

NOTES TO  
FINANCIAL  
STATEMENTS

1. CORPORATE INFORMATION

MobileOne Ltd (the “Company”) is a public limited liability company, which is incorporated in the Republic of Singapore and is listed on the Singapore Exchange Securities Trading Limited (“SGX-ST”). Its registered office and principal place of business is at 10 International Business Park, Singapore 609928.

The principal activities of the Company and its subsidiaries (collectively, the “Group”) are the provision of telecommunications services, international call services and broadband services, retail sales of telecommunication equipment and accessories, customer services and investment holding.

The Company has a joint venture with PLDT (SG) Retail Service Pte Ltd. The principal activity of this joint venture is provision of prepaid mobile services.

There have been no significant changes in the nature of these activities during the financial year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (“FRS”).

The financial statements have been prepared on the historical cost basis except for derivative financial instruments that have been measured at their fair values.

The financial statements are presented in Singapore dollars (“S\$”) and all values are rounded to the nearest thousand (S\$’000) except when otherwise indicated.

2.2 Changes in accounting policies

With effect from 1 January 2009, the Group and the Company have adopted all the new and revised FRS and Interpretations of FRS (“INT FRS”) that are mandatory for financial years beginning on or after 1 January 2009. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group. They did however give rise to additional disclosures and revisions to accounting policies.

The principal effects of these changes are as follows:

- FRS 1 Presentation of Financial Statements – Revised presentation*  
The revised FRS 1 separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented in the statement of other comprehensive income. In addition, the Standard introduces the statement of comprehensive income which presents income and expense recognised in the period. This statement may be presented in one single statement, or two linked statements. The Group has elected to present in one single statement.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies (continued)

- INT FRS 113 Customer Loyalty Programmes*  
On 1 January 2009, the Group and the Company adopted INT FRS 113 Customer Loyalty Programmes, which is effective for annual periods beginning on or after 1 July 2008. The Group and Company historically recognised the full revenue from the sale of goods and a separate liability for the obligation to exchange the points for awards. INT FRS 113 requires loyalty award credits to be accounted for as a separate component of the sales transactions in which they are granted. The fair value of the consideration received is allocated to the loyalty award credits and the amount is deferred until the awards are redeemed or no longer expected to be redeemed.

The change in accounting policy has been applied retrospectively. The effect of adoption has no impact to the Group’s and Company’s revenue and profit net of tax except for the following in the financial statements:

	Group and Company	
	31-Dec-08 \$’000	1-Jan-08 \$’000
Creditors and accruals	(7,369)	(8,183)
Unearned revenue	7,369	8,183

2.3 FRS and INT FRS not yet effective

The Group has not adopted the following FRS and INT FRS that have been issued but not yet effective:

	Effective periods (Annual periods beginning on or after)
FRS 27 : Amendments to FRS 27 <i>Consolidated and Separate Financial Statements</i>	1 July 2009
FRS 39 : Amendments to FRS 39 <i>Financial Instruments: Recognition and Measurement</i> – Eligible Hedged Item	1 July 2009
FRS 103 : Revised FRS 103 <i>Business Combinations</i>	1 July 2009
FRS 105 : Amendments to FRS 105 <i>Non-current Assets Held for Sale and Discontinued Operations</i>	1 July 2009
FRS 117 : INT FRS 117 <i>Distributions of Non-cash Assets to Owners</i>	1 July 2009
Improvements to FRSs issued in 2009:	
– Amendments to FRS 38 <i>Intangible Assets</i>	1 July 2009
– Amendments to FRS 102 <i>Share-based Payment</i>	1 July 2009
– Amendments to FRS 108 <i>Operating Segments</i>	1 July 2009
– Amendments to INT FRS 109 <i>Reassessment of Embedded Derivatives</i>	1 July 2009
– Amendments to FRS 1 <i>Presentation of Financial Statements</i>	1 January 2010
– Amendments to FRS 7 <i>Statement of Cash Flows</i>	1 January 2010
– Amendments to FRS 17 <i>Leases</i>	1 January 2010
– Amendments to FRS 36 <i>Impairment of Assets</i>	1 January 2010
– FRS 39 <i>Financial Instruments: Recognition and Measurement</i>	1 January 2010
– Amendments to FRS 105 <i>Non-current Assets Held for Sale and Discounted Operations</i>	1 January 2010
– Amendments to FRS 108 <i>Operating Segments</i>	1 January 2010

The directors expect that the adoption of the above pronouncements will have no material financial impact on the financial statements in the period of initial application.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Significant accounting estimates and judgements

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

Key sources of estimation uncertainty

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

• *Useful lives of network and related application systems*

The cost of network and related application systems are depreciated on a straight-line basis over the assets' estimated economic useful lives. Management estimates the useful lives of these fixed assets to be within 10 to 13 years. These are common life expectancies applied in the telecommunications industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore, future depreciation charges could be revised. The carrying amount of the Group's network and related application systems at the statement of financial position date is disclosed in Note 10 to the financial statements.

• *Impairment of non-financial assets*

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are tested for impairment periodically.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of non-financial assets is disclosed in Notes 10, 11, 12 and 14 to the financial statements.

• *Impairment of loans and receivables*

The Group assesses at each statement of financial position date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. Actual results may differ from management's estimates. The carrying amount of the Group's loans and receivables at the statement of financial position date is disclosed in Notes 13, 17, 18, 19 and 20 to the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the statement of financial position date. The financial statements of the subsidiaries are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised profits and losses resulting from intra-group transactions are eliminated in full.

Acquisitions of subsidiaries are accounted for by applying the purchase method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity. Any excess of the cost of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the statement of financial position. The accounting policy for goodwill is set out in Note 2.11(a). Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in profit or loss on the date of acquisition. When the Group acquires a business, embedded derivatives separated from the host contract by the acquiree are not reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date such control ceases.

2.6 Subsidiaries

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less any impairment losses.

2.7 Joint venture

The Group has an interest in a joint venture which is a jointly controlled operation. A joint venture is a contractual arrangement where two or more parties undertake an economic activity that is subject to joint control.

The Group recognises its interest in the joint venture using proportionate consolidation. The Group combines its share of the assets, liabilities, income and expenses of the joint venture with similar items, line by line, in its consolidated financial statements. Consistent accounting policies are applied for like transactions and events in similar circumstances. The joint venture is proportionately consolidated until the date on which the Group ceases to have joint control over the joint venture.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Fixed assets

All items of fixed assets are initially recorded at cost. The cost of an item of fixed asset is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

The initial cost of fixed assets comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the profit and loss statement in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of fixed asset beyond its originally assessed standard of performance, the expenditure is capitalised as an additional cost of fixed assets.

2.9 Depreciation

Depreciation of an asset begins when it is available for use and is computed on a straight-line basis over the estimated useful lives as follows:

Leasehold buildings	– 10 - 30 years
Networks and related application systems	– 10 - 13 years
Application systems and computers	– 3 - 5 years
Motor vehicles	– 5 years
Furniture, fittings and equipment	– 2 - 7 years

Capital work-in-progress included in fixed assets is not depreciated as these assets are not available for use.

The carrying values of fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of fixed assets.

An item of fixed assets is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit and loss statement in the year the asset is derecognised.

2.10 Licences and spectrum rights

These comprise expenditure relating to one-time charges paid to acquire spectrum rights and telecommunications licences or access codes. These intangible assets are measured initially at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Licences and spectrum rights are amortised on a straight-line basis over the estimated economic useful lives of 13 to 17 years. The amortisation period and the amortisation method are reviewed at least at each financial year-end. The amortisation expense is recognised in the profit and loss statement through the ‘depreciation and amortisation expenses’ line item.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Intangible assets

a) Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group’s cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

b) Club membership

Club membership acquired is measured initially at cost less any accumulated impairment losses.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised.

2.12 Financial assets

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

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are initially recognised at fair value, plus directly attributable transaction costs and subsequently carried at amortised cost using the effective interest method. Gains and losses are recognised in profit and loss account when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Trade and other debtors

Trade and other debtors, including amounts due from related parties, are classified and accounted for as loans and receivables under FRS 39.

Provision is made for uncollectible amounts when there is objective evidence that the Group will not be able to collect the debt. Bad debts are written off when identified. Further details on the accounting policy for impairment of financial assets are stated in Note 2.14 below.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and time deposits. They are carried in the statement of financial position, classified and accounted for under FRS 39.

For purpose of the consolidated cash flows statement, cash and cash equivalents are shown net of outstanding bank overdrafts which were repayable on demand and which form an integral part of the Group’s cash management.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Financial liabilities

Financial liabilities are recognised on the statement of financial position when, and only when, the Group, becomes a party to the contractual provisions of the financial instruments. The accounting policies adopted for specific financial liabilities are set out below.

*Borrowings*

All borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the profit and loss statement when the liabilities are derecognised as well as through the amortisation process.

Borrowing costs are generally expensed as incurred.

*Trade and other creditors*

Liabilities for trade and other creditors, which are normally settled on 30-90 days terms, and amounts due to related parties are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method.

Gains and losses are recognised in the profit and loss statement when the liabilities are derecognised as well as through the amortisation process.

2.14 Impairment of financial assets

At each statement of financial position date, there will be an assessment as to whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the profit and loss statement.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Derecognition of financial assets and liabilities

*a) Financial assets*

A loan and receivable is derecognised where the contractual rights to receive cash flows from the asset have expired which usually coincides with receipt of payments for the asset.

On derecognition, the difference between the carrying amount and the sum of the consideration received is recognised in the profit and loss statement.

*b) Financial liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. For financial liabilities other than derivatives, gains and losses are recognised in the profit and loss statement when the liabilities are derecognised or impaired, and through the amortisation process.

2.16 Derivative financial instruments and hedging activities

The Group uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its risks associated with foreign currency and interest rate fluctuations.

Derivative financial instruments are initially recognised at fair value on the contract date and are subsequently re-measured at fair value. Derivative financial instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivative financial instruments that do not qualify for hedge accounting are taken to the profit and loss statement for the year.

The fair values of forward currency contracts are calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contract is determined by reference to market value for similar instruments.

The Group applies hedge accounting for certain hedging relationships which qualify for hedge accounting.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.

Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Derivative financial instruments and hedging activities (continued)

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

• *Fair value hedges*

For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged, the derivative is re-measured at fair value and gains and losses from both are taken to the profit and loss statement.

The Group discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the Group revokes the designation. Any adjustment to the carrying amount of a hedged financial instrument for which the effective interest method is used is amortised to the profit and loss statement.

• *Cash flow hedges*

For cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised directly in the hedging reserve, while the ineffective portion is recognised in the profit and loss statement.

Amounts taken to hedging reserve are transferred to the profit and loss statement when the hedged transaction affects profit or loss, such as when hedged financial income or financial expense is recognised or when a forecast sale or purchase occurs. Where the hedged item is the cost of a non-financial asset or liability, the amounts taken to hedging reserve are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognised in hedging reserve are transferred to the profit and loss statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in hedging reserve remain in equity until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is taken to the profit and loss statement.

2.17 Inventories

Inventories are valued at the lower of cost and net realisable value.

Cost incurred in bringing the inventories to their present location and condition is accounted for on weighted average basis.

Net realisable value is estimated selling price in the normal course of business, less estimated costs necessary to make the sale.

2.18 Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance costs.

Provisions are reviewed at each statement of financial position date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Government grant

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

Government grant shall be recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate.

2.20 Employee benefits

a) *Defined contribution plan*

The Group makes contributions to the Central Provident Fund (“CPF”) scheme in Singapore, a defined contribution pension scheme. These contributions are recognised as an expense in the period in which the related service is performed.

b) *Employee share option plan*

Employees (including the executive director) and non-executive directors of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for share options (‘equity-settled transactions’).

The cost of equity-settled transactions with employees is measured by reference to the fair value of the options at the date on which the share options are granted. In valuing the share option, no account is taken of any performance conditions, other than conditions linked to the price of shares of the Company (‘market condition’), if applicable.

The cost of equity-settled transactions is amortised and recognised in the profit and loss statement on a straight-line basis over the vesting period, with a corresponding increase in share option reserve. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group’s best estimate of the number of options that will ultimately vest. The movement in cumulative expenses recognised at the beginning and end of a reporting period is charged or credited to the profit and loss statement with a corresponding adjustment to share option reserve.

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon a market condition, which are treated as vested irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

2.21 Income tax

a) *Current tax*

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the statement of financial position date.

b) *Deferred tax*

Deferred tax is provided using the liability method on temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax credits and unused tax losses can be utilised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Income tax (continued)

b) *Deferred tax (continued)*

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each statement of financial position date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the statement of financial position date.

Deferred income tax relating to items recognised directly in equity is recognised in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

c) *Goods and services tax*

Revenue, expenses and assets are recognised net of the amount of goods and services tax except:

- Where the goods and services tax incurred in a purchase of goods and services is not recoverable from the taxation authority, in which case the goods and services tax is recognised as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of goods and services tax included.

The net amount of goods and services tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

2.22 Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such an indication exists, the asset's recoverable amount is estimated. The recoverable amount is the higher of an asset's or cash generating unit's fair value less cost to sell and value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset up to the end of its useful life. An impairment loss is recognised in the profit and loss statement whenever the carrying value of an asset exceeds its recoverable amount.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is recorded in the profit and loss statement. However, the increased carrying amount of an asset due to a reversal of an impairment loss is recognised to the extent it does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for that asset in prior years. After such reversal, the depreciation charge is adjusted in future periods to allocate the assets revised carrying amount less any residual value, on a systematic basis over its remaining useful life.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Revenue recognition

Revenue of the Group comprises fees earned from telecommunication services rendered, sales of handset and software licences.

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 following specific recognition criteria must also be met before revenue is recognised:

- Service revenue is recognised at the time when such services are rendered. Revenue billed in advance of the rendering of services is deferred on the statement of financial position as unearned revenue.
- Revenue from sale of prepaid cards but for which services have not been rendered is deferred on the statement of financial position as unearned revenue. Upon termination of the prepaid cards, any unutilised value of the prepaid cards will be taken to the profit and loss statement.
- Revenue from sale of handset is recognised upon the passing of risk and rewards of ownership of the goods to the customer which generally coincides with delivery and acceptance of the handsets sold.
- Revenue on award credits are recognised based on the number of award credits that have been redeemed in exchange for free or discounted goods, relative to the total numbers of awards credit expected to be redeemed.
- Interest income is recognised using the effective interest method.

2.24 Customer acquisition and retention costs

Customer acquisition and retention costs are accounted for in the profit and loss statement when incurred.

2.25 Operating leases

Operating lease payments are recognised as an expense in the profit and loss statement on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

2.26 Foreign currency

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate of exchange ruling at the statement of financial position date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the statement of financial position date are recognised in the profit and loss statement.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.27 Related parties

An entity or individual is considered to be a related party of the Group for the purposes of the financial statements if:

- (a) it possesses ability (directly or indirectly) to control or exercise significant influence over the operating and financial decisions of the Group or vice versa; or
- (b) it is subject to common control or common significant influence.

2.28 Segment reporting

The Company and its subsidiaries operate in Singapore in one business segment, that of provision of mobile telecommunications related services.

2.29 Share capital and share issuance expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity.

3. OPERATING REVENUE

	Group	
	2009 S\$'000	2008 S\$'000
Mobile telecommunications	565,717	601,168
International call services	128,405	137,101
Handset sales	80,852	62,122
Fixed network revenue	6,606	202
	781,580	800,593

4. OPERATING EXPENSES

	Group	
	2009 S\$'000	2008 S\$'000
Cost of services	189,437	173,021
Cost of handsets sold	140,403	127,692
Provision for stock	(3,100)	-
Staff costs	76,201	85,899
Advertising and promotion expenses	20,917	20,192
Depreciation and amortisation	128,126	123,894
Provision for doubtful debts	4,328	16,872
Facilities expenses	28,617	38,723
General and administrative expenses	16,942	22,654
	601,871	608,947

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4. OPERATING EXPENSES (CONTINUED)

Total operating expenses included the following:

	Group	
	2009 S\$'000	2008 S\$'000
Non-audit fees paid to auditors of the Company	54	132
CPF contributions	8,024	8,101
Share-based payments	1,267	1,087
Directors' remuneration	1,083	1,743
Foreign exchange loss (gain), net	1,009	(5)
(Gain) Loss on disposal of fixed assets	(600)	3

Key executives' remuneration included in the operating expenses are as follows:

	Group	
	2009 S\$'000	2008 S\$'000
Short term employee benefits	3,171	3,702
CPF contributions	91	82
Share-based payments	352	327
Total compensation paid to key executives	3,614	4,111

5. OTHER REVENUE

	Group	
	2009 S\$'000	2008 S\$'000
Interest income from banks	50	377
Others	1,809	579
	1,859	956

6. FINANCE COSTS

	Group	
	2009 S\$'000	2008 S\$'000
Interest on bank loans	6,462	7,578

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7. TAXATION

Major components of income tax expense for the years ended 31 December 2009 and 2008 are:

	Group	
	2009 S\$'000	2008 S\$'000
<b>Current taxation</b>		
– Current taxation	37,247	41,560
<b>Deferred taxation</b>		
– Origination and reversal of temporary differences	(6,888)	(6,645)
– Effect of reduction in tax rate	(5,555)	-
Income tax expense recognised in net profit for the year	24,804	34,915

A reconciliation of the statutory tax rate with the effective tax rate applicable to profit before tax of the Group for the years ended 31 December 2009 and 2008 are as follows:

	Group	
	2009 %	2008 %
Statutory rate	17.0	18.0
Adjustments for the tax effect of:		
Change in tax rate	(3.2)	-
Expenses not deductible for tax purposes	0.3	1.0
Others	-	(0.1)
Effective tax rate	14.1	18.9

Analysis of deferred tax liabilities:

	Group	Company
	S\$'000	S\$'000
At 1 January 2008	106,937	106,809
Movement for the year	(7,033)	(7,032)
At 31 December 2008 and 1 January 2009	99,904	99,777
Movement for the year	(12,210)	(11,866)
At 31 December 2009	87,694	87,911

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7. TAXATION (CONTINUED)

Deferred tax assets and liabilities

Deferred taxes at 31 December 2009 and 2008 and 1 January 2008 are related to the following:

	Group		
	31-Dec-09 S\$'000	31-Dec-08 S\$'000	1-Jan-08 S\$'000
<b>Deferred tax liabilities</b>			
Difference in depreciation	87,694	100,145	107,199
<b>Deferred tax assets</b>			
Provisions for unconsumed annual leave	-	(241)	(262)
Net deferred tax liabilities	87,694	99,904	106,937

	Company		
	31-Dec-09 S\$'000	31-Dec-08 S\$'000	1-Jan-08 S\$'000
<b>Deferred tax liabilities</b>			
Difference in depreciation	87,911	99,992	107,032
<b>Deferred tax assets</b>			
Provisions for unconsumed annual leave	-	(215)	(223)
Net deferred tax liabilities	87,911	99,777	106,809

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8. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the year attributable to shareholders by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share is calculated by dividing the net profit for the year attributable to shareholders by the weighted average number of ordinary shares outstanding during the financial year (adjusted for effects of dilutive options).

The following reflects the earnings and share data used in the computation of basic and diluted earnings per share for the financial years ended 31 December:

	Group	
	2009	2008
Net profit attributable to shareholders for basic and diluted earnings per share (S\$'000)	150,302	150,109
Weighted average of ordinary shares on issue applicable to basic earnings per share	895,020,705	894,692,507
Effect of dilutive securities: Share options	62,031	107,641
Adjusted weighted average of ordinary shares on issue applicable to diluted earnings per share	895,082,736	894,800,148

9. EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION (“EBITDA”)

EBITDA is defined as follows:

	Group	
	2009 S\$'000	2008 S\$'000
Profit before tax	175,106	185,024
Adjustments for:		
Amortisation of licences and spectrum rights	6,407	6,070
Depreciation of fixed assets	121,719	117,824
Interest on bank loans	6,462	7,578
EBITDA	309,694	316,496

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10. FIXED ASSETS

Group

	Leasehold Buildings	Networks and Related Application Systems	Application Systems & Computers	Motor Vehicles	Furniture, Fittings & Equipment	Capital Work-in- progress	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>Cost:</b>							
At 1 January 2008	77,924	1,146,132	158,601	1,341	27,836	28,463	1,440,297
Additions	845	34,249	14,177	53	8,898	35,915	94,137
Disposals	-	-	(8,318)	(245)	(23)	-	(8,586)
At 31 December 2008 and 1 January 2009	78,769	1,180,381	164,460	1,149	36,711	64,378	1,525,848
Additions	117	48,593	12,398	265	18,186	39,403	118,962
Arising from acquisition of subsidiary	44	1,239	27	-	27	-	1,337
Disposals	-	-	(65)	(542)	(27)	-	(634)
At 31 December 2009	78,930	1,230,213	176,820	872	54,897	103,781	1,645,513
<b>Accumulated depreciation:</b>							
At 1 January 2008	27,977	615,040	143,823	937	15,856	-	803,633
Charge for the year	3,404	94,875	8,482	111	10,952	-	117,824
Disposals	-	-	(8,312)	(146)	(21)	-	(8,479)
At 31 December 2008 and 1 January 2009	31,381	709,915	143,993	902	26,787	-	912,978
Charge for the year	3,400	101,621	4,704	165	11,829	-	121,719
Disposals	-	-	(64)	(542)	(18)	-	(624)
At 31 December 2009	34,781	811,536	148,633	525	38,598	-	1,034,073
<b>Net carrying amount:</b>							
At 1 January 2008	49,947	531,092	14,778	404	11,980	28,463	636,664
At 31 December 2008	47,388	470,466	20,467	247	9,924	64,378	612,870
At 31 December 2009	44,149	418,677	28,187	347	16,299	103,781	611,440

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10. FIXED ASSETS (CONTINUED)

Company

	Leasehold Buildings	Networks and Related Application Systems	Application Systems & Computers	Motor Vehicles	Furniture, Fittings & Equipment	Capital Work-in- progress	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>Cost:</b>							
At 1 January 2008	77,924	1,146,132	156,597	1,301	23,404	28,462	1,433,820
Additions	845	23,861	13,271	53	7,896	46,937	92,863
Disposals	-	-	(8,301)	(203)	(13)	-	(8,517)
At 31 December 2008 and 1 January 2009	78,769	1,169,993	161,567	1,151	31,287	75,399	1,518,166
Additions	117	48,547	12,430	265	17,774	39,403	118,536
Disposals	-	-	(61)	(542)	-	-	(603)
At 31 December 2009	78,886	1,218,540	173,936	874	49,061	114,802	1,636,099
<b>Accumulated depreciation:</b>							
At 1 January 2008	27,977	615,040	142,209	897	12,364	-	798,487
Charge for the year	3,405	94,875	8,330	110	10,556	-	117,276
Disposals	-	-	(8,295)	(103)	(5)	-	(8,403)
At 31 December 2008 and 1 January 2009	31,382	709,915	142,244	904	22,915	-	907,360
Charge for the year	3,396	101,370	4,512	166	11,364	-	120,808
Disposals	-	-	(60)	(542)	-	-	(602)
At 31 December 2009	34,778	811,285	146,696	528	34,279	-	1,027,566
<b>Net carrying amount:</b>							
At 1 January 2008	49,947	531,092	14,388	404	11,040	28,462	635,333
At 31 December 2008	47,387	460,078	19,323	247	8,372	75,399	610,806
At 31 December 2009	44,108	407,255	27,240	346	14,782	114,802	608,533

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11. LICENCES AND SPECTRUM RIGHTS

	Group and Company
	S\$'000
<b>Cost:</b>	
At 1 January 2008	100,261
Additions	2,775
At 31 December 2008, 1 January 2009 and 31 December 2009	103,036
<b>Accumulated amortisation:</b>	
At 1 January 2008	17,703
Additions	6,070
At 31 December 2008 and 1 January 2009	23,773
Additions	6,407
At 31 December 2009	30,180
<b>Net carrying amount:</b>	
At 1 January 2008	82,558
At 31 December 2008	79,263
At 31 December 2009	72,856

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12. INTANGIBLES

Group	Goodwill	Club membership	Total
	S\$'000	S\$'000	S\$'000
<b>Cost:</b>			
At 1 January 2008, 31 December 2008 and 1 January 2009	-	-	-
Additions	-	65	65
Acquisition of a subsidiary	11,677	-	11,677
At 31 December 2009	11,677	65	11,742

Company	Club membership
	S\$'000
<b>Cost:</b>	
At 1 January 2008, 31 December 2008 and 1 January 2009	-
Additions	65
At 31 December 2009	65

13. STAFF LOANS

	Group and Company		
	31-Dec-09 S\$'000	31-Dec-08 S\$'000	1-Jan-08 S\$'000
Repayable within one year (included in Note 18)	301	313	256
Repayable after one year	832	871	752
	1,133	1,184	1,008

Staff loans are for purchase of motor vehicles. These loans are repayable in equal monthly instalments over periods of up to seven years and bear interest rate of up to 2% (2008: 2% and 2007: 2%) per annum.

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14. INTERESTS IN SUBSIDIARIES

Details of the subsidiaries of the Company as at 31 December 2009 are as follows:

	Company		
	31-Dec-09 S\$'000	31-Dec-08 S\$'000	1-Jan-08 S\$'000
Unquoted shares:			
At cost	3,585	3,585	3,585
Provision for impairment in value of investment	(1,560)	(1,245)	-
	2,025	2,340	3,585

Name of company	Country of incorporation	Effective interest of the Company		Principal activities
		2009 %	2008 %	
Held by the company				
M1 Shop Pte Ltd	Singapore	100	100	Retail sales of telecommunication equipment and accessories
M1 Net Ltd.	Singapore	100	100	Provision of broadband
Wireless Intellect Labs Pte Ltd	Singapore	100	100	Research and development – inactive
Kliq Pte Ltd	Singapore	100	100	Investment holding – dormant
Held by subsidiary of the company				
M1 Connect Pte. Ltd. (Formerly known as Qala Singapore Pte Ltd)	Singapore	100	-	Provision of broadband and other related telecommunication services

Other than Kliq Pte Ltd, the subsidiaries are audited by Ernst & Young LLP, Singapore. There is no statutory audit requirement on the financial statements of Kliq Pte Ltd as it was dormant during the financial year.

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14. INTERESTS IN SUBSIDIARIES (CONTINUED)

Acquisition of subsidiary

On 28 September 2009, the Group's subsidiary company, M1 Net Ltd. acquired 100% equity interest in M1 Connect Pte. Ltd. (M1 Connect). Upon the acquisition, M1 Connect became a wholly-owned subsidiary of the Group.

The net identifiable assets and liabilities arising from the acquisition of M1 Connect based on provisional values were:

	Recognised on date of acquisition S\$'000
Fixed assets	1,337
Current assets	2,620
Cash and cash equivalents	2,176
	6,133
Total liabilities	(2,380)
Net identifiable assets acquired	3,753

The Group has agreed to pay to some of the selling shareholders potential consideration of \$2,500,000 if certain financial targets can be met by M1 Connect for its financial years up to and ending on 30 June 2011.

The effect of acquisition on cash flows is as follows:

	S\$'000
Total consideration for subsidiary acquired	15,429
Less: cash and cash equivalent of subsidiary acquired	(2,176)
Net cash outflow on acquisition	13,253

Impact of acquisition on income statement

The acquisition is not expected to result in material contribution to the Group's profit and revenue if the combination had taken place at the beginning of the financial year and from the date of acquisition.

Goodwill arising on acquisition

Goodwill of \$11,677,000 arose from the acquisition of M1 Connect has been determined provisionally and has not been allocated for impairment testing.

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15. JOINT VENTURE

The Group has a 50% interest in a jointly-controlled operation, PLDT (SG) Retail Service Pte Ltd which is involved in prepaid mobile services targeted at the Filipino community in Singapore.

The aggregate amounts of each of current assets, non-current assets, current liabilities, income and expenses related to the Group's and Company's interests in the jointly-controlled operation are as follows:

	31-Dec-09 S\$'000	Group 31-Dec-08 S\$'000	1-Jan-08 S\$'000
<b>Assets and liabilities:</b>			
Current assets	1,354	3,079	2,104
Non-current assets	178	381	537
Total assets	1,532	3,460	2,641
Current liabilities	(1,699)	(3,263)	(3,092)
Total liabilities	(1,699)	(3,263)	(3,092)
<b>Results:</b>			
Revenue	6,748	8,576	5,343
Other income	-	-	53
Expenses	(6,989)	(7,927)	(5,108)
Profit for the financial year	(241)	649	288

16. INVENTORIES

	31-Dec-09 S\$'000	Group 31-Dec-08 S\$'000	1-Jan-08 S\$'000
At lower of cost or net realisable value:			
Handsets	23,938	7,157	7,525
Accessories	1,438	1,347	845
	25,376	8,504	8,370

	31-Dec-09 S\$'000	Company 31-Dec-08 S\$'000	1-Jan-08 S\$'000
At lower of cost or net realisable value:			
Accessories	545	609	295

During the financial year, the Group wrote down inventories of S\$290,000 (2008: S\$3,367,000).

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17. TRADE DEBTORS

Trade debtors are non-interest bearing and are generally on 30 to 90 days terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Debtors that are past due but not impaired:

The Group has unsecured trade debtors that are past due at the statement of financial position date but not impaired and the analysis of their aging at the statement of financial position date is as follows:

	Group		
	31-Dec-09 S\$'000	31-Dec-08 S\$'000	1-Jan-08 S\$'000
Trade debtors past due:			
30 – 60 days	6,064	8,073	11,679
61 – 90 days	2,173	1,528	2,847
More than 90 days	2,566	755	1,957
	10,803	10,356	16,483

Debtors that are impaired:

The Group's trade debtors that are impaired have been fully provided for at the statement of financial position date. The movement of the provision account used to record impairment are as follows:

	Group S\$'000
Movement in provision for doubtful debt accounts:	
At 1 January 2008	24,187
Charge for the year	18,855
Written-off	(20,654)
At 31 December 2008 and 1 January 2009	22,388
Acquisition of subsidiary	220
Charge for the year	6,369
Written-off	(15,583)
At 31 December 2009	13,394

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18. OTHER DEBTORS

	Group		
	31-Dec-09 S\$'000	31-Dec-08 S\$'000	1-Jan-08 S\$'000
Deposits	4,483	4,414	3,927
Staff loans (Note 13)	301	313	256
Sundry debtors	8,701	4,500	6,005
	13,485	9,227	10,188

	Company		
	31-Dec-09 S\$'000	31-Dec-08 S\$'000	1-Jan-08 S\$'000
Deposits	3,291	3,296	3,040
Staff loans (Note 13)	301	313	256
Sundry debtors	3,705	2,962	2,619
	7,297	6,571	5,915

19. DUE FROM/(TO) RELATED PARTIES AND SUBSIDIARIES

	Group		
	31-Dec-09 S\$'000	31-Dec-08 S\$'000	1-Jan-08 S\$'000
Due from other related parties	52	186	66
Due to other related parties	(307)	(4,568)	(6,302)

	Company		
	31-Dec-09 S\$'000	31-Dec-08 S\$'000	1-Jan-08 S\$'000
Due from subsidiaries, trade	18,474	2,703	2,429
Due from other related parties	52	186	60
Allowance for impairment	(2,387)	(2,703)	-
	16,139	186	2,489
Due to subsidiaries, trade	(25,880)	(2,202)	(4,814)
Due to other related parties	(296)	(4,473)	(6,053)
	(26,176)	(6,675)	(10,867)

The amounts due from/(to) related parties are unsecured, non-interest bearing and are expected to be repaid within the next 12 months.

## NOTES TO FINANCIAL STATEMENTS

### 20. CASH AND CASH EQUIVALENTS

	Group		
	31-Dec-09 S\$'000	31-Dec-08 S\$'000	1-Jan-08 S\$'000
Time deposits	1,659	11,550	16,400
Cash and bank balances	5,780	6,237	6,687
	7,439	17,787	23,087

	Company		
	31-Dec-09 S\$'000	31-Dec-08 S\$'000	1-Jan-08 S\$'000
Time deposits	1,659	11,550	16,400
Cash and bank balances	4,581	5,998	6,526
	6,240	17,548	22,926

Cash and cash equivalents comprises cash on hand and at banks, and time deposits which earn interest at floating rates offered by short-term money market ranging from 0.01% to 0.7% (2008: 0.1% to 1.82% and 2007: 0.5% to 5.1%) per annum. Time deposits are made for varying periods of between 1 day and 3 months depending on the immediate cash requirements of the Group.

### 21. CREDITORS AND ACCRUALS

	Group		
	31-Dec-09 S\$'000	31-Dec-08 S\$'000	1-Jan-08 S\$'000
Trade creditors	71,453	50,981	49,403
Accrued operating expenses	28,870	36,087	52,447
Accrued capital expenditure	46,913	50,770	52,863
Interest payable	616	718	800
Directors' fees payable	400	388	390
Other creditors	4,797	10,064	8,931
	153,049	149,008	164,834

## NOTES TO FINANCIAL STATEMENTS

### 21. CREDITORS AND ACCRUALS (CONTINUED)

	Company		
	31-Dec-09 S\$'000	31-Dec-08 S\$'000	1-Jan-08 S\$'000
Trade creditors	39,168	42,496	39,895
Accrued operating expenses	26,338	33,610	46,829
Accrued capital expenditure	46,826	50,238	52,586
Interest payable	616	718	800
Directors' fees payable	400	388	390
Other creditors	4,758	9,863	8,720
	118,106	137,313	149,220

Trade and other payables are non-interest bearing and are normally settled on 30 to 90 days term.

### 22. BORROWINGS

	Group and Company		
	31-Dec-09 S\$'000	31-Dec-08 S\$'000	1-Jan-08 S\$'000
Current:			
Current portion of long term loans	250,000	-	-
Short term bank loans	19,000	-	35,000
	269,000	-	35,000
Non-current:			
Long term loans	-	250,000	250,000
	269,000	250,000	285,000

The S\$19 million unsecured short-term loans, which are unsecured, bear interest of between 1.16% to 1.2% per annum and is repayable in full in January 2010.

The S\$250 million unsecured term loans are repayable in full in May 2010. They bear interest at a rate which is based on the variable Singapore Dollar Swap Offer Rate, payable semi-annually every November and May.

The Group had exchanged the variable Singapore Dollar Swap Offer Rate with a fixed interest rate by entering into interest rate swap agreements with a financial institution whereby it receives interest at the variable Singapore Dollar Swap Offer Rate and pays interest at a fixed Singapore Dollar rate of between 1.55% to 2.80% per annum semi-annually every November and May. The interest rate swap agreements are disclosed in Note 30 to the financial statements and the total notional amount of the interest rate swaps is S\$250 million.

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23. SHARE CAPITAL

	Group and Company S\$'000
Issued and fully-paid:	
Balance as at 1 January 2008	
893,877,782 ordinary shares	114,439
Issued during the financial year	
1,057,000 ordinary shares for cash on exercise of employee share options	1,773
Balance as at 31 December 2008 and 1 January 2009	
894,934,782 ordinary shares	116,212
Issued during the financial year	
164,000 ordinary shares for cash on exercise of employee share options	261
Balance as at 31 December 2009	
895,098,782 ordinary shares	116,473

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions.

The Company has an employee share option scheme (Note 27) under which options to subscribe for the Company's ordinary shares have been granted to employees (including executive director) and non-executive directors of the Company and its subsidiaries.

24. HEDGING RESERVE

Hedging reserve records the portion of the fair value changes on derivative financial instruments designated as hedge instruments in cash flow hedges that is determined to be an effective hedge.

	Group and Company S\$'000
At 1 January 2008	(257)
Net loss on fair value changes during the year	(3,851)
Recognised in profit and loss statement on occurrence of hedge transactions	1,953
At 31 December 2008 and 1 January 2009	(2,155)
Net loss on fair value changes during the year	(2,076)
Recognised in profit and loss statement on occurrence of hedge transactions	3,059
At 31 December 2009	(1,172)

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25. SIGNIFICANT RELATED PARTY TRANSACTIONS

Related parties are the substantial shareholders of the Company and their subsidiaries. The following were significant transactions entered into by the Group and related parties who are not members of the Group at market rates during the financial year:

	Group and Company	
	2009 S\$'000	2008 S\$'000
Sales	(15,178)	(15,497)
Purchases	27,159	26,159

26. COMMITMENTS

a) Capital commitments

Capital expenditure contracted for as at the statement of financial position date but not recognised in the financial statements are as follows:

	Group and Company		
	31-Dec-09 S\$'000	31-Dec-08 S\$'000	1-Jan-08 S\$'000
Capital commitments in respect of fixed assets	9,668	17,100	16,270

b) Operating lease commitments

Rental expenses (principally for land, offices, retail outlets, service centres and base stations) were S\$23,363,000 and S\$23,170,000 for the financial years ended 31 December 2009 and 2008 respectively.

The Group leases various properties and the future minimum lease payments are as follows:

	Group		
	31-Dec-09 S\$'000	31-Dec-08 S\$'000	1-Jan-08 S\$'000
Within one financial year	11,205	14,361	11,926
After one financial year but not more than five financial years	11,173	17,221	16,223
More than five financial years	8,193	9,993	12,357
	30,571	41,575	40,506

26. COMMITMENTS (CONTINUED)

b) Operating lease commitments (continued)

	Company		
	31-Dec-09 S\$'000	31-Dec-08 S\$'000	1-Jan-08 S\$'000
Within one financial year	6,939	10,565	8,795
After one financial year but not more than five financial years	8,721	14,971	13,765
More than five financial years	8,193	9,993	12,357
	23,853	35,529	34,917

27. SHARE OPTIONS

The Company has an employee share option scheme, MobileOne Share Option Scheme (the “Scheme”), for granting of non-transferable options to employees (including executive director) and non-executive directors of the Company and its subsidiaries.

The Remuneration Committee is responsible for administering the Scheme. The Remuneration Committee members are Mr Roger Barlow (Chairman of Committee), Mr Chow Kok Kee, Mr Low Huan Ping and Mr Teo Soon Hoe.

Under the Scheme, options granted have a term of 5 years or 10 years from the date of grant for non-executive directors and Group executives respectively.

The subscription price for each ordinary share in respect of which an option is exercisable shall be determined by the Remuneration Committee as follows:

- i) at a price equal to the average of the last dealt prices of the Company’s shares on the Singapore Exchange Securities Trading Limited over the five consecutive trading days immediately preceding the date of grant of that option (the “Market Price”) or such higher price as may be determined by the Remuneration Committee in its absolute discretion; or
- ii) at a price, which is set at the absolute discretion of the Remuneration Committee, at a discount to the Market Price so long as the maximum discount for any option shall not exceed 20% of the Market Price in respect of that option.

27. SHARE OPTIONS (CONTINUED)

For good corporate governance, the Remuneration Committee had in 2003 resolved that the date of grant of share options under the Scheme shall be a pre-determined date; that is, the date falling 14 days immediately after the date of announcement of the Company’s full-year results.

Information with respect to the number of options granted under the Scheme is as follows:

Granted on 9 November 2002:

	Balance at 1 January 2009	Exercised	Cancelled*	Balance at 31 December 2009	Subscription price
Other employees	10,000	-	-	10,000	S\$1.25
Total	10,000	-	-	10,000	

Granted on 4 February 2004:

	Balance at 1 January 2009	Exercised	Cancelled*	Balance at 31 December 2009	Subscription price
Directors	360,000	-	-	360,000	S\$1.50
Executive officers	344,000	94,000	-	250,000	S\$1.50
Other employees	132,000	20,000	-	112,000	S\$1.50
Total	836,000	114,000	-	722,000	

Granted on 3 February 2005:

	Balance at 1 January 2009**	Exercised	Cancelled*	Balance at 31 December 2009	Subscription price
Directors	1,515,700	-	-	1,515,700	S\$1.81
Executive officers	660,000	50,000	-	610,000	S\$1.81
Other employees	1,806,000	-	-	1,806,000	S\$1.81
Total	3,981,700	50,000	-	3,931,700	

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27. SHARE OPTIONS (CONTINUED)

Granted on 2 February 2006:

	Balance at 1 January 2009**	Exercised	Cancelled*	Balance at 31 December 2009	Subscription price
Directors	1,330,000	-	-	1,330,000	S\$2.21
Executive officers	1,372,000	-	-	1,372,000	S\$2.21
Other employees	3,127,000	-	-	3,127,000	S\$2.21
Total	5,829,000	-	-	5,829,000	

Granted on 6 February 2007:

	Balance at 1 January 2009**	Exercised	Cancelled*	Balance at 31 December 2009	Subscription price
Directors	1,410,000	-	(376,000)	1,034,000	S\$2.17
Executive officers	1,451,000	-	-	1,451,000	S\$2.17
Other employees	3,184,000	-	-	3,184,000	S\$2.17
Total	6,045,000	-	(376,000)	5,669,000	

Granted on 11 February 2008:

	Balance at 1 January 2009**	Exercised	Cancelled*	Balance at 31 December 2009	Subscription price
Directors	1,410,000	-	(658,000)	752,000	S\$1.90
Executive officers	1,617,000	-	-	1,617,000	S\$1.90
Other employees	3,882,000	-	-	3,882,000	S\$1.90
Total	6,909,000	-	(658,000)	6,251,000	

Granted on 2 February 2009:

	Balance at 2 February 2009**	Exercised	Cancelled*	Balance at 31 December 2009	Subscription price
Directors	480,000	-	-	480,000	S\$1.60
Executive officers	1,785,000	-	-	1,785,000	S\$1.60
Other employees	4,530,000	-	-	4,530,000	S\$1.60
Total	6,795,000	-	-	6,795,000	

Granted on 4 June 2009:

	Balance at 4 June 2009	Exercised	Cancelled*	Balance at 31 December 2009	Subscription price
Directors	320,000	-	-	320,000	S\$1.60
Total	320,000	-	-	320,000	

\* Cancelled when staff resigned from the Company

\*\* Certain number of share option granted were re-stated due to appointment of an executive director in 2009

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27. SHARE OPTIONS (CONTINUED)

The above options will vest over a period of three years from the date of grant and may be exercisable for a period commencing after the first anniversary of the date of grant and expiring on the 10th anniversary of the date of grant.

The weighted average fair value of options granted during the financial year was S\$0.22 (2008: S\$0.24).

The weighted average share price at the date of exercise of the options exercised during the financial year was S\$1.74 (2008: S\$2.00).

The weighted average remaining contractual life for options outstanding at the end of the financial year is 7.3 years (31 December 2008: 7.7 years and 1 January 2008: 8.1 years).

Information on a director of the Company participating in the Scheme is as follows:

Name of director	Options granted during financial year	Aggregate options granted since commencement of Scheme to end of financial year	Aggregate options exercised since commencement of Scheme to end of financial year	Aggregate options outstanding at end of financial year	Subscription price
Karen Kooi Lee Wah	800,000	4,515,000	1,809,300	2,705,700	\$1.25 - \$2.21

The fair value of the share options as at the date of grant is computed using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The inputs to the model used for the years ended 31 December 2009 and 31 December 2008 are shown below:

Date of grant	4-Jun-09	2-Feb-09	11-Feb-08
Dividend Yield (%)	8.97	8.01	7.83
Expected Volatility (%)	29	28	26
Risk-free interest rate (%)	0.66	0.78	1.84
Expected life of option (years)	3.1	3.1	3.1
Share price (S\$)	1.50	1.68	1.89
Exercise price (S\$)	1.60	1.60	1.90

The expected life of the option is based on historical date and is not necessary indicative of exercise patterns that may occur. The expected volatility reflects the assumption that historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of the option were incorporated into the measurement of fair value.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group’s instruments are, in the normal course of business, exposed to interest rate, foreign currency, credit and liquidity risks. The Group’s risk management strategy aims to minimise the adverse effects of financial risk on the financial performance of the Group. To this extent, financial instruments are used to cover potential commercial exposures and are not held for trade or speculative purposes.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group’s and the Company’s financial instruments will fluctuate because of changes in market interest rates. The Group’s and the Company’s exposure to interest rate risk arises primarily from the Group’s long-term debt obligation.

The Group’s policy is to manage its interest cost using a mix of variable and fixed rate debts. To manage this mix in a cost-efficient manner, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to hedge underlying debt obligations. As at 31 December 2009 and as at 31 December 2008, after taking into account the effect of interest rate swap, the Group’s long-term borrowings are at fixed rates of interest.

Foreign currency risk

The Group’s revenue and expenditure are primarily transacted in Singapore dollar. The currency exposures are limited to US dollars (“USD”) and Special Drawing Rights (“SDR”). SDR is an international reserve asset created by International Monetary Fund and is valued on the basis of a basket of key national currencies.

The Group and the Company also hold cash and cash equivalents denominated in foreign currencies for working capital purposes. At the statement of financial position date, such foreign currency balances (mainly in USD and Euro) amount to S\$2,522,000 (31 December 2008: S\$2,107,000 and 1 January 2008: S\$324,000) for both the Group and the Company.

Whenever possible, foreign currency transactions are matched to minimise the exposure. The exchange rates are continually monitored and forward contracts are used when appropriate to hedge against exchange rate fluctuations.

As at the statement of financial position date, the Group’s currency exposures are insignificant.

Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group’s and the Company’s exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group relies on its internal working capital and bank borrowings to fund most of its operating and investing activities. There are sufficient revolving credit facilities available that meet short term funding requirements.

The table below summarises the maturity profile of the Group’s and Company’s financial liabilities at the statement of financial position date based on contractual undiscounted payments.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Group

	1 year or less S\$’000 (Restated)	1 to 5 years S\$’000	Total S\$’000 (Restated)
Creditors	164,834	-	164,834
Other liabilities and derivatives	54,702	-	54,702
Borrowings	35,000	250,000	285,000
As at 1-Jan-08	254,536	250,000	504,536
Creditors	149,008	-	149,008
Other liabilities and derivatives	49,798	-	49,798
Borrowings	-	250,000	250,000
As at 31-Dec-08	198,806	250,000	448,806
Creditors	153,049	-	153,049
Other liabilities and derivatives	40,743	-	40,743
Borrowings	269,000	-	269,000
As at 31-Dec-09	462,792	-	462,792

Company

	1 year or less S\$’000 (Restated)	1 to 5 years S\$’000	Total S\$’000 (Restated)
Creditors	149,220	-	149,220
Other liabilities and derivatives	59,189	-	59,189
Borrowings	35,000	250,000	285,000
As at 1-Jan-08	243,409	250,000	493,409
Creditors	137,313	-	137,313
Other liabilities and derivatives	51,781	-	51,781
Borrowings	-	250,000	250,000
As at 31-Dec-08	189,094	250,000	439,094
Creditors	118,106	-	118,106
Other liabilities and derivatives	63,105	-	63,105
Borrowings	269,000	-	269,000
As at 31-Dec-09	450,211	-	450,211

## NOTES TO FINANCIAL STATEMENTS

### 28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's credit risk is mitigated by its combination of cash and credit sales. For credit sales, the Group has no significant concentration of credit risk from trade debtors due to its diverse customer base. Credit risk is managed through credit checks, credit reviews and monitoring procedures that includes a formal automated collection process.

The Group's maximum exposure to credit risk in the event the counter-parties fail to perform their obligations as of 31 December 2009 in relation to each class of recognised financial assets, other than derivatives, is the carrying amount of those assets as indicated in the statement of financial position.

### 29. FAIR VALUES OF FINANCIAL INSTRUMENTS

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in forced or liquidation sale.

#### Financial instruments carried at fair value

The Company has carried all derivative financial instruments at their fair value as required by FRS 39.

#### Financial instruments whose carrying amount approximate fair value

Management has determined that the carrying amounts of current trade debtors, other debtors, due from related parties, cash and cash equivalents, creditors, due to related parties and borrowings, based on their notional amounts, are reasonable approximation of fair values either due to their short-term nature or they are floating rate instruments that are re-priced to market rates on or near the statement of financial position date.

### 30. DERIVATIVES

As at 31 December 2009, the Company has two (31 December 2008: two and 1 January 2008: three) interest rate swap agreements in place with total notional amount of S\$250 million, whereby it receives interest at the variable Singapore Dollar Swap Offer Rate and pays interest at a fixed Singapore Dollar rate of 1.55% to 2.80% (2008: 2.33% to 2.80% and 2007: 2.61% to 2.80%) per annum semi-annually every November and May.

These swaps are designated as cash flow hedges and being used to hedge the cash flow interest rate risk of the Company's floating rate long-term loans. The interest rate swaps and the floating rate long-term loans have the same critical terms and notional amount of S\$250 million.

The fair value (liability position) of the interest rate swaps at 31 December 2009 was S\$1,412,000 (31 December 2008: S\$2,627,000 and 1 January 2008: S\$314,000), which is included in hedging reserve. There was no impact to profit and loss statement.

### 31. CAPITAL MANAGEMENT

The objective of the Group's capital management policy is to provide capacity to support business requirements and to take advantage of business opportunities that might arise, so as to enhance shareholder value. With prudent capital management, the Group aims to maintain a sustainable regular payout ratio.

The capital structure of the Group consists of borrowings, cash and cash equivalents and shareholders' equity.

There was no change in the Group's approach to capital management during the year.

## NOTES TO FINANCIAL STATEMENTS

### 31. CAPITAL MANAGEMENT (CONTINUED)

	Group		
	31-Dec-09 S\$'000	31-Dec-08 S\$'000	1-Jan-08 S\$'000
Borrowings			
– Current	269,000	-	35,000
– Non-current	-	250,000	250,000
Cash and cash equivalents	7,439	17,787	23,087
Shareholders' equity	256,113	223,232	201,911

	Company		
	31-Dec-09 S\$'000	31-Dec-08 S\$'000	1-Jan-08 S\$'000
Borrowings			
– Current	269,000	-	35,000
– Non-current	-	250,000	250,000
Cash and cash equivalents	6,240	17,548	22,926
Shareholders' equity	235,845	220,905	204,098

### 32. DIVIDENDS

	Group and Company	
	2009 S\$'000	2008 S\$'000
<b>Declared and paid during the financial year:</b>		
Final – the previous year		
7.2 cents (2008: 8.3 cents) per ordinary share (one-tier tax)	64,439	74,264
Interim – the current year		
6.2 cents (2008: 6.2 cents) per ordinary share (one-tier tax)	55,493	55,486
	119,932	129,750
<b>Proposed but not recognised as a liability as at 31 December:</b>		
Final		
7.2 cents (2008: 7.2 cents) per ordinary share (one-tier tax)	64,453	64,435

The directors propose that a final dividend of 7.2 cents per ordinary share (one-tier tax) in respect of the financial year ended 31 December 2009 for approval by shareholders at the forthcoming Annual General Meeting of the Company.

### 33. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2009 were authorised for issue in accordance with a resolution of the directors on 2 February 2010.