

SINGTEL OPTUS PTY LIMITED

ACN 052 833 208

ANNUAL REPORT

31 MARCH 2014

DIRECTORS' REPORT

The directors present their report on the consolidated entity ("Optus", the "Group"), consisting of SingTel Optus Pty Limited (the "Company", "SOPL") and its controlled entities, for the financial year ended 31 March 2014 (the "financial year").

Directors

The directors in office at any time during or since the end of the financial year are:

Chua Sock Koong
Paul Dominic O'Sullivan
Jeann Ngia Jong Low
Murray Philip King
Vicki Maree Brady (appointed on 27 February 2014)
Kevin Steven Russell (ceased appointment on 27 February 2014)
Andrew Kee Chuan Buay (ceased appointment on 27 May 2013)

Principal activities

The principal activities of the Group during the financial year were the provision of telecommunications services principally within Australia. There was no significant change in the nature of those activities during the financial year.

Review of operations

Optus' profit from ordinary activities before income tax expense was \$1,139 million. Operating revenue for the year declined by 5 per cent to \$8,572 million.

After an income tax expense of \$344 million, net profit amounted to \$795 million, compared to \$695 million in the previous financial year.

Cash capital expenditure for the year was \$1,136 million. The ratio of cash capital expenditure to operating revenue was 13.3 per cent, compared to 11.5 per cent in the previous financial year.

Changes in state of affairs

In the opinion of the directors, there were no significant changes in the state of affairs of the Group during the financial year.

Environmental regulations

Optus' operations are subject to environmental regulations under both Commonwealth and State legislation. In particular, Optus is subject to the requirements of the *Telecommunications Act 1997* and *Telecommunications Code of Practice 1997* as well as a range of State environmental laws.

Optus has established an Environmental Management System ("EMS") to ensure compliance with current regulations and any new regulations enacted. It identifies the criteria for environmental assessment and the performance measures to be applied to those criteria. The EMS outlines pre-construction assessment procedures and construction environmental management plan requirements in addition to post-construction auditing and monitoring.

A process of initial assessment, environmental review, construction supervision, with subsequent and continued environmental auditing is in place to ensure the Company fully meets its obligations under the current legislation. After making due inquiries, the directors are not aware of any material breaches of environmental regulations during the financial year.

Dividends

The Company paid a fully franked dividend of \$560 million to its sole shareholder (Singapore Telecom Australia Investments Pty Limited) on 20 March 2014. No other dividends have been paid or declared by the Company during or since the end of the financial year (2013: \$550 million).

Events subsequent to reporting date

During May 2014, the group initiated a review of its operations resulting in workforce restructuring costs subsequent to 31 March 2014.

In April 2014, the group entered into new \$1.2billion syndicate bank facility, which expires on 30 May 2017.

Except for the above, there has not arisen in the interval between the end of the financial year and the date of this report any other item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

Likely developments

Comments on likely developments in the operations and expected results of Optus are included in the public announcements of Singapore Telecommunications Limited, the parent entity, and other media releases to the Australian market.

In the opinion of the directors, disclosure of any further information on likely developments in operations would be prejudicial to the interests of the Group.

Options

There are no unissued shares or interests under option as at the date of this report, and there were no shares or interests issued, during or since the end of the financial year, as a result of the exercise of an option over unissued shares or interests.

Officers' indemnities and insurance

The Company's constitution provides for the Company, to the extent permitted by law, to indemnify every person who is or has been a director, secretary or executive officer of the Company against any liability incurred by that person as an officer of the Company, unless the liability arises out of conduct that involved a lack of good faith or was contrary to the Company's expressed instructions.

The constitution also provides that, to the extent that any director or officer is not indemnified by any director and officer liability insurance, the Company indemnifies every director and officer against any liability for costs and expenses incurred by that person in their capacity as a director or officer of the Company:

- (a) in defending any proceedings in which judgment is given in favour of or results in the acquittal of the person; or
- (b) the Court grants relief to the person in connection with an application made under the Corporations Law.

The Company has previously entered into deeds of indemnity on the same terms as provided by the constitution with a number of former directors of the Company and their alternates.

Under the terms of the deeds of indemnity, and to the extent permitted by law and notwithstanding any changes to the constitution, the Company must, for a period of seven years after the director ceased to hold office, maintain in full force and effect and pay the premium on a directors' and officers' policy of insurance for the director that is on terms no less generous than those terms applying at the time the director left office or, if there is no policy, on terms of such policies typically maintained by other companies similar to the Company.

During the financial year, a controlled entity paid insurance premiums in respect of contracts insuring all directors and executive officers of the Company and its controlled entities against a liability arising as a result of work performed in their capacity as directors or officers of the Company and its controlled entities.

The names of the directors covered by these insurance policies are detailed on page 1 of this report.

The insurance policies prohibit disclosure of the premiums paid in respect of those policies, and the nature of the liabilities insured by the policies.

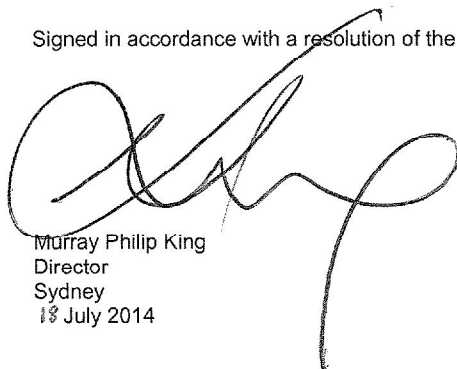
Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 3.

Rounding

The Company is of a kind referred to in Australian Securities and Investments Commission Class Order 98/100 dated 10 July 1998. In accordance with that Class Order, amounts in the accompanying financial report have been rounded off to the nearest million dollars, unless otherwise stated.

Signed in accordance with a resolution of the directors made pursuant to s298(2) of the *Corporations Act 2001*.



Murray Philip King
Director
Sydney
13 July 2014

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The Board of Directors
SingTel Optus Pty Limited
1 Lyonpark Rd
Macquarie Park NSW 2113

18 July 2014

Dear Board Members,

SingTel Optus Pty Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of SingTel Optus Pty Limited.

As lead audit partner for the audit of the financial statements of SingTel Optus Pty Limited for the financial year ended 31 March 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Jamie Gatt
Partner
Chartered Accountants

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the Financial Year Ended 31 March 2014

	Notes	2014 \$m	2013 \$m
Revenue	4	8,572	8,986
Expenses	4	(7,294)	(7,835)
Finance Costs	4	(139)	(150)
Share of joint venture entities' net loss	20	-	-
Profit before income tax expense		1,139	1,000
Income tax expense	5	(344)	(306)
Profit after tax		795	695

The consolidated statement of profit or loss is to be read in conjunction with the notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Financial Year Ended 31 March 2014

	Notes	2014 \$m	2013 \$m
Profit after tax		795	695
Other comprehensive income/(loss)			
Cash flow hedges	15		
- Fair value changes during the year - gross		292	(63)
- Fair value changes during the year - tax impact		(88)	19
- Fair value changes during the year - net of tax		204	(44)
- Fair value changes transferred to income statement - gross		(264)	43
- Fair value changes transferred to income statement - tax impact		79	(13)
- Fair value changes transferred to income statement - net of tax		(185)	30
Total other comprehensive income/(loss)		19	(14)
Total comprehensive income for the year		814	681

The consolidated statement of comprehensive income is to be read in conjunction with the notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2014

	Notes	2014 \$m	2013 \$m
Current assets			
Cash and cash equivalents		175	151
Receivables	6	1,403	1,485
Inventories	7	71	95
Other assets		169	164
Total current assets		1,818	1,895
Non-current assets			
Receivables	6	3,718	3,608
Investments accounted for using the equity method -			
Joint venture entities	20	2	2
Property, plant and equipment	8	6,451	6,322
Telecommunication licences	2(q)	976	976
Intangible assets	9	942	923
Deferred tax assets	5	130	157
Derivative financial instruments	17	173	-
Other assets		16	19
Total non-current assets		12,408	12,006
Total assets		14,226	13,901
Current liabilities			
Trade and other payables	10	1,762	1,848
Interest bearing liabilities	11	156	6
Derivative financial instruments	17	1	4
Provisions	13	83	74
Total current liabilities		2,002	1,932
Non-current liabilities			
Trade and other payables	10	99	161
Interest bearing liabilities	11	2,139	1,963
Derivative financial instruments	17	128	241
Provisions	13	57	59
Total non-current liabilities		2,423	2,424
Total liabilities		4,425	4,355
Net assets		9,800	9,546
Equity			
Contributed equity	14	5,317	5,317
Reserves		(35)	(54)
Retained profits		4,518	4,283
Total equity		9,800	9,546

The consolidated statement of financial position is to be read in conjunction with the notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Financial Year Ended 31 March 2014

	Fully paid ordinary shares (Note 14) \$m	Buy back reserves (Note 15) \$m	Foreign currency translation reserves (Note 15) \$m	Cashflow hedge reserves (Note 15) \$m	Retained profits \$m	Total \$m
Balance as of 1 April 2012	9,249	(3,932)	-	(40)	4,138	9,415
Profit after tax	-	-	-	-	695	695
Other comprehensive profit for the year	-	-	-	(20)	-	(20)
Related tax impact	-	-	-	6	-	6
Total comprehensive income for the year	-	-	-	(14)	695	681
Contributions by and distributions to owners						
Dividends to equity holders	-	-	-	-	(550)	(550)
Capital reduction	(3,932)	3,932	-	-	-	-
Total contributions by and distribution to owners	(3,932)	3,932	-	-	(550)	(550)
Balance as of 31 March 2013	5,317	-	-	(54)	4,283	9,546
Balance as of 1 April 2013	5,317	-	-	(54)	4,283	9,546
Profit after tax	-	-	-	-	795	795
Other comprehensive loss for the year	-	-	-	28	-	28
Related tax impact	-	-	-	(9)	-	(9)
Total comprehensive income for the year	-	-	-	19	795	814
Contributions by and distributions to owners						
Dividends to equity holders	-	-	-	-	(560)	(560)
Total contributions by and distribution to owners	-	-	-	-	(560)	(560)
Balance as of 31 March 2014	5,317	-	-	(35)	4,518	9,800

The consolidated statement of changes in equity is to be read in conjunction with the notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Financial Year Ended 31 March 2014

	2014 \$m	2013 \$m
Cash flows from operating activities		
Profit for the year	795	695
Adjustments for:		
Depreciation and amortisation	1,350	1,328
Net finance costs	124	140
Dividend income from associates	(41)	-
Income tax expense	344	306
Change in trade receivables	110	(81)
Change in finance lease commitment receivable	2	-
Change in other receivables	(86)	15
Change in current inventories	24	(14)
Change in other current assets	(6)	(8)
Change in subscriber acquisition costs	(65)	(61)
Change in deferred expenditure	(23)	6
Change in other non-current assets	(33)	(7)
Change in trade and other payables	(183)	(198)
Change in unearned income	(30)	(16)
Change in provisions	8	15
Dividend payments received from associates	41	-
Income tax paid	(251)	(15)
Net cash inflow from operating activities	2,080	2,104
Cash flows from investing activities		
Interest received	12	9
Payment for taxes relating to investment in joint ventures	(5)	(2)
Payment for property, plant and equipment	(1,136)	(1,036)
Advances made to parent entity	(288)	(400)
Repayment of advances made to parent entity	210	300
Payment for business acquisitions	(2)	(228)
Payment for intangible assets	(200)	(120)
Net cash used in investing activities	(1,409)	(1,477)
Cash flows from financing activities		
Proceeds from borrowings	650	1,060
Repayments of borrowings	(875)	(1,235)
Proceeds from bond issue	300	-
Finance lease payment (principal)	(6)	(6)
Net interest paid on borrowings and swaps	(145)	(152)
Dividends paid to parent entity	(560)	(550)
Other	(10)	(7)
Net cash used in financing activities	(647)	(891)
Net increase/(decrease) in cash	24	(264)
Cash and cash equivalents at the beginning of the financial year	151	415
Cash and cash equivalents at the end of the financial year	175	151

The consolidated statement of cash flows is to be read in conjunction with the notes to the consolidated financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2014

NOTE 1. CORPORATE INFORMATION

SingTel Optus Pty Limited (the "Company", "SOPL") is a private company limited by shares and ultimate parent company. The Company is incorporated and domiciled in Australia and its registered office and principal place of business is 1 Lyonpark Road, Macquarie Park, New South Wales.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES**(a) Basis of preparation**

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001*.

The financial statements were approved by the Board of Directors on 18 July 2014.

The financial report includes the consolidated financial statements of SingTel Optus Pty Limited and its controlled entities ("the Group").

The company is a for profit company. All amounts are presented in Australian dollars.

Statement of compliance

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS). The consolidated financial report of the Group complies with International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board.

Historical cost convention

This financial report has been prepared under the historical cost convention, except where stated otherwise.

Critical accounting estimates

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Rounding

The Company is of a kind referred to in Australian Securities and Investments Commission Class Order 98/100 dated 10 July 1998. In accordance with that Class Order, amounts in the financial report have been rounded off to the nearest million dollars, unless otherwise stated.

(b) Principles of consolidation

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has right to, variable return from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

The consolidated accounts of the Group include the financial statements of SingTel Optus Pty Limited ("the Company") and its controlled entities.

Where an entity either began or ceased to be controlled during the financial year, the results are included only from the date control commenced or up to the date control ceased.

Intercompany transactions, balances and unrealised gains and losses resulting from transactions with or between controlled entities are eliminated in full on consolidation. Investments in subsidiaries are accounted for at cost in the individual financial statements of the Company.

(c) Operating revenue

Revenue from operating activities comprises revenue earned (net of returns, discounts and allowances) from the provision of products or services to entities outside the Group. Operating revenue is recognised when the products have been delivered or services have been provided.

Revenue from the provision of information technology services is recognised based on a percentage of completion basis.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2014

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue includes the gross income received and receivable from revenue sharing arrangements entered into with overseas telecommunication companies in respect of traffic exchanged. For device repayment plans, the consideration is allocated to its separate revenue-generating activities based on the best estimate of the price of each activity in the arrangement. Handsets are accounted for in accordance with the sale of equipment accounting policy of the Group. As the service credits under the device repayment plans are provided over time for services, they are recorded as a reduction of subscription revenue.

For prepaid cards which have been sold, provisions for unearned revenue are made for services which have not been rendered as at the end of the reporting period. Expenses directly attributable to the unearned revenue are deferred until the revenue is recognised.

Revenue from the sale of equipment is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer which generally coincides with delivery and acceptance of the goods sold. For device repayment plans, the consideration is allocated to its separate revenue-generating activities based on the best estimate of the price of each activity in the arrangement.

Rents include revenue from the provision of products, including transmission capacity, by way of finance and operating leases where entities in the Group act as lessor. Revenue from finance leases (net of any interest receivable implicit in the lease) is recognised when the Group controls a right relating to the consideration payable, substantially all of the risks and rewards of ownership have been transferred to the lessee, and the products are provided. Revenue from operating leases is recognised on a straight-line basis over the term of the lease, unless another basis is representative of the time pattern of benefits derived under the lease.

Construction contract revenues are recognised in accordance with the percentage of completion method unless the outcome of the contract cannot be reliably estimated. Where it is probable that a loss will arise from a construction contract, the excess of total costs over revenue is recognised as an expense immediately. Where the outcome of a contract cannot be reliably estimated, contract costs are recognised as an expense as incurred. Where it is probable that these costs will be recovered, revenue is only recognised to the extent of costs incurred. Stage of completion is measured by reference to an assessment of costs incurred to date as a percentage of estimated total costs for each contract.

Dividend income is recorded gross in the income statement when the right to receive payment is established.

Interest income is recognised on a time proportion basis using the effective interest method.

(d) Foreign currency*Functional and presentation currency*

Items included in the financial statements of each of the group entities are measured using the currency of the primary economic environment in which the entity operates "the functional currency". The consolidated financial statements are presented in Australian dollars, which is the Group's functional and presentation currency.

Transactions

Foreign currency transactions are translated into the Australian currency at the rates of exchange prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Translation of foreign joint ventures

Assets and liabilities of overseas joint ventures are translated at the rates of exchange ruling at reporting date. Income and expenses are translated at a weighted average rate for the year. Exchange differences arising on translation of the net investment in foreign joint venture entities, and of the financial instruments designated as hedges of such investments, are taken to the foreign currency translation reserve.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2014

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)**(e) Borrowing costs**

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in arranging borrowings, and lease finance charges. Borrowing costs are expensed as incurred unless they relate to qualifying assets. Qualifying assets are assets that generally take more than one year to get ready for their intended use or sale. In these circumstances, borrowing costs are capitalised to the cost of assets.

(f) Income tax

The Group uses the balance sheet method of tax effect accounting. Income tax expense or benefit for the period is the tax payable on the current period's taxable income adjusted by changes in deferred tax assets and liabilities attributable to amounts recognised as assets or liabilities, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the tax bases of those assets and liabilities, and for unused tax losses. The tax rates expected to apply when the assets are recovered or liabilities are settled, based on the tax rates which are enacted or substantively enacted for each jurisdiction, are applied to the cumulative amounts of deductible and assessable temporary differences to measure the deferred tax asset or liability.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax consolidation

With effect from 1 July 2002, the Company's parent entity, Singapore Telecom Australia Investments Pty Limited ("Head Entity"), elected to consolidate the consolidated group, comprised of the company and its wholly owned controlled entities, in accordance with the Income Tax Assessment Act 1997.

The Head Entity and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a standalone taxpayer in its own right.

In addition to its own current and deferred tax amounts, the Head Entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from the Company and other controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. Details of the tax funding arrangements are disclosed in Note 5.

Any difference between the amounts assumed by the Head Entity and amounts receivable or payable under the tax funding agreement are recognised as a contribution from (or distribution to) the Head Entity.

(g) Acquisitions of assets

All assets acquired are initially recorded at their cost of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition, at the date of acquisition.

The costs of assets constructed or internally generated by the Group, other than goodwill, include the cost of materials and direct labour. Directly attributable overheads and other incidental costs are also capitalised to the asset. Borrowing costs are capitalised to qualifying assets as set out in Note 2 (e).

(h) Cash and cash equivalents

Cash includes deposits at call with financial institutions and other highly liquid investments with short periods to maturity and are readily convertible to cash on hand and are subject to insignificant risk of changes in value.

(i) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are non interest bearing and are generally on 30-day terms, except for certain carrier balances which are on 60-day terms and certain information technology and engineering services which are on 90-day terms.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2014

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)**(i) Trade and other receivables(continued)**

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables.

The amount of the provision is the difference between the asset carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

(j) Inventories

Finished goods include handsets, devices and accessories and are stated at the lower of cost and net realisable value. Costs have been assigned to inventory quantities on hand at the statement of financial position date using the standard cost method. Costs comprise of purchase price and expenditure that is directly attributable to the acquisition of the handsets after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business and the estimated costs necessary to make the sale. Cost is determined on an average cost basis.

(k) Impairment of assets

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that were previously impaired are reviewed for possible reversal of the impairment at each reporting date.

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested for impairment annually or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use.

In assessing value-in-use, the estimated future cash flows are discounted to their present value at a discount rate reflecting the relevant weighted average cost of capital and asset specific risks.

(l) Financial assets*Controlled entities*

For purposes of the Company disclosures in Note 27, investments in controlled entities are carried at the lower of cost and recoverable amount. Dividends and distributions are brought to account in the income statement of the Company when they are declared by the controlled entities.

(m) Joint arrangements

Under AASB 11 "Joint Arrangement": Investments in joint arrangements are classified as either joint ventures or joint operations. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

Joint Ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

In the consolidated financial statements, investments in joint ventures are accounted for using equity accounting principles. Investments in joint ventures are carried at the lower of the equity accounted amount and recoverable amount.

The Group's share of a joint ventures' net profit or loss after tax is recognised in the consolidated income statement. Other movements in reserves are recognised directly in consolidated reserves. Adjustments are made, where practicable, to the profit or loss and the reserves of joint venture entities to achieve consistency with the Group's accounting policies, and to eliminate unrealised profits and losses on transactions between the Group and joint venture entities.

Joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2014

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)**(m) Joint arrangements (continued)**

The Group's interest in joint operations is brought to account by including its interest in the following amounts in the appropriate categories in the consolidated statement of financial position and consolidated statement of profit or loss:

- Each of the individual asset categories employed in the joint operations;
- Liabilities incurred by the Group in relation to the joint operations and the liabilities for which it is jointly or severally liable; and
- Revenue derived from, and expenses incurred in relation to the joint operations.

(n) Property, plant and equipment

All classes of property, plant and equipment are stated at cost. An asset's carrying value is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Depreciation and amortisation

Items of property, plant and equipment, including buildings and leasehold property but excluding freehold land, are depreciated or amortised using the straight-line method over their estimated useful lives to an estimated residual value. The depreciation rates used for each asset class, for the current and previous financial years, are as follows:

Freehold buildings	5 to 40 years
Leasehold property	Shorter of 25 years or lease term
Plant and equipment	3 to 25 years
Leased plant and equipment	6 to 13 years

These useful lives are reviewed annually. They are estimated based on the period of time over which the future economic benefits embodied in the depreciable assets are expected to be consumed by the Group.

Assets are depreciated or amortised from the month of acquisition or, in respect of internally constructed assets, from the month the asset is completed and held ready for use.

Capital work-in-progress is stated at cost and not depreciated. Depreciation on capital work-in-progress commences when the assets are ready for their intended use.

(o) Leases*Finance leases*

Leases of property, plant and equipment under which the Group assumes substantially all the risks and benefits of ownership are classified as finance leases.

Finance leases are capitalised. A lease asset and a liability are recorded at the inception of the lease at the fair value, or, if lower, at the present value of the minimum lease payments. Capitalised lease assets are amortised on a straight-line basis over the term of the relevant lease, or, where it is likely the Group is expected to obtain ownership of the asset, the life of the asset. Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are charged to the income statement.

Operating Leases

Leases of assets in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Operating lease payments are expensed on a straight-line basis over the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset.

Lease Incentives

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives are recognised as a reduction in rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2014

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)**(o) Leases (continued)***Sales of network capacity*

Sales of network capacity are accounted as finance leases where -

- the purchaser's right of use is exclusive and irrevocable;
- the asset is specific and separable;
- the term of the contract is for the major part of the asset's useful economic life;
- the attributable costs or carrying value can be measured reliably; and
- no significant risks are retained by the Group.

Sales of network capacity that do not meet the above criteria are accounted for as an operating lease.

(p) Intangible assets*Goodwill*

Goodwill represents the excess of the cost of acquisition over the fair value of the Group's share of identifiable net assets, including identifiable intangible assets and contingent liabilities, at the date of acquisition.

Goodwill is stated at cost less accumulated impairment losses. The unamortised balance of goodwill is tested for impairment annually or more frequently, if events or changes in circumstances indicate that it might be impaired.

Telecommunication licences

Telecommunication licences are carried at cost. The licences were originally granted to the Group under the *Telecommunications Act 1991*. Pursuant to the *Telecommunications (Transitional Provisions and Consequential Amendments) Act 1997* the licences continued to have effect after the deregulation of telecommunications in Australia in 1997. The licences do not have a finite term, but are of continuing operation until cancelled under the *Telecommunications Act 1997*. The cancellation conditions are such that the directors believe that cancellation is highly unlikely. The directors believe that there were inherent benefits of the licences granted in 1991 that are unique to the Group as the second licence carrier under the Federal Government's deregulation policy. These benefits continue post deregulation of the telecommunications industry and are not available to other new licence holders since 1 July 1997. Accordingly, the directors believe that the lives of these assets are indefinite.

Telecommunication licences are not amortised and are reviewed for impairment on at least an annual basis.

Spectrum licences

Digital mobile spectrum licence fees are carried at cost and amortised on a straight-line basis over the shorter of the licence term and the period of expected benefits, which range from 1 year to 18 years. Amortisation commences when the spectrum, and associated plant and equipment, are completed and held ready for use.

Customer relationships

Customer relationships acquired in a business combination are carried at cost, being their fair value at date of acquisition, and amortised on a straight-line basis over the period of the expected benefits.

Subscriber acquisition costs

Subscriber acquisition costs are costs incurred in obtaining and recording telecommunications service contracts with subscribers. They represent commissions paid to sales agents for obtaining subscriber contracts. Direct subscriber acquisition costs are those subscriber acquisition costs that are directly attributable to establishing specific subscriber contracts and would not have been incurred had those contracts not been entered into.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2014

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)**(p) Intangible assets (continued)**

Direct subscriber acquisition costs are recognised as an asset when, and only when, the Group controls future economic benefits as a result of the costs incurred, it is probable that those future economic benefits will eventuate, and the costs can be measured reliably. Other subscriber acquisition costs are expensed as incurred.

Subscriber acquisition costs recognised as an asset are amortised from the date of initial recognition over the shorter of the minimal contract term and the period during which the future economic benefits are expected to be obtained.

Deferred expenditure

Deferred expenditure, primarily representing co-location access charges, is stated at cost less accumulated amortisation and accumulated impairment losses. The amortisation will be over 20 years.

(q) Payables

Trade and other creditors are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Group.

Amounts due or received for the provision of services in the future are recognised in the statement of financial position as unearned income.

(r) Interest bearing liabilities

Interest bearing liabilities are initially recognised at fair value, net of transaction costs incurred. These are subsequently measured at amortised cost using the effective interest method.

(s) Employee entitlements*Wages and salaries, annual leave and sick leave*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

Long service leave

Liability for long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Superannuation fund

The Group contributes to defined contribution superannuation funds. These contributions include superannuation guarantee contributions and additional contributions made under employee remuneration arrangements. Contributions are charged against the income statement as they are incurred.

Equity-based benefits

The Company's parent, Singapore Telecommunications Limited ("SingTel"), has made awards to certain employees under its Share Plans ("Plans"). Participants in the Plans will receive fully paid ordinary shares of SingTel free of charge, the equivalent in cash, or combinations thereof, provided that certain prescribed performance targets are met within a prescribed performance period. The performance period for the awards is two to three years. At the end of the performance period, SingTel will determine the number of SingTel shares to be allocated to each participant or category of participants based on the level of attainment of the performance targets. Awards under the Plans will lapse if the employee ceases employment during the vesting period of two to three years. The Group expects to pay for shares to be acquired and transferred to employees in satisfaction of these awards.

Where the company grants equity instruments of SingTel directly to its employees, the company has accounted for the arrangement as cash-settled in its own financial statements. The fair value of cash-settled awards is initially measured at grant date, taking into account both market and non-market vesting conditions. The fair value is recognised as an employee benefit expense with a corresponding increase in liabilities. The fair value is then re-measured at each reporting date, with changes in the liability also recognised as an employee benefit expense.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2014

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)**(t) Derivative financial instruments**

Derivative financial instruments are initially recognised at fair value on the date the derivative contract is entered into and are subsequently re-measured to their fair values at each reporting date. Details of current balances are included in Note 18.

A derivative financial instrument is carried as an asset when the fair value is positive and as a liability when the fair value is negative. Any gains or losses arising from changes in the fair value of a derivative financial instrument are recognised immediately in the income statement, unless they qualify for hedge accounting.

Hedge accounting

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, as well as its risk management objectives and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they are designated.

Fair value hedge

Derivative financial instruments that qualify for fair value hedge accounting are initially recognised at fair value on the date that the contract is entered into. Changes in fair value of derivatives are recorded in the income statement together with any changes in the fair value of the hedged items that are attributable to the hedged risks.

Cash flow hedge

The effective portion of changes in the fair value of the derivative financial instruments that qualify as cash flow hedges are recognised in the cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Amounts accumulated in the cash flow hedge reserve are transferred to the income statement in the periods when the hedged items affect the income statement.

(u) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of Goods and Services Tax ("GST"), except where the amount of GST incurred is not recoverable from the Australian Taxation Office ("ATO"). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

Receivables and payables are stated with the GST amount included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position. Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities that are recoverable from, or payable to, the ATO are classified as operating cash flows.

(v) Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the statement of financial position date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as a provision. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2014

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)**(v) Provisions (continued)***Restructurings*

Provision for restructurings is recognised when the group has developed a detailed formal plan for the restructuring and has either:

- entered into formal contracts to carry out the restructuring; or
- raised a valid expectation in those affected by the restructuring that the restructuring will occur.

(w) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill.

(x) Parent entity financial information

The financial information for the parent entity, SOPL, disclosed in the note 27 has been prepared on the same basis as the consolidated financial statements.

(y) New accounting standards adopted by the group

The group has applied the following standards and amendments for first time for their annual reporting period commencing 1 April 2013:

- AASB 10 *Consolidated Financial Statements*, AASB 11 *Joint Arrangements*, AASB 12 *Disclosure of Interests in Other Entities*, AASB 128 *Investments in Associates and Joint Ventures*, AASB 127 *Separate Financial Statements* and AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards*;
- AASB 2012-10 *Amendments to Australian Accounting Standards – Transition Guidance and other Amendments* which provides an exemption from the requirement to disclose the impact of the change in accounting policy on the current period;
- AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13*;
- AASB 119 *Employee Benefits (September 2011)* and AASB 2011-10 *Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)*;
- AASB 2012-5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle*; and
- AASB 2012-2 *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities*.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2014

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)**(y) New accounting standards adopted by the group (continued)**

The adoption of AASB 13 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements.

AASB 13 *Fair Value Measurement* aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across Australian Accounting Standards. The standard does not extend the use of fair value accounting but provides guidance on how it should be applied where its use is already required or permitted by other Australian Accounting Standards.

Previously the fair value of financial liabilities (including derivatives) was measured on the basis that the financial liability would be settled or extinguished with the counterparty. The adoption of AASB 13 has clarified that fair value is an exit price notion, and as such, the fair value of financial liabilities should be determined based on a transfer value to a third party market participant. As a result of this change, the fair value of derivative liabilities and derivative assets changed on transition to AASB 13, due to incorporating own and counter party credit risk respectively into the valuation.

As required under AASB 13, the change to fair value measurements on adoption of the standard is applied prospectively, in the same way as a change in an accounting estimate. As a consequence:

- The fair value of derivative assets relating to cross currency interest rate swaps increased by \$6,008,724
- The fair value of derivative liabilities relating to interest rate swaps increased by \$253,999
- The difference has been recorded as a fair value movement through cash flow hedge reserve and profit and loss of \$3,225,340 and \$2,529,385 respectively

Comparative amounts have not been restated.

The other standards have not affected the financial statements.

(z) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 March 2014 reporting periods and have not been early adopted by the group. The group's assessment of the impact of these new standards and interpretations is set out below.

Title of standard	Nature of change	Impact	Mandatory application date/Date of adoption by group
AASB 9 Financial Instruments	AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities. Since December 2013, it also sets out new rules for hedge accounting.	When adopted, the standard will not affect the group's accounting for financial assets and financial liabilities. The new hedging rules align hedge accounting more closely with the group's risk management practices. As a general rule it will be easier to apply hedge accounting going forward. The new standard also introduces expanded disclosure requirements and changes in Presentation.	Must be applied for financial years commencing on or after 1 January 2017 * The group has not yet assessed how its own hedging arrangements would be affected by the new rules, and it has not yet decided whether to adopt any parts of AASB 9 early. In order to apply the new hedging rules, the group would have to adopt AASB 9 and the consequential amendments to AASB 7 and AASB 139 in their entirety

*The mandatory application of this standard may be further deferred once the IASB has agreed on the mandatory date for the equivalent international standard.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2014

NOTE 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The following are the critical accounting estimates and judgments that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

(a) Impairment of goodwill and intangibles

In accordance with the accounting policy stated in Note 2(k), goodwill and intangible assets with indefinite life are subject to an annual impairment review. In making this impairment assessment, the Group evaluates the value-in-use using cash flow projections which have been discounted at an appropriate rate. These calculations require the use of assumptions.

Forecasts of future cash flows are based on the Group's estimates using historical industry trends, general market and economic conditions, changes in technology and other available information. Refer to Note 10 for details of the key assumptions.

(b) Estimated useful lives of property, plant and equipment and intangibles

The Group reviews annually the estimated useful lives of property, plant and equipment and intangibles based on factors such as business plans and strategies, expected levels of usage and future technological developments. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors referred to above. A reduction in the estimated useful lives would decrease the carrying value of property, plant and equipment or intangibles.

(c) Taxation*Deferred tax assets*

The Group reviews the carrying amount of deferred tax assets at each reporting date. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the tax losses and temporary differences can be utilised. This involves judgment regarding the future financial performance of the consolidated tax group.

Income taxes

The Group is subject to income tax in Australia and other jurisdictions where it has foreign operations. Judgment is involved in determining the provision for income taxes. There are certain transactions and computations undertaken in the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for arising tax issues based on estimates of whether additional taxes will be due. Where the final outcome of these matters is different from the amounts that were initially recognised, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2014

NOTE 4. INCOME STATEMENT

	Consolidated	
	2014	2013
	\$m	\$m
Profit before income tax has been arrived at after including:		
Operating revenue		
Sale of goods	748	882
Rendering of services	7,472	7,791
Rents - revenue from operating leases	234	247
	<u>8,455</u>	<u>8,920</u>
Other revenue		
Interest receivable	15	10
Other	102	56
	<u>117</u>	<u>66</u>
Total revenue	<u>8,572</u>	<u>8,986</u>
Operating expenses		
Expenses from ordinary activities classified by nature are:		
Traffic expenses	1,504	1,584
Selling & administrative expenses	1,909	2,238
Employee benefit expenses	1,172	1,218
Cost of goods sold	732	878
Other direct cost of sales of services	581	573
Repair and maintenance expenses	161	155
Capitalisation of costs	(181)	(186)
Depreciation and amortisation	1,350	1,328
Other	66	48
	<u>7,294</u>	<u>7,835</u>
Depreciation and amortisation		
Depreciation of:		
Freehold buildings	19	18
Plant and equipment	1,075	1,027
Leasehold property	12	11
Amortisation of:		
Subscriber acquisition costs	136	177
Deferred expenditure	3	4
Spectrum and other licences	86	78
Customer relationships	18	13
	<u>1,350</u>	<u>1,328</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2014

NOTE 4. INCOME STATEMENT (continued)

	Note	Consolidated	
		2014	2013
		\$m	\$m
Net finance costs			
Interest paid or due and payable to:			
Third parties		149	157
Finance charges on capitalised leases		1	1
Unwinding of discounts		4	5
Less: Capitalised interest	(i)	(15)	(13)
Total finance costs		<u>139</u>	<u>150</u>
Less:			
Interest received or due and receivable from:			
Other persons		14	9
Finance charges on lease commitments receivable		<u>1</u>	<u>1</u>
		<u>15</u>	<u>10</u>
Net finance costs		<u>124</u>	<u>140</u>
(i) The weighted average capitalisation rate in 2014 was 7.6% (2013: 7.6%).			
Others			
Profit before income tax includes the following specific expenses:			
Impairment of trade receivables			
Amount provided		92	125
Bad debts recovered		(10)	(13)
Net expense for impairment of receivables		<u>82</u>	<u>112</u>
Net expense/writeback of expense from movements in other provisions:			
Employee entitlements		102	84
Inventories		5	(9)
Other		<u>1</u>	<u>2</u>
Total net expense from movements in other provisions		<u>108</u>	<u>77</u>
Net foreign exchange loss		(2)	(1)
Operating lease rental expense		421	392

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2014

NOTE 5. INCOME TAX

	Consolidated	
	2014	2013
	\$m	\$m
Tax consolidation		
Refer to Note 2(f) for the impact of tax consolidation.		
Income tax expense		
Income tax expense on profit from ordinary activities		
before income tax calculated at 30% (2013:30%).	342	300
Tax effect of amounts which are not deductible /		
(assessable) in calculating taxable income:		
Research and development claims	(1)	(1)
Share of joint ventures' tax profit	(8)	2
Other non-deductible items	12	11
Prior year overprovision	(1)	(6)
Income tax expense relating to ordinary activities	344	306
Income tax expense comprises:		
Current income tax expense	345	312
Prior year overprovision	(1)	(6)
	344	306
Deferred tax assets		
The balance of this asset comprises temporary differences attributable to:		
Property, plant and equipment	215	233
Liabilities not currently deductible	297	270
Cash flow hedges	-	23
Other	10	-
	522	526
Set-off of deferred tax liabilities	(393)	(369)
Net deferred tax asset	130	157
Deferred tax liabilities		
The balance comprises temporary differences attributable to:		
Telecommunications licences	293	293
Subscriber acquisition costs	62	59
Cash flow hedges	37	-
Others	-	18
	393	369
Set-off against deferred tax assets	(393)	(369)
	-	-

Tax consolidation

With effect from 1 July 2002, the Company's parent entity, Singapore Telecom Australia Investments Pty Limited ("Head Entity") and its wholly owned Australian controlled entities, have implemented the tax consolidation legislation. The relevant accounting policy is set out in Note 2(f).

The entities have entered into a tax funding agreement under which the wholly-owned entities fully compensate the Head Entity for any current tax payable assumed and are compensated by the Head Entity for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to the Head Entity under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements. The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the Head Entity, which is issued as soon as practicable after the end of each financial year. The funding amounts are recognised as current intercompany receivables or payables. No amounts have been recognised in equity as a result of the tax consolidation implementation.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2014

NOTE 6. RECEIVABLES

	Note	Consolidated	
		2014	2013
		\$m	\$m
Current			
Trade receivables		1,331	1,488
Provision for impairment		(145)	(167)
		<u>1,186</u>	<u>1,320</u>
Other receivables		217	165
		<u>1,403</u>	<u>1,485</u>
Non-current			
Trade receivables		102	-
Loan to parent		3,609	3,601
Finance lease commitments receivable	(i)	6	7
		<u>3,718</u>	<u>3,608</u>
(i) Finance lease commitments receivable			
Minimum lease payments receivable are due:			
Not later than one year		1	1
Later than one year but not later than five years		4	4
Later than five years		7	9
		<u>12</u>	<u>14</u>
Less: (i) Future lease finance revenue		(6)	(7)
		<u>6</u>	<u>7</u>

(i) The finance lease commitments receivable are in respect of sales-type leases granted over portions of the Group's cable networks.

The maximum exposure to credit risk for trade receivables by type of customer is as follows:-

Individuals	519	646
Corporations and others	812	842
	<u>1,331</u>	<u>1,488</u>

The age analysis of trade receivables before allowance for impairment is as follows:-

Not past due	1,029	1,105
Past due		
- 0 to 60 days	123	138
- 61 to 120 days	118	125
- more than 120 days	60	120
	<u>1,331</u>	<u>1,488</u>

Based on historical default rates, the Group believes that no allowance for impairment is necessary in respect of certain trade receivables which are not past due, as well as past due but not impaired.

The movement in the allowance for impairment of trade receivables is as follows:-

Balance as at 1 April	167	138
Allowance for impairment	95	125
Reversal of impairment	(9)	(13)
Utilisation	(108)	(83)
Balance as at 31 March	<u>145</u>	<u>167</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2014

NOTE 7. INVENTORIES

	Consolidated	
	2014	2013
	\$m	\$m
Current		
Finished goods - at cost	85	103
Provision for obsolescence	(14)	(9)
	<u>71</u>	<u>95</u>

NOTE 8. PROPERTY, PLANT AND EQUIPMENT

	Consolidated	
	2014	2013
	\$m	\$m
Freehold land and buildings:		
At cost	336	325
Accumulated depreciation	(157)	(138)
Total freehold land and buildings	<u>179</u>	<u>187</u>
Leasehold property:		
At cost	223	211
Accumulated depreciation	(109)	(97)
Total leasehold property	<u>114</u>	<u>114</u>
Plant and equipment:		
At cost	18,791	17,613
Accumulated depreciation and impairment	(13,169)	(12,089)
Total plant and equipment	<u>5,622</u>	<u>5,524</u>
Leased plant and equipment:		
At cost	14	43
Accumulated depreciation	(14)	(43)
	<u>-</u>	<u>-</u>
Deferred gain on sale and leaseback of lease plant	357	357
Accumulated amortisation	(357)	(357)
Total leased plant and equipment	<u>-</u>	<u>-</u>
Capital works in progress:		
At cost	537	497
Total capital works in progress	<u>537</u>	<u>497</u>
Total net carrying amount of property, plant and equipment	<u>6,451</u>	<u>6,322</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2014

NOTE 8. PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are set out below.

	Note	Consolidated 2014 \$m	2013 \$m
Freehold land and buildings:			
Carrying amount at the beginning of the financial year		187	143
Additions		11	62
Depreciation and amortisation expense	4	(19)	(18)
Carrying amount at the end of the financial year		179	187
Leasehold property:			
Carrying amount at the beginning of the financial year		114	109
Additions		12	16
Disposal		-	-
Depreciation and amortisation expense	4	(12)	(11)
Carrying amount at the end of the financial year		114	114
Plant and equipment:			
Carrying amount at the beginning of the financial year		5,524	5,666
Additions		1,178	842
Additions through acquisition of controlled entities and business		-	46
Disposals		-	(3)
Depreciation and amortisation expense	4	(1,075)	(1,027)
Provision for impairment		(5)	-
Carrying amount at the end of the financial year		5,622	5,524
Capital works in progress:			
Carrying amount at the beginning of the financial year		497	336
Additions less transfers to other categories		40	160
Carrying amount at the end of the financial year		537	497

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2014

NOTE 9. INTANGIBLE ASSETS

	Consolidated	
	2014 \$m	2013 \$m
Goodwill - at cost	153	153
Accumulated impairment	(4)	(4)
	<u>149</u>	<u>149</u>
Spectrum and other licences - at cost	791	732
Accumulated amortisation	(354)	(348)
	<u>437</u>	<u>384</u>
Customer relationships - at cost	18	18
Accumulated amortisation	(17)	(15)
	<u>0</u>	<u>2</u>
Subscriber acquisition costs - at cost	399	477
Accumulated amortisation	(263)	(269)
	<u>136</u>	<u>208</u>
Deferred expenditure - at cost	312	252
Accumulated amortisation	(93)	(72)
	<u>219</u>	<u>181</u>

Consolidated	Goodwill	Spectrum and other licences	Subscriber acquisition costs	Others	Total
Year ended 31 March 2014					
Opening net book amount	149	384	208	183	923
Additions	-	139	65	60	264
Amortisation charge	-	(86)	(136)	(23)	(245)
Closing net book amount	<u>149</u>	<u>437</u>	<u>136</u>	<u>219</u>	<u>942</u>
Year ended 31 March 2013					
Opening net book amount	149	236	229	77	691
Additions	-	226	155	123	505
Amortisation charge	-	(78)	(177)	(17)	(272)
Closing net book amount	<u>149</u>	<u>384</u>	<u>208</u>	<u>183</u>	<u>923</u>

Impairment testing

The carrying value of goodwill and intangible assets with indefinite lives was assessed for impairment during the financial year. Telecommunications operations of the Group were assessed to be a single cash generating unit ("CGU") for the purpose of this review, as the generation of the Group's core revenue streams is heavily reliant on the use of integrated and interdependent customer access and transmission networks throughout Australia.

The recoverable amount of the SingTel Optus CGU has been determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a 5 year period. Cash flows beyond the budget period are extrapolated using the estimated growth rates stated below. The terminal growth rates do not exceed the long-term average growth rates for the country and industry in which the Group operates.

	Terminal growth rate		Pre-tax discount rate	
	2014	2013	2014	2013
SingTel Optus CGU	3.0%	3.0%	11.6%	10.1%

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2014

NOTE 10. TRADE AND OTHER PAYABLES

	Consolidated	
	2014	2013
	\$m	\$m
Current		
Trade payables	825	915
Other payables and accruals ⁽¹⁾	624	649
Performance share plan	7	7
Unearned revenue	306	277
	<u>1,762</u>	<u>1,848</u>
Non-current		
Other payables and accruals	13	15
Performance share plan	13	13
Unearned revenue	73	133
	<u>99</u>	<u>161</u>

The amounts of trade and other payables due to subsidiaries are repayable on demand and interest-free.

The trade payables are non interest bearing and are generally settled on 30 to 60 days terms.

(i) Other payables and accruals include the interest payable on USD borrowings. These are settled on a half-yearly basis except for interest payable on certain bonds and syndicated loan facilities which are settled on a quarterly basis. The total interest payable on the borrowings at year end was \$41 million (2013: \$32 million).

NOTE 11. INTEREST BEARING LIABILITIES

Current		
Short-term bank facilities - unsecured (i)	150	-
Lease liabilities - secured (ii)	6	6
	<u>156</u>	<u>6</u>
Non-current		
Medium-term bank facilities - unsecured (i)	-	375
Notes payable - unsecured (iii)	2,137	1,580
Lease liabilities - secured (ii)	2	8
	<u>2,139</u>	<u>1,963</u>

(i) These borrowings are provided under a syndicated bank facility and are denominated in Australian dollars. It is covered by a negative pledge and facility documents, which amongst other things require the Company and other controlled entities to maintain certain financial ratios. This syndicated facility expires on 30 June 2014. In April 2014, the group entered into new \$1.2 billion syndicated facility which expires on 30 May 2017.

(ii) Some of the lease liabilities are secured by guarantees from controlled entities and by mortgages granted over related assets and service contracts.

(iii) Unsecured notes payable denominated in United States dollars, Hong Kong dollars, Euro and Australian dollars have been issued by a controlled entity and guaranteed by the Company and certain controlled entities. The notes are subject to a negative pledge that requires the Company and other controlled entities to maintain certain financial ratios. The value of these notes includes a fair value hedge loss adjustment of \$43 million (2013: \$50 million).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2014

NOTE 11. INTEREST BEARING LIABILITIES (continued)

	Note	Consolidated 2014 \$m	2013 \$m
Principal amounts and repayment dates are:			
500 million United States dollars due 15 October 2019		559	506
1,000 million Hong Kong dollars due 10 June 2020		139	123
700 million Euro dollars due 15 September 2020		1,065	876
75 million Australian dollars due 5 December 2018		75	75
300 million Australian dollars due 12 December 2018		299	-
		<u>2,137</u>	<u>1,580</u>

NOTE 12. FINANCING ARRANGEMENTS

At reporting date the Group had access to the following committed lines of credit:

Total facilities available at reporting date:

Short-term bank facilities	1,200	1,200
	<u>1,200</u>	<u>1,200</u>

Facilities utilised at reporting date:

Short-term bank facilities	150	-
Medium-term bank facilities	-	375
	<u>150</u>	<u>375</u>

Facilities not utilised at reporting date:

Short-term bank facilities	1,050	-
Medium-term bank facilities	-	825
	<u>1,050</u>	<u>825</u>

NOTE 13. PROVISIONS

Current

Employee entitlements	17	56	49
Other (i)		27	25
		<u>83</u>	<u>74</u>

Non-current

Employee entitlements	17	33	32
Other (i)		25	27
		<u>57</u>	<u>59</u>

(i) Other Current and Non-current provisions primarily represent asset retirement obligations for corporate properties and self-insurance provisions.

Reconciliations of the carrying amount of other provisions at the beginning and end of the current financial year are set out below:

Other provisions (Current and non-current)

Carrying amount at the beginning of the financial year	51	36
Additional provision recognised by charge to profit	1	2
Additional provision recognised from new business acquisition	-	13
Carrying amount at the end of the financial year	<u>52</u>	<u>51</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2014

NOTE 14. CONTRIBUTED EQUITY**Issued and paid up capital**

	Note	Consolidated	
		2014	2013
		\$m	\$m
3,795,254,335 (31 March 2013: 3,795,254,335)			
Fully paid ordinary shares		5,317	5,317

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. At a shareholders' meeting, every holder of ordinary shares present in person or by proxy is entitled to one vote on a show of hands, and upon a poll, each share is entitled to one vote.

There have been no other changes in share capital during the year (2013: the share capital reduced by \$3,931,788,979.18 against the buyback reserve).

In March 2014 the Company paid a dividend to its parent of \$560 million (2013: \$550 million) or \$0.145 per share.

The corporation law abolished the authorised capital and par value concept in relation to share capital from 1st July 1995. Therefore, the company does not have a limited amount of authorised capital and issued shares do not have a par value.

NOTE 15. RESERVES**Nature and purpose of reserves as disclosed in the statement of changes in equity**

(i) The buy-back reserve was created in connection with the acquisition of Cable & Wireless Optus shares by SingTel in 2001. It was extinguished on 6 March 2013 through a capital reduction.

(ii) Exchange differences arising on translation of an interest in foreign joint ventures are taken to the foreign currency translation reserve.

(iii) The cash flow hedge reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised directly in equity, net of tax, as described in Note 2(u). Amounts are reclassified to profit or loss when the associated hedged transaction affects profit or loss.

NOTE 16 EMPLOYEE ENTITLEMENTS**Aggregate employee entitlements:**

Current	14	50	49
Non-current	14	39	32
		88	81

Number of Employees

Number of employees at year end		9,088	8,740
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Superannuation fund

The Group contributes to employee defined contribution superannuation funds.

Contributions to the funds during the financial year		92	92
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Equity based employee benefits

During the current or previous financial year, the Group did not provide to employees any equity based instruments (such as share options or performance rights) based on equities of the Company or its controlled entities, nor were there any such instruments outstanding at the beginning or end of the financial year.

The Group's expense arises under the equity based compensation plans of its parent, Singapore Telecommunications Limited which are described at Note 2(t).

This expense amounted to:		10	12
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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2014

NOTE 17. FINANCIAL RISK MANAGEMENT**Capital management**

The Group manages its capital to ensure that entities in the Group will be able to continue as going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2013.

The capital structure of the Group consists of net debt (borrowings as detailed in Note 11 & 12 offset by cash and bank balances) and equity of the Group (comprising issued capital, reserves and retained earnings).

Financial risk management objectives

The Group's activities expose it to a variety of financial risks: interest rate risk, foreign exchange risk, credit risk and liquidity risk. The group's overall risk management seeks to minimise potential adverse effects of these risks on the financial performance of the Group.

The Group established risk management policies, guidelines and control procedures to manage its exposure to financial risks. Hedging transactions are determined in the light of commercial commitments and are reviewed regularly.

The Group uses financial instruments, including foreign exchange contracts, cross currency swaps and interest rate swaps in its management of exchange rate and interest rate exposures. Financial instruments are used only to hedge underlying commercial exposures and are not held for speculative purposes.

Interest rate risk

The Group's objective is to minimise interest expense consistent with maintaining an acceptable level of exposure to the risk of interest rate fluctuations. In order to achieve this objective, the Group targets a mix of fixed and floating rate debt. To obtain this mix in a cost efficient manner the Group primarily uses cross currency and interest rate swaps that have the effect of converting specific debt obligations of the Group from a variable to a fixed rate of interest and change the currency of the debt, or vice versa, as required.

At 31 March 2014, if interest rates had increased by 50 basis points or decreased by 50 basis points from the year end rates with all other variables held constant, pre-tax profit for the period would have been \$2 million lower/\$2 million higher (2013: \$3 million lower/\$2 million higher), mainly as a result of higher/lower interest expense on variable borrowings. Other components of equity (pre-tax) would have been \$35 million higher/\$35 million lower (2013: \$42 million higher/\$42 million lower) mainly as a result of decrease in the fair value of the cash flow hedges of borrowings.

Foreign exchange risk

The Group maintains a policy to minimise the adverse impact of movements in foreign exchange rates on the Group's cash flows. Foreign exchange contracts are predominantly used to hedge the foreign exchange risk associated with the purchase and sale of goods and services denominated in foreign currencies and the resulting foreign currency denominated assets and liabilities.

The main functional currency risk arises on foreign exchange contracts denominated in United States dollars. Thus a sensitivity analysis was performed on the risk from fluctuations in the Australian / United States dollar exchange rate. Nominal amounts of financial instruments denominated in a different currency to the reporting entity's Australian dollar functional currency were taken into consideration and are disclosed below.

As at 31 March 2014, assuming the Australian dollar appreciated 10% against the United States Dollar, with all other variables held constant, pre-tax equity would decrease by \$13 million (2013: \$12 million). Conversely, if the Australian dollar depreciated 10% against the United States Dollar, with all other variables held constant, pre-tax equity would increase by \$16 million (2013: \$15 million).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2014

NOTE 17. FINANCIAL RISK MANAGEMENT (continued)

Details of hedges held by the Group (no hedges where held by the Company) are as follows:

	Nominal value A\$m	Fair value A\$m	Weighted average FX rate
31 March 2014			
<i>Forward foreign exchange contracts - cash flow hedges</i>			
Buy USD / Sell AUD	148	2	0.90
Buy NZD / Sell AUD	1	-	1.09
Buy EUR / Sell AUD	2	-	0.68
Buy SGD / Sell AUD	4	-	1.14
Buy INR / Sell AUD	17	(1)	63.60
31 March 2013			
<i>Forward foreign exchange contracts - cash flow hedges</i>			
Buy USD / Sell AUD	139	4	1.00
Buy NZD / Sell AUD	2	-	1.26
Buy EUR / Sell AUD	-	-	0.80
Buy SGD / Sell AUD	8	-	1.26

Credit risk

The Group has no significant concentration of credit risk from trade receivables due to its diverse customer base. Credit risk is managed through the application of credit assessments and approvals. Where applicable the Group obtains credit insurance. In addition, the Group has policies and procedures in place to monitor trade receivables on an ongoing basis.

The carrying value amount reflected in Note 6 represents the Group's maximum exposure to credit risk for trade receivables.

The Group has cash investments and other financial instruments such as forward foreign exchange contracts, cross currency swaps and interest rate derivative hedges with major financial institutions. The Group has policies in place to monitor the credit ratings of these counterparties on an ongoing basis.

The Group has policies in place that limit the financial exposure to any one financial institution and does not have a significant exposure to any individual counterparty.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2014

NOTE 17. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk

The Group manages liquidity risk by monitoring and maintaining the level of cash equivalents and financing facilities considered adequate by management to fund the operations as well as mitigate the effects of fluctuations in cash flows. Due to the dynamic nature of the business, the Group aims at maintaining flexibility in funding by keeping a number of committed credit facilities available.

The expected undiscounted contractual cash flows of the borrowings, including the effects of hedging, for the Group as at 31 March 2014 and 2013 are below. These amounts do not reflect the carrying amounts in the statement of financial position.

	Less Than 1 year \$m	Between 1 and 2 years \$m	Between 2 and 5 years \$m	Over 5 years \$m	Total \$m
As at 31 March 2014					
Net-settled interest rate swaps	(32)	(25)	(47)	(6)	(110)
Cross currency interest rate swaps (gross settled)					
Inflow	67	67	201	109	443
(Outflow)	(79)	(86)	(304)	(141)	(611)
	(44)	(45)	(150)	(38)	(278)
 Borrowings:					
Bonds	(85)	(85)	(632)	(1,786)	(2,588)
Bank loans	(151)	-	-	-	(151)
	(236)	(85)	(632)	(1,786)	(2,739)
 Finance lease liability	(6)	(2)	-	-	(8)
	(286)	(132)	(782)	(1,825)	(3,025)
 As at 31 March 2013					
Net-settled interest rate swaps	(34)	(27)	(57)	(27)	(145)
Cross currency interest rate swaps (gross settled)					
Inflow	57	57	171	148	433
(Outflow)	(85)	(86)	(288)	(237)	(696)
	(62)	(57)	(175)	(115)	(409)
 Borrowings:					
Bonds	(61)	(61)	(183)	(1,905)	(2,211)
Bank loans	(13)	(378)	-	-	(391)
	(74)	(439)	(183)	(1,905)	(2,602)
 Finance lease liability	(6)	(8)	-	-	(14)
	(142)	(504)	(358)	(2,020)	(3,025)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2014

NOTE 17. FINANCIAL RISK MANAGEMENT (continued)

Net fair value of financial assets and liabilities

The carrying value of the Company's financial assets and liabilities approximate their fair value. The carrying amounts and fair values of the Group's financial assets and liabilities at reporting date are:

	Consolidated carrying amount		Consolidated net fair value	
	31 March	31 March	31 March	31 March
	2014	2013	2014	2013
	\$m	\$m	\$m	\$m
<i>Recognised financial assets</i>				
Cash	175	150	175	150
Trade and other receivables	1,331	1,491	1,331	1,491
Derivative financial instruments	173	-	173	-
	<u>1,679</u>	<u>1,641</u>	<u>1,679</u>	<u>1,641</u>
<i>Recognised financial liabilities</i>				
Trade and other payables	1,449	1,536	1,449	1,536
Derivatives	129	245	129	245
Short-term bank facilities	150	375	150	375
Domestic notes payable	374	75	384	79
Foreign currency notes payable	1,763	1,505	1,871	1,620
Lease liabilities	8	14	8	14
	<u>3,873</u>	<u>3,750</u>	<u>3,991</u>	<u>3,869</u>

Fair value estimation

Optus bonds currently on issue total \$1,624 million. They are maturing up until the year 2020 and are offered solely to wholesale investors. During the previous financial year Optus issued \$299m in new corporate bonds into the Australian corporate bond market. No other financial assets or liabilities are traded on exchange markets.

Cross currency and interest rate swaps

The net fair value of cross currency and interest rate swaps is an estimated value that the Group would receive or pay to sell or transfer the swap contract at the reporting date. It is calculated as the present value of the estimated future cash flows, discounted using interest rates based on a zero coupon yield curve at the reporting date. The zero coupon yield curve is derived from a market par curve which reflects current yields to maturity for applicable interest bearing financial instruments quoted on organised financial markets.

Forward foreign exchange contracts

The fair value of forward foreign exchange contracts is determined using forward market rates for each individual forward contract according to the time to maturity, at the reporting date. It is calculated as the present value of the future contractual cash flows, discounted at interest rates derived from interest bearing financial instruments commonly used as a benchmark by market convention.

Borrowings

The fair value of these instruments reflects the estimated amounts that the Group would expect to pay or receive to terminate or replace the contracts at reporting date. It is calculated as the present value of the future contractual cash flows, discounted at market interest rates derived from interest bearing financial instruments generally accepted for valuation purposes by market convention. This is consistent with the valuation of interest rate swaps as described above.

Lease liabilities

The net fair value of these financial liabilities has been calculated by discounting the expected future cash flows by current interest rates for liabilities with similar risk and maturity profiles.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2014

NOTE 17. FINANCIAL RISK MANAGEMENT (continued)

Hedging activities

The hedge accounting policy of the Group is described in Note 2(u) and the Group has entered into the following derivative financial instruments to hedge its risks:

- Cross currency interest rate swaps with dual designation as fair value hedges for interest rate risk and cash flow hedges for currency risk, arising from the Group's issue of foreign denominated debt instruments.

These cross currency interest rate swaps involve the exchange of principal and fixed interest receipts in the foreign currency of the Group's debt instruments, for principal and floating (as well as fixed) interest payments in the Group's Australian dollar functional currency.
- Interest rate swap contracts that are cash flow hedges for Australian interest rate risk. These contracts involve the exchange of Australian floating interest receipts for fixed interest payments. These are in line with the Group's interest rate risk management policy of maintaining a mix of floating and fixed rate debt.
- Forward foreign exchange contracts, all of which are designated as cash flow hedges, for the Group's exposure to currency risks arising from forecast or committed expenditure and receipts denominated in foreign currencies.

The fair values of the derivative financial instruments are as follows:

	Nominal amounts \$m	Fair value liabilities/(assets) \$m
31 March 2014		
<i>Fair value hedges</i>		
Cross currency swaps	1,677	-
<i>Cash flow hedges</i>		
Cross currency swaps	1,677	(145)
<i>Cash flow hedges</i>		
Interest rate swaps	1,350	101
Forward foreign exchange contracts	172	1
		<u>(43)</u>
<i>Derivative financial instruments presented in the statement of financial position</i>		
Non-current assets		(173)
Current liabilities		1
Non-current liabilities		128
		<u>(43)</u>
	Nominal amounts \$m	Fair value liabilities/(assets) \$m
31 March 2013		
<i>Fair value hedges</i>		
Cross currency swaps	1,678	(50)
<i>Cash flow hedges</i>		
Cross currency swaps	1,678	162
<i>Cash flow hedges</i>		
Interest rate swaps	1,350	129
Forward foreign exchange contracts	149	4
		<u>245</u>
<i>Derivative financial instruments presented on the face of the balance sheet</i>		
Current liabilities		4
Non-current liabilities		241
		<u>245</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2014

NOTE 17. FINANCIAL RISK MANAGEMENT (continued)

Fair Value Measurements

The Group classifies fair value measurements using a fair value hierarchy which reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels -

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (**Level 1**);
- (b) inputs other than quoted prices included within Level 1 which are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (**Level 2**); and
- (c) derived from valuation techniques that include inputs for the asset or liability which are not based on observable market data (unobservable inputs) (**Level 3**).

2014	Level 1 \$ m	Level 2 \$ m	Level 3 \$ m	Total \$ m
Financial assets				
Cross Currency Swaps		173		173
Financial liabilities				
Derivative financial instruments				
- Cross currency swaps	-	27	-	27
- Interest rate swaps	-	101	-	101
- Forward foreign exchange	-	1	-	1
	-	129	-	129

2013	Level 1 \$ m	Level 2 \$ m	Level 3 \$ m	Total \$ m
Financial assets				
There are no financial assets at 31 March 2013.				
Financial liabilities				
Derivative financial instruments				
- Cross currency swaps	-	112	-	112
- Interest rate swaps	-	129	-	129
- Forward foreign exchange	-	4	-	4
	-	245	-	245

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2014

NOTE 18. CONTINGENCIES AND COMMITMENTS

Guarantees

During the year, the Group requested banks and financial institutions, in the ordinary course of business, to issue bank guarantees and performance bonds on its behalf. The amounts outstanding at reporting date amount to \$116 million (2013: \$132 million).

Legal proceedings and claims

The Group is in dispute with third parties regarding certain transactions and/or representations arising out of the ordinary course of business. Some of these disputes involve legal proceedings relating to the contractual obligations of the parties and/or representations made, including the amounts payable by the consolidated entities under the contracts and claims against the Group for compensation for alleged breach of contract and/or representations. Optus is vigorously defending all these claims.

Commitments

	Consolidated	
	2014	2013
	\$m	\$m
Other operating expenditure commitments		
Committed but not provided for and payable:		
Not later than one year	91	93
Later than one year but not later than five years	106	138
Later than five years	64	64
	<u>261</u>	<u>295</u>
Capital expenditure commitments		
Committed but not provided for and payable:		
Not later than one year	830	124
Later than one year but not later than five years	16	27
Later than five years	27	6
	<u>873</u>	<u>157</u>
Operating lease commitments		
Future operating lease rentals not provided for and payable:		
Not later than one year	317	298
Later than one year but not later than five years	634	663
Later than five years	866	858
	<u>1,817</u>	<u>1,819</u>

Investment commitments

Refer to Notes 21 and 22 for details of commitments in relation to joint ventures.

The Group leases property and plant under property leases expiring from one to 30 years. Leases generally provide the Group with an option to renew for a limited number of additional terms. Lease payments comprise a base amount plus an annual increase based either on a fixed percentage or movements in the Consumer Price Index.

Capital commitments above include the purchase price for auctioned spectrum available and payable in future years (\$721 million).

	2014	2013
	\$m	\$m
Finance lease commitments		
Finance lease rentals are payable:		
Not later than one year	8	8
Later than one year but not later than five years	2	9
	<u>9</u>	<u>17</u>
Less: Future lease finance charges		
Not later than one year	(1)	(1)
Later than one year but not later than five years	(0)	(1)
	<u>(1)</u>	<u>(3)</u>
Total finance lease received	<u>8</u>	<u>14</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2014

NOTE 19. CONTROLLED ENTITIES

Name of company	Note	Group interest %	
		2014	2013
Akal Pty Limited		100	100
Alpha West ERP Pty Ltd		100	100
Alpha West Holdings Limited		100	100
Alphawest Limited		100	100
Alphawest Services Pty Ltd		100	100
AUE Music TV Pty Limited		100	100
AUEVR Music TV Pty Limited		100	100
Aussat Finance Limited		100	100
Aussat New Zealand Limited	(i)	100	100
Bkal Pty Limited		100	100
Cable & Wireless Optus Satellites Pty Limited		100	100
CV Services International Wholesale Pty Limited		100	100
Eatability Pty Limited		100	100
Evolution IS (ACT) Pty Ltd		100	100
Evolution IS Pty Ltd		100	100
Inform Systems Australia Pty Limited		100	100
Microplex Pty Limited		100	100
Optus Administration Pty Limited		100	100
Optus Backbone Investments Pty Limited		100	100
Optus Billing Services Pty Limited		100	100
Optus Broadband Pty Limited		100	100
Optus Data & Business Holdings Pty Limited	(ii)	-	100
Optus Data Centres Pty Limited		100	100
Optus Digital Life Pty Limited	(iii)	100	-
Optus ECommerce Pty Limited		100	100
Optus ESolutions Pty Limited		100	100
Optus EPayments Ventures Pty Limited		100	100
Optus Finance Pty Limited		100	100
Optus Insurance Services Pty Limited		100	100
Optus Internet Pty Limited		100	100
Optus Investments Pty Limited		100	100
Optus Kylie Holdings Pty Limited		100	100
Optus Mobile Holdings Pty Limited	(iv)	-	100
Optus Mobile Investments Pty Limited		100	100
Optus Mobile Pty Limited		100	100
Optus Multimedia Pty Limited		100	100
Optus Narrowband Pty Limited		100	100
Optus Networks Pty Limited		100	100
Optus Retailco Pty Limited		100	100
Optus Rental & Leasing Pty Limited		100	100
Optus Satellite Pty Limited	(iv)	100	-
Optus Satellite Network Pty Limited	(ii)	100	-
Optus Systems Pty Limited		100	100
Optus Vision Interactive Pty Limited		100	100
Optus Vision Investments Pty Limited		100	100
Optus Vision Media Pty Limited	(v)	20	20
Optus Vision Pty Limited		100	100
Optus Network Investments Pty Ltd		100	100
Path Communications Pty Ltd		100	100
Perpetual Systems Pty Ltd		100	100
Prepaid Services Pty Limited		100	100
Reef Networks Pty Ltd		100	100
Satellite Platform Investment Pty Limited		100	100
Sibalo Pty Limited		100	100

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2014

NOTE 19. CONTROLLED ENTITIES (continued)

Name of company	Note	Group interest %
Simplus Mobile Pty Limited (formerly RSL Com Mobile Pty Limited)	100	100
Source Integrated Networks Pty Limited	100	100
The Net Effect Pty Limited	100	100
Ubowireless Pty Limited	100	100
Uecomm Limited	100	100
Uecomm Operations Pty Limited	100	100
Uecomm Share Plans Custodian Pty Limited	100	100
Ue Access Pty Limited	100	100
Ue Vialight Pty Limited	100	100
Unite.Com Pty Limited	100	100
Unwired Australia Pty Limited	100	100
Vanilla Shelf Co No 2 Pty Limited	100	100
Virgin Mobile (Australia) Pty Limited	100	100
Virgin Mobile (Australia) Services Pty Limited	100	100
Virgin Mobile Pty Limited	100	100
Vivid Wireless Pty Limited	100	100
Vividwireless Group Limited	100	100
VR Music TV Pty Ltd	100	100
World Wide Web Pty Limited	100	100
XYZed Pty Ltd	100	100
XYZed LMDS Holdings Pty Limited	100	100
XYZed LMDS Pty Limited	100	100

(i) Incorporated in New Zealand. All other subsidiaries are incorporated in Australia.

(ii) Optus Data & Business Holdings Pty Limited renamed to Optus Satellite Network Pty Limited

(iii) Incorporated during the current financial year

(iv) Optus Mobile Holdings Pty Limited renamed to Optus Satellite Pty Limited

(v) Optus Vision Media Pty Limited is deemed to be a controlled entity by virtue of section 47(b) of *the Corporations Act 2001*.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2014

NOTE 20. JOINT VENTURES

Southern Cross Cable Consortium

This consortium operates through two separate companies. Southern Cross Cable Holdings Limited ("SCCHL") owns a cable network between Australia and the USA, and conducts operations of that network outside the USA. Pacific Carriage Holdings Limited ("PCHL") conducts operations within the USA. Both these companies are incorporated in Bermuda. The Group owns 39.99% of PCHL (2013: 39.99%). The reporting date of these entities is 30 June. Equity accounting was suspended for these entities during the 2005 financial year because the Group's net investment was reduced to zero. PCHL paid dividend of \$41m during the financial year (2013: nil).

	Consolidated	
	2014	2013
	\$m	\$m
The Group has agreed to purchase capacity on this cable network payable as follows:		
Not later than one year	13	12
Later than one year but not later than five years	13	19
	<u>26</u>	<u>31</u>

Main Event Television Pty Limited

The Group's interest in this company, which is a provider of pay television programs and channels is 33.33% (2013: 33.33%).

Bridge Mobile Pte Limited

This company which is incorporated in Singapore, is principally involved in the provision of regional mobile services. The Group's interest is 10% (2013: 10%).

	Consolidated	
	2014	2013
	\$m	\$m
The maximum amount that the Group may be required to contribute in equity to this company is:	5	5
The amount contributed at reporting date was:	3	3

Carrying amounts of investments in each joint venture entity

Pacific Carriage Holdings Limited	-	-
Main Event Television Pty Limited	-	-
Bridge Mobile Pte Limited	2	2
	<u>2</u>	<u>2</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2014

NOTE 20. JOINT VENTURES (continued)

	Consolidated	
	2014	2013
	\$m	\$m
Share of joint ventures' results		
Share of:		
Revenues	25	20
Expenses	(12)	(12)
Operating profit before income tax	13	8
Income tax expense	-	-
Operating profit after income tax	14	8
Equity accounting suspended	(14)	(8)
Share of joint ventures' net profit/loss - equity accounted	-	-
Share of joint ventures' post-acquisition reserves		
- Foreign currency translation reserve		
Share of:		
Balance at the beginning of the financial year	-	-
Share of increase	-	-
Balance at the end of the financial year	-	-
Share of joint ventures' net assets		
Share of:		
Current assets	56	75
Non-current assets	61	55
Total assets	116	130
Current liabilities	162	143
Net assets	(46)	(13)
Carrying amount of investments in joint venture entities		
At the beginning of the financial year	2	2
Share of joint venture entities' net loss	-	-
At the end of the financial year	2	2

Joint ventures' contingent liabilities and capital commitments

At reporting date, there were no material contingent liabilities or capital expenditure commitments of joint venture entities for which the Group will or may become liable.

NOTE 21. JOINT OPERATIONS

JASURAUS

The Group holds an interest in a joint operation named JASURAUS. This is a co-operative venture between the Group (31.25%) and Reach Limited (68.75%) to construct and maintain an optical fibre submarine cable between Western Australia and Indonesia.

Optus/ Vodafone Joint Venture

The Group has an interest in an unincorporated joint operation to share selected 3G and 4G network sites and radio infrastructure across Australia whereby it holds an interest of 50% (2013: 50%) in the assets, with access to the network and shares 50% (2013: 50%) of the cost of building and operating the network.

Assets

Included in the assets of the Group are the following items that represent the Group's interest in the assets employed in the joint operation, recorded in accordance with the accounting policies described in Note 2(m).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2014

NOTE 21. JOINT VENTURE OPERATIONS (continued)

	Consolidated	
	2014	2013
	\$m	\$m
<i>Non-current assets, at written down value</i>		
Property, plant and equipment	187	217
Total non-current assets	187	217
Total assets	187	217

NOTE 22. KEY MANAGEMENT PERSONNEL COMPENSATION

Key management personnel compensation for the years ended 31 March 2014 and 31 March 2013 are set out below. The key management personnel are the directors and executives with the greatest authority for the strategic direction and management of the Group.

The total compensation for the Australian-based directors and executives of the Group was as follows:

	Consolidated	
	2014	2013
	\$000	\$000
Short-term benefits ¹	11,498	12,620
Post-employment benefits	931	1,066
Share-based payments	5,571	5,434
Total key management compensation	18,000	19,120

In addition, the total compensation for the Singapore-based directors of the Group was as follows: ²

Short-term benefits	5,786	5,179
Share-based payments	3,536	3,321
	9,322	8,500

¹ Bonus has been included on an accrual basis.

² No proportion of these amounts has been allocated to or paid by Optus.

NOTE 23. AUDITOR'S REMUNERATION

The auditor of SingTel Optus Pty Limited is Deloitte Touche Tohmatsu.

	Consolidated	
	2014	2013
	\$000	\$000
<i>Amounts received or due and receivable by Deloitte Touche Tohmatsu</i>		
An audit or review of the financial report of the entity and any other entity in the Group	907	971
Other services in relation to the entity and any other entity in the Group:		
- Assurance and regulatory related	322	332
- Other assurance, advisory, taxation and due diligence services	609	681
	1,838	1,984

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2014

NOTE 24. RELATED PARTIES**Directors**

The names of each person holding the position of director of the Company during the financial year and as at the date of this report are as follows:

Directors

Chua Sock Koong
Paul Dominic O'Sullivan
Jeann Ngiap Jong Low
Murray Philip King
Vicki Maree Brady (appointed on 27 February 2014)
Kevin Steven Russell (ceased appointment on 27 February 2014)
Andrew Kee Chuan Buay (ceased appointment on 27th May 2013)

Details of directors' remuneration are set out in Note 23.

Apart from the details disclosed in this note, no director has entered into a contract with the Company or the Group since the end of the previous financial year and there were no contracts involving director's interests existing at reporting date.

From time to time, directors of the Company or of its controlled entities or their director-related entities may purchase goods or services from the Group. These purchases are on the same terms and conditions as those entered into by other Group employees or customers and are trivial or domestic in nature.

Joint ventures and operations

Details of interest in joint ventures are set out in Note 21.

Details of interest in joint operations are set out in Note 22.

The Group incurred certain costs as agent for joint ventures and was reimbursed those costs.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2014

NOTE 24. RELATED PARTIES (continued)

	Consolidated	
	2014	2013
	\$m	\$m
Shareholder related entities		
The aggregate amounts brought to account in respect of the following types of transactions with shareholder related entities were:		
International outpayments expense	13	14
International inpayments revenue	20	23
Information technology and consultancy expense	30	24
All transactions were with entities related to Singapore Telecommunications Limited, and were at normal commercial terms and conditions and at market rates.		
The aggregate amounts receivable at reporting date from shareholder related entities were:		
Trade debtors - for international inpayments	3	5
Other debtors	38	43
The aggregate amounts payable at reporting date to shareholder related entities were:		
Trade creditors		
For international outpayments	17	17
Other trade creditors	29	7
Other creditors	2	25

All of these amounts receivable and payable are in respect of transactions with entities related to Singapore Telecommunications Limited.

Controlling entities

The Company's parent entity is Singapore Telecom Australia Investments Pty Limited, a wholly owned subsidiary of Singapore Telecommunications Limited (incorporated in Singapore). The ultimate parent entity is Temasek Holdings (Private) Limited (incorporated in Singapore).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2014

NOTE 25. DEED OF CROSS GUARANTEE

The Company and certain wholly owned controlled entities are parties to a deed of cross guarantee under which each Company guarantees the debts of the others. By entering into the deed, the controlled entities have been relieved from the requirements to prepare a financial report and directors reports under class order 98/1418 issue by the Australian Securities and Investments Commission.

The controlled entities subject to the Deed are:

Akal Pty Limited	Optus Satellite Pty Limited
Alpha West ERP Pty Ltd	Optus Satellite Networks Pty Ltd
Alpha West Holdings Limited	Optus Systems Pty Limited
Alphawest Limited	Optus Vision Pty Limited
Alphawest Services Pty Ltd	Path Communications Pty Ltd
Aussat Finance Limited	Perpetual Systems Pty Ltd
Optus Finance Pty Limited	Prepaid Services Pty Limited
Bkal Pty Limited	Reef Networks Pty Limited
Cable & Wireless Optus Satellites Pty Limited	Sibalo Pty Limited
CV Services International Wholesale Pty Limited	Simplus Mobile Pty Limited
Evolution IS (ACT) Pty Ltd	Source Integrated Networks Pty Limited
Evolution IS Pty Ltd	The Net Effect Pty Limited
Inform Systems Australia Pty Limited	UE Access Pty Ltd
Optus Administration Pty Limited	Uecomm Limited
Optus Broadband Pty Limited	Uecomm Operations Pty Limited
Optus Data Centres Pty Limited	Unite.com Pty Ltd
Optus Internet Pty Limited	Unwired Australia Pty Limited
Optus Mobile Pty Limited	Ubowireless Pty Limited
Optus Mobile Investments Pty Limited	Virgin Mobile (Australia) Pty Limited
Optus Multimedia Pty Limited	Vividwireless Group Limited
Optus Networks Pty Limited	Vivid Wireless Pty Limited
Optus Retailco Pty Limited	XYZed Pty Limited

A condensed consolidated statement of comprehensive income for the financial year ended 31 March 2014 for the closed group comprising the Company and those subsidiaries that are a party to the Deed, after eliminating all transactions between those parties, is set out below:

	Consolidated	
	2014	2013
	\$m	\$m
Income Statement		
Profit from ordinary activities before income tax	1,131	975
Income tax relating to ordinary activities	(330)	(289)
Net profit	801	685
Other comprehensive (loss)/income	19	(14)
Total comprehensive income	820	671
Retained profits at the beginning of the financial year	4,118	3,983
Dividend payment to equity holders	(560)	(550)
Retained profits at the end of the financial year	4,360	4,118

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2014

NOTE 25. DEED OF CROSS GUARANTEE (continued)

A consolidated statement of financial position as at 31 March 2014 for the closed group comprising the Company and those subsidiaries that are a party to the Deed, after eliminating all transactions between those parties, is set out below:

	Consolidated	
	2014	2013
	\$m	\$m
Statement of financial position		
Current assets		
Cash and cash equivalents	136	90
Trade and other receivables	1,407	1,474
Inventories	71	95
Other assets	169	164
Total current assets	1,784	1,823
Non-current assets		
Trade and other receivables	3,896	3,710
Inventories	72	72
Investments accounted for using the equity method -		
Joint venture entities	2	2
Property, plant and equipment	6,451	6,322
Telecommunication licences	976	976
Intangible assets	937	815
Deferred tax assets	130	140
Other assets	17	36
Total non-current assets	12,482	12,073
Total assets	14,265	13,896
Current liabilities		
Trade and other payables	1,966	2,011
Interest bearing liabilities	157	393
Provisions	83	73
Total current liabilities	2,206	2,478
Non-current liabilities		
Trade and other payables	227	404
Interest bearing liabilities	2,139	1,580
Provisions	57	58
Total non-current liabilities	2,423	2,042
Total liabilities	4,629	4,520
Net assets	9,637	9,376
Shareholders' equity		
Contributed equity	5,311	5,311
Reserves	(34)	(53)
Retained profits	4,360	4,118
Total equity	9,637	9,376

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2014

NOTE 26. PARENT ENTITY

	Company	
	2014 \$m	2013 \$m
Assets		
Current assets	215	179
Non-current assets	856	856
Total assets	1,071	1,035
Liabilities		
Current liabilities	50	50
Non-current liabilities	-	-
Total current liabilities	50	50
Equity		
Issued capital	5,317	5,317
Accumulated losses	(4,297)	(4,333)
Reserve		
Buy back reserve	-	-
Total equity	1,021	985
Profit for the year (dividend income)	596	577
Total comprehensive income for the year	596	577

The Company paid a fully franked dividend of \$560 million (2013: \$550 million) to its sole shareholder on 20 March 2014. No other dividends have been paid or declared by the Company during or since the end of the financial year. Refer note 15 and 16 for other equity transactions during the year.

There are no contingent liabilities for the parent entity as at 31 March 2014 (2013: nil).

NOTE 27. EVENTS SUBSEQUENT TO REPORTING DATE

During May 2014, the group initiated a review of its operations resulting in workforce restructuring costs subsequent to 31 March 2014.

In April 2014, the group entered into new \$1.2billion syndicate bank facility, which expires on 30 May 2017.

Except for the above, there has not arisen in the interval between the end of the financial year and the date of this report any other item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

DIRECTORS' DECLARATION

1. In the opinion of the directors of SingTel Optus Pty Limited:

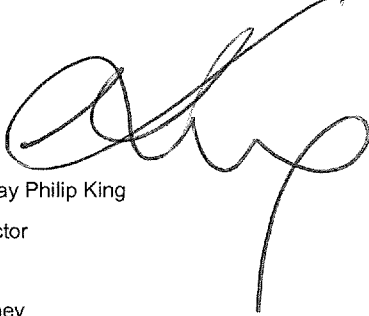
(a) the financial statements and notes are in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the financial position of the Group as at 31 March 2014 and of its performance, as represented by the results of its operations and cash flows, for the financial year ended on that date; and
- (ii) complying with Accounting Standards and the Corporations Regulations; and
- (iii) complying with International Financial Reporting Standards, as stated in Note 2(a) to the financial statements; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. There are reasonable grounds to believe that the Company and the subsidiaries identified in Note 26 will be able to meet any obligations or liabilities to which they are or may become subject by virtue of the Deed of Cross Guarantee between the company and those subsidiaries pursuant to ASIC Class Order 98/1418 and the Individual Order under subsection 340(1) of the *Corporations Act 2001* dated 28 March 2007.

Signed in accordance with a resolution of the directors made pursuant to s295(5) of the *Corporations Act 2001*:

A handwritten signature in black ink, appearing to read 'M. King', with a long, sweeping underline that extends downwards and to the right.

Murray Philip King
Director

Sydney

18 July 2014

ADDITIONAL UNAUDITED FINANCIAL INFORMATION

The table below shows the reconciliation between the selected consolidated financial information of Optus as prepared under Australian Accounting Standards and Singapore Financial Reporting Standards. The unaudited financial information under Singapore Financial Reporting Standards is announced quarterly in conjunction with SingTel's results and they do not form part of SingTel Optus Pty Ltd audited financial report.

	A\$m	
	31-Mar-14	31-Mar-13
Operating revenue under Singapore Financial Reporting Standards	8,466	8,934
Alignment of accounting treatment, mainly for capacity sales	(11)	(14)
Statutory operating revenue under Australian Accounting Standards (note 4)	<u>8,455</u>	<u>8,920</u>
Profit after tax under Singapore Financial Reporting Standards	835	728
Alignment of accounting treatment, mainly for capacity sales and subscriber acquisition costs	(40)	(33)
Statutory net profit under Australian Accounting Standards	<u>795</u>	<u>695</u>

Independent Auditor's Report to the Members of SingTel Optus Pty Limited

We have audited the accompanying financial report of SingTel Optus Pty Limited, which comprises the consolidated statement of financial position as at 31 March 2014, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 4 to 47.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

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

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

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

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of SingTel Optus Pty Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

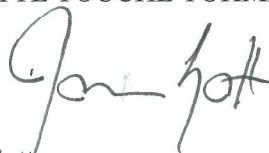
Opinion

In our opinion:

- (a) the financial report of SingTel Optus Pty Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 March 2014 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 2(a).

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



Jamie Gatt
Partner
Chartered Accountants
Sydney, 18 July 2014