

Registered No. 3830643

Telstra Limited

Report and Financial Statements

30 June 2009



Directors

S Vye
T Hart
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 2009.

Results and dividends

The loss for the year after taxation amounted to £1,633,000 (2008 – loss of £7,149,000). The directors do not recommend the payment of a dividend for the year (2008 – £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 in a good position to take advantage of any opportunities which may arise in the future.

Group turnover increased by 7.3% during the year, this is due to an increase in the selling activity during the normal course of business and the strengthened US Dollar in the period.

Operating loss decreased by 70.0% during the year. This was caused by an improvement in the gross margin due to a change in the revenue mix.

Shareholders funds have decreased by £1,627,000 due to the losses incurred in the year.

The total average number of employees has increased by 7 to 210 in line with management's expectations.

Principal risks and uncertainties

The principal risks and uncertainties facing the company 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.

- **Exchange Rate Risk**

The company faces limited exposure to exchange rate risk due to the nature of the business.

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 and do not anticipate any significant change in the continuing activities of the company in the foreseeable future. However, we highlight the expansion of the hosting operations.

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.

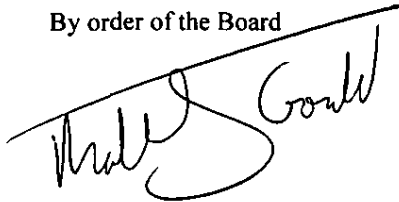
Disclosure of information to the auditors

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. 485 of the Companies Act 2006, 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', is written over a horizontal line.

M Gould

Secretary

11 November 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 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 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; 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 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.

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 2009 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes 1 to 19. 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 Sections 495 and 496 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 auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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 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 (APB'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.

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 2009 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 auditors' report (continued)

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

Naresh Alimchandani (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

London

11 November 2009

Profit and loss account

for the year ended 30 June 2009

	Notes	2009 £000	2008 £000
Turnover	2	104,654	97,494
Cost of sales		(64,892)	(64,911)
Gross profit		39,762	32,583
Administrative expenses		(41,236)	(37,665)
Operating loss	3	(1,474)	(5,082)
Other income		1,056	522
Loss on ordinary activities before taxation and interest		(418)	(4,560)
Interest receivable and similar income	6	378	681
Interest payable and similar charges	7	(994)	(3,009)
Loss on ordinary activities before taxation		(1,034)	(6,888)
Tax on loss on ordinary activities	8	(599)	(261)
Loss on ordinary activities after taxation	17	(1,633)	(7,149)

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 2009

	Notes	2009 £000	2008 £000
Fixed assets			
Tangible fixed assets	9	15,356	15,178
Intangible fixed assets	10	45,850	49,907
Investments	11	54,147	54,147
		<u>115,353</u>	<u>119,232</u>
Current assets			
Debtors	12	17,913	19,395
Cash at bank and in hand		12,001	9,928
		<u>29,914</u>	<u>29,323</u>
Creditors: amounts falling due within one year	13	(89,426)	(90,602)
Net current liabilities		<u>(59,512)</u>	<u>(61,279)</u>
Total assets less current liabilities		<u>55,841</u>	<u>57,953</u>
Provision for liabilities	15	(608)	(1,093)
Net assets		<u>55,233</u>	<u>56,860</u>
Capital and reserves			
Called up share capital	16	76,444	76,444
Employee share plan reserve	17	6	-
Profit and loss account	17	(21,217)	(19,584)
Total equity shareholders' funds	17	<u>55,233</u>	<u>56,860</u>

The financial statements on pages 7 to 21 were approved and authorised for issue by the Board of Directors on 11 November 2009 and were signed on its behalf by:



T Hart

Director
11 November 2009

Notes to the financial statements

for the year ended 30 June 2009

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 2006 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 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.

Cash flow statement and related party disclosures

The company is a wholly owned subsidiary of Telstra Corporation Limited who controls 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 or investees of that 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 believe it is appropriate to prepare these financial statements on a going concern basis for the year ended 30 June 2009.

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 estimated 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 2009

1. Accounting policies (continued)

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 ten years
Leasehold improvements	–	three to ten 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 2009

1. Accounting policies (continued)

Share-based payment

Telstra Limited recognises an expense for all share-based remuneration determined with reference to the fair value at grant date of the equity instruments issued by Telstra Corporation Limited, the ultimate parent undertaking. The fair value of their 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 over the relevant vesting periods, adjusted to reflect actual and expected levels of vesting.

2. Turnover

	2009 £000	2008 £000
United Kingdom	104,074	97,019
Europe	580	475
	<u>104,654</u>	<u>97,494</u>

3. Operating loss

This is stated after charging / (crediting):

	2009 £000	2008 £000
Depreciation of owned tangible fixed assets (see note 9)	2,852	2,204
Amortisation of intangible fixed assets (see note 10)	4,057	3,302
Auditors' remuneration – audit services	155	160
Foreign exchange loss / (gain)	10	(44)
	<u>7,074</u>	<u>5,622</u>

4. Directors' emoluments

	2009 £000	2008 £000
Directors' remuneration:		
Aggregated emoluments	899	606
	<u>899</u>	<u>606</u>
	2009 £000	2008 £000
In respect of the highest paid director:		
Aggregated emoluments	399	298
Accrued pension at the end of the year	–	–
	<u>–</u>	<u>–</u>

Notes to the financial statements

for the year ended 30 June 2009

5. Staff costs

	2009 £000	2008 £000
Wages and salaries	13,048	12,715
Social security costs	1,571	1,514
Pension costs	496	460
	<u>15,115</u>	<u>14,689</u>

The average number of persons employed during the year was as follows:

	No.	No.
Sales	60	54
Administration	150	149
	<u>210</u>	<u>203</u>

6. Interest receivable and similar income

	2009 £000	2008 £000
Bank interest	167	640
Other interest	211	41
	<u>378</u>	<u>681</u>

7. Interest payable

	2009 £000	2008 £000
Other interest payable	26	-
Interest payable on amounts owed to group undertakings	968	3,009
	<u>994</u>	<u>3,009</u>

Notes to the financial statements

for the year ended 30 June 2009

8. Tax on loss on ordinary activities

(a) Analysis of charge in the year

	2009 £000	2008 £000
Current tax:		
UK corporation tax at 28% (2008: 30%)	565	–
Adjustments in respect of prior years	(194)	–
Total current taxation (note 8(b))	371	–
Deferred tax:		
Origination and reversal of timing differences	415	338
Adjustments in respect of prior years	(187)	(77)
Deferred taxation charge (note 8 (c))	228	261
Total taxation charge on loss on ordinary activities	599	261

(b) Factors affecting tax charge for the year

The tax assessed on the loss on ordinary activities for the year is lower than the standard rate of corporation tax of 28% (2008 – 28%). The differences are reconciled below:

	2009 £000	2008 £000
Loss on ordinary activities before tax	(1,034)	(6,181)
Loss on ordinary activities multiplied by the standard rate of corporation tax of 28% (2008: 28%)	(290)	(1,731)
Impact of statutory effective tax rate difference of 1.5%	–	(92)
Expenses not deductible for tax purpose	1,192	986
Depreciation in excess of capital allowances	(334)	(180)
Provisions not deductible for tax purposes	(3)	(3)
Group relief surrendered and not paid for	–	1,025
Decrease in pensions accrual	–	(5)
Total current tax charge	565	–

Notes to the financial statements

for the year ended 30 June 2009

8. Tax on loss on ordinary activities (continued)

(c) The following deferred tax assets have been provided

	2009 £000	2008 £000
Deferred capital allowances	740	323
Unused accumulated losses	–	650
Other short term timing differences	58	53
Deferred tax asset at end of year	798	1,026
		2009 £000
Asset as at start of year		1,026
Deferred taxation (charge) in profit and loss account (note 8(a))		(228)
Asset as at end of year		798

(d) Factors that may affect future tax charges

The company has deferred tax assets of £798,000 (2008: £1,026,000) 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.

Notes to the financial statements

for the year ended 30 June 2009

9. 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 2008	34,225	11,040	1,904	47,169
Additions	2,158	431	441	3,030
Disposals	(155)	–	–	(155)
Transfers	1,233	–	(1,233)	–
At 30 June 2009	37,461	11,471	1,112	50,044
Depreciation				
At 1 July 2008	28,347	3,644	–	31,991
Provided during the year	1,951	901	–	2,852
Disposals	(155)	–	–	(155)
At 30 June 2009	30,143	4,545	–	34,688
Net book value:				
At 30 June 2009	7,318	6,926	1,112	15,356
At 30 June 2008	5,878	7,396	1,904	15,178

Assets under construction represents £1,112,000 for the commissioning of a new billing platform and will not be depreciated until the project is 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 billing platform is expected to be ten years.

Notes to the financial statements

for the year ended 30 June 2009

10. Intangible fixed assets

	<i>Goodwill</i> <i>£000</i>
Cost:	
At 1 July 2008	59,122
At 30 June 2009	<u>59,122</u>
Amortisation:	
At 1 July 2008	9,215
Provided during the year	4,057
At 30 June 2009	<u>13,272</u>
Net book value:	
At 30 June 2009	<u>45,850</u>
At 30 June 2008	<u>49,907</u>

Notes to the financial statements

for the year ended 30 June 2009

11. Fixed asset investments

	<i>Total £000</i>
Cost:	
At 1 July 2008	54,147
At 30 June 2009	<u>54,147</u>
At 30 June 2008	<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	Non-Trading
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 2009

12. Debtors

	2009 £000	2008 £000
Trade debtors	5,659	6,563
Amounts owed by group undertakings	401	27
Deferred tax	798	1,026
Other debtors	3,102	3,451
Prepayments and accrued income	7,953	8,328
	<u>17,913</u>	<u>19,395</u>

All amounts due from group undertakings are unsecured and repayable on demand. Interest accrues on these amounts excluding group relief at rates of 0.5% (2008: 5%) per annum.

13. Creditors: amounts falling due within one year

	2009 £000	2008 £000
Trade creditors	3,447	5,392
Amounts owed to group undertakings	70,021	67,525
Corporation tax	565	—
Other taxes and social security costs	523	551
Accruals and deferred income	14,544	16,220
Other creditors	326	914
	<u>89,426</u>	<u>90,602</u>

All amounts due to group undertakings are unsecured and repayable on demand. Interest accrues on these amounts excluding group relief at rates of 0.5% per annum.

Notes to the financial statements

for the year ended 30 June 2009

14. Obligations under operating leases

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>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Operating leases which expire:				
Within one year	118	21	220	—
In two to five years	—	158	—	440
In over five years	1,015	716	—	—
	<u>1,133</u>	<u>895</u>	<u>220</u>	<u>440</u>

15. 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 2008	578	515	1,093
Utilised	(157)	(328)	(485)
	<u> </u>	<u> </u>	<u> </u>
At 30 June 2009	421	187	608
	<u> </u>	<u> </u>	<u> </u>

The provisions relate to onerous contracts 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 2009

16. Share capital

	2009	2008
<i>Authorised</i>	£000	£000
88,000,000 (2008: 88,000,000) Ordinary shares of £1 each	88,000	88,000
	<u> </u>	<u> </u>
<i>Allotted, called up and fully paid</i>	£000	£000
76,444,486 (2008: 76,444,486) Ordinary shares of £1 each	76,444	76,444
	<u> </u>	<u> </u>

17. Reconciliation of shareholders' funds and movement on reserves

	Share capital £000	Employee share plan reserve £000	Profit and loss account £000	Total £000
At 1 July 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
Retained loss for the year	–	–	(1,633)	(1,633)
Employee share plan	–	6	–	6
At 30 June 2009	76,444	6	(21,217)	(55,233)

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 Limited, the ultimate parent company registered in Australia.

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. There were 48,900 instruments granted during 2008. During 2009 financial year 8,500 options were forfeited, no options were exercised or expired during the year. 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 2008 with the exercise price being \$4.36 and the expiry date 21 August 2013. There were 57,400 instruments granted during the year and these were outstanding at 30 June 2009. No options were forfeited, exercised or expired during the year. The weighted average fair value of options granted during the year was \$0.22 per option.

The fair value of the equity-settled share options granted during the financial year was calculated using a valuation technique that is consistent 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.

Notes to the financial statements

for the year ended 30 June 2009

17. Reconciliation of shareholders' funds and movement on reserves (continued)

The following weighted average assumptions were used in determining the valuation:

	2008	2009
	ESOP	ESOP
Share Price	\$4.65	\$3.58
Risk free rate:	6.48%	3.39%
Dividend yield:	6.00%	6.00%
Expected volatility:	19.00%	23.00%
Expected rate of achievement of hurdles:	n/a	n/a

18. 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 13) are £62,845 (2008 – £57,701).

19. 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.