Telstra Corporation Limited and controlled entities

ACN 051 775 556

Financial Report

as at 30 June 1999

Page No.

Financial Statements

Notes to the Financial Statements

This financial report incorporates the disclosure requirements under both Australian and United States generally accepted accounting principles.

Profit and Loss Statement

for the year ended 30 June 1999

		Telstra Group				Telstra Entity	
		Year ended 30 June				Year ended 30 June	
		1999	**1999**	1998	1997	**1999**	1998
	Note	**$m**	**US$m**	$m	$m	**$m**	$m
Operating revenue							
Sales revenue	2	**17,571**	**11,616**	16,703	15,430	**17,094**	16,373
Other revenue	2	**647**	**428**	599	553	**777**	696
		18,218	**12,044**	17,302	15,983	**17,871**	17,069
Operating expenses							
Labour		**3,270**	**2,162**	3,665	3,973	**3,037**	3,451
Direct cost of sales		**3,002**	**1,985**	2,582	2,033	**2,671**	2,313
Depreciation and amortisation	3(a)	**2,502**	**1,654**	2,322	2,353	**2,379**	2,206
Other operating expenses	3(a)	**3,546**	**2,344**	3,631	3,295	**3,681**	3,929
Borrowing costs	3(a)	**578**	**382**	634	524	**550**	604
		12,898	**8,527**	12,834	12,178	**12,318**	12,503
Operating profit before abnormals and income tax expense	3(a)	**5,320**	**3,517**	4,468	3,805	**5,553**	4,566
Abnormals	3(c)	**-**	**-**	-	(1,732)	**-**	-
Operating profit before income tax expense		**5,320**	**3,517**	4,468	2,073	**5,553**	4,566
Income tax expense attributable to operating profit	4	**1,832**	**1,211**	1,468	680	**1,967**	1,723
Abnormal income tax credit	3(d),4	**-**	**-**	-	(216)	**-**	-
Income tax expense	4	**1,832**	**1,211**	1,468	464	**1,967**	1,723
Operating profit after income tax expense		**3,488**	**2,306**	3,000	1,609	**3,586**	2,843
Outside equity interests in operating (profit)/ loss after income tax expense		**(2)**	**(1)**	4	8	**-**	-
Operating profit after income tax expense attributable to the Telstra Entity shareholders		**3,486**	**2,305**	3,004	1,617	**3,586**	2,843
Retained profits at the beginning of the financial year attributable to the Telstra Entity shareholders		**4,570**	**3,020**	3,368	5,868	**4,220**	3,179
Aggregate of amounts transferred from reserves		**-**	**-**	-	29	**-**	-
Total available for appropriation		**8,056**	**5,325**	6,372	7,514	**7,806**	6,022
Dividends provided for or paid	7	**4,247**	**2,808**	1,802	4,146	**4,247**	1,802
Retained profits at the end of the financial year attributable to the Telstra Entity shareholders		**3,809**	**2,517**	4,570	3,368	**3,559**	4,220

		¢	**US ¢**	¢	¢
Basic earnings per share (cents)	6				
Before abnormals		**27.1**	**18.0**	23.3	20.0
After abnormals		**27.1**	**18.0**	23.3	12.6
Dividends per share (cents)	7				
Interim dividend		**7.0**	**4.6**	7.0	28.2
Final dividend					
- ordinary dividend		**10.0**	**6.6**	7.0	4.0
- special dividend		**16.0**	**10.6**	-	-
Total final dividend		**26.0**	**17.2**	7.0	4.0
Total dividend		**33.0**	**21.8**	14.0	32.2

The accompanying notes to the financial statements form part of the financial report.

Balance Sheet

as at 30 June 1999

		Telstra Group			Telstra Entity	
		As at 30 June			As at 30 June	
		1999	**1999**	1998	**1999**	1998
	Note	**$m**	**US$m**	$m	**$m**	$m
Current assets						
Cash	8	**979**	**647**	953	**882**	872
Receivables	9	**3,245**	**2,145**	3,178	**3,522**	3,236
Inventories	10	**204**	**135**	243	**201**	239
Other assets	14	**125**	**83**	136	**119**	129
Total current assets		**4,553**	**3,010**	4,510	**4,724**	4,476
Non current assets						
Receivables	9	**293**	**194**	241	**401**	328
Inventories	10	**16**	**11**	27	**16**	27
Investments	11	**266**	**176**	228	**465**	381
Property, plant and equipment	12	**20,881**	**13,803**	19,756	**20,409**	19,251
Future income tax benefit		**366**	**242**	787	**-**	425
Intangible assets	13	**452**	**299**	496	**423**	455
Other assets	14	**855**	**565**	425	**852**	424
Total non current assets		**23,129**	**15,290**	21,960	**22,566**	21,291
Total assets		**27,682**	**18,300**	26,470	**27,290**	25,767
Current liabilities						
Accounts payable	15	**2,507**	**1,657**	2,485	**2,369**	2,264
Borrowings	16	**2,265**	**1,497**	2,935	**2,526**	2,994
Provisions	17	**4,727**	**3,125**	2,460	**4,532**	2,268
Revenue received in advance		**654**	**432**	666	**643**	619
Total current liabilities		**10,153**	**6,711**	8,546	**10,070**	8,145
Non current liabilities						
Accounts payable	15	**745**	**493**	700	**710**	685
Borrowings	16	**4,946**	**3,270**	4,787	**4,952**	4,873
Provisions	17	**1,089**	**720**	1,356	**810**	1,101
Deferred income tax		**455**	**301**	2	**454**	-
Total non current liabilities		**7,235**	**4,784**	6,845	**6,926**	6,659
Total liabilities		**17,388**	**11,495**	15,391	**16,996**	14,804
Net assets		**10,294**	**6,805**	11,079	**10,294**	10,963
Shareholders' equity						
Telstra Entity						
Share capital	18	**6,433**	**4,253**	6,433	**6,433**	6,433
Reserves		**14**	**10**	30	**302**	310
Retained profits		**3,809**	**2,517**	4,570	**3,559**	4,220
Shareholders' equity attributable to the Telstra Entity shareholders		**10,256**	**6,780**	11,033	**10,294**	10,963
Outside equity interests						
Share capital		**64**	**42**	41	**-**	-
Reserves		**(3)**	**(2)**	25	**-**	-
Retained losses		**(23)**	**(15)**	(20)	**-**	-
Total outside equity interests		**38**	**25**	46	**-**	-
Total shareholders' equity		**10,294**	**6,805**	11,079	**10,294**	10,963

Expenditure commitments and contingent liabilities 20,21

The accompanying notes to the financial statements form part of the financial report.

Statement of Cash Flows

for the year ended 30 June 1999

	Telstra Group				Telstra Entity	
	Year ended 30 June				Year ended 30 June	
	1999	**1999**	1998	1997	**1999**	1998
	$m	**US$m**	$m	$m	**$m**	$m
Cash flows from operating activities						
Receipts from trade and other debtors	**17,603**	**11,638**	16,709	15,068	**16,986**	16,928
Payments of accounts payable and to employees	**(9,628)**	**(6,365)**	(9,807)	(8,536)	**(9,098)**	(10,088)
Interest received	**50**	**33**	48	80	**49**	47
Interest paid	**(549)**	**(363)**	(559)	(385)	**(549)**	(562)
Finance charges on finance leases paid	**(9)**	**(6)**	(16)	(18)	**(3)**	(9)
Dividends received	**23**	**15**	29	40	**135**	50
Income taxes paid	**(916)**	**(606)**	(769)	(995)	**(885)**	(712)
Net cash provided by operating activities (a)	**6,574**	**4,346**	5,635	5,254	**6,635**	5,654
Cash flows from investing activities						
Payments for:						
- property, plant and equipment	**(3,707)**	**(2,451)**	(3,286)	(3,945)	**(3,618)**	(3,227)
- capitalised software	**(502)**	**(332)**	(227)	(238)	**(500)**	(227)
- patents, trademarks and licences	**(58)**	**(38)**	(228)	(57)	**(58)**	(222)
- deferred expenditure	**(7)**	**(5)**	-	(8)	**(7)**	-
Capital expenditure (before investments)	**(4,274)**	**(2,826)**	(3,741)	(4,248)	**(4,183)**	(3,676)
- shares in listed corporations	**(84)**	**(56)**	-	-	**(84)**	-
- shares in other corporations	**(4)**	**(3)**	-	(1)	**-**	-
- shares in controlled entities	**-**	**-**	-	-	**(251)**	(289)
- satellite consortia investments	**(2)**	**(1)**	(24)	(18)	**(2)**	(24)
- investment in joint venture entities	**(22)**	**(15)**	(125)	(129)	**(2)**	-
- investment in joint venture operation	**-**	**-**	-	(2)	**-**	-
Investment expenditure	**(112)**	**(75)**	(149)	(150)	**(339)**	(313)
Total capital expenditure	**(4,386)**	**(2,901)**	(3,890)	(4,398)	**(4,522)**	(3,989)
Proceeds from:						
- sale of property, plant and equipment	**246**	**163**	255	176	**253**	333
- sale of business	**50**	**33**	-	-	**50**	-
- sale of patents, trademarks and licences	**-**	**-**	11	-	**-**	-
- sale of listed securities	**14**	**9**	-	-	**1**	-
- sale of shares in controlled entities	**1**	**1**	-	26	**4**	-
- satellite consortia investments	**11**	**7**	7	25	**11**	7
- deferred expenditure	**-**	**-**	8	-	**-**	8
Net cash used in investing activities	**(4,064)**	**(2,688)**	(3,609)	(4,171)	**(4,203)**	(3,641)
Cash flows from financing activities						
Proceeds from borrowings	**8,884**	**5,874**	8,708	7,842	**8,831**	8,553
Repayment of:						
- Telecom/Telstra bonds	**(359)**	**(237)**	(192)	(126)	**(359)**	(192)
- borrowings	**(9,038)**	**(5,975)**	(8,834)	(4,906)	**(8,995)**	(8,694)
- principal under finance leases	**(169)**	**(112)**	(68)	(75)	**(97)**	(49)
Dividends paid	**(1,802)**	**(1,191)**	(1,422)	(4,307)	**(1,802)**	(1,422)
Net cash used in financing activities	**(2,484)**	**(1,641)**	(1,808)	(1,572)	**(2,422)**	(1,804)
Net increase/(decrease)	**26**	**17**	218	(489)	**10**	209
Cash at the beginning of the year	**948**	**627**	730	1,219	**872**	663
Cash at the end of the year (b)	**974**	**644**	948	730	**882**	872

The accompanying notes to the financial statements form part of the financial report.

Statement of Cash Flows (continued)

for the year ended 30 June 1999

		Telstra Group				Telstra Entity	
		Year ended 30 June				Year ended 30 June	
		1999	**1999**	1998	1997	**1999**	1998
	Note	**$m**	**US$m**	$m	$m	**$m**	$m
Cash flow notes							
(a) Reconciliation of net cash inflows provided by operating activities to operating profit after income tax expense							
Operating profit after income tax expense		**3,488**	**2,306**	3,000	1,609	**3,586**	2,843
Add/(subtract) non cash transactions							
Depreciation and amortisation	3(a)	**2,502**	**1,654**	2,322	2,353	**2,379**	2,206
Dividends received from associated entities	24	**9**	**6**	8	-	**-**	-
Writedown of broadband network communication assets		**-**	**-**	-	342	**-**	-
Writedown of property, plant and equipment	3(a)	**2**	**1**	16	-	**2**	16
Loss/(profit) on sale of controlled entities		**1**	**1**	-	(23)	**-**	-
Profit on sale of listed securities		**(11)**	**(7)**	-	-	**(1)**	-
Profit on sale of business		**(33)**	**(22)**	-	-	**(33)**	-
Net loss on sale of property, plant and equipment	3(a)	**13**	**9**	58	39	**1**	62
Profit on sale of patents, trademarks and licences	3(a)	**-**	**-**	(11)	-	**-**	-
Increase/(decrease) in net taxes payable		**915**	**605**	740	(568)	**912**	849
Stocktake adjustment to property, plant and equipment		**4**	**3**	7	(5)	**4**	7
Capitalised interest costs	3(a),3(c)	**(92)**	**(61)**	(83)	(106)	**(91)**	(82)
Joint venture entities' losses	3(a)	**39**	**26**	83	106	**-**	-
Share of associated entities' net loss/(profit)	2,24	**2**	**1**	(14)	-	**-**	-
Writeoff of investment in partnership		**8**	**5**	-	-	**-**	-
Provision for diminution in investments	3(a)	**(1)**	**(1)**	34	8	**255**	514
Net foreign currency differences		**-**	**-**	(9)	3	**-**	7
Changes in assets and liabilities							
Decrease/(increase) in trade and other debtors		**30**	**20**	183	(396)	**(199)**	660
Decrease in inventories		**40**	**26**	3	135	**38**	1
Decrease/(increase) in prepayments		**11**	**7**	3	(23)	**10**	(1)
Increase/(decrease) in accounts payable and other creditors		**141**	**93**	(265)	518	**276**	(1,018)
(Decrease)/increase in provisions		**(486)**	**(321)**	(447)	1,252	**(504)**	(410)
Movement in foreign currency translation reserve		**(8)**	**(5)**	7	10	**-**	-
Net cash inflows from operating activities		**6,574**	**4,346**	5,635	5,254	**6,635**	5,654
(b) Reconciliation of cash							
Cash at the end of the year as shown in the statement of cash flows is reconciled to the related items in the notes to the financial statements as follows:							
Cash	8	**979**	**647**	953	742	**882**	872
Bank overdraft	16	**(5)**	**(3)**	(5)	(12)	**-**	-
		974	**644**	948	730	**882**	872

The accompanying notes to the financial statements form part of the financial report.

Statement of Cash Flows (continued)

for the year ended 30 June 1999

Cash flow notes (continued)

(c) Non cash financing and investing activities

Property, plant and equipment

Property, plant and equipment for the Telstra Group includes $81 million (1998: $78 million; 1997: $96 million) of interest which has been capitalised.

The Telstra Group acquired plant and equipment by means of finance leases with an aggregate fair value of $Nil during the year ended 30 June 1999 (1998: $Nil million; 1997: $66 million). These non cash acquisitions are not reflected in the statement of cash flows. Finance lease liability includes $9 million (1998: $1 million; 1997: $3 million) relating to non cash foreign currency revaluations.

In June 1999 Telstra entered into a sale and leaseback of certain communication plant totalling $517 million. As the leaseback entered into is a finance lease, the gain on sale (which was not material) was deferred and no sales revenue was recognised. Under the terms of the sale and leaseback, Telstra prepaid all amounts due under the lease by offsetting them against the sale proceeds. As no cash flows resulted from this transaction they are not reflected in the statement of cash flows.

Capitalised software

Capitalised software for the Telstra Group includes $11 million (1998: $5 million; 1997: $10 million) of interest which has been capitalised into software developed for internal use.

Share buy-back - year ended 30 June 1998

On 25 July 1997, the Commonwealth of Australia (Commonwealth) accepted a share buy-back offer from the Telstra Entity in respect of all of the 2,000,000,000 partly paid shares in the Telstra Entity held by the Commonwealth as at that date. The proceeds of this buy-back representing $1,500 million were applied by the Commonwealth to subscribe for 1,500,000,000 ordinary shares in the Telstra Entity with a par value of $1.00 each. As these transactions did not involve cash paid or received, they are not reflected in the cash flows from financing activities.

(d) Financing facilities

Details of credit standby arrangements and loan facilities are included in Note 16.

(e) Acquisitions and disposals

There were no material disposals or acquisitions of businesses during the years ended 30 June 1999, 1998 and 1997.

The accompanying notes to the financial statements form part of the financial report.

Statement of Changes in Shareholders' Equity

for the year ended 30 June 1999

Telstra Group

	Share capital (i) $m	Reserves (a) Asset revaluation $m	Satellite consortia $m	Foreign currency translation (ii) $m	General (ii) $m	Retained profits $m	Outside equity interests $m	Total $m
Balance at 30 June 1996	6,433	331	21	(6)	-	5,868	21	12,668
- change in outside equity interests, capital, reserves and retained profits (other than operating loss after income tax benefit)	-	-	-	-	-	-	39	39
- operating profit/(loss) after income tax expense/benefit	-	-	-	-	-	1,617	(8)	1,609
- decrement on revaluation of property, plant and equipment	-	(250)	-	-	-	-	-	(250)
- adjustment on translation of foreign controlled entities financial statements	-	-	-	10	-	-	-	10
- increment resulting from revaluation to current exchange rate	-	-	8	-	-	-	-	8
- aggregate of amounts transferred (from)/to reserves	-	-	(29)	-	-	29	-	-
- dividends (Note 7)	-	-	-	-	-	(4,146)	-	(4,146)
Balance at 30 June 1997	6,433	81	-	4	-	3,368	52	9,938
- change in outside equity interests, capital, reserves and retained profits (other than operating loss after income tax benefit)	-	-	-	-	-	-	(2)	(2)
- operating profit/(loss) after income tax expense/benefit	-	-	-	-	-	3,004	(4)	3,000
- decrement on revaluation of property, plant and equipment	-	(16)	-	-	-	-	-	(16)
- share of associated entity's reserves (equity accounted)	-	-	-	(47)	1	-	-	(46)
- adjustment on translation of foreign controlled entities financial statements	-	-	-	7	-	-	-	7
- dividends (Note 7)	-	-	-	-	-	(1,802)	-	(1,802)
Balance at 30 June 1998	6,433	65	-	(36)	1	4,570	46	11,079

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The accompanying notes to the financial statements form part of the financial report.

Statement of Changes in Shareholders' Equity (continued)

Telstra Group

		Reserves (a)						
	Share capital (i) $m	Asset revaluation $m	Satellite consortia $m	Foreign currency translation (ii) $m	General (ii) $m	Retained profits $m	Outside equity interests $m	Total $m
Balance at 30 June 1998	6,433	65	-	(36)	1	4,570	46	11,079
- change in outside equity interests, capital, reserves and retained profits (other than operating loss after income tax expense/benefit)	-	-	-	-	-	-	(10)	(10)
- operating profit/(loss) after income tax expense/benefit	-	-	-	-	-	3,486	2	3,488
- decrement on revaluation of property, plant and equipment	-	(8)	-	-	-	-	-	(8)
- adjustment on translation of foreign controlled entities financial statements	-	-	-	(8)	-	-	-	(8)
- dividends (Note 7)	-	-	-	-	-	(4,247)	-	(4,247)
Balance at 30 June 1999	6,433	57	-	(44)	1	3,809	38	10,294
Balance at 30 June 1999 US$m	4,253	38	-	(29)	1	2,517	25	6,805

(i) Refer to Note 18 for details of Telstra Entity's share capital.

(ii) The amount of reserves and retained profits applicable to joint venture and associated entities are shown in Note 24.

(a) Other comprehensive income for the Telstra Group and Telstra Entity represents movements in shareholders' equity that are not attributable to contributions/payments to owners and operating profit. Other comprehensive income/(loss) was ($16) million in 1999, ($55) million in 1998 and ($261) million in 1997.

Total comprehensive income, which represents operating profit and other movements in shareholders' equity that are not attributable to contributions/payments to owners were $3,470 million for the year ended 30 June 1999 (1998: $2,949 million; 1997: $1,385 million).

The accompanying notes to the financial statements form part of the financial report.

Statement of Changes in Shareholders' Equity (continued)

for the year ended 30 June 1999

Telstra Entity

		Reserves (a)			
	Share capital (i) $m	Asset revaluation (ii) $m	Satellite consortia reserve $m	Retained profits $m	Total $m
Balance at 30 June 1996	6,433	331	21	5,883	12,668
- operating profit/(loss) after income tax benefit	-	-	-	1,413	1,413
- decrement on revaluation of property, plant and equipment	-	(5)	-	-	(5)
- increment resulting from revaluation to current exchange rate	-	-	8	-	8
- aggregate of amounts transferred (from)/to reserves	-	-	(29)	29	-
- dividends (Note 7)	-	-	-	(4,146)	(4,146)
Balance at 30 June 1997	6,433	326	-	3,179	9,938
- operating profit/(loss) after income tax benefit	-	-	-	2,843	2,843
- decrement on revaluation of property, plant and equipment	-	(16)	-	-	(16)
- dividends (Note 7)	-	-	-	(1,802)	(1,802)
Balance at 30 June 1998	**6,433**	**310**	**-**	**4,220**	**10,963**
- operating profit/(loss) after income tax benefit	**-**	**-**	**-**	**3,586**	**3,586**
- decrement on revaluation of property, plant and equipment	**-**	**(8)**	**-**	**-**	**(8)**
- dividends (Note 7)	**-**	**-**	**-**	**(4,247)**	**(4,247)**
Balance at 30 June 1999	**6,433**	**302**	**-**	**3,559**	**10,294**

(i) $245 million of the Telstra Entity asset revaluation reserve cannot be used by the Telstra Entity to record decrements to previously revalued assets or distributed to shareholders, as this amount was used by the Telstra Group in relation to the writedown of the broadband network in the year ended 30 June 1997 (refer Note 3(c)(iii)).

(ii) Refer to Note 18 for details of Telstra Entity's share capital

(a) Other comprehensive income/(loss) was ($8) million in 1999, ($16) million in 1998 and ($26) million in 1997.

Total comprehensive income, which represents operating profit and other movements in shareholders' equity that are not attributable to contributions/payments to owners were $3,577 million for the year ended 30 June 1999 (1998: $2,827 million; 1997: $1,416 million).

The accompanying notes to the financial statements form part of the financial report.

Notes to the Financial Statements

1. Summary of accounting policies

Throughout this financial report, Telstra Corporation Limited is referred to as the "Telstra Entity" and Telstra Corporation Limited and its controlled entities are collectively referred to as the "Telstra Group" or "Telstra".

The principal accounting policies adopted in preparing the financial report of the Telstra Entity and the Telstra Group are stated below to assist in a general understanding of the financial reports. These accounting policies are consistent with those of the previous years, unless otherwise indicated.

1.1 Basis of preparation

The financial report is a general purpose financial report prepared in accordance with Australian Corporations Law, Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and Australian generally accepted accounting principles.

The financial report has been prepared on the basis of historical cost and, except for certain categories of investments and property, plant and equipment, does not take into account current valuations of non current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The carrying amounts of non current assets are reviewed at least annually to ensure that reported amounts do not exceed recoverable amounts. In assessing recoverable amounts relevant cash flows are discounted to present value.

All amounts are expressed in Australian dollars unless indicated otherwise.

The preparation of financial reports, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial report and revenues and expenses for the period. Actual results could differ from those estimates.

A reconciliation of the major differences between the financial report prepared under Australian generally accepted accounting principles and those applicable under United States generally accepted accounting principles is included in Note 30.

1.2 Principles of consolidation

A controlled entity is one in which the Telstra Group is able to dominate decision making, directly or indirectly, in relation to the financial and operating policies of that entity to enable that other entity to operate with Telstra in pursuing the objectives of the Telstra Group.

The consolidated financial report of Telstra includes the assets and liabilities of the Telstra Entity and its controlled entities at the end of the financial year and the results and cash flows of the Telstra Entity and its controlled entities during the year. Where entities are not controlled throughout the year, consolidated results and cash flows include the results and cash flows of those entities for that part of the financial year during which control existed.

The entities controlled during the year are listed in Note 23 to the financial statements. Consolidated retained profits of Telstra include retained profits/accumulated losses of controlled entities since they became a controlled entity.

The effect of all intergroup transactions and balances are eliminated in full in preparing the consolidated financial reports of the Telstra Group. Outside equity interests in the results and equity of controlled entities are shown separately in the consolidated profit and loss statement and balance sheet respectively of Telstra.

1.3 Revenue recognition

Sales revenue

Sales revenue includes revenue derived from the provision of telecommunications services, the sale of goods, rent, construction of telecommunication networks and directory advertising, and is recognised or accrued net of returns, trade allowances, duties and taxes.

(a) Rendering of services

Revenue from the provision of telecommunications services includes access to the fixed and mobile networks, both retail and wholesale, telephone calls and other services and facilities provided such as Internet and data. Revenue earned from providing access to the network is recognised over the period of access provided. Revenue from telephone calls is recognised on completion of the call. Revenue from other services is recognised generally at completion, or over the period of service.

(b) Sale of goods

Revenue from the sale of goods includes revenue from the sale of customer equipment and similar goods. Revenue from the sale of goods is recognised on delivery of the good sold.

(c) Rent

Rent is derived primarily from the rent of dedicated lines, customer equipment, property, plant and equipment and other facilities provided. Rent is recognised on an accrual basis over the rental period.

Notes to the Financial Statements (continued)

1. Summary of accounting policies (continued)

1.3 Revenue recognition (continued)

Sales revenue (continued)

(d) Construction revenue

Construction revenue is recognised on a percentage of completion basis with percentage of completion of contracts calculated based on estimated costs to completion (refer Note 1.8).

(e) Directory advertising

Directory advertising revenue represents commission earned on sale of directory advertising space and royalty revenue arising from the use of the Yellow Pages® trademark. Commission revenue is recognised on signing advertising agreements with customers. Royalty revenue is recognised on publication of the directories.

Other revenue

(a) Dividend revenue

Dividend revenue is recognised in accordance with Note 1.9.

(b) Interest revenue

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on financial assets.

(c) Proceeds on sale of non current assets

Proceeds on sale of property, plant and equipment, investments, businesses and intangible assets are recognised when the sale becomes unconditional.

Revenue received in advance

Revenue received in advance consists primarily of revenue from providing access to the fixed and mobile network and directories advertising revenue and will be recognised as earned, as outlined above.

Accrued revenue

Accrued revenue represents revenue earned but not yet billed.

1.4 Income tax

Tax effect accounting is applied using the liability method whereby current income tax is regarded as an expense and is calculated on the accounting profit after allowing for permanent differences. Deferred income tax assets and liabilities are provided at current rates for certain timing differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. The net future income tax benefit relating to tax losses and timing differences is not carried forward as an asset unless the benefit is virtually certain of being realised.

1.5 Cash

Cash includes cash at bank and on hand, bank deposits, bills of exchange and promissory notes with an original maturity date not exceeding three months.

Bank deposits (including those with an original maturity in excess of three months, which are classified as receivables) are carried at amounts due and interest income is recognised on a yield to maturity basis.

Bills of exchange and promissory notes (including those with an original maturity in excess of three months, which are classified as receivables) are valued at amortised cost with interest income recognised on a yield to maturity basis.

For the purposes of the statement of cash flows, cash is shown net of outstanding bank overdrafts.

1.6 Receivables

Trade debtors are carried at amounts due. A provision is raised for doubtful debts based on a general and specific review of outstanding amounts at balance date. Bad debts which have been specifically provided for are written off against the provision for doubtful debts; in all other cases bad debts are written off to the profit and loss statement.

Employee share loans are carried at the amount advanced to each employee, less after tax dividend repayments and loan repayments. The outstanding principal on these loans is interest free. The current portion of the loan receivable is calculated using estimated loan repayments expected to be received from tax adjusted dividend payments and estimated loan repayments as a result of staff exiting the scheme (refer Note 19).

1.7 Inventories

Inventories comprise items held for resale and material and spare parts to be used in constructing and maintaining the telecommunications network. Inventories are valued at the lower of cost and net realisable value.

Costs have been assigned to the majority of inventory items on hand at balance date using the weighted average cost basis; for the remaining quantities actual cost is used.

Notes to the Financial Statements (continued)

1. Summary of accounting policies (continued)

1.7 Inventories (continued)

Current inventories comprise inventory items held for resale or items to be consumed into the telecommunications network within one year. Non current inventories comprise items which will be consumed into the telecommunications network after one year.

1.8 Construction contracts

(a) Valuation

Construction contracts in progress are carried at cost (net of any provision for foreseeable losses) less progress billings where profits are yet to be recognised.

Cost includes both variable and fixed costs directly related to specific contracts, and those which can be attributed to contract activity in general and which can be allocated to specific contracts on a reasonable basis. Costs expected to be incurred under penalty clauses, warranty provisions and other variances are also included. Where a material loss is indicated on completion, a provision for foreseeable losses is brought to account and recorded against the gross amount of construction work in progress.

(b) Recognition of profit

Profit is recognised on an individual project basis using the percentage of completion method. The percentage of completion is calculated based on estimated costs of completion (refer Note 1.3). Profits are not recognised until the stage of contract completion can be reliably determined, costs to date can be clearly identified, and total contract revenues to be received and costs to complete can be reliably estimated.

(c) Disclosure

Where progress billings are in excess of construction work in progress the net amount is shown as a current liability within other creditors.

1.9 Investments

(a) Controlled entities

Investments in controlled entities in the Telstra Entity are valued at cost less any amount provided for permanent diminution in the value of investments. Dividends from controlled entities are recognised in the profit and loss statement when declared.

(b) Equity method of accounting

Investments in associated entities and joint ventures are accounted for using the equity method of accounting. Equity accounting results in the carrying amount of the investment being adjusted for the Telstra Group's share of the post acquisition profits or losses and reserves, unrealised profits or losses, less any dividends received. Where the equity accounted carrying amount of an investment in an entity falls below zero, the equity method of accounting is suspended and the investment recorded at zero. If this occurs, the equity method of accounting is not resumed until such time as the Telstra Group's share of losses and reserve decrements, not recognised during the financial years in which the equity method was suspended, are offset by the current share of profits and reserves.

Where the equity accounted carrying amount of an investment has been written down to recoverable amount, writedowns are only reversed to the extent the recoverable amount at balance date exceeds the written down carrying amount.

(c) Joint venture entities

A joint venture entity is a contractual arrangement (in the form of an entity) whereby two or more parties undertake an economic activity which is subject to joint control. Joint control involves the contractually agreed sharing of control over an entity where two or more parties must consent to all major decisions.

(i) Joint venture entities that are partnerships

Telstra's interest in partnerships (joint venture entities) is measured by applying the equity method of accounting in both the Telstra Group's and Telstra Entity's financial report. This involves adjusting the cost of the investment by the Telstra Group's share of the partnership profit or loss. Share of partnership profit or loss is determined by multiplying the partnership profit or loss by the Telstra Group's ownership interest. Any goodwill that arises on acquisition of an interest in a partnership is amortised over the expected period of benefit, subject to a maximum period of twenty years from the date of acquisition (refer Note 1.9(b) for further description of the equity method of accounting).

(ii) Joint venture entities that are not partnerships

Telstra's investment in a joint venture entity that is not a partnership is measured by applying the cost method of accounting in the Telstra Entity's financial report and the equity method of accounting in the Telstra Group's financial report (refer Note 1.9(b) for a description of the equity method of accounting).

Any goodwill that arises on acquisition of an interest in a joint venture entity that is not a partnership is amortised over the expected period of benefit, subject to a maximum period of twenty years from the date of acquisition.

Notes to the Financial Statements (continued)

1. Summary of accounting policies (continued)

1.9 Investments (continued)

(d) Joint venture operations

A joint venture operation means a contractual arrangement (that is not a joint venture entity) whereby two or more parties undertake an economic activity which is subject to joint control. Joint control involves contractually agreed sharing of control where two or more parties must consent to all major decisions. Where material, Telstra recognises assets relating to its share in each item employed in the joint venture operation and liabilities arising from its interest therein. Expenses are recognised to the extent of Telstra's interest therein. Revenue is recognised from the sale or use of Telstra's share of the output in accordance with the revenue policy (refer Note 1.3).

(e) Associated entities

Where the Telstra Group holds an interest in the equity of an entity and is able to exercise significant influence over the decisions of the entity, that entity is an associated entity. The Telstra Entity uses the cost method of accounting for associated entities whereby investments in associated entities are valued at cost less any amount provided for permanent diminution in the value of the investments. Dividends from associated entities are recognised in the profit and loss statement when declared.

Any goodwill that arises on acquisition of an interest in an associated entity is amortised over the expected period of benefit, subject to a maximum period of twenty years from the date of acquisition (refer Note 1.9(b) for further description of the equity method of accounting).

(f) Satellite consortia investments

The Telstra Entity's participation in the INTELSAT satellite consortia is treated as an investment. These investments are in US dollars and the balance sheet valuations are based on the Telstra Entity's share of net assets at balance date, translated to Australian currency at the exchange rates ruling at that date. Any gain or loss is taken to the profit and loss statement. During the year ended 30 June 1999, $19 million of the Telstra's investment in INTELSAT was converted into a 1.64% investment in New Skies Satellites, N.V., a company incorporated in the Netherlands.

During the year ended 30 June 1999, the Telstra Entity's total investment in the INMARSAT satellite consortia was transferred into a 2.03% investment in INMARSAT HOLDINGS PLC. The cost transferred was $23 million. The principal activities of INTELSAT satellite consortia investment and INMARSAT HOLDINGS PLC are the provision of satellite capacity to equity members and external customers. The Telstra Entity's ownership interest in the INTELSAT satellite consortia investment at 30 June 1999 was 1.71% (1998: 1.83%) and INMARSAT HOLDINGS PLC was 2.03% (1998: INMARSAT 2.03%).

(g) Other investments

Other investments are valued at cost less any amount provided for permanent diminution in their value. Dividends and interest from other investments are recognised when declared.

For disclosure purposes, net fair values of investments are determined on the following bases:

(i) Listed securities traded in an organised financial market are determined by the current quoted market bid price at balance date.
(ii) Investments in unlisted securities not traded in an organised financial market are carried at cost. Where the investment cost exceeds recoverable amount it is written down to recoverable amount.

Investments in listed securities primarily relate to Telstra's 5% interest in Computershare Limited whose principal activities are the operation of a computer bureau, share registries and the provision of software specialising in share registry, financial and stock markets.

1.10 Property, plant and equipment

(a) Acquisition and disposal

Items of property, plant and equipment are recorded at cost and depreciated as outlined below (refer Note 1.10(c)). The cost of property, plant and equipment constructed by the Telstra Group includes the cost of material and direct labour and an appropriate proportion of fixed and direct and indirect variable overheads. The cost of constructed assets includes borrowing costs up to the date the asset is installed ready for use. The weighted average capitalisation rate for borrowing costs for the year ended 30 June 1999 was 8.93% (1998: 8.06%; 1997: 8.24%). No interest has been earned on borrowed funds and therefore no amount has been deducted in the determination of borrowing costs capitalised.

The Telstra Group participates in under sea cable joint ventures with other telecommunication companies. The Telstra Group's interest in these cables is brought to account at cost and included as "Communication assets". The cables are depreciated as outlined below (refer Note 1.10(c)). As at 30 June 1999 the value of the Telstra Group's interest in these cables was cost $847 million (1998: $749 million), less accumulated depreciation $413 million (1998: $368 million), and net book value $434 million (1998: $381 million).

Notes to the Financial Statements (continued)

1. Summary of accounting policies (continued)

1.10 Property, plant and equipment (continued)

(b) Revaluation

The Telstra Group has adopted a policy of obtaining valuations of all its land and buildings at least once every three years, or more frequently if deemed necessary, in accordance with normal commercial practice.

Property, plant and equipment is written down to recoverable amount where carrying amount exceeds recoverable amount.

The profit or loss on disposal of revalued assets is calculated as the difference between the carrying amount of the asset at the time of disposal and the proceeds on disposal, and is included in the profit and loss statement in the year of disposal.

The effect of capital gains tax has not been taken into account in determining the revalued amounts of property, plant and equipment.

(c) Depreciation and amortisation

Items of property, plant and equipment, including buildings and leasehold property but excluding freehold land, are depreciated/ amortised on a straight line basis over their estimated service lives to the Telstra Group, as detailed below, when installed and ready for use.

	Telstra Group As at 30 June	
	1999	1998
Property, plant and equipment	**Service life (years)**	Service life (years)
Buildings - general purpose	**55**	55
- fitout	**10 - 21**	10 - 21
Communication assets		
Buildings - network	**55**	55
- fitout	**15 - 25**	15 - 25
Customer premises equipment	**3 - 6**	3 - 6
Transmission equipment	**5 - 16**	6 - 16
Switching equipment	**3 - 10**	3 - 11
Cables	**9 - 25**	9 - 25
Ducts and pipes - main cables	**40**	40
- distribution	**25**	25
Other communications plant	**4 - 18**	4 - 18
Other assets		
Leasehold plant and equipment	**10**	10
Other plant, equipment and motor vehicles	**4 - 15**	3 - 15

A unit method of accounting is applied to assets where it is practical and feasible and in line with commercial practice. A group method of accounting is adopted for certain communication assets. Group assets are automatically written out of the books on attaining the group life, hence, any individual asset may be physically retired before or after the group life is attained.

The service lives and residual values of all assets are reviewed annually.

Notes to the Financial Statements (continued)

1. Summary of accounting policies (continued)

1.11 Leased plant and equipment

(a) Where the Telstra Group is the lessee

Leases are accounted for in accordance with Accounting Standard, AASB 1008 "Leases". A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of the leased asset, and operating leases under which the lessor effectively retains all such risks and benefits. Where non current assets are acquired by means of finance leases, the present value of future minimum lease payments are recorded as non current assets at the beginning of the lease term and amortised on a straight line basis over the shorter of the lease term or the expected useful life of the assets to the Telstra Group. A corresponding liability is also established and each lease payment is allocated between such liability and finance charges. Operating lease payments are charged to the profit and loss statement in the periods in which they are incurred. Operating lease rental expense is disclosed in Note 3(a).

In the case of properties leased by the Telstra Group, costs of improvements are capitalised and amortised over the lower of the useful life of the property and the term of the lease.

(b) Where the Telstra Group is the lessor

Plant and equipment under short-term operating leases is included in property, plant and equipment in the balance sheet. Rental income is brought to account in the period in which it is earned.

1.12 Intangible assets

(a) Goodwill

Goodwill, representing the excess of the cost of equity in controlled entities, associated entities and joint venture entities over the fair value of the identifiable net assets of the entities at the dates of gaining control, joint control or significant influence is shown as an intangible asset. Goodwill is amortised on a straight line basis over the period of expected benefit, subject to a maximum of twenty years from the date of gaining control. The carrying amount of goodwill is reviewed annually and adjusted to the extent that future benefits are not considered probable.

(b) Patents, trademarks and licences

Costs associated with patents, trademarks and licences (which mainly comprise licences to use network and business software and spectrum licences) having a benefit or relationship to more than one accounting period are deferred and amortised on a straight line basis over the periods of their expected benefit which average 12 years for the year ended 30 June 1999 and 11 years for the year ended 30 June 1998. The recoverability of patents, trademarks and licences is reviewed annually and the carrying amount adjusted where considered necessary.

1.13 Other assets

(a) Research and development costs

Research and development costs are expensed as incurred.

(b) Deferred expenditure

Deferred expenditure primarily includes upfront payments for usage of international cable systems and loan flotation costs.

Material items of expenditure are deferred to the extent that they are recoverable from future revenue, do not relate solely to revenue which has already been brought to account, and will contribute to the future earning capacity of the Telstra Group.

Deferred expenditure is amortised over the average period in which the related benefits are expected to be realised which average 8 years for the year ended 30 June 1999 and 8 years for the year ended 30 June 1998. Expenditure deferred in previous periods is reviewed annually to determine the amount (if any) that is no longer recoverable and all such amounts are written off.

(c) Software developed for internal use

The Telstra Group capitalises direct costs associated with the development of network and business software for internal use where project success is regarded as probable. Capitalised costs include external direct costs of materials and services consumed, payroll and direct payroll-related costs for employees (including contractors) directly associated with the project and borrowing costs incurred while developing the software. Software developed for internal use is amortised on a systematic basis over its useful life (generally five years) to the Telstra Group and amortisation commences once the software is ready for use.

Notes to the Financial Statements (continued)

1. Summary of accounting policies (continued)

1.14 Accounts payable

Accounts payable, including accruals, are recognised when the Telstra Group becomes obliged to make future payments as a result of a purchase of assets or services.

1.15 Superannuation

The Telstra Group participates in a number of employee superannuation schemes which exist to provide benefits for employees and their dependants upon cessation of employment. For funding purposes actuarial valuations are required to be carried out no less frequently than every three years, for defined benefit funds. The Telstra Group's commitment in respect of accumulation type benefits is limited to making the contributions specified in the trust deed. Contributions to employee superannuation schemes are charged as an expense as the contributions become payable.

In relation to the defined benefit superannuation schemes in which the Telstra Group participates, where in the past there has been a shortfall in the net market value of scheme assets when compared to members' vested entitlements, the Telstra Group has provided for the present value of the shortfall, to the extent that a present obligation exists to rectify the financial position of the schemes.

1.16 Borrowings

Bills of exchange and promissory notes are recognised when issued at the amount of the net proceeds received and carried at amortised cost until the liabilities are fully settled. Interest on the instruments is recognised as an expense on a yield to maturity basis.

Telecom/Telstra bonds are carried at cost or adjusted cost (face value of debt adjusted for any unamortised premium or discount). Interest is calculated on a yield to maturity basis. Bonds repurchased are cancelled against the original liability and any gains or losses are taken to the profit and loss statement as interest expense.

Bank loans are carried at cost.

Other loans are carried at cost, or adjusted cost. Discounts and premiums are amortised on a straight line basis over the period to maturity. Interest is calculated on a yield to maturity basis. Amounts denominated in foreign currency are revalued daily. Any exchange gains or losses are taken to the profit and loss statement.

Net fair values of fixed rate loans and bonds issued are determined using current risk adjusted market rates.

1.17 Foreign currency

(a) Transactions

Transactions denominated in foreign currency are translated into Australian currency at the exchange rates applicable at the date of the transactions. Amounts payable or receivable in foreign currencies at balance date are converted into Australian currency at the rates of exchange ruling at balance date. Exchange gains and losses are brought to account in determining the profit or loss for the year.

Exchange gains and losses and hedging costs arising on forward foreign currency contracts entered into as hedges of specific commitments, or in the construction of qualifying assets, are deferred and included in the determination of the amounts at which the transactions are brought to account. All exchange gains and losses relating to other hedge transactions are brought to account in the profit and loss statement in the same period as the exchange differences on the items covered by the hedge transactions. Costs on such contracts are amortised over the life of the hedge contract.

Premiums and discounts on forward exchange contracts arising at the time of entering into the hedge are amortised over the life of the forward exchange contract and included in interest expense.

(b) Translation of foreign entities' financial reports

Integrated foreign operations

Where a foreign operation is financially and operationally inter-dependent, either directly or indirectly, on the Telstra Group, the foreign operation's financial reports are translated using the temporal method. Under this method monetary balance sheet items are translated into Australian currency at the rates of exchange ruling at balance date and non monetary balance sheet items (including owner's equity at the date of investment) are translated at exchange rates current at transaction dates (or at the date of revaluation). The profit and loss statements are translated into Australian currency at weighted average rates of exchange for the period. Exchange gains and losses arising on translation are taken directly to the profit and loss statement.

Self sustaining foreign operations

Where a foreign operation is not an integrated foreign operation and is independent, financially and operationally, of the Telstra Group, the foreign operation's financial reports are translated using the current rate method. Under this method, the balance sheets are translated into Australian currency at the rates of exchange ruling at balance date and the profit and loss statements are translated into Australian currency at weighted average rates of exchange for the period. Exchange gains and losses arising on translation are taken directly to the foreign currency translation reserve.

Notes to the Financial Statements (continued)

1. Summary of accounting policies (continued)

1.18 Derivatives

Derivative financial instruments, principally interest rate swaps, cross currency swaps, futures contracts and forward foreign exchange contracts, are entered into to manage financial risks. All derivative transactions are undertaken to hedge an underlying physical position.

Gains and losses on derivatives are accounted for on the same basis as the underlying physical exposures. Accordingly, hedge gains and losses are included in the profit and loss statement when the gains or losses arising on the related physical exposures are recognised in the profit and loss statement.

The foreign exchange gains and losses on the principal value of the cross currency swaps are reflected in the profit and loss statement using the spot rate which offsets the foreign exchange gains and losses recorded on the underlying hedged transaction.

The Telstra Group accounts for its interest rate swaps and cross currency swaps that hedge an underlying physical exposure using the accrual method of accounting.

Interest receivable and payable under the terms of the interest rate swaps and cross currency swaps are accrued over the period to which the payments or receipts relate, and are treated as an adjustment to interest expense. Changes to the underlying market value of the remaining interest rate swap and cross currency swap payments and receipts are not recognised.

Gains and losses on futures contracts are deferred and amortised over the life of the underlying hedged asset or liability.

Forward foreign exchange contracts are accounted for as outlined in Note 1.17(a).

Gains and losses on forward foreign exchange contracts intended to hedge anticipated future transactions are deferred and recognised when the anticipated future transaction occurs.

Net fair values of interest rate swaps, cross currency swaps and forward exchange contracts are determined at prices based on amounts quoted on Reuters to close out existing contracts (both favourable and unfavourable). Net fair values of interest rate futures are determined at a price equating to the mid point between the last bid and the last offer price quoted on the Sydney Futures Exchange at balance date.

1.19 Provisions

(a) Employee entitlements

Liabilities for employee entitlements to wages and salaries, annual leave and other current employee entitlements are accrued at nominal amounts calculated on the basis of current wage and salary rates, including related on costs.

Telstra Entity employees who have been employed by the Telstra Entity for at least ten years are entitled to an extended leave of absence of three months (or more depending on the actual length of employment). This leave of absence is called long service leave and is included in other employee entitlements. Similar benefits are available to employees of controlled entities of the Telstra Group.

Liabilities for other employee entitlements not expected to be paid or settled within twelve months of balance date are accrued at the present values of future amounts expected to be paid based on projected increases in wage and salary rates over an average of ten years. For the year ended 30 June 1999, this rate was 4.0% (1998: 4.0%). Present values are calculated using appropriate rates based on government guaranteed securities with similar maturity terms. The weighted average discount rate (before tax) used for the year ended 30 June 1999 was 6.30% (1998: 5.58%).

(b) Workers' compensation

The Telstra Entity is self insured in respect of workers' compensation liabilities. Provision is made for the present value of these estimated liabilities, based on an actuarial review of the liability, including actual accidents and an estimate of incurred but not reported claims. Present values are calculated using appropriate rates based on government guaranteed securities with similar maturity terms (refer Note 1.19(a) above). The majority of controlled entities of the Telstra Group do not self insure but pay annual premiums to third party insurance companies for their workers' compensation liabilities.

Notes to the Financial Statements (continued)

1. Summary of accounting policies (continued)

1.20 Year 2000 costs

Costs relating to the modification of internal-use computer software for Year 2000 compatibility are recognised as an expense in the period in which they are incurred.

1.21 Insurance

The Telstra Group specifically carries property, fidelity (crime), general liability, travel/personal accident, general third party and director and officers' and company reimbursement insurance. The Telstra Group carries other insurance from time to time.

With the exception of workers' compensation for the Telstra Entity, any losses are charged to the profit and loss statement in the year which the loss is reported, for those risks where the Telstra Group has no insurance.

1.22 Rounding

The Telstra Entity is a company of the kind referred to in Australian Securities and Investments Commission (ASIC) Class Order 98/0100, dated 10 July 1998, issued under Section 341(1) of the Corporations Law. All amounts in the financial reports (except where indicated) have been rounded to the nearest million dollars ($m or A$m) in accordance with that Class Order.

1.23 United States currency conversions

This financial report has been prepared using Australian dollars (A$m). The Telstra Group's Profit and Loss Statement, Balance Sheet, Statement of Cash Flows and United States Generally Accepted Accounting Principles Disclosures have been translated from A$ to US$ for the year ended 30 June 1999, for the convenience of readers outside Australia. These conversions appear under columns headed "US$m" and represent rounded millions of US dollars. The translation has been performed at the noon buying rate in New York City for cable transfers in foreign currencies, as certified for custom purposes by the Federal Reserve Bank of New York on 30 June 1999 of A$1.00 = US$0.6611. Such translation should not be construed as representation that the Australian dollar amounts represent such US$ or could be converted into US$ at the rate indicated.

1.24 Comparative figures

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

Notes to the Financial Statements (continued)

2. Revenue

	Note	Telstra Group			Telstra Entity	
		Year ended 30 June			Year ended 30 June	
		1999	1998	1997	**1999**	1998
	Note	**$m**	$m	$m	**$m**	$m
Operating revenue comprises revenue from the following operating activities:						
Sales revenue						
Rendering of services		**14,530**	13,945	13,029	**14,467**	13,918
Sale of goods		**370**	254	270	**344**	238
Rent of network facilities		**1,537**	1,426	1,369	**1,496**	1,415
Revenue from construction contracts		**56**	49	39	**51**	49
Directory services		**1,078**	1,029	723	**736**	753
		17,571	16,703	15,430	**17,094**	16,373
Other revenue						
Dividend revenue						
- controlled entities	27	**-**	-	-	**122**	39
- other entities		**13**	20	38	**13**	20
		13	20	38	**135**	59
Interest revenue						
- controlled entities	27	**-**	-	-	**7**	6
- associated entities	27	**1**	-	-	**1**	-
- other entities		**48**	49	85	**41**	43
		49	49	85	**49**	49
Proceeds from the sale of						
- property, plant and equipment		**246**	255	176	**253**	333
- investments		**15**	-	26	**23**	-
- patents, trademarks and licences		**-**	11	-	**-**	-
- business		**69**	-	-	**69**	-
		330	266	202	**345**	333
Other sources of revenue						
Share of associated entities net profits	24	**(2)**	14	-	**-**	-
Rent from property and motor vehicles		**54**	28	13	**54**	28
Other revenue		**203**	222	215	**194**	227
		647	599	553	**777**	696
Operating revenue		**18,218**	17,302	15,983	**17,871**	17,069

Notes to the Financial Statements (continued)

		Telstra Group			Telstra Entity	
		Year ended 30 June			Year ended 30 June	
		1999	1998	1997	**1999**	1998
	Note	**$m**	$m	$m	**$m**	$m

3. Operating profit

(a) Operating profit before income tax has been determined after charging/(crediting) the following:

	Note	**1999 $m**	1998 $m	1997 $m	**1999 $m**	1998 $m
Depreciation and amortisation						
Depreciation of:						
- general purpose buildings		**42**	45	52	**42**	45
- communication assets		**1,990**	1,802	1,847	**1,895**	1,718
- other plant, equipment and motor vehicles		**258**	316	372	**244**	300
		2,290	2,163	2,271	**2,181**	2,063
Amortisation of:						
- assets under finance lease		**21**	25	33	**21**	24
- patents, trademarks and licences		**35**	25	22	**35**	22
- goodwill		**13**	11	5	**-**	-
- leasehold improvements		**27**	28	14	**26**	27
- deferred expenditure		**7**	7	8	**7**	7
- capitalised software		**109**	63	-	**109**	63
		212	159	82	**198**	143
		2,502	2,322	2,353	**2,379**	2,206
Other operating expenses						
Rental expense on operating leases		**264**	216	212	**256**	205
Share of joint venture entity losses	24	**39**	83	106	**-**	-
Writedown of property, plant and equipment		**2**	16	-	**2**	16
Bad debts written off - trade debtors		**182**	175	149	**175**	151
Provisions:						
- doubtful debts - trade debtors		**69**	182	160	**51**	173
- diminution/writedown in value of inventories (finished goods)		**1**	(15)	8	**2**	(15)
- diminution in value of investments		**(1)**	34	8	**255**	514
- other provisions		**-**	21	2	**-**	-
Foreign exchange losses/(gains)		**6**	(9)	5	**(2)**	18
Auditors' remuneration	3(b)	**6**	6	5	**4**	5
Other operating expenses		**2,978**	2,922	2,640	**2,938**	2,862
		3,546	3,631	3,295	**3,681**	3,929
Borrowing costs						
- controlled entities	27	**-**	-	-	**8**	9
- joint venture entities		**1**	-	-	**1**	-
- other entities		**660**	701	504	**629**	668
- finance charges relating to finance leases		**9**	16	20	**3**	9
		670	717	524	**641**	686
- borrowing costs capitalised		**(92)**	(83)	-	**(91)**	(82)
		578	634	524	**550**	604

Notes to the Financial Statements (continued)

	Telstra Group			Telstra Entity	
	Year ended 30 June			Year ended 30 June	
	1999	1998	1997	**1999**	1998
	$m	$m	$m	**$m**	$m

3. Operating profit (continued)

(a) Operating profit before income tax has been determined after charging/(crediting) the following: (continued)

	Telstra Group 1999 $m	1998 $m	1997 $m	Telstra Entity 1999 $m	1998 $m
Other disclosures					
Research and development expenses (before crediting any grants)	**34**	43	58	**34**	42
Provisions:					
- employee entitlements	**62**	116	(22)	**63**	116
- workers' compensation	**(1)**	68	44	**(1)**	68
Net (profit)/loss on sale of:					
- property, plant and equipment	**13**	58	39	**1**	62
- investments	**(2)**	-	(23)	**(1)**	-
- patents, trademarks and licences	**-**	(11)	-	**-**	-
- business	**(33)**	-	-	**(33)**	-

(b) Auditors' remuneration

Amounts received, or due and receivable, by the Australian statutory auditor of the Telstra Entity for:

	Telstra Group 1999 $m	1998 $m	1997 $m	Telstra Entity 1999 $m	1998 $m
Auditing and reviewing the financial reports (i)	**4.325**	4.741	3.896	**3.875**	4.404
Other services (i)	**0.733**	0.692	0.363	**0.306**	0.676

Amounts received, or due and receivable, by auditors other than the the Australian statutory auditor:

	Telstra Group 1999 $m	1998 $m	1997 $m	Telstra Entity 1999 $m	1998 $m
Auditing and reviewing the financial reports	**0.616**	0.243	0.247	**-**	-
Total Auditors' remuneration	**6**	6	5	**4**	5

(i) The audit and other services provided by the Australian statutory auditor have been subcontracted to PricewaterhouseCoopers. In addition, the Telstra Group has engaged PricewaterhouseCoopers for other services during the year ended 30 June 1999 and amounts paid for these services were $18.762 million (1998: $10.536 million; 1997: $6.615 million).

On 1 July 1998, Price Waterhouse and Coopers & Lybrand merged to form PricewaterhouseCoopers.

Notes to the Financial Statements (continued)

3. Operating profit (continued)

(c) Abnormals

Operating profit before income tax expense has been determined after charging/(crediting) the following abnormals:

	Telstra Group			Telstra Entity	
	Year ended 30 June			Year ended 30 June	
	1999	1998	1997	**1999**	1998
	$m	$m	$m	**$m**	$m
Abnormal items:					
Provision for redundancy and restructuring (i)	-	-	1,126	-	-
Income tax (benefit) applicable thereto	-	-	(405)	-	-
	-	-	721	-	-
Provision for loss on long term construction contract (ii)	-	-	394	-	-
Income tax (benefit) applicable thereto	-	-	(142)	-	-
	-	-	252	-	-
Writedown of broadband network communication assets (iii)	-	-	342	-	-
Income tax (benefit) applicable thereto	-	-	(123)	-	-
	-	-	219	-	-
Provision for broadband network rationalisation (iv)	-	-	476	-	-
Income tax (benefit) applicable thereto	-	-	(113)	-	-
	-	-	363	-	-
Total abnormal items before income tax expense	-	-	2,338	-	-
Income tax expense/(benefit) applicable thereto	-	-	(783)	-	-
Total abnormal items after income tax	-	-	1,555	-	-
Abnormal accounting policy changes:					
Capitalisation of indirect overheads (v)	-	-	(287)	-	-
Capitalisation of software developed for internal use (vi)	-	-	(213)	-	-
Capitalisation of interest costs (vii)	-	-	(106)	-	-
	-	-	(606)	-	-
Income tax expense applicable thereto	-	-	218	-	-
	-	-	(388)	-	-
Total abnormals before income tax expense	-	-	1,732	-	-
Income tax expense/(benefit) applicable thereto	-	-	(565)	-	-
Total abnormals after income tax	-	-	1,167	-	-

Notes to the Financial Statements (continued)

3. Operating profit (continued)

(c) Abnormals (continued)

Abnormal items

(i) During the year ended 30 June 1997, the Telstra Entity raised a provision in the financial statements of $1,126 million which represented the estimated redundancy payments and associated costs to be incurred as a result of the implementation of the corporate plan, which provided for a large reduction in staff by way of redundancy.

(ii) During the year ended 30 June 1997, as part of an ongoing review of the Jindalee Operational Radar Network project, a reassessment of costs to complete, and the estimated percentage of completion of this project at 30 June 1997, was made. As a result, the Telstra Entity recognised an abnormal charge in the financial statements of $394 million which represented the additional future costs that will not be recovered from the project.

(iii) During the year ended 30 June 1997, assets relating to the Telstra Group's broadband network were written down by $587 million, of which $245 million was charged to the asset revaluation reserve and the balance of $342 million was included as an abnormal charge to operating profit. The writedown to the broadband network's recoverable amount of $210 million was based on the present value of the estimated future net cash flows before income tax and excluded significant capital expenditures on pit and pipe upgrades which are considered to be shared assets predominantly used for narrowband services.

(iv) During the year ended 30 June 1997, the Telstra Group recorded an abnormal charge of $476 million as a result of an agreement to reduce the rollout of the Telstra Group's broadband network to 2.5 million homes passed from 4.0 million homes passed. The charge was based on estimated contract settlements of $390 million as a result of the rollout reduction and a writedown of excess inventory of $86 million.

The provision for broadband network rationalisation includes an amount of $300 million which represents the net present value of a contractual obligation for fixed-dollar amount reductions in revenue share to be received by the Telstra Group from FOXTEL over the next seven years (commenced during the year ended 30 June 1997) using a discount rate of 9.7%. In the event that there is insufficient revenue share in a given year to meet the amount of the reduction, the Telstra Group will fund the difference to FOXTEL.

Abnormal accounting policy changes

(v) During the year ended 30 June 1997, the Telstra Group changed its accounting policy in relation to the capitalisation of indirect overheads, retrospectively from 1 July 1996. The effect of this change was to increase the operating profit before income tax by $287 million.

(vi) During the year ended 30 June 1997, the Telstra Group changed its accounting policy in relation to the capitalisation of software developed for internal use, retrospectively from 1 July 1996. The effect of this change was to increase the operating profit before income tax by $213 million.

(vii) During the year ended 30 June 1997, the Telstra Group changed its accounting policy in relation to the capitalisation of interest costs, retrospectively from 1 July 1996. The effect of this change was to increase operating profit before tax by $106 million ($102 million increase for the Telstra Entity).

(d) Abnormal income tax credit

	Telstra Group			Telstra Entity	
	Year ended 30 June			Year ended 30 June	
	1999	1998	1997	**1999**	1998
	$m	$m	$m	**$m**	$m
Income tax expense has been determined after crediting the following abnormal item:					
Abnormal income tax credit (i)	-	-	(216)	-	-

(i) During the year ended 30 June 1997, income tax expense included an abnormal income tax benefit of $216 million relating to depreciation of assets that were subject to downward revaluations in prior years.

Notes to the Financial Statements (continued)

4. Income tax expense

	Note	Telstra Group			Telstra Entity	
		Year ended 30 June			Year ended 30 June	
		1999	1998	1997	**1999**	1998
		$m	$m	$m	**$m**	$m
The income tax expense on operating profit is reconciled to the reported income tax expense as follows:						
Operating profit before income tax		**5,320**	4,468	2,073	**5,553**	4,566
Australian statutory rate of taxation		**36%**	36%	36%	**36%**	36%
Income tax on operating profit before tax at 36%		**1,915**	1,608	746	**1,999**	1,644
Which is adjusted by the tax effect of:						
Research and development concessions		**(29)**	(18)	(21)	**(20)**	(6)
General investment/development allowance		**(11)**	(11)	-	**(11)**	(11)
Share of associated entities' net profit		**1**	(5)	-	**-**	-
Profit on sale of property, plant and equipment		**(12)**	(3)	-	**(11)**	(1)
Depreciation of revalued assets		**(36)**	(39)	(62)	**(27)**	(30)
Inventory adjustments		**-**	2	15	**-**	-
Diminution in the value of investments		**(1)**	12	42	**92**	184
Rebateable dividends		**(21)**	-	(13)	**(47)**	(11)
Transfer of tax losses for no consideration		**(1)**	-	-	**-**	-
Provision for broadband network rationalisation		**-**	-	58	**-**	-
Over provision in prior years (i)		**(8)**	(113)	(66)	**(3)**	(104)
Other		**35**	35	(19)	**(5)**	58
Income tax attributable to operating profit		**1,832**	1,468	680	**1,967**	1,723
Abnormal income tax credit	3(d)	**-**	-	(216)	**-**	-
Income tax expense		**1,832**	1,468	464	**1,967**	1,723
Comprising:						
Current taxation provision		**1,205**	1,058	1,056	**1,155**	1,008
Movement in future income tax benefit		**180**	524	(522)	**361**	819
Movement in deferred income tax liability		**455**	(1)	(4)	**454**	-
Over provision in prior years (i)		**(8)**	(113)	(66)	**(3)**	(104)
		1,832	1,468	464	**1,967**	1,723
Future income tax benefit as at 30 June not brought to account						
Income tax losses (ii)		**47**	20	1	**-**	-
Capital losses		**37**	28	7	**13**	5
		84	48	8	**13**	5

(i) Included in overprovision in prior years is tax refunds from the Australian Taxation Office of $21 million (1998: $103 million; 1997: $69 million) for the Telstra Group and $2 million (1998: $99 million; 1997: $69 million) for the Telstra Entity.

Notes to the Financial Statements (continued)

4. Income tax expense (continued)

(ii) This benefit for tax losses which can be carried forward indefinitely will only be obtained if:

(a) the controlled entity derives future assessable income of an amount sufficient to enable the benefit from the deductions for the loss to be realised or the loss is transferred to an eligible company in the Telstra Group;

(b) the controlled entity continues to comply with the conditions for deductibility imposed by tax legislation; and

(c) no changes in tax legislation adversely affect the Telstra Group in realising the benefit from the deductions for the losses.

The Telstra Group's future income tax benefit (recorded on the balance sheet) of $366 million (1998: $787 million; 1997: $1,485 million) includes $157 million (1998: $133 million; 1997: $3 million) in relation to the benefit of income tax losses carried forward.

5. Segment information

Industry segments

The Telstra Group operates predominantly in the telecommunications industry which comprises more than 90% of total consolidated operating revenue, operating profit before income tax expense, and net assets.

Business segments

A new business structure was announced in the second half of the financial year. For reporting purposes, the former organisation structure remained in place until 30 June 1999 and was as follows:

- **Commercial & Consumer** provides telecommunications services to our more than seven million residential and small business customers. In particular, Commercial & Consumer manages sales, customer service installation and repairs, billing, and management of our information and connection services and payphone services. Commercial & Consumer is also responsible for building and maintaining the customer access network on behalf of the Network Technology Group.

- **Business & International's** responsibilities include sales and services to larger businesses, the Commonwealth, State and Territory governments. In addition, Business & International is responsible for mobile telecommunications and manages satellite and radio services, global business services, international operations and international joint ventures.

- **Network Technology & Multimedia's** responsibilities include:
  - planning, design, construction and operation of our fixed and mobile networks in Australia;
  - the associated systems and processes required to deliver products, services and customer support;
  - research and development;
  - the management of our pay television and other multimedia joint venture interests; and
  - the management of our directory services subsidiary.

- **Carrier Services** manages carriers, carriage service providers and suppliers in Australia and overseas.

- Products and Marketing: company-wide product management for access and local calling services, long distance and intelligent network services, mobile services, customer premises equipment, Internet, data and interconnect services.

- Corporate Centre: finance, administration, regulatory and external affairs, employee relations and other corporate services.

These business units are managed separately based on differences in type of customer or strategic objectives. Of the six business units, four are reportable segments as at 30 June 1999. Products and Marketing and the Corporate Centre are not reportable segments and have been aggregated in the "Other" segment for reconciliation and disclosure purposes. The accounting policies of the business segments are the same as those described in Note 1.

Geographical segments

Although the Telstra Group's business units are managed on a worldwide basis, they operate predominantly in one geographical location, being Australia. Overseas business operations do not form a material component of the consolidated operations.

Inter-segment transfers

Segment revenues, segment expenses and segment results include transfers between business segments. Generally most internal charges between business segments are charged on a direct cost recovery basis.

Telstra accounts for all international transactions at market value. All internal telecommunications usage of Telstra's own products is accounted for at market value.

Certain regulatory, compliance and strategic functions are not charged to the reportable segments.

Notes to the Financial Statements (continued)

5. Segment information (continued)

Information about business segments

Telstra Group

	Note	Commercial & Consumer $m	Business & International $m	Network Technology & Multimedia $m	Carrier Services $m	Other $m	Eliminations $m	Total of all segments $m
Year ended 30 June 1999								
Segment revenue								
Sales revenue from external customers		**5,955**	**8,490**	**1,213**	**1,878**	**1**	**34**	**17,571**
Inter-segment revenue		**1,384**	**208**	**6,496**	**1,010**	**1,726**	**(143)**	**10,681**
Earnings before interest, abnormals and tax	(a)	**1,592**	**2,884**	**526**	**696**	**75**	**76**	**5,849**
Segment result has been determined after charging/(crediting) the following:								
Share of joint venture entities net losses after income tax expense		**-**	**-**	**39**	**-**	**-**	**-**	**39**
Share of associated entities net losses/(profits) after income tax expense		**-**	**10**	**(4)**	**-**	**-**	**(4)**	**2**
Depreciation and amortisation		**79**	**107**	**2,084**	**-**	**232**	**-**	**2,502**
Non-cash items excluding depreciation and amortisation		**5**	**(48)**	**35**	**-**	**73**	**(73)**	**(8)**
Total cost to acquire property, plant and equipment		**62**	**86**	**3,221**	**(1)**	**425**	**(5)**	**3,788**
As at 30 June 1999								
Segment assets	(b)	**7,991**	**13,978**	**17,038**	**2,161**	**(13,098)**	**(388)**	**27,682**
Segment assets include the following:								
Investment in joint venture entities		**2**	**1**	**46**	**-**	**-**	**-**	**49**
Investment in associated entities		**-**	**16**	**-**	**-**	**-**	**4**	**20**
Year ended 30 June 1998								
Segment revenue								
Sales revenue from external customers		5,838	7,730	1,213	1,897	(9)	34	16,703
Inter-segment revenue		1,322	265	6,485	837	1,709	(243)	10,375
Earnings before interest, abnormals and tax	(a)	1,575	2,263	731	566	(277)	195	5,053
Segment result has been determined after charging/(crediting) the following:								
Share of joint venture entities net losses after income tax expense		-	-	83	-	-	-	83
Share of associated entities net (profits) after income tax expense		-	(1)	(13)	-	-	-	(14)
Depreciation and amortisation		94	111	1,871	1	244	1	2,322
Non-cash items excluding depreciation and amortisation		13	75	44	2	167	(198)	103
Total cost to acquire property, plant and equipment		211	101	2,869	2	180	1	3,364
As at 30 June 1998								
Segment assets	(b)	6,354	11,323	16,228	1,449	(8,609)	(275)	26,470
Segment assets include the following:								
Investment in joint venture entities		-	1	65	-	-	-	66
Investment in associated entities		-	-	5	-	-	-	5

Notes to the Financial Statements (continued)

5. Segment information (continued)

Information about business segments (continued)

Telstra Group

	Note	Commercial & Consumer $m	Business & International $m	Network Technology & Multimedia $m	Carrier Services $m	Other $m	Eliminations $m	Total of all segments $m
Year ended 30 June 1997								
Segment revenue								
Sales revenue from external customers		5,802	6,742	910	2,022	(46)	-	15,430
Inter-segment revenue		1,581	599	7,693	733	2,033	(447)	12,192
Earnings before interest, abnormals and tax	(a)	1,045	1,659	699	531	230	80	4,244
Segment result has been determined after charging/(crediting) the following:								
Share of joint venture entities net losses after income tax expense		-	-	106	-	-	-	106
Share of associated entities net (profits)/losses after income tax expense		-	-	-	-	-	-	-
Depreciation and amortisation		99	122	1,892	1	239	-	2,353
Non-cash items excluding depreciation and amortisation		9	(5)	4	6	94	(86)	22
Total cost to acquire property, plant and equipment		(32)	853	3,141	2	359	(282)	4,041
As at 30 June 1997								
Segment assets	(b)	4,671	9,388	16,302	826	(3,740)	(1,589)	25,858
Segment assets include the following:								
Investment in joint venture entities		-	-	56	-	-	-	56
Investment in associated entities		-	59	-	-	-	-	59

Notes to the Financial Statements (continued)

5. Segment information (continued)

		Telstra Group		
		Year ended/As at 30 June		
		1999	1998	1997
	Note	**$m**	$m	$m
Reconciliation of total of all segments to consolidated totals				
(a) Earnings before interest, abnormals and tax (segment result)				
Total of all segments		**5,849**	5,053	4,244
Add: interest revenue		**49**	49	85
Less: borrowing costs		**(578)**	(634)	(524)
Operating profit before abnormals and income tax expense		**5,320**	4,468	3,805
Abnormals		**-**	-	(1,732)
Operating profit before income tax expense		**5,320**	4,468	2,073

(b) Segment assets are those assets that are employed by a segment in its operating activities and are directly attributable to the segment. The segment assets of the "Other" segment includes the cashflow funding requirements of the four disclosed operating business segments.

	Note	1999 $m	1998 $m	1997 $m
Information about products and services				
Sales revenue				
Basic access		**1,855**	1,770	1,740
Local calls		**2,727**	2,664	2,664
National long distance calls		**2,775**	2,594	2,455
International telephone services		**1,103**	1,380	1,342
Mobile telecommunication services		**2,538**	2,154	1,981
Data, text and Internet services		**2,483**	2,197	1,932
Directory services		**1,078**	1,029	723
Customer premises equipment		**368**	538	576
Intercarrier services		**617**	582	558
Inbound calling products		**400**	337	309
Payphones		**207**	225	248
Other sales and services		**1,420**	1,233	902
	2	**17,571**	16,703	15,430
Information about geographic areas				
Sales revenue				
Customers in Australia		**17,018**	16,228	15,109
Customers in all other foreign countries		**553**	475	321
	2	**17,571**	16,703	15,430
Property, plant and equipment				
Located in Australia		**20,346**	19,136	18,267
Located in all other foreign countries		**535**	620	676
	12	**20,881**	19,756	18,943

Notes to the Financial Statements (continued)

6. Earnings per share

	Telstra Group		
	Year ended 30 June		
	1999	1998	1997
	¢	¢	¢
Basic earnings per share (cents)			
- before abnormals	**27.1**	23.3	(a) 20.0
- after abnormals	**27.1**	23.3	(a) 12.6

Diluted earnings per share is the same as basic earnings per share.

	Number (millions)		
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	**12,867**	12,867	(b) 12,867

(a) Calculated assuming share split had been made in the year ended 30 June 1997. On 6 August 1997 a share split of ordinary shares of the Telstra Entity was approved. The number of issued and paid up ordinary shares changed from 6,433,300,100 ordinary shares with a value of $1.00 each to 12,866,600,200 ordinary shares with a value of $0.50 each. Changes to the Australian Corporations Law effective 1 July 1998 have removed the par value from shares.

The earnings per share as disclosed in the financial reports for the year ended 30 June 1997 were 39.9 cents before abnormals and 25.1 cents after abnormals. These amounts were determined prior to the share split.

(b) Number of shares calculated assuming share split had been made in the year ended 30 June 1997. During the year ended 30 June 1997, the Telstra Group changed its accounting policies as disclosed in Note 3(c) as abnormal items. The effect on earnings per share of the changes in these accounting policies was an increase of 6.0 cents per share after abnormals to 25.1 cents per share for the year ended 30 June 1997 (calculated prior to share split).

The effect on earnings per share of the changes in accounting policies calculated after the share split would have been an increase of 3.0 cents per share after abnormals to 12.6 cents per share for the year ended 30 June 1997.

		Telstra Group			Telstra Entity	
		Year ended 30 June			Year ended 30 June	
		1999	1998	1997	**1999**	1998
	Note	**$m**	$m	$m	**$m**	$m

7. Dividends

	Note	**1999 $m**	1998 $m	1997 $m	**1999 $m**	1998 $m
Ordinary shares						
Interim dividend paid		**901**	901	3,625	**901**	901
Final dividend						
- ordinary dividend provided for/paid	17	**1,287**	901	521	**1,287**	901
- special dividend provided for	17	**2,059**	-	-	**2,059**	-
Total final dividend provided for/paid		**3,346**	901	521	**3,346**	901
		4,247	1,802	4,146	**4,247**	1,802

Dividends per share (cents)	**¢**	¢	¢
Interim dividend	**7.0**	7.0	(a) 28.2
Final dividend			
- ordinary dividend	**10.0**	7.0	(a) 4.0
- special dividend	**16.0**	-	-
Total final dividend	**26.0**	7.0	(a) 4.0
Total	**33.0**	14.0	(a) 32.2

Notes to the Financial Statements (continued)

7. Dividends (continued)

(a) Calculated assuming share split had been made in the year ended 30 June 1997. Refer to Note 18 for further details of the share split.

The final dividend of 26 cents per share ($3,346 million) is franked to 38.46% at a tax rate of 36%. This final dividend is similar to:
(i) a fully franked final ordinary dividend of 10 cents per share ($1,287 million); and
(ii) an unfranked special dividend of 16 cents per share ($2,059 million).

The final dividend will be paid on 29 October 1999.

All dividends paid in the years ended 30 June 1999, 1998 and 1997 were fully franked with C class franking credits and the tax rate at which these dividends were franked was 36%.

During the year ended 30 June 1999, the Telstra Entity declared and paid fully franked dividends of $1,802 million (1999 interim dividend plus 1998 final dividend paid during the year ended 30 June 1999) (1998: $1,422 million (1998 interim dividend plus 1997 final dividend paid during the year ended 30 June 1998); 1997: $4,307 million of which $3,000 million was paid as a special dividend to the Commonwealth).

	Telstra Group			Telstra Entity	
	Year ended 30 June			Year ended 30 June	
	1999	1998	1997	**1999**	1998
	$m	$m	$m	**$m**	$m
The combined amount of exempting and franking credits available for the next financial year are:					
- combined exempting and franking account balance as at 30 June	**223**	479	563	**158**	315
- franking credits and exempting credits that will arise from the payment of income tax payable as at 30 June	**896**	769	768	**871**	758
- franking debits that will arise from the payment of dividends provided for as at 30 June	**(1,287)**	(901)	(521)	**(1,287)**	(901)
- franking credits and exempting credits that the entity may be prevented from distributing in the next financial year	**(16)**	(8)	-	**-**	-
	(184)	339	810	**(258)**	172

At 30 June 1999 as a result of the Commonwealth Treasurer's declarations in relation to the years ended 30 June 1999 and 30 June 1998, there is a $Nil balance (1998: $Nil) in the Telstra Entity's C class franking credit account and a surplus of $158 million (1998: $315 million) in the Telstra Entity's C class exempting credit account. The surplus in the exempting credit account may be converted to C class franking credits to the extent of the C class franking deficit at 30 June for the relevant year if the Commonwealth Treasurer so declares. Arrangements have been put in place between the Commonwealth and the Telstra Entity in relation to the conversion of exempting credits. Upon conversion of the exempting credits to franking credits, the deficit in the C class franking account will be correspondingly reduced. Additional franking credits will arise when tax instalments are paid during the year ending 30 June 2000, relating to the 30 June 2000 income tax year.

The C class exempting credit account came into existence after changes to the Australian Taxation Law in July 1999 with retrospective effect from 13 May 1997. This law cancelled all C class franking credits of the Telstra Entity that existed on 13 May 1997 and created an equivalent amount of C class exempting credits. Australian income tax paid in respect of income attributable to the period whilst Telstra was wholly owned by the Commonwealth resulted in exempting credits rather than franking credits.

Notes to the Financial Statements (continued)

	Note	Telstra Group As at 30 June 1999 $m	Telstra Group As at 30 June 1998 $m	Telstra Entity As at 30 June 1999 $m	Telstra Entity As at 30 June 1998 $m
8. Cash					
Cash at bank and on hand		**145**	154	**89**	74
Bank deposits, bills of exchange and promissory notes		**834**	799	**793**	798
		979	953	**882**	872

Bank deposits are held in the short term money market. The carrying amount of bank deposits, bills of exchange and promissory notes approximate net fair value due to their short term to maturity.

	Note	Telstra Group As at 30 June 1999 $m	Telstra Group As at 30 June 1998 $m	Telstra Entity As at 30 June 1999 $m	Telstra Entity As at 30 June 1998 $m
9. Receivables					
Current					
Trade debtors (a)		**2,272**	2,284	**1,658**	1,709
Provision for doubtful debts		**(241)**	(237)	**(220)**	(211)
		2,031	2,047	**1,438**	1,498
Accrued revenue		**1,029**	998	**979**	958
Bank deposits, bills of exchange and promissory notes (b)		**114**	19	**114**	19
Share loans to employees (c)	19	**56**	46	**56**	46
Amounts owed by controlled entities (other than trade debtors)	27	**-**	-	**925**	676
Loan to joint venture entity		**-**	5	**-**	5
Other receivables		**15**	63	**10**	34
		3,245	3,178	**3,522**	3,236
Non current					
Bank deposits and bills of exchange (b)		**70**	71	**38**	42
Share loans to employees (c)	19	**223**	160	**223**	160
Amounts owed by controlled entities (other than trade debtors)	27	**-**	-	**140**	126
Other receivables		**-**	10	**-**	-
		293	241	**401**	328

(a) The Telstra Group's policy requires trade debtors to be settled within 14 days. The Telstra Group does not have any significant exposure to any individual customer, geographical location or industry category. All credit and recovery risk associated with trade debtors has been provided for in the financial statements. The carrying amount of trade debtors approximates their net fair value.

(b) Bank deposits, bills of exchange and promissory notes as at 30 June 1999 include $11 million current (1998: $19 million) and $70 million non current (1998: $71 million) Japanese Yen deposits which relate to the Telstra Group's Japanese finance lease liabilities. The Japanese Yen deposits are held to satisfy Telstra's obligations under the leases.

The carrying amount of bank deposits, bills of exchange and promissory notes with an original maturity date over three months and less than one year and the non current amounts approximate net fair value.

(c) Share loans to employees represent amounts receivable from employees under the terms of the Telstra Employee Share Ownership Plan Trust and Loan Scheme and approximate fair value. Refer to Note 19 for details regarding the scheme.

Notes to the Financial Statements (continued)

	Note	Telstra Group As at 30 June 1999 $m	Telstra Group As at 30 June 1998 $m	Telstra Entity As at 30 June 1999 $m	Telstra Entity As at 30 June 1998 $m

10. Inventories

	Note	Telstra Group 1999 $m	Telstra Group 1998 $m	Telstra Entity 1999 $m	Telstra Entity 1998 $m
Current					
Raw materials and stores at cost		**8**	23	**8**	23
Work in progress at cost		**-**	1	**-**	1
Finished goods at cost		**135**	146	**132**	144
Finished goods at net realisable value		**61**	73	**61**	71
		196	219	**193**	215
		204	243	**201**	239
Non current					
Finished goods at cost		**13**	23	**13**	23
Finished goods at net realisable value		**3**	4	**3**	4
		16	27	**16**	27

11. Investments

	Note	Telstra Group 1999 $m	Telstra Group 1998 $m	Telstra Entity 1999 $m	Telstra Entity 1998 $m
Listed securities					
Investment in listed corporations (at cost)		**86**	2	**84**	-
Total listed securities (a) (1.9(g))		**86**	2	**84**	-
Unlisted securities and other investments					
Investment in controlled entities (at cost)	23	**-**	-	**2,412**	2,157
Provision for diminution in value		**-**	-	**(2,148)**	(1,897)
		-	-	**264**	260
Investment in joint venture entities (b)	24	**49**	66	**2**	-
Investment in associated entities (b)	24	**20**	5	**26**	-
Investment in joint venture operation		**6**	6	**6**	6
Investment in WorldPartners Company		**-**	33	**-**	-
Investment in other corporations (at cost) (b)		**59**	51	**37**	50
Provision for diminution in value (b)		**(2)**	(39)	**(2)**	(39)
		57	12	**35**	11
Satellite consortia investments (b) (1.9(f))					
INTELSAT		**48**	75	**48**	75
INMARSAT		**-**	29	**-**	29
		48	104	**48**	104
Debentures (b)		**-**	18	**-**	18
Provision for diminution in value (b)		**-**	(18)	**-**	(18)
		-	-	**-**	-
		266	228	**465**	381

(a) The net fair value of listed securities as at 30 June 1999 was $118 million (1998: $6 million) for the Telstra Group.

(b) The net fair value of these investments approximates their carrying amount.

Notes to the Financial Statements (continued)

12. Property, plant and equipment

	Telstra Group		Telstra Entity	
	As at 30 June		As at 30 June	
	1999	1998	**1999**	1998
	$m	$m	**$m**	$m
General purpose land and buildings				
Land and site improvements				
At cost	**4**	4	**4**	4
At Directors' valuation - 31 March 1996 (a)	**164**	191	**164**	191
At Directors' valuation - 31 March 1998 (a)	**23**	23	**23**	23
At Directors' valuation - 31 March 1999 (a)	**20**	-	**20**	-
	211	218	**211**	218
Buildings (including leasehold improvements)				
At cost	**500**	438	**481**	427
Accumulated depreciation	**(201)**	(166)	**(193)**	(161)
	299	272	**288**	266
At Directors' valuation - 31 March 1996 (a)	**669**	695	**669**	695
At Directors' valuation - 31 March 1998 (a)	**21**	22	**21**	22
At Directors' valuation - 31 March 1999 (a)	**4**	-	**4**	-
	694	717	**694**	717
Accumulated depreciation	**(90)**	(62)	**(90)**	(62)
	604	655	**604**	655
	903	927	**892**	921
	1,114	1,145	**1,103**	1,139
Communication assets (including leasehold improvements)				
At cost	**27,302**	25,169	**26,801**	24,722
Accumulated depreciation	**(11,269)**	(10,229)	**(11,030)**	(10,060)
	16,033	14,940	**15,771**	14,662
At Independent valuation - 1988 (b)	**228**	228	**228**	228
At Directors' valuation:				
- 31 January 1992 (b)	**888**	908	**888**	908
- 30 June 1992 (b)	**703**	706	**703**	706
- 31 March 1994 (b)	**756**	1,087	**756**	1,087
- 30 June 1995 (b)	**3**	3	**3**	3
- 30 June 1997 (b)	**210**	210	**-**	-
- 31 March 1998 (b)	**5**	5	**5**	5
- 31 March 1999 (b)	**19**	-	**19**	-
	2,812	3,147	**2,602**	2,937
Accumulated depreciation	**(724)**	(890)	**(685)**	(869)
	2,088	2,257	**1,917**	2,068
	18,121	17,197	**17,688**	16,730
Communication assets under finance lease				
At cost	**572**	408	**572**	408
Accumulated depreciation	**(96)**	(271)	**(96)**	(271)
	476	137	**476**	137
	18,597	17,334	**18,164**	16,867

Communication assets include certain network land and buildings which are integral to the communication assets.

Notes to the Financial Statements (continued)

	Telstra Group		Telstra Entity	
	As at 30 June		As at 30 June	
	1999	1998	**1999**	1998
	$m	$m	**$m**	$m

12. Property, plant and equipment (continued)

Other plant and equipment

Other plant, equipment and motor vehicles				
At cost	**2,485**	2,703	**2,409**	2,627
Accumulated depreciation	**(1,331)**	(1,460)	**(1,283)**	(1,415)
	1,154	1,243	**1,126**	1,212
At Independent valuation 1988 (b)	**2**	3	**2**	3
Accumulated depreciation	**(2)**	(3)	**(2)**	(3)
	-	-	**-**	-
	1,154	1,243	**1,126**	1,212
Equipment under finance lease				
At cost	**56**	108	**55**	107
Accumulated amortisation	**(40)**	(74)	**(39)**	(74)
	16	34	**16**	33
Net book value of property, plant and equipment	**20,881**	19,756	**20,409**	19,251
Assets under construction included in the above at cost:				
Communication assets	**1,068**	847	**1,053**	841
General purpose land and buildings	**22**	13	**22**	13
	1,090	860	**1,075**	854
As at 30 June, the cost/valuation and accumulated depreciation of all land and buildings was:				
Land				
At cost	**19**	46	**19**	46
At valuation (a) (b)	**698**	695	**698**	695
	717	741	**717**	741
Buildings (including leasehold improvements)				
At cost	**1,087**	1,198	**1,065**	1,163
Accumulated depreciation	**(327)**	(354)	**(315)**	(338)
	760	844	**750**	825
At valuation (a) (b)	**1,936**	1,979	**1,936**	1,979
Accumulated depreciation	**(412)**	(338)	**(412)**	(338)
	1,524	1,641	**1,524**	1,641
	2,284	2,485	**2,274**	2,466
	3,001	3,226	**2,991**	3,207

The directors consider the current value of all land and buildings as at 30 June 1999 was $3,430 million (1998: $3,568 million); Telstra Entity $3,420 million (1998: $3,549 million).

From time to time the Telstra Group has revalued its property, plant and equipment. Property, plant and equipment is written down to recoverable amount where the carrying value exceeds recoverable amount.

Notes to the Financial Statements (continued)

12. Property, plant and equipment (continued)

The valuation methods are as follows:

(a) General purpose land and buildings
- Market value.

(b) Communication assets and other plant and equipment
(i) Network land and buildings
- Market value for network land and depreciated replacement cost or recoverable amount for network buildings.

(ii) Other assets
- Depreciated replacement cost or recoverable amount.

Details of the Telstra Group's capital expenditure and finance lease commitments are provided in Note 20 to these financial statements.

	Telstra Group		Telstra Entity	
	As at 30 June		As at 30 June	
	1999	1998	**1999**	1998
	$m	$m	**$m**	$m
13. Intangible assets				
Goodwill	**40**	51	**-**	-
Accumulated amortisation	**(14)**	(13)	**-**	-
	26	38	**-**	-
Patents, trademarks and licences	**533**	529	**526**	522
Accumulated amortisation	**(107)**	(71)	**(103)**	(67)
	426	458	**423**	455
	452	496	**423**	455
14. Other assets				
Current				
Prepayments	**125**	136	**119**	129
	125	136	**119**	129
Non current				
Deferred expenditure	**115**	95	**114**	94
Accumulated amortisation	**(75)**	(61)	**(75)**	(61)
	40	34	**39**	33
Capitalised software	**1,012**	479	**1,010**	479
Accumulated amortisation	**(197)**	(88)	**(197)**	(88)
	815	391	**813**	391
	855	425	**852**	424

Notes to the Financial Statements (continued)

	Note	Telstra Group As at 30 June 1999 $m	Telstra Group As at 30 June 1998 $m	Telstra Entity As at 30 June 1999 $m	Telstra Entity As at 30 June 1998 $m

15. Accounts payable

	Note	Telstra Group 1999 $m	Telstra Group 1998 $m	Telstra Entity 1999 $m	Telstra Entity 1998 $m
Current					
Trade creditors (a)		**647**	576	**562**	498
Accrued expenses		**1,264**	994	**1,037**	868
Other creditors (a) (b)		**475**	794	**432**	729
Amounts owed to controlled entities (other than trade creditors)		**-**	-	**217**	48
Amounts owed to the Telstra Superannuation Scheme	22	**121**	121	**121**	121
		2,507	2,485	**2,369**	2,264
Non current					
Other creditors		**109**	36	**74**	21
Amounts owed to the Telstra Superannuation Scheme	22	**636**	664	**636**	664
		745	700	**710**	685

(a) Trade creditors and other creditors (excluding a long term construction contract) are generally settled within 30 days of the date of invoice for electronic funds transfer payments, or 30 days from the end of the month of invoice for other payments.

(b) Other creditors includes long term construction contracts including one with the Commonwealth of Australia (Commonwealth) Department of Defence as follows:

	Telstra Group 1999 $m	Telstra Group 1998 $m	Telstra Entity 1999 $m	Telstra Entity 1998 $m
Gross amount of construction work in progress	**(1,313)**	(1,024)	**(1,310)**	(1,024)
Recognised profits to date (#)	**(6)**	-	**(5)**	-
Provisions for foreseeable losses	**605**	605	**605**	605
	(714)	(419)	**(710)**	(419)
Progress billings and advances received (i)	**756**	735	**753**	735
	42	316	**43**	316
(i) Includes progress billings, billed but not received at balance date (included in trade debtors)	**2**	5	**-**	5

(#) The recognised profits to date relate to construction contracts with entities other than the Commonwealth Department of Defence.

Notes to the Financial Statements (continued)

		Telstra Group		Telstra Entity	
		As at 30 June		As at 30 June	
		1999	1998	**1999**	1998
	Note	**$m**	$m	**$m**	$m

16. Borrowings

	Note	Group 1999 $m	Group 1998 $m	Entity 1999 $m	Entity 1998 $m
Current					
(a) Short term debt					
Bank overdrafts (a)		**5**	5	**-**	-
Loan from joint venture entity (b)		**16**	-	**16**	-
Bills of exchange and promissory notes (c)		**2,139**	2,503	**2,091**	2,464
		2,160	2,508	**2,107**	2,464
(b) Long term debt - current portion					
Bank loans (d)		**9**	5	**-**	-
Loans from controlled entities		**-**	-	**326**	125
Telecom/Telstra bonds (e)		**68**	349	**68**	349
Finance leases (g)	20	**28**	73	**25**	56
		105	427	**419**	530
		2,265	2,935	**2,526**	2,994
Non current					
(b) Long term debt					
Bank loans (d)		**17**	21	**-**	-
Loans from controlled entities		**-**	-	**32**	159
Telecom/Telstra bonds (e)		**2,279**	2,338	**2,279**	2,338
Other loans (f)		**2,624**	2,298	**2,620**	2,298
Finance leases (g)	20	**26**	130	**21**	78
		4,946	4,787	**4,952**	4,873
Total debt payable					
(a) Short term debt					
Bank overdrafts (a)		**5**	5	**-**	-
Loan from joint venture entity (b)		**16**	-	**16**	-
Bills of exchange and promissory notes (c)		**2,139**	2,503	**2,091**	2,464
		2,160	2,508	**2,107**	2,464
(b) Long term debt (including current portion)					
Bank loans (d)		**26**	26	**-**	-
Loans from controlled entities		**-**	-	**358**	284
Telecom/Telstra bonds (e)		**2,347**	2,687	**2,347**	2,687
Other loans (f)		**2,624**	2,298	**2,620**	2,298
Finance leases (g)	20	**54**	203	**46**	134
		5,051	5,214	**5,371**	5,403
		7,211	7,722	**7,478**	7,867

Borrowings outstanding are unsecured, except for: finance leases which are secured, as the rights to the leased asset revert to the lessor in the event of a default; a bank overdraft of $4 million (1998: $4 million) and a bank loan of $8 million (1998: $5 million) held by an offshore controlled entity as noted in (a) and (d) below.

The Commonwealth has guaranteed $37 million of these borrowings at 30 June 1999 (1998: $217 million).

Notes to the Financial Statements (continued)

16. Borrowings (continued)

The maturity table for all long term debt payable for the next five years ending 30 June and thereafter is as follows:

	Telstra Group						
	2000 $m	2001 $m	2002 $m	2003 $m	2004 $m	after 2004 $m	Total $m
Long term debt payable	105	584	51	706	636	3,016	5,098
Unamortised discount							(47)
							5,051

(a) Bank overdrafts

As at 30 June 1999, the Telstra Group's bank overdrafts are unsecured except for a $4 million (1998: $4 million) bank overdraft of an offshore controlled entity which is secured against certain fixed and floating assets of that controlled entity. Interest on bank overdrafts is charged at the bank's prevailing benchmark rate. The effective interest rate was 16.7% for the year ended 30 June 1999 (1998: 18.0%), mainly in relation to the offshore controlled entity's overdraft. The bank overdrafts are payable on demand and are subject to review.

(b) Loan from joint venture entity

As at 30 June 1999, Telstra owed a joint venture entity $16 million in relation to an amount deposited with the Telstra Entity. The amount is repayable on demand with an interest rate of 4.8%.

(c) Bills of exchange and promissory notes

The Telstra Group has issued bills of exchange and promissory notes of $2,139 million (1998: $2,503 million) to financial institutions with an original maturity of less than 180 days. At 30 June 1999, $2,139 million (1998: $2,474 million) of these bills of exchange and promissory notes mature in less than three months. The weighted average effective interest rate applicable to these bills of exchange and promissory notes at 30 June 1999 was 4.9% (1998: 5.5%).

(d) Bank loans

Bank loans have been made to controlled entities of the Telstra Group and are denominated in Indian Rupees and Sri Lankan Rupees. The Indian Rupees loans of A$17 million (1998: A$12 million) have an interest rate of 18.4% (1998: 15.5%). $8 million (1998: A$5 million Indian Rupees loan) of this loan held by an offshore controlled entity is secured against certain fixed and floating assets of that controlled entity. The Sri Lankan Rupees loans of A$9 million (1998: A$14 million) have an interest rate of 17.0% (1998: 16.3%). The amounts of these loans that mature during each of the next five years ending 30 June and thereafter are as follows:

	Telstra Group						
	2000 $m	2001 $m	2002 $m	2003 $m	2004 $m	after 2004 $m	Total $m
Bank loans	9	12	2	2	1	-	26

Notes to the Financial Statements (continued)

16. Borrowings (continued)

(e) Telecom/Telstra bonds

Telecom/Telstra bonds are issued to both retail and wholesale investors and have effective interest rates ranging from 4.2% to 14.3% (1998: 4.0% to 14.8%), with maturities over the period to the year 2020 (1998: 2020). At 30 June 1999, Telecom/Telstra bonds were due as follows:

	Telstra Group					
Coupon interest rate	**up to 6.0%**	**up to 8.0%**	**up to 10.0%**	**up to 12.0%**	**up to 16.0%**	**Total**
	$m	**$m**	**$m**	**$m**	**$m**	**$m**
Due in the year ending June 30						
2000	**50**	**3**	**15**	**-**	**-**	**68**
2001	**8**	**11**	**29**	**18**	**492**	**558**
2002	**4**	**2**	**2**	**30**	**-**	**38**
2003	**-**	**-**	**63**	**516**	**-**	**579**
2004	**145**	**44**	**6**	**-**	**-**	**195**
After 2004	**36**	**260**	**42**	**571**	**32**	**941**
	243	**320**	**157**	**1,135**	**524**	**2,379**
Unamortised discount						**(32)**
						2,347

(f) Other loans

Other loans include domestic loans and offshore loans (denominated in foreign currencies) and the net (receivable)/payable on the currency swaps of ($5) million at 30 June 1999 (1998: ($239) million) entered into to hedge these borrowings. A description of the objectives and significant terms and conditions relating to cross currency swaps used to hedge the offshore loans is detailed in Note 29. The Japanese Yen loans of A$126 million at 30 June 1999 (1998: A$116 million) have interest rates ranging from 5.1% to 5.6% (1998: from 5.1% to 5.6%) and maturity dates between October 2002 and May 2003 (1998: between October 2002 and May 2003).

The US dollar loans of A$1,055 million at 30 June 1999 (1998: A$1,129 million) have interest rates ranging from 6.5% to 7.1% (1998: from 6.3% to 6.7%) and maturity dates of July 2003 and November 2005 (1998: maturity dates of July 2003 and November 2005). The French Franc loan of A$356 million (1998: A$399 million) has an interest rate of 6.1% (1998: 6.1%) and a maturity date of December 2006 (1998: December 2006). The Deutschemark Eurobond loan of A$795 million (1998: A$893 million) has an interest rate of 5.2% (1998: 5.2%) and maturity of April 2008 (1998: April 2008). During the year ended 30 June 1999, Telstra entered into a Swiss Franc Eurobond loan of A$293 million which has an interest rate of 3.5% and maturity of June 2005. A controlled entity has a loan from its minority shareholder of $4 million with an interest rate of 8% and matures before 30 June 2002. The amounts of these loans that mature during each of the next five years ending 30 June and thereafter are as follows:

	Telstra Group						
	2000	**2001**	**2002**	**2003**	**2004**	**after 2004**	**Total**
	$m	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
Other loans	**-**	**-**	**4**	**120**	**440**	**2,075**	**2,639**
Unamortised discount							**(15)**
							2,624

Notes to the Financial Statements (continued)

16. Borrowings (continued)

(g) Finance leases

The Australian dollar finance lease obligations have interest rates ranging from 7.0% to 12.5% (1998: 6.5% to 12.5%) and maturity dates between July 1999 and January 2001 (1998: April 1999 and June 2003).

The Japanese Yen finance lease obligations have interest rates ranging from 1.5% to 3.2% (1998: 1.5% to 3.4%) and maturity dates between July 1999 and July 2002 (1998: October 1998 and February 2005). Details of minimum lease payments due under finance leases are disclosed as follows:

	Telstra Group						
	2000	**2001**	**2002**	**2003**	**2004**	**after 2004**	**Total**
	$m	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
Finance leases	**28**	**14**	**7**	**5**	**-**	**-**	**54**

Net fair values

The carrying amounts of bank overdrafts, bills of exchange and promissory notes, bank loans and finance lease liabilities, approximate net fair value. The net fair values of other borrowings where the carrying amounts (including accrued interest) are materially different to the net fair values are as follows:

	Telstra Group Carrying Amount (i) As at 30 June		Telstra Group Net Fair Value As at 30 June	
	1999	1998	**1999**	1998
	$m	$m	**$m**	$m
Telecom/Telstra bonds	**2,397**	2,751	**2,769**	3,328
Other loans (ii)	**2,684**	2,601	**2,707**	2,842

The difference between carrying amount and net fair values relates principally to interest rate movements.

(i) Carrying amount includes accrued interest.

(ii) The carrying amount and net fair value of other loans excludes cross currency swaps which are disclosed in Note 29.

Notes to the Financial Statements (continued)

		Telstra Group		Telstra Entity	
		As at 30 June		As at 30 June	
		1999	1998	**1999**	1998
	Note	**$m**	$m	**$m**	$m

16. Borrowings (continued)

Financing arrangements
The Telstra Group has access to the following lines of credit:

	Note	Telstra Group 1999 $m	Telstra Group 1998 $m	Telstra Entity 1999 $m	Telstra Entity 1998 $m
Credit standby arrangements					
Unsecured committed cash standby facilities, subject to annual review		**902**	813	**902**	813
Amount of credit unused		**902**	813	**902**	813
An unsecured bill acceptance facility reviewable for extension on an annual basis		**80**	50	**-**	-
Amount of credit unused		**32**	11	**-**	-
Secured bank overdraft and term loan facilities		**12**	7	**-**	-
Amount of credit unused		**-**	3	**-**	-
Loan facilities					
Unsecured bank term loan facilities		**2,024**	2,028	**2,000**	2,000
Amount of credit unused		**2,000**	2,002	**2,000**	2,000

The Telstra Entity has in place commercial paper facilities with financial institutions under which it may issue up to $5,032 million (1998: $4,256 million). As at 30 June 1999, the Telstra Entity had drawn down $2,091 million (1998: $2,464 million) of these commercial paper facilities. These facilities are uncommitted and the Telstra Entity has no guaranteed access to funds. None of the facilities are underwritten.

17. Provisions

	Note	Telstra Group 1999 $m	Telstra Group 1998 $m	Telstra Entity 1999 $m	Telstra Entity 1998 $m
Current					
Dividends payable	7	**3,346**	901	**3,346**	901
Taxation		**515**	474	**490**	457
Employee entitlements (a)		**594**	720	**545**	703
Workers' compensation		**47**	33	**47**	33
Other provisions		**225**	332	**104**	174
		4,727	2,460	**4,532**	2,268
Non current					
Employee entitlements (a)		**581**	773	**515**	767
Workers' compensation		**264**	278	**264**	278
Other provisions		**244**	305	**31**	56
		1,089	1,356	**810**	1,101

(a) Employee entitlements consist of amounts for annual leave, long service leave and redundancy payments to employees.

Aggregate employee entitlements		**1,175**	1,493	**1,060**	1,470

The carrying amounts of all provisions approximate net fair value.

Notes to the Financial Statements (continued)

	Telstra Group & Telstra Entity			
	As at 30 June			
	1999	**1999**	1998	1997
	$m	**US$m**	$m	$m

18. Share capital

Issued and paid up share capital

	1999 $m	**1999 US$m**	1998 $m	1997 $m
12,866,600,200 fully paid ordinary shares (a) (b) (1998: 12,866,600,200 fully paid ordinary shares of $0.50; 1997: 4,933,300,100 fully paid ordinary shares of $1.00 each)	**6,433**	**4,253**	6,433	4,933
(1997: 2,000,000,000 partly paid ordinary shares of $1.00 each paid to $0.75) (a)	**-**	**-**	-	1,500
	6,433	**4,253**	6,433	6,433

Movement in share capital

	1999 $m	**1999 US$m**	1998 $m	1997 $m
Issued and paid up share capital at beginning of year	**6,433**	**4,253**	6,433	6,433
Buyback by Commonwealth of Nil (1998: 2,000,000,000) partly paid ordinary shares of $1.00 each paid to $0.75 (a)	**-**	**-**	(1,500)	-
Issue of Nil (1998: 1,500,000,000) ordinary shares with a par value of $1.00 each (a)	**-**	**-**	1,500	-
Issued and paid up share capital at end of year (b)	**6,433**	**4,253**	6,433	6,433

(a) Year ended 30 June 1998: On 25 July 1997, the Commonwealth accepted a share buy-back offer from the Telstra Entity in respect of all of the 2,000,000,000 partly paid (to $0.75) shares in the Telstra Entity held by the Commonwealth as at that date. The proceeds of this buy-back representing $1,500 million were applied by the Commonwealth to subscribe for 1,500,000,000 ordinary shares in the Telstra Entity with a par value of $1.00 each. As these transactions did not involve cash paid or received, they are not reflected in the cash flows from financing activities.

(b) Year ended 30 June 1998: On 6 August 1997, a share split was approved so that all ordinary shares issued by the Telstra Entity on this date with a par value of $1.00 each were divided into two ordinary shares with a par value of $0.50 each. This resulted in authorised share capital of the Telstra Entity changing from 20,000,000,000 shares with a par value of $1.00 each to 40,000,000,000 shares with a par value of $0.50 each. The number of issued and paid up ordinary shares changed from 6,433,300,100 ordinary shares with a par value of $1.00 each, to 12,866,600,200 ordinary shares with a par value of $0.50 each.

(c) The Australian Corporations Law was amended from 1 July 1998 to remove par values from shares.

Notes to the Financial Statements (continued)

19. Telstra Employee Share Ownership Plan

(a) Nature of the scheme

During the year ended 30 June 1998, the Commonwealth sold approximately 33.33% of its shares in the Telstra Entity in the form of instalment receipts (throughout this Note shares are defined to include instalment receipts). Part of the sale process involved an invitation to eligible employees to acquire shares under the Telstra Employee Share Ownership Plan (TESOP). The shares sold to eligible employees were ordinary share capital of the Telstra Entity at the time of sale.

(b) Eligibility to participate

Shares were offered to all "eligible employees". This included employees who, on 20 September 1997, were employees of (a) the Telstra Entity; or (b) a company in which Telstra owned more than 50% of the issued capital (subsidiary), but excluding any person who, on 20 September 1997, was: (a) a part-time employee who received loading in lieu of employee benefits (such as sick leave, annual leave or long service leave); (b) a fixed term employee (i.e. employed for a specific period); (c) a casual employee; (d) a contractor; (e) an employee on leave without pay except in the category of maternity/ parental leave, sick leave and study leave, subject to verification of the person's status in these categories by Telstra and its subsidiaries; or (f) an employee living outside Australia.

At 20 September 1997 64,309 employees were eligible to participate in the TESOP. Of these, 55,748 applied to and were accepted to participate in the TESOP and received loan shares and 2,282 employees used their own funds to acquire shares.

(c) The offer to eligible employees

Eligible employees were entitled to participate in both of the following offers:

- the "One for four offer"; and
- the "Employee loyalty share offer".

(d) The "One for four offer"

(i) Terms of the "One for four offer"

Under the "One for four offer", the Commonwealth guaranteed that each eligible employee would be able to purchase up to 2,000 shares. For every four shares purchased under this offer, the eligible employee would receive one extra share free, up to a maximum of 500 extra shares ("extra shares"). The shares issued to employees under TESOP rank equally with all other Telstra Entity shares.

Eligible employees could elect to purchase shares under the "One for four offer" with their own funds, or use an interest-free loan provided by the Telstra Entity. If the employee chose to use the loan, the loan (less a $1.00 discount) was used to pay the first instalment of $1.95 per share on the employee's behalf. The Telstra Entity paid $55,748 to the Commonwealth representing the $1.00 discount per eligible employee on the cost of purchasing the shares. This discount is borne by the Telstra Entity and is not repayable by the employee. During the year ended 30 June 1999, the Telstra Entity made a further loan to employees to pay the final instalment of $1.35 which was due on or before 17 November 1998. The Telstra Entity's recourse under the loan is limited to the amount recoverable through sale of the employees' shares. The loan is to be repaid from after-tax dividends received on the shares and extra shares. Provided the employee remains an employee of Telstra or its subsidiaries, there is no date by which the loan must be repaid. However, the loan may be repaid in full at any time by the employee using his or her own funds.

While the employee remains an employee of Telstra or its subsidiaries, the shares purchased under the "One for four offer" cannot be sold until 3 years after allocation. After 3 years, the employee may sell the shares, provided the loan is repaid in full.

The shares and extra shares are held on behalf of the employees by Telstra ESOP Trustee Pty Ltd as trustee for the TESOP. This company is a wholly owned subsidiary of the Telstra Entity.

If an eligible employee leaves Telstra or its subsidiaries, they must repay the loan before the latter of: (a) two months after leaving Telstra or its subsidiaries; (b) two months after the date for payment of the final instalment; or (c) twelve months if the employee leaves Telstra or its subsidiaries due to death or total and permanent disablement.

If the employee fails to repay the loan by the relevant due date, the trustee may sell the shares and extra shares and repay the loan with the sale proceeds.

Where Telstra ESOP Trustee Pty Ltd was the registered holder of an employee's shares on 4 November 1998, the Telstra Entity advanced the final instalment on behalf of the employee, even where the employee had left Telstra or its subsidiaries.

(ii) Market price of shares

At 17 November 1997, the market value of shares issued to participants in the TESOP (including those paid for with the employees' funds - see (iv) below) was $277,279,841 (calculated using $1.95 per share). The total amount received by the Commonwealth for these shares for the first instalment was $221,823,872.

Notes to the Financial Statements (continued)

19. Telstra Employee Share Ownership Plan (continued)

(d) The "One for four offer" (continued)

(ii) Market price of shares (continued)

The difference between the market value of shares issued and the amount paid to the Commonwealth represents the value of the free shares received by TESOP participants for every four shares purchased. The total amount received by the Commonwealth during the year ended 30 June 1999 for the final instalment was $144,401,940 (calculated using $1.35 per share).

The market price of the shares recorded by the Australian Stock Exchange as at close of trade on 30 June 1999 was $8.66 (1998: $4.14).

(iii) Movements in loan shares, loan extra shares and loan repayments for the years ended 30 June 1999 and 1998:

	No. of employees	No. of shares held	Loan Amount $'000
1998			
Commencement of TESOP:			
Sale of loan shares to employees by the Commonwealth	55,748	109,979,100	214,404
Employee loan extra shares sold by the Commonwealth	55,748	27,494,775	-
		137,473,875	214,404
Reduced by:			
After tax dividend loan repayments by employees	-	-	7,741
Loan repayments (non dividend) and exits of the scheme	207	401,600	758
Employee loan extra shares exits of the scheme	207	100,400	-
		502,000	8,499
Closing balances as at 30 June 1998:			
Employee loan shares (a)	55,541	109,577,500	205,905
Employee loan extra shares (a)	55,541	27,394,375	-
		136,971,875	205,905
Share loans to employees is split between:			
Current amount (Note 9)			46,240
Non current amount (Note 9)			159,665
			205,905
1999			
Increased by:			
Final instalment advanced by the Telstra Entity on sale of loan shares to employees by the Commonwealth			**144,402**
Reduced by:			
After tax dividend loan repayments by employees	**-**	**-**	**14,152**
Loan repayments (non dividend) and exits of the scheme	**9,728**	**19,057,900**	**56,615**
Employee loan extra shares exits of the scheme	**9,728**	**4,764,475**	**-**
Loan repayments (non dividend) and remaining in the scheme (b)	**-**	**-**	**565**
		23,822,375	**71,332**
Closing balances as at 30 June 1999:			
Employee loan shares (a) (b)	**45,813**	**90,519,600**	**278,975**
Employee loan extra shares (a) (b)	**45,813**	**22,629,900**	**-**
		113,149,500	**278,975**
Share loans to employees is split between:			
Current amount (Note 9)			**56,372**
Non current amount (Note 9)			**222,603**
			278,975

(a) 1,703 employees who left Telstra or its subsidiaries on or before 30 June 1999 (1998: 4,275 employees who left Telstra or its subsidiaries on or before 30 June 1998) are required to make arrangements to repay their loan before 31 August 1999 (1998: 17 January 1999), in default of which the Telstra ESOP Trustee Pty Ltd may sell their shares in order to repay the loan.

Notes to the Financial Statements (continued)

19. Telstra Employee Share Ownership Plan (continued)

(d) The "One for four offer" (continued)

(b) 94 employees who are employed by Telstra or its subsidiaries as at 30 June 1999 have repaid their loan. This represents 181,600 shares and 45,400 extra shares which are included in the closing balance of shares above and cannot be sold as they are still subject to the 3 year trading restriction (refer (i) above).

(iv) Purchase of shares in the "One for four offer" using the employees' own funds

During the year ended 30 June 1998, in addition to acquiring shares under the TESOP by using interest free loan funding provided by the Telstra Entity, eligible employees were also able to apply for shares under TESOP by using their own funds (refer (i) above). Upon doing this, these employees were also able to obtain 1 extra share free for every 4 shares purchased up to the maximum of 500 extra shares offered under (i) above. 2,282 employees took up the offer under these terms and were issued 3,776,732 shares and 944,183 extra shares. The shares purchased with the eligible employees' funds are able to be sold at any time and once the eligible employee leaves Telstra or its subsidiaries or three years since the date the extra shares were allocated to the eligible employee have lapsed, the extra shares may be sold at any time. The employees participating in this part of the scheme at 30 June 1999 totalled 1,203 (1998: 1,448) which corresponded to 471,775 (1998: 571,333) extra shares.

(e) Employee loyalty share offer

Eligible employees who purchased shares in the public offer with their own funds were entitled to receive one loyalty share, at no additional cost, for every ten shares purchased in the public offer and held through to 17 November 1998 to a maximum of 200 loyalty shares. Shares purchased under the "One for four offer" did not count towards determining the number of loyalty shares an employee may receive.

During the year ended 30 June 1999, 3,162,222 shares were transferred by the Commonwealth to 21,761 eligible employees entitled to receive loyalty shares. These shares equated to a market value of $20,363,290 as at the date of transfer based on a share price of $6.46 on 17 November 1998. These loyalty shares are not subject to any restrictions.

Employees who leave Telstra or its subsidiaries were eligible to receive loyalty shares if the shares purchased in the public offer were still held by the employee on 17 November 1998. Loyalty shares may be sold any time after receiving them.

Notes to the Financial Statements (continued)

	Telstra Group		Telstra Entity	
	As at 30 June		As at 30 June	
	1999	1998	**1999**	1998
	$m	$m	**$m**	$m

20. Expenditure commitments

(a) Capital expenditure commitments

Aggregate capital expenditure commitments contracted for at balance date but not provided for in the financial statements:

	Telstra Group 1999 $m	Telstra Group 1998 $m	Telstra Entity 1999 $m	Telstra Entity 1998 $m
Within 1 year	**647**	636	**621**	552
Within 1-2 years	**219**	245	**161**	226
Within 2-3 years	**124**	124	**124**	119
Within 3-4 years	**121**	115	**121**	115
Within 4-5 years	**120**	116	**120**	116
After 5 years	**360**	442	**360**	442
	1,591	1,678	**1,507**	1,570
Included above are capital commitments relating to information technology services as follows:	**990**	972	**990**	972

These capital commitments relate to amounts to be spent on capitalised software developed for internal use under a 10 year contract with IBM Global Services Australia Limited (IBMGSA) (Refer Note 20(d)(ii) for other commitments relating to IBMGSA).

(b) Operating lease commitments

Future lease payments for non-cancellable operating leases:

	Telstra Group 1999 $m	Telstra Group 1998 $m	Telstra Entity 1999 $m	Telstra Entity 1998 $m
Within 1 year	**251**	196	**236**	181
Within 1-2 years	**158**	158	**146**	147
Within 2-3 years	**115**	107	**102**	99
Within 3-4 years	**81**	83	**80**	78
Within 4-5 years	**62**	66	**62**	62
After 5 years	**175**	232	**175**	228
	842	842	**801**	795

In addition, the Telstra Group has commitments under cancellable operating leases of $95 million for the year ending 30 June 2000 (1998: $56 million for the year ended 30 June 1999). The Telstra Entity has commitments under cancellable operating leases of $82 million for the year ending 30 June 2000 (1998: $40 million for the year ended 30 June 1999).

Notes to the Financial Statements (continued)

20. Expenditure commitments (continued)

	Note	Telstra Group As at 30 June 1999 $m	Telstra Group As at 30 June 1998 $m	Telstra Entity As at 30 June 1999 $m	Telstra Entity As at 30 June 1998 $m
(c) Finance lease commitments					
Within 1 year		**29**	80	**26**	61
Within 1-2 years		**16**	50	**13**	31
Within 2-3 years		**7**	34	**4**	18
Within 3-4 years		**5**	30	**5**	10
Within 4-5 years		**-**	11	**-**	11
After 5 years		**-**	17	**-**	16
Total minimum lease payments		**57**	222	**48**	147
Future finance charges on finance leases		**(3)**	(19)	**(2)**	(13)
Present value of net future minimum lease payments		**54**	203	**46**	134
Current	16	**28**	73	**25**	56
Non Current	16	**26**	130	**21**	78
		54	203	**46**	134

Included in finance lease commitments of the Telstra Entity are finance leases with a controlled entity of $17 million (1998: $60 million). The current amount of these finance leases is $4 million (1998: $8 million), non current $13 million (1998: $52 million).

(d) Other commitments

Other expenditure commitments, other than commitments dealt with in (a), (b) and (c) above, which have not been provided for in the financial statements are:

	Telstra Group 1999 $m	Telstra Group 1998 $m	Telstra Entity 1999 $m	Telstra Entity 1998 $m
Within 1 year	**829**	1,030	**665**	840
Within 1-2 years	**594**	538	**512**	452
Within 2-3 years	**573**	554	**493**	466
Within 3-4 years	**505**	540	**427**	455
Within 4-5 years	**406**	506	**329**	422
After 5 years	**1,262**	1,663	**733**	1,015
	4,169	4,831	**3,159**	3,650

The above other expenditure commitments include contracts for printing, engineering and operational support services, software maintenance, agency fees and building maintenance. The above commitments also include commitments relating to the Telstra Group's investment in joint venture entities (refer Note 24) and commitments relating to information technology services as follows:

	Telstra Group 1999 $m	Telstra Group 1998 $m	Telstra Entity 1999 $m	Telstra Entity 1998 $m
Joint venture entity commitments (i)	**925**	1,064	**-**	-
Commitments relating to information technology services (ii)	**2,188**	2,307	**2,188**	2,307

Notes to the Financial Statements (continued)

20. Expenditure commitments (continued)

(d) Other commitments (continued)

(i) Joint venture entity commitments principally relate to Telstra Group's share of minimum subscriber guarantees of approximately US$1,207 million (1998: US$1,306 million) for pay television programming agreements over remaining periods of between 1 and 21 years (1998: 2 and 22 years), based on current prices and costs under agreements entered into between the FOXTEL Partnership and various other parties. These minimum subscriber payments are subject to fluctuation in accordance with price escalation/reduction formulae in the agreements.

(ii) Commitments for information technology (IT) services result from a contract with IBMGSA, whereby IBMGSA will provide IT services to the Telstra Entity and designated Australian controlled entities for a period of 10 years from 30 June 1998. The Telstra Entity is committed to a total amount of $3,178 million (1998: $3,279 million) over the period, of which $990 million (1998: $972 million) relates to a capital commitment (refer Note 20(a)).

Notes to the Financial Statements (continued)

21. Contingent liabilities

The details and maximum amounts (where reasonable estimates can be made) are set out below for contingent liabilities of:

Telstra Entity

Legal actions

Reseller billing cases

The Telstra Entity is involved in litigation with two of its wholesale customers - AAPT Limited and First Netcom Pty Ltd. These proceedings generally involve claims by the Telstra Entity for substantial charges, for the provision of telecommunications services, which it believes remain unpaid, and cross-claims by the wholesale customers for substantial amounts of damages. The wholesale customers dispute that any amounts are owing by them, and contend that they are entitled to offset their claims against amounts claimed by the Telstra Entity. The wholesale customers' claims include claims for revenue allegedly foregone from delayed on-billing of third-party customers and loss of customers and/or revenue from allegedly incorrect or delayed billing and alleged breaches by the Telstra Entity of the Telecommunications Act, Trade Practices Act and contract. It is not possible, on the information available, to reliably assess the outcome of the various proceedings.

Optus section 46 litigation

On 10 September 1997 Cable & Wireless Optus Ltd (then Optus Communications Pty Ltd) and two of its subsidiaries (Optus Networks Pty Ltd and Optus Vision Pty Ltd) commenced proceedings in the Federal Court of Australia against the Telstra Entity, Telstra Media Pty Ltd (Telstra Media) and Sky Cable Pty Ltd (Sky Cable), a subsidiary of the News Corporation Ltd. The claims made against Telstra Media and Sky Cable have since been withdrawn. The claims made against the Telstra Entity asserted that the Telstra Entity had acted in breach of section 46 of the Trade Practices Act (TPA) by taking advantage of a substantial degree of power in various markets for prohibited purposes. The asserted misconduct related to an alleged refusal by the Telstra Entity to supply local number portability and local call access and resale services to Cable & Wireless Optus Ltd on reasonable terms and conditions. These two claims will be withdrawn as the result of a confidential settlement of the action subsequent to year end. The results of this settlement are not considered by Telstra to be material. Cable and Wireless Optus Ltd also asserted that the Telstra Entity has breached section 46 of the TPA, by reason of the arrangements for the supply of pay TV carriage services from the Telstra Entity to FOXTEL and the construction of the Telstra Entity's broadband network. This claim remains in existence and discussions are continuing. Cable & Wireless Optus Ltd claims damages, including interest, arising from the alleged breaches. Particulars of the quantum of damages claimed by Cable & Wireless Optus Ltd have not been furnished for the purposes of the proceedings. The proceedings are in the interlocutory stages and are provisionally listed for trial in June 2000. The Telstra Entity believes that it has substantial defences to these claims, and will continue to defend the action vigorously. While at this stage it is not possible, on the information available, to reliably measure the effect of the proceedings on the Telstra Entity should Cable and Wireless Optus Ltd succeed in the litigation, such an outcome may have a material adverse effect on the Telstra Entity's financial results, operations and competitive position.

Commercial churn litigation

The ACCC has issued proceedings against the Telstra Entity in the Federal Court of Australia, alleging the Telstra Entity has acted in breach of the TPA, by requiring carriage service providers to observe particular terms and conditions of the Telstra Entity's commercial churn service. The ACCC claims that the terms and conditions of the service amount to the Telstra Entity taking advantage of a substantial degree of power in the local call market, with the effect of substantially lessening competition in the local call and long distance call markets. The ACCC's action follows the Telstra Entity's non-compliance with four competition notices issued by the ACCC. The ACCC is seeking penalties, declarations and injunctions. The proceedings are in the discovery stage. The Telstra Entity believes that it has substantial defences to these claims, and that it has not breached the TPA. The Telstra Entity will continue to defend the action vigorously. The maximum penalties which could be awarded are $10 million plus $1 million a day, per competition notice, for each day in which the Telstra Entity engages in conduct which breaches the TPA. If the Telstra Entity is found to be in breach of the TPA this could have a material adverse effect on the financial results, operations and cashflow of the Telstra Entity.

The following litigation, which was disclosed in the 30 June 1998 financial report was settled during the year:

(a) the litigation between British Telecommunications plc, BT Australasia Pty Limited, New South Wales Government and the Telstra Entity. The settlement had no material impact on the Telstra Entity;
(b) the litigation between the Telstra Entity and two of its wholesale customers, I-Tel and QAI Australia Ltd/Southern Cross Telco Pty Ltd. These settlements had no material impact on the Telstra Entity.

In addition to the above, certain common law claims by third parties are yet to be resolved. The maximum amount of these contingent liabilities cannot be reasonably estimated. Management believes that the resolution of these contingencies will not have a material adverse effect on the Telstra Entity's financial position, results of operations or cash flows.

Notes to the Financial Statements (continued)

21. Contingent liabilities (continued)

Telstra Entity (continued)

Indemnities, performance guarantees and support

The Telstra Entity has provided indemnities to financial institutions to support bank guarantees to the value of $383 million (1998: $305 million) in respect of the performance of contracts.

The Telstra Entity has provided indemnities to financial institutions in respect of the obligations of controlled entities to the financial institutions. The maximum amount of the Telstra Entity's contingent liabilities was $22 million (1998: $40 million).

The Telstra Entity has resolved to provide financial support for certain controlled entities to the amount necessary to enable those entities to meet their obligations as and when they fall due. The financial support is subject to conditions including individual monetary limits totalling $59 million (1998: $18 million) and a requirement that the entity remains a controlled entity.

The Telstra Entity has guaranteed the performance of joint venture entities under contractual agreements to a maximum amount of $100 million (1998: $Nil).

The Telstra Entity has guaranteed the performance of a third party in relation to lease payments to be made by the third party, on Telstra Entity's behalf, over the 16 year term of a finance lease entered into by the Telstra Entity during the year ended 30 June 1999. The lease payments over the period of the lease amount to $517 million ($US 341 million).

During the year ended 30 June 1998, the Telstra Entity resolved to provide its associated entity, IBMGSA, with the Telstra Group's pro rata 26% share of shareholder guarantees on a several basis up to $210 million through to the end of the calendar year 2000. These guarantees may be made with IBMGSA bankers or directly to IBMGSA customers. As at 30 June 1999 no guarantees (1998: no guarantees) had been provided.

Controlled entities

Indemnities

The controlled entities had, at 30 June 1999, outstanding indemnities in respect of obligations to financial institutions and corporations. The maximum amount of the controlled entities' contingent liabilities in respect of these indemnities was $9 million (1998: $8 million).

In addition, Telstra Global Limited, under the PT Mitra Global Telekomunikasi Indonesia (MGTI) joint venture agreement, may be severally liable for the contribution of outstanding base equity should the other shareholders of MGTI default from contributing their share. The maximum amount of this additional equity contribution would be $170 million (US$112 million) (1998: $182 million; US$112 million), this excludes Telstra Global Limited's $42 million (US$28 million) (1998: $42 million (US$28 million) current capital commitment included in Note 20(a). The agreement also allows for contingent equity calls to be made by MGTI if certain conditions are met. Should the contingent equity be called, Telstra Global Limited will be liable to contribute additional equity of $21 million (US$14 million) (1998: $22 million; US$14 million). If the other shareholders in MGTI default on contributing their share of a contingent equity call, Telstra Global Limited may be liable to contribute an additional $82 million (US$54 million) (1998: $89 million; US$54 million) as contingent equity. Telstra Global Limited executed a guarantee on 31 October 1995 for $56 million (US$37 million) (1998: $60 million; US$37 million), to guarantee that certain performance targets would be achieved by MGTI under the KSO agreement, against which indemnities of $38 million (US$25 million) (1998: $42 million; US$25 million) have been issued, by certain shareholders of MGTI, in favour of Telstra Global Limited. To date the performance targets have been met and there is no indication that they will be breached.

Telstra Global Limited has granted a limited recourse pledge over its shares in MGTI in support of MGTI's obligations under a $728 million (US$480 million) (1998: $782 million; US$480 million) Loan Agreement dated 23 September 1996 between MGTI and various lenders. Debt finance of US$160 million (1998: US$160 million) has been drawn down from this facility by MGTI. The lenders have no recourse under the pledge to the assets of Telstra Global Limited other than to its shares in MGTI (except in the case of a breach of representation, warranty or covenant by Telstra Global Limited).

Other

As at 30 June 1999 and 1998 there are no contingent liabilities of the Telstra Entity or its controlled entities for termination benefits under service agreements with directors or persons who take part in the management of the Telstra Group.

The Telstra Entity and its partners News Corporation and Publishing and Broadcasting Limited, and Telstra Media and its partner Sky Cable, have entered into agreements relating to pay television programming with various parties, under which commitments for minimum subscriber fees exist. Due to joint and several liability under the agreements, in the event that News Corporation, Publishing and Broadcasting Limited or Sky Cable fail to meet any of their obligations in respect of the minimum subscriber payments, the Telstra Entity and Telstra Media would be contingently liable to the extent of those failures. Refer Note 20(d) for details of minimum subscriber payment commitments.

Notes to the Financial Statements (continued)

21. Contingent liabilities (continued)

Other (continued)

Telstra Corporation Limited, Telstra Holdings Pty Ltd, Telstra International Limited, Telstra Communications Limited, Telstra R&D Management Pty Ltd, Telstra Multimedia Pty Ltd, On Australia Pty Ltd, Telstra Media Holdings Pty Ltd, Network Design and Construction Limited and Telstra Finance Limited (as trustee to the deed of cross guarantee) have entered into a deed of cross guarantee dated 4 June 1996. Under the deed of cross guarantee each of the above named companies (except Telstra Finance Limited) guarantees the payment in full of the debts of the other named companies in the event of their winding up (refer Note 23(1)).

Notes to the Financial Statements (continued)

22. Superannuation commitments

The Telstra Group sponsors or participates in a number of superannuation schemes which provide benefits for its employees and their dependants on cessation of employment. It is the Telstra Group's policy to contribute to the schemes at rates specified in the governing rules (for accumulation schemes) or determined by the actuaries (for defined benefit schemes).

Commonwealth Superannuation Scheme (CSS) and Telstra Superannuation Scheme (TSS)

Prior to 1 July 1990, eligible employees of the Telstra Entity were members of the Commonwealth Superannuation Scheme (CSS). The CSS is an employer sponsored scheme for Commonwealth Public Sector employees. Under the CSS, the Telstra Entity is responsible for funding all employer financed benefits that arise from 1 July 1975 in respect of its employees who are CSS members. On 1 July 1990, the Telstra Superannuation Scheme (TSS) was established and a majority of the Telstra Entity's CSS members transferred to the TSS. As CSS members transferred, the liability for benefits in respect of their past service was assumed by the TSS and a transfer of amounts was made from the CSS to the TSS. In relation to the CSS, employer contributions by the Telstra Entity and other employers that participate in the CSS are paid to the Commonwealth Consolidated Revenue Fund. Employee contributions to the CSS are segregated and separately managed. The CSS is a defined benefit scheme. The TSS has both defined benefit and accumulation divisions. The benefits of each scheme reflect factors such as the employee's length of service, final average salary, employer and employee contributions.

Actuarial investigations of the CSS and the two defined benefit divisions of the TSS were completed by S Schubert FIAA as at 30 June 1997. The actuarial investigation of the TSS indicated that a surplus existed and the actuary recommended that Telstra cease employer contributions to the defined benefit divisions of the TSS. Based on this advice the Telstra Entity ceased employer contributions to the defined benefit divisions of the TSS from 1 December 1998, retrospectively adjusted to 1 July 1998, giving the Telstra Entity a contribution holiday for the financial year ended 30 June 1999.

The CSS actuarial investigation as at 30 June 1997 and subsequently reviewed by the Australian Government Actuary (which was completed in the year ended 30 June 1999) determined that Telstra's notional fund assets in respect of its CSS members exceeded its CSS liabilities by $1,428 million and this surplus was available to be transferred to the TSS. In June 1999 the Minister for Finance and Administration signed a determination which has resulted in the surplus being transferred to the TSS over a period of 40 years. The effect of the determination is that Telstra, based on actuarial advice and a decision of the board of directors, can continue on a contribution holiday for the TSS during the two financial years ending 30 June 2001. The CSS actuarial investigation confirmed that the Telstra Entity does not need to contribute to the CSS. The Telstra Entity's contribution rate will be reviewed at the next actuarial review of the TSS, which is due to be completed by 30 June 2001.

The cessation of employer contributions to the TSS does not affect the ongoing arrangement whereby the Telstra Entity is committed to contribute an additional $121 million per annum to the TSS over 16 years ending 30 June 2011. The commitment commenced in the year ended 30 June 1996 (refer Note 15).

Financial Position

The financial position of the defined benefit divisions of the TSS, the Telstra Group's notional fund in the CSS and the Pacific Access Superannuation scheme (PA Scheme) is shown as follows at 30 June:

	TSS (1)		CSS (2)		PA Scheme (3)		Total	
	As at 30 June		As at 30 June		As at 30 June		As at 30 June	
	1999	1998	**1999**	1998	**1999**	1998	**1999**	1998
	$m	$m	**$m**	$m	**$m**	$m	**$m**	$m
Accrued benefits	**3,658**	4,196	**7,323**	5,528	**24**	24	**11,005**	9,748
Scheme assets	**6,623**	5,971	**8,546**	8,546	**39**	35	**15,208**	14,552
Net surplus	**2,958**	1,775	**1,223**	3,018	**15**	11	**4,196**	4,804
Vested benefits	**4,362**	5,003	**6,049**	6,049	**33**	28	**10,444**	11,080

(1) Amounts for the defined benefit of the TSS have been obtained from the financial reports of the schemes as at 30 June. The scheme assets are stated at net market values.

(2) The CSS amounts show the Telstra Group's share of the benefit liability in respect of its employees and former employees in the CSS. The CSS amounts are as at the last actuarial valuation dated 30 June 1997. The surplus of $1,223 million is in respect of future service accruals for existing members.

(3) The PA Scheme is a defined benefit and accumulation scheme.

Employer contributions to the defined benefits divisions of the TSS for the year ended 30 June 1999 were $Nil (1998: $294 million; 1997: $340 million). Employer contributions to the CSS have been $Nil for the past three years ended 30 June 1999. Employer contributions made to the accumulation divisions of the TSS and the PA Scheme for the year ended 30 June 1999 totalled $16 million (1998: $15 million; 1997: $17 million).

Notes to the Financial Statements (continued)

23. Investments in controlled entities

Name of entity	Country of incorporation	Book value of the Telstra Entity's equity investment (a)		% of equity held by immediate parent	
		As at 30 June		As at 30 June	
		1999	1998	**1999**	1998
		$m	$m	**%**	%
Parent entity					
Telstra Corporation Limited (1)	Australia				
Controlled entities					
Telstra Rewards Pty Ltd (3) *	Australia	**-**	-	**100.0**	100.0
• Telstra Visa Card Trust	Australia	**-**	-	**100.0**	100.0
• Qantas Telstra Card Trust	Australia	**-**	-	**100.0**	100.0
Telecom Messagetech Pty Ltd *	Australia	**4**	4	**51.1**	51.1
• Sarzeau (NSW) Pty Ltd *	Australia	**-**	-	**100.0**	100.0
Telstra Technologies Pty Ltd *	Australia	**13**	13	**100.0**	100.0
On Australia Pty Ltd (1)	Australia	**11**	11	**100.0**	100.0
Telecommunications Equipment Finance Pty Ltd (4)	Australia	**-**	-	**-**	-
Telstra Finance Limited (1) (3)	Australia	**-**	-	**100.0**	100.0
Transport Communications Australia Pty Ltd *	Australia	**4**	4	**100.0**	100.0
Telstra ESOP Trustee Pty Ltd (3) (6) *	Australia	**-**	-	**100.0**	100.0
Telstra Media Pty Ltd (3) *	Australia	**250**	-	**100.0**	100.0
Telstra Multimedia Pty Ltd (1)	Australia	**1,590**	1,590	**100.0**	100.0
Telstra Media Holdings Pty Ltd (1) (3) (12)	Australia	**-**	-	**100.0**	100.0
Lawpoint Pty Ltd (12)	Australia	**2**	2	**60.0**	60.0
Telstra R&D Management Pty Ltd (1)	Australia	**1**	1	**100.0**	100.0
Telstra Ventures Pty Ltd (2)	Australia	**-**	3	**100.0**	100.0
QPSX Communications Pty Ltd (1) (7)	Australia	**-**	8	**-**	100.0
Pacific Access Pty Ltd (12) (15)	Australia	**58**	58	**75.0**	75.0
• Pacific Access Enterprises Pty Ltd *	Australia	**-**	-	**100.0**	100.0
• Pacific Access (Thailand) Ltd (2) (13)	Thailand	**-**	-	**-**	100.0
• WorldCorp Holdings (S) Pte Ltd (13)	Singapore	**-**	-	**100.0**	100.0
• • WorldCorp Publishing Pte Ltd (13)	Singapore	**-**	-	**100.0**	100.0
Telstra Pay TV Investments Pty Ltd (3) *	Australia	**-**	-	**100.0**	100.0
Atlas Travel Technologies Pty Ltd (10)	Australia	**16**	13	**67.74**	52.5
• Atlas Travel Technologies Inc. (10) (13)	United States	**-**	-	**100.0**	100.0
• Moneydirect International Limited (10) (13)	United Kingdom	**-**	-	**100.0**	100.0
• Moneydirect Pty Ltd (10) *	Australia	**-**	-	**100.0**	100.0
• • Moneydirect Limited (10) (13)	New Zealand	**-**	-	**100.0**	100.0
Network Design and Construction Limited (1) (3)(8)	Australia	**-**	-	**100.0**	-
Advanced Network Management Pty Ltd (2) *	Australia	**1**	1	**100.0**	100.0
Telstra International Limited (1) (12)	Australia	**84**	84	**100.0**	100.0
• Modi Telstra Limited (11) (13) (14)	India	**-**	-	**49.0**	49.0
Telstra Communications Limited (1) (9)	Australia	**29**	29	**100.0**	100.0
• Telecom Australia (Saudi) Company Ltd (5) (11) (13)	Saudi Arabia	**-**	-	**50.0**	50.0
Telstra Holdings Pty Ltd (1) (9)	Australia	**349**	336	**100.0**	100.0
• Telstra (Malaysia Holdings) Sdn. Bhd. (13)	Malaysia	**-**	-	**100.0**	100.0
• Telstra International (HK) Holdings Limited (13)	Hong Kong	**-**	-	**100.0**	100.0
• Mobitel (pvt) Limited (13)	Sri Lanka	**-**	-	**60.0**	60.0

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Notes to the Financial Statements (continued)

23. Investments in controlled entities (continued)

Name of entity	Country of incorporation	Book value of the Telstra Entity's equity investment (a)		% of equity held by immediate parent	
		As at 30 June		As at 30 June	
		1999	1998	**1999**	1998
		$m	$m	**%**	%
Controlled entities (continued)					
• Telstra New Zealand Limited (13)	New Zealand	**-**	-	**100.0**	100.0
• Navigator Communications (NZ) Limited (13)	New Zealand	**-**	-	**100.0**	100.0
• Telstra Global Limited (9) (13)	United Kingdom	**-**	-	**100.0**	100.0
• Telstra (UK) Limited (13)	United Kingdom	**-**	-	**100.0**	100.0
• PT Telstra Nusantara (13)	Indonesia	**-**	-	**100.0**	100.0
• Telstra Germany GmbH (8) (13)	Germany	**-**	-	**100.0**	-
• Telstra France SA (8) (13)	France	**-**	-	**100.0**	-
• Telstra Inc. (9) (13)	United States	**-**	-	**100.0**	100.0
• North Point Telecommunications Inc. (9) (13)	United States	**-**	-	**100.0**	100.0
• Telstra Development LLC (8) (13)	United States	**-**	-	**100.0**	-
• PT Jastrindo Dinamika (5) (7) (13)	Indonesia	**-**	-	**-**	75.0
• Telstra Vishesh Communications Ltd (5) (11) (13)	India	**-**	-	**40.0**	40.0
• Telstra South Asia Holdings Limited (13)	Mauritius	**-**	-	**100.0**	100.0
• Telstra India Private Limited (13)	India	**-**	-	**100.0**	100.0
• Telstra Singapore Pte Ltd (13)	Singapore	**-**	-	**100.0**	100.0
• Telstra Japan K.K (8) (13)	Japan	**-**	-	**100.0**	-
	Note 11	**2,412**	2,157		

(a) The amounts recorded are before any provision for diminution in value (refer Note 11).

* These entities are small proprietary companies which are not required to prepare and lodge individual audited financial reports with the ASIC.

(1) Telstra Corporation Limited, Telstra Holdings Pty Ltd, Telstra International Limited, Telstra Communications Limited, Telstra R&D Management Pty Ltd, Telstra Multimedia Pty Ltd, On Australia Pty Ltd, Telstra Media Holdings Pty Ltd, Network Design and Construction Limited and Telstra Finance Limited (as trustee) have entered into a deed of cross guarantee dated 4 June 1996 (or have been added to this deed by an assumption deed). Under the deed of cross guarantee each of the above named companies (except Telstra Finance Limited) guarantees the payment in full of the debts of the other named companies in the event of their winding up. Telstra Finance Limited has been appointed as trustee to the deed of cross guarantee.

The companies listed above (except Telstra Finance Limited) form a Closed Group (and Extended Closed Group) under ASIC Class Order 98/1418 dated 13 August 1998. Pursuant to the ASIC Class Order, relief has been granted to the companies listed above (except for Telstra Corporation Limited and Telstra Finance Limited), from the Corporations Law requirements for preparation and lodgement of audited financial reports.

During the year ended 30 June 1999, Network Design and Construction Limited, entered into an assumption deed dated 27 May 1999. The execution of this assumption deed resulted in Network Design and Construction Limited becoming a party to the deed of cross guarantee dated 4 June 1996, as described above.

During the year ended 30 June 1999, QPSX Communications Pty Ltd was removed from the deed of cross guarantee dated 4 June 1996 upon its sale on 26 October 1998 and lodgement of a notice of disposal with the ASIC.

Notes to the Financial Statements (continued)

23. Investments in controlled entities (continued)

The consolidated assets and liabilities of the Closed Group class order companies at 30 June 1999 and 1998 (with the exception of Telstra Finance Limited as trustee), and their consolidated net profit after income tax expense for the years then ended (after eliminating all transactions between them) is presented in accordance with ASIC class order 98/1418 as follows:

Closed Group Balance Sheet

	Closed Group	
	As at 30 June	
	1999	1998
	$m	$m
Current assets		
Cash	**944**	841
Receivables	**2,947**	3,198
Inventories	**203**	241
Other assets	**121**	130
Total current assets	**4,215**	4,410
Non current assets		
Receivables	**290**	176
Inventories	**16**	27
Investments	**428**	162
Property, plant and equipment	**20,767**	19,638
Future income tax benefit	**353**	774
Intangible assets	**423**	455
Other assets	**851**	425
Total non current assets	**23,128**	21,657
Total assets	**27,343**	26,067
Current liabilities		
Accounts payable	**2,208**	2,199
Borrowings	**2,344**	2,959
Provisions	**4,692**	2,430
Revenue received in advance	**650**	666
Total current liabilities	**9,894**	8,254
Non current liabilities		
Accounts payable	**658**	810
Borrowings	**4,924**	4,605
Provisions	**1,541**	1,355
Revenue received in advance	**84**	-
Total non current liabilities	**7,207**	6,770
Total liabilities	**17,101**	15,024
Net assets	**10,242**	11,043
Shareholders' equity		
Share capital	**6,433**	6,433
Reserves	**57**	65
Retained profits	**3,752**	4,545
Shareholders' equity attributable to the closed group	**10,242**	11,043

Notes to the Financial Statements (continued)

23. Investments in controlled entities (continued)

Closed Group Profit and Loss

	Closed Group	
	Year ended 30 June	
	1999	1998
	$m	$m
Operating profit before income tax expense	**5,272**	4,477
Income tax expense attributable to operating profit	**1,818**	1,508
Operating profit after income tax expense attributable to the closed group	**3,454**	2,969
Retained profits at the beginning of the financial year attributable to the closed group	**4,545**	3,378
Total available for appropriation	**7,999**	6,347
Dividends provided for or paid	**4,247**	1,802
Retained profits at the end of the financial year attributable to the closed group	**3,752**	4,545

(2) As at 30 June 1999, Advanced Network Management Pty Ltd is in the process of being liquidated. Telstra Ventures Pty Ltd has been deconsolidated from the Telstra Group financial statements as liquidation procedures have been completed in substance as at 30 June 1999. Pacific Access (Thailand) Ltd was liquidated on 25 January 1999.

(3) Investments eliminated when rounded to the nearest million dollars are:

	As at 30 June	
	1999	1998
	$	$
Telstra Rewards Pty Ltd	**2**	2
Telstra Finance Limited	**5**	5
Telstra ESOP Trustee Pty Ltd	**2**	2
Telstra Media Pty Ltd	**-**	2
Telstra Media Holdings Pty Ltd	**2**	2
Telstra Pay TV Investments Pty Ltd	**1**	1
Network Design and Construction Limited	**100**	-

Notes to the Financial Statements (continued)

23. Investments in controlled entities (continued)

(4) The Telstra Group has no investment in Telecommunications Equipment Finance Pty Ltd. The Telstra Group has effective control through economic dependency and has consolidated Telecommunications Equipment Finance Pty Ltd in accordance with AASB 1024. This company has no assets and no liabilities.

(5) The following companies have different balance dates to the Telstra Entity's balance date of 30 June: Telstra Vishesh Communications Ltd - 31 March; Telecom Australia (Saudi) Co. Limited and PT Jastrindo Dinamika - 31 December. PT Jastrindo Dinamika was sold on 21 September 1998. Financial reports prepared as at 30 June are used for consolidation purposes.

(6) The Telstra Entity owns 100% of the issued share capital of Telstra ESOP Trustee Pty Ltd, the corporate trustee for the Telstra Employee Share Ownership Plan Trust. The Telstra Entity paid $10 as the settled sum to create the trust which is administered by Telstra ESOP Trustee Pty Ltd. The Telstra Group does not control or significantly influence the trust as beneficial ownership and control rests with the employees who participate in the TESOP, therefore in accordance with AASB 1024 the trust has not been consolidated.

(7) QPSX Communications Pty Ltd was sold for $1 million on 26 October 1998, and realised a loss to the Telstra Group on deconsolidation of $2 million. PT Jastrindo Dinamika was sold for nominal consideration via a sale agreement dated 21 September 1998. This realised a loss to the Telstra Group on deconsolidation of $1 million. Both entities are no longer consolidated into the Telstra Group effective from the dates of sale.

(8) These companies were incorporated during the year ended 30 June 1999: Telstra Japan K.K. (30 November 1998); Network Design and Construction Limited (5 February 1999); Telstra Germany GmbH (5 February 1999); Telstra France SA (19 March 1999); and Telstra Development LLC (15 June 1999).

(9) In September 1998, the following company re-structure became effective. Telstra Communications Limited ultimately transferred its ownership in DirectoryNet Inc. (formerly a wholly owned controlled entity of Telstra Communications Limited) to Telstra Inc. Immediately after this ownership transfer, Telstra Global Limited (a wholly owned controlled entity of Telstra Holdings Pty Ltd) acquired Telstra Holdings Pty Ltd's shareholding in Telstra Inc. (formerly a wholly owned controlled entity of Telstra Holdings Pty Ltd). This re-structure had no effect on the Telstra Group other than to change legal ownership and shareholdings within the Telstra Group. DirectoryNet Inc. changed its name to North Point Telecommunications Inc.

(10) On 22 January 1999, the Telstra Entity acquired an additional 15.24% of the equity of Atlas Travel Technologies Pty Ltd and indirectly its wholly owned subsidiaries Atlas Travel Technologies Inc., Moneydirect International Limited, Moneydirect Pty Ltd and Moneydirect Limited for $3 million, creating additional goodwill of $1 million.

(11) The Telstra Group owns 40% of the issued capital of Telstra Vishesh Communications Limited, 50% of the issued capital of Telecom Australia (Saudi) Co. Ltd and 49% of the issued capital of Modi Telstra Limited. The Telstra Group can exercise control over the boards of directors of these entities in perpetuity, and therefore these entities have been consolidated in accordance with AASB 1024.

(12) Dividends received by the Telstra Entity during the year ended 30 June 1999 were from Lawpoint Pty Ltd $Nil (1998: $1 million), Telstra Media Holdings Pty Ltd $10 million (1998: $8 million), Pacific Access Pty Ltd $32 million (1998: $30 million) and Telstra International Limited $80 million (1998: $Nil).

(13) Companies not audited by the Auditor-General.

(14) During the year ended 30 June 1999 Modi Telstra (Private) Limited changed its name to Modi Telstra Limited.

(15) Subsequent to 30 June 1999, the Telstra Entity exercised its option to acquire the remaining 25% ownership interest from the minority shareholders of Pacific Access Pty Ltd.

Notes to the Financial Statements (continued)

24. Investments in joint venture entities and associated entities

Telstra Group's investment in joint venture entities and associated entities are as follows:

Name of joint venture/ associated entity	Principal activities	Ownership interest		Telstra Group's carrying amount of investment (*)		Telstra Entity's carrying amount of investment (*)	
		As at 30 June		As at 30 June		As at 30 June	
		1999	1998	**1999**	1998	**1999**	1998
		%	%	**$m**	$m	**$m**	$m
(i) Joint venture entities							
FOXTEL Partnerships (#)	Pay television	**50.0**	50.0	**46**	65	**-**	-
Customer Services Pty Ltd (1)	Customer services	**50.0**	50.0	**-**	-	**-**	-
FOXTEL Management Pty Ltd (1)	Management services	**50.0**	50.0	**-**	-	**-**	-
FOXTEL Cable Television Pty Ltd (1) (3)	Pay television	**80.0**	80.0	**-**	-	**-**	-
Advantra Pty Ltd (1)	Network services	**50.0**	50.0	**-**	-	**-**	-
Stellar Call Centres Pty Ltd (1)	Call centre services and solutions	**50.0**	50.0	**2**	-	**2**	-
Investment 2000 Pty Ltd (1) (4)	Olympic business investment opportunities	**25.0**	-	**-**	-	**-**	-
Telecom Services Kiribati Limited (incorporated in Kiribati) (a) (2)	Telecommunications services	**49.0**	49.0	**1**	1	**-**	-
Telstra Hewlett-Packard (R&D) Pty Ltd (b) (1)	Computer services	**50.0**	50.0	**-**	-	**-**	-
			Note 11	**49**	66	**2**	-
(ii) Associated entities							
IBM Global Services Australia Limited (c) (1) (2)	Information technology services	**26.0**	26.0	**-**	5	**-**	-
PT Mitra Global Telekomunikasi Indonesia (incorporated in Indonesia) (c) (1)	Telecommunications services	**20.0**	20.0	**-**	-	**-**	-
Telstra Super Pty Ltd (1) (5)	Superannuation trustee	**100.0**	100.0	**-**	-	**-**	-
PlesTel Pty Ltd (1) (6)	Trustee company	**30.0**	-	**-**	-	**-**	-
PlesTel Operating Trust (6)	Communication systems provider	**30.0**	-	**20**	-	**26**	-
			Note 11	**20**	5	**26**	-

(*) The 30 June 1999 and 30 June 1998 Telstra Group amounts are equity accounted. The Telstra Entity's carrying amounts for both 30 June 1999 and 30 June 1998 are valued at cost. Refer Note 1.9(b) for details of the accounting policy.

(#) This includes the FOXTEL Partnership and FOXTEL Television Partnership combined.

Notes to the Financial Statements (continued)

24. Investments in joint venture entities and associated entities (continued)

Unless otherwise indicated, all investments above have a balance date of 30 June. Financial reports prepared as at 30 June are used in determining the Telstra Group's carrying amount of the investment.

(a) Balance date is 31 March.
(b) Balance date is 31 October.
(c) Balance date is 31 December.

(1) Investment amounts not disclosed when rounded to nearest million dollars are:

	Equity accounted carrying amount of investment			
	Telstra Group		Telstra Entity	
	As at 30 June		As at 30 June	
	1999	1998	**1999**	1998
	$	$	**$**	$
(i) Joint venture entities				
Customer Services Pty Ltd	*	*	-	-
FOXTEL Management Pty Ltd	**1**	1	-	-
FOXTEL Cable Television Pty Ltd	*	*	-	-
Advantra Pty Ltd	*	*	-	-
Stellar Call Centres Pty Ltd	-	250,001	-	250,001
Investment 2000 Pty Ltd	*	-	**12**	-
Telstra Hewlett-Packard (R&D) Pty Ltd	**1**	1	**1**	1
(ii) Associated entities				
IBM Global Services Australia Limited	*	-	-	-
PT Mitra Global Telekomunikasi Indonesia	*	*	-	-
Telstra Super Pty Ltd	*	*	**2**	2
PlesTel Pty Ltd	**30**	-	**30**	-

* Equity accounted amount of investment is suspended and the investment recorded at zero due to losses incurred by the associated entities or as a result of writing down the equity accounted investment to zero.

(2) Dividends received by the Telstra Group from Telecom Services Kiribati Limited were $0.402 million (1998: $0.323 million) and from IBMGSA were $9 million (1998: $8 million) for the year ended 30 June 1999.

(3) Telstra owns 80% of the share capital of FOXTEL Cable Television Pty Ltd. This entity is disclosed as a joint venture entity as the outside equity shareholders have participating rights that preclude the Telstra Entity from dominating the decision making of the board of directors. Effective voting power is restricted to 50%.

(4) On 26 October 1998, the Telstra Group acquired a 25% equity interest in Investment 2000 Pty Ltd (I2000), a year 2000 Olympics business investment opportunities company. The cost of the investment was $12 and the Telstra Group has joint control over I2000.

(5) The Telstra Entity owns 100% of the issued share capital of Telstra Super Pty Ltd (the Trustee for the Telstra Superannuation Scheme) and in accordance with AASB 1024 Telstra Super Pty Ltd is not consolidated, as the Telstra Entity does not have control over the board of directors due to equal representation with employee representatives.

(6) On 30 July 1998, the Telstra Entity acquired a 30% equity interest in PlesTel Pty Ltd and the PlesTel Operating Trust which supply communication systems. The cost of the investment in PlesTel Pty Ltd was $30 and the PlesTel Operating Trust was $26 million. The Telstra Entity has significant influence over these entities.

Notes to the Financial Statements (continued)

24. Investments in joint venture entities and associated entities (continued)

Joint venture and equity accounting information

Included in the consolidated financial report of the Telstra Entity are:

	Joint venture entities Telstra Group		Associated entities Telstra Group	
	As at 30 June		As at 30 June	
	1999	1998	**1999**	1998
	$m	$m	**$m**	$m
Retained profits/(losses) relating to the Telstra Group's share of net profits/(losses) after income tax expense and investment writedowns	**(309)**	(271)	**(1)**	1
Foreign currency translation reserve (debit)/credit relating to the Telstra Group's share of a foreign currency translation reserve	**-**	-	**(47)**	(47)
General reserve relating to the Telstra Group's share of a general reserve	**-**	-	**1**	1

Notes to the Financial Statements (continued)

24. Investments in joint venture entities and associated entities (continued)

Joint venture and equity accounting information (continued)

The movement in the consolidated equity accounted amount of investments for Telstra can be summarised as follows:

		Joint venture entities Telstra Group		Associated entities Telstra Group	
		Year ended/As at 30 June		Year ended/As at 30 June	
		1999	1998	**1999**	1998
	Note	**$m**	$m	**$m**	$m
Carrying amount of investment at beginning of year		**66**	57	**5**	58
Share of operating (losses)/profits before income tax expense		**(39)**	(83)	**12**	23
Share of income tax expense attributable to operating profits		**-**	-	**(4)**	(9)
Share of operating (losses)/profits after income tax expense		**(39)**	(83)	**8**	14
Adjusted for unrealised inter-entity profits after income tax		**-**	-	**(10)**	-
Share of net (losses)/profits	3(a),2	**(39)**	(83)	**(2)**	14
Dividends/distributions received		**-**		**(9)**	(8)
Share of foreign currency translation reserve		**-**		**-**	(47)
Share of general reserve		**-**		**-**	1
Additional investments during the year to 30 June		**22**	92	**26**	-
Writedown of investment to recoverable amount		**-**		**-**	(13)
Carrying amount at end of year	11	**49**	66	**20**	5
Telstra's share of contingent liabilities of the joint venture entity or associated entity - Telstra not directly liable		**-**	-	**40**	18
Telstra's share of capital commitments contracted for of the joint venture entity or associated entity - Telstra not directly liable		**26**	-	**22**	36
Telstra's share of other expenditure commitments contracted for (other than the supply of inventories) of the joint venture entity or associated entity - Telstra not directly liable		**70**	6	**94**	123
Summarised presentation of the aggregated recognised amounts of the Telstra Group's share of all associates' assets, liabilities and net profit after income tax expense of associates (Telstra Group's share both recognised and unrecognised) (a):					
Net profits after income tax expense				**22**	11
Assets				**223**	108
Liabilities				**174**	93

(a) These disclosures are only applicable for associated entities. Refer below for disclosures applicable for joint venture entities.

Notes to the Financial Statements (continued)

24. Investments in joint venture entities and associated entities (continued)

Joint venture and equity accounting information (continued)

(a) Other disclosures for joint venture entities

	Joint venture entities Telstra Group Year ended/As at 30 June	
	1999	1998
	$m	$m
Current assets	**80**	63
Non current assets	**124**	75
Total assets	**204**	138
Current liabilities	**100**	75
Non current liabilities	**57**	-
Total liabilities	**157**	75
Net assets	**47**	63
Revenues	**489**	334
Expenses	**525**	418
Operating losses before income tax expense	**(36)**	(84)
Income tax expense/(benefit) attributable to operating losses	**1**	(1)
Operating losses after income tax expense	**(37)**	(83)

Notes to the Financial Statements (continued)

	Telstra Group		Telstra Entity	
	Year ended 30 June		Year ended 30 June	
	1999	1998	**1999**	1998
	$m	$m	**$m**	$m

25. Directors' remuneration

Income paid or payable or otherwise made available to:				
Directors of the parent entity from the Telstra Entity or related parties (a) (b)			**4.916**	2.242
Directors of entities in the Telstra Group from corporations of which they are directors or related parties or entities controlled by the Telstra Entity (a) (b)	**5.821**	2.889		

The number of directors of the Telstra Entity included in these figures are shown below in their relevant income bands:

	No.	No.
$40,000 - $49,999 (c)	**2**	-
$50,000 - $59,999	**8**	-
$60,000 - $69,999	**-**	7
$70,000 - $79,999	**1**	1
$100,000 - $109,999	**-**	1
$120,000 - $129,999	**1**	-
$160,000 - $169,999	**-**	1
$490,000 - $499,999 (d)	**1**	-
$1,410,000 - $1,419,999	**-**	1
$3,700,000 - $3,709,999 (e)	**1**	-

(a) Directors' remuneration also includes employer contributions to superannuation funds.

(b) Directors' remuneration for the year ended 30 June 1999 includes an amount of $Nil (1998: $240,000 (in total)) paid to the Telstra Entity directors in recognition of their additional workload and responsibilities in the lead up to the one-third privatisation of the Telstra Entity. This amount is included in the bands noted above.

(c) C A Moar and D G McGauchie joined the board on 8 September 1998.

(d) Z E Switkowski was appointed chief executive officer and executive director on 1 March 1999. The above includes his remuneration for the period 1 March 1999 to 30 June 1999.

(e) W F Blount retired as chief executive officer and executive director on 28 February 1999. His remuneration for the year included two contract extension payments, a performance bonus and a contract completion payment.

Notes to the Financial Statements (continued)

	Telstra Group		Telstra Entity	
	Year ended 30 June		Year ended 30 June	
	1999	1998	**1999**	1998
	$m	$m	**$m**	$m

26. Executives' remuneration

An executive officer is a person who, as a member of the Telstra Entity or Group senior management team, is involved in the strategic direction and operational management of the Telstra Group. This includes the chief executive officer (CEO), those who report direct to the CEO and the next level of executives who have a direct reporting relationship to the CEO's direct reports.

	Telstra Group 1999	Telstra Group 1998	Telstra Entity 1999	Telstra Entity 1998
Income received or receivable by Australian based executive officers whose income is $100,000 or more from:				
- the Telstra Entity and related parties (a) (b) (c)			**32.678**	26.261
- entities in the Telstra Group and their related parties (a) (b) (c)	**37.780**	31.492		

The number of Australian based executive officers whose income is $100,000 or more are shown below in their relevant income bands:	**No.**	No.	**No.**	No.
$100,000 - $109,999	**2**	1	**-**	1
$110,000 - $119,999	**2**	2	**-**	-
$120,000 - $129,999	**1**	3	**-**	2
$130,000 - $139,999	**1**	4	**1**	4
$140,000 - $149,999	**4**	5	**2**	2
$150,000 - $159,999	**-**	4	**-**	3
$160,000 - $169,999	**2**	3	**1**	2
$170,000 - $179,999	**3**	4	**1**	2
$180,000 - $189,999	**3**	4	**2**	2
$190,000 - $199,999	**2**	3	**2**	2
$200,000 - $209,999	**1**	4	**-**	1
$210,000 - $219,999	**-**	8	**-**	4
$220,000 - $229,999	**6**	3	**5**	3
$230,000 - $239,999	**4**	4	**2**	4
$240,000 - $249,999	**3**	5	**2**	4
$250,000 - $259,999	**4**	4	**3**	4
$260,000 - $269,999	**4**	2	**4**	2
$270,000 - $279,999	**2**	1	**2**	1
$280,000 - $289,999	**3**	3	**2**	3
$290,000 - $299,999	**3**	3	**3**	3
$300,000 - $309,999	**2**	-	**2**	-
$310,000 - $319,999	**3**	2	**3**	1
$320,000 - $329,999	**4**	-	**3**	-
$330,000 - $339,999	**-**	3	**-**	2
$340,000 - $349,999	**1**	-	**1**	-
$350,000 - $359,999	**1**	-	**1**	-
$360,000 - $369,999	**2**	1	**2**	1
$370,000 - $379,999	**-**	3	**-**	3
$380,000 - $389,999	**1**	2	**-**	2
$390,000 - $399,999	**-**	4	**-**	4
$400,000 - $409,999	**2**	2	**2**	1
$410,000 - $419,999	**4**	-	**4**	-
$420,000 - $429,999	**4**	2	**4**	1

(continued over page)

Notes to the Financial Statements (continued)

26. Executives' remuneration (continued)

	Telstra Group Year ended 30 June		Telstra Entity Year ended 30 June	
	1999	1998	**1999**	1998
	No.	No.	**No.**	No.
$430,000 - $439,999	**1**	-	**1**	-
$440,000 - $449,999	**2**	-	**2**	-
$450,000 - $459,999	**1**	2	**1**	2
$470,000 - $479,999	**1**	-	**-**	-
$480,000 - $489,999	**1**	2	**1**	2
$500,000 - $509,999	**-**	1	**-**	1
$510,000 - $519,999	**1**	1	**1**	1
$530,000 - $539,999	**1**	2	**1**	2
$550,000 - $559,999	**2**	-	**2**	-
$610,000 - $619,999	**1**	-	**1**	-
$630,000 - $639,999	**1**	1	**1**	1
$640,000 - $649,999	**-**	2	**-**	2
$650,000 - $659,999	**-**	1	**-**	1
$660,000 - $669,999	**-**	1	**-**	1
$690,000 - $699,999	**1**	-	**-**	-
$780,000 - $789,999	**1**	1	**1**	1
$800,000 - $809,999	**1**	-	**1**	-
$920,000 - $929,999	**1**	1	**1**	1
$930,000 - $939,999	**1**	-	**1**	-
$990,000 - $999,999	**1**	-	**1**	-
$1,000,000 - $1,009,999	**1**	-	**1**	-
$1,070,000 - $1,079,999	**1**	-	**1**	-
$1,170,000 - $1,179,999 (d)	**1**	-	**1**	-
$1,410,000 - $1,419,999	**-**	1	**-**	1
$3,700,000 - $3,709,999 (e)	**1**	-	**1**	-

(a) In addition to base salary, management incentive and non-cash benefits (including notional interest charges for the interest free employee share loans provided by the Telstra Entity and the market value of shares obtained under the 1 for 10 loyalty offer under the Telstra Employee Share Ownership Plan - refer Note 19), disclosed income includes superannuation and retirement/redundancy payments totalling $4.603 million (1998: $4.102 million) for the Telstra Group and $3.497 million (1998: $3.436 million) for the Telstra Entity.

(b) Compensation for Telstra Group executives (including those executives in controlled entities) as stated, includes payments resulting from two incentive plans. The Management Incentive Plan (MIP) is an annual plan open to all executives in the Telstra Group. The amount of remuneration at risk (target incentive) varies between 10% and 26% of the total remuneration package depending on the executive's role. The plan is based on performance against set targets for Corporate, Business Unit and individual measures. The measures include financial, customer service and individual measures that support the Telstra Group's key business objectives. Before any MIP is payable a certain threshold must be reached, according to the predefined measures. The plan also provides that payments are capped.

Selected senior executives who contribute significantly to the future long term profitability and success of the Telstra Group also participate in a Long Term Incentive Plan (LTI). At target, the LTI comprises 13% to 22% (1998: 16% to 19%) of the total remuneration package depending on the executive's level. Any payment made under this plan depends on the achievement of return on investment targets over a three year period. The plan, which began in 1994, also includes an annual payment based on the dividend declared in respect of earnings.

(c) During the year ended 30 June 1999, the board decided to review the level of remuneration of the most senior team to achieve alignment with market remuneration levels.

(d) Z E Switkowski was appointed CEO from 1 March 1999.

(e) The former CEO, W F Blount retired on 28 February 1999. His remuneration for the year ending 30 June 1999 included a contract extension payment, performance payment and a contract completion payment.

Notes to the Financial Statements (continued)

27. Related party transactions

Controlling entity

The Commonwealth is the ultimate chief and controlling entity of the Telstra Group. Telstra Corporation Limited is the chief entity in the group comprising the Telstra Entity and its controlled entities.

The Telstra Group supplies telecommunications services to, and acquires other services from, the Commonwealth, its Departments of State, trading and other agencies. All such transactions are made within normal customer/supplier relationships on terms and conditions no more favourable than those available to other customers or suppliers and there are no exclusive rights to supply any such services. Services provided to any one governmental department or agency or in total do not represent a significant component of the Telstra Group's operating revenues. For these reasons the financial reports do not disclose transactions relating to the purchase and sale of goods and services from/to the Commonwealth, its Departments of State, trading and other agencies.

Directors of the Telstra Entity

The names of each person who held office as a director of the Telstra Entity for the whole of the year ended 30 June 1999 were David M Hoare, Michael H Codd, Christopher I Roberts, Elizabeth A Nosworthy, N Ross Adler, Anthony J Clark, John T Ralph, John W Stocker and Stephen W Vizard and Malcolm G Irving. W F Blount retired as chief executive officer on 28 February 1999. Donald G McGauchie and Cecilia A Moar were appointed directors of the Telstra Entity on 8 September 1998 and Zygmunt E Switkowski was appointed as chief executive officer and managing director on 1 March 1999.

Details of directors' remuneration, superannuation and retirement payments are set out in Note 25.

Loans to directors of the Telstra Entity

No non-executive director of the Telstra Entity had a loan with the Telstra Entity or any of its controlled entities at any time during the years ended 30 June 1999, 1998 and 1997. W F Blount and Z E Switkowski (prior to being appointed chief executive officer and managing director) were provided with a loan from the Telstra Entity as part of their participation in the Telstra Employee Share Ownership Plan (TESOP). The loans were provided interest free and on the same conditions as all other eligible employees who participated in the TESOP. Further details of the TESOP are contained in Note 19. The aggregate amount of loans provided during the year ended 30 June 1999 was $5,400, being the final instalment for the shares acquired under the TESOP (1998: $7,798). The aggregate amounts repaid during the year were $6,739 (1998: $282), including the repayment in full of the loan to W F Blount during the year. At 30 June 1999, the outstanding balance of the loan to Z E Switkowski was $6,177.

Other Transactions with directors of the Telstra Entity and their director Related Entities

Director related entities of E A Nosworthy, Bay Technologies Pty Ltd and Bay Technologies Communications Pty Ltd, supplied software and associated support and maintenance services to the Telstra Group during the year on normal commercial terms and conditions amounting to $Nil (1998: $Nil; 1997: $2,000) and $Nil (1998: $Nil; 1997: $56,000) respectively. E A Nosworthy has no involvement or interest in Bay Technologies Pty Ltd and Bay Technologies Communications Pty Ltd.

A J Clark was a partner in the accounting firm KPMG to 30 September 1999, which provided professional services to the Telstra Group on normal commercial terms and conditions.

The following disclosures made in relation to S W Vizard and his director related entities have arisen from agreements entered/ negotiations that commenced prior to S W Vizard becoming a director of Telstra Corporation Limited:

(a) During the year ended 30 June 1999, a controlled entity of the Telstra Group has provided funding of $200,000 (1998: $200,000; 1997: $100,000) by way of an advance to Artsim (a director related entity of S W Vizard) to develop an internet on-line service providing management and information services. The advance is on normal commercial terms and conditions.

(b) Artist Services Pty Ltd, Artist Services Cable Pty Ltd and Artist Services Cable Management Pty Ltd are director related entities of S W Vizard in which he has a minority indirectly owned interest. These entities are involved in joint ventures with FOXTEL to provide pay television programming. Each party to the joint ventures has contributed capital in proportion to its equity interests. In accordance with the joint venture arrangements, the joint ventures have incurred programming licence and production fees to the director related entities during the years ended 30 June 1999, 1998 and 1997. All of the relevant transactions are on normal commercial terms and conditions.

Each of the directors of the Telstra Entity have telecommunications services transactions with the Telstra Group which are not material/ trivial and are domestic in nature. Director related entities also have telecommunications services which are on normal commercial terms and conditions.

Notes to the Financial Statements (continued)

27. Related party transactions (continued)

Directors of the Telstra Entity interests in shares of the Telstra Entity

No director of the Telstra Entity had an interest in the share capital of the Telstra Entity as at 30 June 1997. As at 30 June 1999 and 1998, the directors and their related parties had interests in the share capital of the Telstra Entity (acquired during the year ended 30 June 1999 and 30 June 1998) as follows:

Telstra Entity - shares (a)

	As at 30 June 1999			As at 30 June 1998		
	Direct	**Indirect**	**Total**	Direct	Indirect	Total
D M Hoare	**11,720**	**19,120**	**30,840**	11,720	16,000	27,720
J T Ralph	**600**	**59,600**	**60,200**	600	40,000	40,600
Z E Switkowski . (b)	**8,020**	**75,260**	**83,280**	-	-	-
W F Blount . . . (b)	**-**	**-**	**-**	12,700	-	12,700
N R Adler	**8,000**	**46,800**	**54,800**	8,000	42,000	50,000
A J Clark	**8,000**	**40,000**	**48,000**	8,000	40,000	48,000
M H Codd	**8,000**	**-**	**8,000**	8,000	-	8,000
M G Irving	**8,000**	**15,000**	**23,000**	8,000	13,000	21,000
D G McGauchie	**-**	**2,200**	**2,200**	-	-	-
C A Moar	**-**	**5,000**	**5,000**	-	-	-
E A Nosworthy	**5,600**	**11,000**	**16,600**	5,600	11,000	16,600
C I Roberts	**16,000**	**30,360**	**46,360**	16,000	30,360	46,360
J W Stocker	**400**	**32,080**	**32,480**	400	32,080	32,480
S W Vizard	**-**	**16,000**	**16,000**	-	16,000	16,000

(a) As at 30 June 1998 the directors' holdings were instalment receipts which evidenced beneficial ownership of an ordinary share subject to payment of the final instalment by 17 November 1998. As final payments have been made, the instalment receipts now represent ordinary shares.

(b) Includes 2,000 shares acquired with an interest free loan plus 500 free shares under the terms of the TESOP (refer Note 19). In addition, W F Blount and Z E Switkowski received 200 loyalty shares obtained under the 1 for 10 loyalty offer available to all employees who participated in the public offer (refer Note 19(e)).

Directors of controlled entities

Each of the controlled entity directors of the Telstra Group and their director related entities have telecommunications services transactions with the Telstra Group which are on normal commercial terms and conditions and are trivial and domestic in nature.

Lawpoint Pty Ltd (Lawpoint) is partially owned by Alloway Investments Pty Ltd (Alloway). The directors of Alloway are E F Griffin, D Griffin and A C Griffin who are also directors of Lawpoint. Lawpoint paid a dividend during the year ended 30 June 1999 of $Nil (1998: $504,000; 1997: $579,000) to Alloway. Lawpoint participates in other transactions with Alloway and its directors which are on normal terms and conditions and are trivial in nature.

Z Mody, a director of two controlled entities, has provided legal advice to controlled entities. Fees received/receivable by Z Mody are on normal terms and conditions amounting to $Nil for the year ended 30 June 1999 (1998: $Nil; 1997: $70,000).

Loans to directors of controlled entities

Certain employees of the Telstra Group who were eligible to participate in the TESOP (refer Note 19) were also directors of controlled entities. The directors of the controlled entities were provided with an interest free loan to enable the purchase of shares from the Commonwealth on the same terms and conditions as all other employees eligible to participate in the TESOP. The amount of loans advanced during the year for the second instalment due for the purchase of shares was $105,300 (1998: $152,061). Loan repayments of $29,513 (1998: $5,493) were made including three directors who left the Telstra Group during the year and repaid their loans in full. The balance of the loans outstanding at 30 June 1999 was $222,355 (1998: $146,569). All directors listed below were provided with and made loan repayments during the year ended 30 June 1999:

B Akhurst	E F Griffin	P Rizzo
G Avard	J Hibbard	G Shepherd
H Bradlow	R Horgan	L P Shore
K Bradshaw	D Lowes	J V Stanhope
J Burke	M Montalto	P Sykes
D Campbell	G Moriarty	R Verco
C Cameron	T O'Malley	C Vonwiller
R Cartwright	C Petersen	C C Wilkinson
C B Davis	K Phillips	L Wood
A Day	P I Pickering	T Wulfse
G Fidler	D Pitt	R Wyss
A C Griffin	A Polmear	L Yelland

The three directors who repaid their loans in full during the year were P Abery, D Nicol and J Slatter.

Notes to the Financial Statements (continued)

27. Related party transactions (continued)

Wholly owned group and other related party disclosures

Amounts receivable from and payable to entities in the wholly owned group and other related parties:

	Telstra Group			Telstra Entity	
	As at 30 June			As at 30 June	
	1999	1998	1997	**1999**	1998
	$m	$m	$m	**$m**	$m
Aggregate amounts receivable (including trade debtors) at balance date from:					
Current					
Wholly owned controlled entities (i)	**-**	-	-	**677**	412
Other controlled entities	**-**	-	-	**248**	264
Joint venture and associated entities	**21**	33	46	**9**	33
Non current					
Wholly owned controlled entities	**-**	-	-	**135**	126
Other controlled entities	**-**	-	-	**5**	-
Aggregate amounts payable (including accounts payable) at balance date to:					
Current					
Wholly owned controlled entities (i)	**-**	-	-	**547**	175
Other controlled entities	**-**	-	-	**-**	6
Joint venture and associated entities	**56**	72	19	**47**	61
Non current					
Wholly owned controlled entities	**-**	-	-	**45**	212

(i) During the year, the Telstra Entity has participated in interest free transactions with its controlled entities. As a result of these transactions, at 30 June 1999, the aggregate amounts receivable from controlled entities amounted to $676 million (1998: $379 million; 1997: $845 million) and the aggregate amounts payable to controlled entities amounted to $234 million (1998: $198 million; 1997: $428 million). The amounts payable to the wholly owned controlled entities at 30 June 1999 includes $217 million (1998: $155 million; 1997: $198 million) being consideration for the transfer of tax losses.

Notes to the Financial Statements (continued)

27. Related party transactions (continued)

Wholly owned group and other related party disclosures (continued)

During the year, communication assets were sold by the Telstra Entity to an entity in the wholly owned group at cost for $9 million (1998: $88 million; 1997: $526 million).

The Telstra Entity sold services, purchased goods and communications assets, paid fees and received dividends from, and received and paid interest to entities in the wholly owned group during the year. These transactions are in the normal course of business and are on normal commercial terms and conditions.

Included in revenue received in advance is an amount of $281 million (1998: $294 million; 1997: $322 million) received from a controlled entity in relation to royalties received from directory advertising which is not recorded as revenue until the directories are issued.

Included in capitalised software for the year ended 30 June 1999 is $212 million (1998: $111 million; 1997: $Nil) paid to IBMGSA. In addition, during the year ended 30 June 1999, $Nil (1998: $23 million; 1997: $Nil) was paid to IBMGSA for the transfer of employee entitlements and other transition costs.

		Telstra Group			Telstra Entity	
		Year ended 30 June			Year ended 30 June	
		1999	1998	1997	**1999**	1998
	Note	**$m**	$m	$m	**$m**	$m
Amounts attributable to transactions with entities in the wholly owned group and other related parties						
Operating profit before income tax expense for the year includes aggregate amounts attributable to transactions in respect of:						
Interest revenue from:						
Wholly owned controlled entities	2	**-**	-	-	**7**	6
Joint venture and associated entities		**1**	-	-	**1**	-
Borrowing costs:						
Wholly owned controlled entities	3(a)	**-**	-	-	**8**	9
Joint venture and associated entities		**1**	-	-	**1**	-
Dividend revenue from:						
Wholly owned controlled entities	2	**-**	-	-	**90**	9
Other controlled entities	2	**-**	-	-	**32**	30
Joint venture and associated entities		**-**	-	26	**-**	-
Sale of goods and services to:						
Wholly owned controlled entities		**-**	-	-	**613**	615
Other controlled entities		**-**	-	-	**564**	598
Joint venture and associated entities		**128**	91	661	**70**	31
Purchase of goods and services from:						
Wholly owned controlled entities		**-**	-	-	**95**	66
Other controlled entities		**-**	-	-	**41**	85
Joint venture and associated entities		**453**	395	19	**440**	377

Notes to the Financial Statements (continued)

28. Events subsequent to balance date

The directors are not aware of any matter or circumstance that has arisin since 30 June 1999 that, in their opinion, has significantly affected or may significantly affect in future years Telstra's operations, the results of those operations or the state of Telstra's affairs other than:

On 5 July 1999, the Telstra (Further Dilution of Public Ownership) Act 1999 received Royal Assent. This Act amends the Telstra Corporation Act 1991 to permit the Commonwealth to sell a further 16.6% of Telstra's shares. The Commonwealth has commenced a sale process which is expected to involve a global offering of approximately 16.6% of Telstra's shares in the first half of fiscal 2000.

Notes to the Financial Statements (continued)

29. Additional financial instruments disclosures

Derivative financial instruments

Objectives and significant terms and conditions

Derivative financial instruments are used by the Telstra Group to hedge against risks from changes in interest rates and foreign exchange rates. Instruments used include forward foreign currency contracts, cross-currency swaps, interest rate swaps, and interest rate futures contracts. The Telstra Group does not undertake speculative trading in these instruments. All derivative transactions are undertaken to hedge the risks relating to an underlying physical position.

Because of this, the potential for loss or gain under derivative transactions arising as a result of interest rate risk, currency risk or other market risk will be substantially matched by corresponding gains or losses in the value of the underlying physical position.

Throughout this note, interest rate risk refers to the risk that the value of a financial instrument will fluctuate due to changes in market interest rates and foreign currency risk refers to the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Liquidity risk and credit risk

Liquidity risk includes the risk that, as a result of liquidity requirements in the future, the Telstra Group will be forced to sell financial assets or derivative positions at a value which is below their underlying worth or may be unable to exit the positions at all, or the Telstra Group will have insufficient funds to settle a transaction on the due date.

To help counter these risks, the Telstra Group generally uses derivatives that are tradeable in highly liquid markets, has standby facilities and other funding arrangements in place, and has a liquidity policy which requires a minimum liquidity level to be maintained.

Credit risk includes the risk that a counterparty will fail to discharge its obligations under a financial instrument and cause the Telstra Group to incur a financial loss. To help counter this risk the Telstra Group ensures it does not have any significant exposure relative to approved counterparty limits, and has a conservative policy in establishing counterparty limits.

Forward foreign currency contracts

The Telstra Group enters into forward foreign currency contracts to hedge the exchange rate risk on firm or anticipated purchase commitments and short term borrowings denominated in foreign currencies.

A key purpose of foreign currency hedging activities is to minimise the volatility of the Telstra Group's cash flows due to changes in exchange rates.

The Telstra Group principally transact and consequentially hedges in the following currencies: United States Dollars, British Pounds Sterling, German Deutschemarks, Euro, Japanese Yen and Canadian Dollars.

Notes to the Financial Statements (continued)

29. Additional financial instruments disclosures (continued)

The settlement dates, net dollar amounts receivable and contractual forward exchange rates of the Telstra Group's significant outstanding contracts (including forward foreign exchange contracts in short term borrowings) at balance date are as follows:

	Telstra Group As at 30 June 1999 A$m	1998 A$m
United States Dollars		
- less than three months, at rates averaging United States Dollars $0.6444 (1998: US$0.6170)	**807**	1,511
- 3 to 12 months, at rates averaging United States Dollars $0.6234 (1998: US$0.6427)	**71**	148
- 12 to 18 months, at rates averaging United States Dollars $0.6400 (1998: US$0.6312)	**9**	6
- over 18 months, at rates averaging United States Dollars $0.6487 (1998: US$0.6312)	**8**	-
	895	1,665
British Pounds Sterling		
- less than three months, at rates averaging British Pounds Sterling 0.4085 (1998: British Pounds Sterling 0.3727)	**10**	24
- 3 to 12 months, at rates averaging British Pounds Sterling 0.3863 (1998: British Pounds Sterling 0.3729)	**4**	-
	14	24
German Deutschemarks		
- less than three months, at rates averaging German Deutschemarks 1.2084 (1998: German Deutschemarks 1.0724)	**9**	27
- 3 to 12 months, at rates averaging German Deutschemarks 1.2302 (1998: German Deutschemarks 1.1500)	**-**	-
	9	27
Euro		
- less than three months, at rates averaging Euro 0.5705 (1998: Euro 0.5504)	**2**	34
- 3 to 12 months, at rates averaging Euro 0.5709 (1998: Euro 0.5574)	**8**	-
- 12 to 18 months, at rates averaging Euro 0.5927	**1**	-
-over 18 months, at rates averaging Euro 0.5808	**3**	-
	14	34
Japanese Yen		
- less than three months, at rates averaging Japanese Yen 78.1351 (1998: Japanese Yen 84.8878)	**11**	14
- 3 to 12 months, at rates averaging Japanese Yen 72.2437 (1998: Japanese Yen 83.4277)	**3**	-
	14	14
Canadian Dollars		
- less than three months, at rates averaging Canadian Dollars 0.9611 (1998: Canadian Dollars 0.9576)	**3**	1
- 3 to 12 months, at rates averaging Canadian Dollars 0.9639 (1998: Canadian Dollars 0.9277)	**9**	-
	12	1

Notes to the Financial Statements (continued)

29. Additional financial instruments disclosures (continued)

The Telstra Group has a net foreign exchange exposure on equipment, material and translation exposures, excluding borrowings, as follows:

	Telstra Group			
	Exposure before hedging		Exposure after hedging	
	As at 30 June		As at 30 June	
	1999	1998	1999	1998
	A$m	A$m	A$m	A$m
Anticipated future transactions	**184**	255	**92**	128
Transaction exposure	**274**	416	**123**	208
Translation exposure (offshore investments)	**(272)**	(224)	**(224)**	(140)
	186	447	**(9)**	196
The maturity dates of the anticipated future transactions are as follows:				
Within 1 year	**184**	155		
Within 1 - 2 years	**-**	100		
	184	255		

The hedging policy of the Telstra Group is considered to provide effective hedging for all its foreign exchange exposures. At 30 June 1999 and 1998 the net deferred gain on hedges of anticipated foreign currency commitments is not material to the financial reports.

Net fair value - forward foreign currency contracts

Valuation as at 30 June 1999

There is no material difference between the carrying amount and the net fair value. The carrying amount for forward currency contracts at 30 June 1999 is a $27 million loss (1998: $8 million gain).

Cross currency swaps and interest rate swaps

The Telstra Group has borrowings denominated in foreign currencies. It is the Telstra Group's policy to hedge all currency exposure on such borrowings with foreign currency derivative transactions such as cross currency swaps and forward foreign exchange contracts. The terms and conditions of the swaps substantially match the terms and conditions of the underlying hedged borrowings in Note 16.

The Telstra Group enters into interest rate swaps to adjust interest rate exposures on its debt portfolio to match the ratio of fixed interest debt to variable interest debt, as required by the Telstra Group's debt management policy. The debt management policy is undertaken on a portfolio basis. The maturity of interest rate swaps matches the maturity profile of the underlying debt within the requirements of the debt management policy. Net interest receipts and payments are recognised as an adjustment to interest expense.

At 30 June 1999 and 1998 the Australian dollar interest rates varied as follows:

Cross currency swaps		
Fixed	**- 1999 7.86%**	(1998: 7.86%)
Variable	**- 1999 from 4.87% to 5.17%**	(1998: from 4.94% to 5.52%)

Interest rate swaps		
Fixed	**- 1999 from 4.77% to 13.58%**	(1998: from 5.07% to 13.58%)
Variable	**- 1999 from 4.69% to 6.25%**	(1998: from 4.84% to 5.97%)

Net fair value - interest rate and cross currency swaps

Derivative transactions are only used for the purpose of managing financial exposures that arise from underlying business positions. Therefore net market values should not be assessed in isolation. Their overall impact should take account of the underlying exposures being hedged. For further information on the carrying amount and net market value on hedged positions refer Note 16.

Notes to the Financial Statements (continued)

29. Additional financial instruments disclosures (continued)

Interest rate swaps

The notional amounts of interest rate swaps shown below represent the face values of such transactions entered into by the Telstra Group at balance date. The notional amounts do not represent amounts exchanged or to be exchanged by the parties to the contract, are not a true reflection of the credit risk and are therefore not recorded on the balance sheet. The remaining terms to maturity, net notional principal amounts, net fair value and carrying amounts of the Telstra Group's outstanding interest rate swaps at balance date are:

	Telstra Group					
	Net notional principal amount (a)		**Net fair value**		**Carrying amount (b)**	
	As at 30 June					
	1999 A$m	1998 A$m	**1999 A$m**	1998 A$m	**1999 A$m**	1998 A$m
Interest rate swaps						
- Less than one year	**(211)**	83	**(1)**	10	**-**	6
- One to five years	**78**	(445)	**24**	28	**2**	2
- Greater than five years	**(1,830)**	(2,000)	**(22)**	(82)	**(8)**	(7)
	(1,963)	(2,362)	**1**	(44)	**(6)**	1

(a) At 30 June 1999 and 30 June 1998, the Telstra Group has a net interest rate swap position of pay fixed.

(b) The carrying amount represents the accrued interest on interest rate swaps.

The gross notional principal of interest rate swaps was $6,697 million for the year ended 30 June 1999 (1998: $6,048 million). The gross notional amount of interest rate swaps is significantly larger than the net effective position shown since it is the gross sum of all swaps over time, many of which have been undertaken to modify positions at a number of stages as volumes and positions have changed. This approach is undertaken to manage the Telstra Group's fixed to variable ratio on net debt, where net debt is defined as financial liabilities less financial assets.

Cross currency swaps

The remaining terms to maturity, net principal amounts, net fair value and carrying amounts of the Telstra Group's outstanding cross currency swaps at balance date are:

	Telstra Group					
	Net notional principal amount		**Net fair value**		**Carrying amount**	
	As at 30 June					
	1999 A$m	1998 A$m	**1999 A$m**	1998 A$m	**1999 A$m**	1998 A$m
Cross currency swaps						
- Less than one year	**-**	-	**-**	-	**-**	-
- One to five years	**559**	120	**13**	15	**20**	(2)
- Greater than five years	**2,064**	2,186	**6**	414	**17**	277
	2,623	2,306	**19**	429	**37**	275

For cross currency and interest rate swaps where the carrying amount is in excess of net fair value at balance date, no writedown to net fair value has been made since these derivatives act as hedges of underlying physical positions.

Interest rate futures

From time to time, the Telstra Group uses interest rate futures contracts to adjust interest exposures on its debt portfolio to match the ratio of fixed interest debt to variable interest debt as required by the Telstra Group's policy. These contracts are commitments to either purchase or sell designated financial instruments at a future date, for a specified price and are settled in cash. No futures contracts were outstanding at either 30 June 1999 or 30 June 1998.

Notes to the Financial Statements (continued)

29. Additional financial instruments disclosures (continued)

Interest rate risk

The Telstra Group's exposure to interest rate risk, repricing maturities and the effective interest rates on financial instruments at balance date are:

	Telstra Group As at 30 June 1999							
	Weighted average effective interest rate	Interest rate				Non interest bearing	Total	
		Floating	Fixed maturities					
			1 yr. or less	2 to 5 yrs.	over 5 yrs.			
	%	$m	$m	$m	$m	$m	$m	Note
Assets								
Cash (a)	**5.00**	**834**	**-**	**-**	**-**	**145**	**979**	**8**
Trade debtors and accrued revenue	**-**	**-**	**-**	**-**	**-**	**3,060**	**3,060**	**9**
Bank deposits, bills of exchange and promissory notes (a)	**4.59**	**-**	**114**	**51**	**19**	**-**	**184**	**9**
Share loan to employees (a)	**-**	**-**	**-**	**-**	**-**	**279**	**279**	**9**
Other receivables (a)	**-**	**-**	**-**	**-**	**-**	**15**	**15**	**9**
Investments (b)	**-**	**-**	**-**	**-**	**-**	**191**	**191**	**11**
Total financial assets as at 30 June 1999		**834**	**114**	**51**	**19**	**3,690**	**4,708**	
Liabilities								
Trade creditors and accrued expenses	**-**	**-**	**-**	**-**	**-**	**1,911**	**1,911**	**15**
Other creditors	**-**	**-**	**-**	**-**	**-**	**584**	**584**	**15**
Amounts owed to the Telstra Superannuation Scheme	**11.80**	**-**	**121**	**169**	**467**	**-**	**757**	**15**
Bank overdraft (a)	**16.70**	**5**	**-**	**-**	**-**	**-**	**5**	**16**
Loan from joint venture entity (a)	**4.80**	**-**	**16**	**-**	**-**	**-**	**16**	**16**
Bills of exchange and promissory notes (a)	**4.93**	**2,139**	**-**	**-**	**-**	**-**	**2,139**	**16**
Bank loans (a)	**17.91**	**26**	**-**	**-**	**-**	**-**	**26**	**16**
Telecom/Telstra bonds (a)	**10.71**	**-**	**68**	**1,372**	**907**	**-**	**2,347**	**16**
Other loans (a)	**5.57**	**-**	**-**	**583**	**2,046**	**-**	**2,629**	**16**
Cross currency swaps (a)	**-**	**2,184**	**-**	**(139)**	**(2,050)**	**-**	**(5)**	**16**
Finance lease liabilities (a)	**4.27**	**-**	**28**	**26**		**-**	**54**	**16**
Interest rate swaps (a)	**-**	**(1,963)**	**211**	**(78)**	**1,830**	**-**	**-**	**-**
Total financial liabilities as at 30 June 1999		**2,391**	**444**	**1,933**	**3,200**	**2,495**	**10,463**	
Net financial assets/(liabilities) as at 30 June 1999		**(1,557)**	**(330)**	**(1,882)**	**(3,181)**	**1,195**	**(5,755)**	

(a) The effective yield on the Telstra Group's net debt at 30 June 1999 is 7.9%, after taking into account the impact of interest rate swaps and cross currency swaps.

(b) Excluding investments in joint venture entities, associated entities and joint venture operation.

Notes to the Financial Statements (continued)

29. Additional financial instruments disclosures (continued)

Interest rate risk (continued)

	Telstra Group As at 30 June 1998							
	Weighted average effective interest rate	Interest rate: Floating	Fixed maturities: 1 yr. or less	2 to 5 yrs.	over 5 yrs.	Non interest bearing	Total	
	%	$m	$m	$m	$m	$m	$m	Note
Assets								
Cash . . . . (a)	5.24	799	-	-	-	154	953	8
Trade debtors and accrued revenue	-	-	-	-	-	3,045	3,045	9
Bank deposits, bills of exchange and promissory notes . . . . (a)	4.44	-	19	55	16	-	90	9
Share loan to employees . . . . (a)	-	-	-	-	-	206	206	9
Loans to joint venture entity . . . . (a)	9.50	-	5	-	-	-	5	9
Other receivables . . . . (a)	6.30	-	-	10	-	63	73	9
Investments . . . . (b)	-	-	-	-	-	151	151	11
Total financial assets as at 30 June 1998		799	24	65	16	3,619	4,523	
Liabilities								
Trade creditors and accrued expenses . . .	-	-	-	-	-	1,570	1,570	15
Other creditors	-	-	-	-	-	830	830	15
Amounts owed to the Telstra Superannuation Scheme.	11.80	-	121	151	513	-	785	15
Bank overdraft . . . . (a)	18.00	5	-	-	-	-	5	16
Bills of exchange and promissory notes . . . . (a)	5.55	2,503	-	-	-	-	2,503	16
Bank loans . . . . (a)	15.95	26	-	-	-	-	26	16
Telecom/Telstra bonds . . . . (a)	10.78	-	349	1,244	1,094	-	2,687	16
Other loans . . . . (a)	5.69	-	-	62	2,475	-	2,537	16
Cross currency swaps . . . . (a)	-	1,866	-	(116)	(1,989)	-	(239)	16
Finance lease liabilities. . . . . (a)	5.49	-	73	114	16	-	203	16
Interest rate swaps . . . . (a)	-	(2,362)	(83)	445	2,000	-	-	-
Total financial liabilities as at 30 June 1998.		2,038	460	1,900	4,109	2,400	10,907	
Net financial assets/(liabilities) as at 30 June 1998		(1,239)	(436)	(1,835)	(4,093)	1,219	(6,384)	

(a) The effective yield on the Telstra Group's net debt at 30 June 1998 was 7.8%, after taking into account the impact of interest rate swaps and cross currency swaps.

(b) Excluding investments in joint venture entities, associated entities and joint venture operation.

Notes to the Financial Statements (continued)

29. Additional financial instruments disclosures (continued)

Credit risk

The Telstra Group obtains collateral on all money market deposits except those deposited with licensed banks.

The carrying amounts of financial assets included in the consolidated balance sheet represent the Telstra Group's maximum exposure to credit risk in relation to these assets. Where entities have a right of set-off and intend to settle on a net basis, this set-off has been reflected in the financial report in accordance with accounting standards.

Credit risk exposure value shown in the table below includes all transactions where the net fair value is favourable. For credit purposes there is only a credit risk where the counterparty would pay the Telstra Group in the event of a closeout. The amount disclosed differs from that shown in the previous table which states the net fair value after netting favourable against unfavourable transactions.

	Telstra Group	
	Net fair value	
	As at 30 June	
	1999	1998
	A$m	A$m
Interest rate swaps	**207**	167
Cross currency swaps	**140**	429
Forward foreign currency contracts . . .	**-**	10
	347	606

Credit Risk - concentrations

The Telstra Group does not have any significant exposure to any individual counterparty. The major concentrations of credit risk that arise from the Telstra Group's financial transactions (including money market, forward foreign currency contracts, cross currency and interest rate swaps) by country of financial institution are:

	Telstra Group			
	As at 30 June			
	1999		1998	
	%	**A$m**	%	A$m
Australia	**39**	**2,116**	32	1,698
United States. . .	**28**	**1,497**	32	1,675
Japan	**1**	**80**	2	108
Europe	**31**	**1,673**	33	1,777
Other.	**1**	**39**	1	33
	100	**5,405**	100	5,291

Notes to the Financial Statements (continued)

30. United States generally accepted accounting principles disclosures

Reconciliation to US GAAP

Australian generally accepted accounting principles (AGAAP) vary in certain significant respects from generally accepted accounting principles in the United States (US GAAP). Application of US GAAP would have affected shareholders' equity as at 30 June 1999, 1998 and 1997 and operating profit after income tax expense attributable to the Telstra Entity shareholders (defined as net income throughout this Note) for each of the years in the three year period ended 30 June 1999, to the extent quantified below. A description of the material differences between AGAAP, as followed by the Telstra Group, and US GAAP are as follows:

The reconciliation of net income and shareholders' equity contained in this Note are based on the financial report of the Telstra Group.

(a) Property, plant and equipment

Revaluations

AGAAP allows property, plant and equipment to be revalued with increments charged to an asset revaluation reserve (shareholders' equity), unless they reverse a previous revaluation decrement charged to the profit and loss statement. Impairments (decrements) to asset values are recorded in the profit and loss statement, unless reversing a previous increment still recorded in the asset revaluation reserve. Revaluations of property, plant and equipment are not allowed under US GAAP except for impairments which are regarded as permanent. Adjustments to reduce revalued property, plant and equipment to historical cost for revaluations and impairments included in the reconciliation of shareholders' equity to US GAAP were $361 million for the year ended 30 June 1999 (1998: $317 million; 1997: $271 million). Adjustments included in the reconciliation of net income to US GAAP for the year ended 30 June 1999 (including the impairments noted below) were $53 million expense (1998: $62 million expense; 1997: $256 million income).

Under US GAAP, Statement of Financial Accounting Standards No.121 (SFAS 121), "Accounting for the Impairment on Long-Lived Assets and for Long-Lived Assets to Be Disposed Of", an impairment loss can only be recognised when the future undiscounted cash flows are less than the carrying amount of the asset. Impairment losses are recognised under AGAAP when discounted future cash flows are less than the carrying amount of the asset. Under AGAAP the Telstra Group recorded a $2 million impairment loss during the year ended 30 June 1999 (1998: $16 million impairment loss; 1997: $342 million impairment loss relating to the broadband network). As the future undiscounted cash flows of the broadband network were in excess of the carrying amount of the asset, the $342 million impairment loss was adjusted in the reconciliation of net income and shareholders' equity to US GAAP for the year ended 30 June 1997 and additional depreciation of $62 million was recognised in the reconciliation of net income to US GAAP in the year ended 30 June 1999 (1998: $59 million).

Additional impairment losses for US GAAP were $Nil for the year ended 30 June 1999 (1998: $10 million; 1997: $Nil).

Profits/(losses) on disposal

Under AGAAP proceeds on sale of assets are recorded as revenue. For US GAAP, only the net profit/loss on sale of assets is required to be recorded as revenue.

AGAAP reported profits or losses on the sale of revalued assets are based on consideration received less revalued net book value. For US GAAP, profits or losses are based on consideration received less historical net book value and are reported in the year realised. These differences are disclosed in the reconciliations of net income and shareholders' equity to US GAAP.

Depreciation expense

Depreciation expense for AGAAP and US GAAP has been calculated using the straight line method of depreciation. Under AGAAP depreciation expense is based on the carrying amount of the asset and is therefore higher for assets revalued upwards. US GAAP does not permit assets to be revalued above historical cost. The depreciation expense has been adjusted to reflect historical cost depreciation in the reconciliations of net income and shareholders' equity to US GAAP.

Capitalisation of indirect overheads

Prior to 1 July 1996 the Telstra Group capitalised overheads directly associated with the construction of its communication assets but all indirect overheads were expensed as incurred. From 1 July 1996 indirect overheads associated with operations and management personnel also directly involved in the construction of the Telstra Group's communication assets have been capitalised, and aligns with US GAAP.

To reflect this policy prior to 1 July 1996, Telstra capitalised, in the reconciliation of net income and shareholders' equity to US GAAP $2,788 million and amortised $1,228 million. Amortisation of $155 million on the capitalised amount above, has been included in the reconciliation of net income and shareholders' equity for the year ended 30 June 1999 (1998: $157 million; 1997: $167 million).

Capitalisation of interest costs

Prior to 1 July 1996 the Telstra Group expensed all interest costs as incurred. From 1 July 1996 interest costs relating to the construction of property, plant and equipment for internal use is capitalised as part of the cost of the asset, and accords with US GAAP.

Notes to the Financial Statements (continued)

30. United States generally accepted accounting principles disclosures (continued)

Reconciliation to US GAAP (continued)

(a) Property, plant and equipment (continued)

Capitalisation of interest costs (continued)

To reflect this policy prior to 1 July 1996, Telstra capitalised in the reconciliation to net income and shareholders' equity to US GAAP $638 million and amortised $228 million. Amortisation of $37 million on the capitalised amount above, has been included in the reconciliation of net income and shareholders' equity for the year ended 30 June 1999 (1998: $41 million; 1997: $37 million).

(b) Investments

Equity securities (excluding Satellite consortia investments, joint venture entities and associated entities)

There is no requirement under AGAAP for an increase in the fair value of an equity security to be recorded in the financial statements. A permanent diminution in the value of an equity security is taken to the profit and loss statement. An adjustment has been made in the reconciliation of AGAAP to US GAAP to revalue equity securities classified as available for sale to fair market value in accordance with Statement of Financial Accounting Standard No.115 (SFAS 115) "Accounting for Certain Investments in Debt and Equity Securities".

Under US GAAP securities held to maturity are written down to fair value, through the profit and loss statement, when the decline in fair value is other than temporary. Securities classified as available for sale are carried at fair value with changes in fair value, other than a permanent reduction, being taken to a separate component of shareholders' equity until realised. Realised gains and losses measured against cost are included in the profit and loss statement.

Refer to the "Other Disclosures" section of this Note for quantified differences.

Investments in joint venture entities and associated entities

US GAAP requires companies to account for investments in associates using the equity method of accounting. Prior to 1 July 1997, the Telstra Group accounted for its investments in associates using the cost basis, however, the effect of this departure was not considered significant and no differences have been included in the reconciliation of US GAAP for the year ended 30 June 1997. From 1 July 1997, the Telstra Group adopted the equity method of accounting (refer Note 1.9(b)) consistent with US GAAP requirements.

(c) Dividend payable recognition

Under AGAAP, dividends declared after balance date and prior to the approval of the financial reports are recognised as a liability in those financial statements. Under US GAAP provisions for dividends are only recognised as liabilities if the dividends are formally declared prior to balance date. The effect of this adjustment is disclosed in the reconciliation of shareholders' equity to US GAAP. The dividends per share for US GAAP using Australian currency that would be disclosed for the years ended 30 June 1999 would be 14.1cents per share (1998: 11.1; 1997: 33.5).

(d) Retirement benefits

The Telstra Group's periodic pension cost in relation to defined benefit plans included in these financial reports is based on the contributions payable to the retirement plans for the year, at rates determined by the actuary of the defined benefit plans. For the purposes of US GAAP disclosures, the CSS is a multiple employer plan within the context of Statement of Financial Accounting Standard No.87 (SFAS 87) "Employers' Accounting for Pensions".

In relation to the defined benefit schemes in which the Telstra Group participates where in the past there has been a shortfall in the net market value of the scheme assets when compared to members' vested entitlements, the Telstra Group has provided for the present value of any shortfall, to the extent that it has a present obligation.

For US GAAP, pension costs for defined benefit superannuation plans are actuarially computed using the projected unit credit method and include current service cost, interest cost, return on plan assets and amortisation of transition asset. Unrecorded gains and losses exceeding 10% of the greater of the projected benefit obligation or the market value of the plan assets are amortised over the average expected service period of active employees expected to receive benefits under the plan.

SFAS 87 was adopted by the Telstra Group on 1 July 1992 as it was not feasible to adopt SFAS 87 from the effective date of the Standard, being 1 July 1989. The transition asset is being amortised from the date of adoption over 11 years and $331 million of amortisation was recorded directly to shareholders' equity on 1 July 1992.

Telstra has adopted Statement of Financial Accounting Standard No.132 (SFAS 132) "Employers' Disclosures about Pensions and Other Post retirement Benefits" from 1 July 1998. This standard does not change the measurement or recognition of pension costs or other post retirement benefits but rather standardises disclosures and eliminates those that are no longer useful. Certain comparatives have changed to comply with the revised disclosure.

Notes to the Financial Statements (continued)

30. United States generally accepted accounting principles disclosures (continued)

Reconciliation to US GAAP (Continued)

(d) Retirement benefits (continued)

The effect of the adjustment of SFAS 87 to retirement benefit expense has been disclosed in the reconciliation of net income and shareholders' equity to US GAAP. If the Telstra Group had reported its net periodic pension cost and the funded status of the defined benefit superannuation plans in accordance with the accounting principles and actuarial assumptions generally accepted in the United States, the disclosures required would have been as follows:

	Telstra Group			
	Year ended 30 June			
	1999	**1999**	1998	1997
	$m	**US$m**	$m	$m
Net periodic pension cost				
The components of net periodic pension cost for Telstra Group's defined benefit superannuation plans are as follows:				
Service cost on benefits earned	**420**	**278**	465	417
Interest cost on projected benefit obligation	**683**	**452**	744	747
Expected return on assets	**(1,118)**	**(739)**	(1,129)	(1,015)
Expenses and taxation	**55**	**36**	104	86
Member contributions for defined benefits	**(142)**	**(94)**	(153)	(127)
Amortisation of transition asset	**(91)**	**(60)**	(97)	(101)
Curtailment (gain)/loss	**(102)**	**(67)**	(12)	365
Settlement (gain)/loss	**(4)**	**(3)**	22	49
Net periodic pension cost	**(299)**	**(197)**	(56)	421
The major assumptions used in accounting for the Telstra Group's defined benefit superannuation plans at 30 June and for the years then ended are:				
Discount rate	**6.00%**	**6.00%**	6.00%	7.00%
Rate of increase on compensation levels	**4.00%**	**4.00%**	4.00%	4.50%
Expected long-term rate of return on assets	**8.50%**	**8.50%**	8.50%	8.50%
Reconciliation of change in benefit obligation				
Projected benefit obligation at beginning of year	**12,049**	**7,966**	10,937	9,105
Service cost	**420**	**278**	465	417
Interest cost	**683**	**452**	744	747
Benefit payments	**(2,063)**	**(1,364)**	(1,477)	(555)
Curtailments (ii)	**(16)**	**(11)**	(12)	365
Inclusion of accumulation liabilities (iii)	**1,025**	**678**	-	-
Actuarial loss/(gain)	**(629)**	**(416)**	1,392	858
Projected benefit obligation at end of year	**11,469**	**7,583**	12,049	10,937

Notes to the Financial Statements (continued)

30. United States generally accepted accounting principles disclosures (continued)

Reconciliation to US GAAP (continued)

(d) Retirement benefits (continued)

	Telstra Group			
	Year ended 30 June			
	1999	**1999**	1998	1997
	$m	**US$m**	$m	$m
Reconciliation of change in fair value of plan assets				
Fair value of plan assets at beginning of year	**14,032**	**9,277**	13,867	12,155
Actual return on plan assets	**1,641**	**1,085**	1,294	1,882
Employer contributions	**25**	**17**	299	344
Member contributions for defined benefits	**142**	**94**	153	127
Benefit payments	**(2,063)**	**(1,364)**	(1,477)	(555)
Plan expenses	**(11)**	**(7)**	(10)	(7)
Contribution tax	**(44)**	**(29)**	(94)	(79)
Inclusion of accumulation assets (iii)	**1,025**	**678**	-	-
Deferred tax liability on notional fund surplus	**(235)**	**(155)**	-	-
Fair value of plan assets at end of year (i)	**14,512**	**9,596**	14,032	13,867
Reconciliation of funded status of plan				
Projected benefit obligation	**(11,469)**	**(7,583)**	(12,049)	(10,937)
Plan assets at fair value	**14,512**	**9,596**	14,032	13,867
Funded status	**3,043**	**2,013**	1,983	2,930
Unrecognised net transition asset (iv)	**(440)**	**(291)**	(553)	(679)
Unrecognised net actuarial loss/(gain) (iv)	**29**	**19**	877	(298)
Prepaid pension cost	**2,632**	**1,741**	2,307	1,953

(i) The difference between the fair market value of scheme assets for AGAAP and US GAAP is primarily attributable to the value of the additional contributions payable by the Telstra Group to the TSS which are not considered to be a scheme asset for the purposes of SFAS 87 of $757 million at 30 June 1999 (1998: $785 million; 1997: $810 million).

(ii) The year ended 30 June 1999 curtailment losses of $86 million were not recognised as an unrecognised gain existed at the time of curtailment.

(iii) The accumulation assets and liabilities have been included in 1999 as employer contributions are to be funded from the existing surplus in the TSS (refer Note 22).

(iv) Settlements recorded in net periodic pension cost have effected the unrecognised net transition asset and the unrecognised (gain)/ loss as follows:
(a) unrecognised transition (asset); 1999: $22 million loss; 1998: $29 million loss; 1997: $27 million loss.
(b) unrecognised (gain)/loss; 1999: $18 million (gain); 1998: $51 million (gain); 1997: $76 million (gain).

(e) Software developed for internal use

Prior to 1 July 1996, the Telstra Group did not capitalise costs associated with software developed for internal use. From 1 July 1996, the Telstra Group capitalised costs (including interest) associated with software developed for internal use which aligns with US GAAP. These costs include direct labour (both internal and external) and other directly associated costs.

To reflect this policy prior to 1 July 1996, Telstra capitalised in the reconciliation of net income and shareholders' equity to US GAAP $1,370 million and amortised $732 million. Amortisation of $134 million on the amount above, has been included in the reconciliation of net income and shareholders' equity for the year ended 30 June 1999 (1998: $181 million; 1997: $217 million).

Notes to the Financial Statements (continued)

30. United States generally accepted accounting principles disclosures (continued)

(f) Income tax

Under AGAAP deferred tax assets and liabilities are capitalised for timing differences, using the liability method of tax effect accounting. The net future income tax benefit relating to tax losses and timing differences is not carried forward as an asset unless the benefit is virtually certain of being realised.

Under US GAAP deferred tax assets and liabilities are created for all temporary differences between the accounting and tax bases of assets and liabilities that will reverse during future taxable periods, including tax losses. Deferred tax assets are reduced by a valuation allowance if, in the opinion of management, it is more likely than not that some portion, or all of the deferred tax asset will not be realised. Deferred taxes are provided for the income tax effects of differences between US GAAP and AGAAP.

AGAAP requires the effect of a change in the income tax rate to be brought to account in the calculation of deferred tax balances when the change has been announced by the Treasurer of the Commonwealth. US GAAP requires the tax rate change to be recognised in the year of enactment.

For AGAAP the classification of deferred tax balances between current and non current is based on when the temporary difference is expected to reverse. For US GAAP the classification between current and non current is based on the balance sheet classification of the underlying asset or liability. Where there is no underlying asset or liability the classification is based on when the temporary difference is expected to reverse. The effect of this has been disclosed in the balance sheet prepared in accordance with US GAAP.

Notes to the Financial Statements (continued)

30. United States generally accepted accounting principles disclosures (continued)

Reconciliation to US GAAP (Continued)

(f) Income tax (continued)

	Telstra Group			
	As at 30 June			
	1999	**1999**	1998	1997
	$m	**US$m**	$m	$m
Deferred tax assets				
Foreign exchange translation, hedge and other finance costs	**1**	**1**	17	32
Employee entitlements	**487**	**322**	296	625
Income received in advance	**-**	**-**	-	39
Inventory valuation	**21**	**14**	22	41
Provisions	**310**	**205**	634	522
Tax losses	**241**	**159**	181	11
Other	**33**	**22**	75	119
Total deferred tax assets under US GAAP	**1,093**	**723**	1,225	1,389
Valuation allowance	**(84)**	**(56)**	(48)	(8)
Deferred tax assets under US GAAP after valuation allowance	**1,009**	**667**	1,177	1,381
Deferred tax liabilities				
Property, plant and equipment	**1,474**	**974**	785	385
Foreign exchange translation, hedge and other finance costs	**11**	**7**	36	59
Prepaid pension cost	**948**	**627**	830	703
Capitalised software	**221**	**146**	316	231
Prepayments	**27**	**18**	35	38
Finance leases	**-**	**-**	10	55
Other	**84**	**56**	19	41
Total deferred tax liabilities under US GAAP	**2,765**	**1,828**	2,031	1,512
Net deferred tax liability under US GAAP	**(1,756)**	**(1,161)**	(854)	(131)
Represented by:				
Net deferred tax (liability)/asset under AGAAP	**(89)**	**(59)**	785	1,482
US GAAP/AGAAP differences	**(1,667)**	**(1,102)**	(1,639)	(1,613)
Net deferred tax liability under US GAAP	**(1,756)**	**(1,161)**	(854)	(131)
The components of income tax expense for US GAAP are:				
Current tax expense	**1,205**	**797**	1,058	1,056
Deferred tax expense	**651**	**430**	549	(291)
Under provision in prior year	**(8)**	**(5)**	(113)	(66)
Income tax expense for US GAAP	**1,848**	**1,222**	1,494	699

During the year ended 30 June 1997, the Telstra Group recorded a cumulative adjustment to income tax expense of $216 million (refer Note 3(d)) for prior years depreciation on previously devalued assets. The depreciation adjustment has been appropriately treated in all applicable years for US GAAP.

Notes to the Financial Statements (continued)

30. United States generally accepted accounting principles disclosures (continued)

Reconciliation to US GAAP (Continued)

(g) Minority interests (outside equity interests per AGAAP)

Under US GAAP, minority interests are not included in shareholders' equity. The effect of this adjustment has been disclosed in the reconciliation of shareholders' equity to US GAAP.

(h) Financial instruments

US GAAP does not permit deferral of gains and losses on forward foreign exchange contracts intended to hedge anticipated future transactions. The effect of this departure is considered immaterial and no adjustment has been made in the reconciliation to US GAAP.

(i) Employee entitlements

The Telstra Group employee entitlement provisions include a liability for long service leave. The assumptions used to calculate this liability are consistent with those used for SFAS 87.

(j) Share split

On 6 August 1997 a share split of ordinary shares of the Telstra Entity was approved. The number of issued and paid up ordinary shares changed from 6,433,300,100 ordinary shares with a value of $1.00 each to 12,866,600,200 ordinary shares with a value of $0.50 each.

The number of shares restated for the share split at 30 June 1997 would be 12,866,600,200 in accordance with US GAAP. Share data for US GAAP for the year ended 30 June 1997 has been restated to reflect the share split.

(k) Direct cost of sales

Included in direct cost of sales for AGAAP are dealer commissions and bonuses, as they are directly related to sales revenue of the Telstra Group.

For US GAAP dealer commissions and bonuses are not considered to be direct costs of sales, and therefore, in the profit and loss statement measured and classified in accordance with US GAAP, dealer commissions and bonuses of $234 million for the year ended 30 June 1999 (1998: $283 million; 1997: $251 million), have been reclassified from direct cost of sales to other operating expenses.

(l) Employee compensation expense

During the year ended 30 June 1999 the Telstra Entity provided eligible employees with a further non-recourse interest free loan for the final purchase of a maximum of 2,000 Telstra Entity shares issued in the form of instalment receipts during the year ended 30 June 1998 (refer Note 19). For every four shares purchased under the interest free loan offer, the eligible employee would receive one extra share free, up to a maximum of 500 extra shares. The employee share offer was a one-time offer in conjunction with the one-third privatisation of the Telstra Entity and does not represent an ongoing share purchase plan.

AGAAP does not require the recognition of compensation expense in the profit and loss statement in relation to employee share schemes.

US GAAP requires that shares issued in conjunction with non-recourse loans be accounted for as options. Compensation expense for US GAAP includes the excess of the fair value of the stock options over the exercise price at the date of grant.

The compensation expense is required to be recorded in the balance sheet under share capital as additional paid in capital for US GAAP. In addition, the outstanding balance of the loans provided to the employees is required to be deducted from shareholders' equity (share capital) rather than classified as an asset.

The Telstra Group has adopted the accounting principles of Statement of Financial Accounting Standards No.123 (SFAS 123) "Accounting for Stock Based Compensation" in determination of employee compensation expense. The Telstra Entity granted 137,473,875 options in conjunction with the one-third privatisation on 17 November 1998, 502,000 options were exercised to 30 June 1998 resulting in 136,971,875 options outstanding at 30 June 1998. In the year ended 30 June 1999 23,822,375 options were exercised resulting in 113,149,500 options outstanding at 30 June 1999. All options vested immediately upon grant and will expire at the earlier of repayment of the loan balance or employment termination. These options are dilutive for earnings per share calculations (refer to Earnings Per Share calculations below).

For the year ended 30 June 1998, the binomial option valuation model was used to estimate the fair value of the options at the date of grant, utilising the following weighted average assumptions: risk-free interest rate of 5.8%; dividends yield of 0% as dividends are reinvested to reduce the price of the option; expected stock market price volatility factor of 30%; and a weighted average expected life of options of 7 years. At 30 June 1999 the weighted average expected life of the options was 6 years. The weighted average price of the option at 30 June 1999 and 30 June 1998 was A$4.88.

There were no shares/options issued to employees in the year ended 30 June 1999 and therefore there is no compensation expense recorded for this period. There is no income tax effect on the compensation expense for US GAAP as it is a permanent difference.

Notes to the Financial Statements (continued)

30. United States generally accepted accounting principles disclosures (continued)

Reconciliation to US GAAP (continued)

Operating profit reconciliation

The following is a reconciliation of net income in accordance with AGAAP to the amounts determined under US GAAP, for the following years ended 30 June:

		Telstra Group			
		Year ended 30 June			
		1999	**1999**	1998	1997
	Note	**$m**	**US$m**	$m	$m
Net income as reported in the Telstra Group profit and loss statement according to AGAAP		**3,486**	**2,305**	3,004	1,617
Adjustments required to accord with US GAAP:					
Property, plant and equipment	30(a)	**(245)**	**(163)**	(260)	52
Retirement benefit expense	30(d)	**325**	**215**	354	(81)
Amortisation of capitalised software	30(e)	**(134)**	**(89)**	(181)	(217)
Employee compensation expense	30(l)	**-**	**-**	(217)	-
Income tax expense	30(f)	**(16)**	**(11)**	(26)	(235)
Net income according to US GAAP		**3,416**	**2,257**	2,674	1,136

Profit and loss account information measured and classified in accordance with US GAAP is as follows:

Operating revenue		**17,571**	**11,615**	16,703	15,430
Operating expenses					
Labour		**2,945**	**1,947**	3,882	4,802
Direct cost of sales		**2,768**	**1,830**	2,299	1,782
Depreciation and amortisation		**2,880**	**1,904**	2,763	2,895
Other operating expenses		**3,473**	**2,296**	3,247	4,041
Total operating expenses		**12,066**	**7,977**	12,191	13,520
Operating income		**5,505**	**3,638**	4,512	1,910
Interest expense, net		**(529)**	**(350)**	(585)	(333)
Dividend income		**13**	**9**	20	38
Other income		**277**	**183**	217	212
Net income before income tax expense and minority interests		**5,266**	**3,480**	4,164	1,827
Income tax expense		**1,848**	**1,222**	1,494	699
Net income before minority interests		**3,418**	**2,258**	2,670	1,128
Minority interests in operating income		**(2)**	**(1)**	4	8
Net income		**3,416**	**2,257**	2,674	1,136

Notes to the Financial Statements (continued)

30. United States generally accepted accounting principles disclosures (continued)

Reconciliation to US GAAP (continued)

Operating profit reconciliation (continued)

Presenting information in accordance with US GAAP involves reclassifying the presentation adopted for AGAAP. The reconciliation of net income, other income and interest expense net for AGAAP to US GAAP is provided below:

	Telstra Group			
	Year ended 30 June			
	1999	**1999**	1998	1997
	$m	**US$m**	$m	$m
Operating revenue per AGAAP	**18,218**	**12,044**	17,302	15,983
Less:				
Dividend income	**13**	**9**	20	38
Interest income	**49**	**32**	49	85
Proceeds on sale of property, plant and equipment and patents, trademarks and licences	**246**	**163**	266	176
Proceeds on sale of business	**69**	**46**	-	-
Proceeds on sale of investments	**15**	**10**	-	26
Other revenue	**255**	**169**	264	228
Operating revenue per US GAAP	**17,571**	**11,615**	16,703	15,430
Net Interest expense per AGAAP				
Interest expense	**(670)**	**(443)**	(717)	(524)
Interest revenue	**49**	**32**	49	85
Interest capitalised	**92**	**61**	83	106
Net interest expense per US GAAP	**(529)**	**(350)**	(585)	(333)
Other revenue per AGAAP	**255**	**169**	264	228
Net profit/(loss) on sale of:				
- property, plant and equipment and patents, trademarks and licences	**(13)**	**(9)**	(47)	(39)
- business	**33**	**22**	-	-
- investments	**2**	**1**	-	23
Other income per US GAAP	**277**	**183**	217	212

Notes to the Financial Statements (continued)

30. United States generally accepted accounting principles disclosures (continued)

Reconciliation to US GAAP (continued)

	Telstra Group			
	Year ended 30 June			
	1999	**1999**	1998	1997
	$m	**US$m**	$m	$m
Earnings per share				
Net income according to US GAAP	**3,416**	**2,257**	2,674	1,136
	¢	**US ¢**	¢	¢
Basic earnings per share according to US GAAP (cents)	**26.8**	**17.7**	20.9	8.8
Diluted earnings per share according to US GAAP (cents)	**26.7**	**17.7**	20.8	8.8
	Number (in millions)			
Weighted average number of ordinary shares and common share equivalents for basic calculations	**12,741**	**12,741**	12,781	12,867
Assumed weighted average number of employee share options exercised at grant date	**46**	**46**	47	-
Weighted average number of potential ordinary shares and common share equivalents for diluted calculations	**12,787**	**12,787**	12,828	12,867

Under AGAAP earnings per share is calculated by dividing operating profit after income tax expense attributable to the Telstra Entity shareholders by the weighted average number of shares and share equivalents outstanding during the year, on a basic and fully diluted basis. Earnings per share computations are calculated on the same basis for AGAAP and US GAAP for the year ended 30 June 1997. The earnings per share calculations for the years ended 30 June 1999 and 30 June 1998 are affected by the issue of the employee stock options referred to in (m) above. The stock options are dilutive to earnings per share.

The $3,000 million paid as a special dividend on 30 June 1997 required the Telstra Entity to replenish working capital by incurring additional debt. Had this debt been outstanding from the beginning of the year interest expense would have been $250 million higher (income tax benefit of $90 million) (unaudited), and net income after income tax expense would have been $160 million lower (unaudited) as a result of additional interest expense, and earnings per share would have been 1.2 cents lower (unaudited).

Notes to the Financial Statements (continued)

30. United States generally accepted accounting principles disclosures (continued)

Reconciliation to US GAAP (continued)

The following is a reconciliation of shareholders' equity in accordance with US GAAP to the amounts determined under AGAAP as at 30 June for the following years.

		Telstra Group			
		As at 30 June			
		1999	**1999**	1998	1997
	Note	**$m**	**US$m**	$m	$m
Shareholders' equity as reported in the Telstra Group Balance Sheet under AGAAP		**10,294**	**6,805**	11,079	9,938
Cumulative adjustments required to accord with US GAAP					
Property, plant and equipment	30(a)	**1,017**	**672**	1,251	1,495
Listed investments	30(b)	**20**	**13**	4	-
Dividend payable	30(c)	**3,346**	**2,212**	901	521
Retirement benefits	30(d)	**3,388**	**2,240**	3,092	2,763
Capitalisation of software	30(e)	**106**	**70**	240	421
Employee share loans	30(l)	**(279)**	**(184)**	(206)	-
Income tax	30(f)	**(1,655)**	**(1,094)**	(1,639)	(1,613)
Minority interests	30(g)	**(38)**	**(25)**	(46)	(52)
Shareholders' equity according to US GAAP		**16,199**	**10,709**	14,676	13,473

Balance sheet information measured and classified in accordance with US GAAP is as follows:

	1999 $m	**1999 US$m**	1998 $m	1997 $m
Current assets				
Cash	**979**	**647**	953	742
Marketable securities	**-**	**-**	-	95
Accounts receivable, net	**3,189**	**2,108**	3,132	3,291
Inventories	**204**	**135**	243	237
Future income tax benefit	**285**	**188**	589	723
Other assets	**125**	**83**	136	192
Total current assets	**4,782**	**3,161**	5,053	5,280
Non current assets				
Receivables	**70**	**46**	81	108
Inventories	**16**	**11**	27	36
Investments	**298**	**197**	232	213
Property, plant and equipment	**4,034**	**2,666**	36,733	35,108
Accumulated depreciation	**17,863**	**11,809**	(15,726)	(14,670)
Intangible assets, net	**452**	**299**	2,803	2,177
Future income tax benefit	**-**	**-**	-	-
Other assets	**3,593**	**2,375**	665	713
Total non current assets	**26,326**	**17,403**	24,815	23,685
Total assets	**31,108**	**20,564**	29,868	28,965

(continued over page)

Notes to the Financial Statements (continued)

30. United States generally accepted accounting principles disclosures (continued)

Reconciliation to US GAAP (continued)

		Telstra Group			
		As at 30 June			
		1999	**1999**	1998	1997
	Note	**$m**	**US$m**	$m	$m
Balance sheet information measured and classified in accordance with US GAAP is as follows: (continued)					
Current liabilities					
Accounts payable and accrued expenses		**2,386**	**1,577**	2,364	2,544
Short term debt		**2,160**	**1,428**	2,508	171
Long term debt due within one year		**105**	**69**	427	1,389
Provisions		**1,381**	**913**	1,559	1,797
Revenue received in advance		**654**	**432**	666	721
Total current liabilities		**6,686**	**4,419**	7,524	6,622
Non current liabilities					
Accounts payable		**109**	**72**	36	21
Long term debt		**4,946**	**3,270**	4,787	6,421
Provisions		**1,089**	**720**	1,356	1,522
Provisions for deferred income tax		**2,041**	**1,349**	1,443	854
Total non current liabilities		**8,185**	**5,411**	7,622	8,818
Total liabilities		**14,871**	**9,830**	15,146	15,440
Minority interests		**38**	**25**	46	52
Shareholders' equity					
Issued ordinary share capital		**6,433**	**4,253**	6,433	6,433
Share loan to employees		**(279)**	**(184)**	(206)	-
Additional paid in capital	30(l)	**217**	**143**	217	-
Total share capital	30(l)	**6,371**	**4,212**	6,444	6,433
Reserves		**(23)**	**(15)**	(32)	4
Retained earnings		**9,851**	**6,512**	8,264	7,036
Total shareholders' equity		**16,199**	**10,709**	14,676	13,473
Total liabilities and shareholders' equity		**31,108**	**20,564**	29,868	28,965

Notes to the Financial Statements (continued)

30. United States generally accepted accounting principles disclosures (continued)

Other disclosures

SFAS 115 requires accounting for debt and equity securities based upon the Telstra Group's intent to hold or sell the securities. As at 30 June 1999 and 1998, all of the Telstra Group's marketable securities and equity securities were classified as available-for-sale or held-to-maturity. The disclosures required by SFAS 115 are as follows:

	Telstra Group	
	As at 30 June	
	1999	1998
	$m	$m
Securities held-to-maturity		
The following is a summary of the held-to-maturity debt securities:		
Marketable securities included in cash:		
Bank deposits	**-**	-
Bank bills and promissory notes	**-**	-
	-	-
Marketable securities maturing in less than one year:		
Bank bills and promissory notes	**-**	-
Foreign exchange deposits (a)	**10**	19
	10	19
Marketable securities maturing in more than one year:		
Bank bills and promissory notes	**-**	-
Foreign exchange deposits (a)	**70**	71
	70	71

(a) Foreign exchange deposits are directly related to the Telstra Group's finance lease liabilities and cannot be used by the Telstra Group, other than for settlement of these finance leases.

Notes to the Financial Statements (continued)

30. United States generally accepted accounting principles disclosures (continued)

Securities available-for-sale

The following is a summary of the debt and equity securities available-for-sale:

	Telstra Group				
	As at 30 June 1999				
	Principal $m	Accrued Interest $m	Amortised Cost $m	Fair Value $m	Unrealised Gain / (Loss) $m
Marketable securities included in cash:					
Bank deposits	**101**	**-**	**101**	**101**	**-**
Bank bills and promissory notes	**733**	**4**	**737**	**737**	**-**
	834	**4**	**838**	**838**	**-**
Marketable securities maturing within one year:					
Bank bills and promissory notes	**104**	**-**	**104**	**104**	**-**
Equity securities:					
Listed investments	**86**	**-**	**86**	**118**	**32**

	Telstra Group				
	As at 30 June 1998				
	Principal $m	Accrued Interest $m	Amortised Cost $m	Fair Value $m	Unrealised Gain / (Loss) $m
Marketable securities included in cash:					
Bank deposits	-	-	-	-	-
Bank bills and promissory notes	799	1	800	800	-
	799	1	800	800	-
Marketable securities maturing within one year:					
Bank bills and promissory notes	-	-	-	-	-
Equity securities:					
Listed investments	2	-	2	6	4

Notes to the Financial Statements (continued)

30. United States generally accepted accounting principles disclosures (continued)

Redundancy and restructuring disclosures

The disclosures required by EITF 94-3 in relation to the redundancy and restructuring provision raised by the Telstra Group are as follows:

In the year ended 30 June 1997, the Telstra Group approved a plan to reduce the number of employees by approximately 25,500 to approximately 51,000 employees by 30 June 2000. In June 1998 the Telstra Group approved a three year plan, to 30 June 2001, which included an additional reduction of approximately 2,000 employees by redundancy. The Telstra Group is effecting the reduction in employees through a combination of natural attrition and outsourcing (approximately 6,700 employees) and voluntary redundancy offers and involuntary terminations (approximately 20,800 employees). Reductions are expected to occur primarily in sales and service areas, communication assets, broadband rollout construction areas and field operations and maintenance staff.

The total cost of the redundancy program is estimated to be $1,320 million (1998: 1,329 million: 1997: $1,126 million) which includes severance and award payments of $1,043 million (1998: $1,043 million; 1997: $840 million), career transition and other employee benefit costs of $277 million (1998: $286 million; 1997: $286 million) (career transition costs include payments to employees who are in the outplacement process and amounts paid to third parties in relation to the outplacement program), of which $9 million was credited to the profit and loss in the year ended 30 June 1999 as it was no longer required (1998: $203 million expensed to the profit and loss; 1997: $1,126 million expensed to the profit and loss). The additional amount charged to the profit and loss in 1998 represented 2,000 redundancies to 30 June 2001 which were anticipated to cost $115 million in severance and award payments and $39 million in career and transition costs.

The impact of these redundancies on SFAS 87 calculation is included in Note 30(d) Retirement Benefits.

During the year ended 30 June 1999, 5,754 employees (1998: 7,715; 1997: 5,515) have accepted the offer for redundancy or have been made involuntarily redundant. This was in excess of the amount expected of 4,796 (1998: 6,919) due to a reassessment of the initiatives being used to reduce the staffing levels. The Telstra Group has made severance payments in the year ended 30 June 1999 of $272 million (1998: $386 million; 1997: $293 million) and career transition and other employee cost payments of $59 million (1998: $140 million; 1997: $46 million), which have been charged against the provision for redundancy and restructuring.

In the year ended 30 June, 2000, the remaining staff redundancies are expected to be 1,839 employees, with severance payments expected to be approximately $92 million and payments for career transition and other employee costs expected to be $32 million.

The severance payments are included in current and non current employee entitlements. The payments for career transition and other employee costs are included in other provisions current and non current.

Recently issued United States accounting standards

In June 1999, the FASB issued Statement of Financial Accounting Standards No.137 (SFAS 137) “Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of SFAS 133”. SFAS 137 defers the effective date of Statement of Financial Accounting Standards No.133 (SFAS 133) “Accounting for Derivative Instruments and Hedging Activities” to financial years beginning after 15 June 2000. SFAS 133 establishes accounting and reporting standards for derivative financial instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities. SFAS 133 broadens the definition of a derivative instrument and significantly modifies the accounting treatment for certain types of derivatives. In the initial year of application comparative information for earlier years is to be restated. The Telstra Group has not yet determined the potential effect of this standard on the Telstra Group’s financial statements.

Directors' Declaration

This directors' declaration is required by the Corporations Law of Australia.

In accordance with a resolution of the directors of Telstra Corporation Limited the directors declare that:

(a) the financial statements and notes, set out on pages 122 to 212 of Telstra Corporation Limited and the Telstra Group:

(i) comply with the Accounting Standards, Corporations Regulations and Urgent Issues Group Consensus Views;

(ii) give a true and fair view of the financial position as at 30 June 1999 and performance, as represented by the results of the operations and cash flows, for the year ended 30 June 1999; and

(iii) in the directors' opinion, have been made out in accordance with the Corporations Law.

(b) at the date of this declaration, in the directors' opinion, there are reasonable grounds to believe that Telstra Corporation Limited will be able to pay its debts as and when they become due and payable; and

(c) at the date of this declaration there are reasonable grounds to believe that the members of the extended closed group identified in Note 23(1) to the full financial statements, as parties to a Deed of Cross Guarantee, will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the Deed of Cross Guarantee described in Note 23(1).

The directors have elected to adopt early Accounting Standards AASB 1001: 'Accounting Policies' and AASB 1006: 'Interests in Joint Ventures' for the year ended 30 June 1999 in accordance with Subsection 334(5) of the Corporations Law.

For and on behalf of the board

David M. Hoare
Director

Date: 26 August 1999
Melbourne, Australia

Independent Audit Report to the members of Telstra Corporation Limited

This report is included herein solely for the purpose of incorporation in Telstra Corporation Limited's Annual Report 1999 as filed with the Australian Stock Exchange and the Australian Securities and Investments Commission.

Scope

I have audited the financial report of Telstra Corporation Limited (the Telstra Entity) for the financial year ended 30 June 1999 as set out on pages 122 to 213. The financial report consists of the accounts of the Telstra Entity and the consolidated accounts comprising the Telstra Entity and the entities it controlled at the end of or during the financial year (the Telstra Group). The Telstra Entity directors are responsible for the financial report. I have conducted an independent audit of the financial report in order to express an opinion on it to the members of the Telstra Entity.

The audit has been conducted in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards (which are substantially the same as auditing standards generally accepted in the United States of America), to provide reasonable assurance as to whether the financial report is free of material misstatement. Audit procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards, other mandatory professional reporting requirements and the Corporations Law, so as to present a view which is consistent with my understanding of the Telstra Entity's and the Telstra Group's financial position and performance as represented by, the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit opinion

In my opinion, the financial report of the Telstra Entity is in accordance with:

(a) the Corporations Law, including:

(i) giving a true and fair view of the Telstra Entity's and the Telstra Group's financial position as at 30 June 1999 and of their performance for the financial year ended on that date; and

(ii) complying with Accounting Standards and the Corporations Regulations; and

(b) other mandatory professional reporting requirements.

Accounting principles generally accepted in Australia vary in certain respects from accounting principles generally accepted in the United States of America. An explanation of the major differences between the sets of accounting principles is presented in Note 30 to the financial report. The application of the United States of America accounting principles would have affected the determination of consolidated net income for each of the three years ended 30 June 1999 and the determination of consolidated shareholder's equity to the extent summarised in Note 30 to the financial report.

PJ Barrett
Auditor-General

Date: 26 August 1999
Melbourne, Australia

Report of Independent Accountants to the Shareholders and Board of Directors of Telstra Corporation Limited

This report is included herein solely for the purpose of incorporation in Telstra Corporation Limited's Annual Report 1999 on Form 20-F as required by the United States Securities Exchange Act of 1934 and the rules and regulations promulgated thereunder.

We have audited the accompanying consolidated balance sheets of Telstra Corporation Limited and its subsidiaries as of 30 June 1999 and 1998 and the related consolidated statements of profit and loss and retained profits, of changes in shareholders' equity and of cash flows for each of the three years in the period ended 30 June 1999, all expressed in Australian dollars. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Australia and the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements audited by us present fairly, in all material respects, the financial position of Telstra Corporation Limited and its subsidiaries at 30 June 1999 and 1998, and the results of their operations, changes in shareholders' equity and cash flows for each of the three years in the period ended 30 June 1999, in conformity with accounting principles generally accepted in Australia.

Accounting principles generally accepted in Australia vary in certain significant respects from accounting principles generally accepted in the United States. The application of the latter would have affected the determination of consolidated net income expressed in Australian dollars for each of the three years in the period ended 30 June 1999, and the determination of consolidated shareholders' equity, also expressed in Australian dollars, at 30 June 1999, 1998 and 1997 to the extent summarised in Note 30 to the consolidated financial statements.

PricewaterhouseCoopers

PricewaterhouseCoopers

Date: 26 August 1999
Melbourne, Australia