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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 2014.

1. Directors

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

Choo Chiau Beng	Chairman (appointed on 12 January 2015)
Karen Kooi Lee Wah	Chief Executive Officer
Roger Barlow	
Chow Kok Kee	
Jamaludin Ibrahim	
Kannan Ramesh	
Low Huan Ping	
Alan Ow Soon Sian	

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 director, 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 director		
	At beginning of financial year	At end of financial year	As at 21 January 2015
M1 Limited			
Karen Kooi Lee Wah	600,000	900,000	900,000

DIRECTORS' REPORT

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

Name of director	Options to subscribe for ordinary shares Held in the name of director		
	At beginning of financial year	At end of financial year	As at 21 January 2015
M1 Limited			
Karen Kooi Lee Wah	3,880,700	4,180,700	4,180,700

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 Choo Chiau Beng (appointed as a committee member with effect from 19 January 2015), Mr Chow Kok Kee, Mr Low Huan Ping and Mr Alan Ow Soon Sian. 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.

DIRECTORS' REPORT

5. Share options (cont'd)

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 2014 or date of grant	Exercised	Cancelled*	Balance as at 31 December 2014	Subscription price
2002 Scheme					
3 February 2005	100,700	(80,700)	–	20,000	S\$1.81
2 February 2006	1,100,000	(330,000)	(110,000)	660,000	S\$2.21
6 February 2007	1,532,000	(777,000)	–	755,000	S\$2.17
11 February 2008	689,000	(186,000)	–	503,000	S\$1.90
2 February 2009	356,000	(75,000)	–	281,000	S\$1.60
3 February 2010	1,867,000	(1,219,300)	–	647,700	S\$2.04
15 June 2010	40,000	(40,000)	–	–	S\$2.04
7 February 2011	5,502,500	(2,629,000)	(150,000)	2,723,500	S\$2.44
30 January 2012	7,218,000	(1,952,000)	(220,000)	5,046,000	S\$2.43
2013 Scheme					
2 May 2013	8,420,000	(628,000)	(340,000)	7,452,000	S\$3.24
23 January 2014	9,420,000	–	(550,000)	8,870,000	S\$3.31
	36,245,200	(7,917,000)	(1,370,000)	26,958,200	

* 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.

DIRECTORS' REPORT

5. Share options (cont'd)

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	8,515,000	4,334,300	4,180,700	S\$1.25 - S\$3.31
Patrick Michael Scodeller	500,000	4,960,000	3,990,000	970,000	S\$1.25 - S\$3.31

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 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.

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;

DIRECTORS' REPORT

6. Audit Committee (cont'd)


- 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;
- 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:



Choo Chiau Beng
Chairman



Karen Kooi Lee Wah
Director

Singapore
27 February 2015

STATEMENT BY DIRECTORS

We, Choo Chiau Beng 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 2014 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:



Choo Chiau Beng
Chairman



Karen Kooi Lee Wah
Director

Singapore
27 February 2015

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF M1 LIMITED

For the financial year ended 31 December 2014

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 96 to 148, which comprise the statements of financial position of the Group and the Company as at 31 December 2014, 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF M1 LIMITED

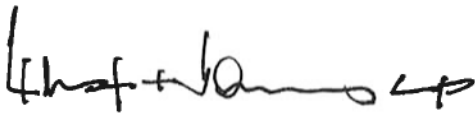
For the financial year ended 31 December 2014

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 2014 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

27 February 2015

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2014

	Notes	2014 S\$'000	2013 S\$'000
Operating revenue	4	1,076,344	1,007,888
Operating expenses	5	(857,115)	(812,391)
Other income	6	1,888	1,754
Operating profit		221,117	197,251
Finance costs	7	(4,043)	(4,455)
Profit before tax		217,074	192,796
Taxation	8	(41,296)	(32,586)
Net profit for the year		175,778	160,210
Other comprehensive income:			
<u>Item that may be reclassified subsequently to profit or loss</u>			
Net fair value changes on interest rate swap		–	196
Total comprehensive income for the year		175,778	160,406
Earnings per share (cents)	9		
Basic		18.9	17.4
Diluted		18.8	17.4
EBITDA (S\$'000)	10	335,526	312,304

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

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2014

		Group		Company	
	Notes	2014	2013	2014	2013
		S\$'000	S\$'000	S\$'000	S\$'000
Non-current assets:					
Fixed assets	11	685,857	649,445	675,043	640,573
Licences and spectrum rights	12	102,066	73,772	102,066	73,772
Other intangibles	13	13,873	13,916	125	125
Staff loans	14	100	201	100	201
Interests in subsidiaries	15	–	–	7,100	7,000
Due from a subsidiary	16	–	–	16,930	16,930
		801,896	737,334	801,364	738,601
Current assets:					
Inventories	17	30,333	29,055	112	308
Trade debtors	18	149,661	144,785	146,564	142,479
Other debtors and deposits	19	13,926	11,824	9,794	8,833
Prepayments		8,716	8,826	8,408	8,508
Due from related parties and subsidiaries	16	515	183	4,363	2,613
Cash and cash equivalents	20	22,783	54,450	22,416	54,265
		225,934	249,123	191,657	217,006
Current liabilities:					
Creditors and accruals	21	(157,285)	(180,951)	(112,940)	(155,450)
Unearned revenue		(26,432)	(24,718)	(24,648)	(23,254)
Due to related parties and subsidiaries	16	(96)	(584)	(24,247)	(11,512)
Borrowings	22	(52,000)	–	(52,000)	–
Income tax payable		(38,705)	(28,547)	(38,156)	(28,483)
		(274,518)	(234,800)	(251,991)	(218,699)
Net current (liabilities)/assets		(48,584)	14,323	(60,334)	(1,693)
Non-current liabilities:					
Borrowings	22	(250,000)	(250,000)	(250,000)	(250,000)
Deferred tax liabilities	8	(108,742)	(106,561)	(108,708)	(105,682)
Net assets		394,570	395,096	382,322	381,226
Represented by:					
Share capital	23	200,589	179,840	200,589	179,840
Share option reserve		4,897	5,035	4,897	5,035
Retained profits		189,084	210,221	176,836	196,351
Total equity		394,570	395,096	382,322	381,226

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 2014

	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
2014 Group					
As at 1 January 2014	179,840	–	5,035	210,221	395,096
Net profit	–	–	–	175,778	175,778
Total comprehensive income for the year	–	–	–	175,778	175,778
<u>Contributions by and distributions to owners</u>					
Issuance of ordinary shares on exercise of employee share options	20,749	–	(1,953)	–	18,796
Grant of share options	–	–	1,815	–	1,815
Dividends (Note 32)	–	–	–	(196,915)	(196,915)
Total contributions by and distributions to owners	20,749	–	(138)	(196,915)	(176,304)
As at 31 December 2014	200,589	–	4,897	189,084	394,570
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 32)	–	–	–	(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

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 2014

	Attributable to equity holders of the Company				
	Share capital	Hedging reserve	Share option reserve	Retained profits	Total
	(Note 23) S\$'000	(Note 24) S\$'000	S\$'000	S\$'000	S\$'000
2014 Company					
As at 1 January 2014	179,840	–	5,035	196,351	381,226
Net profit	–	–	–	177,400	177,400
Total comprehensive income for the year	–	–	–	177,400	177,400
<u>Contributions by and distributions to owners</u>					
Issuance of ordinary shares on exercise of employee share options	20,749	–	(1,953)	–	18,796
Grant of share options	–	–	1,815	–	1,815
Dividends (Note 32)	–	–	–	(196,915)	(196,915)
Total contributions by and distributions to owners	20,749	–	(138)	(196,915)	(176,304)
As at 31 December 2014	200,589	–	4,897	176,836	382,322
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 32)	–	–	–	(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

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 2014

	Notes	2014 S\$'000	2013 S\$'000
Cash flows from operating activities:			
Profit before tax		217,074	192,796
Adjustments for:			
Depreciation of fixed assets		102,618	103,242
Gain on disposal of fixed assets		(639)	(1,156)
Amortisation of licences, spectrum rights and other intangibles		11,791	11,811
Share-based payments		1,815	1,548
Interest income		(107)	(85)
Interest expense		4,043	4,455
Operating cash flows before working capital changes		336,595	312,611
Changes in:			
Inventories		(1,278)	4,055
Trade debtors		(4,876)	35,175
Other debtors and deposits		(2,110)	1,360
Prepayments		109	(1,108)
Non-current staff loans		101	68
Creditors and accruals		(23,669)	(6,722)
Unearned revenue		1,714	(10,215)
Related parties		(819)	911
Cash generated from operations		305,767	336,135
Interest received		115	77
Interest paid		(4,041)	(4,568)
Tax paid		(28,956)	(29,656)
Net cash flows from operating activities		272,885	301,988
Cash flows from investing activities:			
Purchase of fixed assets		(139,684)	(125,303)
Acquisition of intangible assets		–	(699)
Purchase of spectrum rights		(40,127)	–
Proceeds from sale of licence		85	–
Proceeds from disposal of fixed assets		1,293	3,629
Net cash flows used in investing activities		(178,433)	(122,373)
Cash flows from financing activities:			
Proceeds from bank loans		110,000	2,500
Repayment of bank loans		(58,000)	(24,500)
Dividends paid on ordinary shares by the Company		(196,915)	(136,317)
Proceeds from issuance of ordinary shares on exercise of employee share options		18,796	21,545
Net cash flows used in financing activities		(126,119)	(136,772)
Net changes in cash and cash equivalents		(31,667)	42,843
Cash and cash equivalents at beginning of financial year	20	54,450	11,607
Cash and cash equivalents at end of financial year	20	22,783	54,450

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 2014

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, and customer services.

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 2014. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

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
Amendments to FRS 19 <i>Defined Benefit Plans: Employee Contributions</i>	1 July 2014
Improvements to FRSs (January 2014)	
(a) Amendments to FRS 102 <i>Share Based Payment</i>	1 July 2014
(b) Amendments to FRS 103 <i>Business Combinations</i>	1 July 2014
(c) Amendments to FRS 108 <i>Operating Segments</i>	1 July 2014
(d) Amendments to FRS 16 <i>Property, Plant and Equipment</i> and FRS 38 <i>Intangible Assets</i>	1 July 2014
(e) Amendments to FRS 24 <i>Related Party Disclosures</i>	1 July 2014
Improvements to FRSs (February 2014)	
(a) Amendments to FRS 103 <i>Business Combinations</i>	1 July 2014
(b) Amendments to FRS 113 <i>Fair Value Measurement</i>	1 July 2014
(c) Amendments to FRS 40 <i>Investment Property</i>	1 July 2014
FRS 114 <i>Regulatory Deferral Accounts</i>	1 January 2016
Amendments to FRS 16 and FRS 41 <i>Agriculture - Bearer Plants</i>	1 January 2016
Amendments to FRS 27 <i>Equity Method in Separate Financial Statements</i>	1 January 2016
Amendments to FRS 16 and FRS 38 <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>	1 January 2016
Amendments to FRS 111 <i>Accounting for Acquisitions of Interests in Joint Operations</i>	1 January 2016
Improvements to FRSs (November 2014)	
(a) Amendments to FRS 105 <i>Non-current Assets Held for Sale and Discontinued Operations</i>	1 January 2016
(b) Amendments to FRS 107 <i>Financial Instruments: Disclosures</i>	1 January 2016
(c) Amendment to FRS 19 <i>Employee Benefits</i>	1 January 2016
(d) Amendment to FRS 34 <i>Interim Financial Reporting</i>	1 January 2016
Amendments to FRS 110 and FRS 28 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	1 January 2016
Amendments to FRS 1 <i>Disclosure Initiative</i>	1 January 2016
Amendments to FRS 110, FRS 112 and FRS 28 <i>Investment Entities: Applying the Consolidation Exception</i>	1 January 2016
FRS 115 <i>Revenue from Contracts with Customers</i>	1 January 2017
FRS 109 <i>Financial Instruments</i>	1 January 2018

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

2.3 Standards issued but not yet effective (cont'd)

Except for FRS 115 Revenue from Contracts with Customers, the directors expect that the adoption of the other standards and interpretations above will have no impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of FRS 115 is described below.

FRS 115 Revenue from Contracts with Customers

FRS 115 Revenue from Contracts with Customers is effective for financial periods beginning on or after 1 January 2017.

FRS 115 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in FRS 115 provide a more structured approach to measuring and recognising revenue. The Group is currently assessing the impact of FRS 115.

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.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- de-recognises the carrying amount of any non-controlling interest;
- de-recognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss;
- re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

2.4 Basis of consolidation (cont'd)

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 investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

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.

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. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. 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 2014

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 2014

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. The accounting policy relating to specific recognition criteria for handset revenue and service revenue is disclosed in Note 2.21.

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 2014

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 2014

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 2014

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

2.14 *Derivative financial instruments and hedging activities (cont'd)*

- Cash flow hedges (cont'd)

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.

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 2014

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 2014

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 2014

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

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.

2.21 *Revenue recognition*

Revenue of the Group comprises fees earned from telecommunications, international call services 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

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.

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).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

2.25 Related parties (cont'd)

- (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, international call services and fixed services, retail sales of telecommunication equipment and accessories, and customer services.

2.27 Share capital and share issuance expenses

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

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

3. Significant accounting 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.

- *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 30 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

Key sources of estimation uncertainty (cont'd)

- *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 income tax payable and deferred tax liabilities at 31 December 2014 were S\$38,705,000 (2013: S\$28,547,000) and S\$108,742,000 (2013: S\$106,561,000) respectively. The carrying amount of the Company's income tax payable and deferred tax liabilities at 31 December 2014 were S\$38,156,000 (2013: S\$28,483,000) and S\$108,708,000 (2013: S\$105,682,000) respectively.

4. Operating revenue

	Group	
	2014	2013
	S\$'000	S\$'000
Mobile telecommunications	671,105	644,205
International call services	89,398	113,998
Handset sales	245,275	188,086
Fixed services	70,566	61,599
	1,076,344	1,007,888

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

5. Operating expenses

	2014	Group 2013
	S\$'000	S\$'000
Cost of services	122,749	139,721
Cost of handsets sold	330,154	284,239
Write-down of inventories	116	125
Staff costs	113,535	108,660
Advertising and promotion expenses	24,375	24,685
Depreciation and amortisation	114,409	115,053
Allowance for doubtful debts	13,035	14,760
Bad debts recovered	(1,652)	(2,063)
Facilities expenses	80,679	77,973
Leased circuit costs	29,967	25,024
General and administrative expenses	29,748	24,214
	857,115	812,391

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:

	2014	Group 2013
	S\$'000	S\$'000
Audit fees paid to auditors of the Company	214	203
Non-audit fees paid to auditors of the Company	114	22
CPF contributions	10,947	10,852
Share-based payments	1,815	1,548
Key executives' remuneration	5,981	5,472
Fees paid to Directors of the Company	795	483
Foreign exchange loss, net	310	43
Gain on disposal of fixed assets, net	(639)	(1,156)

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

Short term employee benefits	5,212	4,574
CPF contributions	147	134
Share-based payments	622	764
Total compensation paid to key executives	5,981	5,472

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

6. Other income

	2014 S\$'000	Group 2013 S\$'000
Interest income from banks	107	85
Government grants	422	505
Miscellaneous income	1,359	1,164
	1,888	1,754

Included in miscellaneous income is project management fee income.

7. Finance costs

	2014 S\$'000	Group 2013 S\$'000
Interest expense on bank loans	4,043	4,272
Fair value loss on interest rate swap (Note 24)	–	183
	4,043	4,455

8. Taxation

Major components of income tax expense

Major components of income tax expense for the years ended 31 December 2014 and 2013 are:

	2014 S\$'000	Group 2013 S\$'000
Current income tax		
- Current year	37,980	31,525
- Under/(over) provision in respect of prior year	27	(2,611)
Deferred income tax		
- Origination and reversal of temporary differences	2,887	3,902
- Under/(over) provision in respect of prior year	402	(230)
Income tax expense recognised in profit or loss	41,296	32,586
Deferred tax related to other comprehensive income		
- Fair value changes on interest rate swap	–	40

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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 2014 and 2013 are as follows:

	Group	
	2014	2013
	%	%
Statutory rate	17.0	17.0
Adjustments for the tax effect of:		
Expenses not deductible for tax purposes	1.9	1.0
Income not subject to taxation	(0.1)	–
Under/(over) provision in respect of prior years	0.2	(1.3)
Others	–	0.2
Effective tax rate	19.0	16.9

Deferred tax liabilities

Deferred taxation at 31 December 2014 and 2013 are related to the following:

	Group				Company	
	Consolidated statement of financial position		Consolidated statement of comprehensive income		Statement of financial position	
	2014	2013	2014	2013	2014	2013
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Deferred tax liabilities						
Difference in depreciation	108,742	106,561	3,289	3,672	108,708	105,682

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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 on issue 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 on issue 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	
	2014	2013
	S\$'000	S\$'000
Net profit attributable to owners of the Company for basic and diluted earnings per share	175,778	160,210
	No. of shares	No. of shares
	2014	2013
	'000	'000
Weighted average of ordinary shares on issue applicable for basic earnings per share computation	928,737	920,506
Effect of dilution:		
Share options	5,756	1,514
Adjusted weighted average of ordinary shares on issue applicable for diluted earnings per share computation	934,493	922,020

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

EBITDA is derived as follows:

	Group	
	2014	2013
	S\$'000	S\$'000
Profit before tax	217,074	192,796
Adjustments for:		
Amortisation of licences, spectrum rights and other intangibles	11,791	11,811
Depreciation of fixed assets	102,618	103,242
Finance costs	4,043	4,455
EBITDA	335,526	312,304

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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 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 and 1 January 2014	80,780	1,600,068	227,308	1,077	68,602	93,752	2,071,587
Additions	4,270	83,435	11,449	213	6,808	33,509	139,684
Disposals	–	–	(319)	–	(2,951)	–	(3,270)
Reclassification	26,930	–	2,931	–	–	(29,861)	–
At 31 December 2014	111,980	1,683,503	241,369	1,290	72,459	97,400	2,208,001
Accumulated depreciation:							
At 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 and 1 January 2014	47,557	1,131,580	182,789	625	59,591	–	1,422,142
Depreciation charge for the year	3,529	77,805	14,005	166	7,113	–	102,618
Disposals	–	–	(304)	–	(2,312)	–	(2,616)
At 31 December 2014	51,086	1,209,385	196,490	791	64,392	–	1,522,144
Net carrying amount:							
At 31 December 2013	33,223	468,488	44,519	452	9,011	93,752	649,445
At 31 December 2014	60,894	474,118	44,879	499	8,067	97,400	685,857

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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 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 and 1 January 2014	80,690	1,598,771	218,061	1,077	54,321	93,752	2,046,672
Additions	4,270	83,435	9,032	213	1,435	33,509	131,894
Disposals	–	–	(153)	–	(1,504)	–	(1,657)
Reclassification	26,930	–	2,931	–	–	(29,861)	–
At 31 December 2014	111,890	1,682,206	229,871	1,290	54,252	97,400	2,176,909
Accumulated depreciation:							
At 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 and 1 January 2014	47,505	1,130,348	177,475	626	50,145	–	1,406,099
Depreciation charge for the year	3,529	77,805	12,315	166	3,090	–	96,905
Disposals	–	–	(141)	–	(997)	–	(1,138)
At 31 December 2014	51,034	1,208,153	189,649	792	52,238	–	1,501,866
Net carrying amount:							
At 31 December 2013	33,185	468,423	40,586	451	4,176	93,752	640,573
At 31 December 2014	60,856	474,053	40,222	498	2,014	97,400	675,043

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

12. Licences and spectrum rights

	Licences S\$'000	Spectrum rights S\$'000	Total S\$'000
Group and Company			
Cost:			
At 31 December 2013 and 1 January 2014	3,175	141,580	144,755
Addition	–	40,127	40,127
Disposal	(722)	–	(722)
At 31 December 2014	2,453	181,707	184,160
Accumulated amortisation:			
At 1 January 2013	2,447	56,750	59,197
Amortisation charge for the year	274	11,512	11,786
At 31 December 2013 and 1 January 2014	2,721	68,262	70,983
Amortisation charge for the year	235	11,513	11,748
Disposal	(637)	–	(637)
At 31 December 2014	2,319	79,775	82,094
Net carrying amount:			
At 31 December 2013	454	73,318	73,772
At 31 December 2014	134	101,932	102,066

The licences and spectrum rights have remaining useful lives ranging from 0.5 years to 15 years (2013: 1.5 years to 8 years).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

13. Other intangibles

	Goodwill S\$'000	Others S\$'000	Total S\$'000
Group			
Cost:			
At 31 December 2013 and 31 December 2014	13,177	764	13,941
Accumulated amortisation:			
At 1 January 2013	–	–	–
Amortisation charge for the year	–	25	25
At 31 December 2013 and 1 January 2014	–	25	25
Amortisation charge for the year	–	43	43
At 31 December 2014	–	68	68
Net carrying amount:			
At 31 December 2013	13,177	739	13,916
At 31 December 2014	13,177	696	13,873
Included in other intangibles are club memberships and internet protocol addresses. As at 31 December 2014, the internet protocol addresses have remaining useful lives of 13 years (2013: 14 years).			
		Club memberships	S\$'000
Company			
Cost:			
At 31 December 2013 and 31 December 2014			125

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

13. Other intangibles (cont'd)

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% (2013: 8%) and nil (2013: 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.

No impairment loss (2013: nil) was recognised in profit or loss.

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	
	2014	2013
	S\$'000	S\$'000
Repayable within one year (included in Note 19)	71	84
Repayable after one year	100	201
	171	285

Staff loans are repayable in equal monthly instalments over periods of up to seven years and interest bearing at rates of up to 2% (2013: 2%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

15. Interests in subsidiaries

	Company	
	2014 S\$'000	2013 S\$'000
Unquoted shares:		
At cost	8,660	8,560
Impairment loss	(1,560)	(1,560)
	7,100	7,000

The Company subscribed for an additional 99,998 ordinary shares in the capital of its wholly-owned subsidiary Kliq Pte. Ltd. for a consideration of S\$99,998, thereby increasing the Company's total investment in Kliq Pte. Ltd. to S\$100,000.

Details of the subsidiaries of the Company as at 31 December 2014 and 2013 are as follows:

Name of Company	Country of incorporation	Principal activities	Effective interest of the Company	
			2014 %	2013 %
Held by the Company:				
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	Licensor of intellectual property rights	100	100
Kliq Pte. Ltd.	Singapore	Dormant	100	100
Held through M1 Net Ltd.:				
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 2014

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

	Group		Company	
	2014 S\$'000	2013 S\$'000	2014 S\$'000	2013 S\$'000
Due from a subsidiary (non-trade)	–	–	16,930	16,930
Due from subsidiaries	–	–	3,889	2,430
Due from related parties	515	183	474	183
	515	183	4,363	2,613
Due to subsidiaries	–	–	(24,151)	(10,982)
Due to related parties	(96)	(584)	(96)	(530)
	(96)	(584)	(24,247)	(11,512)

The non-trade amount due from a 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	
	2014 S\$'000	2013 S\$'000	2014 S\$'000	2013 S\$'000
Handsets	28,469	26,090	–	–
Accessories	1,864	2,965	112	308
	30,333	29,055	112	308

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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	
	2014	2013	2014	2013
	S\$'000	S\$'000	S\$'000	S\$'000
Billed trade debtors	67,236	70,645	64,139	68,339
Accrued handset revenue	80,772	74,517	80,772	74,517
Accrued service revenue	16,597	15,324	16,597	15,324
	164,605	160,486	161,508	158,180
Allowance for doubtful debts	(14,944)	(15,701)	(14,944)	(15,701)
	149,661	144,785	146,564	142,479

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	
	2014	2013	2014	2013
	S\$'000	S\$'000	S\$'000	S\$'000
Trade debtors past due:				
30 – 60 days	7,132	6,887	7,037	6,838
61 – 90 days	3,054	2,976	2,951	2,868
More than 90 days	4,659	4,610	4,249	4,281
	14,845	14,473	14,237	13,987

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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	
	2014	2013
	S\$'000	S\$'000
Trade receivables – gross amount	21,613	22,979
Less: Allowance for doubtful debts	(14,944)	(15,701)
	6,669	7,278

Movement in allowance accounts:

Balance at beginning of financial year	15,701	15,851
Allowance charge for the year	13,035	14,760
Written-off	(13,792)	(14,910)
Balance at end of financial year	14,944	15,701

19. Other debtors and deposits

	Group		Company	
	2014	2013	2014	2013
	S\$'000	S\$'000	S\$'000	S\$'000
Deposits	5,310	5,063	3,576	3,507
Staff loans (Note 14)	71	84	71	84
Sundry debtors	8,545	6,677	6,147	5,242
	13,926	11,824	9,794	8,833

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

20. Cash and cash equivalents

	Group		Company	
	2014 S\$'000	2013 S\$'000	2014 S\$'000	2013 S\$'000
Cash and bank balances	22,783	24,450	22,416	24,265
Short-term deposit	–	30,000	–	30,000
	22,783	54,450	22,416	54,265

Cash at banks earns interest at floating rates offered by short-term money market at 0.19% to 0.45% (2013: 0.10% to 0.28%) per annum. As at 31 December 2013, 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.

21. Creditors and accruals

	Group		Company	
	2014 S\$'000	2013 S\$'000	2014 S\$'000	2013 S\$'000
Trade creditors	79,605	68,910	39,795	47,820
Accrued operating expenses	44,419	40,842	40,362	36,812
Accrued capital expenditure	27,100	64,744	26,866	64,547
Interest payable	441	438	441	438
Directors' fees payable	795	483	795	483
Other creditors	4,925	5,534	4,681	5,350
	157,285	180,951	112,940	155,450

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

22. Borrowings

	Group and Company	
	2014 S\$'000	2013 S\$'000
Current:		
Short term bank loans	52,000	–
Non-current:		
Long term bank loan	250,000	250,000
	302,000	250,000

As at 31 December 2014, the S\$52 million short-term bank loans were unsecured and interest bearing at rates ranging from 0.93% to 1.00% per annum. The S\$250 million fixed rate long term bank loan is unsecured, repayable in full in May 2016 and bears an effective interest rate of 1.59% (2013: 1.59%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

23. Share capital

	Group and Company S\$'000
Issued and fully-paid:	
Balance as at 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 and 1 January 2014	
923,410,282 ordinary shares	179,840
Issued during the financial year	
7,917,000 ordinary shares for cash on exercise of employee share options	20,749
Balance as at 31 December 2014	
931,327,282 ordinary shares	200,589

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 2013	(196)
Fair value gains during the year	13
Reclassification to finance costs (Note 7)	183
At 31 December 2013 and 31 December 2014	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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	
	2014	2013	2014	2013
	S\$'000	S\$'000	S\$'000	S\$'000
Substantial shareholders and their subsidiaries				
Telecommunication services rendered	13,746	20,179	13,694	20,092
Telecommunication services received	(17,744)	(24,178)	(17,726)	(24,018)
Rental and maintenance services received	(3,637)	(3,940)	(1,071)	(1,356)

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	
	2014	2013
	S\$'000	S\$'000
Capital commitments	94,694	157,158

The capital commitments included S\$64 million (2013: S\$104 million) commitment for the 4G spectrum rights.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

26. Commitments (cont'd)

(b) Operating lease commitments

Rental expenses (principally for land, offices, retail outlets, service centres and base stations) under operating leases were S\$30,513,000 and S\$30,855,000 for the financial years ended 31 December 2014 and 2013 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	
	2014	2013	2014	2013
	S\$'000	S\$'000	S\$'000	S\$'000
Not later than one year	13,821	13,230	8,192	8,298
Later than one year but not later than five years	16,643	13,555	9,819	10,459
Later than five years	1,794	2,939	1,794	2,939
	32,258	29,724	19,805	21,696

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 Choo Chiau Beng (appointed as a committee member with effect from 19 January 2015), Mr Chow Kok Kee, Mr Low Huan Ping and Mr Alan Ow Soon Sian. 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

27. Share options (cont'd)

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 2014 or date of grant	Exercised	Cancelled*	Balance as at 31 December 2014	Subscription price
2002 Scheme					
3 February 2005	100,700	(80,700)	–	20,000	S\$1.81
2 February 2006	1,100,000	(330,000)	(110,000)	660,000	S\$2.21
6 February 2007	1,532,000	(777,000)	–	755,000	S\$2.17
11 February 2008	689,000	(186,000)	–	503,000	S\$1.90
2 February 2009	356,000	(75,000)	–	281,000	S\$1.60
3 February 2010	1,867,000	(1,219,300)	–	647,700	S\$2.04
15 June 2010	40,000	(40,000)	–	–	S\$2.04
7 February 2011	5,502,500	(2,629,000)	(150,000)	2,723,500	S\$2.44
30 January 2012	7,218,000	(1,952,000)	(220,000)	5,046,000	S\$2.43
2013 Scheme					
2 May 2013	8,420,000	(628,000)	(340,000)	7,452,000	S\$3.24
23 January 2014	9,420,000	–	(550,000)	8,870,000	S\$3.31
	36,245,200	(7,917,000)	(1,370,000)	26,958,200	

* 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.

The weighted average fair value of options granted during the financial year was S\$0.183 (2013: S\$0.235).

The weighted average share price at the date of exercise of the options during the financial year was S\$3.31 (2013: S\$3.24).

The weighted average remaining contractual life for options outstanding at the end of the financial year is 7.4 years (2013: 6.9 years).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

27. Share options (cont'd)

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	8,515,000	4,334,300	4,180,700	S\$1.25 - S\$3.31

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 2014 and 31 December 2013 are shown below:

Date of grant	23-Jan-14	2-May-13	30-Jan-12	7-Feb-11	15-Jun-10	3-Feb-10
Dividend Yield (%)	6.09	4.32	5.88	7.14	6.31	6.42
Expected Volatility (%)	17.00	16.00	27.00	28.00	29.00	29.00
Risk-free interest rate (%)	0.33	0.33	0.30	1.03	0.55	0.81
Expected life of option (years)	3.10	3.10	3.10	3.10	3.10	3.10
Share price (S\$)	3.45	3.38	2.43	2.45	2.13	2.06
Exercise price (S\$)	3.31	3.24	2.43	2.44	2.12	2.04

The expected life of the option is based on historical data 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 2002 Scheme expired on 7 November 2012. Options already granted under the 2002 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 2014

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 2014, the Group's long term borrowing is at fixed rate 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\$7,294,000 (31 December 2013: S\$3,730,000) 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 2014

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	> 5 years S\$'000	Total S\$'000
2014				
Group				
Financial assets				
Trade and other receivables	163,587	100	–	163,687
Due from related parties	515	–	–	515
Cash and cash equivalents	22,783	–	–	22,783
Total undiscounted financial assets	186,885	100	–	186,985
Financial liabilities				
Creditors and accruals	157,285	–	–	157,285
Due to related parties	96	–	–	96
Borrowings	52,021	255,407	–	307,428
Total undiscounted financial liabilities	209,402	255,407	–	464,809
Total net undiscounted financial liabilities	(22,517)	(255,307)	–	(277,824)
Company				
Financial assets				
Trade and other receivables	156,358	100	–	156,458
Due from related parties and subsidiaries	4,363	–	16,930	21,293
Cash and cash equivalents	22,416	–	–	22,416
Total undiscounted financial assets	183,137	100	16,930	200,167
Financial liabilities				
Creditors and accruals	112,940	–	–	112,940
Due to related parties and subsidiaries	24,247	–	–	24,247
Borrowings	52,021	255,407	–	307,428
Total undiscounted financial liabilities	189,208	255,407	–	444,615
Total net undiscounted financial (liabilities)/assets	(6,071)	(255,307)	16,930	(244,448)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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	> 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	–	441,021
Total net undiscounted financial assets/ (liabilities)	29,707	(259,285)	–	(229,578)
Company				
Financial assets				
Trade and other receivables	151,312	201	–	151,513
Due from related parties and subsidiaries	2,613	–	16,930	19,543
Cash and cash equivalents	54,265	–	–	54,265
Total undiscounted financial assets	208,190	201	16,930	225,321
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	(259,285)	16,930	(201,127)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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 2014 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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.

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

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.

Financial instrument by classes that is not carried at fair value and whose carrying amount is not reasonable approximation of fair value

The fair value of financial liability by classes that is not carried at fair value and whose carrying amount is not reasonable approximation of fair value is as follows:

Group				Company			
2014		2013		2014		2013	
Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000

Financial liability:

- Fixed rate bank loan	250,000	243,058	250,000	245,811	250,000	243,058	250,000	245,811
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The fair value is determined using market observable inputs such as interest forward rates (Level 2 of the fair value hierarchy).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

30. 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 at the statement of financial position date:

	Loans and receivables S\$'000
Group	
31 December 2014	
Assets	
Staff loans	171
Trade debtors	149,661
Deposits	5,310
Sundry debtors	8,545
Due from related parties	515
Cash and cash equivalents	22,783
	186,985

	Liabilities at amortised cost S\$'000
Group	
31 December 2014	
Liabilities	
Creditors and accruals	157,285
Due to related parties	96
Borrowings	302,000
	459,381

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

30. Classification of financial instruments (cont'd)

	Loans and receivables
	S\$'000
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
	211,443

	Liabilities at amortised cost
	S\$'000
Group	
31 December 2013	
Liabilities	
Creditors and accruals	180,951
Due to related parties	584
Borrowings	250,000
	431,535

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

30. Classification of financial instruments (cont'd)

	Loans and receivables S\$'000
Company	
31 December 2014	
Assets	
Staff loans	171
Due from a subsidiary	16,930
Trade debtors	146,564
Deposits	3,576
Sundry debtors	6,147
Due from related parties and subsidiaries	4,363
Cash and cash equivalents	22,416
	200,167

	Liabilities at amortised cost S\$'000
Company	
31 December 2014	
Liabilities	
Creditors and accruals	112,940
Due to related parties and subsidiaries	24,247
Borrowings	302,000
	439,187

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

30. Classification of financial instruments (cont'd)

	Loans and receivables
	S\$'000
Company	
31 December 2013	
Assets	
Staff loans	285
Due from a subsidiary	16,930
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
	225,321
	Liabilities at amortised cost
	S\$'000
Company	
31 December 2013	
Liabilities	
Creditors and accruals	155,450
Due to related parties and subsidiaries	11,512
Borrowings	250,000
	416,962

31. Capital management

The objective of the Group's capital management policy is to provide capital 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 dividend 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

31. Capital management (cont'd)

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

	Group		Company	
	2014	2013	2014	2013
	S\$'000	S\$'000	S\$'000	S\$'000
Borrowings				
- Current	52,000	—	52,000	—
- Non-current	250,000	250,000	250,000	250,000
Less: Cash and cash equivalents	(22,783)	(54,450)	(22,416)	(54,265)
Net debts	279,217	195,550	279,584	195,735
Equity	394,570	395,096	382,322	381,226

32. Dividends

	Group and Company	
	2014	2013
	S\$'000	S\$'000
<i>Declared and paid during the financial year:</i>		
Final - the previous year		
7.1 cents (2013: 6.3 cents) per ordinary share (one-tier tax)	65,893	57,933
Special - the previous year		
7.1 cents (2013: 1.7 cents) per ordinary share (one-tier tax)	65,892	15,633
Interim - the current year		
7.0 cents (2013: 6.8 cents) per ordinary share (one-tier tax)	65,130	62,751
	196,915	136,317

Proposed but not recognised as a liability as at 31 December:

Final		
11.9 cents (2013: 7.1 cents) per ordinary share (one-tier tax)	110,828	65,562
Special		
Nil (2013: 7.1 cents) per ordinary share (one-tier tax)	—	65,562
	110,828	131,124

The directors propose a final dividend of 11.9 cents per ordinary share (one-tier tax) in respect of the financial year ended 31 December 2014 for approval by shareholders at the forthcoming Annual General Meeting of the Company.

33. Authorisation of financial statements

The financial statements for the year ended 31 December 2014 were authorised for issue in accordance with a resolution of the directors on 27 February 2015.