Telstra Corporation Limited and controlled entities

Concise Financial Report

For the year ended 30 June 2007

Income Statement

for the year ended 30 June 2007

		Telstra Group Year ended 30 June	
	Note	2007 $m	2006 $m
Income			
Revenue (excluding finance income)	2,3	**23,709**	22,734
Other income		**251**	328
		23,960	23,062
Expenses			
Labour		**4,017**	4,364
Goods and services purchased		**5,151**	4,701
Other expenses		**4,924**	4,427
		14,092	13,492
Share of net loss/(gain) from jointly controlled and associated entities		**7**	(5)
		14,099	13,487
Earnings before interest, income tax expense, depreciation and amortisation (EBITDA)		**9,861**	9,575
Depreciation and amortisation		**4,082**	4,078
Earnings before interest and income tax expense (EBIT)	3	**5,779**	5,497
Finance income		**57**	74
Finance costs		**1,144**	1,007
Net finance costs		**1,087**	933
Profit before income tax expense		**4,692**	4,564
Income tax expense		**1,417**	1,381
Profit for the year		**3,275**	3,183
Attributable to:			
Equity holders of Telstra Entity		**3,253**	3,183
Minority interest		**22**	-
		3,275	3,183
Earnings per share (cents per share)		**cents**	cents
Basic		**26.3**	25.7
Diluted		**26.2**	25.7

The above income statement should be read in conjunction with the accompanying notes. The financial statements and specific disclosures have been derived from the full financial report contained in the "Annual Report 2007". This concise financial report is extracted from the full financial report and as a result, cannot be expected to provide as full an understanding of the financial performance, financial position and cash flow activities of Telstra as the financial report. Further financial information can be obtained from the full financial report contained in the "Annual Report 2007" which is available, free of charge, upon request to Telstra.

Balance Sheet
as at 30 June 2007

	Telstra Group As at 30 June 2007 $m	2006 $m
Current assets		
Cash and cash equivalents	**823**	689
Trade and other receivables	**3,891**	3,721
Inventories	**332**	224
Derivative financial assets	**41**	21
Prepayments	**266**	244
Total current assets	**5,353**	4,899
Non current assets		
Trade and other receivables	**190**	146
Inventories	**17**	20
Investments – accounted for using the equity method	**16**	23
Investments – other	**3**	-
Property, plant and equipment	**24,607**	23,592
Intangible assets	**6,625**	6,123
Deferred tax assets	**1**	1
Derivative financial assets	**249**	391
Defined benefit assets	**814**	1,029
Total non current assets	**32,522**	31,325
Total assets	**37,875**	36,224
Current liabilities		
Trade and other payables	**4,207**	3,570
Borrowings	**2,743**	1,982
Current tax liabilities	**449**	428
Provisions	**628**	737
Derivative financial liabilities	**177**	12
Revenue received in advance	**1,230**	1,170
Total current liabilities	**9,434**	7,899
Non current liabilities		
Trade and other payables	**195**	197
Borrowings	**11,619**	11,442
Deferred tax liabilities	**1,513**	1,705
Provisions	**834**	974
Derivative financial liabilities	**1,328**	768
Revenue received in advance	**372**	405
Total non current liabilities	**15,861**	15,491
Total liabilities	**25,295**	23,390
Net assets	**12,580**	12,834
Equity		
Share capital	**5,611**	5,569
Reserves	**(258)**	(160)
Retained profits	**6,976**	7,179
Equity available to Telstra Entity shareholders	**12,329**	12,588
Minority interests	**251**	246
Total equity	**12,580**	12,834

The above balance sheet should be read in conjunction with the accompanying notes.

Statement of Recognised Income and Expense

for the year ended 30 June 2007

	Telstra Group Year ended 30 June	
	2007 $m	2006 $m
Foreign currency translation reserve		
Equity accounting our interest in jointly controlled and associated entities	**(1)**	1
Translation of financial statements of non-Australian controlled entities	**(144)**	(36)
Cash flow hedging reserve		
Net hedging (losses)/gains recognised directly in equity	**(552)**	327
Net hedging losses/(gains) removed from equity and included in profit for the year	**573**	(420)
Net hedging losses removed from equity and included in property, plant and equipment	**11**	-
Retained profits		
Actuarial gain on defined benefit plans	**23**	962
	(90)	834
Income tax on equity items	**(15)**	(256)
Net (expense)/income recognised directly in equity	**(105)**	578
Profit for the year	**3,275**	3,183
Total recognised income for the year	**3,170**	3,761
Attributable to:		
Telstra Entity	**3,161**	3,757
Minority interest	**9**	4
	3,170	3,761
Effects of changes in accounting policy	**-**	74

The above statement of recognised income and expense should be read in conjunction with the accompanying notes.

Cash Flow Statement

for the year ended 30 June 2007

		Telstra Group Year ended 30 June	
		2007	2006
	Note	$m	$m
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax (GST))		**26,187**	25,191
Payments to suppliers and to employees (inclusive of GST)		**(16,049)**	(14,756)
Net cash generated by operations		**10,138**	10,435
Income taxes paid		**(1,618)**	(1,882)
Net cash provided by operating activities		**8,520**	8,553
Cash flows from investing activities			
Payments for:			
- property, plant and equipment		**(4,657)**	(3,636)
- intangible assets		**(995)**	(619)
Capital expenditure (before investments)		**(5,652)**	(4,255)
- shares in controlled entities (net of cash acquired)		**(326)**	(43)
- payments for other investments		**(4)**	(5)
Total capital expenditure		**(5,982)**	(4,303)
Proceeds from:			
- sale of property, plant and equipment		**32**	50
- sale of intangible assets		**2**	-
- sale of shares in controlled entities (net of cash disposed)		**218**	4
- sale of other investments		**14**	89
Proceeds from finance lease principal amounts		**84**	30
Net cash consideration from CSL New World Mobility merger		**(21)**	42
Issue of additional shares by controlled entities		**-**	6
Proceeds from share buy-back by jointly controlled and associated entities		**-**	34
Loan to jointly controlled and associated entities		**(24)**	-
Interest received		**56**	74
Net cash used in investing activities		**(5,621)**	(3,974)
Operating cash flows less investing cash flows		**2,899**	4,579
Cash flows from financing activities			
Proceeds from borrowings		**5,206**	3,241
Proceeds from Telstra bonds and domestic loans		**373**	-
Repayment of borrowings		**(3,776)**	(2,224)
Repayment of Telstra bonds and domestic loans		**-**	(517)
Repayment of finance lease principal amounts		**(42)**	(31)
Staff repayments of share loans		**17**	24
Purchase of shares for employee share plans		**-**	(6)
Finance costs paid		**(1,056)**	(945)
Dividends paid	4	**(3,479)**	(4,970)
Net cash used in financing activities		**(2,757)**	(5,428)
Net increase/(decrease) in cash and cash equivalents		**142**	(849)
Cash and cash equivalents at the beginning of the year		**689**	1,534
Effects of exchange rate changes on cash and cash equivalents		**(8)**	4
Cash and cash equivalents at the end of the year		**823**	689

The above cash flow statement should be read in conjunction with the accompanying notes.

Notes to the Concise Financial Statements

1. Accounting policies

Basis of preparation

This concise financial report has been prepared in accordance with the Corporations Act 2001 and AASB 1039: "Concise Financial Reports" and is derived from the full financial report contained in the "Annual Report 2007". All amounts are presented in Australian dollars.

The principal accounting policies we used in preparing the concise financial report of Telstra Corporation Limited and its controlled entities (referred to as the Telstra Group) are included in the full financial report contained in the "Annual Report 2007".

Our full financial report complies with the requirements of the Australian Corporations Act 2001 and Accounting Standards applicable in Australia. It also complies with Accounting Standards and Interpretations published by the International Accounting Standards Board.

Changes in accounting policies

The following accounting policy changes occurred during the year ended 30 June 2007.

(i) Lease arrangements

UIG 4: "Determining Whether an Arrangement Contains a Lease" (UIG 4) became applicable to annual reporting periods beginning on or after 1 January 2006. We have applied this interpretation in our financial report for the year ended 30 June 2007 including the restatement of our comparative information.

UIG 4 requires entities to assess whether arrangements they enter into contain leases. An arrangement contains a lease if fulfilment of the arrangement is dependent on the use of specific assets and conveys a right to use those assets to the customer. The lease component of the arrangement is then separated and accounted for as either a finance or operating lease depending on the nature of the arrangement.

Some of our solutions management and outsourcing arrangements that we enter into as a service provider meet the requirements of UIG 4 as we provide the customer with the right to use dedicated equipment. We have applied this new accounting policy to these arrangements in existence at the start of our comparative period (1 July 2005). We have assessed that a number of the embedded leases in existence at 1 July 2005 are finance leases in accordance with our current accounting policy for leases and AASB 117: "Leases" as substantially all of the risks and benefits incidental to ownership of this equipment are transferred to the customer. This required property, plant and equipment identified as part of an UIG 4 arrangement to be transferred to finance lease receivable and for lease accounting to be applied post this date.

Before UIG 4 applied, we did not separately account for embedded leases within our service agreements. Fixed and leased assets were previously recognised in our balance sheet and these assets were depreciated or amortised over their economic lives. Revenue associated with the entire service agreement was accounted for in accordance with our accounting policy on service revenue.

Reconciliations and descriptions of the impact of adoption of UIG 4 on the Telstra Group income statement, balance sheet and cash flow statement are provided in note 2.1 of the full financial report contained in the "Annual Report 2007".

Comparative note disclosures have been restated based on our interpretation of UIG 4.

(ii) Financial guarantees

AASB 2005-9: "Amendments to Australian Accounting Standards" became applicable to annual reporting periods beginning on or after 1 January 2006. We have applied this standard in our financial report for the year ended 30 June 2007.

From 1 January 2007 liabilities arising from the issue of financial guarantee contracts need to be recognised on the balance sheet. The financial guarantee contracts that we have identified were not significant and as such there has been no impact on our balance sheet, income statement or cash flow statement.

Notes to the Concise Financial Statements (continued)

2. Revenue

Our total revenue (excluding finance income) includes:

	Telstra Group Year ended 30 June	
	2007 **$m**	**2006** **$m**
Sales revenue	**23,673**	22,712
Other revenue	**36**	22
Total revenue (excluding finance income)	**23,709**	22,734

Notes to the Concise Financial Statements (continued)

3. Segment information

We report our segment information on the basis of business segments as our risks and returns are affected predominantly by differences in the products and services we provide through those segments.

Our internal management reporting structure drives how our Company is organised and managed. This internal structure provides the initial basis for determining our business segments.

Our business segments are predominantly distinguishable by the different type of customers we deliver our key products and services to. Our customer facing business segments service different customer types. Other reportable business segments are also aligned with our specific customer or business needs. These segments provide operational support services or product support services to our customer facing business segments, or service other telecommunication carriers. Our “Other” segment consists of various business units that do not qualify as business segments in their own right and which service a variety of customer or business needs.

The main adjustments from our internal management reporting structure to our reported business segments are in relation to certain offshore operations. For internal reporting purposes, our TelstraClear group (TelstraClear) and our CSL New World Mobility group (CSL New World) are business units in their own right, with TelstraClear managed by our Telstra Enterprise and Government business unit. Also, the International Head Office group is included as part of our Strategic Marketing business unit. These offshore operations are reported as part of a segment we have called Telstra International for segment reporting purposes.

For the purposes of the applicable accounting standard, we consider that the risks and returns of these offshore operations differ from those of our local operations and as a result we have grouped these operations into the Telstra International business segment.

Business segments

Our business segments during fiscal 2007 are substantially consistent with their structure in the prior year. We have restated all our comparative information to reflect our current reporting position as if all our business segments and segment accounting policies existed in fiscal 2006.

For segment reporting purposes, the Telstra Group is organised into the following business segments:

Telstra Consumer Marketing and Channels (TC&C) is responsible for:

- the provision of the full range of telecommunication products, services and communication solutions to consumers; and
- leading the mass market channels including inbound and outbound call centres, Telstra Shops and Telstra Dealers.

Telstra Business (TB) is responsible for:

- the provision of the full range of telecommunication products and services, communication solutions, and information and communication technology services to small to medium enterprises.

Telstra Enterprise and Government (TE&G) is responsible for:

- the provision of the full range of telecommunication products and services, communication solutions, and information and communication technology services to corporate and government customers; and
- the provision of global communication solutions to multi-national corporations through our interests in the United Kingdom, Asia and North America.

Telstra Wholesale (TW) is responsible for:

- the provision of a wide range of telecommunication products and services delivered over our networks and associated support systems to non-Telstra branded carriers, carriage service providers, Internet service providers, system integrators and application service providers.

Sensis is responsible for:

- the management and growth of the advertising and directories business, including printed publications, voice and directory services and online products and services; and
- the provision of China’s largest online real estate, home furnishings and home improvements portal through the investment in SouFun.

Telstra International (TInt.) consists of the following offshore business operations:

- CSL New World is a 76.4% owned subsidiary in Hong Kong responsible for providing full mobile services including handset sales, voice and data products;
- International Head Office Group is responsible for our Asia-Pacific investments; and
- TelstraClear is our New Zealand subsidiary that provides full telecommunications services to the New Zealand market.

Notes to the Concise Financial Statements (continued)

3. Segment information (continued)

Business segments (continued)

Telstra Operations (TO) is responsible for:

- co-ordination and execution of our company's multi-year business improvement and transformation program;
- leading the identification, analysis, validation, development and implementation of product, technology and information technology strategies for both the network infrastructure and customer solutions of our Company;
- overall planning, design, specification of standards, commissioning and decommissioning of our communication networks;
- construction of infrastructure for our Company's fixed, mobile, Internet protocol (IP) and data networks;
- operation and maintenance, including activation and restoration of these networks;
- supply and delivery of information technology solutions to support our products, services and customer support function;
- the development and lifecycle management of products and services over the networks, as well as application platforms and the online environment; and
- operational support functions for our Company, including procurement, billing, credit management and property management.

Telstra Country Wide (TCW) is responsible for:

- the local management and control of providing telecommunication products, services and solutions to all consumer customers, except those in Sydney and Melbourne, and small business, enterprise and some government customers outside the mainland state capital cities, in outer metropolitan areas, and in Tasmania and the Northern Territory.

Telstra BigPond is responsible for:

- the management and control of our consumer retail Internet products, contact centres, and online and mobile content services.

Telstra Media is responsible for:

- the management of our investment in the FOXTEL partnerships; and
- the development and management of the hybrid fibre coaxial (HFC) cable network.

Strategic Marketing is responsible for:

- the co-ordination and delivery of strategy and marketing activities across our Company and market segments.

Corporate areas include:

- Legal Services - provides legal services across the Company;
- Public Policy and Communications - responsible for managing our relationships and positioning with key groups such as our customers, the media, governments, community groups and staff. It also has responsibility for regulatory positioning and negotiation;
- Finance and Administration - encompasses the functions of corporate planning, accounting and administration, treasury, risk management and assurance, investor relations and the office of the company secretary. It also includes providing financial support to all business units and financial management of the majority of the Telstra Entity fixed assets (including network assets) through the Asset Accounting Group; and
- Human Resources - encompasses talent management, organisational development, human resource operations, health, safety and environment, as well as workplace relations and remuneration.

In our segment financial results, the “Other” segment consists of various business units that do not qualify as reportable segments in their own right. These include:

- Telstra Country Wide;
- Telstra BigPond;
- Telstra Media;
- Strategic Marketing; and
- our corporate areas.

Segment financial results

For segment reporting purposes, we have reallocated certain items between the respective business segments pursuant to the definitions of segment revenues, segment expenses, segment assets and segment liabilities contained in the applicable accounting standard, where a reasonable allocation basis exists.

There are certain items that are not reallocated to alternative segments due to the management accountability framework and internal reporting system. These items are reported within the same segment as for internal management reporting. As a result, our segment revenues, segment expenses, segment assets and segment liabilities do not reflect actual operating results achieved for our business segments in certain circumstances.

Notes to the Concise Financial Statements (continued)

3. Segment information (continued)

Segment financial results (continued)

The following narrative further explains our segment results for those individual items that have not been reallocated:

- sales revenue associated with mobile handsets for TC&C, TB and TE&G are mainly allocated to the TC&C segment. Ongoing prepaid and postpaid mobile revenues derived from our mobile usage is recorded in TC&C, TB and TE&G depending on the type of customer serviced. In addition, the majority of goods and services purchased associated with our mobile revenues are allocated to the TC&C segment. As a result, the TC&C segment also holds segment assets and segment liabilities related to those revenues and expenses recorded in TC&C;
- trade debtors in relation to the mobile repayment option on mobile handsets sold by our dealers are allocated totally to TC&C;
- revenue received in advance in relation to installation and connection fees is allocated totally to TC&C; and
- revenue derived from our BigPond Internet products and its related segment assets are recorded in the customer facing business segments of TC&C, TB and TE&G. Certain distribution costs in relation to these products are recognised in these three business segments. Telstra Operations recognise certain expenses in relation to the installation and running of the broadband cable network. The related segment assets are managed by the Asset Accounting Group. In accordance with our application of the business segment definition in relation to customer type, we have not reallocated these items to the Telstra BigPond business segment.

Segment assets and liabilities

Segment assets and segment liabilities form part of the operating activities of a segment and can be allocated directly to that segment.

The Asset Accounting Group performs a company wide function in relation to the financial management of certain assets. These assets are accounted for at the corporate level (aggregated in the "Other" segment) and not allocated across segments.

The "Other" segment also includes balances that do not meet the definition of segment assets and segment liabilities for our reportable business segments. As a result, borrowings and income tax assets and liabilities are recorded as reconciling items within the "Other" segment.

Inter-segment transfers

We account for all transactions between entities within the Telstra Group, including international transactions between Australian and non-Australian businesses, at market value. For segment reporting purposes, transfer pricing is not used within the Company. As such the inter-segment revenue line purely relates to intercompany revenue.

The Asset Accounting Group does not allocate depreciation expense related to the use of assets owned at the corporate level to other business segments.

Notes to the Concise Financial Statements (continued)

3. Segment information (continued)

Telstra Group

Year ended 30 June 2007	TC&C $m	TB $m	TE&G $m	TW $m	Sensis $m	TInt. $m	TO $m	Other (a) $m	Elimin-ations $m	Total $m
Revenue from external customers	9,509	3,241	4,465	2,657	1,968	1,574	192	103	-	23,709
Add inter-segment revenue	-	-	64	300	-	32	51	5	(452)	-
Total segment revenue	9,509	3,241	4,529	2,957	1,968	1,606	243	108	(452)	23,709
Segment result	5,593	2,592	2,572	2,867	749	52	(3,915)	(4,830)	45	5,725
Share of equity accounted net (losses)/profits	-	-	(6)	-	(1)	-	-	-	-	(7)
Less net gain on sale of investments	-	-	43	-	4	9	2	3	-	61
Earnings before interest and income tax expense (EBIT)	5,593	2,592	2,609	2,867	752	61	(3,913)	(4,827)	45	5,779
Segment result has been calculated after charging/(crediting) the following non cash expenses:										
Impairment losses	182	8	7	6	143	21	14	14	-	395
Reversal of impairment losses	-	(1)	-	(1)	-	-	(4)	-	-	(6)
Depreciation and amortisation	-	-	51	-	130	325	61	3,515	-	4,082
Other significant non cash expenses	24	10	21	4	1	-	142	64	-	266
Non current segment assets acquired – accrual basis (excluding acquisition of investments)	13	5	59	9	226	195	5,361	11	-	5,879
As at 30 June 2007										
Segment assets	1,599	394	1,649	365	2,188	3,645	4,090	24,124	(179)	37,875
Segment assets include:										
Trade and other receivables	1,315	390	915	362	725	340	104	101	(171)	4,081
Investments accounted for using the equity method	-	-	12	-	3	1	-	-	-	16
Segment liabilities	1,227	182	631	274	691	558	2,899	19,005	(172)	25,295

(a) Revenue for the "Other" segment relates primarily to our revenue earned by Telstra Media from reselling FOXTEL pay television services to our customers and for services provided to FOXTEL. The Asset Accounting Group is the main contributor to the segment result for this segment, which is primarily depreciation and amortisation charges.

Segment assets for the "Other" segment includes the Telstra Entity fixed assets (including network assets) managed through the centralised Asset Accounting Group. Segment liabilities includes income tax liabilities and borrowings, which have been reallocated from the reportable business segment in accordance with the applicable accounting standard.

Notes to the Concise Financial Statements (continued)

3. Segment information (continued)

Telstra Group

Year ended 30 June 2006	TC&C $m	TB $m	TE&G $m	TW $m	Sensis $m	TInt. $m	TO $m	Other (a) $m	Elimin- ations $m	Total $m
Revenue from external customers	8,879	3,163	4,474	2,610	1,825	1,450	226	107	-	22,734
Add inter-segment revenue	-	-	57	292	10	31	81	9	(480)	-
Total segment revenue	8,879	3,163	4,531	2,902	1,835	1,481	307	116	(480)	22,734
Segment result	5,634	2,541	2,632	2,694	864	86	(4,173)	(4,877)	29	5,430
Share of equity accounted net (losses)/profits	-	-	-	-	(1)	12	-	(6)	-	5
Less net gain on sale of investments	-	-	4	-	-	58	-	-	-	62
Earnings before interest and income tax expense (EBIT)	5,634	2,541	2,636	2,694	863	156	(4,173)	(4,883)	29	5,497
Segment result has been calculated after charging/(crediting) the following non cash expenses:										
Impairment losses	134	14	6	-	13	11	140	33	-	351
Reversal of impairment losses	-	-	-	(17)	-	-	(5)	-	-	(22)
Depreciation and amortisation	-	-	58	-	91	298	48	3,583	-	4,078
Other significant non cash expenses	25	4	20	5	1	3	144	8	-	210
Non current segment assets acquired - accrual basis (excluding acquisition of investments)	11	-	54	23	96	224	4,058	5	-	4,471
As at 30 June 2006										
Segment assets	1,420	372	1,812	450	1,886	3,817	3,315	23,331	(179)	36,224
Segment assets include:										
Trade and other receivables	1,226	372	839	444	693	323	89	57	(176)	3,867
Investments accounted for using the equity method	-	-	19	-	3	1	-	-	-	23
Segment liabilities	1,263	166	608	241	673	615	2,587	17,414	(177)	23,390

(a) Revenue for the "Other" segment relates primarily to our revenue earned by Telstra Media from reselling FOXTEL pay television services and for services provided to FOXTEL. The Asset Accounting Group is the main contributor to the segment result for this segment, which is primarily depreciation and amortisation charges.

Segment assets for the "Other" segment includes the Telstra Entity fixed assets (including network assets) managed through the centralised Asset Accounting Group. Segment liabilities excludes income tax liabilities and borrowings, which are included as part of the "Other" segment.

Notes to the Concise Financial Statements (continued)

4. Dividends

	Telstra Entity Year ended 30 June	
	2007 $m	2006 $m
Dividends paid		
Previous year final dividend paid	**1,739**	1,739
Previous year special dividend paid with the final dividend	**-**	746
Interim dividend paid	**1,740**	1,739
Special dividend paid with the interim dividend	**-**	746
Total dividends paid	**3,479**	4,970
Dividends paid per ordinary share	**¢**	**¢**
Previous year final dividend paid	**14.0**	**14.0**
Previous year special dividend paid with the final dividend	**-**	**6.0**
Interim dividend paid	**14.0**	**14.0**
Special dividend paid with the interim dividend	**-**	**6.0**
Total dividends paid	**28.0**	**40.0**

Our dividends paid are fully franked at a tax rate of 30%.

Dividends declared per ordinary share

Our dividends declared per share in respect of each fiscal year are detailed below:

	Telstra Entity Year ended 30 June	
	2007	2006
Dividends declared per ordinary share	**¢**	**¢**
Interim dividend paid	**14.0**	14.0
Special dividend paid with the interim dividend	**-**	6.0
Final dividend (a)	**14.0**	14.0
Total	**28.0**	34.0

(a) As our final dividend for fiscal 2007 was not declared, determined or publicly recommended by the Board as at 30 June 2007, no provision for dividend was raised prior to, or as at, that date in the balance sheet. Our final dividend has been reported as an event subsequent to balance date and the provision for dividend has been raised at the declaration date. Refer to note 6 for further details.

Notes to the Concise Financial Statements (continued)

5. Income Statement items requiring specific disclosure

The separate disclosure of the following material items is relevant in explaining our financial performance.

Our profit for the year has been calculated after charging specific expense items from our continuing operations as detailed below:

	Telstra Group Year ended 30 June	
	2007 $m	2006 $m
Redundancy and restructuring related costs		
Labour		
- redundancy expense	-	356
- restructuring expense	-	50
	-	406
Goods and services purchased		
- restructuring expense	-	54
Other expenses		
- restructuring expense	-	105
- impairment in value of inventories	-	18
- impairment in value of trade and other receivables	-	14
- impairment in value of intangibles	-	61
- impairment in value of property, plant and equipment	-	46
	-	244
Depreciation and amortisation		
- accelerated amortisation of intangibles	-	160
- accelerated depreciation of property, plant and equipment	-	262
	-	422
Other		
- impairment in value of intangibles	**110**	-
Total expense items	**110**	1,126
Income tax benefit attributable to those items requiring specific disclosure	-	(338)
Net items after income tax benefit	**110**	788

For the year ended 30 June 2007, the profit before income tax expense of the Telstra Group included an impairment loss of $110 million relating to impairment of the mastheads in the Trading Post Group. Refer to note 25 of the full financial report contained in the "Annual Report 2007" for further details regarding impairment. This impairment loss is included in our Sensis segment.

For the year ended 30 June 2006, we recorded a number of restructuring related expenses associated with the implementation of our strategic review initiatives. The redundancy and restructuring costs included the following:

- redundancy costs associated with the reduction in our workforce, including those redundancies that were provided for;
- the provision for restructuring costs associated with shutting down certain networks, platforms and applications, property rationalisation, onerous lease costs and replacing customer equipment;
- the impairment of certain assets that due to the decision to shut down certain networks and platforms that are no longer considered recoverable. This also includes the decision to cancel certain projects relating to the development of software and the construction of property, plant and equipment. These impairment losses were included within the Telstra Operations and Other segments; and
- the accelerated recognition of depreciation and amortisation of certain assets that, while currently in use, will be decommissioned as part of our decision to shut down certain networks, platforms and applications.

In fiscal 2006, a total provision of $427 million was raised for redundancy and restructuring for the Telstra Group. This included $395 million recorded in current and non current provisions, $18 million recorded as a reduction in inventory and $14 million recorded as an allowance for trade receivables.

Notes to the Concise Financial Statements (continued)

6. Events after balance date

We are not aware of any matter or circumstance that has occurred since 30 June 2007 that, in our opinion, has significantly affected or may significantly affect in future years:

- our operations;
- the results of those operations; or
- the state of our affairs;

other than:

Dividend declaration

On 9 August 2007, the directors of Telstra Corporation Limited declared a fully franked final dividend of 14 cents per ordinary share. The record date for the final dividend will be 24 August 2007 with payment being made on 21 September 2007. Shares will trade excluding the entitlement to the dividend on 20 August 2007.

A provision for dividend payable has been raised as at the date of declaration, amounting to $1,740 million. The final dividend will be fully franked at a tax rate of 30%. The financial effect of the dividend declaration was not brought to account as at 30 June 2007.

There are no income tax consequences for the Telstra Group and Telstra Entity resulting from the declaration and payment of the final ordinary dividend, except for $746 million franking debits arising from the payment of this dividend that will be adjusted in our franking account balance.

Dividend reinvestment plan

On 4 July 2007, Telstra Corporation Limited announced the commencement of a dividend reinvestment plan ("DRP"). The election date for participation in the DRP is 24 August 2007.

Seven Network Limited and C7 Pty Limited litigation

In November 2002, Seven Network Limited and C7 Pty Limited ('Seven') commenced litigation against us and various other parties ('the respondents') in relation to the contracts and arrangements between us and some of those other parties relating to the right to broadcast Australian Football League and National Rugby League, the contract between FOXTEL and us for the provision of HFC cable services (the Broadband Co-operation Agreement) and other matters.

On 27 July 2007 the Federal Court dismissed Seven's case on all grounds. Final orders will be made, after the parties make submissions on costs. The decision could be subject to appeal by Seven.

Directors' Declaration

The directors of Telstra Corporation Limited have made a resolution that declared in the opinion of the directors:

1. the Concise Financial Report of Telstra Corporation Limited for the year ended 30 June 2007 is in accordance with Accounting Standard AASB 1039 "Concise Financial Reports"; and

2. the financial statements and specific disclosures included in the Concise Financial Report have been derived from the full financial report contained in the "Annual Report 2007" for the year ended 30 June 2007.

For and on behalf of the board

Donald G McGauchie
Chairman

Solomon D Trujillo
Chief Executive Officer and Executive Director

Date: 9 August 2007
Sydney, Australia

Independent Auditor's Report to the Members of Telstra Corporation Limited

Report on the Concise Financial Report

The accompanying concise financial report of Telstra Corporation Limited and the entities it controlled during the year ended 30 June 2007 (the Telstra Group), comprises the balance sheet as at 30 June 2007, the income statement, statement of recognised income and expense, and cash flow statement for the year then ended and related notes, derived from the audited financial report of the Telstra Group for the year ended 30 June 2007. The concise financial report also includes the directors' declaration. The concise financial report does not contain all the disclosures required by the Australian Accounting Standards.

Directors' Responsibility for the Concise Financial Report
The directors are responsible for the preparation and fair presentation of the concise financial report in accordance with Accounting Standard AASB 1039 *Concise Financial Reports,* and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation of the concise financial report; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on the concise financial report based on our audit procedures. We have conducted an independent audit, in accordance with Australian Auditing Standards of the financial report of the Telstra Group for the year ended 30 June 2007. Our audit report on the financial report for the year was signed on 9 August 2007 and was not subject to any modification. The Australian Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

Our procedures in respect of the concise financial report included testing that the information in the concise financial report is derived from, and is consistent with, the financial report for the year, and examination on a test basis, of evidence supporting the amounts and other disclosures which were not directly derived from the financial report for the year. These procedures have been undertaken to form an opinion whether, in all material respects, the concise financial report complies with Accounting Standard AASB 1039 *Concise Financial Reports.*

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence
In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's Opinion
In our opinion, the concise financial report and the directors' declaration of the Telstra Group for the year ended 30 June 2007 complies with Accounting Standard AASB 1039 *Concise Financial Reports*.

Ernst & Young

Ernst & Young

Mirco Bardella
Partner

9 August 2007
Melbourne, Australia