

Financial Statements 2015

Financials

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STATEMENT BY DIRECTORS

YEAR ENDED 31 DECEMBER 2015

We are pleased to submit this statement to the members of the Company together with the audited financial statements for the financial year ended 31 December 2015.

In our opinion:

- (a) the financial statements set out on pages 141 to 190 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and the financial performance and changes in equity of the Group and of the Company and the cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

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

Steven Terrell Clontz	(Chairman)
Tan Tong Hai	(Chief Executive Officer)
Ma Kah Woh	(Appointed on 23 September 2015)
Peter Seah Lim Huat	
Nihal Vijaya Devadas Kaviratne CBE	
Teo Ek Tor	
Sio Tat Hiang	
Lim Ming Seong	
Liu Chee Ming	
Robert J. Sachs	
Rachel Eng Yaag Ngee	(Appointed on 4 May 2015)
Nasser Marafih	
Takeshi Kazami	

Directors' Interests

According to the register kept by the Company for the purposes of Section 164 of the Singapore Companies Act, Chapter 50, particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and infant children) in shares, debentures, warrants, share options and share awards in the Company and in related corporations (other than wholly-owned subsidiaries) are as follows:

Shares in the Company and in related corporations

	1 January 2015/ date of appointment	31 December 2015
The Company		
<i>Ordinary Shares</i>		
Steven Terrell Clontz	51,700	62,900

Shares in the Company and in related corporations (continued)

	1 January 2015/ date of appointment	31 December 2015
The Company		
Ordinary Shares		
Tan Tong Hai	741,380	1,049,830
Ma Kah Woh	78,580	78,580
Peter Seah Lim Huat	567,092	578,092
Nihal Vijaya Devadas Kaviratne CBE	56,000	21,000
Teo Ek Tor	142,138	153,838
Sio Tat Hiang	15,100	25,600
Lim Ming Seong	210,336	222,036
Liu Chee Ming	170,684 ⁺	180,184 ⁺
Robert J. Sachs	105,534	114,034
Nasser Marafih	50,230	59,930
Related Corporations		
Singapore Technologies Engineering Ltd		
Ordinary Shares		
Peter Seah Lim Huat	545,325	545,325
Nihal Vijaya Devadas Kaviratne CBE	17,000	17,000
Lim Ming Seong	94,436	98,336
Singapore Telecommunications Limited		
Ordinary Shares		
Ma Kah Woh	380	380
Peter Seah Lim Huat	3,217	3,217
TeleChoice International Limited		
Ordinary Shares		
Peter Seah Lim Huat	50,000	50,000
Sio Tat Hiang	187,000	253,000
Lim Ming Seong	60,000	60,000

⁺ Held (partly or wholly) by a nominee.

STATEMENT BY DIRECTORS

YEAR ENDED 31 DECEMBER 2015

Other interests in the Company and in related corporations

	1 January 2015	31 December 2015
The Company		
<i>Conditional awards of shares under StarHub Performance Share Plan</i>		
Tan Tong Hai	122,000 ⁽¹⁾ 210,000 ⁽²⁾ 278,600 ⁽³⁾	– 210,000 ⁽²⁾ 278,600 ⁽³⁾
<i>Conditional awards of shares under StarHub Performance Share Plan 2014</i>		
Tan Tong Hai	–	261,200 ⁽⁴⁾
<i>Conditional awards of shares under StarHub Restricted Stock Plan</i>		
Tan Tong Hai	44,350 ⁽⁵⁾ 160,000 ⁽⁶⁾ 195,400 ⁽⁷⁾	– 87,200 ⁽⁶⁾ 195,400 ⁽⁷⁾
<i>Conditional awards of shares under StarHub Restricted Stock Plan 2014</i>		
Tan Tong Hai	–	156,200 ⁽⁸⁾

⁽¹⁾ A conditional award was granted in May 2012. The performance period was from 2012 to 2014. The final award was granted in March 2015 based on the actual level of achievement of the pre-determined targets. The shares under the final award were delivered in April 2015.

⁽²⁾ A conditional award was granted in May 2013. The performance period is from 2013 to 2015. No shares will be delivered if the threshold performance targets are not achieved while up to twice the number of shares that are the subject of the award will be delivered if the stretched performance targets are met or exceeded.

⁽³⁾ A conditional award was granted in March 2014. The performance period is from 2014 to 2016. No shares will be delivered if the threshold performance targets are not achieved while up to 1.825 times the number of shares that are the subject of the award will be delivered if the stretched performance targets are met or exceeded.

⁽⁴⁾ A conditional award was granted in March 2015. The performance period is from 2015 to 2017. No shares will be delivered if the threshold performance targets are not achieved while up to 1.825 times the number of shares that are the subject of the award will be delivered if the stretched performance targets are met or exceeded.

⁽⁵⁾ A conditional award was granted in May 2012. The performance period was from 2012 to 2013. The final award was granted in March 2014 based on the actual level of achievement of the pre-determined performance targets. The shares under the final award were delivered in phases according to the stipulated vesting periods from 2014 to 2015.

⁽⁶⁾ A conditional award was granted in May 2013. The performance period was from 2013 to 2014. The final award was granted in March 2015 based on the actual level of achievement of the pre-determined performance targets. The shares under the final award were partially delivered in 2015, and the balance will be delivered in 2016.

⁽⁷⁾ A conditional award was granted in March 2014. The performance period is from 2014 to 2015. No shares will be delivered if the threshold performance targets are not achieved while up to 1.5 times the number of shares that are the subject of the award will be delivered if the stretched performance targets are met or exceeded. Shares will be delivered in phases according to the stipulated vesting periods.

⁽⁸⁾ A conditional award was granted in March 2015. The performance period is from 2015 to 2016. No shares will be delivered if the threshold performance targets are not achieved while up to 1.5 times the number of shares that are the subject of the award will be delivered if the stretched performance targets are met or exceeded. Shares will be delivered in phases according to the stipulated vesting periods.

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, debentures, warrants, share options or share awards of the Company, or of its related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

There were no changes in the above-mentioned directors' interests in the Company between the end of the financial year and 21 January 2016.

Except as disclosed under the "Other interests" section of this statement, neither at the end of nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Share-based Payments

The Company has in place the StarHub Performance Share Plan 2014 and the StarHub Restricted Stock Plan 2014 (collectively, “StarHub Share Plans 2014”, and each, “StarHub PSP 2014” and “StarHub RSP 2014” respectively).

The StarHub Share Plans 2014 were approved and adopted at the Extraordinary General Meeting (“EGM”) of the Company held on 14 April 2014, in replacement of the then existing StarHub Performance Share Plan and the StarHub Restricted Stock Plan which were adopted by the Company on 16 August 2004 (collectively, “StarHub Share Plans 2004”, and each, “StarHub PSP 2004” and “StarHub RSP 2004” respectively).

The StarHub Share Plans 2004 together with the StarHub Share Option Plan 2004 were terminated at the EGM of the Company held on 14 April 2014. The Company had also in 2000 adopted the StarHub Pte Ltd Share Option Plan (“StarHub Share Option Plan 2000”) and terminated the same in 2004.

The StarHub Share Plans 2014, the StarHub Share Plans 2004, the StarHub Share Option Plan 2004 and the StarHub Share Option Plan 2000 (collectively, “Plans”) are administered by the Company’s Executive Resource and Compensation Committee (“ERCC”) comprising four directors, namely Peter Seah Lim Huat (Chairman), Teo Ek Tor, Sio Tat Hiang and Lim Ming Seong.

The Company designates Singapore Technologies Telemedia Pte Ltd as its parent company (“Parent Company”) for purposes of the Plans.

(a) *Options granted under the StarHub Share Option Plan 2000 and the StarHub Share Option Plan 2004 (collectively, the “StarHub Share Option Plans”)*

- (i) The termination of the StarHub Share Option Plans was without prejudice to the rights of holders of options accepted and outstanding under the StarHub Share Option Plans as at the date of termination. The outstanding options under the StarHub Share Option Plans were exercised according to the terms of the StarHub Share Option Plans and the respective grants.
- (ii) Since 31 December 2010, there has been no option outstanding held by the directors of the Company.
- (iii) Details of options granted to directors of the Company under the StarHub Share Option Plans are as follows:

Name of director	Aggregate options granted and accepted since commencement of StarHub Share Option Plans to 31 December 2015	Aggregate options exercised since commencement of StarHub Share Option Plans to 31 December 2015
StarHub Share Option Plan 2000		
Steven Terrell Clontz	6,875,010	6,875,010
Peter Seah Lim Huat	93,750	93,750
Lim Ming Seong	118,750	118,750
StarHub Share Option Plan 2004		
Peter Seah Lim Huat	44,250	44,250
Nihal Vijaya Devadas Kaviratne CBE	44,250	44,250
Lim Ming Seong	44,250	44,250
Liu Chee Ming	44,250	44,250
Robert J. Sachs	25,500	25,500

- (iv) As at the end of the financial year, no options have been granted to controlling shareholders of the Company or its associates or to directors or employees of the Parent Company and its subsidiaries (“Parent Group”).
- (v) No options had been offered at a discount during the financial year.
- (vi) The options granted by the Company do not entitle the option holders, by virtue of such holding, to any rights to participate in any share issue of any other company.
- (vii) During the financial year, a total of 176,486 ordinary shares fully paid in the Company were issued pursuant to the StarHub Share Option Plans at exercise price of \$1.52 per share.
- (viii) As at the end of the financial year, there were no outstanding or unexercised options under the StarHub Share Option Plans.

STATEMENT BY DIRECTORS

YEAR ENDED 31 DECEMBER 2015

Share-based Payments (continued)

(b) *StarHub Share Plans 2014 and StarHub Share Plans 2004 (collectively, the "StarHub Share Plans")*

- (i) The StarHub Share Plans were implemented with the objectives of motivating key executives to strive for superior performance and sustaining long-term growth for the Group.
- (ii) The termination of the StarHub Share Plans 2004 was without prejudice to the rights of holders of awards accepted and outstanding under the StarHub Share Plans 2004 as at the date of termination. The outstanding awards under the StarHub Share Plans 2004 were vested according to the terms of the StarHub Share Plans 2004 and the respective grants.
- (iii) The following persons were/shall be eligible to participate in the StarHub Share Plans, respectively at the absolute discretion of the ERCC:
 - (1) employees (including executive directors) and non-executive directors of the Group;
 - (2) employees (including executive directors) and non-executive directors of the Parent Group who meet the relevant age and rank criteria and whose services have been seconded to a company within the Group and who shall be regarded as an employee of the Group for the purposes of the StarHub Share Plans; and
 - (3) employees and non-executive directors of the Company's associated companies, who in the opinion of the ERCC, have contributed or will contribute to the success of the Group.
- (iv) Under the StarHub PSP 2004 and the StarHub PSP 2014, awards of shares are granted on an annual basis, conditional on targets set for a performance period, currently prescribed to be a three-year period. Awards represent the right of a participant to receive fully paid shares, their equivalent cash value or combinations thereof, free of charge, upon the participant achieving prescribed performance targets set based on medium-term corporate objectives.

Awards are released once the ERCC is satisfied that the prescribed performance targets have been achieved. The actual number of shares given will depend on the level of achievement of the prescribed performance targets over the performance period.

Since the commencement of the StarHub PSP 2004 to the financial year ended 31 December 2015, conditional awards aggregating 9,584,950 shares have been granted under the aforesaid plan. For share awards granted prior to and during the financial year ended 31 December 2013, no shares will be delivered if the threshold performance targets are not achieved, while up to twice the number of shares that are the subject of the award will be delivered if the stretched performance targets are met or exceeded. For share awards granted during and after the financial year ended 31 December 2014, no shares will be delivered if the threshold performance targets are not achieved, while up to 1.825 times the number of shares that are the subject of the award will be delivered if the stretched performance targets are met or exceeded. The performance targets benchmark (a) the performance of the Company's Total Shareholders' Return ("TSR") measured against the MSCI Asia-Pacific Telecommunications Index (including Japan) over the performance period, and (b) the Wealth Added which measures investment performance in terms of the Company's TSR against shareholders' expected returns using cost of equity as a benchmark.

Since the commencement of the StarHub PSP 2014 to the financial year ended 31 December 2015, conditional awards aggregating 534,700 shares have been granted under the aforesaid plan. For share awards granted during the financial year ended 31 December 2015, no shares will be delivered if the threshold performance targets are not achieved, while up to 1.825 times the number of shares that are the subject of the award will be delivered if the stretched performance targets are met or exceeded. The performance targets benchmark (a) the performance of the Company's Total Shareholders' Return ("TSR") measured against the MSCI Asia-Pacific Telecommunications Index (including Japan) over the performance period, and (b) the Wealth Added which measures investment performance in terms of the Company's TSR against shareholders' expected returns using cost of equity as a benchmark.

Share-based Payments (continued)

Details of share awards granted under the StarHub PSP 2004 and StarHub PSP 2014 (collectively, the “StarHub PSP Share Plans”) are as follows:

Participants	Share awards granted during the financial year	Aggregate share awards granted since commencement of the StarHub PSP Share Plans to 31 December 2015	Share awards vested during the financial year	Aggregate share awards outstanding as at 31 December 2015
StarHub PSP 2004				
Executive director:				
Tan Tong Hai	–	960,400	176,900	488,600
Key executives	–	7,178,650	452,400	480,500
StarHub PSP 2014				
Executive director:				
Tan Tong Hai	261,200	261,200	–	261,200
Key executives	273,500	273,500	–	273,500

- (v) Under the StarHub RSP 2004 and the StarHub RSP 2014, awards granted vest only after the satisfactory completion of time-based service conditions (time-based restricted awards) or where the award is performance-related, after a further period of service beyond the performance period (performance-based restricted awards).

No minimum vesting periods are prescribed under the StarHub RSP 2004 and the StarHub RSP 2014 and the length of the vesting period in respect of each award will be determined on a case-by-case basis. Performance-based restricted awards differ from awards granted under the StarHub PSP 2004 and the StarHub PSP 2014 in that an extended vesting period is imposed beyond the performance period.

The performance-based restricted awards represent the right of a participant to receive fully paid shares, their equivalent cash value or combinations thereof, free of charge, upon the participant achieving prescribed performance targets. The actual number of shares to be released depends on the level of attainment of the performance targets over the performance period.

For performance-based restricted awards granted prior to and during the financial year ended 31 December 2007, (a) the first performance target benchmarks the performance of the Company’s TSR measured against the Straits Times Index (“STI”) over the performance period; and (b) the second performance target used is measured against Free Cashflow (“FCF”).

For performance-based restricted awards granted during and from financial year ended 31 December 2008 to financial year ended 31 December 2013, the performance targets used are measured against the Return on Invested Capital (“ROIC”) and the FCF respectively.

For performance-based restricted awards granted during and from financial year ended 31 December 2014 onwards, the performance targets used are measured against the Return on Invested Capital (“ROIC”) and the Earnings Before Interest, Taxation, Depreciation and Amortisation (“EBITDA”).

STATEMENT BY DIRECTORS

YEAR ENDED 31 DECEMBER 2015

Share-based Payments *(continued)*

Since the commencement of the StarHub RSP 2004 to the financial year ended 31 December 2015:

- (1) performance-based restricted awards aggregating 17,413,000 shares have been granted under the aforesaid Plan. No shares will be delivered if the threshold performance targets are not achieved, while up to 1.3 times or as the case may be 1.5 times, the number of shares that are the subject of the award, will be delivered if stretched performance targets are met or exceeded;
- (2) a time-based restricted award of 100,000 shares has been granted on 15 January 2009. The shares under this award were vested in three equal tranches over a 3-year period from 1 January 2009 to 31 December 2011 according to a specified vesting schedule;
- (3) a time-based restricted award of 213,000 shares has been granted on 17 May 2010. The shares under this award were vested in May 2011 upon the participants' continued tenure as non-executive directors of the Company for a full one-year period from the date of grant;
- (4) a restricted award of 155,900 shares has been granted on 7 June 2012. The shares under this award formed 30% of the non-executive directors' remuneration for the financial year ended 31 December 2011 and were vested immediately without any further vesting period;
- (5) a restricted award of 99,400 shares has been granted on 10 May 2013. The shares under this award formed 30% of the non-executive directors' remuneration for the financial year ended 31 December 2012 and were vested immediately without any further vesting period; and
- (6) a time-based restricted award of 30,000 shares has been granted on 10 March 2014. The shares under this award will vest in two equal tranches over a 2-year period from 1 January 2015 to 31 December 2016 according to a specified vesting schedule.

Since the commencement of the StarHub RSP 2014 to the financial year ended 31 December 2015:

- (1) performance-based restricted awards aggregating 2,270,800 shares have been granted under the aforesaid Plan. No shares will be delivered if the threshold performance targets are not achieved, while up to 1.5 times, the number of shares that are the subject of the award, will be delivered if stretched performance targets are met or exceeded;
- (2) restricted awards aggregating 224,000 shares have been granted to non-executive directors of the Company as part of their directors' remuneration, and were vested immediately upon grant; and
- (3) a time-based restricted award of 32,500 shares has been granted on 8 July 2015. The shares under this award will vest in two equal tranches over a 2-year period from 8 July 2015 to 7 July 2017 according to a specified vesting schedule.

Share-based Payments (continued)

Details of share awards granted under the StarHub RSP 2004 and the StarHub RSP 2014 (collectively, the “StarHub RSP Plans”) are as follows:

Participants	Share awards granted during the financial year	Aggregate share awards granted since commencement of the StarHub RSP Share Plans to 31 December 2015	Share awards vested during the financial year	Aggregate share awards outstanding as at 31 December 2015
StarHub RSP 2004				
Non-executive directors:				
Steven Terrell Clontz	–	40,100	–	–
Peter Seah Lim Huat	–	98,700	–	–
Nihal Vijaya Devadas Kaviratne CBE	–	103,700	–	–
Teo Ek Tor	–	91,100	–	–
Sio Tat Hiang	–	4,400	–	–
Lim Ming Seong	–	106,900	–	–
Liu Chee Ming	–	76,100	–	–
Robert J. Sachs	–	73,700	–	–
Nasser Marafih	–	50,400	–	–
Executive director:				
Tan Tong Hai	–	739,400	131,550	282,600
Key employees	–	15,143,700	1,744,350	2,710,600
StarHub RSP 2014				
Non-executive directors:				
Steven Terrell Clontz	11,200	22,800	11,200	–
Peter Seah Lim Huat	11,000	21,900	11,000	–
Nihal Vijaya Devadas Kaviratne CBE	12,000	25,100	12,000	–
Teo Ek Tor	11,700	23,200	11,700	–
Sio Tat Hiang	10,500	21,200	10,500	–
Lim Ming Seong	11,700	23,800	11,700	–
Liu Chee Ming	9,500	18,500	9,500	–
Robert J. Sachs	8,500	18,200	8,500	–
Nasser Marafih	9,700	16,900	9,700	–
Executive director:				
Tan Tong Hai	156,200	156,200	–	156,200
Key employees	2,147,100	2,147,100	–	2,142,100

STATEMENT BY DIRECTORS

YEAR ENDED 31 DECEMBER 2015

Share-based Payments *(continued)*

During the financial year, a total of 3,297,033 ordinary shares fully paid in the Company were issued pursuant to the StarHub Share Plans.

As at 31 December 2015, no participant has been granted options under the StarHub Share Option Plans and/or received shares pursuant to the release of awards granted under the StarHub Share Plans, which, in aggregate, represents 5% or more of the aggregate of:

- (a) the total number of new shares available under the StarHub Share Option Plans and the StarHub Share Plans collectively; and
- (b) the total number of existing shares delivered pursuant to options exercised under the StarHub Share Option Plans and awards released under the StarHub Share Plans collectively.

Audit Committee

The members of the Audit Committee as at the date of this statement are as follows:

Ma Kah Woh, independent non-executive director (Chairman) (Appointed on 23 September 2015);
Nihal Vijaya Devadas Kaviratne CBE, independent non-executive director;
Lim Ming Seong, non-executive director; and
Rachel Eng Yaag Ngee, independent non-executive director (Appointed on 15 July 2015).

The Audit Committee has held four meetings since the last directors' report. In performing its functions in accordance with Section 201B of the Singapore Companies Act, Chapter 50, the Audit Committee met with the Company's external and internal auditors to discuss the scope of their work, the results of their examination and evaluation of the Company's internal accounting control system.

The Audit Committee has also reviewed the following:

- (1) assistance provided by the Company's officers to the internal and external auditors;
- (2) financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption; and
- (3) interested person transactions (as defined in Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited) of the Company and its subsidiaries and the Company's compliance with the review procedures of such transactions.

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees.

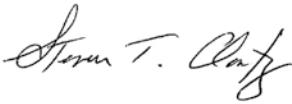
The Audit Committee has undertaken a review of all non-audit services provided by the external auditors, and is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors that KPMG LLP be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

Auditors

The auditors, KPMG LLP, have expressed their willingness to accept re-appointment.

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

On behalf of the Board of Directors



Steven Terrell Clontz
Director

Singapore
16 February 2016



Tan Tong Hai
Director

INDEPENDENT AUDITORS' REPORT

MEMBERS OF THE COMPANY
STARHUB LTD

Report on the financial statements

We have audited the accompanying financial statements of StarHub Ltd ("the Company") and its subsidiaries ("the Group"), which comprise the statements of financial position of the Group and the Company as at 31 December 2015, the income statement and statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group, and the income statement and statement of comprehensive income and statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 141 to 190.

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 Companies Act, Chapter 50 ("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 financial statements and to maintain accountability of assets.

Auditors' 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 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.

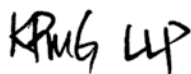
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position, the income statement and statement of comprehensive income and statement of changes in equity of the Company 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 financial position of the Group and of the Company as at 31 December 2015 and the financial performance, changes in equity and cash flows of the Group and the financial performance and changes in equity of the Company 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 Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.



KPMG LLP

Public Accountants and
Chartered Accountants

Singapore
16 February 2016

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

	Note	Group		Company	
		2015 \$m	2014 \$m	2015 \$m	2014 \$m
Non-current assets					
Property, plant and equipment	3	890.0	911.1	411.4	400.5
Intangible assets	4	388.1	404.5	70.6	79.3
Subsidiaries	5	–	–	1,758.1	1,692.1
Associate	6	27.5	–	27.8	–
Balances with related parties	11	–	–	344.2	106.0
		1,305.6	1,315.6	2,612.1	2,277.9
Current assets					
Inventories	8	54.3	42.4	50.1	36.8
Trade receivables	9	153.3	161.7	137.5	147.7
Other receivables, deposits and prepayments	10	196.8	185.9	34.1	34.0
Balances with related parties	11	26.0	17.4	110.8	272.6
Cash and cash equivalents	12	173.4	264.2	154.2	176.0
		603.8	671.6	486.7	667.1
Current liabilities					
Trade and other payables	13	(687.3)	(795.8)	(297.7)	(342.9)
Balances with related parties	11	(122.5)	(99.2)	(404.4)	(385.6)
Borrowings	14	(137.5)	(200.0)	(137.5)	(200.0)
Provision for taxation		(80.6)	(97.9)	(49.1)	(35.5)
		(1,027.9)	(1,192.9)	(888.7)	(964.0)
Net current liabilities		(424.1)	(521.3)	(402.0)	(296.9)
Non-current liabilities					
Trade and other payables	13	(22.7)	(23.3)	(22.7)	(23.3)
Borrowings	14	(550.0)	(487.5)	(550.0)	(487.5)
Deferred income	15	(1.1)	(7.3)	(1.1)	–
Deferred tax liabilities	7	(120.1)	(127.2)	(61.3)	(75.9)
		(693.9)	(645.3)	(635.1)	(586.7)
Net assets		187.6	149.0	1,575.0	1,394.3
Shareholders' equity					
Share capital	16	293.5	282.6	293.5	282.6
Reserves	18	(105.9)	(133.6)	1,281.5	1,111.7
Total equity		187.6	149.0	1,575.0	1,394.3

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

INCOME STATEMENTS

YEAR ENDED 31 DECEMBER 2015

	Note	Group		Company	
		2015 \$m	2014 \$m	2015 \$m	2014 \$m
Total revenue	19	2,444.3	2,387.2	1,125.9	1,043.7
Operating expenses	20	(2,048.6)	(1,957.1)	(1,118.6)	(1,060.3)
Other income	21	45.6	46.6	526.5	558.2
Profit from operations		441.3	476.7	533.8	541.6
Finance income	22	2.0	2.0	16.8	14.5
Finance expense	22	(17.8)	(22.6)	(19.5)	(24.2)
Net finance costs		(15.8)	(20.6)	(2.7)	(9.7)
Non-operating income	23	15.0	-	11.3	-
Share of loss of associate (net of tax)	6	(0.3)	-	-	-
Profit before taxation		440.2	456.1	542.4	531.9
Taxation	24	(67.9)	(85.6)	(27.5)	(24.8)
Profit for the year		372.3	370.5	514.9	507.1
Attributable to:					
Equity holders of the Company		372.3	370.5	514.9	507.1
Profit for the year		372.3	370.5	514.9	507.1
Earnings per share					
Basic (cents)	25	21.5	21.5		
Diluted (cents)	25	21.4	21.4		
EBITDA	26	712.7	747.9		

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

STATEMENTS OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2015

	Note	Group		Company	
		2015 \$m	2014 \$m	2015 \$m	2014 \$m
Profit for the year		372.3	370.5	514.9	507.1
Other comprehensive income					
Items that are or may be reclassified subsequently to profit or loss:					
Foreign currency translation differences		0.5	0.5	-	-
Effective portion of changes in fair value of cash flow hedge	24	1.9	2.8	1.9	2.8
Total comprehensive income for the year, net of taxation		374.7	373.8	516.8	509.9
Total comprehensive income for the year attributable to equity holders of the Company		374.7	373.8	516.8	509.9

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

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2015

Group	Share capital \$m	Treasury shares \$m	Goodwill written off \$m	Share-based payments reserve \$m	Hedging reserve \$m	Translation reserve \$m	Retained profits \$m	Total reserves \$m	Total equity \$m
At 1.1.2014	271.4	(0.2)	(276.3)	15.0	(4.2)	0.3	104.6	(160.8)	110.6
Total comprehensive income for the year									
Profit for the year	-	-	-	-	-	-	370.5	370.5	370.5
Other comprehensive income									
Foreign currency translation differences	-	-	-	-	-	0.5	-	0.5	0.5
Effective portion of changes in fair value of cash flow hedge, net of taxation	-	-	-	-	2.8	-	-	2.8	2.8
Total comprehensive income for the year	-	-	-	-	2.8	0.5	370.5	373.8	373.8
Transactions with equity holders of the Company, recognised directly in equity									
<i>Contributions by and distributions to equity holders of the Company</i>									
Issue of shares pursuant to share plans	11.2	-	-	(10.6)	-	-	-	(10.6)	0.6
Share-based payments expenses	-	-	-	9.2	-	-	-	9.2	9.2
Transfer from treasury shares to share-based payments reserve	-	0.2	-	(0.2)	-	-	-	-	-
Dividends paid (Note 17)	-	-	-	-	-	-	(345.2)	(345.2)	(345.2)
Total transactions with equity holders of the Company	11.2	0.2	-	(1.6)	-	-	(345.2)	(346.6)	(335.4)
At 31.12.2014	282.6	-	(276.3)	13.4	(1.4)	0.8	129.9	(133.6)	149.0
At 1.1.2015	282.6	-	(276.3)	13.4	(1.4)	0.8	129.9	(133.6)	149.0
Total comprehensive income for the year									
Profit for the year	-	-	-	-	-	-	372.3	372.3	372.3
Other comprehensive income									
Foreign currency translation differences	-	-	-	-	-	0.5	-	0.5	0.5
Effective portion of changes in fair value of cash flow hedge, net of taxation	-	-	-	-	1.9	-	-	1.9	1.9
Total comprehensive income for the year	-	-	-	-	1.9	0.5	372.3	374.7	374.7
Transactions with equity holders of the Company, recognised directly in equity									
<i>Contributions by and distributions to equity holders of the Company</i>									
Issue of shares pursuant to share plans	10.9	-	-	(10.6)	-	-	-	(10.6)	0.3
Share-based payments expenses	-	-	-	9.5	-	-	-	9.5	9.5
Dividends paid (Note 17)	-	-	-	-	-	-	(345.9)	(345.9)	(345.9)
Total transactions with equity holders of the Company	10.9	-	-	(1.1)	-	-	(345.9)	(347.0)	(336.1)
At 31.12.2015	293.5	-	(276.3)	12.3	0.5	1.3	156.3	(105.9)	187.6

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

Company	Share capital \$m	Treasury shares \$m	Merger/ capital reserve \$m	Share-based payments reserve \$m	Hedging reserve \$m	Retained profits \$m	Total reserves \$m	Total equity \$m
At 1.1.2014	271.4	(0.2)	276.5	15.0	(4.2)	661.3	948.4	1,219.8
Total comprehensive income for the year								
Profit for the year	-	-	-	-	-	507.1	507.1	507.1
Other comprehensive income								
Effective portion of changes in fair value of cash flow hedge, net of taxation	-	-	-	-	2.8	-	2.8	2.8
Total comprehensive income for the year	-	-	-	-	2.8	507.1	509.9	509.9
Transactions with equity holders of the Company, recognised directly in equity								
<i>Contributions by and distributions to equity holders of the Company</i>								
Issue of shares pursuant to share plans	11.2	-	-	(10.6)	-	-	(10.6)	0.6
Share-based payments expenses	-	-	-	9.2	-	-	9.2	9.2
Transfer from treasury shares to share-based payments reserve	-	0.2	-	(0.2)	-	-	-	-
Dividends paid (Note 17)	-	-	-	-	-	(345.2)	(345.2)	(345.2)
Total transactions with equity holders of the Company	11.2	0.2	-	(1.6)	-	(345.2)	(346.6)	(335.4)
At 31.12.2014	282.6	-	276.5	13.4	(1.4)	823.2	1,111.7	1,394.3
At 1.1.2015	282.6	-	276.5	13.4	(1.4)	823.2	1,111.7	1,394.3
Total comprehensive income for the year								
Profit for the year	-	-	-	-	-	514.9	514.9	514.9
Other comprehensive income								
Effective portion of changes in fair value of cash flow hedge, net of taxation	-	-	-	-	1.9	-	1.9	1.9
Total comprehensive income for the year	-	-	-	-	1.9	514.9	516.8	516.8
Transactions with equity holders of the Company, recognised directly in equity								
<i>Contributions by and distributions to equity holders of the Company</i>								
Issue of shares pursuant to share plans	10.9	-	-	(10.6)	-	-	(10.6)	0.3
Share-based payments expenses	-	-	-	9.5	-	-	9.5	9.5
Dividends paid (Note 17)	-	-	-	-	-	(345.9)	(345.9)	(345.9)
Total transactions with equity holders of the Company	10.9	-	-	(1.1)	-	(345.9)	(347.0)	(336.1)
At 31.12.2015	293.5	-	276.5	12.3	0.5	992.2	1,281.5	1,575.0

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

CONSOLIDATED CASH FLOW STATEMENT

YEAR ENDED 31 DECEMBER 2015

	2015 \$m	2014 \$m
Operating activities		
Profit before taxation	440.2	456.1
Adjustments for:		
Depreciation and amortisation, net of asset grants	271.4	271.2
Income related grants	(45.4)	(46.6)
Share-based payments	9.5	9.2
Changes in fair value of financial instruments	(1.0)	0.9
Net finance costs	15.8	20.6
Non-operating income	(15.0)	–
Share of loss of associate (net of tax)	0.3	–
Others	(1.9)	0.7
Operating cash flow before working capital changes	673.9	712.1
Changes in working capital:		
Inventories	(11.9)	0.8
Trade receivables	7.6	(5.5)
Other receivables, deposits and prepayments	(2.9)	(33.8)
Trade and other payables	(55.8)	17.3
Balances due from related parties	(8.9)	6.6
Balances due to related parties	35.2	22.7
Cash generated from operations	637.2	720.2
Income tax paid	(92.7)	(65.3)
Net cash from operating activities	544.5	654.9
Investing activities		
Proceeds from disposal of property, plant and equipment and intangible assets	1.6	0.8
Purchase of property, plant and equipment and intangible assets	(328.8)	(321.6)
Interest received	2.0	2.0
Repayment of loan from an associate	36.9	–
Investment in an associate	(12.0)	–
Net cash used in investing activities	(300.3)	(318.8)
Financing activities		
Proceeds from exercise of share options	0.3	0.6
Grants received	30.0	28.1
Dividends paid	(345.9)	(345.2)
Interest paid	(19.7)	(22.5)
Net cash used in financing activities	(335.3)	(339.0)
Net change in cash and cash equivalents	(91.1)	(2.9)
Exchange difference on cash and cash equivalents	0.3	0.2
Cash and cash equivalents at beginning of year	264.2	266.9
Cash and cash equivalents at end of year (Note 12)	173.4	264.2

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

Significant non-cash transactions

During the financial year ended 31 December 2015, the Group entered into capacity swap transactions of \$0.1 million (2014: \$6.3 million) with other operators.

Deconsolidation of subsidiary

On 22 July 2015, STT APDC Pte. Ltd. ("STT APDC"), made an investment of \$36.9 million for a 70% equity interest in SHINE Systems Assets Pte. Ltd. ("SSAPL"). The Group's 100% equity interest in SSAPL was therefore diluted to 30%. Based on the fair value of the net assets disposed, the Group recognised a gain of \$15.0 million under non-operating income (Note 23). The net assets and other components of equity related to SSAPL was consequently deconsolidated from the Group's financial statements from 22 July 2015. The Group commenced equity accounting of SSAPL's financial results based on its equity interest of 30% thereafter.

The net assets of SSAPL (excluding the repaid shareholder's loan) deconsolidated and the cash flows arising from loss of control in SSAPL are provided below:

Effect of deconsolidation on the financial position of the Group

	Note	\$m
Property, plant and equipment		52.6
Trade receivables		0.8
Balances due from related parties		0.3
Trade and other payables		(4.1)
Balances due to related parties		(48.8)
Net assets deconsolidated		0.8
Gain on deconsolidation of a subsidiary	23	15.0
Equity interests retained as investment in an associate		(15.8)
Consideration received		-

Repayment of loan from associate

The consolidated cash flow statement includes shareholder's loan repayment by SSAPL totalling \$36.9 million from the new equity contributions by STT APDC for the 70% stake in SSAPL.

Investment in associate

Post transaction, the Group made an additional investment of \$12.0 million pursuant to an equity call by SSAPL.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

These notes form an integral part of the financial statements.

The financial statements were authorised for issue in accordance with a resolution of the Board of Directors of StarHub Ltd on 16 February 2016.

1 Domicile and Activities

StarHub Ltd (“StarHub” or the “Company”) is incorporated in the Republic of Singapore and has its registered office at 67 Ubi Avenue 1, #05-01 StarHub Green, Singapore 408942.

The principal activities of the Company are those relating to the operation and provision of telecommunications services and other businesses relating to the info-communications industry. The principal activities of the subsidiaries are set out in Note 5 to the financial statements.

The consolidated financial statements relate to the Company and its subsidiaries (the “Group”), and the Group’s interest in equity-accounted investee.

2 Summary of Significant Accounting Policies

2.1 Basis of preparation

The financial statements are prepared in accordance with Singapore Financial Reporting Standards (“FRS”) pursuant to the requirements of the Companies Act, Chapter 50.

The financial statements are prepared on a historical cost basis except for certain financial assets and liabilities which are measured at fair value as disclosed in the accounting policies below.

The financial statements are presented in Singapore dollars which is the Company’s functional currency. All financial information presented in Singapore dollars has been rounded to the nearest million, unless otherwise stated.

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

Adoption of new and revised standards

In the current financial year, the Group has adopted all the new and revised FRSs and Interpretations of FRSs (“INT FRSs”) that are relevant to its operations and effective for annual periods beginning on 1 January 2015. The adoption of these new/revised FRSs and INT FRSs does not result in substantial changes to the Group’s accounting policies and has no material effect on the amounts reported for the current or prior years.

New accounting standards and interpretations not yet adopted

Certain accounting standards (including their consequential amendments) and interpretations that have been issued as of the reporting date and are relevant to its operations but are not yet effective have not been applied by the Group.

The Group is currently assessing the potential impact of adopting the following new standards and interpretations that are relevant to its operations, on the financial statements of the Group and the Company. The Group does not plan to early adopt these standards.

2.1 Basis of preparation (continued)

FRS 109 Financial Instruments

FRS 109 *Financial Instruments* replaces most of the existing guidance in FRS 39 *Financial Instruments: Recognition and Measurement*. It includes revised guidance on classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It is mandatory for adoption by the Group for the annual period beginning 1 January 2018.

FRS 115 Revenue from Contracts with Customers

FRS 115 *Revenue from Contracts with Customers* establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met. When effective, FRS 115 replaces existing revenue recognition guidance, including FRS 18 *Revenue*, FRS 11 *Construction Contracts*, INT FRS 113 *Customer Loyalty Programmes*, INT FRS 115 *Agreements for the Construction of Real Estate*, INT FRS 118 *Transfers of Assets from Customers* and INT FRS 31 *Revenue – Barter Transactions Involving Advertising Services*. It is mandatory for adoption by the Group for the annual period beginning 1 January 2018.

Amendments to FRS 16 and FRS 38: Clarification of Acceptable Methods of Depreciation and Amortisation.

The amendments to FRS 16 and FRS 38: *Clarification of Acceptable Methods of Depreciation and Amortisation* clarifies that the use of revenue-based methods to calculate depreciation of an asset or amortisation of intangible asset are not appropriate. It is mandatory for adoption by the Group for the annual period beginning 1 January 2016.

2.2 Consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

Investments in subsidiaries are stated in the Company's statement of financial position at cost less impairment losses. Subsidiaries are consolidated with the Company in the Group's financial statements.

Acquisitions of subsidiaries from related corporations controlled by the ultimate holding company, Temasek Holdings (Private) Limited ("Temasek"), are accounted for as reconstructions of businesses under common control using the historical cost method similar to the "pooling of interest" method.

Under the historical cost method, the acquired assets and liabilities were recorded at their existing carrying amounts. The consolidated financial statements included the results of operations, and the assets and liabilities, of the pooled enterprises as part of the Group for the whole of the current and preceding periods.

To the extent that the par value of the shares issued in consideration for these transactions exceeded the par value of the shares held by the related corporations, the difference was recognised as a merger reserve in the Group's financial statements.

When control over a subsidiary is lost as a result of a transaction, event or other circumstances, the Group derecognises all assets and liabilities of the subsidiary, any non-controlling interest and the other components of equity related to the subsidiary. The surplus or deficit arising on the loss of control is recognised in profit or loss. Any remaining interest in the previous subsidiary is recognised at its fair value at the date that control is lost, with the gain or loss arising recognised in the profit and loss account. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

2.2 Consolidation (continued)

Subsidiaries (continued)

Assets and liabilities of foreign subsidiaries are translated into Singapore dollars at exchange rates approximate to those ruling at the reporting date. Income, expenses and cash flows are translated at average rates prevailing during the period. Translation differences are recognised in other comprehensive income, and are presented within equity in the foreign currency translation reserve. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign subsidiary is disposed of such that control is lost, the cumulative amount in the foreign currency translation reserve related to that foreign subsidiary is transferred to the income statement as an adjustment to the profit or loss arising on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

All significant intra-group transactions, balances and unrealised gains/losses are eliminated on consolidation. Unrealised gains are eliminated in full. Unrealised losses are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment. Otherwise they are recognised immediately in the income statement.

Associates

Associate is that entity which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds 20% or more of the voting power of another entity.

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

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

2.3 Property, plant and equipment and depreciation

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

Cost includes expenditure that is directly attributable to the acquisition of the asset. The costs of self-constructed assets include the cost of materials and direct labour, an appropriate proportion of overheads, the costs of dismantling and removing the assets and restoring the site on which they are located and capitalised borrowing costs.

Subsequent expenditure relating to existing property, plant and equipment is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group. All other subsequent expenditure is recognised as an expense in the year in which it is incurred.

Gains or losses arising from the retirement or disposal of property, plant and equipment are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the income statement on the date of retirement or disposal.

2.3 Property, plant and equipment and depreciation (*continued*)

Depreciation is provided on the straight-line basis over their estimated useful lives as follows:

Leasehold buildings	–	30 years to 42 years
Leasehold improvements	–	Shorter of lease term or 5 years
Network equipment	–	2 years to 15 years
Office equipment, computers and furniture and fittings	–	2 years to 5 years
Motor vehicles	–	5 years

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

No depreciation is provided on freehold property.

No depreciation is provided in respect of property, plant and equipment under construction.

2.4 Intangible assets

Goodwill

Acquisitions prior to 1 January 2010

Goodwill arising on acquisition prior to 1 January 2010 represents the excess of the cost of acquisition over the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Acquisitions on or after 1 January 2010

For acquisitions on or after 1 January 2010, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

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

Goodwill is measured at cost less accumulated impairment losses. Goodwill is tested for impairment on an annual basis as described in Note 2.5.

Goodwill arising on acquisitions of subsidiaries that occurred prior to 1 January 2001 was written off against reserves in the year of acquisition and has not been retrospectively capitalised and amortised.

Goodwill that has previously been taken to reserves is not taken to the income statement when the business is disposed of or the goodwill is impaired. Similarly negative goodwill that has previously been taken to reserves is not taken to income statement when the business is disposed.

In respect of associate, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the associate.

Telecommunications and spectrum licences

Telecommunications and spectrum licences costs incurred are measured at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to income statement using the straight-line method over the period of the licences, being 10 years to 21 years, commencing from the effective dates of the licences.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

2.4 Intangible assets (*continued*)

Computer software

Computer software comprises software purchased from third parties, and also the cost of internally developed software. Computer software is stated at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to income statement using the straight-line method over their estimated useful lives of 2 years to 5 years.

Subsequent expenditure on capitalised intangible assets is added to the carrying value only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in income statement as incurred.

Computer software integral to a related item of equipment is accounted for as property, plant and equipment.

Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

2.5 Impairment

The carrying amounts of the Group's assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit ("CGU") exceeds its recoverable amount. Impairment losses are recognised in the income statement unless it reverses a previous revaluation, in which case it is charged to other comprehensive income.

For goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related CGU exceeds its estimated recoverable amounts.

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

Calculation of recoverable amount

The recoverable amount of an asset or its CGU is the greater of its value-in-use and its fair value less costs to sell. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the CGU to which the asset belongs. For the purpose of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level within the Group at which goodwill is monitored for internal reporting purposes.

An impairment loss in respect of an associate is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in profit or loss. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

Reversals of impairment

An impairment loss recognised in prior periods for an asset other than goodwill is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. All reversals of impairment are recognised in the income statement.

2.6 Inventories

Inventories comprise goods held for resale and reserved telephone numbers. Inventories are valued at the lower of cost and net realisable value. The cost of goods held for resale is determined on the weighted average basis. Reserved telephone numbers are stated at cost and accounted for using the specific identification basis.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale. Allowance for obsolescence is made for all deteriorated, damaged, obsolete and slow-moving inventories.

2.7 Trade and other receivables

Trade and other receivables (including balances with related parties) are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for doubtful receivables. Allowance for doubtful receivables is made based on historical write-off patterns and ageing of accounts receivables. Bad debts are written off when incurred.

2.8 Cash and cash equivalents

For the purpose of presentation in the consolidated cash flow statement, cash and cash equivalents comprise cash balances and deposits with financial institutions and bank overdrafts which are repayable on demand and which form an integral part of the Group's cash management.

2.9 Trade and other payables

Trade and other payables (including balances with related parties) are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

2.10 Borrowings

Borrowings are initially recognised at fair value of the proceeds received less directly attributable transaction costs. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method. Any difference between the proceeds (net of transactions costs) and the settlement or redemption of borrowings is recognised in income statement over the period of the borrowings.

2.11 Employee benefits

Share-based payment

Share Option Plans

The Share Option Plans allow the Group employees and directors to acquire shares of the Company. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees and directors become unconditionally entitled to the options. At each reporting date, the Company revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates in employee expense and in a corresponding adjustment to equity over the remaining vesting period. The proceeds received net of any directly attributable transactions costs are credited to share capital when the options are exercised.

Performance Share Plans and Restricted Stock Plans

The Performance Share Plans and the Restricted Stock Plans are accounted as equity-settled share-based payments. Equity-settled share-based payments are measured at fair value at the date of grant. The share-based expense is amortised and recognised in the income statement on a straight line basis over the vesting period. At each reporting date, the Company revises its estimates of the number of shares that the participating employees and directors are expected to receive based on non-market vesting conditions. The difference is charged or credited to the income statement, with a corresponding adjustment to equity.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

2.11 Employee benefits (*continued*)

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the income statement when incurred.

Other short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

Other long-term benefits

Long-term employee benefit obligations are measured on performance conditions over a period of three years.

The Group adopts an incentive compensation plan, which is tied to the creation of Economic Value Added ("EVA") for its management personnel executives. An EVA bank is used to hold incentive compensation credited in any year. Typically one-third of the accumulated EVA-based bonus, comprising the EVA declared in the financial year and the balance of such bonus brought forward from preceding years is paid out in cash each year, with the balance being carried forward to the following year. The balances of the EVA bank in future will be adjusted by the yearly EVA performance of the Group and the payouts made from the EVA bank.

2.12 Customer loyalty programmes

For customer loyalty programmes, the fair value of the consideration received or receivable from a sales transaction which attracts customer loyalty credits or points is allocated between the customer loyalty points and the other component of the sale. The amount allocated to the customer loyalty points is estimated by reference to the fair value of the customer loyalty points for which they could be redeemed. The fair value of the customer loyalty points is estimated by taking into account the expected redemption rate and the timing of such expected redemptions. Such amount is deferred and recorded as unearned revenue until the customer loyalty points are redeemed. At this juncture, the cost of fulfilling the customer loyalty credits is also recognised.

2.13 Provisions

Provisions are recognised in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

2.14 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new equity shares are recognised as a deduction from equity, net of any tax effects.

Where share capital recognised as equity is repurchased and held as treasury shares, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is presented as a deduction from equity. Where such shares are subsequently reissued, sold or cancelled, the consideration received is recognised as a change in equity. No gain or loss is recognised in the income statement.

2.15 Revenue recognition

Revenue comprises fees earned from telecommunications services, broadband access, Pay TV, related advertising space and sale of equipment. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is recognised in the income statement as follows:

- Revenue from telecommunications, broadband and cable television services and advertising space is recognised at the time such services are rendered. Revenue billed in advance of the rendering of services is deferred and presented in the statement of financial position as unearned revenue.
- Revenue from sale of pre-paid phone cards for which services have not been rendered is deferred and presented in the statement of financial position as unearned revenue. Upon the expiry of pre-paid phone cards, any unutilised value of the cards is taken to the income statement.
- Revenue from sale of equipment is recognised upon delivery and acceptance of the equipment sold.
- Revenue from bundled products and services is recognised based on values allocated to the individual elements of the bundled products and services in accordance to the earning process of each element.

2.16 Finance income and costs

Finance income comprises interest income on bank deposits. Interest income is recognised on a time-apportioned basis taking into account the principal outstanding at the applicable rate.

Finance costs comprise interest expense and similar charges. They are recognised in the income statement using the effective interest method, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to prepare for its intended use or sale.

2.17 Government grants

Government grants received, which are designated for the purchase of property, plant and equipment, are accreted to the income statement on a straight-line basis over the estimated useful lives of the related assets, so as to match the related depreciation expense.

Government grants received, which are designated for operating expenditure, are recognised on a systematic basis in the income statement over the periods necessary to match the related cost which they are intended to compensate.

2.18 Marketing and promotions

Advertising costs are expensed when incurred. The direct costs of acquiring customers, including commission and promotion expenses, are recognised in the income statement when incurred.

2.19 Operating leases

Where the Group has the use of assets under operating leases, payments made under the leases are recognised in the income statement on a straight-line basis over the terms of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease payments made. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

2.20 Income taxes

Income taxes comprise current tax and deferred tax. Income taxes are recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case such tax is recognised in equity, or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences at the balance sheet date arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax is provided based on the expected realisation or settlement of the temporary differences, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are not recognised for:

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

A deferred tax asset is recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2.21 Dividends

Interim dividends to the Company's shareholders are recognised in the financial year in which they are declared payable. Final dividend to the Company's shareholders is recognised in the financial year in which the dividend is approved by the shareholders.

2.22 Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into Singapore dollars at exchange rates approximate to those ruling at the reporting date. Transactions in foreign currencies are translated at rates ruling on transaction dates. The translation differences arising from such transactions are included in the income statement.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into Singapore dollars at the exchange rate at the date on which fair value was determined.

2.23 Derivative financial instruments

The Group uses interest rate swaps and forward foreign exchange contracts to hedge its exposure to interest rate risks and foreign exchange risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, derivative financial instruments are remeasured at fair value prevailing at reporting date. The gain or loss on remeasurement to fair value is recognised immediately in the income statement. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged as described in Note 2.24.

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the reporting date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair value of forward exchange contracts is their quoted market price at the reporting date, being the present value of the quoted forward price.

2.24 Hedging

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income and presented in the hedging reserve in equity.

When the forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or the forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the associated cumulative gain or loss is removed from other comprehensive income and included in the initial cost or other carrying amount of the non-financial asset or liability. If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or financial liability, the associated gains and losses that were recognised in other comprehensive income are reclassified into the income statement in the same period or periods during which the asset acquired or liability assumed affects the income statement (i.e. when interest income or expense is recognised).

For other cash flow hedges, the associated cumulative gain or loss that was recognised in other comprehensive income is removed and recognised in the income statement in the same period or periods during which the hedged forecast transaction affects the income statement. The ineffective part of any gain or loss is recognised immediately in the income statement.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in other comprehensive income and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in other comprehensive income is recognised immediately in the income statement.

Hedge of monetary assets and liabilities

Where a derivative financial instrument is used to hedge economically the foreign exchange exposure of a recognised monetary asset or liability, no hedge accounting is applied and any gain or loss on the hedging instrument is recognised in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

2.25 Segment reporting

With the adoption of FRS 108, segment information is presented based on the information reviewed by chief operating decision maker ("CODM") for performance assessment and resource allocation.

The Group operates primarily in Singapore and delivers its Mobile, Pay TV, Broadband, Fixed network services and equipment sales on an operationally integrated network, customer service, sales, marketing and administration support. Based on the financial information regularly reviewed by the CODM, the Group has one operating and reporting segment.

2.26 Significant accounting estimates and judgements

The preparation of financial statements requires management to make judgements in the application of accounting policies. It also requires the use of accounting estimates and assumptions that affect the reported amounts of assets, liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements; and the reported income and expenses during the financial year. These estimates are based on management's best knowledge and judgement of current events and environment. Actual results may ultimately differ from these estimates.

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

In the application of the Group's accounting policies, which are described in Note 2, management is of the opinion that there is no instance of application of judgement which is expected to have a significant effect on the amounts recognised in the financial statements, apart from those involving estimations described below.

The key assumptions concerning the future, and other key sources at reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next financial year are described in the following notes:

- Note 4 – measurement of recoverable amounts relating to goodwill impairment
- Note 9 – measurement of recoverable amounts of trade receivables

3 Property, Plant and Equipment

Group	Leasehold	Leasehold	Leasehold	Freehold	Network	Office	Motor	Construction	Total
	land	buildings	improvements	property	equipment	equipment, computers and furniture and fittings	vehicles	in progress	
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Cost									
At 1.1.2014	34.3	9.1	49.9	1.7	2,974.2	163.3	6.7	87.0	3,326.2
Additions	-	-	-	-	3.7	0.9	0.1	266.3	271.0
Transfers	-	-	1.9	-	252.8	8.7	-	(263.4)	-
Disposals	-	-	(2.6)	-	(21.5)	(12.6)	(0.2)	-	(36.9)
At 31.12.2014	34.3	9.1	49.2	1.7	3,209.2	160.3	6.6	89.9	3,560.3
At 1.1.2015	34.3	9.1	49.2	1.7	3,209.2	160.3	6.6	89.9	3,560.3
Additions	-	-	-	-	4.2	-	0.4	247.9	252.5
Transfers	-	0.1	1.8	-	236.5	19.3	-	(257.7)	-
Disposals	-	-	(2.8)	-	(103.2)	(8.5)	(0.5)	-	(115.0)
Disposal of subsidiary	(34.3)	-	-	-	-	-	-	(19.6)	(53.9)
At 31.12.2015	-	9.2	48.2	1.7	3,346.7	171.1	6.5	60.5	3,643.9
Accumulated depreciation and impairment losses									
At 1.1.2014	0.4	1.5	44.7	-	2,282.3	135.0	4.9	-	2,468.8
Charge for the year	0.6	0.2	3.5	-	198.7	12.7	0.9	-	216.6
Disposals	-	-	(2.5)	-	(21.2)	(12.3)	(0.2)	-	(36.2)
At 31.12.2014	1.0	1.7	45.7	-	2,459.8	135.4	5.6	-	2,649.2
At 1.1.2015	1.0	1.7	45.7	-	2,459.8	135.4	5.6	-	2,649.2
Charge for the year	0.3	0.3	1.8	-	203.2	13.7	0.5	-	219.8
Impairment losses	-	-	-	-	0.6	-	-	-	0.6
Disposals	-	-	(2.8)	-	(102.7)	(8.4)	(0.5)	-	(114.4)
Disposal of subsidiary	(1.3)	-	-	-	-	-	-	-	(1.3)
At 31.12.2015	-	2.0	44.7	-	2,560.9	140.7	5.6	-	2,753.9
Carrying amount									
At 31.12.2014	33.3	7.4	3.5	1.7	749.4	24.9	1.0	89.9	911.1
At 31.12.2015	-	7.2	3.5	1.7	785.8	30.4	0.9	60.5	890.0
								Group	
								2015	2014
								\$m	\$m
Staff costs capitalised in construction in progress during the year								3.3	3.2

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3 Property, Plant and Equipment (continued)

Company	Leasehold buildings \$m	Leasehold improvements \$m	Network equipment \$m	Office equipment, computers and furniture and fittings \$m	Motor vehicles \$m	Construction in progress \$m	Total \$m
Cost							
At 1.1.2014	9.1	41.5	1,154.9	120.9	2.1	46.9	1,375.4
Additions	-	-	-	1.4	-	97.5	98.9
Transfers	-	1.9	89.8	3.8	-	(95.5)	-
Disposals	-	(2.5)	(8.0)	(12.2)	-	-	(22.7)
At 31.12.2014	9.1	40.9	1,236.7	113.9	2.1	48.9	1,451.6
At 1.1.2015	9.1	40.9	1,236.7	113.9	2.1	48.9	1,451.6
Additions	-	-	-	-	0.1	96.8	96.9
Transfers	0.1	1.7	92.4	10.1	-	(104.3)	-
Disposals	-	(2.8)	(3.4)	(7.7)	(0.2)	-	(14.1)
At 31.12.2015	9.2	39.8	1,325.7	116.3	2.0	41.4	1,534.4
Accumulated depreciation							
At 1.1.2014	1.4	38.6	846.0	103.9	1.4	-	991.3
Charge for the year	0.3	2.6	71.1	7.7	0.3	-	82.0
Disposals	-	(2.4)	(7.8)	(12.0)	-	-	(22.2)
At 31.12.2014	1.7	38.8	909.3	99.6	1.7	-	1,051.1
At 1.1.2015	1.7	38.8	909.3	99.6	1.7	-	1,051.1
Charge for the year	0.3	1.0	76.1	7.9	0.2	-	85.5
Disposals	-	(2.8)	(3.0)	(7.6)	(0.2)	-	(13.6)
At 31.12.2015	2.0	37.0	982.4	99.9	1.7	-	1,123.0
Carrying amount							
At 31.12.2014	7.4	2.1	327.4	14.3	0.4	48.9	400.5
At 31.12.2015	7.2	2.8	343.3	16.4	0.3	41.4	411.4

4 Intangible Assets

Group	Telecommunications and spectrum licences \$m	Software \$m	Software in development \$m	Goodwill \$m	Total \$m
Cost					
At 1.1.2014	116.8	448.1	17.0	220.3	802.2
Additions	40.0	0.2	38.6	-	78.8
Transfers	-	43.0	(43.0)	-	-
Disposals	-	(1.4)	-	-	(1.4)
At 31.12.2014	156.8	489.9	12.6	220.3	879.6
At 1.1. 2015	156.8	489.9	12.6	220.3	879.6
Additions	-	0.2	36.3	-	36.5
Transfers	-	32.2	(32.2)	-	-
Disposals	(1.0)	(4.2)	-	-	(5.2)
At 31.12.2015	155.8	518.1	16.7	220.3	910.9
Accumulated amortisation					
At 1.1.2014	65.6	356.0	-	-	421.6
Charge for the year	6.4	48.5	-	-	54.9
Disposals	-	(1.4)	-	-	(1.4)
At 31.12.2014	72.0	403.1	-	-	475.1
At 1.1. 2015	72.0	403.1	-	-	475.1
Charge for the year	7.8	44.8	-	-	52.6
Disposals	(1.0)	(3.9)	-	-	(4.9)
At 31.12.2015	78.8	444.0	-	-	522.8
Carrying amount					
At 31.12.2014	84.8	86.8	12.6	220.3	404.5
At 31.12.2015	77.0	74.1	16.7	220.3	388.1

Impairment tests for goodwill

The carrying value of the Group's goodwill is assessed for impairment annually or more frequently if there are indications that the goodwill might be impaired. For the purposes of impairment testing, goodwill is allocated to the cash generating unit ("CGU") comprising the Group's integrated fixed, mobile, cable and broadband operations. This represents the lowest level within the Group at which goodwill is monitored for impairment for internal management purposes.

The recoverable amount of the CGU is determined based on value-in-use calculations. The key assumptions for the value-in-use calculations are the discount rates, growth rates and expected changes to profit margins. The value-in-use calculations apply a discounted cash flow model using cash flow projections from the most recent financial budget and forecasts approved by management. The forecast cash flows were extrapolated using an estimated growth rate of 3.8% (2014: 2.8%). The pre-tax discount rate applied is assumed at 6.3% (2014: 6.3%) for the value-in-use calculation.

No impairment charge was required for the carrying amount of goodwill assessed as at 31 December 2015 and 31 December 2014 as the recoverable value was in excess of the carrying value. Any reasonably possible change to the key assumptions applied was not likely to cause the recoverable value to be below the carrying value.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

4 Intangible Assets (continued)

Company	Telecommunications licences \$m	Software \$m	Software in development \$m	Total \$m
Cost				
At 1.1.2014	1.0	386.2	14.6	401.8
Additions	-	-	29.2	29.2
Disposals	-	(1.5)	-	(1.5)
Transfers	-	33.3	(33.3)	-
At 31.12.2014	1.0	418.0	10.5	429.5
At 1.1.2015	1.0	418.0	10.5	429.5
Additions	-	-	28.4	28.4
Disposals	(1.0)	-	-	(1.0)
Transfers	-	24.4	(24.4)	-
At 31.12.2015	-	442.4	14.5	456.9
Accumulated amortisation				
At 1.1.2014	0.8	308.9	-	309.7
Charge for the year	0.1	41.9	-	42.0
Disposals	-	(1.5)	-	(1.5)
At 31.12.2014	0.9	349.3	-	350.2
At 1.1.2015	0.9	349.3	-	350.2
Charge for the year	0.1	37.0	-	37.1
Disposals	(1.0)	-	-	(1.0)
At 31.12.2015	-	386.3	-	386.3
Carrying amount				
At 31.12.2014	0.1	68.7	10.5	79.3
At 31.12.2015	-	56.1	14.5	70.6
			Group and Company	
			2015	2014
			\$m	\$m
Staff costs capitalised in software in development during the year			1.8	2.4

5 Subsidiaries

Company	2015 \$m	2014 \$m
Investments in subsidiaries, at cost	1,209.1	1,209.1
Loans to subsidiaries	556.0	490.0
Discount implicit in the interest-free loan to a subsidiary	21.9	21.9
	1,787.0	1,721.0
Allowance for impairment losses	(28.9)	(28.9)
	1,758.1	1,692.1

At 31 December 2015, the loans to the subsidiaries are unsecured, not repayable within the next 12 months and bore interest ranging from 2.72% to 3.48% (2014: 3.48%) per annum.

Name of company	Principal activities	Country of incorporation/ business	Effective equity interest held by the Group	
			2015 %	2014 %
The subsidiaries directly held by the Company are as follows:				
StarHub Cable Vision Ltd. ⁽¹⁾	Provision of subscription television and television broadcasting services	Singapore	100	100
StarHub Mobile Pte Ltd ⁽¹⁾	Provision of mobile telecommunications services	Singapore	100	100
StarHub Internet Pte Ltd ⁽¹⁾	Provision and operation of internet services	Singapore	100	100
StarHub Online Pte Ltd ⁽¹⁾	Provision of broadband access services	Singapore	100	100
Nucleus Connect Pte. Ltd. ⁽¹⁾	Provision of high speed wholesale broadband services	Singapore	100	100
SHINE Systems Assets Pte. Ltd. ⁽¹⁾	Investment in, ownership or lease of infrastructure assets and provision of data centre services	Singapore	– ⁽²⁾	100
StarHub (Mauritius) Ltd ⁽³⁾	Investment holding company and for acquisition of info-communication and infotainment services	Mauritius	100	100
StarHub (Hong Kong) Limited ⁽⁴⁾	Provision of telecommunication services	Hong Kong	100	100
StarHub Shop Pte Ltd ⁽⁵⁾	Dormant	Singapore	100	100
StarHub, Inc. ⁽⁵⁾	Dormant	United States	100	100
Other subsidiary indirectly held by the Company is as follows:				
Foosti Pte. Ltd. ^{(5) (6)}	Dormant	Singapore	100	100

⁽¹⁾ Audited by KPMG LLP Singapore

⁽²⁾ On 22 July 2015, StarHub Ltd diluted its controlling interest in the company and the company was subsequently equity accounted for in the consolidated financial statements based on its results ended 31 December 2015, the financial year-end of the company (Note 6).

⁽³⁾ Audited by KPMG Mauritius, a member firm of KPMG International

⁽⁴⁾ Audited by another firm

⁽⁵⁾ Not required to be audited by laws of the country of incorporation

⁽⁶⁾ The company is currently in liquidation pursuant to a winding-up order by the High Court of Singapore issued on 14 January 2011.

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6 Associate

	Group		Company	
	2015 \$m	2014 \$m	2015 \$m	2014 \$m
Investment in associate	27.8	-	27.8	-
Share of post-acquisition reserves	(0.3)	-	-	-
	27.5	-	27.8	-

Name of company	Principal activities	Country of incorporation/ business	Effective equity interest held by the Group	
			2015 %	2014 %
SHINE Systems Assets Pte. Ltd. ⁽¹⁾	Investment in, ownership or lease of infrastructure assets and provision of data centre services	Singapore	30 ⁽²⁾	-

⁽¹⁾ Audited by KPMG LLP Singapore

⁽²⁾ On 22 July 2015, StarHub Ltd diluted its controlling interest in the company and the company was subsequently equity accounted for in the consolidated financial statements based on its results ended 31 December 2015, the financial year-end of the company (Note 5).

The following summarises the financial information of the associate, based on its financial statements prepared in accordance with FRS, amended for fair value adjustments on acquisition.

	2015 \$m	2014 \$m
Summarised Statement of Financial Position		
Non-current assets	93.2	-
Current assets	14.4	-
Current liabilities	(15.9)	-
Net assets	91.7	-
Reconciliation to carrying amount:		
Opening net assets	93.4	-
Loss for the year	(1.7)	-
Closing net assets	91.7	-

6 Associate (continued)

	2015 \$m	2014 \$m
Summarised Statement of Comprehensive Income		
Total revenue	-	-
Loss for the year	(1.7)	-
Other comprehensive loss	-	-
Total comprehensive loss for the year	(1.7)	-
Group's share in %	30%	-
Group's share of loss of associate (net of tax) for the year	(0.3)	-
Carrying amount of interest in associate at end of the year	27.5	-

7 Deferred Tax Liabilities

Movements in deferred tax liabilities during the year are as follows:

Group 2015	At 11.2015 \$m	Recognised in income statement \$m	Recognised in other comprehensive income \$m	At 31.12.2015 \$m
Deferred tax liabilities				
Property, plant and equipment and intangible assets	(143.9)	9.6	-	(134.3)
Other payables and accruals	4.1	(2.0)	(0.4)	1.7
Unutilised capital allowances	8.5	(0.1)	-	8.4
Unutilised tax losses	4.1	-	-	4.1
Total	(127.2)	7.5	(0.4)	(120.1)

Group 2014	At 11.2014 \$m	Recognised in income statement \$m	Recognised in other comprehensive income \$m	At 31.12.2014 \$m
Deferred tax assets				
Property, plant and equipment and intangible assets	(7.9)	7.9	-	-
Deferred income	10.4	(10.4)	-	-
Total	2.5	(2.5)	-	-

Deferred tax liabilities				
Property, plant and equipment and intangible assets	(139.2)	(4.7)	-	(143.9)
Other payables and accruals	8.5	(3.8)	(0.6)	4.1
Unutilised capital allowances	2.3	6.2	-	8.5
Unutilised tax losses	-	4.1	-	4.1
Total	(128.4)	1.8	(0.6)	(127.2)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

7 Deferred Tax Liabilities (continued)

Deferred tax assets are recognised to the extent that realisation of the related tax benefits through future taxable profits is probable.

Deferred tax assets have not been recognised in respect of the following items:

	2015 \$m	2014 \$m
Tax losses	3.5	60.0
Deferred tax assets	0.6	10.2

The Group has not recognised deferred tax assets in respect of the above tax losses and capital allowances as the Group does not expect to recover these potential deferred tax assets in the foreseeable future. The Group reassesses the recovery of these potential deferred tax assets annually.

Company 2015	At 1.1.2015 \$m	Recognised in income statement \$m	Recognised in other comprehensive income \$m	At 31.12.2015 \$m
Deferred tax liabilities				
Property, plant and equipment and intangible assets	(76.8)	15.0	-	(61.8)
Other payables and accruals	0.9	-	(0.4)	0.5
Total	(75.9)	15.0	(0.4)	(61.3)

Company 2014	At 1.1.2014 \$m	Recognised in income statement \$m	Recognised in other comprehensive income \$m	At 31.12.2014 \$m
Deferred tax liabilities				
Property, plant and equipment and intangible assets	(77.7)	0.9	-	(76.8)
Other payables and accruals	1.9	(0.4)	(0.6)	0.9
Total	(75.8)	0.5	(0.6)	(75.9)

8 Inventories

	Group		Company	
	2015 \$m	2014 \$m	2015 \$m	2014 \$m
Inventories, at lower of cost and net realisable value	54.3	42.4	50.1	36.8
(Written back)/ allowance made during the year	(0.5)	0.1	(0.7)	0.1

9 Trade Receivables

	Group		Company	
	2015 \$m	2014 \$m	2015 \$m	2014 \$m
Trade receivables	186.4	191.2	168.8	175.5
Allowance for doubtful receivables	(33.1)	(29.5)	(31.3)	(27.8)
	153.3	161.7	137.5	147.7

The trade receivables of the Company include amounts billed under a combined billing arrangement to customers for services provided by certain subsidiaries.

The Group's and the Company's primary credit risk exposure arises through its trade receivables, which include corporate and retail customers. There is no concentration of credit risk with respect to trade receivables as the Group and the Company have a large number of customers. The recorded allowances for doubtful receivables have been made based on the Group's and the Company's historical collections experience. Due to these factors, management believes that no additional credit risk beyond the amounts provided for collection losses is inherent in the Group's and the Company's trade receivables.

The age analysis of trade receivables past due but not impaired at the reporting date is as follows:

	Group		Company	
	2015 \$m	2014 \$m	2015 \$m	2014 \$m
Past due 0 - 15 days	40.9	36.4	37.7	34.1
Past due above 15 days	50.5	66.0	41.9	58.0
	91.4	102.4	79.6	92.1

The movements in allowance for doubtful receivables in respect of trade receivables during the year are as follows:

	Group		Company	
	2015 \$m	2014 \$m	2015 \$m	2014 \$m
At beginning of year	29.5	29.1	27.8	28.9
Allowance for doubtful receivables	18.4	15.9	5.4	1.9
Recharged to subsidiaries	-	-	12.9	12.5
Allowance utilised	(14.8)	(15.5)	(14.8)	(15.5)
At end of year	33.1	29.5	31.3	27.8

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

10 Other Receivables, Deposits and Prepayments

	Group		Company	
	2015 \$m	2014 \$m	2015 \$m	2014 \$m
Grant receivables	10.7	6.9	-	-
Accrued revenue	113.9	101.8	11.1	13.8
Deposits	4.0	4.6	0.9	0.9
Prepayments	57.2	70.0	18.4	18.1
Other receivables	9.0	2.6	1.7	1.2
Mark-to-market financial instruments				
- Forward exchange contracts	1.2	-	1.2	-
- Interest rate swaps	0.8	-	0.8	-
	196.8	185.9	34.1	34.0

11 Balances with Related Parties

The immediate and ultimate holding companies are Asia Mobile Holdings Pte. Ltd. and Temasek Holdings (Private) Limited respectively. These companies are incorporated in the Republic of Singapore.

11.1 Amounts due from related parties

	Group		Company	
	2015 \$m	2014 \$m	2015 \$m	2014 \$m
Current				
Loan to subsidiary	-	-	-	22.0
Amounts due from (trade):				
- Ultimate holding company	0.1	0.1	-	0.1
- Subsidiaries	-	-	97.2	238.3
- Related corporations	25.9	17.3	13.6	12.2
	26.0	17.4	110.8	272.6
Non-current				
Loans to subsidiaries	-	-	-	106.0
Amount due from (trade):				
- Subsidiary	-	-	344.2	-
	-	-	344.2	106.0

The non-current trade amount due from a subsidiary is unsecured, interest free and is not repayable within the next 12 months.

11 Balances with Related Parties (continued)

11.2 Amounts due to related parties

	Group		Company	
	2015 \$m	2014 \$m	2015 \$m	2014 \$m
Current				
Amounts due to (trade):				
– Subsidiaries	–	–	373.8	320.9
– Related corporations	122.5	99.2	30.6	64.7
	122.5	99.2	404.4	385.6

The amounts due to subsidiaries include unsecured interest bearing amounts of \$167.9 million (2014: \$111.7 million) at interest rates ranging from 0.93% to 1.25% (2014: 0.91% to 1.20%) per annum and are repayable on demand. The remaining amounts due to subsidiaries have trade terms.

- 11.3** The Company's balances with subsidiaries included amounts netted under agreed master netting arrangements; the amounts before netting are as follows:

Company	Gross amounts \$m	Gross amounts offset \$m	Net amounts \$m
2015			
Current			
Amounts due from subsidiaries	565.5	(468.3)	97.2
Amounts due to subsidiaries	842.1	(468.3)	373.8
Non-current			
Amounts due from subsidiaries	344.2	–	344.2
2014			
Current			
Amounts due from subsidiaries	672.9	(434.6)	238.3
Amounts due to subsidiaries	755.5	(434.6)	320.9

12 Cash and Cash Equivalents

	Group		Company	
	2015 \$m	2014 \$m	2015 \$m	2014 \$m
Fixed deposits	111.8	124.6	111.8	95.0
Cash at bank and in hand	61.6	139.6	42.4	81.0
	173.4	264.2	154.2	176.0

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13 Trade and Other Payables

	Note	Group		Company	
		2015 \$m	2014 \$m	2015 \$m	2014 \$m
Current					
Trade payables		55.6	60.3	56.9	53.5
Accruals		414.1	462.4	171.3	205.9
Unearned revenue		131.1	137.2	19.1	22.8
Property, plant and equipment vendors		62.4	106.1	33.8	45.1
Deferred income	15	7.8	14.0	0.5	-
Deposits from customers		16.3	15.2	16.1	15.0
Mark-to-market financial instruments					
- Interest rate swaps		-	0.6	-	0.6
		687.3	795.8	297.7	342.9
Non-current					
Unearned revenue		22.7	22.2	22.7	22.2
Mark-to-market financial instruments					
- Interest rate swaps		-	1.1	-	1.1
		22.7	23.3	22.7	23.3

14 Borrowings

	Note	Group and Company	
		2015 \$m	2014 \$m
Current			
Bank loan	14.1	137.5	200.0
Non-current			
Bank loans	14.1	330.0	267.5
Medium term note	14.2	220.0	220.0
		550.0	487.5

14 Borrowings (continued)

14.1 Bank loans

	Group and Company	
	2015	2014
	\$m	\$m
Current	137.5	200.0
Non-current	330.0	267.5
	467.5	467.5
Repayable:		
- Within 1 year	137.5	200.0
- After 1 year but within 5 years	330.0	267.5
	467.5	467.5

At 31 December 2015, the unsecured bank loans bore interest at rates ranging from 1.47% to 2.98% (2014: 0.79% to 2.56%) per annum.

14.2 Medium term note

	Group and Company	
	2015	2014
	\$m	\$m
Non-current	220.0	220.0

The Company has established a multicurrency medium term note programme with a maximum aggregate principal amount of \$1,000,000,000 in September 2011. In September 2012, the Company issued a \$220,000,000 10 years medium term note which bore an interest rate of 3.08% per annum and is payable in September 2022. There is no material difference between the carrying amount and fair value of the medium term note.

15 Deferred Income

	Note	Group		Company	
		2015	2014	2015	2014
		\$m	\$m	\$m	\$m
Deferred grants					
At beginning of year		21.3	41.7	-	-
Grants receivable		2.3	-	2.3	-
Amount accreted to the income statement		(14.7)	(20.4)	(0.7)	-
At end of year		8.9	21.3	1.6	-
Deferred grants to be accreted:					
Current (within 1 year)	13	7.8	14.0	0.5	-
Non-current (after 1 year but within 5 years)		1.1	7.3	1.1	-
Total		8.9	21.3	1.6	-

The deferred income are government grants received. The assets related grants are recognised over the estimated useful lives of the related assets. The income related grants are recognised on a systematic basis over the periods to match the related cost.

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16 Share Capital

Company	2015		2014	
	Number of shares '000	\$m	Number of shares '000	\$m
Issued and fully paid ordinary shares:				
At beginning of year	1,726,322	282.6	1,721,486	271.4
Issue of ordinary shares under the StarHub Performance Share Plans and StarHub Restricted Stock Plans	3,297	10.6	4,337	10.6
Issue of ordinary shares for cash pursuant to the exercise of options under the StarHub Share Option Plans	176	0.3	499	0.6
At end of year	1,729,795	293.5	1,726,322	282.6

The holders of ordinary shares (excluding treasury shares) are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares (excluding treasury shares) rank equally with regard to the Company's residual assets.

17 Dividends

	Company	
	2015 \$m	2014 \$m
Final dividend of \$0.05 (2014: \$0.05) per share (1-tier tax exempt) paid in respect of the previous financial year	86.5	86.3
Interim dividends of \$0.15 (2014: \$0.15) per share (1-tier tax exempt) paid in respect of the current financial year	259.4	258.9
	345.9	345.2

18 Reserves

	Group		Company	
	2015 \$m	2014 \$m	2015 \$m	2014 \$m
Merger/Capital reserve	-	-	276.5	276.5
Goodwill written off	(276.3)	(276.3)	-	-
Share-based payments reserve	12.3	13.4	12.3	13.4
Hedging reserve	0.5	(1.4)	0.5	(1.4)
Translation reserve	1.3	0.8	-	-
Retained profits	156.3	129.9	992.2	823.2
	(105.9)	(133.6)	1,281.5	1,111.7

The merger/capital reserve comprises reserve arising from the acquisition of a subsidiary, StarHub Cable Vision Ltd. ("SCV"), on 2 July 2002 and the excess of the fair value of the Company's shares issued as consideration for the acquisition of SCV over its par value.

The goodwill written off represents the excess of consideration paid on the acquisition of subsidiaries prior to 1 January 2001 over the Group's share of the fair value of net assets acquired.

The share-based payments reserve comprises the cumulative value of services received from employees and directors recorded in respect of the grant of share options and share awards.

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions.

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

19 Total Revenue

	Group		Company	
	2015 \$m	2014 \$m	2015 \$m	2014 \$m
Mobile revenue	1,239.8	1,247.6	-	-
Pay TV revenue	391.0	389.7	-	-
Broadband revenue	200.3	201.9	-	-
Fixed network services revenue	384.9	378.3	607.9	604.3
Sale of equipment	228.3	169.7	518.0	439.4
	2,444.3	2,387.2	1,125.9	1,043.7

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

20 Operating Expenses

	Group		Company	
	2015 \$m	2014 \$m	2015 \$m	2014 \$m
Cost of equipment sold	487.1	411.4	486.0	410.9
Cost of services	415.8	382.9	61.5	59.1
Traffic expenses	150.2	154.7	64.0	73.5
Depreciation and amortisation (net of asset grants)	271.4	271.2	121.9	124.0
Marketing and promotions	144.6	156.2	16.7	14.1
Staff costs	270.7	275.0	199.3	200.1
Allowance for doubtful receivables	18.4	15.9	5.4	1.9
Repairs and maintenance	86.0	69.2	41.8	33.1
Operating leases	121.7	128.4	57.5	65.7
Other expenses	82.7	92.2	64.5	77.9
	2,048.6	1,957.1	1,118.6	1,060.3

Included in the Group's cost of services is government grant amounting to \$3.4 million (2014: \$1.8 million).

20.1 Depreciation and amortisation (net of asset grants)

Depreciation and amortisation expenses comprise the following:

	Group		Company	
	2015 \$m	2014 \$m	2015 \$m	2014 \$m
Depreciation of property, plant and equipment	219.8	216.6	85.5	82.0
Accretion of asset grants to the income statement	(1.0)	(0.3)	(0.7)	-
	218.8	216.3	84.8	82.0
Amortisation of intangible assets	52.6	54.9	37.1	42.0
Total	271.4	271.2	121.9	124.0

20.2 Staff costs

The following are included in staff costs:

	Group		Company	
	2015 \$m	2014 \$m	2015 \$m	2014 \$m
Defined contribution plans	25.1	23.9	17.4	16.3
Share-based payments	9.5	9.2	9.5	9.2
Government grants – Wage Credit Scheme	(3.7)	(1.9)	(3.6)	(1.8)

20 Operating Expenses (continued)

20.2.1 Key management personnel compensation

The key management personnel compensation is as follows:

	Group		Company	
	2015 \$m	2014 \$m	2015 \$m	2014 \$m
Short-term employee benefits	10.2	10.0	9.0	8.9
Share-based payments	4.3	4.4	3.8	4.0
	14.5	14.4	12.8	12.9

Included in the above is the total compensation to directors of the Company which amounted to \$5.0 million (2014: \$4.7 million).

Key management personnel also participate in the StarHub Share Option Plans, the StarHub Performance Share Plans and the StarHub Restricted Stock Plans as detailed in Note 20.2.2. The short term benefits include the Company balanced scorecard incentive programme to reward employees for achieving or exceeding performance target.

Conditional awards of shares 534,700 (2014: 645,100 shares) under the StarHub Performance Share Plans and conditional awards of shares 435,800 (2014: 640,400 shares) under the StarHub Restricted Stock Plans were granted to the key management personnel of the Company during the year.

Awards of 95,800 shares (2014: 111,100 shares) under the StarHub Restricted Stock Plans were vested and delivered to certain non-executive directors of the Company as part of their non-executive directors' remuneration, without any performance or vesting conditions attached, during the year.

Based on the actual level of achievement of the pre-determined performance targets over the 2012 to 2014 performance period, final awards comprising 629,300 shares were delivered to the key management personnel of the Company during the year under the 2012 conditional awards granted to key management personnel of the Company in May 2012 pursuant to the StarHub Performance Share Plans.

Based on the actual level of achievement of the pre-determined performance targets over the 2013 to 2014 performance period, final awards comprising 372,780 shares were delivered to the key management personnel of the Company during the year under the 2013 conditional awards granted to the key management personnel of the Company in May 2013 pursuant to the StarHub Restricted Stock Plans. 186,600 shares under the final awards were delivered during the year, with the balance of 186,180 shares to be delivered in phases according to the stipulated vesting periods.

All share options and conditional share awards (except for the time-based restricted share awards) granted to the key management personnel of the Company were on the same terms and conditions as those offered to other employees of the Company.

As at 31 December 2015, 1,503,800 (2014: 1,540,100) of the conditional awards of shares under the StarHub Performance Share Plans, and 1,199,380 (2014: 1,214,750) of the conditional awards of shares under the StarHub Restricted Stock Plans granted to the key management personnel were outstanding.

NOTES TO THE FINANCIAL STATEMENTS

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20 Operating Expenses (continued)

20.2.2 Share-based Payments

StarHub Share Option Plan

At 31 December 2015, there are no share options outstanding under the StarHub Share Option Plan 2004. The last exercisable date of the options granted under the StarHub Share Option Plan 2004 was 30 May 2015, and all outstanding unexercised options granted under this plan had lapsed on 30 May 2015.

Company	Number of share options		Weighted average exercise price per share	
	2015 '000	2014 '000	2015 \$	2014 \$
Outstanding at beginning of year	234	819	1.52	1.35
Exercised	(176)	(499)	1.52	1.33
Forfeited	(58)	(86)	1.52	1.01
Outstanding at end of year	-	234	-	1.52
Exercisable at end of year	-	234	-	1.52

Options were exercised throughout the year. The weighted average share price during the year was \$3.95 per share (2014: \$4.15 per share).

The share options have the following exercise price:

Company	2015 \$	2014 \$
Exercise price:		
\$1.52	-	234
Outstanding at end of year	-	234
Weighted average remaining contractual life	-	0.41 year

StarHub Performance Share Plans

Under the StarHub PSP and the StarHub PSP 2014 (collectively the "StarHub Performance Share Plans"), conditional awards of shares are granted. Awards represent the right of a participant to receive fully paid shares, their equivalent cash value or combinations thereof, free of charge, upon the participant achieving prescribed performance targets set based on medium-term corporate objectives. Awards are released once the Company's Executive Resource and Compensation Committee is satisfied that the prescribed performance targets have been achieved. There are no vesting periods beyond the performance achievement periods.

During the financial year ended 31 December 2015, the conditional grants of 534,700 (2014: 645,100) shares under the StarHub Performance Share Plans were made to the key employees of the Group. These represent the number of shares to be delivered when performance targets at "on-target" level are achieved, or as the case may be, when the time-based service conditions are completed.

20 Operating Expenses (continued)

20.2.2 Share-based Payments (continued)

StarHub Performance Share Plans (continued)

The movements of the number of shares under the StarHub Performance Share Plans, the fair values of the grant at measurement date and the assumptions of the fair value model for the grants of the Company are as follows:

2015 Date of grant	Balance outstanding at 1.1.2015 '000	Number of performance shares granted '000	Number of performance shares vested '000	Number of performance shares forfeited '000	Balance outstanding at 31.12.2015 '000
25 May 2012	872	-	(872)	-	-
31 May 2013	432	-	-	(3)	429
10 March 2014	645	-	-	(75)	570
16 March 2015	-	535	-	-	535
Total	1,949	535	(872)	(78)	1,534

2014 Date of grant	Balance outstanding at 1.1.2014 '000	Number of performance shares granted '000	Number of performance shares vested '000	Number of performance shares forfeited '000	Balance outstanding at 31.12.2014 '000
31 March 2011	858	-	(858)	-	-
25 May 2012	872	-	-	-	872
31 May 2013	432	-	-	-	432
10 March 2014	-	645	-	-	645
Total	2,162	645	(858)	-	1,949

The fair value of the shares is estimated using a Monte-Carlo simulation methodology at the measurement dates, which are grant dates of the share awards. The assumptions under the model used for the grant in 2015 and 2014 are as follows:

	Year of grant	
	2015	2014
Fair value	\$2.94	\$2.65
Share price	\$4.25	\$4.07
Expected volatility of the Company's shares	16.23%	16.91%
Expected volatility of MSCI Asia-Pacific Telecommunications Component Stock	12.42%	9.50%
Expected dividend yield	4.48%	4.44%
Risk-free interest rates	1.39%	0.50%

NOTES TO THE FINANCIAL STATEMENTS

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20 Operating Expenses (continued)

20.2.2 Share-based Payments (continued)

StarHub Restricted Stock Plans

Under the StarHub RSP and StarHub RSP Plan 2014 (collectively the "StarHub Restricted Stock Plans"), awards granted vest only after the satisfactory completion of time-based service conditions (time-based restricted awards) or where the award is performance-related after a further period of service beyond the performance targets completion date (performance-based restricted awards).

During the financial year ended 31 December 2015, the conditional grants of 2,432,200 (2014: 2,517,900) shares under the StarHub Restricted Stock Plans were made to non-executive directors and key employees of the Group. These represent the number of shares to be delivered when performance targets at "on-target" level are achieved, or as the case may be, when the time-based service conditions are completed.

During the financial year ended 31 December 2015, 128,900 (2014: 127,300) shares under the StarHub Restricted Stock Plans were vested and delivered to certain non-executive directors of the Company as part of their non-executive directors' remuneration, without any performance or vesting conditions attached.

The movements of the number of shares under the StarHub Restricted Stock Plans, the fair values of the grant at measurement date and the assumptions of the fair value model for the grants of the Company are as follows:

2015 Date of grant	Balance outstanding at 1.1.2015 '000	Number of restricted shares granted '000	Number of restricted shares vested '000	Number of restricted shares forfeited '000	Balance outstanding at 31.12.2015 '000
25 May 2012	912	-	(912)	-	-
31 May 2013	1,407	-	(699)	(16)	692
10 March 2014	2,454	-	(15)	(99)	2,340
16 March 2015	-	2,271	-	(5)	2,266
3 June 2015	-	129	(113)	(16)	-
8 July 2015	-	32	-	-	32
Total	4,773	2,432	(1,739)	(136)	5,330

2014 Date of grant	Balance outstanding at 1.1.2014 '000	Number of restricted shares granted '000	Number of restricted shares vested '000	Number of restricted shares forfeited '000	Balance outstanding at 31.12.2014 '000
17 May 2010	474	-	(472)	(2)	-
31 March 2011	849	-	(849)	-	-
25 May 2012	1,877	-	(936)	(29)	912
31 May 2013	1,459	-	-	(52)	1,407
10 March 2014	-	2,518	-	(64)	2,454
14 May 2014	-	127	(111)	(16)	-
Total	4,659	2,645	(2,368)	(163)	4,773

20 Operating Expenses (continued)

20.2.2 Share-based Payments (continued)

StarHub Restricted Stock Plans (continued)

The fair value of the share awards is estimated using a Monte-Carlo simulation methodology at the measurement dates, which are grant dates of the share awards.

The assumptions under the model used for the grant in 2015 and 2014 are as follows:

	Year of grant	
	2015	2014
Fair value	\$3.65 – \$3.82	\$3.11 – \$3.84
Share price	\$3.98 – \$4.25	\$4.07
Expected volatility of the Company's shares	16.23%	16.91%
Expected dividend yield	4.48% – 5.15%	4.44%
Risk-free interest rates	0.70% – 1.36%	0.26% – 0.46%

20.3 Other expenses

Included in other expenses are the following:

	Group		Company	
	2015 \$m	2014 \$m	2015 \$m	2014 \$m
Fees paid to auditors of the Company:				
– Audit	0.4	0.4	0.1	0.1
– Non-audit	0.3	0.2	0.1	0.1
Foreign currency exchange (gain)/ loss	(1.4)	3.1	(2.4)	1.8
Changes in fair value of financial instruments	(1.0)	0.9	(1.0)	0.9

21 Other Income

	Group		Company	
	2015 \$m	2014 \$m	2015 \$m	2014 \$m
Corporate recharges to related parties	0.2	–	215.2	231.4
Dividend income from subsidiaries	–	–	309.4	326.5
Income related grants	45.4	46.6	1.9	0.3
	45.6	46.6	526.5	558.2

NOTES TO THE FINANCIAL STATEMENTS

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22 Finance Income and Expense

	Group		Company	
	2015 \$m	2014 \$m	2015 \$m	2014 \$m
Interest income:				
– Bank deposits	2.0	2.0	1.9	1.9
– Subsidiaries	–	–	14.9	12.6
Finance income	2.0	2.0	16.8	14.5
Interest expense:				
– Bank loans	11.0	15.8	11.0	15.8
– Medium term note	6.8	6.8	6.8	6.8
– Subsidiaries	–	–	1.7	1.6
Finance costs	17.8	22.6	19.5	24.2

23 Non-operating Income

	Group		Company	
	2015 \$m	2014 \$m	2015 \$m	2014 \$m
Gain on deconsolidation of a subsidiary	15.0	–	11.3	–

24 Taxation

	Group		Company	
	2015 \$m	2014 \$m	2015 \$m	2014 \$m
Current tax				
Current income tax	62.9	91.4	34.9	36.8
Utilisation of previously unrecognised deferred tax assets	(9.6)	(8.6)	(14.0)	(11.2)
Under/(over) provision in prior year	22.1	4.6	21.6	(0.3)
	75.4	87.4	42.5	25.3
Deferred tax				
Origination and reversal of temporary differences	12.8	(0.3)	4.9	0.9
Over provision of tax liabilities in prior year	(20.3)	(1.5)	(19.9)	(1.4)
	(7.5)	(1.8)	(15.0)	(0.5)
Total income tax in income statement	67.9	85.6	27.5	24.8

24 Taxation (continued)

A reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December is as follows:

	Group		Company	
	2015 \$m	2014 \$m	2015 \$m	2014 \$m
Profit before taxation	440.2	456.1	542.4	531.9
Income tax using Singapore tax rate of 17%	74.8	77.5	92.2	90.4
Income not subject to tax	(2.7)	(0.1)	(54.7)	(55.5)
Non-deductible expenses	3.7	4.3	2.3	2.7
Deferred tax assets not recognised	-	9.6	-	-
Utilisation of previously unrecognised deferred tax assets	(9.6)	(8.6)	(14.0)	(11.2)
Under/(over) provision in prior year, net	1.8	3.1	1.7	(1.6)
Others	(0.1)	(0.2)	-	-
Total income tax in income statement	67.9	85.6	27.5	24.8

The Company's utilisation of previously unrecognised deferred tax assets relates to unutilised tax losses and unutilised capital allowances transferred from its subsidiaries under the group tax relief system in the Republic of Singapore.

Income tax recognised in other comprehensive income for the years ended 31 December are as follows:

	Group and Company	
	2015 \$m	2014 \$m
Cash flow hedge, before taxation	2.3	3.4
Taxation	(0.4)	(0.6)
Effective portion of changes in fair value of cash flow hedge	1.9	2.8

NOTES TO THE FINANCIAL STATEMENTS

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25 Earnings Per Share

Basic earnings per share is calculated by dividing the Group's profit attributable to equity holders by the weighted average number of ordinary shares in issue during the financial year.

For the purpose of calculating the diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to take into account the dilutive effect arising from the StarHub share plans.

	Group	
	2015	2014
	\$m	\$m
Profit attributable to equity holders	372.3	370.5

	Number of shares	
	2015	2014
	'000	'000
Weighted average number of ordinary shares (basic)	1,729,101	1,725,351
Adjustment for dilutive effect of share plans	6,864	7,050
Weighted average number of ordinary shares (diluted)	1,735,965	1,732,401

26 Earnings Before Interest, Taxation, Depreciation and Amortisation

The earnings before interest, taxation, depreciation and amortisation ("EBITDA") is a supplementary indicator of performance used by the Group. The measurement of EBITDA is not covered by FRS. The Group defines EBITDA as follows:

	Group	
	2015	2014
	\$m	\$m
Profit before taxation	440.2	456.1
Adjustments for:		
Depreciation and amortisation (net of asset grants)	271.4	271.2
Finance income	(2.0)	(2.0)
Finance expense	17.8	22.6
Gain on deconsolidation of a subsidiary company	(15.0)	-
Share of loss of associate (net of tax)	0.3	-
EBITDA	712.7	747.9

27 Related Party Transactions

The Company has entered into contractual agreements on behalf of its subsidiaries, and recharges its subsidiaries based on terms agreed between the parties involved.

In the normal course of business, the Group purchases and sells info-communications services to related companies. The related party transactions are carried out on terms negotiated between the parties which are intended to reflect competitive terms.

Other than disclosed above and elsewhere in the financial statements, significant transactions of the Group and the Company with related parties during the financial year were as follows:

	Group		Company	
	2015 \$m	2014 \$m	2015 \$m	2014 \$m
Ultimate holding company				
Sales	0.5	0.7	0.5	0.7
Subsidiaries				
Sales	–	–	534.7	523.4
Purchase of services	–	–	57.6	48.1
Related corporations				
Sales	70.0	77.6	34.7	33.1
Purchase of property, plant and equipment	19.5	18.1	11.8	13.8
Rental expenses	81.7	85.1	33.6	37.1
Purchase of services	183.7	151.8	30.2	36.8
Purchase of inventories	166.1	167.2	165.9	166.8

28 Segment Reporting

Segment information is presented based on the information reviewed by the chief operating decision maker (“CODM”) for performance assessment and resource allocation.

The CODM assess the Group’s financial performance using performance indicators which include revenue, EBITDA, capital expenditure and cash flow of the Group.

The Group operates primarily in Singapore in one segment. The Group delivers its Mobile, Pay TV, Broadband, Fixed networks services and equipment sales on a fully integrated network, customer service, sales, marketing and administration support.

The Group has a large and diversified customer base which consists of individuals and corporations. There was no single customer that contributed to 10% or more of the Group’s revenue.

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28 Segment Reporting (continued)

The Group's reportable segment information is as follows:

	Group	
	2015	2014
	\$m	\$m
Mobile revenue	1,239.8	1,247.6
Pay TV revenue	391.0	389.7
Broadband revenue	200.3	201.9
Fixed network services revenue	384.9	378.3
Sale of equipment	228.3	169.7
Total revenue	2,444.3	2,387.2
EBITDA	712.7	747.9
Depreciation and amortisation (net of asset grants)	(271.4)	(271.2)
Finance income	2.0	2.0
Finance expense	(17.8)	(22.6)
Gain on deconsolidation of a subsidiary company	15.0	-
Share of loss of associate (net of tax)	(0.3)	-
Profit before taxation	440.2	456.1
Taxation	(67.9)	(85.6)
Profit for the year	372.3	370.5
Assets and liabilities		
Non-current assets	1,305.6	1,315.6
Current assets	603.8	671.6
Total assets	1,909.4	1,987.2
Borrowings	687.5	687.5
Other non-current liabilities	143.9	157.8
Current liabilities	890.4	992.9
Total liabilities	1,721.8	1,838.2
Other information		
Capital expenditure	289.0	349.8
Free cash flow *	215.7	333.3

* Free cash flow refers to net cash from operating activities less purchase of property, plant and equipment and intangible assets in the consolidated cash flow statement.

29 Financial Risk Management

Financial risk management objectives and policies

Exposure to credit, liquidity, interest rate and foreign currency risk arises in the normal course of the Group's business. The Group has written risk management policies and guidelines which set out its overall business strategies, its tolerance of risk and its general risk management philosophy, and has established processes to monitor and control the hedging of transactions in a timely and accurate manner.

Derivative financial instruments are used to reduce exposure to fluctuations in foreign exchange rates and interest rates. While these are subject to the risk of market rates changing subsequent to acquisition, such changes are generally offset by opposite effects on the items being hedged.

The Group's accounting policy in relation to derivative financial instruments is set out in Note 2.23.

Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Periodic frequent credit review and counterparty credit limits are practised.

The Group has no significant concentration of credit risk from trade receivables due to its large diversified customer base. Credit evaluations are performed on corporate customers requiring credit. Identification documents are obtained from retail customers. Deposits are obtained for certain categories of higher-risk customers.

The Group places its cash and cash equivalents and enters into treasury transactions only with creditworthy banks and financial institutions.

The maximum credit risk exposure is represented by the carrying value of each financial asset in the statement of financial position.

Liquidity risk

The Group monitors its liquidity risk and actively manages its operating cash flows, debt maturity profile and availability of funding. The Group maintains sufficient level of cash and cash equivalents, and has available funding through diverse sources of committed and uncommitted credit facilities from banks and the capital market through its medium term note programme.

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29 Financial Risk Management (continued)

Liquidity risk (continued)

The following are the expected contractual undiscounted cash outflows (including interest payments) of financial liabilities:

Group	Carrying amount	Contractual cash flows			
		Total	Within 1 year	After 1 year but within 5 years	After 5 years but within 10 years
2015	\$m	\$m	\$m	\$m	\$m
Non-derivative financial liabilities					
Borrowings	687.5	773.7	152.3	387.8	233.6
Trade and other payables ^	548.3	548.3	548.3	-	-
Balances with related parties	122.5	122.5	122.5	-	-
	1,358.3	1,444.5	823.1	387.8	233.6

Group	Carrying amount	Contractual cash flows			
		Total	Within 1 year	After 1 year but within 5 years	After 5 years but within 10 years
2014	\$m	\$m	\$m	\$m	\$m
Non-derivative financial liabilities					
Borrowings	687.5	758.4	211.7	306.4	240.3
Trade and other payables ^	642.4	642.4	642.4	-	-
Balances with related parties	99.2	99.2	99.2	-	-
Derivative financial liabilities					
Interest rate swaps used for hedging	3.3	3.3	3.1	0.2	-
	1,432.4	1,503.3	956.4	306.6	240.3

29 Financial Risk Management (continued)

Liquidity risk (continued)

Company	Carrying amount	Contractual cash flows			
		Total	Within 1 year	After 1 year but within 5 years	After 5 years but within 10 years
2015	\$m	\$m	\$m	\$m	\$m
Non-derivative financial liabilities					
Borrowings	687.5	773.7	152.3	387.8	233.6
Trade and other payables ^	278.0	278.0	278.0	-	-
Balances with related parties	404.4	404.4	404.4	-	-
	1,369.9	1,456.1	834.7	387.8	233.6

Company	Carrying amount	Contractual cash flows			
		Total	Within 1 year	After 1 year but within 5 years	After 5 years but within 10 years
2014	\$m	\$m	\$m	\$m	\$m
Non-derivative financial liabilities					
Borrowings	687.5	758.4	211.7	306.4	240.3
Trade and other payables ^	317.9	317.9	317.9	-	-
Balances with related parties	385.6	385.6	385.6	-	-
Derivative financial liabilities					
Interest rate swaps used for hedging	3.3	3.3	3.1	0.2	-
	1,394.3	1,465.2	918.3	306.6	240.3

^ The carrying amount of trade and other payables disclosed in the table exclude deferred income, unearned revenue, interest accruals for derivative financial liabilities. The interest accruals are included in the derivative financial liabilities.

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YEAR ENDED 31 DECEMBER 2015

29 Financial Risk Management (continued)

The following table indicates the periods in which the cash flow hedges are expected to affect profit or loss:

Group and Company	Within 1 year	After 1 year but within 5 years	Total
2015	\$m	\$m	\$m
Interest rate swaps			
– Assets	0.4	0.1	0.5
Group and Company	Within 1 year	After 1 year but within 5 years	Total
2014	\$m	\$m	\$m
Interest rate swaps			
– Liabilities	1.5	0.2	1.7

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's debt obligations.

The Group adopts a policy of ensuring that at least 50 percent of its exposure to changes in interest rates on bank loans is on a fixed rate basis. Interest rate swaps, denominated in Singapore dollars, have been entered into to achieve this purpose.

At 31 December 2015, the Group had outstanding interest rate swap agreements with notional principal amounts totalling \$145.0 million (2014: \$335.0 million) in cash flow hedges against borrowings. These interest rate swaps will mature over the remaining term ranging from 0.6 year to 1.4 years (2014: 0.1 year to 2.4 years) to match the underlying hedged cash flows arising on the borrowings consisting of semi-annual interest payments. The fixed interest payable are at interest rates ranging from 0.86% to 1.45% per annum (2014: 0.86% to 2.25% per annum).

Sensitivity analysis

The Group's and the Company's borrowings are denominated in Singapore dollars. An increase/decrease in the interest rates by 100 basis points, with all other variables remaining constant, does not have a material impact in the Group's and the Company's profit before taxation (2014: \$0.1 million).

Foreign currency risk

The Group incurs foreign exchange risk on sales and purchases that are denominated in currencies other than Singapore Dollar. The currency giving rise to this risk is primarily the United States Dollar.

The Group's and the Company's exposures to United States Dollar are as follows:

	Group		Company	
	2015 \$m	2014 \$m	2015 \$m	2014 \$m
Trade and other receivables	63.1	31.5	9.3	7.6
Cash and cash equivalents	108.0	39.4	104.1	27.1
Trade and other payables	(132.2)	(145.1)	(35.7)	(63.4)
	38.9	(74.2)	77.7	(28.7)

For operations with significant expenditure denominated in foreign currencies, forward exchange contracts are entered into to hedge the foreign currency risk on forecasted payment obligations. At 31 December 2015, the Group and the Company have outstanding forward exchange contracts with notional principal amounts of approximately \$105.1 million (2014: Nil).

In respect of other monetary liabilities held in foreign currencies, the Group ensures that the net exposure is kept to an acceptable level by buying foreign currencies at spot rates where necessary to address any shortfalls.

29 Financial Risk Management (continued)

Foreign currency risk (continued)

Sensitivity analysis

The Group and Company had assessed that a reasonable change in the exchange rate would not result in a material impact on the Group's and Company's results.

Estimation of fair values

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments of the Group and Company.

Derivatives

Marked to market valuations of the forward exchange contracts are provided by the banks. For interest rate swaps, valuations are also provided by the banks. Those quotes are tested using pricing models or discounted cash flow techniques.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate for a similar instrument at the reporting date. Where other pricing models are used, inputs are based on market related data at the reporting date.

Borrowings

The fair values of borrowings which reprice within one year of reporting date were assumed to equate the carrying value. All other borrowings are calculated using discounted cash flow models based on the present value of future principal and interest cash flows, discounted at the market rate at the reporting date.

Amounts due from subsidiaries (non-current)

Non-current amounts due from subsidiaries are calculated using discounted cash flow model based on the present value of future principal and interest cash flows, discounted at the market rate at the reporting date.

Other financial assets and liabilities

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

Interest rates used in determining fair values

The Group and the Company use the interbank swap yield as of 31 December 2015 plus an adequate constant credit spread to discount financial instruments. The interest rates used are as follows:

	2015 % per annum	2014 % per annum
Derivatives	0.86 – 1.45	0.86 – 2.25

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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

The following table represents the assets and liabilities measured at fair value, using Level 2 valuation method, at reporting date:

	Group and Company	
	2015 \$m	2014 \$m
Financial assets/ (liabilities)		
Mark-to-market financial instruments		
- Forward exchange contracts	1.2	-
- Interest rate swaps	0.8	(1.7)

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30 Capital Management

The Group regularly reviews its financial position, capital structure and use of capital, with the objective of achieving long-term capital efficiency, optimum shareholders' total returns, including the level of dividends, and proper strategic positioning.

From time to time, the Group may purchase its own shares on the market; the timing of these purchases depends on market prices. Such share purchases are intended to be used for issuing shares under the StarHub Share Option Plan, StarHub Performance Share Plan and StarHub Restricted Stock Plan programmes. Other than for such specific purposes, the Group does not have a defined share buy-back plan.

The Group manages the use of capital centrally and all borrowings to fund the operations of the subsidiaries are managed by the Company. The capital employed by the Company consists of equity attributable to shareholders, bank borrowings from financial institutions and medium term note issued.

The Group is not subject to any externally imposed capital requirement.

There were no changes in the Group's approach to capital management during the year.

31 Commitments

(a) Capital and other financial commitments

	Group		Company	
	2015 \$m	2014 \$m	2015 \$m	2014 \$m
Contracted and not provided for in the financial statements:				
– Capital expenditures	285.4	438.9	103.5	107.6
– Other operating expenditures	279.0	378.2	–	–
	564.4	817.1	103.5	107.6

Included in the capital expenditures contracted by the Company is an amount of approximately \$2.7 million (2014: \$4.7 million) which has been entered into on behalf of its subsidiaries.

As at 31 December 2015, the Group has outstanding capital and other financial commitments with related companies amounting to \$10.2 million (2014: \$15.2 million).

(b) Operating leases

Future minimum lease payments under non-cancellable operating leases are as follows:

	Group		Company	
	2015 \$m	2014 \$m	2015 \$m	2014 \$m
Payable:				
– Within 1 year	98.8	99.4	54.0	57.2
– Within 2 to 5 years	106.1	134.1	83.1	84.0
– After 5 years	210.5	60.3	210.3	60.0
	415.4	293.8	347.4	201.2

Included in the operating lease commitment of the Company is \$7.0 million (2014: \$7.1 million) which is contracted on behalf of a subsidiary. The operating leases include lease of premises and network infrastructure. The leases have varying terms and renewal rights.

As at 31 December 2015, the Group has outstanding operating lease commitments with related companies amounting to \$277.6 million (2014: \$139.8 million).

32 Subsequent Event

The directors have proposed a final dividend of \$0.05 (2014: \$0.05) per share, tax exempt (one tier), totalling \$86.5 million (2014: \$86.3 million) in respect of the financial year ended 31 December 2015. This proposed final tax exempt dividend has not been recognised as at year end and will be submitted for shareholders' approval at the forthcoming Annual General Meeting of the Company in 2016.