

Financial Statements

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Directors' Report

The directors are pleased to present their report to the members together with the audited consolidated financial statements of M1 Limited (the "Company") and its subsidiaries (collectively, the "Group") and the statement of financial position and statement of changes in shareholders' equity of the Company for the financial year ended 31 December 2013.

1. Directors

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

Teo Soon Hoe	Chairman
Karen Kooi Lee Wah	Chief Executive Officer
Roger Barlow	
Chow Kok Kee	
Jamaludin Ibrahim	
Low Huan Ping	
Alan Ow Soon Sian	
Kannan Ramesh	

2. Arrangements to enable directors to acquire shares and debentures

Except as described in paragraph 5 below, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

3. Directors' interests in shares and debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Cap. 50, an interest in shares and share options of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

Name of director	Ordinary shares Held in the name of directors		
	At beginning of financial year	At end of financial year	As at 21 January 2014
M1 Limited			
Teo Soon Hoe	41,850	41,850	41,850
Karen Kooi Lee Wah	616,000	600,000	1,100,000

Name of director	Options to subscribe for ordinary shares Held in the name of directors		
	At beginning of financial year	At end of financial year	As at 21 January 2014
M1 Limited			
Karen Kooi Lee Wah	4,625,700	3,880,700	3,380,700

Directors' Report

3. Directors' interests in shares and debentures (cont'd)

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year or at the end of the financial year.

4. Directors' contractual benefits

Except as disclosed in the financial statements, since the end of the previous financial year, no director of the Company has received or has become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

5. Share options

The Company has 2 employee share option schemes for granting of non-transferable options to employees (including executive director) and non-executive directors of the Company and its subsidiaries.

- (i) M1 Share Option Scheme 2002 (the "2002 Scheme") which was approved by Shareholders on 8 November 2002. The 2002 Scheme had expired on 7 November 2012. Options already granted under the 2002 Scheme remain valid and exercisable until the end of the relevant exercise period; and
- (ii) M1 Share Option Scheme 2013 (the "2013 Scheme"), for granting of non-transferable share options to employees (including executive director) and non-executive directors of the Company and its subsidiaries, was adopted and approved by Shareholders in general meeting on 5 April 2013.

The Remuneration Committee ("Committee") is responsible for administering the 2002 Scheme and 2013 Scheme (collectively, the "Schemes"). The Remuneration Committee members are Mr Roger Barlow (Chairman), Mr Chow Kok Kee, Mr Low Huan Ping, Mr Alan Ow Soon Sian and Mr Teo Soon Hoe. The majority of the Committee comprises of independent directors, including the Committee Chairman.

Under the Schemes, options granted have a term of 5 or 10 years from the date of grant for non-executive directors and employees (including executive director) respectively.

The subscription price for each ordinary share in respect of which an option is exercisable shall be determined by the Committee in its absolute discretion, on the date of grant to be either:

- (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 Committee; or
- (ii) at a price, which is set at a discount to the Market Price provided that the maximum discount for any option shall not exceed 20% of the Market Price in respect of that option.

Directors' Report

5. Share options (cont'd)

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

Date of grant	Balance as at 1 January 2013 or date of grant	Exercised	Cancelled*	Balance as at 31 December 2013	Subscription price
2002 Scheme					
3 February 2005	796,700	(696,000)	–	100,700	S\$1.81
2 February 2006	2,270,000	(1,170,000)	–	1,100,000	S\$2.21
6 February 2007	2,387,500	(855,500)	–	1,532,000	S\$2.17
11 February 2008	1,407,000	(718,000)	–	689,000	S\$1.90
2 February 2009	1,439,500	(1,083,500)	–	356,000	S\$1.60
4 June 2009	128,000	(128,000)	–	–	S\$1.60
3 February 2010	4,394,000	(2,527,000)	–	1,867,000	S\$2.04
15 June 2010	100,000	(60,000)	–	40,000	S\$2.04
7 February 2011	7,541,500	(1,919,000)	(120,000)	5,502,500	S\$2.44
30 January 2012	8,525,000	(1,062,000)	(245,000)	7,218,000	S\$2.43
2013 Scheme					
2 May 2013	8,810,000	–	(390,000)	8,420,000	S\$3.24
	37,799,200	(10,219,000)	(755,000)	26,825,200	

* Cancelled when staff resigned from the Company

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.

Information on relevant participants under the Schemes is as follows:

Name of employee	Options granted during financial year	Aggregate options granted since commencement of Schemes to end of financial year	Aggregate options exercised since commencement of Schemes to end of financial year	Aggregate options outstanding at end of financial year	Subscription price
Karen Kooi Lee Wah (Chief Executive Officer)	800,000	7,715,000	3,834,300	3,880,700	S\$1.25 - S\$3.24
Patrick Michael Scodeller	500,000	4,460,000	3,365,000	1,095,000	S\$1.25 - S\$3.24

Directors' Report

5. Share options (cont'd)

Since the commencement of the Schemes, save as disclosed above, no options were granted to directors, no employees have received 5% or more of the total options available under the Schemes and no options have been granted to the controlling shareholders of the Company and their associates.

The 2002 Scheme was approved by Shareholders on 8 November 2002. The Scheme had expired on 7 November 2012. Options already granted under the Scheme remain valid and exercisable until the end of the relevant exercise period.

The 2013 Scheme was approved by shareholders on 5 April 2013.

6. Audit committee

The Audit Committee (AC) carried out its functions in accordance with section 201B(5) of the Singapore Companies Act, Cap. 50, including the following:

- Review with external auditor the audit plan including the nature and scope of the audit before commencement, auditor's reports and their management letters and management's response;
- Review significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance. This includes review of quarterly, half-year and annual financial statements before submission to the Board for its approval;
- Review the assistance given by management to external auditor;
- Review the independence and objectivity of the external auditor;
- Review the nature and extent of non-audit services performed by external auditor;
- Examine the scope of internal audit procedures and the results of the internal audit;
- Review the adequacy of the Company's financial, operational, compliance and information technology controls, policies and system established by management (collectively "internal controls") and reporting on any pertinent aspects of risks thereto, and ensure that a review of the effectiveness of the Company's internal controls is conducted at least annually and such a review can be carried out by the internal auditor;
- Meet with the external and internal auditors without the presence of management at least annually;
- Review the effectiveness of the Company's internal audit function and ensure that it is adequately resourced and has appropriate standing within the Company;
- Investigate any matter which falls within the AC's terms of reference, having full access to and co-operation by management and the full discretion to invite any Director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly;
- Review interested person transactions falling within the scope of Chapter 9 of the Listing Manual of the SGX-ST;

Directors' Report

6. Audit committee (cont'd)

- Make recommendation to the Board on the appointment/re-appointment/removal of external auditor, and approve the audit fees and terms of engagement of external auditor; and
- Review arrangement by which staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters, so as to ensure that arrangements are in place for the independent investigation of such matters and for appropriate follow-up action.

Further details regarding the AC are disclosed in the Report on Corporate Governance.

7. Auditor

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditor.

On behalf of the board of directors:



Teo Soon Hoe
Chairman



Karen Kooi Lee Wah
Director

Singapore
28 February 2014

Statement by Directors

We, Teo Soon Hoe and Karen Kooi Lee Wah, being two of the directors of M1 Limited, do hereby state that, in the opinion of the directors:

- (a) the accompanying statements of financial position, consolidated statement of comprehensive income, statements of changes in equity, and consolidated cash flow statement together with the notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2013 and the results of the business, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date, 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.

On behalf of the board of directors:



Teo Soon Hoe
Chairman



Karen Kooi Lee Wah
Director

Singapore
28 February 2014

Independent Auditor's Report to the Members of M1 Limited

For the financial year ended 31 December 2013

Report on the financial statements

We have audited the accompanying financial statements of M1 Limited (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 84 to 132, which comprise the statements of financial position of the Group and the Company as at 31 December 2013, the statements of changes in equity of the Group and the Company, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

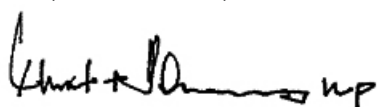
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2013 and of the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.



Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

28 February 2014

Consolidated Statement of Comprehensive Income

For the financial year ended 31 December 2013

	Notes	2013 S\$'000	2012 S\$'000
Operating revenue	4	1,007,888	1,076,812
Operating expenses	5	(812,391)	(888,618)
Other income	6	1,754	708
Operating profit		197,251	188,902
Finance costs	7	(4,455)	(5,512)
Profit before tax		192,796	183,390
Taxation	8	(32,586)	(36,911)
Net profit for the year		160,210	146,479
Other comprehensive income:			
<u>Item that may be reclassified subsequently to profit or loss</u>			
Net fair value changes on interest rate swap		196	535
Total comprehensive income for the year		160,406	147,014
Earnings per share (cents)	9		
Basic		17.4	16.1
Diluted		17.4	16.1
EBITDA (S\$'000)	10	312,304	299,916

The accompanying accounting policies and explanatory notes form an integral part of these financial statements.

Statements of Financial Position

As at 31 December 2013

	Notes	Group		Company	
		2013 S\$'000	2012 S\$'000	2013 S\$'000	2012 S\$'000
Non-current assets:					
Fixed assets	11	649,445	629,857	640,573	621,431
Licences and spectrum rights	12	73,772	85,558	73,772	85,558
Other intangibles	13	13,916	13,242	125	65
Staff loans	14	201	269	201	269
Interests in subsidiaries	15	–	–	7,000	7,000
Due from a subsidiary	16	–	–	16,930	16,930
		737,334	728,926	738,601	731,253
Current assets:					
Inventories	17	29,055	33,110	308	451
Trade debtors	18	144,785	179,960	142,479	177,807
Other debtors and deposits	19	11,824	13,179	8,833	12,709
Prepayments		8,826	7,718	8,508	7,469
Due from related parties and subsidiaries	16	183	635	2,613	4,498
Cash and cash equivalents	20	54,450	11,607	54,265	10,175
		249,123	246,209	217,006	213,109
Current liabilities:					
Creditors and accruals	21	(180,951)	(187,794)	(155,450)	(166,858)
Unearned revenue		(24,718)	(34,933)	(23,254)	(33,860)
Due to related parties and subsidiaries	16	(584)	(125)	(11,512)	(36,127)
Borrowings	22	–	(272,000)	–	(272,000)
Derivative liability	30	–	(236)	–	(236)
Income tax payable		(28,547)	(29,285)	(28,483)	(27,255)
		(234,800)	(524,373)	(218,699)	(536,336)
Net current assets/(liabilities)		14,323	(278,164)	(1,693)	(323,227)
Non-current liabilities:					
Borrowings	22	(250,000)	–	(250,000)	–
Deferred tax liabilities	8	(106,561)	(102,848)	(105,682)	(101,895)
Net assets		395,096	347,914	381,226	306,131
Represented by:					
Share capital	23	179,840	155,886	179,840	155,886
Hedging reserve	24	–	(196)	–	(196)
Share option reserve		5,035	5,896	5,035	5,896
Retained profits		210,221	186,328	196,351	144,545
Total equity		395,096	347,914	381,226	306,131

The accompanying accounting policies and explanatory notes form an integral part of these financial statements.

Statements of Changes in Equity

For the financial year ended 31 December 2013

	Attributable to equity holders of the Company				
	Share capital (Note 23)	Hedging reserve (Note 24)	Share option reserve	Retained profits	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
2013 Group					
As at 1 January 2013	155,886	(196)	5,896	186,328	347,914
Net profit	–	–	–	160,210	160,210
Other comprehensive income for the year	–	196	–	–	196
Total comprehensive income for the year	–	196	–	160,210	160,406
<u>Contributions by and distributions to owners</u>					
Issuance of ordinary shares on exercise of employee share options	23,954	–	(2,409)	–	21,545
Grant of share options	–	–	1,548	–	1,548
Dividends (Note 33)	–	–	–	(136,317)	(136,317)
Total contributions by and distributions to owners	23,954	–	(861)	(136,317)	(113,224)
As at 31 December 2013	179,840	–	5,035	210,221	395,096
2012 Group					
As at 1 January 2012	144,738	(731)	6,538	172,002	322,547
Net profit	–	–	–	146,479	146,479
Other comprehensive income for the year	–	535	–	–	535
Total comprehensive income for the year	–	535	–	146,479	147,014
<u>Contributions by and distributions to owners</u>					
Issuance of ordinary shares on exercise of employee share options	11,148	–	(1,288)	–	9,860
Grant of share options	–	–	646	–	646
Dividends (Note 33)	–	–	–	(132,153)	(132,153)
Total contributions by and distributions to owners	11,148	–	(642)	(132,153)	(121,647)
As at 31 December 2012	155,886	(196)	5,896	186,328	347,914

The accompanying accounting policies and explanatory notes form an integral part of these financial statements.

Statements of Changes in Equity

For the financial year ended 31 December 2013

	Attributable to equity holders of the Company				
	Share capital (Note 23) S\$'000	Hedging reserve (Note 24) S\$'000	Share option reserve S\$'000	Retained profits S\$'000	Total S\$'000
2013 Company					
As at 1 January 2013	155,886	(196)	5,896	144,545	306,131
Net profit	–	–	–	188,123	188,123
Other comprehensive income for the year	–	196	–	–	196
Total comprehensive income for the year	–	196	–	188,123	188,319
<u>Contributions by and distributions to owners</u>					
Issuance of ordinary shares on exercise of employee share options	23,954	–	(2,409)	–	21,545
Grant of share options	–	–	1,548	–	1,548
Dividends (Note 33)	–	–	–	(136,317)	(136,317)
Total contributions by and distributions to owners	23,954	–	(861)	(136,317)	(113,224)
As at 31 December 2013	179,840	–	5,035	196,351	381,226
2012 Company					
As at 1 January 2012	144,738	(731)	6,538	145,057	295,602
Net profit	–	–	–	131,641	131,641
Other comprehensive income for the year	–	535	–	–	535
Total comprehensive income for the year	–	535	–	131,641	132,176
<u>Contributions by and distributions to owners</u>					
Issuance of ordinary shares on exercise of employee share options	11,148	–	(1,288)	–	9,860
Grant of share options	–	–	646	–	646
Dividends (Note 33)	–	–	–	(132,153)	(132,153)
Total contributions by and distributions to owners	11,148	–	(642)	(132,153)	(121,647)
As at 31 December 2012	155,886	(196)	5,896	144,545	306,131

The accompanying accounting policies and explanatory notes form an integral part of these financial statements.

Consolidated Cash Flow Statement

For the financial year ended 31 December 2013

	Notes	2013 S\$'000	2012 S\$'000
Cash flows from operating activities:			
Profit before tax		192,796	183,390
Adjustments for:			
Depreciation of fixed assets		103,242	99,228
Gain on disposal of fixed assets		(1,156)	(758)
Amortisation of licences, spectrum rights and other intangibles		11,811	11,786
Share-based payments		1,548	646
Interest income		(85)	(7)
Interest expense		4,455	5,512
Operating cash flows before working capital changes		312,611	299,797
Changes in:			
Inventories		4,055	3,220
Trade debtors		35,175	7,750
Other debtors and deposits		1,360	4,632
Prepayments		(1,108)	(1,057)
Non-current staff loans		68	278
Creditors and accruals		(6,722)	(7,909)
Unearned revenue		(10,215)	1,372
Related parties		911	(617)
Cash generated from operations		336,135	307,466
Interest received		77	7
Interest paid		(4,568)	(6,058)
Tax paid		(29,656)	(26,534)
Net cash flows from operating activities		301,988	274,881
Cash flows from investing activities:			
Purchase of fixed assets		(125,303)	(122,541)
Acquisition of intangibles assets		(699)	–
Proceeds from disposal of fixed assets		3,629	1,023
Net cash flows used in investing activities		(122,373)	(121,518)
Cash flows from financing activities:			
Proceeds from bank loans		2,500	120,500
Repayment of bank loans		(24,500)	(151,800)
Dividends paid on ordinary shares by the Company		(136,317)	(132,153)
Proceeds from issuance of ordinary shares on exercise of employee share options		21,545	9,860
Net cash flows used in financing activities		(136,772)	(153,593)
Net changes in cash and cash equivalents		42,843	(230)
Cash and cash equivalents at beginning of financial year	20	11,607	11,837
Cash and cash equivalents at end of financial year	20	54,450	11,607

The accompanying accounting policies and explanatory notes form an integral part of these financial statements.

Notes to the Financial Statements

For the financial year ended 31 December 2013

1. Corporate information

M1 Limited (the "Company") is a public limited liability company, which is incorporated and domiciled 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 fixed services, retail sales of telecommunication equipment and accessories, customer services and investment holding.

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

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2013. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

2.3 Standards issued but not yet effective

The Group has not adopted the following standards that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
Revised FRS 27 <i>Separate Financial Statements</i>	1 January 2014
Revised FRS 28 <i>Investments in Associates and Joint Ventures</i>	1 January 2014
FRS 110 <i>Consolidated Financial Statements</i>	1 January 2014
FRS 111 <i>Joint Arrangements</i>	1 January 2014
FRS 112 <i>Disclosure of Interests in Other Entities</i>	1 January 2014
Amendments to FRS 32 <i>Offsetting Financial Assets and Financial Liabilities</i>	1 January 2014
Amendments to FRS 36 <i>Recoverable Amount Disclosures for Non-Financial Assets</i>	1 January 2014
Amendments to FRS 39 <i>Novation of Derivatives and Continuation of Hedge Accounting</i>	1 January 2014
INT FRS 121 <i>Levies</i>	1 January 2014

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

Notes to the Financial Statements

For the financial year ended 31 December 2013

2. Summary of significant accounting policies (cont'd)

2.4 Basis of consolidation

Business combinations from 1 January 2010

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries at the end of the reporting period. 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.

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.

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. The accounting policy for goodwill is set out in Note 2.9(a).

Business combinations before 1 January 2010

In comparison to the above mentioned requirements, the following differences applied:

Business combinations are accounted for by applying the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent measurements to the contingent consideration affected goodwill.

2.5 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.

Notes to the Financial Statements

For the financial year ended 31 December 2013

2. Summary of significant accounting policies (cont'd)

2.6 Fixed assets

All items of fixed assets are initially recorded at cost. Subsequent to recognition, fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost of an item of fixed assets 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.

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 recognised in profit or loss 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.

2.7 Depreciation

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

Leasehold buildings	–	10 – 30 years
Networks and related application systems	–	5 – 25 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 profit or loss in the year the asset is derecognised.

2.8 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 life of 6 to 17 years. The amortisation period and the amortisation method are reviewed at each financial year-end. The amortisation expense is recognised in profit or loss through the 'depreciation and amortisation' line item.

Notes to the Financial Statements

For the financial year ended 31 December 2013

2. Summary of significant accounting policies (cont'd)

2.9 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 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.

(c) *Internet protocol ("IP") address*

Internet protocol address acquired is measured initially at cost. Following initial recognition, IP address is measured at cost less accumulated amortisation and any accumulated impairment losses.

IP address is amortised on a straight-line basis over the estimated economic useful life of 15 years. The amortisation period and the amortisation method are reviewed at each financial year-end. The amortisation expense is recognised in profit or loss through 'depreciation and amortisation' line item.

Notes to the Financial Statements

For the financial year ended 31 December 2013

2. Summary of significant accounting policies (cont'd)

2.10 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 rate method. Gains and losses are recognised in profit or loss 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.

Included in the trade debtors balance are accrued service revenue and accrued handset revenue.

Accrued service revenue relates to services rendered but not billed to customers. They will be billed at the following bill cycle.

Accrued handset revenue relates to revenue recognised for handsets sold with services.

Allowance 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 2.12 below.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and time deposits that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. They are carried in the statement of financial position, classified and accounted for under FRS 39.

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

Notes to the Financial Statements

For the financial year ended 31 December 2013

2. Summary of significant accounting policies (cont'd)

2.11 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 rate method.

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

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and when the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

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 profit or loss when the liabilities are derecognised as well as through the amortisation process.

Notes to the Financial Statements

For the financial year ended 31 December 2013

2. Summary of significant accounting policies (cont'd)

2.12 Impairment of financial assets

The Group assesses at each reporting date 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 profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial asset is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtors and default or significant delay in payments.

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

2.13 Derecognition of financial assets and liabilities

(a) *Financial assets*

A financial asset 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 profit or loss.

(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 profit or loss when the liabilities are derecognised or impaired, and through the amortisation process.

Notes to the Financial Statements

For the financial year ended 31 December 2013

2. Summary of significant accounting policies (cont'd)

2.14 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 profit or loss 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.

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

- 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 profit or loss.

Amounts taken to hedging reserve are reclassified to profit or loss 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 reclassified to profit or loss. 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 or loss.

Notes to the Financial Statements

For the financial year ended 31 December 2013

2. Summary of significant accounting policies (cont'd)

2.15 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.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

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

2.16 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.

2.17 Government grants

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

Government grants 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.

Notes to the Financial Statements

For the financial year ended 31 December 2013

2. Summary of significant accounting policies (cont'd)

2.18 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 may receive remuneration in the form of share-based payment transactions. 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 profit or loss 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 profit or loss 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. In the case where the option does not vest as the result of a failure to meet a non-vesting condition that is within the control of the Group or the employee, it is accounted for as a cancellation. In such case, the amount of the compensation cost that otherwise would be recognised over the remainder of the vesting period is recognised immediately in profit or loss upon cancellation. The share option reserve is transferred to retained profits upon expiry of the share option.

Notes to the Financial Statements

For the financial year ended 31 December 2013

2. Summary of significant accounting policies (cont'd)

2.19 Taxes

(a) *Current income tax*

Current income tax assets and liabilities for the current and prior periods 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 liabilities are recognised for all temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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 except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Notes to the Financial Statements

For the financial year ended 31 December 2013

2. Summary of significant accounting policies (cont'd)

2.19 Taxes (cont'd)

(b) *Deferred tax (cont'd)*

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.

2.20 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 profit or loss 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 profit or loss. 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.

Notes to the Financial Statements

For the financial year ended 31 December 2013

2. Summary of significant accounting policies (cont'd)

2.21 Revenue recognition

Revenue of the Group comprises fees earned from telecommunications and fixed services rendered and sale of handsets.

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, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. 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 profit or loss.
- Revenue from sale of handset is recognised upon the passing of risk and rewards of ownership of the handset 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 and services, relative to the total numbers of awards credit expected to be redeemed.
- Interest income is recognised using the effective interest rate method.

2.22 Customer acquisition costs

Customer acquisition costs are accounted for in profit or loss when incurred.

2.23 Operating leases

Operating lease payments are recognised as an expense in profit or loss 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.

2.24 Foreign currency

The Group's consolidated financial statements are presented in Singapore dollars, which is also the Company and subsidiary companies' functional currencies.

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 profit or loss.

Notes to the Financial Statements

For the financial year ended 31 December 2013

2. Summary of significant accounting policies (cont'd)

2.25 Related parties

A related party is defined as follows:

- (a) A person or a close member of that person's family is related to the Group and Company if that person:
 - (i) Has control or joint control over the Company;
 - (ii) Has significant influence over the Company; or
 - (iii) Is a member of the key management personnel of the Group or Company or of a parent of the Company.
- (b) An entity is related to the Group and the Company if any of the following conditions applies:
 - (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2.26 Segment reporting

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

2.27 Share capital and share issuance expenses

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

Notes to the Financial Statements

For the financial year ended 31 December 2013

2. Summary of significant accounting policies (cont'd)

2.28 Contingencies

A contingent liability is:

- (a) A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- (b) A present obligation that arises from past events but is not recognised because:
 - (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - (ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the statement of financial position of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

3. Significant accountings judgements and estimates

The preparation of the Group's consolidated 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 end of each reporting period. 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 periods.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group.

- *Useful lives of network and related application systems*

The cost of network and related application systems is 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 5 to 25 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 life and the residual values of these assets, therefore, future depreciation charges could be revised. The carrying amounts of the Group's and Company's network and related application systems at the statement of financial position date are disclosed in Note 11 to the financial statements.

Notes to the Financial Statements

For the financial year ended 31 December 2013

3. Significant accounting judgements and estimates (cont'd)

Key sources of estimation uncertainty (cont'd)

- *Impairment of non-financial assets*

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill is tested for impairment at least on an annual basis.

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. Further details of the key assumptions applied in the impairment assessment of goodwill are given in Note 13 to the financial statements.

- *Impairment of loans and receivables*

The Group and the Company assess 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 amounts of the Group's and the Company's loans and receivables at the statement of financial position date are disclosed in Note 31 to the financial statements.

- *Income taxes*

The Group and the Company recognise liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax provisions in the period in which such determination is made. The carrying amount of the Group's tax payables and deferred tax liabilities at 31 December 2013 were S\$28,547,000 (2012: S\$29,285,000) and S\$106,561,000 (2012: S\$102,848,000) respectively. The carrying amount of the Company's income tax payables and deferred tax liabilities at 31 December 2013 were S\$28,483,000 (2012: S\$27,255,000) and S\$105,682,000 (2012: S\$101,895,000) respectively.

4. Operating revenue

	Group	
	2013	2012
	S\$'000	S\$'000
Mobile telecommunications	644,205	606,969
International call services	113,998	116,464
Handset sales	188,086	305,238
Fixed services	61,599	48,141
	1,007,888	1,076,812

Notes to the Financial Statements

For the financial year ended 31 December 2013

5. Operating expenses

	Group	
	2013	2012
	S\$'000	S\$'000
Cost of services	139,721	130,294
Cost of handsets sold	284,239	385,008
Write-down of / (reversal of write-down of) inventories	125	(236)
Staff costs	108,660	97,439
Advertising and promotion expenses	24,685	22,349
Depreciation and amortisation	115,053	111,014
Allowance for doubtful debts	14,798	15,278
Bad debts recovered	(2,063)	(2,424)
Facilities expenses	77,973	76,117
Leased circuit costs	25,024	31,538
General and administrative expenses	24,176	22,241
	812,391	888,618

Cost of services includes mainly traffic expenses, wholesale costs of fixed services and connection incentives payable to dealers.

General and administrative expenses include billing costs, licence fees and other administrative costs.

Total operating expenses included the following:

	Group	
	2013	2012
	S\$'000	S\$'000
Audit fees paid to auditors of the Company	203	203
Non-audit fees paid to auditors of the Company	22	57
CPF contributions	10,852	9,727
Share-based payments	1,548	646
Key executives' remuneration	5,472	5,017
Fees paid to Directors of the Company	483	451
Foreign exchange loss / (gain), net	43	(2,666)
Gain on disposal of fixed assets, net	(1,156)	(758)

Key executives' remuneration included in the staff costs and share-based payments are as follows:

Short term employee benefits	4,574	4,056
CPF contributions	134	174
Share-based payments	764	787
Total compensation paid to key executives	5,472	5,017

Notes to the Financial Statements

For the financial year ended 31 December 2013

6. Other income

	Group	
	2013	2012
	S\$'000	S\$'000
Interest income from banks	85	7
Miscellaneous income	1,669	701
	1,754	708

Included in miscellaneous income are government grants and other income.

7. Finance costs

	Group	
	2013	2012
	S\$'000	S\$'000
Interest expense on bank loans	4,272	4,909
Fair value loss on interest rate swap (Note 24)	183	603
	4,455	5,512

8. Taxation

Major components of income tax expense

Major components of income tax expense for the years ended 31 December 2013 and 2012 are:

	Group	
	2013	2012
	S\$'000	S\$'000
Current income tax		
- Current year	31,525	29,503
- Overprovision in respect of prior years	(2,611)	-
Deferred income tax		
- Origination and reversal of temporary differences	3,902	3,908
- (Over)/underprovision in respect of prior years	(230)	3,500
Income tax expense recognised in profit or loss	32,586	36,911
Deferred tax related to other comprehensive income		
- Fair value changes on interest rate swap	40	110

Notes to the Financial Statements

For the financial year ended 31 December 2013

8. Taxation (cont'd)

Relationship between statutory tax rate and effective tax rate

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 2013 and 2012 are as follows:

	Group	
	2013	2012
	%	%
Statutory rate	17.0	17.0
Adjustments for the tax effect of:		
Expenses not deductible for tax purposes	1.0	1.2
(Over)/underprovision in respect of prior years	(1.3)	1.9
Others	0.2	–
Effective tax rate	16.9	20.1

Deferred tax liabilities

Deferred taxation at 31 December 2013 and 2012 are related to the following:

	Group				Company	
	Consolidated statement of financial position		Consolidated profit or loss		Statement of financial position	
	2013	2012	2013	2012	2013	2012
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<u>Deferred tax liabilities</u>						
Difference in depreciation	106,561	102,848	3,672	7,408	105,682	101,895

Notes to the Financial Statements

For the financial year ended 31 December 2013

9. Earnings per share

Basic earnings per share is calculated by dividing the net profit for the year attributable to owners of the Company 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 owners of the Company by the weighted average number of ordinary shares outstanding during the financial year (adjusted for effects of dilutive share 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	
	2013	2012
	S\$'000	S\$'000
Net profit attributable to owners of the Company for basic and diluted earnings per share	160,210	146,479
	No. of shares	No. of shares
	2013	2012
	'000	'000
Weighted average of ordinary shares on issue applicable for basic earnings per share computation	920,506	911,279
Effect of dilution:		
Share options	1,514	184
Adjusted weighted average of ordinary shares on issue applicable for diluted earnings per share computation	922,020	911,463

10. Earnings before interest, tax, depreciation and amortisation ("EBITDA")

EBITDA is defined as follows:

	Group	
	2013	2012
	S\$'000	S\$'000
Profit before tax	192,796	183,390
Adjustments for:		
Amortisation of licences, spectrum rights and other intangibles	11,811	11,786
Depreciation of fixed assets	103,242	99,228
Finance costs	4,455	5,512
EBITDA	312,304	299,916

Notes to the Financial Statements

For the financial year ended 31 December 2013

11. Fixed assets

	Leasehold buildings S\$'000	Networks and related application systems S\$'000	Application systems and computers S\$'000	Motor vehicles S\$'000	Furniture, fittings and equipment S\$'000	Capital work-in- progress S\$'000	Total S\$'000
Group							
Cost:							
At 1 January 2012	79,641	1,440,762	204,752	1,179	58,090	49,539	1,833,963
Additions	273	41,507	12,821	–	10,786	57,154	122,541
Disposals	–	(17)	(112)	(259)	(5,587)	–	(5,975)
Reclassification	–	18,331	–	–	–	(18,331)	–
At 31 December 2012 and 1 January 2013	79,914	1,500,583	217,461	920	63,289	88,362	1,950,529
Additions	866	77,055	10,998	459	6,544	29,381	125,303
Disposals	–	(1,561)	(1,151)	(302)	(1,231)	–	(4,245)
Reclassification	–	23,991	–	–	–	(23,991)	–
At 31 December 2013	80,780	1,600,068	227,308	1,077	68,602	93,752	2,071,587
Accumulated depreciation:							
At 1 January 2012	41,294	975,925	157,857	736	51,343	–	1,227,155
Depreciation charge for the year	3,137	77,404	12,002	125	6,560	–	99,228
Disposals	–	(11)	(111)	(259)	(5,330)	–	(5,711)
At 31 December 2012 and 1 January 2013	44,431	1,053,318	169,748	602	52,573	–	1,320,672
Depreciation charge for the year	3,126	78,420	13,658	151	7,887	–	103,242
Disposals	–	(158)	(617)	(128)	(869)	–	(1,772)
At 31 December 2013	47,557	1,131,580	182,789	625	59,591	–	1,422,142
Net carrying amount:							
At 31 December 2012	35,483	447,265	47,713	318	10,716	88,362	629,857
At 31 December 2013	33,223	468,488	44,519	452	9,011	93,752	649,445

Notes to the Financial Statements

For the financial year ended 31 December 2013

11. Fixed assets (cont'd)

	Leasehold buildings S\$'000	Networks and related application systems S\$'000	Application systems and computers S\$'000	Motor vehicles S\$'000	Furniture, fittings and equipment S\$'000	Capital work-in- progress S\$'000	Total S\$'000
Company							
Cost:							
At 1 January 2012	79,551	1,439,465	199,447	1,180	51,151	49,539	1,820,333
Additions	273	41,507	9,499	–	7,537	57,154	115,970
Disposals	–	(17)	(90)	(259)	(5,494)	–	(5,860)
Reclassification	–	18,331	–	–	–	(18,331)	–
At 31 December 2012 and 1 January 2013	79,824	1,499,286	208,856	921	53,194	88,362	1,930,443
Additions	866	77,055	10,345	459	2,255	29,381	120,361
Disposals	–	(1,561)	(1,140)	(303)	(1,128)	–	(4,132)
Reclassification	–	23,991	–	–	–	(23,991)	–
At 31 December 2013	80,690	1,598,771	218,061	1,077	54,321	93,752	2,046,672
Accumulated depreciation:							
At 1 January 2012	41,245	974,693	155,265	737	46,090	–	1,218,030
Depreciation charge for the year	3,134	77,404	10,717	125	5,211	–	96,591
Disposals	–	(11)	(89)	(259)	(5,250)	–	(5,609)
At 31 December 2012 and 1 January 2013	44,379	1,052,086	165,893	603	46,051	–	1,309,012
Depreciation charge for the year	3,126	78,420	12,191	151	4,880	–	98,768
Disposals	–	(158)	(609)	(128)	(786)	–	(1,681)
At 31 December 2013	47,505	1,130,348	177,475	626	50,145	–	1,406,099
Net carrying amount:							
At 31 December 2012	35,445	447,200	42,963	318	7,143	88,362	621,431
At 31 December 2013	33,185	468,423	40,586	451	4,176	93,752	640,573

Notes to the Financial Statements

For the financial year ended 31 December 2013

12. Licences and spectrum rights

	Licences S\$'000	Spectrum rights S\$'000	Total S\$'000
Group and Company			
Cost:			
At 31 December 2012 and 31 December 2013	3,175	141,580	144,755
Accumulated amortisation:			
At 1 January 2012	2,173	45,238	47,411
Amortisation charge for the year	274	11,512	11,786
At 31 December 2012 and 1 January 2013	2,447	56,750	59,197
Amortisation charge for the year	274	11,512	11,786
At 31 December 2013	2,721	68,262	70,983
Net carrying amount:			
At 31 December 2012	728	84,830	85,558
At 31 December 2013	454	73,318	73,772

The licences and spectrum rights have remaining useful lives ranging from 1.5 years to 8 years (2012: 2.5 years to 9 years).

13. Other intangibles

	Goodwill S\$'000	Others S\$'000	Total S\$'000
Group			
Cost:			
At 31 December 2012 and 1 January 2013	13,177	65	13,242
Additions	–	699	699
At 31 December 2013	13,177	764	13,941
Accumulated amortisation:			
At 31 December 2012 and 1 January 2013	–	–	–
Amortisation charge for the year	–	25	25
At 31 December 2013	–	25	25
Net carrying amount:			
At 31 December 2012	13,177	65	13,242
At 31 December 2013	13,177	739	13,916

Included in other intangibles are club memberships and internet protocol addresses. As at 31 December 2013, the internet protocol addresses have remaining useful life of 14 years.

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For the financial year ended 31 December 2013

13. Other intangibles (cont'd)

Company	Club memberships S\$'000
Cost:	
At 31 December 2012 and 1 January 2013	65
Addition	60
At 31 December 2013	125

Impairment testing of goodwill

The Group's subsidiary, M1 Net Ltd. ("M1 Net") previously, acquired a 100% equity interest in M1 Connect Pte. Ltd. ("M1 Connect").

Management has allocated the goodwill to M1 Net and M1 Connect as a single cash-generating unit (CGU) for impairment testing. The recoverable amount of the CGU has been determined based on value in use calculations using cash flow projections covering a five-year period. The discount rate applied to the cash flow projections and terminal growth rate used to extrapolate cash flow projections beyond the five-year period are 8% (2012: 8%) and nil (2012: nil) respectively.

The calculation of value in use for the CGU is most sensitive to the following assumptions:

Terminal growth rate – The terminal growth rate used does not exceed the long term average growth rate of the industry and country in which the CGU operates.

Discount rate applied should reflect the current market assessment of the risks specific to the CGU.

A reasonable change to the assumptions used by the management to determine the impairment required, particularly the discount rate and terminal growth rate, would not significantly affect the results.

14. Staff loans

	Group and Company	
	2013 S\$'000	2012 S\$'000
Repayable within one year (included in Note 19)	84	182
Repayable after one year	201	269
	285	451

Staff loans are repayable in equal monthly instalments over periods of up to seven years and interest bearing at rates of up to 2% (2012: 2%) per annum.

Notes to the Financial Statements

For the financial year ended 31 December 2013

15. Interests in subsidiaries

	Company	
	2013	2012
	S\$'000	S\$'000
Unquoted shares:		
At cost	8,560	8,560
Impairment loss	(1,560)	(1,560)
	7,000	7,000

Details of the subsidiaries of the Company as at 31 December 2013 and 2012 are as follows:

Name of Company	Country of incorporation	Principal activities	Effective interest of the Company	
			2013	2012
			%	%
<i>Held by the Company:</i>				
M1 Shop Pte Ltd	Singapore	Retail sales of telecommunication equipment and accessories	100	100
M1 Net Ltd.	Singapore	Provision of fixed and other related telecommunication services	100	100
Wireless Intellect Labs Pte Ltd	Singapore	Licensors of intellectual property rights	100	100
Kliq Pte. Ltd.	Singapore	Dormant	100	100
<i>Held through M1 Net Ltd.:</i>				
M1 Connect Pte. Ltd.	Singapore	Inactive	100	100

All subsidiaries are audited by Ernst & Young LLP except for Kliq Pte. Ltd. for which there is no statutory audit requirement.

Notes to the Financial Statements

For the financial year ended 31 December 2013

16. Due from/(to) related parties and subsidiaries

	Group		Company	
	2013 S\$'000	2012 S\$'000	2013 S\$'000	2012 S\$'000
Due from a subsidiary (non-trade)	–	–	16,930	16,930
Due from subsidiaries	–	–	2,430	3,866
Due from related parties	183	635	183	632
	183	635	2,613	4,498
Due to subsidiaries	–	–	(10,982)	(36,002)
Due to related parties	(584)	(125)	(530)	(125)
	(584)	(125)	(11,512)	(36,127)

The non-trade amount due from the subsidiary is unsecured, non-interest bearing and is not expected to be repaid by the subsidiary in the next twelve months.

The amounts due from/(to) subsidiaries are unsecured, non-interest bearing and are repayable on demand.

The amounts due from/(to) related parties are unsecured, non-interest bearing and are generally repayable on 30 to 90 days terms.

17. Inventories

	Group		Company	
	2013 S\$'000	2012 S\$'000	2013 S\$'000	2012 S\$'000
Handsets	26,090	30,892	–	–
Accessories	2,965	2,218	308	451
	29,055	33,110	308	451

Notes to the Financial Statements

For the financial year ended 31 December 2013

18. Trade debtors

Trade debtors comprise billed trade debtors, accrued service revenue and accrued handset revenue.

Billed 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.

	Group		Company	
	2013	2012	2013	2012
	S\$'000	S\$'000	S\$'000	S\$'000
Billed trade debtors	70,645	74,601	68,339	72,448
Accrued handset revenue	74,517	101,582	74,517	101,582
Accrued service revenue	15,324	19,628	15,324	19,628
	160,486	195,811	158,180	193,658
Allowance for doubtful debts	(15,701)	(15,851)	(15,701)	(15,851)
	144,785	179,960	142,479	177,807

Debtors that are past due but not impaired

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

	Group		Company	
	2013	2012	2013	2012
	S\$'000	S\$'000	S\$'000	S\$'000
Trade debtors past due:				
30 – 60 days	6,887	8,970	6,838	8,903
61 – 90 days	2,976	3,200	2,868	3,158
More than 90 days	4,610	4,216	4,281	3,992
	14,473	16,386	13,987	16,053

Notes to the Financial Statements

For the financial year ended 31 December 2013

18. Trade debtors (cont'd)

Debtors that are impaired

The Group's and Company's trade debtors that are impaired at the end of the reporting period and the movement of the allowance accounts used to record impairment are as follows:

	Group and Company	
	2013	2012
	S\$'000	S\$'000
Trade receivables – gross amount	56,350	56,565
Less: Allowance for doubtful debts	(15,701)	(15,851)
	40,649	40,714
Movement in allowance accounts:		
Balance at beginning of financial year	15,851	18,675
Allowance charge for the year	14,760	15,278
Written-off	(14,910)	(18,102)
Balance at end of financial year	15,701	15,851

19. Other debtors and deposits

	Group		Company	
	2013	2012	2013	2012
	S\$'000	S\$'000	S\$'000	S\$'000
Deposits	5,063	4,812	3,507	3,369
Staff loans (Note 14)	84	182	84	182
Sundry debtors	6,677	8,185	5,242	9,158
	11,824	13,179	8,833	12,709

20. Cash and cash equivalents

	Group		Company	
	2013	2012	2013	2012
	S\$'000	S\$'000	S\$'000	S\$'000
Cash and bank balances	24,450	11,607	24,265	10,175
Short-term deposit	30,000	–	30,000	–
	54,450	11,607	54,265	10,175

Cash at banks earns interest at floating rates offered by short-term money market at 0.10% to 0.28% (2012: 0.07% to 0.17%) per annum. Short-term deposit is placed with a local bank for a 1-month duration depending on the immediate cash requirements of the Group and the Company, and earns interest at 0.63% per annum.

Notes to the Financial Statements

For the financial year ended 31 December 2013

21. Creditors and accruals

	Group		Company	
	2013	2012	2013	2012
	S\$'000	S\$'000	S\$'000	S\$'000
Trade creditors	68,910	68,553	47,820	52,213
Accrued operating expenses	45,474	36,642	41,444	32,609
Accrued capital expenditure	60,112	76,395	59,915	75,955
Interest payable	438	551	438	551
Directors' fees payable	483	451	483	451
Other creditors	5,534	5,202	5,350	5,079
	180,951	187,794	155,450	166,858

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

22. Borrowings

	Group and Company	
	2013	2012
	S\$'000	S\$'000
Current:		
Current portion of long term bank loans	–	250,000
Short term bank loans	–	22,000
	–	272,000
Non-current:		
Long term bank loan	250,000	–
	250,000	272,000

As at 31 December 2013, the S\$250 million fixed rate long term bank loan is unsecured and is repayable in full in May 2016. The loan bears an effective interest rate of 1.59% per annum.

As at 31 December 2012, the S\$22 million short-term loans were unsecured and interest bearing at a rate of 0.63% per annum. The S\$250 million long term loans were unsecured and consist of a S\$125 million fixed rate loan at an effective rate of 2.6% per annum and a S\$125 million floating rate loan. The S\$125 million floating rate loan was interest bearing at a rate which is based on the variable Singapore Dollar Swap Offer Rate, payable semi-annually every November and May. The Company has entered into an interest rate swap to hedge the S\$125 million floating rate loan, whereby it receives interest at the variable Singapore Dollar Swap Offer Rate and pays interest at a fixed rate of 1.579% per annum.

Notes to the Financial Statements

For the financial year ended 31 December 2013

23. Share capital

	Group and Company S\$'000
Issued and fully-paid:	
Balance as at 1 January 2012	
907,965,782 ordinary shares	144,738
Issued during the financial year	
5,225,500 ordinary shares for cash on exercise of employee share options	11,148
Balance as at 31 December 2012 and 1 January 2013	
913,191,282 ordinary shares	155,886
Issued during the financial year	
10,219,000 ordinary shares for cash on exercise of employee share options	23,954
Balance as at 31 December 2013	
923,410,282 ordinary shares	179,840

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 ordinary shares have no par value.

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

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 2012	(731)
Fair value losses during the year	(68)
Reclassification to finance costs (Note 7)	603
At 31 December 2012 and 1 January 2013	(196)
Fair value gains during the year	13
Reclassification to finance costs (Note 7)	183
At 31 December 2013	–

Notes to the Financial Statements

For the financial year ended 31 December 2013

25. Related party transactions

Sale and purchase of services

In addition to the related party information disclosed elsewhere in the financial statements, the following were significant transactions entered into by the Group and the Company with related parties at rates agreed between the parties during the financial year:

	Group		Company	
	2013	2012	2013	2012
	S\$'000	S\$'000	S\$'000	S\$'000
Substantial shareholders and their subsidiaries				
Telecommunication services rendered	20,179	14,477	20,092	14,438
Telecommunication services received	24,178	17,465	24,018	17,464
Rental and maintenance services received	3,940	3,748	1,356	1,269

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	
	2013	2012
	S\$'000	S\$'000
Capital commitments	157,158	28,154

The capital commitments include S\$104,000,000 commitment for the 4G spectrum rights.

(b) **Operating lease commitments**

Rental expenses (principally for land, offices, retail outlets, service centres and base stations) under operating leases were S\$30,855,000 and S\$30,978,000 for the financial years ended 31 December 2013 and 2012 respectively.

The Group leases various properties under operating lease agreements. These leases have varying terms, escalation clauses and renewal rights. The future minimum lease payments are as follows:

	Group		Company	
	2013	2012	2013	2012
	S\$'000	S\$'000	S\$'000	S\$'000
Not later than one year	13,230	14,106	8,298	9,098
Later than one year but not later than five years	13,555	17,488	10,459	13,088
Later than five years	2,939	5,493	2,939	5,493
	29,724	37,087	21,696	27,679

Notes to the Financial Statements

For the financial year ended 31 December 2013

27. Share options

The Company has 2 employee share option schemes for granting of non-transferable options to employees (including executive director) and non-executive directors of the Company and its subsidiaries.

- (i) M1 Share Option Scheme 2002 (the "2002 Scheme") which was approved by Shareholders on 8 November 2002. The 2002 Scheme had expired on 7 November 2012. Options already granted under the 2002 Scheme remain valid and exercisable until the end of the relevant exercise period; and
- (ii) M1 Share Option Scheme 2013 (the "2013 Scheme"), for granting of non-transferable share options to employees (including executive director) and non-executive directors of the Company and its subsidiaries, was adopted and approved by Shareholders in general meeting on 5 April 2013.

The Remuneration Committee ("Committee") is responsible for administering the 2002 Scheme and 2013 Scheme (collectively, the "Schemes"). The Remuneration Committee members are Mr Roger Barlow (Chairman), Mr Chow Kok Kee, Mr Low Huan Ping, Mr Alan Ow Soon Sian and Mr Teo Soon Hoe. The majority of the Committee comprises of independent directors, including the Committee Chairman.

Under the Schemes, options granted have a term of 5 or 10 years from the date of grant for non-executive directors and employees (including executive director) respectively.

The subscription price for each ordinary share in respect of which an option is exercisable shall be determined by the Committee in its absolute discretion, on the date of grant to be either:

- (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 Committee; or
- (ii) at a price, which is set at a discount to the Market Price provided that the maximum discount for any option shall not exceed 20% of the Market Price in respect of that option.

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

Date of grant	Balance as at 1 January 2013 or date of grant	Exercised	Cancelled*	Balance as at 31 December 2013	Subscription price
2002 Scheme					
3 February 2005	796,700	(696,000)	–	100,700	S\$1.81
2 February 2006	2,270,000	(1,170,000)	–	1,100,000	S\$2.21
6 February 2007	2,387,500	(855,500)	–	1,532,000	S\$2.17
11 February 2008	1,407,000	(718,000)	–	689,000	S\$1.90
2 February 2009	1,439,500	(1,083,500)	–	356,000	S\$1.60
4 June 2009	128,000	(128,000)	–	–	S\$1.60
3 February 2010	4,394,000	(2,527,000)	–	1,867,000	S\$2.04
15 June 2010	100,000	(60,000)	–	40,000	S\$2.04
7 February 2011	7,541,500	(1,919,000)	(120,000)	5,502,500	S\$2.44
30 January 2012	8,525,000	(1,062,000)	(245,000)	7,218,000	S\$2.43
2013 Scheme					
2 May 2013	8,810,000	–	(390,000)	8,420,000	S\$3.24
	37,799,200	(10,219,000)	(755,000)	26,825,200	

* Cancelled when staff resigned from the Company

Notes to the Financial Statements

For the financial year ended 31 December 2013

27. Share options (cont'd)

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\$0.235 (2012: S\$0.246).

The weighted average share price at the date of exercise of the options during the financial year was S\$3.24 (2012: S\$2.43).

The weighted average remaining contractual life for options outstanding at the end of the financial year is 6.9 years (2012: 6.3 years).

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

Name of director	Options granted during financial year	Aggregate options granted since commencement of Schemes to end of financial year	Aggregate options exercised since commencement of Schemes to end of financial year	Aggregate options outstanding at end of financial year	Subscription price
Karen Kooi Lee Wah	800,000	7,715,000	3,834,300	3,880,700	S\$1.25 - S\$3.24

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 for all grants not vested for the years ended 31 December 2013 and 31 December 2012 are shown below:

Date of grant	2-May-13	30-Jan-12	7-Feb-11	15-Jun-10	3-Feb-10	4-Jun-09
Dividend Yield (%)	4.32	5.88	7.14	6.31	6.42	8.97
Expected Volatility (%)	16.00	27.00	28.00	29.00	29.00	29.00
Risk-free interest rate (%)	0.33	0.30	1.03	0.55	0.81	0.66
Expected life of option (years)	3.10	3.10	3.10	3.10	3.10	3.10
Share price (S\$)	3.38	2.43	2.45	2.13	2.06	1.50
Exercise price (S\$)	3.24	2.43	2.44	2.12	2.04	1.60

The expected life of the option is based on historical date and is not necessarily 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.

The 2002 Scheme was approved by shareholders on 8 November 2002. The Scheme expired on 7 November 2012. Options already granted under the Scheme remain valid and exercisable until the end of the relevant exercise period.

The 2013 Scheme was approved by shareholders on 5 April 2013.

Notes to the Financial Statements

For the financial year ended 31 December 2013

28. Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from operations and the use of financial instruments. The key financial risks include interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group's risk management strategy aims to minimise the adverse effects of financial risk on the financial performance of the Group. There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

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.

As at 31 December 2013, the Group's borrowings are at fixed rates of interest.

Foreign currency risk

The Group's revenue and expenditure are primarily transacted in Singapore dollars. The currency exposures are mainly limited to 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\$3,730,000 (31 December 2012: S\$3,308,000) 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 foreign 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 to meet short term funding requirements.

Notes to the Financial Statements

For the financial year ended 31 December 2013

28. Financial risk management objectives and policies (cont'd)

Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities

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

	1 year or less S\$'000	1 to 5 years S\$'000	Total S\$'000
2013			
Group			
Financial assets			
Trade and other receivables	156,609	201	156,810
Due from related parties	183	–	183
Cash and cash equivalents	54,450	–	54,450
Total undiscounted financial assets	211,242	201	211,443
Financial liabilities			
Creditors and accruals	180,951	–	180,951
Due to related parties	584	–	584
Borrowings	–	259,486	259,486
Total undiscounted financial liabilities	181,535	259,486	421,021
Total net undiscounted financial assets/(liabilities)	29,707	(259,486)	(229,578)
Company			
Financial assets			
Trade and other receivables	151,312	201	151,513
Due from related parties and subsidiaries	2,613	–	2,613
Cash and cash equivalents	54,265	–	54,265
Total undiscounted financial assets	208,190	201	208,391
Financial liabilities			
Creditors and accruals	155,450	–	155,450
Due to related parties and subsidiaries	11,512	–	11,512
Borrowings	–	259,486	259,486
Total undiscounted financial liabilities	166,962	259,486	426,448
Total net undiscounted financial assets/(liabilities)	41,228	(259,486)	(218,057)

Notes to the Financial Statements

For the financial year ended 31 December 2013

28. Financial risk management objectives and policies (cont'd)

Liquidity risk (cont'd)

	1 year or less S\$'000	1 to 5 years S\$'000	Total S\$'000
2012			
Group			
Financial assets			
Trade and other receivables	193,139	269	193,408
Due from related parties	635	–	635
Cash and cash equivalents	11,607	–	11,607
Total undiscounted financial assets	205,381	269	205,650
Financial liabilities			
Creditors and accruals	187,794	–	187,794
Due to related parties	125	–	125
Derivative liability	236	–	236
Borrowings	273,944	–	273,944
Total undiscounted financial liabilities	462,099	–	462,099
Total net undiscounted financial (liabilities)/assets	(256,718)	269	(256,449)
Company			
Financial assets			
Trade and other receivables	190,516	269	190,785
Due from related parties and subsidiaries	4,498	16,930	21,428
Cash and cash equivalents	10,175	–	10,175
Total undiscounted financial assets	205,189	17,199	222,388
Financial liabilities			
Creditors and accruals	166,858	–	166,858
Due to related parties and subsidiaries	36,127	–	36,127
Derivative liability	236	–	236
Borrowings	273,944	–	273,944
Total undiscounted financial liabilities	477,165	–	477,165
Total net undiscounted financial (liabilities)/assets	(271,976)	17,199	(254,777)

Notes to the Financial Statements

For the financial year ended 31 December 2013

28. Financial risk management objectives and policies (cont'd)

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 and the Company'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 include a formal automated collection process.

The Group's maximum exposure to credit risk in the event the counterparties fail to perform their obligations as of 31 December 2013 in relation to each class of recognised financial assets, is the carrying amount of those assets as indicated in the statement of financial position.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are with creditworthy debtors with good payment record with the Group. Cash and short-term deposits, that are neither past due nor impaired are placed with or entered into with reputable financial institutions with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 18.

29. Fair value 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 Group has carried all derivative financial instruments at their fair value as required by FRS 39. The following table shows an analysis of financial instruments carried at fair value by level of fair value hierarchy:

	Group Significant other observable inputs (Level 2)	
	2013	2012
	S\$'000	S\$'000
Financial liability		
Derivative liability (Note 30)		
- Interest rate swap	-	(236)

Notes to the Financial Statements

For the financial year ended 31 December 2013

29. Fair value of financial instruments (cont'd)

Fair value hierarchy

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

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

Determination of fair value

Derivative liability (Note 30): Interest rate swap contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation technique includes swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties and interest rate curves.

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 and due to related parties, 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.

The fair value of financial liabilities by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value are as follows:

	Group				Company			
	2013 S\$'000		2012 S\$'000		2013 S\$'000		2012 S\$'000	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial liability:								
- Fixed rate bank loan	250,000	245,811	125,000	124,060	250,000	245,811	125,000	124,060

Notes to the Financial Statements

For the financial year ended 31 December 2013

30. Derivative liability

As at 31 December 2012, the Company had an interest rate swap agreement in place with notional amount of S\$125 million, whereby it receives interest at the variable Singapore Dollar Swap Offer Rate and pays interest at a fixed Singapore dollar rate of 1.579% per annum semi-annually every November and May.

This swap was designated as cash flow hedge and was used to hedge the cash flow interest rate risk of the Company's floating rate long-term bank loan. The interest rate swap and the floating rate long-term bank loan had the same critical terms and notional amount of S\$125 million.

The fair value (liability position) of the interest rate swap was S\$236,000 at 31 December 2012 which is included in hedging reserve.

31. Classification of financial instruments

The following table shows a comparison by category of carrying amounts of the Group's and Company's financial assets and liabilities that are carried in the financial statements:

	Loans and receivables S\$'000
<hr/>	
Group	
31 December 2013	
Assets	
Staff loans	285
Trade debtors	144,785
Deposits	5,063
Sundry debtors	6,677
Due from related parties	183
Cash and cash equivalents	54,450
	<hr/> 211,443 <hr/>
	Liabilities at amortised cost S\$'000
<hr/>	
Group	
31 December 2013	
Liabilities	
Creditors and accruals	180,951
Due to related parties	584
Borrowings	250,000
	<hr/> 431,535 <hr/>

Notes to the Financial Statements

For the financial year ended 31 December 2013

31. Classification of financial instruments (cont'd)

	Loans and receivables S\$'000
Group	
31 December 2012	
Assets	
Staff loans	451
Trade debtors	179,960
Deposits	4,812
Sundry debtors	8,185
Due from related parties	635
Cash and cash equivalents	11,607
	205,650

	Liabilities at amortised cost S\$'000	Derivative used for hedging S\$'000	Total S\$'000
Group			
31 December 2012			
Liabilities			
Creditors and accruals	187,794	–	187,794
Due to related parties	125	–	125
Borrowings	272,000	–	272,000
Derivative liability	–	236	236
	459,919	236	460,155

Notes to the Financial Statements

For the financial year ended 31 December 2013

31. Classification of financial instruments (cont'd)

	Loans and receivables
	S\$'000
<hr/>	
Company	
31 December 2013	
Assets	
Staff loans	285
Trade debtors	142,479
Deposits	3,507
Sundry debtors	5,242
Due from related parties and subsidiaries	2,613
Cash and cash equivalents	54,265
	<hr/>
	208,391
	<hr/>
	Liabilities at amortised cost
	S\$'000
<hr/>	
Company	
31 December 2013	
Liabilities	
Creditors and accruals	155,450
Due to related parties and subsidiaries	11,512
Borrowings	250,000
	<hr/>
	416,962
	<hr/>

Notes to the Financial Statements

For the financial year ended 31 December 2013

31. Classification of financial instruments (cont'd)

	Loans and receivables S\$'000
Company	
31 December 2012	
Assets	
Staff loans	451
Trade debtors	177,807
Deposits	3,369
Sundry debtors	9,158
Due from related parties and subsidiaries	4,498
Cash and cash equivalents	10,175
	205,458

	Liabilities at amortised cost S\$'000	Derivative used for hedging S\$'000	Total S\$'000
Company			
31 December 2012			
Liabilities			
Creditors and accruals	166,858	–	166,858
Due to related parties and subsidiaries	36,127	–	36,127
Borrowings	272,000	–	272,000
Derivative liability	–	236	236
	474,985	236	475,221

Notes to the Financial Statements

For the financial year ended 31 December 2013

32. 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 net debts (borrowings less cash and cash equivalents) and equity attributable to the owners of the Group and the Company.

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

	Group		Company	
	2013	2012	2013	2012
	S\$'000	S\$'000	S\$'000	S\$'000
Borrowings				
- Current	-	272,000	-	272,000
- Non-current	250,000	-	250,000	-
Less: Cash and cash equivalents	(54,450)	(11,607)	(54,265)	(10,175)
Net debts	195,550	260,393	195,735	261,825
Equity	395,096	347,914	381,226	306,131

33. Dividends

	Group and Company	
	2013	2012
	S\$'000	S\$'000
Declared and paid during the financial year:		
Final - the previous year		
6.3 cents (2012: 7.9 cents) per ordinary share (one-tier tax)	57,933	71,978
Special - the previous year		
1.7 cents (2012: Nil) per ordinary share (one-tier tax)	15,633	-
Interim - the current year		
6.8 cents (2012: 6.6 cents) per ordinary share (one-tier tax)	62,751	60,175
	136,317	132,153
Proposed but not recognised as a liability as at 31 December:		
Final		
7.1 cents (2012: 6.3 cents) per ordinary share (one-tier tax)	65,562	57,552
Special		
7.1 cents (2012: 1.7 cents) per ordinary share (one-tier tax)	65,562	15,530
	131,124	73,082

The directors propose a final dividend of 7.1 cents and a special dividend of 7.1 cents per ordinary share (one-tier tax) in respect of the financial year ended 31 December 2013 for approval by shareholders at the forthcoming Annual General Meeting of the Company.

Notes to the Financial Statements

For the financial year ended 31 December 2013

34. Authorisation of financial statements

The financial statements for the year ended 31 December 2013 were authorised for issue in accordance with a resolution of the directors on 28 February 2014.