Singapore Technologies Telemedia Pte Ltd
and its subsidiaries
Registration Number: 199500279W

Annual Report
Year ended 31 December 2019

Directors' statement

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

In our opinion:

(a) the financial statements set out on pages FS1 to FS141 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and the financial performance and changes in equity of the Group and of the Company and the cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards (International); and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

Directors

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

Tan Guong Ching	(Chairman)
Stephen Geoffrey Miller	
Sum Soon Lim	
Lim Ming Seong	
Chang See Hiang	
Justin Weaver Lilley	
Vicente S. Perez, Jr.	

Directors' interests

According to the register kept by the Company for the purposes of Section 164 of the Singapore Companies Act, Chapter 50 (the "Act"), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and infant children) in shares, debentures and share options in the Company and in related corporations are as follows:

Name of director and related corporations in which interests (fully paid ordinary shares unless otherwise stated) are held	**Holdings at beginning of the year**	**Holdings at end of the year**
Related Corporations		
Mapletree Logistics Trust Management Ltd.		
Unit holdings in Mapletree Logistics Trust		
Sum Soon Lim	1,900,000	1,900,000

Name of director and related corporations in which interests (fully paid ordinary shares unless otherwise stated) are held	Holdings at beginning of the year	Holdings at end of the year
Related Corporations (Cont'd)		
Singapore Airlines Limited		
Ordinary shares		
Tan Guong Ching	2,000	2,000
Singapore Technologies Engineering Ltd		
Ordinary shares		
Tan Guong Ching	72,475	72,475
Lim Ming Seong	8,336	8,336
Singapore Technologies Telemedia Pte Ltd ("ST Telemedia")		
5.0% Subordinated Perpetual Securities issued under ST Telemedia's S$2,000,000,000 Multicurrency Debt Issuance Programme		
Stephen Geoffrey Miller	–	S$250,000
Singapore Telecommunications Limited		
Ordinary shares		
Tan Guong Ching	2,840	2,840
Sum Soon Lim	3,230	3,230
Chang See Hiang	190	190
StarHub Ltd		
Ordinary shares		
Tan Guong Ching	160,741	160,741
Lim Ming Seong	177,736	208,036
- Held in the name of Citibank Nominees Singapore Pte Ltd	100,000	100,000
Stephen Geoffrey Miller	22,700	57,000
TeleChoice International Limited		
Ordinary shares		
Lim Ming Seong	60,000	60,000
Stephen Geoffrey Miller	79,000	161,000

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

Except as disclosed under the "Share Options" section of this statement, neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Share options

StarHub Ltd ("StarHub")

StarHub has in place the StarHub Performance Share Plan 2014 and the StarHub Restricted Stock Plan 2014 (collectively, "StarHub Share Plans", and each, "StarHub PSP 2014" and "StarHub RSP 2014" respectively). The StarHub Share Plans were approved and adopted at the Extraordinary General Meeting of StarHub ("StarHub EGM") held on 14 April 2014.

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

StarHub designates the Company as its parent company for purposes of StarHub Share Plans.

StarHub Share Plans

(i) The StarHub Share Plans were implemented with the objectives of motivating key executives to strive for superior performance and sustaining long-term growth for StarHub Group.

(ii) The following persons were/shall be eligible to participate in the StarHub Share Plans, respectively at the absolute discretion of StarHub ERCC:

  (1) employees (including executive directors) and non-executive directors of StarHub Group;

  (2) employees (including executive directors) and non-executive directors of StarHub's parent company and its subsidiaries ("StarHub Parent Group") who meet the relevant age and rank criteria and whose services have been seconded to a company within StarHub Group and who shall be regarded as an employee of StarHub Group for the purposes of the StarHub Share Plans; and

  (3) employees and non-executive directors of StarHub's associated companies, who in the opinion of StarHub ERCC, have contributed or will contribute to the success of StarHub Group.

(iii) Under the StarHub PSP 2014, awards of shares are granted on an annual basis, conditional on targets set for a performance period, currently prescribed to be a three-year period. Awards represent the right of a participant to receive fully paid shares, their equivalent cash value or combinations thereof, free of charge, upon the participant achieving prescribed performance targets set based on medium-term corporate objectives.

Awards are released once StarHub ERCC is satisfied that the prescribed performance targets have been achieved. The actual number of shares given will depend on the level of achievement of the prescribed performance targets over the performance period.

Since the commencement of the StarHub PSP 2014 to the financial year ended 31 December 2019, conditional awards aggregating 4,934,500 shares have been granted under the aforesaid plan. For share awards granted prior to and during the financial year ended 31 December 2016, no shares will be delivered if the threshold performance targets are not achieved, while up to 1.825 times the number of shares that are the subject of the award will be delivered if the stretch performance targets are met or exceeded. The performance targets benchmark (a) the performance of StarHub's Total Shareholders' Return ("StarHub's TSR") measured against the MSCI Asia-Pacific Telecommunications Index (including Japan) over the performance period, and (b) the Wealth Added which measures investment performance in terms of StarHub's TSR against shareholders' expected returns using cost of equity as a benchmark.

For share awards granted during and from the financial year ended 31 December 2017 to financial year ended 31 December 2018, no shares will be delivered if the threshold performance targets are not achieved, while up to 1.5 times the number of shares that are the subject of the award will be delivered if the stretch performance targets are met or exceeded. The performance targets benchmark (a) Returns on Invested Capital ("ROIC"), and (b) the Wealth Added which measures investment performance in terms of StarHub's TSR against shareholders' expected returns using cost of equity as a benchmark.

For share awards granted during and after the financial year ended 31 December 2019, no share awards will be delivered if the performance targets are not achieved, while up to 1.5 times the number of shares that are the subject of the award will be delivered if the stretch performance targets are met or exceeded. The performance targets benchmark (a) Absolute StarHub's TSR against Cost of Equity hurdles (i.e. measure of Wealth added), and (b) the Relative StarHub's TSR against selected peers from the MSCI Asia Pacific Telecommunications Index, and (c) Transformation Key Performance Indicators reflective of the strategic growth objectives of StarHub.

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

	Balance outstanding at 1 January ’000	**Number of performance shares granted ’000**	**Number of performance shares forfeited ’000**	**Balance outstanding at 31 December ’000**
2019				
Date of grant				
22.03.2016	486	–	(486)	–
06.04.2017	727	–	(38)	689
28.03.2018	471	–	(76)	395
01.10.2019	–	2,030	–	2,030
Total	1,684	2,030	(600)	3,114

(iv) Under the StarHub RSP 2014, awards granted vest only after the satisfactory completion of time-based service conditions (time-based restricted awards) or where the award is performance-related, after a further period of service beyond the performance period (performance-based restricted awards).

No minimum vesting periods are prescribed under the StarHub RSP 2014 and the length of the vesting period in respect of each award will be determined on a case-by-case basis. Performance-based restricted awards differ from awards granted under the StarHub PSP 2014 in that an extended vesting period is imposed beyond the performance period.

The performance-based restricted awards represent the right of a participant to receive fully paid shares, their equivalent cash value or combinations thereof, free of charge, upon the participant achieving prescribed performance targets. The actual number of shares to be released depends on the level of attainment of the performance targets over the performance period.

For performance-based restricted awards granted prior to and during financial year ended 31 December 2016, the performance targets used were measured against the ROIC and the Earnings Before Interest, Taxation, Depreciation and Amortisation ("EBITDA").

For performance-based restricted awards granted during and from financial year ended 31 December 2017 to financial year ended 31 December 2018, the performance targets used were aligned to the overall strategic financial and operational goals of the Group.

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

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

(1) performance-based restricted awards aggregating 12,074,000 shares have been granted under the aforesaid plan. For share awards granted prior to and during the financial year ended 31 December 2016, no shares will be delivered if the threshold performance targets are not achieved, while up to 1.5 times the number of shares that are the subject of the award, will be delivered if the stretch performance targets are met or exceeded. For share awards granted during and after the financial year ended 31 December 2017, no shares will be delivered if the threshold performance target are not achieved, while up to the number of shares that are the subject of the award will be delivered if the stretch performance targets are met or exceeded;

(2) restricted awards aggregating 941,800 shares have been granted to non-executive directors of StarHub as part of their directors' remuneration, and were vested immediately upon grant;

(3) a time-based restricted award of 32,500 shares has been granted on 8 July 2015. The shares under this award were vested in two equal tranches over a 2-year period from 8 July 2015 to 7 July 2017 according to a specified vesting schedule;

(4) a time-based restricted award of 240,000 shares has been granted on 20 May 2016. The shares under this award were vested in two equal tranches over a period from 20 May 2016 to 7 July 2017 according to a specified vesting schedule;

(5) a time-based restricted award of 592,590 shares has been granted on 15 March 2017. The shares under this award were vested in two equal tranches over a period from 15 March 2017 to 15 January 2018;

(6) a time-based restricted award of 400,000 shares has been granted on 6 April 2017. The shares under this award will vest in three tranches over a 3-year period from 13 April 2018 to 15 April 2020; and

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

Share awards granted and vested during the financial year, and share awards outstanding at the end of the financial year, under the StarHub RSP 2014, are as follows:

Date of grant	**Balance outstanding at 1 January 2019**	**Number of restricted shares granted**	**Number of restricted shares vested**	**Number of restricted shares forfeited**	**Balance outstanding at 31 December 2019**
	'000	**'000**	**'000**	**'000**	**'000**
06.04.2017	1,255	–	(561)	(259)	435
28.03.2018	1,839	–	(872)	(155)	812
07.09.2018	119	–	(119)	–	–
14.06.2019	–	304	(304)	–	–
03.07.2019	–	2,342	–	(71)	2,271
01.10.2019	–	607	–	–	607
	3,213	3,253	(1,856)	(485)	4,125

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

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

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

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

TeleChoice International Limited ("TeleChoice")

Long Term Incentive Plans

The TeleChoice Restricted Share Plan (the "TeleChoice RSP") (as amended) and TeleChoice Performance Share Plan (the "TeleChoice PSP") (as amended) (collectively referred to as the "TeleChoice Plans"), were approved and adopted by TeleChoice's members at an Extraordinary General Meeting of TeleChoice held on 27 April 2007 and certain amendments to the TeleChoice RSP and TeleChoice PSP were approved and adopted by the members at the Annual General Meeting of TeleChoice held on 26 April 2018.

Information regarding the TeleChoice Plans is set out below:

(i) The TeleChoice Plans were established with the objective of motivating senior executives to strive for superior performance and sustaining long-term growth for TeleChoice.

(ii) The TeleChoice Plans are administered by TeleChoice's Remuneration Committee comprising three directors, namely Bertie Cheng, Ronald Seah Lim Siang and Stephen Geoffrey Miller (the "TeleChoice RC").

(iii) The following persons (collectively referred to as the "Eligible Persons") shall be eligible to participate in the TeleChoice Plans at the absolute discretion of the TeleChoice RC:

a) employees and non-executive directors of TeleChoice and/or any of its subsidiaries;

b) employees and non-executive directors of STT Communications Ltd ("STTC") and its subsidiaries, who may be seconded to render services and contribute to the success of the TeleChoice Group; and

c) employees of associated companies of TeleChoice.

(iv) Controlling shareholders and associates of controlling shareholders of TeleChoice will not be eligible to participate in the TeleChoice Plans.

(v) Under the TeleChoice PSP (as amended), conditional awards of shares are granted. Awards represent the right of a participant to receive fully paid shares upon the participant achieving certain pre-determined performance targets which are set based on corporate objectives aimed at sustaining longer-term growth. The vesting period of the awards granted under the TeleChoice Plans is between one to three years. After the awards vest, the shares comprised in the awards are issued at the end of the performance and/or service period once the TeleChoice RC is, at its sole discretion, satisfied that the prescribed performance targets have been achieved.

The actual number of shares given will depend on the level of achievement of the prescribed performance targets over the performance period, currently prescribed to be a three-year period. No shares will be delivered if the threshold performance targets are not achieved, while up to 1.5 times the number of shares that are the subject of the award will be delivered if the stretched performance targets are met or exceeded.

(vi) Under the TeleChoice RSP (as amended), conditional awards vest over a three-year period, once the TeleChoice RC is, at its sole discretion, satisfied that the performance and extended service conditions are attained. For the 2016 TeleChoice RSP grants, the total number of shares to be awarded depends on the level of attainment of the corporate performance targets. No shares will be delivered if the threshold performance targets are not achieved, while up to 1.3 times the number of shares that are the subject of the award will be delivered if the stretched performance targets are met or exceeded. For the TeleChoice RSP grants for 2017 onwards, the total number of shares to be awarded depends on the level of attainment of the individual performance targets.

(vii) Since the commencement of the TeleChoice Plans to the financial year ended 31 December 2019, conditional awards aggregating 42,795,810 (2018: 37,945,810) shares have been granted under the aforesaid TeleChoice Plans, representing the number of shares to be delivered based on the achievement against the pre-determined target performance levels. 2,596,340 shares under the TeleChoice Plans were released during the financial year ended 31 December 2019 (2018: 2,537,889 shares).

(viii) During the financial year ended 31 December 2019, conditional awards aggregating 4,250,000 (2018: 3,810,000) shares have been granted under the TeleChoice Plans, representing the number of shares to be delivered based on the achievement against the pre-determined target performance levels. An aggregate 9,309,545 shares under the TeleChoice Plans were outstanding as at 31 December 2019 (2018: 8,043,885 shares).

(ix) During the financial year ended 31 December 2019, restricted share awards aggregating 600,000 (2018: 549,000) shares were also granted under the TeleChoice RSP. These share awards formed 30% (2018: 30%) of the payment of TeleChoice Directors' remuneration for the financial year ended 31 December 2018 (2018: 31 December 2017) to all of the TeleChoice Directors (other than Lim Chai Hock Clive) and were granted without any performance or vesting conditions attached, but subject to a selling moratorium and other terms and conditions.

(x) Since commencement of the TeleChoice Plans, no share awards were granted under the TeleChoice Plans at a discount.

Except as disclosed above, there were no options granted during the financial year by the Company or its subsidiaries to any person to take up unissued shares in the Company or its subsidiaries.

Except as disclosed above, there were no unissued shares of the Company or its subsidiaries under options granted by the Company or its subsidiaries as at the end of the financial year.

Auditors

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

DocuSigned by: Tan Guong Ching 2D4256E75B6840F...	DocuSigned by: Stephen Miller 70C24C4543FE493...
Tan Guong Ching	**Stephen Geoffrey Miller**
Chairman	*Director*

30 April 2020

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Independent auditors' report

Member of the Company
Singapore Technologies Telemedia Pte Ltd

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Singapore Technologies Telemedia Pte Ltd ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated balance sheet of the Group and the balance sheet of the Company as at 31 December 2019, the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flows statement of the Group and the income statement, statement of comprehensive income and statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages FS1 to FS141.

In our opinion, the accompanying consolidated financial statements of the Group and the balance sheet, income statement, statement of comprehensive income and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 ("the Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and financial performance and changes in equity of the Company for the year ended on that date.

Basis for opinion

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

Key audit matters

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

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Valuation of goodwill
(Refer to note 2.8 – Accounting policies of impairment in non-financial assets and note 5 – Goodwill on consolidation)

The key audit matter	*How the matter was addressed in our audit*
At 31 December 2019, the carrying amount of the Group's amounted to $1,869 million or 15% of the Group's total assets. As part of the annual goodwill impairment assessment, the Group uses the discounted cash flow technique to determine the recoverable amounts. The determination of the recoverable amount requires judgement as it involves significant estimation uncertainties, including developing key assumptions such as revenue growth rates, earnings before interest, taxes, depreciation and amortisation ("EBITDA") margins, EBITDA exit multiple, discount rates and terminal growth rates to be applied. These assumptions are key inputs used in the discounted cash flow models prepared by the Group to assess the recoverable amount of the cash generating units ("CGUs") and whether an impairment charge to the consolidated income statement is required. In view of the financial significance of the goodwill, the level of judgement required to develop the key assumptions and the business challenges facing certain entities within the Group, impairment assessment of goodwill is a key audit matter. There was no impairment on goodwill recognised during the year.	Our procedures included, among others: • We evaluated the identification of the CGUs within the Group against the requirements of the accounting standards. • We assessed the reliability of the forecast by comparing the actual performance against previous forecasts. • We assessed the key assumptions used in the discounted cash flow models, namely the revenue growth rates, EBITDA margin, EBITDA exit multiple, discount rates and terminal growth rates by comparing them to externally derived data and historical performance where available. • We performed sensitivity analyses on the recoverable amounts using a reasonably possible change in key assumptions and analysed the impact to the recoverable amount. • We checked the mathematical accuracy of the discounted cash flow calculations. • We assessed the adequacy of the related disclosures in the financial statements in describing the inherent degree of estimation uncertainty and key assumptions used.

Findings

We concur no impairment was required as at 31 December 2019 and the related disclosures were appropriate.

<table>
<tr><td colspan="2">Revenue recognition
(Refer to Income Statement and note 2.14 - Accounting policies of revenue recognition)</td></tr>
<tr><td>The key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>The Group derives its Mobile, Pay TV, Broadband, Enterprise Fixed services revenue and sale of equipment mainly through its significant subsidiaries, StarHub Ltd and U Mobile Sdn. Bhd.

The determination of the amount and timing of revenue to be recognised is a highly judgemental process which involves:

• Identifying performance obligations for each product and service offerings; and

• Making assumptions relating to estimates on stand-alone selling prices, variable considerations, redemption rates of programs, etc.

The Group uses data captured in network switches and source systems (such as customer record, point of sales), which are interfaced with billing and management IT reporting systems, to recognise revenue. The Group also relies on a combination of system automated controls and manual controls to ensure the revenue recognition is appropriate.

The processes in place to capture revenue for financial reporting require regular changes to cater for business and product developments.

Owing to the varieties of products and services, different pricing models as well as numerous forms of rebate and discount offerings, together with complexities in telecommunication systems and related configurations, there is a risk that revenue may not be accurately recorded.</td><td>Our procedures included, among others:

• We obtained an understanding of the nature of various revenue streams and the related revenue recording processes.

• We assessed the appropriateness of revenue recognition policies for products and services offered by the Group and the appropriateness of performance obligations identified by management by reviewing samples of customer contracts.

• We tested the design and implementation, and operating effectiveness of controls over the capture and recording of revenue.

• Our IT specialists tested the relevant automated controls, including interface controls between the different IT applications.

• We tested key manual reconciliation controls over revenue recognition used by management for certain revenue streams.</td></tr>
<tr><td colspan="2">Findings

We found that there are processes in place to capture revenue for financial reporting.</td></tr>
</table>

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Business combination
(Refer to note 2.2 – Accounting policies of business combinations and note 40 – Business Combination)

The key audit matter	*How the matter was addressed in our audit*
During the year, the Group acquired 2nd Watch Holding Company, Inc. for a total consideration of $118 million. This business acquisition requires the purchase price to be allocated to the fair values of the identifiable assets acquired and liabilities assumed. In the prior year, the Group acquired interests in Ensign InfoSecurity Pte. Ltd. and its subsidiaries ("Ensign Group"). The purchase price allocation exercise was completed in the current year and adjustments were made to the provisional fair values originally recorded in 2018 in respect of the assets and liabilities of the Ensign Group. The accounting for a business acquisition requires the Group to determine the fair value of the identifiable assets acquired and liabilities assumed as part of the acquisition. There is judgement and inherent uncertainty involved in the valuation of these assets and liabilities.	Our procedures included, among others: • We checked the appropriateness of the accounting for acquisitions, including the fair value of the consideration transferred, adjustments to the fair value of assets and liabilities and the resultant goodwill. • We checked the computations to allocate the purchase price to the different assets and liabilities acquired in the business combinations. • We evaluated the objectivity, capability and competency of the external valuation specialists engaged by the Group. • We involved our valuation specialists in assessing the reasonableness of the methodologies and key assumptions used in deriving the allocated fair values using market data, where available, and our experience of similar assets in other comparable situations. • We assessed the adequacy of the disclosures in the financial statements.

Findings

We found the estimates used to allocate the purchase price to the assets acquired and liabilities assumed in each of the business acquisition accounting to be fair.

We also found the Group's disclosures in the financial statements to be appropriate.

Other information

Management is responsible for the other information contained in the annual report. The other information comprises the Directors' statement.

We have obtained the Directors' statement prior to the date of this auditors' report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

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

The engagement partner on the audit resulting in this independent auditors' report is Low Gin Cheng, Gerald.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
30 April 2020

Balance sheets
As at 31 December 2019

	Note	Group 2019	Group 2018 (Restated)*	Company 2019	Company 2018
		$'m	$'m	$'m	$'m
Non-current assets					
Property, plant and equipment	3	3,732	3,340	–	–
Intangible assets	4	828	839	–	–
Goodwill on consolidation	5	1,869	1,758	–	–
Right-of-use assets	6	1,217	–	–	–
Interests in:					
- subsidiaries	7	–	–	2,555	2,207
- associates	8	1,080	722	–	–
- joint ventures	9	35	19	–	–
Other financial assets	10	258	318	–	–
Deferred tax assets	11	40	2	–	–
Contract assets	12	81	70	–	–
Contract costs	12	15	14	–	–
Other receivables, deposits and prepayments	16	66	52	–	–
Balances with related parties	17	73	79	451	451
		9,294	7,213	3,006	2,658
Current assets					
Inventories	13	127	105	–	–
Contract assets	12	397	318	–	–
Contract costs	12	35	25	–	–
Trade receivables	15	486	462	–	–
Other financial assets	10	3	33	–	–
Other receivables, deposits and prepayments	16	229	240	–	–
Balances with related parties	17	23	14	1	1
Cash and cash equivalents	18	1,649	1,953	–	–
		2,949	3,150	1	1
Total assets		12,243	10,363	3,007	2,659

*See note 40.

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

Balance sheets (cont'd)
As at 31 December 2019

	Note	Group		Company	
		2019	2018 (Restated)*	2019	2018
		$'m	$'m	$'m	$'m
Equity attributable to equity holder of the Company					
Share capital	19	2,172	2,172	2,172	2,172
Perpetual securities	21	356	–	356	–
Reserves	20	831	1,070	27	35
		3,359	3,242	2,555	2,207
Non-controlling interests		801	857	–	–
Total equity		4,160	4,099	2,555	2,207
Non-current liabilities					
Contract liabilities	12	73	53	–	–
Bank and other borrowings	24	4,443	3,555	451	451
Deferred tax liabilities	11	143	158	–	–
Other non-current liabilities	27	689	579	–	–
		5,348	4,345	451	451
Current liabilities					
Contract liabilities	12	199	180	–	–
Trade payables	23	298	256	–	–
Other payables, accruals and provisions	28	1,248	1,225	1	1
Balances with related parties	17	22	22	–	–
Bank and other borrowings	24	875	116	–	–
Current tax payable		93	120	–	–
		2,735	1,919	1	1
Total liabilities		8,083	6,264	452	452
Total equity and liabilities		12,243	10,363	3,007	2,659

*See note 40.

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

Income statements
Year ended 31 December 2019

		Group		Company	
	Note	**2019**	**2018**	**2019**	**2018**
		$'m	**$'m**	**$'m**	**$'m**
Revenue					
Dividend income					
- subsidiaries		–	–	9	1,748
Sale of equipment		775	751	–	–
Mobile revenue		1,734	1,725	–	–
Pay TV revenue		248	311	–	–
Broadband revenue		176	186	–	–
Enterprise fixed revenue		574	509	–	–
Data centres co-location services		512	383	–	–
e-Business solutions and consulting services		23	–	–	–
Maintenance and installation services		90	72	–	–
	29	4,132	3,937	9	1,748
Less: Operating expenses					
Cost of equipment sold		704	689	–	–
Cost of telecommunication services		987	1,101	–	–
Cost of co-location services		170	124	–	–
Depreciation, amortisation and impairment		773	529	–	–
Marketing and promotion expenses		153	157	–	–
Staff costs		626	578	–	–
Rental expenses		35	295	–	–
Loss allowances		25	23	–	–
Other operating expenses		456	388	–	–
		3,929	3,884	–	–

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

Income statements (cont'd)
Year ended 31 December 2019

		Group		Company	
	Note	**2019**	**2018**	**2019**	**2018**
		$'m	**$'m**	**$'m**	**$'m**
Profit from operations	30	203	53	9	1,748
Finance costs	32	(252)	(168)	(18)	(18)
Finance income	33	42	51	18	18
Share of results of associates and joint ventures, net of tax	8,9	(62)	(39)	–	–
Other expenses	34	(66)	(169)	–	–
(Loss)/profit before taxation		(135)	(272)	9	1,748
Tax expense	35	(5)	(57)	–	–
(Loss)/profit for the year		(140)	(329)	9	1,748
Attributable to:					
Equity holder of the Company		(214)	(322)	9	1,748
Non-controlling interests		74	(7)	–	–
(Loss)/profit for the year		(140)	(329)	9	1,748

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

Statements of comprehensive income
Year ended 31 December 2019

	Group		Company	
	2019	2018	2019	2018
	$'m	$'m	$'m	$'m
(Loss)/profit for the year	(140)	(329)	9	1,748
Other comprehensive income				
Items that will not be reclassified subsequently to income statement:				
Share of defined benefit plan remeasurements of associate	9	–	–	–
Net change in fair value of financial assets at fair value through other comprehensive income ("FVOCI"), net of tax	(2)	72	–	–
	7	72	–	–
Items that are or may be reclassified subsequently to income statement:				
Translation differences relating to:				
- financial statements of foreign operations	–	(88)	–	–
- monetary items forming part of net investments in foreign operations	(1)	(5)	–	–
Effective portion of changes in fair value of cash flow hedges	(18)	3	–	–
Share of other comprehensive income of associates and joint ventures, net of tax	(19)	(11)	–	–
Realisation of reserves upon disposal of foreign operations	–	32	–	–
Other comprehensive income for the year, net of tax	(31)	3	–	–
Total comprehensive income for the year	(171)	(326)	9	1,748
Attributable to:				
Equity holder of the Company	(241)	(309)	9	1,748
Non-controlling interests	70	(17)	–	–
Total comprehensive income for the year	(171)	(326)	9	1,748

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

Consolidated statement of changes in equity
Year ended 31 December 2019

Group	Share capital $'m	Capital reserve $'m	Currency translation reserve $'m	Fair value reserve $'m	Hedging reserve $'m	Goodwill written off $'m	Accumulated profits (Restated)* $'m	Total attributable to equity holder of the Company (Restated)* $'m	Non-controlling interests (Restated)* $'m	Total equity $'m
At 1 January 2018	2,172	(44)	(116)	(281)	(7)	(488)	4,031	5,267	918	6,185
Total comprehensive income for the year										
Loss for the year	–	–	–	–	–	–	(322)	(322)	(7)	(329)
Other comprehensive income										
Translation differences relating to:										
- financial statements of foreign operations	–	–	(88)	–	–	–	–	(88)	–	(88)
- monetary items forming part of net investments in foreign operations	–	–	(5)	–	–	–	–	(5)	–	(5)
Effective portion of changes in fair value of cash flow hedges	–	–	–	–	(1)	–	–	(1)	4	3
Net change in fair value of financial assets at FVOCI	–	–	–	86	–	–	–	86	(14)	72
Share of other comprehensive income of associates and joint ventures, net of tax	–	–	(11)	–	–	–	–	(11)	–	(11)
Realisation of reserves upon disposal of foreign operations	–	–	32	160	–	–	(160)	32	–	32
Total other comprehensive income, net of tax	–	–	(72)	246	(1)	–	(160)	13	(10)	3
Total comprehensive income for the year	–	–	(72)	246	(1)	–	(482)	(309)	(17)	(326)
Brought forward	2,172	(44)	(188)	(35)	(8)	(488)	3,549	4,958	901	5,859

*See note 40.

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

Consolidated statement of changes in equity (cont'd)
Year ended 31 December 2019

Group	Note	Share capital $'m	Capital reserve $'m	Currency translation reserve $'m	Fair value reserve $'m	Hedging reserve $'m	Goodwill written off $'m	Accumulated profits (Restated)* $'m	Total attributable to equity holder of the Company (Restated)* $'m	Non-controlling interests (Restated)* $'m	Total equity $'m
Carried forward		2,172	(44)	(188)	(35)	(8)	(488)	3,549	4,958	901	5,859
Transactions with owners, recorded directly in equity											
Contributions by and distributions to owners											
Accrued perpetual securities distribution		–	–	–	–	–	–	(4)	(4)	4	–
Perpetual securities distribution paid		–	–	–	–	–	–	–	–	(7)	(7)
Capital contribution from non-controlling interests of a subsidiary		–	–	–	–	–	–	–	–	7	7
Dividends to owner of the Company	20	–	–	–	–	–	–	(1,748)	(1,748)	–	(1,748)
Dividends to non-controlling interests of subsidiaries	20	–	–	–	–	–	–	–	–	(126)	(126)
Share of capital reserve of an associate		–	3	–	–	–	–	–	3	–	3
Share-based payment transactions		–	–	–	–	–	–	–	–	1	1
Total contributions by and distributions to owners		–	3	–	–	–	–	(1,752)	(1,749)	(121)	(1,870)
Changes in ownership interests in subsidiaries											
Net effect from business combinations		–	–	–	–	–	–	16	16	96	112
Put option liabilities to acquire non-controlling interests		–	(17)	–	–	–	–	–	(17)	(24)	(41)
Change in fair value of put liabilities to acquire non-controlling interests		–	34	–	–	–	–	–	34	5	39
Acquisition of subsidiary with non-controlling interests	40	–	–	–	–	–	–	(1)	(1)	1	–
Changes in ownership interests without a change of control		–	–	–	–	–	–	1	1	(1)	–
Total changes in ownership interests in subsidiaries		–	17	–	–	–	–	16	33	77	110
Total transactions with owners		–	20	–	–	–	–	(1,736)	(1,716)	(44)	(1,760)
At 31 December 2018		2,172	(24)	(188)	(35)	(8)	(488)	1,813	3,242	857	4,099

*See note 40.

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

Consolidated statement of changes in equity (cont'd)
Year ended 31 December 2019

Group	Share capital $'m	Perpetual securities $'m	Capital reserve $'m	Currency translation reserve $'m	Fair value reserve $'m	Hedging reserve $'m	Goodwill written off $'m	Accumulated profits $'m	Total attributable to equity holder of the Company $'m	Non-controlling interests $'m	Total equity $'m
At 1 January 2019	2,172	–	(24)	(188)	(35)	(8)	(488)	1,813	3,242	857	4,099
Adjustment on initial application of SFRS(I) 16 (net of tax)	–	–	–	–	–	–	–	(9)	(9)	(3)	(12)
Adjusted balance at 1 January 2019	2,172	–	(24)	(188)	(35)	(8)	(488)	1,804	3,233	854	4,087
Total comprehensive income for the year											
Loss for the year	–	–	–	–	–	–	–	(214)	(214)	74	(140)
Other comprehensive income											
Translation differences relating to:											
- monetary items forming part of net investments in foreign operations	–	–	–	(1)	–	–	–	–	(1)	–	(1)
Effective portion of changes in fair value of cash flow hedges	–	–	–	–	–	(13)	–	–	(13)	(5)	(18)
Net change in fair value of financial assets at FVOCI	–	–	–	–	(1)	–	–	–	(1)	(1)	(2)
Share of other comprehensive income of associates and joint ventures, net of tax	–	–	–	(19)	–	–	–	7	(12)	2	(10)
Total other comprehensive income, net of tax	–	–	–	(20)	(1)	(13)	–	7	(27)	(4)	(31)
Total comprehensive income for the year	–	–	–	(20)	(1)	(13)	–	(207)	(241)	70	(171)
Brought forward	2,172	–	(24)	(208)	(36)	(21)	(488)	1,597	2,992	924	3,916

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

Consolidated statement of changes in equity (cont'd)
Year ended 31 December 2019

Group	Note	Share capital $'m	Perpetual securities $'m	Capital reserve $'m	Currency translation reserve $'m	Fair value reserve $'m	Hedging reserve $'m	Goodwill written off $'m	Accumulated profits $'m	Total attributable to equity holder of the Company $'m	Non-controlling interests $'m	Total equity $'m
Carried forward		2,172	–	(24)	(208)	(36)	(21)	(488)	1,597	2,992	924	3,916
Transactions with owners, recorded directly in equity												
Contributions by and distributions to owners												
Issuance of perpetual securities	21	–	348	–	–	–	–	–	–	348	–	348
Accrued perpetual securities distribution		–	17	–	–	–	–	–	(19)	(2)	2	–
Perpetual securities distribution paid		–	(9)	–	–	–	–	–	–	(9)	(7)	(16)
Dividends to non-controlling interests of subsidiaries	20	–	–	–	–	–	–	–	–	–	(105)	(105)
Share of capital reserve of an associate		–	–	2	–	–	–	–	–	2	–	2
Share-based payment transactions		–	–	–	–	–	–	–	–	–	4	4
Total contributions by and distributions to owners		–	356	2	–	–	–	–	(19)	339	(106)	233
Changes in ownership interests in subsidiaries												
De-recognition of put liabilities to acquire non-controlling interests		–	–	31	–	–	–	–	–	31	20	51
Acquisition of subsidiaries with non-controlling interests	40	–	–	–	–	–	–	–	–	–	3	3
Acquisition of non-controlling interest without a change in control		–	–	–	–	–	–	–	3	3	(20)	(17)
Changes in ownership interests without a change of control		–	–	–	–	–	–	–	(6)	(6)	(20)	(26)
Total changes in ownership interests in subsidiaries		–	–	31	–	–	–	–	(3)	28	(17)	11
Total transactions with owners		–	356	33	–	–	–	–	(22)	367	(123)	244
At 31 December 2019		2,172	356	9	(208)	(36)	(21)	(488)	1,575	3,359	801	4,160

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

Statement of changes in equity
Year ended 31 December 2019

Company	**Note**	**Share capital $'m**	**Perpetual securities $'m**	**Accumulated profits $'m**	**Total $'m**
At 1 January 2018		2,172	–	35	2,207
Profit for the year/Total comprehensive income for the year		–	–	1,748	1,748
Transactions with owner, recorded directly in equity					
Contributions by and distribution to owner					
Dividends to equity holder	20	–	–	(1,748)	(1,748)
Total transactions with owner		–	–	(1,748)	(1,748)
At 31 December 2018		2,172	–	35	2,207
At 1 January 2019		2,172	–	35	2,207
Profit for the year/Total comprehensive income for the year		–	–	9	9
Transactions with owner, recorded directly in equity					
Contributions by and distribution to owner					
Issuance of perpetual securities	21	–	348	–	348
Accrued perpetual securities distribution		–	17	(17)	–
Perpetual securities distribution paid		–	(9)	–	(9)
Total transactions with owner		–	356	(17)	339
At 31 December 2019		2,172	356	27	2,555

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

Consolidated cash flow statement
Year ended 31 December 2019

	2019 $'m	2018 $'m
Cash flows from operating activities		
Loss for the year	(140)	(329)
Adjustments for:		
Income related grants	(2)	(1)
Fair value loss on fair value through profit or loss financial assets	59	46
Depreciation, amortisation and impairment	773	529
Impairment of goodwill	–	123
Finance costs	252	168
Write-off on property, plant and equipment	4	1
Loss on disposal of associate	2	–
Tax expense	5	57
Finance income	(42)	(51)
Share of results of associates and joint ventures, net of tax	62	39
Value of employee services received for issue of equity-settled share based compensation	4	1
Exchange differences from investing and financing activities	1	35
	978	618
Changes in:		
Balances from related parties	(7)	(1)
Balances to related parties	–	4
Inventories	(22)	(10)
Payables and accruals	147	44
Receivables, deposits and prepayments	(64)	(73)
Cash generated from operations	54	582
Income taxes paid	(78)	(85)
Net cash from operating activities carried forward	954	497

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

Consolidated cash flow statement (cont'd)
Year ended 31 December 2019

	Note	2019 $'m	2018 $'m
Net cash from operating activities brought forward		954	497
Cash flows used in investing activities			
Dividends received from joint ventures		–	1
Interest received		12	46
Proceeds from disposal of mutual funds		–	19
Acquisitions of subsidiaries, net of cash acquired	40	(96)	(65)
Purchase of intangible assets		(90)	(76)
Purchase of other financial assets		(16)	(77)
Purchase of property, plant and equipment		(1,013)	(820)
Repayment of loan from associate		2	–
Payment for investments in associates and joint ventures		(446)	(197)
Net cash used in investing activities		(1,647)	(1,169)
Cash flows from financing activities			
Bank and borrowings:			
- proceeds		925	421
- repayment		(314)	(72)
Payment for spectrum licence		(6)	(5)
Proceeds from dilution of interest in subsidiary		5	–
Proceeds from issuance of perpetual securities	21	348	–
Distribution for perpetual securities of the Company		(9)	–
Distribution for perpetual securities of a subsidiary		(7)	(7)
Dividends paid to non-controlling interests of subsidiaries		(105)	(126)
Acquisition of non-controlling interests		(17)	–
Capital contribution from non-controlling interests		–	7
Payment for lease liabilities		(176)	(6)
Grants received		1	2
Interest paid		(257)	(164)
Cash pledged as security		30	(2)
Net cash from financing activities		418	48

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

Consolidated cash flow statement (cont'd)
Year ended 31 December 2019

	Note	2019 $'m	2018 $'m
Net decrease in cash and cash equivalents		(275)	(624)
Cash and cash equivalents at beginning of the year		1,898	2,523
Effect of exchange rate changes on balances held in foreign currency		1	(1)
Cash and cash equivalents at end of the year	18	1,624	1,898

Significant non-cash transactions

During the year, the Group entered into an asset swap arrangement with a vendor to exchange certain of its network equipment. Assets obtained were recorded at their fair values of $25 million (2018: $24 million) which approximated the carrying amounts of the assets that were swapped out.

In the prior year, the Company paid dividends to its shareholder, by way of a distribution in specie of all of the Group's interest in CenturyLink, Inc. ("CenturyLink"), comprising: (i) $425 million that had been declared in February 2017 for the financial year ended 31 December 2017; and (ii) $1,748 million that had been declared in February 2018 for the financial year ended 31 December 2018.

Notes to the financial statements

Notes to the financial statements

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 30 April 2020.

1 Domicile and activities

Singapore Technologies Telemedia Pte Ltd (the "Company") is incorporated in the Republic of Singapore and has its registered office at 1 Temasek Avenue, #33-01 Millenia Tower, Singapore 039192.

The Company is principally engaged in the provision of info-communications services and investment holding. Through its subsidiaries, associates and joint ventures, the Group offers a wide array of communications and information services, including fixed and mobile communications, global IP network and services, cable television services, data centre co-location, managed hosting and managed cloud services.

The immediate and ultimate holding company is Temasek Holdings (Private) Limited ("Temasek"), a company incorporated in the Republic of Singapore.

The consolidated financial statements relate to the Company and its subsidiaries (together referred to as the Group) and the Group's interests in associates and joint ventures.

2 Summary of significant accounting policies

2.1 Basis of preparation

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (International) ("SFRS(I)s").

The historical cost basis is used except for certain financial assets and financial liabilities which are stated at fair value.

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

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

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

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following note:

- Note 24 – Lease term: whether the Group is reasonably certain to exercise extension options

Information about significant areas of estimation uncertainty in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are as follows:

- Note 2.4 – Useful lives of property, plant and equipment
- Note 2.13 – Recognition of deferred tax assets
- Note 2.14 – Revenue recognition
- Note 5 – Assumptions of recoverable amounts relating to impairment of goodwill
- Note 12 – Impairment of contract assets
- Note 15 – Impairment of trade receivables
- Note 28 – Adequacy of accruals
- Note 36 – Assumptions underlying the measurement of share-based payments
- Note 38(a) – Valuation of unquoted investments
- Note 40 – Business combinations: fair value measured on a provisional basis

The accounting policies set out below have been applied consistently by the Group to all periods presented in these financial statements, unless otherwise stated.

Adoption of new and revised standards

In the current financial year, the Group has adopted all the new and revised SFRS(I), and Interpretations of SFRS(I) ("INT SFRS(I)") that are effective for the annual period beginning on 1 January 2019. The adoption of these new/revised SFRS(I)s and INT SFRS(I)s does not result in substantial changes to the Group's accounting policies and has no material effect on the amounts reported for the current or prior years, except for SFRS(I) 16 *Leases*.

This is the first set of the Group's annual financial statements in which SFRS(I) 16 *Leases* has been applied. The related changes to significant accounting policies are described in Note 2.6 and Note 44.

2.2 Basis of consolidation

Business combinations

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

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

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

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

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

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

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

Acquisition from entities under common control

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

Subsidiaries

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

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Loss of control

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

Equity-accounted investees

Associates are entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies of these entities. Significant influence is presumed to exist when the Group holds 20% or more of the voting power of another entity.

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Investments in associates and joint ventures are accounted for using the equity method (equity-accounted investees) and are recognised initially at cost. The cost of the investments includes transaction costs.

Subsequent to initial recognition, the consolidated financial statements include the Group's share of profit or loss and other comprehensive income of the equity-accounted investees, after adjustments to align the accounting policies of the equity-accounted investees with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment, together with any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation to fund the investee's operations or has made payments on behalf of the investee.

Put option with non-controlling interests

When an entity within the Group writes a put option with the non-controlling shareholders as part of the acquisition of a subsidiary, for settlement in cash or in another financial asset, a put liability is recognised for the present value of the exercise price of the option.

When the non-controlling shareholders still have present access to the returns associated with the underlying ownership interests, the put liability is recognised against capital reserve within equity. Subsequent to initial recognition of the financial liability, changes in the carrying amount of the financial liability is recognised within equity.

If the put option expires unexercised, then the put option liability is derecognised and reversed against equity. If the put option is exercised, then the charge to equity will be reversed and the financial liability will be derecognised.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Accounting for subsidiary in the separate financial statements

Investment in subsidiary is stated in the Company's balance sheet at cost less accumulated impairment losses.

2.3 Foreign currencies

Foreign currency transactions

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

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

Foreign currency differences arising on translation are recognised in the income statement. However, foreign currency differences arising from the translation of the following items are recognised in other comprehensive income:
- an equity investment designated as at FVOCI;
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; and
- qualifying cash flow hedges to the extent that the hedge is effective.

Foreign operations

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

Foreign currency differences are recognised in other comprehensive income, and presented in the currency translation reserve in equity. However, if the foreign operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the currency translation reserve related to that foreign operation is reclassified to the income statement as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to the income statement.

Net investment in a foreign operation

When the settlement of a monetary item receivable or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item that are considered to form part of a net investment in a foreign operation are recognised in other comprehensive income of the Group, and are presented in the currency translation reserve in equity.

2.4 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

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

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

Subsequent expenditure relating to existing property, plant and equipment is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

Gains or losses arising from the retirement or disposal of property, plant and equipment are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the income statement on the date of retirement or disposal.

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

Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

Depreciation is provided on the straight-line basis over their estimated useful lives as follows:

Freehold buildings	-	50 to 60 years
Freehold improvements	-	20 years
Leasehold land	-	shorter of remaining lease terms or 60 years
Leasehold buildings	-	shorter of remaining lease terms or 60 years
Leasehold improvements	-	shorter of remaining lease terms or 20 years
Data centre equipment, network equipment and infrastructure	-	2 to 30 years
Office equipment, computers, telecommunication equipment and furniture and fittings	-	2 to 30 years
Motor vehicles	-	5 years

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate, at each reporting date. The effect of any changes in estimate is accounted for on a prospective basis. Changes in the expected level of usage and technological developments could impact the useful lives and the residual values of these assets, and therefore future depreciation charges could be revised.

No depreciation is provided on freehold land and assets under construction.

2.5 Intangible assets

Goodwill

Goodwill arise on the acquisition of subsidiaries, associates and joint ventures.

Goodwill arising on the acquisition of subsidiaries is presented separately. Goodwill arising on the acquisition of associates and joint ventures is presented together with investments in associates and joint ventures.

Goodwill at the acquisition date represents the excess of:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree, less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

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

Goodwill is measured at cost less accumulated impairment losses. Goodwill is tested for impairment as described in Note 2.8.

In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the associates.

Other intangible assets

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and impairment losses. Other intangible assets are amortised in the income statement on a straight-line basis from the date they are available for use over their estimated useful lives as follows:

Telecommunications licences	-	over the period of the licences of 10 to 21 years
Software	-	2 to 20 years
Branding	-	10 years
Customer contracts and relationships	-	2 to 15 years

No amortisation is provided in respect of software in development.

Subsequent expenditure on capitalised intangible assets is added to the carrying value only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in the income statement as incurred.

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

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

2.6 Leases

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

Policy applicable from 1 January 2019

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

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

As a lessee

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

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

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

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

Lease payments included in the measurement of the lease liability comprise the following:
- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

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

Short-term leases and leases of low-value assets

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

As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. The Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. The Group classifies the sublease as a finance or an operating lease with reference to the right-of-use asset arising from the head lease, rather than the underlying asset. When the sublease is assessed as an operating lease, the Group recognises lease income from subleased property as 'revenue' on a straight-line basis over the term of the lease. The right-of-use asset relating to the head lease is not derecognised.

Generally, the accounting policies applicable to the Group as a lessor in the comparative period were not different from SFRS(I) 16.

Policy applicable before 1 January 2019

As a lessee

In the comparative period, as a lessee the Group classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Where the Group has the use of assets under operating leases, payments made under the leases are recognised in the income statement on a straight-line basis over the terms of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease payments made. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

As a lessor

When the Group acted as a lessor, it determined at lease inception whether each lease was a finance lease or an operating lease.

To classify each lease, the Group made an overall assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset. If this was the case, then the lease was a finance lease; if not, then it was an operating lease. As part of this assessment, the Group considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

Lease income from subleased data centres is recognised as "revenue" on a straight-line basis over the term of the lease.

2.7 Financial instruments

Non-derivative financial instruments

Recognition and initial measurement

Non-derivative financial instruments comprise equity investments, debt securities, trade and other receivables, deposits, cash and cash equivalents, contingent consideration, trade and other payables, accruals, balances with related parties and bank and other borrowings.

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

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

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

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

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

Classification and subsequent measurement

Non-derivative financial assets

Financial assets at amortised cost

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

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

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

Equity investments at FVOCI

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

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

Financial assets at FVTPL

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

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

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

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

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

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

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

Non-derivative financial liabilities

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as FVTPL if it is classified as held-for-trading or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Directly attributable transaction costs are recognised in the income statement as incurred.

Other financial liabilities are initially measured at fair value less directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method. These financial liabilities comprise trade and other payables, accruals, balances with related parties, lease liabilities and bank and other borrowings.

Derivative financial instruments and hedging accounting

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

Derivatives are initially measured at fair value and any directly attributable transaction costs are recognised in income statement as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in income statement.

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

Cash flow hedges

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

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

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

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

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

Share capital

Ordinary shares are classified as equity. Preference shares are classified as equity if it is non-redeemable, or redeemable only at the Company's option and any dividends are discretionary.

Incremental costs directly attributable to the issue of ordinary shares, preference shares and share options are recognised as a deduction from equity.

Financial guarantee

Financial guarantee contracts are accounted for as insurance contracts and treated as contingent liabilities until such time as they become probable that the Group will be required to make payment under the guarantee. A provision is recognised based on the Group's estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date. The provision is assessed by reviewing individual claims and tested for adequacy by comparing the amount recognised and the amount that would be required to settle the guarantee contract.

2.8 Impairment

Non-derivative financial assets and contract assets

The Group recognises loss allowances for expected credit losses ("ECLs") on financial assets measured at amortised cost and contract assets (as defined in SFRS(I) 15).

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

Simplified approach

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

General approach

The Group applies the general approach to provide for ECLs on all other financial instruments. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment that includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held) or the financial asset is more than 360 days past due.

The Group considers a contract asset to be in default when the customer is unlikely to pay its contractual obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held).

The maximum period considered when estimating ECLs in the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

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

Credit-impaired financial assets

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

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

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

Presentation of allowance for ECLs in the balance sheet

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

Write-off

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

Non-financial assets

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

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

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

Impairment losses recognised in the income statement in respect of CGU are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of units) and then, to reduce the carrying amount of other assets in the CGU (group of units) on a pro rata basis.

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

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

2.9 Inventories

Inventories are valued at the lower of cost and net realisable value. The cost of goods held for resale is determined on the weighted average basis. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale. Allowance for obsolescence is made for all deteriorated, damaged, obsolete and slow-moving inventories.

Gross amounts due for contract work

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

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

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

2.10 Employee benefits

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the income statement in the periods during which related service are rendered by employees.

Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in current and prior periods; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on Singapore Government bonds that have maturity dates approximating the terms of the Group's obligations.

Any actuarial gains or losses are recognised in the income statement in the period in which they arise.

Other short-term benefits

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

A liability is recognised for the amount expected to be paid under short-term cash bonus or Performance Cash Plan if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Share-based payments

Share Option Plans

The Share Option Plans allows Group employees to acquire shares of the subsidiaries. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. At each reporting date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates in employee expense and in a corresponding adjustment to equity over the remaining vesting period. The proceeds received net of any directly attributable transactions costs are credited to share capital when the options are exercised.

The Group has certain cash-settled share-based payments transactions. The fair value of the amount payable to the employees is recognised as an expense with a corresponding increase in liabilities. The fair value is initially measured at grant date and spread over the period during which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised in the income statement.

Performance Share Plan and Restricted Stock Plan (StarHub Group and TeleChoice Group)

The Performance Share Plan and the Restricted Stock Plan are accounted as equity-settled share-based payments. Equity-settled share-based payments are measured at fair value at the date of grant. The share-based expense is amortised and recognised in the income statement on a straight line basis over the vesting period. At each reporting date, the Group revises its estimates of the number of shares that the participating employees are expected to receive based on non-market vesting conditions. The difference is charged or credited to the income statement, with a corresponding adjustment to equity.

Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they are accrued to the employees. The estimated liability for leave is recognised for services rendered by employees up to the end of the reporting date.

2.11 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

The Group makes provision for site decommissioning and restoration costs based on management's best estimate of the costs necessary to be incurred to decommission and restore the telecommunications sites.

2.12 Deferred grants

Government grants received, which are designated for the purchase of property, plant and equipment, are accreted to the income statement on a straight-line basis over the estimated useful lives of the related assets, so as to match the related depreciation expense.

Government grants received, which are designated for operating expenditure, are recognised on a systematic basis in the income statement over the periods necessary to match the related cost which they are intended to compensate.

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

2.13 Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences at the reporting date arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries, associates and joint ventures to the extent that they probably will not reverse in the foreseeable future.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience.

2.14 Revenue recognition

Revenue comprises fees earned from telecommunications services, managed services, system integration and solution projects, broadband access, Pay TV, related advertising space, sale of equipment and provision of data centre co-location services. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied performance obligations.

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

Revenue is recognised in the income statement as follows:

- Revenue from bundled products and services is recognised either at a point in time or over time based on the standalone selling price allocated to the individual elements of the bundled products at contract inception.

- Revenue from telecommunications, broadband and cable television services and advertising space is recognised over time when such services are rendered. Revenue billed in advance of the rendering of services is deferred and presented in the balance sheet as contract liability.

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

- Revenue from sales of pre-paid phone cards for which services have not been rendered is deferred and presented in the balance sheet as contract liability. Revenue is recognised over time upon usage of the pre-paid phone cards and upon expiry, any unutilised value of the cards is taken to the income statement. Payment is due when the cards are delivered to customers.

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

- Revenue from data centre co-location services is recognised on a straight-line basis over the term of the contract. Revenue billed in advance of the rendering of services is deferred and presented in the balance sheet as contract liability.

- Revenue from digital financial services, including payment services, is recognised when services are rendered.

- Dividend income is recognised on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

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

Variable consideration

Certain contracts with customers include variable considerations like right of return, trade discounts or rebates. Currently, the Group recognises revenue from the sale of goods measured at the fair value of the consideration received or receivable, net of returns and allowance, trade discounts and certain rebates. Under SFRS(I) 15, such provisions will be estimated at contract inception and at every reporting period, adjusted against revenue.

Material right

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

Contract modification

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

Contract cost

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

2.15 Finance income and costs

Finance income comprises interest income on bank deposits, financial assets and loans to associates. Interest income is recognised as it accrues, using the effective interest method.

Finance costs comprise interest expense and similar charges. They are recognised in the income statement in the period in which they are incurred except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use or sale.

2.16 Marketing and promotions

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

2.17 Customer loyalty programme

For customer loyalty programmes, the fair value of the consideration received or receivable from a sales transaction which attracts customer loyalty credits or points is allocated between the customer loyalty points and the other component of the sale. The amount allocated to the customer loyalty points is estimated by reference to the fair value of the customer loyalty points for which they could be redeemed. The fair value of the customer loyalty points is estimated by taking into account the expected redemption rate and the timing of such expected redemptions. Such amount is deferred and recorded as unearned revenue until the customer loyalty points are redeemed. At this juncture, the cost of fulfilling the customer loyalty credits is also recognised.

2.18 Dividends

Dividends to the Company's shareholder are recognised in the financial year in which the dividends are approved by the shareholders.

2.19 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's executive director to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Group's executive director include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly assets and liabilities from non-operating investment holding subsidiaries. Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

2.20 New standards and interpretations not yet adopted

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

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

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

3 Property, plant and equipment

Group	Note	Freehold land, buildings and improvements $'m	Leasehold land, buildings and improvements $'m	Data centre equipment, network equipment and infrastructure $'m	Office equipment, computers, telecom-munication equipment and furniture and fittings $'m	Motor vehicles $'m	Assets under construction $'m	Total $'m
Cost								
At 1 January 2018		107	404	4,522	259	9	300	5,601
Translation difference		(4)	(9)	(29)	(2)	–	(10)	(54)
Additions		16	57	12	18	2	1,081	1,186
Acquisitions through business combinations	40	–	6	–	10	–	2	18
Transfers		1	142	562	6	–	(711)	–
Disposals/write-off		–	(2)	(141)	(7)	(1)	–	(151)
At 31 December 2018		120	598	4,926	284	10	662	6,600
Translation difference		–	(8)	1	(1)	–	11	3
Additions		–	15	26	19	1	984	1,045
Transfers		47	60	985	18	–	(1,110)	–
Disposals/write-off		–	(3)	(414)	(8)	(1)	(1)	(427)
Reclassified to right-of-use assets and inventory		–	(97)	(37)	–	–	(96)	(230)
At 31 December 2019		167	565	5,487	312	10	450	6,991

Group	Freehold land, buildings and improvements $'m	Leasehold land, buildings and improvements $'m	Data centre equipment, network equipment and infrastructure $'m	Office equipment, computers, telecom-munication equipment and furniture and fittings $'m	Motor vehicles $'m	Assets under construction $'m	Total $'m
Accumulated depreciation and impairment losses							
At 1 January 2018	1	56	2,768	175	7	1	3,008
Translation difference	–	(1)	(4)	(1)	–	–	(6)
Charge for the year	2	24	322	29	1	–	378
Impairment loss	–	–	3	2	–	–	5
Disposals/write-off	–	(2)	(116)	(6)	(1)	–	(125)
At 31 December 2018	3	77	2,973	199	7	1	3,260
Translation difference	–	–	(1)	–	–	–	(1)
Charge for the year	2	25	364	40	1	–	432
Disposals/write-off	–	(3)	(388)	(6)	(1)	–	(398)
Reclassified to right-of-use assets and inventory	–	(12)	(22)	–	–	–	(34)
At 31 December 2019	5	87	2,926	233	7	1	3,259
Carrying amounts							
At 1 January 2018	106	348	1,754	84	2	299	2,593
At 31 December 2018	117	521	1,953	85	3	661	3,340
At 31 December 2019	162	478	2,561	79	3	449	3,732

	Group	
	2019	**2018**
	$'m	**$'m**
Staff costs capitalised in assets under construction during the year	3	4
Borrowing costs capitalised in assets under construction during the year*	15	13

* *The capitalisation rate for the borrowing costs is 2.6% - 8.9% (2018: 1.3% - 8.6%).*

4 Intangible assets

Group	Note	Telecom-munications licences $'m	Software $'m	Software in development $'m	Branding $'m	Customer contracts and relationships (Restated) $'m	Total (Restated) $'m
Cost							
At 1 January 2018		708	701	24	31	223	1,687
Translation difference		(4)	(1)	–	–	(9)	(14)
Additions		–	26	46	–	6	78
Acquisitions through business combinations	40	–	5	–	–	36	41
Disposals/write offs		–	(8)	–	–	–	(8)
Transfers		–	43	(43)	–	–	–
At 31 December 2018		704	766	27	31	256	1,784
Translation difference		–	–	–	(2)	(1)	(3)
Additions		17	27	47	–	–	91
Acquisitions through business combinations	40	–	–	–	12	28	40
Transfers		–	46	(46)	–	–	–
At 31 December 2019		721	839	28	41	283	1,912
Accumulated amortisation and impairment losses							
At 1 January 2018		198	557	–	16	38	809
Translation difference		(1)	–	–	–	(1)	(2)
Disposals/write offs		–	(8)	–	–	–	(8)
Impairment loss	5	–	–	–	–	7	7
Charge for the year		47	59	–	3	30	139
At 31 December 2018		244	608	–	19	74	945
Charge for the year		47	62	–	3	27	139
At 31 December 2019		291	670	–	22	101	1,084
Carrying amounts							
At 1 January 2018		510	144	24	15	185	878
At 31 December 2018		460	158	27	12	182	839
At 31 December 2019		430	169	28	19	182	828

	Group	
	2019	**2018**
	$'m	**$'m**
Staff costs capitalised in software in development during the year	–	1

5 Goodwill on consolidation

	Group	
	2019	**2018 (Restated)**
	$'m	**$'m**
Cost, less accumulated impairment		
At 1 January	1,758	1,810
Acquisitions through business combinations	113	107
Impairment loss	–	(123)
Translation difference	(2)	(36)
At 31 December	1,869	1,758

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's CGUs identified according to the country of operation of each subsidiary acquired, as follows:

	Group	
	2019	**2018 (Restated)**
	$'m	**$'m**
Singapore	868	868
India	286	294
Malaysia	256	256
United Kingdom	346	340
United States	113	–
	1,869	1,758

The recoverable amount of a CGU is based on the greater of its fair value less costs to sell ("FVLCS") and its value-in-use ("VIU").

Singapore

For goodwill arising from the acquisition of StarHub Ltd ("StarHub") and Ensign InfoSecurity Pte. Ltd ("Ensign Group"), the recoverable amounts were determined based on VIU (2018: FVLCS).

The VIUs were determined by discounting future cash flows generated from the continuing use of the CGUs and a terminal value using a long term growth rate. The 5-year cash flow projections were based on financial budgets and forecasts approved by management. The cash flow projections used in the impairment assessment of the CGUs at the reporting date reflect the long-term future performance of the CGUs as they reach a steady state of operations.

The VIUs were based on the following key assumptions:

	StarHub	**Ensign Group**
2019		
Pre-tax discount rate	5.9%	10.8%

The terminal growth rate used is nil. The growth rates and EBITDA margins used take into consideration competitive pressures in the industry.

The values assigned to the key assumptions represent management's assessment of developments in the telecommunications industry and were based on both external sources and internal sources.

In 2018, FVLCS was determined based on the market price of the CGU which is quoted on the stock exchange and is subject to fluctuations. The fair value measurement was categorised as a Level 1 fair value based on the inputs in the valuation technique used.

Based on the above assumptions, the recoverable amounts were estimated to be higher than the carrying amounts of the CGUs, and no impairment was required in 2019. For StarHub CGU, a reasonable change to the key assumptions applied is not likely to cause the recoverable value to be below the carrying value.

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

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

In the prior year, goodwill of $123 million identified to the Singapore CGU relating to datacentre colocation services, arising from the acquisition of Tata Communications International Pte Ltd's business by STT Tai Seng Pte. Ltd ("STT Tai Seng"), was fully impaired. The recoverable amount was determined based on FVLCS, which was estimated using the discounted cash flows expected to arise from the continuing use of the CGU based on forecasted cash flows over the remaining lease periods, incorporating Level 3 fair value inputs in the valuation technique used.

The FVLCS was based on the following:

	STT Tai Seng 2018
Pre-tax discount rate	11.0%
Budgeted EBITDA growth rate	1.6%

The values assigned to the key assumptions represent management's assessment of future trends based on historical data from both external and internal sources.

The carrying amount of the CGU was determined to be higher than its recoverable amount and an impairment loss of $130 million was recognised. The impairment loss was allocated to goodwill of $123 million and intangible assets of $7 million and included in 'other (expenses)/income' and 'depreciation, amortisation and impairment' of the income statement respectively. The impairment loss arose mainly from an unfavourable revision in its long term contract rates due to increased competitive supply available in the market, which had an adverse impact to the business.

India

For goodwill identified to the India CGU amounting to $286 million (2018: $294 million) arising from the acquisition of STT Global Data Centres India Private Limited ("STT India"), the recoverable amount was based on VIU.

The VIU was determined by discounting future cash flows generated from the continuing use of the CGU and a terminal value using a long term growth rate. The 7-year (2018: 8-year) cash flow projections were based on management's assessment of anticipated future trends and actual operating results. The cash flow projections used in the impairment assessment of the CGU at the reporting date reflect the long-term future performance of the CGU as it reaches a steady state of operations.

The VIU was based on the following key assumptions:

	STT India	
	2019	**2018**
Pre-tax discount rate	13.0%	12.6%
Terminal value growth rate	6.0%	7.0%

The values assigned to the key assumptions represent management's assessment of developments in the data centre industry and were based on both external sources and internal sources.

Based on the above assumptions, the recoverable amount was estimated to be higher than the carrying amount of the CGU, and no impairment was required in 2019 (2018: nil).

Management has identified that a reasonably possible change in the above key assumptions could cause the carrying amount to exceed the recoverable amount. The following table shows the amount by which these assumptions would need to change individually for the recoverable amount to be equal to the carrying amount.

	Change required for carrying amount to equal the recoverable amount 2019
Pre-tax discount rate	0.2%
Terminal value growth rate	(0.3%)

In the prior year, any reasonably possible change to the key assumptions applied was not likely to cause the recoverable amount to be below the carrying amount.

Malaysia

For goodwill identified to the Malaysia CGU amounting to $256 million (2018: $256 million) arising from the acquisition of U Mobile Sdn. Bhd. ("U Mobile"), the recoverable amount was based on VIU.

U Mobile's VIU was determined by discounting estimated future cash flows generated from the continuing use of the CGU and a terminal value determined using an Enterprise to EBITDA exit multiple. The 4-year (2018: 4-year) cash flows projections were based on management's assessment of anticipated future trends and actual operating results for the year ended 31 December 2019. The cash flow projections used in the impairment assessment of the CGU at the reporting date reflect the long-term future performance of the CGU as it reaches a steady state of operations.

The VIU was based on the following key assumptions:

	U Mobile	
	2019	**2018**
Pre-tax discount rate	12.5%	13.2%
Enterprise to EBITDA exit multiple	8.0	8.0

The values assigned to the key assumptions represent management's assessment of developments in the telecommunications industry and were based on both external sources and internal sources.

Based on the above assumptions, the recoverable amount was estimated to be higher than the carrying amount of the CGU, and no impairment was required in 2019 (2018: nil). A reasonable change to the key assumptions applied is not likely to cause the recoverable value to be below the carrying value.

United Kingdom

For goodwill identified to the United Kingdom CGU amounting to $346 million (2018: $340 million) arising from the acquisition of STT Virtus HoldCo Limited ("Virtus"), the recoverable amount was based on VIU.

The VIU was determined by discounting future cash flows generated from the continuing use of the CGU and a terminal value using a long term growth rate. The 6-year (2018: 8-year) cash flow projections were based on management assessment of anticipated future trends and actual operating results. The cash flow projections used in the impairment assessment of the CGU at the reporting date reflect the long-term future performance of the CGU as it reaches a steady state of operations.

The VIU was based on the following key assumptions:

	Virtus	
	2019	**2018**
Pre-tax discount rate	8.9%	8.3%
Terminal value growth rate	2.0%	2.0%

The values assigned to the key assumptions represent management's assessment of developments in the data centre industry and were based on both external sources and internal sources.

Based on the above assumptions, the recoverable amount was estimated to be higher than the carrying amount of the CGU, and no impairment was required in 2019 (2018: nil).

Management has identified that a reasonably possible change in the above key assumptions could cause the carrying amount to exceed the recoverable amount. The following table shows the amount by which these assumptions would need to change individually for the recoverable amount to be equal to the carrying amount.

	Change required for carrying amount to equal the recoverable amount	
	2019	**2018**
	%	%
Group		
Pre-tax discount rate	0.3%	0.2%
Terminal value growth rate	(0.4%)	(0.3%)

United States

For goodwill identified to the United States CGU amounting to $91 million (2018: $Nil) arising from the acquisition of 2nd Watch Holding Company, Inc. ("2nd Watch"), the recoverable amount was based on FVLCS. Management was of the view that the total consideration amounting to $118 million for the acquisition was representative of the FVLCS, given that there were no significant events since the date of acquisition as at 1 November 2019 to 31 December 2019 that would result in a significant change in the fair value.

In this context, the recoverable amount approximated the carrying amount as at 31 December 2019, and accordingly, the goodwill of $91 million was not impaired.

6 Right-of-use assets

The Group leases land and buildings and other network equipment and infrastructure. The leases typically run for a period of 1 to 60 years, with an option to renew the lease after that date. Lease payments are renegotiated at the end of the lease term to reflect market rentals. Some leases provide for additional rent payments that are based on changes in local price indices. For certain leases, the Group is restricted from entering into any sub-lease arrangements.

Information about leases for which the Group and Company are lessees are presented below.

Group	Land and buildings $'m	Network equipment and infrastructure $'m	Total $'m
2019			
At 1 January	988	48	1,036
At 31 December	1,200	17	1,217
Additions to right-of-use assets	379	10	389
Depreciation charge for the year	(161)	(41)	(202)

7 Interests in subsidiaries

Details of subsidiaries are as follows:

Name of subsidiaries	Country of incorporation/ Principal place of business	Effective equity held by the Group 2019 %	2018 %
Held by the Company:			
STT Communications Ltd ("STTC") - ordinary shares - redeemable convertible preference shares	Singapore	100.0	100.0
Held by STTC:			
STT Communications (Shanghai) Co., Ltd	People's Republic of China	100.0	100.0
STT inTech Pte. Ltd.	Singapore	100.0	100.0
STT International Vietnam Pte. Ltd.	Singapore	100.0	100.0
Asia Mobile Holding Company Pte. Ltd.	Singapore	100.0	100.0

	Name of subsidiaries	Country of incorporation/ Principal place of business	Effective equity held by the Group 2019 %	2018 %
	Held by STTC (cont'd):			
	TeleChoice International Limited ("TeleChoice")	Singapore	50.5	50.4
	STT Crossing Ltd	Mauritius	100.0	100.0
	Emerald Communications (Singapore) Pte. Ltd. ("ECS")	Singapore	100.0	100.0
	Straits Mobile Investments Pte. Ltd. ("Straits Mobile")	Singapore	100.0	100.0
	Sampaquita Communications Pte. Ltd.	Singapore	100.0	100.0
	STT GDC Pte. Ltd. ("STT GDC")	Singapore	100.0	100.0
	Held by Asia Mobile Holding Company Pte. Ltd.:			
	Asia Mobile Holdings Pte. Ltd. ("Asia Mobile Holdings")	Singapore	75.0	75.0
	AMHC I Pte. Ltd.	Singapore	100.0	100.0
	Held by Asia Mobile Holdings:			
	StarHub	Singapore	41.8	41.8
	Held by STT inTech Pte. Ltd.:			
	Quantum Security Pte. Ltd. (formerly known as Leap (G) Pte. Ltd.)	Singapore	100.0	100.0
	STT Sonic Pte. Ltd.	Singapore	100.0	–
(1)	Datameer, Inc. ("Datameer")	USA	69.1	–
	Held by Quantum Security Pte. Ltd.:			
	STT Connect Holdings Pte. Ltd.	Singapore	100.0	100.0
	Cloud Comrade Pte. Ltd.	Singapore	61.9	61.9

Name of subsidiaries	Country of incorporation/ Principal place of business	Effective equity held by the Group 2019 %	2018 %
Held by STT Connect Holdings Pte. Ltd.:			
STT Connect Pte. Ltd.	Singapore	77.5	77.5
Held by Cloud Comrade Pte. Ltd.:			
Cloud Comrade Sdn. Bhd.	Malaysia	61.9	61.9
PT. Cloud Comrade Indonesia	Indonesia	62.1	–
Held by STT Sonic Pte. Ltd.:			
2nd Watch	USA	56.2	–
Held by 2nd Watch:			
2nd Watch, Inc.	USA	56.2	–
Held by Datameer:			
Datameer GmbH	Germany	69.1	–
Datameer UK Ltd	United Kingdom	69.1	–
Held by TeleChoice:			
N-Wave Technologies (Malaysia) Sdn Bhd	Malaysia	50.5	50.4
NexWave Technologies Pte Ltd	Singapore	50.5	50.4
NexWave Telecoms Pte. Ltd.	Singapore	50.5	50.4
Planet Telecoms (S) Pte Ltd	Singapore	50.5	50.4
Planet Telecoms Managed Services Sdn. Bhd.	Malaysia	50.5	50.4
S & I Systems Pte Ltd	Singapore	50.5	50.4
NxGen Communications Pte Ltd	Singapore	50.5	50.4

	Name of subsidiaries	Country of incorporation/ Principal place of business	Effective equity held by the Group 2019 %	2018 %
	Held by TeleChoice (cont'd):			
	Planet Managed Services Pte. Ltd.	Singapore	50.5	50.4
	Planet Smart Services Pte. Ltd.	Singapore	50.5	25.7
	Held by NexWave Technologies Pte Ltd:			
	PT NexWave	Indonesia	50.5	50.4
	N-Wave Technologies Philippines, Inc.	Philippines	50.5	50.4
	NexWave Technologies Vietnam Company Limited	Vietnam	50.5	50.4
	Held by S & I Systems Pte Ltd:			
	Sunway S&I Systems (Thailand) Ltd	Thailand	25.0	25.0
(2)	Sunway S&I Systems Sdn Bhd	Malaysia	25.8	25.7
	Held by NxGen Communications Pte Ltd:			
	NxGen Communications (M) Sdn Bhd	Malaysia	50.5	50.4
	NxGen Inc.	Philippines	50.5	50.4
	Held by StarHub:			
	StarHub Mobile Pte Ltd	Singapore	41.8	41.8
	StarHub Cable Vision Ltd.	Singapore	41.8	41.8
	StarHub Internet Pte Ltd	Singapore	–	41.8
	StarHub Shop Pte Ltd	Singapore	41.8	41.8
	StarHub Online Pte Ltd	Singapore	41.8	41.8
	StarHub, Inc.	USA	41.8	41.8
	StarHub (Hong Kong) Limited	Hong Kong	41.8	41.8

Name of subsidiaries	**Country of incorporation/ Principal place of business**	**Effective equity held by the Group**	
		2019	**2018**
		%	**%**
Held by StarHub (cont'd):			
StarHub (Mauritius) Ltd	Mauritius	41.8	41.8
Nucleus Connect Pte. Ltd.	Singapore	41.8	41.8
D'Crypt Pte. Ltd. ("DPL")	Singapore	–	27.2
Ensign InfoSecurity Pte. Ltd. ("Ensign")	Singapore	25.1	25.1
Held by Ensign:			
Ensign InfoSecurity (Cybersecurity) Pte. Ltd. ("EIC")	Singapore	25.1	25.1
Keele Investments Pte. Ltd. ("Keele")	Singapore	25.1	–
D'Crypt Pte. Ltd.	Singapore	25.1	–
Ensign InfoSecurity (Systems) Pte. Ltd. ("EIS")	Singapore	25.1	25.1
Ensign InfoSecurity (Asia Pacific) Pte. Ltd.	Singapore	25.1	25.1
Ensign InfoSecurity (SmartTech) Pte. Ltd.	Singapore	25.1	25.1
Ensign InfoSecurity (Networks) Pte. Ltd.	Singapore	25.1	25.1
Ensign InfoSecurity (Malaysia) Sdn Bhd	Malaysia	25.1	25.1
Ensign InfoSecurity (East Asia) Limited	People's Republic of China	25.1	25.1
Ensign InfoSecurity (Singapore) Pte. Ltd.	Singapore	25.1	25.1
Vectra Information Security Pte. Ltd.	Singapore	25.1	25.1
Vectra Information Security Sdn Bhd	Malaysia	25.1	25.1
e-Cop Technology Beijing Co., Ltd	People's Republic of China	25.1	25.1

	Name of subsidiaries	Country of incorporation/ Principal place of business	Effective equity held by the Group 2019 %	2018 %
	Held by Straits Mobile:			
(3)	U Mobile	Malaysia	49.0	49.0
	Held by U Mobile:			
	U Mobile Services Sdn. Bhd.	Malaysia	49.0	49.0
	U Mobile Multimedia Sdn. Bhd.	Malaysia	49.0	–
	Held by STT GDC:			
	STT APDC Pte. Ltd.	Singapore	100.0	100.0
	STT UK DC Pte. Ltd. (“STT UKDC”)	Singapore	100.0	100.0
	STT India DC Pte. Ltd. (“STT IDC”)	Singapore	100.0	100.0
	STT Telemedia GDC Thailand Pte. Ltd. (“STT TDC”) (formerly known as STT Thailand DC Pte. Ltd.)	Singapore	100.0	100.0
	STT Korea DC Pte. Ltd. (“STT KDC”)	Singapore	100.0	–
	Held by STT APDC Pte. Ltd.:			
	STT Singapore DC Pte. Ltd. (“STT SDC”)	Singapore	100.0	100.0
	Shine Systems Assets Pte. Ltd. (“SSAPL”)	Singapore	82.6	82.6
	STT Defu 2 Pte. Ltd.	Singapore	100.0	100.0
(4)	STT Tai Seng	Singapore	100.0	74.0
	STT Defu 3 Pte. Ltd.	Singapore	100.0	100.0
	STT West 1 Pte. Ltd. (formerly known as STT Defu 4 Pte. Ltd.)	Singapore	100.0	100.0
	STT Loyang Pte. Ltd.	Singapore	100.0	100.0

Name of subsidiaries	Country of incorporation/ Principal place of business	Effective equity held by the Group 2019 %	2018 %
Held by STT IDC:			
STT India	India	74.0	74.0
Held by STT UKDC:			
Virtus	Guernsey/ United Kingdom	100.0	100.0

(1) During the year, the Group's wholly owned subsidiary, STT inTech Pte. Ltd., acquired additional 54.7% of the equity voting interest in Datameer for US$28 million (equivalent to $38 million) through the conversion of convertible loan notes and subscription of additional convertible preferred stocks. Goodwill amounting to $22 million arising from the acquisition was recognised. Net cash acquired as a result of the acquisition amounted to $8 million.

(2) The entity is currently under members' voluntary liquidation.

(3) Although the Group owns less than half of the voting rights of U Mobile, the Group controls U Mobile as it has the power to appoint majority of the board of directors of U Mobile.

(4) During the year, the Group acquired the remaining 26% equity interest in STT Tai Seng for a consideration of $14 million, increasing its ownership from 74% to 100% (see Note 22).

8 Interests in associates

Details of associates are as follows:

	Name of associates	Country of incorporation/ Principal place of business	Effective equity held by the Group 2019 %	2018 %
	Held by Asia Mobile Holdings:			
	Shenington Investments Pte Ltd	Singapore	36.8	36.8
	Held by Shenington Investments Pte Ltd:			
(1)	Mfone Co., Ltd.	Cambodia	36.8	36.8
	Lao Telecommunications Company Limited	Lao People's Democratic Republic	18.0	18.0
	Held by STT GDC:			
	GDS Holdings Limited ("GDS")	Cayman Islands/ People's Republic of China	36.1	35.2
	Held by STT inTech Pte. Ltd.:			
	Armor Defense Inc. ("Armor")	USA	39.2	39.2
	Held by TeleChoice:			
	MVI Systems Limited	Hong Kong	14.9	14.8

(1) The company is currently under voluntary insolvency proceedings.

	2019 $'m	2018 $'m
Fair value of ownership interest *		
GDS	3,706	1,402

* *Based on the quoted market price at 31 December (Level 1 in the fair value hierarchy).*

GDS

GDS provides colocation, managed hosting and managed cloud services in China.

In 2019, the Group's interest in GDS increased from 35.2% to 36.1% due to:

(i) the subscription of 6,373,134 and 2,274,725 American Depositary Shares ("ADS") issued by GDS through two public offerings in March 2019 and December 2019, respectively. Each ADS represents eight Class A ordinary shares of GDS. The public offering in March 2019 was priced at US$33.50 per ADS and the total investment amount was US$214 million (equivalent to $289 million). The public offering in December 2019 was priced at US$45.50 per ADS and the total investment amount was US$104 million (equivalent to $141 million);

(ii) Partly offset by the dilution of interest due to exercise of employee share options.

In 2018, the Group's interest in GDS increased from 33.8% to 35.2% due to:

(i) the subscription of 3,009,857 American Depositary Shares ("ADS") issued by GDS through a public offering in January 2018. Each ADS represented eight Class A ordinary shares of GDS. The public offering was priced at US$26.00 per ADS and the total investment amount was US$78 million (equivalent to $105 million).

(ii) the acquisition of additional interest amounting to US$64 million (equivalent to $87 million).

Armor

Armor provides cyber-security software in the United States.

In 2018, the Group's interest in Armor decreased from 39.3% to 39.2% as a result of exercise of equity instruments granted to Armor's employees.

During the year, the Group carried out an impairment assessment on the carrying amount of the investment in associate. The recoverable amount was determined based on its fair value less cost to sell. The fair value measurement was categorised as a Level 3 fair value based on an Enterprise Value to Revenue exit multiples of comparable companies.

No impairment loss was recognised for the financial year ended 31 December 2019 as the recoverable amount was in excess of its carrying amount.

The following table summarises the financial information of material associates for the financial year as included in their own (consolidated) financial statements prepared in accordance with SFRS(I)s, adjusted for fair value adjustments at acquisition and differences in accounting policies. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in these associates.

	Armor	**GDS**
	$'m	**$'m**
31 December 2019		
Revenue	73	813
Post-tax loss from continuing operations	(21)	(124)
Other comprehensive income	–	(29)
Total comprehensive income	(21)	(153)

31 December 2019	**Armor $'m**	**GDS $'m**
Non-current assets	20	4,724
Current assets	18	1,371
Non-current liabilities	(9)	(3,197)
Current liabilities	(25)	(823)
Net assets	4 [1]	2,075 [2]

[1] *Includes balances of $7 million that are not attributable to the Group*
[2] *Includes balances of $183 million that are not attributable to the Group*

31 December 2019	**GDS $'m**	**Armor $'m**	**Immaterial associates $'m**	**Total $'m**
Group's interest in net assets of investees at beginning of the year	369	9	61	439
Group's share of:				
- Post-tax loss from continuing operations	(46)	(10)	(6)	(62)
- Other comprehensive income	(10)	–	7	(3)
- Total comprehensive income	(56)	(10)	1	(65)
Group's contribution during the year	365	–	–	365
Group's share of capital reserves	2	–	–	2
Effect of Group's dilution of interest	1	–	–	1
Disposal during the year	–	–	(2)	(2)
Group's interest in net assets of investees at end of the year	681	(1)	60	740
Goodwill at the beginning of the year	181	102	–	283
Group's contribution during the year	65	–	–	65
Effect of Group's dilution of interest	(1)	–	–	(1)
Translation adjustment*	(7)	–	–	(7)
Goodwill at the end of the year	238	102	–	340
Carrying amount of interest in investees at end of the year	919	101	60	1,080

* *Included in share of other comprehensive income of associates*

31 December 2018	**Armor $'m**	**GDS $'m**
Revenue	81	570
Post-tax loss from continuing operations	(12)	(105)
Other comprehensive income	–	(17)
Total comprehensive income	(12)	(122)
Non-current assets	22	3,584
Current assets	45	604
Non-current liabilities	(2)	(2,309)
Current liabilities	(36)	(696)
Net assets	29[1]	1,183[2]

[1] *Includes equity compensation reserve of $5 million that is not attributable to the Group.*
[2] *Includes equity compensation reserve of $48 million that is not attributable to the Group.*

31 December 2018	**GDS $'m**	**Armor $'m**	**Immaterial associates $'m**	**Total $'m**
Group's interest in net assets of investees at beginning of the year	302	15	58	375
Group's share of:				
- Post-tax (loss)/profit from continuing operations	(37)	(6)	4	(39)
- Other comprehensive income	(6)	–	(1)	(7)
- Total comprehensive income	(43)	(6)	3	(46)
Group's contribution during the year	107	–	–	107
Group's share of capital reserves	3	–	–	3
Group's interest in net assets of investees at end of the year	369	9	61	439
Goodwill at the beginning of the year	102	100	–	202
Group's contribution during the year	85	–	–	85
Translation adjustment*	(6)	2	–	(4)
Goodwill at the end of the year	181	102	–	283
Carrying amount of interest in investees at end of the year	550	111	61	722

* *Included in share of other comprehensive income of associates*

9 Interests in joint ventures

Details of joint ventures are as follows:

	Country of incorporation/ Principal place of business	Effective equity held by the Group 2019 %	2018 %
Held by STTC:			
Grid Communications Pte. Ltd. ("GRID")	Singapore	50.0	50.0
Held by STT TDC:			
STT GDC (Thailand) Company Limited ("STT GDC (Thailand)") (formerly known as Technology Assets Co., Ltd.)	Thailand	49.0	49.0

In 2018, the Group established a joint venture, STT GDC (Thailand), to develop data centre facilities in Thailand. The Group's contribution to set up the joint venture was $5 million and resulted in the Group obtaining a 49% equity interest in STT GDC (Thailand).

Although the Group holds 49 percent interest in STT GDC (Thailand), decisions about relevant activities that significantly affect the returns that are generated require agreement of all parties to the arrangement. It is therefore determined that the Group participates in joint control.

During the year, the Group invested an additional $16 million in STT GDC (Thailand), with no change in the Group's equity interest.

The following table summarises, in aggregate, the carrying amount and share of profit and other comprehensive income of the joint ventures that are accounted for using the equity method.

	STT GDC (Thailand) $'m	GRID $'m	Total $'m
31 December 2019			
Group's interest in net assets of investees at beginning of the year	5	14	19
Group's contribution during the year	16	–	16
Carrying amount of interest in investees at end of the year	21	14	35

	STT GDC (Thailand) $'m	GRID $'m	Total $'m
31 December 2018			
Group's interest in net assets of investees at beginning of the year	–	15	15
Group's contribution during the year	5	–	5
Dividends received during the year	–	(1)	(1)
Carrying amount of interest in investees at end of the year	5	14	19

The Group's share of the capital commitments of joint ventures is $65 million (2018: $1 million).

10 Other financial assets

	Group 2019 $'m	Group 2018 $'m
Non-current		
Designated at FVOCI:		
- Unquoted	133	133
- Quoted	34	36
Mandatorily at FVTPL:		
- Unquoted	91	149
	258	318
Current		
Mandatorily at FVTPL:		
- Unquoted	3	33

11 Deferred tax assets and liabilities

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

Group	At 1 January 2018 $'m	Acquisition through business combinations (Note 40) (Restated) $'m	Recognised in income statement (Note 35) $'m	Recognised in other comprehensive income $'m	At 31 December 2018 (Restated) $'m	Adoption of SFRS(I) 16 $'m	Recognised in income statement (Note 35) $'m	Translation adjustments $'m	Change in tax rate $'m	At 31 December 2019 $'m
Leases	–	–	–	–	–	6	7	–	(2)	11
Property, plant and equipment, intangibles, ROU assets	(200)	(8)	25	–	(183)	–	(105)	1	8	(279)
Provisions	1	–	–	–	1	–	14	–	–	15
Employee benefits	2	–	–	–	2	–	–	–	–	2
Tax losses and capital allowances carry forward	19	2	(7)	–	14	–	105	–	–	119
Other items	13	–	(1)	(2)	10	–	20	–	(1)	29
Total	(165)	(6)	17	(2)	(156)	6	41	1	5	(103)

Deferred tax liabilities and assets are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same taxation authority.

The amounts determined after appropriate offsetting are included in the statements of financial position as follows:

	Group	
	2019	**2018 (Restated)**
	$'m	**$'m**
Deferred tax assets	40	2
Deferred tax liabilities	(143)	(158)

Deferred tax assets on the following deductible temporary differences have not been recognised:

	Group	
	2019	**2018**
	$'m	**$'m**
Deductible temporary differences	103	8
Unutilised capital allowances	255	319
Unutilised tax losses and tax incentives	656	709
	1,014	1,036

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom. The tax losses are subject to agreement by the tax authorities and compliance with tax regulations in the respective countries in which certain subsidiaries operate.

Unutilised tax losses of $594 million relating operations in Malaysia can be carried forward up to year 2025 under the current tax legislation of Malaysia subject to no substantial changes to the Malaysia Income Tax Act 1967 and guidelines issued by Ministry of Finance of Malaysia. Unabsorbed capital allowances do not expire under the current tax legislation.

12 Contract balances

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

Contract assets

	Group	
	2019	**2018 (Restated)**
	$'m	**$'m**
Contract assets	486	395
Loss allowance	(8)	(7)
	478	388

	Group	
	2019	**2018 (Restated)**
	$'m	**$'m**
Analysed as:		
Third parties	475	382
Related parties	3	6
	478	388
Non-current	81	70
Current	397	318
	478	388

The contract assets primarily relate to the Group's rights to consideration for goods and services provided and work completed on data centre co-location services, network engineering projects and info-communication technology projects but not billed at the reporting date. The contract assets are transferred to trade receivables when the rights become unconditional. This usually occurs when the Group invoices the customers.

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

	Group	
	2019	**2018 (Restated)**
	$'m	**$'m**
At beginning of year	395	406
Prior year contract assets reclassified to trade receivables	(335)	(337)
Contract assets recognised, net of reclassification to trade receivables	430	332
Additions through business combinations	–	7
Translation adjustment	1	(1)
Contract asset written off	(5)	(12)
	486	395
Loss allowance	(8)	(7)
	478	388

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

Movements in loss allowance balances during the year are as follows:

	Group	
	2019	**2018**
	$'m	**$'m**
At beginning of year	7	7
Impairment recognised	3	5
Allowance utilised	(2)	(5)
	8	7

Contract liabilities

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

	Group	
	2019	**2018**
	$'m	**$'m**
Managed services contracts	15	9
Amounts billed in advance for telecommunications, broadband and pay TV services	66	71
Amounts received in advance for:		
- Prepaid mobile services	121	110
- Upfront installation fees	65	38
- Maintenance services	5	5
	272	233
Third parties	263	223
Related parties	9	10
	272	233
Non-current	73	53
Current	199	180
	272	233

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

	Group	
	2019	**2018**
	$'m	**$'m**
At beginning of year	233	225
Revenue recognised that was included in the contract liability balance at the beginning of the year	(170)	(168)
Increase due to cash received, excluding amounts recognised as revenue during the year	132	99
Increase due to billings in advance, excluding amounts recognised as revenue during the year	77	77
	272	233

Contract costs

Costs to obtain contracts relate to commission fees paid to dealers as a result of obtaining mobile, pay TV and broadband service contracts, and success-based sales commissions to employees and external parties for securing long-term sales contracts. Costs to fulfil contracts relate to costs of materials which generate or enhance resources that will be used in satisfying future performance obligations.

These costs are amortised on a straight-line basis over the contract period. In 2019, amortisation amounting to $112 million (2018: $38 million) was recognised in the income statement. There was no loss allowance in relation to the costs capitalised.

	Group	
	2019	2018 (Restated)
	$'m	$'m
Cost to obtain contracts	29	32
Cost to fulfil contracts	21	7
	50	39
Current	35	25
Non-current	15	14
	50	39

13 Inventories

	Group	
	2019	2018
	$'m	$'m
Materials and components	1	4
Inventories held for resale		
- at cost	17	24
- at net realisable value	109	77
	127	105

14 Financial assets at amortised cost

		Group		Company	
	Note	2019	2018	2019	2018
		$'m	$'m	$'m	$'m
Trade receivables	15	486	462	–	–
Other receivables and deposits	16	130	116	–	–
Balances with related parties	17	96	93	452	452
Cash and cash equivalents	18	1,649	1,953	–	–
		2,361	2,624	452	452

15 Trade receivables

	Note	Group 2019 $'m	Group 2018 $'m
Trade receivables		571	536
Loss allowance		(85)	(74)
	14	486	462

The Group's primary exposure to credit risk arises through its trade receivables, which include corporate and retail customers. The Group's historical experience in the collection of trade receivables falls within the recorded allowances. Due to these factors, management believes that no additional credit risk beyond the amounts provided for collection losses is inherent in the Group's trade receivables.

There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers.

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

The movements in ECL balances during the year are as follows:

	Group 2019 $'m	Group 2018 $'m
At 1 January	74	92
Loss allowances recognised	26	20
Allowance utilised	(15)	(38)
At 31 December	85	74

16 Other receivables, deposits and prepayments

	Note	Group 2019 $'m	Group 2018 $'m
Grants receivables		2	1
Other receivables		81	85
Deposits		47	30
	14	130	116
Prepayments		138	156
Tax advances		24	13
Others		3	2
Derivative assets		–	5
		295	292

	Group 2019 $'m	Group 2018 $'m
Current	229	240
Non-current	66	52
	295	292

17 Balances with related parties

	Note	Group 2019 $'m	Group 2018 $'m	Company 2019 $'m	Company 2018 $'m
Assets					
Non-current					
Subsidiary					
- Interest-bearing loan	(i)	–	–	451	451
Associate					
- Interest-bearing loan	(ii)	73	79	–	–
		73	79	451	451
Current					
Subsidiary					
- Current account		–	–	1	1
Associates					
- Interest-bearing loan	(ii)	3	–	–	–
- Current account		2	5	–	–
Related corporations					
- Current account		18	9	–	–
		23	14	1	1
	14	96	93	452	452
Liabilities					
Current					
Associates					
- Current account		–	3	–	–
Related corporations					
- Current account		22	19	–	–
	23	22	22	–	–

(i) The non-current interest-bearing loan to a subsidiary is unsecured, bear interest at 4.05% and is repayable in December 2025.

(ii) The loans due from associate amounting to $76 million (2018: $79 million) are unsecured and bear interest at LIBOR + 3.00% per annum. An amount of $3 million is classified as current as it is expected to be repaid within the next twelve months. The remaining amount of $73 million is classified as non-current as it is not expected to be repaid within the next twelve months.

All the other amounts due from and to related parties are unsecured, interest-free and repayable on demand.

18 Cash and cash equivalents

	Note	Group 2019 $'m	Group 2018 $'m
Fixed deposits with financial institutions		1,171	1,550
Cash at banks and in hand		478	403
Cash and cash equivalents in the balance sheet	14	1,649	1,953
Cash collateral placed with financial institutions		(25)	(55)
Cash and cash equivalents for purposes of the consolidated cash flow statement		1,624	1,898

As at 31 December 2019, the Group has cash and bank balances totalling the equivalent of $36 million (2018: $14 million) which are held in countries with foreign exchange controls.

Cash and cash equivalents totalling $141 million (2018: $195 million) are held in the Group's various publicly-listed subsidiaries which operate under stock exchange regulations which impose restrictions and conditions on related party transactions, including the transfers of cash and the granting of loans to other subsidiaries in the Group.

Cash collateral placed with financial institutions totalling $25 million (2018: $55 million) are pledged as securities for bank guarantee facilities granted to a subsidiary, and therefore restricted from use in other operations.

19 Share capital – Group and Company

	2019 No. of shares '000	2019 $'m	2018 No. of shares '000	2018 $'m
Issued and fully paid at 1 January and 31 December:				
Ordinary shares	1,467,210	1,805	1,467,210	1,805
Series A redeemable convertible preference shares ("RCPS")	287	287	287	287
Series B RCPS	1	80	1	80
		2,172		2,172

The holders of ordinary shares are entitled to receive dividends as declared from time to time and is entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

The Series A RCPS are redeemable at the option of the Company by way of cash or by way of issuance of ordinary shares or a combination of cash and ordinary shares. The Series B RCPS are redeemable at the option of the Company by way of cash. Dividends are non-cumulative and determined at rates to be fixed by the Company from time to time at its absolute discretion. Series A and Series B RCPS do not carry voting rights. The holders of the RCPS are to receive preferential return of accrued dividends and redemption amount equal to the issue price of the RCPS at the Company's discretion.

20 Reserves

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'m	**$'m**	**$'m**	**$'m**
Capital reserve	9	(24)	–	–
Currency translation reserve	(208)	(188)	–	–
Fair value reserve	(36)	(35)	–	–
Hedging reserve	(21)	(8)	–	–
Goodwill written off	(488)	(488)	–	–
Accumulated profits	1,575	1,813	27	35
	831	1,070	27	35

The capital reserve of the Group arises from bonus issues of shares by a subsidiary, gain arising on other capital transactions with shareholders and the recognition, subsequent measurement of put options issued to non-controlling interests of subsidiaries and Group's share of an associate's capital reserves.

The currency translation reserve of the Group comprises:

(a) foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the functional currency of the Company;

(b) foreign exchange differences arising from the translation of monetary items forming part of the Company's net investment in foreign operations; and

(c) the Company's share of foreign exchange differences arising from the translation of the financial statements of associates and joint ventures whose functional currencies are different from the functional currency of the Company.

The fair value reserve comprises the cumulative net change in the fair value of financial assets designated at FVOCI until the investment is derecognised.

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet affected the income statement.

Goodwill written off comprises goodwill arising prior to 1 January 2001 on the consolidation of subsidiaries.

Dividends

The following tax-exempt (one-tier) dividends were declared and paid by the Group:

	2019 $'m	2018 $'m
Group		
Paid by subsidiaries to non-controlling interests		
Final dividend of $0.04 (2018: $0.04) per share paid in respect of the previous financial year	30	30
Interim dividend of $0.07 (2018: $0.12) per share paid in respect of year ended 31 December	52	92
Final dividend of $0.01 (2018: $0.016) per share paid in respect of year ended 31 December	3	4
Interim dividend of $0.17 (2018: $Nil) per share paid in respect of year ended 31 December	20	–
	105	126

The following tax-exempt (one-tier) dividends were declared/paid by the Company:

	2019 $'m	2018 $'m
Company		
Declared/paid by the Company to owner of the Company		
Interim dividend of $Nil (2018: $1.19) per qualifying ordinary share in respect of the year ended 31 December	–	1,748
Interim dividend of $ Nil (2018: $1.19) per qualifying Series A RCPS in respect of the year ended 31 December	–	*
Interim dividend of $ Nil (2018: $1.19) per qualifying Series B RCPS in respect of the year ended 31 December	–	*
	–	1,748

* *Amount less than $1 million*

21 Perpetual securities

In January 2019, the Company issued subordinated perpetual securities with an aggregate principal amount of $350 million. The perpetual securities do not have a maturity date and are redeemable at the option of the Company from January 2024. Distributions are cumulative at a rate of 5.00% per annum, payable semi-annually, subject to the Company's discretion to defer making distributions. Accordingly, the perpetual securities are presented within equity, with discretionary distributions recognised as equity distributions.

During the year, distributions amounting to $9 million were paid.

22 Non-controlling interests

The following subsidiaries have material non-controlling interests ("NCI").

Name	Principal place of business	Ownership interests held by NCI 2019 %	2018 %
Asia Mobile Holdings and its subsidiaries ("AMH Group")	Singapore	25.0	25.0
TeleChoice and its subsidiaries ("TeleChoice Group")	Singapore	49.5	49.6
U Mobile and its subsidiaries ("U Mobile Group")	Malaysia	51.0	51.0
STT India	India	26.0	26.0
STT Tai Seng	Singapore	–	26.0
2nd Watch	USA	43.8	–

The following table summarises the information relating to each of the Group's subsidiaries that has material NCI, before any intra-group eliminations.

	AMH Group $'m	TeleChoice Group $'m	U Mobile Group $'m	2nd Watch $'m	STT India $'m
31 December 2019					
Revenue	2,331	314	1,017	9	196
Post-tax profit/(loss) from continuing operations	137	5	(31)	(4)	11
Other comprehensive income	(14)	–	1	(1)	(3)
Total comprehensive income	123	5	(30)	(5)	8
Attributable to NCI:					
- Post-tax profit/(loss) from continuing operations	91	2	(16)	(2)	3
- Other comprehensive income	(4)	–	–	–	(1)
- **Total comprehensive income**	87	2	(16)	(2)	2
Non-current assets	3,300	29	1,724	40	627
Current assets	1,140	131	254	64	67
Non-current liabilities	(1,904)	(8)	(1,630)	(13)	(440)
Current liabilities	(1,194)	(81)	(758)	(46)	(134)
Net assets/(liabilities)	1,342	71	(410)	45	120
Net assets/(liabilities) attributable to NCI	925	35	(209)	20	31

31 December 2019	**AMH Group $'m**	**TeleChoice Group $'m**	**U Mobile Group $'m**	**2nd Watch $'m**	**STT India $'m**
Cash flows from operating activities	432	6	171	(2)	76
Cash flows from investing activities	(215)	(1)	(215)	–	(120)
Cash flows from financing activities (dividends to NCI: $105m)	(270)	(10)	1	4	65
Net (decrease)/increase in cash and cash equivalents	(53)	(5)	(43)	2	21

31 December 2018	**AMH Group (Restated) $'m**	**TeleChoice Group $'m**	**U Mobile Group $'m**	**Tai Seng $'m**	**STT India $'m**
Revenue	2,363	491	932	59	181
Post-tax profit/(loss) from continuing operations	164	4	(166)	(123)	14
Other comprehensive income	(21)	(1)	8	–	(7)
Total comprehensive income	143	3	(158)	(123)	7
Attributable to NCI:					
- Post-tax profit/(loss) from continuing operations	107	2	(85)	(32)	4
- Other comprehensive income	(10)	–	4	–	(2)
- **Total comprehensive income**	97	2	(81)	(32)	2
Non-current assets	3,236	18	1,090	123	306
Current assets	1,134	136	324	36	51
Non-current liabilities	(2,084)	–	(1,067)	(53)	(174)
Current liabilities	(908)	(83)	(725)	(42)	(61)
Net assets/(liabilities)	1,378	71	(378)	64	122
Net assets/(liabilities) attributable to NCI	951	35	(193)	17	32
Cash flows from operating activities	407	(10)	76	37	55
Cash flows from investing activities	(329)	(1)	(91)	(43)	(56)
Cash flows from financing activities (dividends to NCI: $126m)	(149)	(4)	87	22	8
Net (decrease)/increase in cash and cash equivalents	(71)	(15)	72	16	7

Acquisition of non-controlling interest in STT Tai Seng

In June 2019, the Group acquired the remaining 26% equity interest in STT Tai Seng, increasing its ownership from 74% to 100%. The carrying amount of STT Tai Seng's net assets in the Group's consolidated financial statements on the date of the acquisition was $69 million.

	$'m
Carrying amount of NCI acquired	18
Consideration paid including transaction cost	14
Increase in equity attributable to owners of the Company	4

23 Financial liabilities at amortised cost

		Group		**Company**	
	Note	**2019**	**2018 (Restated)**	**2019**	**2018**
		$'m	**$'m**	**$'m**	**$'m**
Trade payables		298	256	–	–
Balances with related parties	17	22	22	–	–
Bank and other borrowings	24	5,318	3,671	451	451
Other non-current liabilities	27	443	419	–	–
Other payables and accruals	28	1,123	1,147	1	1
		7,204	5,515	452	452

24 Bank and other borrowings

		Group		**Company**	
	Note	**2019**	**2018**	**2019**	**2018**
		$'m	**$'m**	**$'m**	**$'m**
Bank loans		2,881	2,483	–	–
Medium term notes		1,194	971	451	451
Lease liabilities		1,222	197	–	–
Others		21	20	–	–
	23	5,318	3,671	451	451

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'m	**$'m**	**$'m**	**$'m**
Current:				
Secured borrowings	163	13	–	–
Unsecured borrowings	490	102	–	–
Lease liabilities	222	1	–	–
	875	116	–	–
Non-current:				
Secured borrowings	1,229	976	–	–
Unsecured borrowings	2,214	2,383	451	451
Lease liabilities	1,000	196	–	–
	4,443	3,555	451	451
	5,318	3,671	451	451

The secured bank loans are secured over certain property, plant and equipment with carrying amount of $1,697 million (2018: $1,591 million), cash and cash equivalents of $164 million (2018: $73 million), trade and other receivables of $190 million (2018: $182 million), right-of-use assets with carrying amounts of $43 million (2018: $Nil) and the shares of certain subsidiaries.

Medium term notes

Issued by StarHub

StarHub has established a multicurrency medium term note programme with a maximum aggregate principal amount of $1,000 million in September 2011. In September 2012, StarHub issued $220 million 10-year medium term notes which bear interest rate of 3.08% per annum and is repayable in September 2022.

In June 2016, StarHub issued additional $300 million 10-year medium term notes which bear interest of 3.55% per annum and is repayable in June 2026.

Issued by the Company

In December 2015, the Company issued a $300 million 10-year multicurrency medium term note which bears an interest rate of 4.05% per annum and is repayable in December 2025. In January 2016, the Company issued an additional $150 million medium term note with the same interest rate and repayment date.

Issued by STT GDC

STT GDC established a multicurrency debt issuance programme with a maximum aggregate principal amount of $1,500 million in September 2019.

In September 2019, STT GDC issued $225 million 5-year medium term notes which bear interest at a rate of 3.59% per annum and are repayable in September 2024.

Lease liabilities (2018: Finance lease liabilities)

The Group leases land, buildings and network equipment.

Amounts recognised in income	**Group $'m**
2019 – Lease under SFRS(I) 16	
Expenses relating to short-term leases	(13)
Expenses relating to leases of low-value assets	(3)
2018 – Operating lease under SFRS(I) 1-17	
Lease expense	(295)

Extension options

Some property leases contain extension options exercisable by the Group before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

In prior year, finance lease liabilities are payable as follows:

	Present value of minimum lease payments $'m	**Interest $'m**	**Future minimum lease payments $'m**
2018			
Group			
Within 1 year	1	10	11
After 1 year but within 5 years	24	40	64
After 5 years	172	76	248
	197	126	323

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

	Group				
	Spectrum licence liability $'m	**Loans and borrowings $'m**	**Accrued interest payable $'m**	**Finance lease liabilities $'m**	**Total $'m**
At 1 January 2018	143	3,136	8	110	3,397
Acquisition through business combinations	–	1	–	–	1
Changes from financing cash flows					
Proceeds from borrowings	–	421	–	–	421
Repayment of borrowings	–	(72)	–	–	(72)
Finance lease paid	–	–	–	(6)	(6)
Spectrum liability paid	(5)	–	–	–	(5)
Interest paid	–	(80)	(84)	–	(164)
Total changes from financing cash flows	(5)	269	(84)	(6)	174
Effect of changes in foreign exchange rates	(1)	(21)	(3)	(3)	(28)
New finance leases	–	–	–	91	91
Other liability-related changes					
Capitalised borrowing costs	–	4	9	–	13
Interest expense	–	85	78	5	168
Total liability-related other changes	–	89	87	5	181
At 31 December 2018	137	3,474	8	197	3,816

	Group				
	Spectrum licence liability	**Loans and borrowings**	**Accrued interest payable**	**Lease liabilities (Restated)***	**Total**
	$'m	**$'m**	**$'m**	**$'m**	**$'m**
At 1 January 2019	137	3,474	8	1,060	4,679
Acquisition through business combinations	–	11	–	–	11
Changes from financing cash flows					
Proceeds from borrowings	–	925	–	–	925
Repayment of borrowings	–	(314)	–	–	(314)
Lease paid	–	–	–	(176)	(176)
Spectrum liability paid	(6)	–	–	–	(6)
Interest paid	–	(85)	(104)	(68)	(257)
Total changes from financing cash flows	(6)	526	(104)	(244)	172
Effect of changes in foreign exchange rates	(1)	–	(3)	(2)	(6)
New leases	–	–	–	340	340
Other liability-related changes					
Capitalised borrowing costs	–	–	10	5	15
Interest expense	–	85	102	63	250
Total liability-related other changes	–	85	112	68	265
At 31 December 2019	130	4,096	13	1,222	5,461

*See note 44.

25 Deferred grants

	Group	
	2019	**2018**
	$'m	**$'m**
At 1 January	1	2
Amount accreted to income statement	(1)	(1)
At 31 December	–	1

The deferred grants are government grants received. The assets-related grants are recognised over the estimated useful lives of the related assets. The income-related grants are recognised on a systematic basis over the periods to match the related cost.

26 Derivative liabilities

	Note	Group 2019 $'m	Group 2018 $'m
Non-current			
- Interest rate swaps	27	27	12
Current			
- Interest rate swaps		2	1
- Forward exchange contracts		4	1
	28	6	2

27 Other non-current liabilities

	Note	Group 2019 $'m	Group 2018 $'m
Spectrum licence liability		124	131
Deferred payment creditor		292	285
Others		27	3
	23	443	419
Derivative liabilities	26	27	12
Contingent consideration	(i)	32	8
Put option liabilities		–	40
Provision for restoration cost	(ii)	82	38
Other deferred income		7	–
Cash-settled equity compensation benefits		20	14
Other long-term employee benefits		78	48
		689	579

(i) The contingent consideration relates to the additional consideration of RM25 million which the Group, through Straits Mobile, has agreed to pay the selling shareholder, U Telemedia Sdn Bhd, upon the achievement of certain performance targets by its subsidiary, U Mobile. The acquisition date fair value of the contingent consideration amounted to $8 million. At 31 December 2019, the fair value of the contingent consideration amounted to $8 million (2018: $8 million), based on a discount rate of 6.51% (2018: 7.00%).

During the year, the addition of $24 million relates to an earn-out consideration of up to a maximum amount of $27 million which the Group, through StarHub, has agreed to pay to the founding shareholders of D'Crypt Pte. Ltd. (see note 40(ii)). The fair value of the contingent consideration amounted to $24 million at acquisition date and 31 December 2019.

(ii) The provision for restoration cost was recognised for site decommissioning and restoration to its original condition upon termination of the Group's leases. The estimates are reassessed on a yearly basis.

The change in provision for restoration cost during the year is as follows:

	Group	
	2019	**2018**
	$'m	**$'m**
At 1 January	38	31
Capitalised as property, plant and equipment and right-of-use assets	47	6
Translation adjustment	(5)	–
Unwinding of discount	2	1
At 31 December	82	38

28 Other payables, accruals and provisions

		Group		Company	
	Note	**2019**	**2018**	**2019**	**2018**
		$'m	**$'m**	**$'m**	**$'m**
Accruals and other payables		750	774	1	1
Spectrum licence liability		6	6	–	–
Property, plant and equipment vendors		367	367	–	–
	23	1,123	1,147	1	1
Deferred grants	25	–	1	–	–
Derivative liabilities	26	6	2	–	–
Put option liability		–	16	–	–
Unearned revenue		5	–	–	–
Other long-term employee benefits		38	24	–	–
Cash-settled equity compensation benefits		76	35	–	–
		1,248	1,225	1	1

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

29 Revenue

Transaction price allocated to the remaining performance obligations

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

	Within 1 year $'m	2 to 5 years $'m	After 5 years $'m	Total $'m
2019				
Mobile	163	50	–	213
Pay TV	86	28	–	114
Broadband	111	29	–	140
Enterprise fixed revenue	222	156	–	378
Data centre co-location services	393	1,145	1,085	2,623
Maintenance and installation services	2	4	–	6
Total	977	1,412	1,085	3,474
2018				
Mobile	200	66	–	266
Pay TV	50	21	–	71
Broadband	80	27	–	107
Enterprise fixed revenue	179	97	20	296
Data centre co-location services	287	775	464	1,526
Maintenance and installation services	4	4	–	8
Total	800	990	484	2,274

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

The Group applies the practical expedient prescribed in paragraph 121 of SFRS(I) 15 and does not disclose information about its remaining performance obligation if:
- the performance obligation is part of a contract that has an original expected duration of one year or less; or
- the Group has a right to invoice a customer in an amount that corresponds directly with its performance to date, then it recognises revenue in that amount.

In addition, amounts that are not contractually committed are excluded.

30 Profit from operations

The following items have been included in arriving at profit from operations:

	Group	
	2019	2018
	$'m	$'m
Contributions to defined contribution plans	(43)	(40)
Value of employee services received for issue of equity based compensation	(4)	(1)
Income related grants	2	1

31 Key management personnel compensation

The details of key management personnel compensation are as follows:

	Group	
	2019	2018
	$'m	$'m
Post-employment benefits	1	1
Short-term employee benefits	41	47
Equity compensation benefits	28	14
Other long-term employee benefits	23	5
	93	67

32 Finance costs

	Group		Company	
	2019	2018	2019	2018
	$'m	$'m	$'m	$'m
Interest expense:				
- bank loans	106	75	–	–
- medium term notes	38	36	18	18
- interest rate swaps	1	4	–	–
- lease liabilities	63	–	–	–
- others	44	53	–	–
	252	168	18	18

33 Finance income

	Group		Company	
	2019	2018	2019	2018
	$'m	$'m	$'m	$'m
Interest income:				
- associates	4	4	–	–
- subsidiary	–	–	18	18
- bank deposits	36	40	–	–
- financial assets	2	7	–	–
	42	51	18	18

34 Other expenses

	Note	Group	
		2019	2018
		$'m	$'m
Exchange (loss)/gain, net		(6)	(9)
Fair value loss on fair value through profit or loss financial assets		(59)	(46)
Write-off of property, plant and equipment		–	(1)
Impairment loss on goodwill	5	–	(123)
Loss on disposal of associate		(2)	–
Miscellaneous income		1	10
		(66)	(169)

35 Tax expense

Tax recognised in income statement

	Note	Group		Company	
		2019	2018	2019	2018
		$'m	$'m	$'m	$'m
Current tax expense					
Current year		59	73	–	–
(Over)/Under provision in prior years		(8)	1	–	–
		51	74	–	–
Deferred tax (income)/expense					
Current year		(6)	(15)	–	–
Under/(over) provision in prior years		8	(2)	–	–
Recognition of previously unrecognised deferred tax asset		(43)	–	–	–
Effect of changes in tax rates of other countries		(5)	–	–	–
	11	(46)	(17)	–	–
		5	57	–	–

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'m	**$'m**	**$'m**	**$'m**
Reconciliation of effective tax rate				
(Loss)/profit before taxation	(135)	(272)	9	1,748
Share of results of associates and joint ventures, net of tax	62	39	–	–
	(73)	(233)	9	1,748
Income tax using Singapore tax rate of 17% (2018: 17%)	(12)	(40)	2	297
Effect of different tax rates in other countries	(4)	(7)	–	–
Effect of changes in tax rates of other countries	(5)	–	–	–
Income not subject to tax	–	(6)	(2)	(297)
Non-deductible expenses	59	84	–	–
Tax losses and other deductible temporary differences not recognised	5	32	–	–
Recognition of tax effect of previously unrecognised deferred tax assets	(43)	(7)	–	–
Over provision in prior years, net	–	(1)	–	–
Others	5	2	–	–
	5	57	–	–

At each reporting date, the Group makes certain estimates and assumptions to compute the provision for income taxes including allocations of certain transactions to different tax jurisdictions, amounts of permanent and temporary differences, the likelihood of deferred tax assets being recovered and the outcome of contingent tax risks. These estimates and assumptions are revised as new events occur, more experience is acquired and additional information is obtained. The impact of these revisions is recorded in income tax expense in the period in which they become known.

Tax recognised in other comprehensive income

	2019 Before tax $'m	2019 Tax expense $'m	2019 Net of tax $'m	2018 Before tax $'m	2018 Tax expense $'m	2018 Net of tax $'m
Group						
Translation differences relating to:						
- financial statements of foreign operations	–	–	–	(88)	–	(88)
- monetary items forming part of net investments in foreign operations	(1)	–	(1)	(5)	–	(5)
Effective portion of changes in fair value of cash flow hedges	(18)	–	(18)	5	(2)	3
Net change in fair value of financial assets at FVOCI	(2)	–	(2)	72	–	72
Share of other comprehensive income of associates and joint ventures	(10)	–	(10)	(11)	–	(11)
Realisation of reserves upon disposal of foreign operations	–	–	–	32	–	32
	(31)	–	(31)	5	(2)	3

36 Employee benefits

STTC

STTC's Executive Resource and Compensation Committee ("STTC ERCC") approved the following long-term incentive plans:

(a) Other long-term employee benefits

(i) Value-Sharing Incentive Plan ("VSIP")

A VSIP incentive pool is created based principally on a modified Wealth Added ("WA") concept and framework. WA is a risk adjusted performance measure that establishes whether shareholders earned a return that exceeds a cost of equity on the value of shareholders' funds.

The VSIP incentive pool is allocated individually or on a group basis depending on the corporate grades of the employees. Each year, a portion of the allocated VSIP incentive, together with a portion of cumulative unpaid VSIP incentive carried forward from the previous year, will be paid out in cash, if the aggregate balance is positive. The remaining balance of the unpaid allocated incentives will be carried forward to be aggregated with future VSIP allocations. To facilitate its introduction in 2005, the initial payout portions were 50% in the first year, 40% in the second year and 1/3 thereafter, or such other percentages as approved by STTC ERCC.

(ii) Restricted Share Units Plan ("RSUP")

RSUP units are granted annually, and vest over 3 years. At the first anniversary of the grant, a "final value" will determined for each unit of the respective grant based on $1.00 adjusted by an achievement factor of between 0 to 1.5 times. The achievement factor is based on the actual operating performance of STTC's significant investments against budget. The final value will be payable in cash to the employee equally over 3 years.

(b) Equity compensation benefits

(i) Performance Share Units Plan ("PSUP")

A base number of PSUP units is granted to key management employees each year. Each annual grant will be subjected to performance conditions to be met over 3 years.

The release of the actual number of PSUP units under each grant will be determined based on the extent to which performance conditions are met. This number can vary between 0% to 200% of each base grant and will be paid in cash based on the initial unit value multiplied by the total compounded shareholders' return of STTC's portfolio of significant investments at the end of year 3.

The fair value of services received in return for PSUP units granted are measured by reference to the fair value of PSUP units granted. The estimate of the fair value of the services received is measured based on a predictive performance model.

(ii) Share Appreciation Units Plan ("SAUP")

SAUP units are granted annually. Each grant vests over 4 years and is exercisable up to 7 years from the start date of each grant during two exercise window periods provided each year.

The initial price for each grant is set at $1.00 per SAUP unit. At each exercise window period, a "final value" will be determined for each unit of the respective grant based on $1.00 adjusted by the compounded portfolio shareholders' return percentage relative to the initial unit price at the start date of each grant. For any vested SAUP unit exercised, the difference between the determined "final value" for each grant and the initial $1.00 value of each SAUP unit will be payable in cash to the employee.

The fair value of services received in return for SAUPs granted are measured by reference to the fair value of SAUPs granted. The estimate of the fair value of the services received is measured based on a Black-Scholes model. The key assumptions applied in the estimate of fair values are as follows:

Year of grant	**2014**	**2015**	**2016**
Fair value at 31 December 2019	$1.31	$0.95	$0.91
Portfolio expected volatility	13.01%	13.01%	13.01%
Expected remaining life	1	2	3
Risk-free interest rate	1.55%	1.51%	1.53%

Year of grant	**2013**	**2014**	**2015**	**2016**
Fair value at 31 December 2018	$1.07	$0.72	$0.47	$0.45
Portfolio expected volatility	15.56%	15.56%	15.56%	15.56%
Expected remaining life	1	2	3	4
Risk-free interest rate	1.88%	1.87%	1.87%	1.88%

(iii) Restricted Share Units Plan for non-executive directors ("RSUP-NED")

The RSUP-NED units are granted to non-executive directors ("NEDs") each year as part of their director's fees. Each grant is subject to the retention condition of the grant, and is exercisable during the annual two-week exercise period. The retention condition requires 50% of the vested units of each grant to be retained by the NED up to the earlier of 4 years from the start date of each grant or one year after he ceases to be a non-executive director.

The initial price for each grant is set at $1.00 per RSUP-NED unit. During each exercise period, a "final value" will be determined for each unit of the respective grant based on $1.00 adjusted by the compounded portfolio shareholders' return relative to the initial unit price at the start date of each grant up to the valuation date. For any vested RSUP-NED unit exercised, its "final value" will be payable in cash to the non-executive director.

StarHub

StarHub Performance Share Plans

StarHub PSP 2014

Under the StarHub PSP 2014, conditional awards of shares are granted. Awards represent the right of a participant to receive fully paid shares, their equivalent cash value or combinations thereof, free of charge, upon the participant achieving prescribed performance targets set based on medium-term corporate objectives. Awards are released once StarHub ERCC is satisfied that the prescribed performance targets have been achieved. There are no vesting periods beyond the performance achievement periods.

The movements of the number of shares under the StarHub PSP 2014, the fair values of the grant at measurement date and the assumptions of the fair value model for the grants are as follows:

2019 **Date of grant**	**Balance outstanding at 1.1.2019** **'000**	**Number of performance shares granted** **'000**	**Number of performance shares forfeited** **'000**	**Balance outstanding at 31.12.2019** **'000**
22.03.2016	486	–	(486)	–
06.04.2017	727	–	(38)	689
28.03.2018	471	–	(76)	395
01.10.2019	–	2,030	–	2,030
Total	1,684	2,030	(600)	3,114

2018 Date of grant	**Balance outstanding at 1.1.2018 ’000**	**Number of performance shares granted ’000**	**Number of performance shares forfeited ’000**	**Balance outstanding at 31.12.2018 ’000**
16.03.2015	516	–	(516)	–
22.03.2016	594	–	(108)	486
06.04.2017	1,135	–	(408)	727
28.03.2018	–	498	(27)	471
Total	2,245	498	(1,059)	1,684

The fair value of the shares is estimated using a Monte-Carlo simulation methodology at the measurement dates, which are grant dates of the share awards.

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

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

StarHub RSP 2014

Under the StarHub RSP 2014, awards granted vest only after the satisfactory completion of time-based service conditions (time-based restricted awards) or where the award is performance-related after a further period of service beyond the performance targets completion date (performance-based restricted awards).

During the year, conditional grants of 3,252,800 (2018: 2,373,200) shares under the StarHub RSP 2014 were made to non-executive directors and key employees of StarHub. These represent the number of shares to be delivered when performance targets at “on-target” level are achieved, or as the case may be when the time-based service conditions are completed.

During the year, 304,300 (2018: 204,400) shares under the StarHub RSP 2014 were vested and delivered to certain non-executive directors of StarHub as part of their non-executive directors’ remuneration, without any performance or vesting conditions attached.

The movements of the number of shares under the StarHub Restricted Stock Plans, the fair values of the grant at measurement date and the assumptions of the fair value model for the grants are as follows:

2019 Date of grant	**Balance outstanding at 1.1.2019 ’000**	**Number of restricted shares granted ’000**	**Number of restricted shares vested ’000**	**Number of restricted shares forfeited ’000**	**Not delivered (below performance target) ’000**	**Balance outstanding at 31.12.2019 ’000**
06.04.2017	1,255	–	(561)	(259)	–	435
28.03.2018	1,839	–	(872)	(155)	–	812
07.09.2018	119	–	(119)	–	–	–
14.06.2019	–	304	(304)	–	–	–
03.07.2019	–	2,342	–	(71)	–	2,271
01.10.2019	–	607	–	–	–	607
Total	3,213	3,253	(1,856)	(485)	–	4,125

2018 Date of grant	**Balance outstanding at 1.1.2018 ’000**	**Number of restricted shares granted ’000**	**Number of restricted shares vested ’000**	**Number of restricted shares forfeited ’000**	**Not delivered (below performance target) ’000**	**Balance outstanding at 31.12.2018 ’000**
22.03.2016	2,095	–	–	(117)	(1,978)	–
20.05.2016	27	–	–	–	(27)	–
15.03.2017	282	–	(272)	(10)	–	–
06.04.2017	2,614	–	(1,159)	(200)	–	1,255
28.03.2018	–	2,050	–	(211)	–	1,839
08.06.2018	–	204	(204)	–	–	–
07.09.2018	–	119	–	–	–	119
Total	5,018	2,373	(1,635)	(538)	(2,005)	3,213

The fair value of the share awards is estimated using a Monte-Carlo simulation methodology at the measurement dates, which are grant dates of the share awards.

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

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

TeleChoice

TeleChoice Restricted Share Plan and Performance Share Plan

The TeleChoice Restricted Share Plan (the "TeleChoice RSP") (as amended) and TeleChoice Performance Share Plan (the "TeleChoice PSP") (as amended) (collectively referred to as the "TeleChoice Plans"), were approved and adopted by TeleChoice's members at an Extraordinary General Meeting of TeleChoice held on 27 April 2007 and certain amendments to the TeleChoice RSP and TeleChoice PSP were approved and adopted by the members at the Annual General Meeting of TeleChoice held on 26 April 2018.

Information regarding the TeleChoice Plans is set out below:

(i) The TeleChoice Plans were established with the objective of motivating senior executives to strive for superior performance and sustaining long-term growth for TeleChoice.

(ii) The TeleChoice Plans are administered by TeleChoice's Remuneration Committee comprising three directors, namely Bertie Cheng, Ronald Seah Lim Siang and Stephen Geoffrey Miller (the "TeleChoice RC").

(iii) The following persons (collectively referred to as the "Eligible Persons") shall be eligible to participate in the TeleChoice Plans at the absolute discretion of the TeleChoice RC:

a) employees and non-executive directors of TeleChoice and/or any of its subsidiaries;

b) employees and non-executive directors of STTC and its subsidiaries, who may be seconded to render services and contribute to the success of the TeleChoice Group; and

c) employees of associated companies of TeleChoice.

(iv) Controlling shareholders and associates of controlling shareholders of TeleChoice will not be eligible to participate in the TeleChoice Plans.

(v) Under the TeleChoice PSP (as amended), conditional awards of shares are granted. Awards represent the right of a participant to receive fully paid shares upon the participant achieving certain pre-determined performance targets which are set based on corporate objectives aimed at sustaining longer-term growth. After the awards vest, the shares comprised in the awards are issued at the end of the performance and/or service period once the TeleChoice RC is, at its sole discretion, satisfied that the prescribed performance targets have been achieved.

The actual number of shares given will depend on the level of achievement of the prescribed performance targets over the performance period, currently prescribed to be a three-year period. No shares will be delivered if the threshold performance targets are not achieved, while up to 1.5 times the number of shares that are the subject of the award will be delivered if the stretched performance targets are met or exceeded.

(vi) Under the TeleChoice RSP (as amended), conditional awards vest over a three-year period, once the TeleChoice RC is, at its sole discretion, satisfied that the performance and extended service conditions are attained. For the 2016 TeleChoice RSP grants, the total number of shares to be awarded depends on the level of attainment of the corporate performance targets. No shares will be delivered if the threshold performance targets are not achieved, while up to 1.3 times the number of shares that are the subject of the award will be delivered if the stretched performance targets are met or exceeded. For the TeleChoice RSP grants for 2017 onwards, the total number of shares to be awarded depends on the level of attainment of the individual performance targets.

(vii) The vesting period of the shares granted under the TeleChoice Plans is between one to three years.

(viii) As at 31 December 2019, the initial awards of 12,875,890 (2018: 11,627,890) shares under the TeleChoice PSP and the initial awards of 29,919,920 (2018: 26,317,920) shares under the TeleChoice RSP were made to Eligible Persons. As at 31 December 2019, awards of 3,660,000 (2018: 3,400,000) shares under the TeleChoice PSP and 5,649,545 (2018: 4,643,885) shares under the TeleChoice RSP were outstanding.

The key assumptions applied in estimating the fair values under the TeleChoice PSP are as follows:

Date of grant of shares	**3 June 2019**	**1 June 2018**	**1 June 2017**	**1 June 2016**
Fair value at grant date	$0.138	$0.160	$0.112	$0.175
Assumptions under Monte-Carlo Model Expected Volatility				
TeleChoice International Limited	10.44%	13.75%	15.89%	16.02%
Straits Times Index	N/A	N/A	N/A	11.85%
Risk-free interest rates	1.89%	2.05%	1.31%	1.77%

The key assumptions applied in estimating the fair values under TeleChoice RSP are as follows:

Date of grant of shares	**3 June 2019**	**1 June 2018**	**1 June 2017**	**1 June 2016**
Fair value at grant date:				
For RSP vested 12 months from grant date	$0.212	N/A	N/A	N/A
For RSP vested 24 months from grant date	$0.203	$0.240	$0.245	$0.220
For RSP vested 36 months from grant date	$0.194	$0.225	$0.231	$0.205
For RSP vested 48 months from grant date	N/A	$0.211	$0.219	$0.190
Assumptions under Monte-Carlo Model Expected Volatility				
TeleChoice International Limited	10.44%	13.75%	15.89%	16.02%
Risk-free interest rates				
Singapore 1-year Government Bond yield	1.84%	1.71%	1.07%	N/A
Singapore 2-year Government Bond yield	1.87%	1.93%	1.21%	1.09%
Singapore 3-year Government Bond yield	1.89%	2.05%	1.31%	1.28%
Singapore 4-year Government Bond yield	N/A	N/A	N/A	1.50%

The fair value of the shares is estimated using the Monte-Carlo simulation methodology at the measurement dates, which are grant dates of these share awards. The accrual for the share expenses under the Plans has been estimated on the basis that TeleChoice Group will be on target in respect of the performance conditions.

STT GDC

STT GDC other long-term employee benefits

(i) Value-Sharing Incentive Plan ("VSIP")

The STT GDC's Remuneration Committee ("STT GDC RC") approved the VSIP with effective commencement date of 1 January 2016.

A VSIP incentive pool is created based principally on a modified Wealth Added ("WA") concept and framework. WA is a risk adjusted performance measure that establishes whether shareholders earned a return that exceeds the current year cost of equity on the market value of listed investments and the original investment value of unlisted investments accumulated with the historical cost of equity from the date of investment to the beginning of the current year.

The VSIP incentive pool is allocated individually to participants of the scheme. Each year, a portion of the allocated VSIP incentive, together with a portion of cumulative unpaid VSIP incentive carried forward from the previous year, will be paid out in cash, if the aggregate balance is positive. The remaining balance of the unpaid allocated incentives will be carried forward to be aggregated with future VSIP allocations. The steady state payout portions will be 33% each year, or such other percentages as approved by the STT GDC RC.

(ii) Defined benefit obligation

One of the subsidiaries under STT GDC Group has a gratuity plan which provides for lump sum payments to vested employees at retirement, death while in employment or on termination of employment of an amount equivalent to 15 days salary for each completed year of service or part thereof in excess of six months. Vesting occurs upon completion of five years of service. The cost of providing this benefit is determined using the Project Unit Credit method, with actuarial valuations being carried out at each reporting date.

Cash-settled share-based compensation benefits

STT GDC Long Term Incentive Plans

The STT GDC RC approved the following long-term incentive plans with effective commencement date of 1 January 2016:

(i) Investee Performance Units Plan ("IPUP")

A base number of IPUP units is granted to key management employees each year. Each annual grant will be subjected to performance conditions to be met over 3-5 years.

The release of the actual number of IPUP units under each grant will be determined based on the extent to which performance conditions are met. This number can vary between 0% to 150% of each base grant and will be paid in cash based on the initial unit value multiplied by the total compounded shareholders' return of STT GDC's portfolio of significant investments at the end of the performance period which can range from 3-5 years.

The fair value of services received in return for IPUP units granted are measured by reference to the fair value of IPUP units granted. The estimate of the fair value of the services received is measured based on a Monte Carlo simulation methodology model.

The key assumptions applied in the estimate of fair values are as follows:

Year of grant	**2019**	**2018**	**2017**
Fair value at 31 December 2019	$1.78	$2.79	$4.43
Portfolio cost of equity	9.31%	9.31%	9.31%
Portfolio expected volatility	25.30%	25.30%	25.30%
Risk-free interest rate	1.53%	1.53%	1.53%

Year of grant	**2018**	**2017**	**2016**
Fair value at 31 December 2018	$1.08	$2.23	$3.00
Portfolio cost of equity	7.31%	7.31%	7.31%
Portfolio expected volatility	24.75%	24.75%	24.75%
Risk-free interest rate	1.88%	1.88%	1.88%

(ii) Investee Appreciation Units Plan ("IAUP")

IAUP units are granted annually. Each grant vests over 4 years and is exercisable up to 7 years from the start date of each grant during two exercise window periods provided each year.

The initial price for each grant is set at $1.00 per IAUP unit. At each exercise window period, a "final value" will be determined for each unit of the respective grant based on $1.00 adjusted by the compounded portfolio shareholders' return percentage relative to the initial unit price at the start date of each grant. For any vested IAUP unit exercised, the difference between the determined "final value" for each grant and the initial $1.00 value of each IAUP unit will be payable in cash to the employee.

The fair value of services received in return for IAUPs granted are measured by reference to the fair value of IAUPs granted. The estimate of the fair value of the services received is measured based on a Black-Scholes model. The key assumptions applied in the estimate of fair values are as follows:

Year of grant	**2019**	**2018**	**2017**	**2016**
Fair value at 31 December 2019	$0.88	$1.00	$2.01	$2.47
Portfolio expected volatility	25.30%	25.30%	25.30%	25.30%
Expected remaining life	6	5	4	3
Risk-free interest rate	1.60%	1.56%	1.56%	1.53%

Year of grant	**2018**	**2017**	**2016**
Fair value at 31 December 2018	$0.36	$0.86	$1.09
Portfolio expected volatility	24.75%	24.75%	24.75%
Expected remaining life	6	5	4
Risk-free interest rate	1.95%	1.92%	1.89%

(iii) Restricted Share Units Plan ("RSUP")

The RSUP units are granted to non-executive directors ("NEDs") each year as part of their director's fees. Each grant is subject to the retention condition of the grant, and is exercisable during the annual two-week exercise period. The retention condition requires 50% of the units of each grant to be retained by the NED up to the earlier of 4 years from the start date of each grant or one year after he ceases to be a NED.

The initial price for each grant is set at $1.00 per RSUP unit. During each exercise period, a "final value" will be determined for each unit of the respective grant based on $1.00 adjusted by the compounded portfolio shareholders' return relative to the initial unit price at the start date of each grant up to the valuation date. For any RSUP unit exercised, its "final value" will be payable in cash to the NED.

Virtus Long Term Incentive Plan

The shareholders of Virtus approved the following long-term incentive plans ("LTIP") with an effective commencement date of 2 February 2017.

(i) Executive Management Scheme ("EMS") applicable to key management employees

(ii) Key Employees Scheme ("KES") applicable to employees

The LTIP is designed to provide long-term incentives for employees at all levels to deliver long-term shareholder returns. Under the plan, participants are granted cash-settled units each year, the value of which is tied to the fair value of Virtus based on the underlying equity value of Virtus ("the initial share price"). The amount of cash payment is determined based on the increase in the fair value of Virtus's share between the grant date ("the initial share price") and the exercise date. Each grant vests over 4 years and is exercisable up to 7 years from the start date of each grant.

The fair value of services received in return for LTIP granted are measured by reference to the fair value of LTIP granted. The estimate of the fair value of the services received is measured based on the Black Scholes Model. The key assumptions applied in the estimate of fair values for EMS and KES are as follows:

Year of grant	**2019**	**2018**	**2017**
Fair value at 31 December 2019	$2.03	$2.11	$2.38 - $3.36
Initial share prices	$4.44	$3.93	$1.76 - $3.17
Portfolio expected volatility	36.57%	36.57%	36.57%
Expected remaining life	6	5	3 - 4
Risk-free interest rate	0.59%	0.58%	0.58%

Year of grant	**2018**	**2017**
Fair value at 31 December 2018	$1.67	$1.90 - $2.76
Initial share prices	$4.02	$1.78 - $3.20
Portfolio expected volatility	33.71%	33.71%
Expected remaining life	6	4 - 5
Risk-free interest rate	0.97%	0.92%

STT India Long Term Incentive Plan

In August 2017, the STT India Remuneration Committee approved the Appreciation Unit Plan ("AUP") for STT India's employees. The AUP units are granted annually. Each grant is divided into four tranches of 25% and each tranche can be encashed upon meeting stated encashment conditions during two exercise window periods provided each year. The contractual life is 7 years.

The initial value for each grant is set at INR100 per AUP unit. At each exercise window period, a "final value" will be determined for each unit of the respective grant based on INR100 adjusted by the compounded shareholders' return percentage relative to the initial unit price at the start date of the grant. For any AUP unit exercised, the difference between the determined "final value" for each grant and the initial unit price will be payable in cash to the employee.
The estimate of the fair value of the services received is measured based on a Black-Scholes model. The key assumptions applied in the estimate of the fair values are as follows:

Year of grant	**2019**	**2018**	**2017**
Fair value at 31 December 2019	$1.14	$1.42	$1.77
Portfolio expected volatility	29.28%	29.28%	29.28%
Expected remaining life	6.25	5.25	4.25
Risk-free interest rate	6.85%	6.72%	6.56%

Year of grant	**2018**	**2017**
Fair value at 31 December 2018	$1.27	$1.58
Portfolio expected volatility	29.08%	29.08%
Expected remaining life	6.25	5.25
Risk-free interest rate	7.36%	7.30%

37 Significant related party transactions

In addition to the transactions disclosed elsewhere in the financial statements, there were the following significant related party transactions during the financial year:

	Group	
	2019	**2018**
	$'m	**$'m**
Related corporations		
Purchase of property, plant and equipment	(1)	(1)
Rental expenses	(13)	(57)
Revenue	67	58
Service expenses	(58)	(53)

38 Financial risk management

Wholly-owned operating subsidiaries adopt the Company's financial risk management framework and guidelines; non-wholly-owned operating subsidiaries will be supervised by their respective boards, being subject to the legal and statutory governance required of the entities. Financial risk management at the operating companies that are not subsidiaries are reviewed and managed by their respective management and supervised by the respective Boards.

The Company has board representations in the operating companies. Management of each operating company is responsible and accountable for the risk management processes of its company. The financial risk management disclosures relating to the Company and certain significant operating companies as extracted from the financial risk management section in their respective financial statements are disclosed below.

(a) The Company, STTC and Asia Mobile Holdings Pte. Ltd. (the "holding companies")

Financial risk management objectives and policies

The Company (including its wholly-owned investment holding subsidiaries ("STT entities")), STTC and Asia Mobile Holdings have principal activities of that of an investment holding company that owns and manages its operating subsidiaries and affiliates on an arm's length and commercial basis. In general, the holding companies do not guarantee the financial obligations of their operating companies.

The holding companies have risk guidelines for approval authorities, reporting requirements and procedures for managing their financial risks. The holding companies' management teams operate the risk management framework within the risk guidelines established and approved by the holding companies' Board of Directors.

Exposures to credit, liquidity, market, interest rate and currency risks arise in the normal course of the holding companies' business. The holding companies have risk management guidelines which set out their tolerance of risk and their general risk management philosophy, and have a framework to monitor the exposures and ensure appropriate measures are implemented in a timely and effective manner. The management of these risks is discussed below:

Credit risk

A credit guideline is in place and the exposure to credit risk is monitored on an ongoing basis. Limits are set for counterparties of different credit standing and also vary with the type of transaction. These limits will cap the credit risk exposure to any single counterparty.

The carrying amount of financial assets represents the holding companies' maximum exposure to credit risk. Cash and fixed deposits are placed with financial institutions which are regulated. The holding companies do not hold any collateral in respect of their financial assets.

The Company has balances with related parties of $452 million. The Company uses an approach that is based on an assessment of qualitative and quantitative factors that are indicative of the risk of default (including but not limited to audited financial statements, management accounts and cash flow projections, and applying expected credit judgement. For balances with a significant increase in credit risk, impairment on these balances has been measured on the lifetime expected loss basis. There is no significant increase in credit risk for the remaining exposures. Therefore, impairment on these balances has been measured on the 12-month expected loss basis which reflects the low credit risk of the exposure. The amount of the allowance on those balances is insignificant.

Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The amount of the allowance on cash and cash equivalents is negligible. The cash and cash equivalents are held with bank and financial institutions counterparties, which have a minimum rating of A-2 based on Standard & Poor's ratings.

Liquidity risk

The holding companies monitor and maintain a level of cash and cash equivalents deemed adequate by management to finance their operations and to mitigate the effects of fluctuations in cash flows. As far as possible, the holding companies will always raise committed funding from both capital markets and financial institutions and prudently balance its portfolio with some short-term funding so as to achieve overall cost effectiveness.

The following are the expected contractual undiscounted cash outflows of non-derivative financial liabilities and derivative assets:

	Total $'m	Within 1 year $'m	2 to 5 years $'m	After 5 years $'m
2019				
Company				
Non-derivative financial liabilities				
Other payables and accruals	(1)	(1)	–	–
Bank and other borrowings	(557)	(18)	(73)	(466)
	(558)	(19)	(73)	(466)

	Total $'m	Within 1 year $'m	2 to 5 years $'m	After 5 years $'m
2018				
Company				
Non-derivative financial liabilities				
Other payables and accruals	(1)	(1)	–	–
Bank and other borrowings	(576)	(18)	(73)	(485)
	(577)	(19)	(73)	(485)

	Total $'m	Within 1 year $'m	2 to 5 years $'m	After 5 years $'m
2019				
STTC				
Non-derivative financial liabilities				
Other payables and accruals	(18)	(18)	–	–
Balances with related parties	(557)	(18)	(73)	(466)
Lease liabilities	(20)	(3)	(12)	(5)
	(595)	(39)	(85)	(471)
2018				
STTC				
Non-derivative financial liabilities				
Other payables and accruals	(13)	(13)	–	–
Balances with related parties	(576)	(18)	(73)	(485)
	(589)	(31)	(73)	(485)

	Total $'m	Within 1 year $'m	2 to 5 years $'m
2019			
Asia Mobile Holdings			
Non-derivative financial liabilities			
Bank and other borrowings	(994)	(22)	(972)
Other payables and accruals	(3)	(3)	–
Balances with related parties	(14)	(14)	–
Derivative financial liabilities			
Interest rate swaps used for hedging	(27)	–	(27)
	(1,038)	(39)	(999)

	Total $'m	Within 1 year $'m	2 to 5 years $'m
2018			
Non-derivative financial liabilities			
Bank and other borrowings	(1,042)	(27)	(1,015)
Other payables and accruals	(3)	(3)	–
Balances with related parties	(13)	(13)	–
Derivative financial liabilities			
Interest rate swaps used for hedging	(12)	–	(12)
Derivative financial assets			
Interest rate swaps used for hedging	1	1	–
	(1,069)	(42)	(1,027)

The maturity analyses show the undiscounted cash flows of the holding companies' financial liabilities on the basis of their earliest possible contractual maturity.

For derivative financial instruments, the cash inflows represent the contractual undiscounted cash flows relating to these instruments. The amounts are compiled on a net basis for derivatives that are net-settled. Gross inflows and outflows are included for derivatives that are gross-settled on a simultaneous basis. Net-settled derivative financial assets are included in the maturity analyses as they are held to hedge the cash flow variability of the holding companies' floating rate loans.

Market risk

The holding companies are exposed to investment risks from their investment portfolios, which largely comprise long term investments. These investments are concentrated in the telecommunication and data centre sectors. The market value of the listed portfolio is subject to fluctuations due to volatility of the stock markets.

The holding companies mitigate these investment risks through stringent selection of investment opportunities and proper structuring of the investment transactions. Changes in the share prices of the listed investments are monitored for divestment decision-making as well as provision for any potential impairment loss.

Interest rate risk

The holding companies' exposure to market risk for changes in interest rates relates primarily to its debt obligations. The holding companies' policy is to manage interest rates through a combination of fixed and floating rate debt. Derivative financial instruments such as interest rate swaps may also be used, when appropriate and based on market conditions, to reduce exposure to floating interest rate risk.

A fundamental review and reform of major interest rate benchmarks is being undertaken globally. There is uncertainty as to the timing and the methods of transition for replacing existing benchmark interbank offered rates ("IBORs") with alternative rates. In Singapore, the fundamental review and reform of the two key Singapore Dollar interest rate benchmarks that are widely referenced in financial contracts, namely Singapore interbank offered rates ("SIBORs") and Singapore swap offer rates ("SORs"), and the transition from SOR to the Singapore Overnight Rate Average ("SORA"), is also ongoing.

As a result of these uncertainties, significant accounting judgement is involved in determining whether certain hedge accounting relationships that hedge the variability of interest rate risk due to expected changes in IBORs continue to qualify for hedge accounting as at 31 December 2019. IBOR continues to be used as a reference rate in financial markets and is used in the valuation of instruments with maturities that exceed the expected end date for IBOR. In Singapore, SIBOR and SOR continue to be used as reference rates in financial markets and are used in the valuation of instruments with maturities that exceed the expected end date for SIBOR and SOR. Therefore, the holding companies believe the current market structure supports the continuation of hedge accounting as at 31 December 2019.

At 31 December, the holding companies' have outstanding interest rate swap contracts for hedging of floating rate interest obligations by swapping them for fixed rate interest obligations with notional principal amounts as follows:

	Asia Mobile Holdings	
	2019	**2018**
	$'m	**$'m**
Interest rate swap contracts	723	725

Sensitivity analysis

Asia Mobile Holdings' borrowings at variable rates are denominated in Singapore dollars and US dollars. An increase/(decrease) in the interest rates by 100 basis points (2018: 100 basis points) with all other variables remaining constant, will result in Asia Mobile Holdings' profit before taxation to be lower/(higher) by $2 million (2018: $2 million). The analysis is performed on the same basis for 2018.

Effective interest rates and repricing analysis

In respect of interest-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the reporting date and the periods in which they reprice.

				Fixed interest rate maturing	
	Effective interest rate %	**Total $'m**	**Floating interest $'m**	**Within 1 year $'m**	**Within 2 to 5 years $'m**
STTC					
31 December 2019					
Financial assets					
Fixed deposits	1.15 – 1.92	867	867	–	–
31 December 2018					
Financial assets					
Fixed deposits	1.30 – 3.15	1,189	1,189	–	–
Asia Mobile Holdings					
31 December 2019					
Financial assets					
Fixed deposits	1.38 – 1.95	188	188	–	–
Financial liabilities					
Unsecured long-term bank loans:					
- Floating rate	2.26 – 3.54	914	914	–	–
- Effect of interest rate swap	2.20 – 3.32	–	(723)	–	723
		914	191	–	723
31 December 2018					
Financial assets					
Fixed deposits	1.50 – 2.58	194	194	–	–
Financial liabilities					
Unsecured long-term bank loans:					
- Floating rate	2.69 – 3.54	916	916	–	–
- Effect of interest rate swap	1.82 – 3.32	–	(725)	–	725
		916	191	–	725

Cash flow hedges

At 31 December 2019, Asia Mobile Holdings held the following instruments to hedge exposures to changes in interest rates.

	Maturity
	Between 1 to 5 years
2019	**$'m**
Interest rate risk	
Interest rate swaps	
Net exposure	723
Average fixed interest rate	2.56%
2018	**$'m**
Interest rate risk	
Interest rate swaps	
Net exposure	725
Average fixed interest rate	2.56%

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

	Change in value used for calculating hedge ineffectiveness $'m	**Cash flow hedge reserve $'m**	**Balances remaining in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied $'m**
2019			
Interest rate risk			
Unsecured long-term bank loans	–	(27)	–
2018			
Interest rate risk			
Unsecured long-term bank loans	–	(11)	–

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

	2019				During the year - 2019
	Nominal amount $'m	**Carrying amount – assets $'m**	**Carrying amount – liabilities $'m**	**Line item in the statement of financial position where the hedging instrument is included**	**Changes in the value of the hedging instrument recognised in other comprehensive income $'m**
Interest rate risk					
Interest rate swaps	723	–	(27)	Derivative liabilities	(16)

	2018				During the year - 2018
	Nominal amount $'m	**Carrying amount – assets $'m**	**Carrying amount – liabilities $'m**	**Line item in the statement of financial position where the hedging instrument is included**	**Changes in the value of the hedging instrument recognised in other comprehensive income $'m**
Interest rate risk					
Interest rate swaps	725	1	(12)	Derivative assets/ Derivative liabilities	(7)

Currency risk

The holding companies are exposed to foreign currency risk on transactions that are denominated primarily in currencies other than the functional currency of the holding companies. It is the holding companies' policy to hedge these risks as they arise whenever possible. The holding companies may use currency swaps and forward exchange contracts to hedge the foreign currency risk on committed currency exposures. At the reporting date, the currency giving rise to this risk is primarily the US dollar.

The holding companies do not hedge the foreign exchange exposure with respect to their venture and long term strategic capital investments made in various countries as forecasts of the timing and quantum of the realisable proceeds cannot be reasonably determined. This exposure is regarded as an integral part of the holding companies' investment risks and any gain or loss forms part of the holding companies' investment returns.

At 31 December 2019 and 2018, the holding companies do not have outstanding currency swaps contracts for hedging purposes.

The holding companies incur foreign exchange risk on cash and cash equivalents, loans and balances with related parties that are denominated in currencies other than the functional currency. The currency giving rise to this risk is primarily the US dollar.

The holding companies' exposure to US dollar are as follows:

	STTC		Asia Mobile Holdings	
	2019	**2018**	**2019**	**2018**
	$'m	**$'m**	**$'m**	**$'m**
Amounts due from related parties	–	191	77	79
Cash and cash equivalents	490	958	48	46
Bank loans	–	–	(224)	(226)
Net exposure	490	1,149	(99)	(101)

Sensitivity analysis

At 31 December, a 1% (2018: 1%) strengthening of Singapore dollar against the US dollar would increase/(decrease) profit before taxation by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2018.

	STTC		Asia Mobile Holdings	
	2019	**2018**	**2019**	**2018**
	$'m	**$'m**	**$'m**	**$'m**
Profit before taxation				
US dollar	(5)	(11)	1	1

A 1% weakening of Singapore dollar against the US dollar would have had the equal but opposite effect.

Fair values

Floating interest bearing loans and balances with related parties

No fair value is calculated as the holding companies believe that the carrying amounts of floating interest bearing loans and balances with related parties which are repriced within 1 to 6 months from the reporting date, reflect the corresponding fair values.

Fixed interest bearing loan to subsidiary

The fair value of non-current loan to its subsidiary was calculated using discounted cash flow model based on the present value of future principal and interest cash flow, discounted at the market rate at the reporting date. The fair value of the loan approximates $474 million (2018: $465 million).

Fixed interest bearing medium term notes

The fair value of fixed interest bearing medium term notes are based on the quoted market price at the reporting date. At the reporting date, the fair value of the medium term notes was $474 million (2018: $465 million).

Derivatives

Marked to market valuations of the interest rate swaps are provided by the banks. These quotes are independently tested using alternate pricing models or discounted cash flow techniques.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate for a similar instrument at the reporting date. Where other pricing models are used, inputs are based on market related data at the reporting date.

Cash and cash equivalents, other receivables, other payables and accruals, and current balances with related parties

The carrying amounts approximate fair values due to the relatively short term maturity of these financial instruments.

Unquoted investments held by wholly-owned investment holding subsidiaries

The fair value of financial assets at FVOCI and FVTPL are determined by using valuation techniques.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table represents the assets and liabilities measured at fair value at the reporting date:

	Level 1 $'m	Level 2 $'m	Level 3 $'m
2019			
STT entities			
Unquoted FVOCI financial assets	–	–	133
Unquoted FVTPL financial assets	–	–	94
Contingent consideration	–	–	(8)

	Level 1 $'m	Level 2 $'m	Level 3 $'m
2019			
Asia Mobile Holdings			
Mark-to-market financial liabilities			
- Interest rate swaps	–	(27)	–
2018			
STT entities			
Unquoted FVOCI financial assets	–	–	133
Unquoted FVTPL financial assets	–	–	182
Contingent consideration	–	–	(8)
Asia Mobile Holdings			
Mark-to-market financial assets			
- Interest rate swaps	–	1	–
Mark-to-market financial liabilities			
- Interest rate swaps	–	(12)	–

The fair values of unquoted investments are based on various factors that are broadly categorised as follows:

(a) Fair values of companies that are performing to plan are estimated to be equivalent to the previous round of financing unless there are indications to suggest otherwise.

(b) Fair values of companies where the price of previous round of financing is no longer appropriate to use are based on various factors including EBITDA multiple of comparable companies and net asset values.

The judgements required to determine the appropriate valuation methodology of unquoted investments means there is a risk of material adjustment to the carrying amounts of assets. Investment valuations require the use of judgement, estimates and assumptions about the carrying amounts of assets that are not readily available or observable.

For unquoted investments at FVOCI that are valued using comparable EBITDA multiple, the fair value will increase/(decrease) if the expected EBITDA multiple is higher/(lower). An increase of 0.5 (2018: 0.5) in the EBITDA multiple would result in an increase of the Group's equity of $8 million (2018: $7 million). A decrease of 0.5 (2018: 0.5) in the EBITDA multiple would result in a decrease in the Group's equity of $ 8 million (2018: $7 million).

Contingent consideration

The fair value of the contingent consideration was calculated based on the expected payment amount and its associated probabilities (i.e. probability-weighted). Since the contingent consideration is long-term in nature, it was discounted to present value. Although the Group believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value.

Key input and assumption used in the models include:

Discount rate

The discount rate applied is based on the long term borrowing rate of 6.51% (2018: 7.00%) in the relevant market.

Changing the significant unobservable input used to reasonably estimate possible alternative assumptions would have no significant impact on the fair value of the contingent consideration.

Level 3 fair values

The following table shows a reconciliation from the opening balances to the ending balances for the financial assets measured using Level 3 fair values:

STT entities	**$'m**
At 1 January 2018	312
Purchases	77
Total unrealised gains and losses recognised in profit or loss	
- Net change in fair value of FVTPL financial assets	(48)
- Finance income	7
Total unrealised gains and losses recognised in other comprehensive income	
- Net change in fair value of FVOCI financial assets	(33)
At 31 December 2018	315
At 1 January 2019	315
Purchases	16
Disposals	(6)
Reclassification to investment in subsidiary	(39)
Total gains and losses recognised in profit or loss	
- Net change in fair value of FVTPL financial assets	(59)
At 31 December 2019	227

(b) Operating companies in the Group

StarHub Ltd and its subsidiaries ("StarHub Group")

Financial risk management objectives and policies

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

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

Risk management framework

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

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

Derivative financial instruments are used to reduce exposure to fluctuations in foreign exchange rates, where appropriate. While these are subject to the risk of market rates changing subsequent to acquisition, such changes are generally offset by opposite effects on the items being hedged.

Credit risk

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

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

StarHub Group has no significant concentration of credit risk from trade receivables due to its large diversified customer base. Credit evaluations are performed on corporate customers requiring credit. Identification documents are obtained from retail customers. Deposits are obtained for certain categories of higher risk customers.

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

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

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

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

	2019 Weighted average loss rate	2019 Gross carrying amount $'m	2019 Impairment loss allowance $'m	2018 Weighted average loss rate	2018 Gross carrying amount $'m	2018 Impairment loss allowance $'m
Current	1.45%	111	2	2.09%	107	2
Past due 1 – 15 days	8.22%	15	1	4.24%	47	2
Past due above 15 days	28.31%	178	50	24.89%	180	45
		304	53		334	49

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

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

	2019 Weighted average loss rate	2019 Gross carrying amount $'m	2019 Impairment loss allowance $'m	2018 Weighted average loss rate	2018 Gross carrying amount (Restated) $'m	2018 Impairment loss allowance $'m
Current	1.77%	418	(7)	1.91%	344	(7)

Liquidity risk

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

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

StarHub Group is presently in discussions with several banks to refinance current borrowings of $408 million, which are due for repayment in the second half of 2020. As at 31 December 2019, the Group has $670 million of available credit facilities, of which $200 million are committed facilities.

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

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

			Contractual cash flows		
2019	**Carrying amount (Restated) $'m**	**Total $'m**	**Within 1 year $'m**	**After 1 year but within 5 years $'m**	**After 5 years but within 10 years $'m**
Non-derivative financial liabilities					
Bank and other borrowings	(1,048)	(1,161)	(438)	(406)	(317)
Trade and other payables ^	(479)	(483)	(449)	(34)	–
Balances with related parties	(31)	(31)	(31)	–	–
Lease liabilities	(156)	(190)	(32)	(97)	(61)
	(1,714)	(1,865)	(950)	(537)	(378)
Derivative financial liabilities					
Forward exchange contracts used for hedging (gross-settled)	(2)				
- Outflow		(96)	(96)	–	–
- Inflow		94	94	–	–
	(2)	(2)	(2)	–	–
2018					
Non-derivative financial liabilities					
Bank and other borrowings	(1,029)	(1,168)	(77)	(764)	(327)
Trade and other payables ^	(516)	(518)	(483)	(35)	–
Balances with related parties	(57)	(57)	(57)	–	–
	(1,602)	(1,743)	(617)	(799)	(327)

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

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

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

Market risk

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

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

Interest rate risk

StarHub Group's exposure to market risk for changes in interest rates relates primarily to StarHub Group's debt obligations.

StarHub Group adopts a policy of ensuring that at least 50 percent of its exposure to changes in interest rates on long-term borrowings is on a fixed rate basis.

Exposure to interest rate risk

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

	2019 $'m	2018 $'m
Fixed rate instruments		
Fixed deposits	40	86
Borrowings	910	890
	950	976
Variable rate instrument		
Borrowings	138	139

Sensitivity analysis for variable rate instruments

StarHub Group's borrowings are denominated in Singapore dollar. An increase/decrease in the floating interest rates by 100 basis points (2018: 100 basis points) with all other variables remaining constant, does not have a material impact on the Group's profit before taxation.

Foreign currency risk

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

In respect of other monetary liabilities held in foreign currencies, StarHub Group ensures that the net exposure is kept to an acceptable level by buying foreign currencies at spot rates where necessary to address any shortfalls.

StarHub Group's exposures to United States dollar are as follows:

	2019 $'m	2018 $'m
Contract assets	4	16
Trade and other receivables	27	42
Cash and cash equivalents	28	57
Trade and other payables	(88)	(105)
	(29)	10

For operations with significant expenditure denominated in foreign currencies, forward exchange contracts are entered into to hedge the foreign currency risk on committed payment obligations. At 31 December 2019, StarHub Group has outstanding forward exchange contracts with notional principal amounts of approximately $97 million (2018: $96 million).

Sensitivity analysis

StarHub Group has assessed that a reasonable change in the exchange rate would not result in a material impact on the Group's results.

Other market price risk

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

Sensitivity analysis

StarHub Group has assessed that a reasonable change in the share price would not result in a material impact on the Group's equity.

Hedge accounting

Cash flow hedges

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

	1-6 months	6-12 months
2019		
Foreign currency risk		
Forward exchange contracts		
Net exposure ($'m)	1	1
Average SGD:USD forward contract rate	1.38	1.38

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

	Change in value used for calculating hedge ineffective hedge ineffectiveness $'m	Cash flow hedge reserve $'m	Balances remaining in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied $'m
2019			
Foreign currency risk			
Trade and other payables	–	(2)	–

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

	2019				During the year - 2019
	Nominal amount $'m	Carrying amount – assets $'m	Carrying amount – liabilities $'m	Line item in the balance sheet where the hedging instrument is included	Changes in the value of the hedging instrument recognised in OCI $'m
Foreign currency risk					
Forward exchange contracts – trade payables	97	–	(2)	Derivative liabilities	(2)

	2018				During the year - 2018
	Nominal amount $'m	Carrying amount – assets $'m	Carrying amount – liabilities $'m	Line item in the balance sheet where the hedging instrument is included	Changes in the value of the hedging instrument recognised in OCI $'m
Foreign currency risk					
Forward exchange contracts – trade payables	96	–	–	Derivative liabilities	12

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

	2019 Hedging reserve $'m	**2018 Hedging reserve $'m**
At beginning of the year	–	(10)
Cash flow hedges		
Change in fair value:		
Foreign currency risk – trade payables	(2)	12
Tax on movements on reserves during the year	–	(2)
	(2)	–

Estimation of fair values

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments of StarHub Group:

Derivatives

Marked-to-market valuations of the forward exchange contracts are provided by the banks. Those quotes are tested using pricing models or discounted cash flow techniques.

Where discounted cash flow techniques are used, estimated future cash flows are based on StarHub's management's best estimates and the discount rate is a market related rate for a similar instrument at the reporting date. Where other pricing models are used, inputs are based on market related data at the reporting date.

Lease liabilities

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

Borrowings

The fair values of borrowings which reprice within one year of reporting date were assumed to equate the carrying value. All other borrowings are calculated using discounted cash flow models based on the present value of future principal and interest cash flows, discounted at the market rate at the reporting date.

As at 31 December 2019, the fair value of bank loans and medium term notes are $535 million (2018: $511 million) and $531 million (2018: $518 million) respectively.

Amounts due from related parties (non-current)

Non-current amounts due from related parties approximate their fair values which are calculated using discounted cash flow model based on the present value of future principal and interest cash flows, discounted at the market rate at the reporting date.

Equity investment at FVOCI

The carrying amounts of equity investments measured at FVOCI approximate their fair values.

Other financial assets and liabilities

The carrying amounts of financial assets and liabilities with maturity of less than one year (including trade and other receivables, cash and cash equivalents, and trade and other payables) are assumed to approximate their fair values.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

	Fair value level	**2019 $'m**	**2018 $'m**
Financial assets			
Mark-to-market financial instruments			
- Forward exchange contracts	2	–	1
- Other investment	1	34	36
Financial liabilities			
Mark-to-market financial instruments			
- Forward exchange contracts	2	2	1
Contingent consideration	3	24	–
Put liability to acquire non-controlling interests	3	–	33

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

The following table shows a reconciliation from the opening balances to the ending balances for Level 3 fair values:

	Contingent consideration $'m	Put liability to acquire non-controlling interests $'m
At 1 January 2019	–	33
Arising from business combination	24	–
Fair value change recognised in capital reserve	–	1
De-recognition of put liability	–	(34)
At 31 December 2019	24	–
At 1 January 2018		–
Arising from business combination		42
Fair value change recognised in capital reserve		(9)
At 31 December 2018		33

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

The fair value of the contingent consideration is calculated based on the expected payment amount and its associated probabilities (i.e. probability-weighted). Since the contingent consideration is long-term in nature, it is discounted to present value. Although StarHub Group believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurement of fair value.

TeleChoice International Limited and its subsidiaries ("TeleChoice Group")

Financial risk management objectives and policies

TeleChoice Group's activities expose it to credit risk, liquidity risk and market risk (including interest rate risk and currency risk). TeleChoice Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. TeleChoice Group's management continually monitors TeleChoice Group's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and TeleChoice Group's activities.

Credit risk

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

Cash and cash equivalents

Cash and fixed deposits are placed with banks and financial institutions which are regulated.

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

Trade receivables and contract assets

TeleChoice Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. As at 31 December 2019, the TeleChoice Group has 14% (2018: 27%) of total receivables due from one (2018: one) major customer, and approximately 17% (2018: 44%) of TeleChoice Group's revenue is attributable to sales transactions with this one (2018: one) customer.

TeleChoice Group has a credit policy under which each new customer is analysed individually for creditworthiness before TeleChoice Group's standard payment and delivery terms and conditions are offered. TeleChoice Group's review includes external ratings, where available, and in some cases bank references. Otherwise, the credit quality of customers is assessed after taking account its financial position and past experience with the customers. Credit exposure to customers is restricted by credit limits that are monitored by TeleChoice management on an ongoing basis.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or incorporated entity, whether they are a multinational corporation, wholesale, retail or end-user customer, geographic location, industry, aging profile, maturity and existence of previous financial difficulties. Trade and other receivables relate mainly TeleChoice Group's amount due from related parties and multinational corporations.

TeleChoice Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

There are no other significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

Exposure to credit risk

TeleChoice Group's primary exposure to credit risk arises through its trade receivables and amounts due from related parties. TeleChoice Group's historical experience in the collection of accounts receivable falls within the recorded allowances. As a result, TeleChoice management believes that no additional credit risk beyond the amounts provided for is inherent in TeleChoice Group's trade receivables and balances due from related parties.

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets at the reporting date (by type of customer).

	2019 $'m	2018 $'m
Related companies	11	22
Multinational companies	33	27
Other companies	42	32
	86	81

Expected credit loss assessment

TeleChoice Group uses an allowance matrix to measure the ECLs of trade receivables and contract assets. In calculating the expected credit loss rates, TeleChoice Group considers historical loss rates and, if relevant, adjustment for forward looking economic factors affecting the customers' ability to settle the outstanding receivables.

TeleChoice Group's exposure to credit risk and ECL relating to trade receivables and contract assets at the reporting date is immaterial as at year end.

Liquidity risk

TeleChoice Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance TeleChoice Group's operations and to mitigate the effects of fluctuations in cash flows. TeleChoice Group maintains sufficient level of cash and cash equivalent to meet its working capital and services its financial obligation. When required, TeleChoice Group also obtains short-term bridging arrangement with banks to pay for their purchases of equipment.

The management of TeleChoice Group monitors cash flow requirements through regular cash flow forecast carried out at the operating companies' level in accordance with the working capital requirement. TeleChoice Group sets asset productivity targets which vary by entity and location taking into consideration the business environment that the entity operates in. Asset productivity targets used are debtor and inventory turnover days.

In addition, TeleChoice Group maintains total lines of credit of $137 million (2018: $136 million) for revolving credit and working capital line facilities, at a margin over cost of funds.

The following are the expected contractual undiscounted cash outflows of financial liabilities:

Group	Carrying amount $'m	Contractual cash flows $'m	Less than 12 months $'m	1 to 5 years $'m
31 December 2019				
Unsecured bank loans	(22)	(22)	(22)	–
Lease liabilities	(11)	(12)	(5)	(7)
Trade and other payables*	(48)	(48)	(48)	–
	(81)	(82)	(75)	(7)

	Carrying amount $'m	Contractual cash flows $'m	Less than 12 months $'m	1 to 5 years $'m
31 December 2018				
Unsecured bank loans	(21)	(21)	(21)	–
Trade and other payables*	(57)	(57)	(57)	–
	(78)	(78)	(78)	–

* Exclude prepayments

Cash flow and fair value interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. TeleChoice Group's exposure to cash flow interest rate risks arises mainly from short-term floating rate borrowings. TeleChoice Group does not use derivative financial instruments to hedge its interest rate risk.

Effective interest rate and repricing analysis

In respect of the interest-bearing financial liabilities, the following table indicates their effective interest rates at the reporting date and the periods in which they reprice:

	2019		2018	
	Effective interest rate %	Floating interest $'m	Effective interest rate %	Floating interest $'m
Financial liabilities				
Unsecured bank loans	1.94 – 9.05	22	2.10 – 10.10	21

Sensitivity analysis

TeleChoice Group's borrowings at variable rates are denominated mainly in Singapore Dollars. The fluctuation in interest rates does not have a material impact to the financial statements.

Foreign currency risk

TeleChoice Group is exposed to transactional foreign currency risk to the extent that there is a mismatch between the currencies in which sales, purchases, receivables and borrowings, including intercompany sales, purchases and inter-company balances, that are denominated in a currency other than TeleChoice Group entities' functional currencies. The functional currencies of TeleChoice Group entities are primarily the Singapore dollar. The currency in which these transactions primarily are denominated is US dollar.

TeleChoice Group's investments and long-term loan to its subsidiaries are not hedged as those currency positions are considered to be long-term in nature.

The TeleChoice Group's exposure to US dollars is as follows:

	US Dollars	
	2019	**2018**
	$'m	**$'m**
Trade and other receivables	–	1
Cash and cash equivalents	2	4
Trade and other payables	(4)	(6)
Net exposure	(2)	(1)

Sensitivity analysis

A 10% strengthening/weakening of US dollars against the Singapore dollars does not have a material impact to the financial statements.

Estimation of fair values

As at 31 December 2019, the fair value of non-current other receivables and other payables amounted to $1 million (2018: $1 million) and $Nil million (2018: $Nil million) respectively.

The notional amounts of financial assets and liabilities with maturity of less than one year (including trade and other receivables, cash and cash equivalents, trade and other payables and loan and other borrowings) are assumed to approximate their fair values because of the short period to maturity.

U Mobile Sdn. Bhd. and its subsidiaries ("U Mobile Group")

Financial risk management objectives and policies

U Mobile Group is exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include interest rate risk, liquidity risk, credit risk and foreign currency risk. The Board of Directors of U Mobile Group reviewed and agreed on the policies and procedures for the management of these risks, which are executed by the Head of Finance of U Mobile Group. U Mobile Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the businesses whilst managing its interest rate risk, liquidity risk, credit risk and foreign currency risk.

The following sections provide details regarding U Mobile's group's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. U Mobile Group has no significant interest-bearing financial assets, however its interest-bearing loans are exposed to interest rate risk. U Mobile Group's income and operating cash flows are substantially independent of changes in market interest rates.

U Mobile Group's exposure to interest rate risk arises primarily from its short term deposits with licensed banks and term loan facility.

Liquidity risk

Liquidity risk is the risk that U Mobile Group will encounter difficulties in meeting financial obligations due to shortage of funds. U Mobile Group manages its liquidity risk by closely monitoring the maturity profile of its debt. Where there are anticipated funding requirements, U Mobile Group discusses them with the shareholders with the view of considering available financing options to meet its current financial obligation. As part of its overall liquidity management, U Mobile Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements.

The table below summarises the maturity profile of U Mobile Group's liabilities at the reporting date based on the contractual undiscounted repayment obligations.

	Total $'m	Within 1 year $'m	Within 2 to 5 years $'m	After 5 years $'m
2019				
Trade and other payables	(1,350)	(490)	(860)	–
Loans and borrowings	(918)	(114)	(732)	(72)
Other undiscounted financial liabilities	(234)	(21)	(85)	(128)
	(2,502)	(625)	(1,677)	(200)
2018				
Trade and other payables	(928)	(643)	(285)	–
Loans and borrowings	(138)	–	(138)	–
Other undiscounted financial liabilities	(255)	(21)	(85)	(149)
	(1,321)	(664)	(508)	(149)

Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments if a counterparty defaults on its obligations. U Mobile Group's exposure to credit risk arises primarily from trade and other receivables and cash and cash equivalents. Credit risk is managed by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via strictly limiting U Mobile Group's associations only to business partners with high creditworthiness. Deposits are placed only with reputable licensed financial institutions.

The maximum credit exposure on trade receivables is limited to the carrying amount of the receivables less allowance for ECL, whereas the maximum exposure for other receivables and cash and cash equivalents are the reported carrying amounts in the financial statements.

U Mobile Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial instruments.

U Mobile Group performs impairment analysis at each reporting date using a provision matrix to measure ECL. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity. U Mobile Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are mainly individual subscribers who subscribe to U Mobile Group's services.

	ECL rate %	Gross carrying amount $'m	Allowance for ECL $'m
2019			
Current	2%	47	1
1 to 30 days past due	28%	3	1
31 to 60 days past due	64%	1	1
61 to 90 days past due	80%	1	1
91 to 120 days past due	85%	1	1
121 to 150 days past due	88%	1	1
151 days and above	100%	25	25
		79	31
2018			
Current	2%	4	–
1 to 30 days past due	33%	2	1
31 to 60 days past due	66%	1	1
61 to 90 days past due	79%	1	1
91 to 120 days past due	82%	1	1
121 to 150 days past due	84%	1	1
151 days and above	100%	19	19
		29	24

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

U Mobile Group has transactional currency exposures arising from services performed or purchases that are denominated in a currency other than the functional currency of U Mobile Group. The foreign currencies in which these transactions are denominated are mainly US dollars, Singapore dollars, Euro dollars, and Special Drawing Right. Special Drawing Right is a basket of currencies which is used to denominate international roaming transactions.

Approximately 7% (2018: 8%) of costs are denominated in foreign currencies. 39.7% (2018: 12.2%) of U Mobile Group's trade payables are denominated in foreign currencies at the reporting date. U Mobile Group's trade receivables and trade payables balances at the reporting date have similar exposures.

Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level.

Sensitivity analysis

At 31 December 2019, a 5% (2018: 5%) strengthening/weakening of Malaysia Ringgit against the US dollars, Singapore dollars, Euro dollars and Special Drawing Right does not have a material impact to the financial statements. This analysis assumes that all other variables remain constant.

Estimation of fair values

The carrying amounts of cash and cash equivalents, short term receivables, payables and short term borrowing approximate fair value due to the relatively short term nature of these financial instruments.

Hire purchase payables

The fair value of the hire purchase payables are estimated by discounting expected future cash flows at market incremental lending rate for similar types of leasing arrangements at the reporting date.

Loans and borrowings

The carrying amounts of the current and non-current portion of loans and borrowings other than RCPS are reasonable approximations of fair values as they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

Derivatives

Derivatives are stated at fair value which is equivalent to the marking of the derivatives to market, using prevailing market rates.

STT GDC Pte. Ltd. and its subsidiaries ("STT GDC Group")

Financial risk management objectives and policies

STT GDC Group has exposure to credit risk, liquidity risk and interest rate risk from the normal course of its business. STT GDC Group has established processed for monitoring the risks. At the reporting date, STT GDC Group's exposure to foreign currency risk is not significant.

Credit risk

Credit risk is the risk of financial loss to STT GDC Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from STT GDC Group's trade receivables from customers. STT GDC Group has credit guidelines in place and the exposure to credit risk is monitored on an ongoing basis. Periodic frequent credit reviews and counterparty credit limits are practised.

The carrying amount of financial assets and contract assets in the statement of financial position represent STT GDC Group's maximum exposure to credit risk, before taking into account any collateral held. STT GDC Group does not require collateral in respect of financial assets.

At 31 December 2019, the Group has three (2018: five) major customers representing 53.1% (2018: 52.6%) of trade receivables.

Expected credit loss ("ECL") assessment

STT GDC Group's primary exposure to credit risk arises through its trade receivables and contract assets. In monitoring customer credit risk, STT GDC Group allocates exposure to credit risk by segmenting customers based on geographical region.

In Singapore and United Kingdom, customers are segmented by customer type and an ECL rate is calculated for each customer type based on probabilities of default and loss given default. Lifetime probabilities of default are based on published external sources. Loss given default parameters generally reflect an assumed recovery rate of 0%. STT GDC Group monitors changes in credit risk by tracking the probabilities of default from published external sources. Loss allowances are adjusted for current conditions and STT GDC Group's view of economic conditions over the expected lives of the receivables only if these factors have a significant impact to the credit loss.

In India, STT GDC Group uses an allowance matrix to measure the ECLs of trade receivables from customers. Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off, and actual credit loss experience over the past three years. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and STT GDC Group's view of economic conditions over the expected lives of the receivables. Scalar factors are based on actual and forecast gross domestic product ("GDP") growth rates.

The table below shows an analysis of exposure to credit risk for trade and unbilled receivables, contract assets and trade balances with related parties by geographic region.

	Weighted average loss rate %	**Gross carrying amount $'m**	**Expected credit loss allowance $'m**	**Credit impaired loss allowance $'m**	**Total loss allowance $'m**
2019					
Singapore	0.1	36	–	–	–
India	2.5	30	(1)	(1)	(2)
United Kingdom	0.9	44	–	–	–
		110	(1)	(1)	(2)
2018					
Singapore	0.4	35	–	(2)	(2)
India	1.9	39	(1)	(1)	(2)
United Kingdom	0.5	49	–	–	–
		123	(1)	(3)	(4)

The movement in the allowance for impairment in respect of trade receivables and contract assets during the year was as follows:

	Lifetime ECL	
Group	**2019 $'m**	**2018 $'m**
At 1 January	4	1
Impairment loss (reversed)/recognised	(1)	3
At 31 December	3	4

STT GDC Group measures loss allowance for non-trade balances using the general approach (12-month ECL) which reflects the low credit risk of the exposures. The amount of the allowance on these balances is insignificant.

STT GDC Group uses a similar approach for assessment of ECLs for cash and cash equivalents to those used for non-trade balances and considers that its cash and cash equivalents have low credit risk based on the probabilities of default of the counterparties from external sources. Cash and cash equivalents and derivatives are mainly held with banks of high credit ratings assigned by international credit-rating agencies. The amount of allowance is negligible.

Liquidity risk

Liquidity risk is the risk that STT GDC Group will not be able to meet its financial obligations as they fall due.

STT GDC Group monitors its liquidity risk and actively manages its operating cash flows, debt maturity profile and availability of funding. STT GDC Group also maintains sufficient level of liquid assets and has available funding through diverse sources of committed and uncommitted credit facilities from banks and loans from its related parties.

The following are the undiscounted contractual maturities of non-derivative financial liabilities and derivative financial instruments, including estimated interest payments and excluding the impact of netting arrangement:

	Carrying amount $'m	**Total $'m**	**Within 1 year $'m**	**2 to 5 years $'m**	**After 5 years $'m**
2019					
Non-derivative financial liabilities					
Balances with related parties	(496)	(531)	(9)	(522)	–
Borrowings	(1,443)	(1,714)	(295)	(1,207)	(212)
Trade and other payables	(252)	(252)	(250)	(2)	–
Lease liabilities	(608)	(921)	(57)	(256)	(608)
Derivative financial instruments					
Derivative liabilities - interest rate swaps used for hedging (net settled)	(2)	(2)	(2)	–	–
Total	2,801	(3,420)	(613)	(1,987)	(820)

	Carrying amount $'m	Total $'m	Within 1 year $'m	2 to 5 years $'m	After 5 years $'m
2018					
Non-derivative financial liabilities					
Balances with related parties	(335)	(372)	(12)	(360)	–
Borrowings	(1,055)	(1,228)	(100)	(1,024)	(104)
Trade and other payables	(172)	(172)	(169)	(3)	–
Finance lease liabilities	(196)	(324)	(12)	(64)	(248)
Derivative financial instruments					
Derivative liabilities - interest rate swaps used for hedging (net settled)	(1)	(1)	(1)	–	–
Derivative assets - interest rate cap	1	1	–	1	–
Other financial liabilities	(23)	(23)	(16)	(7)	–
Total	(1,781)	(2,119)	(310)	(1,457)	(352)

STT GDC Group has secured bank loans and unsecured medium term notes which contain debt covenants. A future breach of these covenants may require STT GDC Group to repay the borrowings earlier than indicated in the table above. The covenants are monitored on a regular basis by STT GDC Group Treasury department and regularly reported to management to ensure compliance with the agreements.

For derivative financial instruments, the cash inflows represent the contractual undiscounted cash flows relating to these financial instruments. The amounts are compiled on a net basis for derivatives that are net-settled. Net-settled derivative financial assets are included in the maturity analysis as they are held to hedge the cash flow variability of STT GDC Group's floating rate loans.

Interest rate risk

STT GDC Group's exposure to market risk for changes in interest rates relates primarily to its floating rate debt obligations. Derivate financial instruments such as interest rate swaps and interest rate caps may be used, when appropriate and based on market conditions, to reduce exposure to floating interest rate risk.

STT GDC Group adopts a policy of ensuring that at least 50% of its interest rate risk exposure is at a fixed rate. This is achieved partly by entering into fixed-rate instruments and partly by borrowing at a floating rate and using interest rate swaps as hedges of the variability in cash flows attributable to interest rate risk. STT GDC Group applies a hedge ratio of 1:1.

STT GDC Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the reference interest rates, tenors, repricing dates and maturities and the notional or par amounts.

STT GDC Group assesses whether the derivative designated in each hedging relationship is expected to be effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

In these hedging relationships, the main sources of ineffectiveness are:

- the effect of the counterparty and STT GDC Group's own credit risk on the fair value of the swaps, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in interest rates; and
- differences in repricing dates between the swaps and the borrowings.

At the reporting date, STT GDC Group has outstanding derivative financial instruments for hedging of floating rate interest obligations with notional amounts as follows:

	2019 $'m	**2018 $'m**
Interest rate swap contracts	354	211
Interest rate caps	396	274

Exposure to interest rate risk

At the reporting date, the effective interest rates of the interest-bearing financial liabilities were as follows:

	Effective interest rate %	**Total $'m**	**Floating rate $'m**	**Fixed rate $'m**
2019				
Financial liabilities				
Loans from immediate holding company	3.25 – 4.51	465	–	465
Loans from related parties	3.53	8	–	8
Bank loans	2.70 – 9.15	1,219	1,158	61
Medium term notes	3.59	223	–	223
Effect of interest rate swap	0.77 – 2.42	–	(354)	354
		1,915	804	1,111
2018				
Financial liabilities				
Loans from immediate holding company	3.50 – 4.51	318	–	318
Loans from related parties	3.53	8	–	8
Bank loan	2.31 – 9.00	1,055	1,055	–
Effect of interest rate swap	1.50 – 2.42	–	(211)	211
		1,381	844	537

Sensitivity analysis

An increase in the interest rate by 100 basis points (2018: 100 basis points), with all other variables remaining constant, would have increased STT GDC Group's loss before tax by approximately $8 million (2018: $8 million). A decrease in the interest rate by 100 basis points (2018: 100 basis points) would have the equal but opposite effect to the STT GDC Group's loss before tax.

Cash flow hedges

STT GDC Group held the following instruments to hedge exposures to changes in interest rates.

	Maturity Between 1 to 5 years $'m
2019	
Interest rate risk	
Interest rate swaps	
Net exposure	211
Average fixed interest rate	1.94%
2018	
Interest rate risk	
Interest rate swaps	
Net exposure	211
Average fixed interest rate	1.91%

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

	Change in value used for calculating hedge ineffectiveness $'m	Cash flow hedge reserve $'m	Balances remaining in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied $'m
2019			
Interest rate risk			
Secured long-term bank loan	1	(1)	–
2018			
Interest rate risk			
Secured long-term bank loan	1	(1)	–

The amounts relating to items designated as hedging instruments and hedge ineffectiveness were as follows:

	2019				
	Nominal amount $'m	**Liabilities $'m**	**Line item in the balance sheet where the hedging instrument is included**	**Changes in the value of the hedging instrument recognised in OCI $'m**	**Line item in profit or loss affected by the reclassification**
Interest rate risk					
Interest rate swaps	211	(2)	Derivative liabilities	(1)	Finance costs

	2018				
	Nominal amount $'m	**Liabilities $'m**	**Line item in the balance sheet where the hedging instrument is included**	**Changes in the value of the hedging instrument recognised in OCI $'m**	**Line item in profit or loss affected by the reclassification**
Interest rate risk					
Interest rate swaps	211	(1)	Derivative liabilities	(1)	Finance costs

Estimation of fair values

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments of STT GDC Group.

Interest bearing borrowings and balances with related parties

No fair value is calculated for the floating rate loans as STT GDC Group believes that the carrying amounts, which are repriced within one year of reporting date reflect their corresponding fair value.

The fixed rate bank loan of $61 million has a maturity of less than one year and is assumed to approximate its fair value due to the short period to maturity.

The fair value of the medium term notes is $231 million calculated based on the quoted market prices as at 31 December 2019.

Put option liabilities

In the prior year, the fair values of the put option liabilities were calculated based on the present value of the obligation computed based on the expected exercise price.

Other financial assets and liabilities

The carrying amounts of financial assets and liabilities with maturity of less than one year (including trade and other receivables, cash and cash equivalents, trade and other payables and balances with related parties) are assumed to approximate their fair values due to the short period to maturity.

The fair value of long-term receivables and payables are estimated based on the expected cash flows discounted to present value. The carrying amounts of these long-term receivables and payables approximate their fair value.

Derivatives

Marked to market valuations of the interest rate swaps and interest rate caps are provided by the banks. These quotes are independently tested using alternative pricing models or discounted cash flow techniques.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table represents the assets and liabilities measured at fair value, using Level 1, Level 2 and Level 3 valuation method, at the reporting date:

	Fair value level	2019 $'m	2018 $'m
Financial assets			
Interest rate caps	3	–	1
Financial liabilities			
Interest rate swaps	2	2	1
Put option liabilities	3	–	24

39 Capital management

The Company regularly reviews its balance sheet structure and use of capital, with the objective of achieving long-term capital efficiency, optimum shareholders' total returns and proper strategic positioning.

From time to time, the related parties, excluding operating companies, may purchase the shares of its subsidiaries and associates on the market; the timing of these purchases depends on market prices, amongst other factors. Such share purchases are intended to maintain the Group's shareholding in its subsidiaries and affiliates.

The capital employed by the Company consists of equity attributable to shareholders. There were no changes in the Company's approach to capital management during the year.

Certain companies in the Group are subject to certain financial covenants including tangible net worth, net debt, security value and net cash available for debt servicing under its loan facilities. Management of these companies in the Group monitors these covenants on a regular basis to ensure compliance.

40 Business combinations

The following are the significant acquisitions by the Group:

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

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

Consideration transferred to acquire 60% interest in Ensign Group

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

	2018 $'m
Cash consideration for the assigned rights	52
Non-cash consideration comprising StarHub Group's cyber security business and equity interest in EIS held by StarHub Group immediately before the acquisition, net of the $16 million cash received	104
Total consideration transferred	156
Total purchase consideration	156
Add: Consideration paid to acquire remaining 19.6% interest in EIS	10
Less: Non-cash consideration	(120)
Less: Cash and cash equivalents in subsidiaries acquired	(37)
Net cash outflow on acquisition	9

Measurement of fair values

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

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

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

	Note	Fair values recognised on acquisition (provisional) $'m	Adjustments during Window Period $'m	Fair values recognised on acquisition (final) $'m
Property, plant and equipment	3	13	–	13
Intangible assets	4	15	(13)	2
Deferred tax assets		2	–	2
Cash and cash equivalents		37	–	37
Inventories		1	–	1
Contract assets		5	–	5
Trade and other receivables		20	–	20
Amounts due from related parties		25	–	25
Trade and other payables		(18)	(20)	(38)
Amounts due to related parties		(72)	–	(72)
Provision for taxation		(1)	–	(1)
Deferred tax liabilities	11	(4)	2	(2)
Total identifiable net assets/(liabilities)		23	(31)	(8)
Total consideration transferred		73	–	73
Fair value of identifiable net (assets)/ liabilities		(23)	31	8
Goodwill	5	50	31	81

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

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

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

	Note	As previously stated 2018 $'m	Adjustment $'m	Restated 2018 $'m
Contract assets – current	12	325	(7)	318
Contract costs – current	12	18	7	25
Accumulated profit	20	1,821	(8)	1,813
Non-controlling interests		849	8	857

(ii) Disposal of D'Crypt Pte Ltd

On 30 September 2019, StarHub Group entered into the following transaction to dispose of its direct interest in DPL:

(a) Disposal by StarHub Group of its entire interest representing 65%, of the issued share capital of DPL to Keele for a consideration of $65 million.

(b) Subscription by StarHub Group of new ordinary shares in the capital of Ensign as well as the assignment of rights, benefits and interests (including voting and economic rights), in new Ensign Shares to StarHub Group for a total consideration of $60 million.

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

(d) Subsequent to completion date, deferred consideration of $6 million to be paid in cash to the Founding Shareholders on or before 31 January 2021. The fair value of the deferred consideration amount to $6 million at 31 December 2019.

(e) Subsequent to completion date, an earn-out consideration of up to a maximum amount of $27 million to be paid to the Founding Shareholders pursuant to the fulfilment of certain conditions set out in the sale and purchase agreement. StarHub Group assessed the probability of the earn-out conditions to be met and estimated the contingent consideration to be the fair value of the liability to the founding shareholders amounting to $24 million at 31 December 2019.

(f) In the event the earn-out consideration in (e) above to be paid by Keele to the Founding Shareholders is less than $27 million, StarHub shall be required to repay Keele a claw-back sum of up to $26 million.

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

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

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

	2019 **$'m**
Increase in carrying amount of NCI ($47 million x 5%)	(2)
Less: Net consideration received by StarHub Group	5
Increase in equity attributable to owners of StarHub Group	3
Less: Fair value of contingent and deferred considerations attributable to StarHub Group ($30 million x 60%)	(18)
Decrease in equity attributable to owners of StarHub Group	(15)

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

Consideration transferred

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

	2018 **$'m**
Total purchase consideration	58
Less: Cash and cash equivalents in subsidiary acquired	(1)
Net cash outflow on acquisition	57

Identifiable assets acquired and liabilities assumed

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

	Note	**2018** **$'m**
Property, plant and equipment	3	5
Intangible assets	4	39
Net current assets (excluding cash and cash equivalents)		13
Cash and cash equivalents		1
Provision for taxation		(2)
Borrowings		(1)
Deferred tax liabilities		(6)
Total identifiable net assets		49

Measurement of fair values

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

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

Goodwill

Goodwill arising from the acquisition has been recognised as follows:

	2018 **$'m**
Total consideration transferred	58
NCI, based on their proportionate interest in the recognised amounts of the assets and liabilities of the acquire	17
Fair value of identifiable net assets	(49)
Goodwill	26

(iv) 2nd Watch Holding Company, Inc.

On 1 November 2019, the Group's subsidiary, STT Sonic Pte. Ltd., acquired 2nd Watch for US$87 million (equivalent to $118 million). 2nd Watch is a managed cloud services provider that helps automate the development, migration, financial management, and operations of business-critical workloads in the cloud. 2nd Watch leverages software enabled services to design, deploy, and manage third-party cloud computing products.

From 1 November 2019 to 31 December 2019, the acquired cloud service business contributed revenue of $9 million and loss of $4 million. The financial impact to the Group is insignificant had the acquisition occurred on 1 January 2019. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2019.

Identifiable assets acquired and liabilities assumed

	Note	2019 $'m
Intangible assets	4	40
Cash and cash equivalents		14
Trade and other receivables		52
Trade and other payables		(48)
Borrowings		(9)
Total identifiable net assets		49
Non-controlling interests measured at proportionate interest in the recognised amounts of the assets and liabilities of the acquiree		(22)
Goodwill acquired	5	91
Total purchase consideration		118
Cash and cash equivalents acquired		(14)
Acquisition of subsidiary, net of cash acquired		104

The goodwill is attributable mainly to the synergies expected to be achieved through the Group's cloud service network to serve its existing and new customers. None of the goodwill recognised is expected to be deductible for tax purposes.

The trade receivables comprise gross contracted amounts due of $49 million, which represents the fair value as the amount not expected to be collected is immaterial.

Fair values measured on a provisional basis

Management is still carrying out the purchase price allocation exercise at the date of this report. The fair values of intangible assets have been determined provisionally pending completion of an independent valuation. If new information obtained within one year from the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, or any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

Measurement of fair values

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

Assets acquired	Valuation technique
Intangible assets (Branding)	*Relief-from-royalty method:* The relief-from-royalty method considers present value of the royalty expense after taxes, which the owner of the IA is relieved of paying by owning the asset.
Intangible assets (Customer relationships)	*Multi-period excess earnings method:* The multi-period excess earnings method considers the present value of net cash flows expected to be generated by the respective intangible assets.

41 Commitments

Operating lease commitments – as lessor

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

	Group $'m
2019 – Operating leases under SFRS(I) 16	
Less than one year	5
One to two years	2
Two to three years	2
Three to four years	2
Four to five years	2
More than five years	5
	18
2018 – Operating leases under SFRS(I) 1-17	
Within 1 year	9
After 1 year but within 5 years	13
After 5 years	8
	30

Capital commitments

	Group 2019 $'m	Group 2018 $'m
Capital expenditure	1,161	1,211

42 Operating segments

The Group has four reportable segments, as described below, which are the Group's strategic operating subsidiaries. The strategic operating subsidiaries are managed separately by different boards of directors. For each of the strategic operating subsidiaries, the Group's executive director reviews internal management reports on at least a quarterly basis. The principal activities of these strategic operating subsidiaries are those relating to the operation and provision of telecommunications services, other businesses relating to the info-communication industry and provision of data centre co-location services.

Group	**StarHub**		**TeleChoice**		**U Mobile**		**STT GDC**		**Others**		**Eliminations**		**Unallocated**		**Consolidated**	
	2019	**2018 (Restated)**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018 (Restated)**
	$'m	**$'m**	**$'m**	**$'m**	**$'m**	**$'m**	**$'m**	**$'m**	**$'m**	**$'m**	**$'m**	**$'m**	**$'m**	**$'m**	**$'m**	**$'m**
Revenue and expense																
External revenue	2,322	2,355	255	268	1,018	931	512	383	25	–	–	–	–	–	4,132	3,937
Inter-segment revenue	8	7	58	223	–	1	17	18	–	–	(83)	(249)	–	–	–	–
Total revenue	2,330	2,362	313	491	1,018	932	529	401	25	–	(83)	(249)	–	–	4,132	3,937
Represented by:																
Sale of equipment	565	529	184	374	52	33	–	–	–	–	(26)	(185)	–	–	775	751
Mobile revenue	766	825	3	3	966	899	–	–	–	–	(1)	(2)	–	–	1,734	1,725
Pay TV revenue	248	311	–	–	–	–	–	–	–	–	–	–	–	–	248	311
Broadband revenue	176	186	–	–	–	–	–	–	–	–	–	–	–	–	176	186
Enterprise fixed revenue	575	511	–	–	–	–	–	–	–	–	(1)	(2)	–	–	574	509
Data centres co-location services	–	–	–	–	–	–	529	401	–	–	(17)	(18)	–	–	512	383
e-Business solutions and consulting services	–	–	–	–	–	–	–	–	23	–	–	–	–	–	23	–
Maintenance and installation services	–	–	126	114	–	–	–	–	2	–	(38)	(42)	–	–	90	72
Total revenue	2,330	2,362	313	491	1,018	932	529	401	25	–	(83)	(249)	–	–	4,132	3,937
Segment profit/(loss) before tax	219	245	7	6	(70)	(166)	(158)	(244)	(42)	(43)	1	1	(92)	(71)	(135)	(272)
Income tax expense	(41)	(45)	(2)	(2)	39	–	(4)	(10)	–	–	–	–	3	–	(5)	(57)
Segment profit/(loss) after tax	178	200	5	4	(31)	(166)	(162)	(254)	(42)	(43)	1	1	(89)	(71)	(140)	(329)
Depreciation, amortisation and impairment	(362)	(293)	(6)	(2)	(252)	(126)	(150)	(104)	(1)	(4)	1	–	(3)	–	(773)	(529)
Finance income	2	3	–	–	4	4	2	–	1	5	–	–	33	39	42	51
Finance cost	(38)	(30)	(2)	(1)	(139)	(103)	(112)	(71)	(1)	–	89	87	(49)	(50)	(252)	(168)
Share of results of associates and joint ventures	–	–	–	–	–	–	(45)	(40)	(17)	(2)	–	3	–	–	(62)	(39)
Assets and liabilities																
Segment assets	3,221	3,140	158	153	2,234	1,670	3,839	2,822	501	333	(77)	(51)	1,252	1,555	11,128	9,622
Interests in associates and joint ventures	–	–	2	2	–	–	940	555	173	184	–	–	–	–	1,115	741
Total segment assets	3,221	3,140	160	155	2,234	1,670	4,779	3,377	674	517	(77)	(51)	1,252	1,555	12,243	10,363
Capital expenditure	241	379	1	1	321	309	573	640	153	7	–	–	–	–	1,289	1,336
Segment liabilities	2,154	2,048	89	83	2,388	1,792	3,063	1,917	106	–	(1,239)	(1,045)	1,522	1,451	8,083	6,246

Geographical information

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical locations of the primary place of operations of the investments.

	Group	
	2019	**2018 (Restated)**
	$'m	**$'m**
Revenue		
Singapore	2,630	2,597
Malaysia	1,041	946
India	196	181
United Kingdom	181	107
Others	84	106
	4,132	3,937
Non-current assets*		
Singapore	3,334	2,976
Malaysia	1,942	1,346
United Kingdom	1,534	1,206
People's Republic of China	919	550
United States	252	111
India	906	562
Others	25	11
	8,912	6,762

* *excludes financial instruments and deferred tax assets*

43 Subsequent events

Dividend from StarHub

In February 2020, the directors of StarHub have proposed a final dividend of $0.0225 per share, tax-exempt (one-tier), totalling $39 million in respect of the financial year ended 31 December 2019. This proposed final dividend has not been recognised as at year end and will be submitted for shareholders' approval at the forthcoming Annual General Meeting of StarHub in 2020. The proposed final dividend, once approved and paid, is estimated to reduce the Group's cash and cash equivalents and non-controlling interests by approximately $17 million.

Dividend from TeleChoice

In February 2020, TeleChoice declared a final dividend of $0.01 per share, tax exempt (one tier), totalling $5 million in respect of the financial year ended 31 December 2019. This final tax exempt dividend has not been recognised as at year end and is subject to shareholders' approval at the forthcoming Annual General Meeting of TeleChoice in 2020. The dividend is estimated to reduce the Group's cash and cash equivalents and non-controlling interests by approximately $2 million.

Acquisition of Strateq Sdn Bhd ("Strateq")

On 11 March 2020, StarHub Group acquired 88.3% of Strateq through its Malaysian subsidiary for a cash consideration of RM250 million (equivalent to $82 million). Strateq is a privately-owned company based in Malaysia, which is in the business of providing end-to-end data-driven IT solutions to enterprise customers. The Group is in the process of ascertaining the fair value of the net assets acquired, following which the goodwill arising from the acquisition will be determined.

Drawdown of bank loan facilities

Subsequent to year end, GDC Group and U Mobile drew down bank loan facilities of $135 million and RM400 million (equivalent to $131 million), respectively.

Series C RCPS

In April 2020, the Company entered into a subscription agreement with Everitt Investments Pte. Ltd. ("Everitt"), a wholly-owned subsidiary of Temasek for the subscription by Everitt of up to 750 million Series C RCPS at an issue price of $1 per RCPS. Dividends are cumulative at a rate of 4% per annum, payable annually, subject to the Company's discretion. The Series C RCPS are redeemable at the option of the Company by way of cash at a redemption amount equal to the issue price plus any outstanding accrued cumulative dividends and applicable redemption dividend subject to the Company's discretion. As of the date of this report, the Company has not issued any Series C RCPS.

Provisional 5G licence

In April 2020, StarHub received a provisional 5G licence from the Infocomm Media Development Authority to build and operate a 5G standalone network infrastructure, together with M1, leveraging 3.5GHz spectrum and delivering 5G services. This strategic co-operation will allow both companies to optimise infrastructure and spectrum costs.

Impact of COVID-19 pandemic on the Group

On 11 March 2020, the World Health Organisation declared COVID-19 outbreak a pandemic. The spread of COVID-19 has created a high level of uncertainty to the near-term global economic prospects and caused disruptions to various businesses. The Group is taking precautionary measures to deal with the COVID-19 outbreak in accordance with guidelines provided by the authorities in the respective countries which the Group operates in.

The COVID-19 pandemic and its related impact are considered non-adjusting events after the reporting period. Consequently, there is no impact on the recognition and measurement of assets and liabilities as at 31 December 2019. Due to uncertainty of the outcome of current events, the Group cannot reasonably estimate the impact which the COVID-19 pandemic will have on the Group's balance sheets, results of operations or cash flows in the future.

44 New standards and amendments

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

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

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

SFRS(I) 16 *Leases*

The Group applied SFRS(I) 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under SFRS(I) 1-17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in SFRS(I) 16 have not generally been applied to comparative information.

Definition of a lease

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

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

As a lessee

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

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

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

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

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

In particular, the Group:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application for selected asset classes;
- did not recognise right-of-use assets and liabilities for leases of low value assets (e.g. IT equipment);
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- used hindsight when determining the lease term; and
- adjusted right-of-use assets by the amount of any provision for onerous leases recognised in the statement of financial position immediately before the date of transition.

Impact on financial statements

Impact on transition

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

	Group 1 January 2019 $'m
Right-of-use assets – land and buildings	988
Right-of-use assets – Network equipment and infrastructure	48
Lease liabilities	(863)

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rates applied ranged from 2-9%.

	Group 1 January 2019 $'m
Operating lease commitments at 31 December 2018 as disclosed under SFRS(I) 1-17 in the Group's financial statements	906
Non-lease components	(19)
Reclassification from prepayments	(9)
Adjustment to opening operating lease commitments for lease contracts under negotiation and other contracts previously not disclosed	13
Recognition exemption for leases with less than 12 months of lease term at transition	(10)
Recognition exemption for leases of low value	(2)
Discounting using the incremental borrowing rate at 1 January 2019	(305)
Extension options reasonably certain to be exercised	289
Lease liabilities recognised at 1 January 2019	863
Finance lease liabilities recognised at 31 December 2018	197
Lease liabilities recognised at 1 January 2019	1,060