TAX TRANSPARENCY REPORT

For the year ended 31 March 2019

OPTUS

About us

The Singapore Telecom Australia Investments Pty Ltd group ("Optus") is the second largest provider of telecommunications services in Australia in terms of revenue and employs more than 7,000 employees.

As a fully integrated telecommunications provider to more than 10 million customers, Optus delivers a comprehensive range of telecommunications products and services including:

- mobile and fixed line telephony;
- broadband services;
- multimedia entertainment and technology services;
- satellite services; and
- converged business telecommunications applications and solutions.

The Optus 4G network provides coverage to 97.2% of the Australian population, and it recently launched its 5G network.

Having recently extended its Premier League rights and including the UEFA Champions League, UEFA Europa League and UEFA Nations League, Optus Sport is the home of elite European football and provides customers with live and on demand content, along with expert analysis and highlights.

Since October 2001, Optus has been a wholly owned subsidiary of Singapore Telecommunications Limited ARBN 096 701 567 ("Singtel"), forming part of Asia's leading communications group. Singtel is one of the largest listed Singapore companies on the Singapore Exchange by market capitalisation, with a vast network of offices throughout the Asia Pacific, Europe and the USA, and employs more than 23,000 staff worldwide . Together, the Singtel Group serves over 700 million mobile customers around world.

Optus is arranged into three main business areas which serve different markets:

Consumer Australia	Consumer Australia delivers a comprehensive range of services and products to the Australian retail telecommunications market and small and medium-sized businesses. These services and products include mobile voice and data, fixed voice, fixed broadband, and content and application services.
Optus Wholesale & Satellite	Optus Wholesale also enables third parties to offer mobile and fixed services using Optus infrastructure. In addition, the Optus satellite fleet provides a full range of services including broadcast services, IP-based satellite data broadcast solutions, handheld or vehicle-mounted mobile services and a range of specialised services.
Optus Business	Optus Business provides advanced communications solutions to corporate and government customers in Australia. It offers a comprehensive solution suite across voice, data, internet, data application management and content and application services. It has a comprehensive managed services capability as well as the ability to deliver on the growing demand for ICT based solutions such as cybersecurity and cloud based services.

Optus is subject to income tax in Australia and other jurisdictions where it has foreign operations. Under Australian tax law, the Optus corporate entities are organised into a tax consolidated group consisting of a head company, Singapore Telecom Australia Investments Pty Ltd ("STAI"), and its wholly owned Australian corporate subsidiaries.

This tax consolidated group is generally treated as a single taxpayer for income tax purposes.

Optus also has partly owned Australian corporate entities that fall outside the tax consolidated group and are taxed separately on a standalone basis.

Optus also operates through branches in New Zealand and has a minority interest in a consortium which conducts operations within the USA. It is subject to the local tax regimes of these countries in respect of those holdings.

Tax policy, strategy and governance

Optus is part of the Singtel Group, which aspires to the highest standards of corporate governance, and to this end, has in place a set of well defined policies and processes to enhance corporate performance and accountability, as well as protect the interest of stakeholders. The importance of corporate governance standards and policies is communicated across the group, including Optus.

The governance structure comprises the Singtel Board, Risk Committee, Audit Committee, Management Committee and Risk Management Committee. This structure for managing risks provides proper segregation of duties, defines risk-taking responsibility and authority, and promotes ownership and accountability.

Optus is subject to the tax regulations, or changes in regulations, in the respective jurisdictions in which it operates and is required to adhere to the Singtel group wide risk management framework approved by the Risk Committee. This framework governs the management of tax risks and sets out the risk philosophy, governance structure for managing risks including tax risks, risk appetite and tolerance levels, and risk management approach. Optus has also developed local tax policies, procedures and guidelines to further refine governance and manage Optus' tax risk.

Optus is committed to complying with the applicable tax laws in countries where it operates and seeks to maintain collaborative and constructive relationships with tax authorities, including regularly corresponding with the Australian Taxation Office (ATO). Optus is a key taxpayer for income tax under the ATO's Risk Differentiation Framework and is subject to the ATO's annual Pre-lodgement Compliance Review (PCR), working with the ATO under its Justified Trust Approach. At the conclusion of Optus' latest PCR (for the year ended 31 March 2018), the ATO had obtained an overall high level of assurance that Optus had paid the right amount of Australian income tax for the year.

Australian tax contribution summary

Optus paid A$189m in corporate income tax to the federal government in respect of its consolidated income tax return for the year ended 31 March 2019 (FY2018: A$267m). In addition, Optus pays, collects and remits various taxes (such as payroll tax, withholding tax, stamp duty, fringe benefits tax and GST) to and on behalf of the Federal and State governments.

International related party dealings

The Singtel Group has operations across a large number of jurisdictions, including Singapore, India, Thailand and the Philippines. For the year ended 31 March 2019, all transactions entered into by Optus with entities that are part of the Singtel Group, were at normal commercial terms and conditions and at market rates . Optus' key international related party dealings for the year ended 31 March 2019 were in relation to finance and global data and network connectivity services for wholesale and retail internet, voice and data telecommunications connections and services.

Effective tax rates

The Tax Transparency Code effective tax rate (ETR) for Optus for the 2019 income year is 30.76%.

This is based on the disclosures in Optus' 2019 audited financial statements, which comply with the Australian Accounting Standards, the International Financial Reporting Standards and interpretations adopted by the International Accounting Standards board.

The numerator is the current tax expense of A$219m (calculated by taking income tax expense of A$227m less prior year adjustments A$8m, and the denominator is the profit before tax of A$712m. The ETR is higher than the corporate tax rate of 30% due to adjustments for non-temporary differences.

Information regarding the Global ETR can be found in the Singtel Group's financial statements and Management Discussion & Analysis contained in SingTel's 2019 Annual Report https://www.singtel.com/about-us/investor-relations/financial-results.

Reconciliation of accounting profit to income tax expense and income tax payable

Below is a summary of the reconciliation of accounting profit to tax expense prepared using Optus' 2019 audited financial statements:

Reconciliation of accounting profit to tax expense:	F2019 TTC Report	FY2018 TTC Report
	A$M	A$M
Profit Before Tax	**712**	**902**
Prima facie income tax at 30%	214	271
Non-temporary differences: (Note 1)		
Research and development claims (a)	-1	-3
Share of joint ventures' tax (b)		-1
Other (c)	6	7
Prior Year Adjustment (d)	8	19
Income tax expense (Note 2)	**227**	**293**

Below is a reconciliation of profit before tax to income tax payable as per Optus' lodged 2019 consolidated tax return:

Reconciliation of income tax payable	FY2019 TTC Report	FY2018 TTC Report
	A$M	A$M
Profit Before Tax	**712**	**902**
Prima facie income tax at 30%	214	271
Non-temporary differences (as per above table)	5	3
Reversal of share of joint venture tax (as included in non-temp)		1
Temporary differences: (Note 3)		
Property, plant and equipment	-10	-7
Provisions & accruals	-13	-4
Other	-7	3
Income taxes payable/paid per income tax return (Note 4)	**189**	**267**

Key Notes

Note 1:

There are differences between the accounting standards and the tax law which result in a difference between how accounting profit and taxable income are determined. Accountants classify these differences as temporary (or timing) and non-temporary (or permanent) differences. Non-temporary differences generally reflect policy outcomes such as when the tax law does not assess amounts to tax, applies a different rate of tax or does not allow a tax deduction.

(a) Australian tax law provides a government incentive of an 8.5% additional net tax benefit for qualifying R&D activities undertaken by certain corporates.

(b) We have foreign investments in certain joint arrangements which are classified as joint ventures under the accounting standards. We are required to pay our share of foreign taxes in respect of these joint ventures.

(c) This includes various items expensed for accounting purposes which are not deductible for tax purposes.

(d) This relates to the adjustment of estimates that were made in the preparation of the Statutory Accounts and subsequently finalised on lodgement of the income tax returns together with under/over provisions for prior years

Note 2:

Income tax expense for accounting and reporting purposes is calculated by multiplying accounting profit (adjusted for non-temporary differences) by the corporate tax rate of 30%.

Note 3:

Further to our comments under Note 1, temporary (or timing) differences arise when revenue and expense items are recognised for accounting in a reporting period that differs to the period reported for tax.

Note 4:

Income taxes payable is calculated by multiplying accounting profit (adjusted for both temporary and non-temporary differences) by the corporate tax rate of 30%. The income tax payable of $189m agrees to our 2019 lodged consolidated income tax return.

ATO tax transparency disclosures

ATO Disclosures

In December 2019 the Commissioner of Taxation publicly disclosed details in respect of Optus' tax consolidated group's income tax returns ("ITR"), as lodged for the year ended 31 March 2018. The tax consolidated group consists of Singapore Telecom Australia Investments Pty Limited and its wholly owned Australian subsidiaries. Details for 2019 are expected to be released in December 2020.

FY2019 (as per lodged ITR)

Total income	$9,236,172,184
Taxable income	$631,324,246
Income tax payable	$189,397,274

FY2018 (as per lodged ITR)

Total income	$8,954,628,127
Taxable income	$890,196,453
Income tax payable	$267,058,936

Reconciliation to PBT

Total Income

Total income reported in the ITR represents gross income for accounting purposes before taking into account any expenses incurred in deriving that amount, e.g. wages, finance costs, costs of goods sold, etc. Total income is not a real indicator in determining how much tax a company should pay. To illustrate this, set out below is a reconciliation of Optus' total income to accounting profit for the year ended 31 March 2019.

Total income	$9,236,172,184
Total expenses	$8,523,237,967
Profit before tax	$712,934,217

Reconciliation of Profit to Taxable Income

A reconciliation of Optus' accounting profit to taxable income for the year ended 31 March 2019, as reported in its 2019 consolidated ITR, is set out below.

Profit before tax	$712,934,217
Tax adjustments	($81,609,971)
Taxable income	$631,324,246

Although there are similarities between how accounting profit and taxable income are determined, they are different concepts. Company tax is levied on taxable income according to tax law, while accounting profit is measured according to accounting standards which are governed by corporations law. The differences between these two concepts result in Optus' tax liability not equalling 30% of accounting profit. Accountants classify these differences as 'permanent' and 'temporary' (or timing) differences – represented by 'Tax adjustments' in the table.

Difference between Income Tax Payable and Cash Tax Paid

Tax payable is the Optus tax consolidated group's income tax liability for 2019. This is different to the amount of income taxes paid as disclosed in our statutory accounts as that amount is the actual cash tax payments made to the ATO during the year, some of which reflects tax relating to previous years.

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