FINANCIAL STATEMENTS 2019

FINANCIAL CONTENTS

DIRECTORS' STATEMENT

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2019.

In our opinion:

(a) the financial statements set out on pages 158 to 252 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 2019 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 (International); 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)
Ma Kah Woh	
Nihal Vijaya Devadas Kaviratne CBE	
Teo Ek Tor	
Stephen Geoffrey Miller	
Michelle Lee Guthrie	
Nayantara Bali	
Ng Shin Ein	
Lionel Yeo Hung Tong	(Appointed on 10 January 2019)
Lim Ming Seong	
Nasser Marafih	
Naoki Wakai	

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		
Ordinary shares		
Steven Terrell Clontz	143,600	199,300

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		
Ordinary shares		
Ma Kah Woh	117,680	145,780
Nihal Vijaya Devadas Kaviratne CBE	114,400	45,000
Teo Ek Tor	206,038	232,238
Stephen Geoffrey Miller	22,700	57,000
Michelle Lee Guthrie	4,900	32,200
Nayantara Bali	–	8,500
Ng Shin Ein	–	4,500
Lim Ming Seong	277,736	308,036
Nasser Marafih	94,930	118,230
Related Corporations		
CapitaLand Limited		
Ordinary Shares		
Ma Kah Woh	7,539	7,539
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		
Ordinary Shares		
Lim Ming Seong	8,336	8,336
Singapore Technologies Telemedia Pte Ltd		
Debentures		
Stephen Geoffrey Miller	–	S$250,000[(2)]
Singapore Telecommunications Limited		
Ordinary Shares		
Ma Kah Woh	380	380
Lionel Yeo Hung Tong	750	750

DIRECTORS' STATEMENT (continued)

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
Related Corporations		
TeleChoice International Limited		
Ordinary Shares		
Stephen Geoffrey Miller	79,000	161,000
Lim Ming Seong	60,000	60,000

(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.

(2) 5% Subordinated Perpetual Securities under Singapore Technologies Telemedia Pte Ltd's S$2,000,000,000 Multicurrency Debt Issuance Programme.

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 2020.

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 of the Company held on 14 April 2014.

The StarHub Share Plans 2014 are administered by the Company's Executive Resource and Compensation Committee ("ERCC") comprising five directors, namely Teo Ek Tor, Stephen Geoffrey Miller, Michelle Lee Guthrie, Lionel Yeo Hung Tong and Lim Ming Seong.

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

SHARE-BASED PAYMENTS (continued)

StarHub Share Plans 2014

(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 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.

(iii) Under 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 2014 to the financial year ended 31 December 2019, conditional awards aggregating 4,934,500 shares have been granted under the aforesaid plan. For share awards granted prior to and during 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) 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.

For share awards granted during and from the financial year ended 31 December 2017 to financial year ended 31 December 2018, 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. 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.

For share awards granted during and after the financial year ended 31 December 2019, no share awards will be delivered if the 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. The performance targets benchmark (a) Absolute TSR against Cost of Equity hurdles (i.e. measure of Wealth added), and (b) the Relative TSR against selected peers from the MSCI Asia Pacific Telecommunications Index, and (c) Transformation Key Performance Indicators reflective of the strategic growth objectives of StarHub.

SHARE-BASED PAYMENTS (continued)

StarHub Share Plans 2014 (continued)

Details of share awards granted under the StarHub PSP 2014 are as follows:

Participants	Share awards granted during the financial year	Aggregate share awards granted since commencement of the StarHub PSP 2014 to 31 December 2019	Share awards vested during the financial year	Aggregate share awards outstanding as at 31 December 2019
StarHub PSP 2014				
Key executives	2,030,000	4,934,500	–	3,114,020

(iv) Under 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 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 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 financial year ended 31 December 2016, the performance targets used were measured against the 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 2017 to financial year ended 31 December 2018, the performance targets used were aligned to the overall strategic financial and operational goals of the Group.

For performance-based restricted awards granted during and from financial year ended 31 December 2019 onwards, the performance targets used are measured against the ROIC.

Since the commencement of the StarHub RSP 2014 to the financial year ended 31 December 2019:

(1) performance-based restricted awards aggregating 12,074,000 shares have been granted under the aforesaid plan. For share awards granted prior to and during the financial year ended 31 December 2016, no shares will be delivered if the threshold performance targets are not achieved, while up to 1.5 times the number of shares that are the subject of the award, will be delivered if the stretch performance targets are met or exceeded. For share awards granted during and after the financial year ended 31 December 2017, no shares will be delivered if the threshold performance target are not achieved, while up to 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 941,800 shares have been granted to non-executive directors of the Company as part of their directors' remuneration, and were vested immediately upon grant;

SHARE-BASED PAYMENTS (continued)

(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 were vested in two equal tranches over a period from 15 March 2017 to 15 January 2018;

(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; and

(7) a time-based restricted award of 118,700 shares has been granted on 7 September 2018. The shares under this award were vested in one tranche on 9 July 2019.

Details of share awards granted under the StarHub RSP 2014 are as follows:

Participants	Share awards granted during the financial year	Aggregate share awards granted since commencement of the StarHub RSP 2014 to 31 December 2019	Share awards vested during the financial year	Aggregate share awards outstanding as at 31 December 2019
StarHub RSP 2014				
Non-executive directors:				
Steven Terrell Clontz	55,700	159,200	55,700	–
Ma Kah Woh	28,100	67,200	28,100	–
Nihal Vijaya Devadas Kaviratne CBE	37,000	121,900	37,000	–
Teo Ek Tor	26,200	101,600	26,200	–
Stephen Geoffrey Miller	34,300	57,000	34,300	–
Michelle Lee Guthrie	27,300	32,200	27,300	–
Nayantara Bali	8,500	8,500	8,500	–
Ng Shin Ein	4,500	4,500	4,500	–
Lim Ming Seong	30,300	109,800	30,300	–
Nasser Marafih	23,300	75,200	23,300	–
Key employees	2,948,500	13,457,790	1,551,888	1,236,787

During the financial year, a total of 1,856,188 treasury shares were transferred pursuant to the StarHub Share Plans 2014.

As at 31 December 2019, no participant has been granted and/or received shares pursuant to the release of awards granted under the StarHub Share Plans 2014, which, in aggregate, represents 5% or more of the aggregate of:

(a) the total number of new shares available under the StarHub Share Plans 2014 collectively; and

(b) the total number of existing shares delivered pursuant to awards released under the StarHub Share Plans 2014 collectively.

DIRECTORS' STATEMENT (continued)

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, lead independent non-executive director
Ng Shin Ein, 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

Ma Kah Woh
Director

Singapore
6 March 2020

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 2019, 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 158 to 252.

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 Singapore Financial Reporting Standards (International) ("SFRS(I)s") 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 2019 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 *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 ($2,330.6 million)
(Refer to note 3.11 'Significant accounting policies' and note 24 'Revenue')

The key audit matter	*How the matter was addressed in our audit*
The Group derives its revenue mainly from the provision of Mobile, Pay TV, Broadband, Enterprise Fixed services and sales of equipment. The determination of the amount and timing of revenue to be recognised is a highly judgemental process which involves: • Identifying performance obligations for each product and service offerings; and • Making assumptions related to estimates on stand-alone selling prices, variable considerations, redemption rates of programs, etc. The Group uses data captured in network switches and source systems (such as customer record, point of sales), which are interfaced with billing and management IT reporting systems, to recognise revenue. Management relies on a combination of system automated controls and manual controls to ensure the revenue recognition is appropriate. Processes in place to capture revenue for financial reporting require regular changes to cater for business and product developments. There is inherently a lag in identifying and implementing the necessary changes. In addition, due to limitations with current system configuration, certain manual reconciliations are necessary to quantify the revenue amounts to be recognised in accordance with SFRS(I) 15 requirements. Owing to the varieties of products and services, different pricing models as well as numerous forms of rebate and discount offerings, together with complexities in telecommunication systems and related configurations, there is a risk that revenue may not be accurately recorded.	We obtained an understanding of the nature of various revenue streams and the related revenue recording processes. We assessed the appropriateness of revenue recognition policies for products and services offered by the Group and the appropriateness of performance obligations identified by management by reviewing samples of customer contracts. We tested the design and implementation, and operating effectiveness of controls over the capture and recording of revenue. Our IT specialist tested the relevant automated controls, including interface controls between different IT applications. We tested key manual reconciliation controls over revenue recognition used by management for certain revenue streams.

Findings
We found that there are processes in place to capture revenue for financial reporting.

INDEPENDENT AUDITORS' REPORT (continued)

MEMBERS OF THE COMPANY
STARHUB LTD

Acquisition of Ensign InfoSecurity Pte. Ltd. and its subsidiaries[1] ("Ensign Group") – Purchase Price Allocation *(Refer to note 3.1 'Significant accounting policies' and note 34 'Acquisitions and disposal of Subsidiaries')*	
The key audit matter	*How the matter was addressed in our audit*
In 2018, the Group acquired 60% interest in Ensign Group (comprising 40% interest and 20% assigned rights from Leone Investments Pte Ltd). Management engaged external specialists to perform the purchase price allocation, and fair value the identified assets and liabilities of Ensign Group. There is judgement and inherent uncertainty involved in the identification and valuation of these assets and liabilities. The exercise was completed in 2019, with adjustments of $31.4 million made to the provisional fair values of the identified assets and liabilities of Ensign Group.	We considered the objectivity, independence and competency of external specialists, and the scope of their engagement. We discussed with management, the external specialists and the component auditors on the purchase price allocation exercise, to understand their basis of identifying and valuing the identified assets and liabilities. We reviewed the component auditors' assessment of the methodologies and reasonableness of key assumptions used in deriving the allocated values. We considered the appropriateness of the disclosures for the acquisition in the financial statements. We reviewed the nature and basis of the adjustments made on finalisation of the purchase price allocation exercise.
Findings We found that the external specialists are members of generally-recognised professional valuers and have considered their own independence in carrying out their work. We found the valuation methodology used to be in line with generally accepted market practices and management's key assumptions and estimates applied to be supportable. Following the finalisation of the purchase price allocation, the adjustments made to the fair values of identified assets and liabilities of Ensign Group are appropriate. These adjustments have been applied retrospectively and are explained in Note 34. We found the disclosures of the acquisition to be appropriate.	

1: Audited by Deloitte & Touche LLP ("Deloitte")

Disposal of D'Crypt Pte Ltd ("DPL")
(Refer to note 3.1 'Significant accounting policies' and note 34 'Acquisitions and disposal of Subsidiaries')

The key audit matter	*How the matter was addressed in our audit*
In 2019, the Company and DPL's Non-Controlling Interest ("NCI"), have entered into a sale and purchase agreement with Keele Investments Pte. Ltd. ("Keele") to sell each's respective equity interest in DPL. The aggregate consideration of this transaction is $133.6 million ($100 million of cash consideration, $6.2 million of deferred consideration and up to $27.4 million of contingent consideration). Ensign has also acquired 100% effective interest in Keele through the rights associated with the subscription of Keele's preference shares for $100 million consideration. This resulted in the dilution of the Group's effective shareholding interest in DPL from 65% to 60%. Pursuant to the above, the Company and DPL's NCI have also terminated the put and call option agreement ("PCOA") that was entered into in the prior year, which gave the Company rights to acquire the remaining 35% equity interest in DPL from NCI through exercise of the put.	We examined the terms and conditions of the sale and purchase agreement and enquired with key management personnel to understand the nature of the transaction. We reviewed the accounting treatment for the transaction, including derecognition of the put liability and the recognition and classification of the deferred and contingent consideration. We assessed the effective interest arising from the rights associated with Ensign's preference shares in Keele by reviewing the terms and conditions of the subscription shareholders' agreement. We tested the computation of the impact on dilution recognised by the Group and the Company. We also considered the appropriateness of the disclosures in the financial statements.

Findings
We found the accounting treatment of the transaction, including the derecognition of the put liability and recognition and classification of the deferred and contingent consideration to be appropriate.

We found that the Group continues to retain control over DPL through Ensign's rights from the subscribed preference shares in Keele.

The dilution of interest in DPL from 65% to 60% is accounted for as a transaction with equity holders at the Group level with the impact on dilution recognised in equity. At the Company level, the impact on disposal is recognised in the income statement.

We found the disclosures of the disposal to be appropriate.

Impairment assessment of goodwill ($346.9 million) and investments in subsidiaries ($3,256.0 million)
(Refer to note 3.7 (ii) 'Significant accounting policies', note 5 'Intangible assets' and note 7 'Subsidiaries')

The key audit matter	*How the matter was addressed in our audit*
Goodwill is subject to an annual impairment test or more frequently if there are indications of impairment. Investment in subsidiaries is subject to impairment test when there are indicators of impairment. At 31 December 2019, the Group's balance sheet includes goodwill amounting to $346.8 million, predominately allocated to three cash-generating units ("CGUs") – fixed, mobile, Pay TV and broadband operations ("Telco") CGU, D'Crypt Pte Ltd ("DPL") CGU and Ensign InfoSecurity Pte. Ltd. ("Ensign") CGU (see Note 5). At 31 December 2019, the Company's balance sheet includes investments in subsidiaries of $3,256 million. The impairment assessment of investments in subsidiaries is performed at the CGU level. The Group and the Company performed an impairment assessment for each of the CGUs by estimating its recoverable amounts. The recoverable amounts of each CGU has been derived using its discounted cash flow forecast. The recoverable amount for each of the CGUs is determined to be in excess of the carrying amounts of the CGU and no impairment loss is determined to be required. A CGU is the smallest unit of assets that generate cash inflows that are largely independent of the cash inflow from other group of assets. The identification of a CGU involves judgement. Forecasting future cash flow is a highly judgemental process which involves making assumptions on revenue growth rates, margins, operating expense and discount rates.	We evaluated the appropriateness of CGU identified by management based on our knowledge of the business acquisition giving rise to the goodwill and our understanding of the current business of the Group and the Company. We assessed management's process of setting budgets on which the cash flow forecasts are based. We assessed key assumptions used in the cash flow projections by comparing them against historical performance, future business plans and external market reports. We independently derived applicable discount rates from comparable companies and compared these with those used by management. We performed sensitivity analyses, focusing on plausible changes in the key assumptions or discount rates, and analysed the impact to the carrying amount. We considered the appropriateness of the disclosures in the financial statements.

Findings

We found the identification of CGUs to be based on reasonable basis.

We found that the assumptions and resulting estimates used in determining recoverable amounts to be within acceptable range.

We found the Group's disclosure in notes to the financial statements to be appropriate.

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 auditors' 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 do not express any form of assurance conclusion thereon.

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

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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.

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 SFRS(I)s, 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.

INDEPENDENT AUDITORS' REPORT (continued)

MEMBERS OF THE COMPANY
STARHUB LTD

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.

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
6 March 2020

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

		Group		Company	
			(Restated)		
	Note	2019 $m	2018 $m	2019 $m	2018 $m
Non-current assets					
Property, plant and equipment	4	**820.3**	893.2	**421.0**	465.1
Intangible assets	5	**672.3**	688.0	**108.8**	102.1
Right-of-use assets	6	**150.0**	–	**116.7**	–
Subsidiaries	7	**–**	–	**3,256.0**	3,304.4
Associate	8	**22.1**	22.7	**27.8**	27.8
Other investments	9	**34.3**	36.0	**34.3**	36.0
Amounts due from related parties	10	**8.5**	8.2	**8.5**	8.2
Contract assets	11	**77.6**	67.4	**0.6**	0.1
Contract costs	11	**7.0**	5.7	**0.4**	0.5
Deferred tax assets	20	**–**	1.5	**–**	–
		1,792.1	1,722.7	**3,974.1**	3,944.2
Current assets					
Inventories	12	**98.3**	75.2	**5.5**	0.6
Contract assets	11	**334.1**	269.6	**27.5**	18.7
Contract costs	11	**32.5**	24.7	**1.5**	1.4
Trade receivables	13	**248.7**	282.8	**198.0**	183.1
Other receivables, deposits and prepayments	14	**88.7**	94.2	**33.1**	33.9
Amounts due from related parties	10	**21.9**	18.3	**15.4**	14.2
Cash and cash equivalents	15	**117.6**	166.0	**74.5**	117.6
		941.8	930.8	**355.5**	369.5
Current liabilities					
Contract liabilities	11	**(69.4)**	(70.2)	**(18.1)**	(23.4)
Trade and other payables	16	**(539.5)**	(594.8)	**(308.7)**	(270.5)
Amounts due to related parties	10	**(41.1)**	(57.5)	**(151.0)**	(235.8)
Borrowings	17	**(407.6)**	(50.1)	**(407.5)**	(50.0)
Lease liabilities	18	**(26.6)**	–	**(15.8)**	–
Provision for taxation		**(92.1)**	(119.5)	**(26.0)**	(23.7)
		(1,176.3)	(892.1)	**(927.1)**	(603.4)
Net current (liabilities)/assets		**(234.5)**	38.7	**(571.6)**	(233.9)
Non-current liabilities					
Contract liabilities	11	**(36.2)**	(32.5)	**(36.2)**	(32.5)
Trade and other payables	16	**(50.2)**	(33.3)	**(10.9)**	(7.3)
Borrowings	17	**(640.8)**	(978.4)	**(640.0)**	(977.5)
Lease liabilities	18	**(128.9)**	–	**(100.4)**	–
Deferred tax liabilities	20	**(121.4)**	(129.2)	**(70.6)**	(75.6)
		(977.5)	(1,173.4)	**(858.1)**	(1,092.9)
Net assets		**580.1**	588.0	**2,544.4**	2,617.4
Equity					
Share capital	21	**299.7**	299.7	**299.7**	299.7
Reserves	22	**18.5**	8.4	**2,044.8**	2,117.8
Perpetual capital securities	23	**199.9**	199.9	**199.9**	199.9
Equity attributable to owners and perpetual capital securities holders		**518.1**	508.0	**2,544.4**	2,617.4
Non-controlling interests		**62.0**	80.0	**–**	–
Total equity		**580.1**	588.0	**2,544.4**	2,617.4

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

CONSOLIDATED INCOME STATEMENT

YEAR ENDED 31 DECEMBER 2019

		Group	
	Note	2019 $m	2018 $m
Revenue	24	**2,330.6**	2,362.0
Operating expenses	25	**(2,085.8)**	(2,089.7)
Other income	26	**11.0**	1.2
Profit from operations		**255.8**	273.5
Finance income	27	**1.6**	3.2
Finance expense	27	**(38.3)**	(30.2)
Net finance costs		**(36.7)**	(27.0)
Share of loss of associate, net of tax	8	**(0.5)**	(1.0)
Profit before taxation		**218.6**	245.5
Taxation	28	**(40.0)**	(44.9)
Profit for the year		**178.6**	200.6
Profit attributable to:			
Owners of the Company		**186.3**	201.7
Non-controlling interests		**(7.7)**	(1.1)
Profit for the year		**178.6**	200.6
Earnings per share (in cents)			
- Basic	29	**10.3**	11.2
- Diluted	29	**10.3**	11.2
EBITDA	30	**617.0**	567.3

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2019

	Group	
	2019 **$m**	**2018** **$m**
Profit for the year	**178.6**	200.6
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Net change in fair value of equity investments at fair value through other comprehensive income ("FVOCI"), net of taxation	**(1.7)**	(24.0)
	(1.7)	(24.0)
Items that are or may be reclassified subsequently to profit or loss:		
Share of other comprehensive loss of associate	**(0.1)**	–
Foreign currency translation differences	**0.1**	(0.1)
Effective portion of changes in fair value of cash flow hedges, net of taxation	**(1.9)**	9.9
	(1.9)	9.8
Other comprehensive loss for the year, net of taxation	**(3.6)**	(14.2)
Total comprehensive income for the year	**175.0**	186.4
Total comprehensive income attributable to:		
Owners of the Company	**182.7**	187.5
Non-controlling interests	**(7.7)**	(1.1)
Total comprehensive income for the year	**175.0**	186.4

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

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2019

Group	Share capital $m	Treasury shares $m	Capital reserve $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	Perpetual capital securities $m	Non-controlling interests $m	Total equity $m
At 1 January 2019 as previously reported	299.7	(3.0)	21.7	(276.3)	8.7	(5.9)	(0.2)	1.3	282.2	28.5	199.9	59.9	588.0
Adjustment to opening balance (Note 34)	–	–	(20.1)	–	–	–	–	–	–	(20.1)	–	20.1	–
At 1 January 2019 as restated	299.7	(3.0)	1.6	(276.3)	8.7	(5.9)	(0.2)	1.3	282.2	8.4	199.9	80.0	588.0
Total comprehensive income for the year													
Profit for the year	–	–	–	–	–	–	–	–	186.3	186.3	–	(7.7)	178.6
Other comprehensive (loss)/income													
Net change in fair value of equity investments at FVOCI, net of taxation	–	–	–	–	–	(1.7)	–	–	–	(1.7)	–	–	(1.7)
Share of other comprehensive loss of associate	–	–	–	–	–	–	(0.1)	–	–	(0.1)	–	–	(0.1)
Foreign currency translation differences	–	–	–	–	–	–	–	0.1	–	0.1	–	–	0.1
Effective portion of changes in fair value of cash flow hedges, net of taxation	–	–	–	–	–	–	(1.9)	–	–	(1.9)	–	–	(1.9)
Total comprehensive (loss)/income for the year	–	–	–	–	–	(1.7)	(2.0)	0.1	186.3	182.7	–	(7.7)	175.0
Transactions with equity holders of the Company, recognised directly in equity													
Contributions by and distributions to equity holders of the Company													
Accrued perpetual capital securities distribution	–	–	–	–	–	–	–	–	(7.9)	(7.9)	7.9	–	–
Perpetual capital securities distribution paid	–	–	–	–	–	–	–	–	1.3	1.3	(7.9)	–	(6.6)
Purchase of treasury shares	–	(1.5)	–	–	–	–	–	–	–	(1.5)	–	–	(1.5)
Issue of shares pursuant to share plans	–	4.4	–	–	(4.4)	–	–	–	–	–	–	–	–
Share-based payment expenses	–	–	–	–	3.8	–	–	–	–	3.8	–	–	3.8
Dividends paid (Note 32)	–	–	–	–	–	–	–	–	(186.1)	(186.1)	–	–	(186.1)
Total contributions by and distributions to equity holders of the Company	–	2.9	–	–	(0.6)	–	–	–	(192.7)	(190.4)	–	–	(190.4)

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

STATEMENTS OF CHANGES IN EQUITY (continued)

YEAR ENDED 31 DECEMBER 2019

Group	Share capital $m	Treasury shares $m	Capital reserve $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	Perpetual capital securities $m	Non-controlling interests $m	Total equity $m
Changes in ownership interests in subsidiaries													
Net effect from business combinations (Note 34)	–	–	(15.2)	–	–	–	–	–	–	(15.2)	–	(10.3)	(25.5)
Net changes in fair value of put liability to acquire non-controlling interests	–	–	(1.0)	–	–	–	–	–	–	(1.0)	–	–	(1.0)
Derecognition of put liability to acquire non-controlling interests (Note 34)	–	–	34.0	–	–	–	–	–	–	34.0	–	–	34.0
Total changes in ownership interests in subsidiaries	–	–	17.8	–	–	–	–	–	–	17.8	–	(10.3)	7.5
Total transactions with equity holders of the Company	–	2.9	17.8	–	(0.6)	–	–	–	(192.7)	(172.6)	–	(10.3)	(182.9)
At 31 December 2019	299.7	(0.1)	19.4	(276.3)	8.1	(7.6)	(2.2)	1.4	275.8	18.5	199.9	62.0	580.1

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

Group	Share capital $m	Treasury shares $m	Capital reserve $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	Perpetual capital securities $m	Non-controlling interests $m	Total equity $m
At 1 January 2018	299.7	(8.2)	–	(276.3)	13.0	18.1	(10.1)	1.4	364.0	101.9	199.9	4.4	605.9
Total comprehensive income for the year													
Profit for the year	–	–	–	–	–	–	–	–	201.7	201.7	–	(1.1)	200.6
Other comprehensive (loss)/income													
Net change in fair value of equity investments at FVOCI, net of taxation	–	–	–	–	–	(24.0)	–	–	–	(24.0)	–	–	(24.0)
Foreign currency translation differences	–	–	–	–	–	–	–	(0.1)	–	(0.1)	–	–	(0.1)
Effective portion of changes in fair value of cash flow hedges, net of taxation	–	–	–	–	–	–	9.9	–	–	9.9	–	–	9.9
Total comprehensive (loss)/income for the year	–	–	–	–	–	(24.0)	9.9	(0.1)	201.7	187.5	–	(1.1)	186.4
Transactions with equity holders of the Company, recognised directly in equity													
Contributions by and distributions to equity holders of the Company													
Accrued perpetual capital securities distribution	–	–	–	–	–	–	–	–	(7.9)	(7.9)	7.9	–	–
Perpetual capital securities distribution paid	–	–	–	–	–	–	–	–	1.3	1.3	(7.9)	–	(6.6)
Issue of shares pursuant to share plans	–	5.2	–	–	(5.1)	–	–	–	–	0.1	–	–	0.1
Share-based payment expenses	–	–	–	–	1.0	–	–	–	–	1.0	–	–	1.0
Tax impact on transfer of treasury shares	–	–	–	–	(0.2)	–	–	–	–	(0.2)	–	–	(0.2)
Dividends paid (Note 32)	–	–	–	–	–	–	–	–	(276.9)	(276.9)	–	–	(276.9)
Total contributions by and distributions to equity holders of the Company	–	5.2	–	–	(4.3)	–	–	–	(283.5)	(282.6)	–	–	(282.6)

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

STATEMENTS OF CHANGES IN EQUITY (continued)

YEAR ENDED 31 DECEMBER 2019

Group	Share capital $m	Treasury shares $m	Capital reserve $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	Perpetual capital securities $m	Non-controlling interests $m	Total equity $m
Changes in ownership interests in subsidiaries													
Net effect from business combinations (Restated) (Note 34)	–	–	34.6	–	–	–	–	–	–	34.6	–	76.7	111.3
Put liability to acquire non-controlling interests	–	–	(42.7)	–	–	–	–	–	–	(42.7)	–	–	(42.7)
Net changes in fair value of put liability to acquire non-controlling interests	–	–	9.7	–	–	–	–	–	–	9.7	–	–	9.7
Total changes in ownership interests in subsidiaries	–	–	1.6	–	–	–	–	–	–	1.6	–	76.7	78.3
Total transactions with equity holders of the Company	–	5.2	1.6	–	(4.3)	–	–	–	(283.5)	(281.0)	–	76.7	(204.3)
At 31 December 2018	299.7	(3.0)	1.6	(276.3)	8.7	(5.9)	(0.2)	1.3	282.2	8.4	199.9	80.0	588.0

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

Company	Share capital $m	Treasury shares $m	Share-based payments reserve $m	Fair value reserve $m	Retained profits $m	Total reserves $m	Perpetual capital securities $m	Total equity $m
At 1 January 2019	**299.7**	**(3.0)**	**8.7**	**(5.9)**	**2,118.0**	**2,117.8**	**199.9**	**2,617.4**
Total comprehensive income for the year								
Profit for the year	**–**	**–**	**–**	**–**	**119.1**	**119.1**	**–**	**119.1**
Other comprehensive income								
Net change in fair value of equity investments at FVOCI, net of taxation	**–**	**–**	**–**	**(1.7)**	**–**	**(1.7)**	**–**	**(1.7)**
Total comprehensive income for the year	**–**	**–**	**–**	**(1.7)**	**119.1**	**117.4**	**–**	**117.4**
Transactions with equity holders of the Company, recognised directly in equity								
Contributions by and distributions to equity holders of the Company								
Accrued perpetual securities distribution	**–**	**–**	**–**	**–**	**(7.9)**	**(7.9)**	**7.9**	**–**
Perpetual securities distribution paid	**–**	**–**	**–**	**–**	**1.3**	**1.3**	**(7.9)**	**(6.6)**
Purchase of treasury shares	**–**	**(1.5)**	**–**	**–**	**–**	**(1.5)**	**–**	**(1.5)**
Issue of shares pursuant to share plans	**–**	**4.4**	**(4.4)**	**–**	**–**	**–**	**–**	**–**
Share-based payment expenses	**–**	**–**	**3.8**	**–**	**–**	**3.8**	**–**	**3.8**
Dividends paid (Note 32)	**–**	**–**	**–**	**–**	**(186.1)**	**(186.1)**	**–**	**(186.1)**
Total transactions with equity holders of the Company	**–**	**2.9**	**(0.6)**	**–**	**(192.7)**	**(190.4)**	**–**	**(190.4)**
At 31 December 2019	**299.7**	**(0.1)**	**8.1**	**(7.6)**	**2,044.4**	**2,044.8**	**199.9**	**2,544.4**

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

STATEMENTS OF CHANGES IN EQUITY (continued)

YEAR ENDED 31 DECEMBER 2019

Company	Share capital $m	Treasury shares $m	Share-based payments reserve $m	Fair value reserve $m	Retained profits $m	Total reserves $m	Perpetual capital securities $m	Total equity $m
At 1 January 2018	299.7	(8.2)	13.0	18.1	2,001.9	2,024.8	199.9	2,524.4
Total comprehensive income for the year								
Profit for the year	–	–	–	–	399.6	399.6	–	399.6
Other comprehensive income								
Net change in fair value of equity investments at FVOCI, net of taxation	–	–	–	(24.0)	–	(24.0)	–	(24.0)
Total comprehensive income for the year	–	–	–	(24.0)	399.6	375.6	–	375.6
Transactions with equity holders of the Company, recognised directly in equity								
Contributions by and distributions to equity holders of the Company								
Accrued perpetual securities distribution	–	–	–	–	(7.9)	(7.9)	7.9	–
Perpetual securities distribution paid	–	–	–	–	1.3	1.3	(7.9)	(6.6)
Issue of shares pursuant to share plans	–	5.2	(5.1)	–	–	0.1	–	0.1
Share-based payment expenses	–	–	1.0	–	–	1.0	–	1.0
Tax impact on transfer of treasury shares	–	–	(0.2)	–	–	(0.2)	–	(0.2)
Dividends paid (Note 32)	–	–	–	–	(276.9)	(276.9)	–	(276.9)
Total transactions with equity holders of the Company	–	5.2	(4.3)	–	(283.5)	(282.6)	–	(282.6)
At 31 December 2018	299.7	(3.0)	8.7	(5.9)	2,118.0	2,117.8	199.9	2,617.4

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

CONSOLIDATED CASH FLOW STATEMENT

YEAR ENDED 31 DECEMBER 2019

	2019 $m	2018 $m
Cash flow from operating activities		
Profit before taxation	**218.6**	245.5
Adjustments for:		
Depreciation and amortisation	**361.2**	291.2
Income related grants	**(1.9)**	(1.1)
Share-based payments	**3.8**	1.0
Net finance costs	**36.7**	27.0
Loss on disposal of plant and equipment and intangible assets	**1.8**	0.2
Share of loss of associate, net of tax	**0.5**	1.0
Others	**–**	3.5
	620.7	568.3
Changes in:		
Inventories	**(18.2)**	(2.0)
Contract assets	**(74.7)**	32.2
Contract costs	**(9.2)**	1.2
Trade receivables	**34.1**	(67.3)
Other receivables, deposits and prepayments	**(5.6)**	1.8
Contract liabilities	**2.9**	1.4
Trade and other payables	**(10.0)**	(68.2)
Amounts due from related parties	**(3.6)**	31.7
Amounts due to related parties	**(16.4)**	(12.2)
Cash generated from operations	**520.0**	486.9
Income tax paid	**(71.9)**	(68.6)
Net cash from operating activities	**448.1**	418.3
Cash flow from investing activities		
Interest received	**1.2**	3.1
Proceeds from disposal of property, plant and equipment and intangible assets	**0.4**	0.4
Purchase of property, plant and equipment and intangible assets	**(229.5)**	(272.8)
Acquisition of subsidiary, net of cash acquired (Note 34)	**–**	(65.4)
Proceeds from dilution of interest in a subsidiary (Note 34)	**5.0**	–
Net cash used in investing activities	**(222.9)**	(334.7)
Cash flow from financing activities		
Payment of lease liabilities	**(61.1)**	–
Grants received	**0.7**	2.0
Proceeds from bank loans	**70.0**	50.0
Repayment of bank loans	**(50.0)**	–
Dividend paid to owners of the Company	**(186.1)**	(276.9)
Purchase of treasury shares	**(1.5)**	–
Perpetual capital securities distribution paid	**(7.9)**	(7.9)
Interest paid	**(37.8)**	(30.6)
Net cash used in financing activities	**(273.7)**	(263.4)
Net change in cash and cash equivalents	**(48.5)**	(179.8)
Cash and cash equivalents at beginning of year	**165.4**	345.2
Cash and cash equivalents at end of year (Note 15)	**116.9**	165.4

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

These notes form an integral part of the financial statements.

The financial statements were authorised for issue in accordance with a resolution of the Board of Directors of StarHub Ltd on 6 March 2020.

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 7 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 have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)").

This is the first set of the Group's annual financial statements in which SFRS(I) 16 *Leases* has been applied. The related changes to significant accounting policies are described in Note 3.15 and Note 39.

2.2 Basis of measurement

The financial statements are prepared on a historical cost basis, except as otherwise described in the notes below.

2.3 Functional and presentation currency

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

2 BASIS OF PREPARATION (continued)

2.4 Significant accounting estimates and judgements

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

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

In the application of the Group's accounting policies, which are described in Note 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 applying 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

  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, Pay TV and broadband operations are integrated and considered as one CGU. The impairment assessment is performed on the same CGU determined for purposes of assessing impairment of goodwill (see Note 5).

- Measurement of expected credit loss ("ECL") allowance for trade and other receivables and contract assets

  The Group estimates the ECL allowance on trade receivables, amounts due from related parties and contract assets by applying a provision matrix, incorporating both historical default rates and forward-looking statements. 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.

2 BASIS OF PREPARATION (continued)

2.4 Significant accounting estimates and judgements (continued)

- Revenue recognition – Determining the transaction price, stand-alone selling price ("SSP") and the amounts allocated to performance obligations

  Determining the transaction price requires the Group to make judgments and estimates on variable considerations in the contract. Management estimates the amount of variable consideration based on historical, current and forecasted information using most likely or expected value method. Determination of the variable consideration is subjective as the Group has a practice of offering a broad range of price concessions and the fact that variable consideration is highly susceptible to factors outside the Group's influence. Changes in customer's expectation and Group's intent, as well as the method used in quantifying the amount of variable consideration may affect the amount of revenue recognised in the Group's income statements in the future.

  Transaction price is allocated in proportion to the estimated SSP for each performance obligation at the inception of the contract. Therefore, management estimates the SSP of each performance obligation, especially those goods or services that are not regularly offered separately to customers. The Group establishes SSP using observable price or in case observable price is not available, the estimated cost plus a reasonable margin for each identified performance obligation. If both observable price or cost plus method is not available, SSP is determined based on residual method. Change or absence of SSP of a performance obligation affects the amount of consideration allocated to each performance obligation. Variable considerations are allocated solely to the service component of the contract since they relate specifically to the effort to satisfy the service performance obligation.

  The Group operates loyalty programmes that provide various discounts on future goods or services. A portion of revenue is allocated to these discounts and deferred until they are redeemed or expire. The deferment of revenue is estimated based on historical redemption rates and values, adjusted for any anticipated changes in future periods. As actual redemption rates may differ, the estimates are reviewed and adjusted where necessary in each reporting period when determining the amount of revenue to be deferred.

- 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 subsidiaries (see Note 34)

  - determination of fair value of consideration transferred (including contingent consideration, if any); and
  - determination of fair value of the assets acquired and liabilities assumed.

  Management has engaged external firms of specialists to perform the purchase price allocation, including valuation of the identified assets and liabilities. There is judgement and inherent uncertainty involved in the identification and valuation of these assets and liabilities.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except as explained in Note 39, which addresses changes in accounting policies.

The accounting policies have been applied consistently by Group entities.

3.1 Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method in accordance with SFRS(I) 3 *Business Combinations* as at the date of acquisition, which is the date when 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.

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 at fair value, unless another measurement basis is required by SFRS(I)s.

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. 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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Basis of consolidation (continued)

(iii) Acquisition from entities under common control

Acquisitions of subsidiaries from related corporations controlled by the ultimate holding company, Temasek Holdings (Private) Limited ("Temasek"), are accounted for using the acquisition method in accordance with SFRS(I) 3 *Business Combinations* as at the date of acquisition.

(iv) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognised in the income statement. Any interest retained in the former subsidiary is measured at fair value on the date that control is lost.

(v) Investment in associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies of these entities. 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.

(vi) 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.

(vii) Subsidiaries and associates in the separate financial statements

Investments in subsidiaries and associates are stated in the Company's statement of financial position at cost less impairment losses.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Basis of consolidation (continued)

(viii) Put and call options with non-controlling interest

When an entity within the Group writes a put option with the non-controlling shareholders as part of the acquisition of a subsidiary for settlement in cash or in another financial asset, a put liability is recognised for the present value of the exercise price of the option. This creates an obligation or potential obligation for the entity to purchase its subsidiary's equity instruments (constitutes the Group's own equity in the consolidated financial statements) for cash or another financial asset.

When the non-controlling shareholders still have present access to the returns associated with the underlying ownership interests, the Group has chosen an accounting policy in which the non-controlling shareholders continue to be recognised. Therefore, the present value of the option is recognised in equity. Subsequent to initial recognition of the financial liability, changes in the carrying amount of the financial liability is recognised within equity.

If the put option expires unexercised or is cancelled, then the charge to equity will be reversed and the financial liability will be derecognised. If the put option is exercised, then the charge to equity will be reversed and the financial liability will be derecognised and acquisition accounting will be applied.

At the Company level, the put and call options are accounted for as embedded derivatives.

3.2 Foreign currencies

(i) Foreign currencies transactions

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

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are recognised in the income statement, except for the differences arising on the translation of qualifying cash flow hedges to the extent the hedge is effective, which are recognised in other comprehensive income.

(ii) Foreign operations

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

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 SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate item (major components) of property, plant and equipment.

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.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of the asset, that component is depreciated separately.

Depreciation is recognised as an expense in the income statement 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 57 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 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Intangible assets

(i) Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets.

Goodwill at the acquisition date represents the excess of:

- 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.

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.

As part of the transition to SFRS(I), the Group elected not to restate those business combinations that occurred before the date of transition to SFRS(I), i.e. 1 January 2017. Goodwill arising from acquisitions before 1 January 2017 has been carried forward from previous FRS framework as at the date of transition.

(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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Intangible assets (continued)

(iv) Deferred development costs

Deferred development activities involve a plan or design for the production of new or substantially improved products and processes. Deferred development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs. Other development expenditure is recognised in the income statement as incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised over 7 to 20 years.

(v) 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 either the straight-line method over the estimated useful lives of 3 to 15 years, or when there is a high correlation with the revenue and margin to be generated, based on units of production method.

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

3.5 Inventories

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. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of production overheads based on normal operating capacity.

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.

Gross amounts due for contract work

Gross amounts due for contract work represent the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities.

Gross amounts due for contract work are presented as part of contract assets in the statement of financial position for all contracts in which costs incurred plus recognised profits exceed progress billings. If progress billings exceed costs incurred plus recognised profits, the difference is presented as part of contract liabilities in the statement of financial position.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Financial instruments

Non-derivative financial instruments

(i) Recognition and initial measurement

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), lease liabilities 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 transfers 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.

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.

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Financial instruments (continued)

(ii) Classification and subsequent measurement

Non-derivative financial assets

On initial recognition, a financial asset is classified as subsequently measured at amortised cost, equity investments at FVOCI or FVTPL.

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

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

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

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

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

The determination of classification at initial recognition and subsequent measurement into each of the measurement categories are as described below.

(a) Financial assets at amortised cost

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

(b) Equity investments at FVOCI

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

These assets are subsequently measured at fair value. Dividends are recognised as income in the income statement unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in other comprehensive income and are never reclassified to the income statement. On de-recognition, cumulative gains and losses recognised in other comprehensive income are transferred to retained profits.

(c) Financial assets at FVTPL

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

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

Non-derivative financial liabilities

(a) Trade and other payables

Trade and other payables (including amounts due to related parties, excluding deferred income, marked-to-market financial instruments, put liability to acquire non-controlling interests, put and call options, net GST payable and employee benefits) are carried at amortised cost using the effective interest method.

(b) 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.

(c) Lease liabilities

Lease liabilities are carried at amortised cost using the effective interest method.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Financial instruments (continued)

(iii) Derivative financial instruments and hedge accounting

Derivative financial instruments and hedge accounting

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

Derivatives are initially measured at fair value and any directly attributable transaction costs are recognised in the income statement as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in the income statement, when the derivative is designated as a cashflow hedge.

The Group designates certain derivatives and non-derivative financial instruments as hedging instruments in qualifying hedging relationships. At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Cash flow hedges

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

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

The Group designates only the change in fair value of the spot element of forward exchange contracts as the hedging instrument in cash flow hedging relationships.

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

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to the income statement.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Financial instruments (continued)

(iv) Share capital

Ordinary shares

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

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

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the reserve for own share account. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented in non-distributable capital reserve.

(v) Perpetual Capital Securities

The Group's 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. Discretionary dividends thereon are recognised as equity distributions on approval by the Company's shareholders. Costs directly attributable to the issue of the perpetual capital securities are deducted against the proceeds from the issue.

3.7 Impairment

(i) Non-derivative financial assets and contract assets

The Group recognises loss allowances for ECL on financial assets measured at amortised cost, and contract assets (as defined in SFRS(I) 15).

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Impairment (continued)

(i) Non-derivative financial assets and contract assets (continued)

Simplified approach

The Group applies the simplified approach to provide for ECLs for all financial assets and contract assets. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

Measurement of ECLs

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

Credit-impaired financial assets

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

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

- significant financial difficulty of the borrower or issuer;
- breach of contract such as a default;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise; or
- it is probable that the borrower will enter bankruptcy or other financial reorganisation.

Presentation of allowance for ECLs in the statement of financial position

Loss allowances for financial assets measured at amortised cost and contract assets are deducted from the gross carrying amount of these assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Impairment (continued)

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories, contract assets and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related CGU exceeds its estimated recoverable amount.

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

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

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.

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 in the periods during which related service are rendered by employees.

(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 contract liability 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. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied performance obligations.

Transaction price is the amount of consideration in the contract to which the Group expects to be entitled in exchange for transferring the promised goods or services. The transaction price may be fixed or variable and is adjusted for time value of money if the contract includes a significant financing component. Consideration payable to a customer is deducted from the transaction price if the Group does not receive a separate identifiable benefit from the customer.

Revenue is recognised in the income statement as follows:

- Revenue from bundled products and services is recognised either at a point in time or over time based on the SSP allocated to the individual elements of the bundled products at contract inception. Invoices are issued on a monthly basis and are payable within 14 days.

- Revenue from telecommunications, broadband and Pay TV services and advertising space is recognised over time when such services are rendered. Revenue billed in advance of the rendering of services is deferred and presented in the statement of financial position as contract liability. Invoices for telecommunications, broadband and Pay TV services are issued on a monthly basis and are payable within 14 days. Invoices for advertising space are issued when services have been performed and are payable within 30 days.

- Revenue from managed services, system integration and solution projects are recognised based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, multiplied by the total estimated contract revenue. Management considers that this input method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under SFRS(I) 15. The Group becomes entitled to invoice customers based on achieving a series of performance-related milestones. When a particular milestone is reached, the customer is sent a relevant statement of work signed by a third-party assessor and an invoice for the related milestone payment which is due within 14 to 30 days. The Group will previously have recognised a contract asset for any work performed. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the milestone payment exceeds the revenue recognised to date, then the Group recognises a contract liability for the difference. This is not considered to be a significant financing component in construction contracts with customers as the period between the recognition of revenue and the milestone payment is always less than one year.

- 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 contract liability. Revenue is recognised over time upon usage of the pre-paid phone cards and upon expiry, any unutilised value of the cards is taken to the income statement. Payment is due when the cards are delivered to customers.

- Revenue from sales of equipment is recognised at a point in time when control of the equipment has been transferred, being at the point of delivery and acceptance of the equipment sold. Delivery occurs when the goods have been shipped to the customer's specified location. When the customer initially purchases the goods online, the transaction price received by the Group is recognised as a contract liability until the goods have been delivered to the customer. Payment is due when the equipment is delivered to customers.

Any difference between the revenue recognised in relation to the satisfied performance obligation and the amount of consideration received or receivable is presented either as contract asset or contract liability. Contract asset represents the Group's right to consideration, excluding any amount presented as trade receivable, in exchange for the goods or services transferred to customers. Contract liability, on the other hand represents the Group's obligation to transfer goods and services to a customer for which the Group has received consideration from the customer.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 Revenue recognition (continued)

Variable consideration

Certain contracts with customers include variable considerations like right of return, trade discounts or 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 certain rebates. Under SFRS(I) 15, such provisions will be estimated at contract inception and at every reporting period, 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 SSP.

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 or fulfilling 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. The Group has applied the practical expedient, where the incremental costs of obtaining a contract is expensed if the associated amortisation period is 12 months or less.

3.12 Finance income and costs

Finance income comprises interest income on bank deposits and amount due from associate. Interest income is recognised using the effective interest method.

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.

Other government grants are recognised in the income statement when there is reasonable assurance that the Company has complied with the attached conditions and the amount will be received.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 Marketing and promotions

Advertising and promotion expenses are recognised in the income statement when incurred.

3.15 Operating leases

The Group has applied SFRS(I) 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under SFRS(I) 1-17 and SFRS(I) INT 4. The details of accounting policies under SFRS(I) 1-17 and SFRS(I) INT 4 are disclosed separately.

Policy applicable from 1 January 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in SFRS(I) 16.

This policy is applied to contracts entered into, on or after 1 January 2019.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Group capitalises only the consideration attributable to lease components.

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 Operating leases (continued)

Policy applicable from 1 January 2019 (continued)

As a lessee (continued)

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

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if the Group changes its assessment of whether it will exercise an extension or termination option or if there is a revised in-substance fixed lease payment.

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

Short-term leases and leases of low-value assets

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

Leases - Policy applicable before 1 January 2019

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 SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under SFRS (I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets*.

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 SIGNIFICANT ACCOUNTING POLICIES (continued)

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 is also involved in the provision of cybersecurity services.

Based on the financial information regularly reviewed by the CODM, the Group has three operating and two reporting segments. Where there are changes to the reportable segments, segment information for the comparative period is restated, as disclosed in Note 33.

3.19 New standards and interpretations not yet adopted

A number of new standards, interpretations and amendments to standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Group has not early adopted the new or amended standards and interpretations in preparing these financial statements.

The following new SFRS(I)s, interpretations and amendments to SFRS(I)s are not expected to have a significant impact on the Group's consolidated financial statements and the Company's statement of financial position.

- *Amendments to References to Conceptual Framework in SFRS(I) Standards*
- *Definition of a Business* (Amendments to SFRS(I) 3)
- *Definition of Material* (Amendments to SFRS(I) 1-1 and SFRS(I) 1-8)
- SFRS(I) 17 *Insurance Contracts*

4 PROPERTY, PLANT AND EQUIPMENT

Group	Freehold property $m	Leasehold buildings $m	Leasehold improvements $m	Network equipment and infrastructure $m	Office equipment, computers and furniture and fittings $m	Motor vehicles $m	Construction in progress $m	Total $m
Cost								
At 1 January 2018	1.7	10.3	46.9	3,342.8	190.2	7.9	39.9	3,639.7
Acquisitions through business combination	–	4.2	2.0	0.1	9.7	–	2.0	18.0
Additions	–	30.8	0.7	1.2	11.3	0.9	215.6	260.5
Transfers	–	–	0.7	176.5	1.5	–	(178.7)	–
Disposals/Write-offs	–	–	(1.8)	(132.8)	(1.4)	(0.7)	–	(136.7)
At 31 December 2018	1.7	45.3	48.5	3,387.8	211.3	8.1	78.8	3,781.5
At 1 January 2019	**1.7**	**45.3**	**48.5**	**3,387.8**	**211.3**	**8.1**	**78.8**	**3,781.5**
Additions	**–**	**0.6**	**7.8**	**3.0**	**14.1**	**0.9**	**166.6**	**193.0**
Transfers	**–**	**–**	**1.9**	**142.9**	**4.9**	**0.3**	**(150.0)**	**–**
Disposals/Write-offs	**–**	**–**	**(2.8)**	**(410.3)**	**(7.1)**	**(1.0)**	**–**	**(421.2)**
Reclassified to right-of-use assets, inventory and intangible assets	**–**	**–**	**(5.2)**	**(17.7)**	**(0.4)**	**–**	**–**	**(23.3)**
At 31 December 2019	**1.7**	**45.9**	**50.2**	**3,105.7**	**222.8**	**8.3**	**95.4**	**3,530.0**
Accumulated depreciation and impairment losses								
At 1 January 2018	–	2.6	39.3	2,568.4	153.4	5.9	–	2,769.6
Charge for the year	–	1.1	2.9	207.7	16.1	0.6	–	228.4
Impairment loss	–	–	–	2.6	–	–	–	2.6
Disposals/Write-offs	–	–	(1.8)	(108.4)	(1.4)	(0.7)	–	(112.3)
At 31 December 2018	–	3.7	40.4	2,670.3	168.1	5.8	–	2,888.3
At 1 January 2019	**–**	**3.7**	**40.4**	**2,670.3**	**168.1**	**5.8**	**–**	**2,888.3**
Charge for the year	**–**	**1.3**	**4.2**	**196.4**	**28.4**	**0.7**	**–**	**231.0**
Disposals/Write-offs	**–**	**–**	**(2.6)**	**(384.8)**	**(5.5)**	**(0.9)**	**–**	**(393.8)**
Reclassified to right-of-use assets, inventory and intangible assets	**–**	**–**	**(4.4)**	**(11.0)**	**(0.4)**	**–**	**–**	**(15.8)**
At 31 December 2019	**–**	**5.0**	**37.6**	**2,470.9**	**190.6**	**5.6**	**–**	**2,709.7**
Carrying amount								
At 1 January 2018	1.7	7.7	7.6	774.4	36.8	2.0	39.9	870.1
At 31 December 2018	1.7	41.6	8.1	717.5	43.2	2.3	78.8	893.2
At 31 December 2019	**1.7**	**40.9**	**12.6**	**634.8**	**32.2**	**2.7**	**95.4**	**820.3**

Staff costs capitalised in construction in progress for the Group during the year amounted to $2.7 million (2018: $3.5 million).

Non-cash transaction

The Group has entered into an asset swap arrangement with a vendor to exchange certain of its network equipment. Assets obtained were recorded at a value of $25.3 million (2018: $24.4 million) which approximated the carrying amounts of the assets that were swapped out.

4 PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Leasehold buildings $m	Leasehold improvements $m	Network equipment and infrastructure $m	Office equipment, computers and furniture and fittings $m	Motor vehicles $m	Construction in progress $m	Total $m
Cost							
At 1 January 2018	10.2	41.1	1,411.6	134.6	2.2	14.5	1,614.2
Additions	30.8	0.7	–	4.5	0.3	96.4	132.7
Transfers	–	0.9	75.1	–	–	(76.0)	–
Disposals/Write-offs	–	(0.1)	(15.8)	(2.5)	(0.1)	(1.0)	(19.5)
At 31 December 2018	41.0	42.6	1,470.9	136.6	2.4	33.9	1,727.4
At 1 January 2019	**41.0**	**42.6**	**1,470.9**	**136.6**	**2.4**	**33.9**	**1,727.4**
Additions	**0.7**	**0.3**	**–**	**4.3**	**0.9**	**51.3**	**57.5**
Transfers	**–**	**0.3**	**62.4**	**–**	**–**	**(62.7)**	**–**
Reclassification to right-of-use assets and inventory	**–**	**(4.4)**	**(12.9)**	**–**	**–**	**–**	**(17.3)**
Disposals/Write-offs	**–**	**–**	**(8.2)**	**(2.3)**	**(0.3)**	**–**	**(10.8)**
At 31 December 2019	**41.7**	**38.8**	**1,512.2**	**138.6**	**3.0**	**22.5**	**1,756.8**
Accumulated depreciation and impairment losses							
At 1 January 2018	2.6	34.5	1,037.2	112.8	1.9	–	1,189.0
Charge for the year	1.0	2.6	75.2	8.6	0.1	–	87.5
Impairment loss	–	–	2.6	–	–	–	2.6
Disposals/Write-offs	–	–	(15.4)	(1.3)	(0.1)	–	(16.8)
At 31 December 2018	3.6	37.1	1,099.6	120.1	1.9	–	1,262.3
At 1 January 2019	**3.6**	**37.1**	**1,099.6**	**120.1**	**1.9**	**–**	**1,262.3**
Charge for the year	**1.2**	**2.2**	**76.5**	**15.1**	**0.2**	**–**	**95.2**
Reclassification to right-of-use assets and inventory	**–**	**(4.4)**	**(6.9)**	**–**	**–**	**–**	**(11.3)**
Disposals/Write-offs	**–**	**–**	**(7.9)**	**(2.2)**	**(0.3)**	**–**	**(10.4)**
At 31 December 2019	**4.8**	**34.9**	**1,161.3**	**133.0**	**1.8**	**–**	**1,335.8**
Carrying amount							
At 1 January 2018	7.6	6.6	374.4	21.8	0.3	14.5	425.2
At 31 December 2018	37.4	5.5	371.3	16.5	0.5	33.9	465.1
At 31 December 2019	**36.9**	**3.9**	**350.9**	**5.6**	**1.2**	**22.5**	**421.0**

5 INTANGIBLE ASSETS

Group	Telecom-munications and spectrum licences $m	Computer software and deferred development $m	Software in development $m	Goodwill (Restated) $m	Customer contracts and relationships (Restated) $m	Total $m
Cost						
At 1 January 2018	305.4	584.6	24.7	239.5	10.0	1,164.2
Acquisitions through business combination (Note 34)	–	5.4	–	107.4	35.3	148.1
Additions	–	–	46.5	–	–	46.5
Transfers	–	43.5	(43.5)	–	–	–
Disposals/Write-offs	–	(2.0)	(0.4)	–	–	(2.4)
At 31 December 2018	305.4	631.5	27.3	346.9	45.3	1,356.4
At 1 January 2019	**305.4**	**631.5**	**27.3**	**346.9**	**45.3**	**1,356.4**
Additions	**–**	**2.6**	**46.4**	**–**	**–**	**49.0**
Transfers	**–**	**46.3**	**(46.3)**	**–**	**–**	**–**
Reclassified from plant and equipment	**–**	**0.3**	**–**	**–**	**–**	**0.3**
Disposals/Write-offs	**–**	**(0.3)**	**–**	**–**	**–**	**(0.3)**
At 31 December 2019	**305.4**	**680.4**	**27.4**	**346.9**	**45.3**	**1,405.4**
Accumulated amortisation						
At 1 January 2018	103.7	502.0	–	–	0.9	606.6
Charge for the year	19.5	36.7	–	–	7.6	63.8
Disposals/Write-offs	–	(2.0)	–	–	–	(2.0)
At 31 December 2018	123.2	536.7	–	–	8.5	668.4
At 1 January 2019	**123.2**	**536.7**	**–**	**–**	**8.5**	**668.4**
Charge for the year	**19.4**	**39.4**	**–**	**–**	**5.6**	**64.4**
Reclassified from plant and equipment	**–**	**0.3**	**–**	**–**	**–**	**0.3**
At 31 December 2019	**142.6**	**576.4**	**–**	**–**	**14.1**	**733.1**
Carrying amount						
At 1 January 2018	201.7	82.6	24.7	239.5	9.1	557.6
At 31 December 2018 (Restated)	182.2	94.8	27.3	346.9	36.8	688.0
At 31 December 2019	**162.8**	**104.0**	**27.4**	**346.9**	**31.2**	**672.3**

Staff costs capitalised in software in development for the Group and Company during the year amounted to $0.1 million (2018: $1.3 million).

5 INTANGIBLE ASSETS (continued)

Impairment testing for CGUs containing goodwill

The following represents the lowest level within the Group at which goodwill is monitored for impairment for internal management purposes.

- 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. Accordingly, the Group's integrated fixed, mobile, Pay TV and broadband operations is considered one CGU ("Telco CGU").

- In September 2018, the Company entered into an agreement with Leone Investments Pte. Ltd. ("Leone") to incorporate Ensign InfoSecurity Pte. Ltd. ("Ensign") for purposes of undertaking a cybersecurity business with end-to-end capabilities (see Note 34(i) for details of the transaction). The Group's cybersecurity segment (the "Ensign Group") is assessed to be a separate CGU.

- In September 2019, StarHub Ltd divested of its interest in its subsidiary D'Crypt Pte Ltd ("DPL"). Subsequent to the divestment, StarHub continued to exercise control over DPL through its subsidiary, Ensign. As DPL was not fully integrated into Ensign's operations as at year-end and generates independent cash inflows, DPL is a separate CGU on its own. See Note 34(ii) for details of the transaction.

The carrying amount of the Group's goodwill as at 31 December 2019 were assessed for impairment during the financial year and attributed to the respective CGUs.

Group	2019 $m	(Restated) 2018 $m
Carrying amount of goodwill from acquisition of:		
- StarHub Cable Vision Ltd ("SCV") - Telco CGU	**220.3**	220.3
- DPL	**25.8**	25.8
- Ensign Group (includes goodwill arising from acquisition of controlling interest in Ensign InfoSecurity (System) Pte. Ltd. in 2017)	**100.8**	100.8
	346.9	346.9

The recoverable amounts of the CGUs are determined based on value-in-use calculations. 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. Cash flows beyond the fifth year are extrapolated using the forecast long-term growth rates.

5 INTANGIBLE ASSETS (continued)

Impairment testing for CGUs containing goodwill *(continued)*

Key assumptions used in the estimation of value-in-use were as follows:

- The discount rates applied to the cash flow projections are based on Weighted Average Cost of Capital ("WACC") calculated using the Capital Asset Pricing Model ("CAPM").

	Pre-tax discount rate	
	2019	**2018**
- Telco CGU	**5.9%**	6.9%
- DPL	**14.1%**	14.1%
- Ensign Group	**10.8%**	10.3%

- The terminal growth rates used is Nil%.

- Growth rates and EBITDA margins take into consideration competitive pressures in the industry.

As at 31 December 2018 and 2019, no impairment charge was required for the carrying amount of goodwill as the recoverable amounts were in excess of their carrying amount. For Telco CGU and DPL CGU, a reasonable change to the key assumptions applied is not likely to cause the recoverable values to be below their carrying amount.

For the Ensign CGU, the following table shows the amount by which key assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount.

	Change required for carrying amount to equal the recoverable amount 2019 %
Ensign Group	
Revenue growth rate	**(6.2)**
EBITDA margin	**(2.8)**

5 INTANGIBLE ASSETS (continued)

***Impairment testing for CGUs containing goodwill** (continued)*

Company	Telecom-munications licences $m	Computer software $m	Software in development $m	Total $m
Cost				
At 1 January 2018	0.3	507.3	21.5	529.1
Additions	–	–	41.1	41.1
Transfers	–	39.8	(39.8)	–
Disposals/Write-offs	–	(0.6)	(0.4)	(1.0)
At 31 December 2018	0.3	546.5	22.4	569.2
At 1 January 2019	**0.3**	**546.5**	**22.4**	**569.2**
Additions	**–**	**–**	**40.0**	**40.0**
Transfers	**–**	**37.6**	**(37.6)**	**–**
At 31 December 2019	**0.3**	**584.1**	**24.8**	**609.2**
Accumulated amortisation				
At 1 January 2018	0.1	436.7	–	436.8
Charge for the year	–	30.7	–	30.7
Disposals/Write-offs	–	(0.4)	–	(0.4)
At 31 December 2018	0.1	467.0	–	467.1
At 1 January 2019	**0.1**	**467.0**	**–**	**467.1**
Charge for the year	**–**	**33.3**	**–**	**33.3**
At 31 December 2019	**0.1**	**500.3**	**–**	**500.4**
Carrying amount				
At 1 January 2018	0.2	70.6	21.5	92.3
At 31 December 2018	0.2	79.5	22.4	102.1
At 31 December 2019	**0.2**	**83.8**	**24.8**	**108.8**

Staff costs capitalised in software in development for the Group and Company during the year amounted to $0.1 million (2018: $1.3 million).

6 RIGHT-OF-USE ASSETS

Leases as lessee (SFRS(I) 16)

The Group leases land and buildings, base transceiver stations and other network equipment and infrastructure. The leases typically run for a period of 1 to 35 years, with an option to renew the lease after that date. Lease payments are renegotiated at the end of the lease term to reflect market rentals. Some leases provide for additional rent payments that are based on changes in local price indices. For certain leases, the Group is restricted from entering into any sub-lease arrangements.

Information about leases for which the Group is a lessee is presented below.

Group	Land and buildings $m	Base transceiver stations $m	Other network equipment and infrastructure $m	Total $m
Cost				
Recognition of right-of-use asset on initial application of SFRS(I) 16	153.9	17.6	29.2	200.7
Reclassification from property, plant and equipment	1.7	–	0.9	2.6
Additions and modifications to right-of-use assets	3.4	9.3	0.2	12.9
Terminations	–	–	(20.0)	(20.0)
At 31 December 2019	**159.0**	**26.9**	**10.3**	**196.2**
Accumulated depreciation				
Depreciation	26.2	13.8	26.4	66.4
Modifications	(0.3)	–	–	(0.3)
Terminations	–	–	(19.9)	(19.9)
At 31 December 2019	**25.9**	**13.8**	**6.5**	**46.2**
Carrying amount				
At 31 December 2019	**133.1**	**13.1**	**3.8**	**150.0**

6 RIGHT-OF-USE ASSETS (continued)

Leases as lessee (SFRS(I) 16) (continued)

Company	Land and buildings $m	Other network equipment and infrastructure $m	Total $m
Cost			
Recognition of right-of-use asset on initial application of SFRS(I) 16	130.2	9.1	139.3
Reclassification from property, plant and equipment	1.7	–	1.7
Additions to right-of-use assets	1.8	–	1.8
At 31 December 2019	**133.7**	**9.1**	**142.8**
Accumulated depreciation			
Depreciation	20.0	6.1	26.1
At 31 December 2019	**20.0**	**6.1**	**26.1**
Carrying amount			
At 31 December 2019	**113.7**	**3.0**	**116.7**

7 SUBSIDIARIES

	Company	
	2019 $m	**2018 $m**
Investments in subsidiaries, at cost or deemed cost	**3,256.0**	3,333.3
Less: Loss allowance	**–**	(28.9)
	3,256.0	3,304.4

Movements in loss allowance during the year are as follows:

	2019 $m	**2018 $m**
At beginning of year	**(28.9)**	(28.9)
Write-back of allowance on strike off of a subsidiary company	**28.9**	–
	–	(28.9)

During 2019, the Company entered into the following transactions:

(i) Divested its 65% equity interest in DPL to Keele Investments Pte. Ltd. for cash consideration of $65.0 million. See Note 34 for details of the transaction.

(ii) Struck off StarHub Internet Pte Ltd, a dormant wholly-owned subsidiary of the Company, from the Register of Companies.

Other than the loss allowance of $Nil (2018: $28.9 million) set aside for impairment of a subsidiary, no impairment charge was required for the carrying amount of the Company's cost of investment in subsidiaries as the recoverable values were in excess of their carrying values as at 31 December 2019 and 2018. A reasonable change to the key assumptions applied is not likely to cause the recoverable values to be below their carrying values.

For the Telco CGU, the following table shows the amount by which key assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount of the investment in subsidiaries.

	Change required for carrying amount to equal the recoverable amount	
	2019 %	**2018 %**
Telco CGU		
Revenue growth rate	**(2.6)**	(3.8)
EBITDA margin	**(4.0)**	(3.4)

7 SUBSIDIARIES (continued)

Details of subsidiaries

The subsidiaries directly held by the Company are as follows:

Name of company	Principal activities	Country of incorporation/Principal place of business	Effective equity interest held by the Group 2019 %	2018 %
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 (4)	Struck off during the year	Singapore	**–**	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)	Dormant; under liquidation	Mauritius	**100**	100
StarHub (Hong Kong) Limited (3)	Provision of telecommunication services	Hong Kong	**100**	100
StarHub Shop Pte Ltd (1)	Provision of customer service, sales and billing for partner services	Singapore	**100**	100
StarHub, Inc. (4)	Dormant	United States	**100**	100
D'Crypt Pte Ltd ("DPL") (1)	Provision of design and development of high security products and technology	Singapore	**–(a)**	65
Ensign InfoSecurity Pte. Ltd. ("Ensign") (3)	Provision of computer systems integration activities, other professional, scientific and technical activities	Singapore	**60**	60

7 SUBSIDIARIES (continued)

Details of subsidiaries (continued)

Subsidiaries held by Ensign are as follows:

Name of company	Principal activities	Country of incorporation/Principal place of business	Effective equity interest held by the Group 2019 %	2018 %
Ensign InfoSecurity (Cybersecurity) Pte. Ltd. ("EIC") [(3)]	Investment holding	Singapore	**60**	60
Keele Investments Pte. Ltd. ("Keele") [(3)]	Investment holding	Singapore	**60**[(a)]	–
D'Crypt Pte Ltd ("DPL") [(1)]	Provision of design and development of high security products and technology	Singapore	**60**[(a)]	–
Ensign InfoSecurity (Systems) Pte. Ltd. ("EIS") [(3)]	Provision of cybersecurity solutions, professional services for system integration and security operations and management	Singapore	**60**	60
Ensign InfoSecurity (Asia Pacific) Pte. Ltd. [(3)]	Provision of network and protection services	Singapore	**60**	60
Ensign InfoSecurity (SmartTech) Pte. Ltd. [(3)]	Provision of recovery planning services and sales of IT security products	Singapore	**60**	60
Ensign InfoSecurity (Networks) Pte. Ltd. [(3)]	Provision of network and protection services	Singapore	**60**	60
Ensign Infosecurity (Malaysia) Sdn Bhd [(3)]	Provision of electronic and internet security services and trading and installation of electronic devices	Malaysia	**60**	60
Ensign InfoSecurity (East Asia) Limited [(3)]	Provision of internet security surveillance services	People's Republic of China	**60**	60
Ensign InfoSecurity (Singapore) Pte. Ltd. [(3)]	Provision of internet security surveillance services	Singapore	**60**	60
Vectra Information Security Pte. Ltd. [(3)]	Provision of services for development and implementation of computer systems	Singapore	**60**	60
Vectra Information Security Sdn Bhd [(3)]	Provision of professional consultancy and advisory services on information security	Malaysia	**60**	60
e-Cop Technology Beijing Co., Ltd [(4)]	Dormant	People's Republic of China	**60**	60

(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

(a) See Note 34 for details of the transaction

8 ASSOCIATE

	Group		Company	
	2019 $m	**2018 $m**	**2019 $m**	**2018 $m**
Unquoted equity investments	**27.8**	27.8	**27.8**	27.8
Share of post-acquisition reserves	**(5.7)**	(5.1)	**–**	–
	22.1	22.7	**27.8**	27.8

The Group's material associate which is equity accounted for is as follows:

Name of company	Principal activities	Country of incorporation/Principal place of business	Effective equity interest held by the Group	
			2019 %	**2018 %**
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 for statutory accounts

The following summarises the financial information of the associate, based on its financial statements prepared in accordance with SFRS(I), amended for fair value adjustments on acquisition:

	2019 $m	**2018 $m**
Summarised Statement of Financial Position		
Non-current assets	**239.1**	247.1
Current assets	**18.3**	20.9
Current liabilities	**(149.2)**	(26.4)
Non-current liabilities	**(34.6)**	(165.9)
Net assets	**73.6**	75.7
Reconciliation to carrying amount:		
Opening net assets	**75.7**	79.0
Loss for the year	**(2.1)**	(3.3)
Closing net assets	**73.6**	75.7

8 ASSOCIATE (continued)

Summarised Statement of Comprehensive Income

	2019 $m	2018 $m
Total revenue	**29.2**	27.3
Loss for the year	**(1.7)**	(3.3)
Other comprehensive loss for the year	**(0.4)**	–
Total comprehensive loss for the year	**(2.1)**	(3.3)
Group's share in %	**30%**	30%
Group's share of loss for the year	**(0.5)**	(1.0)
Group's share of other comprehensive loss for the year	**(0.1)**	–
Group's share of total comprehensive loss for the year	**(0.6)**	(1.0)
Carrying amount of interest in associate at end of the year	**22.1**	22.7

9 OTHER INVESTMENTS

	Group and Company	
	2019 $m	2018 $m
Equity investments – at FVOCI	**34.3**	36.0

Equity investments designated as at FVOCI

The Group designated the investments shown above as equity investments at FVOCI because these equity investments represent investments that the Group intends to hold long-term for strategic purposes.

10 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.

10.1 Amounts due from related parties

	Group		Company	
	2019 $m	**2018 $m**	**2019 $m**	**2018 $m**
Current				
Amounts due from (trade):				
– Subsidiaries	**–**	–	**425.1**	177.7
– Related corporations	**21.9**	18.3	**13.2**	10.9
	21.9	18.3	**438.3**	188.6
Less: Loss allowance	**–**	–	**(422.9)**	(174.4)
	21.9	18.3	**15.4**	14.2
Non-current				
Loan to associate	**8.5**	8.2	**8.5**	8.2

Movements in loss allowance during the year are as follows:

	Company	
	2019 $m	**2018 $m**
At beginning of year	**174.4**	–
Loss allowances recognised	**248.5**	174.4
	422.9	174.4

Current

Included in current amounts due from subsidiaries are amounts of $263.0 million (2018: $64.6 million) from certain subsidiaries which are unsecured, bear interest of 7.75% (2018: 7.75%) per annum and are repayable on demand.

All other amounts are unsecured, interest-free and repayable on demand.

They are classified as current and measured at amortised cost.

During the year, the Company impaired the additional balances owing by certain subsidiaries amounting to $248.5 million (2018: $174.4 million). Other than the above, there is no allowance for doubtful debts arising from these outstanding balances with ultimate holding company, subsidiaries and related corporations as the ECL is not material.

Non-current

The non-current loan to associate is unsecured, bears interest rate of 3.53% (2018: 3.53%) per annum and is repayable in June 2021. There is no allowance for doubtful debts arising from this outstanding balance as the ECL is not material.

10 BALANCES WITH RELATED PARTIES (continued)

10.2 Amounts due to related parties

	Group		Company	
	2019 $m	**2018 $m**	**2019 $m**	**2018 $m**
Current				
Amounts due to (trade):				
– Subsidiaries	**–**	–	**134.3**	210.9
– Associates	**1.5**	1.6	**1.5**	1.6
– Related corporations	**39.6**	55.9	**15.2**	23.3
	41.1	57.5	**151.0**	235.8

Included in current amounts due to subsidiaries are:

(i) Amounts of $69.4 million (2018: $153.6 million) which are unsecured, interest-free and repayable on demand.

(ii) Amounts of $64.9 million (2018: $57.3 million) placed by certain subsidiaries with the Company under a cash pooling arrangement.

Amounts due to related corporations and associates are unsecured, interest-free and repayable on demand.

10.3 The Company's balances with subsidiaries included amounts netted under agreed master netting arrangements. The amounts, after impairment, before netting are as follows:

Company	**Gross amounts $m**	**Gross amounts offset $m**	**Net amounts $m**
2019			
Current			
Amounts due from subsidiaries	**218.5**	**(216.3)**	**2.2**
Amounts due to subsidiaries	**350.6**	**(216.3)**	**134.3**
2018			
Current			
Amounts due from subsidiaries	453.2	(449.9)	3.3
Amounts due to subsidiaries	660.8	(449.9)	210.9

11 CONTRACT BALANCES

The following section provides information about contract assets, contract liabilities and contract cost from contracts with customers.

Contract assets

	Group		Company	
	2019 $m	**(Restated) 2018 $m**	**2019 $m**	**2018 $m**
Contract assets	**419.1**	343.7	**28.1**	18.8
Less: Loss allowance	**(7.4)**	(6.7)	**–**	–
	411.7	337.0	**28.1**	18.8
Analysed as:				
Third parties	**408.9**	331.2	**26.6**	18.6
Related parties	**2.8**	5.8	**1.5**	0.2
	411.7	337.0	**28.1**	18.8
Current	**334.1**	269.6	**27.5**	18.7
Non-current	**77.6**	67.4	**0.6**	0.1
	411.7	337.0	**28.1**	18.8

The contract assets primarily relate to the Group's rights to consideration for goods and services provided but not billed at the reporting date. The contract assets are transferred to trade receivables when the rights become unconditional. This usually occurs when the Group invoices the customers.

Movements in the contract asset balances during the year are as follows:

	Group		Company	
	2019 $m	**(Restated) 2018 $m**	**2019 $m**	**2018 $m**
At beginning of year	**343.7**	368.9	**18.8**	19.4
Prior year contract assets reclassified to trade receivables and contract liabilities	**(289.7)**	(315.3)	**(15.1)**	(18.5)
Contract assets recognised, net of reclassification to trade receivables	**369.1**	295.2	**24.4**	17.9
Additions through business combinations	**–**	6.8	**–**	–
Contract asset written off	**(4.0)**	(11.9)	**–**	–
	419.1	343.7	**28.1**	18.8
Less: Loss allowance	**(7.4)**	(6.7)	**–**	–
	411.7	337.0	**28.1**	18.8

11 CONTRACT BALANCES (continued)

The Group uses an allowance matrix to measure the ECL of contract assets. In determining the ECL, the Group has taken into account the historical termination write-off experience of the corporate and consumer customer bases, adjusted for factors based on the Group's view of economic conditions over the remaining lifetime of future performance obligations.

The following table details the risk profile of contract assets based on the Group's provision matrix.

	Group					
	2019			2018		
	Weighted average loss rate	Gross carrying amount $m	Loss allowance $m	Weighted average loss rate	Gross carrying amount $m	Loss allowance $m
Current	**1.77%**	**419.1**	**7.4**	1.91%	343.7	6.7

Movements in loss allowance (lifetime ECL) during the year are as follows:

	Group		Company	
	2019 $m	2018 $m	2019 $m	2018 $m
At beginning of year	**6.7**	7.2	–	–
Loss allowances recognised	**2.9**	5.4	–	–
Allowance utilised	**(2.2)**	(5.9)	–	–
	7.4	6.7	–	–

Contract liabilities

Contract liabilities primarily relate to amounts billed in advance for telecommunications, broadband and Pay TV services, advance consideration received from customers for prepaid mobile services and excess of progress payments over the revenue recognised for managed services.

	Group		Company	
	2019 $m	2018 $m	2019 $m	2018 $m
Amounts related to:				
Managed services contracts	**15.3**	9.1	**6.3**	5.0
Amounts billed in advance for telecommunications, broadband and Pay TV services	**66.6**	70.3	**48.0**	50.9
Amounts received in advance for prepaid mobile services	**23.7**	23.3	**–**	–
	105.6	102.7	**54.3**	55.9

11 CONTRACT BALANCES (continued)

Contract liabilities (continued)

Analysed as:

	Group		Company	
	2019 $m	**2018 $m**	**2019 $m**	**2018 $m**
Third parties	**96.5**	93.0	**45.2**	46.2
Related parties	**9.1**	9.7	**9.1**	9.7
	105.6	102.7	**54.3**	55.9
Current	**69.4**	70.2	**18.1**	23.4
Non-current	**36.2**	32.5	**36.2**	32.5
	105.6	102.7	**54.3**	55.9

Movements in the contract liability balances during the year are as follows:

	Group		Company	
	2019 $m	**2018 $m**	**2019 $m**	**2018 $m**
At beginning of year	**102.7**	101.0	**55.9**	43.5
Revenue recognised that was included in the contract liability balance at the beginning of the year	**(77.4)**	(76.6)	**(31.2)**	(19.2)
Cash received, excluding amounts recognised as revenue during the year	**3.4**	0.4	**0.9**	–
Billings in advance, excluding amounts recognised as revenue during the year	**76.9**	77.8	**28.7**	31.6
Additions through business combinations	**–**	0.1	**–**	–
	105.6	102.7	**54.3**	55.9

11 CONTRACT BALANCES (continued)

Contract costs

	Group		Company	
	2019 $m	(Restated) 2018 $m	2019 $m	2018 $m
Costs to obtain contracts	**19.4**	23.0	**1.9**	1.9
Costs to fulfil contracts	**20.1**	7.4	**–**	–
	39.5	30.4	**1.9**	1.9
Current	**32.5**	24.7	**1.5**	1.4
Non-current	**7.0**	5.7	**0.4**	0.5
	39.5	30.4	**1.9**	1.9

Costs to obtain contracts relate to commission fees paid to dealers as a result of obtaining mobile, pay TV and broadband service contracts. Costs to fulfil contracts relate to costs of materials which generate or enhance resources that will be used in satisfying future performance obligations.

These costs are amortised on a straight-line basis over the contract period. In 2019, amortisation amounting to $84.2 million (2018: $15.4 million) and $25.9 million (2018: $22.0 million) was recognised as cost of services and marketing and promotion expenses respectively in the income statement. There was no loss allowance in relation to the costs capitalised.

12 INVENTORIES

	Group		Company	
	2019 $m	2018 $m	2019 $m	2018 $m
Equipment held for resale	**84.7**	72.7	**0.6**	0.6
Maintenance and project inventories	**13.6**	0.5	**4.9**	–
Raw materials	**–**	2.0	**–**	–
Inventories, net of allowance	**98.3**	75.2	**5.5**	0.6
Allowance made during the year	**2.6**	0.3	**0.1**	0.1

13 TRADE RECEIVABLES

	Group		Company	
	2019 $m	**2018 $m**	**2019 $m**	**2018 $m**
Trade receivables	**301.5**	331.6	**247.3**	229.7
Less: Loss allowances	**(52.8)**	(48.8)	**(49.3)**	(46.6)
	248.7	282.8	**198.0**	183.1

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

The Group uses an allowance matrix to measure the ECL of trade receivables. In the assessment of ECL, the Group applies the simplified approach to estimate the loss allowance based on aging buckets of the trade receivables, adjusted for certain external indices to different groups between consumer and corporate customers, where applicable.

The following table details the risk profile of trade receivables from contracts with customers based on the Group's allowance matrix.

	2019			2018		
	Weighted average loss rate	**Gross carrying amount $m**	**Loss allowance $m**	**Weighted average loss rate**	**Gross carrying amount $m**	**Loss allowance $m**
Group						
Current	**1.45%**	**110.3**	**1.6**	2.09%	105.3	2.2
Past due 1 - 15 days	**8.22%**	**14.6**	**1.2**	4.24%	47.1	2.0
Past due above 15 days	**28.31%**	**176.6**	**50.0**	24.89%	179.2	44.6
		301.5	**52.8**		331.6	48.8
Company						
Current	**1.76%**	**90.7**	**1.6**	2.34%	89.6	2.1
Past due 1 - 15 days	**9.65%**	**11.4**	**1.1**	6.41%	31.2	2.0
Past due above 15 days	**32.09%**	**145.2**	**46.6**	39.03%	108.9	42.5
		247.3	**49.3**		229.7	46.6

Movements in lifetime ECL balances during the year are as follows:

	Group		Company	
	2019 $m	**2018 $m**	**2019 $m**	**2018 $m**
At beginning of year	**48.8**	46.7	**46.6**	44.3
Loss allowances recognised	**18.0**	13.9	**8.5**	2.1
Recharged to subsidiaries	**–**	–	**8.1**	11.7
Allowance utilised	**(14.0)**	(11.8)	**(13.9)**	(11.5)
	52.8	48.8	**49.3**	46.6

14 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2019 $m	**2018 $m**	**2019 $m**	**2018 $m**
Grant receivables	**1.7**	0.5	**–**	–
Deposits	**4.7**	4.7	**0.9**	0.7
Prepayments	**66.2**	84.7	**30.1**	30.1
Other receivables	**16.1**	4.2	**2.1**	3.0
Forward exchange contracts	**–**	0.1	**–**	0.1
	88.7	94.2	**33.1**	33.9

15 CASH AND CASH EQUIVALENTS

	Group		Company	
	2019 $m	**2018 $m**	**2019 $m**	**2018 $m**
Fixed deposits	**40.0**	86.2	**40.0**	84.2
Cash at bank and in hand	**77.6**	79.8	**34.5**	33.4
Cash and cash equivalents in the statement of financial position	**117.6**	166.0	**74.5**	117.6
Restricted cash	**(0.7)**	(0.6)	**–**	–
Cash and cash equivalents in the cash flow statement	**116.9**	165.4	**74.5**	117.6

Fixed deposits relate to deposits with financial institutions with maturities of three months or less with effective interest rates ranging from 0.25% to 3.35% (2018: 0.35% to 3.84%) per annum.

At the reporting date, cash and cash equivalents of the Company include $64.9 million (2018: $57.3 million) cash from certain 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.

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

Restricted cash was set aside for performance bonds with customers.

16 TRADE AND OTHER PAYABLES

		Group		Company	
	Note	2019 $m	(Restated) 2018 $m	2019 $m	2018 $m
Current					
Trade payables		**167.5**	139.5	**114.7**	67.5
Accruals		**359.0**	444.0	**181.5**	192.2
Deferred grant income	19	**0.4**	0.8	**0.3**	0.6
Deposits from customers		**10.2**	10.2	**9.8**	9.9
Forward exchange contracts		**2.4**	0.3	**2.4**	0.3
		539.5	594.8	**308.7**	270.5
Non-current					
Accruals		**13.9**	–	**10.9**	–
Deferred grant income	19	**0.1**	0.3	**–**	0.3
Other deferred income		**6.5**	–	**–**	–
Deferred consideration	34	**5.8**	–	**–**	–
Contingent consideration	34	**23.9**	–	**–**	–
Put liability to acquire non-controlling interests	34	**–**	33.0	**–**	–
Put and call options, net	34	**–**	–	**–**	7.0
		50.2	33.3	**10.9**	7.3

17 BORROWINGS

		Group		Company	
	Note	2019 $m	2018 $m	2019 $m	2018 $m
Current					
Bank loans	17.1	**407.6**	50.1	**407.5**	50.0
Non-current					
Bank loans	17.1	**120.8**	458.4	**120.0**	457.5
Medium term notes	17.2	**520.0**	520.0	**520.0**	520.0
		640.8	978.4	**640.0**	977.5

17 BORROWINGS (continued)

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

	Group	
	2019 $m	2018 $m
Balance at 1 January	**1,028.5**	977.5
Changes from financing cash flows		
Proceeds from bank loans	**70.0**	50.0
Repayment of bank loans	**(50.0)**	–
Interest paid	**(31.4)**	(30.6)
Total changes from financing cash flows	**(11.4)**	19.4
Total liability-related other changes	**31.3**	31.6
Balance at 31 December	**1,048.4**	1,028.5

17.1 Bank loans

	Group		Company	
	2019 $m	2018 $m	2019 $m	2018 $m
Repayable:				
– Within 1 year	**407.6**	50.1	**407.5**	50.0
– After 1 year but within 5 years	**120.8**	458.4	**120.0**	457.5
	528.4	508.5	**527.5**	507.5

At 31 December 2019, the unsecured bank loans bear interest at rates ranging from 2.21% to 5.00% (2018: 1.57% to 4.64%) per annum. As at 31 December 2019, the fair value of bank loans are $534.9 million (2018: $511.3 million).

17.2 Medium term notes

The Company has established in September 2011 a multicurrency medium term note programme with a maximum aggregate principal amount of $1,000.0 million. 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 2019, the fair value of the medium term notes are $531.3 million (2018: $517.6 million).

18 LEASE LIABILITIES

	Group		Company	
	2019 $m	**2018 $m**	**2019 $m**	**2018 $m**
Current	**26.6**	–	**15.8**	–
Non-current	**128.9**	–	**100.4**	–
	155.5	–	**116.2**	–

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

	Group 2019 $m
Lease liabilities recognised at 1 January 2019 (Note 39)	208.1
Changes from financing cash flows	
Payment of lease liabilities	(61.1)
Interest paid	(6.4)
Total changes from financing cash flows	(67.5)
Other changes	
New leases and modifications	8.5
Interest expense	6.4
Total other changes	14.9
Balance at 31 December	155.5

19 DEFERRED GRANT INCOME

		Group		Company	
	Note	**2019 $m**	**2018 $m**	**2019 $m**	**2018 $m**
Deferred grants					
At beginning of year		**1.1**	1.8	**0.9**	1.8
Grants received		**–**	0.3	**–**	0.1
Amount accreted to the income statement	25	**(0.6)**	(1.0)	**(0.6)**	(1.0)
At end of year		**0.5**	1.1	**0.3**	0.9
Deferred grants to be accreted:					
Current (within 1 year)	16	**0.4**	0.8	**0.3**	0.6
Non-current (after 1 year but within 5 years)	16	**0.1**	0.3	**–**	0.3
Total		**0.5**	1.1	**0.3**	0.9

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 costs.

20 DEFERRED TAX ASSETS AND LIABILITIES

Movements in deferred tax assets/(liabilities) during the year are as follows:

Group	At 1 January (Restated) $m	Recognised in income statement (Note 28) $m	Recognised in other comprehen-sive income $m	Recognised in equity $m	Acquired in business combination (Restated) (Note 34) $m	At 31 December $m
2019						
Deferred tax assets						
Property, plant and equipment and intangible assets	**1.5**	**(1.5)**	**–**	**–**	**–**	**–**
Total	**1.5**	**(1.5)**	**–**	**–**	**–**	**–**
Deferred tax liabilities						
Property, plant and equipment and intangible assets	**(140.2)**	**12.9**	**–**	**–**	**–**	**(127.3)**
Right-of-use assets	**–**	**1.3**	**–**	**–**	**–**	**1.3**
Other payables and accruals	**9.3**	**(1.3)**	**–**	**–**	**–**	**8.0**
Contract assets	**1.1**	**–**	**–**	**–**	**–**	**1.1**
Contract costs	**–**	**(4.9)**	**–**	**–**	**–**	**(4.9)**
Derivatives	**–**	**–**	**0.4**	**–**	**–**	**0.4**
Share-based payment transactions	**0.6**	**(0.5)**	**–**	**(0.1)**	**–**	**–**
Total	**(129.2)**	**7.5**	**0.4**	**(0.1)**	**–**	**(121.4)**
2018						
Deferred tax assets						
Property, plant and equipment and intangible assets	–	–	–	–	1.5	1.5
Total	–	–	–	–	1.5	1.5
Deferred tax liabilities						
Property, plant and equipment and intangible assets	(149.2)	16.3	–	–	(7.3)	(140.2)
Other payables and accruals	9.1	0.2	–	–	–	9.3
Contract assets	1.2	(0.1)	–	–	–	1.1
Derivatives	2.0	–	(2.0)	–	–	–
Share-based payment transactions	1.5	(0.7)	–	(0.2)	–	0.6
Total	(135.4)	15.7	(2.0)	(0.2)	(7.3)	(129.2)

20 DEFERRED TAX ASSETS AND LIABILITIES (continued)

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:

	Group 2019 $m	Group 2018 $m
Tax losses	**12.0**	3.8
Deferred tax assets	**2.0**	0.6

The Group has not recognised deferred tax assets in respect of the above tax losses 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	At 1 January $m	Recognised in income statement $m	Recognised in equity $m	At 31 December $m
2019				
Deferred tax liabilities				
Property, plant and equipment and intangible assets	**(77.3)**	**2.0**	**–**	**(75.3)**
Right-of-use assets	**–**	**1.0**	**–**	**1.0**
Other payables and accruals	**1.1**	**2.9**	**–**	**4.0**
Contract cost	**–**	**(0.3)**	**–**	**(0.3)**
Share-based payment transactions	**0.6**	**(0.5)**	**(0.1)**	**–**
Total	**(75.6)**	**5.1**	**(0.1)**	**(70.6)**
2018				
Deferred tax liabilities				
Property, plant and equipment and intangible assets	(79.5)	2.2	–	(77.3)
Other payables and accruals	4.1	(3.0)	–	1.1
Share-based payment transactions	1.5	(0.7)	(0.2)	0.6
Total	(73.9)	(1.5)	(0.2)	(75.6)

21 SHARE CAPITAL

Group and Company	2019 Number of shares '000	2019 $m	2018 Number of shares '000	2018 $m
Issued and fully paid ordinary shares:				
At beginning and 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.

22 RESERVES

	Group		Company	
	2019 $m	**(Restated) 2018 $m**	**2019 $m**	**2018 $m**
Treasury shares	**(0.1)**	(3.0)	**(0.1)**	(3.0)
Capital reserve	**19.4**	1.6	**–**	–
Fair value reserve	**(7.6)**	(5.9)	**(7.6)**	(5.9)
Goodwill written off	**(276.3)**	(276.3)	**–**	–
Share-based payments reserve	**8.1**	8.7	**8.1**	8.7
Hedging reserve	**(2.2)**	(0.2)	**–**	–
Translation reserve	**1.4**	1.3	**–**	–
Retained profits	**275.8**	282.2	**2,044.4**	2,118.0
	18.5	8.4	**2,044.8**	2,117.8

Treasury shares

Treasury shares comprise the cost of the Company's shares held by the Company. 1,856,188 treasury shares were transferred to share-based payments reserve during the year (2018: 1,634,770).

Capital reserve

The capital reserve comprises:

- acquisitions and disposals with non-controlling interests that do not result in a change in control; and
- present value of a put liability in relation to put options entered into with the non-controlling shareholders on their equity interests in a subsidiary. Subsequent changes in the carrying value of the put liability are also recognised within capital reserve.

22 RESERVES (continued)

Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of equity investments designated at FVOCI.

Goodwill written off

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.

Share-based payments reserve

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.

Hedging reserve

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.

Translation reserve

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

23 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 SFRS(I) 32 *Financial Instruments: Presentation*. The whole instrument is presented within equity, and distributions are treated as dividends.

During the financial year, distributions amounting to $7.9 million (2018: $7.9 million) were accrued to perpetual security holders of which $7.9 million (2018: $7.9 million) has been paid.

24 REVENUE

	Group	
	2019 **$m**	**2018** **$m**
Disaggregation of revenue from contracts with customers		
Mobile revenue	**765.5**	824.5
Pay TV revenue	**248.0**	311.3
Broadband revenue	**176.4**	185.8
Enterprise Fixed revenue	**575.2**	510.8
Total Service and Contract Revenue	**1,765.1**	1,832.4
Sales of equipment	**565.5**	529.6
	2,330.6	2,362.0

Transaction price allocated to the remaining performance obligations

The following table includes revenue expected to be recognised in the future related to performance obligations that have not been fulfilled at the reporting date:

31 December 2019

Group	**2020** **$m**	**2021** **$m**	**2022** **$m**	**2023** **$m**	**2024 onwards** **$m**	**Total** **$m**
Mobile revenue	**156.1**	**47.1**	**0.5**	**–**	**–**	**203.7**
Pay TV revenue	**86.3**	**28.2**	**–**	**–**	**–**	**114.5**
Broadband revenue	**111.0**	**28.8**	**–**	**–**	**–**	**139.8**
Enterprise Fixed revenue	**221.8**	**92.8**	**35.1**	**6.4**	**21.7**	**377.8**
Total	**575.2**	**196.9**	**35.6**	**6.4**	**21.7**	**835.8**

24 REVENUE (continued)

Transaction price allocated to the remaining performance obligations (continued)

31 December 2018

Group	2019 $m	2020 $m	2021 $m	2022 $m	2023 onwards $m	Total $m
Mobile revenue	191.9	64.0	0.1	–	–	256.0
Pay TV revenue	50.6	21.4	–	–	–	72.0
Broadband revenue	79.6	27.2	–	–	–	106.8
Enterprise Fixed revenue	178.7	67.6	22.4	6.8	19.7	295.2
Total	500.8	180.2	22.5	6.8	19.7	730.0

Variable consideration that is constrained and therefore not included in the transaction price, is excluded in the amount presented above.

The Group applies the practical expedient in paragraph 121 of SFRS(I) 15 and does not disclose information about its remaining performance obligations if the performance obligations is part of a contract that has an original expected duration of one year or less. In addition, amounts that are not contractually committed are excluded.

25 OPERATING EXPENSES

	Group	
	2019 $m	**2018 $m**
Cost of equipment sold	**507.1**	483.2
Cost of services	**481.5**	482.3
Traffic expenses	**85.2**	109.5
Depreciation and amortisation	**361.2**	291.2
Impairment loss on property, plant and equipment	**–**	2.6
Loss allowances of:		
- Contract assets	**1.4**	5.4
- Trade receivables	**18.0**	13.9
Marketing and promotions	**100.3**	102.2
Staff costs	**278.3**	275.9
Repairs and maintenance	**114.8**	101.2
Operating leases under SFRS(I) 1-17	**–**	117.0
Short-term lease expenses	**8.2**	–
Other expenses	**129.8**	105.3
	2,085.8	2,089.7

25 OPERATING EXPENSES (continued)

25.1 Depreciation and amortisation

Depreciation and amortisation expenses comprise the following:

	Group	
	2019 $m	**2018 $m**
Depreciation of property, plant and equipment	**231.0**	228.4
Accretion of asset grants to the income statement (Note 19)	**(0.6)**	(1.0)
	230.4	227.4
Amortisation of intangible assets	**64.4**	63.8
Depreciation of right-of-use assets	**66.4**	–
Total	**361.2**	291.2

25.2 Staff costs

The following are included in staff costs:

		Group	
	Note	**2019 $m**	**2018 $m**
Defined contribution plans		**28.1**	26.3
Share-based payments		**3.8**	1.0
Government grants - Wage Credit Scheme		**(1.3)**	(1.1)

25 OPERATING EXPENSES (continued)

25.2 Staff costs (continued)

25.2.1 Key management personnel compensation

The key management personnel compensation is as follows:

	Group	
	2019 $m	**2018 $m**
Short-term employee benefits	**10.8**	13.7
Share-based payments	**3.3**	2.1
	14.1	15.8

Included in the above is the total compensation to directors of the Company which amounted to $1.5 million (2018: $4.2 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.

During the year, conditional awards of shares of 2,030,000 (2018: 497,600 shares) under the StarHub Performance Share Plans and conditional awards of shares of 1,035,200 (2018: 344,000 shares) under the StarHub Restricted Stock Plans were granted to the key management personnel of the Group during the year. 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 year, awards of 304,300 shares (2018: 204,400 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.

Based on the actual level of achievement of the pre-determined performance targets over the 2017 performance period, final awards comprising 159,938 (2018: 331,375) shares were delivered to the key management personnel of the Group during the year under the 2017 conditional awards granted to the key management personnel of the Group in April 2017 pursuant to the StarHub Restricted Stock Plans.

Based on the actual level of achievement of the pre-determined performance targets over the 2018 performance period, final awards comprising 160,500 (2018: Nil) shares were delivered to the key management personnel of the Group during the year under the 2018 conditional awards granted to the key management personnel of the Group in March 2018 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 2019, 3,114,020 (2018: 1,683,901) of the conditional awards of shares under the StarHub Performance Share Plans, and 1,355,637 (2018: 640,875) of the conditional awards of shares under the StarHub Restricted Stock Plans granted to the key management personnel were outstanding.

25 OPERATING EXPENSES (continued)

25.2 Staff costs (continued)

25.2.2 Share-based Payments

StarHub Performance Share Plans

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

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:

Company	Balance outstanding at 1 January '000	Number of performance shares granted '000	Number of performance shares forfeited '000	Balance outstanding at 31 December '000
2019				
Date of grant				
22 March 2016	**486**	**–**	**(486)**	**–**
6 April 2017	**727**	**–**	**(38)**	**689**
28 March 2018	**471**	**–**	**(76)**	**395**
1 October 2019	**–**	**2,030**	**–**	**2,030**
Total	**1,684**	**2,030**	**(600)**	**3,114**
2018				
Date of grant				
16 March 2015	516	–	(516)	–
22 March 2016	594	–	(108)	486
6 April 2017	1,135	–	(408)	727
28 March 2018	–	498	(27)	471
Total	2,245	498	(1,059)	1,684

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 2019 and 2018 are as follows:

	Year of grant	
	2019	**2018**
Fair value	**$0.62**	$0.91
Share price	**$1.30**	$2.29
Expected volatility of the Company's shares	**22.75%**	18.64%
Expected dividend yield	**6.51%**	6.65%
Risk-free interest rates	**1.66%**	1.99%

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 DECEMBER 2019

25 OPERATING EXPENSES (continued)

25.2 Staff costs (continued)

25.2.2 Share-based Payments (continued)

StarHub Restricted Stock Plans

Under the StarHub RSP Plan 2014 ("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 year, conditional grants of 3,252,800 (2018: 2,373,200) 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 year, 304,300 (2018: 204,400) 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:

Date of grant	Balance outstanding at 1 January '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 '000
2019						
6 April 2017	**1,255**	**–**	**(561)**	**(259)**	**–**	**435**
28 March 2018	**1,839**	**–**	**(872)**	**(155)**	**–**	**812**
7 September 2018	**119**	**–**	**(119)**	**–**	**–**	**–**
14 June 2019	**–**	**304**	**(304)**	**–**	**–**	**–**
3 July 2019	**–**	**2,342**	**–**	**(71)**	**–**	**2,271**
1 October 2019	**–**	**607**	**–**	**–**	**–**	**607**
Total	**3,213**	**3,253**	**(1,856)**	**(485)**	**–**	**4,125**
2018						
22 March 2016	2,095	–	–	(117)	(1,978)	–
20 May 2016	27	–	–	–	(27)	–
15 March 2017	282	–	(272)	(10)	–	–
6 April 2017	2,614	–	(1,159)	(200)	–	1,255
28 March 2018	–	2,050	–	(211)	–	1,839
8 June 2018	–	204	(204)	–	–	–
7 September 2018	–	119	–	–	–	119
Total	5,018	2,373	(1,635)	(538)	(2,005)	3,213

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.

25 OPERATING EXPENSES (continued)

25.2 Staff costs (continued)

25.2.2 Share-based Payments (continued)

StarHub Restricted Stock Plans (continued)

The assumptions under the model used for the grant in 2019 and 2018 are as follows:

	Year of grant	
	2019	**2018**
Fair value	**$1.20 - $1.42**	$1.53 - $2.07
Share price	**$1.30 - $1.54**	$1.64 - $2.29
Expected volatility of the Company's shares	**22.75% - 23.37%**	18.64% - 26.96%
Expected dividend yield	**5.40% - 6.51%**	6.65% - 8.58%
Risk-free interest rates	**1.66% - 1.75%**	1.72% - 1.97%

25.3 Other expenses

Included in other expenses are the following:

	Group	
	2019 $m	**2018 $m**
Audit fees paid to:		
– Auditors of the Company	**0.6**	0.7
– Other auditors of the Group	**0.3**	0.2
Non-audit fees paid to:		
– Auditors of the Company	**0.8**	1.4
– Other auditors of the Group	**4.8**	0.4
Foreign currency exchange (gain)/loss, net	**(0.2)**	7.6

Management and the Audit Committee have undertaken a review of non-audit services provided by the auditors of the Company and other auditors of the Group and were satisfied that they would not, in Management and the Audit Committee's opinion, affect their independence.

26 OTHER INCOME

	Group	
	2019 $m	**2018 $m**
Rental income	**0.1**	0.1
Special project related income	**9.0**	–
Income related grants	**1.9**	1.1
	11.0	1.2

27 NET FINANCE COSTS

	Group	
	2019 $m	**2018 $m**
Interest income under the effective interest method on:		
– Bank deposits	**1.3**	2.9
– Loan to associate	**0.3**	0.3
Finance income	**1.6**	3.2
Interest expense:		
– Bank loans	**14.5**	12.8
– Medium term note	**17.4**	17.4
Interest on borrowings	**31.9**	30.2
Interest on lease liabilities	**6.4**	–
Finance costs	**38.3**	30.2

28 TAXATION

	Group	
	2019 $m	**2018 $m**
Current tax		
Current income tax	**54.3**	58.4
(Over)/Under provision in prior year	**(8.3)**	2.2
	46.0	60.6
Deferred tax		
Reversal and origination of temporary differences	**(13.8)**	(13.7)
Under/(Over) provision in prior year	**7.8**	(2.0)
	(6.0)	(15.7)
Total income tax in the income statement	**40.0**	44.9

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	
	2019 $m	**2018 $m**
Profit before taxation	**218.6**	245.5
Income tax using Singapore tax rate of 17%	**37.2**	41.7
Income not subject to tax	**(0.1)**	(0.6)
Non-deductible expenses	**5.4**	4.8
Tax incentives	**(2.1)**	(1.5)
(Over)/Under provision in prior year, net	**(0.5)**	0.2
Others	**0.1**	0.3
Total income tax in the income statement	**40.0**	44.9

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

	Group	
	2019 $m	**2018 $m**
Cash flow hedge, before taxation	**(2.2)**	11.9
Taxation	**0.3**	(2.0)
Effective portion of changes in fair value of cash flow hedge	**(1.9)**	9.9

29 EARNINGS PER SHARE (EPS)

Basic EPS is calculated by dividing the adjusted 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	
	2019 $m	**2018 $m**
Profit attributable to owners of the Company	**186.3**	201.7
Less: Perpetual capital securities distribution	**(7.9)**	(7.9)
Adjusted profit attributable to owners of the Company	**178.4**	193.8

	Number of shares	
	2019 ‘000	**2018 ‘000**
Weighted average number of ordinary shares (basic) during the year#	**1,731,136**	1,730,141
Adjustment for dilutive effect of share plans	**4,918**	4,897
Weighted average number of ordinary shares (diluted) during the year	**1,736,054**	1,735,038

Excludes treasury shares.

30 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 SFRS(I).

The Group defines EBITDA as follows:

	Group	
	2019 $m	**2018 $m**
Profit before taxation	**218.6**	245.5
Adjustments for:		
Depreciation and amortisation	**361.2**	291.2
Finance income	**(1.6)**	(3.2)
Finance expense	**38.3**	30.2
Impairment loss on property, plant and equipment	**–**	2.6
Share of loss of associate (net of tax)	**0.5**	1.0
EBITDA	**617.0**	567.3

Following the adoption of SFRS(I) 16 *Leases* in 2019, depreciation of right-of-use assets and interest expense on lease liabilities were excluded in arriving at EBITDA. Prior to 2019, such operating lease expenses were included in the measurement of EBITDA.

31 RELATED PARTY TRANSACTIONS

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

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

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

	Group	
	2019 $m	**2018 $m**
Ultimate holding company		
Sales	**0.2**	0.3
Associate		
Purchase of property, plant and equipment	**–**	2.4
Leases of premises	**4.8**	7.5
Purchase of services	**10.1**	7.3
Related corporations		
Sales	**77.4**	64.8
Purchase of property, plant and equipment	**8.5**	19.8
Leases of infrastructure and equipment	**50.3**	45.2
Purchase of services	**74.8**	83.2
Purchase of inventories	**20.7**	166.8

32 DIVIDENDS

	Group and Company	
	2019 $m	**2018 $m**
Final dividend of $0.04 (2018: $0.04) per share (1-tier tax exempt) paid in respect of the previous financial year	**69.2**	69.2
Interim dividends of $0.0675 (2018: $0.12) per share (1-tier tax exempt) paid in respect of the current financial year	**116.9**	207.7
	186.1	276.9

33 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 assesses the Group's financial performance using performance indicators which include revenue, EBITDA (see Note 30), capital expenditure and cash flow of the Group.

The Group operates primarily in Singapore in three operating segments, namely the telecommunications, cybersecurity and high security assurance product segments. Overseas operations to the Group are not significant. The Group delivers its Mobile, Pay TV, Broadband, Enterprise Fixed services and equipment sales ("Telecommunications") on a fully integrated network, and has a centralised customer service, sales, marketing and administration support. The other segments that the Group operates in are the Cybersecurity and high security assurance product segment.

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

Following the Company's divestment of DPL and acquisition by Ensign as an indirectly owned subsidiary in 2019, DPL was determined by the CODM to operate in the Cybersecurity segment. Accordingly, the Group's reportable segment information for 2018 has been restated.

33 SEGMENT REPORTING (continued)

The Group's reportable segment information is as follows:

	Telecommunications 2019 $m	Cybersecurity 2019 $m	Elimination of intersegment transactions 2019 $m	Group 2019 $m
Mobile revenue	765.5	–	–	765.5
Pay TV revenue	248.0	–	–	248.0
Broadband revenue	176.4	–	–	176.4
Enterprise Fixed revenue	429.8	147.7	(2.3)	575.2
Sales of equipment	565.5	–	–	565.5
Total revenue	2,185.2	147.7	(2.3)	2,330.6
EBITDA	620.2	(3.2)	–	617.0
Depreciation and amortisation	(342.6)	(18.6)	–	(361.2)
Finance income	1.6	–	–	1.6
Finance expense	(38.0)	(0.3)	–	(38.3)
Share of loss of associate (net of tax)	(0.5)	–	–	(0.5)
Profit/(Loss) before taxation	240.7	(22.1)	–	218.6
Taxation	(41.7)	1.7	–	(40.0)
Profit/(Loss) for the year	199.0	(20.4)	–	178.6
Assets and liabilities				
Non-current assets	1,585.0	207.1	–	1,792.1
Current assets	837.3	108.8	(4.3)	941.8
Total assets	2,422.3	315.9	(4.3)	2,733.9
Borrowings	1,047.5	0.9	–	1,048.4
Other non-current liabilities	290.7	46.0	–	336.7
Other current liabilities	703.4	69.6	(4.3)	768.7
Total liabilities	2,041.6	116.5	(4.3)	2,153.8
Other information				
Capital expenditure	222.0	20.0	–	242.0

33 SEGMENT REPORTING (continued)

	Telecommunications (Restated) 2018 $m	Cybersecurity (Restated) 2018 $m	Elimination of intersegment transactions 2018 $m	Group 2018 $m
Mobile revenue	824.5	–	–	824.5
Pay TV revenue	311.3	–	–	311.3
Broadband revenue	185.8	–	–	185.8
Enterprise Fixed revenue	429.5	81.7	(0.4)	510.8
Sales of equipment	529.6	–	–	529.6
Total revenue	2,280.7	81.7	(0.4)	2,362.0
EBITDA	555.6	11.7	–	567.3
Depreciation and amortisation	(279.7)	(11.5)	–	(291.2)
Finance income	3.2	–	–	3.2
Finance expense	(30.2)	–	–	(30.2)
Impairment loss on property, plant and equipment	(2.6)	–	–	(2.6)
Share of loss of associate (net of tax)	(1.0)	–	–	(1.0)
Profit before taxation	245.3	0.2	–	245.5
Taxation	(43.8)	(1.1)	–	(44.9)
Profit/(Loss) for the year	201.5	(0.9)	–	200.6
Assets and liabilities				
Non-current assets	1,525.6	197.1	–	1,722.7
Current assets	796.0	141.1	(6.3)	930.8
Total assets	2,321.6	338.2	(6.3)	2,653.5
Borrowings	1,027.6	0.9	–	1,028.5
Other non-current liabilities	153.3	41.7	–	195.0
Other current liabilities	770.5	77.8	(6.3)	842.0
Total liabilities	1,951.4	120.4	(6.3)	2,065.5
Other information				
Capital expenditure	300.0	6.9	–	306.9

34 ACQUISITION AND DISPOSAL OF SUBSIDIARIES

(i) Ensign InfoSecurity Pte. Ltd. ("Ensign")

In the prior year, the Company acquired 60% interest in Ensign and its subsidiaries (collectively, the "Ensign Group"). The transaction was completed on 4 October 2018.

Consideration transferred to acquire 60% interest in Ensign Group

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

	2018 $m
Cash consideration for the assigned rights	52.0
Non-cash consideration comprising the Company's cybersecurity business and equity interest in Ensign InfoSecurity (Systems) Pte. Ltd. ("EIS") held by the Group immediately before the acquisition, net of $16 million cash received	104.0
Total consideration transferred	156.0

	$m
Total purchase consideration	156.0
Add: Consideration paid to acquire remaining 19.6% interest in EIS	9.8
Less: Non-cash consideration	(120.0)
Less: Cash and cash equivalents in subsidiaries acquired	(37.0)
Net cash outflow on acquisition	8.8

Measurement of fair values

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

Assets acquired	**Valuation technique**
Intangible assets (Customer contracts and relationships)	*Multi-period excess earnings method:* The multi-period excess earnings method considers the present value of net cash flows related to contributory assets.

34 ACQUISITION AND DISPOSAL OF SUBSIDIARIES (continued)

(i) Ensign InfoSecurity Pte. Ltd. ("Ensign") (continued)

Following the completion of the final purchase price allocation in 2019, adjustments were made to the provisional fair values originally recorded in 2018 in respect of assets and liabilities the Ensign Group acquired. The effect of the adjustments made during the 12 months period from acquisition date ("the Window Period") is set out below.

	Note	Fair values recognised on acquisition (provisional) $'m	Adjustments during Window Period $'m	Fair values recognised on acquisition (final) $'m
Property, plant and equipment	4	13.4	–	13.4
Intangible assets	5	15.3	(13.4)	1.9
Deferred tax assets		1.5	–	1.5
Cash and cash equivalents		37.0	–	37.0
Inventories		0.6	–	0.6
Contract assets		5.4	–	5.4
Trade and other receivables		20.1	–	20.1
Amounts due from related parties		25.1	–	25.1
Trade and other payables	16	(18.0)	(20.3)	(38.3)
Amounts due to related parties		(71.6)	–	(71.6)
Provision for taxation		(1.6)	–	(1.6)
Deferred tax liabilities	20	(4.0)	2.3	(1.7)
Total identifiable net assets/(liabilities)		23.2	(31.4)	(8.2)
Total consideration transferred		73.4	–	73.4
Fair value of identifiable net (assets)/liabilities		(23.2)	31.4	8.2
Goodwill	5	50.2	31.4	81.6

Purchase price adjustments made during the Window Period are non-cash in nature and have been applied retrospectively in accordance with SFRS(I) 3 *Business Combinations*, as these adjustments, which relate to balance sheet effects, are considered to be material to the Group.

In addition, the following balances have been reclassified as part of the completion of the final purchase price allocation based on information obtained during the Window Period.

	Note	As previously stated 2018 $'m	2018 $m	Restated 2018 $m
Contract assets – current	11	277.0	(7.4)	269.6
Contract costs – current	11	17.3	7.4	24.7
Capital reserves	22	21.7	(20.1)	1.6
Non-controlling interests		59.9	20.1	80.0

34 ACQUISITION AND DISPOSAL OF SUBSIDIARIES (continued)

(i) Ensign InfoSecurity Pte. Ltd. ("Ensign") (continued)

Measurement of fair values

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

Assets acquired	Valuation technique
Intangible assets (Customer contracts and relationships)	*Multi-period excess earnings method:* The multi-period excess earnings method considers the present value of net cash flows related to contributory assets.

(ii) Disposal of D'Crypt Pte Ltd ("DPL")

On 30 September 2019, the Company entered into the following transactions to dispose of its interest in DPL:

(a) Disposal by the Company of its entire interest representing 65% of the issued share capital of DPL to Keele Investments Pte. Ltd. ("Keele") for a consideration of $65.0 million.

(b) Subscription by the Company of new ordinary shares in the capital of Ensign as well as the assignment of rights, benefits and interests (including voting and economic rights), in new Ensign Shares to the Company for a total consideration of $60.0 million.

(c) Subscription by Ensign of preference shares in the capital of Keele for a consideration of $100.0 million. Based on the rights accorded to Ensign through the preference shares, DPL will be regarded as an indirect subsidiary of Ensign as a result of Keele's 100% shareholding in DPL.

(d) Subsequent to completion date, deferred consideration of $6.2 million to be paid in cash to the Founding Shareholders on or before 31 January 2021. The fair value of the deferred consideration amount to $5.8 million at 31 December 2019.

(e) Subsequent to completion date, an earn-out consideration of up to a maximum amount of $27.4 million to be paid to the Founding Shareholders pursuant to the fulfilment of certain conditions set out in the sale and purchase agreement. The Group assessed the probability of the earn-out conditions to be met and estimated the contingent consideration to be the fair value of the liability to the founding shareholders amounting to $23.9 million at 31 December 2019.

(f) In the event the earn-out consideration in (e) above to be paid by Keele to the Founding Shareholders is less than $27.4 million, the Company shall be required to repay Keele a claw-back sum of up to $26.0 million.

(g) In connection with (f) above, the Founding Shareholders have undertaken to indemnify the Company a portion of the claw-back sum, subject to conditions in the sale and purchase agreement.

Upon the disposal of the Company's 65% equity interest in DPL, the Company and the non-controlling shareholders of DPL have also waived the put and call option previously entered into to allow the Company to acquire the remaining 35% equity interest in DPL. At the Group level, the derecognition of the put liability of $34 million (being fair value of the put liability at date of transaction) is recorded in capital reserve.

34 ACQUISITION AND DISPOSAL OF SUBSIDIARIES (continued)

(ii) Disposal of D'Crypt Pte Ltd ("DPL") (continued)

Following the completion of the transaction, the Group's effective interest in DPL decreased from 65% to 60%. The impact of the dilution of 5% effective interest is recorded as transactions with owners and taken up in equity.

At the Company level, the put and call options were accounted for as embedded derivatives. Upon derecognition, the impact is taken to the Company's income statement.

	2019 $m
Carrying amount of NCI divested	**(2.4)**
Net consideration received by the Group	**5.0**
Increase in equity attributable to owners of the Company	**2.6**
Less: Fair value of deferred consideration attributable to the Group	**(17.8)**
Net effect from business combinations	**(15.2)**

(iii) 2018 Acquisition of 65% interest of D'Crypt Pte Ltd ("DPL")

Consideration transferred

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

	2018 $m
Total purchase consideration	57.5
Less: Cash and cash equivalents in subsidiary acquired	(0.9)
Net cash outflow on acquisition	56.6

Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition:

	Note	2018 $m
Property, plant and equipment	4	4.6
Intangible assets	5	38.8
Net current assets (excluding cash and cash equivalents)		12.6
Cash and cash equivalents		0.9
Provision for taxation		(1.6)
Borrowings		(1.0)
Deferred tax liabilities		(5.6)
Total identifiable net assets		48.7

34 ACQUISITION AND DISPOSAL OF SUBSIDIARIES (continued)

(iii) 2018 Acquisition of 65% interest of D'Crypt Pte Ltd ("DPL") (continued)

Measurement of fair values

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

Assets acquired	Valuation technique
Intangible assets (Customer contracts and relationships)	*Multi-period excess earnings method:* The multi-period excess earnings method considers the present value of net cash flows expected to be generated by the respective intangible assets.

Goodwill

Goodwill arising from the acquisition has been recognised as follows:

	2018 $m
Total consideration transferred	57.5
NCI, based on their proportionate interest in the recognised amounts of the assets and liabilities of the acquiree	17.0
Fair value of identifiable net assets	(48.7)
Goodwill	25.8

35 FINANCIAL RISK MANAGEMENT

Overview

Exposure to credit, liquidity, interest, foreign exchange and market risks arises in the normal course of the Group's business.

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

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the Risk Committee, who in turn is assisted by the Management Risk Committee, which is responsible for developing and monitoring the Group's risk management policies. The Management Risk Committee reports to the Risk Committee on a regular basis. The Risk Committee reports to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group from both an operational and execution basis. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to promote a culture of risk management which entails awareness, accountability and ownership in all employees.

Derivative financial instruments are used to reduce exposure to fluctuations in foreign exchange rates, where appropriate. 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).

35 FINANCIAL RISK MANAGEMENT (continued)

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers.

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

Counterparty risk arising from cash and cash equivalents and treasury transactions is managed by dealing mainly with high credit quality counterparties, which have a minimum rating of A/A1 based on Standard & Poor or Moody's ratings.

The maximum credit risk exposure is represented by the carrying value of each financial asset in the statement of financial position less collaterals held. Collaterals in the form of cash or bank guarantees are obtained from counterparties where appropriate.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Group actively monitors its liquidity risk and manages its operating cash flows, debt maturity profile, availability of funding, and reviews compliance with loan covenants. 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.

The Group is presently in discussions with several banks to refinance current borrowings of $407.6 million, which are due for repayment in the second half of 2020. As of 31 December 2019, the Group has $669.7 million of available credit facilities, of which $200 million are committed facilities.

Management assessed that with these available facilities and positive cash flows from the Group's operations, the Group will be able to refinance the current bank borrowings and pay its liabilities as and when they are due.

35 FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk *(continued)*

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

Group	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
2019					
Non-derivative financial liabilities					
Borrowings	**(1,048.4)**	**(1,161.2)**	**(438.3)**	**(406.4)**	**(316.5)**
Trade and other payables ^	**(468.7)**	**(472.6)**	**(439.0)**	**(33.6)**	**–**
Amounts due to related parties	**(41.1)**	**(41.1)**	**(41.1)**	**–**	**–**
Lease liabilities	**(155.5)**	**(189.8)**	**(31.9)**	**(96.9)**	**(61.0)**
	(1,713.7)	**(1,864.7)**	**(950.3)**	**(536.9)**	**(377.5)**
Derivative financial liabilities					
Forward exchange contracts used for hedging (gross-settled)	**(2.4)**				
- Outflow		**(96.6)**	**(96.6)**	**–**	**–**
- Inflow		**94.2**	**94.2**	**–**	**–**
	(2.4)	**(2.4)**	**(2.4)**	**–**	**–**
2018					
Non-derivative financial liabilities					
Borrowings	(1,028.5)	(1,167.9)	(76.3)	(764.3)	(327.3)
Trade and other payables ^	(536.4)	(538.0)	(503.4)	(34.6)	–
Amounts due to related parties	(57.5)	(57.5)	(57.5)	–	–
	(1,622.4)	(1,763.4)	(637.2)	(798.9)	(327.3)
Derivative financial assets					
Forward exchange contracts used for hedging (gross-settled)	0.1				
- Outflow		(27.1)	(27.1)	–	–
- Inflow		27.2	27.2	–	–
	0.1	0.1	0.1	–	–
Derivative financial liabilities					
Forward exchange contracts used for hedging (gross-settled)	(0.3)				
- Outflow		(68.3)	(68.3)	–	–
- Inflow		68.0	68.0	–	–
	(0.3)	(0.3)	(0.3)	–	–

35 FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk *(continued)*

		Contractual cash flows			
Company	**Carrying amount (Restated) $m**	**Total $m**	**Within 1 year $m**	**After 1 year but within 5 years $m**	**After 5 years but within 10 years $m**
2019					
Non-derivative financial liabilities					
Borrowings	**(1,047.5)**	**(1,160.4)**	**(438.2)**	**(406.2)**	**(316.0)**
Trade and other payables ^	**(210.3)**	**(210.3)**	**(210.3)**	**–**	**–**
Amounts due to related parties	**(151.0)**	**(151.0)**	**(151.0)**	**–**	**–**
Lease liabilities	**(116.2)**	**(146.2)**	**(20.8)**	**(64.5)**	**(60.9)**
	(1,525.0)	**(1,667.9)**	**(820.3)**	**(470.7)**	**(376.9)**
Derivative financial liabilities					
Forward exchange contracts used for hedging (gross-settled)	**(2.4)**				
- Outflow		**(96.6)**	**(96.6)**	**–**	**–**
- Inflow		**94.2**	**94.2**	**–**	**–**
	(2.4)	**(2.4)**	**(2.4)**	**–**	**–**
2018					
Non-derivative financial liabilities					
Borrowings	(1,027.5)	(1,166.8)	(76.2)	(764.0)	(326.6)
Trade and other payables ^	(179.7)	(179.7)	(179.7)	–	–
Amounts due to related parties	(235.8)	(235.8)	(235.8)	–	–
	(1,443.0)	(1,582.3)	(491.7)	(764.0)	(326.6)
Derivative financial assets					
Forward exchange contracts used for hedging (gross-settled)	0.1				
- Outflow		(27.1)	(27.1)	–	–
- Inflow		27.2	27.2	–	–
	0.1	0.1	0.1	–	–
Derivative financial liabilities					
Forward exchange contracts used for hedging (gross-settled)	(0.3)				
- Outflow		(68.3)	(68.3)	–	–
- Inflow		68.0	68.0	–	–
	(0.3)	(0.3)	(0.3)	–	–
Put and call options, net	(7.0)	(7.0)	–	(7.0)	–
	(7.3)	(7.3)	(0.3)	(7.0)	–

^ The carrying amount of trade and other payables disclosed in the table excludes deferred income, forward exchange contracts, put and call options, net GST payable, employee benefits and reinstatement obligations.

35 FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk *(continued)*

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.

Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks. Generally, the Group seeks to apply hedge accounting in order to manage volatility in profit or loss.

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 long-term borrowings is on a fixed rate basis.

Exposure to interest rate risk

At the reporting date, the interest rate profile of interest-bearing financial instruments, as reported to management, was as follows:

	Group		Company	
	Nominal amount		Nominal amount	
	2019 $m	2018 $m	2019 $m	2018 $m
Fixed rate instruments				
Fixed deposits	**40.0**	86.2	**40.0**	84.2
Borrowings	**910.0**	890.0	**910.0**	890.0
	950.0	976.2	**950.0**	974.2
Variable rate instrument				
Borrowings	**138.4**	138.5	**137.5**	137.5

Sensitivity analysis for variable rate instruments

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 would have increased/(decreased) profit or loss by $1.4 million (2018: $1.4 million) for the Group and Company respectively.

35 FINANCIAL RISK MANAGEMENT (continued)

Foreign currency risk

The Group is exposed to transactional foreign currency risk to the extent that there is a mismatch between the currencies in which sales, purchases, receivables and borrowings, that are denominated in a currency other than the respective functional currencies of the Group entities. The functional currency of the Group entities is the Singapore Dollar. The currency giving rise to this risk is primarily the United States Dollar.

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.

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

	Group		Company	
	2019 $m	**2018 $m**	**2019 $m**	**2018 $m**
Contract assets	**3.9**	15.9	**1.9**	4.2
Trade and other receivables	**27.4**	41.6	**9.1**	12.0
Cash and cash equivalents	**28.3**	57.4	**18.6**	48.7
Trade and other payables	**(88.3)**	(105.3)	**(46.9)**	(46.5)
	(28.7)	9.6	**(17.3)**	18.4

For operations with significant expenditure denominated in foreign currencies, forward exchange contracts are entered into to hedge the foreign currency risk exposure on committed payment obligations. At 31 December 2019, the Group and the Company have outstanding forward exchange contracts with notional principal amounts of approximately $96.6 million (2018: $95.5 million). Certain forward exchange contracts are entered into by the Company on behalf of a subsidiary.

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.

35 FINANCIAL RISK MANAGEMENT (continued)

Hedge accounting

Cash flow hedges

The Group held the following instruments to hedge exposures to changes in foreign currency.

	1-6 months	Maturity 6-12 months	More than one year
2019			
Foreign currency risk			
Forward exchange contracts			
Net exposure (in millions of SGD)	**1.3**	**1.1**	**–**
Average SGD:USD forward contract rate	**1.3791**	**1.3804**	**–**
2018			
Foreign currency risk			
Forward exchange contracts			
Net exposure (in millions of SGD)	0.2	–	–
Average SGD:USD forward contract rate	1.3689	1.3608	–

The amounts at the reporting date relating to items designated as hedged items are as follows:

Group	Change in value used for calculating hedge ineffective hedge ineffectiveness $m	Cash flow hedge reserve $m	Balances remaining in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied $m
2019			
Foreign currency risk			
Trade and other payables	**–**	**2.4**	**–**
	–	**2.4**	**–**
2018			
Foreign currency risk			
Other receivables, deposits and prepayments	–	(0.1)	–
Trade and other payables	–	0.3	–
	–	0.2	–

35 **FINANCIAL RISK MANAGEMENT** (continued)

Hedge accounting (continued)

Cash flow hedges *(continued)*

The amounts relating to items designated as hedging instruments are as follows:

Group	2019				During the year - 2019
	Nominal amount $m	Carrying amount – assets $m	Carrying amount – liabilities $m	Line item in the statement of financial position where the hedging instrument is included	Changes in the value of the hedging instrument recognised in OCI $m
Foreign currency risk					
Forward exchange contracts – trade payables	**96.6**	**–**	**(2.4)**	**Other receivables, deposits and prepayments, trade and other payables**	**(2.2)**

Group	2018				During the year - 2018
	Nominal amount $m	Carrying amount – assets $m	Carrying amount – liabilities $m	Line item in the statement of financial position where the hedging instrument is included	Changes in the value of the hedging instrument recognised in OCI $m
Foreign currency risk					
Forward exchange contracts – trade payables	95.5	0.1	(0.3)	Other receivables, deposits and prepayments, trade and other payables	11.9

The following table provides a reconciliation by risk category of components of equity and analysis of OCI items, net of tax, resulting from cash flow hedge accounting.

Group	2019 Hedging reserve $m	2018 Hedging reserve $m
At beginning of the year	**(0.2)**	(10.1)
Cash flow hedges		
Change in fair value:		
Foreign currency risk – trade payables	**(2.2)**	11.9
Tax on movements on reserves during the year	**0.3**	(2.0)
	(2.1)	(0.2)

35 FINANCIAL RISK MANAGEMENT (continued)

Master netting or similar agreements

The Group enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting agreements. In general, under such agreements the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a single net amount that is payable by one party to the other. In certain circumstances – e.g. when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions.

The above ISDA agreements do not meet the criteria for offsetting in the statement of financial position. This is because they create a right of set-off of recognised amounts that is enforceable only following an event of default, insolvency or bankruptcy of the Group or the counterparties. In addition, the Group and its counterparties do not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

The Group enters into forward exchange contracts to hedge the foreign currency risk on committed payment obligations.

There were no financial instruments in 2019 which do not meet the criteria for offsetting in the statement of financial position.

Other than as separately disclosed in the financial statements, the following table sets out the carrying amounts of recognised financial instruments that are subject to the above agreements.

	Note	Gross amounts of recognised financial instruments $m	Related financial instruments that are not offset $m	Net amount $m
2018				
Financial assets				
Forward exchange contracts used for hedging	14	0.1	(0.1)	–
		0.1	(0.1)	–
Financial liabilities				
Forward exchange contracts used for hedging	16	0.3	(0.1)	0.2
		0.3	(0.1)	0.2

35 FINANCIAL RISK MANAGEMENT (continued)

Accounting classification of financial instruments

The carrying amounts of financial instruments are as follows:

	Group		Company	
	2019 $m	**2018 $m**	**2019 $m**	**2018 $m**
Financial assets at amortised cost				
Cash and cash equivalents	**117.6**	166.0	**74.5**	117.6
Trade receivables	**248.7**	282.8	**198.0**	183.1
Other receivables#	**22.5**	9.4	**3.0**	3.7
Amounts due from related parties	**30.4**	26.5	**23.9**	22.4
	419.2	484.7	**299.4**	326.8
Equity investments at FVOCI				
Quoted equity securities	**34.3**	36.0	**34.3**	36.0
Financial liabilities at amortised cost				
Trade and other payables^	**(468.7)**	(503.4)	**(210.3)**	(179.7)
Amounts due to related parties	**(41.1)**	(57.5)	**(151.0)**	(235.8)
Borrowings	**(1,048.4)**	(1,028.5)	**(1,047.5)**	(1,027.5)
Lease liabilities	**(155.5)**	–	**(116.2)**	–
	(1,713.7)	(1,589.4)	**(1,525.0)**	(1,443.0)
Financial liabilities at fair value				
Put liability to acquire non-controlling interests	**–**	(33.0)	**–**	–
Put and Call options, net	**–**	–	**–**	(7.0)
	–	(33.0)	**–**	(7.0)
Fair value hedging instruments				
Forward exchange contracts used for hedging (derivative asset)	**–**	0.1	**–**	0.1
Forward exchange contracts used for hedging (derivative liability)	**(2.4)**	(0.3)	**(2.4)**	(0.3)
	(2.4)	(0.2)	**(2.4)**	(0.2)

The carrying amount of other receivables disclosed in the table excludes prepayments and marked-to-market financial instruments.

^ The carrying amount of trade and other payables disclosed in the table excludes deferred income, forward exchange contracts, put liability to acquire non-controlling interests, put and call options, net GST payable and employee benefits.

35 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. 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.

Lease liabilities

Lease liabilities approximate their fair values and are calculated using discounted cash flow models based on the present value of future cash flows, discounted using the incremental borrowing rates at the respective lease inception dates.

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 approximates their fair values which 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.

Equity investments at FVOCI

The carrying amounts of equity investments at FVOCI 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, cash and cash equivalents, and trade and other payables) are assumed to approximate their fair values.

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).

35 FINANCIAL RISK MANAGEMENT (continued)

Estimation of fair values (continued)

The following table represents the assets and liabilities measured at fair value, using the above valuation methods, at reporting date:

Group	Fair value level	2019 $m	2018 $m
Financial assets			
Marked-to-market financial instrument			
– Forward exchange contracts	2	**–**	0.1
Other investments	1	**34.3**	36.0
Financial liabilities			
Marked-to-market financial instrument			
– Forward exchange contracts	2	**2.4**	0.3
Put liability to acquire non-controlling interests	3	**–**	33.0
Company			
Put and Call options, net	3	**–**	7.0

There were no transfers between level 1 and 2 in 2019 and 2018.

The following table presents the reconciliation for the put liability to acquire non-controlling interests and put and call options measured at fair value based on unobservable inputs (Level 3):

	Group		Company	
	Put liability to acquire non-controlling interest 2019 $m	Put liability to acquire non-controlling interest 2018 $m	Put and call options, net 2019 $m	Put and call options, net 2018 $m
Balance at beginning of the year	**33.0**	–	**7.0**	–
Arising from business combination	**–**	42.7	**–**	13.9
Fair value change recognised in income statement	**–**	–	**(0.6)**	(6.9)
Fair value change recognised in capital reserve	**1.0**	(9.7)	–	–
Derecognition of put liability to acquire non-controlling interests	**(34.0)**	–	**–**	–
Derecognition of put and call option	**–**	–	**(6.4)**	–
Balance at end of the year	**–**	33.0	**–**	7.0

The fair value of the put liability is estimated based on the present value of expected payments, and the fair value of the put and call options are valued based on the Black Scholes model.

36 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.

37 COMMITMENTS

Capital and other financial commitments

	Group		Company	
	2019 $m	**2018 $m**	**2019 $m**	**2018 $m**
Contracted and not provided for in the financial statements:				
– Capital expenditures	**452.6**	527.1	**76.0**	93.1
– Other operating expenditures	**96.2**	217.8	**–**	–
	548.8	744.9	**76.0**	93.1

As at 31 December 2019, the Group has outstanding capital and other financial commitments with related companies amounting to $18.2 million (2018: $11.7 million), which has been included above.

Included in the capital expenditures contracted by the Company is an amount of approximately $0.1 million (2018: $0.2 million) which has been entered into on behalf of certain of its subsidiaries.

38 SUBSEQUENT EVENTS

Dividend declaration

The directors have proposed a final dividend of $0.0225 (2018: $0.04) per share, tax exempt (one tier), totalling $39.0 million (2018: $69.2 million) in respect of the financial year ended 31 December 2019. 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 2020.

39 ADOPTION OF NEW STANDARDS

New standards and amendments

The Group has applied the following SFRS(I)s, amendments to and interpretations of SFRS(I) for the first time for the annual period beginning on 1 January 2019:

- SFRS(I) 16 *Leases*
- SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*
- *Long-term Interests in Associates and Joint Ventures* (Amendments to SFRS(I) 1-28)
- *Prepayment Features with Negative Compensation* (Amendments to SFRS(I) 9)
- *Previously Held Interest in a Joint Operation* (Amendments to SFRS(I) 3 and 11)
- *Income Tax Consequences of Payments on Financial Instruments Classified as Equity* (Amendments to SFRS(I) 1-12)
- *Borrowing Costs Eligible for Capitalisation* (Amendments to SFRS(I) 1-23)
- *Plan Amendment, Curtailment or Settlement* (Amendments to SFRS(I) 1-19)

Other than SFRS(I) 16, the application of these amendments to standards and interpretations does not have a material effect on the financial statements.

SFRS(I) 16 *Leases*

The Group applied SFRS(I) 16 using the modified retrospective approach. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under SFRS(I) 1-17 and related interpretations. The Group's application of the modified retrospective approach resulted in no changes to opening retained earnings at 1 January 2019. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in SFRS(I) 16 have not generally been applied to comparative information.

Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*. The Group now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in SFRS(I) 16.

On transition to SFRS(I) 16, the Group elected to apply the practical expedient to "grandfather" the assessment of which transactions are leases. The Group applied SFRS(I) 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under SFRS(I) 1-17 and SFRS(I) INT 4 were not reassessed for whether there is a lease under SFRS(I) 16. Therefore, the definition of a lease under SFRS(I) 16 was applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee

As a lessee, the Group leases many assets including property and network infrastructure. The Group previously classified leased assets as operating leases. Under SFRS(I) 16, the Group recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

At commencement or on modification of a contract that contains a lease component, the Group capitalises only the consideration attributable to lease components.

39 ADOPTION OF NEW STANDARDS (continued)

Leases classified as operating leases under SFRS(I) 1-17

Previously, the Group classified property leases as operating leases under SFRS(I) 1-17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the respective lessee entities' incremental borrowing rates applicable to the leases as at 1 January 2019.

Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group applied the practical expedient of relying on its assessment of whether leases are onerous under SFRS(I) 1-37 immediately before the date of transition as an alternative to performing an impairment review. Therefore, right-of-use assets at the date of transition is adjusted by the amount of any provision for onerous leases recognised in the statement of financial position immediately before the date of transition.

The Group used a number of practical expedients when applying SFRS(I) 16 to leases previously classified as operating leases under SFRS(I) 1-17. In particular, the Group:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application for selected asset classes;
- did not recognise right-of-use assets and liabilities for leases of low value assets (e.g. IT equipment);
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.

Impact on financial statements

Impact on transition*

On transition to SFRS(I) 16, the Group recognised additional right-of-use assets and lease liabilities. The impact on transition is summarised below.

	Group 1 January 2019 $m	Company 1 January 2019 $m
Right-of-use assets – land and buildings	**155.6**	**131.9**
Right-of-use assets – base transceiver stations	**17.6**	**–**
Right-of-use assets – other network equipment and infrastructure	**30.1**	**9.1**
Lease liabilities	**208.1**	**138.5**

* For the impact of SFRS(I) 16 on segment information, see Note 33. For the details of accounting policies under SFRS(I) 16 and SFRS(I) 1-17, see Note 3.15.

39 ADOPTION OF NEW STANDARDS (continued)

Impact on financial statements *(continued)*

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rates applied ranged from 2-4%.

	Group 1 January 2019 $m	Company 1 January 2019 $m
Operating lease commitments at 31 December 2018 as disclosed under SFRS(I) 1-17 in the Group's financial statements	**351.5**	**286.2**
Non-lease components	**(106.0)**	**(97.8)**
Reclassification from prepayments	**(8.5)**	**(0.1)**
Adjustment to opening operating lease commitments for lease contracts under negotiation and other contracts previously not disclosed	**13.1**	**(1.8)**
Recognition exemption for leases with less than 12 months of lease term at transition	**(9.3)**	**(1.1)**
Discounting using the incremental borrowing rate at 1 January 2019	**(33.2)**	**(30.7)**
Operating lease commitments contracted on behalf of a subsidiary	**–**	**(9.3)**
Operating lease commitments with subsidiary companies	**–**	**(6.9)**
Extension options reasonably certain to be exercised	**0.5**	**–**
Lease liabilities recognised at 1 January 2019	**208.1**	**138.5**