at least four scheduled meetings each financial year. In FY2021, the Board met five times, with four of the meetings being conducted as hybrid events with attendees participating virtually and in-person.

The dates of Board and Board Committee meetings and the Annual General Meeting are scheduled one year in advance with the Directors notified accordingly. Prior to fixing the dates, the Directors were consulted on their availabilities to ensure optimal participation. In addition to scheduled meetings, matters requiring Board's approval will be circulated to the Directors for their consideration and decision.

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 the Board or Board Committee 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. All minutes of meetings of Board Committees are also provided to the Board.

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 40 and 41.

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 shareholders. 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 bi-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. The questions included in the Board Evaluation Questionaire are reviewed and refreshed 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 a 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 and risk management systems.

CORPORATE GOVERNANCE

Corporate Governance

The key internal controls and risk management systems 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 investments, divestments, development projects, treasury transactions, various operational and capital expenditures and leasing 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 and business ethnics, Mercatus has put 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 trusted channels for reporting suspected irregularities, including one which is managed by the Co-operative's independent outsourced internal auditor. Such reports, if any, will be independently investigated and appropriate follow-up actions taken.

iii) Code of Conduct

Mercatus also has an internal policy to govern the employees' code of conduct in their business dealings. As part of their on-boarding, new employees are provided a copy of the Mercatus code of conduct policy to familarise themselves on business ethnics and behaviour. All employees also are required to submit an annual declaration relating to the code of conduct. In addition, code of conduct training is carried out on a periodic basis (at least every two years) to refresh employees' familiarity with the policy.

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, risk tolerance, 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 to ensure relevance to the 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 for the Co-operative, working together with the respective business owners to implement measures and 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 Co-operative's 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. Key risks identified by Management are monitored on an on-going basis against their limits and are reported to the ARC and Board on a half yearly basis. The key risks comprise financial risk, operational risk, investment risk and information technology risk.

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, as well as monitors and manages interest rate risk within the fixed rate ratio limit.

Operational Risks

This refers to risks arising from business operations, including procurement, facilities management and asset management, resulting from inadequate or failure of internal processes, human and system errors or from external events in relations to operations. Mercatus has established 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 and ensure 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 Plans are in place and being reviewed and tested regularly to prepare for any emergencies, as well as to 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 Risks

As part of business growth, Mercatus may acquire assets or dispose of properties. To safeguard against the risk of potential loss arising from lack of investment strategy or inadequate assessment of the viability of the deal transactions, there are processes and checklists set out for evaluation of deals, including due diligence criteria, sensitivity analyses and procedures, and approval based on DOA.

Information Technology Risks

Mercatus has put in place policies and procedures to protect against risks relating to breach or loss 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 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 annually 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 three members, all of whom are independent and 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 plans, and audit activities. The ARC has met with the internal auditors and external auditors once each, without the presence of the Management during FY2021.

BUILDING OUR CAPABILITIES

Achieved skills upgrading rate of
43 hours
per employee on average in 2021

Launched
M Workplace
application to enhance the employee-journey experience

We believe that a strong team precedes sustainable growth. For that reason, we not only prioritise the wellness and continuous development of our people through positive engagement, but also proactively foster a fair, diverse and inclusive work culture.

Board of Directors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1. MR SOONG HEE SANG

Chairman, Investment Committee Chairman and Establishment Committee Chairman

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.

2. MS ADELINE SUM

Deputy Chairman and Executive Director

Ms Sum is the Executive Director of Mercatus and Chief Executive Officer of Singapore Labour Foundation, as well as 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 and Audit & Risk Committee Chairman

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, Manager of Sabana Industrial REIT. He also holds several other directorships including in Astrea III, Astrea IV, Astrea V, and ASEAN Bintulu Fertilizer Sdn Bhd. 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 NG ENG KIONG

Director and Sustainability Committee Chairman

Mr Ng was a founding Board Member of the Singapore Green Building Council when it was first incorporated in May 2009, and had served as its 3^{rd} President from 2013 to 2015. Mr Ng was with Squire Mech for 29 years, led the firm as Managing Director since 2000 and served as Senior Director prior to his retirement from the company in 2019. Mr Ng has been appointed as 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. As a qualified Professional Engineer, he continues to contribute via several positions in the public and private sectors to advise in technical and management issues.


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5. 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 50 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 2^{nd} 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.

6. 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.

7. 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
Ken Ng Wai Kin[1]

Investment Committee

Soong Hee Sang (Chairman[1])
Adeline Sum Wai Fun
Wong Heng Tew

Establishment Committee

Soong Hee Sang (Chairman[1])
Adeline Sum Wai Fun
Ng Eng Kiong[1]

Sustainability Committee

Ng Eng Kiong (Chairman)
Tan Kian Huay
David Poh Tze Keong
Belinda Gan Chui Chui[2]
Annie Lee[3]
Kelvin Goh Kiok Joo

Mercatus Strategic Investment Management (MSIM) Board Committee

Soong Hee Sang (Chairman)
Wong Heng Tew
Ken Ng Wai Kin

1 Appointed with effect from 10 May 2021
2 Appointed with effect from 1 May 2021
3 Appointed with effect from 1 January 2022

SENIOR MANAGEMENT

Senior Management

1. MS TAN SER JOO[1]

Chief Executive Officer

Appointed as Chief Executive Officer on 1 July 2020, Ms Tan led 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 enhancements 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 ADELINE SUM[2]

Executive Director

Please refer to Page 42 for Ms Sum's profile.

3. MS BELINDA GAN

Managing Director, Finance & Corporate Development / Chief Financial Officer

Ms Gan is responsible for corporate development, managing and running of core corporate functions, including financial reporting, treasury, risk management, legal, compliance and corporate communications. She has over 30 years of experience in the full range of finance-related functions, primarily in the real estate industry. She was previously the Chief Financial Officer for Perennial Real Estate Holdings Limited ("Perennial") where she was responsible for the overall finance function including financial reporting, operations, corporate finance and treasury, financial planning and risk management. Prior to Perennial, she was the Group Financial Controller in CapitaLand Limited. Ms Gan had also held Vice President positions within the CapitaLand Financial Limited and CapitaLand Commercial Limited. Ms Gan is a member of the Institute of Singapore Chartered Accountants.

4. 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.

5. 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 more than 25 years of investment experience. During which, he oversaw the private equity and real estate investment portfolios at NTUC Income/ Mercatus for more than 13 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. Mr Teo is a CFA® charterholder.

6. 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.

7. MS GERALDINE LEE[3]

Chief Human Resource Officer

Ms Lee is responsible for the human resource function. She has over 30 years of experience across different industries, including real estate. She has been the Chief Human Resource Officer for NTUC First Campus where she was instrumental in the substantial development of the breadth and depth of HR systems to scale up the preschool business, with it being recognised as a HR Asia Best Companies to Work For in Asia for 3 consecutive years and achieving the WECare: HR Asia Most Caring Companies Award 2021. Prior to NTUC First Campus, she was the Group Human Resource Officer for SingHealth Group and Vice President, Human Resources for CapitaLand Group where she partnered CEOs and the business leaders to develop human capital for business growth and transformation.

8. 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 portfolio. She has accumulated more than 25 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 asset performance for numerous assets, the development of One-North Star Vista project as well as portfolio reporting. During her tenure with CapitaLand, Ms Chia held various positions, including planning and managing of REIT and non-REIT Singapore assets. She was 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 nonperforming loans.

9. MS FRANCES SEETOH

Director, Finance

Ms Seetoh is responsible for financial and management reporting, treasury and strategic planning for Mercatus Group of companies, joint ventures and third-party real estate portfolio. She has over 25 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.

10. MS JUNE ANG

Director, Retail & Portfolio Operations

Ms Ang is responsible for the operational efficiency of the retail portfolio, which includes overseeing the leasing, marketing communications and facilities management functions as well as the malls' management team. 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.

11. MS SYNNETTE NG[4]

Director, Human Resources

Ms Ng was 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.

[1] Stepped down on 31 December 2021
[2] Appointed with effect from 1 January 2022
[3] Appointed with effect from 1 April 2022
[4] Stepped down on 5 December 2021

FINANCIAL STATEMENTS

Directors' Statement

Year ended 31 December 2021

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 2021.

In our opinion:

(a) the financial statements set out on pages 52 to 128 are drawn up in accordance with the provisions of the Co-operative Societies Act 1979 (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 2021, 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 2021;

(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 2021 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:

Soong Hee Sang	Chairman
Adeline Sum Wai Fun	Deputy Chairman
Tan Kian Huay	Director
Wong Heng Tew	Director
Ng Eng Kiong	Director
Ken Ng Wai Kin	Director
Benjamin Tang Chun Wai	Director

(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.

Directors' Statement (Cont'd)

Year ended 31 December 2021

(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
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

Soong Hee Sang
Chairman

Wong Heng Tew
Director

13 April 2022

Independent Auditors' Report

Year ended 31 December 2021

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 2021, 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 52 to 128.

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 1979 ('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 2021 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 ($3,718 MILLION AS AT 31 DECEMBER 2021) (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 70% of the total assets as at 31 December 2021. 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 external valuations in estimating the recoverable amount of the properties at risk. The recoverable amounts are determined based on the fair values of the properties which are determined based on the independent professional valuations undertaken. 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 have highlighted in their valuation reports that the outbreak of the Coronavirus Disease ("COVID-19") pandemic has continued to affect the economy and the real estate market. Consequently, a higher degree of caution should be attached to the valuations than during standard market conditions. The valuers have also recommended to keep the valuation of the investment properties under frequent review.	We have assessed the appropriateness of the valuation methodologies and accompanying assumptions used by the valuers of the investment properties, taking into consideration available industry data and prevailing market conditions. Findings: Based on the valuation reports obtained, there were no properties with indicators of impairment identified. We found that the methodologies used by the external valuers were consistent with market practices and the assumptions applied were comparable to 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 2021

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
13 April 2022

Statements of Financial Position

As at 31 December 2021

	Note	Group		Co-operative	
		2021	2020	2021	2020
		$'000	$'000	$'000	$'000
Non-current assets					
Property, plant and equipment	4	6,308	4,442	2,168	2,050
Investment properties	5	3,718,441	3,775,567	-	-
Investment in subsidiaries	6	-	-	840,027	752,853
Investment in joint ventures	7	661,471	331,085	-	-
Other investments	8	275,245	260,000	-	-
Derivatives	9	24,769	-	24,769	-
		4,686,234	4,371,094	866,964	754,903
Current assets					
Other investments	8	260,000	195,000	-	-
Trade and other receivables	10	27,424	25,240	4,020,117	3,810,316
Cash and cash equivalents	11	330,530	335,333	245,567	258,872
		617,954	555,573	4,265,684	4,069,188
Assets held for sale	12	2,599	1,217	-	-
		620,553	556,790	4,265,684	4,069,188
Total assets		5,306,787	4,927,884	5,132,648	4,824,091
Non-current liabilities					
Loans and borrowings	13	2,017,233	1,974,905	2,017,233	1,974,905
Trade and other payables	14	38,941	34,304	-	-
Derivatives	9	4,085	20,887	4,085	20,887
Deferred tax liabilities	15	1,292	-	-	-
		2,061,551	2,030,096	2,021,318	1,995,792
Current liabilities					
Loans and borrowings	13	509,874	279,960	509,874	279,960
Trade and other payables	14	76,734	81,098	156,419	197,837
Derivatives	9	1,908	1,847	1,908	1,847
		588,516	362,905	668,201	479,644
Total liabilities		2,650,067	2,393,001	2,689,519	2,475,436
Net assets		2,656,720	2,534,883	2,443,129	2,348,655
Equity					
Membership shares	16	1,955,417	1,912,014	1,955,417	1,912,014
Accumulated profits		125,752	93,354	84,115	74,554
Other reserves	17	429,579	384,710	403,597	362,087
Equity attributable to members of the Co-operative		2,510,748	2,390,078	2,443,129	2,348,655
Non-controlling interests		145,972	144,805	-	-
Total equity		2,656,720	2,534,883	2,443,129	2,348,655

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

Statements of Comprehensive Income

Year ended 31 December 2021

	Note	Group		Co-operative	
		2021	2020	2021	2020
		$'000	$'000	$'000	$'000
Revenue	18	253,723	225,879	29,545	44,995
Other income	19	16,793	30,660	*	*
Depreciation expense		(63,536)	(63,611)	(581)	(461)
Property tax		(23,155)	(21,895)	-	-
Staff costs		(23,939)	(23,134)	(7,566)	(8,631)
Maintenance fee expense		(14,175)	(14,189)	-	-
Other expenses		(27,877)	(30,210)	(13,919)	(7,927)
Finance income	20	10,759	12,634	115,078	104,186
Finance costs	20	(56,419)	(59,011)	(56,419)	(59,003)
Share of results of joint ventures, net of tax		25,303	13,243	-	-
Profit before tax and contributions	21	97,477	70,366	66,138	73,159
Tax expense	22	(686)	(25)	-	-
Profit before contributions		96,791	70,341	66,138	73,159
Contributions to:					
- Central Co-operative Fund	23	*	2	-	-
- Singapore Labour Foundation	23	(14,978)	(15,922)	(13,174)	(14,574)
Profit for the year		81,813	54,421	52,964	58,585
Other comprehensive income					
Items that will not be reclassified to profit or loss:					
Equity investment at FVOCI – net change in fair value	22	2,961	-	-	-
Related tax	22	(898)	-	-	-
		2,063	-	-	-
Items that are or may be reclassified subsequently to profit or loss:					
Translation differences arising on consolidation of foreign operations	17	(1,477)	-	-	-
Loss on hedge of net investment in foreign operations		(5,533)	-	-	-
Effective portion of changes in fair value of cash flow hedge		41,510	(15,632)	41,510	(15,632)
Share of other comprehensive income of equity-accounted investee		4,655	-	-	-
		39,155	(15,632)	41,510	(15,632)

* *denotes amount less than $1,000*

Statements of Comprehensive Income (Cont'd)

Year ended 31 December 2021

	Note	Group 2021 $'000	Group 2020 $'000	Co-operative 2021 $'000	Co-operative 2020 $'000
Other comprehensive income for the year, net of tax		41,218	(15,632)	41,510	(15,632)
Total comprehensive income for the year		123,031	38,789	94,474	42,953
Profit attributable to:					
Members of the Co-operative		79,452	52,618	52,964	58,585
Non-controlling interests		2,361	1,803	-	-
		81,813	54,421	52,964	58,585
Total comprehensive income attributable to:					
Members of the Co-operative		120,670	36,986	94,474	42,953
Non-controlling interests	6	2,361	1,803	-	-
Total comprehensive income for the year		123,031	38,789	94,474	42,953

Consolidated Statement of Changes In Equity

Year ended 31 December 2021

	Note	Membership shares $'000	Accumulated profits $'000	Other reserves (note 17) $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
		Attributable to members of the Co-operative					
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	16	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)
Changes 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	17	-	(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

Consolidated Statement of Changes In Equity (Cont'd)

Year ended 31 December 2021

	Note	Membership shares $'000	Accumulated profits $'000	Other reserves (Note 17) $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
		Attributable to members of the Co-operative					
Group							
At 1 January 2021		1,912,014	93,354	384,710	2,390,078	144,805	2,534,883
Total comprehensive income for the year							
Profit for the year		-	79,452	-	79,452	2,361	81,813
Other comprehensive income							
Net change in fair value – equity investment at FVOCI		-	-	2,961	2,961	-	2,961
Tax on other comprehensive income		-	-	(898)	(898)	-	(898)
Translation differences arising on consolidation of foreign operations		-	-	(1,477)	(1,477)	-	(1,477)
Loss on hedge of net investment in foreign operations		-	-	(5,533)	(5,533)	-	(5,533)
Effective portion of changes in fair value of cash flow hedge		-	-	41,510	41,510	-	41,510
Share of other comprehensive income of equity-accounted investee		-	-	4,655	4,655	-	4,655
Total other comprehensive income		-	-	41,218	41,218	-	41,218
Total comprehensive income for the year		-	79,452	41,218	120,670	2,361	123,031
Transactions with members, recognised directly in equity							
Contributions by and distributions to members							
Issuance of bonus shares	16	43,403	(43,403)	-	-	-	-
Dividends paid		-	-	-	-	(1,194)	(1,194)
Total contributions by and distributions to members		43,403	(43,403)	-	-	(1,194)	(1,194)
Total transactions with members		43,403	(43,403)	-	-	(1,194)	(1,194)
Transfers	17	-	(3,651)	3,651	-	-	-
At 31 December 2021		1,955,417	125,752	429,579	2,510,748	145,972	2,656,720

Statement of Changes in Equity

Year ended 31 December 2021

	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	16	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.

Statement of Changes in Equity (Cont'd)

Year ended 31 December 2021

	Note	Membership shares $'000	Accumulated profits $'000	Capital reserve $'000	Hedging reserve $'000	Total equity $'000
Co-operative						
At 1 January 2021		1,912,014	74,554	384,821	(22,734)	2,348,655
Total comprehensive income for the year						
Profit for the year		-	52,964	-	-	52,964
Other comprehensive income						
Effective portion of changes in fair value of cash flow hedge		-	-	-	41,510	41,510
Total other comprehensive income		-	-	-	41,510	41,510
Total comprehensive income for the year		-	52,964	-	41,510	94,474
Transactions with members, recognised directly in equity						
Contributions by and distributions to members						
Issuance of bonus shares	16	43,403	(43,403)	-	-	-
Total contributions by and distributions to members		43,403	(43,403)	-	-	-
Total transactions with members		43,403	(43,403)	-	-	-
At 31 December 2021		1,955,417	84,115	384,821	18,776	2,443,129

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

Consolidated Statement of Cash Flows

Year ended 31 December 2021

	Note	Group 2021 $'000	Group 2020 $'000
Cash flows from operating activities			
Profit before tax and contributions		97,477	70,366
Adjustments for:			
Allowance for doubtful receivables and bad debt expense		1,074	1,349
Depreciation of property, plant and equipment	4	1,085	936
Depreciation of investment property	5	62,451	62,675
Dividend income		(1,367)	-
Gain on disposal of investment properties, net		(4,023)	(16,614)
Gain on disposal of property, plant and equipment		(45)	-
Property, plant and equipment written off		11	110
Foreign exchange loss		10	-
Share of results of joint ventures, net of tax	7	(25,303)	(13,243)
Finance income	20	(10,759)	(12,634)
Finance costs	20	56,419	59,011
Operating cash flows before changes in working capital		177,030	151,956
Changes in working capital:			
Trade and other receivables		(3,939)	(6,889)
Trade and other payables		(13,223)	(26,117)
Cash generated from operating activities		159,868	118,950
Tax paid		(298)	(7)
Net cash from operating activities		159,570	118,943
Cash flows from investing activities			
Investment in joint venture		(341,813)	-
Acquisition of other investment		(80,598)	-
Capital expenditure on investment properties		(16,208)	(2,627)
Purchase of property, plant and equipment		(2,962)	(1,997)
Proceeds from disposal of investment properties		10,010	53,070
Grant received for property, plant and equipment and investment properties		1,486	289
Interest received		11,478	12,893
Dividend received from other investment		1,367	-
Dividend received from joint venture		30,500	24,000
Net cash (used in) / from investing activities		(386,740)	85,628

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

Consolidated Statement of Cash Flows (Cont'd)

Year ended 31 December 2021

	Note	Group 2021 $'000	Group 2020 $'000
Cash flows from financing activities			
Dividend paid to non-controlling interests		(1,194)	(1,194)
Interest paid		(54,376)	(60,555)
Proceeds from loans and borrowings		750,366	620,000
Repayments of loans and borrowings		(470,000)	(640,000)
Payment of transaction costs		(1,506)	-
Net cash from / (used in) financing activities		223,290	(81,749)
Net (decrease) / increase in cash and cash equivalents		(3,880)	122,822
Cash and cash equivalents at beginning of the year		335,333	212,511
Effect of exchange rate fluctuations on cash and cash equivalents		(923)	-
Cash and cash equivalents as at end of the year	11	330,530	335,333

Significant non-cash transaction

During the year, dividends declared were paid by issuing 43 million (2020: 55 million) membership shares under a bonus issue (as set out in the Co-operative's By-Laws Section 12.2(d)) where 23 (2020: 30) membership shares were issued for every 1,000 (2020: 1,000) membership shares (note 16).

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

Notes to The Financial Statements

Year ended 31 December 2021

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 13 April 2022.

1 DOMICILE AND ACTIVITIES

Mercatus Co-operative Limited (the "Co-operative") is incorporated in Singapore and constituted under the Co-operative Societies Act 1979. 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 2021 comprise the Co-operative and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interests in joint ventures.

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 1979 (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 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 properties.

2.6 CHANGES IN ACCOUNTING POLICIES

The Group has applied *Interest Rate Benchmark Reform – Phase 2 (Amendments to FRS 109, FRS 39 and FRS 107, FRS 104 and FRS 116)* for the first time for the annual period beginning on 1 January 2021.

2 BASIS OF PREPARATION (CONT'D)

2.6 CHANGES IN ACCOUNTING POLICIES (CONT'D)

The Group applied the Phase 2 amendments retrospectively. However, in accordance with the exceptions permitted in the Phase 2 amendments, the Group has elected not to restate comparatives for the prior periods to reflect the application of these amendments. Since the Group had no transactions for which the benchmark rate had been replaced with an alternative benchmark rate as at 31 December 2020, there is no impact on opening equity balances as a result of retrospective application.

Specific policies applicable from 1 January 2021 for interest rate benchmark reform

The Phase 2 amendments provide practical relief from certain requirements in FRSs. These reliefs relate to modifications of financial instruments and lease contracts or hedging relationships triggered by a replacement of a benchmark interest rate in a contract with a new alternative benchmark rate.

If the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortised cost changes as a result of interest rate benchmark reform, then the Group updates the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

– the change is necessary as a direct consequence of the reform; and
– the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

If changes are made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, then the Group first updates the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. Subsequently, the Group applies the policies on accounting for modifications to the additional changes.

The amendments also provide an exception to use a revised discount rate that reflects the change in interest rate when remeasuring a lease liability because of a lease modification that is required by interest rate benchmark reform.

Finally, the Phase 2 amendments provide a series of temporary exceptions from certain hedge accounting requirements when a change required by interest rate benchmark reform occurs to a hedged item and/or hedging instrument that permit the hedge relationship to be continued without interruption. The Group applies the following reliefs as and when uncertainty arising from interest rate benchmark reform is no longer present with respect to the timing and the amount of the interest rate benchmark-based cash flows of the hedged item or hedging instrument:

– the Group amends the designation of a hedging relationship to reflect changes that are required by the reform without discontinuing the hedging relationship; and
– when a hedged item in a cash flow hedge is amended to reflect the changes that are required by the reform, the amount accumulated in the cash flow hedge reserve is deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.

Where uncertainty persists in the timing or amount of the interest rate benchmark-based cash flows of the hedged item or hedging instrument, the Group continues to apply the existing accounting policies disclosed in note 3.5(vi). See also note 26 for related disclosures about risks, financial assets and financial liabilities indexed to inter-bank lending rates (IBOR) and hedge accounting.

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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 BASIS OF CONSOLIDATION (CONT'D)

(i) Business combinations (cont'd)

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.

(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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 BASIS OF CONSOLIDATION (CONT'D)

(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 ventures by the Co-operative

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

3.2 FOREIGN CURRENCY

(i) Foreign currency transactions

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

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

- an investment in equity securities designated as at fair value through other comprehensive income (FVOCI);
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- qualifying cash flow hedges to the extent that the hedges are effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Singapore dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Singapore dollars at exchange rates at the dates of the transactions.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 FOREIGN CURRENCY (CONT'D)

(ii) Foreign operations (cont'd)

Foreign currency differences are recognised in OCI, and presented in the foreign currency translation reserve (translation reserve) in equity. However, if the foreign operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the NCI. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item that are considered to form part of a net investment in a foreign operation are recognised in OCI, and are presented in the translation reserve in equity.

3.3 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.

(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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(ii) Depreciation (cont'd)

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.

3.4 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. Property that is being constructed for future use as investment property is accounted for at cost less accumulated impairment loss.

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. Freehold land is not depreciated.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 INVESTMENT PROPERTIES (CONT'D)

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

3.5 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 or minus, 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.

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

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

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

<u>Debt investments at FVOCI</u>

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 FINANCIAL INSTRUMENTS (CONT'D)

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

Non-derivative financial assets (cont'd)

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)

3.5 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

Financial assets at FVTPL

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

Financial assets at amortised cost

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 FINANCIAL INSTRUMENTS (CONT'D)

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

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

Debt investments at FVOCI

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

Equity investments at FVOCI

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

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

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

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

(iii) Derecognition

Financial assets

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

Transferred assets are not derecognised when 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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 FINANCIAL INSTRUMENTS (CONT'D)

(iii) Derecognition (cont'd)

Financial liabilities (cont'd)

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.

Hedges directly affected by interest rate benchmark (IBOR) reform

Phase 1 amendments: Prior to interest rate benchmark reform – when there is uncertainty arising from Interest rate benchmark 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 FINANCIAL INSTRUMENTS (CONT'D)

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

Hedges directly affected by interest rate benchmark (IBOR) reform (cont'd)

Phase 1 amendments: Prior to interest rate benchmark reform – when there is uncertainty arising from Interest rate benchmark reform (cont'd)

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 contractual 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.

Phase 2 amendments: Replacement of benchmark interest rates – when there is no longer uncertainty arising from interest rate benchmark reform

When the basis for determining the contractual cash flows of the hedged item or the hedging instrument changes as a result of interest rate benchmark reform and therefore there is no longer uncertainty arising about the cash flows of the hedged item or the hedging instrument, the Group amends the hedge documentation of that hedging relationship to reflect the change(s) required by interest rate benchmark reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

For this purpose, the hedge designation is amended only to make one or more of the following changes:

- designating an alternative benchmark rate as the hedged risk;
- updating the description of hedged item, including the description of the designated portion of the cash flows or fair value being hedged; or
- updating the description of the hedging instrument.

The Group amends the description of the hedging instrument only if the following conditions are met:

- it makes a change required by interest rate benchmark reform by changing the basis for determining the contractual cash flows of the hedging instrument or using another approach that is economically equivalent to changing the basis for determining the contractual cash flows of the original hedging instrument; and
- the original hedging instrument is not derecognised.

The Group amends the formal hedge documentation by the end of the reporting period during which a change required by interest rate benchmark reform is made to the hedged risk, hedged item or hedging instrument. These amendments in the formal hedge documentation do not constitute the discontinuation of the hedging relationship or the designation of a new hedging relationship.

Notes to The Financial Statements
Year ended 31 December 2021

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 FINANCIAL INSTRUMENTS (CONT'D)

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

Hedges directly affected by interest rate benchmark (IBOR) reform (cont'd)

Phase 2 amendments: Replacement of benchmark interest rates – when there is no longer uncertainty arising from interest rate benchmark reform (cont'd)

If changes are made in addition to those changes required by interest rate benchmark reform described above, then the Group first considers whether those additional changes result in the discontinuation of the hedge accounting relationship. If the additional changes do not result in discontinuation of the hedge accounting relationship, then the Group amends the formal hedge documentation for changes required by interest rate benchmark reform as mentioned above.

When the interest rate benchmark on which the hedged future cash flows had been based is changed as required by interest rate benchmark reform, for the purpose of determining whether the hedged future cash flows are expected to occur, the Group deems that the hedging reserve recognised in OCI for that hedging relationship is based on the alternative benchmark rate on which the hedged future cash flows will be based.

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 FINANCIAL INSTRUMENTS (CONT'D)

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

Net investment hedges

The Group designates non-derivative financial liabilities as hedges of foreign exchange risk on a net investment in a foreign operation.

When a non-derivative financial liability is designated as the hedging instrument in a hedge of a net investment in a foreign operation, the effective portion of foreign exchange gains and losses for a non-derivative is recognised in OCI and presented in the foreign currency translation reserve within equity. Any ineffective portion of the changes in foreign exchange gains and losses on the non-derivative is recognised immediately in profit or loss. The amount recognised in OCI is fully or partially reclassified to profit or loss as a reclassification adjustment on disposal or partial disposal of the foreign operation, respectively.

3.6 IMPAIRMENT OF FINANCIAL ASSETS

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 IMPAIRMENT OF FINANCIAL ASSETS (CONT'D)

General approach (cont'd)

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).

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)

3.7 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 of disposal. 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.

3.8 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.

3.9 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.

Notes to The Financial Statements
Year ended 31 December 2021

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.10 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.

3.11 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.

3.12 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.

3.13 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)

3.14 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 properties.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 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.

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.

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 3.6). 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 properties under operating leases as income on a straight-line basis over the lease term as part of 'rental income'.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.15 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.

3.16 TAX

Tax expense comprises current and deferred tax. Current tax and deferred tax are 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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.16 TAX (CONT'D)

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.

3.17 SEGMENT REPORTING

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chief Operating Decision Maker ("CODM") which is the Chief Executive Officer, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

3.18 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. The Group is in the process of assessing the impact of the new standards, amendments to standards and interpretations on its 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 2020	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
At 1 January 2021	7,657	2,158	188	10,003
Additions	2,732	155	75	2,962
Disposals/written-off	(187)	(41)	-	(228)
Transfer	155	-	(155)	-
At 31 December 2021	10,357	2,272	108	12,737
Accumulated depreciation				
At 1 January 2020	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
At 1 January 2021	4,176	1,385	-	5,561
Depreciation for the year	909	176	-	1,085
Disposals/written-off	(176)	(41)	-	(217)
At 31 December 2021	4,909	1,520	-	6,429
Carrying amounts				
At 1 January 2020	2,452	835	349	3,636
At 31 December 2020	3,481	773	188	4,442
At 31 December 2021	5,448	752	108	6,308

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 2020	1,195	456	299	1,950
Additions	582	-	188	770
Written-off	(35)	-	-	(35)
Transfer	299	-	(299)	-
At 31 December 2020	2,041	456	188	2,685
At 1 January 2021	2,041	456	188	2,685
Additions	635	-	75	710
Written-off	(53)	-	-	(53)
Transfer	155	-	(155)	-
At 31 December 2021	2,778	456	108	3,342
Accumulated depreciation				
At 1 January 2020	144	65	-	209
Depreciation for the year	370	91	-	461
Written-off	(35)	-	-	(35)
At 31 December 2020	479	156	-	635
At 1 January 2021	479	156	-	635
Depreciation for the year	489	92	-	581
Written-off	(42)	-	-	(42)
At 31 December 2021	926	248	-	1,174
Carrying amounts				
At 1 January 2020	1,051	391	299	1,741
At 31 December 2020	1,562	300	188	2,050
At 31 December 2021	1,852	208	108	2,168

5 INVESTMENT PROPERTIES

	Leasehold land $'000	Leasehold buildings and premises $'000	Freehold buildings and premises $'000	Total $'000
Group				
Cost				
At 1 January 2020	2,674,632	1,363,798	19,300	4,057,730
Capital expenditure capitalised	-	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 12)	-	(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
At 1 January 2021	2,674,632	1,366,818	19,300	4,060,750
Capital expenditure capitalised	-	15,627	-	15,627
Reclassification to assets held for sale (note 12)	-	(7,972)	-	(7,972)
Adjustment	-	(1,542)	-	(1,542)
Government grant received	-	(1,486)	-	(1,486)
At 31 December 2021	2,674,632	1,371,445	19,300	4,065,377
Accumulated depreciation				
At 1 January 2020	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 12)	-	(103)	-	(103)
At 31 December 2020	142,644	141,381	1,158	285,183
At 1 January 2021	142,644	141,381	1,158	285,183
Depreciation for the year	32,309	30,142	-	62,451
Reclassification to assets held for sale (note 12)	-	(698)	-	(698)
At 31 December 2021	174,953	170,825	1,158	346,936
Carrying amounts				
At 1 January 2020	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
At 31 December 2021	2,499,679	1,200,620	18,142	3,718,441

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 (2020: 1 to 9 years). Subsequent renewals are negotiated with the lessee. During the year, contingent rent of $8.8 million (2020: $6.8 million) was charged and recognised as rental income in profit or loss.

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

	Group	
	2021 $'000	2020 $'000
Rental income	240,135	216,698
Operating expenses	126,936	126,353

IMPAIRMENT ASSESSMENT

At the reporting date, management performed an annual review of the carrying amounts of investment properties for indicators of impairment.

As at 31 December 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. As at 31 December 2021, the Group did not identify any impairment indicator on its investment properties.

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 2021 is $4,240 million (2020: $4,221 million). The valuations are carried out by Knight Frank Pte Ltd and Savills Valuation and Professional Services (S) Pte Ltd (2020: Knight Frank Pte Ltd and Savills Valuation and Professional Services (S) Pte Ltd), which are firms of independent professional valuers.

The valuers have considered valuation techniques including the capitalisation approach and the discounted cash flow approach (2020: capitalisation approach and the discounted cash flow approach) in arriving at the fair value as at the reporting date. 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.

5 INVESTMENT PROPERTIES (CONT'D)

DETERMINATION OF FAIR VALUE FOR DISCLOSURE (CONT'D)

The valuation techniques involve certain estimates. The key assumptions used to determine the fair value of investment properties include 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 have highlighted in their valuation reports that the outbreak of the Coronavirus Disease ("COVID-19") pandemic has continued to affect the economy and the real estate market. Consequently, a higher degree of caution should be attached to the valuations than during standard market conditions. The valuers (2020: a valuer for certain investment properties) have also recommended to keep the valuation of the investment properties under frequent review.

6 INVESTMENT IN SUBSIDIARIES

	Co-operative	
	2021	2020
	$'000	$'000
Investment in subsidiaries	840,027	752,853

During the financial year ended 31 December 2021:

(a) the Co-operative incorporated a subsidiary with a share capital of $2;

(b) the Co-operative subscribed for additional shares in Mercatus Uno Pte. Ltd. ("Mercatus Uno") amounting to $87.1 million; and

(c) the Co-operative increased its investment in Mercatus Dos Pte. Ltd. ("Mercatus Dos") by way of capitalising the amount due from Mercatus Dos of $0.01 million.

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

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 2021 %	Effective equity interest 2020 %
Subsidiaries of the Co-operative				
Mercatus Tres Pte. Ltd. (1)	Singapore	Investment holding	100	100
Mercatus Alpha Co-operative Limited (1)	Singapore	Property owner	100(5)	100(5)
Mercatus Beta Co-operative Limited (1)	Singapore	Property owner	100(5)	100(5)
Mercatus Delta Co-operative Limited (1)	Singapore	Property owner	100(5)	100(5)
Mercatus Gamma Co-operative Limited (1)	Singapore	Property owner	100(5)	100(5)
Mercatus Epsilon Co-operative Limited (1)	Singapore	Property owner	100(5)	100(5)
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 (2)	Singapore	Investment and real estate management	99	99
Mercatus Property Services Pte. Ltd. (1)	Singapore	Real estate management	100	100
Mercatus Uno Pte. Ltd. (1)	Singapore	Investment holding	100	100
Mercatus Dos Pte. Ltd. (1)	Singapore	Dormant	100	100
Mercatus Quattour Pte. Ltd. (1)	Singapore	Dormant	100	-

6 INVESTMENT IN SUBSIDIARIES (CONT'D)

Name	Place of incorporation and business	Principal activities	Effective equity interest 2021 %	Effective equity interest 2020 %
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
Subsidiary of NTUC Choice Homes Co-operative Ltd				
Choicehomes Investments Pte. Ltd. [1]	Singapore	Investment holding	69.6	69.6
Subsidiary of Choicehomes Investments Pte. Ltd.				
Pasir Ris EC Pte. Ltd. [3] [4]	Singapore	Property development	41.8	41.8
Subsidiary of Mercatus Strategic Advisors LLP				
Mercatus Strategic Investment Management LLP [2]	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

Notes to The Financial Statements
Year ended 31 December 2021

6 INVESTMENT IN SUBSIDIARIES (CONT'D)

Name	Place of incorporation and business	Principal activities	Effective equity interest 2021 %	Effective equity interest 2020 %
Subsidiary of Mercatus Quattuor Pte. Ltd.				
Mercatus Singapore Development I Pte. Ltd. [1]	Singapore	Real estate management	100	-
Subsidiary of Mercatus Dos Pte. Ltd.				
Mercatus Singapore Investments I Pte. Ltd. [1]	Singapore	Real estate management	100	-
Subsidiary of Mercatus Uno Pte. Ltd.				
Mercatus Australia Investment Trust I [2]	Australia	Investment holding	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 Pasir Ris EC Pte. Ltd., management has determined that the Group has control through the Board of Directors of this entity.*
(4) *As at 31 December 2021, the company has filed for members' voluntary liquidation.*
(5) *Each co-operative has 2 institutional members. The other member is NE which owns 10,000 shares.*

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 2021 %	Ownership interests held by NCI 2020 %
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
2021	
Profit, representing total comprehensive income	7,674
Attributable to NCI:	
- Profit, representing total comprehensive income	2,331
Non-current assets	195,000
Current assets	282,103
Current liabilities	(1,850)
Net assets	475,253
Net assets attributable to NCI	145,875
Cash used in operating activities	(1,710)
Cash from investing activities	10,507
Cash used in financing activities	(3,928)
Net increase in cash and cash equivalents	4,869
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 used in operating activities	(4,678)
Cash from investing activities	10,557
Cash used in financing activities	(3,928)
Net increase in cash and cash equivalents	1,951

Notes to The Financial Statements
Year ended 31 December 2021

7 INVESTMENT IN JOINT VENTURES

	Group	
	2021 $'000	2020 $'000
Investment in joint ventures	661,471	331,085

During the financial year ended 31 December 2021, the Group acquired a 90% interest in a joint venture, Mercatus Dexus Australia Partnership ("MDAP"), that is held through a subsidiary. This joint venture is a strategic venture to hold a 33% interest in Bent Street Trust, an Australian trust that owns a premium grade office building in Sydney, Australia.

The Group has 50% (2020: 50%) interest in the ownership and voting rights in another joint venture, Gold Ridge Pte Ltd ("Gold Ridge"), 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 ventures with partners under contractual agreements which require unanimous consent for all major decisions over the relevant activities of the ventures.

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

	Gold Ridge $'000	MDAP $'000
2021		
Revenue and other income	124,728	-
Profit from continuing operations	44,333	3,485
Other comprehensive income	9,310	-
Total comprehensive income for the year	53,643	3,485
Profit from continuing operations include:		
– Interest income	42	*
– Depreciation and amortisation	(21,788)	-
– Interest expense	(14,625)	-
– Income tax expense	(13,307)	-
Non-current assets	1,458,639	364,367
Current assets	58,425	7,013
Non-current liabilities	(829,176)	-
Current liabilities	(33,078)	(488)
Net assets	654,810	370,892
Cash and cash equivalents	56,068	2,734
Non-current financial liabilities (excluding deferred tax liabilities)	(824,710)	-

7 INVESTMENT IN JOINT VENTURES (CONT'D)

	Gold Ridge $'000	Group MDAP $'000	Total $'000
2021			
Group's interest in net assets of joint ventures at beginning of the year	331,085	-	331,085
Investment during the year	-	341,813	341,813
Translation differences	-	(10,885)	(10,885)
Dividends income for the year	(30,500)	-	(30,500)
Share of profit from continuing operations	22,166	3,137	25,303
Share of other comprehensive income	4,655	-	4,655
Carrying amount of interest in joint ventures at end of the year	327,406	334,065	661,471

* *denotes amount less than $1,000*

	Gold Ridge $'000
2020	
Revenue and other income	118,434
Profit from continuing operations and total comprehensive income for the year	26,485
Profit from continuing operations include:	
– Interest income	152
– Depreciation and amortisation	(21,623)
– Interest expense	(20,265)
– Income tax expense	(10,590)
Non-current assets	1,468,927
Current assets	55,327
Non-current liabilities	(834,962)
Current liabilities	(27,125)
Net assets	662,168
Cash and cash equivalents	51,802
Non-current financial liabilities (excluding deferred tax liabilities)	(824,250)
Group's interest in net assets of joint venture at beginning of the year	334,592
Dividends income for the year	(16,750)
Share of total comprehensive income	13,243
Carrying amount of interest in joint venture at end of the year	331,085

7 INVESTMENT IN JOINT VENTURES (CONT'D)

Gold Ridge Pte Ltd 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 2021 $'000	Group 2020 $'000
Less than one year	46,724	45,228
One to two years	24,520	33,356
Two to three years	11,614	12,196
Three to four years	1,184	3,797
Four to five years	22	968
Total	84,064	95,545

8 OTHER INVESTMENTS

	Group 2021 $'000	Group 2020 $'000	Co-operative 2021 $'000	Co-operative 2020 $'000
Non-current				
Debt investments – at amortised cost	195,000	260,000	-	-
Equity investment – at FVOCI	80,245	-	-	-
	275,245	260,000	-	-
Current				
Debt investments – at amortised cost	260,000	195,000	-	-
Total	535,245	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 2021 $'000	Group 2020 $'000
(i) 1.30%	Annually	2024	100,000	-
(ii) 0.77%	Annually	2024	75,000	-
(iii) 0.98%	Annually	2024	20,000	-
(iv) 2.30%	Annually	2022	260,000	260,000
(v) 2.25%	Annually	2021	-	100,000
(vi) 2.40%	Annually	2021	-	75,000
(vii) 2.30%	Annually	2021	-	20,000
			455,000	455,000

8 OTHER INVESTMENTS (CONT'D)

EQUITY INVESTMENT DESIGNATED AS AT FVOCI

As at 31 December 2021, the Group has designated the investment shown below as an equity investment as at FVOCI because this equity investment represents an investment that the Group intends to hold for the long-term for strategic purposes.

	Fair value at 31 December	Dividend income recognised during
	2021	2021
	$'000	$'000
Investment in BPREPA Brookfield Place Co-invest Trust	80,245	1,367

Information about the Group's exposure to credit and market risks, and fair value measurement, is included in note 26.

9 DERIVATIVES

	Group		Co-operative	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Non-current assets				
Interest rate swaps	24,769	-	24,769	-
Non-current liabilities				
Interest rate swaps	4,085	20,887	4,085	20,887
Current liabilities				
Interest rate swaps	1,908	1,847	1,908	1,847

Information about the Group's interest rate swaps is included in note 26.

10 TRADE AND OTHER RECEIVABLES

	Group		Co-operative	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Trade receivables				
- external parties	5,929	4,855	-	-
- related parties	194	132	*	35
Allowance for doubtful receivables	(2,131)	(1,331)	-	-
	3,992	3,656	*	35
Interest receivable	4,953	5,672	61	-
Loans to subsidiaries:				
- Measured at amortised cost	-	-	616,274	294,000
- Measured at FVTPL	-	-	3,403,479	3,503,479
Grant receivables	-	302	-	302
Accrued revenue	16,223	13,121	-	-
Other receivables	1,203	1,485	148	12,158
	26,371	24,236	4,019,962	3,809,974
Prepayments	1,053	1,004	155	342
	27,424	25,240	4,020,117	3,810,316

* *denotes amount less than $1,000*

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

(a) $616 million (2020: $294 million) with a weighted average interest of 2.25% (2020: 2.79%) per annum during the year; and

(b) $3,403 million (2020: $3,503 million) with the interest calculated based on (i) 6.5% (2020: 6.5%) of the shareholders' loan amount or (ii) 99% of the subsidiaries' net surplus (2020: 99% of the subsidiaries' net surplus) of each financial year, whichever amount is lower.

As at 31 December 2020, included in the Co-operative's other receivables balance was dividend receivable from a subsidiary amounting to $12 million.

11 CASH AND CASH EQUIVALENTS

	Group		Co-operative	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Cash on hand	*	-	-	-
Cash at bank	280,530	334,429	195,567	258,872
Fixed deposits	50,000	904	50,000	-
	330,530	335,333	245,567	258,872

* *denotes amount less than $1,000*

12 ASSETS HELD FOR SALE

	Group		Co-operative	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Investment properties	2,599	1,217	-	-

(a) In October 2021, the Group entered into a sale and purchase agreement with an external party to sell one of its leasehold investment properties at $3.9 million. The Group expects the sale to be completed within the next financial year.

(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 $2.0 million, subject to authority's approval. The carrying value of the investment property as at 31 December 2020 was $1.2 million. The sale was completed in May 2021 and the Group recognised a net gain of $0.8 million.

13 LOANS AND BORROWINGS

	Group		Co-operative	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Non-current				
Unsecured bank loans	1,468,459	1,426,397	1,468,459	1,426,397
Unsecured fixed rate notes	548,774	548,508	548,774	548,508
	2,017,233	1,974,905	2,017,233	1,974,905
Current				
Unsecured bank loans	509,874	279,960	509,874	279,960

13 LOANS AND BORROWINGS (CONT'D)

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

	Nominal interest rate	Year of maturity	Face value	Carrying amount
	%		$'000	$'000
Group				
2021				
Unsecured bank loans	SOR[(1)]+Margin	2022-2023	430,000	429,715
Unsecured bank loans	SIBOR[(2)]+Margin	2022	30,000	30,000
Unsecured bank loans	BBSY[(3)]+Margin	2022-2026	322,274	322,167
Unsecured bank loans	SORA[(4)]+Margin	2025-2027	948,000	946,476
Unsecured bank loans	2.64%	2022	250,000	249,975
Unsecured fixed rate notes	2.80% - 3.28%	2024-2030	550,000	548,774
			2,530,274	2,527,107
2020				
Unsecured bank loans	SOR[(1)]+Margin	2021-2026	1,218,000	1,216,457
Unsecured bank loans	SIBOR[(2)]+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

(1) *Swap Offer Rate*
(2) *Singapore Interbank Offered Rate*
(3) *Bank Bill Swap Rate*
(4) *Singapore Overnight Rate Average*

13 LOANS AND BORROWINGS (CONT'D)

	Nominal interest rate %	Year of maturity	Face value $'000	Carrying amount $'000
Co-operative				
2021				
Unsecured bank loans	SOR[1]+Margin	2022-2023	430,000	429,715
Unsecured bank loans	SIBOR[2]+Margin	2022	30,000	30,000
Unsecured bank loans	BBSY[3]+Margin	2022-2026	322,274	322,167
Unsecured bank loans	SORA[4]+Margin	2025-2027	948,000	946,476
Unsecured bank loans	2.64%	2022	250,000	249,975
Unsecured fixed rate notes	2.80% - 3.28%	2024-2030	550,000	548,774
			2,530,274	2,527,107
2020				
Unsecured bank loans	SOR[1]+Margin	2021-2026	1,218,000	1,216,457
Unsecured bank loans	SIBOR[2]+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

[1] *Swap Offer Rate*
[2] *Singapore Interbank Offered Rate*
[3] *Bank Bill Swap Rate*
[4] *Singapore Overnight Rate Average*

UNSECURED FIXED RATE NOTES

The unsecured fixed rate notes relate to notes issued by the Co-operative under its $1,000 million Multicurrency Medium Term Note Programme ("MTN"). The notes mature in 2030 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 its bank loans. Details of the interest rate swaps are set out in notes 9 and 26.

13 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 9) $'000	Interest rate swaps used for hedging – assets (note 9) $'000	Interest payable* $'000	Total $'000
Group					
Balance as at 1 January 2020	2,275,074	7,102	-	12,611	2,294,787
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
Balance as at 31 December 2020	2,254,865	22,734	-	9,931	2,287,530
Balance as at 1 January 2021	2,254,865	22,734	-	9,931	2,287,530
Changes from financing cash flows					
Interest paid	-	-	-	(54,376)	(54,376)
Proceeds from loans and borrowings	750,366	-	-	-	750,366
Repayment of loans and borrowings	(470,000)	-	-	-	(470,000)
Payment of transaction costs	(1,506)	-	-	-	(1,506)
Total changes from financing cash flows	278,860	-	-	(54,376)	224,484
The effect of changes in foreign exchange rates	(8,092)	-	-	(6)	(8,098)
Interest expense	1,474	-	-	54,945	56,419
Change in fair value	-	(16,741)	(24,769)	-	(41,510)
Balance as at 31 December 2021	2,527,107	5,993	(24,769)	10,494	2,518,825

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

14 TRADE AND OTHER PAYABLES

	Group 2021 $'000	Group 2020 $'000	Co-operative 2021 $'000	Co-operative 2020 $'000
Trade payables	5,901	3,362	2,095	899
Advance rental	2,575	2,605	26	-
Rental and other deposits	58,520	58,872	-	-
Interest payable on loans and borrowings	10,494	9,931	10,494	9,931
Amounts due to subsidiaries	-	-	125,814	165,014
Amounts due to related party	2,696	-	-	-
Accrued expenses	17,276	20,620	3,941	6,090
Deferred grant income	-	473	-	110
Other payables	3,120	3,484	850	1,192
Current tax liabilities	13	29	-	-
Contribution payable to:				
- Central Co-operative Fund	102	102	25	25
- Singapore Labour Foundation	14,978	15,924	13,174	14,576
	115,675	115,402	156,419	197,837
Trade and other payables				
Current	76,734	81,098	156,419	197,837
Non-current	38,941	34,304	-	-
	115,675	115,402	156,419	197,837

AMOUNTS DUE TO SUBSIDIARIES AND RELATED PARTY

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

15 DEFERRED TAX LIABILITIES

	At 1 January 2021 $'000	Recognised in other comprehensive income (note 22) $'000	Recognised in profit and loss (note 22) $'000	Translation differences $'000	At 31 December 2021 $'000
Group					
Equity investment at FVOCI	-	898	404	(10)	1,292

UNRECOGNISED DEFERRED TAX LIABILITIES

As at 31 December 2021, there was a deferred tax liability of $0.4 million (2020: Nil) for temporary differences of $2.5 million (2020: Nil) related to an investment in a subsidiary. However, this liability was not recognised because the Group is able to veto the payments of dividends of its subsidiary – i.e. the Group controls the timing of reversal of the related taxable temporary differences and management is satisfied they will not reverse in the foreseeable future.

Notes to The Financial Statements
Year ended 31 December 2021

16 MEMBERSHIP SHARES

	Co-operative 2021 No. of shares ('000)	Co-operative 2021 $'000	Co-operative 2020 No. of shares ('000)	Co-operative 2020 $'000
Authorised				
Membership shares	3,000,000	3,000,000	3,000,000	3,000,000

	Group and Co-operative 2021 No. of shares ('000)	Group and Co-operative 2021 $'000	Group and Co-operative 2020 No. of shares ('000)	Group and Co-operative 2020 $'000
Issued and fully paid membership shares, at par value of $1 each:				
In issue at 1 January	1,912,014	1,912,014	1,856,976	1,856,976
Issued during the year	43,403	43,403	55,038	55,038
At 31 December	1,955,417	1,955,417	1,912,014	1,912,014

The shares are held by 3 members.

During the year, dividends declared were paid by issuing 43 million (2020: 55 million) membership shares under a bonus issue (as set out in the Co-operative's By-Laws Section 12.2(d)) where 23 (2020: 30) membership shares were issued for every 1,000 (2020: 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 lesser 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.

16 MEMBERSHIP SHARES (CONT'D)

RIGHTS OF MEMBERS (CONT'D)

(d) A member whose name appears on the books of the Co-operative 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.

17 OTHER RESERVES

	Group		Co-operative	
	2021	**2020**	**2021**	**2020**
	$'000	**$'000**	**$'000**	**$'000**
Capital reserve	386,457	386,457	384,821	384,821
Asset replacement reserve	21,904	18,253	-	-
Hedging reserve	23,431	(22,734)	18,776	(22,734)
Dividend reserve	2,734	2,734	-	-
Fair value reserve	2,063	-	-	-
Foreign currency translation reserve	(7,010)	-	-	-
	429,579	384,710	403,597	362,087

17 OTHER RESERVES (CONT'D)

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

	Capital reserve	Asset replacement reserve	Hedging reserve	Dividend reserve	Fair value reserve	Currency translation reserve	Total
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
At 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)
Transfers	-	3,650	-	-	-	-	3,650
At 31 December 2020	386,457	18,253	(22,734)	2,734	-	-	384,710
At 1 January 2021	386,457	18,253	(22,734)	2,734	-	-	384,710
Other comprehensive income							
Changes in fair value of equity investment at FVOCI	-	-	-	-	2,961	-	2,961
Tax on other comprehensive income	-	-	-	-	(898)	-	(898)
Translation differences arising on consolidation of foreign operations	-	-	-	-	-	(1,477)	(1,477)
Loss on hedge of net investment in foreign operations	-	-	-	-	-	(5,533)	(5,533)
Effective portion of changes in fair value of cash flow hedge	-	-	41,510	-	-	-	41,510
Share of other comprehensive income of equity-accounted investee	-	-	4,655	-	-	-	4,655
Total other comprehensive income	-	-	46,165	-	2,063	(7,010)	41,218
Transfers	-	3,651	-	-	-	-	3,651
At 31 December 2021	386,457	21,904	23,431	2,734	2,063	(7,010)	429,579

17 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 and share of hedging reserve of equity-accounted investee.

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 members at its next annual general meeting.

FAIR VALUE RESERVE

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

FOREIGN CURRENCY TRANSLATION RESERVE

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations, as well as the effective portion of any foreign currency differences arising from hedges of a net investment in a foreign operation.

18 REVENUE

	Group		Co-operative	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Rental income from investment properties	240,135	216,698	-	-
Management fee income	6,568	3,482	26,811	30,261
Dividend income	1,367	-	2,734	14,734
Others	5,653	5,699	-	-
	253,723	225,879	29,545	44,995

During the year, the Group granted total rental rebates to tenants to cushion the impact of the COVID-19 pandemic of:

(i) $6.4 million (2020: Nil) over and above the government cash grants under the 2021 Rental Support Scheme.

(ii) Nil (2020: $31.6 million) over and above the government cash grants under the Rental Relief Framework granted and the property tax rebates under the Resilience and Fortitude Budget.

19 OTHER INCOME

	Group		Co-operative	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Gain on disposal of investment properties, net	4,023	16,614	-	-
Gain on disposal of property, plant and equipment	45	-	-	-
Managing agent fee income	2,808	4,408	-	-
Other tenant services	5,598	3,985	-	-
Government grants	462	1,905	-	-
Others	3,857	3,748	*	*
	16,793	30,660	*	*

* *denotes amount less than $1,000*

Government grant income

During the year, the Group received total cash grants of:

(i) $0.2 million (2020: Nil) from the Singapore Government under the 2021 Rental Support Scheme.
(ii) $0.6 million (2020: $9.2 million) from the Singapore Government under the Rental Relief Framework. Of this amount, the Group has passed on $0.3 million (2020: $7.3 million) to eligible tenants.

20 FINANCE INCOME AND FINANCE COSTS

	Group		Co-operative	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Finance income				
Interest income under the effective interest method, arising from financial assets measured at amortised cost:				
- Loans to subsidiaries	-	-	10,720	8,196
- Fixed deposits and bank balances	1,049	2,129	410	128
- Debt instruments – unquoted bonds	9,710	10,505	-	-
- Others	*	-	-	-
	10,759	12,634	11,130	8,324
Interest income from financial assets carried at FVTPL – loans to subsidiaries	-	-	103,948	95,862
	10,759	12,634	115,078	104,186
Finance costs				
Interest expense and borrowing costs on financial liabilities measured at amortised cost:				
- Bank loans	38,335	41,397	38,335	41,397
- Medium term notes	16,610	16,470	16,610	16,470
- Amortisation of transaction costs	1,474	1,136	1,474	1,136
- Others	-	8	-	-
	56,419	59,011	56,419	59,003

* *denotes amount less than $1,000*

21 PROFIT BEFORE TAX AND CONTRIBUTIONS

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

	Group		Co-operative	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Allowance for doubtful receivables	800	1,331	-	-
Foreign exchange loss (net)	18	-	5,552	-
Property, plant and equipment written off	11	110	11	-
Included in staff costs:				
- defined contribution plans	2,264	2,034	558	529

21 PROFIT BEFORE TAX AND CONTRIBUTIONS (CONT'D)

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 $0.7 million (2020: $2.9 million) 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 $0.2 million (2020: $21.0 million) from the Singapore Government. Of this amount, the Group has passed on $0.03 million (2020: $20.2 million) to eligible tenants.

22 TAX EXPENSE

Tax recognised in profit or loss

	Group	
	2021	2020
	$'000	$'000
Current tax		
Current year	12	25
Withholding tax	270	-
Overprovision in respect of previous year	*	-
	282	25
Deferred tax		
Origination and reversal of temporary differences	404	-
	404	-
Total tax expenses	686	25
Reconciliation of effective tax rate		
Profit before tax and contributions	97,477	70,366
Share of results of associate and joint venture	(25,303)	(13,243)
	72,174	57,123
Tax calculated using Singapore tax rate of 17% (2020: 17%)	12,269	9,711
Effects of different tax rates in foreign jurisdictions	177	-
Exempt income#	(13,964)	(11,176)
Non-deductible expenses	1,934	1,489
Overprovision in respect of previous year	*	-
Withholding tax	270	-
Others	-	1
	686	25

* *denotes amounts less than $1,000*

\# *Includes income of any co-operative society registered under the Co-operative Societies Act 1979, which is exempted from income tax under Section 13 (1)(f)(ii) of the Singapore Income Tax Act 1947.*

22 TAX EXPENSE (CONT'D)

Tax recognised in other comprehensive income

	Group 2021		
	Before tax $'000	Tax expense $'000	Net of tax $'000
Items that will not be reclassified to profit or loss			
Equity investment at FVOCI – net change in fair value	2,961	(898)	2,063

23 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 is required to contribute 5% of the first $0.5 million of its surplus resulting from the operations during the year to the Central Co-operative Fund ("CCF").

The contribution to CCF for the financial year ended 31 December 2021 is $0.1 million (2020: $0.1 million). In 2021, waiver was granted for the 2020 contribution which was written back during the current year.

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.

24 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

	2021 $'000	2020 $'000
Group		
Expenses relating to short-term leases	552	368
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	245	189

24 LEASES (CONT'D)

A. LEASES AS LESSEE (CONT'D)

Amounts recognised in profit or loss (cont'd)

	2021 $'000	2020 $'000
Co-operative		
Expenses relating to short-term leases	575	551
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	188	116

The total cash outflow for leases recognised in the consolidated statement of cash flows is $0.8 million (2020: $0.6 million).

B. LEASES AS LESSOR

The Group leases out its investment properties 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 properties.

Rental income recognised by the Group during 2021 was $240 million (2020: $217 million).

25 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	
	2021 $'000	2020 $'000
Less than one year	212,832	200,064
One to two years	168,553	112,301
Two to three years	110,370	64,590
Three to four years	64,058	30,070
Four to five years	51,983	22,834
More than five years	173,102	183,768
Total	780,898	613,627

25 COMMITMENTS (CONT'D)

(II) CAPITAL COMMITMENT

The Group has capital commitment of $7.2 million (2020: $20 million) in relation to asset enhancement initiatives of the investment properties.

26 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.

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.

Notes to The Financial Statements
Year ended 31 December 2021

26 FINANCIAL INSTRUMENTS (CONT'D)

(I) CREDIT RISK (CONT'D)

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:

	2021 $'000	2020 $'000
Recognition of expected credit losses on trade receivables	800	1,331

Exposure to credit risk

	Gross carrying amount $'000	Allowance for doubtful receivables $'000
2021		
Current and past due less than 30 days	1,994	(269)
Past due 30 – 60 days	489	(113)
Past due more than 60 days	3,640	(1,749)
	6,123	(2,131)
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)

26 FINANCIAL INSTRUMENTS (CONT'D)

(I) CREDIT RISK (CONT'D)

Impairment loss (cont'd)

Exposure to credit risk (cont'd)

Movements in the allowance for doubtful receivables are as follows:

	Group	
	2021	2020
	$'000	$'000
At 1 January	1,331	-
Allowance made	800	1,331
At 31 December	2,131	1,331

Trade receivables that are individually credit-impaired at the reporting 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.

Debt investments

The Group invests in bonds issued by the holding co-operative, NTUC Enterprise Co-operative Limited, of $455 million (2020: $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 $1,432 million (2020: $960 million).

Amounts due from subsidiaries, including loans to subsidiaries

The Co-operative has balances due from its subsidiaries of $616 million (2020: $294 million) measured at amortised cost. 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. In addition, the Co-operative also has balances due from its subsidiaries of $3,403 million (2020: $3,503 million) measured at FVTPL.

26 FINANCIAL INSTRUMENTS (CONT'D)

(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.

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

			Cash flows	
	Carrying amount	Contractual cash flows	Within 1 year	More than 1 year
	$'000	$'000	$'000	$'000
Group				
2021				
Non-derivative financial liabilities				
Trade and other payables*	113,087	(113,087)	(74,146)	(38,941)
Loans and borrowings	2,527,107	(2,628,899)	(783,563)	(1,845,336)
	2,640,194	(2,741,986)	(857,709)	(1,884,277)
Derivative financial instruments				
Interest rate swaps used for hedging (net-settled)	18,776	34,268	(4,849)	39,117
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 instruments				
Interest rate swaps used for hedging (net-settled)	22,734	(25,339)	(10,944)	(14,395)

* *Excludes advance rental, deferred grant income and tax liabilities*

26 FINANCIAL INSTRUMENTS (CONT'D)

(II) LIQUIDITY RISK (CONT'D)

	Carrying amount	Contractual cash flows	Cash flows Within 1 year	Cash flows More than 1 year
	$'000	$'000	$'000	$'000
Co-operative				
2021				
Non-derivative financial liabilities				
Trade and other payables*	156,393	(156,393)	(156,393)	-
Loans and borrowings	2,527,107	(2,628,899)	(783,563)	(1,845,336)
	2,683,500	(2,785,292)	(939,956)	(1,845,336)
Derivative financial instruments				
Interest rate swaps used for hedging (net-settled)	18,776	34,268	(4,849)	39,117
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 instruments				
Interest rate swaps used for hedging (net-settled)	22,734	(25,339)	(10,944)	(14,395)

* *Excludes advance rental, deferred grant income and tax liabilities*

The maturity analyses show the contractual undiscounted cash flows of the Group and the Co-operative's financial liabilities on the basis of their earliest possible contractual maturity. The cash inflows/(outflows) disclosed represent the contractual undiscounted cash flows relating to derivative financial liabilities held for risk management purposes and which are usually not closed out prior to contractual maturity. The disclosure shows net cash flow amounts for derivatives that are net cash-settled. Net-settled derivative financial assets are included in the maturity analyses as they are held to hedge the cash flow variability of the Group's floating rate loans.

26 FINANCIAL INSTRUMENTS (CONT'D)

(III) MARKET RISK – INTEREST RATE RISK AND CURRENCY RISK

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 the uncertainty about when and how replacement may occur for the relevant hedged item and hedging instrument due to the 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 'interest rate benchmark reform'). In Singapore, the Steering Committee for SOR and SIBOR transition to SORA (SC-STS) together with the Association of Banks in Singapore (ABS) and Singapore Foreign Exchange Market Committee (SFEMC), has recommended the discontinuation of SOR and SIBOR and a shift towards the use of Singapore Overnight Rate Average (SORA) as the alternative interest rate benchmark in Singapore. The timeline for SORA to replace SOR and SIBOR is by the end of June 2023 and December 2024 respectively.

26 FINANCIAL INSTRUMENTS (CONT'D)

(III) MARKET RISK – INTEREST RATE RISK AND CURRENCY RISK (CONT'D)

Interest rate risk (cont'd)

Managing IBOR reform and associated risks (cont'd)

Non-derivative financial liabilities

The Group's IBOR exposures to non-derivative financial liabilities during the year included unsecured bank loans indexed to SOR and SIBOR. For SOR-based bank loans amounting to $528 million which mature after 30 June 2023, the Group has completed the transition of these contracts to SORA as at 31 December 2021.

As at 31 December 2021, the Group has not transited SIBOR-based and SOR-based bank loans amounting to $460 million to an alternative interest rate benchmark. Subsequent to year end, the Group has completed the transition of SIBOR-based bank loans amounting to $30 million to SORA. The balance $430 million SOR-based bank loans mature before 30 June 2023 (i.e. the cessation of SOR) and therefore, is not required to be transited to an alternative interest rate benchmark.

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 and SORA. The Group's derivative instruments are governed by contracts based on the International Swaps and Derivatives Association (ISDA)'s master agreements.

ISDA has reviewed its definitions in light of IBOR reform and issued an IBOR fallbacks supplement on 23 October 2020, which became effective on 25 January 2021. This sets out how the amendments to new alternative benchmark rates (e.g. SORA) in the 2006 ISDA definitions will be accomplished. The effect of the supplement is to create fallback provisions in derivatives that describe what floating rates will apply on the permanent discontinuation of certain key IBORs or on ISDA declaring a non-representative determination of an IBOR. The Group has adhered to the protocol to implement the fallbacks to derivative contracts that were entered into before the effective date of the supplement. If derivative counterparties also adhere to the protocol, then new fallbacks will be automatically implemented in existing derivative contracts when the supplement became effective – i.e. on 25 January 2021. From that date, all new derivatives that reference the ISDA definitions will also include the fallbacks.

As at 31 December 2021, the Group's exposure to SOR designated in a hedging relationship is a notional amount of $810 million (2020: $960 million). As at 31 December 2021, the interest rate swaps hedging SOR cash flows on the Group's SGD bank loans maturing beyond 30 June 2023, with a notional amount of $400 million have been replaced with SORA. The balance interest rate swaps with a notional amount of $410 million mature before 30 June 2023 (i.e. the cessation of SOR) and therefore, not required to be transited to an alternative interest rate benchmark.

26 FINANCIAL INSTRUMENTS (CONT'D)

(III) MARKET RISK – INTEREST RATE RISK AND CURRENCY RISK (CONT'D)

Interest rate risk (cont'd)

Exposure to interest rate risk

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

	Group Nominal amount		Co-operative Nominal amount	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Variable rate instruments				
Cash at bank	280,530	334,429	195,567	258,872
Loans to subsidiaries	-	-	3,725,753	3,503,479
Loans and borrowings^	(298,000)	(298,000)	(298,000)	(298,000)
	(17,470)	36,429	3,623,320	3,464,351

^ *Excludes $1,432 million (2020: $960 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			
	2021		2020	
	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	1,403	(1,403)	1,672	(1,672)
- Loans and borrowings	(1,490)	1,490	(1,490)	1,490
	(87)	87	182	(182)
Co-operative				
Variable rate instruments				
- Cash at bank	978	(978)	1,294	(1,294)
- Loans and borrowings	(1,490)	1,490	(1,490)	1,490
	(512)	512	(196)	196

26 FINANCIAL INSTRUMENTS (CONT'D)

(III) MARKET RISK – INTEREST RATE RISK AND CURRENCY RISK (CONT'D)

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

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

(i) Net investment hedges

A foreign currency exposure arises from the Group's net investment in its Australian subsidiary that has an AUD functional currency. The risk arises from the fluctuation in spot exchange rates between the AUD and the SGD, which causes the amount of the net investment to vary. The hedged risk in the net investment hedge is the risk of a weakening AUD against the SGD that will result in a reduction in the carrying amount of the Group's net investment in the Australian subsidiary.

Part of the Group's net investment in its Australian subsidiary is hedged by AUD-denominated unsecured bank loans with a carrying amount of $322.2 million (2020: Nil), which mitigates the foreign currency risk arising from the subsidiary's net assets. The fair value of such borrowings at 31 December 2021 is $322.2 million (2020: Nil). The loans are designated as hedging instruments for the changes in the value of the net investment that is attributable to changes in the SGD/AUD spot rate.

To assess hedge effectiveness, the Group determines the economic relationship between the hedging instruments and the hedged items by comparing changes in carrying amount of the debt that is attributable to a change in spot rate with changes in the investment in the foreign operation due to movements in the spot rate (the offset method). The Group's policy is to hedge the net investment only to the extent of the debt principal.

There was no hedge ineffectiveness recognised in the Group's profit or loss in 2021 and 2020. Accordingly, the changes in the value of the hedging instruments of $5.5 million (2020: Nil) were recognised in the Group's other comprehensive income and recognised in equity as part of foreign currency translation reserve.

(ii) 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 $1,432 million (2020: $960 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 2.2% (2020: 0.55% to 2.20%) per annum. The hedges are in place for a 1 to 6 years (2020: 1 to 6 years) tenure to years 2022 to 2027 (2020: 2021 to 2026).

There was no hedge ineffectiveness recognised in the Group's profit or loss in 2021 and 2020. Accordingly, the changes in the value of the hedging instruments of $41.5 million (2020: $15.6 million) were recognised in the Group's other comprehensive income and recognised in equity as part of hedging reserve.

26 FINANCIAL INSTRUMENTS (CONT'D)

(III) MARKET RISK – INTEREST RATE RISK AND CURRENCY RISK (CONT'D)

Currency risk

At the reporting date, the exposure to currency risk (excluding the AUD denominated bank loans that are designated as hedges of the Group's net investment in its subsidiary) is as follows:

	Australian dollars	
	2021	**2020**
	$'000	**$'000**
Group		
Cash and cash equivalents	3,018	-
Trade and other payables	(3,648)	-
Net statement of financial position exposure	(630)	-
Co-operative		
Trade and other receivables	140	-
Cash and cash equivalents	1,769	-
Trade and other payables	(899)	-
Net statement of financial position exposure	1,010	-

Sensitivity analysis

A 10% strengthening of the Singapore dollar against the foreign currency at 31 December, with other variables held constant, would increase/(decrease) the profit before tax and contributions by the amounts as follows:

	Profit before tax and contributions	
	Group	**Co-operative**
	$'000	**$'000**
31 December 2021		
AUD	63	(101)

A 10% weakening of the Singapore dollar against the above foreign currency would have had an opposite effect of similar quantum on the above currencies to the amounts shown above, on the basis that all other variables held constant.

(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 2021

26 FINANCIAL INSTRUMENTS (CONT'D)

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

31 December 2021	Note	Financial assets at amortised cost $'000	Financial assets at fair value through profit or loss $'000	FVOCI – equity instruments $'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	11	330,530	-	-	-	-	330,530				
Trade and other receivables*	10	26,371	-	-	-	-	26,371				
Debt investments – at amortised cost	8	455,000	-	-	-	-	455,000				
		811,901	-	-	-	-	811,901				
Financial assets measured at fair value											
Equity investment – at FVOCI	8	-	-	80,245	-	-	80,245	-	-	80,245	80,245
Derivative financial instruments, measured at fair value											
Interest rate swaps used for hedging (net-settled)	9	-	-	-	18,776	-	18,776	-	18,776	-	18,776
Financial liabilities not measured at fair value											
Loans and borrowings	13	-	-	-	-	2,527,107	2,527,107	565,818	1,978,237	-	2,544,055
Trade and other payables^	14	-	-	-	-	113,087	113,087				
		-	-	-	-	2,640,194	2,640,194				
Co-operative											
Financial assets not measured at fair value											
Cash and cash equivalents	11	245,567	-	-	-	-	245,567				
Loans to subsidiaries	10	616,274	-	-	-	-	616,274				
Trade and other receivables#	10	209	-	-	-	-	209				
		862,050	-	-	-	-	862,050				
Financial assets measured at fair value											
Loans to subsidiaries	10	-	3,403,479	-	-	-	3,403,479	-	3,403,479	-	3,403,479
Derivative financial instruments, measured at fair value											
Interest rate swaps used for hedging (net-settled)	9	-	-	-	18,776	-	18,776	-	18,776	-	18,776
Financial liabilities not measured at fair value											
Loans and borrowings	13	-	-	-	-	2,527,107	2,527,107	565,818	1,978,237	-	2,544,055
Trade and other payables^	14	-	-	-	-	156,393	156,393				
		-	-	-	-	2,683,500	2,683,500				

^ *Excludes advance rental, deferred grant income, and tax liabilities*
* *Excludes prepayment*
# *Excludes loans to subsidiaries and prepayments*

Notes to The Financial Statements
Year ended 31 December 2021

26 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	FVOCI – equity instruments $'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	11	335,333	-	-	-	-	335,333				
Trade and other receivables*	10	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	13	-	-	-	-	2,254,865	2,254,865	575,183	1,709,855	-	2,285,038
Trade and other payables^	14	-	-	-	-	112,295	112,295				
		-	-	-	-	2,367,160	2,367,160				
Derivative financial instruments, measured at fair value											
Interest rate swaps used for hedging	9	-	-	-	22,734	-	22,734	-	22,734	-	22,734
Co-operative											
Financial assets not measured at fair value											
Cash and cash equivalents	11	258,872	-	-	-	-	258,872				
Loans to subsidiaries	10	294,000	-	-	-	-	294,000				
Trade and other receivables#	10	12,495	-	-	-	-	12,495				
		565,367	-	-	-	-	565,367				
Financial assets measured at fair value											
Loans to subsidiaries	10	-	3,503,479	-	-	-	3,503,479	-	3,503,479	-	3,503,479
Financial liabilities not measured at fair value											
Loans and borrowings	13	-	-	-	-	2,254,865	2,254,865	575,183	1,709,855	-	2,285,038
Trade and other payables^	14	-	-	-	-	197,727	197,727				
		-	-	-	-	2,452,592	2,452,592				
Derivative financial instruments, measured at fair value											
Interest rate swaps used for hedging	9	-	-	-	22,734	-	22,734	-	22,734	-	22,734

^ *Excludes advance rental, deferred grant income, and tax liabilities*
* *Excludes prepayment*
# *Excludes loans to subsidiaries and prepayments*

26 FINANCIAL INSTRUMENTS (CONT'D)

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

(a) Valuation techniques and significant unobservable inputs

The following table shows the valuation techniques used in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used

Financial instruments measured at fair value

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Group			
Unquoted equity investment	Net asset value of the investee	Net asset value of the investee	The estimated fair value would increase (decrease) if the net asset value of the investee was higher (lower).
Group and Co-operative			
Interest rate swaps	The fair value is based on banks' quotes	Not applicable.	Not applicable.

Financial instruments not measured at fair value

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

(b) Transfers between levels

In 2021 and 2020, there were no transfers between the different levels of the fair value hierarchy.

26 FINANCIAL INSTRUMENTS (CONT'D)

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

(c) Level 3 recurring fair value

	Equity investment – at FVOCI	
	2021	2020
	$'000	$'000
At 1 January	-	-
Additions	80,598	-
Unrealised gain relating to fair value of equity investment at FVOCI, recorded in OCI	2,961	-
Translation difference	(3,314)	-
At 31 December	80,245	-

27 SEGMENT REPORTING

The Group manages and monitors the business by two regions: Singapore and overseas. For each region, the Group's CODM reviews internal management reports on a quarterly basis. This forms the basis of identifying the operating segments of the Group under FRS 108 *Operating Segments*. In 2021, the Group's reportable segment relates to its operations in Singapore. The Group's overseas operations do not meet any of the quantitative thresholds for determining reportable segments. No comparative segment information was presented as the Group's operations in 2020 were solely based in Singapore.

INFORMATION ABOUT REPORTABLE SEGMENTS

	Singapore	Others	Total
	$'000	$'000	$'000
2021			
External revenue	252,356	1,367	253,723
Depreciation expense	(63,536)	-	(63,536)
Interest income	10,759	-	10,759
Interest expense	(52,422)	(2,523)	(54,945)
Share of results of joint ventures, net of tax	22,166	3,137	25,303
Segment profit before tax and contributions	95,611	1,866	97,477
Tax expense	(12)	(674)	(686)
Segment profit before contributions	95,599	1,192	96,791
Non-current assets*	4,052,155	334,065	4,386,220

* *Non-current assets include property, plant and equipment, investment properties and investment in joint ventures*

28 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	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Rental, advertising and promotion income from related entities	51,037	51,251	-	-
Management fee income from related entities	9,352	7,866	26,811	30,261
Maintenance, rental and training expenses to related entities	(11,994)	(11,974)	(707)	(621)
Management fees paid to related entities	(4,566)	(5,622)	(4,566)	(5,566)
Rebates (granted to)/received from related entities	(161)	(6,255)	-	25

KEY MANAGEMENT PERSONNEL REMUNERATION

Key management personnel compensation comprised:

	Group		Co-operative	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Short-term benefits	2,360	2,792	2,360	2,792
Post-employment benefits (including CPF)	97	102	97	102
Directors' fees	285	273	233	221
	2,742	3,167	2,690	3,115

29 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.

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