

Independent Auditor's Report

To the Members of Singapore Telecommunications Limited

For the financial year ended 31 March 2018

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Singapore Telecommunications Limited (the “**Company**”) and its subsidiaries (the “**Group**”) which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 March 2018, and the consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies, as set out on pages 145 to 249.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the “**Act**”) and Financial Reporting Standards in Singapore (“**FRSS**”) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 March 2018, and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (“**SSAs**”). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (“**ACRA**”) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (“**ACRA Code**”) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters

Our audit performed and responses thereon

Revenue recognition

We have identified three critical areas in relation to revenue set out below that we consider significant either because of the complexity of the operation of billing systems or because of the required exercise of judgement:

- accounting for long-term contracts, particularly with respect to Group Enterprise Infocomm Technology (“**ICT**”) projects;
- accounting for new products and tariffs introduced in the year; and
- the timing of revenue recognition.

The accounting policies for revenue recognition are set out in Note 2.20 to the financial statements and the different revenue streams for the Group have been disclosed in Note 4 to the financial statements.

Our audit approach included both controls testing and substantive procedures as follows:

- We performed procedures to identify contracts which may exhibit areas of audit interest such as low and/or significant change in margins, loss-making contracts, and accounts with high accrued revenue amongst others. We challenged the assumptions and judgements underpinning forecast performance of the identified contracts and the adequacy of contract loss provisions.
- We evaluated the relevant IT systems and the design and operating effectiveness of controls over the capture and recording of revenue transactions by involving our IT specialists to assist in the audit of automated controls, including interface controls between different IT applications.

Independent Auditor's Report

To the Members of Singapore Telecommunications Limited

For the financial year ended 31 March 2018

Key Audit Matters

Revenue recognition (*Cont'd*)

Our audit performed and responses thereon

- We evaluated the business process controls in place over the authorisation of rate changes, the introduction of new plans and the input of this information to billing systems. We tested the access controls and change management controls for the Group's billing systems.
- We tested samples of customer bills for accuracy for new products and tariffs introduced in the year.
- We tested key reconciliations used by management to assess the completeness and accuracy of revenue, including testing the period in which it is reported.
- We tested supporting evidence for manual journal entries posted to revenue accounts to identify any unusual items.

We have validated and are satisfied with the assumptions and key management estimates adopted where revenue is recognised on a percentage of completion basis.

We have not noted any significant deficiency in the relevant IT systems and business process controls of the relevant revenue streams.

No exceptions were noted in the key reconciliations and manual journal entries relating to revenue recorded in the year.

Taxation

The Group's subsidiaries, associates and joint ventures have operations across a large number of jurisdictions and are subject to periodic challenges by local tax authorities.

As discussed in Note 38(b) to the financial statements, the Group has been responding to an ongoing specific issue audit by the Australian Taxation Office ("**ATO**") in connection with the acquisition financing of Singtel Optus Pty Limited ("**Optus**").

The Group has engaged external specialists to advise management on this specific issue audit, including raising objections to the amended assessments. Evaluation of the outcome of the specific issue audit, and whether the risk of loss is remote, possible or probable, requires significant judgement given the complexities involved.

We have involved our tax specialists in assessing the judgements taken by management in reaching their conclusion that the specific issue audit by the ATO represents a contingent liability of the Group and that the amount paid continues to represent a receivable as at 31 March 2018.

We have examined the advice obtained by management from the Group's tax specialists to support the judgement taken, and have discussed the merits of the case.

Based on our procedures, we believe that the position taken by the Group is appropriate.

We have also assessed and validated the adequacy and appropriateness of the disclosures made in the financial statements, in accordance with FRS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

Independent Auditor's Report

To the Members of Singapore Telecommunications Limited

For the financial year ended 31 March 2018

Key Audit Matters

Our audit performed and responses thereon

Goodwill impairment review

Optus, Amobee, Inc. and Trustwave

Under FRSs, the Group is required to annually test goodwill for impairment. This assessment requires the exercise of significant judgement about future market conditions, including growth rates and discount rates, as well as the cash generating unit ("CGU") on which the goodwill is tested for impairment.

As at 31 March 2018, the goodwill recorded on Optus, Amobee, Inc. and Trustwave Holdings, Inc. ("**Trustwave**") amounted to S\$9.28 billion, S\$1.01 billion and S\$999 million respectively, cumulatively constituting approximately 23% of the Group's total assets.

As disclosed in Note 23 to the financial statements, the goodwill recorded on Amobee, Inc. of S\$1.01 billion includes goodwill of S\$327 million resulting from the finalisation of the purchase price allocation work on the acquisition of Turn, Inc. during the year.

Subsequent to the restructuring and reorganisation of the Group's cyber security business during the financial year, which became effective from 1 April 2018, management has assessed and considered that the combined cyber security businesses of the Group, which includes Trustwave, are considered as one CGU to support the carrying value of goodwill amounting to S\$999 million.

The key assumptions to the impairment test and the sensitivity of changes in these assumptions to the risk of impairment are disclosed in Note 23 to the financial statements.

Bharti Airtel

Bharti Airtel Limited ("**Airtel**"), a joint venture of the Group, has recorded significant goodwill arising from the acquisition of Airtel Africa in June 2010, of which the Group's share is considered material.

This goodwill recorded by Airtel is required to be tested for impairment at least annually. As the amount of goodwill recorded is material, an impairment thereof may materially affect the Group's share of the joint venture's results. The impairment assessment requires the exercise of significant judgement about future market conditions, including growth rates and discount rates applicable in a number of markets in Africa. The Group's carrying value in Airtel (which includes the goodwill) is disclosed in Note 22 to the financial statements.

Optus, Amobee, Inc. and Trustwave

Our audit procedures focused on evaluating and challenging the key assumptions used by management in conducting the impairment review. These procedures included:

- challenging the appropriateness of the CGU to which goodwill is allocated and tested for impairment, and that the change in CGU for Trustwave to be the combined cyber security business is in accordance with the requirements in FRS 36 *Impairment of Assets*;
- using our valuation specialists to independently develop expectations for the key macro-economic assumptions used in the impairment analysis and purchase price allocation work, in particular the discount rate and long-term growth rate, and comparing the independent expectations with those used by management;
- challenging the cash flow forecasts used, comparing with recent performance, trend analysis and market expectations; and
- by reference to prior years' forecasts, where relevant, assessing whether the Group has achieved them.

Based on our procedures, we noted management's key assumptions to be within a reasonable range of our expectations.

We have also assessed and validated the adequacy and appropriateness of the disclosures made in the financial statements.

Bharti Airtel

Our audit procedures included the review of relevant working papers of the auditors of Airtel (the "**Bharti Airtel Auditors**"), with particular focus on those related to the goodwill impairment review. We also discussed with Airtel management, Bharti Airtel Auditors and specialists used by them, including those engaged to assist the Bharti Airtel Auditors in assessing the assumptions adopted in the goodwill impairment model prepared by Airtel management.

The Group's share of Airtel's results is calculated based on Airtel's audited financial statements on which the Bharti Airtel Auditors have expressed an unmodified opinion.

Independent Auditor's Report

To the Members of Singapore Telecommunications Limited

For the financial year ended 31 March 2018

Key Audit Matters

Our audit performed and responses thereon

Contingent liabilities: Share of significant joint ventures' and associate's reported regulatory and tax disputes

The Group's significant joint ventures and associate have operations across a number of jurisdictions including Africa, India, Indonesia, the Philippines and Thailand, and are subject to periodic challenges by local regulators and tax authorities.

Management of these significant joint ventures and associate have engaged specialists to advise them on such disputes, and to assess whether the risk of loss is remote, possible or probable. Such assessment requires significant judgement given the complexities involved. The joint ventures' and associate's contingent liabilities have been disclosed in Note 39 to the financial statements.

Our audit procedures included the review of relevant working papers of the auditors of the significant joint ventures and associate (the "**Component Auditors**"), with particular focus on those related to regulatory and tax disputes. We have also discussed with management of these significant joint ventures and associate, and their respective Component Auditors, including those engaged to assist the Component Auditors in evaluating the contingent liabilities.

We have also reviewed legal advice received by the Component Auditors for certain of the key contingent liabilities that are significant to the Group and assessed the adequacy of disclosure of the contingent liabilities in the financial statements, in accordance with FRS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises all the information included in the Annual Report, excluding the Financial Statements and our auditor's report thereon. The other information is expected to be made available to us after the date of our auditor's report on the Financial Statements.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with SSAs.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Independent Auditor's Report

To the Members of Singapore Telecommunications Limited

For the financial year ended 31 March 2018

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Independent Auditor's Report

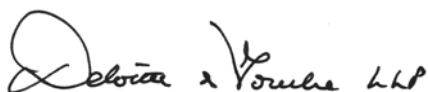
To the Members of Singapore Telecommunications Limited

For the financial year ended 31 March 2018

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this Independent Auditor's Report is Mr Philip Yuen Ewe Jin.



Public Accountants and
Chartered Accountants
Singapore

16 May 2018