Registered number: 3830643

TELSTRA LIMITED

Directors' report and financial statements

for the year ended June 30, 2012

TELSTRA LIMITED

Company Information

DIRECTORS	M Gould H Hon
COMPANY SECRETARY	M Gould
COMPANY NUMBER	3830643
REGISTERED OFFICE	2nd Floor, Blue Fin Building 110 Southwark Street London SE1 0TA

TELSTRA LIMITED

Contents

Directors' report
for the year ended June 30, 2012

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 10% during the year due to the disposal of non core customers and the continued focus on eliminating low margin business

Operating loss decreased by £1,192,000 including the disposal of the customer base

Shareholders' funds have decreased by £4,012,000 due to the losses incurred in the year During the year Telstra Ltd disposed of its voice business It has remained the underlying provider of these services and will continue to provide these services during the course of the following year

Average employees decreased by 15 due to the movement of staff as a result of the sale of a customer base and a general staff attrition in line with turnover

Directors' report
for the year ended June 30, 2012

RESULTS

The Loss for the year, after taxation, amounted to £4,040,000 *(2011 - loss £7,189,000)* The directors do not recommend a dividend payment for the year (2011 - £nil)

DIRECTORS

The directors who served during the year were

M Gould
H Hon

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

Directors' report
for the year ended June 30, 2012

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 27, 2013 and signed on its behalf by

M Gould
Secretary

Independent Auditor's report to the members of Telstra Limited

We have audited the financial statements of Telstra Limited for the year ended 30 June 2012 which comprise 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 and Financial Statements 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 2012 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 members 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

March 27, 2013

TELSTRA LIMITED

Profit and Loss account
for the year ended June 30, 2012

	Note	2012 £000	*2011 £000*
TURNOVER	2	**69,149**	*80,371*
Cost of sales		**(32,453)**	*(42,559)*
GROSS PROFIT		**36,696**	*37,812*
Administrative expenses		**(40,622)**	*(36,847)*
Exceptional items	8	**2,121**	*(3,962)*
Total administrative expenses		**(38,501)**	*(40,809)*
OPERATING LOSS	3	**(1,805)**	*(2,997)*
Interest receivable and similar income	6	**98**	*134*
Interest payable and similar charges	7	**(1,669)**	*(1,967)*
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		**(3,376)**	*(4,830)*
Tax on loss on ordinary activities	9	**(664)**	*(2,359)*
LOSS FOR THE FINANCIAL YEAR		**(4,040)**	*(7,189)*

All amounts relate to continuing operations

There were no recognised gains and losses for 2012 or 2011 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, 2012

	Note	£000	2012 £000	£000	2011 £000
FIXED ASSETS					
Intangible assets	10		**27,586**		*29,708*
Tangible assets	11		**19,551**		*20,104*
Investments	12		**54,147**		*54,147*
			101,284		*103,959*
CURRENT ASSETS					
Debtors	13	**18,658**		*14,190*	
Cash at bank		**23,756**		*24,719*	
		42,414		*38,909*	
CREDITORS: amounts falling due within one year	14	**(100,121)**		*(95,829)*	
NET CURRENT LIABILITIES			**(57,707)**		*(56,920)*
TOTAL ASSETS LESS CURRENT LIABILITIES			**43,577**		*47,039*
PROVISIONS FOR LIABILITIES					
Onerous lease provision	16		**(1,966)**		*(1,416)*
NET ASSETS			**41,611**		*45,623*
CAPITAL AND RESERVES					
Called up share capital	17		**76,444**		*76,444*
Equity-settled shared-based payment reserve	18		**57**		*29*
Profit and loss account	18		**(34,890)**		*(30,850)*
SHAREHOLDERS' FUNDS	19		**41,611**		*45,623*

The financial statements were approved and authorised for issue by the Board on March 27, 2013 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 Company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives and its exposures to competitive, legislative and credit risk are described in the Business Review within the Directors' report The Company has considerable financial resources together with long-term contracts with a number of customers and suppliers accross different geographic areas and industries As a consequence, the directors believe that the group is well placed to manage its business risks successfully despite the current uncertain economic outlook After making enquiries, the directors have a reasonable expectation that the company have adequate resources to continue in operational existence for the foreseeable future The Directors' do not consider the net current liability position of the Company to be a going concern issue as the position is driven by amounts owed to Group undertakings which are under the direct control of the Company Accordingly, they continue to adopt the going concern basis in preparing the financial statements

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 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 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. ACCOUNTING POLICIES (continued)

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 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. **ACCOUNTING POLICIES (continued)**

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

1.10 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 or investees of that group

1.12 Share Based Payments

The Company recognise an expense for all share based remuneration determined with reference to the fair value at grant date of the equity instruments issued The fair value of the equity instruments is calculated using a valuation technique that is consistent with the Black-Scholes methodology and utilises Monte Carlo simulations The fair value is charged against profit or loss over the relevant vesting periods, adjusted to reflect actual and expected levels of vesting

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

	2012	*2011*
	£000	*£000*
United Kingdom	**68,060**	*79,435*
Rest of European Union	**1,089**	*936*
	69,149	*80,371*

3. OPERATING LOSS

The operating loss is stated after charging

	2012 £000	*2011* *£000*
Amortisation - intangible assets (see note 10)	2,122	*2,122*
Depreciation of tangible fixed assets		
- owned by the company (see note 11)	4,597	*3,526*
Auditor's remuneration - Audit services	148	*143*
Foreign exchange loss	42	*285*
Exceptional items (see note 8)	(2,121)	*3,962*

4. STAFF COSTS

Staff costs, including directors' remuneration, were as follows

	2012 £000	*2011* *£000*
Wages and salaries	9,262	*9,414*
Social security costs	1,274	*1,291*
Pension costs	405	*395*
	10,941	*11,100*

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

	2012 No.	*2011* *No*
Sales	38	*39*
Administration	107	*121*
	145	*160*

Eligible employees received Share Based Payments totalling £27,964 (2011 - £28,892)

5. DIRECTORS' REMUNERATION

	2012 £000	*2011 £000*
Emoluments	**217**	*356*

During the year retirement benefits were accruing for 1 director *(2011 - 2)* in respect of defined contribution pension schemes The amount paid in contributions during the year amounted to £16,611 (2011 - £28,792)

The highest paid director received remuneration of £217,000 *(2011 - £208,000)*

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £16,611 *(2011 - £17,000)*)

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	2012 £000	*2011 £000*
Interest receivable from group companies	**59**	*50*
Other interest receivable	**-**	*63*
Interest receivable from bank	**39**	*21*
	98	*134*

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2012 £000	*2011 £000*
Group interest payable	**1,669**	*1,967*

8. EXCEPTIONAL ITEMS

	2012 £000	*2011 £000*
(Gain)/Loss on disposal of customer base	**(3,400)**	*3,271*
Onerous lease provision charges	**1,279**	*691*
	(2,121)	*3,962*

9. TAXATION

	2012 £000	*2011* *£000*
Analysis of tax charge in the year		
Current tax (see note below)		
UK corporation tax charge on loss for the year	746	*1,674*
Deferred tax		
Origination and reversal of timing differences	(368)	*544*
Prior years adjustment	286	*141*
Total deferred tax (see note 15)	(82)	*685*
Tax on loss on ordinary activities	664	*2,359*

Factors affecting tax charge for the year

The tax assessed for the year is lower than *(2011 - higher than)* the standard rate of corporation tax in the UK of 25 5% *(2011 - 27 5%)* The differences are explained below

	2012 £000	*2011* *£000*
Loss on ordinary activities before tax	(3,376)	*(4,830)*
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 25 5% (see below) *(2011 - 27 5%)*	(861)	*(1,330)*
Effects of·		
Expenses not deductible for tax purposes	574	*614*
Capital allowances for year in excess of depreciation	150	*(266)*
Adjustments to tax charge in respect of prior years	883	*-*
Goodwill disposal	-	*2,834*
Losses brought forward	-	*(178)*
Current tax charge for the year (see note above)	746	*1,674*

Factors that may affect future tax charges

A reduction in the tax rate from 26% to 24% has already taken place in April 2012 and future reductions to the main rate of corporation tax is proposed to reduce the rate by further 1% each 1 April to 1 April 2014 As at the balance sheet date this legislation was not enacted

10. INTANGIBLE FIXED ASSETS

	Goodwill £000
Cost	
At July 1, 2011 and June 30, 2012	42,440
Amortisation	
At July 1, 2011	12,732
Charge for the year	2,122
At June 30, 2012	14,854
Net book value	
At June 30, 2012	27,586
At June 30, 2011	*29,708*

11. TANGIBLE FIXED ASSETS

	Short term leasehold improvement £000	Plant & machinery £000	Total £000
Cost			
At July 1, 2011	14,575	18,839	33,414
Additions	1,345	2,699	4,044
Disposals	-	(19)	(19)
At June 30, 2012	15,920	21,519	37,439
Accumulated Depreciation			
At July 1, 2011	7,013	6,297	13,310
Charge for the year	1,727	2,870	4,597
Disposals	-	(19)	(19)
At June 30, 2012	8,740	9,148	17,888
Net book value			
At June 30, 2012	7,180	12,371	19,551
At June 30, 2011	*7,562*	*12,542*	*20,104*

12. FIXED ASSET INVESTMENTS

	Investments in subsidiary companies £000
Cost	
At July 1, 2011 and June 30, 2012	**54,147**
Net book value	
At June 30, 2012	**54,147**
At June 30, 2011	*54,147*

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

13. DEBTORS

	2012 £000	*2011* *£000*
Trade debtors	5,332	*2,484*
Amounts owed by group undertakings	3,341	*1,483*
VAT receivable	-	*65*
Other debtors	5,710	*4,024*
Prepayments and accrued income	4,130	*6,071*
Deferred tax asset (see note 15)	145	*63*
	18,658	*14,190*

All amounts due from group undertakings are unsecured and repayable on demand Interest accrues on these amounts, excluding group relief, at rates of 2% per annum

14. CREDITORS:
Amounts falling due within one year

	2012 £000	*2011* *£000*
Bank loans and overdrafts	-	*19*
Trade creditors	7,918	*5,694*
Amounts owed to group undertakings	75,965	*75,723*
Corporation tax	1,065	*435*
Social security and other taxes	1,700	*384*
Other creditors	380	*1,438*
Accruals and deferred income	13,093	*12,136*
	100,121	*95,829*

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

15. DEFERRED TAX ASSET

	2012 £000	*2011* *£000*
At beginning of year	63	*748*
Credited/(charged) to the profit and loss in the year	82	*(685)*
At end of year	145	*63*

15 DEFERRED TAX ASSET (continued)

The deferred tax asset is made up as follows

	2012 £000	*2011 £000*
Accelerated capital allowances	**133**	*19*
Other short term timing differences	**12**	*44*
	145	*63*

16. PROVISIONS FOR LIABILITIES

	Onerous lease provision £000
At July 1, 2011	**1,416**
Additions	**1,279**
Amounts used	**(729)**
At June 30, 2012	**1,966**

Onerous lease provision

The provision relates to onerous contracts in relation to property leases including redundant network and dilapidation costs

17. SHARE CAPITAL

	2012 £000	*2011 £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

	Equity Settled share based payment reserve £000	Profit and loss account £000
At July 1, 2011	29	(30,850)
Loss for the financial year		(4,040)
Equity-settled share-based payment (net of expenses)	28	
At June 30, 2012	57	(34,890)

19. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2012 £000	*2011 £000*
Opening shareholders' funds	45,623	*52,800*
Loss for the year	(4,040)	*(7,189)*
Equity-settled share-based payment (net of expenses)	28	*12*
Closing shareholders' funds	41,611	*45,623*

During the 2008 financial year, certain Telstra Limited (formerly Telstra Europe Limited) employees started participating in the Telstra Employee Share Option Plan, which entitles them to shares in Telstra Corporation Ltd, the ultimate parent company registered in Australia Telstra Global Limited records the fair value of the benefit as a further investment in Telstra Limited and correspondingly, further equity issued to its parent company Telstra Holdings Pty Ltd

In the 2008 financial year, the effective application date of options was 10 December 2007 with the exercise price being $4 34 and the expiry date 17 August 2012 During the year, 4,650 instruments were forfeited and 22,250 were outstanding as at 30 June 2012 The weighted average fair value of options granted during 2008 was $0 43 per option

In the 2009 financial year, the effective application date of options was 1 July 2009, with the exercise price being $4 05 and the expiry date 21 August 2013 There were no instruments granted during the 2009 financial year and 28,535 instruments were outstanding at 30 June 2012 6,309 instruments were forfeited but no instruments were exercised or expired during the year

In the 2010 financial year, the effective application date of Share Rights was granted on 8 December 2009, and will vest on the employees third anniversary of service from allocation date of 21 August 2009 There were 10,620 instruments granted during the 2010 financial year and 5,450 of these were outstanding at 30 June 2012 1,180 instruments were forfeited but no instruments were exercised or expired during the year

19. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS (continued)

In the 2011 financial year, the effective application date of Share Rights was granted on the 20 August 2010, and will vest on the employees third anniversary of service from allocation date of 20 August 2010 There were 8,820 instruments granted during the 2011 financial year and there were 5,140 outstanding at 30 June 2012 1,080 instruments were forfeited but no instruments were exercised or expired during the year

In the 2012 financial year, the ESOP was replaced with the Employee Share Plan (ESP) As part of the ESP, restricted shares were allocated at no cost to certain eligible employees (excluding executives) The shares are held by the Trustee on behalf of employees until the restriction period ends During the restriction period employees may direct the Trustee to vote on their behalf and receive dividends on their shares The shares are released from trust on the earlier of 3 years from the date of allocation or the date the participating employee ceases relevant employment There are no performance hurdles for these restricted shares

The fair value of the equity-settled share options granted during the financial year was calculated using a valuation technique that is consistant with the Black-Scholes methodology and uses Monte carlo simulations The expected stock volatility is a measure of the amount by which the price is expected to fluctuate during a period This was based on historical daily and weekly closing share prices

	2012 ESOP	2011 ESOP
Share Price	[Note A]	$2 94
Risk Free Rate	[Note A]	5 28%
Dividend Yield	[Note A]	9 0%
Expected Volatility	[Note A]	25 00%
Expected rate of acheivement of hurdles	[Note A]	n/a

Note A The fair value of fiscal 2012 ESP restricted share is $3 36 based on the market value of Telstra shares at the allocation date of 19 April 2012 and has been allocated over the period for which the service is received which commenced 1 July 2011

20. PENSION COMMITMENTS

The company operates a defined contribution Group Personal pension plan for its employees The assets of the scheme are held seperately from those of the company in an independently administered fund The unpaid contributions at the year end are £46,687 (2011 - £69,086)

21. OPERATING LEASE COMMITMENTS

At June 30, 2012 the company had annual commitments under non-cancellable operating leases as follows

	Land and buildings		Other	
	2012	*2011*	**2012**	*2011*
	£000	*£000*	**£000**	*£000*
Expiry date				
Within 1 year	**459**	-	-	*133*
Between 2 and 5 years	**961**	*300*	-	-
After more than 5 years	**613**	*904*	-	-

22. GUARANTEES AND OTHER FINANCIAL COMMITMENTS

The company has a financial commitment with an annual value of £2,539,617 relating to equipment charges at Woking Hosting Centre

23. 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

24. RELATED PARTIES

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