

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2012

42. CONTINGENT LIABILITIES

(a) Guarantees

As at 31 March 2012,

- (i) The Group and Company provided bankers' and other guarantees, and insurance bonds of S\$572.8 million and S\$413.2 million (2011: S\$583.6 million and S\$389.6 million) respectively.
- (ii) The Company provided guarantees for loans of S\$1.55 billion (2011: S\$450 million) drawn down under various loan facilities entered into by SGT with maturities between September 2012 and June 2014. The Company also provided guarantees for SGT's notes issue of an aggregate equivalent amount of S\$3.28 billion (2011: S\$1.36 billion) due between July 2016 and September 2021.
- (iii) The Company provided a guarantee for US\$90 million (S\$113 million) (2011: US\$90 million) on a proportionate share basis in respect of a loan obtained by an associate.

(b) Appeal against the decision by Komisi Pengawas Persaingan Usaha Republik Indonesia ("KPPU") (Republic of Indonesia Commission for Supervision of Business Competition) (the "Commission")

SingTel announced on 29 June 2007 that SingTel and its wholly-owned subsidiary, Singapore Telecom Mobile Pte Ltd ("**SingTel Mobile**"), had been called by the Commission to attend before it for an examination concerning the allegation of a violation by Temasek Business Group of Article 27(a)¹ of Law No.5 of 1999 (the "**Law**") relating to business competition matters.

On 20 November 2007, SingTel announced that the Commission had issued its decision (the "**Decision**"). The Decision states that SingTel and SingTel Mobile together with other parties to the proceedings (the "**Parties**") are in violation of Article 27(a) of the Law and that Telkomsel is in violation of Article 17(1)² of the Law.

The Decision orders, amongst other things, that (i) the Parties divest either Telkomsel or PT Indosat Tbk ("**Indosat**") within two years, (ii) Telkomsel reduces tariffs by at least 15 per cent and (iii) each of the Parties and Telkomsel pay 25 billion rupiah (approximately S\$4 million) in fines.

SingTel and SingTel Mobile filed an appeal to the District Court of Central Jakarta on 19 December 2007. The District Court announced its ruling on 9 May 2008 dismissing SingTel's and SingTel Mobile's appeal, but (i) setting aside the order that Telkomsel reduce tariffs by at least 15 per cent; and (ii) reducing the fine for each of the Parties and Telkomsel to 15 billion rupiah (approximately S\$2 million). SingTel and SingTel Mobile appealed to the Supreme Court of the Republic of Indonesia on 22 May 2008.

By a written decision dated 9 September 2008, of which official notification was given to SingTel and SingTel Mobile on 25 November 2008, the Supreme Court dismissed the appeal.

On 20 May 2009, SingTel and SingTel Mobile filed an application to the Indonesian Supreme Court for civil review of the Supreme Court decision.

1 Article 27(a) relates to the ownership of majority shares in several similar companies conducting business activities in the same field in the same market.

2 Article 17(1) relates to the control of the production and or marketing of goods and or services which may result in monopolistic practices and or unfair business competition.

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42. CONTINGENT LIABILITIES (Cont'd)

(b) Appeal against the decision by Komisi Pengawas Persaingan Usaha Republik Indonesia ("KPPU") (Republic of Indonesia Commission for Supervision of Business Competition) (the "Commission") (Cont'd)

On 9 June 2009, KPPU applied to the Central Jakarta District Court to enforce the Supreme Court Decision. This application is understood to be pending.

On 12 January 2011, SingTel and SingTel Mobile received official notification that the civil review applications have been rejected. SingTel and SingTel Mobile maintain that they have complied with all the laws of Indonesia. However, in February 2011, SingTel and SingTel Mobile paid the fines with due respect to the Indonesian Courts, without prejudice to their rights under International Law.

(c) Other commercial disputes

Optus (and certain subsidiaries) is in dispute with third parties regarding certain transactions entered into in 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 Optus' companies under the contracts and claims against Optus' companies for compensation for alleged breach of contract and/or representations. Optus is vigorously defending all these claims.

43. SIGNIFICANT CONTINGENT LIABILITIES OF JOINT VENTURES

(a) Airtel, a 32.3% joint venture of the Group, has disputes with various government authorities in the respective jurisdictions where its operations are based, as well as with third parties regarding certain transactions entered into in the ordinary course of business.

As at 31 March 2012, the taxes, custom duties and demands under adjudication, appeal or disputes amounted to approximately INR 55.5 billion (SingTel's equity share: S\$442 million). In respect of some of the tax issues, pending final decisions, Airtel had deposited amounts with statutory authorities.

Airtel Nigeria B.V. ("**ANBV**"), a 100% owned indirect subsidiary of Airtel, has 65.7% shareholding in Airtel Networks Limited ("**ANL**"), whose principal activity is the provision of mobile telecommunication services in Nigeria.

Econet Wireless Limited ("**EWL**") had in 2003 claimed a 5% stake in ANL and in 2006 also made a claim alleging breach of its pre-emption rights under a shareholders agreement between EWL and former shareholders of ANL. ANL and ANBV have filed appeals in the Nigerian Courts and are actively pursuing these appeals.

Under the terms of the acquisition by Airtel of ANBV from Zain International B.V. in 2010, Airtel has the benefit of seller's indemnities in respect of such matters.

(b) The Group holds an equity interest of 23.3% in AIS.

Revenue share disputes arising from abolishment of excise tax

In January 2008, TOT Public Company Limited ("**TOT**") and CAT Telecom Public Company Limited ("**CAT**") demanded additional payments of revenue share from AIS and its subsidiary, Digital Phone Company Limited ("**DPC**") respectively.

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43. SIGNIFICANT CONTINGENT LIABILITIES OF JOINT VENTURES (Cont'd)

CAT had submitted its case against DPC to arbitration and the Arbitral Tribunal has dismissed CAT's case against DPC on 1 March 2011. On 3 June 2011, CAT began proceedings to appeal against the Arbitral Tribunal's decision in the Central Administrative Court.

On 20 May 2011, the Arbitral Tribunal dismissed TOT's claim against AIS for additional revenue share. On 22 September 2011, TOT submitted its case to the Central Administrative Court to appeal against the Arbitral Tribunal's award.

TOT's demand for additional revenue shares

On 2 February 2011, AIS received demand letters from TOT for additional payments of revenue share, penalties and surcharges to be paid by 15 February 2011. The first demand amounted to THB 36,996 million (SingTel's equity share: S\$352 million) plus interest at 7.5% per annum and value added tax for reduction of revenue sharing rate on prepaid services and deduction of roaming cost from the revenue share payment to TOT. The second demand amounted to THB 36,817 million (SingTel's equity share: S\$350 million) plus interest at 7.5% per annum and value added tax due to the deduction of excise tax from the revenue share payment to TOT.

AIS' management believes that the demands shall have no material impact to its financial statements because it is not obligated to make any additional payments as demanded by TOT. On 4 February 2011, AIS sent a letter to TOT opposing such demands. On 11 February 2011, AIS submitted TOT's claim for additional revenue share in relation to the first demand to arbitration.

On 26 August 2011, TOT informed AIS of the cancellation of its first demand due to its misunderstanding of the facts. On 3 October 2011, AIS requested the withdrawal of this dispute which was approved by the Arbitration Institute on 6 October 2011.

The second demand, which is a duplicate of the TOT's demand for additional revenue share arising from the abolishment of excise tax, has been dismissed by the Arbitration Tribunal on 20 May 2011. On 22 September 2011, TOT submitted its case to the Central Administrative Court to appeal against the Arbitral Tribunal's award.

On 26 January 2011, TOT sent a letter demanding AIS to pay additional revenue share based on gross interconnection income received from 2007 to 2010 of THB 17,803 million (SingTel's equity share: S\$169 million) plus interest at the rate of 1.25% per month. AIS sent a letter opposing the said claim to TOT on 21 February 2011. On 9 March 2011, AIS submitted the dispute to arbitration.

TOT's demand for access charge

On 9 May 2011, TOT submitted a case to the Central Administrative Court against CAT as first defendant and DPC as second defendant demanding access charge amounting to THB 2,954 million (SingTel's equity share: S\$28 million) plus interest. This case is pending.

AIS' management believes that the case has no material impact to its financial statements because DPC has correctly and fully complied with the law and the relevant agreements in all respects.

- (c) Globe, a 47.3% joint venture of the Group, is contingently liable for various claims arising in the ordinary conduct of business and certain tax assessments which are either pending decision by the Courts or are being contested, the outcome of which are not presently determinable. In the opinion of Globe's management and legal counsel, the eventual liability under these claims, if any, will not have a material or adverse effect on the Globe Group's financial position and results of operations.

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43. SIGNIFICANT CONTINGENT LIABILITIES OF JOINT VENTURES (Cont'd)

- (d) As at 31 March 2012, Telkomsel, a 35% joint venture of the Group, has filed appeals and cross-appeals amounting to approximately IDR 1,523 billion (SingTel's equity share: S\$73 million) for various tax claims arising in certain tax assessments which are pending final decisions, the outcome of which are not presently determinable.

44. ASSOCIATE - PROPOSED RESTRUCTURING OF LOAN FACILITIES

Warid, an associate in which the Group has a 30% equity interest, is currently in discussions with its lenders in relation to a proposed restructuring of its loan facilities. As at 31 March 2012, the outstanding principal amounted to approximately US\$758 million, net of hedging, and was secured by a floating charge on Warid's assets. In addition, US\$90 million of these loan facilities was guaranteed by SingTel (see **Note 42 (a)(iii)**) and US\$512 million was secured by guarantees of the other shareholder group of Warid.

45. SUBSEQUENT EVENTS

From 1 April 2012, the Group is organised by three business units, Group Consumer, Group ICT and Group Digital Life, to better serve the evolving needs of its customers and to exploit growth opportunities globally.

In April 2012, the Group completed the acquisition of 100% of the share capital of Amobee, Inc., for an aggregate cash consideration of US\$321 million. Amobee, Inc., a corporation organised under the laws of Delaware, USA, is a premium provider of mobile advertising offering solutions to operators, publishers and advertisers globally.

46. EFFECTS OF FRS AND INT FRS ISSUED BUT NOT YET ADOPTED

Certain new or revised FRS and INT FRS are mandatory for adoption by the Group for financial year beginning on or after 1 April 2012.

- (a) FRS 110 Consolidated Financial Statements and FRS 27 Separate Financial Statements
FRS 110 replaces the control assessment criteria and consolidation requirements currently in FRS 27 and INT FRS 12, *Consolidation - Special Purpose Entities*. FRS 110 defines the principle of control and establishes control as the basis from determining which entities are consolidated in the consolidated financial statements. FRS 27 remains as a standard applicable only to separate financial statements. These will take effect from financial year beginning on 1 April 2013 with full retrospective application.
- (b) FRS 111 Joint Arrangements and FRS 28 Investments in Associates and Joint Ventures
FRS 111 supersedes FRS 31, *Interests in Joint Ventures*, and INT FRS 13, *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. FRS 111 classifies a joint arrangement as either a joint operation or a joint venture based on the parties' rights and obligations under the arrangement. The joint venturer should use the equity method under the revised FRS 28 to account for a joint venture. These will take effect from financial year beginning on 1 April 2013 with full retrospective application.
- (c) FRS 112 Disclosure of Interests in Other Entities
FRS 112 requires an entity to provide more extensive disclosures regarding the nature of and risks associated with its interest in subsidiaries, associates, joint arrangements and unconsolidated structured entities, and will take effect from financial year beginning on 1 April 2013.
- (d) FRS 113 Fair Value Measurements
FRS 113 is a single new standard that applies to both financial and non-financial items. It provides a common fair value definition and hierarchy applicable to the fair value measurement of assets, liabilities, and an entity's own equity instruments within its scope. FRS 113 will be effective prospectively from financial year beginning on 1 April 2013.

The Group is currently assessing the impact of the above new or revised FRS on the financial statements of the Group and the Company in the period of initial application.

The other new or revised FRS and INT FRS are not expected to have a significant impact on the financial statements of the Group and the Company in the period of initial application.