

SINGTEL OPTUS PTY LIMITED

FINANCIAL HIGHLIGHTS

FOR THE YEAR ENDED 31 MARCH 2002

- Operating revenue growth of 7%
- Mobile revenue grows 15%; Mobile customer numbers up 13%
- Operational EBITDA growth of 14%
- EBITDA margin improves 1% to 18.4%
- 2nd half year operational EBITDA grows 11% on 1st half

| | 2002 A\$ million | 2001 A\$ million | Change % |
|---|---------------------|---------------------|-------------|
| Operating revenue | 4,973 | 4,641 | 7 |
| Operational EBITDA | 916 | 806 | 14 |
| EBITDA margin | 18.4% | 17.4% | |
| EBIT | (94) | (69) | -36 |
| Loss before exceptional items and tax | (321) | (222) | -45 |
| Loss after tax | (402) | (150) | -169 |
| Net operating cash flow before interest & tax | 771 | 969 | -20 |

CONSOLIDATED SUMMARY INCOME STATEMENTS

SINGAPORE GAAP

FOR THE YEAR ENDED 31 MARCH 2002

| | 2002 A\$ million | 2001 A\$ million | Change % |
|---|---------------------|---------------------|-------------|
| Operating revenue: | | | |
| Mobile | 2,433 | 2,120 | 15 |
| Optus business | 1,568 | 1,585 | -1 |
| Consumer and multimedia | 1,036 | 998 | 4 |
| Less inter-divisional revenue | (64) | (62) | -2 |
| Total operating revenue | 4,973 | 4,641 | 7 |
| Operating costs | (4,048) | (3,849) | -5 |
| Operating profit | 925 | 792 | 17 |
| Other income | (9) | 14 | NM |
| Operational EBITDA | 916 | 806 | 14 |
| - EBITDA margin | 18.4% | 17.4% | |
| Share of joint venture entities' loss | (107) | (96) | -11 |
| EBITDA | 809 | 710 | 14 |
| Depreciation & amortisation (excl goodwill) | (900) | (769) | -17 |
| Amortisation of goodwill | (3) | (10) | 66 |
| Earnings before interest & income tax (EBIT) | (94) | (69) | -36 |
| Net finance expense | (227) | (153) | -49 |
| Loss before exceptional items and tax | (321) | (222) | -45 |
| Exceptional items | (64) | 72 | NM |
| Loss on ordinary activities before tax | (385) | (150) | -157 |
| Taxation | (18) | - | NM |
| Loss after tax | (403) | (150) | -169 |

Notes:

- (1) This summary income statement excludes items taken as fair value adjustments by SingTel on its acquisition of Optus.
- (2) 2001 operating expenses have been restated for the changed capitalisation method described below. The impact on 2001 was to increase expense by A\$132 million, whilst the impact on 2002 was to increase expense by A\$156 million.
- (3) Numbers in subsequent tables may not exactly add due to rounding.
- (4) Note on accounting treatment: Now that Optus is a wholly owned subsidiary of SingTel, we now report under Singapore GAAP, as advised at the half-year results. This results in a different treatment for items such as capitalised internal costs, capacity sales and subscriber acquisition costs.

In the twelve months to March 2002, Optus sustained its 'challenger' performance.

Revenues growth of 7% was over twice as fast as the market.

Improved cost management saw operational EBITDA rise 14%, and Operational EBITDA margin improved by one percentage point to 18.4%. In the second half, operational EBITDA margin improved by 80 basis points to 18.8%.

EBITDA, which includes the share of results from associates such as Southern Cross, grew by 14%.

Capital expenditure was down 5% to A\$1.4 billion - below our flat growth target.

A change in capitalisation method, which impacts the treatment of costs, has been made across the SingTel group. The impact on Optus' reported numbers is an A\$156 million decrease at the Operational EBITDA line. Comparative data for 2001 has been restated as if the new method had applied in that year, which would have decreased Operational EBITDA for that year by A\$132 million.

REVENUE ANALYSIS

FOR THE YEAR ENDED 31 MARCH 2002

| | 2002 A\$ million | 2001 A\$ million | Change % |
|--|---------------------|---------------------|-------------|
| Operating revenue by division: | | | |
| Mobile | 2,433 | 2,120 | 15 |
| Optus business | 1,568 | 1,585 | -1 |
| Consumer and multimedia | 1,036 | 998 | 4 |
| Less inter-divisional revenue ⁽¹⁾ | (64) | (62) | -2 |
| | 4,973 | 4,641 | 7 |
| Operating revenue by product & service category | | | |
| Public data & private network | 590 | 493 | 20 |
| International telephone | 485 | 440 | 10 |
| Mobile communications | 2,290 | 1,995 | 15 |
| National telephone | 1,140 | 1,280 | -11 |
| IT and engineering | 69 | 87 | -20 |
| Sale of equipment | 84 | 75 | 12 |
| Others | 315 | 270 | 16 |
| | 4,973 | 4,641 | 7 |

Note:

(1) Inter-divisional revenue represents mobile termination revenue for fixed to mobile calls originating with Consumer and Multimedia, and Optus Business, preselected customers.

Operating revenue by product and service category aligns to divisional revenue as follows:

- Public data and private network is included in Optus Business revenue.
- A minor portion of international telephone (being mobile inpayments) is included in the Mobile division. The remainder is split between Optus Business and Consumer & Multimedia, with more than half being included in Optus Business.
- Mobile communications differs from the Mobile division because the latter includes the following items:
 - sale of equipment;
 - inter-divisional fixed to mobile revenue (see note 1 above).
- National telephone revenue is divided between Optus Business and Consumer and Multimedia.
- IT and engineering revenue is included in Optus Business revenue.
- Other product and service revenue is mainly cable TV and satellite revenue.

OPERATIONAL EBITDA ANALYSIS

FOR THE YEAR ENDED 31 MARCH 2002

| | 2002 A\$ million | 2001 A\$ million | Change % |
|---|---------------------|---------------------|-------------|
| EBITDA by division: ⁽¹⁾ | | | |
| Mobile | 799 | 611 | 31 |
| Optus business | 262 | 371 | -29 |
| Consumer and multimedia | (145) | (175) | 17 |
| Operational EBITDA | 916 | 806 | 14 |
| EBITDA margins: | | | |
| Mobile | 33% | 29% | |
| Optus business | 17% | 23% | |
| Consumer and multimedia | -14% | -18% | |
| Total company | 18.4% | 17.4% | |

Note:

(1) In calculating divisional EBITDA, shared costs have been allocated using cost allocation methodologies.

Reflecting Optus' cost focus, operational EBITDA margin improved for the year by 1% to 18.4%. Assisted by the results of Operation Win Through, fourth quarter operational EBITDA margin reached its highest level for the year at 18.8%.

Optus Mobile margin improved four percentage points to 33%. Mobile benefited from a more rational pricing environment, together with lower subscriber acquisition costs. These were driven by lower numbers of customers acquired and retained, together with a higher proportion of prepaid customers.

Optus Business EBITDA margin improved in the second half of the year as a result of the rebound in high margin corporate data and IP revenues and cost reduction initiatives undertaken as part of Operation Win Through. Year on year margin degradation reflected lower volumes and prices in the wholesale market, as well as higher fixed network costs. In addition, the first half results in particular reflected the higher operating cost base which was addressed by Operation Win Through in the second half.

Consumer and Multimedia grew EBITDA by 17%, and improved margins by 4 percentage points. This reflected higher broadband customer numbers, and lower variable interconnect pricing.

MOBILE DIVISION

FOR THE YEAR ENDED 31 MARCH 2002

| | 2002 A\$ million | 2001 A\$ million | Change % |
|---|---------------------|---------------------|-------------|
| Mobile service revenue | 2,349 | 2,046 | 15 |
| Mobile equipment revenue | 84 | 75 | 13 |
| Total mobile communications revenue ⁽¹⁾ | 2,433 | 2,120 | 15 |
| Key Drivers | | | |
| Market ('000) ⁽²⁾ | | | |
| Total | 12,365 | 11,070 | 12 |
| Penetration (%) ⁽³⁾ | | | |
| | 63 | 57 | |
| Market share (%) | | | |
| Total | 33.6 | 33.3 | |
| Minutes (outgoing) (millions) | | | |
| | 4,262 | 3,653 | 17 |
| Minutes per user per annum ⁽⁴⁾ | | | |
| | 1,087 | 1,156 | -6 |
| As at period end ('000): | | | |
| GSM customers | 4,142 | 3,666 | 13 |
| CDMA & AMPS customers | 19 | 16 | 18 |
| Total mobile customers | 4,160 | 3,682 | 13 |
| GSM Breakdown (%) | | | |
| % prepaid GSM | 32 | 27 | |
| % GSM users through wholesale | 18 | 29 | |
| Average revenue per user | | | |
| - total mobile (A\$ per annum) ⁽⁴⁾ | 621 | 671 | -7 |
| Churn (%) | | | |
| Retail GSM | 19 | 18 | |

Notes:

- (1) Mobilesat revenue, previously included in Mobile, is now included in Optus Business.
- (2) Market size and market share figures are Optus estimates.
- (3) Penetration is measured as total market mobile users divided by Australia's total population.
- (4) ARPU and minutes per user are based on average customers, calculated as the simple average of opening and closing customers.

Optus Mobile continues its strong track record of taking share and growing profitably:

- revenues grew by 15%, significantly faster than the incumbent's growth which slowed to 11% ;
- strong cost management drove EBITDA growth of 31%.

Importantly, ARPU trends turned around to grow by 3% in the second half, compared to levels reported at the first half. These ARPU improvements were mainly due to a continued rational pricing environment and an increase in contribution from mobile data to revenues to 6% from 4% twelve months ago. Postpaid retail ARPU increased 4% to A\$864 per annum, whilst prepaid ARPU increased 7% to A\$240 per annum. These figures are for airtime only, and exclude equipment sales.

Customer numbers grew by 13% to 4.2m and market share increased to 33.6%.

The division continues to differentiate itself from the incumbent operator, but not at the expense of margins which improved to 33% from 29% at March 2001. This reflected a continued focus in matching the cost to serve with customer value.

Optus Mobile remains well positioned to take advantage of the opportunities presented in a rational post MNP environment. Strategies implemented to achieve a greater share of value include:

- strengthening our channels into the SME market - for example partnering with Strathfield - the largest independent retailer of mobile communications products in Australia; and
- successfully securing the value of our wholesale base. 82% of our base are now retail customers versus 71% twelve months ago.

OPTUS BUSINESS DIVISION

FOR THE YEAR ENDED 31 MARCH 2002

| | 2002 A\$ million | 2001 A\$ million | Change % |
|---|---------------------|---------------------|-------------|
| Data ⁽¹⁾ | 322 | 302 | 7 |
| Satellite | 168 | 131 | 28 |
| Internet & E-commerce ⁽¹⁾ | 134 | 130 | 3 |
| Capacity sales | 25 | 4 | NM |
| Data and IP revenue | 649 | 567 | 14 |
| Directly connected voice | 156 | 188 | -17 |
| Long distance - business | 174 | 140 | 24 |
| Long distance - wholesale | 520 | 589 | -12 |
| Total long distance | 694 | 729 | -5 |
| Voice revenue | 850 | 917 | -7 |
| Professional services & other revenue ⁽¹⁾ | 69 | 101 | -31 |
| Total Optus Business revenue | 1,568 | 1,585 | -1 |
| Key Drivers | | | |
| Data and IP as % of divisional revenue | 41% | 36% | |
| As at period end: | | | |
| 64k equivalent lines ('000) ⁽²⁾ | 419 | 332 | 26 |
| Buildings connected ⁽³⁾ | 6,449 | 4,707 | 37 |

Notes:

(1) Prior period classification errors affecting these revenue categories have been corrected.

(2) 64k equivalent lines comprises all directly connected voice lines in use, plus the in use portion of directly connected data services, translated to the equivalent number of 64k lines (e.g., a 2 mbs datalink is equivalent to 31 x 64k equivalent lines), but excluding all wholesale lines greater than 128 mbs.

(3) Directly connected buildings include all connections via all access media - fibre, DSL, LMDS, fixed wireless, satellite and leases.

In Optus Business, data and IP revenues rebounded in the fourth quarter - growing 14% to A\$649m for the full year. This reflects market share gains from the incumbent, in a corporate data market estimated to have contracted by 2% over the year.

Overall divisional revenue fell 1%, impacted by declines in voice revenues.

A key strategy for this division is gaining share in the corporate market where Optus is under represented. This year:

- we secured many whole of business wins - including the St George Bank and ABN Amro deals;
- we re-aligned the division into focused retail and wholesale units; and
- corporate retail revenues gained momentum, particularly in the fourth quarter.

Satellite revenue increased by 28% for the year, mainly due to increased usage by customers together with "one off" equipment sales. Satellite will also continue to provide strong revenue streams in future years:

- completion of the C1 satellite will trigger recognition of around A\$270m of revenue in the third quarter of fiscal year 2003; and
- from fiscal year 2004 we will receive additional satellite revenues from Foxtel (if, as expected, the Foxtel transaction is approved by the ACCC).

The division is also continuing to benefit from integration with SingTel's regional data and hosting products.

Directly connected voice revenues were 17% lower for the year, largely due to continuing price declines, and the loss of One-Tel and other service providers. In contrast, long distance business revenues increased 24%, mainly as a result of increased fixed to mobile usage and the success of business number portability for inbound services.

CONSUMER AND MULTIMEDIA DIVISION

FOR THE YEAR ENDED 31 MARCH 2002

| | 2002 A\$ million | 2001 A\$ million | Change % |
|--|---------------------|---------------------|-------------|
| Broadband and internet revenue | 598 | 490 | 22 |
| Long distance and resale revenue | 438 | 479 | -9 |
| Revenue from continuing operations | 1,036 | 969 | 7 |
| Revenue from discontinued operation - Dingo Blue | - | 29 | NM |
| Total Consumer and Multimedia Revenue | 1,036 | 998 | 4 |

Optus delivered on a commitment to restructure the Optus Consumer business by negotiating a Content Supply Agreement and Satellite Services Agreement with Foxtel, announced in March 2002. If, as expected, the transaction is approved by the ACCC, it will restructure the division's cost base.

- It will deliver A\$30 million annualised EBITDA benefit from November 2002, in addition to the aforementioned satellite business revenues.
- The division is also targeting a 50% reduction in capital expenditures by fiscal year 2004.
- The net impact will be a substantial reduction in the division's cash requirements.

The operational performance of the business has continued to improve. In the 12 months to March 2002, the division achieved:

- 22% broadband & internet revenue growth; and
- a 14% increase in customer numbers.

Continued bundling strategy success has increased the number of multiple product customers to 44% of the base - a highly capital efficient way to grow revenue.

Broadband revenue growth was offset by reductions in off net long distance and local call resale revenue.

Revenue growth from continuing operations was 7%.

By combining this strong operating performance with anticipated benefits from the Foxtel transaction, profitability and cash flow will be substantially improved.

BROADBAND & INTERNET

FOR THE YEAR ENDED 31 MARCH 2002

| | 2002 A\$ million | 2001 A\$ million | Change % |
|---|---------------------|---------------------|-------------|
| Broadband local revenue | 250 | 232 | 8 |
| Broadband long distance revenue | 93 | 81 | 15 |
| Cable revenue | 186 | 138 | 35 |
| Total broadband revenue | 529 | 451 | 17 |
| Dial-up Internet revenue | 69 | 39 | 79 |
| Total broadband & internet revenue | 598 | 490 | 22 |

Key Drivers

| | | | |
|----------------------------|--------------|--------------|----------|
| Homes passed ('000) | 2,200 | 2,200 | 0 |
| Penetration (%) | | | |
| Total broadband | 26 | 23 | |

BROADBAND & INTERNET (CONT'D)
FOR THE YEAR ENDED 31 MARCH 2002

| | 2002 | 2001 | Change % |
|--|------------|------------|-----------|
| As at period end ('000): | | | |
| Multiple product customers ⁽¹⁾ | 252 | 189 | 33 |
| Single product customers | 316 | 311 | 2 |
| Total broadband network customers | 568 | 500 | 14 |
| Multiple product customers relative to total | 44% | 38% | |
| Dial-up Internet customers ('000) | 387 | 267 | 45 |
| Average revenue per user - total broadband (A\$) | 990 | 986 | 0 |

Note:

(1) Multiple product customers are those which take local telephony and cable television and/or cable modem.

LONG DISTANCE AND RESALE

| Key Data | 2002 A\$ million | 2001 A\$ million | Change % |
|---|---------------------|---------------------|-------------|
| Total long distance revenue | 289 | 312 | -7 |
| Local access resale revenue | 149 | 167 | -11 |
| Continuing resale revenue | 438 | 479 | -9 |
| Dingo Blue revenue | - | 29 | NM |
| Total long distance and resale revenue | 438 | 508 | -14 |

Key Drivers

| | | | |
|--|-----|-----|-----|
| As at period end ('000): | | | |
| Preselected long distance lines ⁽¹⁾ | 627 | 652 | -4 |
| Local access resale lines | 361 | 276 | 31 |
| Ratio of LAR lines to preselected LD lines | 58% | 42% | |
| Total telephony revenue per preselected line (A\$) | 685 | 787 | -13 |

Note:

(1) Preselected long distance lines have been restated following a review of Telstra line data.

OPERATING COSTS

FOR THE YEAR ENDED 31 MARCH 2002

| | 2002 A\$ million | 2001 A\$ million | Change % |
|--|---------------------|---------------------|-------------|
| Staff costs | 447 | 426 | 5 |
| Change in capitalisation methods | 156 | 132 | 19 |
| Traffic expenses | 1,348 | 1,307 | 3 |
| Cost of sales | 515 | 454 | 14 |
| Selling & administrative | 1,224 | 1,258 | -3 |
| Repair & maintenance | 187 | 131 | 43 |
| Others | 170 | 142 | 20 |
| Total operating costs | 4,048 | 3,849 | 5 |
| As a percentage of operating revenue: | % | % | |
| Staff costs | 12 | 12 | |
| Traffic expenses | 27 | 28 | |
| Cost of sales | 10 | 10 | |
| Selling & administrative | 25 | 27 | |
| Repair & maintenance | 4 | 3 | |
| Others | 3 | 3 | |
| Total operating costs | 81 | 83 | |

Optus and SingTel have harmonised their methods for capitalisation of internal costs of self-constructed plant and equipment. The new method resulted in additional expense to Optus, as shown in the table above, as "Change in capitalisation methods". This additional expense amounted to A\$156 million for the March 2002 year. Comparative data has been restated as if the new method had applied to those prior periods.

Cost control continues to be a priority at Optus. Total operating costs for the year increased by 5% on the prior year, 2% lower than revenue growth.

Having increased as a percentage of revenue in the first half, staff costs are now falling as a percentage of revenue - to 11% in the fourth quarter - as the full effects of Operation Win Through began to flow.

Traffic expense is also falling as a percentage of revenue, reflecting the higher proportion of revenue carried on Optus' networks, and falling prices.

Programming costs were a major contributor to the increase in cost of sales.

Selling and administrative expense for the year showed very little increase. This was substantially assisted by a fall in mobile subscriber acquisition costs, which fell 13% in absolute terms for the year. This was due to 1% fall in gross additions, together with a fall in average costs of 10%, from A\$265 per customer acquired or retained to A\$238 per customer. Other notable cost changes included bad and doubtful debts expense, reflecting the changed market environment.

Other costs included increased data processing costs for new billing systems, and increased property costs.

STAFF

FOR THE YEAR ENDED 31 MARCH 2002

| | 2002 | 2001 | Change % |
|---|-------|-------|----------|
| Key Drivers | | | |
| Employees ⁽¹⁾ | 8,283 | 8,473 | -2 |
| Revenue per employee (A\$'000 per annum) ⁽²⁾ | 594 | 557 | 7 |
| EBITDA per employee (A\$'000 per annum) ⁽²⁾ | 97 | 85 | 13 |

Notes:

(1) Comprises full-time equivalent employees.

(2) Based on average employee numbers.

Employee numbers have now fallen 2% for two succeeding quarters, reflecting the full impact of Operation Win Through. Staff productivity, as measured by revenue per employee, increased 14% in the fourth quarter, and 7% for the year.

SHARE OF JOINT VENTURE PROFITS / (LOSSES)

FOR THE YEAR ENDED 31 MARCH 2002

| | 2002 A\$ million | 2001 A\$ million | Change % |
|----------------|---------------------|---------------------|-------------|
| Southern Cross | (63) | (47) | -34 |
| Excite@Home | (8) | (28) | 70 |
| Virgin Mobile | (36) | (22) | -65 |
| Total | (107) | (96) | -11 |

Optus' share of Southern Cross losses increased for the year, as its cable network only commenced service in the second half of the 2001 financial year. The company's investment has been written down by losses to date, and equity accounting will be suspended when the investment in Southern Cross is fully written down.

Optus acquired the remaining 50% shareholding in Optus Broadband Pty Ltd (formerly Excite@Home Pty Ltd) on 18 September 2001. The losses shown represent our share of its losses for the period from 1 April 2001 to that date. Since then, the operation's costs have been significantly reduced.

Virgin Mobile continues to incur start-up costs.

DEPRECIATION AND AMORTISATION

FOR THE YEAR ENDED 31 MARCH 2002

| | 2002 A\$ million | 2001 A\$ million | Change % |
|--|---------------------|---------------------|-------------|
| Depreciation & amortisation (excl goodwill) | 900 | 769 | 17 |
| Amortisation of goodwill | 3 | 10 | -66 |
| Total depreciation and amortisation | 903 | 779 | 16 |
| Total depreciation and amortisation as a percentage of sales revenue | 18% | 17% | |

DEPRECIATION AND AMORTISATION (CONT'D)

Depreciation was reduced during the half-year to 31 March 2002 by A\$87 million as a result of the fair value adjustments discussed later in this document. Depreciation was adjusted only from 1 October 2001. Earlier depreciation was not adjusted, as it accrued before SingTel's acquisition of Optus.

Nevertheless, total depreciation increased by 17% for the year, reflecting Optus' substantial investments in this and prior years on expanded networks to meet customer demand.

These increases were partially offset by a reduction in depreciation expense of A\$68 million flowing from reviews of useful lives of plant and harmonisation of useful lives in the SingTel group.

Depreciation has not been restated for the impact of the revised method of capitalising internal costs applied by SingTel. This impact would not be material.

NET FINANCE EXPENSE

FOR THE YEAR ENDED 31 MARCH 2002

| | 2002 A\$ million | 2001 A\$ million | Change % |
|------------------------------|---------------------|---------------------|-------------|
| Net interest on borrowings | 266 | 188 | 42 |
| Interest capitalised | (39) | (35) | -11 |
| Net finance expense | 227 | 153 | 49 |
| Interest cover: | | | |
| - EBITDA/net borrowing costs | 3.6 | 4.7 | -23 |

Net interest expense continued to increase as a result of Optus' continued investment in networks.

EXCEPTIONAL ITEMS

FOR THE YEAR ENDED 31 MARCH 2002

| | 2002 A\$ million | 2001 A\$ million | Change % |
|--|---------------------|---------------------|-------------|
| Loss on liquidation of reseller | (59) | - | |
| Net gain on sale of mobile transmission towers | 23 | 88 | |
| Net gain on sale of Dingo Blue | - | 13 | |
| Deferred expenditure and goodwill written off | - | (4) | |
| Strategic review costs | (28) | (15) | |
| GST implementation costs | - | (9) | |
| Total exceptional items | (64) | 72 | NM |

As previously advised, the major exceptional item for the year resulted from the collapse of One-Tel. Other exceptional items included strategic review costs and continued gains from the sale of mobile transmission towers.

CASH FLOW AND CAPITAL EXPENDITURE

FOR THE YEAR ENDED 31 MARCH 2002

| | 2002 A\$ million | 2001 A\$ million | Change % |
|--|---------------------|---------------------|-------------|
| Operational EBITDA | 916 | 806 | 14 |
| Dividend received from joint venture entity | - | 160 | NM |
| Cash unusual items | (57) | (24) | -140 |
| Other changes in working capital | (88) | 27 | NM |
| Net operating cash flow before interest & tax | 771 | 969 | -20 |
| Interest paid | (242) | (203) | -19 |
| Net income tax paid | - | - | NM |
| Net cash flow from operations | 529 | 766 | -31 |
| Net capital expenditure | (1,381) | (1,457) | 5 |
| Net investments | (87) | (65) | -32 |
| Licences and other intangibles | (111) | (203) | 45 |
| Interest & investment income | 8 | 43 | -82 |
| Other investing activities | (33) | (15) | -120 |
| Net cash used in investing activities | (1,604) | (1,699) | 6 |
| Total funding requirement | (1,075) | (933) | -15 |
| Provided by: | | | |
| Share issues | 6,229 | - | NM |
| Shares bought back | (6,240) | - | NM |
| Net borrowings | 881 | 1,056 | -17 |
| Net (increase)/decrease in cash | 205 | (123) | NM |
| Total funding sources | 1,075 | 933 | 15 |

Optus' total funding requirement increased by 15% over the previous year, mainly as a result of the receipt of a dividend from Southern Cross in the previous year. Excluding that dividend, total funding requirement reduced by 2%.

CASH FLOW FROM OPERATIONS

Net cash flow from operations before interest reduced by 31% from 2001, mainly as a result of that dividend and increased cash unusual items. Excluding those two items, the reduction was 1%. This was mainly due to increased working capital requirements. A major contributor was increased net international carrier debtors.

NET CAPITAL EXPENDITURE

FOR THE YEAR ENDED 31 MARCH 2002

| | 2002 A\$ million | 2001 A\$ million | Change % |
|----------------------------------|---------------------|---------------------|-------------|
| Optus business | 461 | 706 | -35 |
| Mobile | 411 | 405 | 1 |
| Consumer and multimedia | 299 | 330 | -10 |
| Other | 213 | 217 | -2 |
| Core capital expenditures | 1,383 | 1,658 | -17 |
| Sale of mobile towers | (3) | (201) | 99 |
| | 1,381 | 1,457 | -5 |

NET CAPITAL EXPENDITURE (CONT'D)

Core capital expenditures fell by 17% to A\$1,383 million. Had the change in capitalisation method not occurred, the fall would have been 14% to A\$1,539 million.

Optus Business was a major contributor to the fall, with divisional capital expenditure falling 35%. Major contributors included reduced network growth, lower investment in long payback projects and lower costs of Optus' portion of the C1 satellite.

Mobile expenditure was relatively flat, despite expenditure on mobile number portability.

Consumer and Multimedia capital expenditures continued to fall. The 10% reduction this year was partly the result of reduced customer connections.

Other capital expenditure included continued expenditure on billing systems.

GROUP FINANCIAL HIGHLIGHTS

| | 2001/02 S\$ million | 2000/01 ⁽¹⁾ S\$ million | 1999/00 ⁽¹⁾ S\$ million | 1998/99 ⁽¹⁾ S\$ million | 1997/98 ⁽¹⁾ S\$ million |
|--|------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| Operating revenue | 7,338.2 | 4,925.5 | 4,865.8 | 4,883.5 | 4,942.2 |
| Operating revenue including share of proportionate revenue from associated and joint venture companies | 9,965.5 | 6,842.9 | 6,466.5 | 6,216.0 | N.A. |
| Operational EBITDA⁽²⁾ | 3,057.0 | 2,604.3 | 2,669.6 | 2,526.2 | 2,710.8 |
| Compensation from IDA | 337.0 | 337.0 | - | - | - |
| Share of results of associated and joint venture companies | 240.5 | 348.9 | 367.5 | 291.7 | 26.8 |
| EBITDA⁽²⁾ | 3,634.5 | 3,290.2 | 3,037.1 | 2,817.9 | 2,737.6 |
| Net profits (pre-goodwill) | 1,984.4 | 2,006.3 | 2,539.9 | 1,999.8 | 1,783.8 |
| Capital expenditure | 3,537.6 | 1,732.8 | 714.4 | 1,093.8 | 950.2 |
| Total assets | 35,157.2 | 16,205.0 | 13,916.8 | 12,936.5 | 11,639.1 |
| Borrowings | 11,876.1 | 1,000.0 | 100.1 | 100.1 | 166.4 |
| Shareholders' funds | 14,579.0 | 8,758.1 | 9,202.8 | 8,193.8 | 7,085.2 |
| Net cash inflow from operating activities | 3,088.1 | 3,539.4 | 2,118.7 | 2,075.7 | 1,610.5 |
| Net cash outflow from investing activities | (9,792.5) | (3,058.0) | (1,377.8) | (662.2) | (920.3) |
| Net cash inflow/(outflow) from financing activities | 4,337.9 | (716.7) | (1,315.3) | (620.4) | (563.1) |
| Financial ratios | | | | | |
| EBITDA ⁽²⁾ per share (cents) | 21.74 | 21.32 | 19.82 | 18.48 | 17.95 |
| Basic earnings per share (pre-goodwill) (cents) | 11.87 | 13.00 | 16.58 | 13.11 | 11.70 |
| Basic earnings per share (cents) | 9.76 | 13.00 | 16.58 | 13.11 | 11.70 |
| Net tangible assets per share (cents) | 10.56 | 56.75 | 59.43 | 53.68 | 46.41 |
| Total dividend per share (cents) ⁽³⁾ | 5.50 | 13.00 | 17.50 | 5.50 | 5.00 |
| EBITDA ⁽²⁾ margin (%) | 36.5 | 48.1 | 47.0 | 45.3 | N.A. |
| Return on equity (%) | 14.0 | 22.3 | 29.2 | 26.2 | 27.8 |
| Return on total assets (%) | 6.3 | 13.4 | 19.1 | 16.4 | 16.6 |

N.A. Not available

Notes:

(1) The comparative figures have been restated to conform with the change in accounting policy set out in Note 2 to the financial statements.

(2) EBITDA - Earnings before interest, tax, depreciation and amortisation.

(3) Total dividend comprises final dividend proposed and special dividend paid during the year.

INTRODUCTION

SingTel is committed to complying with the Code of Corporate Governance issued by the Corporate Governance Committee as soon as practicable so as to ensure greater transparency and protection of shareholders' interests. SingTel currently applies the principles set out in the Best Practices Guide issued by the Singapore Exchange Securities Trading Limited ("SGX-ST") on corporate governance. Since SingTel's dual listing on the Australian Stock Exchange Limited ("ASX") on 5 September 2001, SingTel is also subject to the listing rules of ASX. In some circumstances where the regulation of SingTel under ASX's rules may be more onerous than under the rules of the SGX-ST, SingTel will comply with the more stringent set of rules.

In line with the move towards achieving international standards of corporate governance and the increasing globalisation of the SingTel group's business, the Minister for Finance (Incorporated), being the holder of the special share in the capital of SingTel's subsidiary, Singapore Post Private limited, has relinquished the special share and all rights attached to it.

THE ROLE OF THE BOARD

The Board is accountable to the shareholders for the business and affairs of SingTel and delegates the responsibility for day-to-day management of SingTel to the President & Chief Executive Officer. Besides its statutory duties, the Board is also responsible for the group's overall strategic plans, key operational initiatives, annual budgets, major funding and investment proposals, and financial performance reviews.

BOARD MEETINGS

An aggregate of 9 Board meetings were held for the financial year ended 31 March 2002, including meetings held via tele-conferences.

COMPOSITION OF THE BOARD

The Board currently comprises twelve directors. As a group, the directors provide all the necessary core competencies such as accounting or finance, business or management experience, industry knowledge, strategic planning experience and customer-based experience or knowledge. Save for the President & Chief Executive Officer, Mr Lee Hsien Yang, who is an executive non-independent director and Mr Quek Poh Huat, who is a non-executive non-independent director, all the remaining Board members, including the Chairman, are non-executive independent directors.

Mr Paul Chan Kwai Wah is a director and/or executive officer of various companies in the Hewlett Packard/Compaq group, which supply services to, and buy services from, the SingTel group. All transactions between the Hewlett Packard/Compaq group and the

SingTel group are at arm's length and hence Mr Chan is considered an independent director of SingTel.

Mr Jackson Peter Tai is an executive officer of The Development Bank of Singapore Limited ("DBS"), which supplies services to, and buys services from, the SingTel group. As all dealings between DBS and the SingTel group are conducted at arm's length, Mr Tai is considered an independent director of SingTel.

In the course of the financial year ended 31 March 2002, 3 new directors, namely Mr Ang Kong Hua, also Chairman of the SingTel Board, Mr John Powell Morschel and Mr Nicky Tan Ng Kuang, joined the SingTel Board. Mr Chumpol NaLamlieng joined the Board in June 2002. The profile of all Board members is set out on Page 54.

CRITERIA FOR MEMBERSHIP

The Nominations Committee recommends all appointments and retirement of directors. At each Annual General Meeting ("AGM") of SingTel, not less than one third of the directors for the time being (being those who have been longest in office since their appointment or re-election) are required to retire from office by rotation. In addition, a director is required to retire at the AGM if, were he not to retire, he would at the next AGM have held office for more than three years. Under the existing Articles of Association of SingTel, an executive director will not be subject to retirement by rotation. In accordance with the guidelines set out in the Code of Corporate Governance, it is proposed to amend the Articles of Association of SingTel to provide that the Chief Executive Officer, being an executive director of SingTel, will also retire by rotation. A retiring director

is eligible for re-election by the shareholders of SingTel at the AGM. Also, all newly appointed directors during the year will hold office only until the next AGM and will be eligible for re-election. In evaluating the director's contribution and performance for the purpose of re-nomination, SingTel takes into consideration factors such as attendance, preparedness, participation and candour.

BOARD COMMITTEES

To assist the Board in the execution of its duties, the Board has established various committees, each of which is empowered to make decisions on matters within its terms of reference and applicable limits of authority.

EXECUTIVE COMMITTEE

The Executive Committee comprises Mr Ang Kong Hua (chairman of the Executive Committee), Mr Quek Poh Huat, Mr Paul Chan Kwai Wah and LG Lim Chuan Poh. The Executive Committee develops and recommends to the Board the overall strategy for the SingTel group, considers and approves major investment projects of certain values, determines investment policies and manages the group's assets and liabilities in line with the Board's policies and directives. It reviews and approves, before Board approval, annual operating and capital expenditure budgets.

AUDIT COMMITTEE

The Audit Committee comprises Mr Keith Tay Ah Kee (chairman of the Audit Committee), Mr Seah Kian Peng, Mr Jackson Peter Tai and Mr Nicky Tan Ng Kuang (appointed on 12 March 2002). Mr Jaspal Singh, who served during the financial year, retired following the conclusion of the Annual General Meeting held on 30 August 2001.

The Audit Committee's primary function is to assist the Board in discharging its responsibilities relating to business risk management and internal control systems, financial reporting and accounting policy matters, and to review internal and external audit activities. In performing its functions, the Audit Committee reviews the overall scope of both internal and external audits and the assistance that SingTel's officers give to the auditors. The Audit Committee meets with SingTel's internal and external auditors to discuss the results of their respective examinations and their evaluation of SingTel's system of internal accounting controls. The Audit Committee also reviews the financial statements of SingTel and the consolidated financial statements of the group as well as the auditors' report thereon. In September 2001, the Audit

Committee, through a working group, conducted a tender for the provision of audit services and has recommended PricewaterhouseCoopers for re-appointment as auditors of SingTel.

NOMINATIONS COMMITTEE

The members of the Nominations Committee are Mr Ang Kong Hua (chairman of the Nominations Committee), Mr Paul Chan Kwai Wah and Mr Jackson Peter Tai. The Nominations Committee reviews and assesses candidates for directorships (including executive directorships) before recommendation to the Board for appointment. The Nominations Committee also ensures that the Board has an appropriate balance of independent directors as well as directors with the right profile of expertise, skills, attributes and ability.

COMPENSATION COMMITTEE

The Compensation Committee comprises Mr Ang Kong Hua (chairman of the Compensation Committee), Dr Yogen K. Dalal, Mr Keith Tay Ah Kee and Mr John Powell Morschel. This Committee sets and reviews policies concerning the compensation and promotion of senior executives of the group as well as personnel policies and human resource matters. The Compensation Committee also administers the Singapore Telecom Executives' Share Option Scheme and the Singapore Telecom Share Option Scheme 1999.

OPTUS ADVISORY COMMITTEE

After SingTel's acquisition of SingTel Optus Pty Limited (formerly known as Cable & Wireless Optus Limited) ("Optus"), the SingTel Board established an Optus Advisory Committee to review financial and operational matters of Optus and to ensure that the internal controls within Optus are aligned with those of SingTel. The Optus Advisory Committee comprises Mr Keith Tay Ah Kee (chairman of the Optus Advisory Committee), Mr Lee Hsien Yang and Mr John Powell Morschel.

MANAGEMENT COMMITTEE

The Management Committee comprises the President & Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer, and the Executive Vice-Presidents of SingTel, the Chief Executive Officer of Singapore Post Private Limited, as well as the Chief Executive Officer, the Chief Operating Officer and the Chief Financial Officer of Optus. The Committee meets on a weekly basis to review and direct management and operational policies and activities.

RISK MANAGEMENT

An executive Risk Management Committee was formed in March 2002, comprising key members of top management from the operational, financial and technical areas. The function of the Committee is to set direction for the SingTel group's corporate risk management strategy so as to protect the group's business, assets and employees.

The Committee seeks to identify areas of significant business risk, including revenue loss, property loss and technical security, as well as appropriate measures to control and mitigate these risks. In setting the direction for risk management, it communicates to business units the ownership of risk throughout the group. The Committee monitors implementation and compliance of risk management policies at the business units.

In addition, SingTel uses risk financing in the insurance market to mitigate the risk of significant losses.

ACCESS TO INDEPENDENT PROFESSIONAL ADVICE

Where necessary, directors may seek independent professional advice at SingTel's expense in appropriate cases.

SECURITIES TRADING

The group has adopted the SGX-ST Best Practices Guide with respect to the dealings in securities for the guidance of directors and officers. In line with the guidelines and with the reporting of SingTel's results on a quarterly basis from financial year 2000/2001, directors and officers of the group are not permitted to deal in SingTel's shares during the periods commencing one month before the announcement of the group's annual, half-year or, as the case may be, quarterly results and ending on the date of the announcement of the relevant results, or when they are in possession of unpublished price-sensitive information on the Group.

MATERIAL CONTRACTS

There are no material contracts entered into by SingTel or any of its subsidiaries involving the interests of the Chief Executive Officer, any director or the controlling shareholder, Temasek Holdings (Private) Limited.

CODE OF ETHICS

SingTel has adopted an internal code of ethics which employees are required to observe. It sets out principles relating to the conduct of employees to ensure that employees act with the utmost integrity and objectivity at all times in their dealings with SingTel, competitors, customers, suppliers, and the community.

ANG KONG HUA
CHAIRMAN

Mr Ang, 58, was appointed a non-executive Director of SingTel in May 2001 and was appointed as Chairman in August 2001. He is currently President of NatSteel Ltd ("Natsteel"), a listed Singapore-based manufacturing group. Before joining NatSteel in 1975, he was with Singapore's Economic Development Board and The Development Bank of Singapore Limited. Mr Ang also serves on the boards of several listed companies and government institutions.

LEE HSIEN YANG
PRESIDENT AND CHIEF EXECUTIVE OFFICER

Mr Lee, 44, joined SingTel in April 1994 and has been the President and CEO, and an executive director, of SingTel since May 1995. Prior to joining SingTel, Mr Lee served (from 1975) in a variety of command and staff appointments in the Singapore Armed Forces. He is the Chairman of the Singapore Science Centre Board and a member of Singapore's Land Transport Authority. He is also a member of the Singapore-British Business Council, Egon Zehnder International Global Corporate Governance Advisory Board, and the Board of Directors, INSEAD.

PAUL CHAN KWAI WAH

Mr Chan, 48, has been a non-executive Director of SingTel since November 1999. He is currently the Managing Director, Asia Pacific and Senior Vice President, Enterprise Systems Group of Hewlett-Packard. Prior to this, Mr Chan was Vice President and Managing Director of Compaq Computer Asia Pacific. Before joining Compaq Computer in 1995, Mr Chan spent 17 years with Hewlett-Packard.

DR YOGEN K DALAL

Dr Dalal, 52, was appointed a non-executive Director of SingTel in November 2000. He is currently Managing Partner of Mayfield and sits on the Board of Nuance Communications and many privately held companies including BeVocal, Inc., digiMine, eScout.com, Narus, Inc., PostX and Slam dunk Networks.

LG LIM CHUAN POH

Lieutenant-General Lim, 40, was appointed a non-executive Director of SingTel in April 1997. He is currently the Chief of Defence Force with the Singapore Armed Forces and was promoted to his current rank on 1 July 2001. He is also a Director of Singapore Technologies Engineering Ltd and the Defence Science and Technology Agency. He was awarded the Public Administration Medal (Gold) (Military) in 1999.

JOHN POWELL MORSCHER

Mr Morschel, 58, was appointed a non-executive Director of SingTel in September 2001. He is currently the Chairman of CSR Limited, Chairman of Leighton Holdings Limited, and a non-executive Director of Rio Tinto plc and Rio Tinto Limited which are listed on the London and Australian Stock Exchanges respectively. He was

previously a non-executive Director of Cable & Wireless Optus, Westpac Banking Corporation and Chief Executive of Lend Lease Corporation.

CHUMPOL NALAMLIENG

Mr Chumpol NaLamlieng, 55, was appointed a non-executive Director of SingTel in June 2002. He is currently the Director and President of The Siam Cement Public Co., Ltd. He is also the Chairman of the Board of Siam Pulp and Paper Public Co., Ltd, and Director of The Phoenix Pulp and Paper Public Co., Ltd, The Industrial Finance Corporation of Thailand, Dole (Thailand) Co., Ltd and SembCorp Industries Ltd.

QUEK POH HUAT

Mr Quek, 55, has been a non-executive Director of SingTel since December 1995. He is currently the President of Temasek Holdings (Private) Limited ("Temasek"). He was the President of Singapore Technologies Pte Ltd and Chairman of Singapore Technologies Aerospace Ltd before joining Temasek in September 1995.

SEAH KIAN PENG

Mr Seah, 40, was appointed a non-executive Director of SingTel in November 1999. He is currently the Deputy Chief Executive Officer of NTUC FairPrice Co-operative Ltd and the Chief Executive Officer of NTUC Media Co-operative Limited.

JACKSON PETER TAI

Mr Tai, 51, was appointed a non-executive Director of SingTel in November 2000. He was appointed as the Vice-Chairman of DBS Group Holdings Ltd and Chief Executive Officer of The Development Bank of Singapore Limited ("DBS Bank") on 22 June 2002. Prior to joining DBS Bank in July 1999, Mr Tai completed 25 years of service with J. P. Morgan & Co., where, among other assignments, he was senior officer for the Asia Pacific region and senior officer for the Western United States.

NICKY TAN NG KUANG

Mr Tan, 43, was appointed a non-executive Director of SingTel in March 2002. He now manages nTan Corporate Advisory Pte Ltd, a boutique firm specialising in corporate finance and corporate restructuring. Mr Tan was Head of Global Corporate Finance, Andersen Singapore and Andersen's ASEAN region. Prior to joining Andersen, he was Chairman of Financial Advisory Services, PricewaterhouseCoopers Asia Pacific region.

KEITH TAY AH KEE

Mr Tay, 58, was a Board member of the former TAS between October 1986 and March 1992. He has been a non-executive Director of SingTel since April 1992. He was Chairman and Managing Partner of KPMG Peat Marwick from 1984 to 1993. He now serves on the Boards of several public companies. He is a Board member of the Singapore International Chamber of Commerce, of which he is a Past Chairman. He is also Honorary Vice President of the Singapore Institute of Directors.

SENIOR EXECUTIVES' REMUNERATION

The Group has an executive remuneration strategy that supports a pay for performance philosophy. Rewards are directly aimed at:

- supporting business plans and corporate strategies; and
- rewarding performance improvement.

Senior executives participate in an annual performance review process that assesses the individual's performance against set key accountabilities. Performance against these accountabilities impacts directly on their remuneration.

Details of remuneration provided to the five most highly compensated senior executives employed by the Group as at 31 March 2002 are shown below:

ANNUAL REMUNERATION

| (In S\$'000) | Fixed Component ⁽²⁾ | Variable Component ⁽³⁾ | Provident/ Superannuation Fund ⁽⁴⁾ | Benefits ⁽⁵⁾ | Total Compensation | Cable & Wireless Optus Share Plans ⁽⁶⁾ | | SingTel Share Option Scheme ⁽⁷⁾ | |
|--|--------------------------------|-----------------------------------|---|-------------------------|-----------------------|---|--------------------------|---|---------|
| | | | | | | Value | No. Awarded | Value | |
| Lee Hsien Yang President & CEO, SingTel Group | 766.2 | 536.0 | 53.4 | 68.9 | 1,424.4 | NA | 1,900,000 ⁽⁸⁾ | | 1,178.0 |
| Christopher John Anderson ⁽¹⁾ CEO, SingTel Optus | 1,083.3 | 765.4 | 187.4 | 453.2 | 2,489.4 | 1,093.5 | 978,000 | | 606.4 |
| Stephen Rotheram ⁽¹⁾⁽³⁾ Managing Director, Networks, SingTel Optus | 398.4 | 726.2 | 26.5 | 89.2 | 1,240.4 | 53.2 | 305,000 | | 189.1 |
| Paul O'Sullivan ⁽¹⁾ COO, SingTel Optus | 547.2 | 339.1 | 93.6 | 47.6 | 1,027.5 | 347.3 | 357,000 | | 221.3 |
| Chris Hancock ⁽¹⁾ Managing Director, Optus Wholesale, SingTel Optus | 437.8 | 292.0 | 76.2 | 55.7 | 861.7 | 102.0 | 255,000 | | 158.1 |

'ONE-OFF' REMUNERATION

| (In S\$'000) | Early Vesting | Retention | Retention | | Total Value |
|--|---|--|-------------|---|-------------|
| | Cable & Wireless Optus Share Plans ⁽⁹⁾ Value | Cable & Wireless Optus Executive Retention Incentive Plan ⁽¹⁰⁾ Value | No. Awarded | SingTel Share Option Scheme ⁽¹¹⁾ Value | |
| Christopher John Anderson ⁽¹⁾ | 3,632.9 | 2,684.7 | 900,000 | 558.0 | 6,875.6 |
| Paul O'Sullivan ⁽¹⁾ | 1,678.7 | 807.7 | 500,000 | 310.0 | 2,796.4 |
| Chris Hancock ⁽¹⁾ | 418.8 | 893.3 | 380,000 | 235.6 | 1,547.7 |
| Stephen Rotheram ⁽¹⁾ | 215.6 | 571.4 | 122,000 | 75.6 | 862.6 |

(1) Christopher John Anderson, Stephen Rotheram, Paul O'Sullivan and Chris Hancock are based in Australia and paid in A\$.

(2) Fixed Component refers to base salary earned for the year ended 31 March 2002.

(3) Variable Component refers to incentive payments for the year ended 31 March 2002. Includes compensation for loss of expatriate benefits in the case of Stephen Rotheram.

(4) Provident Fund in Singapore represents payments in respect of company statutory contributions to the Singapore Central Provident Fund. Superannuation Fund in Australia represents payments in respect of the superannuation guarantee levy and additional company contributions to the superannuation scheme. Any contributions made by an individual may be salary sacrificed, and are part of the Fixed Component.

(5) Benefits are stated on the basis of direct costs to the company. Includes benefits such as medical scheme, motor vehicle, club membership, assignment benefits and Australia Fringe Benefits Tax where applicable.

(6) Allocations made under the share plans in place with Cable & Wireless Optus are to be their market prices at the vesting date.

(7) Singapore Telecom Share Option Scheme 1999 ("1999 Scheme") has replaced Cable & Wireless Optus share plans. Allocations made under the 1999 Scheme to SingTel Optus employees are at an exercise price of S\$1.73 on 29 November 2001. Allocations made under the 1999 Scheme to SingTel employees are at an exercise price of S\$1.69 on 30 May 2001. The option valuation adopted simulation methodologies consistent with assumptions that apply under the Black-Scholes method and returned a fair value of S\$0.62 per option. None of the share options granted under the 1999 Scheme and the Singapore Telecom Executives' Share Option Scheme ("1994 Scheme") has been granted at a discount.

(8) Lee Hsien Yang has been granted a total of 3,900,000 and 120,000 share options since commencement of the 1999 and 1994 Schemes respectively to 31 March 2002 but has exercised none of these share options.

(9) Relates to value of share plans granted by Cable & Wireless Optus in previous years that early 'vested' after change of control.

(10) Relates to value of share or cash plans granted by Cable & Wireless Optus to influence retention of key senior management staff. The Cable & Wireless Optus Executive Retention Incentive Plan was put in place by Cable & Wireless Optus prior to acquisition of the company by SingTel.

(11) Relates to value of share options granted by SingTel under the 1999 Scheme to influence retention of key senior management staff. None of the share options granted under the 1999 Scheme has been granted at a discount.

DIRECTORS' REPORT

The directors present their report to the members together with the audited financial statements of the Group and of the Company for the financial year ended 31 March 2002.

1 DIRECTORS

The directors of the Company in office at the date of this report are as follows:

Mr Ang Kong Hua (Chairman) (appointed as Chairman on 30 August 2001) ⁽¹⁾

Mr Lee Hsien Yang (President and Chief Executive Officer)

Mr Paul Chan Kwai Wah ⁽²⁾

Dr Yogen K Dalal ⁽¹⁾

LG Lim Chuan Poh ⁽¹⁾

Mr John Powell Morschel (appointed on 14 September 2001)

Mr Quek Poh Huat ⁽²⁾

Mr Seah Kian Peng ⁽²⁾

Mr Jackson Peter Tai ⁽¹⁾

Mr Nicky Tan Ng Kuang (appointed on 12 March 2002)

Mr Keith Tay Ah Kee ⁽³⁾

The directors were last re-elected on:

(1) 30 August 2001

(2) 25 September 2000

(3) 29 September 1999

Mr Koh Boon Hwee and Mr Jaspal Singh, who served during the financial year, retired following the conclusion of the Annual General Meeting held on 30 August 2001.

2 PRINCIPAL ACTIVITIES

The Company is principally engaged in the operation and provision of telecommunications systems and services and investment holding.

The principal activities of the Company's subsidiary companies consist of:

Postal services;

Directory advertising and publishing;

Investment holding;

Sale and maintenance of telecommunications equipment;

Storage of telecommunications cables;

Provision of mobile phone and paging services;

Data communications services;

Value added network and computer network services;

Provision of information technology services;

Provision of internet services;

Construction and operation of a submarine cable system; and

Venture capital investments in start-up technology and telecommunications companies.

During the financial year, the Company acquired SingTel Optus Pty Limited (previously known as Cable & Wireless Optus Limited) and its subsidiary companies ("SingTel Optus Group") whose principal activities are those of providing telecommunications and cable television services principally within Australia.

There have been no other significant changes in the nature of the principal activities during the financial year.

3 RESULTS FOR THE FINANCIAL YEAR

The consolidated profit after tax attributable to the members of the Company for the financial year was S\$1,631.3 million (2001: S\$2,006.3 million). The Company made a profit after tax for the financial year of S\$2,013.5 million (2001: S\$1,671.4 million).

4 ACQUISITION AND DISPOSAL OF SUBSIDIARY COMPANIES

During the financial year, the following acquisition and disposal of subsidiary companies occurred:

- (a) The Company acquired the entire equity interest in the SingTel Optus Group for a consideration of S\$13,022.4 million comprising S\$7,225.9 million in cash, S\$4,559.9 million in SingTel ordinary shares and S\$1,236.6 million in principal amount of fixed rate securities. The fair value of net assets acquired, determined on a provisional basis, was S\$1,654.0 million at the acquisition date.

SingTel Optus Pty Limited acquired an additional 50% interest in Optus Broadband Pty Limited and its subsidiary company on 18 September 2001 for a consideration of AUD5 million. The fair value of net assets acquired was AUD6.6 million at the acquisition date.

- (b) Suzhou ZhongXing Telecommunication Engineering Development Co. Ltd, a 70% owned indirect subsidiary company, incorporated in the People's Republic of China, was liquidated.

The subsidiary companies acquired as part of the acquisition of SingTel Optus Group and the new subsidiary companies incorporated during the financial year are set out in Note 44 to the financial statements.

Except as disclosed above, no other subsidiary companies were acquired or disposed of during the financial year.

5 MATERIAL TRANSFERS TO OR FROM RESERVES AND PROVISIONS

Material transfers to or from reserves and provisions during the financial year are as disclosed in the notes to the financial statements.

6 ISSUE OF SHARES AND DEBENTURES

At the Extraordinary General Meeting of the Company held on 29 May 2001, the shareholders approved the conversion of the Special Share of S\$0.50 to an ordinary share of S\$0.15 resulting in the re-designation of the authorised share capital from S\$5,000 million divided into 33,333,333,330 ordinary shares of S\$0.15 each and one Special Share of S\$0.50 to S\$5,000 million divided into 33,333,333,331 ordinary shares of S\$0.15 each.

During the financial year, the Company issued 2,412,662,567 ordinary shares of S\$0.15 each at an average premium of S\$1.74 as part of the consideration for the acquisition of shares in SingTel Optus Pty Limited. In addition, the Special Share has been converted to an ordinary share of S\$0.15.

The newly issued shares rank pari passu in all respects with the previously issued shares.

The following subsidiary companies issued shares during the financial year:

| Subsidiary company | Description of shares issued | Purpose of issue |
|--------------------------------|---|---------------------------------------|
| C2C Asiapac Pte Ltd | 143,058 preference shares of S\$1 each at a premium of S\$999 per share by way of capitalisation of the loan from the holding corporation | For additional capital |
| C2C Cable (Ireland) Limited | 2 ordinary shares of STG1 each at par for cash | For incorporation |
| C2C Cable Korea Ltd | 393,100 ordinary shares of KRW5,000 each at par for cash | For incorporation and working capital |
| C2C (Hong Kong) Limited | 15 ordinary shares of HK\$1 each at par for cash | For incorporation |
| C2C Holdings Pte Ltd | 470,588,235 ordinary shares of USD1 each at par for cash | For incorporation and working capital |
| C2C Infocom Cable (Taiwan) Ltd | 6,471,996 ordinary shares of NT\$1 each at par for cash | For incorporation and working capital |
| C2C Japan K K | 200 ordinary shares of JPY50,000 each at par for cash | For incorporation and working capital |

6 ISSUE OF SHARES AND DEBENTURES (CONT'D)

| Subsidiary company | Description of shares issued | Purpose of issue |
|---|---|---|
| C2C (USA) Inc. | 1 ordinary share of USD2 each at premium of US\$998 for cash | For incorporation |
| RSL Com Mobile Pty Limited | 1 share of AUD1 at par for cash | For incorporation |
| SingTel Australia Investment Ltd | 10,484,120,865 ordinary shares of AUD1 each at par for cash | For incorporation and investment in a subsidiary company |
| SingTel Asian Investments Pte Ltd | 599,870 preference shares of S\$1 each at a premium of S\$999 per share by way of capitalisation of the loan from the holding corporation | For additional capital |
| Singapore Post Enterprise Private Limited | 4,100,000 ordinary shares of S\$1 each at par for cash | For investment in a joint venture company |
| Singapore Telecom Australia Investments Pty Limited | 2 ordinary shares of AUD1 each at par for cash | For incorporation |
| Singapore Telecom Mobile Pte Ltd | 10,202,228,427 ordinary shares of S\$0.50 each at par for cash | For investments in a subsidiary company and an associated company |
| Singapore Telecom Paging Pte Ltd | 4 ordinary shares of S\$0.50 each at par for cash | For investment in a subsidiary company |
| ST Mobile Investments Pte Ltd | 2 ordinary shares of S\$1 each at par for cash | For incorporation |
| Singapore Telecom America Inc | Increase in paid-in capital of USD3,438,407. No new shares were issued | For additional capital |
| Singapore Telecom International Pte Ltd | 1,147,391 preference shares of S\$1 each at a premium of S\$999 per share by way of capitalisation of the loan from the holding corporation | For additional capital |
| Singapore Telecom Korea Limited | 295,000 common stock of KRW 10,000 each at par for cash | For working capital |
| Singapore Telecom USA Inc | Increase in paid-in capital of USD1,399,998. No new shares were issued. | For additional capital |
| SingaSat Pte Ltd | 80,825 preference shares of S\$1 each at a premium of S\$999 per share by way of capitalisation of the loan from the holding corporation | For additional capital |
| Subsea Network Services Pte Ltd | 2 ordinary shares of S\$1 each at par for cash | For incorporation |
| InfoCom Holding Company Pte Ltd | 821,268 preference shares of S\$1 each at a premium of S\$999 per share by way of capitalisation of the loan from the holding corporation | For additional capital |

6 ISSUE OF SHARES AND DEBENTURES (CONT'D)

During the financial year, the Company issued:

- (i) USD349.5 million of 5.875% bonds due on 6 September 2006;
- (ii) USD350 million of 6.25% bonds due on 6 September 2008;
- (iii) USD1,350 million of 6.375% bonds due on 1 December 2011;
- (iv) Euro 500 million of 6.00% bonds due on 21 November 2011; and
- (v) USD500 million of 7.375% bonds due on 1 December 2031.

Except as disclosed above, there were no other issue of shares or debentures by the Company or its subsidiary companies during the financial year.

7 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of, the Company or any other body corporate, except for Singapore Telecom Executives' Share Option Scheme ("1994 Scheme") and Singapore Telecom Share Option Scheme 1999 ("1999 Scheme").

8 DIRECTORS' INTEREST IN SHARES AND DEBENTURES

The interests of the directors holding office at the end of the financial year in the share capital and debentures of the Company and related corporations according to the register of directors' shareholdings were as follows:

| | Holdings registered in the name of director or nominee | | Holdings in which a director is deemed to have an interest | |
|---|--|---|--|---|
| | At 31.03.02 | At 1.4.01 or date of appointment, if later | At 31.03.02 | At 1.4.01 or date of appointment, if later |
| Singapore Telecommunications Ltd | | | | |
| (Ordinary shares of S\$0.15 each) | | | | |
| Mr Ang Kong Hua (appointed on 8 May 2001) | 1,490 | 1,490 | 1,490 | 1,490 |
| Mr Lee Hsien Yang | 252,333 | 2,333 | 1,690 | 1,690 |
| Mr Paul Chan Kwai Wah | 1,820 | 1,820 | 1,690 | 1,690 |
| Dr Yogen K Dalal | - | - | - | - |
| LG Lim Chuan Poh | 1,490 | 1,490 | - | - |
| Mr John Powell Morschel (appointed on 14 September 2001) | 3,200 | 3,200 | - | - |
| Mr Quek Poh Huat | 1,820 | 1,820 | 1,690 | 1,690 |
| Mr Seah Kian Peng | 1,020 | 1,020 | 1,490 | 1,490 |
| Mr Jackson Peter Tai | 30,000 | 30,000 | - | - |
| Mr Nicky Tan Ng Kuang (appointed on 12 March 2002) | - | - | - | - |
| Mr Keith Tay Ah Kee | 31,700 | 31,700 | - | - |
| (Options to purchase ordinary shares of S\$0.15 each) | | | | |
| Mr Lee Hsien Yang | | | | |
| At exercise price of between S\$1.69 and S\$3.03 per share | 4,020,000 | 2,120,000 | - | - |

8 DIRECTORS' INTEREST IN SHARES AND DEBENTURES (CONT'D)

| | Holdings registered in the name of director or nominee | | Holdings in which a director is deemed to have an interest | |
|--|--|---|--|---|
| | At 31.03.02 | At 1.4.01 or date of appointment, if later | At 31.03.02 | At 1.4.01 or date of appointment, if later |
| SembCorp Industries Limited (Ordinary shares of S\$0.25 each) | | | | |
| Mr Quek Poh Huat | 36,890 | 36,890 | - | - |
| SembCorp Logistics Limited (Options to purchase ordinary shares of S\$0.25 each per share) | | | | |
| Mr Lee Hsien Yang | - | - | 84,000 | 24,000 |
| Singapore Airlines Limited (Ordinary shares of S\$1.00 each) | | | | |
| Mr Lee Hsien Yang | 16,000 | 16,000 | - | - |
| Mr Paul Chan Kwai Wah | - | - | 20,000 | 20,000 |
| Mr Seah Kian Peng | - | - | 1,000 | 1,000 |
| Singapore Computer Systems Limited (Ordinary shares of S\$0.25 each) | | | | |
| Mr Quek Poh Huat | 15,000 | 15,000 | - | - |
| Singapore Technologies Engineering Limited (Ordinary shares of S\$0.10 each) | | | | |
| Mr Quek Poh Huat | 763,228 | 823,228 | - | - |
| ST Assembly Test Services Ltd (Ordinary shares of S\$0.25 each) | | | | |
| Mr Quek Poh Huat | - | - | 1,000 | 1,000 |
| SMRT Corporation Ltd (Ordinary shares of S\$0.10 each) | | | | |
| Mr Quek Poh Huat | - | - | 8,000 | 8,000 |
| Mr Keith Tay Ah Kee | 140,000 | - | - | - |
| The Ascott Limited (Ordinary shares of S\$0.20 each) | | | | |
| Mr Paul Chan Kwai Wah | 13,020 | 13,020 | - | - |

Between the end of the financial year and 21 April 2002, Mr Lee Hsien Yang and Mr Jackson Peter Tai acquired additional 200,000 and 30,000 ordinary shares of S\$0.15 each respectively in Singapore Telecommunications Limited.

Except as disclosed above, there were no other changes in any of the above-mentioned interests between the end of the financial year and 21 April 2002.

9 DIVIDENDS

Dividends paid, declared and proposed since the end of the Company's preceding financial year are as follows :

- A final dividend of 5.5 cents per share, net of tax at 24.5%, amounting to S\$697.4 million, was paid in September 2001 in respect of the financial year ended 31 March 2001 as proposed in the Directors' Report for that financial year.
- The directors propose a final dividend of 5.5 cents per share, net of tax at 22%, amounting to S\$764.7 million to be paid in respect of the financial year ended 31 March 2002.

10 BAD AND DOUBTFUL DEBTS

Before the financial statements of the Company were made out, the directors took reasonable steps to ascertain that proper action has been taken in relation to the writing off of bad debts and providing for doubtful debts of the Company, and have satisfied themselves that all known bad debts of the Company have been written off and that adequate provision has been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would render any amounts written off or provided for doubtful debts in the Group inadequate to any substantial extent.

11 CURRENT ASSETS

Before the financial statements of the Company were made out, the directors took reasonable steps to ascertain that any current assets of the Company which were unlikely to realise their book values in the ordinary course of business have been written down to their estimated realisable values or that adequate provision has been made for the diminution in the value of such current assets.

At the date of this report, the directors are not aware of any circumstances, not otherwise dealt with in this report, which would render the values attributed to current assets in the consolidated financial statements misleading.

12 CHARGES ON ASSETS AND CONTINGENT LIABILITIES

At the date of this report, no charges have arisen since the end of the financial year on the assets of the Company or any other corporation in the Group which secures the liability of any other person, nor have any contingent liability arisen since the end of the financial year in the Company or any other corporation in the Group.

13 ABILITY TO MEET OBLIGATIONS

No contingent or other liability of the Company or any other corporation in the Group has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Company and the Group to meet their obligations as and when they fall due.

14 OTHER CIRCUMSTANCES AFFECTING THE FINANCIAL STATEMENTS

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the consolidated financial statements which would render any amount stated in the financial statements of the Company and the consolidated financial statements misleading.

15 UNUSUAL ITEMS

In the opinion of the directors, the results of the operations of the Company and of the Group during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature except for the acquisition of SingTel Optus Group and exceptional items as disclosed in Note 3 and 8 to the financial statements respectively.

16 UNUSUAL ITEMS AFTER THE FINANCIAL YEAR

In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which would substantially affect the results of the operations of the Company and of the Group for the financial year in which this report is made, except for the change in Singapore corporate tax rate as disclosed in Note 42 to the financial statements.

17 DIRECTORS' CONTRACTUAL BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than as disclosed in the consolidated financial statements and in this report) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

18 SHARE OPTIONS

Share options granted, exercised and cancelled during the financial year, and options outstanding at the end of the financial year, are as follows:

| Date of grant | Exercise Period | Exercise Price | Balance as at 1.4.01, date of grant or date of acquisition, if later | Options exercised | Options cancelled | Balance as at 31.3.02 |
|-----------------------------------|----------------------|----------------|--|-------------------|-------------------|-----------------------|
| 1994 Scheme ^(a) | | | | | | |
| 30.7.96 | 31.7.97 to 30.7.01 | S\$3.15 | 1,414,600 | - | 1,414,600 | - |
| 23.12.96 | 24.12.97 to 23.12.01 | S\$3.00 | 967,400 | - | 967,400 | - |
| 16.6.97 | 17.6.98 to 16.6.02 | S\$2.32 | 1,712,400 | - | 35,400 | 1,677,000 |
| 17.6.98 | 18.6.99 to 17.6.03 | S\$2.05 | 3,537,031 | - | 133,700 | 3,403,331 |
| | | | 7,631,431 | - | 2,551,100 | 5,080,331 |
| 1999 Scheme ^(b) | | | | | | |
| 9.11.99 | 10.11.00 to 9.11.09 | S\$3.03 | 9,284,000 | - | 291,000 | 8,993,000 |
| 15.5.00 | 16.5.01 to 15.5.10 | S\$2.29 | 30,000 | - | - | 30,000 |
| 9.6.00 | 10.6.01 to 9.6.10 | S\$2.26 | 36,379,000 | - | 2,101,500 | 34,277,500 |
| 3.7.00 | 4.7.01 to 3.7.10 | S\$2.40 | 30,000 | - | - | 30,000 |
| 26.7.00 | 27.7.01 to 26.7.10 | S\$2.32 | 20,000 | - | - | 20,000 |
| 7.8.00 | 8.8.01 to 7.8.10 | S\$2.33 | 20,000 | - | - | 20,000 |
| 14.8.00 | 15.8.01 to 14.8.10 | S\$2.33 | 10,000 | - | - | 10,000 |
| 1.9.00 | 2.9.01 to 1.9.10 | S\$2.75 | 112,500 | - | - | 112,500 |
| 11.9.00 | 12.9.01 to 11.9.10 | S\$2.66 | 20,000 | - | - | 20,000 |
| 25.9.00 | 26.9.01 to 25.9.10 | S\$2.59 | 20,000 | - | - | 20,000 |
| 2.10.00 | 3.10.01 to 2.10.10 | S\$2.54 | 555,000 | - | - | 555,000 |
| 25.10.00 | 26.10.01 to 25.10.10 | S\$2.70 | 10,000 | - | - | 10,000 |
| 2.1.01 | 3.1.02 to 2.1.11 | S\$2.68 | 50,000 | - | - | 50,000 |
| 8.1.01 | 9.1.02 to 8.1.11 | S\$2.67 | 225,000 | - | - | 225,000 |
| 12.2.01 | 13.2.02 to 12.2.11 | S\$2.85 | 15,000 | - | - | 15,000 |
| 19.2.01 | 20.2.02 to 19.2.11 | S\$2.84 | 45,000 | - | - | 45,000 |
| 2.5.01 | 3.5.02 to 2.5.11 | S\$1.80 | 225,000 | - | - | 225,000 |
| 30.5.01 | 31.5.02 to 30.5.11 | S\$1.69 | 57,743,000 | - | 701,000 | 57,042,000 |
| 1.6.01 | 2.6.02 to 1.6.11 | S\$1.67 | 30,000 | - | - | 30,000 |
| 2.7.01 | 3.7.02 to 2.7.11 | S\$1.84 | 25,000 | - | - | 25,000 |
| 5.7.01 | 6.7.02 to 5.7.11 | S\$1.86 | 15,000 | - | - | 15,000 |
| 9.7.01 | 10.7.02 to 9.7.11 | S\$1.84 | 40,000 | - | - | 40,000 |
| 1.8.01 | 2.8.02 to 1.8.11 | S\$1.81 | 15,000 | - | - | 15,000 |
| 1.8.01 | 2.8.02 to 1.8.11 | S\$1.81 | 10,000 | - | - | 10,000 |
| 8.8.01 | 9.8.02 to 8.8.11 | S\$1.87 | 150,000 | - | - | 150,000 |
| 16.8.01 | 17.8.02 to 16.8.11 | S\$1.89 | 78,000 | - | - | 78,000 |
| 1.10.01 | 2.10.02 to 1.10.11 | S\$1.76 | 20,000 | - | - | 20,000 |
| 29.11.01 | 30.11.02 to 29.11.11 | S\$1.73 | 38,461,000 | - | - | 38,461,000 |
| 29.11.01 | 30.11.02 to 29.11.11 | S\$1.73 | 7,433,000 | - | - | 7,433,000 |
| 10.12.01 | 11.12.02 to 10.12.11 | S\$1.75 | 222,000 | - | - | 222,000 |
| 15.1.02 | 16.1.03 to 15.1.12 | S\$1.72 | 50,000 | - | - | 50,000 |
| 21.2.02 | 22.2.03 to 21.2.12 | S\$1.63 | 69,000 | - | - | 69,000 |
| | | | 151,411,500 | - | 3,093,500 | 148,318,000 |

18 SHARE OPTIONS (CONT'D)

| Date of grant | Exercise Period | Exercise Price | Balance as at 1.4.01, date of grant or date of acquisition, if later | Options exercised | Options cancelled | Balance as at 31.3.02 |
|---|--------------------|---------------------------------|--|-------------------|-------------------|-----------------------|
| Optus Executive Option Plan ^(a) | | | | | | |
| 24.5.00 | 24.5.03 to 24.5.07 | A\$3.70 for 1.66 SingTel shares | 11,627,802 | - | 524,560 | 11,103,242 |
| Total | | | 170,670,733 | - | 6,169,160 | 164,501,573 |

- (a) The 1994 Scheme was approved by the shareholders at the Extraordinary General Meeting held on 23 September 1994, and modified by certain changes approved by shareholders at extraordinary general meetings held on 27 September 1996, 25 September 1998 and 27 September 1999 respectively.

Employees who participate in this Scheme will not be eligible to participate in any other share option schemes implemented by the Company's subsidiary or associated companies.

- (b) At the Extraordinary General Meeting held on 29 September 1999, shareholders approved the adoption of the 1999 Scheme to replace the 1994 Scheme. The termination of the 1994 Scheme and the adoption of the 1999 Scheme will not affect the rights of the holders of the options granted under the 1994 Scheme.

The 1999 Scheme, which was subsequently modified and approved by shareholders at the Extraordinary General Meeting held on 30 August 2001, caters to a larger pool of participants, namely, employees (including executive directors of the Group) and non-executive directors of the Group.

The options for employees and non-executive directors have a validity period of 10 years and 5 years respectively.

Participants of the 1999 Scheme will not be restricted from participating in any other share option scheme or share incentive scheme of the other companies within the Group or any other company.

- (c) As a result of the acquisition of SingTel Optus Group, the Optus Executive Option Plan was amended to allow SingTel Optus Pty Limited to discharge its obligations by procuring the issue to the Optus option holders of ordinary shares in SingTel in the ratio of 1.66 SingTel shares per share option.

The number of share options under the Optus Executive Option Plan outstanding as at the date of acquisition of SingTel Optus Group, the number of share options which have since been cancelled and the number of share options outstanding as at 31 March 2002 are 7,004,700, 316,000 and 6,688,700 respectively.

The figures in the table show the number of unissued SingTel shares represented by the corresponding number of outstanding Optus Executive Option Plan share options based on a ratio of 1.66 SingTel shares per share option.

At the date of this report, the committee administering the share option schemes comprises:

Mr Ang Kong Hua (Chairman of the Committee)
 Dr Yogen K Dalal
 Mr John Powell Morschel
 Mr Keith Tay Ah Kee

No options have been granted to controlling shareholders or their associates, or to parent group employees, and no employee has received 5% or more of the total options available under the share option schemes.

No shares of the Company have been allotted and issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or any subsidiary company.

Except for the above, no other options were granted by the Company or any subsidiary company during the financial year and there were no unissued shares under option at the end of the financial year.

19 AUDIT COMMITTEE

At the date of this report, the Audit Committee comprises the following members, all of whom are non-executive and independent:

Mr Keith Tay Ah Kee (Chairman)
Mr Seah Kian Peng
Mr Jackson Peter Tai
Mr Nicky Tan Ng Kuang (appointed on 12 March 2002)

Mr Jaspal Singh, who served during the financial year, retired following the conclusion of the Annual General Meeting held on 30 August 2001.

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Companies Act.

In performing its functions, the Committee reviewed the overall scope of both internal and external audits and the assistance given by the Company's officers to the auditors. It met with the Company's internal and external auditors to discuss the results of their respective examinations and their evaluation of the Company's system of internal accounting controls. The Committee also reviewed the financial statements of the Company and the consolidated financial statements of the Group for the year ended 31 March 2002 as well as the auditors' report thereon.

Pursuant to the requirements of the Singapore Exchange Limited, the Committee, with the assistance of the internal auditors, reviewed the procedures set up by the Group and the Company to identify, report, and where necessary, seek appropriate approval for interested person transactions in order to discharge the responsibilities specified in the requirements.

The Audit Committee has nominated PricewaterhouseCoopers for re-appointment as auditors of the Company at the forthcoming Annual General Meeting.

20 AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to accept re-appointment.

On behalf of the directors



Mr Ang Kong Hua
Chairman

Singapore
10 May 2002



Mr Lee Hsien Yang
Director

STATEMENT OF DIRECTORS

In the opinion of the directors, the accompanying financial statements set out on pages 68 to 135 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2002 and of the results of the business and changes in equity of the Group and of the Company and cash flows of the Group for the financial year then ended, and at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the directors



Mr Ang Kong Hua
Chairman

Singapore
10 May 2002



Mr Lee Hsien Yang
Director

AUDITORS' REPORT TO THE MEMBERS OF SINGAPORE TELECOMMUNICATIONS LIMITED

We have audited the financial statements of Singapore Telecommunications Limited and the consolidated financial statements of the Group for the financial year ended 31 March 2002 set out on pages 68 to 135. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform our audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- (a) the accompanying financial statements of the Company and consolidated financial statements of the Group are properly drawn up in accordance with the provisions of the Singapore Companies Act ("Act") and Singapore Statements of Accounting Standard and so as to give a true and fair view of:
 - (i) the state of affairs of the Company and of the Group as at 31 March 2002, the profit and changes in equity of the Company and of the Group, and the cash flows of the Group for the financial year ended on that date; and
 - (ii) the other matters required by section 201 of the Act to be dealt with in the financial statements of the Company and the consolidated financial statements of the Group; and
- (b) the accounting and other records, and the registers required by the Act to be kept by the Company and by those subsidiary companies incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and auditors' reports of the subsidiary companies of which we have not acted as auditors, being financial statements included in the consolidated financial statements. The names of the subsidiary companies are stated in Note 44 to the financial statements.

We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations as required by us for those purposes.

The auditors' reports on the financial statements of the subsidiary companies were not subject to any material qualification and in respect of subsidiary companies incorporated in Singapore did not include any comment made under section 207(3) of the Act.



PricewaterhouseCoopers
Certified Public Accountants

Singapore
10 May 2002

INCOME STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2002

| | Notes | Group | | Company | |
|--|-------|---------------------|---------------------|---------------------|---------------------|
| | | 2002 S\$ million | 2001 S\$ million | 2002 S\$ million | 2001 S\$ million |
| Operating revenue | 4 | 7,338.2 | 4,925.5 | 2,982.2 | 2,969.4 |
| Operating expenses | 5 | (4,323.0) | (2,412.8) | (1,348.4) | (1,359.1) |
| Other income | 6 | 41.8 | 91.6 | 78.8 | 139.3 |
| Operational EBITDA | | 3,057.0 | 2,604.3 | 1,712.6 | 1,749.6 |
| Compensation from IDA | 33 | 337.0 | 337.0 | 337.0 | 337.0 |
| Amortisation of goodwill on acquisition of subsidiary companies | 22 | (333.5) | - | - | - |
| Depreciation and other amortisation | 7 | (1,016.7) | (572.2) | (347.6) | (340.6) |
| | | 2,043.8 | 2,369.1 | 1,702.0 | 1,746.0 |
| Exceptional items | 8 | (60.9) | (243.6) | (61.8) | (404.7) |
| Profit on operating activities | | 1,982.9 | 2,125.5 | 1,640.2 | 1,341.3 |
| Associated and joint venture companies | 9 | | | | |
| - share of results | | 240.5 | 348.9 | - | - |
| - amortisation of goodwill | | (19.6) | - | - | - |
| | | 220.9 | 348.9 | - | - |
| Profit before interest and tax | | 2,203.8 | 2,474.4 | 1,640.2 | 1,341.3 |
| Interest and investment income | 10 | 188.4 | 269.0 | 936.3 | 831.6 |
| Interest on borrowings | 11 | (269.7) | (9.1) | (151.6) | (5.6) |
| Profit before tax | | 2,122.5 | 2,734.3 | 2,424.9 | 2,167.3 |
| Taxation | 12 | (498.0) | (715.1) | (411.4) | (495.9) |
| Profit after tax | | 1,624.5 | 2,019.2 | 2,013.5 | 1,671.4 |
| Minority interests | | 6.8 | (12.9) | - | - |
| Profit attributable to shareholders | | 1,631.3 | 2,006.3 | 2,013.5 | 1,671.4 |
| Basic earnings per share (cents) | 13 | | | | |
| - After goodwill | | 9.76 | 13.00 | | |
| - Before goodwill | | 11.87 | 13.00 | | |
| Diluted earnings per share (cents) | 13 | | | | |
| - After goodwill | | 9.76 | 13.00 | | |
| EBITDA (S\$ million) | 14 | 3,634.5 | 3,290.2 | | |

The accompanying notes on pages 74 to 135 form an integral part of these financial statements.

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BALANCE SHEETS

As At 31 MARCH 2002

| | Notes | Group | | Company | |
|---|----------|---------------------|---------------------|---------------------|---------------------|
| | | 2002 S\$ million | 2001 S\$ million | 2002 S\$ million | 2001 S\$ million |
| Current assets | | | | | |
| Cash and cash equivalents | 17 | 1,728.9 | 4,095.4 | 799.4 | 2,185.0 |
| Short term investments | 18 | 514.5 | 2,533.3 | 54.8 | 930.9 |
| Trade and other debtors | 19 | 2,493.8 | 1,228.7 | 1,568.4 | 2,757.5 |
| Inventories | 20 | 256.9 | 105.0 | 12.7 | 13.7 |
| | | <u>4,994.1</u> | <u>7,962.4</u> | <u>2,435.3</u> | <u>5,887.1</u> |
| Non-current assets | | | | | |
| Property, plant and equipment (net) | 21 | 13,437.8 | 5,475.8 | 3,049.2 | 2,932.3 |
| Goodwill on consolidation | 22 | 11,044.8 | - | - | - |
| Intangibles | 23 | 525.1 | 10.7 | 4.9 | 5.3 |
| Subsidiary companies | 24 | - | - | 18,778.9 | 4,629.0 |
| Associated companies | 25 | 3,784.8 | 1,689.6 | 39.6 | 39.6 |
| Joint venture companies | 26 | 312.6 | 231.0 | 233.4 | 150.1 |
| Long term investments | 27 | 599.0 | 782.2 | 439.7 | 646.3 |
| Deferred tax asset | 12 | 392.2 | - | - | - |
| Other non-current assets | 28 | 66.8 | 53.3 | 47.4 | 34.9 |
| | | <u>30,163.1</u> | <u>8,242.6</u> | <u>22,593.1</u> | <u>8,437.5</u> |
| Total assets | | <u>35,157.2</u> | <u>16,205.0</u> | <u>25,028.4</u> | <u>14,324.6</u> |
| Current liabilities | | | | | |
| Trade and other creditors | 29 | 3,942.6 | 1,879.1 | 1,134.7 | 959.3 |
| Provisions | 30 | 18.1 | 55.4 | - | - |
| Due to subsidiary companies | 24 | - | - | 263.5 | 418.5 |
| Borrowings (unsecured) | 31 | 295.2 | - | - | - |
| Borrowings (secured) | 32 | 97.6 | - | - | - |
| Current income tax | 12 | 599.7 | 596.5 | 418.4 | 378.1 |
| | | <u>4,953.2</u> | <u>2,531.0</u> | <u>1,816.6</u> | <u>1,755.9</u> |
| Non-current liabilities | | | | | |
| Due to subsidiary companies | 24 | - | - | 112.2 | 438.7 |
| Borrowings (unsecured) | 31 | 10,404.5 | 1,000.0 | 6,481.1 | 1,000.0 |
| Borrowings (secured) | 32 | 1,078.8 | - | - | - |
| Deferred income tax | 12 | 709.8 | 778.1 | 534.7 | 611.3 |
| Deferred income | 33 | 1,779.4 | 2,051.4 | 1,698.4 | 2,036.5 |
| Advance billings | 1(m)(ii) | 1,080.2 | 636.1 | - | - |
| Other non-current liabilities | | 119.3 | - | 23.2 | - |
| | | <u>15,172.0</u> | <u>4,465.6</u> | <u>8,849.6</u> | <u>4,086.5</u> |
| Total liabilities | | <u>20,125.2</u> | <u>6,996.6</u> | <u>10,666.2</u> | <u>5,842.4</u> |
| Net assets | | <u>15,032.0</u> | <u>9,208.4</u> | <u>14,362.2</u> | <u>8,482.2</u> |
| Share capital and reserves | | | | | |
| Share capital | 34 | 2,673.9 | 2,312.0 | 2,673.9 | 2,312.0 |
| Reserves | | 11,905.1 | 6,446.1 | 11,688.3 | 6,170.2 |
| Interests of shareholders of the Company | | <u>14,579.0</u> | <u>8,758.1</u> | <u>14,362.2</u> | <u>8,482.2</u> |
| Minority interests | | 453.0 | 450.3 | - | - |
| | | <u>15,032.0</u> | <u>9,208.4</u> | <u>14,362.2</u> | <u>8,482.2</u> |

The accompanying notes on pages 74 to 135 form an integral part of these financial statements.

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2002

| Group - 2002 | Notes | Share Capital S\$ million | Share Premium S\$ million | Capital Redemption Reserve S\$ million | Currency Translation Account S\$ million | Retained Earnings And Other Reserves S\$ million | Total S\$ million |
|--|-------|------------------------------|------------------------------|---|---|---|----------------------|
| Balance at 1 April 2001 | | | | | | | |
| - as previously reported | | 2,312.0 | 650.8 | 9.2 | (109.3) | 5,203.0 | 8,065.7 |
| - effect of adopting SAS 12 (2001) | 2 | - | - | - | - | 52.4 | 52.4 |
| - effect of adopting SAS 10 (2000) | 2 | - | - | - | - | 640.0 | 640.0 |
| Restated balance | | 2,312.0 | 650.8 | 9.2 | (109.3) | 5,895.4 | 8,758.1 |
| Currency translation differences | | - | - | - | 132.2 | - | 132.2 |
| Adjustment to goodwill taken to reserves in the prior year | | - | - | - | - | 109.5 | 109.5 |
| Goodwill released on deemed disposal of associated companies | | - | - | - | - | 85.4 | 85.4 |
| Net gains not recognised in the income statement | | - | - | - | 132.2 | 194.9 | 327.1 |
| Net profit for the year | | - | - | - | - | 1,631.3 | 1,631.3 |
| Total recognised gains for the year | | - | - | - | 132.2 | 1,826.2 | 1,958.4 |
| Final dividends for 2000/2001 | 35 | - | - | - | - | (697.4) | (697.4) |
| Issue of share capital | 34 | 361.9 | 4,198.0 | - | - | - | 4,559.9 |
| Balance at 31 March 2002 | | 2,673.9 | 4,848.8 | 9.2 | 22.9 | 7,024.2 | 14,579.0 |

| Group - 2001 | Notes | Share Capital S\$ million | Share Premium S\$ million | Capital Redemption Reserve S\$ million | Currency Translation Account S\$ million | Retained Earnings And Other Reserves S\$ million | Total S\$ million |
|--|-------|------------------------------|------------------------------|---|---|---|----------------------|
| Balance at 1 April 2000 | | | | | | | |
| - as previously reported | | 2,321.0 | 649.2 | 0.1 | (47.5) | 6,055.1 | 8,977.9 |
| - effect of adopting SAS 12 (2001) | 2 | - | - | - | - | (355.8) | (355.8) |
| - effect of adopting SAS 10 (2000) | 2 | - | - | - | - | 633.1 | 633.1 |
| Restated balance | | 2,321.0 | 649.2 | 0.1 | (47.5) | 6,332.4 | 9,255.2 |
| Currency translation differences | | - | - | - | (61.8) | - | (61.8) |
| Goodwill (net) | | - | - | - | - | (807.2) | (807.2) |
| Net charges not recognised in the income statement | | - | - | - | (61.8) | (807.2) | (869.0) |
| Net profit for the year | | - | - | - | - | 2,006.3 | 2,006.3 |
| Total recognised (charges) / gains for the year | | - | - | - | (61.8) | 1,199.1 | 1,137.3 |
| Final dividends for 1999/2000 | 35 | - | - | - | - | (632.0) | (632.0) |
| Special dividends for 2000/2001 | 35 | - | - | - | - | (861.8) | (861.8) |
| Issue of share capital | 34 | 0.1 | 1.6 | - | - | - | 1.7 |
| Repurchase of shares | 34 | (9.1) | - | 9.1 | - | (142.3) | (142.3) |
| Balance at 31 March 2001 | | 2,312.0 | 650.8 | 9.2 | (109.3) | 5,895.4 | 8,758.1 |

The accompanying notes on pages 74 to 135 form an integral part of these financial statements.

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STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2002

| Company - 2002 | | Notes | Share Capital S\$ million | Share Premium S\$ million | Capital Redemption Reserve S\$ million | Currency Translation Account S\$ million | Retained Earnings And Other Reserves S\$ million | Total S\$ million |
|--|--|-------|------------------------------|------------------------------|---|---|---|----------------------|
| Balance at 1 April 2001 | | | | | | | | |
| - as previously reported | | | 2,312.0 | 650.8 | 9.2 | (105.5) | 4,975.7 | 7,842.2 |
| - effect of adopting SAS 10 (2000) | | 2 | - | - | - | - | 640.0 | 640.0 |
| Restated balance | | | 2,312.0 | 650.8 | 9.2 | (105.5) | 5,615.7 | 8,482.2 |
| Currency translation differences | | | - | - | - | 4.0 | - | 4.0 |
| Net gains not recognised in the income statement | | | - | - | - | 4.0 | - | 4.0 |
| Net profit for the year | | | - | - | - | - | 2,013.5 | 2,013.5 |
| Total recognised gains | | | - | - | - | 4.0 | 2,013.5 | 2,017.5 |
| Final dividends for 2000/2001 | | 35 | - | - | - | - | (697.4) | (697.4) |
| Issue of share capital | | 34 | 361.9 | 4,198.0 | - | - | - | 4,559.9 |
| Balance at 31 March 2002 | | | 2,673.9 | 4,848.8 | 9.2 | (101.5) | 6,931.8 | 14,362.2 |

| Company - 2001 | | Notes | Share Capital S\$ million | Share Premium S\$ million | Capital Redemption Reserve S\$ million | Currency Translation Account S\$ million | Retained Earnings And Other Reserves S\$ million | Total S\$ million |
|--|--|-------|------------------------------|------------------------------|---|---|---|----------------------|
| Balance at 1 April 2000 | | | | | | | | |
| - as previously reported | | | 2,321.0 | 649.2 | 0.1 | (91.7) | 5,306.2 | 8,184.8 |
| - effect of adopting SAS 12 (2001) | | 2 | - | - | - | - | (358.9) | (358.9) |
| - effect of adopting SAS 10 (2000) | | 2 | - | - | - | - | 633.1 | 633.1 |
| Restated balance | | | 2,321.0 | 649.2 | 0.1 | (91.7) | 5,580.4 | 8,459.0 |
| Currency translation differences | | | - | - | - | (13.8) | - | (13.8) |
| Net charges not recognised in the income statement | | | - | - | - | (13.8) | - | (13.8) |
| Net profit for the year | | | - | - | - | - | 1,671.4 | 1,671.4 |
| Total recognised (charges) / gains | | | - | - | - | (13.8) | 1,671.4 | 1,657.6 |
| Final dividends for 1999/2000 for the year | | 35 | - | - | - | - | (632.0) | (632.0) |
| Special dividends for 2000/2001 | | 35 | - | - | - | - | (861.8) | (861.8) |
| Issue of share capital | | 34 | 0.1 | 1.6 | - | - | - | 1.7 |
| Repurchase of shares | | 34 | (9.1) | - | 9.1 | - | (142.3) | (142.3) |
| Balance at 31 March 2001 | | | 2,312.0 | 650.8 | 9.2 | (105.5) | 5,615.7 | 8,482.2 |

Currency translation account of the Company relates principally to exchange differences arising from loans to subsidiary companies which are extensions of the Company's net investment in these subsidiary companies.

The accompanying notes on pages 74 to 135 form an integral part of these financial statements.

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CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2002

| | Note | 2002 S\$ million | 2001 S\$ million |
|---|------|---------------------|---------------------|
| Cash Flows From Operating Activities | | | |
| Profit before tax | | 2,122.5 | 2,734.3 |
| Adjustments for : | | | |
| Depreciation of property, plant and equipment | | 998.4 | 573.8 |
| Amortisation of goodwill | | 353.1 | - |
| Amortisation of bonds | | 1.8 | - |
| Amortisation - others | | 37.1 | 0.8 |
| Interest and investment income | | (188.4) | (269.0) |
| Exceptional items | | 60.9 | 243.6 |
| IDA compensation | | (337.0) | (337.0) |
| Net loss/(gain) on disposal of property, plant and equipment | | 2.7 | (30.6) |
| Property, plant and equipment written off | | 1.1 | 0.1 |
| Interest expense | | 269.7 | 9.1 |
| Share of results of associated and joint venture companies | | (240.5) | (348.9) |
| | | 958.9 | (158.1) |
| Operating cash flow before working capital changes | | 3,081.4 | 2,576.2 |
| Change in operating assets and liabilities | | | |
| Trade and other debtors | | 162.0 | (76.9) |
| Trade and other creditors | | 179.0 | 695.7 |
| Inventories | | 76.7 | (7.8) |
| Provisions | | (37.3) | - |
| Currency translation adjustments of subsidiary companies | | 19.2 | 24.2 |
| Cash generated from operations | | 3,481.0 | 3,211.4 |
| IDA compensation received | | - | 859.0 |
| Dividends received from associated and joint venture companies | | 67.1 | 43.0 |
| Interest paid | | - | (8.1) |
| Income tax paid | | (460.0) | (565.9) |
| Net cash inflow from operating activities | | 3,088.1 | 3,539.4 |
| Cash Flows From Investing Activities | | | |
| Dividends received | | 25.8 | 33.2 |
| Funds from minority shareholders | | - | 367.1 |
| Interest received | | 76.8 | 214.6 |
| Investment in associated and joint venture companies | | (1,805.6) | (1,113.0) |
| Long term loans to associated and joint venture companies | | (99.4) | (32.3) |
| Investment in long term investments | | (47.1) | (126.4) |
| Net sale/(purchase) of short term investments | | 2,259.7 | (782.5) |
| Payment for purchases of property, plant and equipment | | (2,999.7) | (1,762.0) |
| Proceeds from sale of non-current investments | | 110.7 | 87.3 |
| Proceeds from sale of associated and joint venture companies | | 9.3 | - |
| Recovery of investment previously written off | | 7.6 | - |
| Proceeds from disposal of subsidiary, net of cash disposed | | - | (35.4) |
| Payment for purchase of subsidiary, net of cash received ⁽¹⁾ | | (7,164.3) | (0.2) |
| Proceeds from sale of property, plant and equipment | | 11.2 | 97.5 |
| Purchase of licences | | (177.5) | (5.9) |
| Net cash outflow from investing activities | | (9,792.5) | (3,058.0) |

The accompanying notes on pages 74 to 135 form an integral part of these financial statements.

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CONSOLIDATED CASH FLOW STATEMENT (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2002

| | Note | 2002 S\$ million | 2001 S\$ million |
|--|------|---------------------|---------------------|
| Cash Flows From Financing Activities | | | |
| Proceeds from bond issue | | 4,202.7 | 1,000.0 |
| Proceeds from term loans | | 1,091.0 | - |
| Repayment of term loans | | (33.0) | (100.0) |
| Dividends paid to shareholders | | (697.4) | (1,493.8) |
| Net interest paid on borrowings and swaps | | (225.4) | - |
| Proceeds from issue of shares | | - | 1.7 |
| Proceeds from sale and leaseback of assets | | - | 17.8 |
| Repurchase of shares | | - | (142.3) |
| Dividends paid to minority shareholders | | - | (0.1) |
| Net cash inflow/(outflow) from financing activities | | 4,337.9 | (716.7) |
| Net decrease in cash and cash equivalents held | | (2,366.5) | (235.3) |
| Cash and cash equivalents held at the beginning of the financial year | | 4,095.4 | 4,330.7 |
| Cash and cash equivalents held at the end of the financial year | 17 | 1,728.9 | 4,095.4 |

Note (1): Acquisition of subsidiary company

On 30 August 2001, the Group's offer to acquire all the issued shares in SingTel Optus Pty Limited and its subsidiaries from the existing shareholders became unconditional. The settlement of the purchase consideration was satisfied via S\$4,559.9 million in shares of SingTel, S\$1,236.6 million of US\$ denominated bonds issued by SingTel and cash of S\$7,225.9 million.

The details of the acquisition were as follows:-

| | S\$ million |
|---|----------------|
| Fair values of identifiable net assets of the subsidiary acquired | |
| Non-current assets: | |
| Intangibles and goodwill on consolidation | 371.1 |
| Property, plant and equipment | 5,082.8 |
| Deferred tax asset | 365.3 |
| Other non-current assets | 41.4 |
| Cash | 61.6 |
| Current assets | 1,645.7 |
| Current liabilities | (1,293.3) |
| Long term liabilities | (4,620.6) |
| | <u>1,654.0</u> |
| Goodwill | 11,368.4 |
| Total consideration | 13,022.4 |
| Less: | |
| Consideration in shares issued | (4,559.9) |
| Consideration in bonds issued | (1,236.6) |
| Total consideration in cash | <u>7,225.9</u> |
| Less: Cash in subsidiary acquired | (61.6) |
| Outflow of cash | <u>7,164.3</u> |

The accompanying notes on pages 74 to 135 form an integral part of these financial statements.

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