

# AGENDA

1. Opening Address by the Chairman, Mr Ang Hak Seng.
2. Address by the President, Commissioner of Police, Mr Ng Joo Hee.
3. To approve the Minutes of the 82<sup>nd</sup> AGM held on 7<sup>th</sup> June 2012 at HomeTeamNS-JOM Clubhouse .....PAGE 5
4. Matters arising from the Said Minutes.
5. To receive & if approved, to adopt the Report of the Board of Directors for the year ended 31 December 2012. ....PAGE 11
6. To receive & if approved, to accept the Statement of Accounts for the year ended 31 December 2012.....PAGE 27
7. To approve the appropriation of net surplus of \$4,507,681 as follows:
  - (1) To Central Co-operative Fund @ 5% on the first \$500,000 & @ 20% on the rest ..... \$ 559,871
  - (2) To Payment of Dividends @ 4.00% on the members' shares and subscription as on 31st December 2011..... \$2,046,881
  - (3) To approve the Payment of Honorarium to the Board of Directors..... \$ 50,000
  - (4) To Scholarship Fund ..... \$ 13,000
  - (5) To General Reserve Fund ..... \$1,500,000
  - (6) To Common Good Fund ..... \$ 50,000
  - (7) To Accumulated Fund ..... \$ 287,929
8. To approve a final dividend payment of 3.75% based on members' shares and subscription as at 31st December 2012 to be paid in FY2013.
9. To approve the adjustments for 2013 and the estimated Expenditure for 2014.....PAGE 74
10. To adopt, if approved, the following resolution:

“That the general meeting authorises the Board to invest in the funds of the Society as it thinks fit, subject to investment restrictions issued by the Registrar.”

## AGENDA

11. To authorise the Board to appoint a professional audit firm, where necessary, to be Internal Auditors of the Co-operative for 2013/2014 and to fix its remuneration.
12. To authorise the Board to appoint two members, where necessary, as Internal Auditors of the Co-operative for 2013/2014 and to fix their remuneration.
13. To authorise the Board to appoint a professional audit firm as External Auditors of the Co-operative for 2013/2014 and to fix its remuneration.
14. To transact any other business in respect of which notice has been received by the Secretary three working days before the Meeting.

For and on behalf of the Board of Directors



**Mr How Kwang Hwee**

Secretary

### Note:

- 1) Please bring along this Annual Report to the AGM.
- 2) Lunch will be served.
- 3) Dividends will be credited into members' bank accounts on 19th June 2013.

## CORPORATE INFORMATION

### President

**MR NG JOO HEE**

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### 1st Vice-President

**MR TAN HUNG HOOI**

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### 2nd Vice-President

**MRS ONG CHOR GHEE**

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### Board of Directors

#### Chairman

Mr Ang Hak Seng

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#### Vice-Chairman

Mr Christopher Ng

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#### Secretary

Mr How Kwang Hwee

---

#### Treasurer

Mr Abdul Jalil

---

#### Asst Secretary

Mr Alvin Chong

---

#### Asst Treasurer

Mr Keok Tong San

---

#### Board Members

Mr Balakrishnan Anbarasan

Mr Cheong Chee Ming

Mr Hsu Sin Yun

Mr Lim Chee Pheng

Mr Lim Eng Chye

Mr Loy Chye Meng

Mr Nonis Gerard Benjamin

Mr Tan Chong Hee

Mr Teo Hoon San

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### External Auditors

**P G Wee & Partners**

79 Anson Road #07-03 Singapore 079906

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### Internal Auditors (Member)

Mr Chia Tong Seng

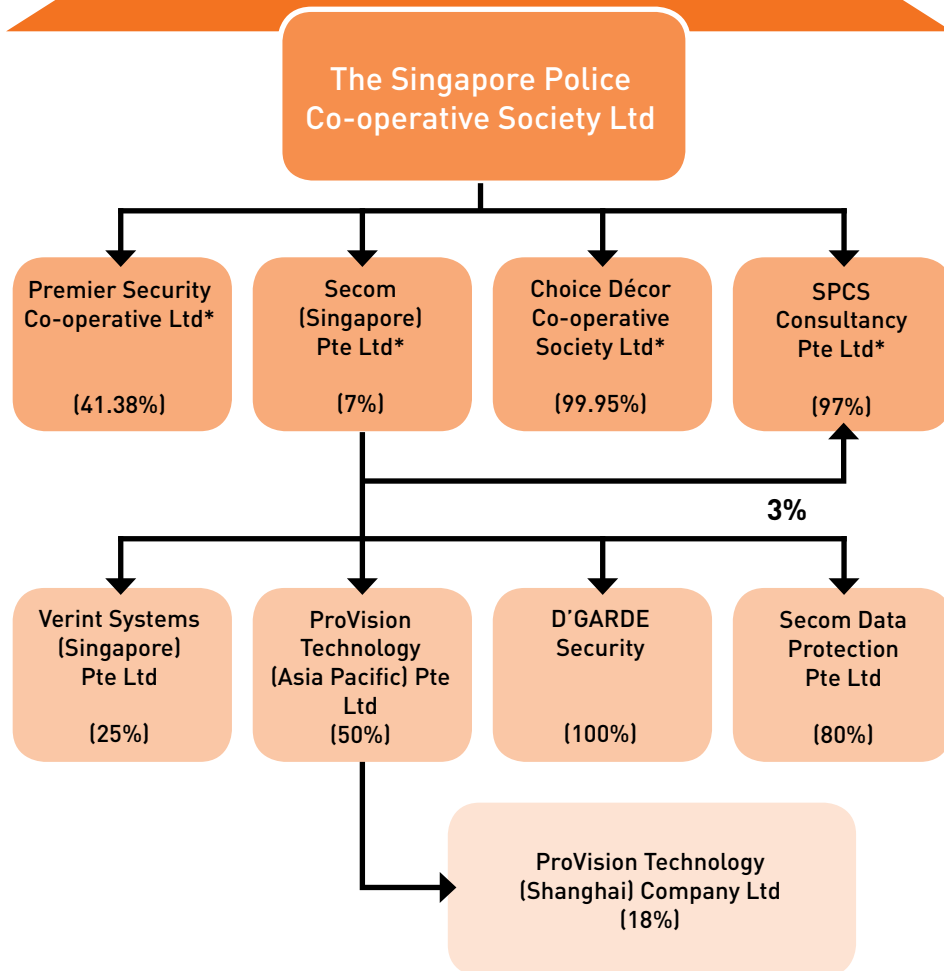
Mr Leslie Low Keng Yong

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### Co-opted Member

Mr Chua Chuan Seng (member of Audit Committee)

SHAREHOLDINGS  
IN COMPANIES  
WITH BOARD REPRESENTATION\*



**Present** **MR NG JOO HEE**  
President, Commissioner of Police  
And 194 members

**AGENDA 1: OPENING ADDRESS BY THE CHAIRMAN, MR ANG HAK SENG**

1.1 Secretary, Mr How Kwang Hwee, called the Annual General Meeting (AGM) to order at 1110 hours with a quorum of 194 members. He invited Mr Ang Hak Seng, Chairman of The Singapore Police Co-operative Society Ltd, to make his opening speech.

Chairman extended a warm welcome to members of the Society and all present. He expressed his gratitude to members for their strong presence as it reflected their interests in taking ownership of the Society.

Chairman announced that the Society celebrated its 85<sup>th</sup> Anniversary in Year 2011. He informed members that the Co-operative launched a coffee table book to commemorate the work done by the current and previous boards of the Society.

Chairman opined that Year 2012 would be a challenging year for the Society. He informed members that the Registry of Co-operative Societies has imposed investment restrictions on credit co-operatives, which aim to protect them against sudden financial shocks arising from the global economy. He mentioned that investments in financial instruments, properties and joint venture companies have been contributing significantly to the Society's revenue streams. Revenue derived from financial instruments has formed a substantial portion of the Co-operative's income. The restrictions to invest in financial instruments imposed by the Registry of Co-operative Societies would greatly impact the revenue and profit of the Society in the future.

Chairman informed members that the President, Commissioner of Police, Mr Ng Joo Hee, had instructed him to explore new growth opportunities so as to expand the Society's revenue stream.

Chairman then invited the President, Commissioner of Police, Mr Ng Joo Hee, to address the members.

**AGENDA 2: ADDRESS BY THE PRESIDENT, COMMISSIONER OF POLICE, MR NG JOO HEE**

2.1 Mr Ng Joo Hee addressed members and declared the AGM open. The text of his speech is attached at **Annex A**.

2.2 After the address, Mr Ng Joo Hee and Mr Hoong Wee Teck, out-going Vice-Chairman of Police Co-operative, took their leave.

2.3 The meeting proceeded with Chairman of Police Co-operative, Mr Ang Hak Seng, to conduct the AGM.

## MINUTES OF THE 82<sup>ND</sup> ANNUAL GENERAL MEETING

### AGENDA 3: TO APPROVE THE MINUTES OF THE 81<sup>ST</sup> AGM HELD ON 9<sup>TH</sup> JUNE 2011 AT HOME TEAMNS-JOM CLUBHOUSE

3.1 There being no objections from the meeting, the minutes were approved as proposed by Mr Khoo Kok Kwang and seconded by Mr Yeoh Cheang Sar.

### AGENDA 4: MATTERS ARISING FROM THE SAID MINUTES

4.1 There were no matters arising.

### AGENDA 5: TO RECEIVE & IF APPROVED, TO ADOPT THE REPORT OF THE BOARD OF DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2011

5.1 The Report was approved as proposed by Ms Tay Keng Bee and seconded by Mr Ong Kim Huat Michael.

### AGENDA 6: TO RECEIVE & IF APPROVED, TO ACCEPT THE STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2011

6.1 The Statement of Accounts was approved as proposed by Mr Lai Thong Fock and seconded by Mr Abdul Jalil B Mohamad.

### AGENDA 7: TO APPROVE THE APPROPRIATION OF NET SURPLUS OF \$4,612,212 AS FOLLOWS:

7.1 Secretary read out the appropriation of net surplus as follows:

|  |             |
|--|-------------|
| 1) To Central Co-operative Fund<br>@ 5% on the first \$500,000 &<br>@ 20% on the rest .....                                | \$ 768,769  |
| 2) To Central Co-operative Fund –<br>Under provision in previous year .....  | \$ 33,344   |
| 3) To Payment of Dividends @ 4.00% on the<br>members' shares and subscription as on<br>31 <sup>st</sup> December 2010..... | \$2,646,247 |
| 4) To approve the Payment of Honorarium<br>to the Board of Directors.....  | \$ 50,000   |
| 5) To Scholarship Fund.....  | \$ 13,000   |
| 6) To General Reserve Fund.....  | \$1,000,000 |
| 7) To Common Good Fund.....  | \$ 50,000   |
| 8) To Accumulated Fund.....  | \$ 50,852   |

7.2 The appropriation was approved as proposed by Mr Ang Ting Wan Michael and seconded by Mr Mohammad Rizal Bin Ya'akop.

## MINUTES OF THE 82<sup>ND</sup> ANNUAL GENERAL MEETING

### AGENDA 8: TO APPROVE A FINAL DIVIDEND PAYMENT OF 4% BASED ON MEMBERS' SHARES AND SUBSCRIPTION AS AT 31<sup>ST</sup> DECEMBER 2011 TO BE PAID IN FY2012

8.1 The dividend payment was approved as proposed by Mr Lee Chee Chiew and seconded by Mr Lai Thong Fock.

### AGENDA 9: TO APPROVE THE PROPOSED AMENDMENTS TO BY-LAWS

9.1 The proposed amendments were approved as proposed by Mr Tan Lee Teck and seconded by Ms Tay Keng Bee.

### AGENDA 10: TO APPROVE THE ADJUSTMENTS FOR 2012 AND THE ESTIMATED EXPENDITURE FOR 2013

10.1 The adjustments for 2012 and the Estimated Expenditure for 2013 were approved as proposed by Mr Guy Consigliere H Royston and seconded by Ms Koh Geok Hong.

### AGENDA 11: TO AUTHORISE THE BOARD TO APPOINT A PROFESSIONAL AUDIT FIRM, WHERE NECESSARY, TO BE INTERNAL AUDITORS OF THE CO-OPERATIVE FOR 2012/2013 AND TO FIX ITS REMUNERATION

11.1 There being no objection from the meeting, the appointment of a professional audit firm as Internal Auditors of the Co-operative for 2012/2013 was approved as proposed by Ms Kua Lay Tin Katherine and seconded by Mr Tan Eng See.

### AGENDA 12: TO AUTHORISE THE BOARD TO APPOINT TWO MEMBERS, WHERE NECESSARY, AS INTERNAL AUDITORS OF THE CO-OPERATIVE FOR 2012/2013 AND TO FIX THEIR REMUNERATION

12.1 There being no objection from the meeting, the appointment of two members as Internal Auditors of the Co-operative for 2012/2013 was approved as proposed by Mr Ong Kim Huat Michael and seconded by Mr Lang Wui Yong.

### AGENDA 13: TO AUTHORISE THE BOARD TO APPOINT A PROFESSIONAL AUDIT FIRM AS EXTERNAL AUDITORS OF THE CO-OPERATIVE FOR 2012/2013 AND TO FIX ITS REMUNERATION

13.1 There being no objection from the meeting, the appointment of a professional audit firm as External Auditors of the Co-operative for 2012/2013 was approved as proposed by Mr Teo Mui Yong and seconded by Mr Ang Ting Wan Michael.

### AGENDA 14: TO ELECT 8 MEMBERS TO BE BOARD OF DIRECTORS AS PER BY-LAW 7.1

14.1 Secretary explained the procedures for the election of the 8 directors. He then invited the meeting to nominate candidates for the 8 vacancies on the Board.

14.2 The nomination of candidates was proposed close by Mr Lai Thong Fock and seconded by Mr Yeoh Cheang Sar after the nomination of the eighth candidate.

## MINUTES OF THE 82<sup>ND</sup> ANNUAL GENERAL MEETING

14.3 The results of the election were as follows:

| NO. | CANDIDATE                 | PROPOSER                     | SECONDER                     | RESULT  |
|-----|---------------------------|------------------------------|------------------------------|---------|
| 1   | LIM CHEE PHENG            | TAN ENG KENG                 | LOY JIT CHENG JIMMY          | ELECTED |
| 2   | TEO HOON SAN              | RUSELY BIN SALLEH            | GUY CONSIGLIERE<br>H ROYSTON | ELECTED |
| 3   | KEOK TONG SAN             | GUY CONSIGLIERE<br>H ROYSTON | RUSELY BIN SALLEH            | ELECTED |
| 4   | TAN CHONG HEE             | TAN ENG SEE                  | MAYASAMY KAMALA<br>LETCHIMI  | ELECTED |
| 5   | HSU SIN YUN               | KHONG WAI CHOW               | CHUA LING MEI                | ELECTED |
| 6   | LIM ENG CHYE              | KUA LAY TIN KATHERINE        | ANG TING WAN<br>MICHAEL      | ELECTED |
| 7   | CHEONG CHEE MING          | PANG ZHIWEI                  | LAI THONG FOCK               | ELECTED |
| 8   | BALAKRISHNAN<br>ANBARASAN | NG AH KOK                    | KANG CHEONG HEE              | ELECTED |

**AGENDA 15: TO TRANSACT ANY OTHER BUSINESS IN RESPECT OF WHICH NOTICE HAS BEEN RECEIVED BY THE SECRETARY THREE WORKING DAYS BEFORE THE MEETING**

15.1 Secretary reported that no notice for any other business was received.

15.2 There being no other matters to discuss, the meeting ended at 1140 hours.

Recorded by

**How Kwang Hwee**  
Secretary

Confirmed by

**Ang Hak Seng**  
Chairman

## SPEECH BY NG JOO HEE, COMMISSIONER OF POLICE,

at the 82<sup>nd</sup> AGM of The Singapore Police Co-operative Society Limited  
Thursday, 7<sup>th</sup> June 2012, Home Teams NS-JOM Clubhouse

### Annex A

#### Chairman, Directors, and members of The Singapore Police Co-operative Society,

A very good morning.

I am happy to join you at this 82<sup>nd</sup> Annual General Meeting of The Singapore Police Co-operative Society.

- BUSINESS PERFORMANCE 2011**

The Co-operative registered another year of good results. Net surplus for FY2011 was about \$4.61 million.

This good performance was commendable given uncertain and slowing global economic growth.

Furthermore, the Co-operative's net surplus was weighed down by limited investment options available to the Co-operative as a result of the enhanced prudential and financial requirements imposed by the Registrar of Co-operative Societies on credit co-operatives in Singapore.

- DIVIDEND PAYMENT**

The Co-operative handed members a 4% dividend payout for FY2010. Your Board of Directors has similarly recommended a 4% dividend payout for FY 2011. This represents a good return by industry standards.

The challenge is whether the Co-operative would be able to continue achieving this high net surplus and to continue paying out such attractive rates in the coming years as the impact of the enhanced prudential and financial requirements begin to be felt.

- CAPITAL ADEQUACY RATIO (CAR)**

Furthermore, under a Written Direction issued by the Registry in October last year, credit co-operatives will have to gradually increase their capital adequacy ratio (or CAR) in accordance with the following time-frame: from at least 8% CAR in 1 April 2012 to at least 12% CAR in 1 July 2016.

The CAR level determines the maximum loan quantum the Co-operative could lend to each member.

- UNSECURED LOANS QUANTUM PEGGED TO CARS**

The Co-operative's current CAR is at a healthy 9%. So it enjoys an "A" credit rating awarded by the Registry of Co-operative Societies. With this credit rating, the Co-operative can lend up to \$50,000 or 6 times of a member's gross salary, whichever is lower.

## SPEECH BY NG JOO HEE, COMMISSIONER OF POLICE,

at the 82<sup>nd</sup> AGM of The Singapore Police Co-operative Society Limited  
Thursday, 7<sup>th</sup> June 2012, Home Teams NS-JOM Clubhouse

### ANNEX A

Maintaining this "A" credit rating and maximizing the loan quantum available to members must be a key strategy to achieve the Co-operative's objective of improving the lives of its members and supporting them in times of need. This would allow members concentrate on doing their best at work and for their families.

While it is not an easy task, I am confident that the Co-operative will be able to achieve the required CAR.

#### • THANKING THE BOARD

The current Board has achieved much for the Co-operative. A new Board will be formed today with the appointment and election of Directors. This new Board will be entrusted with the task of carrying on the good work of its predecessor in a more challenging investment financial landscape.

On behalf of all members, I express gratitude and appreciation to the outgoing Board. The Directors have been conscientious and diligent in their duties, and have laid strong foundations for the Co-operative in response to the enhanced prudential and financial requirements imposed by the Registrar of Co-operative Societies.

#### • APPOINTMENT OF DIRECTORS

A ministerial exemption was obtained from the Ministry of Community Development, Youth and Sports to allow the President of the Police Co-op to appoint seven directors under By-Law 7.1(a).

Accordingly, I am pleased to appoint the following seven Directors to the new Board:

1. Mr Ang Hak Seng
2. Mr Christopher Ng
3. Mr Abdul Jalil
4. Mr Loy Chye Meng
5. Mr How Kwang Hwee
6. Mr Alvin Chong
7. Mr Nonis Gerard Benjamin

The general membership will, in a short while, elect another eight Directors. Together with the seven appointed Directors, they will form the Co-op's new Board of Directors. I extend a warm welcome to the new Board, and hope that it will serve the Co-operative with distinction, devotion and dedication.

Finally, I wish the Co-operative every success in its future endeavours. It is my pleasure to declare The Singapore Police Co-operative Society's 82<sup>nd</sup> Annual General Meeting open.

## BOARD OF DIRECTORS' REPORT

Dear Members,

The Board of Directors is pleased to present the Annual Report, Statement of Accounts and Balance Sheet for the year ending 31 December 2012.

### THE YEAR IN REVIEW

#### • NET SURPLUS

The Society recorded a net surplus of \$4,507,681 for the year under review. This was a decrease of 2.27% as compared to FY2011's net surplus of \$4,612,212.

Besides the low interest rate environment, the Co-operative has limited options to invest its surplus funds as it is restricted by Written Direction for Investments issued by the Registry of Co-operative Societies on 31 May 2010. The effective date of the Written Direction was 30 June 2010.

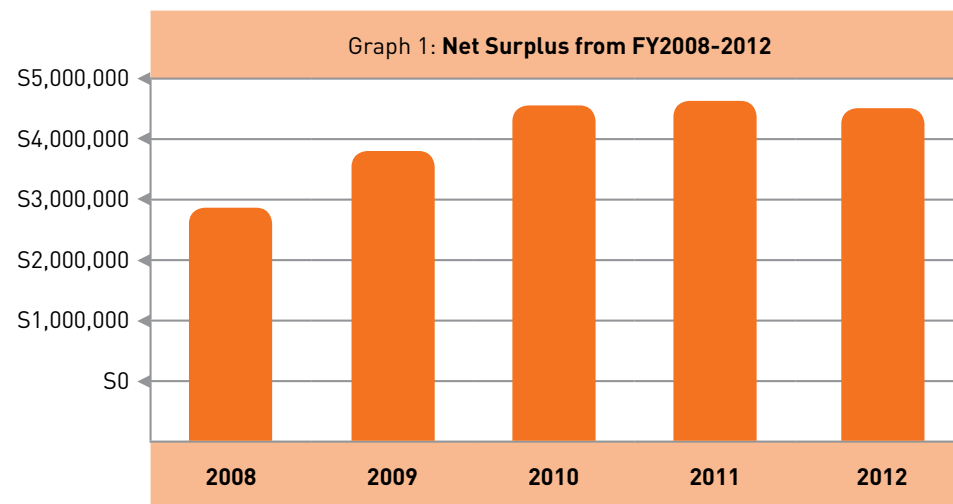


Table 1: Change in Net Surplus over FY 2008-2012

| Financial Year | Net Surplus | % Change (Year on Year) |
|----------------|-------------|-------------------------|
| 2008           | \$2,769,835 | ↓ 16.23                 |
| 2009           | \$3,750,269 | ↑ 35.40                 |
| 2010           | \$4,562,596 | ↑ 21.66                 |
| 2011           | \$4,612,212 | ↑ 1.09%                 |
| 2012           | \$4,507,681 | ↓ 2.27%                 |

2. Dividends

The Board of Directors recommended a final dividend payment of 3.75%<sup>1</sup> based on the total subscription balance as at 31 December 2012. For share capital, dividends would be paid out on a pro-rata basis, from 1 January to 31 December 2012, if the member was still a shareholder as of 31 December 2012.

According to the Written Direction issued by the Registry of Co-operative Societies on 31 October 2011, the Capital Adequacy Ratio (CAR)<sup>2</sup> for credit societies would have to be increased according to the following time frame:

| From 1 April 2012 | From 1 July 2014 | From 1 July 2016 |
|-------------------|------------------|------------------|
| At least 8% CAR   | At least 10% CAR | At least 12% CAR |

The Co-operative's forecasted CAR by 1 July 2013 would be around 9.5% if the meeting were to accept the proposed appropriations and dividend payout. To meet the target of at least 10% CAR by 1 July 2014, the Co-operative would only have FY2013 to set aside the necessary institutional capital to meet the requirement. After meeting this target, the Co-operative would still have to husband its resources to meet the next target of 12% by 1 July 2016.

In spite of such challenges, the Board would still strive to recommend dividend rates that are competitive compared to those offered by banks and finance companies.

<sup>1</sup> Final dividend payment in 2011 was 4.00%.

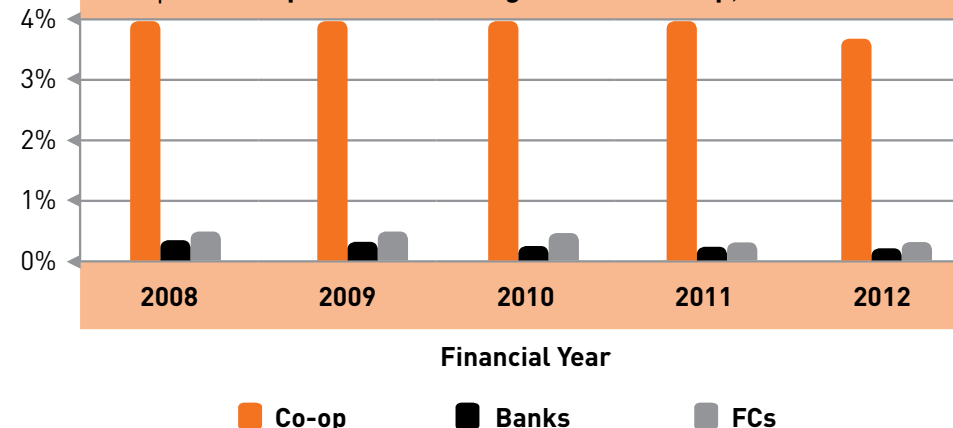
<sup>2</sup> CAR would ensure that the Co-operative will have sufficient institutional capital to absorb unforeseen operating losses.

Table 2: Comparison of Savings Rates

| Financial Year | Police Co-operative Dividend Rate | Rates from Financial Institution (FI) |  |
|----------------|-----------------------------------|---------------------------------------|--|
|                |                                   | Banks Savings Deposits*               | Finance Companies (FC) Savings Deposits* |
| 2008           | 4.00%                             | 0.22%                                 | 0.25%                                    |
| 2009           | 4.00%                             | 0.15%                                 | 0.25%                                    |
| 2010           | 4.00%                             | 0.13%                                 | 0.25%                                    |
| 2011           | 4.00%                             | 0.11%                                 | 0.17%                                    |
| 2012           | 3.75%                             | 0.11%                                 | 0.17%                                    |

\*Information from the website of the Monetary Authority of Singapore

Graph 2: Comparison of savings rates of Co-op, Banks and FCs



**3. MEMBERSHIP**

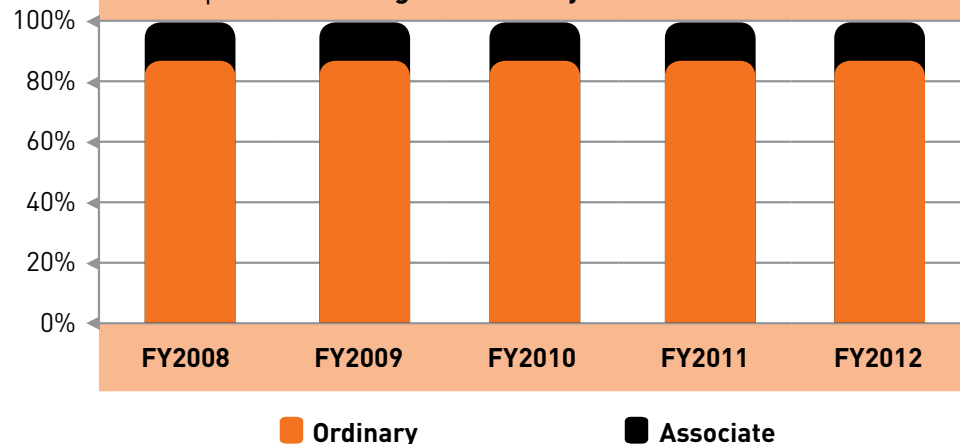
The Co-operative attracted 830 new members in FY2012. 223 ordinary members who had either resigned or retired from the Home Team agencies continued their membership with the Co-operative by applying to be associate members. As of 31 December 2012, the membership base stood at 9,925.

Out of these 830 new members, 595 (72%) are them are below the age of 30 years.

Table 3: Number of Members

| Financial Year | New (Ordinary & Associate) | Associate (Continued) | Resignations | Subtotal Ordinary | Subtotal Associate | Total |
|----------------|----------------------------|-----------------------|--------------|-------------------|--------------------|-------|
| 2008           | 494                        | 188                   | 680          | 7,547             | 1,209              | 8,756 |
| 2009           | 581                        | 143                   | 467          | 7,727             | 1,286              | 9,013 |
| 2010           | 498                        | 162                   | 540          | 7,752             | 1,381              | 9,133 |
| 2011           | 666                        | 223                   | 600          | 7,889             | 1,533              | 9,422 |
| 2012           | 830                        | 223                   | 550          | 8,251             | 1,674              | 9,925 |

Graph 3: Percentage of Ordinary and Associate Members



**3.1 Recruitment**

In FY2012, the Co-operative adopted a more aggressive approach towards recruitment. 37 recruitment talks were conducted at A, D, F, G, Sec-com, PLD, TP, PCG, ICA and Certis CISCO<sup>3</sup>.

**3.2 Membership Recruitment Drive: Incentives for New and Existing Members Existing Members**

Prior to 1 August 2012, an existing member would receive \$15, which would be credited into his Specific Deposits (SD) Account, for every new applicant proposed by him and successfully accepted as a member of the Co-operative.

With effect from 1 August 2012, the amount of \$15 to be paid to the member has been increased to \$25. This initiative by the Co-operative was met with good response from existing members. An amount of \$12,325 was credited into the SD Accounts of members in FY2012 compared to an amount of \$2,055 in FY2011.

**New Members**

Potential members who personally visited the Co-operative's office with completed membership forms and accompanying documents (a copy each of NRIC, payslip and bank book) received free gifts from the Co-operative.

**3.3 Rewards for Long Service**

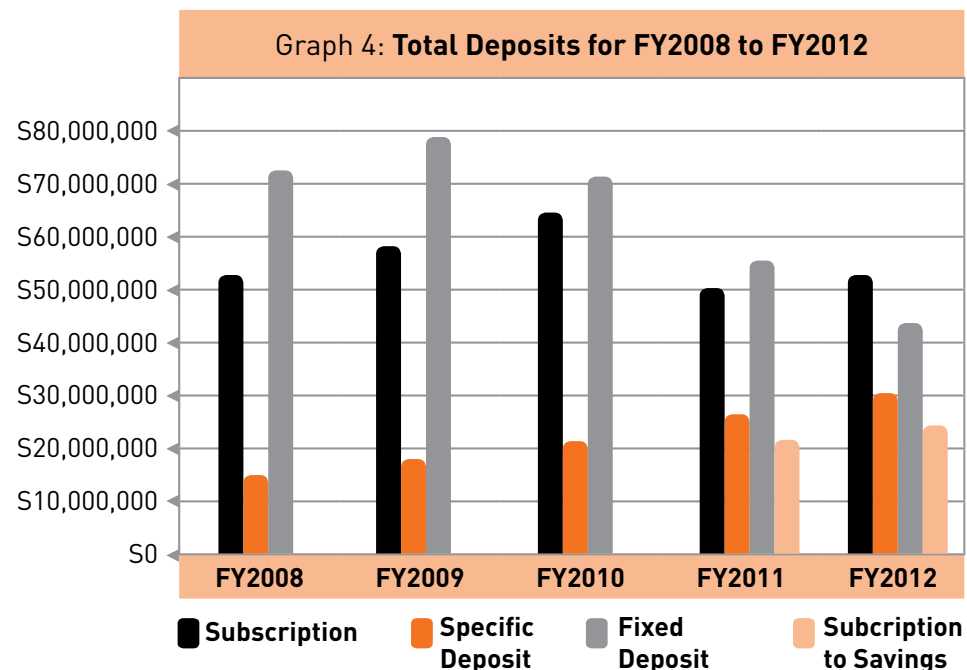
A \$100 reward was given to every member who remained with the Co-operative for 25 years or more. A total of \$9,300 was given out in 2012 in appreciation to 93 members.

<sup>3</sup> 3 recruitment talks were conducted in FY2011.



**4. TOTAL DEPOSITS**

As at 31 December 2012, total deposits (subscription, subscription-to-savings, specific and fixed deposits) collected from members (excluding staff) amounted to \$154,037,672<sup>4</sup>.



**4.1 Subscription**

The total subscription for FY2012 was \$53,239,090.

This is a compulsory monthly savings scheme. The current minimum monthly contribution per month is \$40. The current maximum monthly cap for monthly subscription savings is \$200.

In 2012, members who were eligible for the Subscription-to Savings (STS) Scheme were offered the option of transferring funds from their subscription account to the STS Account. An amount of \$5,369,251 was transferred under this new Scheme.

Dividends were paid out based on a member's subscription balance as at 31 December 2012.

<sup>4</sup> Total deposit collected in FY2011 was \$152,690,260.

Table 4: **Subscription Balance from FY2008 to FY2012**

| Financial Year | Subscription Balance (\$) | Absolute Increase (Decrease) over Preceding Year (\$) | % Increase (Decrease) over Preceding Year (%) |
|----------------|---------------------------|---|---|
| 2008           | 53,141,560                | 4,933,860   | 10.23%  |
| 2009           | 58,284,657                | 5,143,097   | 9.68%   |
| 2010           | 64,622,739                | 6,338,082   | 10.87%  |
| 2011           | 50,303,225                | (14,319,514)  | (22.16)%                                      |
| 2012           | 53,239,090                | 2,935,865   | 5.84%   |

**4.2 Subscription-to-Savings (STS) Scheme**

The STS Scheme was launched in 2011 by the Co-operative. Eligible members were issued with letters of participation from the Co-operative. Upon agreeing, they were required to transfer funds from their Subscription Account to STS Account.

Under Series 1 of the STSS, members would enjoy a guaranteed interest rate of 4% per annum for the period 1 November 2011 to 31 October 2014. There would be claw-back of interest in the event of early redemptions. An amount of \$21,148,596 was transferred under Series 1. As at 31 December 2012, the amount was \$20,984,086.

Under Series 2 of the STSS, members would enjoy a guaranteed interest rate of 3.75% per annum for the period 1 November 2012 to 31 October 2016. There would be claw-back of interest in the event of early redemptions. An amount of \$5,369,251 was transferred under Series 2. As at 31 December 2012, the amount was \$5,369,251.

**4.3 Specific Deposits**

The specific deposits total for FY2012 was \$30,472,322.

This is a discretionary savings scheme. Members can save a minimum of \$10/- monthly, up to a maximum monthly sum of \$2,500. For deductions via member's salaries, the 50% salary deduction guideline (i.e. total deductions could not exceed 50% of gross salary) will apply.

The interest for specific deposits is calculated on daily balances with half-yearly crediting on 1 January and 1 July.

Table 5: Comparison between Co-op's Specific Deposit Rates and FI's Savings Rates

| Period                        | Police Co-op's Specific Deposit Rates | Rates from Financial Institution (FI) |                                     |
|-------------------------------|---------------------------------------|---------------------------------------|-------------------------------------|
|                               |                                       | Bank Savings Deposits*                | Finance Companies Savings Deposits* |
| 1 Jan to 31 Mar 2012          | 0.50% per annum                       | 0.11% per annum                       | 0.17% per annum                     |
| 1 Apr to 30 Jun 2012          | 0.50% per annum                       | 0.11% per annum                       | 0.17% per annum                     |
| 1 July to 30 September 2012   | 0.50% per annum                       | 0.11% per annum                       | 0.17% per annum                     |
| 1 October to 31 December 2012 | 0.50% per annum                       | 0.11% per annum                       | 0.17% per annum                     |

\*Information obtained from the website of the Monetary Authority of Singapore

Table 6: Specific Deposit Balance from FY2008 to FY2012

| Financial Year | Specific Deposits Balance (\$) | Absolute Increase over Preceding Year (\$) | % Increase (Decrease) over Preceding Year (%) |
|----------------|--------------------------------|--|---|
| 2008           | 15,296,512                     | 3,367,271                                  | 28.23%  |
| 2009           | 18,085,159                     | 2,788,647                                  | 18.23%  |
| 2010           | 21,436,777                     | 3,351,618                                  | 18.53%  |
| 2011           | 25,490,554                     | 4,053,777                                  | 18.91%  |
| 2012           | 30,472,322                     | 4,981,768                                  | 19.54%  |

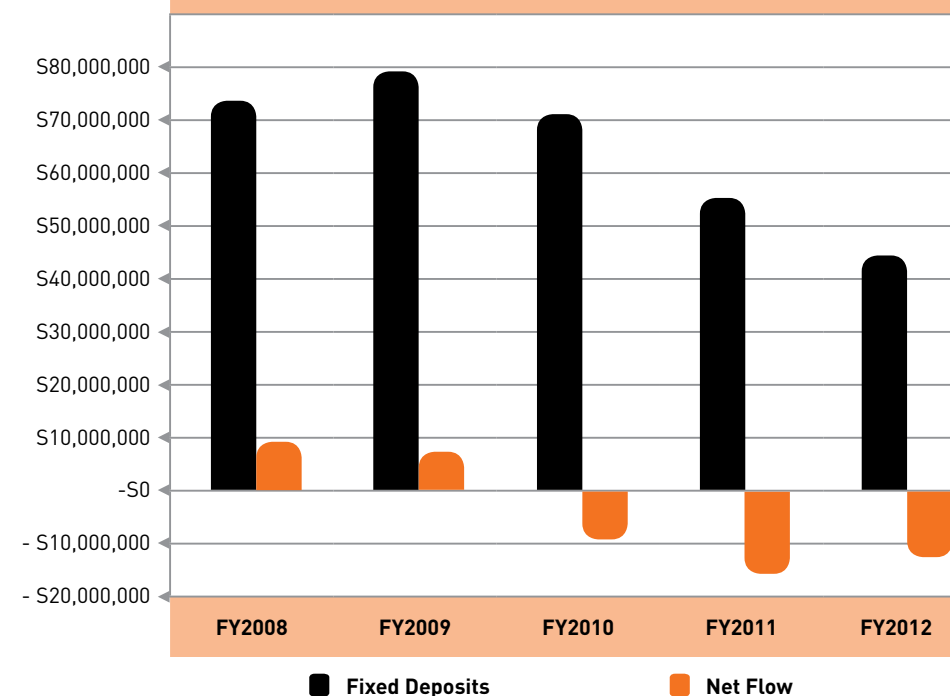
#### 4.4 Fixed Deposits

The Co-operative experienced an outflow of funds amounting to \$11,562,212 in FY2012. Total fixed deposit in the Co-operative in FY2012 was \$43,972,923<sup>5</sup>, a decrease of 20.82% as compared with FY2011.

The Registry of Co-operative Societies had issued a Written Direction on Investments which took effect from 30 June 2010. The directive seriously restricted the investment options available to the Co-operative.

<sup>5</sup> Total fixed deposit in the Co-operative in FY2011 was \$55,535,135.

Graph 5: Fixed Deposits Collections from FY2008 to FY2012



#### 5. PERSONAL LOANS TO MEMBERS

The Registry of Co-operative Societies issued a new written direction for unsecured loans which took effect from 1 April 2012.

The unsecured loan limit shall be as follows:

- i. \$50,000 or 6 month's income whichever is lower if the loan to be granted has salary check-off (i.e. direct deductions from the member's salary) or at least one surety; or
- ii. \$30,000 or 4 month's income whichever is lower if the loan to be granted has no salary check-off and no surety.

Unsecured loan limits do not apply to the following loans as they are meant to fulfill the basic needs of members:

- (a) Education loan to defray expenses directly attributable to a course of education, including tuition fees and the costs of accommodation, textbooks and computer equipment; or
- (b) Medical loan to defray expenses for essential medical treatment that qualifies for claims from the Medisave account, as allowed by the Ministry of Health; or
- (c) Renovation loan, not exceeding \$30,000, to defray expenses for the renovation of an owner-occupied property.

As a result of the new direction, loans granted to members in FY2012 decreased by 4.47% as compared to FY2011.

The Co-operative has entered into a contract with an insurance company to provide a credit guarantee cover for loans taken by its members effective from 1 February 2011. With this cover, members would not have to furnish guarantors to the Co-operative unless the type of loans applied for is not covered by the insurance. This would facilitate the loan-taking process as, in the past, some members were not able to furnish credit-worthy guarantors to secure their loans with the Co-operative. Members continue to be insured under a group credit policy that would cover their death and permanent disability, unless excluded by the insurance company.

Table 7: Number of Loan Applications from FY2008 to FY2012

| Financial Year | Number of Applications Approved | Total Personal Loans Granted by the Cooperative |
|----------------|---------------------------------|---|
| 2008           | 2,122                           | \$13,767,280                                    |
| 2009           | 2,340                           | \$17,325,750                                    |
| 2010           | 2,184                           | \$18,278,200                                    |
| 2011           | 1,986                           | \$22,543,510                                    |
| 2012           | 1,981                           | \$21,536,090                                    |

6. INVESTMENTS

With effect from 30<sup>th</sup> June 2010, the Co-operative's investments were segregated into restricted investments and non-restricted investments in accordance with the prudential financial requirements imposed by the Registry of Co-operative Societies.

Restricted investments refer to any form or type of investment other than:

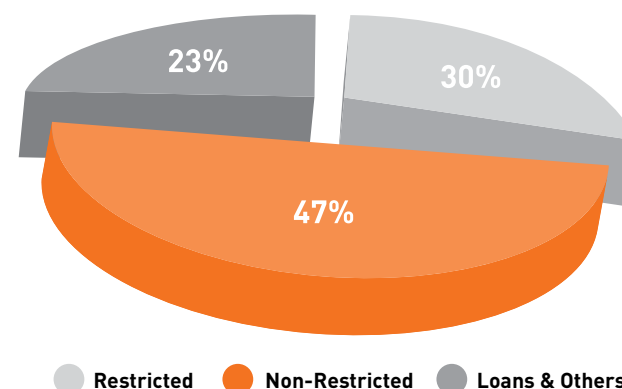
- (a) Bonds issued by Singapore Statutory Boards;
- (b) Singapore Dollar deposits in financial institutions licensed by the Monetary Authority of Singapore; or
- (c) Singapore Government Securities.

Shares in other co-operative societies held as at 30<sup>th</sup> June 2010 were exempt from the restricted investments limit. However, any shares acquired after 30 June 2010 shall be subjected to the restricted investments limit.

As at 31 December 2012, the Co-operative has \$54,619,033 in restricted investments and \$84,920,267 in non-restricted investments. Including loans, fixed assets, cash and receivables, amounting to \$41,184,994, the Co-operative has total assets of \$180,724,294.

By 30<sup>th</sup> June 2015, restricted investments should not be more than 10% of total assets of the Co-operative.

Graph 6: Percentage of Restricted and Non-Restricted Investments as at 31<sup>st</sup> December 2012



## 7. WELL-BEING PROGRAMMES FOR MEMBERS

### 7.1 Common Good Fund

A total sum of \$11,700 was disbursed in FY2012<sup>6</sup> under the Common Good Fund. This sum included grants offered to members under the following circumstances:

- |                                      |           |
|--------------------------------------|-----------|
| a) Demise of member's parent         | \$100/-   |
| b) Demise of member's child          | \$200/-   |
| c) Demise of member's spouse         | \$200/-   |
| d) Demise of member in active duty   | \$1,000/- |
| e) Demise of member in inactive duty | \$500/-   |

### 7.2 Scholarship Fund

The Police Co-operative contributed \$13,000 to the SPF-Lee Foundation Study Award in 2012<sup>7</sup>. This study award aims to assist children of PCWF members who have attained excellent academic achievements as well as to support children from low-income families in their studies.

### 7.3 Sponsorship of Divisions' Functions

The Police Co-operative allocated a sum of \$2 per member per year for units celebrating their Dinner and Dance or other staff functions. The Police Co-operative spent \$5,944 in 2012<sup>8</sup>.

### 7.4 Subscription to the Singapore Police Co-operative Club

In 2012, the Co-operative paid an amount of \$29,775 in subscriptions and \$830 in entrance fees to the Singapore Police Co-operative Club on behalf of its members<sup>9</sup>. Members were able to enjoy a range of recreational activities offered by the Club. The Club is currently located at 150 Changi Road #01-01 Guthrie Building.

### 7.5 Retirement Party 2012 - Green & Fresh

The Co-operative organised two day-trips to Kluang, Malaysia, on 7 and 21 July 2012 for members who retired from the Home Team in 2010 and 2011. 241 members and their guests participated in the two day-trips.

<sup>6</sup> Common Good Fund: A total of \$11,000 was disbursed in FY2011.

<sup>7</sup> Similarly, \$13,000 was contributed to the SPF-Lee Foundation Study Award in FY2011.

<sup>8</sup> In FY2011, the Co-operative spent an amount of \$6,682 for sponsorship of divisions' functions.

<sup>9</sup> In FY2011, the Co-operative paid an amount of \$28,266 in subscriptions and \$666 in entrance fees to the Singapore Police Co-operative Club on behalf of its members.

## 8. CORPORATE GOVERNANCE

### 8.1 Attendance of Directors

The Board held five meetings for the period 7 June 2012 to 4 June 2013. The attendance of each Director at every Board Meeting is as follows:

| Name                      | Position       | No of Meetings Held | No of Meetings Attended |
|---------------------------|----------------|---------------------|-------------------------|
| Mr Ang Hak Seng           | Chairman       | 5                   | 3                       |
| Mr Christopher Ng         | Vice-Chairman  | 5                   | 5                       |
| Mr How Kwang Hwee         | Secretary      | 5                   | 3                       |
| Mr Abdul Jalil            | Treasurer      | 5                   | 3                       |
| Mr Alvin Chong            | Asst Secretary | 5                   | 4                       |
| Mr Keok Tong San          | Asst Treasurer | 5                   | 4                       |
| Mr Loy Chye Meng          | Director       | 5                   | 4                       |
| Mr Tan Chong Hee          | Director       | 5                   | 5                       |
| Mr Lim Chee Pheng         | Director       | 5                   | 3                       |
| Mr Cheong Chee Ming       | Director       | 5                   | 4                       |
| Mr Hsu Sin Yun            | Director       | 5                   | 5                       |
| Mr Lim Eng Chye           | Director       | 5                   | 5                       |
| Mr Balakrishnan Anbarasan | Director       | 5                   | 5                       |
| Mr Nonis Gerard Benjamin  | Director       | 5                   | 4                       |
| Mr Teo Hoon San           | Director       | 5                   | 5                       |

### 8.2 Honoraria Payment and Remuneration Policies

The Board set up a Remuneration Committee (RC) on 24th August 2007. The current RC comprises the following 3 members:

- Mr Christopher Ng (Chairman);
- Mr Abdul Jalil; and
- Mr How Kwang Hwee.

The scope of work covers the following:

- The RC recommends a framework of honoraria/remuneration and the specific remuneration packages for each director and the CEO. The RC's recommendations should be submitted for endorsement by the entire Board; and
- The RC looks into Human Resource matters like appointments of key personnel, promotion and compensation.

### 8.3 Internal Audit

The objective of the internal audit is to provide independent and reasonable assurance to the Audit Committee and Management that the Co-operative's controls and governance processes are adequate and effective. The internal auditors report directly to the Audit Committee (AC).

The Audit Committee appointed two members as internal auditors of the Co-operative for the period Oct 2011 to September 2012. When their term expired on September 2012, their new term commenced on 1 October 2012 and would expire on 31 December 2013.

The AC had reviewed with the two internal auditors their audit plans, evaluation of the system of internal controls, audit findings and management's responses to those findings. The audits covered, inter alia, effectiveness of material internal controls, including financial, operational and compliance controls of the Co-operative.

### 8.4 Audit Committee

The Co-operative formed its first Audit Committee on 26 October 2004. With effect from FY2009, the Audit Committee's terms of reference were expanded to include the following:

- \* Reviewing and evaluating financial and operating results and accounting policies;
- \* Reviewing audit plans of external auditors and their audit report;
- \* Reviewing audit plans of internal auditors and their audit report;
- \* Reviewing the Co-operative's financial results before submission to the Board for approval;
- \* Considering the appointment/re-appointment of external auditors;
- \* Considering the appointment/re-appointment of internal auditors;
- \* Reviewing interested person transactions; and
- \* Executing other functions required by law or the Code.

In FY2012, the AC held two meetings. The AC also held informal meetings and discussions with staff from time to time.

### 8.5 Code of Ethics

Committed to maintaining the highest standards of ethical conduct, the Co-operative had drawn up a Code of Ethics which was approved by the Board on 30 August 2005. The Code applies to each employee of the Co-operative and its affiliates.

The Code also served to guide the Co-operative's Board of Directors in all dealings and transactions with third persons, direction and supervision of the business and property of the Co-operative, overseeing its financial reporting process and monitoring the integrity of the Co-operative's financial statements.

### 8.6 Director's Appointment Declaration

With effect from 2009, all directors were required to sign the Director's Appointment Declaration as required under Section 64 of the Act. This section deals with disclosure of interests in transactions, property, office, etc, which the directors might have with the Co-operative, to prevent any conflict of interests.

## THE YEAR AHEAD

In 2010, the Registry of Co-operative Societies issued the Written Directions on Investment Restrictions and Capital Adequacy Ratios which greatly impacted the revenue which the Co-operative derived from investment income.

On 1 April 2012, the Written Direction (WD) on Unsecured Loans came into effect. Under this WD, limits are placed on the maximum quantum of loan which the Co-operative can lend to an individual member. Prior to this WD, loan policy and quantum were under the purview of the Board.

The impact of these WDs on the net surplus of the Co-operative in FY2013 will be significant. As the Co-operative pares down its investments, it will be unable to get the same returns from its investments in bonds from Singapore statutory boards, government securities and fixed deposits.

There have been representations by credit co-operatives to the Registry of Co-operative Societies that the WDs should merit a review. Currently, the Registry is reviewing the Written Direction on Investment Restrictions based on information and feedback given by credit co-operatives.

As the Co-operative awaits the results of the review, the Board and staff in the interim are fully committed to fulfilling the Co-operative's vision of being the choice co-operative for its members. It seeks the continued strong support of all its members in the year ahead to realise this vision.

## BOARD OF DIRECTORS' REPORT

### APPRECIATION

The Directors of the Board would like to express their appreciation to the staff for their dedication and commitment to work and to members for their continued support and co-operation. The Directors would also like to express their appreciation to the following persons for their advice and guidance:

- (a) The President, Mr Ng Joo Hee, Commissioner of Police;
- (b) 1st Vice-President, Mr Tan Hung Hooi;
- (c) 2nd Vice-President, Mrs Ong Chor Ghee; and
- (d) The Registrar of Co-operative Societies.

For and on behalf of the Board of Directors,



**How Kwang Hwee**

Secretary

## DIRECTORS' REPORT

For the year ended 31 December 2012

The directors present their report to the members together with the audited financial statements for the year ended 31 December 2012.

### DIRECTORS

The directors of the Society in office at the date of this report are as follows:

|                       |   |
|-----------------------|---|
| <b>Chairman</b>       | Mr Ang Hak Seng   |
| <b>Vice-Chairman</b>  | Mr Christopher Ng   |
| <b>Secretary</b>      | Mr How Kwang Hwee   |
| <b>Treasurer</b>      | Mr Abdul Jalil  |
| <b>Asst Secretary</b> | Mr Alvin Chong Huat Suang   |
| <b>Asst Treasurer</b> | Mr Keok Tong San  |
| <b>Board Members</b>  | Mr Tan Chong Hee<br>Mr Loy Chye Meng<br>Mr Lim Chee Pheng<br>Mr Hsu Sin Yun<br>Mr Cheong Chee Ming<br>Mr Lim Eng Chye<br>Mr Balakrishnan Anbarasan<br>Mr Teo Hoon San<br>Mr Nonis Gerard Benjamin |

### Arrangements to enable directors to acquire benefits by means of the acquisition of shares and debentures

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the Society to acquire benefits by means of the acquisition of shares in, or debentures of, the Society or related corporations.

### Directors' interests in shares or debentures

According to the register of directors' shareholdings kept by the Society, none of the directors of the Society holding office at the end of financial year had held more than 20% interest in shares or debentures of the Society and its related corporations except as disclosed in the financial statements.

## DIRECTORS' REPORT

For the year ended 31 December 2012

### Directors' contractual benefits

Since the end of the previous year, no director has received or become entitled to receive a benefit by reason of a contract made by the Society or by a related corporation with the director, or with a firm of which he is a member, or with a Society in which he has a substantial financial interests, except as disclosed in the financial statements.

### Share options

There were no share options granted by the Society during the financial year.

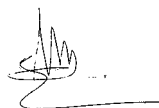
There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Society.

There were no unissued shares of the Society under options as at the end of the financial year.

### Independent auditor

The independent auditor, P G Wee Partnership LLP, has expressed their willingness to accept re-appointment.

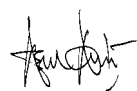
On Behalf of the Board of Directors,



**Ang Hak Seng**  
Chairman



**How Kwang Hwee**  
Secretary



**Abdul Jalil**  
Treasurer

Singapore, 16 April 2013

## STATEMENT BY DIRECTORS

For the year ended 31 December 2012

In the opinion of the directors,

- (a) the accompanying financial statements set out in the following sections of the financial statements:
- Statement of Comprehensive Income
  - Statement of Financial Position
  - Statement of Changes in Equity
  - Statement of Cash Flows
  - Notes, comprising a summary of significant accounting policies and other explanatory notes

are drawn up so as to give a true and fair view of the state of affairs of the Society as at 31 December 2012 and of the results, changes in equity and cash flows of the Society for the financial year then ended; and

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

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

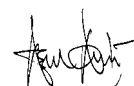
On Behalf of the Board of Directors,



**Ang Hak Seng**  
Chairman



**How Kwang Hwee**  
Secretary



**Abdul Jalil**  
Treasurer

Singapore, 16 April 2013

## INDEPENDENT AUDITOR'S REPORT

to the Members of The Singapore Police Co-operative Society Limited

### Report on the Financial Statements

We have audited the accompanying financial statements of The Singapore Police Co-operative Society Limited (the "Society"), which comprise the statement of financial position as at 31 December 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility 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 Singapore Co-operative Societies Act, Chapter 62 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and statement of financial position and to maintain accountability of assets.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## INDEPENDENT AUDITOR'S REPORT

to the Members of The Singapore Police Co-operative Society Limited

### Opinion

In our opinion, the financial statements are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Society as at 31 December 2012 and of the results, changes in equity and cash flows of the society for the year ended on that date.

### Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Society have been properly kept in accordance with the provisions of the Act.

During the course of our audit, nothing has come to our attention to cause us to believe that the receipts, expenditure and investments of monies and acquisition and disposal of assets made by the Society during the financial year ended 31 December 2012 have not been made in accordance with the By-laws of the Society and the provisions of the Act.

**P G WEE PARTNERSHP LLP**

Public Accountants and  
Certified Public Accountants  
Singapore

16 April 2013



## STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

|   | NOTE | 2012<br>SGD      | 2011<br>SGD      |
|---|------|------------------|------------------|
| <b>INCOME</b>                             |      |                  |                  |
| Interest on loans to members              |      | 2,665,498        | 2,395,108        |
| Interest on loans to a subsidiary         |      | 27,022           | 26,471           |
| Interest on loan to staff                 |      | 300              | 360              |
| Interest on cash and cash equivalents     |      | 297,023          | 395,417          |
| Interest on held-to-maturity investments  |      | 2,692,570        | 4,260,370        |
| Rental income from investment properties  |      | 952,970          | 923,286          |
| Dividend income (gross) - unquoted        |      | 484,218          | 693,377          |
| - quoted                                  |      | 253,423          | 308,037          |
| Administrative levy                       |      | 212,422          | 139,275          |
| Gain on disposal of investments           |      | 1,723,654        | 638,137          |
| Entrance fees                             |      | 7,900            | 6,240            |
| Commission received                       |      | 148,990          | 122,298          |
| Bad debts recovery                        |      | 12,137           | 19,224           |
| Grant income                              |      | 1,665            | -                |
| Other income                              |      | 63,240           | 32,286           |
|   |      | <u>9,543,032</u> | <u>9,959,886</u> |
| <b>LESS: EXPENDITURE</b>                  |      |                  |                  |
| Administrative and general expenses       |      | 988,152          | 735,602          |
| Allowance for impairment on receivables   |      | -                | 200,000          |
| Depreciation and amortisation             | 3    | 361,776          | 378,961          |
| Donation                                  |      | -                | 5,000            |
| Employee benefits expense                 | 4    | 852,618          | 863,790          |
| Finance costs                             | 5    | 1,565,111        | 1,576,783        |
| Impairment loss on investment             |      | -                | 1,253,327        |
| Loss on disposal of plant and equipment   |      | 94               | -                |
| Membership promotion and related expenses |      | 151,150          | 195,120          |
| Provision compensation for shared IT fee  |      | 1,000,000        | -                |
| Property maintenance and related expenses |      | 116,450          | 139,091          |
| <b>Total expenditure</b>                  |      | <u>5,035,351</u> | <u>5,347,674</u> |

## STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

|   | NOTE | 2012<br>SGD        | 2011<br>SGD        |
|---|------|--------------------|--------------------|
| <b>Surplus for the year</b>   |      | 4,507,681          | 4,612,212          |
| Finance costs   | 5    | <u>(2,046,881)</u> | <u>(2,646,247)</u> |
| <b>Surplus before Contributions</b>                                   |      | 2,460,800          | 1,965,965          |
| Contributions to Central Co-operative Fund                            |      | <u>(559,871)</u>   | <u>(802,113)</u>   |
| <b>Surplus for the year after Contributions</b>                       |      | <u>1,900,929</u>   | <u>1,163,852</u>   |
| Other Comprehensive income  |      |                    |                    |
| Net gain on fair value changes of available-for-sale financial assets |      | 1,266,412          | 954,713            |
| <b>Total Comprehensive income</b>                                     |      | <u>3,167,341</u>   | <u>2,118,565</u>   |

## STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

|                               | NOTE | 2012<br>SGD               | 2011<br>SGD               |
|-------------------------------|------|---------------------------|---------------------------|
| <b>ASSETS</b>                 |      |                           |                           |
| <b>Non-current assets</b>     |      |                           |                           |
| Property, plant and equipment | 7    | 1,199,676                 | 1,245,897                 |
| Intangible assets             | 8    | 40,464                    | 73,474                    |
| Investment properties         | 9    | 10,671,924                | 10,941,105                |
| Investment securities         | 10   | 63,264,468                | 76,657,013                |
| Investment in subsidiaries    | 11   | 1,294,000                 | 1,294,000                 |
| Loan to a subsidiary          | 12   | 311,271                   | 335,181                   |
| Loans to members              | 13   | 17,158,718                | 15,906,374                |
|                               |      | <u>93,940,521</u>         | <u>106,453,044</u>        |
| <b>Current assets</b>         |      |                           |                           |
| Investment securities         | 10   | 22,708,907                | 11,731,553                |
| Other receivables             | 14   | 950,837                   | 3,476,830                 |
| Loan to a subsidiary          | 12   | 375,332                   | 25,625                    |
| Loans to members              | 13   | 9,949,224                 | 9,156,558                 |
| Other assets                  | 15   | 16,661                    | 37,991                    |
| Cash and cash equivalents     | 16   | 52,782,811                | 44,398,323                |
|                               |      | <u>86,783,772</u>         | <u>68,826,880</u>         |
| <b>Total assets</b>           |      | <u><b>180,724,293</b></u> | <u><b>175,279,924</b></u> |

### ACCUMULATED FUND AND LIABILITIES

|                      |    |                   |                   |
|----------------------|----|-------------------|-------------------|
| <b>Total funds</b>   |    |                   |                   |
| General Reserve Fund | 17 | 13,200,142        | 11,700,142        |
| Common Good Fund     | 18 | 155,572           | 117,772           |
| Scholarship Fund     | 19 | 13,000            | 13,000            |
| Fair Value Reserve   |    | 2,221,125         | 954,713           |
| Accumulated Fund     |    | 4,269,694         | 3,981,765         |
|                      |    | <u>19,859,533</u> | <u>16,767,392</u> |

## STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

|  | NOTE | 2012<br>SGD               | 2011<br>SGD               |
|--|------|---------------------------|---------------------------|
| <b>Non-current liabilities</b>           |      |                           |                           |
| Members' term deposits                   | 20   | 9,202,577                 | 9,581,293                 |
| Members' specific deposits               | 21   | 30,472,322                | 25,490,554                |
| Subscription-To-Savings Scheme (STSS)    | 22   | 26,592,267                | 21,361,346                |
| Share capital                            | 23   | 1,797,660                 | 1,743,010                 |
| Subscription capital                     | 24   | 53,271,770                | 50,303,225                |
|  |      | <u>121,336,596</u>        | <u>108,479,428</u>        |
| <b>Current liabilities</b>               |      |                           |                           |
| Members' term deposits                   | 20   | 34,925,356                | 45,953,842                |
| Interest and premium received in advance |      | 1,327,893                 | 1,480,505                 |
| Other payables                           | 25   | 1,335,836                 | 1,344,117                 |
| Other liabilities                        | 26   | 197,037                   | 181,230                   |
| Provision                                | 27   | 1,000,000                 | -                         |
| Central Co-operative Fund                | 28   | 687,929                   | 1,015,692                 |
| Proposed honorarium                      | 29   | 54,113                    | 57,718                    |
|  |      | <u>39,528,164</u>         | <u>50,033,104</u>         |
| <b>Total equity and liabilities</b>      |      | <u><b>180,724,293</b></u> | <u><b>175,279,924</b></u> |

## STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

|  | Total<br>SGD      | General reserve<br>fund<br>SGD | Common<br>good fund<br>SGD | Scholarship<br>fund<br>SGD | Fair value<br>reserve<br>SGD | Accumulated<br>fund<br>SGD |
|--|-------------------|--------------------------------|----------------------------|----------------------------|------------------------------|----------------------------|
| Balance as at<br>1 January 2012              | 16,767,392        | 11,700,142                     | 117,772                    | 13,000                     | 954,713                      | 3,981,765                  |
| Net movement                                 | (25,200)          | -                              | (12,200)                   | (13,000)                   | -                            | -                          |
| Proposed honorarium                          | (50,000)          | -                              | -                          | -                          | -                            | (50,000)                   |
| Total comprehensive<br>income for the period | 3,167,341         | -                              | -                          | -                          | 1,266,412                    | 1,900,929                  |
| Transfer from<br>accumulated fund            | -                 | 1,500,000                      | 50,000                     | 13,000                     | -                            | (1,563,000)                |
| <b>Balance as at<br/>31 December 2012</b>    | <b>19,859,533</b> | <b>13,200,142</b>              | <b>155,572</b>             | <b>13,000</b>              | <b>2,221,125</b>             | <b>4,269,694</b>           |

## STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

|   | Total<br>SGD      | General reserve<br>fund<br>SGD | Common<br>good fund<br>SGD | Scholarship<br>fund<br>SGD | Fair value<br>reserve<br>SGD | Accumulated<br>fund<br>SGD |
|---|-------------------|--------------------------------|----------------------------|----------------------------|------------------------------|----------------------------|
| Balance as at<br>1 January 2011                         | 14,751,759        | 10,700,142                     | 107,704                    | 13,000                     | -                            | 3,930,913                  |
| Net movement  | (52,932)          | -                              | (39,932)                   | (13,000)                   | -                            | -                          |
| Proposed honorarium                                     | (50,000)          | -                              | -                          | -                          | -                            | (50,000)                   |
| Total comprehensive<br>income as previously<br>reported | 2,118,565         | -                              | -                          | -                          | 954,713                      | 1,163,852                  |
| Transfer from<br>accumulated funds                      | -                 | 1,000,000                      | 50,000                     | 13,000                     | -                            | (1,063,000)                |
| <b>Balance as at<br/>31 December 2011</b>               | <b>16,767,392</b> | <b>11,700,142</b>              | <b>117,772</b>             | <b>13,000</b>              | <b>954,713</b>               | <b>3,981,765</b>           |

## STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

|   | NOTE | 2012<br>SGD      | 2011<br>SGD        |
|---|------|------------------|--------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                   |      |                  |                    |
| Surplus before contributions                                  |      | 2,460,800        | 1,965,965          |
| <b>Adjustments for:</b>                                       |      |                  |                    |
| Amortisation  |      | 33,010           | 33,009             |
| Depreciation of plant and equipment                           |      | 59,586           | 76,771             |
| Depreciation of investment properties                         |      | 269,181          | 269,181            |
| Allowance for impairment on receivables                       |      | -                | 200,000            |
| Gain on disposal of financial assets                          |      | (1,723,654)      | (638,138)          |
| Loss on disposal of plant and equipment                       |      | 94               | -                  |
| Provision compensation for shared IT fee                      |      | 1,000,000        | -                  |
| Impairment loss on investments                                |      | -                | 1,253,327          |
| Operating surplus before working capital changes              |      | 2,099,017        | 3,160,115          |
| Loans to members  |      | (2,045,010)      | (4,121,140)        |
| Other receivables   |      | 2,525,993        | (2,255,782)        |
| Other assets  |      | 21,330           | 50,501             |
| Amounts owing to members                                      |      | 1,828,682        | (4,015,044)        |
| Other payables  |      | (145,086)        | 44,862             |
| <b>Net cash generated from/(used in) operating activities</b> |      | <b>4,284,926</b> | <b>(7,136,488)</b> |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                   |      |                  |                    |
| Purchase of plant and equipment                               |      | (13,459)         | (57,308)           |
| Purchase of intangible assets                                 |      | -                | (26,000)           |
| Investment in subsidiaries                                    |      | -                | (1,151,500)        |
| Net proceed from sale of investments                          |      | 5,405,257        | 20,449,203         |
| <b>Net cash generated from investing activities</b>           |      | <b>5,391,798</b> | <b>19,214,395</b>  |

## STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

|   | NOTE | 2012<br>SGD        | 2011<br>SGD       |
|---|------|--------------------|-------------------|
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>           |      |                    |                   |
| (Loan to)/repayment from subsidiary                   |      | (325,797)          | 491,890           |
| Payment of common good fund                           |      | (12,200)           | (39,932)          |
| Payment of scholarship fund                           |      | (13,000)           | (13,000)          |
| Payment of central co-operative fund                  |      | (887,634)          | (767,699)         |
| Payment of honorarium                                 |      | (53,605)           | (53,950)          |
| <b>Net cash used in financing activities</b>          |      | <b>(1,292,236)</b> | <b>(382,691)</b>  |
| <b>Net increase in cash and cash equivalents</b>      |      | <b>8,384,488</b>   | <b>11,695,216</b> |
| <b>Cash and cash equivalents at beginning of year</b> |      | <b>44,398,323</b>  | <b>32,703,107</b> |
| <b>Cash and cash equivalents at end of year</b>       | 16   | <b>52,782,811</b>  | <b>44,398,323</b> |

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

### 1. SIGNIFICANT ACCOUNTING POLICIES

#### BASIS OF ACCOUNTING

The financial statements of the Society have been prepared in accordance with the provisions of the Singapore Co-operative Societies Act, Chapter 62 and Singapore Financial Reporting Standards ("FRS").

The financial statements expressed in Singapore dollar ("SGD") are prepared in accordance with the historical cost convention except as disclosed, where appropriate, in the accounting policies below.

The preparation of financial statements in conformity with FRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Society has adopted all the new and revised standards and interpretations of FRS ("INT FRS") that are effective for annual periods beginning on or after 1 January 2012. The adoption of these standards and interpretations does not have any effect on financial performance or position of the Society.

#### FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Singapore dollar ("SGD"), which is the Society's functional and presentation currency.

#### REVENUE RECOGNITION

Revenue are recognised as follows:

##### (a) Interest Income

Interest income is recognised on a time-proportion basis using the effective interest method.

##### (b) Rental Income

Rental income is recognised as monthly rental accrues in accordance with the terms and conditions of the rental agreements.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

#### (c) Dividend Income

Dividend income is recognised when the right to receive payment is established.

#### (d) Sale of Investments

Revenue from sale of investments is recognised upon transfer of ownership rights, net of brokerage, clearing and trading fees incurred.

#### FINANCE COSTS

Interest expenses and similar charges are expensed in the income statement in the financial year in which they are incurred. Interest expense is recognised on a time-proportion basis in the income statement using the effective interest method.

#### RETIREMENT BENEFIT COSTS

Contributions to defined contribution retirement benefit plans are recorded as an expense as they fall due. Contributions made to government managed retirement benefit plan such as the Central Provident Fund which specifies the employer's obligations are dealt with as defined contribution retirement benefit plans.

#### Related Party

A party is considered to be related to the society if:

- (a) The party, directly or indirectly through one or more intermediaries,
  - (i) controls, is controlled by, or is under common control with the society;
  - (ii) has an interest in the society that gives it significant influence over the society; or
  - (iii) has joint control over the society;
- (b) The party is an associate;
- (c) The party is a jointly-controlled entity;
- (d) The party is a member of the key management personnel of the society;
- (e) The party is a close member of the family of any individual referred to in (a) or (d);
- (f) The party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
- (g) The party is a post-employment benefit plan for the benefit of the employees of the society, or of any entity that is a related party of the society.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

### OPERATING LEASES

Assets leased out under operating leases are included in investment properties and are stated at cost less accumulated depreciation and impairment loss. Rental income (net of any incentives given to lessee) is recognised on a straight-line basis over the lease term.

### INCOME TAX BENEFIT (EXPENSE)

Society is a registered Co-operative Society under the Singapore Co-operative Societies Act, Chapter 62 and its income is exempted from income tax under Section 13(1)(f)(ii) of the Income Tax Act, Chapter 134.

### PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Depreciation is calculated on the straight-line method to write off the cost of the assets over their estimated useful lives. The estimated useful lives have been taken as follows:

|                                |              |
|--------------------------------|--------------|
| Freehold property              | 50 years     |
| Computer hardware and software | 2 to 5 years |
| Furniture and fittings         | 5 years      |
| Office equipment               | 5 years      |
| Renovation                     | 5 years      |

The residual values, estimated useful lives and depreciation method are reviewed, and adjusted as appropriate, at each statement of financial position date.

Fully depreciated assets are retained in the accounts until they are no longer in use.

On disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is recognised in profit or loss.

### INTANGIBLE ASSETS

Intangible assets represent the Society's computer software that is not an integral part of a computer-controlled machine. The intangible assets are initially capitalised at cost which includes the purchase price (net of any discounts and rebates) and other directly attributable cost of preparing the asset for its intended use. Direct expenditure which enhances or extends the performance of the intangible assets beyond its specifications and which can be reliably measured, is added to the original cost of the intangible assets. Costs associated with maintaining the intangible assets are recognised as an expense when incurred. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

impairment losses.

The useful life of the intangible assets is assessed to be finite. Amortisation is computed using the straight-line method over five years. It is assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and amortisation method are reviewed at least each financial year end. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in statement of comprehensive income when the asset is derecognised.

### INVESTMENT PROPERTIES

Investment properties are held for long-term rental yields and are not occupied by the Society. Investment properties are initially stated at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is calculated on the straight-line method to write off the cost of the properties over their estimated useful lives of 50 years.

The residual values, estimated useful lives and depreciation method are reviewed, and adjusted as appropriate, at each statement of financial position date.

On disposal of an investment property, the difference between the net disposal proceeds and its carrying amount is taken to profit or loss.

### IMPAIRMENT OF NON-FINANCIAL ASSETS

The Society assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Society makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value. Where the carrying amount of an asset exceeds its recovered amount, the asset is written down to its recoverable amount.

**Impairment losses are recognised in the profit or loss.**

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in the profit or loss.

### INVESTMENT IN SUBSIDIARIES

Investment in subsidiaries are stated at cost less accumulated impairment losses in the Society's statement of financial position. On disposal of investment in subsidiaries, the difference between net disposal proceeds and the carrying amount of the investment is recognised in profit or loss.

The subsidiaries' financial statements have not been consolidated with the Society's financial statements as the directors are of the opinion that the amounts are immaterial relative to the core thrift and loan business of the Society.

### INVESTMENTS IN FINANCIAL ASSETS

Financial assets are recognised in the statement of financial position when, and only when, the Society becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus directly attributable transaction costs.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

All regular way purchase and sales of financial assets are recognised or derecognised on the trade date i.e. the date that the Society commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

The financial assets of the Society that are within the scope of FRS 39 are classified as follows:

#### Held-to-maturity Investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Society has the positive intention and ability to hold the assets to maturity. Investments intended to be held for an

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

undefined period are not included in this classification. Other long-term investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost using the effective interest method. This cost is computed as the amount initially recognised minus principal repayment, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount and minus any reduction for impairment or uncollectibility. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in the income statement when the investments are derecognised or impaired, as well as through the amortisation process.

#### Available-For-Sale Financial Assets

Available-for-sale financial assets are financial assets that are not classified in any of the other categories. After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses and interest calculated using the effective interest rate method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is recognised in profit or loss when the financial asset is derecognised.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

#### Loans and Receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

### IMPAIRMENT OF FINANCIAL ASSETS

The Society assesses at each statement of financial position date whether there is any objective evidence that a financial asset is impaired.

#### Assets Carried at Amortised Cost

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

of the loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset. To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Society considers factors such as the probability of insolvency or significant financial difficulties of the debtor or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

### Available-For-Sale Financial Assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss. Reversals of impairment losses in respect of equity instruments are recognised in profit or loss.

## FUND ACCOUNTING

In order to ensure observance of limitations and restrictions placed on the use of resources available to the Society, the financial statements of the Society are maintained substantially in accordance with the principles of "fund accounting" whereby the resources for various purposes are classified for accounting and reporting purposes into specific funds that are in accordance with activities or objectives specified.

## CASH AND CASH EQUIVALENTS

This include cash on hand and deposits with financial institutions.

## FINANCIAL LIABILITIES

Financial liabilities are recognised on the statement of financial position when, and only when, the Society becomes a party to the contractual provisions of the financial instrument. Financial liabilities are initially recognised at fair value of the consideration received plus directly attributable transaction costs and subsequently measured at

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

amortised cost using the effective interest rate method.

Gain and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process. The liabilities are derecognised when the obligation under the liability is extinguished.

## PROVISIONS

A provision is recognised when there is a present obligation (legal and constructive) as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each statement of financial position date and adjusted to reflect the current best estimate.

## CRITICAL JUDGEMENTS, ASSUMPTIONS AND ESTIMATION UNCERTAINTIES

The preparation of the Society's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability effected in the future.

### Key Sources of Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

### Useful Lives of Property, Plant and Equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these property, plant and equipment to be within 2 to 50 years. The carrying amount of the Society's property, plant and equipment at 31 December 2012 is SGD 1,199,676 (2011: SGD 1,245,897). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

### Useful Lives of Investment Properties

Investment properties are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these investment properties to be within 50 years. The carrying amount of the Society's investment properties at 31 December 2012 is SGD 10,671,924 (2011: SGD 10,941,105). Changes in the expected level of usage and technological developments could impact the economic useful lives



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

and the residual values of these assets, therefore future depreciation charges could be revised.

### Unquoted Investments at Cost

Unquoted investments are stated at cost less provision for impairment in value because there is no reliable method to determine the fair value of these investments. Management exercises judgement based on the observable data relating to the possible events that may have caused the decline in value to determine whether the decline in value is an impairment that should be recognised in the income statement. For the financial year ended 31 December 2012, the amount of unquoted investments stated at cost less provision for impairment in value are unquoted shares in companies of SGD 2,250,000 (2011: SGD 2,250,000).

### Allowance for Impairment of Receivables

The management establishes allowance for impairment of receivables on a case-by-case basis when they believe that payment of amounts owed is unlikely to occur. In establishing these allowances, the management considers its historical experience and changes to its member's financial position. If the financial conditions of members were to deteriorate, resulting in impairment of their ability to make the required payments, additional allowances may be required. The carrying amounts of the Society's loans to members as at 31 December 2012 are disclosed in note 13 to the financial statements.

### Held-to-Maturity Investments at Cost

Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method and less any impairment loss. Held-to-maturity investments purchased before 1 January 2011 amounting to SGD 50,594,317 are not measured at amortised cost using the effective interest method, as the fair value cannot be measured reliably. However, all purchases from 1 January 2011 are measured at amortised cost using the effective interest method. As at 31 December 2012, the carrying amounts of held-to-maturity investments are disclosed in note 10 to the financial statements.

### PROVISION

The Society is required to estimate and recognise the cost to be incurred for terminating the contract pertaining to the IT shared system. Management has provided for such cost based on the likely amount to be incurred. The carrying amount of provision is set out in note 27 to the financial statements.

## 2. THE SOCIETY'S INFORMATION

The Singapore Police Co-operative Society Limited (the "Society") is domiciled and incorporated in Singapore. The Society's registered office and principal place of business are located at 250 Sims Avenue SPCS Building # 04-01 Singapore 387513.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

The principal activities of the Society, which are governed by the Co-operative Societies Act, Chapter 62 are to promote, in accordance with co-operative principles, co-operation and self-help, to encourage thrift, to receive subscriptions and deposits from members and to assist members by enabling them to take loans on reasonable terms, and to undertake any co-operative venture or project subject to the approval of the Registrar of Co-operative Societies.

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 December 2012

|  | 2012           | 2011           |
|--|----------------|----------------|
|  | SGD            | SGD            |
| <b>3. DEPRECIATION AND AMORTISATION</b>      |                |                |
| Amortisation                                 | 33,009         | 33,009         |
| Deprecation of property, plant and equipment | 59,586         | 76,771         |
| Deprecation of investment properties         | 269,181        | 269,181        |
|  | <b>361,776</b> | <b>378,961</b> |

**4. EMPLOYEE BENEFITS EXPENSE**

|  |                |                |
|--|----------------|----------------|
| Contributions to defined Contribution plan (CPF) and Skills Development Levy (SDL) | 99,102         | 93,784         |
| Medical expenses   | 4,074          | 5,021          |
| Salaries and bonus   | 756,826        | 703,118        |
| Staff training and incentive   | (7,384)        | 61,867         |
|  | <b>852,618</b> | <b>863,790</b> |

**5. FINANCE COSTS**

|   |                  |                  |
|---|------------------|------------------|
| Interest on members' specific deposits              | 136,878          | 110,440          |
| Interest on members' term deposits                  | 319,902          | 460,662          |
| Interest on members' subscription-to-savings scheme | 1,108,331        | 1,005,681        |
|   | <b>1,565,111</b> | <b>1,576,783</b> |

|   |                  |                  |
|---|------------------|------------------|
| # Dividend paid on share capital and subscription capital | 2,046,881        | 2,646,247        |
|   | <b>3,611,992</b> | <b>4,223,030</b> |

# Share capital and subscription capital are classified as liability. Thus, dividends thereon are recognised as finance costs in the profit or loss.

**6. INCOME TAX BENEFIT (EXPENSE)**

The Society is exempted from income tax under Section 13(1)(f)(ii) of the Income Tax Act, Chapter 134.

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 December 2012

**7. PROPERTY, PLANT AND EQUIPMENT**

|                                 | Freehold Property | Computer Hardware and Software | Furniture and Fittings | Office Equipment | Renovation   | Total            |
|---------------------------------|-------------------|--------------------------------|------------------------|------------------|--------------|------------------|
|                                 | SGD               | SGD                            | SGD                    | SGD              | SGD          | SGD              |
| <b>COST</b>                     |                   |                                |                        |                  |              |                  |
| At 1.1.2011                     | 1,441,750         | 216,576                        | 119,100                | 43,696           | 1,435        | 1,822,557        |
| Additions                       | -                 | 25,262                         | 15,680                 | 16,366           | -            | 57,308           |
| Disposals                       | -                 | (12,241)                       | -                      | (14,675)         | -            | (26,916)         |
| At 31.12.2011 and 1.1.2012      | 1,441,750         | 229,597                        | 134,780                | 45,387           | 1,435        | 1,852,949        |
| Additions                       | -                 | 819                            | -                      | 12,640           | -            | 13,459           |
| Reclassification                | -                 | -                              | 376                    | (376)            | -            | -                |
| Disposals                       | -                 | (49,111)                       | -                      | (3,954)          | -            | (53,065)         |
| <b>At 31.12.2012</b>            | <b>1,441,750</b>  | <b>181,305</b>                 | <b>135,156</b>         | <b>53,697</b>    | <b>1,435</b> | <b>1,813,343</b> |
| <b>ACCUMULATED DEPRECIATION</b> |                   |                                |                        |                  |              |                  |
| At 1.1.2011                     | 230,679           | 179,436                        | 107,011                | 39,784           | 287          | 557,197          |
| Depreciation for year           | 28,835            | 29,385                         | 12,854                 | 5,410            | 287          | 76,771           |
| Disposals                       | -                 | (12,241)                       | -                      | (14,675)         | -            | (26,916)         |
| At 31.12.2011 and 1.1.2012      | 259,514           | 196,580                        | 119,865                | 30,519           | 574          | 607,052          |
| Depreciation for year           | 28,835            | 18,760                         | 5,103                  | 6,601            | 287          | 59,586           |
| Reclassification                | -                 | -                              | 150                    | (150)            | -            | -                |
| Disposals                       | -                 | (49,111)                       | -                      | (3,860)          | -            | (52,971)         |
| <b>At 31.12.2012</b>            | <b>288,349</b>    | <b>166,229</b>                 | <b>125,118</b>         | <b>33,110</b>    | <b>861</b>   | <b>613,667</b>   |
| <b>NET CARRYING AMOUNT</b>      |                   |                                |                        |                  |              |                  |
| <b>At 31.12.2012</b>            | <b>1,153,401</b>  | <b>15,076</b>                  | <b>10,038</b>          | <b>20,587</b>    | <b>574</b>   | <b>1,199,676</b> |
| <b>At 31.12.2011</b>            | <b>1,182,236</b>  | <b>33,017</b>                  | <b>14,915</b>          | <b>14,868</b>    | <b>861</b>   | <b>1,245,897</b> |

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 December 2012

8. INTANGIBLE ASSETS

|                                 | Computer<br>Software<br>SGD |
|---------------------------------|-----------------------------|
| <b>COST</b>                     |                             |
| At 1.1.2011                     | 416,865                     |
| Additions                       | <u>26,000</u>               |
| At 31.12.2011 and 1.1.2012      | 442,865                     |
| Disposals                       | <u>(1,340)</u>              |
| At 31.12.2012                   | <u><b>441,525</b></u>       |
| <b>ACCUMULATED AMORTISATION</b> |                             |
| At 1.1.2011                     | 336,382                     |
| Amortisation for year           | <u>33,009</u>               |
| At 31.12.2011 and 1.1.2012      | 369,391                     |
| Disposals                       | <u>(1,340)</u>              |
| Amortisation for year           | <u>33,010</u>               |
| <b>At 31.12.2012</b>            | <u><b>401,061</b></u>       |
| <b>NET CARRYING AMOUNT</b>      |                             |
| <b>At 31.12.2012</b>            | <u><b>40,464</b></u>        |
| <b>At 31.12.2011</b>            | <u><b>73,474</b></u>        |

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 December 2012

9. INVESTMENT PROPERTIES

|                                 | Freehold<br>Properties<br>SGD |
|---------------------------------|-------------------------------|
| <b>COST</b>                     |                               |
| At 1.1.2011                     | 13,993,240                    |
| At 31.12.2012                   | <u><b>13,993,240</b></u>      |
| <b>ACCUMULATED DEPRECIATION</b> |                               |
| At 1.1.2011                     | 2,782,954                     |
| Depreciation for year           | <u>269,181</u>                |
| At 31.12.2011 and 1.1.2012      | 3,052,135                     |
| Depreciation for year           | <u>269,181</u>                |
| <b>At 31.12.2012</b>            | <u><b>3,321,316</b></u>       |
| <b>NET CARRYING AMOUNT</b>      |                               |
| <b>At 31.12.2012</b>            | <u><b>10,671,924</b></u>      |
| <b>At 31.12.2011</b>            | <u><b>10,941,105</b></u>      |

Investment properties with net carrying amount of SGD 5,357,143 (2011: SGD 5,505,952) were mortgaged to secure for banking facilities. The bank overdraft facilities are not utilised.

The rental income earned by the Society for the year ended 31 December 2012 was from investment properties leased out under operating leases, amounted to SGD 952,970 (2011: SGD 923,286).

Direct operating expenses (including repairs and maintenance) arising from rental generating properties amounted to SGD 116,451 (2011: SGD 139,091).

The investment properties were valued at SGD 24,800,000 (2011: SGD 23,850,000) by an independent firm of professional valuer on 31 December 2012. The valuations are based on desktop valuation.

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 December 2012

9. INVESTMENT PROPERTIES (CONT'D)

The investment properties held by the Society as at 31 December 2012 are as follows:

| Description and location  | Existing use | Tenure   |
|---|--------------|----------|
| Two adjoining 2-storey intermediate shophouses<br>- 259 Holland Avenue, Singapore<br>- 261 Holland Avenue, Singapore                          | Commercial   | Freehold |
| 4-storey commercial building with a basement carpark known as SPCS Building, 250 Sims Avenue, Singapore<br>- #02-01<br>- #03-01               | Commercial   | Freehold |
| Two office units of a 4-storey shop-cum-office building with a basement carpark known as Guthrie Building<br>- #01-01<br>- #02-01<br>-#02-01A | Commercial   | Freehold |

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 December 2012

10. INVESTMENT SECURITIES

|   | 2012<br>SGD       | 2011<br>SGD       |
|---|-------------------|-------------------|
| <b>CURRENT</b>                                    |                   |                   |
| <b>Held-to-maturity investments</b>               |                   |                   |
| Quoted bonds, notes and equity-linked deposits    | 19,704,750        | 10,866,875        |
| Bonds from statutory board                        | 3,004,157         | 864,678           |
| Total current investment securities               | <u>22,708,907</u> | <u>11,731,553</u> |
| <b>NON-CURRENT</b>                                |                   |                   |
| <b>Held-to-maturity investments</b>               |                   |                   |
| Structured deposits                               | 2,916,667         | 2,933,333         |
| Quoted bonds, notes and equity-linked deposits    | 18,412,900        | 38,117,650        |
| Bonds from statutory board                        | 38,416,109        | 31,173,151        |
| Singapore government securities                   | -                 | 2,180,500         |
| Less: Impairment loss                             | (3,400,000)       | (3,400,000)       |
|   | <u>56,345,676</u> | <u>71,004,634</u> |
| <b>Available-for-sale financial assets</b>        |                   |                   |
| Quoted equities in corporation, at fair value     | 4,668,792         | 3,402,379         |
| Unquoted investments, at cost                     |                   |                   |
| Shares in co-operative societies and companies:   |                   |                   |
| • NTUC Income Insurance Co-operative Limited      | 250,000           | 250,000           |
| • NTUC Choice Homes Co-operative                  | 200,000           | 200,000           |
| • Premier Security Co-operative Limited           | 1,450,000         | 1,450,000         |
| • Secom (Singapore) Private Limited               | 350,000           | 350,000           |
|   | <u>2,250,000</u>  | <u>2,250,000</u>  |
| <b>Total Available-for-sales financial assets</b> | <u>6,918,792</u>  | <u>5,652,379</u>  |
| <b>Total non-current investment securities</b>    | <u>63,264,468</u> | <u>76,657,013</u> |
| <b>Total investment securities</b>                | <u>85,973,375</u> | <u>88,388,566</u> |

The fair value of held-to-maturity investments were valued at SGD 84,044,306 (2011: SGD 87,663,273) based on in-house valuation provides by bank on the last market day of the financial year.

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 December 2012

11. INVESTMENT IN SUBSIDIARIES

|                   | 2012             | 2011             |
|-------------------|------------------|------------------|
|                   | SGD              | SGD              |
| Shares, at cost   | 1,679,000        | 1,679,000        |
| Impairment losses | (385,000)        | (385,000)        |
|                   | <u>1,294,000</u> | <u>1,294,000</u> |

Details of subsidiaries:

| Name                                    | Principal Activities   | Country of Incorporation and Business Carried Out in | Proportion (%) of Ownership | 2012  | 2011  |
|---|--|--|-----------------------------|-------|-------|
|   |  |  |                             | %     | %     |
| * Choice Décor Co-operative Society Ltd | Renovation and decor business.   | Singapore  |                             | 99.95 | 99.95 |
| ** SPCS Consultancy Pte Ltd             | Consultancy services related to security, law and order and other areas. | Singapore  |                             | 97    | 97    |

\* Audited by Lee S F & Co, Singapore

\*\* Audited by P G Wee Partnership LLP, Singapore

No consolidated accounts have been presented as the amounts are immaterial relative to the core thrift and loan business of the Society.

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 December 2012

11. INVESTMENT IN SUBSIDIARIES (CONT'D)

The share of the results and attributable net tangible assets or liabilities of the subsidiaries are as follows:

|   | 2012                                |   | 2011                                |   |
|---|-------------------------------------|---|-------------------------------------|---|
|   | Share of profit/(loss) for the year | Share of attributable net tangible assets/(liabilities) | Share of profit/(loss) for the year | Share of attributable net tangible assets/(liabilities) |
|   | SGD                                 | SGD   | SGD                                 | SGD   |
| Choice Décor Co-operative Society Limited | 75,228                              | 1,264,042   | 1,800                               | 1,137,675   |
| SPCS Consultancy Pte Ltd                  | 79,679                              | 1,049,040   | 79,572                              | 1,003,311   |
|   | <u>154,907</u>                      | <u>2,313,082</u>  | <u>81,372</u>                       | <u>2,140,986</u>  |

Impairment testing of investment in subsidiaries

During the last financial year, management performed an impairment test for the investment in Choice Décor Co-operative Society Ltd. An impairment loss of SGD 385,000 (2011: SGD 385,000) was recognised for the year ended 31 December 2011 to write down this subsidiary to its recoverable amount.

12. LOAN TO A SUBSIDIARY

|                                       | 2012           | 2011           |
|---------------------------------------|----------------|----------------|
|                                       | SGD            | SGD            |
| Loans on:                             |                |                |
| <b>CURRENT</b>                        |                |                |
| - Overdraft facility (Note (a))       | 350,000        | -              |
| - Commercial property loan (Note (b)) | 25,332         | 25,625         |
|                                       | <u>375,332</u> | <u>25,625</u>  |
| <b>NON-CURRENT</b>                    |                |                |
| - Commercial property loan (Note (b)) | 311,271        | 335,181        |
| <b>Total loans to a subsidiary</b>    | <u>686,603</u> | <u>360,806</u> |

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2012

**12. LOAN TO A SUBSIDIARY (CONT'D)**

(a) The overdraft facility is unsecured and not subject to any terms of repayment. Interest is charged at cost of funds plus 2% per annum.

(b) Commercial property loan was secured by the subsidiary's leasehold property. Interest is charged at 3.75% per annum and increases at 0.25% every year until the 10<sup>th</sup> year which will be charged at UOB's prime lending rate less 0.50% per annum on monthly basis. The current year interest rate is 5.75% (2011: 5.50%).

**13. LOANS TO MEMBERS**

|   | 2012<br>SGD              | 2011<br>SGD              |
|---|--------------------------|--------------------------|
| At 1 January                                  | 26,141,204               | 22,980,910               |
| Add: Loans given during the year              | 21,536,090               | 22,543,510               |
|   | <u>47,677,294</u>        | <u>45,524,420</u>        |
| Less: Repayments during the year              | (19,491,080)             | (19,259,088)             |
| Write-off against provision                   | (123,505)                | (124,128)                |
|   | <u>28,062,709</u>        | <u>26,141,204</u>        |
| Less: Allowance for impairment of receivables | (954,767)                | (1,078,272)              |
| <b>At 31 December</b>                         | <u><b>27,107,942</b></u> | <u><b>25,062,932</b></u> |

(a) Analysis of Allowance for Impairment of Receivables

|                                |                         |                           |
|--------------------------------|-------------------------|---------------------------|
| Amount at beginning of year    | (1,078,272)             | (1,002,400)               |
| Provision made during the year | -                       | (200,000)                 |
| Write-off against provision    | 123,505                 | 124,128                   |
| <b>Amount at end of year</b>   | <u><b>(954,767)</b></u> | <u><b>(1,078,272)</b></u> |

(b) As disclosed in the statement of financial position:

|                                      |                   |                   |
|--------------------------------------|-------------------|-------------------|
| Receivable within the next 12 months |                   |                   |
| -Current assets                      | 9,949,224         | 9,156,558         |
| Receivable after the next 12 months  |                   |                   |
| -Non-current assets                  | 17,158,718        | 15,906,374        |
|                                      | <u>27,107,942</u> | <u>25,062,932</u> |

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2012

**13. LOANS TO MEMBERS (CONT'D)**

Loans amounting to SGD 614,587 (2011: SGD 787,355) are secured by savings.

The rates of interest for loans to members ranged between 3 % to 12% (2011: 3% to 12%) per annum. Interest rates are fixed at contract dates. Loans to members are repayable within a period of 1 month up to 120 months.

**14. OTHER RECEIVABLES**

|                      | 2012<br>SGD    | 2011<br>SGD      |
|----------------------|----------------|------------------|
| Other receivables    | 234,694        | 2,648,055        |
| Interest receivables | 716,143        | 820,525          |
| Staff loan           | -              | 8,250            |
|                      | <u>950,837</u> | <u>3,476,830</u> |

Other receivables are non-interest bearing and generally on terms of 30 days.

Other receivables represent deductions through salary check-off for the month of December 2012 which had been received in January 2013.

**15. OTHER ASSETS**

|             | 2012<br>SGD   | 2011<br>SGD   |
|-------------|---------------|---------------|
| Deposits    | 5,710         | 5,810         |
| Prepayments | 10,951        | 32,181        |
|             | <u>16,661</u> | <u>37,991</u> |

**16. CASH AND CASH EQUIVALENTS**

|                | 2012<br>SGD       | 2011<br>SGD       |
|----------------|-------------------|-------------------|
| Cash in hand   | 1,000             | 1,000             |
| Cash at bank   | 11,181,811        | 5,876,516         |
| Fixed deposits | 41,600,000        | 38,520,807        |
|                | <u>52,782,811</u> | <u>44,398,323</u> |

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2012

**16. CASH AND CASH EQUIVALENTS (CONT'D)**

Fixed deposits bear interest rates ranging from 0.50% to 0.95% (2011: 0.54% to 1.08%) per annum and for a tenure of approximately 3 to 36 months (2011: 10 to 24 months).

**17. GENERAL RESERVE FUND**

|                                   | 2012              | 2011              |
|-----------------------------------|-------------------|-------------------|
|                                   | SGD               | SGD               |
| At beginning of year              | 11,700,142        | 10,700,142        |
| Transferred from accumulated fund | 1,500,000         | 1,000,000         |
| At end of year                    | <u>52,782,811</u> | <u>11,700,142</u> |

The reserve fund shall be used (By-Law 8.6):  
(a) to meet unforeseen losses;

(b) to provide a margin beyond the liabilities of the Society so as to ensure its ability to pay such liabilities in full in the event of dissolution; and

(c) to enable the Society by reason of the income derived from the Reserve Fund to reduce the rate of interest on loans granted to members without causing a reduction in the rate of dividend on share capital, bonus shares and subscription capital.

**18. COMMON GOOD FUND**

|                                   | 2012           | 2011           |
|-----------------------------------|----------------|----------------|
|                                   | SGD            | SGD            |
| At beginning of year              | 117,772        | 107,704        |
| Transferred from accumulated fund | 50,000         | 50,000         |
| Disbursed during the year         | (12,200)       | (11,000)       |
| Entrance fee to Police Co-op Club | -              | (666)          |
| Subscription to Police Co-op Club | -              | (28,266)       |
| At end of year                    | <u>155,572</u> | <u>117,772</u> |

The Common Good Fund was set up for the benefit of the members of the Society and may be devoted to any educational, medical, social or charitable purposes.

The fund shall be derived from an annual contribution not exceeding ten percent of the net surplus of the Society (By-Law 8.7).

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2012

**19. SCHOLARSHIP FUND**

This fund is set up for the purpose of awarding scholarship to deserving children of members.

**20. MEMBERS' TERM DEPOSITS**

|                               | 2012              | 2011              |
|-------------------------------|-------------------|-------------------|
|                               | SGD               | SGD               |
| At 1 January                  | 55,535,135        | 70,681,888        |
| Add: Received during the year |                   |                   |
| - 1 year & 6 months           | 40,660,853        | 51,663,731        |
| - 2 years                     | 2,189,331         | 2,975,363         |
| - 3 years                     | 1,446,142         | 2,554,232         |
|                               | <u>44,296,326</u> | <u>57,193,326</u> |

Less: Withdrawals during the year

|                     |                   |                   |
|---------------------|-------------------|-------------------|
| - 1 year & 6 months | 51,689,338        | 65,942,695        |
| - 2 years           | 2,506,627         | 4,159,449         |
| - 3 years           | 1,507,563         | 2,237,935         |
|                     | <u>55,703,528</u> | <u>72,340,079</u> |

At 31 December 44,127,933 55,535,135

As disclosed in the statement of financial position:

|                                   |                   |                   |
|-----------------------------------|-------------------|-------------------|
| Payable within the next 12 months |                   |                   |
| - Current liabilities             | 34,925,356        | 45,953,842        |
| Payable after the next 12 months  |                   |                   |
| - Non-current liabilities         | 9,202,577         | 9,581,293         |
|                                   | <u>44,127,933</u> | <u>55,535,135</u> |

The term deposits received from the members are for a period of 6 months, 12 months, 24 months and 36 months respectively at various interest rates payable on maturity. The members can roll over the term deposits after the expiration of the term or they can withdraw, subject to bank charges and other costs, at any time within the term.

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2012

**21. MEMBERS' SPECIFIC DEPOSITS**

|                                 | 2012                     | 2011                     |
|---------------------------------|--------------------------|--------------------------|
|                                 | SGD                      | SGD                      |
| At 1 January                    | 25,490,554               | 21,436,777               |
| Add: Received during the year   | 13,348,964               | 12,043,872               |
| Interest credited               | 125,974                  | 102,960                  |
|                                 | <b>38,965,492</b>        | <b>33,583,609</b>        |
| Less: Withdrawn during the year | (8,493,170)              | (8,093,055)              |
| <b>At 31 December</b>           | <b><u>30,472,322</u></b> | <b><u>25,490,554</u></b> |

Interest is calculated based on daily balance. Interest will be credited into members' accounts on the 1st day of January and July annually.

**22. SUBSCRIPTION-TO-SAVINGS SCHEME (STSS)**

This is in respect of amount transferred from subscription capital and members will earn interest of 4 % per annum on the principal sum deposited in the STSS series 1 for the period from 1 November 2011 to 31 October 2014.

During the year, the Society has issued STSS series 2. The member will earn interest of 3.75% per annum on the principal sum deposited for period from 1 November 2012 to 31 October 2016.

For early withdrawals by a member, there will be a pro-rata claw-back of the interest paid out with corresponding deduction made to the principal sum that would be repaid to the member.

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2012

**23. SHARE CAPITAL**

|   | 2012                    | 2011                    |
|---|-------------------------|-------------------------|
|   | SGD                     | SGD                     |
| Issued and fully paid share of SGD 1 each |                         |                         |
| Balance as at 1 January                   | 1,743,010               | 1,706,910               |
| Additional shares issued                  | 116,700                 | 92,250                  |
|   | <b>1,859,710</b>        | <b>1,799,160</b>        |
| Less:                                     |                         |                         |
| Share withdrawn                           | (62,050)                | (56,150)                |
| <b>Balance as at 31 December</b>          | <b><u>1,797,660</u></b> | <b><u>1,743,010</u></b> |

Each member shall hold at least 150 shares. No members shall hold more than one-fifth of the paid-up share capital of the Society (By-Law 8.3).

**24. SUBSCRIPTION CAPITAL**

|  | 2012                     | 2011                     |
|--|--------------------------|--------------------------|
|  | SGD                      | SGD                      |
| At beginning of year   | 50,303,225               | 64,622,739               |
| Contribution for the year                                      | 13,712,862               | 12,792,611               |
| Withdrawn during the year                                      | (5,336,766)              | (5,750,779)              |
| Transferred to Subscription-To-Savings Scheme<br>(see note 22) | (5,407,551)              | (21,361,346)             |
| <b>At end of year</b>  | <b><u>53,271,770</u></b> | <b><u>50,303,225</u></b> |

Every member shall be allowed to subscribe a minimum monthly sum to his Subscription Account in accordance with the Administrative Rules on Subscription (By-Law 8.4). The minimum monthly subscription is currently at SGD 40 for each member. The maximum subscription contributed by each member should not exceed SGD 200 per month. Subscription capital may not be withdrawn except for such purposes and under such conditions as laid down in the By-Laws or except on a termination of membership.



**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2012

**25. OTHER PAYABLES**

|                   | 2012             | 2011             |
|-------------------|------------------|------------------|
|                   | SGD              | SGD              |
| Interest payables | 469,616          | 412,293          |
| Accrued expenses  | 837,903          | 889,828          |
| Others            | 28,317           | 41,996           |
|                   | <u>1,335,836</u> | <u>1,344,117</u> |

**26. OTHER LIABILITIES**

|                 | 2012           | 2011           |
|-----------------|----------------|----------------|
|                 | SGD            | SGD            |
| Rental deposits | <u>197,037</u> | <u>181,230</u> |

**27. PROVISION**

The provision related to compensation and penalty fee of SGD 1,000,000 on termination of contract with respect to system migration and other issues.

Management estimates the expected future cash outflow as a provision for compensation for shared IT fee which are stated on the terms and conditions of contract for earlier termination.

**28. CENTRAL CO-OPERATIVE FUND**

Pursuant to Section 71 of the Co-operative Societies Act, Chapter 62, the Society shall contribute 5% of the first SGD 500,000 of the surplus resulting from the operations of the Society during the preceding financial year to the Central Co-operative Fund; and 20% of any surplus in excess of SGD 500,000 from the operations of the Society during the preceding financial year either to the Central Co-operative Fund or to the Singapore Labour Foundation as the Society may opt.

|  | 2012           | 2011             |
|--|----------------|------------------|
|  | SGD            | SGD              |
| Contribution for the year              | 559,871        | 768,769          |
| Under-provision in previous year       | -              | 33,344           |
| Unpaid contribution from previous year | 128,058        | 213,579          |
|  | <u>687,929</u> | <u>1,015,692</u> |

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2012

**29. PROPOSED HONORARIUM**

|  | 2012          | 2011          |
|--|---------------|---------------|
|  | SGD           | SGD           |
| At 1 January                             | 57,718        | 61,668        |
| Amount disbursed (including meeting fee) | (53,605)      | (53,950)      |
| Provision                                | 50,000        | 50,000        |
|  | <u>54,113</u> | <u>57,718</u> |

The service of a member of the Board of Directors shall be gratuitous by way of honorarium subject to compliance with By-Law 7.13.1. The Board of Directors has proposed an honorarium of SGD 50,000 (2011: SGD 50,000) for the current year.

**30. PROPOSED DIVIDENDS**

The Board of Directors has proposed a final dividend of 3.75% (2011: 4%) on the members' shares and subscriptions as at 31 December 2012.

**31. OPERATING LEASE ARRANGEMENTS**

The Society leases out its investment properties under non-cancellable lease arrangements. At the statement of financial position date, the Society has future minimum rentals receivable under non-cancellable operating leases which fall due as follows:

|  | 2012             | 2011           |
|--|------------------|----------------|
|  | SGD              | SGD            |
| <b>Rental Receivable</b>                         |                  |                |
| Not later than one year                          | 778,289          | 629,057        |
| Later than one year but not later than two years | 815,798          | 303,598        |
|  | <u>1,594,087</u> | <u>932,655</u> |

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2012

**32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The main risks from the Society's financial instruments are interest rate risk, liquidity risk, credit risk and market risk. The policies for managing each of these risks are summarised below.

**(a) Interest Rate Risk**

Interest rate risk is the risk that the fair value or future cash flows of the Society's financial instruments will fluctuate because of changes in market interest rates. The Society is exposed to interest rate risk through the impact of rate changes on interest-earning assets and interest-bearing liabilities.

**Sensitivity Analysis for Interest Rate Risk**

The following carrying amounts of interest-earning assets and interest-bearing liabilities of the Society that are exposed to interest rate risk:

|                               | <b>2012</b>               | <b>2011</b>               |
|-------------------------------|---------------------------|---------------------------|
|                               | <b>SGD</b>                | <b>SGD</b>                |
| <b>Interest income</b>        |                           |                           |
| Investment securities         | 82,454,583                | 86,136,187                |
| Loan to a subsidiary          | 686,603                   | 360,806                   |
| Loan to staff                 | -                         | 8,250                     |
| Loans to members              | 27,107,942                | 25,062,932                |
| Cash and cash equivalents     | 52,782,811                | 44,397,323                |
|                               | <b><u>163,031,939</u></b> | <b><u>155,965,498</u></b> |
| <b>Less: Interest expense</b> |                           |                           |
| Members' specific deposits    | 30,472,322                | 25,490,554                |
| Members' term deposits        | 44,127,933                | 55,535,135                |
| Subscription-to-Saving scheme | 26,592,267                | 21,361,346                |
|                               | <b><u>61,839,417</u></b>  | <b><u>53,578,463</u></b>  |

**NOTES TO THE FINANCIAL STATEMENTS**  
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At the statement of financial position date, if SGD interest rates had been 0.5% (2011: 0.5%) lower/ higher with all other variables held constant, the Society's profit would have been SGD 309,197 (2011: SGD 267,892) higher/ lower.

**(b) Liquidity Risk**

Liquidity risk is the risk that the Society will not be able to meet its financial obligations as and when they fall due. The Society's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Society reviews its working capital requirements to assess the adequacy of cash and cash equivalents to finance the operations.

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 December 2012

**Analysis of Financial Instruments by Remaining Contractual Maturities**

The table below summarises the maturity profile of the Society's financial assets and liabilities at the statement of financial position date based on contractual undiscounted repayment obligations.

|  | 2012              |                     |                    | 2011              |                     |                    |
|--|-------------------|---------------------|--------------------|-------------------|---------------------|--------------------|
|  | One year or less  | More than one year  | Total              | One year or less  | More than one year  | Total              |
|  | SGD               | SGD                 | SGD                | SGD               | SGD                 | SGD                |
| <b>Financial assets</b>                            |                   |                     |                    |                   |                     |                    |
| Investment securities                              | 22,708,907        | 63,264,468          | 85,973,375         | 11,731,553        | 76,657,013          | 88,388,566         |
| Loan to a subsidiary                               | 375,332           | 311,271             | 686,603            | 25,625            | 335,181             | 360,806            |
| Loans to members                                   | 9,949,224         | 17,158,718          | 27,107,942         | 9,156,558         | 15,906,374          | 25,062,932         |
| Other receivables                                  | 950,837           | -                   | 950,837            | 3,476,830         | -                   | 3,476,830          |
| Other assets                                       | 5,710             | -                   | 5,710              | 5,810             | -                   | 5,810              |
| Cash and cash equivalents                          | 52,782,811        | -                   | 52,782,811         | 44,398,323        | -                   | 44,398,323         |
|  | <b>86,772,821</b> | <b>80,734,457</b>   | <b>167,507,278</b> | <b>68,794,699</b> | <b>92,898,568</b>   | <b>161,693,267</b> |
| <b>Financial liabilities</b>                       |                   |                     |                    |                   |                     |                    |
| Members' specific deposits                         | -                 | 30,472,322          | 30,472,322         | -                 | 25,490,554          | 25,490,554         |
| Members' term deposits                             | 34,925,356        | 9,202,577           | 44,127,933         | 45,953,842        | 9,581,293           | 55,535,135         |
| Share capital                                      | -                 | 1,797,660           | 1,797,660          | -                 | 1,743,010           | 1,743,010          |
| Subscription capital                               | -                 | 53,271,770          | 53,271,770         | -                 | 50,303,225          | 50,303,225         |
| Subscription-To-Savings Scheme (STSS)              | -                 | 26,592,267          | 26,592,267         | -                 | 21,361,346          | 21,361,346         |
| Interest and premium received in advance           | 1,327,893         | -                   | 1,327,893          | 1,480,505         | -                   | 1,480,505          |
| Other payables                                     | 1,335,836         | -                   | 1,335,836          | 1,344,117         | -                   | 1,344,117          |
| Other liabilities                                  | 197,037           | -                   | 197,037            | 181,230           | -                   | 181,230            |
| Provision  | 1,000,000         | -                   | 1,000,000          | -                 | -                   | -                  |
| Central co-operative fund                          | 687,929           | -                   | 687,929            | 1,015,692         | -                   | 1,015,692          |
| Proposed honorarium                                | 54,113            | -                   | 54,113             | 57,718            | -                   | 57,718             |
|  | <b>39,528,164</b> | <b>121,336,596</b>  | <b>160,864,760</b> | <b>50,033,104</b> | <b>108,479,428</b>  | <b>158,512,532</b> |
| <b>Total net undiscounted assets (liabilities)</b> | <b>47,244,657</b> | <b>(40,602,139)</b> | <b>6,642,518</b>   | <b>18,761,595</b> | <b>(15,580,860)</b> | <b>3,180,735</b>   |

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 December 2012

**32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)**

**(c) Credit Risk**

Credit risk arises from the Society's lending and investment activities where members are unable to meet their contractual liabilities when they fall due. Credit to members is reviewed regularly to ensure that credit risk is supported by adequate guarantees and their earnings. Exposure to loan lending is minimised by a policy of generally granting loans on the conduct of regular review. Loans are mainly granted to a co-operative in which the Society has an equity interest and is represented on the Board of Directors.

**(d) Market Risk**

The Society is exposed to equity risks arising from equity investments classified as available-for-sale. Available-for-sale equity investments are held for strategic rather than trading purposes.

Further details of these equity investments can be found in note 11 to the financial statements.

**Sensitivity analysis for equity price risk**

At the statement of financial position date, if the prices for quoted equities had been 2% (2011: 2%) higher/lower with all other variables held constant, the Society's fair value reserve would increase/decrease by SGD 93,376 (2011: SGD 68,048).

**33. RELATED PARTY TRANSACTIONS**

The Society has transactions with the following parties on terms agreed between the parties as follows:

|                                  | 2012          | 2011          |
|----------------------------------|---------------|---------------|
|                                  | SGD           | SGD           |
| Subsidiary                       |               |               |
| Interest on loan to a subsidiary | <u>27,022</u> | <u>26,471</u> |

Outstanding balances as at 31 December 2012 are set out in note 12.

### 34. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

#### (A) Fair value of financial instruments that are carried at fair value

##### FAIR VALUE HIERARCHY

The Society classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

The following table shows an analysis of financial instruments carried at fair value by level of fair value hierarchy:

|   | Quoted prices in<br>active markets<br>for identical<br>instruments<br><br>(Level 1)<br><br>SGD | Significant<br>unobservable<br>inputs<br><br>(Level 3)<br><br>SGD |
|---|--|---|
| Financial assets                              |  |   |
| Available-for-sale financial assets (note 10) | <u>4,668,792</u>   | <u>2,250,000</u>  |

### 34. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONT'D)

#### DETERMINATION OF FAIR VALUE

Quoted equity instruments (note 10): Fair value is determined directly by reference to their published market bid price at the statement of financial position date.

Unquoted equity instruments amounting SGD 2,250,000 and being classified as available for sale assets, are valued using valuation models which use both observable and non-observable data. The non-observable inputs to the models include assumptions regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates.

#### (B) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value.

The carrying amounts of cash and cash equivalents, trade and other current receivables and payables, provisions and other liabilities and amounts payable approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2012

**35. NEW ACCOUNTING STANDARDS AND FRSs INTERPRETATIONS**

The Society has not adopted the following standards and interpretations that have been issued but not yet effective:

| Reference  | Description   | Effective for annual periods beginning on or after |
|------------|---|--|
| FRS 1      | Amendments to FRS 1 – Presentation of Items of Other Comprehensive Income   | 1 July 2012  |
| FRS 19     | Employee Benefits   | 1 January 2013                                     |
| FRS 27     | Separate Financial Statements   | 1 January 2014                                     |
| FRS 28     | Investment in Associates and Joint Ventures   | 1 January 2014                                     |
| FRS 32     | Amendments to FRS 32: Offsetting of Financial Assets and Financial Liabilities  | 1 January 2014                                     |
| FRS 101    | Amendments to FRS 101 – Government Loans  | 1 January 2013                                     |
| FRS 107    | Amendments to FRS 107: Disclosures - Offsetting of Financial Assets and Financial Liabilities   | 1 January 2014                                     |
| FRS 110    | Consolidated Financial Statements   | 1 January 2014                                     |
| FRS 110    | Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to FRS 110, FRS 111 and FRS 112) | 1 January 2014                                     |
| FRS 111    | Joint Arrangements  | 1 January 2014                                     |
| FRS 112    | Disclosure of Interests in Other Entities   | 1 January 2014                                     |
| FRS 113    | Fair Value Measurements   | 1 January 2014                                     |
| INT FRS 20 | Stripping Costs in the Production Phase of a Surface Mine   | 1 January 2013                                     |

The Society expects that the adoption of the standards and interpretations above will have no material impact on the financial statements in the period of initial application.

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2012

**36. AUTHORISATION OF FINANCIAL STATEMENT FOR ISSUE**

These financial statements were authorised for issue by the Board of Directors on the date shown on Statement by Directors.

## EXPENDITURE FOR 2013 - 2014

### EXPENDITURE FOR 2013 - 2014

| Revenue Expenditure for   | 2013             | 2013                | 2014             |
|---|------------------|---------------------|------------------|
|   | \$               | (Adjustments)<br>\$ | \$               |
| Office at 250 Sims Ave #04-01   | 4,765,860        | (694,965)           | 4,415,548        |
| Back-up Office  | 7,217            | -                   | 7,217            |
| <b>Investment Properties</b>  | 636,000          | (33,700)            | 609,200          |
| <ul style="list-style-type: none"> <li>259 Holland Avenue</li> <li>261 Holland Avenue</li> <li>#01-01 &amp; #02-01/01A Guthrie Building</li> <li>#02-01 &amp; #03-01 SPCS Building</li> </ul> |                  |                     |                  |
| <b>TOTAL</b>  | <b>5,409,077</b> | <b>(728,665)</b>    | <b>5,031,965</b> |

### CAPITAL EXPENDITURE FOR 2013 - 2014

| Capital Expenditure for:  | 2013           | 2013                | 2014          |
|---|----------------|---------------------|---------------|
|   | \$             | (Adjustments)<br>\$ | \$            |
| Office at 250 Sims Ave #04-01   | 100,000        | (100,000)           | -             |
| <b>Investment Properties:</b>   | 50,000         | (50,000)            | -             |
| <ul style="list-style-type: none"> <li>259 Holland Avenue</li> <li>261 Holland Avenue</li> <li>#01-01 &amp; #02-01/01A Guthrie Building</li> <li>#02-01 &amp; #03-01 SPCS Building</li> </ul> |                |                     |               |
| <b>Total</b>  | <b>150,000</b> | <b>(120,000)</b>    | <b>30,000</b> |

Please refer to Pages 75-77 for detailed listing of expenditure.

## EXPENDITURE FOR 2013 - 2014

### REVENUE EXPENDITURE (OFFICE) FOR 2013 - 2014

| Office:<br>(250 Sims Ave #04-01)            | 2013             | 2013                | 2014             |
|---|------------------|---------------------|------------------|
|   | \$               | (Adjustments)<br>\$ | \$               |
| Advertising & Promotion                     | 120,000          | -                   | 132,000          |
| Affiliation Fee                             | 3,000            | -                   | 3,000            |
| Auditor's Remuneration (Internal - Members) | 7,200            | -                   | 7,200            |
| Auditor's Remuneration (External)           | 11,000           | 4,000               | 15,000           |
| Bank & Broking Charges                      | 20,000           | (8,000)             | 12,000           |
| CPF & SDF                                   | 128,000          | 3,200               | 136,000          |
| Debts Recovery Expense                      | 25,000           | -                   | 25,000           |
| Depreciation                                | 135,000          | (30,000)            | 123,000          |
| General Meeting Expense (AGM/EOGM)          | -                | 32,000              | 33,000           |
| General Expenses                            | 50,000           | (10,000)            | 30,000           |
| Goods & Services Tax                        | 30,000           | -                   | 30,000           |
| Insurance Premium (Loans)                   | 600,000          | 175,000             | 850,000          |
| Interest on Financing (Office)              | -                | 12,000              | 12,000           |
| Interest on Fixed Deposit                   | 535,000          | (303,000)           | 316,000          |
| Interest on Specific Deposit                | 333,000          | (158,000)           | 298,000          |
| Interest on STSS                            | 1,500,000        | (451,000)           | 1,049,000        |
| Maintenance Expenses                        | 145,000          | -                   | 145,000          |
| Medical/Insurance Expenses                  | 16,000           | 2,000               | 18,000           |
| Property Maintenance Fund & Other Expense   | 26,544           | -                   | 26,544           |
| Property Sinking Fund                       | 1,896            | 2,655               | 7,584            |
| Property Tax                                | 14,220           | (3,820)             | 14,220           |
| Postage                                     | 15,000           | (5,000)             | 10,000           |
| Professional Fee                            | 30,000           | 20,000              | 50,000           |
| Printing & Stationery                       | 45,000           | (15,000)            | 30,000           |
| PUB Charges                                 | 25,000           | -                   | 25,000           |
| Service Charges                             | 35,000           | -                   | 35,000           |
| Social & Recreational Activities            | 14,000           | -                   | 14,000           |
| Staff Service Benefit                       | 12,000           | 18,000              | 30,000           |
| Staff Salaries & Bonuses                    | 800,000          | 20,000              | 850,000          |
| Staff Training                              | 20,000           | -                   | 20,000           |
| Study Tour/Retreat                          | 20,000           | -                   | 20,000           |
| Telephone                                   | 14,000           | -                   | 14,000           |
| Training (Directors)                        | 20,000           | -                   | 20,000           |
| Transport/Despatch                          | 15,000           | -                   | 15,000           |
|   | <b>4,765,860</b> | <b>(694,965)</b>    | <b>4,415,548</b> |

## EXPENDITURE FOR 2013 - 2014

## EXPENDITURE FOR 2013 - 2014

### REVENUE EXPENDITURE (OFFICE) FOR 2013 - 2014

| Office<br>(Backup)   | 2013         | 2013<br>(Adjustments) | 2014         |
|----------------------|--------------|-----------------------|--------------|
|                      | \$           | \$                    | \$           |
| Depreciation         | 723          | -                     | 723          |
| General Expenses     | 1,000        | -                     | 1,000        |
| Goods & Services Tax | 294          | -                     | 294          |
| Rental               | 4,200        | -                     | 4,200        |
| Transport            | 1,000        | -                     | 1,000        |
|                      | <b>7,217</b> | <b>-</b>              | <b>7,217</b> |

| Capital Expenditure for Office<br>(250 Sims Ave #04-01) | 2013           | 2013<br>(Adjustments) | 2014           |
|---|----------------|-----------------------|----------------|
|   | \$             | \$                    | \$             |
| Computer Software Program                               | 30,000         | -                     | 40,000         |
| Computer Hardware                                       | 40,000         | -                     | 40,000         |
| Furniture & Fittings                                    | 10,000         | -                     | 10,000         |
| Office Equipment  | 10,000         | -                     | 10,000         |
| Renovation  | 10,000         | -                     | 10,000         |
|   | <b>100,000</b> | <b>100,000</b>        | <b>110,000</b> |

### EXPENDITURE FOR 2013 - 2014

- 259 Holland Avenue
- 261 Holland Avenue
- #01-01 Guthrie Building
- #02-01/01A Guthrie Building
- #02-01 SPCS Building
- #03-01 SPCS Building

| Revenue Expenditure           | 2013           | 2013<br>(Adjustments) | 2014           |
|-------------------------------|----------------|-----------------------|----------------|
|                               | \$             | \$                    | \$             |
| Depreciation                  | 270,000        | -                     | 270,000        |
| Interest on Financing         | 115,000        | (8,000)               | 104,000        |
| Maintenance/Repairs           | 30,000         | -                     | 30,000         |
| Maintenance Fund/Sinking Fund | 78,000         | 1,100                 | 87,200         |
| Other Expenses                | 45,000         | (20,000)              | 20,000         |
| Property Tax                  | 98,000         | (6,800)               | 98,000         |
|                               | <b>636,000</b> | <b>(33,700)</b>       | <b>609,200</b> |



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