Co. Reg. No. 200819712H

OpenNet Pte. Ltd.

Annual Financial Statements
31 March 2013

ERNST & YOUNG

OpenNet Pte Ltd

General Information

Directors

Tan Gee Paw	(Chairman)
Arthur Richard Price	
Chan Heng Loon	
Jeann Low Ngiap Jong	(Resigned on 21 September 2012)
Ong Boon Hwee	(Resigned on 30 May 2012)
Khoo Siew Kim Jimmy	
Tay Soo Meng	(Appointed on 21 September 2012)
Eng Heng Nee Philip	
Robert Chew	
Lee Siew Yin Deborah	(Alternate Director to Chan Heng Loon)
Alan Guy Hartslief	(Alternate Director to Arthur Richard Price)
Sim Kwong Mian	(Alternate Director to Ong Boon Hwee; resigned on 30 May 2012)
Chew Min Lip	(Alternate Director to Jimmy Khoo; appointed on 30 July 2012)
Gan Siok Hoon	(Alternate Director to Tay Soo Meng, appointed on 21 September 2012)

Secretaries

Teo Kwee Yee

Registered Office

No. 152 Beach Road
Gateway East #31-05/08
Singapore 189721

Bankers

DBS Bank Ltd
Oversea-Chinese Banking Corporation Limited
United Overseas Bank Limited
The Hongkong and Shanghai Banking Corporation Limited

OpenNet Pte Ltd

General Information

Share Registrar

HEPCorporate Services Pte Ltd
4 Shenton Way
#17-01 SGX Centre II
Singapore 068807

Auditor

Ernst & Young LLP
One Raffles Quay
#18-01 North Tower
Singapore 048583

Index

OpenNet Pte Ltd

Directors' Report

The Directors are pleased to present their report to the members together with the audited financial statements of OpenNet Pte Ltd (the "Company") for the financial year ended 31 March 2013.

Directors

The Directors of the Company in office at the date of this report are:

Tan Gee Paw	(Chairman)
Arthur Richard Price	
Chan Heng Loon	
Khoo Siew Kim Jimmy	
Tay Soo Meng	(Appointed on 21 September 2012)
Eng Heng Nee Philip	
Robert Chew	
Lee Siew Yin Deborah	(Alternate Director to Chan Heng Loon)
Alan Guy Hartslief	(Alternate Director to Arthur Richard Price)
Chew Min Lip	(Alternate Director to Khoo Siew Kim Jimmy, appointed on 30 July 2012)
Gan Siok Hoon	(Alternate Director to Tay Soo Meng, appointed on 21 September 2012)

Arrangements to enable directors to acquire shares or debentures

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 or debentures of the Company or any other body corporate.

Directors' interests in shares or debentures

No Director, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under section 164 of the Singapore Companies Act, Chapter 50, an interest in the shares or debentures of the Company.

Directors' contractual benefits

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

Options

During the financial year, there were:

(i) no options granted by the Company to any person to take up unissued shares of the Company; and

(ii) no shares issued by virtue of any exercise of options to take up unissued shares of the Company.

As at the end of the financial year, there were no unissued shares of the Company under option.

Audit committee

The Audit Committee ("AC") comprises the following three non-executive directors, of which two are independent:

Eng Heng Nee Philip (Chairman)
Robert Chew
Arthur Richard Price

The AC carried out its functions in accordance with section 201B(5) of the Singapore Companies Act, Chapter 50, including the responsibilities directed under section 114A of the Memorandum and Articles of Association of the Company.

The AC held three meetings during the financial year ended 31 March 2013.

The AC, having reviewed all non-audit services provided by the auditors, is satisfied that the nature and extent of such services would not affect the independence of the auditors.

Auditor

Ernst & Young LLP have expressed their willingness to accept reappointment as auditor.

On behalf of the Board of Directors,

Tan Gee Paw
Director

Eng Heng Nee Philip
Director

Singapore
19 June 2013

OpenNet Pte Ltd

Statement by Directors

We, Tan Gee Paw and Eng Heng Nee Philip, being two of the Directors of OpenNet Pte Ltd, do hereby state that, in the opinion of the Directors:

(a) the accompanying balance sheet, statement of comprehensive income, statement of changes in equity and statement of cash flows together with the notes thereto, are drawn up so as to give a true and fair view of the state of affairs of the Company as at 31 March 2013 and the results of the business, changes in equity and cash flows of the Company for the financial year ended on that date; and

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

On behalf of the Board of Directors,

Tan Gee Paw
Director

Eng Heng Nee Philip
Director

Singapore
19 June 2013

Independent Auditor's Report to the members of OpenNet Pte Ltd

Report on the Financial Statements

We have audited the accompanying financial statements of OpenNet Pte Ltd (the "Company"), which comprise the balance sheet as at 31 March 2013, statement of changes in equity, statement of comprehensive income and cash flow statement of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Ernst & Young LLP

Ernst & Young LLP
Public Accountants and
Certified Public Accountants
Singapore

19 June 2013

OpenNet Pte Ltd

Balance Sheet as at 31 March 2013

(In Singapore dollars)

	Note	2013 $	2012 $
Share Capital and Reserves			
Share capital	3	99,150,000	79,150,000
Retained earnings		37,385,172	5,920,043
Total Equity		136,535,172	85,070,043
Non-Current Assets			
Property, plant and equipment	4	669,447,136	611,983,465
Rental deposits		603,361	279,952
		670,050,497	612,263,417
Current Assets			
Trade and other receivables	5	14,466,670	106,315,143
Prepayments		485,315	976,469
Due from a related company	6	6,974,052	3,749,271
Cash and cash equivalents	7	46,967,498	45,518,298
		68,893,535	156,559,181
Current Liabilities			
Other creditors and accruals	8	6,175,574	7,658,089
Due to related companies	6	19,194,841	155,379,399
Deferred financial support grant	9	27,136,415	23,309,881
Deferred revenue	10	259,179	259,179
Lease obligations	11	2,260	2,736
		52,768,269	186,609,284
Net Current Assets / (Liabilities)		16,125,266	(30,050,103)
Non-Current Liabilities			
Deferred financial support grant	9	542,728,303	496,368,439
Deferred revenue	10	475,161	734,340
Deferred tax liability		6,400,000	-
Deposit		30,000	30,000
Lease obligations	11	7,127	10,492
		549,640,591	497,143,271
Net Assets		136,535,172	85,070,043

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

OpenNet Pte Ltd

Statement of Comprehensive Income for the financial year ended 31 March 2013

(In Singapore dollars)

	Note	2013 $	2012 $
Revenue	12	65,909,950	27,063,169
Other income	13	109,823	78,718
		66,019,773	27,141,887
Amortisation of financial support grant		25,796,425	19,542,095
Costs and expenses			
Personnel expenses	14	(6,518,892)	(3,590,232)
Rental expenses		(659,173)	(463,869)
Depreciation of property, plant and equipment	4	(32,364,487)	(22,743,604)
Property tax		(2,850,000)	(2,200,000)
Colocation related costs		(3,213,963)	(1,958,161)
Network maintenance costs		(3,987,842)	(2,876,682)
Professional and consultancy fees		(838,949)	(1,094,075)
Directors' fees		(100,000)	(85,000)
Finance costs		(762,193)	(473,254)
Other expenses		(2,655,570)	(1,123,674)
Total costs and expenses		(53,951,069)	(36,608,551)
Profit before taxation		37,865,129	10,075,431
Taxation	15	(6,400,000)	–
Profit for the year		31,465,129	10,075,431
Other comprehensive income for the year, net of tax		–	–
Total comprehensive income for the year		31,465,129	10,075,431
Income attributable to:			
Owners of the Company		31,465,129	10,075,431
Total comprehensive income attributable to:			
Owners of the Company		31,465,129	10,075,431

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

OpenNet Pte Ltd

Statement of Changes in Equity for the financial year ended 31 March 2013

(In Singapore dollars)

	Share capital (Note 3) $	(Accumulated losses)/ retained earnings $	Total $
Balance at 1 April 2011	44,150,000	(4,155,388)	39,994,612
Issuance of ordinary shares of the Company	35,000,000	–	35,000,000
Profit for the year	–	10,075,431	10,075,431
Other comprehensive income for the year	–	–	–
Total comprehensive income for the year	–	10,075,431	10,075,431
Balance at 31 March 2012	79,150,000	5,920,043	85,070,043
Balance at 1 April 2012	79,150,000	5,920,043	85,070,043
Issuance of ordinary shares of the Company	20,000,000	–	20,000,000
Profit for the year	–	31,465,129	31,465,129
Other comprehensive income for the year	–	–	–
Total comprehensive income for the year	–	31,465,129	31,465,129
Balance at 31 March 2013	99,150,000	37,385,172	136,535,172

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

OpenNet Pte Ltd

Statement of Cash Flows for the financial year ended 31 March 2013

(In Singapore dollars)

	2013 $	2012 $
Cash flows from operating activities		
Profit before taxation	37,865,129	10,075,431
Adjustments for:		
Depreciation of property, plant and equipment	32,364,487	22,743,604
Amortisation of financial support grant	(25,796,425)	(19,542,095)
Recognition of deferred revenue	(259,179)	(259,180)
Property, plant and equipment written-off	8,821	–
Interest income	(109,823)	(69,580)
Operating cash flows before working capital changes	44,073,010	12,948,180
(Increase)/decrease in trade and other receivables and rental deposits	(750,670)	849,510
Decrease/(increase) in prepayments	491,154	(304,579)
(Decrease)/increase in other creditors and accruals	(1,482,515)	4,594,938
(Decrease)/increase in amounts due to related companies (net)	(139,409,339)	11,321,698
Cash flows generated (used in)/from operating activities	(97,078,360)	29,409,747
Interest received	109,823	69,580
Net cash flows generated (used in)/from operating activities	(96,968,537)	29,479,327
Cash flows from investing activity		
Purchase of property, plant and equipment	(89,836,979)	(185,649,365)
Net cash flows used in investing activity	(89,836,979)	(185,649,365)
Cash flows from financing activities		
Repayment of obligations under finance leases	(3,841)	(3,482)
Proceeds from financial support grant	168,258,557	146,964,444
Proceeds from issuance of ordinary shares	20,000,000	35,000,000
Net cash flows generated from financing activities	188,254,716	181,960,962
Net increase in cash and cash equivalents	1,449,200	25,790,924
Cash and cash equivalents at beginning of year	45,518,298	19,727,374
Cash and cash equivalents at end of year (Note 7)	46,967,498	45,518,298

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

1. Corporate information

OpenNet Pte Ltd (the "Company") is a private limited company domiciled and incorporated in Singapore. The registered office and principal place of business of the Company is located at 152 Beach Road, #31-05/08 The Gateway East, Singapore 189721.

The principal activities of the Company are the deployment and operation of the Next Generation National Broadband Network ("NGNBN") passive fibre infrastructure and related services, including the design, construction and operation under an agreement with the Infocomm Development Authority of Singapore ("IDA"). The agreement allows the Company the right to operate the NGNBN passive infrastructure and services, upon completion of network deployment up to March 2034 ("Netco Agreement"). Under the Interconnection Offer ("ICO") mandated by the IDA, the Company provides such passive facilities and services to Operating Companies ("OpCos") and Qualifying Persons ("QPs") who are licensed by the IDA.

Under the Netco Agreement with IDA, the Company is entitled to receive a grant of up to S$750 million in the form of Financial Support from the IDA. Outstanding receivables from IDA as at 31 March 2013 is $7,400,743 (2012: $99,676,477).

As at 31 March 2013, included in the amounts due to related companies in the balance sheet is an amount of $15,685,887 (2012: $145,398,597) due to a related company which is trade in nature. In accordance with the Engineering, Procurement and Construction Agreement between the Company and a related company, the Company has no legal obligation to settle the amounts due to this related company until the financial support claims from IDA is received.

The shareholders are Axia Networks Singapore Pte Ltd, SingTel Interactive Pte Ltd, SPH Net Pte Ltd and SPT Net Pte Ltd who are also related companies in these financial statements.

2. Summary of significant accounting policies

2.1 *Basis of preparation of financial statements*

The financial statements of the Company have been prepared in accordance with Singapore Financial Reporting Standards ("FRS").

The financial statements have been prepared on a historical cost basis except as disclosed in the accounting policies below and are presented in Singapore dollars ("SGD" or "$"), which is the Company's functional currency.

2.2 *Changes in accounting policies*

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Company has adopted all the new and revised standards and Interpretations of FRS (INT FRS) that are effective for annual periods beginning on or after 1 March 2012. The adoption of these standards and interpretations did not have any effect on the financial performance of the Company.

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

2.3 *Standards issued but not yet effective*

The Company has not adopted the following standards and interpretations that have been issued but are not yet effective:

Description	*Effective for annual periods beginning on or after*
Amendments to FRS 1 *Presentation of Items of Other Comprehensive Income*	1 July 2012
Revised FRS 19 *Employee Benefits*	1 January 2013
FRS 113 *Fair Value Measurements*	1 January 2013
Amendments to FRS 107 *Disclosures – Offsetting Financial Assets and Financial Liabilities*	1 January 2013
Improvements to FRSs 2012	1 January 2013
- Amendment to FRS 1 *Presentation of Financial Statements*	1 January 2013
- Amendment to FRS 16 *Property, Plant and Equipment*	1 January 2013
- Amendment to FRS 32 *Financial Instruments: Presentation*	1 January 2013
Revised FRS 27 *Separate Financial Statements*	1 January 2014
Revised FRS 28 *Investments in Associates and Joint Ventures*	1 January 2014
FRS 110 *Consolidated Financial Statements*	1 January 2014
FRS 111 *Joint Arrangements*	1 January 2014
FRS 112 *Disclosure of Interests in Other Entities*	1 January 2014
Amendments to FRS 32 - *Offsetting Financial Assets and Financial Liabilities*	1 January 2014

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

2.4 *Significant accounting estimates and judgements*

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

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

2.4 *Significant accounting estimates and judgements (cont'd)*

2.4.1 Judgements made in applying accounting policies

In the process of applying the Company's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

- **Income tax expense**

  Significant judgement is involved in determining the Company's provision for income tax. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the current income and deferred tax provisions in the period in which such determination is made.

  The carrying amount of the income tax expense for the financial year ended 31 March 2013 was $6,400,000 (2012: $Nil).

- **Contingent liabilities**

  In assessing the probability of a present obligation that may lead to an outflow of resources embodying economic benefits, the Company has sought the opinion of its internal and external legal counsels. The details of the Company's contingent liabilities are disclosed in Note 20.

2.4.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Company based its assumptions and estimates and parameters available when the financial statement was prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

- **Depreciation of property, plant and equipment**

  Leasehold improvements, furniture, fixtures and fittings, computer and office equipments are depreciated on a straight-line basis over their estimated useful lives. The useful lives of these assets are estimated to be within 3 to 10 years. The carrying amounts of these assets at 31 March 2013 were $26,531,052 (2012: $16,099,822).

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

2.4 *Significant accounting estimates and judgements (cont'd)*

2.4.2 Key sources of estimation uncertainty (cont'd)

- **Depreciation of property, plant and equipment (cont'd)**

  Network assets are depreciated based on the estimated remaining useful lives of the network up to the end of the license period which is March 2034. Network construction-in-progress is not depreciated until these assets are utilised. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

2.5 *Property, plant and equipment*

All items of property, plant and equipment are initially recorded at cost. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Property, plant and equipment are depreciated using the straight-line method over their estimated useful lives, which are as follows:

Network assets	Over the license period till March 2034
Leasehold improvements	8 to 10 years
Computer equipment	3 to 8 years
Colocation and office equipment	3 to 10 years
Furniture, fixtures and fittings	10 years

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use.

Network construction-in-progress included in property, plant and equipment relates to all directly attributable costs incurred for the construction of the Next Generation National Broadband Network ("NGNBN") passive fibre infrastructure.

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

2.5 *Property, plant and equipment (cont'd)*

Network construction-in-progress are not depreciated as these assets are not yet available for use. Depreciation will commence when these assets are utilised for revenue generation.

The residual values, useful lives and depreciation method are reviewed at each financial year-end and adjusted prospectively, if appropriate, to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in profit or loss in the year the asset is derecognised.

2.6 *Government grant*

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred financial support grant on the balance sheet and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Government grants for the construction of the passive fibre infrastructure are taken to the deferred financial support grant account. Deferred financial support grant are recognised in profit or loss over the periods necessary to match the depreciation of the related assets.

2.7 *Financial assets*

Initial recognition and measurement

Financial assets are recognised when, and only when, the Company becomes a party to the contractual provisions of the financial instruments.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. The Company determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

Subsequent measurement

<u>Loans and receivables</u>

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loss and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

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

2.7 *Financial assets (cont'd)*

Subsequent measurement (cont'd)

De-recognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss

2.8 *Impairment of financial assets*

The Company assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

<u>*Financial assets carried at amortised cost*</u>

For financial assets carried at amortised cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

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

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

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

2.8 *Impairment of financial assets (cont'd)*

Financial assets carried at amortised cost (cont'd)

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

2.9 *Cash and cash equivalents*

Cash and cash equivalents consist of cash and bank balances and short-term fixed deposits, and are classified as loans and receivables under FRS 39. The accounting policy for this category of financial assets is stated in Note 2.7.

2.10 *Provisions*

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

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

2.11 *Financial liabilities*

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

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

2.11 *Financial liabilities (cont'd)*

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in profit or loss.

The Company has not designated any financial liabilities upon initial recognition at fair value through profit or loss.

Other financial liabilities

After initial recognition, financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

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

2.12 *Leases*

(a) ***Finance lease***

Finance leases which transfer to the Company substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term.

(b) ***Operating lease***

Leases where the lessor effectively retains substantially all risks and benefits of ownership of the leased items are classified as operating leases.

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

2.13 *Impairment of non-financial assets*

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value.

The Company bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Company's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of three years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the third year.

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

2.13 *Impairment of non-financial assets (cont'd)*

Impairment losses are recognised in profit or loss, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2.14 *Employee benefits*

(a) ***Defined contribution plan***

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

(b) ***Employee leave entitlement***

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

2.15 *Income taxes*

(a) ***Current income tax***

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Company operates and generates taxable income.

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

2.15 *Income taxes (cont'd)*

(b) ***Deferred tax***

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

Deferred tax liabilities are recognised for all temporary differences.

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

2.16 *Revenue*

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Company assesses its revenue arrangements to determine if it is acting as principal or agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

(a) Revenue from connection for residential and non-residential user is recognised on a straight line basis over the subscription period;

(b) Revenue from the installation of network fibre is recognised upon completion of the installation of the network fibre under the "Home Reach" programme for each customer;

(c) Revenue from colocation includes the following:

   i) Rental income from operating leases is recognised on a straight line basis over the lease term;
   ii) Revenue from the provision of project study and site preparation work is recognised upon completion of the study / work; and

(d) Interest income is recognised using the effective interest method.

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

2.17 *Related parties*

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Company if that person:

(i) Has control or joint control over the Company;

(ii) Has significant influence over the Company; or

(iii) Is a member of the key management personnel of the Company or of a parent of the Company.

(b) An entity is related to the Company if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;

(vi) The entity is controlled or jointly controlled by a person identified in (a);

(vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2.18 *Contingencies*

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or

(b) a present obligation that arises from past events but is not recognised because:

(i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) The amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognised on the balance sheet of the Company.

3. Share capital

	2013 $	2012 $
Issued and fully paid up:		
At beginning of the year - 79,150,000 (2012: 44,150,000) ordinary shares	79,150,000	44,150,000
Issued during the year - 20,000,000 (2012: 35,000,000) ordinary shares, for cash	20,000,000	35,000,000
At end of the year	99,150,000	79,150,000

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

4. Property, plant and equipment

	Leasehold improve-ments $	Computer equipment $	Colocation and office equipment $	Furniture, fixtures and fittings $	Network construction-in-progress $	Network assets $	Total $
Cost							
At 1 April 2011	957,986	10,230,280	727,454	50,619	50,429,374	397,260,723	459,656,436
Additions	221,445	7,231,912	135,737	4,860	37,192,193	140,863,218	185,649,365
Transfers	–	–	–	–	(39,454,951)	39,454,951	–
At 31 March 2012 and 1 April 2012	1,179,431	17,462,192	863,191	55,479	48,166,616	577,578,892	645,305,801
Additions	76,070	5,472,512	8,645,244	4,097	–	75,639,056	89,836,979
Transfers	–	–	–	–	(48,166,616)	48,166,616	–
Write-offs	(11,505)	–	–	–	–	–	(11,505)
At 31 March 2013	1,243,996	22,934,704	9,508,435	59,576	–	701,384,564	735,131,275
Accumulated depreciation							
At 1 April 2011	148,651	1,033,838	81,245	7,183	–	9,307,815	10,578,732
Depreciation charge for the year	142,985	1,915,863	125,523	5,183	–	20,554,050	22,743,604
At 31 March 2012 and 1 April 2012	291,636	2,949,701	206,768	12,366	–	29,861,865	33,322,336
Depreciation charge for the year	122,562	2,973,312	656,450	5,548	–	28,606,615	32,364,487
Write-offs	(2,684)	–	–	–	–	–	(2,684)
At 31 March 2013	411,514	5,923,013	863,218	17,914	–	58,468,480	65,684,139
Net carrying amount							
At 31 March 2012	887,795	14,512,491	656,423	43,113	48,166,616	547,717,027	611,983,465
At 31 March 2013	832,482	17,011,691	8,645,217	41,662	–	642,916,084	669,447,136

4. Property, plant and equipment (cont'd)

The Company's leasehold improvement cost included a provision for reinstatement cost amounting to $117,312 (2012: $117,312).

5. Trade and other receivables

	2013 $	2012 $
Trade receivables	3,725,412	1,938,935
GST receivables	98,428	2,636,959
Accrued revenue	3,080,146	2,041,312
Deposits and other receivables	161,941	21,460
Receivables from IDA	7,400,743	99,676,477
	14,466,670	106,315,143

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

Receivables that are past due but not impaired

The Company has trade receivables amounting to $295,586 (2012: $129,103) that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their aging at the end of the reporting period is as follows:

	2013 $	2012 $
Trade receivables past due but not impaired:		
Lesser than 30 days	155,217	31,486
30 to 60 days	101,179	36,901
61 to 90 days	39,190	13,954
Over 90 days	–	46,762
	295,586	129,103

5. Trade and other receivables (cont'd)

Receivables that are impaired

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

	2013 $	2012 $
Trade receivables – nominal amounts	483,606	98,924
Less: Allowance for impairment	(483,606)	(98,924)
	–	–
Movement in allowance accounts:		
At 1 April	98,924	41,082
Charge for the year	460,177	57,842
Write-off	(75,495)	–
At 31 March	483,606	98,924

At the end of the reporting period, the Company has provided an allowance of impairment of $483,606 (2012: $98,924).

Trade receivables that are individually determined to be impaired at the end of the reporting period relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

6. Due from/(to) related companies

Amount due from a related company are unsecured, interest-free, trade-related and are on 30 days' terms.

	2013 $	2012 $
Trade	6,974,052	3,749,271

Amounts due to related companies are unsecured, interest-free, repayable on demand, and are to be settled in cash.

	2013 $	2012 $
Trade	18,895,592	155,031,851
Non-trade	299,249	347,548
	19,194,841	155,379,399

6. Due from/(to) related companies (cont'd)

In accordance with the Engineering, Procurement and Construction Agreement between the Company and a related company, the Company has no legal obligation to settle the amounts due to this related company until the financial support claims from IDA is received.

7. Cash and cash equivalents

Cash and cash equivalents included in the statement of cash flows comprise the following amounts:

	2013 $	2012 $
Cash and bank balances	46,967,498	35,518,298
Short-term fixed deposits	–	10,000,000
	46,967,498	45,518,298

8. Other creditors and accruals

	2013 $	2012 $
Accrued expenses	4,806,964	6,157,264
Accrued property tax	343,815	789,486
Other creditors	907,483	594,027
Provision for reinstatement cost	117,312	117,312
	6,175,574	7,658,089

9. Deferred financial support grant

	2013 $	2012 $
Cost		
At beginning of the year	547,609,812	300,968,891
Received/receivable during the year	75,982,823	246,640,921
At end of the year	623,592,635	547,609,812
Accumulated amortisation		
At beginning of the year	27,931,492	8,389,397
Amortisation	25,796,425	19,542,095
At end of the year	53,727,917	27,931,492
Net carrying amount		
Current	27,136,415	23,309,881
Non-current	542,728,303	496,368,439
	569,864,718	519,678,320

Deferred financial support grant relates to grants received from IDA for the construction of the passive fibre infrastructure. There are no unfulfilled conditions or contingencies attached to these grants. The details of the grant are disclosed in Note 1.

10. Deferred revenue

	2013 $	2012 $
Current	259,179	259,179
Non-current	475,161	734,340
	734,340	993,519

The deferred revenue refers to the advanced billing of five years rental and facilities charges to a customer. The deferred revenue will be amortised over a service period of 5 years.

Movement in deferred revenue is as follows:

	2013 $	2012 $
At beginning of the year	993,519	1,252,699
Recognised in profit or loss	(259,179)	(259,180)
At end of the year	734,340	993,519

11. Commitments

(a) ***Operating lease commitments – as lessee***

The Company leases certain office premises under lease agreements that are non-cancellable.

Future minimum lease payments under non-cancellable leases at the end of the reporting period are as follows:

	2013	2012
	$	$
Within one year	3,632,132	2,210,781
Within two to five years	10,710,653	6,141,344
More than five years	46,379,851	23,276,404
	60,722,636	31,628,529

Minimum lease payments recognised as an expense in profit or loss for the financial year ended 31 March 2013 amounted to $2,551,481 (2012: $1,833,945) for the Company.

(b) ***Finance lease commitments – as lessee***

The Company has entered into a finance lease for a photocopier. The lease is renewable with purchase options and without escalation clauses. Renewal is at the option of the Company, who holds the lease.

Future minimum lease payments under finance lease together with the present value of the net minimum lease payments are as follows:

	2013		2012	
	Minimum lease payments	Present value of payments	Minimum lease payments	Present value of payments
	$	$	$	$
Not later than one year	3,840	2,260	3,840	2,736
Later than one year but not later than five years	7,419	7,127	11,260	10,492
Total minimum lease payments	11,259	9,387	15,100	13,228
Less: Amounts representing finance charges	(1,872)	–	(1,872)	–
Present value of minimum lease payments	9,387	9,387	13,228	13,228

11. Commitments (cont'd)

(c) *Operating lease commitments – as lessor*

The Company has entered into commercial leases on its co-location space. These non-cancellable leases have remaining lease terms of between one to two years.

Future minimum rental receivable under non-cancellable operating leases at the end of the reporting period are as follows:

	2013 $	2012 $
Within one year	1,217,000	650,500
Within two to five years	163,500	263,000
	1,380,500	913,500

(d) *Capital commitments*

	2013 $	2012 $
Capital expenditure contracted at the end of the reporting period but not provided for in the financial statements	1,669,592	4,194,819

12. Revenue

	2013 $	2012 $
End user connection revenue	42,610,820	13,200,020
Segment fibre connection revenue	4,539,122	3,272,172
Installation related revenue	11,119,062	5,777,126
Co-location revenue	6,150,090	3,820,495
Others	1,490,856	993,356
	65,909,950	27,063,169

13. Other income

	2013 $	2012 $
Interest income on short-term fixed deposits	109,823	69,580
Others	–	9,138
	109,823	78,718

14. Personnel expenses

	2013 $	2012 $
Included in profit or loss:		
Wages, salaries and bonuses	5,403,104	3,056,002
Central Provident Fund contributions	626,627	256,590
Staff welfare expenses	86,989	76,783
Other expenses	402,172	200,857
	6,518,892	3,590,232
Capitalised as network construction-in-progress:		
Wages, salaries and bonuses	1,011,591	2,117,175
Central Provident Fund contributions	161,855	334,326
Total personnel expenses	7,692,338	6,041,733

15. Taxation

The reconciliation between the tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 March is as follows:

	2013 $	2012 $
Profit before taxation	37,865,129	10,075,431
Tax at statutory tax rate of 17%	6,437,072	1,712,823
Adjustments:		
Income not subject to taxation	–	(1,700)
Utilisation of previously unrecognised tax assets	–	(1,068,419)
Tax incentive	(37,072)	(642,704)
Income tax expense recognised in profit or loss	6,400,000	–

15. Taxation (cont'd)

Deferred tax as at 31 March relates to the following:

	2013 $	2012 $
Deferred tax liabilities:		
Differences in depreciation for tax purposes	112,559,422	–
Deferred tax assets:		
Financial support grant	97,001,840	–
Unutilised capital allowances	9,122,614	–
Provision for unutilised leave	34,968	–
	106,159,422	–
Deferred tax liabilities (Net)	6,400,000	–

16. Related party transactions

An entity or individual is considered a related party of the Company for the purposes of the financial statements if (i) it possesses the ability (directly or indirectly) to control or exercise significant influence over the operating and financial decisions of the Company or vice versa; or (ii) it is subject to common control or common significant influence.

(a) ***Sale and purchase of goods and services***

In addition to those related party information disclosed elsewhere in the financial statements, the following significant transactions between the Company and related parties took place at terms agreed between the parties during the financial year:

	2013 $	2012 $
Services rendered to a related company	31,818,890	11,874,229
Purchase of goods and services from related companies	83,370,143	173,745,746

16. Related party transactions (cont'd)

(b) *Compensation of key management personnel*

The following amounts relating to compensation paid to key management personnel.

	2013 $	2012 $
Salaries and bonuses	1,619,256	1,516,947
Central Provident Fund contributions	100,288	86,496
Directors' fees	100,000	85,000
Other benefits	18,523	27,743
	1,838,067	1,716,186
Comprise amounts paid to:		
- Directors of the Company	100,000	85,000
- Other key management personnel	1,738,067	1,631,186
	1,838,067	1,716,186

17. Financial risk management objectives and policies

The Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, interest rate risk and liquidity risk. The Board of Directors reviews and agrees on the policies for management of these risks.

The Company's principal financial instrument comprises cash and cash equivalents. The main purpose of this financial instrument is to finance the Company's operations. The Company has various other financial assets and liabilities such as trade receivables and other creditors, which arise directly from its day-to-day operations.

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

(a) *Credit risk*

Credit risk is the potential financial loss resulting from the failure of a customer or a counterparty to settle its financial and contractual obligations when due.

The carrying amounts of trade and other receivables and cash and cash equivalents represent the Company's maximum exposure to credit risk. No other financial assets carry a significant exposure to credit risk.

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

(a) *Credit risk (cont'd)*

The Company's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure.

Cash and cash equivalents are placed with reputable financial institutions. Management believes that the financial institutions that hold the Company's assets are financially sound and accordingly, minimal credit risk exists with respect to these assets.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Company. Cash and cash equivalents are placed with or entered into with reputable financial institutions which have good credit-ratings.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 5.

(b) *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of the Company's financial instruments will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk arises primarily from short-term fixed deposits. To manage interest rate risk, surplus funds are placed with reputable banks as short-term fixed deposits.

Sensitivity analysis for interest rate risk

At the end of the reporting period, if SGD interest rates had been 50 (2012: 50) basis points lower/higher with all other variables held constant, the Company's profit net of tax would have been $234,800 (2012: $227,600) lower/higher, arising mainly as a result of lower/higher interest income from cash and cash equivalents.

The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment, showing a significantly higher volatility as in prior years.

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

(c) *Liquidity risk*

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Company's policy is to obtain funding from the shareholders of the Company.

To manage liquidity risk, the Company monitors its net operating cash flow and maintains an adequate level of cash and cash equivalents.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Company's financial assets and liabilities at the end of the reporting period based on the contractual undiscounted repayments obligations.

	Within 1 year	1 to 5 years	Total
	$	$	$
2013			
Financial assets:			
Trade and other receivables	14,466,670	603,361	15,070,031
Due from a related company	6,974,052	–	6,974,052
Cash and cash equivalents	46,967,498	–	46,967,498
Total undiscounted financial assets	68,408,220	603,361	69,011,581
Financial liabilities:			
Other creditors and accruals	6,175,574	30,000	6,205,574
Due to related companies	19,194,841	–	19,194,841
Lease obligations	3,840	7,419	11,259
Total undiscounted financial liabilities	25,374,255	37,419	25,411,674
Total net undiscounted financial (liabilities)/assets	43,033,965	565,942	43,599,907

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

(c) ***Liquidity risk (cont'd)***

2012	Within 1 year $	1 to 5 years $	Total $
Financial assets:			
Trade and other receivables	106,315,143	279,952	106,595,095
Due from a related company	3,749,271	–	3,749,271
Cash and cash equivalents	45,518,298	–	45,518,298
Total undiscounted financial assets	155,582,712	279,952	155,862,664
Financial liabilities:			
Other creditors and accruals	7,658,089	30,000	7,688,089
Due to related companies	155,379,399	–	155,379,399
Lease obligations	3,840	11,260	15,100
Total undiscounted financial liabilities	163,041,328	41,260	163,082,588
Total net undiscounted financial (liabilities)/assets	(7,458,616)	238,692	(7,219,924)

18. Fair values of financial instruments

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

The following methods and assumptions are used to estimate the fair value of each class of financial instrument:

Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value.

Trade and other receivables, amounts due from a related company, rental deposits, cash and cash equivalents, other creditors and accruals, amounts due to related companies, deposits

18. Fair values of financial instruments (cont'd)

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

Set out below is a comparison by category of carrying amounts of the Company's financial instruments that are carried in the financial statements:

	Loans and receivables	**Liabilities at amortised cost**
	$	$
2013		
Assets		
Trade and other receivables	14,304,729	–
Deposits (non-current and current)	765,302	–
Due from a related company	6,974,052	–
Cash and cash equivalents	46,967,498	–
Liabilities		
Other creditors and accruals	–	(6,058,262)
Due to related companies	–	(19,194,841)
Lease obligations	–	(9,387)
Total	69,011,581	(25,262,490)
2012		
Assets		
Trade and other receivables	106,293,683	–
Deposits (non-current and current)	301,412	–
Due from a related company	3,749,271	–
Cash and cash equivalents	45,518,298	–
Liabilities		
Other creditors and accruals	–	(7,540,777)
Due to related companies	–	(155,379,399)
Lease obligations	–	(13,228)
Total	155,862,664	(162,933,404)

19. Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratio in order to support its business and maximize shareholders' value.

The NGNBN passive fibre infrastructure and any supporting systems for the commercial operation of the network will be supported by funding from the IDA up to $750 million (as stipulated in the NetCo Contract), called the "Financial Support". Any additional funding will either be raised by the Company through the issuance of new shares for cash or by some form of debt financing, as and when required.

The tender documents, submitted by the Company for the NetCo Contract, include an indicative Equity Injection Projection schedule whereby the Company's shareholders have indicated their willingness to inject equity contribution totalling up to $127 million. OpenNet's equity requirements to date have been below this amount. As at 31 March 2013, the total capital injection is $99.15 million (2012: $79.15 million). IDA had notified the Company that it views the difference in equity contribution as a breach of the NetCo Contract but the Company had clarified with IDA that the Company has not asked for more funding from the shareholders as the Company is adequately funded and financed and has a strong financial position and therefore, no additional capital was required as at the date of the financial statements.

The Company is in discussion with IDA to resolve this issue.

20. Contingent liabilities

On 15 March 2012, the Company issued a Notice of Dispute to its Key Sub-Contractor ("KSC") with respect to various disputes over the KSC's contractual obligations. As at 31 March 2013, the Company has received claims made by the KSC of about $78 million for which no provisions have been made in the financial statements as these claims are the subject of the Notice of Dispute.

As at the date of the financial statements, the KSC has responded to the Notice of Dispute and nominated a representative to attempt to resolve the dispute. No arbitration date has been set and the Company is of the opinion that they have a reasonably strong case in relation to the dispute and accordingly, no provision for any liability has been made in the financial statements.

21. Authorisation of financial statements

The financial statements of the Company for the financial year ended 31 March 2013 were authorised for issuance in accordance with a Directors' Resolution dated 19 June 2013.