

Telstra Limited (formerly known as Telstra Europe Limited)

Report and Financial Statements

30 June 2008



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20/04/2009

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COMPANIES HOUSE

Directors

S Vye
T Hart (appointed 12 December 2007)
A Kelton
D Kirton
M Gould
M Hankinson

Secretary

M Gould

Auditors

Ernst & Young LLP
1 More London Place
London SE1 2AF

Registered Office

Telstra House
21 Tabernacle Street
London EC2A 4DE

Directors' report

The directors present their report and financial statements for the year ended 30 June 2008. On 8 April 2008 the company changed its name from Telstra Europe Limited to Telstra Limited.

Results and dividends

The loss for the year after taxation amounted to £7,149,000 (2007 – loss of £9,168,000). The directors do not recommend the payment of a dividend for the year (2007 – £nil).

Principal activity and review of the business

The principal activity of the company is to provide telecommunication services for domestic and international customers.

The directors believe that the company is now in a good position to take advantage of any opportunities which may arise in the future.

Group turnover increased by 8% during the year, primarily due to an increase in the selling activity during the normal course of business.

Operating loss before exceptional items decreased by 18% during the year. This was caused by an improvement in the gross margin due to a change in the revenue mix.

On 17 December 2008 the company issued additional shares with an aggregate nominal value of £64,377,308 in full settlement of an intercompany loan payable of equal value.

Shareholders funds have increased by £57,228,000 due to the issuance of additional share capital of £64,377,308 and losses incurred in the year of £7,149,000.

The total average number of employees has decreased by 4% to 203. These numbers were expected to decline because of outsourcing in the year.

Principal risks and uncertainties

The principal risks and uncertainties facing the group are broadly grouped as competitive, legislative and financial instrument risk.

- **Competitive Risks**

Competitive risks are driven by a changing market environment and the continued deregulation of the UK Telecommunications market. This trend is expected to continue, but is mitigated by management's ongoing review of the market and the company's ability to differentiate its service model.

- **Legislative Risks**

There currently appears to be no significant legislative risks for the company.

- **Financial Instrument Risk**

There currently are no material financial instrument risks for the company.

All risks and uncertainties are regularly monitored by the board of directors of the company.

Future developments

The directors aim to maintain the current management policies. The directors do not anticipate any significant change in the activities and results of the company in the foreseeable future.

Directors' report

Directors of the company

The directors who held office during the year and thereafter are as set out on page 1.

Directors' qualifying for third party indemnity provisions

The company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party provision remains in force as at the date of approving the directors' report.

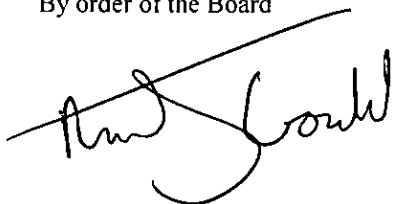
Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made inquiries of fellow directors and the company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Reappointment of auditors

In accordance with s. 385 of the Companies Act, a resolution is to be proposed at the Annual General Meeting for reappointment of Ernst & Young LLP as auditor of the company.

By order of the Board

A handwritten signature in black ink, appearing to read 'M Gould', written over a horizontal line.

M Gould

Secretary
15 April 2009

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit and loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report

to the members of Telstra Europe Limited

We have audited the company's financial statements for the year ended 30 June 2008 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 20. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

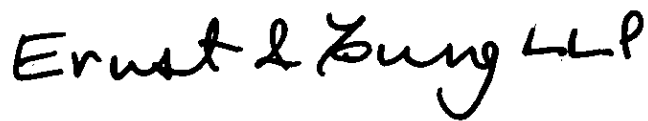
Independent auditors' report

to the members of Telstra Europe Limited (continued)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 June 2008 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

A handwritten signature in black ink that reads "Ernst & Young LLP". The signature is written in a cursive, flowing style.

Ernst & Young LLP
Registered auditor
London
15 April 2009

Profit and loss account

for the year ended 30 June 2008

	Notes	2008 £000	2007 £000
Turnover	2	97,494	90,622
Cost of sales		(64,911)	(63,895)
Gross profit		32,583	26,727
Administrative expenses		(37,665)	(32,926)
Operating loss	3	(5,082)	(6,199)
Exceptional items	4	—	(863)
Other income		522	—
Loss on ordinary activities before taxation and interest		(4,560)	(7,062)
Interest receivable and similar income	7	681	638
Interest payable and similar charges	8	(3,009)	(3,252)
Loss on ordinary activities before taxation		(6,888)	(9,676)
Tax on loss on ordinary activities	9	(261)	508
Loss on ordinary activities after taxation	18	(7,149)	(9,168)

The operating loss for the year is wholly attributable to continuing operations.

There is no difference between the loss on ordinary activities before taxation and the loss for the financial year stated above and their historical cost equivalent.

The company has no recognised gains and losses other than those included in the profit and loss account above, and therefore no separate statement of total recognised gains and losses has been presented.

Balance sheet

for the year ended 30 June 2008

	Notes	2008 £000	2007 £000
Fixed assets			
Tangible fixed assets	10	15,178	11,130
Intangible fixed assets	11	49,907	53,209
Investments	12	54,147	54,147
		<u>119,232</u>	<u>118,486</u>
Current assets			
Debtors	13	19,395	19,998
Cash at bank and in hand		9,928	9,939
		<u>29,323</u>	<u>29,937</u>
Creditors: amounts falling due within one year	14	(90,602)	(147,920)
Net current liabilities		<u>(61,279)</u>	<u>(117,983)</u>
Total assets less current liabilities		<u>57,953</u>	<u>503</u>
Provision for liabilities	16	(1,093)	(871)
Net assets / (Liabilities)		<u>56,860</u>	<u>(368)</u>
Capital and reserves			
Called up share capital	17	76,444	12,067
Profit and loss account	18	(19,584)	(12,435)
Total equity shareholders' funds / (deficit)	18	<u>56,860</u>	<u>(368)</u>

The financial statements on pages 7 to 20 were approved and authorised for issue by the Board of Directors on 15 April 2009 and were signed on its behalf by:



T Hart
Director

Notes to the financial statements

for the year ended 30 June 2008

1. Accounting policies

Basis of preparation

The financial statements have been prepared on a going concern basis and under the historical cost convention in accordance with the Companies Act 1985 and applicable UK accounting standards.

As the immediate parent undertaking is incorporated within the United Kingdom and the results of the company are included within the publicly available consolidated financial statements of Telstra Corporation Limited, the company has taken advantage of the exemption under section 228 of the Companies Act 1985 from preparing consolidated financial statements. As such, these financial statements give information about the company as an individual undertaking and not about its group.

Cash flow statement and related party disclosures

The company is a wholly owned subsidiary of Telstra Corporation Limited who control 90% or more of the voting rights and is included in the consolidated financial statements of the group, which are publicly available. Consequently, the company has taken advantage of the exemption in Financial Reporting Standard ("FRS") 1 "Cash Flow Statements" from preparing a statement of cash flows and the exemption of FRS 8 "Related Party Disclosures" from disclosing transactions with entities that are part of the Telstra Corporation Limited group.

Continued support from ultimate parent undertaking

The financial statements have been prepared on a going concern basis as the company has received confirmation from Telstra Corporation Limited, the company's ultimate parent undertaking, of its intention to continue to provide financial and other support to the extent necessary to enable the company to continue to pay its liabilities as and when they become due for a period not less than one year from the date of approval of these financial statements. Having regard to this intention, the directors consider it is appropriate to prepare these financial statements on a going concern basis.

Turnover

Turnover represents the value of telecommunications services, excluding value added taxes, supplied by the company.

Turnover from services is recognised as the services are provided. Turnover from service contracts that cover periods greater than 12 months is recognised in the profit and loss account in proportion to the services delivered at the reporting date. In respect of services invoiced in advance, amounts are deferred until provision of the services.

Amounts payable by and to other telecommunications operators are recognised as the services are provided. Charges are negotiated separately and are subject to continual review. Turnover generated through the provision of these services is accounted for gross of any amounts payable to other telecommunications operator for interconnect fees.

Revenue for the sale of telecommunications equipment is recognised across the period of the service contract relating to the customer.

Revenue arising from the provision of other services, including maintenance contracts, is recognised evenly over the periods to in which the service is provided.

Goodwill

Amortisation of goodwill arising from the group reorganisation is being amortised on a straight line basis over its useful economic life, currently presumed to be 20 years. The carrying value of goodwill is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Investments

Investments held as fixed assets are stated at cost less provision for any impairment in value.

Notes to the financial statements

for the year ended 30 June 2008

Depreciation of tangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental expenses of acquisition.

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is provided on all tangible fixed assets at rates calculated to write-off the cost, less estimated residual value based on prices prevailing at the date of acquisition, of each asset evenly over its expected useful life as follows:

Plant and machinery	–	three to five years
Leasehold improvements	–	three to ten years
Motor vehicles	–	three years
Assets under construction	–	not applicable

Pensions

Contributions in respect of the defined contribution group personal pension plan are charged in the profit and loss account for the year in which they are payable to the scheme.

Provisions for liabilities

A provision is recognised when the company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

The effect of the time value of money is not material and therefore the provisions are not discounted.

Deferred taxation

The company provides for deferred tax in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or receive more, tax, with the following exceptions:

- provision is made for deferred tax that would arise on remittance of the retained earnings of associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable; and
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Leases

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term. Lease incentives are recognised over the shorter of the lease term and the date of the next rent review.

Foreign exchange

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. Any transaction differences are dealt with in the profit and loss account.

Notes to the financial statements

for the year ended 30 June 2008

2. Turnover

	2008 £000	2007 £000
United Kingdom	97,019	90,502
Europe	475	120
	<u>97,494</u>	<u>90,622</u>

Turnover by source is exclusively derived in the United Kingdom. All turnover is derived from the single class of business described in the Directors' report.

3. Operating loss

This is stated after charging / (crediting):

	2008 £000	2007 £000
Depreciation of owned tangible fixed assets (see note 10)	2,204	2,158
Amortisation of intangible fixed assets (see note 11)	3,302	3,072
Auditors' remuneration – audit services	160	156
Foreign exchange (gain) / loss	(44)	109
	<u> </u>	<u> </u>

4. Exceptional items

	2008 £000	2007 £000
<i>Loss on fundamental reorganisation of the company:</i>		
Onerous contracts	–	(608)
Impairment of goodwill	–	(255)
	<u> </u>	<u> </u>
	–	(863)
	<u> </u>	<u> </u>

Notes to the financial statements

for the year ended 30 June 2008

5. Directors' emoluments

	2008 £000	2007 £000
Directors' remuneration:		
Aggregated emoluments	606	670
Compensation for loss of office	–	148
	<u>606</u>	<u>818</u>
	2008 £000	2007 £000
In respect of the highest paid director:		
Aggregated emoluments	298	190
	<u>–</u>	<u>–</u>
Accrued pension at the end of the year	–	–
	<u>–</u>	<u>148</u>

6. Staff costs

	2008 £000	2007 £000
Wages and salaries	12,715	11,538
Social security costs	1,514	1,515
Pension costs	460	491
	<u>14,689</u>	<u>13,544</u>
The average number of persons employed during the year was as follows:		
	No.	No.
Sales	54	55
Administration	149	157
	<u>203</u>	<u>212</u>

Notes to the financial statements

for the year ended 30 June 2008

7. Interest receivable and similar income

	2008	(Restated) 2007
	£000	£000
Bank interest	640	574
Other interest	41	64
	<u>681</u>	<u>638</u>

In the prior year bank interest has been restated to include £147,000 which had been incorrectly classified as interest receivable from group undertakings. This has no effect on the prior year's total interest receivable and similar income of £638,000.

8. Interest payable

	2008	2007
	£000	£000
Bank loans and overdrafts	–	13
Other interest payable	–	13
Interest payable on amounts owed to group undertakings	3,009	3,226
	<u>3,009</u>	<u>3,252</u>

9. Tax on loss on ordinary activities

(a) Analysis of charge in the year

	2008	2007
	£000	£000
Current tax:		
UK corporation tax at 28% (2007: 30%)	–	–
Total current taxation (note 9(b))	<u>–</u>	<u>–</u>
Deferred tax:		
Origination and reversal of timing differences	338	(709)
Adjustments in respect of prior years	(77)	109
Decrease in tax rate	–	92
Deferred taxation charge / (credit) (note 9 (c))	<u>261</u>	<u>(508)</u>
Total taxation charge / (credit) on loss on ordinary activities	<u>261</u>	<u>(508)</u>

Notes to the financial statements

for the year ended 30 June 2008

9. Tax on profit on ordinary activities (continued)

(b) Factors affecting tax charge / (credit) for the year

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax of 28% (2007 – 30%). The differences are reconciled below:

	2008 £000	2007 £000
Loss on ordinary activities before tax	(6,181)	(9,676)
Loss on ordinary activities multiplied by the standard rate of corporation tax of 28% (2007: 30%)	(1,731)	(2,903)
Impact of statutory effective tax rate difference of 1.5%	(92)	–
Expenses not deductible for tax purpose	986	1,152
Depreciation in excess of capital allowances	(180)	732
Provisions not deductible for tax purposes	(3)	–
Charges on income carried forward	–	1
Loss on disposal of non-qualifying assets	–	2
Group relief surrendered and not paid for	1,025	1,130
Decrease in pensions accrual	(5)	(10)
Transfer pricing adjustment to impute interest payable to subsidiary	–	(90)
Utilisation of provisions treated as not deductible in prior periods	–	(14)
Total current tax charge	–	–

(c) The following deferred tax assets have been provided

	2008 £000	2007 £000
Deferred capital allowances	323	1,047
Unused accumulated losses	650	178
Other short term timing differences	53	62
Deferred tax asset at end of year	1,026	1,287
Asset as at start of year		1,287
Deferred taxation credit / (charge) in profit and loss account (note 9(a))		(261)
Asset as at end of year		1,026

Notes to the financial statements

for the year ended 30 June 2008

9. Tax on profit on ordinary activities (continued)

(c) The following deferred tax assets have been provided (continued)

The company has deferred tax assets of £1,026,000 (2007– £1,287,000) in respect of tax losses, accelerated capital allowances and other timing differences. Deferred tax assets have been recognised because the directors consider that capital allowances will continue to be relieved to the group, maintaining the value within the assets, and that there will be sufficient future taxable profits in the company against which to set off the reversal of these assets.

10. Tangible fixed assets

	<i>Plant and machinery</i>	<i>Short term Leasehold improvements</i>	<i>Plant in course of construction</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cost:				
At 1 July 2007	28,978	9,176	2,826	40,980
Additions	2,484	1,864	1,904	6,242
Disposals	(63)	–	–	(63)
Transfers	2,826	–	(2,826)	–
At 30 June 2008	34,225	11,040	1,904	47,169
Depreciation				
At 1 July 2007	27,130	2,720	–	29,850
Provided during the year	1,280	924	–	2,204
Disposals	(63)	–	–	(63)
At 30 June 2008	28,347	3,644	–	31,991
Net book value:				
At 30 June 2008	5,878	7,396	1,904	15,178
At 30 June 2007	1,848	6,456	2,826	11,130

Asset under construction represents £1,904,000 for a fit out of the data hosting centre and the commissioning of a new billing platform and will not be depreciated until the projects are complete and the assets are ready to be used, at which time the assets will then be depreciated over their useful economic lives. The useful economic life of the fit out is expected to be ten years and the billing platform five years.

In the current period £1,981,000 of cost and £1,033,000 of accumulated depreciation has been reclassified as plant and machinery from software and product development, and motor vehicles.

Notes to the financial statements

for the year ended 30 June 2008

11. Intangible fixed assets

	<i>Novation Costs</i>	<i>Goodwill</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cost:			
At 1 July 2007	830	59,122	59,952
Additions	–	–	–
Disposals	(830)	–	(830)
At 30 June 2008	–	59,122	59,122
Amortisation:			
At 1 July 2007	830	5,913	6,743
Provided during the year	–	3,302	3,302
Disposal	(830)	–	(830)
At 30 June 2008	–	9,215	9,215
Net book value:			
At 30 June 2008	–	49,907	49,907
At 30 June 2007	–	53,209	53,209

Notes to the financial statements

for the year ended 30 June 2008

12. Fixed asset investments

	<i>Total £000</i>
Cost:	
At 1 July 2007	54,147
At 30 June 2008	<u>54,147</u>
At 30 June 2007	<u>54,147</u>

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital is as follows:

<i>Name of company</i>	<i>Holding</i>	<i>Proportion of voting rights held</i>	<i>Country of incorporation</i>	<i>Nature of business</i>
Telstra (Cable Telecom) Limited	Ordinary Shares	100%	England & Wales	Non-trading
PSINet Jersey Limited	Ordinary Shares	100%	Jersey	Non-trading
Intelligen Communications Limited	Ordinary Shares	100%	England & Wales	Non-trading
Telstra (CTE) Limited	Ordinary Shares	100%	England & Wales	Non-trading
Cable Telecommunication Limited	Ordinary Shares	100%	England & Wales	Non-trading
London Hosting Centre Limited	Ordinary Shares	100%	Jersey	Non-trading
Cordoba Holdings Limited	Ordinary Shares	100%	Jersey	IP service provider
PSINet Datacentre UK Limited	Ordinary Shares	100%	England & Wales	Non-trading
Telstra (PSINet)	Ordinary Shares	100% *	England & Wales	Non-trading

* Indirect holding

Notes to the financial statements

for the year ended 30 June 2008

13. Debtors

	2008	(Restated) 2007
	£000	£000
Trade debtors	6,563	7,759
Amounts owed by group undertakings	27	29
Deferred tax	1,026	1,287
Other debtors	3,451	3,528
Prepayments and accrued income	8,328	7,395
	<u>19,395</u>	<u>19,998</u>

In the prior year trade debtors have been restated to include other debtors of £3,004,000 and amounts owed by group undertakings £29,000. This has no effect on the prior year's total debtors of £19,998,000.

All amounts due from group undertakings are unsecured and repayable on demand. Interest accrues on these amounts excluding group relief at rates of 5% per annum.

14. Creditors: amounts falling due within one year

	2008	(Restated) 2007
	£000	£000
Trade creditors	5,392	4,652
Amounts owed to group undertakings	67,525	128,400
Other taxes and social security costs	551	1,203
Accruals and deferred income	16,220	13,587
Other creditors	914	78
	<u>90,602</u>	<u>147,920</u>

In the prior year trade creditors have been restated to include amounts owed by group undertakings of £3,184,000, other taxes and social security of £735,000 and other creditors of £17,000. This has no effect on the prior year's total creditors of £147,920,000.

All amounts due to group undertakings are unsecured and repayable on demand. Interest accrues on these amounts excluding group relief at rates of 5% per annum.

Notes to the financial statements

for the year ended 30 June 2008

15. Obligations under leases and hire purchase contracts

At the end of the year the company had annual commitments under non-cancellable operating leases as set out below:

	<i>Land and Buildings</i>	<i>Land and Buildings</i>	<i>Other</i>	<i>Other</i>
	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Operating leases which expire:				
Within one year	21	–	–	–
In two to five years	158	306	440	458
In over five years	716	716	–	–
	<u>895</u>	<u>1,022</u>	<u>440</u>	<u>458</u>

16. Provision for liabilities

	<i>Other Provisions</i>	<i>Onerous Contract Provision</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
At 1 July 2007	–	871	871
Arising during the year	578	–	578
Utilised	–	(356)	(356)
	<u>578</u>	<u>515</u>	<u>1,093</u>
At 30 June 2008	<u>578</u>	<u>515</u>	<u>1,093</u>

The provisions relate to onerous contract in relation to redundant network, dilapidations and other activities in relation to the operation of the company.

Notes to the financial statements

for the year ended 30 June 2008

17. Share capital

	2008	2007
<i>Authorised</i>	<i>£000</i>	<i>£000</i>
88,000,000 (2007: 23,000,000) Ordinary shares of £1 each	88,000	23,000
<i>Allotted, called up and fully paid</i>	<i>£000</i>	<i>£000</i>
76,444,486 (2007: 12,067,178) Ordinary shares of £1 each	76,444	12,067

On 17 December 2007 the authorised share capital of the company was increased from £23,000,000 by the creation of an additional 65,000,000 Ordinary shares of £1 each, ranking pari passu in all respects with the existing Ordinary shares. On the same date Ordinary shares with aggregate nominal value of £64,377,308 were issued at £1 each in exchange for full settlement of an intercompany loan payable amounting to £64,377,308.

18. Reconciliation of shareholders' funds and movement on reserves

	<i>Share capital</i>	<i>Profit and loss account</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
At 1 July 2006	12,067	(3,267)	8,800
Retained loss for the year	–	(9,168)	(9,168)
At 30 June 2007	12,067	(12,435)	(368)
Retained loss for the year	–	(7,149)	(7,149)
Arising on share issue	64,377	–	64,377
At 30 June 2008	76,444	(19,584)	56,860

19. Pension commitments

The company operates a defined contribution Group Personal pension plan for its employees. The assets of the scheme are held separately from those of the company in an independently administered fund. The unpaid contributions outstanding at the year end, included in accruals and deferred income (note 14) are £57,701 (2007 – £77,105).

20. Ultimate parent undertaking

The company is a wholly owned subsidiary of Telstra Global Limited, a company incorporated in the United Kingdom. The ultimate parent undertaking is Telstra Corporation Limited, a company incorporated in Australia.

Group financial statements are drawn up by Telstra Corporation Limited and may be obtained from: Corporate Secretary, Telstra Corporation Limited, 242 Exhibition Street, Melbourne, Victoria 3000, Australia.