
SINGTEL OPTUS PTY LIMITED

ACN 052 833 208

ANNUAL REPORT

31 MARCH 2015

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 2015 (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
Allen Yoong Keong Lew (appointed 8 October 2014)

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 \$1,143 million. Operating revenue for the year increased by 4 per cent to \$8,916 million.

After an income tax expense of \$343 million, net profit amounted to \$801 million, compared to \$795 million in the previous financial year.

Cash capital expenditure for the year was \$1,285 million. The ratio of cash capital expenditure to operating revenue was 14.4 per cent, compared to 13.3 per cent in the previous financial year.

Changes in state of affairs

In June 2011, Optus and NBNCo reached an agreement on the migration of Optus' HFC customers, with the total value of the agreement being approximately \$800 million on a post-tax NPV basis. In December 2014, Optus and NBNCo reached a revised agreement where the overall value remains comparable to the 2011 Optus HFC Subscriber Agreement, with the majority of the payments to be received progressively on migration.

Under the terms of the agreement, once the Optus HFC subscribers are migrated to NBNCo, Optus will progressively transfer ownership of its coaxial cable and ancillary assets to NBNCo, while retaining ownership of the strategic aerial fibre assets used to connect mobile base stations and business customers.

The revised agreement is conditional upon ACCC's approval and a ruling by the Australian Taxation Office.

In the opinion of the directors, there were no other 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 (2014 \$560 million) to its sole shareholder (Singapore Telecom Australia Investments Pty Limited) on 24 March 2015. No other dividends have been paid or declared by the Company during or since the end of the financial year.

Events subsequent to reporting date

There has not arisen in the interval between the end of the financial year and the date of this report any 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 judgement 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.

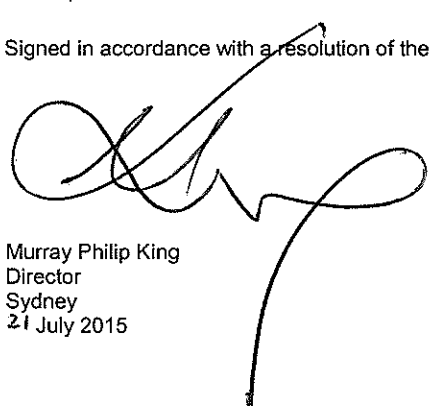
Auditor's independence declaration

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
21 July 2015

Deloitte Touche Tohmatsu
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The Board of Directors
Singtel Optus Pty Limited
1 Lyonpark Rd
Macquarie Park NSW 2113

21 July 2015

Dear Board Members,

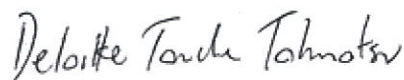
Singtel Optus Pty Limited

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.

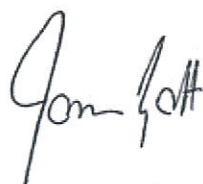
As lead audit partner for the audit of the financial statements of Singtel Optus Pty Limited for the financial year ended 31 March 2015, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (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 C.J. Gatt
Partner
Chartered Accountants

	Notes	2015 \$m	2014 \$m
Revenue	4	8,916	8,572
Expenses	4	(7,612)	(7,294)
Finance Costs	4	(161)	(139)
Share of joint venture entities' net loss	20	-	-
Profit before income tax expense		1,143	1,139
Income tax expense	5	(343)	(344)
Profit after tax		801	795

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 2015

	Notes	2015 \$m	2014 \$m
Profit after tax		801	795
Other comprehensive income			
Items that may be reclassified subsequently to the income statement:			
Cash flow hedges	15		
- Fair value changes during the year - gross		96	292
- Fair value changes during the year - tax impact		(29)	(88)
- Fair value changes during the year - net of tax		67	204
- Fair value changes transferred to income statement - gross		(93)	(264)
- Fair value changes transferred to income statement - tax impact		28	79
- Fair value changes transferred to income statement - net of tax		(65)	(185)
Total other comprehensive income		2	19
Total comprehensive income for the year		803	814

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 2015

	Notes	2015 \$m	2014 \$m
Current assets			
Cash and cash equivalents		105	175
Receivables	6	1,656	1,403
Inventories	7	155	71
Derivative financial instruments	17	16	-
Other assets		220	169
Total current assets		2,152	1,818
Non-current assets			
Receivables	6	3,888	3,718
Investments accounted for using the equity method - Joint venture entities	20	-	2
Property, plant and equipment	8	6,744	6,451
Telecommunication licences	2(p),9	976	976
Intangible assets	9	1,575	942
Deferred tax assets	5	140	130
Derivative financial instruments	17	307	173
Other assets		13	16
Total non-current assets		13,643	12,408
Total assets		15,795	14,226
Current liabilities			
Trade and other payables	10	2,309	1,762
Interest bearing liabilities	11	2	156
Derivative financial instruments	17	-	1
Provisions	13	74	83
Total current liabilities		2,385	2,002
Non-current liabilities			
Trade and other payables	10	202	99
Interest bearing liabilities	11	2,918	2,139
Derivative financial instruments	17	178	128
Provisions	13	70	57
Total non-current liabilities		3,367	2,423
Total liabilities		5,751	4,425
Net assets		10,044	9,800
Equity			
Contributed equity	14	5,317	5,317
Cash flow hedge reserve		(33)	(35)
Retained profits		4,760	4,518
Total equity		10,044	9,800

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 2015

	Fully paid ordinary shares (Note 14) \$m	Cashflow hedge reserves (Note 15) \$m	Retained profits \$m	Total \$m
Balance as of 1 April 2013	5,317	(54)	4,283	9,546
Profit after tax	-	-	795	795
Other comprehensive profit for the year	-	28	-	28
Related tax impact	-	(9)	-	(9)
Total comprehensive income for the year	-	19	795	814
Distributions to owners				
Dividends to equity holders	-	-	(560)	(560)
Distribution to owners	-	-	(560)	(560)
Balance as of 31 March 2014	5,317	(35)	4,518	9,800
Balance as of 1 April 2014	5,317	(35)	4,518	9,800
Profit after tax	-	-	801	801
Other comprehensive loss for the year	-	3	-	3
Related tax impact	-	(1)	-	(1)
Total comprehensive income for the year	-	2	801	803
Distributions to owners				
Dividends to equity holders	-	-	(560)	(560)
Distribution to owners	-	-	(560)	(560)
Balance as of 31 March 2015	5,317	(33)	4,760	10,044

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 2015

	2015 \$m	2014 \$m
Cash flows from operating activities		
Profit for the year	801	795
Adjustments for:		
Depreciation and amortisation	1,354	1,350
Net finance costs	153	124
Dividend income from associates	(37)	(41)
Income tax expense	343	344
Change in trade receivables	(304)	110
Change in finance lease commitment receivable	-	2
Change in other receivables	(97)	(86)
Change in current inventories	(83)	24
Change in other current assets	(53)	(6)
Change in subscriber acquisition costs	(55)	(65)
Change in deferred expenditure	17	(23)
Change in other non-current assets	(87)	(33)
Change in trade and other payables	491	(183)
Change in unearned income	119	(30)
Change in provisions	3	8
Dividend payments received from associates	37	41
Income tax paid	(304)	(251)
Net cash inflow from operating activities	2,298	2,080
Cash flows from investing activities		
Interest received	6	12
Receipt from/(payment of taxes relating to investment in) joint ventures	1	(5)
Payment for property, plant and equipment	(1,285)	(1,136)
Advances made to parent entity	(285)	(288)
Repayment of advances made to parent entity	210	210
Payment for business acquisitions	(10)	(2)
Payment for intangible assets	(794)	(200)
Net cash used in investing activities	(2,156)	(1,410)
Cash flows from financing activities		
Proceeds from borrowings	1,550	650
Repayments of borrowings	(1,030)	(875)
Proceeds from bond issue	-	300
Finance lease payment (principal)	(6)	(6)
Net interest paid on borrowings and swaps	(153)	(145)
Dividends paid to parent entity	(560)	(560)
Other	(13)	(10)
Net cash used in financing activities	(212)	(647)
Net decrease/(increase) in cash	(70)	24
Cash and cash equivalents at the beginning of the financial year	175	151
Cash and cash equivalents at the end of the financial year	105	175

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 2015

NOTE 1. CORPORATE INFORMATION

Singtel Optus Pty Limited (the "Company", "SOPL") is a private Company limited by shares. 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 21 July 2015.

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2015

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 fair value or standalone selling price of each component in the arrangement. Handsets are accounted for in accordance with the sale of equipment accounting policy of the Group.

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 fair value or standalone selling price of each component 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 receivable, 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.

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 (the "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 services which are on 90-day terms.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2015

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's 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's disclosures in Note 19, 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 Arrangements": 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 venture's 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 ventures to achieve consistency with the Group's accounting policies, and to eliminate unrealised profits and losses on transactions between the Group and joint ventures.

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 2015

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.

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.

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 some of the above criteria are accounted for as an operating lease, or a service agreement.

(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.

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 is 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 2015

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 balances are included in Note 17.

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 statement of cash flows 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 2015

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 26 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 2014:

- AASB2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets;
- Interpretation 21 Accounting for Levies;
- AASB 2014-1 Amendments to Australian Accounting Standards ;

The adoption of these standards did not have any impact on the current period or any prior period and is not likely to affect future periods.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2015

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(z) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 March 2015 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. It also introduces new rules for hedge accounting and a new impairment model. These latest amendments now complete the new financial instruments standard.	Management is currently assessing the impact of the new rules. There are judgements remaining which are being deliberated at this stage.	Must be applied for financial years commencing on or after 1 January 2018
AASB 15 Revenue from Contracts with Customers	The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.	Management is currently assessing the impact of the new rules. There are significant uncertainties and judgements remaining which are being deliberated at this stage.	Mandatory for financial years commencing on or after 1 January 2017. Expected date of adoption by the group: 1 April 2017.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2015

NOTE 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The following are the critical accounting estimates and judgements 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 9 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 judgement 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. Judgement 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 2015

NOTE 4. INCOME STATEMENT

	Consolidated	
	2015 \$m	2014 \$m
Profit before income tax has been arrived at after including:		
Operating revenue		
Sale of goods	988	748
Rendering of services	7,564	7,472
Rents - revenue from operating leases	232	234
	<u>8,784</u>	<u>8,455</u>
Other revenue		
Interest received or due and receivable	7	15
Other	125	102
	<u>132</u>	<u>117</u>
Total revenue	<u>8,916</u>	<u>8,572</u>
Operating expenses		
Expenses from ordinary activities classified by nature are:		
Traffic expenses	1,532	1,504
Selling & administrative expenses	1,895	1,909
Employee benefit expenses	1,293	1,172
Cost of goods sold	946	732
Other direct cost of sales of services	561	581
Repair and maintenance expenses	156	161
Capitalisation of costs	(210)	(181)
Depreciation and amortisation	1,354	1,350
Others	85	66
	<u>7,612</u>	<u>7,294</u>
Depreciation and amortisation		
Depreciation of:		
Freehold buildings	19	19
Plant and equipment	1,107	1,075
Leasehold property	13	12
Amortisation of:		
Subscriber acquisition costs	88	136
Deferred expenditure	2	3
Spectrum and other licences	102	86
Customer relationships	22	18
	<u>1,354</u>	<u>1,350</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2015

NOTE 4. INCOME STATEMENT (continued)

	Note	Consolidated	
		2015	2014
		\$m	\$m
Net finance costs			
Interest paid or due and payable to:			
Third parties		162	149
Finance charges on capitalised leases		1	1
Unwinding of discounts		4	4
Less: Capitalised interest	(i)	(6)	(15)
Total finance costs		161	139
Less:			
Interest received or due and receivable from:			
Third parties		6	14
Finance charges on lease commitments receivable		1	1
		7	15
Net finance costs		153	124
(i) The weighted average capitalisation rate in 2015 was 6.1% (2014: 7.6%).			
Others			
Profit before income tax includes the following specific expenses:			
Impairment of trade receivables			
Amount provided		57	92
Bad debts recovered		(5)	(10)
Net expense for impairment of receivables		52	82
Net expense from movements in other provisions:			
Employee entitlements		106	102
Inventories		26	5
Other		1	1
Total net expense from movements in other provisions		133	108
Net foreign exchange profit		(6)	(2)
Operating lease rental expense		440	421

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2015

NOTE 5. INCOME TAX

	Consolidated	
	2015	2014
	\$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% (2014:30%).

343 342

Tax effect of amounts which are not deductible / (assessable) in calculating taxable income:

Research and development claims

(1) (1)

Share of joint ventures' tax

(10) (8)

Other non-deductible items

13 12

Prior year overprovision

(3) (1)

Income tax expense relating to ordinary activities

343 344

Income tax expense comprises:

Current income tax expense

345 345

Prior year overprovision

(3) (1)

343 344

Deferred tax assets

The balance of this asset comprises temporary differences attributable to:

Property, plant and equipment

206 215

Liabilities not currently deductible

358 297

Other

- 10

564 522

Set-off of deferred tax liabilities

(424) (393)

Net deferred tax asset

140 130

Deferred tax liabilities

The balance comprises temporary differences attributable to:

Telecommunications licences

293 293

Subscriber acquisition costs

28 62

Cash flow hedges

93 37

Others

10 -

424 393

Set-off against deferred tax assets

(424) (393)

- -

Tax consolidation

With effect from 1 July 2002, the Company's parent entity, Singapore Telecom Australia Investments Pty Limited (the "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 2015

NOTE 6. RECEIVABLES

	Note	Consolidated	
		2015	2014
		\$m	\$m
Current			
Trade receivables		1,561	1,331
Provision for impairment		(124)	(145)
		1,438	1,186
Other receivables		218	217
		1,656	1,403
Non-current			
Trade receivables		154	102
Other receivables		97	-
Loan to parent		3,632	3,609
Finance lease commitments receivable	(i)	5	6
		3,888	3,718
(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		5	7
		10	12
Less: (i) Future lease finance revenue		(5)	(6)
		5	6

(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	851	519
Corporations and others	710	812
	1,561	1,331

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

Not past due	1,256	1,029
Past due		
- 0 to 60 days	136	123
- 61 to 120 days	46	55
- more than 120 days	123	123
	1,561	1,331

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	145	167
Allowance for impairment	57	95
Reversal of impairment	(5)	(9)
Utilisation	(73)	(108)
Balance as at 31 March	124	145

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2015

NOTE 7. INVENTORIES

	Consolidated	
	2015	2014
	\$m	\$m
Current		
Finished goods - at cost	166	85
Provision for obsolescence	(12)	(14)
	<u>155</u>	<u>71</u>

NOTE 8. PROPERTY, PLANT AND EQUIPMENT

	Consolidated	
	2015	2014
	\$m	\$m
Freehold land and buildings:		
At cost	342	336
Accumulated depreciation	(176)	(157)
Total freehold land and buildings	<u>166</u>	<u>179</u>
Leasehold property:		
At cost	229	223
Accumulated depreciation	(122)	(109)
Total leasehold property	<u>107</u>	<u>114</u>
Plant and equipment:		
At cost	20,080	18,791
Accumulated depreciation and impairment	(14,284)	(13,169)
Total plant and equipment	<u>5,796</u>	<u>5,622</u>
Leased plant and equipment:		
At cost	14	14
Accumulated depreciation	(14)	(14)
	<u>-</u>	<u>-</u>
Deferred gain on sale and leaseback of lease plant	-	357
Accumulated amortisation	-	(357)
Total leased plant and equipment	<u>-</u>	<u>-</u>
Capital works in progress:		
At cost	675	537
Total capital works in progress	<u>675</u>	<u>537</u>
Total net carrying amount of property, plant and equipment	<u>6,744</u>	<u>6,451</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2015

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	
		2015	2014
		\$m	\$m
Freehold land and buildings:			
Carrying amount at the beginning of the financial year		179	187
Additions		6	11
Depreciation and amortisation expense	4	(19)	(19)
Carrying amount at the end of the financial year		166	179
Leasehold property:			
Carrying amount at the beginning of the financial year		114	114
Additions		6	12
Depreciation and amortisation expense	4	(13)	(12)
Carrying amount at the end of the financial year		107	114
Plant and equipment:			
Carrying amount at the beginning of the financial year		5,622	5,524
Additions		1,289	1,178
Depreciation and amortisation expense	4	(1,107)	(1,075)
Provision for impairment		(8)	(5)
Carrying amount at the end of the financial year		5,796	5,622
Capital works in progress:			
Carrying amount at the beginning of the financial year		537	497
Additions less transfers to other categories		138	40
Carrying amount at the end of the financial year		675	537

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2015

NOTE 9. INTANGIBLE ASSETS

	Consolidated	
	2015 \$m	2014 \$m
Goodwill - at cost	156	153
Accumulated impairment	(4)	(4)
	<u>152</u>	<u>149</u>
Spectrum and other licences - at cost	1,482	791
Accumulated amortisation	(422)	(354)
	<u>1,060</u>	<u>437</u>
Customer relationships - at cost	18	18
Accumulated amortisation	(18)	(17)
	<u>-</u>	<u>-</u>
Subscriber acquisition costs - at cost	313	399
Accumulated amortisation	(211)	(263)
	<u>103</u>	<u>136</u>
Deferred expenditure - at cost	382	312
Accumulated amortisation	(123)	(93)
	<u>260</u>	<u>219</u>
Total intangible assets	<u>1,575</u>	<u>942</u>

Consolidated	Goodwill	Spectrum and other licences	Subscriber acquisition costs	Others	Total
Year ended 31 March 2015					
Opening net book amount	149	437	136	219	942
Additions	3	726	55	67	851
Provision for impairment	-	-	-	(3)	(3)
Amortisation charge	-	(102)	(88)	(23)	(214)
Closing net book amount	<u>152</u>	<u>1,060</u>	<u>103</u>	<u>260</u>	<u>1,575</u>
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>

Impairment testing

The carrying value of goodwill and intangible assets with indefinite lives (telecommunication licenses) 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	
	2015	2014	2015	2014
SingTel Optus CGU	3.0%	3.0%	9.5%	10.8%

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2015

NOTE 10. TRADE AND OTHER PAYABLES

	Consolidated	
	2015 \$m	2014 \$m
Current		
Trade payables	1,432	825
Other payables and accruals ⁽ⁱ⁾	539	624
Performance share plan	5	7
Unearned revenue	333	306
	<u>2,309</u>	<u>1,762</u>
Non-current		
Other payables and accruals	13	13
Performance share plan	23	13
Unearned revenue	165	73
	<u>202</u>	<u>99</u>

The trade payables are non-interest bearing and are generally settled on 30 to 60 days terms. During the year, for certain long term investments in the networks, vendor term is up to 364 days.

(i) Other payables and accruals include the interest payable on 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 \$44 million (2014: \$41 million).

NOTE 11. INTEREST BEARING LIABILITIES

Current

Short-term bank facilities - unsecured (i)	-	150
Lease liabilities - secured (ii)	2	6
	<u>2</u>	<u>156</u>

Non-current

Medium-term bank facilities - unsecured (i)	670	-
Notes payable - unsecured (iii)	2,247	2,137
Lease liabilities - secured (ii)	-	2
	<u>2,918</u>	<u>2,139</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. In April 2014, the group entered into a 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 \$60 million (2014: \$43 million).

NOTE 11. INTEREST BEARING LIABILITIES (continued)

	Note	Consolidated 2015 \$m	2014 \$m
Principal amounts and repayment dates are:			
500 million United States dollars due 15 October 2019		682	559
1,000 million Hong Kong dollars due 10 June 2020		170	139
700 million Euro dollars due 15 September 2020		1,021	1,065
75 million Australian dollars due 5 December 2018		75	75
300 million Australian dollars due 12 December 2018		299	299
		<u>2,247</u>	<u>2,137</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
Medium-term bank facilities	1,200	-
	<u>1,200</u>	<u>1,200</u>

Facilities utilised at reporting date:

Short-term bank facilities	-	150
Medium-term bank facilities	670	-
	<u>670</u>	<u>150</u>

Facilities not utilised at reporting date:

Short-term bank facilities	-	1,050
Medium-term bank facilities	530	-
	<u>530</u>	<u>1,050</u>

NOTE 13. PROVISIONS

Current

Employee entitlements	16	50	56
Other (i)		24	27
		<u>74</u>	<u>83</u>

Non-current

Employee entitlements	16	39	33
Other (i)		31	25
		<u>70</u>	<u>57</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	52	51
Additional provision recognised by charge to profit	1	1
Additional provision recognised from new business acquisition	2	-
Carrying amount at the end of the financial year	<u>55</u>	<u>52</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2015

NOTE 14. CONTRIBUTED EQUITY

Issued and paid up capital

	Note	Consolidated	
		2015	2014
		\$m	\$m
3,795,254,335 (31 March 2014: 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.

In March 2015 the Company paid a dividend to its parent of \$560 million (2014: \$560 million) or \$0.145 per share (2014: \$0.145 per share).

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. 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) Exchange differences arising on translation of an interest in foreign joint ventures are taken to the foreign currency translation reserve.

(ii) 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(t). Amounts are reclassified to profit or loss when the associated hedged transaction affects profit or loss.

NOTE 16. EMPLOYEE ENTITLEMENTS

Aggregate employee entitlements:

Current long service leave provision	13	50	56
Non-current long service leave provision	13	39	33
		89	89
Number of Employees			
Number of employees at year end		9,220	9,088

Superannuation fund

The Group contributes to employee defined contribution superannuation funds.

Contributions to the funds during the financial year	98	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(s).

This expense amounted to:	21	10
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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2015

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 2014.

The capital structure of the Group consists of net debt (borrowings as detailed in Notes 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 2015, 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 \$3 million lower/\$3 million higher (2014: \$2 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 \$31 million higher/\$31 million lower (2014: \$35 million higher/\$35 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 2015, 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 (2014: \$13 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 \$17 million (2014: \$16 million).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2015

NOTE 17. FINANCIAL RISK MANAGEMENT (continued)

Details of hedges held by the Group are as follows:

	Nominal value A\$m	Fair value A\$m	Weighted average FX rate
31 March 2015			
<i>Forward foreign exchange contracts - cash flow hedges</i>			
Buy USD / Sell AUD	134	15	0.84
Buy NZD / Sell AUD	2	-	1.06
Buy EUR / Sell AUD	2	-	0.65
Buy SGD / Sell AUD	8	-	1.06
Buy INR / Sell AUD	9	3	65.43

	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

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 Company has a non-interest bearing loan with its parent entity and has no intention to call upon the loan in the 12 months from signing of the financial statements.

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 2015

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 2015 and 2014 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 2015					
Net-settled interest rate swaps	(38)	(41)	(101)	(9)	(189)
Cross currency interest rate swaps (gross settled):					
Inflow	72	72	215	41	399
(Outflow)	(70)	(68)	(218)	(25)	(381)
	(37)	(37)	(104)	7	(171)
 Borrowings:					
Bonds	(90)	(90)	(1,181)	(1,164)	(2,525)
Bank loans	(17)	(17)	(673)	-	(706)
	(107)	(107)	(1,854)	(1,164)	(3,232)
 Finance lease liability	(2)	(0)	-	-	(2)
	(146)	(144)	(1,958)	(1,157)	(3,405)
 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)

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 2015	31 March 2014	31 March 2015	31 March 2014
	\$m	\$m	\$m	\$m
<i>Recognised financial assets</i>				
Cash	105	175	105	175
Trade and other receivables	2,030	1,650	2,030	1,650
Derivative financial instruments	323	173	323	173
Loan to parent	3,632	3,609	3,632	3,609
	<u>6,090</u>	<u>5,607</u>	<u>6,090</u>	<u>5,607</u>
<i>Recognised financial liabilities</i>				
Trade and other payables	1,984	1,462	1,984	1,462
Derivatives	178	129	178	129
Bank facilities	670	150	670	150
Domestic notes payable	374	374	401	384
Foreign currency notes payable	1,873	1,763	2,027	1,871
Lease liabilities	2	8	2	8
	<u>5,081</u>	<u>3,886</u>	<u>5,262</u>	<u>4,004</u>

Fair value estimation

Optus bonds currently on issue total \$1,703 million (2014 \$1,624 million). They are maturing up until the year 2020 and are offered solely to wholesale investors. 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. 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.

NOTE 17. FINANCIAL RISK MANAGEMENT (continued)

Hedging activities

The hedge accounting policy of the Group is described in Note 2(t) 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 (assets)/liabilities \$m
31 March 2015		
<i>Fair value hedges</i>		
Cross currency swaps	1,677	-
<i>Cash flow hedges</i>		
Cross currency swaps	1,677	(305)
<i>Cash flow hedges</i>		
Interest rate swaps	1,000	167
Forward foreign exchange contracts	156	(18)
<i>Derivatives that do not qualify for hedge accounting</i>		
Interest rate swaps	250	11
		<u>(145)</u>
<i>Derivative financial instruments presented in the statement of financial position</i>		
Current assets		(16)
Non-current assets		(307)
Non-current liabilities		178
		<u>(145)</u>
	Nominal amounts \$m	Fair value (assets)/liabilities \$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 on the face of the balance sheet</i>		
Non-current assets		(173)
Current liabilities		1
Non-current liabilities		128
		<u>(43)</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2015

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**).

2015	Level 1 \$ m	Level 2 \$ m	Level 3 \$ m	Total \$ m
Financial assets				
Derivative financial instruments				
- Cross currency swaps	-	305	-	305
- Forward foreign exchange	-	18	-	18
	-	323	-	323
Financial liabilities				
Derivative financial instruments				
- Interest rate swaps	-	178	-	178
	-	178	-	178

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2015

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 \$23 million (2014: \$116 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	
	2015	2014
	\$m	\$m
Other operating expenditure commitments		
Committed but not provided for and payable:		
Not later than one year	49	91
Later than one year but not later than five years	95	106
Later than five years	18	64
	<u>162</u>	<u>261</u>
Capital expenditure commitments		
Committed but not provided for and payable:		
Not later than one year	75	830
Later than one year but not later than five years	43	16
Later than five years	8	27
	<u>126</u>	<u>873</u>
Operating lease commitments		
Future operating lease rentals not provided for and payable:		
Not later than one year	285	317
Later than one year but not later than five years	771	634
Later than five years	1,250	866
	<u>2,306</u>	<u>1,817</u>
Investment commitments		
Refer to Notes 20 and 21 for details of commitments in relation to joint ventures and joint operations.		

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.

	2015	2014
	\$m	\$m
Finance lease commitments		
Finance lease rentals are payable:		
Not later than one year	2	8
Later than one year but not later than five years	1	2
	<u>3</u>	<u>9</u>
Less: Future lease finance charges		
Not later than one year	(1)	(1)
Total finance lease received	<u>2</u>	<u>8</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2015

NOTE 19. CONTROLLED ENTITIES

Name of Company	Note	Group interest %	
		2015	2014
Akal Pty Limited		100	100
Alpha West ERP Pty Ltd		100	100
Alpha West Holdings Limited		100	100
Alphawest Pty 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
CV Services International Wholesale Pty Limited		100	100
Eatability Pty Limited		100	100
Ensyst Pty Ltd	(ii)	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 C1 Satellite Pty Limited	(iii)	100	100
Optus Data Centres Pty Limited		100	100
Optus Digital Life Pty Limited		100	100
Optus ECommerce Pty Limited		100	100
Optus ESolutions 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 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		100	100
Optus Satellite Network Pty Limited		100	100
Optus Stockco Pty Limited		100	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	(iv)	20	20
Optus Vision Pty Limited		100	100
Optus Wholesale Pty Limited	(v)	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 2015

NOTE 19. CONTROLLED ENTITIES (continued)

Name of Company	Group interest %	
	2015	2014
Simplus 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 Pty 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) New business acquired this financial year

(iii) Cable & Wireless Optus Satellites Pty Ltd renamed to Optus C1 Satellite Pty Limited.

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

(v) Optus EPayments Ventures Pty Limited renamed to Optus Wholesale Pty Limited

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2015

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 (2014: 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 \$37m during the financial year (2014:\$41m).

	Consolidated	
	2015 \$m	2014 \$m
The Group has agreed to purchase capacity on this cable network payable as follows:		
Not later than one year	13	13
Later than one year but not later than five years	11	13
	<u>24</u>	<u>26</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% (2014: 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% (2014: 10%).

	Consolidated	
	2015 \$m	2014 \$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:	1	3
Carrying amounts of investments in each joint venture entity		
Pacific Carriage Holdings Limited	-	-
Main Event Television Pty Limited	-	-
Bridge Mobile Pte Limited*	-	2
	<u>-</u>	<u>2</u>

*During 2015, Bridge Mobile undertook a capital reduction program and returned a sum of \$1.6 million.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2015

NOTE 20. JOINT VENTURES (continued)

	Consolidated	
	2015	2014
	\$m	\$m
Share of joint ventures' results		
Share of:		
Revenues	32	25
Expenses	(35)	(12)
Operating profit before income tax	(3)	13
Income tax expense	1	-
Operating profit after income tax	(2)	14
Equity accounting suspended	2	(14)
Share of joint ventures' net profit/loss - equity accounted	-	-
Share of joint ventures' net assets		
Share of:		
Current assets	34	56
Non-current assets	57	61
Total assets	91	116
Current liabilities	189	162
Net assets	(98)	(46)
Carrying amount of investments in joint venture entities		
At the beginning of the financial year	2	2
Share of joint venture entities' net loss	-	-
Capital reduction in Bridge mobile during the year	(2)	-
At the end of the financial year	-	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 and shares some 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 operations, recorded in accordance with the accounting policies described in Note 2(m).

	Consolidated	
	2015	2014
	\$m	\$m
<i>Non-current assets, at written down value</i>		
Property, plant and equipment	160	187
Total non-current assets	160	187
Total assets	160	187

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2015

NOTE 22. KEY MANAGEMENT PERSONNEL COMPENSATION

Key management personnel compensation for the years ended 31 March 2015 and 31 March 2014 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	
	2015 \$000	2014 \$000
Short-term benefits ¹	11,243	11,498
Post-employment benefits	815	931
Share-based payments	7,766	5,571
Total key management compensation	19,824	18,000

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

Short-term benefits	7,483	5,786
Share-based payments	4,021	3,536
	11,504	9,322

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	
	2015 \$000	2014 \$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	907
Other services in relation to the entity and any other entity in the Group:		
- Assurance and regulatory related	322	322
- Other assurance, advisory, taxation and due diligence services	461	609
	1,690	1,838

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2015

NOTE 24. RELATED PARTIES**Directors**

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

Directors

Chua Sock Koong

Paul Dominic O'Sullivan

Jeann Ngia Jong Low

Murray Philip King

Vicki Maree Brady

Allen Yoong Keong Lew (appointed 8 October 2014)

Details of key management personnel compensation are set out in Note 22.

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 20.

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

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 2015

NOTE 24. RELATED PARTIES (continued)

	Consolidated	
	2015	2014
	\$000	\$000
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	10,148	13,241
International inpayments revenue	14,845	20,188
Information technology and consultancy expense	80,121	83,202
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	5,653	3,066
Other debtors	34,896	37,654
The aggregate amounts payable at reporting date to shareholder related entities were:		
Trade creditors		
For international outpayments	13,673	16,618
Other trade creditors	12,140	28,984
Other creditors	3,100	2,100

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 2015

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 Network Pty Ltd
Alpha West ERP Pty Ltd	Optus Systems Pty Limited
Alpha West Holdings Limited	Optus Vision Pty Limited
Alphawest Pty Limited	Optus Wholesale 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
CV Services International Wholesale Pty Limited	Sibalo Pty Limited
Evolution IS (ACT) Pty Ltd	Simplus Mobile Pty Limited
Evolution IS Pty Ltd	Source Integrated Networks Pty Limited
Inform Systems Australia Pty Limited	The Net Effect Pty Limited
Optus Administration Pty Limited	UE Access Pty Ltd
Optus Billing Services Pty Limited	Uecomm Pty Limited
Optus Broadband Pty Limited	Uecomm Operations Pty Limited
Optus C1 Satellite Pty Limited	Unite.com Pty Ltd
Optus Data Centres Pty Limited	Unwired Australia Pty Limited
Optus Internet Pty Limited	Ubowireless Pty Limited
Optus Mobile Pty Limited	Virgin Mobile (Australia) Pty Limited
Optus Mobile Investments Pty Limited	Vividwireless Group Limited
Optus Multimedia Pty Limited	Vivid Wireless Pty Limited
Optus Networks Pty Limited	XYZed Pty Limited
Optus Retailco Pty Limited	XYZed LMDS Pty Limited
Optus Satellite Pty Limited	

Below is a condensed consolidated statement of comprehensive income for the financial year ended 31 March 2015 for the closed group comprising the Company and those subsidiaries that are a party to the Deed, after eliminating all transactions between those parties. As there were new subsidiaries added into the deed during the financial year, the consolidated statement of comprehensive income for 2014 has been revised accordingly.

	Consolidated	
	2015 \$m	2014 \$m
Income Statement		
Profit from ordinary activities before income tax	1,147	1,125
Income tax relating to ordinary activities	(333)	(330)
Net profit	814	795
Other comprehensive income	2	19
Total comprehensive income	816	814
Retained profits at the beginning of the financial year	4,357	4,122
Dividend payment to equity holders	(560)	(560)
Retained profits at the end of the financial year	4,611	4,357

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2015

NOTE 25. DEED OF CROSS GUARANTEE (continued)

A consolidated statement of financial position as at 31 March 2015 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	
	2015	2014
	\$m	\$m
Statement of financial position		
Current assets		
Cash and cash equivalents	75	136
Trade and other receivables	1,770	1,404
Inventories	155	71
Other assets	220	169
Total current assets	2,220	1,781
Non-current assets		
Trade and other receivables	4,099	3,896
Inventories	72	72
Investments accounted for using the equity method -		
Joint venture entities	1	2
Property, plant and equipment	6,755	6,451
Telecommunication licences	976	976
Intangible assets	1,558	937
Deferred tax assets	140	130
Other assets	12	17
Total non-current assets	13,613	12,482
Total assets	15,833	14,263
Current liabilities		
Trade and other payables	2,492	1,965
Interest bearing liabilities	2	157
Provisions	73	83
Total current liabilities	2,568	2,205
Non-current liabilities		
Trade and other payables	404	227
Interest bearing liabilities	2,917	2,139
Provisions	69	57
Total non-current liabilities	3,391	2,423
Total liabilities	5,958	4,628
Net assets	9,876	9,634
Shareholders' equity		
Contributed equity	5,298	5,311
Reserves	(32)	(34)
Retained profits	4,611	4,357
Total equity	9,876	9,634

NOTE 26. PARENT ENTITY

	Company	
	2015 \$m	2014 \$m
Assets		
Current assets	241	215
Non-current assets	856	856
Total assets	1,097	1,071
Liabilities		
Current liabilities	50	50
Non-current liabilities	-	-
Total current liabilities	50	50
Equity		
Issued capital	5,317	5,317
Accumulated losses	(4,270)	(4,297)
Reserve		
Buy back reserve	-	-
Total equity	1,047	1,021
Profit for the year (dividend income)	587	596
Total comprehensive income for the year	587	596

The Company paid a fully franked dividend of \$560 million (2014: \$560 million) to its sole shareholder on 24 March 2015. No other dividends have been paid or declared by the Company during or since the end of the financial year. Refer note 14 and 15 for other equity transactions during the year.

There are no contingent liabilities for the parent entity as at 31 March 2015 (2014: nil).

NOTE 27. EVENTS SUBSEQUENT TO REPORTING DATE

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:

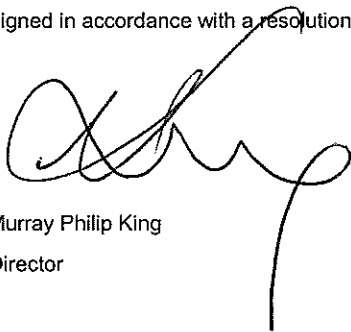
(a) the financial statements and notes are in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the financial position of the Group as at 31 March 2015 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 25 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

21 July 2015

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.

	Consolidated	
	2015	2014
	\$m	\$m
Operating revenue under Singapore Financial Reporting Standards	8,790	8,466
Alignment of accounting treatment, mainly for capacity sales	(6)	(11)
Statutory operating revenue under Australian Accounting Standards (note 4)	<u>8,784</u>	<u>8,455</u>
Profit after tax under Singapore Financial Reporting Standards	840	835
Alignment of accounting treatment, mainly for capacity sales and subscriber acquisition costs	(39)	(40)
Statutory net profit under Australian Accounting Standards	<u>801</u>	<u>795</u>



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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 2015, 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 2015 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).

A handwritten signature in cursive script that reads "Deloitte Touche Tohmatsu".

DELOITTE TOUCHE TOHMATSU

A handwritten signature in cursive script that reads "Jamie C.J. Gatt".

Jamie C.J. Gatt
Partner
Chartered Accountants
Sydney, 21 July 2015