Securing Our Future

SP POWERASSETS FINANCIAL SUMMARY 2017/18

Registration Number : 200302108D | SP PowerAssets Limited

Directors' statement

We are pleased to submit this annual report to the member of SP PowerAssets Limited (the "Company") together with the audited financial statements for the financial year ended 31 March 2018.

Opinion of the Directors

In our opinion,

(a) the financial statements set out on pages 9 to 49 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 March 2018 and the financial performance, changes in equity and cash flows of the Company for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards; 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.

Directors

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

Mr Wong Kim Yin	
Mr Stanley Huang Tian Guan	
Mr Lim Howe Run	
Mrs Jeanne Cheng	
Ms Lim Chor Hoon	
Mr Samuel Tan Seow Beng	
Mr Wong Chit Sieng	(Appointed on 1 April 2018)
Mr Ong Teng Koon	(Appointed on 1 April 2018)
Mr Goh Chee Kiong	(Appointed on 1 April 2018)

Directors' interests

According to the register kept by the Company for the purposes of Section 164 of 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, warrants 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
Mr Wong Kim Yin		
Singapore Telecommunications Limited	190	190
Mapletree Industrial Trust - units	30,506	30,506

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
Mr Stanley Huang Tian Guan		
Mapletree Greater China Commercial Trust - units	100,000	100,000
Mapletree Industrial Trust - units	–	165,200
Ms Lena Chia Yue Joo#		
Mapletree Greater China Commercial Trust - units	200,000	200,000
Mapletree Industrial Trust - units	117,686	117,686
Mapletree Logistics Trust - units	331,069	414,300
Singapore Airlines Limited	15,000	12,000
Singapore Airlines Limited 3.035% Notes due 2015	–	S$250,000
Singapore Telecommunications Limited	93,322	93,322
TeleChoice International Limited	18,000	18,000
Eugenics Ltd.	50,000 *(held in name of ST Trustees Ltd.)*	50,000 *(held in name of ST Trustees Ltd.)*
Singapore Technologies Engineering Ltd	743,629	617,734
Singapore Technologies Engineering Ltd:		
- Conditional award of 54,000 performance shares to be delivered after 2017[1]	0 to 91,800	–
- Conditional award of 61,000 performance shares to be delivered after 2018[2]	0 to 103,700	0 to 103,700
- Conditional award of 43,400 performance shares to be delivered after 2019[3]	0 to 73,780	0 to 73,780

[1] A minimum threshold performance over a 3-year period from 2015 to 2017 is required for any performance shares to be released and the actual number of performance shares to be released is capped at 170% of the conditional award.

[2] A minimum threshold performance over a 3-year period from 2016 to 2018 is required for any performance shares to be released and the actual number of performance shares to be released is capped at 170% of the conditional award.

[3] A minimum threshold performance over a 3-year period from 2017 to 2019 is required for any performance shares to be released and the actual number of performance shares to be released is capped at 170% of the conditional award.

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
Ms Lena Chia Yue Joo#		
Singapore Technologies Engineering Ltd:		
- Conditional award of 52,000 restricted shares to be delivered after 2017[4]	0 to 78,000	0 to 78,000
- Unvested restricted shares (performance period from 1 Jan 2014 to 31 Dec 2015)[5]	5,254	–
- Unvested restricted shares (performance period from 1 Jan 2015 to 31 Dec 2016)[6]	20,540	10,271
- Unvested restricted shares (performance period from 1 Jan 2016 to 31 Dec 2016)[7]	31,356	6,214
Mr Lim Howe Run		
Singapore Telecommunications Limited	2,970	2,970
Singapore Airlines Limited	1,000	1,000
Mrs Jeanne Cheng		
Singapore Telecommunications Limited	11,180	11,180
Singapore Technologies Engineering Ltd	10,000	10,000
Ms Lim Chor Hoon		
Singapore Telecommunications Limited	1,360	1,360

Resigned on 1 April 2018.

[4] A minimum threshold performance over the period from 1 January 2017 to 31 December 2017 is required for any restricted shares to be released. A specified number of restricted shares to be released will depend on the extent of achievement of all performance conditions and will be delivered in phases according to the stipulated vesting periods.
[5] Balance of unvested restricted shares to be released according to the stipulated periods.
[6] Balance of unvested restricted shares to be released according to the stipulated periods.
[7] Balance of unvested restricted shares to be released according to the stipulated periods.

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

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.

Share options

During the financial year, there were:

[i] no options granted by the Company to any person to take up unissued shares in the Company; and

[ii] no shares issued by virtue of any exercise of option 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.

On behalf of the Board of Directors

MR WONG KIM YIN
Chairman

MR STANLEY HUANG TIAN GUAN
Director

8 May 2018

Independent Auditor's Report

For the financial year ended 31 March 2018

Independent Auditor's Report to the Member of SP PowerAssets Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of SP PowerAssets Limited (the "Company") set out on pages 9 to 49, which comprise the balance sheet as at 31 March 2018, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 ("the Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the financial position of the Company as at 31 March 2018 and of the financial performance, changes in equity and cash flows 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Accounting and Corporate Regulatory Authority (ACRA) 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. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report, including in relation to the matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying financial statements.

Goodwill impairment review

The Company has recorded an asset of $2,166.8 million which represents goodwill on the acquisition of the transmission business as discussed in Note 5. The goodwill balance is reviewed annually for impairment based on fair value which is determined by discounting expected future cash flows. The assessment of fair value requires significant management judgement in establishing future cash flows, the terminal value and the discount rate.

Our audit procedures included assessing the key assumptions used in arriving at the fair value, including the terminal value, forecast future cash flows, and the discount rate. In performing our audit procedures, we assessed the reasonableness of cash flow projections by assessing the reliability of management's budgeting process and the Company's own historical data and performance. In relation to other key inputs, such as the terminal value and discount rate, we compared these inputs to externally available industry, economic and financial data.

Other Information

Management is responsible for other information. The other information comprises the directors' statement.

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 FRSs, 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's 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 auditor's 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.

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 control.

- Obtain an understanding of internal control 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 Company's internal control.

- 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Company 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.

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 control 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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 auditor's report unless law or regulation precludes 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 have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Nagaraj Sivaram.

Ernst & Young LLP

Public Accountants and
Chartered Accountants
Singapore
8 May 2018

Balance sheet
As at 31 March 2018

	Note	2018 $ million	2017 $ million
Non-current assets			
Property, plant and equipment	4	9,358.4	8,857.6
Intangible assets	5	2,204.3	2,215.9
Derivative assets	6	46.3	106.2
		11,609.0	11,179.7
Current assets			
Inventories	7	36.8	41.1
Trade and other receivables	8	242.9	230.6
Derivative assets	6	1.6	2.3
Cash and cash equivalents	9	2.1	1.0
		283.4	275.0
Total assets		11,892.4	11,454.7
Equity			
Share capital	10	2,512.4	2,512.4
Hedging reserve	11	(27.4)	(31.5)
Accumulated profits		2,027.0	1,881.0
Total equity		4,512.0	4,361.9
Non-current liabilities			
Debt obligations	12	4,060.8	3,985.3
Derivative liabilities	6	228.8	84.8
Deferred tax liabilities	13	1,123.9	1,089.7
Deferred income	14	435.1	428.1
Deferred construction cost compensation	15	259.3	–
		6,107.9	5,587.9
Current liabilities			
Debt obligations	12	507.1	139.7
Derivative liabilities	6	2.8	2.0
Current tax payable		66.7	69.7
Trade and other payables	16	695.9	1,293.5
		1,272.5	1,504.9
Total liabilities		7,380.4	7,092.8
Total equity and liabilities		11,892.4	11,454.7

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

Income statement

Year ended 31 March 2018

	Note	2018 $ million	2017 $ million
Revenue	17	1,442.3	1,402.6
Other income	18	109.3	90.5
Expenses			
- Depreciation of property, plant and equipment	4	(494.2)	(477.6)
- Amortisation of intangible assets	5	(13.5)	(15.2)
- Maintenance		(88.7)	(87.6)
- Management fees		(146.4)	(137.2)
- Property taxes		(42.1)	(42.9)
- Agency fee		(22.6)	(21.5)
- Support services		(26.5)	(30.5)
- Other operating expenses		(40.3)	(42.9)
Operating profit		677.3	637.7
Finance income	19	1.0	1.4
Finance costs	20	(130.0)	(112.4)
Profit before taxation		548.3	526.7
Tax expense	21	(97.0)	(93.1)
Profit for the year	22	451.3	433.6

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

Statement of comprehensive income

Year ended 31 March 2018

	2018 $ million	2017 $ million
Profit for the year	451.3	433.6
Other comprehensive income		
Items that are or may be reclassified subsequently to profit or loss:		
Effective portion of changes in fair value of cash flow hedges, net of tax	(2.8)	(6.4)
Net change in fair value of cash flow hedges reclassified to profit or loss, net of tax	7.5	(14.9)
Net change in fair value of cash flow hedges on recognition of the hedged items on balance sheet, net of tax	(0.6)	(1.6)
Other comprehensive income for the year, net of tax	4.1	(22.9)
Total comprehensive income for the year	455.4	410.7

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

Statement of changes in equity

Year ended 31 March 2018

	Note	Share capital $ million	Hedging reserve $ million	Accumulated profits $ million	Total equity $ million
At 1 April 2016		2,512.4	(8.6)	1,744.7	4,248.5
Total comprehensive income for the year					
Profit for the year		–	–	433.6	433.6
Other comprehensive income					
Effective portion of changes in fair value of cash flow hedges, net of tax		–	(6.4)	–	(6.4)
Net change in fair value of cash flow hedges reclassified to profit or loss, net of tax		–	(14.9)	–	(14.9)
Net change in fair value of cash flow hedges on recognition of the hedged item on balance sheet, net of tax		–	(1.6)	–	(1.6)
Total other comprehensive income		–	(22.9)	–	(22.9)
Total comprehensive income for the year		–	(22.9)	433.6	410.7
Transaction with owner, recognised directly in equity					
Contributions by and distribution to owner					
Dividends declared	27	–	–	(297.3)	(297.3)
At 31 March 2017		2,512.4	(31.5)	1,881.0	4,361.9

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

Statement of changes in equity

Year ended 31 March 2018 (cont'd)

	Note	Share capital $ million	Hedging reserve $ million	Accumulated profits $ million	Total equity $ million
At 1 April 2017		2,512.4	(31.5)	1,881.0	4,361.9
Total comprehensive income for the year					
Profit for the year		–	–	451.3	451.3
Other comprehensive income					
Effective portion of changes in fair value of cash flow hedges, net of tax		–	(2.8)	–	(2.8)
Net change in fair value of cash flow hedges reclassified to profit or loss, net of tax		–	7.5	–	7.5
Net change in fair value of cash flow hedges on recognition of the hedged item on balance sheet, net of tax		–	(0.6)	–	(0.6)
Total other comprehensive income		–	4.1	–	4.1
Total comprehensive income for the year		–	4.1	451.3	455.4
Transaction with owner, recognised directly in equity					
Contributions by and distribution to owner					
Dividends declared	27	–	–	(305.3)	(305.3)
At 31 March 2018		2,512.4	(27.4)	2,027.0	4,512.0

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

Statement of cash flows

Year ended 31 March 2018

	Note	2018 $ million	2017 $ million
Cash flows from operating activities			
Profit for the year		451.3	433.6
Adjustments for:			
Tax expense	21	97.0	93.1
Depreciation and amortisation	4, 5	507.7	492.8
Loss on disposal of property, plant and equipment	22	3.0	6.2
Deferred income	14	(8.1)	52.1
Inventories written down	7	2.5	4.1
Finance income	19	(1.0)	(1.4)
Finance costs	20	130.0	112.4
Exchange difference	22	0.4	1.5
		1,182.8	1,194.4
Changes in working capital:			
Inventories		1.8	0.7
Trade and other receivables		(10.1)	(11.2)
Trade and other payables		(55.9)	33.4
Cash generated from operations		1,118.6	1,217.3
Interest received		1.0	1.4
Income tax paid		(66.6)	(51.3)
Net cash generated from operating activities		1,053.0	1,167.4
Cash flows from investing activities			
Purchase of property, plant and equipment		(911.3)	(720.8)
Purchase of intangible assets		(1.9)	(0.4)
Proceeds from disposal of property, plant and equipment		4.9	5.6
Net cash used in investing activities		(908.3)	(715.6)
Cash flows from financing activities			
Interest paid		(134.9)	(134.4)
Commitment fees paid		(2.8)	(3.0)
Redemption of borrowings		(139.4)	–
Proceeds from issuance of bond		808.5	–
Brokerage fee for issuance of bond		(5.1)	–
Decrease in amounts due to immediate holding company (non-trade)	16	(364.6)	(158.8)
Dividends paid to owner of the Company	27	(305.3)	(297.3)
Net cash used in financing activities		(143.6)	(593.5)
Net increase/(decrease) in cash and cash equivalents		1.1	(141.7)
Cash and cash equivalents at beginning of the year		1.0	142.7
Cash and cash equivalents at end of the year	9	2.1	1.0

The accompanying notes form an integral part of these 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 8 May 2018.

1 Domicile and activities

SP PowerAssets Limited (the "Company") is incorporated in the Republic of Singapore and has its registered office at 2 Kallang Sector, SP Group Building, Singapore 349277.

The principal activities of the Company are those relating to the provision of services in connection with the transmission and distribution of electricity.

The immediate and ultimate holding companies are Singapore Power Limited and Temasek Holdings (Private) Limited respectively. Both companies are incorporated in the Republic of Singapore.

2 Basis of preparation

2.1 Statement of compliance

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

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies set out below.

2.3 Functional and presentation currency

The 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 0.1 million, unless otherwise stated.

2.4 Use of estimates and judgements

The preparation of financial statements in conformity with FRSs 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. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources.

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 discussed below:

Impairment of goodwill and indefinite-lived intangible assets

Impairment reviews in respect of goodwill and intangible assets are performed at least annually. More regular reviews are performed if changes in circumstances or the occurrence of events indicate potential impairment. The Company uses the present value of future cash flows to determine the recoverable amounts of the cash generating units. In calculating the recoverable amounts, significant management judgement is required in forecasting cash flows of the cash generating units, in estimating the terminal growth values and in selecting an appropriate discount rate. Details of key assumptions made are set out in note 5.

Revenue recognition

Revenue recognised from use of system charges is estimated based on the revenue allowed by the Energy Market Authority ("EMA") (in accordance with the price regulation framework), taking into consideration the services rendered and volume of electricity delivered to consumers. Note 3.12 sets out the revenue recognition policy.

2.5 Convergence with International Financial Reporting Standards

The Accounting Standards Council announced that Singapore-incorporated companies listed on the Singapore Exchange will apply Singapore Financial Reporting Standards (International) ("SFRS(I)s"), Singapore's equivalent of the International Financial Reporting Standards ("IFRSs"). The Company will adopt the new financial reporting framework on 1 April 2018.

The Company has performed an assessment of the impact of adopting the new financial reporting framework. Other than the adoption of the new standards that are effective on 1 April 2018, the Company expects that the adoption of the new framework will have no material impact on the financial statements in the year of initial application. The Company expects that the impact of adopting the new standards under the new framework that are effective on 1 April 2018 will be similar to that as disclosed in Note 3.17 under the current framework.

2.6 Changes in accounting policies

Adoption of new and revised FRSs and Interpretations to FRS

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Company has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 April 2017, including the Amendments to FRS 7 *Disclosure Initiative*. The adoption of these new standards did not have any effect on the financial performance or position of the Company.

3 Significant accounting policies

The accounting policies set out below have been applied consistently for all periods presented in these financial statements which addresses changes in accounting policies due to the adoption of new and revised standards.

3.1 Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at the exchange rate at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at the reporting 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 retranslated to the functional currency at the exchange rate prevailing on the date which 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 retranslation are recognised in profit or loss, except for differences arising on the retranslation of qualifying cash flow hedges, which are recognised in other comprehensive income.

3.2 Property, plant and equipment

Recognition and measurement

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 includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing cost. Capitalisation of borrowing costs will cease when the asset is ready for its intended use, which is defined by the commencement of revenue earning. Cost may also include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognised net within other income/other operating expenses in profit or loss.

Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company, 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 profit or loss as incurred.

Depreciation

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 a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Freehold land and construction-in-progress are not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

Leasehold land	Remaining term of the lease ranging from 20 to 99 years
Leasehold buildings	30 years or the lease term, if shorter
Transformers and switchgear	30 years
Other plant and machinery	
- Works and other equipment	3 to 10 years
- Standby electricity generator and other machinery	15 to 25 years
Mains	30 years
Other fixed assets (principally meters and motor vehicles)	3 to 10 years

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

3.3 Intangible assets

Goodwill

Goodwill arising from acquisition represents the excess of the cost of acquisition over the fair value of identifiable net assets acquired.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses and is tested for impairment on an annual basis as described in note 3.5.

Other intangible assets

Deferred expenditure relates mainly to contributions paid by the Company in accordance with regulatory requirements towards capital expenditure costs incurred by electricity generation companies, and is stated at cost less accumulated amortisation and accumulated impairment losses. Deferred expenditure is amortised on a straight-line basis over the period in which the Company derives benefits from the capital contribution payments, which is generally the useful life of the relevant equipment ranging from 7 to 19 years.

Computer software is stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of 5 years.

Computer software development in-progress is stated at cost. No amortisation is provided until it is ready for use.

3.4 Financial instruments

Non-derivative financial assets

The Company initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Company 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. The rights of offset must not be contingent on a future event and must be enforceable in the event of bankruptcy or insolvency of all the counterparties to the contract.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits.

Non-derivatives financial liabilities

The Company initially recognises debt securities issued and bank borrowings on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Company 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.

The Company classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Derivative financial instruments, including hedge accounting

The Company holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivative are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

On initial designation of the derivative as the hedging instrument, the Company formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Company makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be "highly effective" in offsetting the changes in fair value or cash flows of the respective hedged items attributable to the hedged risk and whether the actual results of each hedge are within a range of 80%-125%. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported profit and loss.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

When the hedged item is a non-financial asset, the amount accumulated in equity is included in the carrying amount of the asset when the asset is recognised. In other cases, the amount accumulated in equity is reclassified to profit and loss in the same period that the hedged item affects profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in equity is reclassified to profit or loss.

Fair value hedges

Changes in the fair value of a derivative hedging instrument designated as a fair value hedge are recognised in profit or loss. The hedged item is adjusted to reflect changes in its fair value in respect of the risk being hedged; the gain or loss attributable to the hedged risk is recognised in profit or loss with an adjustment to the carrying amount of the hedged item.

Derivatives that do not qualify for hedge accounting

When a derivative financial instrument is not designated in a hedge relationship that qualifies for hedge accounting, all changes in its fair value are recognised immediately in profit or loss.

3.5 Impairment

Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event had occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Loans and receivables

The Company considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment, the Company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When a subsequent event (e.g. repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, 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, 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 the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU. Subject to an operating segment ceiling test, for the purposes 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 at which goodwill is monitored for internal reporting purposes.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) 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. Such reversal is recognised in profit or loss.

3.6 Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is determined based on the weighted average method, and includes expenditure in acquiring the inventories and other costs incurred in bringing them to their existing location and condition. Cost may also include transfers from other comprehensive income of any gain or loss on qualifying cash flow hedges of foreign currency purchases of inventories. Allowance for obsolete, deteriorated or damaged stocks is made when considered appropriate.

3.7 Provisions

A provision is recognised if, as a result of past event, the Company 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. Provisions are determined by discounting the expected 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.

3.8 Government grants

Capital grant is recognised on a straight-line basis and taken to profit or loss over the periods necessary to match the depreciation of the assets purchased with the government grants. Operating grant is taken to profit or loss on a systematic basis in the same periods in which the expenses are incurred.

3.9 Deferred construction cost compensation

Deferred construction cost compensation received to defray costs relating to the construction of an asset are accounted for as a government grant. Note 3.8 sets out the government grant accounting policy.

3.10 Deferred income

Deferred income comprises (i) government grant for the purchase of depreciable assets, (ii) contributions made by certain customers towards the cost of capital projects received prior to 1 July 2009, (iii) use of system charges and (iv) compensation received to defray operating expenses.

Customers' contributions and government grant

Deferred income is recognised on a straight-line basis and taken to profit or loss over the periods necessary to match the depreciation of the assets purchased with the customers' contributions and government grant.

Use of system charges

Deferred income arises when billings vary from revenue recognised. Deferred income is recognised in profit or loss over the periods necessary to adjust allowed revenue (in accordance with the price regulation framework) to revenue earned based on services rendered. At the end of each regulatory period, after adjusting for amounts to be refunded, any outstanding balance is taken to profit or loss as revenue.

Compensation received to defray operating expenses

Deferred income is taken to profit or loss on a systematic basis in the same periods in which the expenses are incurred.

3.11 Price regulation and licence

The Company's operations in Singapore are regulated under the Electricity Licence for Transmission Licensee issued by the EMA.

Revenue to be earned from the transmission of electricity is regulated based on certain formulae and parameters set out in the licence, relevant acts and codes.

Actual revenue billed may vary from that allowed due to volume variances. This may result in adjustments that may increase or decrease tariffs in succeeding periods. Amounts to be recovered or refunded are brought to account as adjustments to revenue in the period in which the Company becomes entitled to the recovery or liable for the refund.

The Company's capital expenditure may vary from its regulatory plan and is subject to a review by the EMA. The results of the variances in capital expenditure may be translated into price adjustments, if any, in the following reset period.

3.12 Revenue recognition

Provided it is probable that the economic benefits will flow to the Company and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

Use of system charges

The use of system charges are approved by the EMA for a 5-year regulatory period in accordance with the price regulation framework.

Revenue is recognised when services are rendered and volume of electricity is delivered to consumers.

3.13 Operating leases

As lessee

Where the Company has the use of assets under operating leases, payments made under the leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease payments made.

As lessor

Leases in which the Company does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term. Rental income under operating leases is recognised in profit or loss over the term of the lease.

3.14 Finance income and costs

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues, using the effective interest method.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, fair value gains or losses on financial assets and liabilities at fair value through profit or loss, impairment losses recognised on financial assets (other than trade receivables), gains or losses on hedging instruments that are recognised in profit or loss and amortisation of transaction costs capitalised.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

3.15 Tax expense

Tax expense comprises current and deferred tax. Current and deferred taxes are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in the other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income 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 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:

- temporary difference on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and

- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the 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 for unused tax losses, tax credits and deductible temporary differences, 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 Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company 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. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

3.16 Segment reporting

The Company determines and presents operating segments based on the information that is provided internally to the chief operating decision maker.

The Company has only one operating segment – electricity transmission and distribution, and hence no separate disclosures are made in the financial statements.

3.17 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations that are effective for annual periods beginning after 1 April 2017 have not been applied in preparing these financial statements.

These new standards include, among others, FRS 115 *Revenue from Contracts with Customers* and FRS 109 *Financial Instruments* which are mandatory for adoption by the Company on 1 April 2018 and FRS 116 *Leases* which is mandatory for adoption by the Company on 1 April 2019.

- FRS 115 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met. When effective, FRS 115 replaces existing revenue recognition guidance, including FRS 18 *Revenue*, FRS 11 *Construction Contracts* and INT FRS 118 *Transfers of Assets from Customers*.Upon the adoption of FRS 115, the Company will recognise revenue on a gross basis with reference to the tariff billed to their customers. The difference between the tariff billed and the allowed revenue computed in accordance with the price regulation framework will be accounted for as a regulatory deferred asset or liability with a corresponding entry made as a separate line item in the income statement. The Company does not expect any significant impact on its financial performance or position.

- FRS 109 replaces most of the existing guidance in FRS 39 *Financial Instruments: Recognition and Measurement*. It introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model. The net impact is expected to be insignificant.

- FRS 116 requires lessees to recognise most leases on balance sheet to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemption for lessees – leases of 'low value' assets and short-term leases.

  The Company is in the process of analysing the transitional approaches and practical expedients to be elected on transition to FRS 116 and assessing the potential impact of adoption.

4 Property, plant and equipment

	Freehold land $ million	Leasehold land $ million	Leasehold buildings $ million	Switchgear $ million	Transformers $ million	Other plant and machinery $ million	Mains $ million	Other fixed assets $ million	Construction-in-progress $ million	Total $ million
Cost										
At 31 March 2016	0.3	421.2	1,213.0	2,888.9	1,410.7	235.2	5,447.6	158.3	1,154.8	12,930.0
Additions	–	–	–	–	–	4.8	–	24.1	731.5	760.4
Disposals	–	–	–	(20.5)	(19.0)	(3.7)	(51.8)	(11.4)	–	(106.4)
Transfers from/(to) intangibles (Note 5)	–	–	–	–	–	–	–	13.1	(0.3)	12.8
Reclassification	–	9.6	40.3	94.1	97.5	33.1	223.0	(5.8)	(491.8)	–
At 31 March 2017	0.3	430.8	1,253.3	2,962.5	1,489.2	269.4	5,618.8	178.3	1,394.2	13,596.8
Additions	–	–	–	0.1	0.1	1.2	–	17.0	984.5	1,002.9
Disposals	–	–	–	(24.6)	(18.1)	(2.4)	(26.3)	(10.4)	–	(81.8)
Reclassification	–	63.2	2.4	145.2	144.9	17.3	373.5	1.5	(748.0)	–
At 31 March 2018	0.3	494.0	1,255.7	3,083.2	1,616.1	285.5	5,966.0	186.4	1,630.7	14,517.9
Accumulated depreciation										
At 31 March 2016	–	108.9	447.9	1,140.0	440.8	181.4	1,955.0	76.3	–	4,350.3
Depreciation	–	18.7	41.1	125.5	56.5	19.1	201.0	15.7	–	477.6
Disposals	–	–	–	(14.2)	(15.2)	(3.7)	(51.8)	(9.7)	–	(94.6)
Transfers from intangibles (Note 5)	–	–	–	–	–	–	–	5.9	–	5.9
Reclassification	–	–	–	(0.1)	0.1	(0.1)	–	0.1	–	–
At 31 March 2017	–	127.6	489.0	1,251.2	482.2	196.7	2,104.2	88.3	–	4,739.2
Depreciation	–	12.4	41.0	135.2	60.7	23.7	205.7	15.5	–	494.2
Disposals	–	–	–	(21.5)	(13.9)	(2.4)	(26.3)	(9.8)	–	(73.9)
Reclassification	–	–	–	(0.1)	–	–	–	0.1	–	–
At 31 March 2018	–	140.0	530.0	1,364.8	529.0	218.0	2,283.6	94.1	–	5,159.5
Carrying amounts										
At 31 March 2017	0.3	303.2	764.3	1,711.3	1,007.0	72.7	3,514.6	90.0	1,394.2	8,857.6
At 31 March 2018	0.3	354.0	725.7	1,718.4	1,087.1	67.5	3,682.4	92.3	1,630.7	9,358.4

Expenses capitalised

The following expenses were capitalised in property, plant and equipment during the year:

	2018 $ million	2017 $ million
Management fees (staff cost)	63.5	63.2
Other expenses	1.5	0.7

5 Intangible assets

	Goodwill on acquisition $ million	Deferred expenditure $ million	Computer software $ million	Computer software development in-progress $ million	Total $ million
Cost					
At 1 April 2016	2,166.8	107.3	58.0	0.6	2,332.7
Additions	–	–	–	0.8	0.8
Transfers (Note 4)	–	–	(13.1)	0.3	(12.8)
Reclassification	–	0.3	0.9	(1.2)	–
At 31 March 2017	2,166.8	107.6	45.8	0.5	2,320.7
Additions	–	–	–	1.9	1.9
Reclassification	–	–	0.3	(0.3)	–
At 31 March 2018	2,166.8	107.6	46.1	2.1	2,322.6
Accumulated amortisation					
At 1 April 2016	–	85.0	10.5	–	95.5
Amortisation	–	4.6	10.6	–	15.2
Transfers (Note 4)	–	–	(5.9)	–	(5.9)
At 31 March 2017	–	89.6	15.2	–	104.8
Amortisation	–	4.5	9.0	–	13.5
At 31 March 2018	–	94.1	24.2	–	118.3
Carrying amounts					
At 31 March 2017	2,166.8	18.0	30.6	0.5	2,215.9
At 31 March 2018	2,166.8	13.5	21.9	2.1	2,204.3

Impairment test for goodwill

The Company as a whole is considered a CGU.

The recoverable amount of the CGU is based on the higher of fair value less costs to sell and value in use. The recoverable amount of the CGU is determined to be higher than its carrying amount hence no impairment is necessary.

Fair value is determined by discounting future cash flows generated from the continuing use of the CGU and is based on the following key assumptions:

1. Cash flows are projected based on a 5-year business plan.

2. Cash flows are discounted using a pre-tax discount rate of 5.76% (2017: 5.76%) per annum that reflects current market assessments of the time value of money and risks specific to the CGU.

3. Terminal value is calculated based on a multiple of 1.2 times (2017: 1.2 times) of the carrying amounts of property, plant and equipment.

Expenses capitalised

There were no expenses capitalised in intangible assets during the year.

6 Derivative assets and liabilities

	2018 $ million	2017 $ million
Current		
Derivative assets	1.6	2.3
Derivative liabilities	2.8	2.0
Non-current		
Derivative assets	46.3	106.2
Derivative liabilities	228.8	84.8

Offsetting financial assets and financial liabilities

The Company's derivative transactions are entered into under International Swaps and Derivatives Association ("ISDA") Master Agreements. The ISDA agreements create a right of set-off of recognised amounts that is enforceable only following an event of default, insolvency or bankruptcy of the Company or the counterparties. As such, these agreements do not meet the criteria for offsetting under FRS 32 *Financial Instruments: Presentation*.

The Company and its counterparties do not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously but have the right to set off in the case of default and insolvency or bankruptcy.

The Company's financial assets and liabilities subject to an enforceable master netting arrangement that are not otherwise set-off are as follows:

Types of financial assets	Gross amounts of recognised financial assets $ million	Related amounts not offset in the balance sheet – financial instruments $ million	Net amounts $ million
2018			
Derivative assets	47.9	(36.8)	11.1
2017			
Derivative assets	108.5	(33.2)	75.3

Types of financial liabilities	Gross amounts of recognised financial liabilities $ million	Related amounts not offset in the balance sheet – financial instruments $ million	Net amounts $ million
2018			
Derivative liabilities	231.6	(36.8)	194.8
2017			
Derivative liabilities	86.8	(33.2)	53.6

7 Inventories

	2018 $ million	2017 $ million
Cables	24.7	32.0
Transformers	2.8	1.7
Switchgear	6.8	4.6
Spare parts and accessories	2.5	2.8
	36.8	41.1

In the financial year ended 31 March 2018, inventories recognised as an expense in the income statement amounted to $5.0 million (2017: $6.4 million). The write-down of inventories to net realisable value amounted to $2.6 million (2017: $4.1 million). The reversal of inventory write-down amounted to $0.1 million (2017: Nil).

8 Trade and other receivables

	2018 $ million	2017 $ million
Trade receivables:		
- Third parties	53.3	24.5
- Related companies	59.2	78.8
- Immediate holding company	0.1	–
	112.6	103.3
Impairment loss	(0.3)	(1.2)
	112.3	102.1
Accrued revenue	107.5	106.9
Deposits	0.6	0.2
Loans and receivables	220.4	209.2
Prepayments	22.5	21.4
	242.9	230.6

Trade receivables

Trade receivables are mainly non-interest bearing and the credit terms range between 8 to 30 calendar days (2017: 8 to 30 calendar days). An allowance has been made for estimated unrecoverable amounts, determined by reference to past default experience of individual debtors and collective portfolio.

Collateral in the form of bank guarantees and deposits are obtained from counterparties where appropriate. There were no amounts called upon during the year.

The maximum exposure to credit risk for trade receivables at the reporting date by types of customer is as follows:

	2018 $ million	2017 $ million
Contestable transmission/ distribution customers	78.1	75.6
Non-contestable transmission/ distribution customers	23.6	12.6
Project-based customers	6.4	12.5
Others	4.2	1.4
	112.3	102.1

The maximum exposure to credit risk for trade receivables by geographic region, relates mainly to Singapore at the reporting date.

There is no significant concentration of credit risk of trade receivables.

The Company has policies in place to monitor its credit risk. Contractual deposits are collected and sufficient collaterals are obtained to mitigate the risk of financial loss from defaults. The Company's customers are spread across diverse industries and ongoing credit evaluation is performed on the financial condition of receivables to ensure minimal exposure to bad debts.

The ageing of trade receivables at the reporting date is as follows:

	2018 $ million	2017 $ million
Not past due, not impaired	111.9	101.9
Impaired	0.7	1.4
	112.6	103.3

The movement in impairment loss during the year is as follows:

	2018 $ million	2017 $ million
At 1 April	1.2	1.1
Impairment loss utilised	(1.0)	–
Impairment loss recognised	0.1	0.1
At 31 March	0.3	1.2

Trade and other receivables are denominated predominantly in the functional currency of the Company.

9 Cash and cash equivalents

	2018 $ million	2017 $ million
Cash at bank and in hand	2.1	1.0

As at reporting date, cash and cash equivalents are denominated in the functional currency of the Company.

10 Share capital

	2018 No. of shares million	2017 No. of shares million
Ordinary shares		
Issued and fully-paid, with no par value		
At 1 April and 31 March	2,512.4	2,512.4

The holder of ordinary shares is 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.

11 Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments relating to hedged transactions that have not occurred.

12 Debt obligations

Principal amount	Date of maturity	2018 $ million	2017 $ million
Fixed rate notes			
SGD 500 million	October 2018	507.1	519.1
HKD 500 million [1]	May 2019	84.0	92.7
SGD 75 million	May 2019	77.0	78.2
SGD 500 million	May 2020	499.3	499.0
SGD 280 million	August 2020	284.5	293.1
SGD 100 million	August 2022	101.8	103.0
USD 500 million [2]	September 2022	653.8	696.3
JPY 15 billion [3]	April 2024	194.9	204.9
SGD 75 million	May 2024	78.6	79.2
USD 700 million [4]	November 2025	898.6	971.7
JPY 7 billion [5]	October 2026	91.3	94.8
USD 600 million [6]	September 2027	743.9	–
SGD 100 million	May 2029	104.0	104.3
SGD 250 million	September 2032	249.1	249.0
		4,567.9	3,985.3
Floating rate notes			
USD 100 million [7]	July 2017	–	139.7
		4,567.9	4,125.0

[1] HKD 500 million swapped to SGD 95.5 million
[2] USD 500 million swapped to SGD 623.8 million
[3] JPY 15 billion swapped to SGD 230.0 million
[4] USD 700 million swapped to SGD 996.0 million
[5] JPY 7 billion swapped to SGD 114.7 million
[6] USD 600 million swapped to SGD 808.5 million
[7] USD 100 million swapped to SGD 139.5 million

The debt obligations are on bullet repayment terms.

Interest rates on debt obligations denominated in Singapore dollars range from 3.06% to 5.07% (2017: 3.06% to 5.07%) per annum. Interest rates on foreign currency debt obligations range from 1.95% to 4.01% (2017: 1.70% to 4.01%) per annum.

A reconciliation of liabilities arising from financing activities is as follows:

	2017	Cash flows	Non-cash changes			2018
			Foreign exchange movement	Changes in fair value	Reclassification	
	$ million	$ million	$ million	$ million	$ million	$ million
Notes						
Current	139.7	(139.4)	(0.3)	(12.0)	519.1	507.1
Non-current	3,985.3	803.4*	(135.0)	(73.8)	(519.1)	4,060.8
	4,125.0	664.0	(135.3)	(85.8)	–	4,567.9

* Proceeds from issuance of bonds of $808.5 million offset by $5.1 million brokerage fee for issuance of bond.

13 Deferred taxation

Movements in deferred tax assets and liabilities during the year are as follows:

	At 1 April 2016 $ million	Recognised in profit or loss (Note 21) $ million	Recognised in other comprehensive income (Note 21) $ million	At 31 March 2017 $ million	Recognised in profit or loss (Note 21) $ million	Recognised in other comprehensive income (Note 21) $ million	At 31 March 2018 $ million
Deferred tax liabilities							
Property, plant and equipment	(1,127.3)	(33.5)	–	(1,160.8)	(36.6)	–	(1,197.4)
Intangible assets	(12.0)	3.7	–	(8.3)	2.1	–	(6.2)
	(1,139.3)	(29.8)	–	(1,169.1)	(34.5)	–	(1,203.6)
Set off of tax	66.0			79.4			79.7
Net deferred tax liabilities	(1,073.3)			(1,089.7)			(1,123.9)
Deferred tax assets							
Deferred income	64.3	8.5	–	72.8	1.2	–	74.0
Derivative liabilities	1.7	–	4.7	6.4	–	(0.8)	5.6
Others	–	0.2	–	0.2	(0.1)	–	0.1
	66.0	8.7	4.7	79.4	1.1	(0.8)	79.7
Set off of tax	(66.0)			(79.4)			(79.7)
Net deferred tax assets	–			–			–

14 Deferred income

	2018 $ million	2017 $ million
Customers' contributions	265.9	265.9
Government grant for depreciable assets	0.1	–
Compensation for operating expenses	15.0	–
	281.0	265.9
Accumulated accretion	(97.3)	(88.5)
	183.7	177.4
Use of system charges	251.4	250.7
	435.1	428.1
Movements in accumulated accretion are as follows:		
At 1 April	88.5	79.5
Accretion for the year	8.8	9.0
At 31 March	97.3	88.5

15 Deferred construction cost compensation

The following compensation was received during the year:

	2018 $ million	2017 $ million
Deferred construction cost compensation	259.3	–

16 Trade and other payables

	2018 $ million	2017 $ million
Trade payables		
- Third parties	108.5	58.0
- Related companies	6.7	11.6
- Immediate holding company	14.2	1.0
Interest payable	32.7	33.1
Deposits received	11.0	11.8
Advance receipts	147.4	161.4
Accrued operating expenditure	86.7	127.0
Accrued capital expenditure	203.9	165.8
Amounts due to immediate holding company (non-trade)	84.8	723.8
	695.9	1,293.5

Payables denominated in currencies other than the Company's functional currency comprise $2.8 million (2017: $3.7 million) of payables and accruals denominated in United States dollar ("USD"), $0.6 million (2017: $1.6 million) in Japanese yen ("JPY") and $0.2 million (2017: $2.0 million) in Swiss Franc ("CHF").

The non-trade amounts due to immediate holding company are unsecured and bear interest at rates ranging from 1.52% to 2.12% (2017: 1.19% to 1.88%) per annum. There is no non-cash movement relating to this amount.

17 Revenue

Revenue comprises use of system charges and is adjusted in accordance to the price regulation framework.

18 Other income

	2018 $ million	2017 $ million
Rental income	3.6	4.3
Leasing income	3.6	3.6
Disbursement recoverable jobs	65.6	47.4
Sale of scrap	22.0	21.9
Accretion of deferred income	8.8	9.0
Others	5.7	4.3
	109.3	90.5

19 Finance income

	2018 $ million	2017 $ million
Interest income receivable/received from banks	1.0	1.4

20 Finance costs

	2018 $ million	2017 $ million
Interest expense payable/paid to immediate holding company	10.8	16.1
Interest expense on debt obligations	120.5	113.9
Net change in fair value of cash flow hedges reclassified from equity	(17.7)	(17.9)
(Gain)/Loss arising from financial assets/liabilities in a fair value hedge:		
- hedged items	(41.4)	(27.6)
- hedging instruments	46.5	28.8
Net change in fair value of financial assets/liabilities at fair value through profit or loss	4.0	3.1
Amortisation of capitalised transaction costs	3.0	3.0
Ineffective portion of changes in fair value of cash flow hedges	26.7	15.0
Amortisation of fair value adjustments on fair value hedges	(25.2)	(25.0)
Commitment fees	2.8	3.0
	130.0	112.4

21 Tax expense

	2018 $ million	2017 $ million
Tax recognised in profit or loss		
Current tax expense		
Current year	63.6	70.9
Under provision in respect of prior years	–	1.1
	63.6	72.0
Deferred tax expense		
Origination and reversal of temporary differences	33.4	22.1
Over provision in respect of prior years	–	(1.0)
	33.4	21.1
Total tax expense	97.0	93.1

Tax recognised in other comprehensive income	2018 Before tax $ million	2018 Tax expense $ million	2018 Net of tax $ million	2017 Before tax $ million	2017 Tax expense $ million	2017 Net of tax $ million
Effective portion of changes in fair value of cash flow hedges	(3.4)	0.6	(2.8)	(7.7)	1.3	(6.4)
Net change in fair value of cash flow hedges reclassified to profit or loss	9.0	(1.5)	7.5	(18.0)	3.1	(14.9)
Net change in fair value of cash flow hedges on recognition of the hedged items on balance sheet	(0.7)	0.1	(0.6)	(1.9)	0.3	(1.6)
	4.9	(0.8)	4.1	(27.6)	4.7	(22.9)

Reconciliation of effective tax rate	2018 $ million	2017 $ million
Profit before taxation	548.3	526.7
Tax calculated using Singapore tax rate of 17% (2017: 17%)	93.2	89.6
Non-deductible expenses	11.8	11.7
Non-taxable income	(8.0)	(8.3)
Under/(Over) provision in respect of prior years		
- current tax expense	–	1.1
- deferred tax expense	–	(1.0)
	97.0	93.1

22 Profit for the year

The following items have been included in arriving at profit for the year:

	2018 $ million	2017 $ million
Operating lease expenses	(3.9)	(2.8)
Exchange loss, net	(0.4)	(1.5)
Loss on disposal of property, plant and equipment	(3.0)	(6.2)

23 Related parties

For the purpose of the financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The immediate and ultimate holding companies are Singapore Power Limited and Temasek Holdings (Private) Limited ("Temasek") respectively. These companies are incorporated in the Republic of Singapore. Temasek is an investment company headquartered in Singapore with a diversified investment portfolio. Accordingly, all the subsidiaries of Temasek are related corporations and are subject to common control. The Company engages in a wide variety of transactions with related corporations in the normal course of business on terms similar to those available to other customers. Such transactions include but are not limited to sales and purchases of power, provision of consultancy and engineering services, leasing of cables and ducts, agency services and financial and banking services. The related party transactions are carried out on terms negotiated between the parties which are intended to reflect competitive terms.

All electricity supplied to companies in the Temasek group are related party transactions. The Temasek group has extensive interests in a large number of companies. As the Company's rates for electricity transmission and distribution are based on tariffs approved by the EMA, the Company has concluded that it is not meaningful to present information relating to such revenue.

Other than as disclosed elsewhere in the financial statements, transactions with related parties are as follows:

	2018 $ million	2017 $ million
Related companies		
- management fee expenses	(209.9)	(200.4)
- maintenance expenses	(8.7)	(5.7)
- agency fee expenses	(22.6)	(21.5)
- service expenses	(4.3)	(1.8)
- leasing income	3.6	3.6
- service income	0.5	0.6
- trustee fee income	0.3	0.2
Immediate holding company		
- maintenance expenses	(17.3)	(16.1)
- support service expenses	(26.5)	(30.5)
- service expenses	–	(2.0)

24 Financial risk management

The Company's activities expose it to foreign currency, interest rate, credit and liquidity risks which arise in the normal course of business. Generally, the Company's overall objective is to manage and minimise exposure to such risks. The Company adopts the risk management policies and guidelines established by its immediate holding company, Singapore Power Limited, and has established processes for monitoring compliances with such policies.

The Company uses forward foreign exchange contracts, interest rate swaps and cross currency interest rate swaps to manage its exposure to foreign currency and interest rate risks respectively.

The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The material financial risks associated with the Company's activities are each described below, together with details of the Company's policies for managing the risks.

Foreign currency risk

The Company is exposed to foreign currency risks from borrowing activities, purchase, supply and installation contracts, and trade creditors which are denominated in a currency other than Singapore dollars.

The objective of the Company's risk management policies is to mitigate foreign exchange risk by utilising various hedging instruments. The Company therefore considers avoidable currency risk exposure to be minimal for the Company.

The Company enters into cross-currency interest rate swaps to manage exposures arising from foreign currency borrowings including the United States Dollar ("USD"), Japanese Yen ("JPY") and Hong Kong Dollar ("HKD"). Under cross currency interest rate swaps, the Company agrees to exchange specified foreign currency principal and interest amounts at an agreed future date at a pre-determined exchange rate. Such contracts enable the Company to mitigate the risk of adverse movements in foreign exchange rates. Except where a foreign currency borrowing is taken with the intention of providing a natural hedge by matching the underlying cash flows, all foreign currency borrowings are swapped back to Singapore dollars. For foreign currency swaps that do not meet the requirements of hedge accounting, changes in fair value are recorded in profit or loss.

The Company uses forward foreign currency contracts to substantially hedge foreign currency risk attributable to purchase transactions. The maturities of the forward foreign exchange contracts are intended to match the forecasted progress payments of the supply and installation contracts. Whenever necessary, the forward foreign exchange contracts are either rolled over at maturity or translated into foreign currency deposits, whichever is more cost efficient.

As at 31 March 2018, the Company has outstanding forward foreign exchange contracts with notional amounts of approximately $116.5 million (2017: $204.8 million). The net fair value of forward foreign exchange contracts as at 31 March 2018 is $2.6 million net liabilities (2017: $1.2 million net liabilities) comprising assets of $0.4 million (2017: $1.7 million) and liabilities of $3.0 million (2017: $2.9 million). These amounts were recognised as derivative assets and derivative liabilities respectively.

Sensitivity analysis for foreign currency risk

As at 31 March 2018 and 2017, if the functional currency of the Company had moved against each of the currencies as illustrated in the table below, with all other variables held constant, profit before taxation and equity would have been affected as below:

	Equity (hedging reserve) $ million
Judgements of reasonably possible movements – increase/(decrease)	
2018	
USD	
Increase of the SGD by 7 per cent against US Dollar	(1.9)
Decrease of the SGD by 7 per cent against US Dollar	1.9
Euro	
Increase of the SGD by 11 per cent against Euro	(0.1)
Decrease of the SGD by 11 per cent against Euro	0.1
JPY	
Increase of the SGD by 18 per cent against Japanese Yen	(7.2)
Decrease of the SGD by 18 per cent against Japanese Yen	7.2

	Equity (hedging reserve) $ million
Judgements of reasonably possible movements – increase/(decrease)	
2017	
USD	
Increase of the SGD by 6 per cent against US Dollar	(3.3)
Decrease of the SGD by 6 per cent against US Dollar	3.3
Euro	
Increase of the SGD by 12 per cent against Euro	(1.0)
Decrease of the SGD by 12 per cent against Euro	1.0
JPY	
Increase of the SGD by 19 per cent against Japanese Yen	(11.4)
Decrease of the SGD by 19 per cent against Japanese Yen	11.4

The judgements of reasonably possible movements were determined using statistical analysis of the 90th percentile of the best and worst expected outcomes having regard to actual historical exchange rate data over the previous five years. Management considers that past movements are a reasonable basis for estimating possible movements in foreign currency exchange rates.

Interest rate risk

The Company manages its interest rate exposure by maintaining a significant portion of its debt at fixed interest rates. This is done by the (i) issuance of fixed rate debt; (ii) use of interest rate swaps to convert floating rate debt to fixed rate debt; or (iii) use of cross-currency interest rate swaps to convert fixed or floating rate non-functional currency denominated debt to fixed rate functional currency denominated debt.

The use of derivative financial instruments relates directly to the underlying existing and anticipated indebtedness.

As at 31 March 2018, the Company has interest rate and cross-currency swaps with notional amount of $8,498.5 million (2017: $8,288.9 million). The Company classifies these swaps as cash flow and fair value hedges except for swaps with notional amount of $2,782.9 million (2017: $1,610.0 million) that do not meet the requirements of hedge accounting in which case, changes in the fair value are recorded in profit or loss. The net fair value of swaps as at 31 March 2018 is $181.1 million net liabilities (2017: $22.9 million net assets) comprising assets of $47.5 million (2017: $106.8 million) and liabilities of $228.6 million (2017: $83.9 million). These amounts were recognised as derivative assets and derivative liabilities respectively.

The Company's excess funds are principally invested in bank deposits of varying maturities to match its cash flow needs, or deposited with the immediate holding company.

At the reporting date, if interest rates had moved as illustrated in the table below, with all other variables held constant, profit before taxation and equity would have been affected as follows:

	Profit before taxation $ million	Equity (hedging reserve) $ million
Judgements of reasonably possible movements – increase/(decrease)		
2018		
Increase with all other variables held constant	8.5	17.5
Decrease with all other variables held constant	(8.3)	(18.0)
2017		
Increase with all other variables held constant	(2.5)	(37.4)
Decrease with all other variables held constant	2.4	39.5

The judgements of reasonably possible movements were determined using statistical analysis of the 90th percentile of the best and worst expected outcomes having regard to actual historical interest rate data over the previous five years based on the six month Singapore swap offer rate, three month Hong Kong interbank offer rate, three month USD London interbank offer rate ("LIBOR") and six month JPY LIBOR. Management considers that past movements are a reasonable basis for determining possible movements in interest rates. As at 31 March 2018, the movements in interest rates used in the table above are as follows:

- Singapore interest rates – 79 basis points (2017: 79 basis points)
- United States interest rates – 48 basis points (2017: 38 basis points)
- Japan interest rates – 8 basis points (2017: 7 basis points)
- Hong Kong interest rates – 23 basis points (2017: 21 basis points)

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or a counterparty to a financial instrument fails to meet its contractual obligations. This arises principally from the Company's financial assets, comprising cash and cash equivalents, trade and other receivables and derivative assets.

Surplus funds are invested in interest bearing deposits with financial institutions with good credit ratings assigned by international credit rating agencies. Counterparty risks are managed by limiting exposure to any individual counterparty. The Company's portfolio of financial instruments is entered into with a number of creditworthy counterparties, thereby mitigating concentration of credit risk. The Company held cash and cash equivalents of $2.1 million (2017: $1.0 million) which represents its maximum exposure on these assets.

Counterparty risks on derivatives are generally restricted to any gain or loss when marked to market, and not on the notional amount transacted. As a prudent measure, the Company enters into derivatives only with financial institutions with good credit ratings assigned by international credit rating agencies. Therefore the possibility of a material loss arising from the non-performance by a counterparty is considered remote.

There is no significant concentration of credit risk of trade receivables. The credit quality of trade and other receivables that are not past due or impaired at the reporting date is of acceptable risk. In addition to customers' deposits, the Company holds guarantees from creditworthy financial institutions to secure the obligations of certain customers.

At reporting date, the Company has significant receivables arising from amounts due from related corporations. Management considers the probability of default remote.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company adopts prudent liquidity risk management by maintaining sufficient cash and liquid financial assets, and ensures the availability of funding through an adequate level of bank credit lines and the establishment of medium term note programmes.

The following are the expected contractual undiscounted cash flows of financial liabilities, including interest payments and excluding the impact of netting agreements:

	Carrying amount $ million	Contractual cash flows $ million	Within 1 year $ million	1 – 2 years $ million	2 – 5 years $ million	More than 5 years $ million
2018						
Non-derivative financial liabilities						
Trade and other payables*	(548.5)	(548.5)	(548.5)	–	–	–
Debt obligations						
- current	(507.1)	(524.2)	(524.2)	–	–	–
- non-current	(4,060.8)	(4,932.6)	(133.5)	(289.7)	(1,822.6)	(2,686.8)
Derivatives						
Derivative assets						
Interest rate swaps/cross-currency interest rate swaps	47.5	64.2	15.6	10.9	36.2	1.5
Forward exchange contracts						
- Inflow		33.9	33.1	0.8	–	–
- Outflow		(33.5)	(32.7)	(0.8)	–	–
	0.4	0.4	0.4	–	–	–
Derivative liabilities						
Interest rate swaps/cross-currency interest rate swaps	(228.6)	(273.7)	1.1	(18.8)	(15.1)	(240.9)
Forward exchange contracts						
- Inflow		80.0	74.1	5.9	–	–
- Outflow		(83.0)	(76.7)	(6.3)	–	–
	(3.0)	(3.0)	(2.6)	(0.4)	–	–
	(5,300.1)	(6,217.4)	(1,191.7)	(298.0)	(1,801.5)	(2,926.2)
2017						
Non-derivative financial liabilities						
Trade and other payables*	(1,132.1)	(1,132.1)	(1,132.1)	–	–	–
Debt obligations						
- current	(139.7)	(140.8)	(140.8)	–	–	–
- non-current	(3,985.3)	(4,764.9)	(137.8)	(637.7)	(1,227.1)	(2,762.3)
Derivatives						
Derivative assets						
Interest rate swaps/cross-currency interest rate swaps	106.8	124.4	9.4	17.7	24.2	73.1
Forward exchange contracts						
- Inflow		103.3	62.1	40.2	1.0	–
- Outflow		(101.6)	(60.9)	(39.7)	(1.0)	–
	1.7	1.7	1.2	0.5	–	–
Derivative liabilities						
Interest rate swaps/cross-currency interest rate swaps	(83.9)	(142.0)	12.0	(2.4)	(21.1)	(130.5)
Forward exchange contracts						
- Inflow		100.2	69.7	24.7	5.8	–
- Outflow		(103.1)	(71.6)	(25.5)	(6.0)	–
	(2.9)	(2.9)	(1.9)	(0.8)	(0.2)	–
	(5,235.4)	(6,056.6)	(1,390.0)	(622.7)	(1,224.2)	(2,819.7)

** Excluding advance receipts.*

For swap hedging instruments that are cash flow hedges, the tables above indicate the periods that they are expected to impact the profit or loss.

Capital management

The Company is committed to an optimal capital structure while maintaining financial flexibility. In order to achieve an optimal capital structure, the Company may adjust the dividend payment, return capital to shareholders, issue new shares, obtain new borrowings or reduce its borrowings.

The Company monitors capital based on gross and net gearing ratios and capital includes debt and equity items as disclosed in the table below. Gearing ratio is calculated as net debts over shareholders' equity and net debts.

	2018 $ million	2017 $ million
Debt obligations	4,567.9	4,125.0
Amount due to immediate holding company (non-trade)	84.8	723.8
Total debts	4,652.7	4,848.8
Less: Cash and cash equivalents	(2.1)	(1.0)
Net debts	4,650.6	4,847.8
Total equity	4,512.0	4,361.9
Total capital	9,164.7	9,210.7
Net capital	9,162.6	9,209.7

There were no changes in the Company's approach to capital management during the financial year. The Company is not subjected to any externally imposed capital requirements.

25 Fair values

Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Debt obligations and derivative financial instruments

Fair values are measured using market observable data as at reporting date. Fair values reflect the credit risk of the instrument and include adjustments to take into account the credit risk of the Company and counterparty when appropriate.

Other financial assets and liabilities

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

Fair values versus carrying amounts

The Company's assets and liabilities that are carried at fair value relate to derivative instruments which are measured using market observable data and as such are deemed level two within the fair value hierarchy disclosure required under FRS 113 *Fair Value Measurement*.

The fair value and net fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis. Appropriate transaction costs are included in the determination of net fair value.

The carrying amounts of the financial instruments carried at amortised cost are not materially different from their fair values except as follows:

		2018		2017	
	Note	Carrying amount $ million	Fair value $ million	Carrying amount $ million	Fair value $ million
Financial liabilities					
Fixed rate debt obligations	12	4,567.9	4,648.0	3,985.3	4,083.2
Unrecognised loss			80.1		97.9

The table below sets out the comparison by category of carrying amounts of all the Company's financial instruments, shown in the balance sheet:

	Loans and receivables $ million	Fair value through profit or loss $ million	Derivatives used for hedging $ million	Other financial liabilities $ million	Total carrying amount $ million
2018					
Assets					
Derivative assets	–	20.5	27.4	–	47.9
Trade and other receivables*	220.4	–	–	–	220.4
Cash and cash equivalents	2.1	–	–	–	2.1
	222.5	20.5	27.4	–	270.4
Liabilities					
Debt obligations	–	–	–	4,567.9	4,567.9
Derivative liabilities	–	9.3	222.3	–	231.6
Trade and other payables**	–	–	–	548.5	548.5
	–	9.3	222.3	5,116.4	5,348.0
2017					
Assets					
Derivative assets	–	22.3	86.2	–	108.5
Trade and other receivables*	209.2	–	–	–	209.2
Cash and cash equivalents	1.0	–	–	–	1.0
	210.2	22.3	86.2	–	318.7
Liabilities					
Debt obligations	–	–	–	4,125.0	4,125.0
Derivative liabilities	–	3.3	83.5	–	86.8
Trade and other payables**	–	–	–	1,132.1	1,132.1
	–	3.3	83.5	5,257.1	5,343.9

* Excluding prepayments.
** Excluding advance receipts.

26 Commitments

Capital commitments

At the reporting date, capital expenditure contracted but not provided for in the financial statements amounted to $1,711.9 million (2017: $1,241.3 million).

Lease payments

At the reporting date, the Company has commitments for future minimum lease payments under non-cancellable operating leases as follows:

	2018 $ million	2017 $ million
Within one year	0.7	0.7

The Company leases office spaces under operating leases. The leases contain options to renew the lease for another 3 to 5 years at the end of the initial lease periods. These leases do not include any contingent rental nor any escalation clauses over the lease rental periods.

Lease receivables

At the reporting date, the Company has commitments for future minimum lease receivables under non-cancellable operating leases as follows:

	2018 $ million	2017 $ million
Within one year	2.5	2.2
After one year but within five years	0.2	1.1
	2.7	3.3

27 Dividends

	2018 $ million	2017 $ million
Declared and paid during the financial year		
Dividends on ordinary shares		
- Final exempt (one-tier) dividend for year ended 31 March 2017: 12.15 cents (year ended 31 March 2016: 11.83 cents) per share	305.3	297.3