Registered number: 3830643

TELSTRA LIMITED

Directors' report and financial statements

for the year ended June 30, 2011

TELSTRA LIMITED

Company Information

DIRECTORS	M Gould T Hart (resigned June 30, 2011) D Kirton (resigned January 21, 2011) M Hankinson (resigned January 21, 2011) H Hon (appointed April 8, 2011)
COMPANY SECRETARY	M Gould
COMPANY NUMBER	3830643
REGISTERED OFFICE	2nd Floor, Blue Fin Building 110 Southwark Street London SE1 0TA

TELSTRA LIMITED

Contents

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable 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) Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing these 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,
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 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

PRINCIPAL ACTIVITIES

The principal activity of the company is to provide business to business telecommunication services for domestic and international companies

BUSINESS REVIEW

The directors believe the company is well positioned to perform in the future

Turnover decreased by 9% during the year due to a disposal of non core customers and the continued focus on eliminating low margin business

Operating loss increased by £2,208,000 including the disposal of the customer base Excluding the loss on disposal of the customer base, operating profit increased by £1,754,000 due to a focus on higher margin products and customers

Shareholders' funds have decreased by £7,177,000 due to the losses incurred in the year

Average employees decreased by 42 due to the sale of a customer base and a general decrease in line with turnover

Directors' report
for the year ended June 30, 2011

RESULTS

The loss for the year, after taxation, amounted to £7,189,000 *(2010 - loss £2,444,000)* The directors do not recommend a dividend payment for the year (2010 - £nil)

DIRECTORS

The directors who served during the year were

M Gould
T Hart (resigned June 30, 2011)
D Kirton (resigned January 21, 2011)
M Hankinson (resigned January 21, 2011)
H Hon (appointed April 8, 2011)

POLITICAL AND CHARITABLE CONTRIBUTIONS

During the year the company contributed £2,520 (2010 - £7,042) to its nominated charities

PRINCIPAL RISKS AND UNCERTAINTIES

Competitive Risk

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

Legislative Risk

There currently appears to be no significant legislative risks for the business

Financial Instrument Risk

There are currently no material financial instrument risks for the company

Foreign Exchange Risk

The company makes supplies and is supplied in foreign currencies Debtors and Creditors are assessed regularly and any currency exposure is reviewed Where appropriate customer contracts make provision for a change in price if the currency deviates more than a set amount from the base

Credit risk

The directors ensure that a strict policy of credit checking is employed for all new customers and that all debts are regularly reviewed

FUTURE DEVELOPMENTS

The directors wish to highlight the sale of a customer base on 22 March 2012 as part of the re-focusing of business operations The directors believe the disposal of the non-core customer base leaves the business well positioned to deliver on its international product and customer strategy The sale of these customers will impact the operating results for the coming financial year as outlined in note 24

Directors' report
for the year ended June 30, 2011

PROVISION OF INFORMATION TO AUDITOR

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditor in connection with preparing their report and to establish that the company's auditor is aware of that information

AUDITOR

The auditor, Ernst & Young LLP, will be proposed for reappointment in accordance with section 489 of the Companies Act 2006

This report was approved by the board on March 30, 2012 and signed on its behalf by

Matthew Gould

M Gould
Secretary

Independent auditors' report to the members of Telstra Limited

We have audited the financial statements of Telstra Limited for the year ended 30 June 2011 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 24 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 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 auditor's 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 1, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 June 2011 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Independent auditor's report to the shareholders of Telstra Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Ernst & Young LLP

Neil Cullum (Senior statutory auditor)
for and on behalf of
Ernst & Young LLP (Statutory Auditor)
London
Date 30/3/2012

Profit and loss account
for the year ended June 30, 2011

	Note	2011 £000	2010 £000
TURNOVER	1,2	**80,371**	*87,714*
Cost of sales		**(42,559)**	*(48,182)*
GROSS PROFIT		**37,812**	*39,532*
Administrative expenses		**(36,847)**	*(38,860)*
Exceptional items	8	**(3,962)**	*(1,469)*
Total administrative expenses		**(40,809)**	*(40,329)*
OPERATING LOSS	3	**(2,997)**	*(797)*
Interest receivable and similar income	6	**134**	*41*
Interest payable and similar charges	7	**(1,967)**	*(1,741)*
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		**(4,830)**	*(2,497)*
Tax on loss on ordinary activities	9	**(2,359)**	*53*
LOSS FOR THE FINANCIAL YEAR		**(7,189)**	*(2,444)*

All amounts relate to continuing operations

There were no recognised gains and losses for 2011 or 2010 other than those included in the Profit and loss account

The notes on pages 8 to 20 form part of these financial statements

TELSTRA LIMITED
Registered number: 3830643

Balance sheet
as at June 30, 2011

	Note	£000	2011 £000	£000	2010 £000
FIXED ASSETS					
Intangible assets	12		**29,708**		*43,052*
Tangible assets	13		**20,104**		*14,906*
Investments	14		**54,147**		*54,147*
			103,959		*112,105*
CURRENT ASSETS					
Debtors	15	**14,190**		*18,137*	
Cash at bank		**24,719**		*13,755*	
		38,909		*31,892*	
CREDITORS: amounts falling due within one year	16	**(95,829)**		*(89,573)*	
NET CURRENT LIABILITIES			**(56,920)**		*(57,681)*
TOTAL ASSETS LESS CURRENT LIABILITIES			**47,039**		*54,424*
PROVISIONS FOR LIABILITIES					
Other provisions	11		**(1,416)**		*(1,624)*
NET ASSETS			**45,623**		*52,800*
CAPITAL AND RESERVES					
Called up share capital	17		**76,444**		*76,444*
Equity-settled shared-based payment reserve	18		**29**		*17*
Profit and loss account	18		**(30,850)**		*(23,661)*
SHAREHOLDERS' FUNDS	19		**45,623**		*52,800*

The financial statements were approved and authorised for issue by the Board on March 30, 2012 and were signed on its behalf by

M Gould
Director

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared on a going concern basis and under the historical cost convention, in accordance with applicable 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 finalcial statements of Telstra Corporation Limited, the company has taken advantage of the exemption under section 401 of the Companies Act 2006 from preparing consolidated financial statements As such, these financial statements give information about the company as an individual undertaking, and not about its group

The financial statements have been prepared on a going concern basis as the company has recieved confirmation from Telstra International, a fellow subsidiary undertaking of Telstra Corporation Limited, 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 believe it is appropriate to prepare these financial statements on a going concern basis for the year ended 30 June 2011

1.2 Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts

Turnover from services is recognised as the services are provided Turnover from service contracts that cover periods greater then 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 telecommunication 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 telecommunication operators for interconnect fees

Revenue for the sale of telecommunication 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 in which the service is provided

1.3 Intangible fixed assets and amortisation

Amortisation of goodwill arising from the group reorganisation is being amortised on a straight line basis over its estimated economic life, currently estimated to be 20 years The carrying value for 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

1. ACCOUNTING POLICIES (continued)

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases

Short Term Leasehold Improvements	-	Three to ten years
Plant & machinery	-	Three to ten years

1.5 Investments

Investments held as fixed assets are shown at cost less provision for impairment

1.6 Operating leases

Rentals under operating leases are charged to 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

1.7 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation

A net deferred tax asset is recognised only if it can be regarded as 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 assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse

1.8 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction

Exchange gains and losses are recognised in the Profit and loss account

1.9 Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year

1. ACCOUNTING POLICIES (continued)

1.10 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 require to settle the obligation

Provisions are discounted only if the effect of the time value of money is material

1.11 Cash Flow statement and related party disclosure

The company is a wholly owned subsidiary of Telstra Corporation Limited 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, from disclosing transactions with entities that are part of the Telstra Corporation Limited group of investees of that group

2. TURNOVER

The whole of the turnover is attributable to telecommunication services, excluding value added taxes, provided by the company

A geographical analysis of turnover is as follows

	2011	*2010*
	£000	*£000*
United Kingdom	**79,435**	*86,589*
Rest of European Union	**936**	*1,125*
	80,371	*87,714*

3. OPERATING LOSS

The operating loss is stated after charging/(crediting)

	2011	*2010*
	£000	*£000*
Amortisation - intangible fixed assets (see note 12)	**2,122**	*2,798*
Depreciation of tangible fixed assets		
- owned by the company (see note 13)	**3,525**	*3,153*
Auditor's remuneration - Audit services	**143**	*140*
Foreign exchange loss/(gain)	**285**	*(208)*
Exceptional items (see note 8)	**3,962**	*1,469*

Notes to the financial statements
for the year ended June 30, 2011

4. STAFF COSTS

Staff costs, including directors' remuneration, were as follows

	2011 £000	*2010 £000*
Wages and salaries	9,414	*11,438*
Social security costs	1,291	*1,422*
Pension costs	395	*478*
	11,100	*13,338*

The average monthly number of employees, including the directors, during the year was as follows

	2011 No	*2010 No*
Sales	39	*61*
Administration	121	*141*
	160	*202*

5. DIRECTORS' REMUNERATION

	2011 £000	*2010 £000*
Emoluments	356	*1,069*

During the year retirement benefits were accruing for 2 directors *(2010 - 3)* in respect of defined contribution pension schemes The amount paid in contributions during the year amounted to £28,792 (2010 - £45,000)

The highest paid director received remuneration of £208,000 *(2010 - £518,000)*

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £17,000 *(2010 - £17,000)*

6. INTEREST RECEIVABLE

	2011 £000	*2010 £000*
Interest receivable from group companies	50	*9*
Other interest receivable	63	*17*
Interest receivable from bank	21	*15*
	134	*41*

Notes to the financial statements
for the year ended June 30, 2011

7. INTEREST PAYABLE

	2011 £000	2010 £000
Group interest payable	1,967	1,712
Other interest payable	-	29
	1,967	1,741

8. EXCEPTIONAL ITEMS

	2011 £000	2010 £000
Loss on disposal of customer base	3,271	-
Onerous lease provision charges	691	1,469
	3,962	1,469

9. TAXATION

	2011 £000	2010 £000
Analysis of tax charge/(credit) in the year		
Current tax (see note below)		
UK corporation tax charge/(credit) on loss for the year	1,674	(103)
Deferred tax		
Origination and reversal of timing differences	544	244
Prior years adjustment	141	(194)
Total deferred tax (see note 10)	685	50
Tax on loss on ordinary activities	2,359	(53)

9. TAXATION (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than the standard rate of corporation tax in the UK of 27 5% *(2010 - 28%)* The differences are explained below

	2011 £000	*2010 £000*
Loss on ordinary activities before tax	(4,830)	*(2,497)*
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 27 5% (see below) *(2010 - 28%)*	(1,330)	*(699)*
Effects of:		
Expenses not deductible for tax purposes	614	*817*
Capital allowances for year in excess of depreciation	(266)	*(153)*
Adjustments to tax charge in respect of prior years	-	*(68)*
Goodwill disposal	2,834	-
Losses brought forward	(178)	-
Current tax charge/(credit) for the year (see note above)	1,674	*(103)*

Factors that may affect future tax charges

A reduction in the tax rate from 28% to 26% has already taken place in April 2011 and future reductions to 25% effective from 1 April 2012 and further to 23% have been announced

10. DEFERRED TAX ASSET

	2011 £000	*2010 £000*
At beginning of year	748	*798*
Charged for year	(685)	*(50)*
At end of year	63	*748*

The deferred tax asset is made up as follows

	2011 £000	*2010 £000*
Accelerated capital allowances	19	*512*
Unused accumulated losses	-	*178*
Other short term timing differences	44	*58*
	63	*748*

11. PROVISIONS FOR LIABILITIES

	Onerous lease provision £000
At July 1, 2010	1,624
Additions	691
Amounts used	(899)
At June 30, 2011	1,416

Onerous lease provision

The provision relates to an onerous contract in relation to a property lease including redundant network and dilapidation costs

12. INTANGIBLE FIXED ASSETS

	Goodwill £000
Cost	
At July 1, 2010	59,122
Disposals	(16,682)
At June 30, 2011	42,440
Amortisation	
At July 1, 2010	16,070
Charge for the year	2,122
Disposals	(5,460)
At June 30, 2011	12,732
Net book value	
At June 30, 2011	29,708
At June 30, 2010	*43,052*

13 TANGIBLE FIXED ASSETS

	Short term leasehold improvement £000	Plant & machinery £000	Total £000
Cost			
At July 1, 2010	12,869	39,878	52,747
Additions	1,897	6,826	8,723
Disposals	(191)	(27,865)	(28,056)
At June 30, 2011	14,575	18,839	33,414
Depreciation			
At July 1, 2010	5,536	32,305	37,841
Charge for the year	1,668	1,857	3,525
Disposals	(191)	(27,865)	(28,056)
At June 30, 2011	7,013	6,297	13,310
Net book value			
At June 30, 2011	7,562	12,542	20,104
At June 30, 2010	*7,333*	*7,573*	*14,906*

14. FIXED ASSET INVESTMENTS

	Investments in subsidiary companies £000
Cost	
At July 1, 2010 and June 30, 2011	54,147
Net book value	
At June 30, 2011	54,147
At June 30, 2010	*54,147*

Notes to the financial statements for the year ended June 30, 2011

14. FIXED ASSET INVESTMENTS (continued)

Subsidiary undertakings

The following were subsidiary undertakings of the company

Name	Class of shares	Proportion of voting rights held
Telstra (Cable Telecom) Limited	Ordinary Shares	100%
PSINet Jersey Limited	Ordinary Shares	100%
Inteligen Communications Limited	Ordinary Shares	100%
Telstra (CTE) Limited	Ordinary Shares	100%
Cable Telecommunications Limited	Ordinary Shares	100%
London Hosting Centre Limited	Ordinary Shares	100%
Cordoba Holdings Limited	Ordinary Shares	100%
PSINet Datacentre UK Limited	Ordinary Shares A & B	100%
Telstra (PSINet)	Ordinary Shares (Indirect holding)	100%

Name	Nature of business	Country of Incorporation
Telstra (Cable Telecom) Limited	Non- Trading	England and Wales
PSINet Jersey Limited	Non- Trading	Jersey
Inteligen Communications Limited	Non- Trading	England and Wales
Telstra (CTE) Limited	Non- Trading	England and Wales
Cable Telecommunications Limited	Non- Trading	England and Wales
London Hosting Centre Limited	Non- Trading	Jersey
Cordoba Holdings Limited	Provision of telecoms infrastructure	Jersey
PSINet Datacentre UK Limited	Non- Trading	England and Wales
Telstra (PSINet)	Non- Trading	England and Wales

15. DEBTORS

	2011	*2010*
	£000	*£000*
Trade debtors	**2,484**	*5,386*
Amounts owed by group undertakings	**1,483**	*370*
Corporation tax repayable	**-**	*409*
VAT receivable	**65**	*-*
Other debtors	**4,024**	*3,482*
Prepayments and accrued income	**6,071**	*7,742*
Deferred tax asset (see note 10)	**63**	*748*
	14,190	*18,137*

All amounts due from group undertakings are unsecured amd repayable on demand. Interest accrues on these amounts, excluding group relief, at rates of 3% per annum

16. CREDITORS·

Amounts fallıng due within one year

	2011 £000	2010 £000
Bank loans and overdrafts	19	2,045
Trade credıtors	5,689	4,926
Amounts owed to group undertakıngs	75,723	71,385
Corporatıon tax	435	-
Socıal securıty and other taxes (see below)	384	778
Other credıtors	1,438	204
Accruals and deferred ıncome	12,141	10,235
	95,829	89,573

Social security and other taxes

	2011 £000	2010 £000
PAYE/NI control	384	398
VAT control	-	380
	384	778

All amounts due from group undertakıngs are unsecured amd repayable on demand Interest accrues on these amounts, excludıng group relıef, at rates of 3% per annum

Notes to the financial statements
for the year ended June 30, 2011

17. SHARE CAPITAL

	2011 £000	*2010 £000*
Authorised		
88,000,000 Ordinary Shares shares of £1 each	**88,000**	*88,000*
Allotted, called up and fully paid		
76,444,486 Ordinary Shares shares of £1 each	**76,444**	*76,444*

18. RESERVES

	Employee share plan reserve £000	Profit and loss account £000
At July 1, 2010	17	(23,661)
Loss for the year		(7,189)
Equity-settled shared-based payment during the year	12	
At June 30, 2011	29	(30,850)

Notes to the financial statements for the year ended June 30, 2011

19. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2011 £000	*2010 £000*
Openıng shareholders' funds	**52,800**	*55,233*
Loss for the year	**(7,189)**	*(2,444)*
Equıty-settled share-based payment (net of expenses)	**12**	*11*
Closıng shareholders' funds	**45,623**	*52,800*

Durıng the the 2008 financıal year, certaın Telstra Lımıted (formerly Telstra Europe Lımıted) employees started partıcıpatıng ın the Telstra Employee Share Optıon Plan, whıch entıtles them to shares ın Telstra Corporatıon Ltd, the ultımate parent company regıstered ın Australıa Telstra Global Lımıted records the faır value of the benefit as a further ınvestment ın Telstra Lımıted and correspondıngly, further equıty ıssued to ıts parent company Telstra Holdıngs Pty Ltd

In the 2008 financıal year, the effectıve applıcatıon date of optıons was 10 December 2007 wıth the exercıse prıce beıng $4 34 and the expıry date 17 August 2012 There were 40,400 ınstruments outstandıng as at 30 June 2009 The weıghted average faır value of optıons granted durıng 2008 was $0 43 per optıon In the 2009 financıal year, the effectıve applıcatıon date of optıons was 1 July 2009, wıth the exercıse prıce beıng $4 05 and the expıry date 21 August 2013 There were no ınstruments granted durıng the year and these were outstandıng at 30 June 2010 No optıons were forfeıted, exercısed or expıred durıng the year

In the 2010 financıal year, the effectıve applıcatıon date of Share Rıghts was granted on 8 December 2009, and wıll vest on the employees thırd annıversary of servıce from allocatıon date of 21 August 2009 There were 10,620 ınstruments granted durıng the year and these were outstandıng at 30 June 2010 No share rıghts were forfeıted, exercısed or expıred durıng the year

In the 2011 financıal year, the effectıve applıcatıon date of Share Rıghts was granted on the 20 August 2010, and wıll vest on the employees thırd annıversary of servıce from allocatıon date of 20 August 2010 There were 8,820 ınstruments granted durıng the year and there were 6,220 outstandıng at the 30 June 2011 No share rıghts were forfeıted, exercısed or expıred durıng the year

The faır value of the equıty-settled share optıons granted durıng the financıal year was calculated usıng a valuatıon technıque that ıs consıstant wıth the Black-Scholes methodology and uses Monte carlo sımulatıons The expected stock volatılıty ıs a measure of the amount by whıch the prıce ıs expected to fluctuate durıng a perıod Thıs was based on hıstorıcal daıly and weekly closıng share prıces

	2011 ESOP	2010 ESOP
Share Prıce	$2 94	$3 42
Rısk Free Rate	5 28%	4 95%
Dıvıdend Yıeld	9 0%	6 5%
Expected Volatılıty	25 00%	26 00%
Expected rate of acheıvement of hurdles	n/a	n/a

20. PENSION COMMITMENTS

The company operates a defined contribution Group Personal pension plan for its employees The assets of the sceme are held seperately from those of the company in an independently administered fund The unpaid contributions at the year end are £69,086 (2010 - £107,367)

21. OPERATING LEASE COMMITMENTS

At June 30, 2011 the company had annual commitments under non-cancellable operating leases as follows

	Land and buildings		Other	
	2011	*2010*	**2011**	*2010*
	£000	*£000*	**£000**	*£000*
Expiry date:				
Within 1 year	-	-	**133**	*150*
Between 2 and 5 years	**300**	*574*	-	-
After more than 5 years	**904**	*904*	-	-

22. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

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

23. RELATED PARTIES

The Company has taken advantage of the exemption under FRS 8 not to disclose transactions with wholly owned subsidiary undertakings

24. POST BALANCE SHEET EVENT

On 22 March 2012 the company completed the sale of a customer base that generated £8,000,000 of annual turnover and £1,800,000 of gross margin