

Financial Statements 2017

Financials

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Directors' Statement

Year ended 31 December 2017

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 2017.

In our opinion:

- (a) the financial statements set out on pages 143 to 206 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 2017 and the financial performance and the cash flows of the Group, and changes in equity of the Group and of the Company 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	
Nihal Vijaya Devadas Kaviratne CBE	
Rachel Eng Yaag Ngee	
Teo Ek Tor	
Stephen Geoffrey Miller	
Liu Chee Ming	
Michelle Lee Guthrie	(Appointed on 25 August 2017)
Lim Ming Seong	
Nasser Marafih	
Naoki Wakai	(Appointed on 30 August 2017)

Directors' Interests

According to the register kept by the Company for the purposes of Section 164 of the 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:

Names of director and corporation in which interests are held	Holdings at beginning of the year/ date of appointment	Holdings at end of the year
The Company		
<i>Ordinary shares</i>		
Steven Terrell Clontz	80,700	107,700

Directors' Interests (continued)

Names of director and corporation in which interests are held	Holdings at beginning of the year/ date of appointment	Holdings at end of the year
The Company		
<i>Ordinary shares</i>		
Tan Tong Hai	1,343,530	531,424
Ma Kah Woh	81,780	96,580
Nihal Vijaya Devadas Kaviratne CBE	19,000	23,000
Rachel Eng Yaag Ngee	6,900	19,800
Teo Ek Tor	168,738	186,438
Liu Chee Ming	191,584 ⁺	204,984 ⁺
Lim Ming Seong	237,136	255,436
Nasser Marafih	66,330	77,930
Related Corporations		
Olam International Limited		
Euro Medium Term Note Programme		
Nihal Vijaya Devadas Kaviratne CBE	US\$200,000 ⁽¹⁾	US\$200,000 ⁽¹⁾
Singapore Technologies Engineering Ltd		
<i>Ordinary Shares</i>		
Lim Ming Seong	98,336	8,336
Singapore Telecommunications Limited		
<i>Ordinary Shares</i>		
Ma Kah Woh	380	380
TeleChoice International Limited		
<i>Ordinary Shares</i>		
Lim Ming Seong	60,000	60,000

⁺ Held (partly or wholly) by a nominee.

⁽¹⁾ US\$200,000 of the US\$300,000,000 in principal amount of 4.5% fixed rate notes due 2020 under Olam International Limited's Euro Medium Term Note Programme.

Directors' Statement

Year ended 31 December 2017

Directors' Interests (continued)

Names of director and corporation in which interests are held	Holdings at beginning of the year/ date of appointment	Holdings at end of the year
The Company		
<i>Conditional awards of shares under StarHub Performance Share Plan</i>		
Tan Tong Hai	278,600 ⁽²⁾	–
<i>Conditional awards of shares under StarHub Performance Share Plan 2014</i>		
Tan Tong Hai	261,200 ⁽³⁾	261,200 ⁽³⁾
	261,200 ⁽⁴⁾	261,200 ⁽⁴⁾
	–	559,000 ⁽⁵⁾
<i>Conditional awards of shares under StarHub Restricted Stock Plan</i>		
Tan Tong Hai	64,464 ⁽⁶⁾	–
<i>Conditional awards of shares under StarHub Restricted Stock Plan 2014</i>		
Tan Tong Hai	156,200 ⁽⁷⁾	–
	156,200 ⁽⁸⁾	156,200 ⁽⁸⁾
	–	23,430 ⁽⁹⁾
	–	210,000 ⁽¹⁰⁾

⁽²⁾ A conditional award was granted in March 2014. The award lapsed in 2017 as the threshold performance targets were not achieved during the performance period from 2014 to 2016.

⁽³⁾ A conditional award was granted in March 2015. The performance period was 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 stretch performance targets are met or exceeded.

⁽⁴⁾ A conditional award was granted in March 2016. The performance period is from 2016 to 2018. 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 stretch performance targets are met or exceeded.

⁽⁵⁾ A conditional award was granted in April 2017. The performance period is from 2017 to 2019. 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 stretch performance targets are met or exceeded.

⁽⁶⁾ A conditional award was granted in March 2014. The performance period was from 2014 to 2015. The final award was granted in March 2016 based on the actual level of achievement of the pre-determined performance targets. The shares under the final award were partially delivered in 2016, and the balance was delivered in 2017.

⁽⁷⁾ A conditional award was granted in March 2015. The award lapsed in 2017 as the threshold performance targets were not achieved during the performance period from 2015 to 2016.

⁽⁸⁾ A conditional award was granted in March 2016. The performance period was from 2016 to 2017. 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 stretch performance targets are met or exceeded. Shares will be delivered in phases according to the stipulated vesting periods.

⁽⁹⁾ A time-based share award was granted in March 2017. The shares under the award were partially delivered in 2017 and the balance will be delivered in 2018.

⁽¹⁰⁾ A conditional award was granted in April 2017. The performance period was over the one year of 2017. No shares will be delivered if the threshold performance targets are not achieved, while up to 1.0 time the number of shares that are the subject of the award will be delivered if the target performance level of the pre-determined targets are met or exceeded.

Directors' Interests *(continued)*

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 at 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 2018.

Except as disclosed under the "Share-based Payments" 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. Since 31 May 2015, there were no outstanding or unexercised options under the StarHub Share Option Plan 2000 and StarHub Share Option Plan 2004 (collectively "StarHub Share Option Plans").

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 three directors, namely Teo Ek Tor, Stephen Geoffrey Miller and Lim Ming Seong.

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

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.

Directors' Statement

Year ended 31 December 2017

Share-based Payments *(continued)*

- (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 2017, conditional awards aggregating 9,050,250 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 stretch 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 stretch 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 2017, conditional awards aggregating 2,406,900 shares have been granted under the aforesaid plan. For share awards granted during and after the financial year ended 31 December 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 stretch performance targets are met or exceeded. The performance targets benchmark (a) Returns on Invested Capital ("ROIC"), 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 2017	Share awards vested during the financial year	Aggregate share awards outstanding as at 31 December 2017
StarHub PSP 2004				
Executive director:				
Tan Tong Hai	–	960,400	–	–
Key executives	–	7,178,650	–	–
Total	–	8,139,050	–	–
StarHub PSP 2014				
Executive director:				
Tan Tong Hai	559,000	1,081,400	–	1,081,400
Key executives	656,900	1,325,500	–	1,164,083
Total	1,215,900	2,406,900	–	2,245,483

- (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 Cash Flow (“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 to financial year ended 31 December 2016, the performance targets used are measured against the Return on Invested Capital (“ROIC”) and the Earnings Before Interest, Taxation, Depreciation and Amortisation (“EBITDA”).

For performance-based restricted awards granted during and from financial year ended 31 December 2016 onwards, the performance targets used are aligned to the overall strategic financial and operational goals of the Group.

Directors' Statement

Year ended 31 December 2017

Share-based Payments *(continued)*

Since the commencement of the StarHub RSP 2004 to the financial year ended 31 December 2017:

- (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 the stretch 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 were vested 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 2017:

- (1) performance-based restricted awards aggregating 7,075,400 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 the stretch performance targets are met or exceeded;
- (2) restricted awards aggregating 544,200 shares have been vested to non-executive directors of the Company as part of their directors' remuneration, and were vested immediately upon grant;
- (3) a time-based restricted award of 32,500 shares has been granted on 8 July 2015. The shares under this award were vested in two equal tranches over a 2-year period from 8 July 2015 to 7 July 2017 according to a specified vesting schedule;
- (4) a time-based restricted award of 240,000 shares has been granted on 20 May 2016. The shares under this award were vested in two equal tranches over a period from 20 May 2016 to 7 July 2017 according to a specified vesting schedule;
- (5) a time-based restricted award of 592,590 shares has been granted on 15 March 2017. The shares under this award will vest in two equal tranches over a period from 15 March 2017 to 15 January 2018; and
- (6) a time-based restricted award of 400,000 shares has been granted on 6 April 2017. The shares under this award will vest in three tranches over a 3-year period from 13 April 2018 to 15 April 2020.

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 2017	Share awards vested during the financial year	Aggregate share awards outstanding as at 31 December 2017
StarHub RSP 2004				
Non-executive directors:				
Steven Terrell Clontz	–	40,100	–	–
Nihal Vijaya Devadas Kaviratne CBE	–	103,700	–	–
Teo Ek Tor	–	91,100	–	–
Liu Chee Ming	–	76,100	–	–
Lim Ming Seong	–	106,900	–	–
Nasser Marafih	–	50,400	–	–
Executive director:				
Tan Tong Hai	–	739,400	64,464	–
Key employees	–	15,143,700	611,530	–
StarHub RSP 2014				
Non-executive directors:				
Steven Terrell Clontz	27,000	67,600	27,000	–
Ma Kah Woh	14,800	18,000	14,800	–
Nihal Vijaya Devadas Kaviratne CBE	19,100	61,100	19,100	–
Rachel Eng Yaag Ngee	12,900	19,800	12,900	–
Teo Ek Tor	17,700	55,800	17,700	–
Liu Chee Ming	13,400	43,300	13,400	–
Lim Ming Seong	18,300	57,200	18,300	–
Nasser Marafih	11,600	34,900	11,600	–
Executive director:				
Tan Tong Hai	256,860	569,260	23,430	389,630
Key employees	3,053,030	7,771,230	409,065	4,627,782

Directors' Statement

Year ended 31 December 2017

Share-based Payments *(continued)*

During the financial year, a total of 1,306,589 treasury shares were transferred pursuant to the StarHub Share Plans.

As at 31 December 2017, no participant has been granted 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)
Nihal Vijaya Devadas Kaviratne CBE, independent non-executive director
Rachel Eng Yaag Ngee, lead independent non-executive director
Lim Ming Seong, non-executive director

The Audit Committee has held four meetings since the last directors' statement. 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.

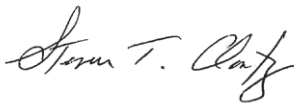
The Audit Committee has undertaken a review of all non-audit services provided by the external auditors, and is satisfied that the independence, objectivity and effectiveness of the external auditors are not compromised as a result thereof, and has recommended to the Board of Directors that KPMG LLP 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



Tan Tong Hai
Director

Singapore
14 February 2018

Independent Auditors' Report

Members of the Company
StarHub Ltd

Report on the audit of the financial statements

Opinion

We have audited the financial statements of StarHub Ltd (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2017, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement of the Group, and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 143 to 206.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for opinion

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

Key audit matters

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

Revenue recognition (\$2,400.7 million) <i>(Refer to note 3.11 'Significant accounting policies' and note 21 'Revenue')</i>	
The key audit matter	How the matter was addressed in our audit
<p>The Group's revenue streams are derived from the provision of Mobile, Pay TV, Broadband, Enterprise Fixed services and sales of equipment.</p> <p>In addition, numerous products and services offered with promotional rates and discounts add to the complexities. Judgement is required to determine the amount and timing of revenue to be recognised.</p> <p>Information used to recognise revenue is based on data captured in network switches, which are interfaced with billing and management IT reporting systems.</p> <p>Impact of product and service variety, different pricing models, together with complexities in telecommunication systems and related configurations of system generated information give rise to the risk that revenue may not be accurately recorded.</p>	<p>Our audit approach was performed with a high reliance on the Group's IT systems and key manual controls.</p> <p>They included in particular:</p> <ul style="list-style-type: none"> • Testing the design and implementation, and operating effectiveness of controls over the capture and recording of revenue transactions from network switches to the billing system, and subsequently to the accounting system. Our IT specialists tested the relevant automated controls, including interface controls between different IT applications. • Testing the design and implementation, and operating effectiveness of relevant manual controls over initiation, authorisation, recording, and processing of revenue transactions. • Performing test calls to check completeness and accuracy of revenue transactions transmitted from the source systems to the accounting systems. • Testing key manual reconciliation controls used by management of certain revenue streams over revenue recognition. • Assessing the appropriateness of revenue recognition policy for the products and services offered by the Group.
<p>Findings</p> <p>We noted no significant issues on the completeness, existence and accuracy of revenue recorded in the year.</p>	
Accruals (\$498.8 million) <i>(Refer to note 3.6(i) 'Significant accounting policies' and note 14 'Trade and other payables')</i>	
The key audit matter	How the matter was addressed in our audit
<p>The Group incurs significant costs in its operations.</p> <p>Due to complexities in the telecommunication industry, negotiations with suppliers and other various parties for payments of certain transactions may take a significant amount of time to complete. Judgement is required in determining the level of accruals needed.</p> <p>Management performed a detailed review of each of its significant accrual accounts relying on historical trend of observable claims and actual costs to assess the sufficiency of these accruals.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> • Obtaining an understanding of and assessed management's process and basis for making accruals. • Reading contracts of certain significant accruals and considering the accounting treatment and timing of recognition. • Testing the accruals utilised during the year to actual invoices and checking that the utilisation of accruals have been correctly accounted for. • Testing key reconciliations used by management to assess the completeness and accuracy of liabilities and accruals. • Assessing management's basis for reversal of significant accruals resulting from changes in management's assessment. • Assessing the reasonableness of basis and key assumptions used by management in deriving certain accruals by comparing the assumptions to historical performance, future business plans and external market information.
<p>Findings</p> <p>We found over-accruals in the estimates used by management. The effects of these over-accruals were not found to be significant to the income statement for the year.</p>	

Independent Auditors' Report

Members of the Company

StarHub Ltd

Impairment assessment of goodwill (\$239.5 million)

(Refer to note 3.7 (ii) 'Significant accounting policies' and note 5 'Intangible assets')

The key audit matter

Goodwill is subject to an annual impairment test or more frequently if there are indications of impairment. The determination of the recoverable amount of the cash-generating unit ("CGU") requires judgement on the part of management in both identifying and valuing the CGU.

Included in the Group's goodwill of \$239.5 million at 31 December 2017, is the goodwill of \$220.3 million which arose from the acquisition of StarHub Cable Vision Ltd ("SCV") in 2002. Management considers SCV to be an essential part of the Group's fully integrated info-communications business. Hence, for impairment testing purposes, management has allocated the goodwill to the CGU comprising the Group's integrated fixed, mobile, cable and broadband operations.

The remaining goodwill of \$19.2 million arose through acquisition of Accel Systems & Technologies Pte. Ltd. in 2017.

Management applies the value-in-use (discounted cash flow) method to determine the recoverable amount of the CGUs. Key assumptions for the value-in-use calculations are the discount rates, growth rates and taking into consideration the competitive pressures on EBITDA margins. These estimates require judgement and the determination of the recoverable amount is a key focus area for our audit.

How the matter was addressed in our audit

Our audit procedures included:

- Evaluating management's determination of CGU based on our knowledge of the business acquisition giving rise to the goodwill and our understanding of the current business of the Group.
- Assessing key assumptions used in the cash flow projections by comparing them against historical performance, future business plans and external market reports.
- Independently deriving applicable discount rates from available industry data and comparing these with those used by management.
- Performing stress tests using plausible range of key assumptions or discount rates, and analysing the impact to the carrying amount.
- Considering the adequacy of the Group's disclosures in respect of impairment testing, including those in respect of the sensitivities of the recoverable amount to variations in assumptions.

Findings

The Group has a basis to determine the CGU for goodwill allocation purpose.

We found that the assumptions and resulting estimates used in the discounted cash flow projections for material CGU were within acceptable range.

We found the Group's disclosure in the financial statements to be compliant with financial reporting standards.

Valuation of trade receivables (\$201.5 million)

(Refer to note 3.7 (i) 'Significant accounting policies' and note 11 'Trade receivables')

The key audit matter

The Group has a policy to provide allowances for trade receivables on specific individual balances and on its receivables portfolio collectively.

Determining the amount of allowance requires management's judgement on overdue debts and the amount of collection default based on past collection trends.

There is a risk that the allowance of doubtful debts recognised may be insufficient.

How the matter was addressed in our audit

Our audit procedures included:

- Performing tests of controls over the Group's collection procedures, and the Group's assessment of the provision required at every period end.
- Assessing the suitability of its policy for the allowance of doubtful debts.
- Evaluating the ageing profile of trade receivables and critically assessing the Group's provision levels by considering the historical cash collection trends.
- Discussing with management on the recoverability of past due debts to assess the sufficiency of allowance for trade receivables through specific and collective provisioning.
- Considering the adequacy of the Group's disclosures in relation to the degree of estimation involved in arriving at the provision.

Findings

We found that the level of allowance of doubtful debts as at 31 December 2017 to be adequate. We have considered the Group's disclosures about the degree of estimation involved in deriving the allowance to be sufficient.

Independent Auditors' Report

Members of the Company
StarHub Ltd

Acquisition of Accel Systems & Technologies Pte. Ltd. – Purchase Price Allocation

(Refer to note 3.1 'Significant accounting policies' and note 32 'Acquisition of subsidiary')

<i>The key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>During the financial year, the Group acquired a total of 80.4% interest in Accel Systems & Technologies Pte. Ltd. ("ASTPL") over two phases.</p> <p>FRS 103 Business Combinations requires the Group to recognise the identifiable assets, liabilities and contingent liabilities at fair value at the date of acquisition, with the excess of the acquisition cost over the identified fair values recognised as goodwill.</p> <p>Management engaged an external firm of specialists to perform the purchase price allocation, including valuation of the identified assets and liabilities.</p> <p>There is judgement and inherent uncertainty involved in the identification and valuation of these assets and liabilities.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none">• Examining the terms and conditions of the sale and purchase agreements and interviewed key management personnel to understand the commercial substance of the transaction.• Considering the objectivity, independence and competency of the external specialists, and the scope of their engagement.• Discussing with management and the external specialists on the purchase price allocation, including the identification and valuation of intangible assets acquired. We compared the methodologies and key assumptions used in determining the fair values assigned to the identifiable assets acquired and liabilities assumed to generally accepted market practices and market data.• Reviewing the appropriateness of the useful lives assigned to the identified intangible assets, having regard to the expected use of these assets.• Considering the disclosures for the acquisition.
<p>Findings</p> <p>We noted management's key assumptions applied in the purchase price allocation in arriving at the fair value of the assets acquired and liabilities assumed to be within a reasonable range.</p> <p>We found the disclosures of the acquisition to be appropriate.</p>	

Other information

Management is responsible for the other information contained in the annual report. Other information is defined as all information in the Annual Report other than the financial statements and our auditors' report thereon. Other than the Directors' Statement, which we have obtained prior to the date of this auditor's report, the other sections included in the Annual Report are expected to be made available to us after that date.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with SSAs. We have nothing to report in this regard with respect to the Directors' Statement.

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for 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.

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent Auditors' Report

Members of the Company
StarHub Ltd

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

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

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

Report on other legal and regulatory requirements

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.

The engagement partner on the audit resulting in this independent auditors' report is Ong Chai Yan.



KPMG LLP

*Public Accountants and
Chartered Accountants*

Singapore

14 February 2018

Statements of Financial Position

As at 31 December 2017

	Note	Group		Company	
		2017 \$m	2016 \$m	2017 \$m	2016 \$m
Non-current assets					
Property, plant and equipment	4	870.1	918.0	425.2	431.0
Intangible assets	5	557.6	463.8	92.3	78.3
Subsidiaries	6	–	–	2,507.8	2,472.8
Associate	7	23.7	25.9	27.8	27.8
Available-for-sale financial assets	8	60.0	40.0	60.0	40.0
Amounts due from related parties	9	7.9	7.6	7.9	7.6
		1,519.3	1,455.3	3,121.0	3,057.5
Current assets					
Inventories	10	71.9	49.6	0.7	0.7
Trade receivables	11	201.5	172.2	167.7	141.7
Other receivables, deposits and prepayments	12	183.5	212.2	47.2	43.6
Amounts due from related parties	9	30.6	21.8	24.8	19.4
Cash and cash equivalents	13	345.2	285.2	321.1	236.0
		832.7	741.0	561.5	441.4
Current liabilities					
Trade and other payables	14	(736.5)	(707.9)	(334.2)	(309.4)
Amounts due to related parties	9	(64.8)	(67.1)	(334.3)	(356.5)
Borrowings	15	(120.0)	(10.0)	(120.0)	(10.0)
Provision for taxation		(71.6)	(70.5)	(20.7)	(15.4)
		(992.9)	(855.5)	(809.2)	(691.3)
Net current liabilities		(160.2)	(114.5)	(247.7)	(249.9)
Non-current liabilities					
Trade and other payables	14	(22.4)	(21.6)	(22.5)	(21.6)
Borrowings	15	(857.5)	(977.5)	(857.5)	(977.5)
Deferred income	16	(0.9)	(1.4)	(0.9)	(1.4)
Deferred tax liabilities	17	(133.4)	(145.4)	(73.9)	(73.5)
		(1,014.2)	(1,145.9)	(954.8)	(1,074.0)
Net assets		344.9	194.9	1,918.5	1,733.6
Equity					
Share capital	18	299.7	299.7	299.7	299.7
Perpetual capital securities	19	199.9	–	199.9	–
Reserves	20	(159.1)	(104.8)	1,418.9	1,433.9
Equity attributable to owners of the Company		340.5	194.9	1,918.5	1,733.6
Non-controlling interests		4.4	–	–	–
Total equity		344.9	194.9	1,918.5	1,733.6

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

Income Statement

Year ended 31 December 2017

	Note	Group	
		2017 \$m	2016 \$m
Revenue	21	2,400.7	2,396.7
Operating expenses	22	(2,071.6)	(2,003.8)
Other income	23	4.4	32.2
Profit from operations		333.5	425.1
Finance income	24	3.7	3.5
Finance expense	24	(29.9)	(26.2)
Net finance costs		(26.2)	(22.7)
Non-operating (loss)/income	25	(0.7)	9.5
Share of loss of associate, net of tax	7	(2.2)	(1.6)
Profit before taxation		304.4	410.3
Taxation	26	(54.8)	(68.9)
Profit for the year		249.6	341.4
Profit attributable to:			
Owners of the Company		249.0	341.4
Non-controlling interests		0.6	–
Profit for the year		249.6	341.4
Earnings per share (in cents)			
- Basic	27	14.2	19.8
- Diluted	27	14.1	19.7
EBITDA	28	613.9	690.1

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

Statement of Comprehensive Income

Year ended 31 December 2017

	Group	
	2017 \$m	2016 \$m
Profit for the year	249.6	341.4
Other comprehensive income		
<i>Items that are or may be reclassified subsequently to profit or loss:</i>		
Change in fair value of available-for-sale financial assets, net of taxation	5.6	12.5
Foreign currency translation differences	0.1	–
Effective portion of changes in fair value of cash flow hedges, net of taxation	(14.5)	3.9
Other comprehensive (loss)/income for the year, net of taxation	(8.8)	16.4
Total comprehensive income for the year	240.8	357.8
Total comprehensive income attributable to:		
Owners of the Company	240.2	357.8
Non-controlling interests	0.6	–
Total comprehensive income for the year	240.8	357.8

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

Statements of Changes in Equity

Year ended 31 December 2017

Group	Share capital \$m	Perpetual capital securities \$m	Treasury shares \$m	Goodwill written off \$m	Share-based payments reserve \$m	Fair value reserve \$m	Hedging reserve \$m	Translation reserve \$m	Retained profits \$m	Total reserves \$m	Non-controlling interests \$m	Total equity \$m
At 1 January 2017	299.7	–	(12.3)	(276.3)	14.1	12.5	4.4	1.3	151.5	(104.8)	–	194.9
Total comprehensive income for the year												
Profit for the year	–	–	–	–	–	–	–	–	249.0	249.0	0.6	249.6
Other comprehensive income/(loss)												
Net change in fair value of available-for-sale financial assets	–	–	–	–	–	5.6	–	–	–	5.6	–	5.6
Foreign currency translation differences	–	–	–	–	–	–	–	0.1	–	0.1	–	0.1
Effective portion of changes in fair value of cash flow hedges, net of taxation	–	–	–	–	–	–	(14.5)	–	–	(14.5)	–	(14.5)
Total comprehensive income/(loss) for the year	–	–	–	–	–	5.6	(14.5)	0.1	249.0	240.2	0.6	240.8
Transactions with equity holders of the Company, recognised directly in equity												
<i>Contributions by and distributions to equity holders of the Company</i>												
Acquisition of subsidiary with non-controlling interests	–	–	–	–	–	–	–	–	–	–	3.8	3.8
Issue of Perpetual capital securities	–	199.6	–	–	–	–	–	–	–	–	–	199.6
Accrued Perpetual capital securities distribution	–	4.3	–	–	–	–	–	–	(4.3)	(4.3)	–	–
Perpetual capital securities distribution paid	–	(4.0)	–	–	–	–	–	–	0.7	0.7	–	(3.3)
Issue of shares pursuant to share plans	–	–	4.1	–	(4.1)	–	–	–	–	–	–	–
Share-based payment expenses	–	–	–	–	3.4	–	–	–	–	3.4	–	3.4
Tax impact on transfer of treasury shares	–	–	–	–	(0.4)	–	–	–	–	(0.4)	–	(0.4)
Dividends paid (Note 30)	–	–	–	–	–	–	–	–	(293.9)	(293.9)	–	(293.9)
Total transactions with equity holders of the Company	–	199.9	4.1	–	(1.1)	–	–	–	(297.5)	(294.5)	3.8	(90.8)
At 31 December 2017	299.7	199.9	(8.2)	(276.3)	13.0	18.1	(10.1)	1.4	103.0	(159.1)	4.4	344.9

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

Group	Share capital \$m	Treasury shares \$m	Goodwill written off \$m	Share-based payments reserve \$m	Fair value reserve \$m	Hedging reserve \$m	Translation reserve \$m	Retained profits \$m	Total reserves \$m	Total equity \$m
At 1 January 2016	293.5	–	(276.3)	12.3	–	0.5	1.3	156.3	(105.9)	187.6
Total comprehensive income for the year										
Profit for the year	–	–	–	–	–	–	–	341.4	341.4	341.4
Other comprehensive income										
Net change in fair value of available-for-sale financial assets	–	–	–	–	12.5	–	–	–	12.5	12.5
Effective portion of changes in fair value of cash flow hedges, net of taxation	–	–	–	–	–	3.9	–	–	3.9	3.9
Total comprehensive income for the year	–	–	–	–	12.5	3.9	–	341.4	357.8	357.8
Transactions with equity holders of the Company, recognised directly in equity										
<i>Contributions by and distributions to equity holders of the Company</i>										
Treasury shares purchased by the Company	–	(12.3)	–	–	–	–	–	–	(12.3)	(12.3)
Issue of shares pursuant to share plans	6.2	–	–	(6.2)	–	–	–	–	(6.2)	–
Share-based payment expenses	–	–	–	7.2	–	–	–	–	7.2	7.2
Tax impact on transfer of treasury shares	–	–	–	0.8	–	–	–	–	0.8	0.8
Dividends paid (Note 30)	–	–	–	–	–	–	–	(346.2)	(346.2)	(346.2)
Total transactions with equity holders of the Company	6.2	(12.3)	–	1.8	–	–	–	(346.2)	(356.7)	(350.5)
At 31 December 2016	299.7	(12.3)	(276.3)	14.1	12.5	4.4	1.3	151.5	(104.8)	194.9

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

Statements of Changes in Equity *(continued)*

Year ended 31 December 2017

Company	Share capital \$m	Perpetual capital securities \$m	Treasury shares \$m	Merger/ capital reserve \$m	Share-based payments reserve \$m	Fair value reserve \$m	Hedging reserve \$m	Retained profits \$m	Total reserves \$m	Total equity \$m
At 1 January 2017	299.7	–	(12.3)	276.5	14.1	12.5	–	1,143.1	1,433.9	1,733.6
Total comprehensive income for the year										
Profit for the year	–	–	–	–	–	–	–	273.9	273.9	273.9
Other comprehensive income										
Net change in fair value of available-for-sale financial assets	–	–	–	–	–	5.6	–	–	5.6	5.6
Total comprehensive income for the year	–	–	–	–	–	5.6	–	273.9	279.5	279.5
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 Perpetual capital securities	–	199.6	–	–	–	–	–	–	–	199.6
Accrued Perpetual capital securities distribution	–	4.3	–	–	–	–	–	(4.3)	(4.3)	–
Perpetual capital securities distribution paid	–	(4.0)	–	–	–	–	–	0.7	0.7	(3.3)
Issue of shares pursuant to share plans	–	–	4.1	–	(4.1)	–	–	–	–	–
Share-based payment expenses	–	–	–	–	3.4	–	–	–	3.4	3.4
Tax impact on transfer of treasury shares	–	–	–	–	(0.4)	–	–	–	(0.4)	(0.4)
Dividends paid (Note 30)	–	–	–	–	–	–	–	(293.9)	(293.9)	(293.9)
Total transactions with equity holders of the Company	–	199.9	4.1	–	(1.1)	–	–	(297.5)	(294.5)	(94.6)
At 31 December 2017	299.7	199.9	(8.2)	276.5	13.0	18.1	–	1,119.5	1,418.9	1,918.5

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	Fair value reserve \$m	Hedging reserve \$m	Retained profits \$m	Total reserves \$m	Total equity \$m
At 1 January 2016	293.5	–	276.5	12.3	–	0.5	992.2	1,281.5	1,575.0
Total comprehensive income for the year									
Profit for the year	–	–	–	–	–	–	497.1	497.1	497.1
Other comprehensive income/(loss)									
Net change in fair value of available-for-sale financial assets	–	–	–	–	12.5	–	–	12.5	12.5
Effective portion of changes in fair value of cash flow hedges, net of taxation	–	–	–	–	–	(0.5)	–	(0.5)	(0.5)
Total comprehensive income/(loss) for the year	–	–	–	–	12.5	(0.5)	497.1	509.1	509.1
Transactions with equity holders of the Company, recognised directly in equity									
<i>Contributions by and distributions to equity holders of the Company</i>									
Treasury shares purchased by the Company	–	(12.3)	–	–	–	–	–	(12.3)	(12.3)
Issue of shares pursuant to share plans	6.2	–	–	(6.2)	–	–	–	(6.2)	–
Share-based payment expenses	–	–	–	7.2	–	–	–	7.2	7.2
Tax impact on transfer of treasury shares	–	–	–	0.8	–	–	–	0.8	0.8
Dividends paid (Note 30)	–	–	–	–	–	–	(346.2)	(346.2)	(346.2)
Total transactions with equity holders of the Company	6.2	(12.3)	–	1.8	–	–	(346.2)	(356.7)	(350.5)
At 31 December 2016	299.7	(12.3)	276.5	14.1	12.5	–	1,143.1	1,433.9	1,733.6

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

Consolidated Cash Flow Statement

Year ended 31 December 2017

	2017	2016
	\$m	\$m
Cash flow from operating activities		
Profit before taxation	304.4	410.3
Adjustments for:		
Depreciation and amortisation, net of asset grants	280.4	265.0
Income related grants	(4.4)	(32.0)
Share-based payments	3.4	7.2
Changes in fair value of financial instruments	–	1.2
Net finance costs	26.2	22.7
Non-operating loss/(income)	0.7	(9.5)
Share of loss of associate, net of tax	2.2	1.6
Others	1.9	1.6
	614.8	668.1
Changes in:		
Inventories	(22.3)	4.7
Trade receivables	(24.8)	(18.9)
Other receivables, deposits and prepayments	22.2	(19.3)
Trade and other payables	9.3	19.9
Amounts due from related parties	(9.9)	5.3
Amounts due to related parties	(6.8)	(55.4)
Cash generated from operations	582.5	604.4
Income tax paid	(65.3)	(53.7)
Net cash from operating activities	517.2	550.7
Cash flow from investing activities		
Interest received	3.4	3.3
Proceeds from disposal of property, plant and equipment and intangible assets	1.9	0.8
Purchase of property, plant and equipment and intangible assets	(295.9)	(366.7)
Purchase of available-for-sale financial assets	(15.0)	(18.0)
Acquisition of subsidiary, net of cash acquired (Note 32)	(22.6)	–
Repayment of loan from/(loan to) an associate	1.1	(8.7)
Net cash used in investing activities	(327.1)	(389.3)
Cash flow from financing activities		
Net proceeds from issue of Perpetual capital securities	199.6	–
Treasury shares purchased by the Company	–	(12.3)
Grants received	8.2	34.0
Proceeds from issue of medium term notes	–	300.0
Repayment of bank loans	(10.0)	–
Dividend paid to owners of the Company	(293.9)	(346.2)
Perpetual capital securities distribution paid	(4.0)	–
Interest paid	(30.0)	(25.1)
Net cash used in financing activities	(130.1)	(49.6)
Net change in cash and cash equivalents	60.0	111.8
Cash and cash equivalents at beginning of year	285.2	173.4
Cash and cash equivalents at end of year (Note 13)	345.2	285.2

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

Notes to the Financial Statements

Year ended 31 December 2017

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 14 February 2018.

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 6 to the financial statements.

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

2 Basis of Preparation

2.1 Statement of compliance

The financial statements are prepared in accordance with the Singapore Financial Reporting Standards (“FRS”).

2.2 Basis of measurement

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.

2.3 Functional and presentation currency

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.

2.4 Significant accounting estimates and judgements

The preparation of financial statements in conformity with FRSs 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.

Notes to the Financial Statements

Year ended 31 December 2017

2 Basis of Preparation *(continued)*

2.4 Significant accounting estimates and judgements *(continued)*

In the application of the Group's accounting policies, which are described in Note 3, 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 of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

- Measurement of recoverable amounts relating to goodwill impairment

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. The impairment assessment requires an estimation of the value-in-use of the cash generating unit ("CGU") to which the goodwill is allocated.

Assessing the value-in-use requires the Group to make an estimate of the expected future cash flows from the CGU and apply an appropriate discount rate in order to calculate the present value of those cash flows. Actual cash flows will differ from these estimates as a result of differences between assumptions used and actual operations (see Note 5).

- Measurement of impairment losses on investments in subsidiaries and recoverable amounts of loans to subsidiaries

The carrying values of investments in subsidiaries are reviewed for impairment whenever there is any indication that the investment is impaired. This determination requires significant judgement. The Group's fixed, mobile, cable and broadband operations are integrated and generate interdependent cash flows, the assessment is performed on the same CGU determined for purposes of assessing impairment of goodwill (see Note 5). Accel Systems & Technologies Pte. Ltd. ("ASTPL"), a newly acquired subsidiary is a separate CGU on its own.

- Measurement of recoverable amounts of trade receivables and amounts owing from related parties

The Group evaluates whether there is any objective evidence that trade receivables and amounts owing from related parties are impaired, and determine the amount of impairment loss as a result of the inability of the debtors to make the required payments. The Group bases the estimates on the ageing of the receivables balance, credit worthiness of the debtors and historical write-off experience. The Group has a policy to provide allowance for receivable balances on specific individual balances and on its receivables portfolio collectively. If financial conditions of the debtors were to deteriorate, actual write-offs would be higher than that estimated.

- Adequacy of accruals

Assessing the adequacy of accruals made at the reporting date requires the Group to make judgements in determining the level of accruals needed for costs that span the year end where settlement has not been fully and finally made. Due to the complexities in the telecommunication industry, agreement on amounts payable to suppliers may take a significant amount of time. The Group determines the sufficiency of these accruals based on historical trend of observable claims and actual costs. Actual payments may differ from these estimates when the final settlements are reached between the parties.

- Acquisition of subsidiary – determination of fair value of consideration transferred (including contingent consideration) and fair value of the assets acquired and liabilities assumed (see Note 32).

2 Basis of Preparation (continued)

2.5 Changes in accounting policies

Revised standards

The Group has applied the following amendments for the first time for the annual period beginning 1 January 2017:

- *Disclosure Initiative (Amendments to FRS 7);*
- *Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to FRS 12); and*
- *Clarification of the scope of FRS 112 (Improvements to FRSs 2016).*

Other than the amendments to FRS 7, the adoption of these amendments did not have any impact on the current or prior period and is not likely to affect future periods.

Disclosure Initiative (Amendments to FRS 7)

From 1 January 2017, as a result of amendments to FRS 7, the Group has provided additional disclosure in relation to the changes in liabilities arising from financing activities for the year ended 31 December 2017. Comparative information has not been presented (see Note 15).

2.6 Full convergence with Singapore Financial Reporting Standards (International) (SFRS(I)) and adoption of new standards

Applicable to 2018 financial statements

(a) Convergence with SFRS(I)

Summary of the requirements

In December 2017, the Accounting Standards Council ("ASC") issued the Singapore Financial Reporting Standards (International) (SFRS(I)). Singapore-incorporated companies that have issued, or are in the process of issuing equity or debt instruments for trading in a public market in Singapore, will apply SFRS(I) with effect from annual periods beginning on or after 1 January 2018.

The Group's financial statements for the financial year ending 31 December 2018 will be prepared in accordance with SFRS(I). As a result, this will be the last set of financial statements prepared under the current FRS.

Potential impact on the financial statements

When the Group adopts SFRS(I) in 2018, the Group will apply SFRS(I) 1 with 1 January 2017 as the date of transition for the Group and the Company. SFRS(I) 1 generally requires that the Group applies SFRS(I) on a retrospective basis, as if such accounting policy had always been applied. If there are changes to accounting policies arising from new or amended standards effective in 2018, restatement of comparatives may be required because SFRS(I) 1 requires both the opening balance sheet and comparative information to be prepared using the most current accounting policies. SFRS(I) 1 provides mandatory exceptions and optional exemptions from retrospective application, but these are often different from those specific transition provisions in individual FRSs applied to the FRS financial statements. Except as described below, the Group does not expect the application of the mandatory exceptions and the optional exemptions in SFRS(I) 1 to have any significant impact on the financial statements:

(i) Investments in subsidiaries at deemed cost

The Group, through its "Hubbing" strategy, operates and delivers its Mobile, Pay TV, Broadband and Enterprise Fixed services on an operationally integrated network, customer service, sales, marketing and administration support. However, the cost of investment in the subsidiaries held by the Company is not reflective of the real business value of the respective subsidiaries. As such, the optional exemption under SFRS(I) 1 which allows the use of fair value as the deemed cost as at the date of transition will be elected to reflect the appropriate fair value of the Company's investment in subsidiaries through the fair value of its subsidiaries.

The Company expects the carrying value of investments in subsidiaries to increase with a corresponding increase in retained earnings as at 1 January 2017.

Notes to the Financial Statements

Year ended 31 December 2017

2 Basis of Preparation *(continued)*

2.6 Full convergence with Singapore Financial Reporting Standards (International) (SFRS(I)) and adoption of new standards *(continued)*

Applicable to 2018 financial statements *(continued)*

(a) Convergence with SFRS(I) *(continued)*

Potential impact on the financial statements *(continued)*

(ii) Merger/capital reserve

The Company's merger/capital reserve arose from the acquisition of StarHub Cable Vision Ltd. ("SCV") in 2002 (see Note 20).

The Company will transfer the merger/capital reserve to retained earnings upon adoption of SFRS(I).

In adopting the new framework, the Group will be required to apply the specific transition requirements in SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*.

In addition to the adoption of the new framework, the following new SFRS(I)s, amendments to and interpretations of SFRS(I) are effective from the same date.

- SFRS(I) 15 *Revenue from Contracts with Customers and Amendments to SFRS(I) 15 Clarifications to SFRS(I) 15*;
- SFRS(I) 9 *Financial Instruments*;
- *Classification and Measurement of Share-based Payment Transactions* (Amendments to SFRS(I) 2);
- *Transfers of Investment Property* (Amendments to SFRS(I) 1-40);
- *Deletion of short-term exemptions for first-time adopters* (Amendments to SFRS(I) 1);
- *Measuring an Associate or Joint Venture at Fair Value* (Amendments to SFRS(I) 1-28);
- *Applying SFRS(I) 9 Financial Instruments with SFRS(I) 4 Insurance Contracts* (Amendments to SFRS(I) 4); and
- SFRS(I) INT 22 *Foreign Currency Transactions and Advance Consideration*.

The Group does not expect the application of the above standards and interpretations to have a significant impact on the financial statements, except for SFRS(I) 15.

(b) SFRS(I) 15 *Revenue from Contracts with Customers*

Summary of the requirements

SFRS(I) 15 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.

SFRS(I) 15 provides a five-step model for revenue recognition arising from contracts with customers which requires revenue be recognised at an amount that reflects the consideration which an entity expects to be entitled to in exchange for transferring goods or services to a customer.

This new standard will supersede all current revenue recognition requirements under FRS. A full retrospective application is required for annual periods beginning on or after 1 January 2018 in alignment with SFRS(I) 1 *First time Adoption of SFRS(I)*.

2 Basis of Preparation *(continued)*

2.6 Full convergence with Singapore Financial Reporting Standards (International) (SFRS(I)) and adoption of new standards *(continued)*

Applicable to 2018 financial statements *(continued)*

(b) SFRS(I) 15 Revenue from Contracts with Customers *(continued)*

Summary of the requirements *(continued)*

The key elements of SFRS(I) 15 that have material impact on the Group's revenue and cost recognition are as follows:

Bundled products and services

Under SFRS(I) 15, revenue will be allocated to the individual elements within bundled products and services based on their relative standalone selling prices at contract inception.

Variable consideration

Certain contracts with customers include variable considerations like right of return, trade discounts or volume rebates. Currently, the Group recognises revenue from the sale of goods measured at the fair value of the consideration received or receivable, net of returns and allowance, trade discounts and volume rebates. If revenue cannot be reliably measured, the Group defers revenue recognition until the uncertainty is resolved. Under SFRS(I) 15, such provisions will be estimated at contract inception and every reporting period, and adjusted against revenue.

Material Right

Under SFRS(I) 15, options to acquire additional goods or services represent separate performance obligations if they provide the customer a material right that the customer would not otherwise receive. In these cases, revenue from the contract is deferred and recognised when future goods and services are transferred or when the option expires. The transaction price is allocated to performance obligations (including the option) based on relative standalone selling prices.

Contract modification

Changes in scope or price (or both) of a contract that is approved by parties to the contract are contract modifications. SFRS(I) 15 prescribes the treatments of contract modifications depending on the attributes of the modification and the remaining goods and/or services.

Contract cost

SFRS(I) 15 requires the incremental costs of obtaining a contract to be recognised as an asset if the entity expects to recover those costs. Those incremental costs are limited to the costs that the entity would not have incurred if the contract had not been successfully obtained. A practical expedient is available, allowing the incremental costs of obtaining a contract to be expensed if the associated amortisation period would be 12 months or less.

Transition

The following practical expedients are available when applying SFRS(I) 15 retrospectively.

For completed contracts, an entity need not restate contracts that begin and end within the same annual reporting period or are completed contracts at the beginning of the earliest period presented, and for those with variable consideration, the use of transaction price of the variable consideration at the date the contract was completed is allowed. For contracts that were modified before the beginning of the earliest period presented, an entity need not retrospectively restate the contract for those contract modifications. Instead, an entity shall reflect the aggregate effect of all of the modifications that occur before the beginning of the earliest period presented.

For all reporting periods presented before the date of initial application, an entity need not disclose the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the entity expects to recognise that amount as revenue.

Notes to the Financial Statements

Year ended 31 December 2017

2 Basis of Preparation *(continued)*

2.6 Full convergence with Singapore Financial Reporting Standards (International) (SFRS(I)) and adoption of new standards *(continued)*

Applicable to 2018 financial statements *(continued)*

(b) SFRS(I) 15 Revenue from Contracts with Customers *(continued)*

Potential impact on the financial statements

The Group plans to adopt SFRS(I) 15 in its financial statements for the year ending 31 December 2018, using the retrospective approach. As a result, the Group will apply all of the requirements of SFRS(I) 15 retrospectively, and the comparative period presented in the 2018 financial statements will be restated.

Summary of the potential impact from the adoption of SFRS(I) 15 are as follows:

The Group expects an increase in the revenue allocated to sales of equipment and a corresponding reduction in the revenue allocated to services under SFRS(I) 15. Due to the requirement to estimate and account for variable consideration and material rights, deferral of service revenue is expected.

The Group expects operating expenses to be lower at initial adoption of standard due to deferral of the recognition of the cost of acquiring customers over the contract duration. The Group plans to adopt the practical expedient to expense the incremental costs of obtaining a contract that has a contract period of less than 12 months.

The Group expects an increase in total assets at initial adoption due to the recognition of contract assets arising mainly from allocation of revenue to sale of equipment and deferral of cost of acquiring customers.

The Group plans to apply all the practical expedients available.

(c) SFRS(I) 9 Financial Instruments

Summary of the requirements

SFRS(I) 9 replaces most of the existing guidance in FRS 39 *Financial Instruments: Recognition and Measurement*. It contains new requirements for 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 also carries forward the guidance on recognition and derecognition of financial instruments from FRS 39.

SFRS(I) 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. Retrospective application is generally required, except for hedge accounting. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. Restatement of comparative information is not mandatory. If comparative information is not restated, the cumulative effect is recorded in opening equity as at 1 January 2018.

Potential impact on the financial statements

SFRS(I) 9 will impact the classification and measurement of the Group's financial instruments and will require certain additional disclosures. Changes in accounting policies resulting from the adoption of SFRS(I) 9 will generally be applied by the Group retrospectively, except as described below:

- The Group plans to adopt the exemption in SFRS(I) 1 allowing it not to restate comparative information in the 2018 SFRS(I) financial statements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of SFRS(I) 9 are recognised in retained earnings and reserves as at 1 January 2018.

2 Basis of Preparation (continued)

2.6 Full convergence with Singapore Financial Reporting Standards (International) (SFRS(I)) and adoption of new standards (continued)

Applicable to 2018 financial statements (continued)

(c) SFRS(I) 9 Financial Instruments (continued)

Potential impact on the financial statements (continued)

- The following assessments have to be made on the basis of facts and circumstances that existed at 1 January 2018:
 - The determination of the business model within which a financial asset is held.
 - The determination of whether the contractual terms of a financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- New hedge accounting requirements are applied prospectively. All hedging relationships designated under FRS 39 *Financial Instruments: Recognition and Measurement* at 31 December 2017 that meet the criteria for hedge accounting under SFRS(I) 9 at 1 January 2018 will be regarded as continuing hedging relationships.

Classification and measurement

For financial assets currently held at fair value, the Group expects to continue measuring most of these assets at fair value under SFRS(I) 9. The Group plans to elect to present in other comprehensive income the changes in fair value of its available-for-sale (“AFS”) equity securities that are held by the Group and the Company because these investments are not held for trading.

As at 1 January 2018, the Group and the Company does not expect any material changes in the carrying amount of financial assets and liabilities.

Impairment

SFRS(I) 9 replaces the current ‘incurred loss’ model with a forward-looking expected credit loss (“ECL”) model. The new impairment model will apply to financial assets measured at amortised cost or fair value through other comprehensive income (“FVOCI”), except for investments in equity instruments, and certain loan commitments and financial guarantee contracts.

The Group plans to apply the simplified approach and record lifetime ECL on all trade receivables and any contract assets arising from the application of SFRS(I) 15. The Group and Company do not expect any material impact.

Applicable to financial statements for the year 2019 and thereafter

The following new SFRS(I), amendments to and interpretations of SFRS(I) are effective for annual periods beginning after 1 January 2019:

- SFRS(I) 16 *Leases*
- SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*
- *Income tax consequences of payments on financial instruments classified as equity* (Amendments to IAS 12)#

Except for those marked as #, the ASC has issued the above new SFRS(I), amendments to and interpretations of IFRS as SFRS(I). The Group is still in the process of assessing the impact of the new SFRS(I)s, amendments to and interpretations of SFRS(I)s on the financial statements. The Group’s preliminary assessment of SFRS(I) 16, which is relevant and have a more significant impact to the Group, is as described below.

Notes to the Financial Statements

Year ended 31 December 2017

2 Basis of Preparation *(continued)*

2.6 Full convergence with Singapore Financial Reporting Standards (International) (SFRS(I)) and adoption of new standards *(continued)*

Applicable to 2019 financial statements and thereafter *(continued)*

(d) SFRS(I) 16 Leases

Summary of the requirements

SFRS(I) 16 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use ("ROU") assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

SFRS(I) 16 substantially carries forward the lessor accounting requirements in FRS 17 Leases. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the FRS 17 operating lease and finance lease accounting models respectively. However, SFRS(I) 16 requires more extensive disclosures to be provided by a lessor.

When effective, SFRS(I) 16 replaces existing lease accounting guidance, including FRS 17 *Leases*, INT FRS 104 *Determining whether an Arrangement contains a Lease*; INT FRS 15 *Operating Leases-Incentives*; and INT FRS 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted if SFRS(I) 15 is also applied.

Potential impact on the financial statements

The Group plans to adopt the standard when it becomes effective in 2019 and expects to apply the standard using the modified retrospective approach. The Group also expects the ROU assets recognised at date of initial application to be equal to their lease liabilities.

The Group is likely to elect the practical expedient not to reassess whether a contract contains a lease at the date of initial application, 1 January 2019. Accordingly, existing lease contracts that are still effective on 1 January 2019 will be accounted for as lease contracts under SFRS(I) 16. The Group is currently assessing the quantitative impact on the financial statements.

The Group will perform a detailed analysis of the standard, including the transition options and practical expedients in 2018.

3 Significant Accounting Policies

The accounting policies set out below have been applied consistently by the Group entities to all periods presented in these financial statements, except as explained in Note 2.5, which addresses changes in accounting policies.

3.1 Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method in accordance with FRS 103 *Business Combinations* as at the date of acquisition, which is the date on which control is transferred to the Group.

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

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

When share-based payment awards (replacement awards) are exchanged for awards held by the acquirees' employees (acquirees' awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

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

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

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

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

(ii) Subsidiaries

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

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

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.

Notes to the Financial Statements

Year ended 31 December 2017

3 Significant Accounting Policies *(continued)*

3.1 Basis of consolidation *(continued)*

(ii) Subsidiaries *(continued)*

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.

(iii) Loss of control

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 interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in the income statement. Any remaining interest in the previous subsidiary is recognised at its fair value at the date that control is lost. 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.

(iv) Associates

Associates are those entities in which the Group has significant influence, but not control or joint 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 associates is accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the income statement and other comprehensive income of equity-accounted investees, 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.

(v) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3 Significant Accounting Policies *(continued)*

3.2 Foreign currencies

(i) **Foreign currencies transactions**

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

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognised in the income statement, except for the following differences which are recognised in other comprehensive income arising on the translation of:

- available-for-sale equity instruments (except on impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to the income statement); or
- qualifying cash flow hedges to the extent the hedge is effective.

(ii) **Foreign operations**

The assets and liabilities of foreign operations are translated to Singapore dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Singapore dollars at average rates during the year.

Foreign currency translation differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity. However, if the foreign operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the 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 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.

3.3 Property, plant and equipment

(i) **Recognition and measurement**

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 cost of self-constructed assets include the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for their intended use, and when the Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the assets and restoring the site on which they are located and capitalised borrowing costs.

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.

(ii) **Subsequent 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 and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

Notes to the Financial Statements

Year ended 31 December 2017

3 Significant Accounting Policies *(continued)*

3.3 Property, plant and equipment *(continued)*

(iii) Depreciation

Depreciation is provided on a straight-line basis over the estimated useful lives (or lease term, if shorter) of each part of an item of property, plant and equipment as follows:

Leasehold buildings	-	30 years to 42 years
Leasehold improvements	-	Shorter of lease term or 5 years
Network equipment and infrastructure	-	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 the end of each reporting date.

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

3.4 Intangible assets

(i) Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. Goodwill arising on the acquisition of associates is presented together with investments in associates.

Acquisitions prior to 1 January 2001

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.

Acquisitions occurring between 1 January 2001 and 31 December 2009

Goodwill arising on acquisitions 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 pre-existing equity interest in the acquiree,

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

When the excess is negative, a bargain purchase gain is recognised immediately in the income statement.

Goodwill is measured at cost less accumulated impairment losses. Goodwill is tested for impairment on an annual basis as described in Note 3.7(ii).

Goodwill that has previously been taken to the 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 the income statement when the business is disposed.

In respect of associates, 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 associates.

3 Significant Accounting Policies *(continued)*

3.4 Intangible assets *(continued)*

(ii) **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 the income statement using the straight-line method over the period of the licence, being 10 years to 21 years, commencing from the effective date of the licence.

(iii) **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 the 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 the income statement as incurred.

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

(iv) **Customer contracts and relationships**

Customer contracts and relationships are acquired in business combinations and carried at fair value at the date of acquisition, and amortised to the income statement using the straight-line method over the estimated useful lives of 3 to 14.5 years.

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

3.5 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.

3.6 Financial instruments

(i) **Non-derivative financial instruments**

Non-derivative financial instruments comprise investments in equity securities, trade and other receivables (including amounts due from related parties), cash and bank balances, trade and other payables (including amounts due to related parties), and borrowings.

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

A financial instrument is recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or transfer substantially all the risks and rewards of ownership of the asset. On disposal of a financial asset, the difference between the sale proceeds and the carrying amount is recognised in the income statement. Any amount in the fair value reserve relating to that asset is reclassified to the income statement. Regular way purchases and sales of financial assets are accounted for at trade date, i.e. the date that the Group commits itself to purchase or sell the asset.

Notes to the Financial Statements

Year ended 31 December 2017

3 Significant Accounting Policies *(continued)*

3.6 Financial instruments *(continued)*

(i) Non-derivative financial instruments *(continued)*

Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

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

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below:

Loans and receivables

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

Loans and receivables comprise cash and cash equivalents, and trade and other receivables (including amounts due from related parties, excluding prepayments).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the above categories of financial assets. Available-for-sale financial assets are initially measured at fair value (normally the transaction price) plus any directly attributable transaction costs.

When the fair value at initial recognition differs from the transaction price, for fair value evidenced by a quoted price in an active market, the difference will be recognised as a gain or loss in the income statement. For all other cases, the difference would be recognised to other comprehensive income.

Subsequent to initial recognition, available-for-sale financial assets are measured at fair value and changes therein are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to the income statement.

Available-for-sale financial assets comprise equity securities.

Trade and other payables

Trade and other payables (including amounts due to related parties, excluding deferred income, unearned revenue, marked-to-market financial instruments, net GST payable and employee benefits) are carried at amortised cost using the effective interest method.

Borrowings

Borrowings are carried 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 the income statement over the period of the borrowings.

3 Significant Accounting Policies (continued)

3.6 Financial instruments (continued)

(ii) Share capital

Ordinary Shares

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.

Repurchase, disposal and reissue of share capital (treasury shares)

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.

Perpetual Capital Securities

The perpetual securities do not have a maturity date and the Company is able to elect to defer making a distribution subject to the terms and conditions of the securities issue. Accordingly, the Company is not considered to have a contractual obligation to make principal repayments or distributions in respect of its perpetual capital securities issue. The perpetual securities are presented within equity. Distributions are treated as dividends which will be directly debited from equity. Costs directly attributable to the issue of the perpetual capital securities are deducted against the proceeds from the issue.

(iii) Derivative financial instruments, including hedge accounting

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 below.

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.

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.

Notes to the Financial Statements

Year ended 31 December 2017

3 Significant Accounting Policies *(continued)*

3.6 Financial instruments *(continued)*

(iii) **Derivative financial instruments, including hedge accounting** *(continued)*

Cash flow hedges *(continued)*

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.

Other non-trading derivatives

When a derivative financial instrument is not designated in a hedge relationship that qualifies for hedge accounting, all changes in its fair value are recognised immediately in the income statement.

3.7 Impairment

(i) **Non-derivative financial assets**

A financial asset not carried at fair value through profit or loss, including an interest in an associate, is assessed at the end of each reporting period to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the estimated future cash flows of that asset that can be estimated reliably.

Loans and receivables

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Group considers evidence of impairment for loans and receivables at both specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment, the Group uses historical write-off patterns and ageing of receivables. Bad debts are written off when incurred.

3 Significant Accounting Policies (continued)

3.7 Impairment (continued)

(i) Non-derivative financial assets (continued)

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to the income statement. An impairment loss in respect of on the cumulative loss that is reclassified from equity to the income statement is the difference between the acquisition cost, and the current fair value, less any impairment loss recognised previously in the income statement. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income and presented in the fair value reserve in equity.

Associates

An impairment loss in respect of an associate is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with Note 3.7(ii). An impairment loss is recognised in the income statement. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial 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. 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 cash generating unit ("CGU") exceeds its estimated recoverable amounts.

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.

Impairment losses recognised in the income statement 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.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. All reversals of impairment are recognised in the income statement.

Goodwill that forms part of the carrying amount of an investment in an associate is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

Notes to the Financial Statements

Year ended 31 December 2017

3 Significant Accounting Policies *(continued)*

3.8 Employee benefits

(i) Share-based payment

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.

(ii) Defined contribution plans

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

(iii) Other short-term benefits

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

(iv) 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.

3.9 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.

3.10 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 discount rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

3 Significant Accounting Policies *(continued)*

3.11 Revenue recognition

Revenue comprises fees earned from telecommunications services, managed services, system integration and solution projects, broadband access, Pay TV, related advertising space and sales 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 managed services, system integration and solution projects is recognised based on percentage of completion using cost to cost method.
- Revenue from sales 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 sales 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.

3.12 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.

3.13 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.

3.14 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.

Notes to the Financial Statements

Year ended 31 December 2017

3 Significant Accounting Policies *(continued)*

3.15 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.

3.16 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; and
- 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.

3.17 Dividends

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

3.18 Segment reporting

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, Enterprise Fixed revenue and equipment sales on an operationally integrated network, and has a centralised 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.

4 Property, Plant and Equipment

Group	Leasehold buildings \$m	Leasehold improvements \$m	Freehold property \$m	Network equipment & Infrastructure \$m	Office equipment, computers and furniture and fittings \$m	Motor vehicles \$m	Construction in progress \$m	Total \$m
Cost								
At 1 January 2016	9.2	48.2	1.7	3,346.7	171.1	6.5	60.5	3,643.9
Additions	–	–	–	6.8	16.4	0.7	231.6	255.5
Transfers	–	1.3	–	234.4	–	–	(235.7)	–
Disposals/Write-offs	–	(3.2)	–	(117.0)	(10.9)	(0.3)	–	(131.4)
At 31 December 2016	9.2	46.3	1.7	3,470.9	176.6	6.9	56.4	3,768.0
At 1 January 2017	9.2	46.3	1.7	3,470.9	176.6	6.9	56.4	3,768.0
Acquisition through business combination	–	0.1	–	–	1.7	–	–	1.8
Additions	–	–	–	1.7	15.9	1.3	165.3	184.2
Transfers	1.1	7.7	–	173.0	–	–	(181.8)	–
Disposals/Write-offs	–	(7.2)	–	(302.8)	(4.0)	(0.3)	–	(314.3)
At 31 December 2017	10.3	46.9	1.7	3,342.8	190.2	7.9	39.9	3,639.7
Accumulated depreciation and impairment losses								
At 1 January 2016	2.0	44.7	–	2,560.9	140.7	5.6	–	2,753.9
Charge for the year	0.3	1.5	–	209.9	13.9	0.4	–	226.0
Disposals/Write-offs	–	(2.3)	–	(116.5)	(10.8)	(0.3)	–	(129.9)
At 31 December 2016	2.3	43.9	–	2,654.3	143.8	5.7	–	2,850.0
At 1 January 2017	2.3	43.9	–	2,654.3	143.8	5.7	–	2,850.0
Charge for the year	0.3	2.4	–	214.2	13.6	0.5	–	231.0
Disposals/Write-offs	–	(7.0)	–	(300.1)	(4.0)	(0.3)	–	(311.4)
At 31 December 2017	2.6	39.3	–	2,568.4	153.4	5.9	–	2,769.6
Carrying amount								
At 31 December 2016	6.9	2.4	1.7	816.6	32.8	1.2	56.4	918.0
At 31 December 2017	7.7	7.6	1.7	774.4	36.8	2.0	39.9	870.1

Staff costs capitalised in construction in progress for the Group during the year amounted to \$3.3 million (2016: \$3.4 million).

Notes to the Financial Statements

Year ended 31 December 2017

4 Property, Plant and Equipment *(continued)*

Company	Leasehold buildings \$m	Leasehold improvements \$m	Network equipment & infrastructure \$m	Office equipment, computers and furniture and fittings \$m	Motor vehicles \$m	Construction in progress \$m	Total \$m
Cost							
At 1 January 2016	9.2	39.8	1,325.7	116.3	2.0	41.4	1,534.4
Additions	–	–	–	12.5	–	100.1	112.6
Transfers	–	1.3	117.9	–	–	(119.2)	–
Disposals/Write-offs	–	(3.2)	(24.2)	(2.0)	–	–	(29.4)
At 31 December 2016	9.2	37.9	1,419.4	126.8	2.0	22.3	1,617.6
At 1 January 2017	9.2	37.9	1,419.4	126.8	2.0	22.3	1,617.6
Additions	–	–	–	10.3	0.2	79.4	89.9
Transfers	1.0	7.0	79.2	–	–	(87.2)	–
Disposals/Write-offs	–	(3.8)	(87.0)	(2.5)	–	–	(93.3)
At 31 December 2017	10.2	41.1	1,411.6	134.6	2.2	14.5	1,614.2
Accumulated depreciation							
At 1 January 2016	2.0	37.0	982.4	99.9	1.7	–	1,123.0
Charge for the year	0.3	1.1	81.8	8.4	0.1	–	91.7
Disposals/Write-offs	–	(2.3)	(23.8)	(2.0)	–	–	(28.1)
At 31 December 2016	2.3	35.8	1,040.4	106.3	1.8	–	1,186.6
At 1 January 2017	2.3	35.8	1,040.4	106.3	1.8	–	1,186.6
Charge for the year	0.3	2.1	83.1	8.9	0.1	–	94.5
Disposals/Write-offs	–	(3.4)	(86.3)	(2.4)	–	–	(92.1)
At 31 December 2017	2.6	34.5	1,037.2	112.8	1.9	–	1,189.0
Carrying amount							
At 31 December 2016	6.9	2.1	379.0	20.5	0.2	22.3	431.0
At 31 December 2017	7.6	6.6	374.4	21.8	0.3	14.5	425.2

5 Intangible Assets

Group	Telecommunications and spectrum licences \$m	Software \$m	Software in development \$m	Goodwill \$m	Customer contracts and relationships \$m	Total \$m
Cost						
At 1 January 2016	155.8	518.1	16.7	220.3	–	910.9
Additions	80.3	0.3	35.1	–	–	115.7
Transfers	–	34.9	(34.9)	–	–	–
Disposals/Write-offs	–	(3.6)	–	–	–	(3.6)
At 31 December 2016	236.1	549.7	16.9	220.3	–	1,023.0
At 1 January 2017						
Acquisition through business combination	–	–	–	19.2	10.0	29.2
Additions	69.3	0.3	45.5	–	–	115.1
Transfers	–	37.7	(37.7)	–	–	–
Disposals/Write-offs	–	(3.1)	–	–	–	(3.1)
At 31 December 2017	305.4	584.6	24.7	239.5	10.0	1,164.2
Accumulated amortisation						
At 1 January 2016	78.8	444.0	–	–	–	522.8
Charge for the year	9.1	30.9	–	–	–	40.0
Disposals/Write-offs	–	(3.6)	–	–	–	(3.6)
At 31 December 2016	87.9	471.3	–	–	–	559.2
At 1 January 2017						
Charge for the year	15.8	33.8	–	–	0.9	50.5
Disposals/Write-offs	–	(3.1)	–	–	–	(3.1)
At 31 December 2017	103.7	502.0	–	–	0.9	606.6
Carrying amount						
At 31 December 2016	148.2	78.4	16.9	220.3	–	463.8
At 31 December 2017	201.7	82.6	24.7	239.5	9.1	557.6

Impairment testing for CGUs containing goodwill

The carrying values of the Group's goodwill on acquisition of subsidiaries as at 31 December 2017 were assessed for impairment during the financial year.

Group	2017 \$m	2016 \$m
Carrying value of goodwill from acquisition of:		
– StarHub Cable Vision Ltd (“SCV”)	220.3	220.3
– Accel Systems & Technologies Pte. Ltd. (“ASTPL”)	19.2	–
	239.5	220.3

Notes to the Financial Statements

Year ended 31 December 2017

5 Intangible Assets (continued)

Impairment testing for CGUs containing goodwill (continued)

The Group, through its “Hubbing” strategy, operates and delivers its Mobile, Pay TV, Broadband and Enterprise Fixed services on an operationally integrated network, customer service, sales, marketing and administration support. For the purposes of impairment testing, goodwill arising from the acquisition of SCV of \$220.3 million 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 goodwill arising from the acquisition of ASTPL of \$19.2 million is allocated to the entity which is also the CGU.

The recoverable amounts of the CGUs are determined based on value-in-use calculations. The key assumptions for the value-in-use calculations are the discount rates, growth rates and taking into consideration the competitive pressures on EBITDA margins.

The value-in-use calculations apply a discounted cash flow model using cash flow projections based on financial budgets and forecasts approved by management. The Group has used cash flow projections of five years. The pre-tax discount rate applied to the cash flow projections for the goodwill arising from acquisition of SCV and ASTPL is 6.3% (2016: 6.6%) and 10.7% (2016: nil) respectively. The forecast long-term growth rate used to extrapolate both cash flow projections beyond the fifth year is nil (2016: nil).

No impairment charge was required for the carrying amount of respective goodwill assessed as at 31 December 2017 and 31 December 2016 as the recoverable value was in excess of the carrying value. A reasonable change to the key assumptions applied is not likely to cause the recoverable value to be below the carrying value.

Company	Telecommunications licences \$m	Software \$m	Software in development \$m	Total \$m
Cost				
At 1 January 2016	–	442.4	14.5	456.9
Additions	0.3	–	31.0	31.3
Transfers	–	30.7	(30.7)	–
Disposals/Write-offs	–	(0.1)	–	(0.1)
At 31 December 2016	0.3	473.0	14.8	488.1
At 1 January 2017				
Additions	–	–	41.3	41.3
Transfers	–	34.4	(34.4)	–
Disposals/Write-offs	–	(0.1)	(0.2)	(0.3)
At 31 December 2017	0.3	507.3	21.5	529.1
Accumulated amortisation				
At 1 January 2016	–	386.3	–	386.3
Charge for the year	0.1	23.5	–	23.6
Disposals/Write-offs	–	(0.1)	–	(0.1)
At 31 December 2016	0.1	409.7	–	409.8
At 1 January 2017				
Charge for the year	–	27.1	–	27.1
Disposals/Write-offs	–	(0.1)	–	(0.1)
At 31 December 2017	0.1	436.7	–	436.8
Carrying amount				
At 31 December 2016	0.2	63.3	14.8	78.3
At 31 December 2017	0.2	70.6	21.5	92.3

Staff costs capitalised in software in development for the Group and Company during the year amounted to \$2.5 million (2016: \$2.4 million).

6 Subsidiaries

	Company	
	2017 \$m	2016 \$m
Investments in subsidiaries, at cost	1,244.1	1,209.1
Loans to subsidiaries	1,270.7	1,270.7
Discount implicit in the interest-free loan to a subsidiary	21.9	21.9
	2,536.7	2,501.7
Allowance for impairment losses	(28.9)	(28.9)
	2,507.8	2,472.8

During the year, the Company acquired 80.4% equity interest in ASTPL for \$35.0 million. See Note 32 for details.

At 31 December 2017, the loans to the subsidiaries are unsecured, not repayable within the next 12 months and bear interest ranging from 2.64% to 2.75% (2016: 2.86% to 3.04%) per annum.

In the previous financial year, loans to subsidiaries of \$714.7 million were reclassified from amounts due from related parties to form part of the Company's interest in subsidiaries.

The subsidiaries directly held by the Company are as follows:

Name of company	Principal activities	Country of incorporation/ business	Effective equity interest held by the Group	
			2017 %	2016 %
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⁾	Dormant	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
StarHub (Mauritius) Ltd ⁽²⁾	Investment holding company and for acquisition of info-communication and infotainment services	Mauritius	100	100
StarHub (Hong Kong) Limited ⁽³⁾	Provision of telecommunication services	Hong Kong	100	100
StarHub Shop Pte Ltd ⁽⁴⁾	Dormant	Singapore	100	100
StarHub, Inc. ⁽⁴⁾	Dormant	United States	100	100
Accel Systems & Technologies Pte. Ltd. ⁽³⁾	Provision of cyber security solutions, professional services for system integration and security operations and management	Singapore	80.4	—

⁽¹⁾ Audited by KPMG LLP Singapore

⁽²⁾ Audited by KPMG Mauritius, a member firm of KPMG International

⁽³⁾ Audited by another firm

⁽⁴⁾ Not required to be audited by laws of the country of incorporation

Notes to the Financial Statements

Year ended 31 December 2017

7 Associate

	Group		Company	
	2017 \$m	2016 \$m	2017 \$m	2016 \$m
Investment in associate	27.8	27.8	27.8	27.8
Share of post-acquisition reserves	(4.1)	(1.9)	–	–
	23.7	25.9	27.8	27.8

Name of company	Principal activities	Country of incorporation/ business	Effective equity interest held by the Group	
			2017 %	2016 %
SHINE Systems Assets Pte. Ltd. ⁽¹⁾	Investment in, ownership or lease of infrastructure assets and provision of data centre services	Singapore	30	30

⁽¹⁾ Audited by KPMG LLP Singapore

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:

	2017 \$m	2016 \$m
Summarised Statement of Financial Position		
Non-current assets	233.4	202.5
Current assets	17.4	23.6
Current liabilities	(13.6)	(16.9)
Non-current liabilities	(158.2)	(122.9)
Net assets	79.0	86.3
Reconciliation to carrying amount:		
Opening net assets	86.3	91.7
Loss for the year	(7.3)	(5.4)
Closing net assets	79.0	86.3
Summarised Statement of Comprehensive Income		
Total revenue	13.3	4.2
Loss for the year, representing total comprehensive loss for the year	(7.3)	(5.4)
Group's share in %	30%	30%
Group's share of loss of associate (net of tax) for the year	(2.2)	(1.6)
Carrying amount of interest in associate at end of the year	23.7	25.9

8 Available-for-sale Financial Assets

	Group		Company	
	2017 \$m	2016 \$m	2017 \$m	2016 \$m
Quoted equity securities	60.0	40.0	60.0	40.0

During the year, the Group acquired additional interest in the equity security. The acquisition resulted in the recognition of a day one fair value loss of \$0.7 million (2016: fair value gain arising on initial acquisition of \$9.5 million) (see Note 25).

9 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.

9.1 Amounts due from related parties

	Group		Company	
	2017 \$m	2016 \$m	2017 \$m	2016 \$m
Current				
Amounts due from (trade):				
– Ultimate holding company	0.2	0.1	0.2	0.1
– Subsidiaries	–	–	7.4	2.1
– Related corporations	30.4	20.6	17.2	16.1
– Loan to associate	–	1.1	–	1.1
	30.6	21.8	24.8	19.4
Non-current				
Amount due from (trade):				
– Loan to associate	7.9	7.6	7.9	7.6

All outstanding current trade balances with ultimate holding company, subsidiaries and related corporations are unsecured, interest-free and repayable on demand. During the year, the Company impaired and subsequently forgave the balances owing by certain subsidiaries amounting to \$216.7 million. Other than above, the outstanding balances with ultimate holding company, subsidiaries and related corporations are not impaired as at the financial year end.

In 2017, the current loan to associate which was unsecured, bears interest rate of 2.86% and 2.96% per annum and was repaid in October 2017 and December 2017 respectively.

The non-current loan to associate is unsecured, bears interest rate of 3.53% (2016: 3.53%) per annum and is repayable in June 2021.

Notes to the Financial Statements

Year ended 31 December 2017

9 Balances with Related Parties *(continued)*

9.2 Amounts due to related parties

	Group		Company	
	2017 \$m	2016 \$m	2017 \$m	2016 \$m
Current				
Amounts due to (trade):				
– Subsidiaries	–	–	304.6	338.5
– Associates	1.0	–	1.0	–
– Related corporations	59.1	67.1	24.0	18.0
Amounts due to (non-trade):				
– Non-controlling interests	4.7	–	4.7	–
	64.8	67.1	334.3	356.5

The amounts due to subsidiaries include unsecured, interest bearing amounts of \$140.0 million (2016: \$178.7 million) at interest rates ranging from 1.13% to 1.30% (2016: 0.95% to 1.73%), per annum and are repayable on demand. Included in these amounts is a balance of \$87.4 million (2016: nil) placed by certain subsidiaries to the Company under a cash pooling arrangement. The remaining amounts due to subsidiaries and related corporations have trade terms and are unsecured, interest-free and repayable on demand.

9.3 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
2017			
Current			
Amounts due from subsidiaries	900.6	(893.2)	7.4
Amounts due to subsidiaries	1,197.8	(893.2)	304.6
2016			
Current			
Amounts due from subsidiaries	458.5	(456.4)	2.1
Amounts due to subsidiaries	794.9	(456.4)	338.5

10 Inventories

	Group		Company	
	2017 \$m	2016 \$m	2017 \$m	2016 \$m
Equipment held for resale	71.0	47.7	0.7	0.7
Maintenance and project inventories	0.9	1.9	–	–
	71.9	49.6	0.7	0.7
Allowance (written back)/ made during the year	(0.2)	0.5	0.1	(0.4)

In 2017, inventories of \$475.6 million (2016: \$447.8 million) were recognised as an expense and included in 'cost of sales'.

In the previous financial year, the Company transferred its equipment held for resale amounting to \$36.9 million to one of its subsidiaries.

11 Trade Receivables

	Group		Company	
	2017 \$m	2016 \$m	2017 \$m	2016 \$m
Trade receivables	248.2	213.0	212.0	181.6
Allowance for doubtful receivables	(46.7)	(40.8)	(44.3)	(39.9)
	201.5	172.2	167.7	141.7

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 loss allowance is required.

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

	Group		Company	
	2017 \$m	2016 \$m	2017 \$m	2016 \$m
Past due 1 – 15 days	39.9	33.3	37.3	30.3
Past due above 15 days	74.7	69.1	58.0	49.3
	114.6	102.4	95.3	79.6

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

	Group		Company	
	2017 \$m	2016 \$m	2017 \$m	2016 \$m
At beginning of year	40.8	33.1	39.9	31.3
Allowance for doubtful receivables	17.4	21.0	5.8	7.5
Recharged to subsidiaries	–	–	10.1	14.4
Allowance utilised	(11.5)	(13.3)	(11.5)	(13.3)
At end of year	46.7	40.8	44.3	39.9

12 Other Receivables, Deposits and Prepayments

	Group		Company	
	2017 \$m	2016 \$m	2017 \$m	2016 \$m
Grant receivables	1.5	6.2	–	–
Accrued revenue	88.4	115.4	8.6	8.0
Deposits	7.2	4.2	4.0	1.1
Prepayments	76.6	65.4	25.5	17.5
Other receivables	9.8	15.6	9.1	11.6
Mark-to-market financial instruments				
– Forward exchange contracts	–	5.4	–	5.4
	183.5	212.2	47.2	43.6

Notes to the Financial Statements

Year ended 31 December 2017

13 Cash and Cash Equivalents

	Group		Company	
	2017 \$m	2016 \$m	2017 \$m	2016 \$m
Fixed deposits	274.0	214.3	273.5	214.3
Cash at bank and in hand	71.2	70.9	47.6	21.7
	345.2	285.2	321.1	236.0

Fixed deposits relates to deposits with financial institutions with maturities of three months or less (2016: three months or less) with effective interest rates ranging from 0.35% to 1.88% (2016: 0.80% to 1.25%) per annum.

At the reporting date, cash and cash equivalents of the Company include \$87.4 million (2016: nil) cash from subsidiaries pooled together and managed centrally by the Company in bank balances and fixed deposits as part of the Group's cash management and treasury activities.

14 Trade and Other Payables

	Note	Group		Company	
		2017 \$m	2016 \$m	2017 \$m	2016 \$m
Current					
Trade payables		105.1	91.3	69.3	72.1
Accruals		498.8	472.1	222.0	201.1
Unearned revenue		108.3	129.4	18.8	21.3
Deferred income	16	0.9	0.8	0.9	0.8
Deposits from customers		11.2	14.3	11.0	14.1
Mark-to-market financial instruments					
– Forward exchange contracts		12.2	–	12.2	–
		736.5	707.9	334.2	309.4
Non-current					
Unearned revenue		22.4	21.6	22.5	21.6

15 Borrowings

	Note	Group and Company	
		2017 \$m	2016 \$m
Current			
Bank loans	15.1	120.0	10.0
Non-current			
Bank loans	15.1	337.5	457.5
Medium term notes	15.2	520.0	520.0
		857.5	977.5

15 Borrowings (continued)

Reconciliation of movements of liabilities to cash flows arising from financing activities

	Borrowings \$m
Balance at 1 January 2017	987.5
Changes from financing cash flows	
Repayment of bank loans	(10.0)
Interest paid	(30.0)
Total changes from financing cash flows	(40.0)
Total liability-related other changes	30.0
Balance at 31 December 2017	977.5

15.1 Bank loans

	Group and Company	
	2017 \$m	2016 \$m
Repayable:		
– Within 1 year	120.0	10.0
– After 1 year but within 5 years	337.5	457.5
	457.5	467.5

At 31 December 2017, the unsecured bank loans bear interest at rates ranging from 1.29% to 2.98% (2016: 1.67% to 2.98%) per annum.

There is no material difference between the carrying amount and fair value of the bank loans.

15.2 Medium term notes

The Company has established a multicurrency medium term note programme with a maximum aggregate principal amount of \$1,000.0 million in September 2011. In September 2012, the Company issued a \$220.0 million 10-year medium term note which bears interest rate of 3.08% per annum and is repayable in September 2022.

In June 2016, the Company issued a \$300.0 million 10-year medium term note which bears interest of 3.55% per annum and is repayable in June 2026.

On 29 May 2017, the Company has updated and amended its \$1,000.0 million multicurrency medium term note programme to a \$2,000.0 million multicurrency debt issuance programme with the inclusion of the mechanism for the issuance of, and the terms and conditions of, perpetual securities. The amendments do not affect the validity of the existing term notes issued by the Company under the original programme.

As at 31 December 2017, the fair value of the medium term note is \$533.9 million (2016: \$525.0 million).

Notes to the Financial Statements

Year ended 31 December 2017

16 Deferred Income

	Group		Company	
	2017 \$m	2016 \$m	2017 \$m	2016 \$m
Deferred grants				
At beginning of year	2.2	8.9	2.2	1.6
Grants receivable	0.7	1.7	0.7	1.7
Amount accreted to the income statement	(1.1)	(8.4)	(1.1)	(1.1)
At end of year	1.8	2.2	1.8	2.2
Deferred grants to be accreted:				
Current (within 1 year)	0.9	0.8	0.9	0.8
Non-current (after 1 year but within 5 years)	0.9	1.4	0.9	1.4
Total	1.8	2.2	1.8	2.2

Deferred income refers to government grants received. Assets related grants are recognised over the estimated useful lives of the related assets. Income related grants are recognised on a systematic basis over the periods to match the related cost.

17 Deferred Tax Liabilities

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

Group	At 1 January 2017 \$m	Recognised in income statement (Note 26) \$m	Recognised in other comprehensive income \$m	Recognised in equity \$m	Acquired in business combination (Note 32) \$m	At
						31 December 2017 \$m
Deferred tax liabilities						
Property, plant and equipment and intangible assets	(148.9)	4.9	–	–	(2.0)	(146.0)
Other payables and accruals	2.3	6.7	2.1	–	–	11.1
Derivatives	(0.9)	–	0.9	–	–	–
Share-based payment transactions	2.1	(0.3)	–	(0.3)	–	1.5
Total	(145.4)	11.3	3.0	(0.3)	(2.0)	(133.4)

17 Deferred Tax Liabilities (continued)

Group 2016	At 1 January 2016 \$m	Recognised in income statement (Note 26) \$m	Recognised in other comprehensive income \$m	Recognised in equity \$m	At 31 December 2016 \$m
Deferred tax liabilities					
Property, plant and equipment and intangible assets	(134.3)	(14.6)	–	–	(148.9)
Other payables and accruals	1.8	0.5	–	–	2.3
Derivatives	(0.1)	–	(0.8)	–	(0.9)
Share-based payment transactions	–	1.3	–	0.8	2.1
Unutilised capital allowances	8.4	(8.4)	–	–	–
Unutilised tax losses	4.1	(4.1)	–	–	–
Total	(120.1)	(25.3)	(0.8)	0.8	(145.4)

Unrecognised deferred tax assets

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:

	2017 \$m	2016 \$m
Tax losses	3.8	3.7
Deferred tax assets	0.6	0.6

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 2017	At 1 January 2017 \$m	Recognised in income statement \$m	Recognised in equity \$m	At 31 December 2017 \$m
Deferred tax liabilities				
Property, plant and equipment and intangible assets	(77.9)	(1.6)	–	(79.5)
Other payables and accruals	2.3	1.8	–	4.1
Share-based payment transactions	2.1	(0.3)	(0.3)	1.5
Total	(73.5)	(0.1)	(0.3)	(73.9)

Notes to the Financial Statements

Year ended 31 December 2017

17 Deferred Tax Liabilities (continued)

Company 2016	At 1 January 2016 \$m	Recognised in income statement \$m	Recognised in other comprehensive income \$m	Recognised in equity \$m	At 31 December 2016 \$m
Deferred tax liabilities					
Property, plant and equipment and intangible assets	(61.8)	(16.1)	–	–	(77.9)
Other payables and accruals	0.6	1.7	–	–	2.3
Derivatives	(0.1)	–	0.1	–	–
Share-based payment transactions	–	1.3	–	0.8	2.1
Total	(61.3)	(13.1)	0.1	0.8	(73.5)

18 Share Capital

Company	2017		2016	
	Number of shares '000	\$m	Number of shares '000	\$m
Issued and fully paid ordinary shares:				
At beginning of year	1,731,651	299.7	1,729,795	293.5
Issue of ordinary shares under the StarHub Performance Share Plans and StarHub Restricted Stock Plans	–	–	1,856	6.2
At end of year	1,731,651	299.7	1,731,651	299.7

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.

19 Perpetual Capital Securities

On 16 June 2017, the Company issued subordinated perpetual securities (the "perpetual securities") with an aggregate principal amount of \$200 million. Incremental costs incurred amounting to \$0.4 million was recognised in equity as a deduction from the proceeds. Such perpetual securities bear distributions at a rate of 3.95% per annum, payable semi-annually. Subject to the relevant terms and conditions in the offering memorandum, the Company may elect to defer making distributions on the perpetual securities, and is not subject to any limits as to the number of times a distribution can be deferred. As a result, the perpetual securities do not meet the definition for classification as a financial liability under FRS 32 *Financial Instruments: Disclosure and Presentation*. The whole instrument is presented within equity, and distributions are treated as dividends. During the financial year, distributions amounting to \$4.3 million were accrued to perpetual security holders of which \$4.0 million has been paid.

20 Reserves

	Group		Company	
	2017 \$m	2016 \$m	2017 \$m	2016 \$m
Treasury shares	(8.2)	(12.3)	(8.2)	(12.3)
Merger/Capital reserve	–	–	276.5	276.5
Fair Value Reserve	18.1	12.5	18.1	12.5
Goodwill written off	(276.3)	(276.3)	–	–
Share-based payments reserve	13.0	14.1	13.0	14.1
Hedging reserve	(10.1)	4.4	–	–
Translation reserve	1.4	1.3	–	–
Retained profits	103.0	151.5	1,119.5	1,143.1
	(159.1)	(104.8)	1,418.9	1,433.9

Treasury shares comprise the cost of the Company's shares held by the Group. In the previous financial year, the Company bought 3,894,100 ordinary shares from the market at a consideration of \$12.3 million. There was transfer of 1,306,589 treasury shares to share-based payments reserve during the year (2016: Nil).

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

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the assets are derecognised or impaired.

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 translation differences arising from the translation of the financial statements of foreign operations.

21 Revenue

	Group	
	2017 \$m	2016 \$m
Mobile revenue	1,196.9	1,214.6
Pay TV revenue	348.9	377.8
Broadband revenue	214.0	216.8
Enterprise Fixed revenue	436.9	400.0
Sales of equipment	204.0	187.5
	2,400.7	2,396.7

Notes to the Financial Statements

Year ended 31 December 2017

22 Operating Expenses

	Group	
	2017	2016
	\$m	\$m
Cost of equipment sold	475.6	447.8
Cost of services	464.4	409.5
Traffic expenses	100.9	117.3
Depreciation and amortisation (net of asset grants)	280.4	265.0
Marketing and promotions	122.1	133.7
Staff costs	282.5	281.4
Allowance for doubtful receivables	17.4	21.0
Repairs and maintenance	99.1	96.9
Operating leases	129.2	116.1
Other expenses	100.0	115.1
	2,071.6	2,003.8

Included in the Group's cost of services is government grant amounting to \$4.2 million (2016: \$3.2 million).

22.1 Depreciation and amortisation (net of asset grants)

Depreciation and amortisation expenses comprise the following:

	Group	
	2017	2016
	\$m	\$m
Depreciation of property, plant and equipment	231.0	226.0
Accretion of asset grants to the income statement	(1.1)	(1.0)
	229.9	225.0
Amortisation of intangible assets	50.5	40.0
Total	280.4	265.0

22.2 Staff costs

The following are included in staff costs:

	Group	
	2017	2016
	\$m	\$m
Defined contribution plans	26.5	27.4
Share-based payments	3.4	7.2
Government grants - Wage Credit Scheme	(2.0)	(4.7)

22 Operating Expenses (continued)

22.2 Staff costs (continued)

22.2.1 Key management personnel compensation

The key management personnel compensation is as follows:

	Group	
	2017	2016
	\$m	\$m
Short-term employee benefits	12.7	10.4
Share-based payments	3.2	4.4
	15.9	14.8

Included in the above is the total compensation to directors of the Company which amounted to \$5.3 million (2016: \$4.7 million).

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

Conditional awards of shares of 1,215,900 (2016: 656,300 shares) under the StarHub Performance Share Plans and conditional awards of shares of 689,000 (2016: 557,800 shares) under the StarHub Restricted Stock Plans were granted to the key management personnel of the Group during the year.

Awards of 134,800 shares (2016: 120,300 shares) under the StarHub Restricted Stock Plans were vested and delivered to certain non-executive directors of the Group 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 2014 to 2016 performance period, final awards comprising nil (2016: 79,800) shares were delivered to the key management personnel of the Group during the year under the 2014 conditional awards granted to key management personnel of the Group in March 2014 pursuant to the StarHub Performance Share Plans.

Based on the actual level of achievement of the pre-determined performance targets over the 2015 to 2016 performance period, final awards comprising nil (2016: 359,634) shares were delivered to the key management personnel of the Group during the year under the 2015 conditional awards granted to the key management personnel of the Group in March 2015 pursuant to the StarHub Restricted Stock Plans.

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

As at 31 December 2017, 2,245,483 (2016: 1,761,100) of the conditional awards of shares under the StarHub Performance Share Plans, and 1,487,210 (2016: 1,309,434) 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

Year ended 31 December 2017

22 Operating Expenses (continued)

22.2 Staff costs (continued)

22.2.2 Share-based Payments

StarHub Performance Share Plans

Under the StarHub PSP 2004 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 is no vesting periods beyond the performance achievement periods.

During the financial year ended 31 December 2017, the conditional grants of 1,215,900 (2016: 656,300) 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.

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:

2017 Date of grant	Balance outstanding at 1 January 2017 '000	Number of performance shares granted '000	Number of performance shares forfeited '000	Balance outstanding at 31 December 2017 '000
10 March 2014	570	–	(570)	–
16 March 2015	535	–	(19)	516
22 March 2016	656	–	(62)	594
6 April 2017	–	1,216	(81)	1,135
Total	1,761	1,216	(732)	2,245

2016 Date of grant	Balance outstanding at 1 January 2016 '000	Number of performance shares granted '000	Number of performance shares vested '000	Number of performance shares forfeited '000	Balance outstanding at 31 December 2016 '000
31 May 2013	429	–	(86)	(343)	–
10 March 2014	570	–	–	–	570
16 March 2015	535	–	–	–	535
22 March 2016	–	656	–	–	656
Total	1,534	656	(86)	(343)	1,761

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 2017 and 2016 are as follows:

	Year of grant	
	2017	2016
Fair value	\$1.18	\$1.46
Share price	\$2.85	\$3.32
Expected volatility of the Company’s shares	15.53%	15.28%
Expected volatility of MSCI Asia-Pacific Telecommunications Component Stock	–	14.14%
Expected dividend yield	5.53%	5.70%
Risk-free interest rates	1.39%	1.16%

22 Operating Expenses (continued)

22.2 Staff costs (continued)

22.2.2 Share-based Payments (continued)

StarHub Restricted Stock Plans

Under the StarHub RSP 2004 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 2017, the conditional grants of 3,497,690 (2016: 2,884,800) 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 2017, 178,900 (2016: 141,300) 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:

2017 Date of grant	Balance outstanding at 1 January 2017 '000	Number of restricted shares granted '000	Number of restricted shares vested '000	Number of restricted shares forfeited '000	Not delivered (below performance target) '000	Balance outstanding at 31 December 2017 '000
10 March 2014	713	–	(695)	(18)	–	–
16 March 2015	2,106	–	–	(104)	(2,002)	–
8 July 2015	16	–	(16)	–	–	–
22 March 2016	2,380	–	–	(285)	–	2,095
20 May 2016	147	–	(120)	–	–	27
15 March 2017	–	593	(296)	(15)	–	282
6 April 2017	–	2,717	–	(103)	–	2,614
29 May 2017	–	188	(179)	(9)	–	–
Total	5,362	3,498	(1,306)	(534)	(2,002)	5,018

2016 Date of grant	Balance outstanding at 1 January 2016 '000	Number of restricted shares granted '000	Number of restricted shares vested '000	Number of restricted shares forfeited '000	Balance outstanding at 31 December 2016 '000
31 May 2013	–	692	–	(672)	–
10 March 2014	–	2,340	–	(764)	713
16 March 2015	–	2,266	–	–	2,106
8 July 2015	–	32	–	(16)	16
22 March 2016	–	–	2,460	–	2,380
20 May 2016	–	–	267	(120)	147
23 May 2016	–	–	157	(141)	–
Total	–	5,330	2,884	(1,713)	5,362

Notes to the Financial Statements

Year ended 31 December 2017

22 Operating Expenses *(continued)*

22.2 Staff costs *(continued)*

22.2.2 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 2017 and 2016 are as follows:

	Year of grant	
	2017	2016
Fair value	\$2.44 - \$2.83	\$2.91 - \$3.33
Share price	\$2.83 - \$2.85	\$3.32 - \$3.45
Expected volatility of the Company's shares	15.53% - 15.58%	10.79% - 15.28%
Expected dividend yield	5.53% - 7.07%	5.46% - 5.70%
Risk-free interest rates	0.99% - 1.40%	0.70% - 1.14%

22.3 Other expenses

Included in other expenses are the following:

	Group	
	2017	2016
	\$m	\$m
Fees paid to auditors of the Company:		
– Audit	0.5	0.4
– Non-audit	0.4	0.4
Foreign currency exchange (gain)/loss, net	(0.1)	3.7
Changes in fair value of financial instruments	–	1.2

23 Other Income

	Group	
	2017	2016
	\$m	\$m
Corporate recharges to related parties	–	0.2
Income related grants	4.4	32.0
	4.4	32.2

24 Net Finance Costs

	Group	
	2017	2016
	\$m	\$m
Interest income:		
– Bank deposits	3.4	3.4
– Associate	0.3	0.1
Finance income	3.7	3.5
Interest expense:		
– Bank loans	12.5	13.4
– Medium term note	17.4	12.8
Finance costs	29.9	26.2

25 Non-operating (Loss)/Income

	Group	
	2017	2016
	\$m	\$m
Fair value (loss)/gain on initial recognition of Available-for-sale (“AFS”) financial assets	(0.7)	9.5

The fair value gain on initial recognition of AFS financial assets arose from the difference between the transaction price and the fair value of the quoted investment at the point when the transaction was concluded.

26 Taxation

	Group	
	2017	2016
	\$m	\$m
Current tax		
Current income tax	67.9	52.5
Over provision in prior year	(1.8)	(8.9)
	66.1	43.6
Deferred tax		
Reversal and origination of temporary differences	(12.1)	17.2
Under provision in prior year	0.8	8.7
Utilisation of previously unrecognised deferred tax assets	–	(0.6)
	(11.3)	25.3
Total income tax in the income statement	54.8	68.9

Notes to the Financial Statements

Year ended 31 December 2017

26 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	
	2017	2016
	\$m	\$m
Profit before taxation	304.4	410.3
Income tax using Singapore tax rate of 17%	51.7	69.8
Income not subject to tax	(0.1)	(3.4)
Non-deductible expenses	4.1	4.4
Utilisation of previously unrecognised deferred tax assets	–	(0.6)
Over provision in prior year, net	(1.0)	(0.2)
Tax benefit	–	(1.3)
Others	0.1	0.2
Total income tax in the income statement	54.8	68.9

The Group's utilisation of previously unrecognised deferred tax assets in prior year related 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	
	2017	2016
	\$m	\$m
Cash flow hedge, before taxation	(17.5)	4.7
Taxation	3.0	(0.8)
Effective portion of changes in fair value of cash flow hedge	(14.5)	3.9

27 Earnings Per Share ("EPS")

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding (excluding treasury shares) during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding (excluding treasury shares), for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees under the StarHub share plans.

	Group	
	2017	2016
	\$m	\$m
Profit attributable to owners of the Company	249.0	341.4
Less: Perpetual capital securities distribution	(4.3)	–
Adjusted profit attributable to owners of the Company	244.7	341.4

27 Earnings Per Share ("EPS") (continued)

	Number of shares	
	2017	2016
	'000	'000
Weighted average number of ordinary shares (basic) during the year [#]	1,728,789	1,727,348
Adjustment for dilutive effect of share plans	7,263	7,123
Weighted average number of ordinary shares (diluted) during the year	1,736,052	1,734,471

[#] Excludes treasury shares.

28 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 governed by FRS.

The Group defines EBITDA as follows:

	Group	
	2017	2016
	\$m	\$m
Profit before taxation	304.4	410.3
Adjustments for:		
Depreciation and amortisation (net of asset grants)	280.4	265.0
Finance income	(3.7)	(3.5)
Finance expense	29.9	26.2
Non-operating loss/(income)	0.7	(9.5)
Share of loss of associate (net of tax)	2.2	1.6
EBITDA	613.9	690.1

29 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.

Notes to the Financial Statements

Year ended 31 December 2017

29 Related Party Transactions *(continued)*

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	
	2017	2016
	\$m	\$m
Ultimate holding company		
Sales	0.4	0.4
Associate		
Purchase of property, plant and equipment	2.8	5.0
Rental expenses	0.7	1.9
Purchase of services	2.1	0.2
Related corporations		
Sales	66.7	60.7
Purchase of property, plant and equipment	15.2	13.3
Rental expenses	69.3	77.7
Purchase of services	127.6	142.3
Purchase of inventories	176.5	147.0

30 Dividends

	Group and Company	
	2017	2016
	\$m	\$m
Final dividend of \$0.05 (2016: \$0.05) per share (1-tier tax exempt) paid in respect of the previous financial year	86.4	86.5
Interim dividends of \$0.12 (2016: \$0.15) per share (1-tier tax exempt) paid in respect of the current financial year	207.5	259.7
	293.9	346.2

31 Segment Reporting

Segment information is presented based on the information reviewed by the chief operating decision makers ("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, Enterprise Fixed services and equipment sales on a fully integrated network, and has a centralised 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.

31 Segment Reporting (continued)

The Group's reportable segment information is as follows:

	Group	
	2017	2016
	\$m	\$m
Mobile revenue	1,196.9	1,214.6
Pay TV revenue	348.9	377.8
Broadband revenue	214.0	216.8
Enterprise Fixed revenue	436.9	400.0
Sales of equipment	204.0	187.5
Total revenue	2,400.7	2,396.7
EBITDA	613.9	690.1
Depreciation and amortisation (net of asset grants)	(280.4)	(265.0)
Finance income	3.7	3.5
Finance expense	(29.9)	(26.2)
Non-operating (loss)/income	(0.7)	9.5
Share of loss of associate (net of tax)	(2.2)	(1.6)
Profit before taxation	304.4	410.3
Taxation	(54.8)	(68.9)
Profit for the year	249.6	341.4
Assets and liabilities		
Non-current assets	1,519.3	1,455.3
Current assets	832.7	741.0
Total assets	2,352.0	2,196.3
Borrowings	977.5	987.5
Other non-current liabilities	156.7	168.4
Other current liabilities	872.9	845.5
Total liabilities	2,007.1	2,001.4
Other information		
Capital expenditure	299.3	371.2
Free cash flow [*]	221.3	184.0

* 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. The measurement of free cash flow is not governed by FRS.

Notes to the Financial Statements

Year ended 31 December 2017

32 Acquisition of Subsidiary

On 26 May 2017, the Group entered into a conditional sale and purchase agreement to acquire 51% of the shares and voting interests in ASTPL. The transaction was completed on 10 July 2017 and as a result, the Group obtained control of ASTPL.

On 7 July 2017, the Group entered into another conditional sale and purchase agreement to acquire the remaining 49% of the shares and voting interests in ASTPL in 2 Phases: 29.4% in Phase 2 and 19.6% in Phase 3. Phase 2 was completed on 11 July 2017 increasing the Group's equity interest from 51% to 80.4%.

ASTPL will enable the Group to strengthen its cyber security portfolio and give the Group the in-house capabilities to be an end-to-end provider of cyber security solutions and services.

For the six months ended 31 December 2017, ASTPL contributed revenue of \$13.3 million and profit of \$3.8 million to the Group's results. If the acquisition had occurred on 1 January 2017, management estimated that consolidated revenue would have been \$24.9 million, and consolidated profit for the year would have been \$5.4 million. In determining these amounts, management has assumed that the fair value adjustments, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2017.

Acquisition-related costs

The Group incurred acquisition-related costs of \$0.3 million on legal fees and due diligence costs. These costs have been included in other expenses.

Consideration transferred

The following table summarises the acquisition date fair value of each major class of consideration transferred:

	2017
	\$'m
Contingent consideration	4.7
Cash	30.3
Total consideration transferred	35.0

Contingent consideration

The Group has agreed to pay the selling shareholders in the next financial year ("FY") an additional consideration not exceeding \$4.7 million if the acquiree's cumulative net profit before tax for FY ending 31 March 2017 and 31 March 2018 exceeds an agreed performance target. The Group has included \$4.7 million as contingent consideration related to the additional consideration, which represents its fair value at the date of acquisition and at 31 December 2017.

32 Acquisition of Subsidiary (continued)

	Notes	2017 \$'m
Property, plant and equipment	4	1.8
Intangible assets	5	10.0
Trade receivables		4.5
Other receivables, deposits and prepayments		2.1
Cash and cash equivalents		7.7
Total assets		26.1
Trade and other payables		3.6
Provision for taxation		0.9
Deferred tax liabilities		2.0
Total liabilities		6.5
Total identifiable net assets acquired		19.6
Less: Non-controlling interests ("NCI")		(3.8)
Add: Goodwill	5	19.2
Total purchase consideration		35.0
Less: Accrued contingent consideration		(4.7)
Less: Cash and cash equivalents		(7.7)
Net cash outflow on acquisition		22.6

Measurement of fair values

The valuation techniques used for measuring the fair value of materials assets acquired were as follows:

Assets required	Valuation techniques
Property, plant and equipment	<i>Market comparison technique and cost technique:</i> The valuation model considers quoted market prices for similar items when they are available, and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.
Intangible assets	<i>Multi-period excess earnings method:</i> The multi-period excess earnings method considers the present value of net cash flows related to contributory assets.

Notes to the Financial Statements

Year ended 31 December 2017

32 Acquisition of Subsidiary (continued)

Goodwill

Goodwill arising from the acquisition has been recognised as follows:

	2017
	\$'m
Total consideration transferred	35.0
NCI, based on their proportionate interest in the recognised amounts of the assets and liabilities of the acquiree	3.8
Fair value of identifiable net assets	(19.6)
Goodwill	19.2

The goodwill is attributable mainly to the skills and technical talent of ASTPL's work force, and the synergies expected to be achieved from integrating the company into the Group's existing cyber security capabilities. None of the goodwill recognised is expected to be deductible for tax purposes.

33 Financial Risk Management

Financial risk management objectives and policies

Exposure to credit, liquidity, interest risk, foreign exchange and market risks 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 3.6(iii).

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.

33 Financial Risk Management (continued)

Liquidity risk

The Group actively monitors its liquidity risk and manages its operating cash flows, debt maturity profile and availability of funding. The Group maintains sufficient level of cash and cash equivalents, expects to generate sufficient cash flows from its operation, and has available funding through diverse sources of committed and uncommitted credit facilities from banks and the capital market through its multicurrency debt issuance programme to ensure that there are adequate credit facilities which may be utilised when the need arises to meet its working capital requirements.

At the end of the reporting period, assets held by the Group and the Company for managing liquidity risk included cash and short-term deposits, as well as available credit from its multicurrency debt issuance programme. In addition, the Group also reviews compliance with loan covenants.

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

	Carrying amount \$m	Contractual cash flows			
		Total \$m	Within 1 year \$m	After 1 year but within 5 years \$m	After 5 years but within 10 years \$m
Group					
2017					
Non-derivative financial liabilities					
Borrowings	977.5	1,128.9	145.0	646.6	337.3
Trade and other payables [^]	615.1	615.1	615.1	–	–
Amounts due to related parties	64.8	64.8	64.8	–	–
	1,657.4	1,808.8	824.9	646.6	337.3
2016					
Non-derivative financial liabilities					
Borrowings	987.5	1,169.3	34.3	560.3	574.7
Trade and other payables [^]	577.7	577.7	577.7	–	–
Amounts due to related parties	67.1	67.1	67.1	–	–
	1,632.3	1,814.1	679.1	560.3	574.7
Company					
2017					
Non-derivative financial liabilities					
Borrowings	977.5	1,128.9	145.0	646.6	337.3
Trade and other payables [^]	302.3	302.3	302.3	–	–
Amounts due to related parties	334.3	334.3	334.3	–	–
	1,614.1	1,765.5	781.6	646.6	337.3
2016					
Non-derivative financial liabilities					
Borrowings	987.5	1,169.3	34.3	560.3	574.7
Trade and other payables [^]	287.3	287.3	287.3	–	–
Amounts due to related parties	356.5	356.5	356.5	–	–
	1,631.3	1,813.1	678.1	560.3	574.7

[^] The carrying amount of trade and other payables disclosed in the table excludes deferred income, unearned revenue and marked-to-market financial instruments.

Notes to the Financial Statements

Year ended 31 December 2017

33 Financial Risk Management *(continued)*

Liquidity risk (continued)

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

Group and Company	Carrying amount \$m	Contractual cash flows		
		Total \$m	Within 1 year \$m	After 1 year but within 5 years \$m
2017				
Derivative financial liabilities				
Forward exchange contracts used for hedging (gross-settled)	(12.2)			
– Outflow		(351.8)	(283.7)	(68.1)
– Inflow		339.6	273.3	66.3
	(12.2)	(12.2)	(10.4)	(1.8)
2016				
Derivative financial assets				
Forward exchange contracts used for hedging (gross-settled)	5.4			
– Outflow		(117.5)	(117.5)	–
– Inflow		122.9	122.9	–
	5.4	5.4	5.4	–

The maturity analysis shows the contractual undiscounted cash flows of the Group and the Company's derivative financial instruments on the basis of their earliest possible contractual maturity. The cash inflows/(outflows) disclosed relate to those instruments held for risk management purposes and which are usually not closed out prior to contractual maturity.

It is not expected that the cash flows included in the maturity analysis above could occur significantly earlier, or at significantly different amounts.

33 Financial Risk Management (continued)

Market risk

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 2016, the Group had outstanding interest rate swap agreements with notional principal amounts totalling \$20.0 million in cash flow hedges against borrowings. These interest rate swaps would mature over the remaining term of 0.5 years to hedge the floating semi-annual interest payments on borrowings. The fixed interest payable had interest rates at 0.86% per annum. There are no outstanding interest rate swap agreements as at 31 December 2017.

Sensitivity analysis

The Group's and the Company's borrowings are denominated in Singapore dollars. An increase/decrease in the floating 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.

Foreign currency risk

The Group incurs foreign exchange risk on sales and purchases that are denominated in currencies other than the respective functional currencies of Group entities. 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	
	2017 \$m	2016 \$m	2017 \$m	2016 \$m
Trade and other receivables	39.7	72.9	15.4	11.9
Cash and cash equivalents	33.0	55.3	18.3	43.9
Trade and other payables	(120.1)	(156.8)	(50.3)	(49.0)
	(47.4)	(28.6)	(17.1)	6.8

For operations with significant expenditure denominated in foreign currencies, forward exchange contracts are entered into to hedge the foreign currency risk on committed payment obligations. At 31 December 2017, the Group and the Company have outstanding forward exchange contracts with notional principal amounts of approximately \$351.8 million (2016: \$117.5 million). Certain forward exchange contracts are entered into by the Company on behalf of a subsidiary.

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.

Notes to the Financial Statements

Year ended 31 December 2017

33 Financial Risk Management (continued)

Market risk (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.

Other market price risk

The Group has investments in quoted equity shares. The market value of these investments will fluctuate with market conditions.

Sensitivity analysis

The Group and Company had assessed that a reasonable change in the share price would not result in a material impact on the Group's and Company's equity.

Classification of financial instruments

	Carrying amount			
	Group		Company	
	2017	2016	2017	2016
	\$m	\$m	\$m	\$m
Loans and receivables				
Cash and cash equivalents	345.2	285.2	321.1	236.0
Trade receivables	201.5	172.2	167.7	141.7
Other receivables [#]	106.9	141.4	21.7	20.7
Amounts due from related parties	38.5	29.4	32.7	27.0
	692.1	628.2	543.2	425.4
Available-for-sale financial assets				
Quoted equity securities	60.0	40.0	60.0	40.0
Financial liabilities at amortised cost				
Trade and other payables [^]	(482.2)	(465.2)	(169.8)	(168.3)
Amounts due to related parties	(64.8)	(67.1)	(334.3)	(356.5)
Borrowings	(977.5)	(987.5)	(977.5)	(987.5)
	(1,524.5)	(1,519.8)	(1,481.6)	(1,512.3)
Fair value hedging instruments				
Forward exchange contracts used for hedging	(12.2)	5.4	(12.2)	5.4

[#] The carrying amount of other receivables disclosed in the table excludes prepayments.

[^] The carrying amount of trade and other payables disclosed in the table excludes deferred income, unearned revenue, marked-to-market financial instruments, net GST payable and employee benefits.

33 Financial Risk Management *(continued)*

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 related parties (non-current)

Non-current amounts due from related parties 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.

Available-for-sale quoted equity securities

The carrying amount of the available-for-sale financial assets approximates its fair value.

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, amounts due from related parties, cash and cash equivalents, trade and other payables and amounts due to related parties) 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 year-end plus an adequate constant credit spread to discount financial instruments. The interest rates used are as follows:

	2017	2016
	% per annum	% per annum
Derivatives	N.A.	0.86

Notes to the Financial Statements

Year ended 31 December 2017

33 Financial Risk Management (continued)

Estimation of fair values (continued)

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 1 and Level 2 valuation methods, at reporting date:

		Group and Company	
	Fair value level	2017 \$m	2016 \$m
Financial assets			
Marked-to-market financial instruments			
– Forward exchange contracts	2	–	5.4
Available-for-sale financial assets	1	60.0	40.0
Financial liabilities			
Marked-to-market financial instrument			
– Forward exchange contracts	2	12.2	–

There were no transfers between level 1 and 2 in 2017 and 2016.

34 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 appropriate 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 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.

35 Commitments

(a) Capital and other financial commitments

	Group		Company	
	2017 \$m	2016 \$m	2017 \$m	2016 \$m
Contracted and not provided for in the financial statements:				
– Capital expenditures	570.8	182.8	160.4	95.7
– Other operating expenditures	324.6	460.1	–	–
	895.4	642.9	160.4	95.7

As at 31 December 2017, the Group has outstanding capital and other financial commitments with related companies amounting to \$18.5 million (2016: \$12.5 million), which has been included above.

Included in the capital expenditures contracted by the Company is an amount of approximately \$0.3 million (2016: \$0.2 million) which has been entered into on behalf of certain of its subsidiaries.

(b) Operating leases

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

	Group		Company	
	2017 \$m	2016 \$m	2017 \$m	2016 \$m
Payable:				
– Within 1 year	80.1	60.1	47.8	44.3
– Within 2 to 5 years	140.9	90.4	101.0	80.1
– After 5 years	197.5	190.7	197.4	190.7
	418.5	341.2	346.2	315.1

As at 31 December 2017, the Group has outstanding operating lease commitments with related companies amounting to \$305.6 million (2016: \$219.4 million), which have been included above.

Included in the operating lease commitments of the Company is \$10.0 million (2016: \$7.0 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.

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Year ended 31 December 2017

36 Subsequent Events

Dividend declaration

The directors have proposed a final dividend of \$0.04 (2016: \$0.05) per share, tax exempt (one tier), totalling \$69.2 million (2016: \$86.4 million) in respect of the financial year ended 31 December 2017. 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 2018.

Acquisition of subsidiary

On 24 January 2018, the Company completed the acquisition of 65% of D'Crypt Pte Ltd, a privately-owned company based in Singapore, which is in the business of designing and developing high security assurance products and technology in telecommunication systems, equipment and related products, for cash consideration of \$57.5 million.

The acquisition is expected to improve the Group's capabilities in areas such as cryptographic and digital security, secure info-communication technologies ("ICT") and Internet of Things. At the reporting date, the accounting for the business combination is not yet complete.