



27 September 2023

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AUSTRALIA

ELECTRONIC LODGEMENT

- Telstra Corporation Limited (ACN 051 775 556)

Telstra Corporation Limited – Financial Results full year ended 30 June 2023

On 1 January 2023 Telstra completed its corporate restructure. The corporate restructure, which was approved by shareholders and the Court in October 2022, saw the establishment of a new parent company, Telstra Group Limited, with four key subsidiaries.

In the new legal structure, the previous listed parent entity of the Telstra Group, Telstra Corporation Limited, operates the InfraCo Fixed business and has notes quoted on the ASX wholesale debt securities market as well as on SGX and LSE.

In accordance with the Corporations Act, Telstra Corporation Limited is required to lodge a directors' report, remuneration report and financial report for the full year ended 30 June 2023. Each of these reports are as attached.

Release of announcement authorised by:

Sue Laver
Company Secretary



Telstra Corporation Limited
and its controlled entities

Financial results **for the year ended** **30 June 2023**

Financial results

for the year ended 30 June 2023

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Directors' Report

Directors' Report

In accordance with a resolution of the Board of Directors of Telstra Corporation Limited (the Board), the Directors present their report on the consolidated entity (Telstra Corporation Group) consisting of Telstra Corporation Limited (Telstra Entity) and the entities it controlled at the end of, or during, the year ended, 30 June 2023. Financial comparisons used in this report are of results for the year ended 30 June 2023 compared with the results for the year ended 30 June 2022.

Principal activity

Our principal activity during the financial year was to provide passive telecommunication infrastructure access and services. The Telstra Entity serves multiple customer segments, including nbn co, the broader Telstra group comprising Telstra Group Limited and its controlled entities (Telstra Group) and wholesale customers directly. Our growing asset portfolio includes fibre, ducts, and fixed network facilities including data centres, cable landing stations and satellite ground stations. Other than as a result of the Restructure (defined below), there has been no significant change in the nature of this activity during the year.

Significant changes in the state of affairs

During the reporting period, the Telstra Entity implemented a scheme of arrangement (Scheme) to support the restructure of the Telstra Group (Restructure) first announced in November 2020. The Restructure was an internal legal reorganisation and did not, by itself, result in any immediate change to the underlying assets or business activities of the Telstra Group.

The Scheme was comprised of two components: the top hat component which established Telstra Group Limited as the parent entity of the Telstra Group, and the business restructure component which was used to transfer certain assets and liabilities within the Telstra Group. The Restructure also involved certain other steps in addition to the Scheme. While these steps were completed over a period of time, for accounting purposes, all the steps should be considered together as they were undertaken in contemplation of the Restructure as a whole.

The top hat component of the Scheme was implemented on 31 October 2022 and the business restructure component of the Scheme was implemented on 1 January 2023.

On implementation of the top hat component, all of the shares in Telstra Corporation Limited (11,554,427,353 in total) were transferred to Telstra Group Limited in exchange for the issue of 11,554,427,353 shares in Telstra Group Limited to eligible Telstra Corporation Limited shareholders under the Scheme, and Telstra Group Limited became the parent entity of Telstra Corporation Limited and its controlled entities.

On 31 October 2022, Telstra Group Limited replaced Telstra Corporation Limited as the new head entity of the Australian tax consolidated group.

On 30 November 2022, the Telstra Entity transferred to Telstra Group Limited its investments in a number of controlled entities, including Telstra ESOP Trustee Pty Limited, Telstra Finance Limited, Telstra Foundation Ltd, Telstra Growthshare Pty Ltd, Telstra Limited, and Telstra International Holdings Pty Ltd and their controlled entities. Digicel Pacific Limited and its controlled entities ceased to be controlled by Telstra Corporation Limited when Telstra Group Limited acquired the direct interest in Telstra International Holdings Pty Ltd from Telstra Corporation Limited.

On 30 November 2022, Telstra Group Limited became the sponsoring employer in our Telstra Superannuation Scheme, and Telstra Corporation Limited became an associated employer in Telstra Super.

On 1 January 2023, the final steps of the Restructure (including the business restructure component of the Scheme) were completed. Those steps involved Telstra Corporation Limited transferring the retail and active wholesale business assets and liabilities and related investments to Telstra Limited, and the international business assets and liabilities and related investments to Telstra International Holdings Pty Ltd and its controlled entities. Telstra Corporation Limited also transferred its interest in Telstra Towerco No. 2 Pty Ltd, being the

wholly-owned entity which holds an interest in the Amplitel towers business and related investments, to Telstra Group Limited.

As a result, Telstra Corporation Limited continues to operate the Telstra Group's passive fixed infrastructure business and services the nbn Definitive Agreements. From 1 January 2023, Telstra Corporation Limited as a provider of access to passive fixed infrastructure, also recognises revenue and expenses from transactions with related parties, i.e. other entities within the Telstra Group.

Substantially all external borrowings of Telstra Corporation Limited remained with Telstra Corporation Limited. Effective from 1 January 2023, debt guarantees in favour of holders of specified debt issued by Telstra Corporation Limited and any new debt issued by Telstra Group Limited have been put in place.

The Telstra Corporation Group accounted for the transfer of the assets and liabilities as disposals and their impact has been reflected in the Telstra Corporation Group financial results as detailed in note 2.6 of the 2023 Financial Report.

Refer to notes 6.1 and 7.2 of the 2023 Financial Report for further details about changes in our group structure and for parent entity disclosures.

Review and results of continuing operations

Following the implementation of the Scheme during the reporting period and in accordance with Australian Accounting Standards, the results of operations for Telstra Corporation Group have been presented in the income statement as continuing and discontinued operations.

Our continuing operations relate to the operations of the fixed passive network infrastructure including data centres, fixed network sites, ducts, pits and pipes and fibre network. We also provide nbn co with long-term access to certain components of our infrastructure under the nbn Infrastructure Services Agreement.

Total revenue (excluding finance income) from continuing operations increased by 29.5 per cent to \$1,886 million. This included growth in recurring payments from the nbn Definitive Agreement reflecting inflation linked price increases. Increase in revenue during the period was also obtained from counterparty agreements with other legal entities within the Telstra Group from 1 January 2023. This was offset by a decline in commercial and recoverable works revenue due to the initial nbn rollout nearing completion.

Other income from continuing operations increased by 234 per cent to \$1,692 million. This included a gain on disposal of assets classified as a finance lease arrangement for \$1,475 million. This was offset by a decrease in nbn disconnection income receipts from nbn co for disconnecting customers from our legacy network. nbn disconnection income decreased by 79.0 percent to \$69 million as the nbn migration nears completion.

Total expenses (excluding finance costs) from continuing operations increased by 37.9 per cent to \$738m due to counterparty service agreements which became effective from 1 January 2023. Based on the movements described above, earnings before interest, income tax expense, depreciation and amortisation from continuing operations increased by 100.7 per cent to \$2,826 million.

Our discontinued operations related to our retail and active wholesale business, international business and Amplitel towers business. Profit after tax from discontinued operations increased from \$1,540 million in the prior reporting period to \$10,701 million in the current reporting period. This is mainly due to a \$9,230 million gain on disposal recognised in the reporting period.

Business strategies and prospects

Our focus remains on delivering long-term, sustainable growth from our fixed passive network infrastructure from ongoing demand. This is being shaped by the shift to the cloud and rapid AI adoption driving data centre and edge requirements, along with needs for domestic fibre. Operating and maintenance costs are also expected to increase to FY25 as we improve asset quality and efficiency in the medium term.

The decline in commercial and recoverable works revenue due to the initial nbn rollout will continue as the contract nears completion, while legacy network disposals will arise on a contract-by-contract basis.

Investments in strategic infrastructure projects began during FY23. We expect the new intercity fibre network to deliver growth from FY26 as capacity comes online. These investments are among those that will underpin a more digitised future for the nation and see the Telstra Entity strategically positioned for growth.

Dividends

Dividends paid during the year were as follows:

Dividend	Date Resolved	Date Paid	Total Dividend (\$m)
Previous year final dividend paid	11 August 2022	21 September 2022	982
Dividend paid to Telstra Group Limited	29 January 2023	31 January 2023	6,000

Directors

Directors who held office during the year ended 30 June 2023 were:

Director	Period of directorship
Brendon Riley	CEO, Telstra InfraCo since 1 October 2018, Chairman and Director since 1 January 2023
Douglas Rogerson	Director since 1 January 2023
Rachel Johnson-Kelly ¹	Director since 1 January 2023
Kathryn Jones	Director since 1 January 2023
John P Mullen ²	Director since 2008, and Chairman since 2016, until 31 December 2022
Vicki Brady ³	Chief Executive Officer and Managing Director since 1 September 2022 until 31 December 2022
Andrew R Penn	Chief Executive Officer and Managing Director until 31 August 2022
Eelco Blok ²	Director since 2019 until 31 December 2022
Roy H Chestnutt ²	Director since 2018 until 31 December 2022
Craig W Dunn ²	Director since 2016 until 31 December 2022
Bridget Loudon ²	Director since 2020 until 31 December 2022
Elana Rubin ²	Director since 2020 until 31 December 2022
Nora L Scheinkestel	Director until 11 October 2022
Niek Jan van Damme ²	Director since 2018 until 31 December 2022

¹ Rachel Johnson-Kelly resigned as a director of the Company effective at 5:00pm (AEST) on 27 September 2023.

² Remains a director of Telstra Group Limited.

³ Remains the Chief Executive Officer and Managing Director of Telstra Group Limited.

Director shareholdings in Telstra Group Limited

The Telstra Entity is a wholly-owned subsidiary of Telstra Group Limited and therefore no Director holds any shares in the Telstra Entity. Details of the Directors' shareholdings in Telstra Group Limited as at 27 September 2023 are shown in the table below.

Director	Number of shares held ⁴
Brendon Riley	1,196,662
Douglas Rogerson	267,413
Rachel Johnson-Kelly	254,586
Kathryn Jones	166,983

During the year, Brendon Riley was entitled to participate in the Telstra Group's Executive Variable Remuneration Plan. Further information is detailed in the Remuneration Report.

Name	Equity Movements						
	Total rights held at 1 July 2022	Rights allocated during FY23	Value of rights allocated (\$000)	Rights vested / exercised during FY23	Value of rights vested / exercised (\$000)	Other changes (lapsed rights)	Total rights held at 30 June 2023
Brendon Riley	832,639	218,013	368	(273,721)	542	-	776,931

Directors' and officers' indemnity and insurance

Details of any indemnity and insurance during the year is outlined below:

a) Constitution

The constitutions of both Telstra Group Limited and Telstra Corporation Limited contain permissive provisions allowing those companies to indemnify, to the maximum extent permitted by law:

- certain officers of Telstra, the Telstra Entity and their related bodies corporate (Telstra Officers), for any liability and legal costs which they may incur in that capacity;
- certain employees of Telstra, the Telstra Entity and their related bodies corporate (Telstra Employees), for any liability which they may incur in that capacity; and
- Telstra Officers and Telstra Employees, for any liability which they may incur as a director or other officer of a company that is not related to Telstra or the Telstra Entity.

b) Deeds of indemnity

The Telstra Entity has previously entered into deeds of indemnity in favour of certain directors, secretaries and other officers. In relation to the Restructure:

- Telstra Group Limited executed deeds of indemnity in favour of past and present (amongst others) directors, secretaries, senior managers and public officers of Telstra Group Limited and its wholly owned controlled subsidiaries; certain directors, secretaries, senior managers and other specified positions of Telstra Group Limited's partly-owned companies; and certain Telstra Group directors, employees and other persons that act as nominee directors or secretaries, or in other positions (at

⁴ The number of shares held refers to shares held either directly or indirectly by Directors as at 27 September 2023. Shares in which the Director does not have a relevant interest, including shares held by the Directors' related parties (including relatives), are excluded.

Telstra Group Limited's request) for entities or industry associations, in each case as permitted under Telstra Group Limited's constitution and the Corporations Act 2001 (Cth); and the Telstra Entity executed deeds revoking the previous deeds of indemnity but preserving indemnities in respect of acts or omissions that occurred before the revocation date.

c) *Directors' and officers' insurance*

The Telstra Entity, during the financial year, paid an insurance premium in respect of a Directors' and Officers' insurance policy for the benefit of the persons defined in the insurance policy who include Directors and Executives. In accordance with commercial practice, the insurance policy prohibits disclosure of the terms of the policy, including the nature of the liability insured against and the amount of the premium.

Events occurring after the end of the financial year

Directors have become aware that on 7 September 2023, Telstra Corporation Limited signed an agreement to novate the \$750 million revolving syndicated facility agreement maturing on 17 February 2025 to Telstra Group Limited.

Likely developments and expected results of operations

The Directors expect that the Telstra Entity will continue to carry out its principal activities as detailed above. Details about other likely developments in the Telstra Entity's operations and the expected results of those operations in future financial years that is commercially sensitive, confidential or could give a third party a commercial advantage have not been included.

Non-audit services

During the financial year 2023, Telstra's auditor, Ernst & Young (EY), have not been engaged on assignments additional to its statutory audit duties. Details of the amounts paid or payable to EY are detailed in note 7.1 of the financial statements in our 2023 Financial report.

Environmental regulation

The Telstra Corporation Group, as a minimum, seeks to be compliant with all applicable environmental laws and regulatory obligations relevant to its operations. Where instances of non-compliance may occur, the Telstra Entity has procedures requiring that internal investigations are conducted to determine the cause of the non-compliance and to ensure that any risk of recurrence is minimised. The Telstra Entity's procedures further require that the relevant government authorities are notified of any environmental incidents (where applicable) in compliance with statutory requirements. The Telstra Entity complies with notices issued by government authorities and regulators. It has not been prosecuted for, or convicted of, any significant breaches of environmental regulation during the financial year.

Auditor's independence declaration

A copy of the auditor's independence declaration, as required under section 307C of the Corporations Act 2001, is set out on page A43.

Remuneration Report

Remuneration Report

This audited report details the remuneration framework and outcomes for Key Management Personnel of Telstra Corporation Limited (TCL) for the year ended 30 June 2023 (FY23).

The information below sets out details on how this report has been prepared and the link between this report and the remuneration report prepared by Telstra Group Limited (TGL or Telstra) for year ended 30 June 2023.

Relationship between Telstra Corporation Limited and Telstra Group Limited

TCL is a wholly owned subsidiary of TGL and is required to prepare this report because it has debt securities quoted on the ASX.

TCL was the listed parent entity of the Telstra Group until 31 October 2022. On that date, the ‘top hat’ component of the scheme of arrangement undertaken by TCL in connection with the corporate restructure of the Telstra Group was implemented, which resulted in TGL becoming the new listed parent entity of the Telstra Group and TCL becoming a wholly owned subsidiary of TGL. On 1 January 2023, the previous TCL directors resigned, and new directors were appointed to TCL.

Key Management Personnel (KMP) covered in this report

TCL’s KMP are assessed each year and comprise:

- the non-executive Directors of TGL;
- the TGL Senior Executives, including the Group Executives (GE) and CEO Telstra InfraCo; and
- the TCL Directors.

The GE and CEO Telstra InfraCo is the Chair of TCL (having been appointed on 1 January 2023) and each other TCL Director is an employee of the Telstra Group. In this report, those other TCL Directors are referred to as ‘TCL Management Directors’.

The non-executive Directors and Senior Executives of TGL are KMP of TCL because the Telstra Group’s governance and delegation frameworks mean they have authority and responsibility for directing and controlling the activities of the whole of the Telstra Group, including authority and responsibility for directing and controlling the activities of TCL.

In this report the term “Senior Executives” refers to the TGL CEO and those executives with authority and responsibility for planning, directing and controlling the activities of Telstra and the Telstra Group, directly or indirectly. Each KMP held their position for the whole of FY23, unless stated otherwise.

TGL non-executive Directors		TGL Senior Executives
<u>Current</u>	<u>Current</u>	<u>KMP Position</u>
John P Mullen	Vicki Brady	Chief Financial Officer and Group Executive (GE) Strategy and Finance (CFO) until 31 August 2022 and Chief Executive Officer & Managing Director (CEO) from 1 September 2022
Eelco Blok		
Maxine Brenner (from 17 February 2023)	Michael Ackland	GE Telstra Consumer & Small Business (C&SB) until 31 August 2022 and CFO from 1 September 2022
Roy H Chestnutt	Kim Krogh Andersen	GE Product & Technology (P&T)
Craig W Dunn	David Burns	GE Telstra Enterprise (TE)
Ming Long (from 1 January 2023)	Nikos Katinakis	GE Global Networks & Technology (GN&T)
Bridget Loudon	Brendon Riley	GE and CEO Telstra InfraCo ¹
Elana Rubin	Dean Salter	GE Global Business Services (GBS)
Niek Jan van Damme	Brad Whitcomb	GE C&SB from 16 January 2023
<u>Former</u>	<u>Former</u>	
Nora L Scheinkestel (retired 11 October 2022)	Andrew Penn	CEO until 31 August 2022
	Alex Badenoch	GE Transformation, Communications & People (TC&P) until 23 December 2022
TCL Management Directors		
Rachel Johnson-Kelly (from 1 January 2023)		
Kathryn Jones (from 1 January 2023)		
Douglas Rogerson (from 1 January 2023)		

¹ As noted above, Brendon Riley is also the Chair and a director of TCL.

Remuneration disclosed in this report

a) TGL non-executive Directors and Senior Executives

This report includes details of all remuneration received by TGL non-executive Directors and Senior Executives from the Telstra Group during FY23. That is because it is not possible or appropriate to apportion that remuneration between activities relevant to TCL and activities relevant to other parts of the Telstra Group.

b) TCL Management Directors

The three TCL Management Directors are provided with remuneration specific to their capacity as TCL Directors. That remuneration reflects their workload and responsibilities as TCL Directors and was approved by the TGL People and Remuneration Committee (PRC) in February 2023. It has been paid monthly in the form of Director Fees for the period from 1 January 2023.

The amount of this separate remuneration received by the TCL Management Directors for the period from 1 January 2023 to 30 June 2023 (i.e., that part of FY23 that they were TCL KMP) is therefore disclosed in this report.

Each of the TCL Management Directors also received other remuneration for their other roles within the Telstra Group during FY23. That remuneration is not connected to their roles as TCL Management Directors and therefore has not been disclosed in this report.

Remuneration Framework and Performance Data in this report

The remuneration outcomes in this report are driven by TGL's remuneration frameworks and performance data. TCL does not have separate remuneration frameworks or a separate scorecard that drives remuneration outcomes for KMP. Therefore, the information on remuneration frameworks and performance data reported in the FY23 TGL Remuneration Report is repeated in this report.

All KMP are employed by and remunerated by TGL, except for the directors' fees of the TCL management directors, which are paid

by TCL. All share based payment awards for KMP of TCL are managed by TGL and settled in TGL shares.

With regard to the Executive Variable Remuneration Plan (EVP), Telstra's RTSR performance over the relevant performance period takes into account TCL's performance up until 31 October 2022 (the date it was replaced by TGL as the parent entity of the Telstra Group) and TGL's performance after that time.

Remuneration at Telstra and FY23 Remuneration Outcomes – Key Highlights

The following table includes the key highlights and remuneration outcomes for FY23.

Key area of focus	Highlights / Details
 Remuneration structure	The following changes were made to the EVP in FY23: • The threshold EVP opportunity for GEs was increased from 90% to 100% of Fixed Remuneration. The at-target EVP opportunity for GEs was increased from 180% to 200% of Fixed Remuneration. This aligns with the CEO's threshold and at-target EVP opportunity of 100% and 200% of Fixed Remuneration respectively. The maximum EVP opportunity of 300% of Fixed Remuneration for all Senior Executives remains unchanged. • We adjusted the way in which the Individual EVP Outcome is determined to better reflect market practice and using an approach that is more consistent with how we determine variable remuneration for other employees under our Short-Term Incentive (STI) plan. ○ The Individual EVP Outcome for each Senior Executive is now determined by multiplying the EVP Scorecard Outcome by a percentage reflecting the executive's individual performance relative to their peers in the executive team. ○ For each Senior Executive assessed with a performance rating of 3 (on our 1 to 5 scale), this percentage was in the range 90% to 110%. For those with a performance rating of 4 or 5, the percentage used was higher – as was appropriate to reflect their relative individual performance. In all cases, the maximum possible Individual EVP Outcome is 300% of the executive's Fixed Remuneration. The Board continues to have complete discretion in determining the EVP Scorecard Outcome, each executive's multiplier and therefore each executive's Individual EVP Outcome. In determining any adjustments to the Individual EVP Outcomes in accordance with its decision framework, the Board considers (among other things) any material risk events identified, the severity of their impact, and the executive's accountability for the event. The FY23 EVP scorecard aligned with the Company's T25 Strategy. Refer to Section 2.2 for detail on the metrics and outcomes in FY23.



Individual EVP Outcomes for FY23

The Individual EVP Outcomes for FY23 were as follows:

	Individual EVP Outcomes (% of maximum)
CEO	75.0%
Other Senior Executives (average)	62.1%

Each Senior Executive's Individual EVP Outcome for FY23 was determined having regard to the EVP Scorecard Outcome, their at-target EVP opportunity and their individual performance and was ultimately at the discretion of the Board.

The Board determined the EVP Scorecard Outcome following an assessment of Telstra's performance against the primary performance measures under the FY23 EVP. Positive outcomes were achieved across many of the financial and non-financial measures demonstrating strong delivery against our FY23 Corporate Plan and T25 strategy. Further details on the EVP Scorecard Outcome can be found in Section 2.2.

The form in which Senior Executives receive their Individual EVP Outcome for FY23 is:

Award	Timing and conditions
25% Cash	Payable in September 2023.
35% Restricted Shares	25% eligible to vest each year over 4 years through to 30 June 2027, subject to a continuing employment condition.
40% Performance Rights	Only vest at the end of FY27 if a Relative Total Shareholder Return (RTSR) performance condition and continuing employment condition are achieved.

Refer to Section 2.1 for further information.

Fixed Remuneration

Apart from Fixed Remuneration changes on promotion for the CEO and CFO, there have been no Fixed Remuneration increases for Senior Executives during FY23 except to reflect the increase in legislated Superannuation Guarantee contributions from 1 July 2022 (refer to Section 2.1(b) for further information).

Non-executive director fees

As described in our FY22 Remuneration Report, the Chair and non-executive Director annual base fees, which had not changed since 2014 and 2012 respectively, increased by 1.9% and 2.1% respectively from 1 October 2022. The People and Remuneration Committee member fee had not changed since 2017 and, from 1 October 2022, increased by 1.8%.

Refer to Section 3 for information regarding remuneration paid to non-executive Directors in FY23 and planned increases for FY24.



FY19 EVP Performance Rights RTSR outcome

The RTSR performance condition for the Performance Rights awarded under the FY19 EVP was tested following the end of the performance period on 30 June 2023. The result and vesting outcome are detailed below and the Performance Rights fully vested. Refer to Section 2.4 for further information.

Performance Condition	Telstra's Percentile Rank	% of Performance Rights vested
RTSR – ASX100 (excluding resource companies) as at 1 July 2018	93 rd percentile	100%

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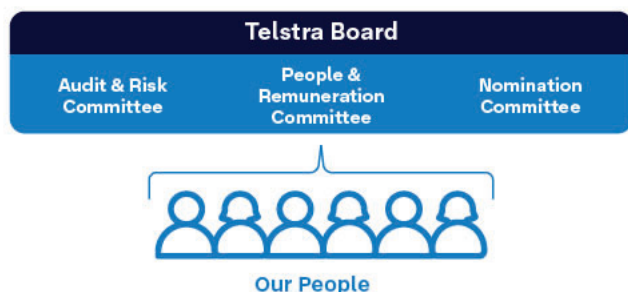
1.0 Policy

1.1 Remuneration policy, strategy and governance

Our remuneration policy and framework are designed to support our strategy and reinforce our culture and values.

Our governance framework for determining Senior Executive remuneration includes the aspects outlined below.

(a) The People and Remuneration Committee



The People and Remuneration Committee assists the Board in discharging its responsibilities on matters relating to remuneration, people, culture, conduct and diversity and consists only of independent non-executive Directors.

Among other things, the Committee:				
Reviews Telstra's overall remuneration framework and makes recommendations to the Board on non-executive Director and Senior Executive remuneration	Monitors that Telstra's remuneration arrangements and outcomes encourage employees to pursue Telstra's strategy without rewarding conduct that is contrary to Telstra's values or risk appetite	Reviews selected people related risks and the risk management plans in place and monitors whether Telstra is operating within its risk appetite	Monitors the culture within Telstra and the effectiveness of management's initiatives to instil and reinforce Telstra's Values and compliance with Telstra's Code of Conduct	Reviews Senior Executive succession plans and talent development plans

The Chair of the Audit and Risk Committee attends certain People and Remuneration Committee meetings. This provides an overview of the key issues considered by the Audit and Risk Committee that are likely to be relevant to the People and Remuneration Committee in assessing the remuneration outcomes for the CEO and the performance and remuneration outcomes for other Senior Executives. Information and papers considered by a Committee are also provided to other Committees and the Board as relevant.

Further detail about the People and Remuneration Committee and its responsibilities is provided in our Corporate Governance Statement and in the People and Remuneration Committee Charter, both of which are available at telstra.com/governance.

(b) Remuneration reviews

As part of its role, the People and Remuneration Committee reviews and recommends CEO and other Senior Executive remuneration packages that achieve a balance between fixed and variable pay, reflecting appropriate short and long-term performance objectives.

The People and Remuneration Committee has an established set of principles it follows in making recommendations on Senior Executive remuneration. Either at the time of a Senior Executive's appointment or as a part of an annual or ad-hoc remuneration review, the People and Remuneration Committee will consider a range of factors in making remuneration recommendations. Those considerations include internal and external relativity for roles of a similar size and complexity, any proven and persistent high performance and/or any notable increase in experience and contribution.

The People and Remuneration Committee reviews and makes recommendations to the Board (for final approval) on:

- the CEO's fixed and variable remuneration (having regard to the Board's assessment of the CEO's performance); and
- the fixed and variable remuneration and performance outcomes of other Senior Executives (having regard to the CEO's assessment of their performance).

(c) Incentive design and performance assessment

The People and Remuneration Committee oversees the setting of measures and targets to encourage performance and behaviour that is aligned to Telstra's values, including the primary performance measures for the EVP. The Board determines the EVP Scorecard Outcome by assessing performance against each primary performance measure. The EVP Scorecard Outcome is multiplied by a percentage based on the relevant Senior Executive's individual performance to determine the Senior Executive's Individual EVP Outcome. The Board also has discretion to adjust an outcome to ensure there are no windfall gains or losses. Refer to Section 2.1(c) for further information.

(d) Board decision framework

The Board has a decision framework to provide guidance in exercising its discretion on variable remuneration outcomes and to provide greater consistency in remuneration adjustments. The framework was considered in determining the Individual EVP Outcomes under the FY23 EVP.

(e) Engagement with consultants

During FY23, Telstra did not seek a remuneration recommendation from a remuneration consultant in relation to any of our KMP.

(f) Engagement with shareholders and stakeholders

The Chair of the Board and the Chair of the People and Remuneration Committee engage throughout the year with stakeholders to seek feedback and consider opportunities to further enhance the effectiveness of our reward structure, with a commitment to align the interests of all executives with the generation of long-term shareholder value. During FY23, numerous meetings were held with shareholders and shareholder advisory organisations.

(g) Share ownership policies

Telstra has in place share ownership policies which apply to the Senior Executives and non-executive Directors of Telstra. The intent of these policies is to align the interests of the CEO, GEs and non-executive Directors with the interests of our shareholders.

The recently appointed CEO has five years to meet the shareholding requirement under our policy. Those Senior Executives who have held a Group Executive position for at least five years have met the shareholding requirement as at 30 June 2023. For information on Senior Executives' interests in Telstra shares refer to Section 2.5(e).

All non-executive Directors who have been on the Board for 5 years or more have met their minimum shareholding requirement with the exception of two Directors (including the Chair) who marginally fell below the requirements due to a small increase in the Director base fee in October 2022. The two Directors have confirmed that they will address this as soon as they are permitted to purchase shares in accordance with Telstra's Securities Trading Policy. Directors' shareholdings as at 17 August 2023 are set out in the Directors' Report.

The requirements of our share ownership policies are summarised below:

Summary of requirements under the share ownership policies	
Position	Minimum holding requirement within 5 years of appointment to the position
CEO	200% of Fixed Remuneration
GEs	100% of Fixed Remuneration
Chair of the Board	200% of the annual non-executive Director base fee
Non-executive Directors	100% of the annual non-executive Director base fee

The following outlines how various Telstra securities are valued in calculating a person's shareholding for the purpose of the policies:

How Telstra securities are valued under the policies		
Position	Securities	Basis of valuation under the policies
CEO and GEs	Ordinary shares purchased on-market	Acquisition price
	Restricted Shares	The volume weighted average price of Telstra shares used to determine the number of Restricted Shares granted under the relevant employee equity plan
	Performance Rights	Not included
	Any shares granted upon vesting of Performance Rights	Telstra's closing share price on the date that the Performance Right vests
Chair and Non-executive Directors	Ordinary shares purchased on-market	Acquisition price

Senior Executives must obtain Board or, in certain circumstances, CEO or Chair approval before they sell Telstra shares if they have not yet met their minimum holding requirement. Progress towards the minimum holding requirement is monitored on an ongoing basis.

(h) Securities Trading Policy

All KMP must comply with Telstra's Securities Trading Policy, which includes a requirement that Telstra securities can only be traded during specified trading windows and with prior approval. KMP must also consider how any proposed dealing in Telstra securities could be perceived by the market and must not deal if the proposed dealing could be perceived as taking advantage of their position in an inappropriate way. They are also prohibited from entering into any hedging arrangement that limits the economic risk of holding Telstra securities (including those held under Telstra equity plans). This helps align our KMP's interests with shareholders' interests. KMP are required to confirm on an annual basis that they comply with our Securities Trading Policy, which assists in monitoring and enforcing our policy. Our Securities Trading Policy is available at telstra.com/governance.

(i) Clawback (Malus) Policy

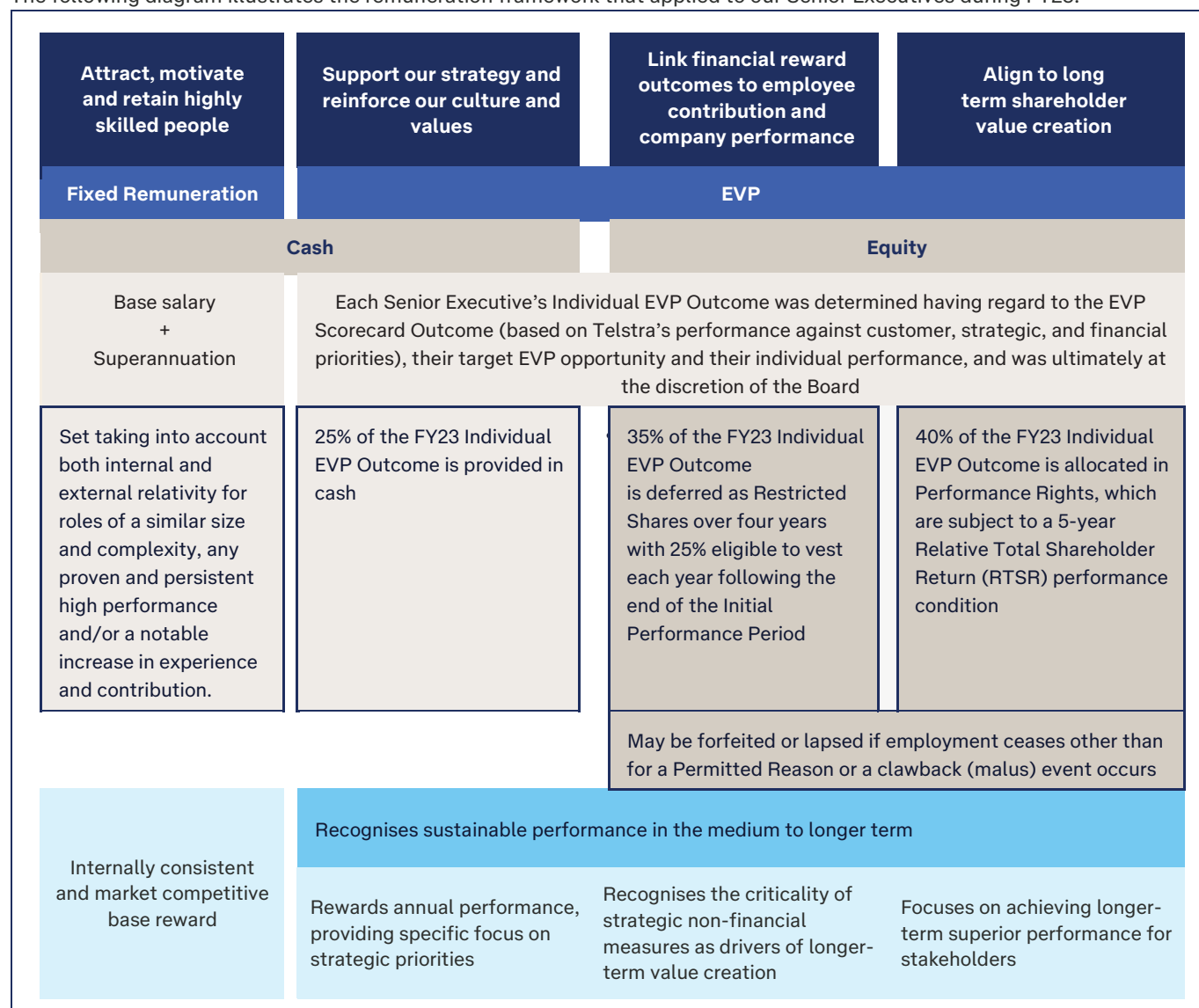
A Clawback Committee oversees the application of the Clawback (Malus) policy. This policy applies to all employees at Telstra and sets out the process that is followed to put the Board in a position to determine, before securities vest, whether a clawback event has occurred and whether to lapse or forfeit unvested Performance Rights, Restricted Shares and Cash Rights. The Clawback Committee meets quarterly and reports to the People and Remuneration Committee twice a year. The Clawback Committee is comprised of the GE People, Culture and Communications (previously the GE TC&P), the CFO, the GE Sustainability, External Affairs and Legal (SEAL) and the Chief Risk Officer. The People and Remuneration Committee subsequently makes recommendations to the Board as to whether to exercise its discretion to claw back any unvested equity. A member of the Clawback Committee is prohibited from being involved in a Clawback Committee recommendation in connection with any awards they hold. If the whole Committee has a conflict of interest, the investigation team bypasses the Committee and takes their recommendations directly to the CEO, the People and Remuneration Committee Chair and/or the Chair of the Telstra Board, as appropriate.

Following the Clawback Committee's review and recommendations, no clawback of unvested securities held by Senior Executives was recommended or approved during FY23.

2.0 Senior Executive remuneration

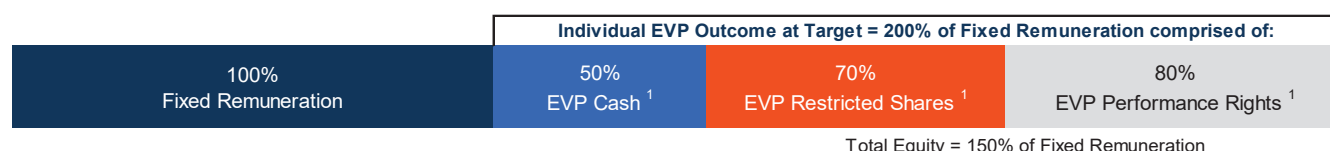
2.1 FY23 Remuneration Structure

The following diagram illustrates the remuneration framework that applied to our Senior Executives during FY23.



(a) FY23 remuneration mix for Senior Executives

The graph below shows the FY23 remuneration mix for Senior Executives expressed as a percentage of Fixed Remuneration (FR).



1. The percentages shown are calculated from the 25% Cash, 35% Restricted Share and 40% Performance Right components of the FY23 EVP multiplied by the FY23 EVP target opportunity of 200% of Fixed Remuneration

(b) Current Senior Executive Fixed Remuneration and contract details

The following table summarises the Fixed Remuneration and notice and termination payment provisions that apply under the ongoing service contracts for current Senior Executives as of 17 August 2023.

Name	Title	Fixed Remuneration	Notice Period	Termination Payment
Vicki Brady	CEO	\$2,390,000 ¹	6 months	6 months
Michael Ackland	CFO	\$1,250,000 ²	6 months	6 months
Kim Krogh Andersen	GE P&T	\$1,101,205 ³	6 months	6 months
David Burns	GE TE	\$1,151,205 ³	6 months	6 months
Nikos Katinakis	GE GN&T	\$1,101,205 ³	6 months	6 months
Brendon Riley	GE & CEO Telstra InfraCo	\$1,401,205 ³	6 months	12 months ⁴
Dean Salter	GE GBS	\$951,205 ³	6 months	6 months
Brad Whitcomb	GE C&SB	\$1,151,205	6 months	6 months

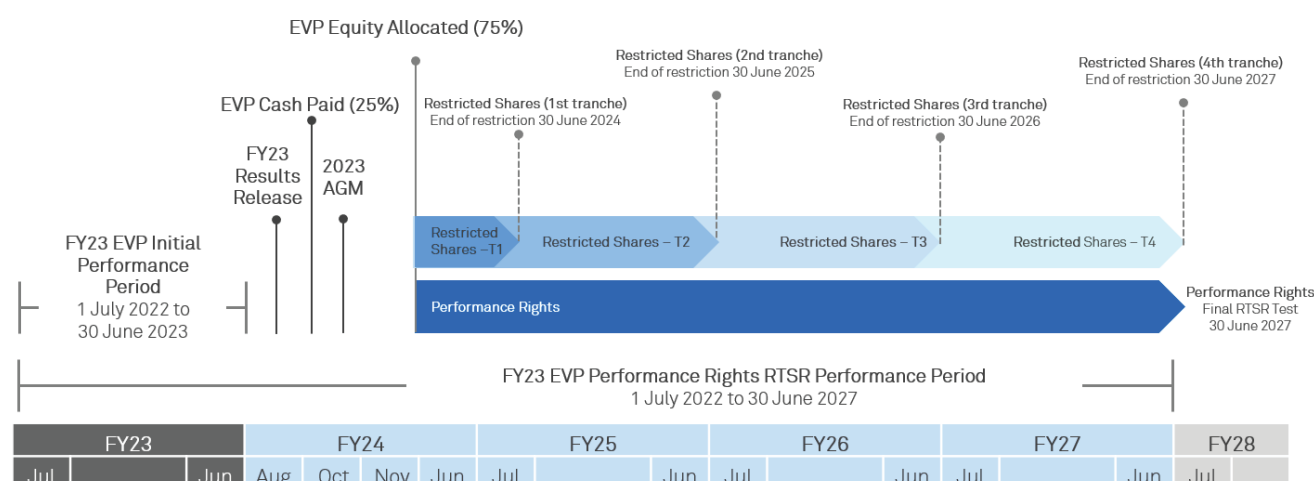
- As announced on 30 March 2022, Vicki Brady's Fixed Remuneration increased to \$2,390,000 when she commenced as CEO on 1 September 2022.
- As disclosed in our FY22 Remuneration Report, Michael Ackland's Fixed Remuneration increased to \$1,250,000 when he commenced as CFO on 1 September 2022.
- Senior Executive Fixed Remuneration increased by \$1,205 on 1 July 2022 to reflect the legislated increase in Superannuation Guarantee Contribution from 10% to 10.5%.
- Brendon Riley has a 12-month termination payment clause in his contract that was negotiated upon commencing employment at Telstra in February 2011. Telstra's current policy is to provide for a six-month termination payment in executive contracts.

Upon notice being given, Telstra can require a Senior Executive to work through the notice period or may terminate employment immediately by providing payment in lieu of notice, or a combination of both. Any payment in lieu of notice is calculated based on the Senior Executive's Fixed Remuneration as at the date of termination.

There is no termination payment if termination is for serious misconduct or redundancy (unless the severance payment under Telstra's redundancy policy would be less than the termination payment, in which case the termination payment applies instead).

(c) FY23 Executive Variable Remuneration Plan (EVP) structure

The Senior Executives participated in the FY23 EVP. The construct of the FY23 EVP is illustrated in the diagram below:



At the 2023 AGM to be held on 17 October 2023, we will seek shareholder approval for the Restricted Shares and Performance Rights to be allocated to Vicki Brady under the FY23 EVP.

The table below outlines the key features of the FY23 EVP.

FY23 EVP design attributes	Detail						
EVP Reward opportunity	As a % of Fixed Remuneration <table><tr><td>Threshold</td><td>100%</td></tr><tr><td>Target</td><td>200%</td></tr><tr><td>Maximum</td><td>300%</td></tr></table>	Threshold	100%	Target	200%	Maximum	300%
Threshold	100%						
Target	200%						
Maximum	300%						
Initial Performance Period	1 year (1 July 2022 to 30 June 2023)						
Calculation of Individual EVP Outcomes	Overview Each Senior Executive’s Individual EVP Outcome for FY23 is set out in Section 2.5(c). The CEO and each Group Executive’s Individual EVP Outcome was determined by the Board taking into consideration their ‘at target’ EVP reward opportunity, the EVP Scorecard Outcome, their individual performance (in the case of the GEs including their performance relative to each other) and other factors in accordance with its decision framework including any material risk events identified, the severity of their impact, and the executive’s accountability for the matter. At Target EVP Reward Opportunity FR \$ X Target EVP Opportunity % = Target EVP Opportunity \$ X Primary Performance Measures Financial Customer Strategic = Each primary performance measure outcome and total scorecard outcome subject to Board discretion = EVP Scorecard Outcome % → Multiplier used to differentiate individual performance and subject to Board discretion = Individual EVP Outcome EVP Scorecard Outcome The EVP Scorecard Outcome was determined by the Board following an assessment of Telstra’s performance against the primary performance measures (described in detail below) during the 2023 financial year (referred to as the Initial Performance Period). The primary performance measures operated independently, and each measure was given a weighting and defined threshold, target and maximum performance level. If performance fell between any of those levels, the outcome was determined proportionately commensurate with the following range. Metric Performance Range Threshold Target Max Senior Executive Performance Outcome 50% 100% 150% The Board had discretion to adjust the outcome against each primary performance measure to ensure there were no windfall gains or losses. No adjustments were approved by the Board in FY23. The Board also had discretion to adjust the overall EVP Scorecard Outcome if it was considered to be appropriate when taking into account matters including Telstra’s performance, customer experience and shareholder expectations. Such adjustment was not considered appropriate for FY23. The EVP Scorecard Outcome was then multiplied by a percentage based on the Senior Executive’s individual performance, to determine each Senior Executive’s Individual EVP Outcome. Refer to Section 2.3 for further information on discretion exercised in determining FY23 Individual EVP Outcomes.						

Primary performance measures

The primary performance measures outlined below were selected for FY23 because they provide the critical link between delivering Telstra's T25 strategy and Telstra's Corporate Plan and increasing shareholder value. The Board believes that the strategic, customer and financial measures directly demonstrate the delivery of critical components of the T25 strategy and are fundamental key drivers of long-term value creation.

To assist shareholders' understanding of these measures and their relevance to Telstra's performance, further information on each measure is provided below.

Refer to Section 2.2 for the threshold, target and maximum for each measure and their weightings.

Primary Performance Measures		
	Measure and metric	Rationale for why chosen
Financial (60%)	Total Income Telstra External Income (excluding finance income)	• Key indicator of financial performance. • Ensures continued focus on customer retention and growth. • Aligns to the growth and value pillar of our T25 scorecard.
	Underlying EBITDA Underlying EBITDA is Earnings Before Interest, Tax, Depreciation & Amortisation, and excludes net one-off nbn DA receipts less nbn net C2C, one-off restructuring costs and guidance adjustments	• Key indicator of financial performance. • Ensures appropriate focus on profit and cost to deliver. • A strong indicator of underlying company profitability. • Aligns to the growth and value pillar of our T25 scorecard.
	Free Cash Flow (FCF) Free Cash flow after lease payments defined as 'operating cash flows' less 'investing cash flows', less 'payments for lease liabilities, and excludes spectrum and guidance adjustments	• Key indicator of financial performance. • Appropriate for a capital-intensive business and critical in managing the company's ability to pay a dividend and maintain balance sheet strength. • Aligns to the growth and value pillar of our T25 scorecard.
	Underlying Return on Invested Capital (ROIC) Total NOPAT (net operating profit after tax) less guidance adjustments after tax, less net nbn one-off earnings after tax, divided by Average Invested Capital	• Key indicator of financial performance. • Aligns to the growth and value pillar of our T25 scorecard.
	Episode NPS Measures our customer experience from feedback on each transaction using a Net Promoter Score (NPS)	• Focuses leaders on continuously improving the customer service experience, driving both customer attraction and retention. • Underpins company-wide improvement programs focused on improving our operational excellence by identifying and eliminating the causes of unnecessary customer effort and pain points. • Aligns to the customer experience pillar of our T25 scorecard.
Customer (25%)	RepTrak Measures our reputation score on the RepTrak index	• Includes the sentiment of customers and non-customers, but also provides a broader, more holistic measure which picks up on all the drivers of company reputation. • Focuses leaders on the Company's reputation in the community, with customers and prospective customers, and with prospective employees, driving both customer and employee attraction and retention. • Aligns to the responsible business pillar of our T25 scorecard.
	Responsible Business Our % reduction in absolute scope 1 + 2 greenhouse gas emissions from our FY19 baseline (excludes Digicel Pacific)	• These are reductions in the emissions caused by the fossil fuels and grid electricity we use. Inclusion of this metric in our scorecard leans into Telstra's contribution to addressing this pressing issue and specifically recognises broad community concern on our changing environment. • Aligns to the responsible business pillar of our T25 scorecard. • Excludes Digicel Pacific which was acquired during FY23.
Strategic (15%)	Digital Leadership % achievement of our target build of Application Programming Interfaces (APIs)	• This measure focuses our executives on enablers of Digital Leadership that will halve our new product time to market by building a 100% API-first architecture for customer management and product development. • It will drive fundamental and significant change in the way we work, improving offerings to customers whilst reducing cost. • Aligns to the digital leadership pillar of our T25 scorecard.

	People, Capability & Engagement Maintain employee engagement in the high performing norm • Focusses leaders on our employee engagement and the importance of employees as stakeholders. • Supports our ability to have both the key leadership and technical talent required to deliver on our ambitious strategy. • Aligns to the new ways of working pillar of our T25 scorecard. To assess the primary performance measures, the Board reviewed the Group’s results, including the financial statements which are audited by Ernst & Young (EY), our external auditor. It also reviewed other work undertaken by EY on performance against the primary performance measures. Refer to Section 2.2 for further information.															
EVP outcome - cash vs equity balance	A Senior Executive’s Individual EVP Outcome is provided as a combination of cash (25%), Restricted Shares (35%) and Performance Rights (40%) which are subject to a Relative Total Shareholder Return (RTSR) performance condition. This results in a 25:75 ratio of cash to equity. On vesting of a Performance Right, the holder receives a share or, at Telstra’s discretion, a cash amount equivalent to the value of a share at vesting.															
Equity allocation methodology	<table><tr><th colspan="2">Individual EVP Outcome Components</th><th colspan="2">Equity Allocation Calculation (face value methodology)</th></tr><tr><td>25% Cash</td><td></td><td></td><td></td></tr><tr><td>35% Restricted Shares (pro-rata vesting over 4 years)</td><td></td><td rowspan="2">÷ 5 Day VWAP</td><td>No. of Restricted Shares allocated</td></tr><tr><td>40% Performance Rights (subject to 5 year RTSR Performance Condition)</td><td></td><td>No. of Performance Rights allocated</td></tr></table> The number of Restricted Shares and Performance Rights to be allocated to a Senior Executive is based on the dollar value of their Individual EVP Outcome, multiplied by 35% for Restricted Shares and 40% for Performance Rights, and then divided by the five day volume weighted average price (VWAP) of Telstra shares commencing on the day after the FY23 results announcement (i.e. a face value allocation methodology).	Individual EVP Outcome Components		Equity Allocation Calculation (face value methodology)		25% Cash				35% Restricted Shares (pro-rata vesting over 4 years)		÷ 5 Day VWAP	No. of Restricted Shares allocated	40% Performance Rights (subject to 5 year RTSR Performance Condition)		No. of Performance Rights allocated
Individual EVP Outcome Components		Equity Allocation Calculation (face value methodology)														
25% Cash																
35% Restricted Shares (pro-rata vesting over 4 years)		÷ 5 Day VWAP	No. of Restricted Shares allocated													
40% Performance Rights (subject to 5 year RTSR Performance Condition)			No. of Performance Rights allocated													
Issue/exercise price	As the Restricted Shares and Performance Rights form part of a Senior Executive’s variable remuneration, no amount is payable by the Senior Executive on grant of the Restricted Shares or on grant or vesting of the Performance Rights. Both the Restricted Shares and any shares to be provided on the vesting of Performance Rights will be purchased on-market.															
Restriction and performance periods for equity	Restricted Shares Restricted Shares will be eligible to vest in four equal tranches, with 25% eligible to vest each year for the four years following 30 June 2023 (being the end of the Initial Performance Period). i.e. on 30 June 2024, 30 June 2025, 30 June 2026, and 30 June 2027. Performance Rights The Performance Rights are subject to an RTSR performance condition, tested over a five-year performance period from 1 July 2022 to 30 June 2027. Refer to the secondary performance measures section outlined below for further information. In certain limited circumstances, such as a takeover event where 50% or more of shares of the Telstra group’s head entity are acquired, the Board may exercise discretion to accelerate vesting of the Performance Rights and accelerate the end of the Restriction Periods for the Restricted Shares.															
Secondary performance measures	In addition to the primary performance measures (which are assessed over the one year period to 30 June 2023) the Performance Rights component of each Senior Executive’s Individual EVP Outcome only vests if, and to the extent that, the RTSR performance condition is satisfied at the end of the five year performance period on 30 June 2027. Any Performance Rights that vest following the testing of the RTSR performance condition will be automatically exercised following the release of Telstra’s annual results for FY27 and any Performance Rights that do not vest following the testing will lapse (and expire) at that time. This means Senior Executives have a double hurdle in relation to the Performance Right component of their Individual EVP Outcome, with performance measured over both the Initial Performance Period and the five-year RTSR Performance Period. RTSR measures the performance of a Telstra share (including the value of any cash dividends and other															

shareholder benefits paid during the RTSR Performance Period) relative to the performance of ordinary securities issued by the other entities in the comparator group (being entities in the S&P / ASX100 index as at 1 July 2022 (excluding resources companies)) over the RTSR Performance Period.

The Board believes that RTSR is an appropriate secondary performance measure because it links executive reward to Telstra's share price and dividend performance relative to entities in the comparator group over the long-term. This reinforces the ultimate focus on shareholder value creation and helps align actual pay outcomes with returns delivered to long-term shareholders.

Under the RTSR performance condition, the number of Performance Rights that vest will be determined as follows:

RTSR Ranking	Vesting
Below the 50 th percentile	0%
At the 50 th percentile	50%
Between 50 th and 75 th percentiles	Straight-line vesting from 50% to 100%
At the 75 th percentile or above	100%

Both the starting price and end price for the purpose of calculating Telstra's RTSR are the average of Telstra's daily closing share price over the 30 day period to 30 June of the relevant year. The starting price that will be used to determine Telstra's RTSR at the end of the RTSR Performance Period for the FY23 EVP is \$3.87.¹

Dividends

Restricted Shares

Participants receive dividends on Restricted Shares during the Restriction Periods consistent with other Telstra shareholders. This is appropriate because these Restricted Shares do not have any further performance conditions. The intent is to mirror the experience of shareholders while deferring the remuneration so that it can be more easily subject to forfeiture if the Participant ceases employment other than for a Permitted Reason or clawback.

Performance Rights

No dividends are paid on Performance Rights prior to vesting. For any Performance Rights that ultimately vest following satisfaction of the RTSR performance condition, a cash payment equivalent to the dividends paid by Telstra during the period between allocation of the Performance Rights and vesting will be made at or around the time of vesting, subject to applicable taxation (Dividend Equivalent Payment).

Leavers

Before the Restricted Shares and Performance Rights are allocated

If a Senior Executive ceases employment for a Permitted Reason, the Senior Executive is eligible for a pro-rata Individual EVP Outcome based on the proportion of time they were employed during FY23. The Senior Executive will receive the cash component of their pro-rata Individual EVP Outcome. The Senior Executive will receive a grant of Cash Rights (or, at the Board's discretion, cash, if the Senior Executive ceases employment due to death, total and permanent disablement or certain medical conditions) in lieu of Performance Rights and Restricted Shares. On vesting, a Cash Right entitles the executive to a cash payment equivalent to the value of a Telstra share at the end of the applicable Restriction Period or the RTSR Performance Period (as applicable). A Cash Right granted in lieu of a Restricted Share also entitles the Senior Executive to receive an amount equal to dividends paid on Telstra shares between the date the Cash Right is allocated and the end of the applicable Restriction Period, at or around the same time that Telstra pays the dividend. A Cash Right granted in lieu of a Performance Right entitles the Senior Executive, if the Cash Right vests, to receive an amount equivalent to dividends paid on Telstra shares between allocation and vesting of the Cash Right after the end of the RTSR Performance Period. Where the Senior Executive receives Cash Rights, there is no change to the Restriction Periods, the RTSR Performance Period or the RTSR performance condition. If the Senior Executive ceases employment for any other reason, their EVP entitlement is forfeited. This ensures equal treatment for all executives and that departing executives continue to make decisions that are aligned to the long-term interests of our shareholders.

After the Restricted Shares and Performance Rights are allocated

If a Senior Executive ceases employment for a Permitted Reason after the Restricted Shares and Performance Rights have been allocated, those Restricted Shares and Performance Rights will remain on foot. There is no change to the Restriction Periods, the RTSR Performance Period, or the RTSR

	performance condition. If the Senior Executive ceases employment for any other reason, their Restricted Shares and Performance Rights are forfeited.
Clawback (malus)	The Board has discretion to clawback Performance Rights and Restricted Shares if certain clawback events occur before the Performance Rights vest or the Restricted Shares are transferred to the Senior Executive following the end of the applicable Restriction Period. Clawback events include fraud, dishonesty, gross misconduct or material breach of obligations by the Senior Executive or behaviour that brings Telstra into disrepute or may negatively impact Telstra's long-term financial strength. It also includes where the Senior Executive causes a significant deterioration in Telstra's financial performance or negatively impacts Telstra's standing, reputation or relationship with its key regulators, where the financial results that led to the Performance Rights or Restricted Shares being granted are subsequently shown to be materially misstated, where the Senior Executive fails to fulfil responsibilities under Telstra's risk management framework resulting in a material breach of Telstra's risk management framework, or where the Board determines that the Performance Rights or Restricted Shares are an inappropriate benefit.

- As a result of the Restructure, Telstra's RTSR performance over the RTSR Performance Period for the FY23 EVP Performance Rights (and for all other Performance Rights on issue) will take into account Telstra Corporation Limited's performance up until 31 October 2022 (the date it was replaced by Telstra Group Limited as the parent entity of the Telstra Group) and Telstra Group Limited's performance after that time.

(d) Financial performance

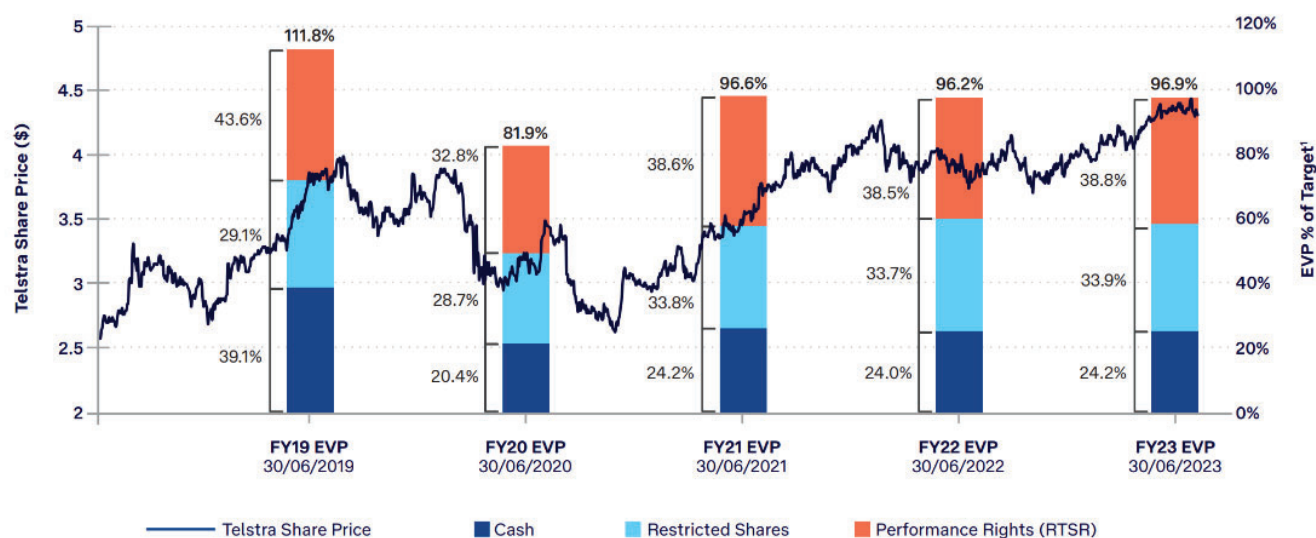
The table below provides a summary of Telstra's key financial results over the past five financial years.

Financial Performance¹	FY23	FY22	FY21	FY20	FY19
	\$m	\$m	\$m	\$m	\$m
Earnings					
Total Income	23,245	22,045	23,132	26,161	27,807
EBITDA	7,862	7,256	7,638	8,905	7,984
Net Profit ²	1,928	1,688	1,857	1,819	2,154
Shareholder Value					
Share Price (\$) ³	4.30	3.85	3.76	3.13	3.85
Total Dividend Paid Per Share (cents) ⁴	17.0	16.0	16.0	16.0	19.0

- For the year ended 30 June 2023, Telstra's financial results include the historical financial information of the Telstra Group for both the period before and after the Restructure. Refer to Note 1.2 to the financial statements in the Financial Report for further information about the Restructure. The results for FY19 – FY22 are the consolidated results of Telstra Corporation Limited and its controlled entities when Telstra Corporation Limited was the parent entity of the Telstra Group before the Restructure. These results are not fully comparable due to changes in the accountings standards over the periods. For more details, refer to Note 1.5 to the financial statements in the 2020 Annual Report in relation to the adoption of AASB16: 'Leases'. Prior periods have not been restated for matters referred to in Note 1.7 to the financial statements.
- Net Profit attributable to equity holders of the Telstra entity includes results from continuing and discontinued operations.
- Share prices are as at 30 June for the respective year. The closing share price for FY18 was \$2.62.
- We paid dividends to holders of Telstra's ordinary shares twice each year over the past five financial years, an interim and a final dividend. The amounts included in this table relate to dividends paid during the financial year. Therefore, for each respective year, the amount includes the dividend paid for the previous year final dividend and the current year interim dividend. Refer to Note 4.2 to the financial statements in the Financial Report for further information about dividends paid in FY23.

(e) Historical Individual EVP Outcomes relative to the Telstra share price

The graph below provides a useful comparison of performance and shows the average Individual EVP Outcomes for FY19 through to FY23 as a percentage of the target opportunity, relative to the performance of Telstra's share price over the past five years. For the purposes of the graph, Telstra means Telstra Corporation Limited up until 31 October 2022 (the date it was replaced by Telstra Group Limited as the head entity of the Telstra group) and Telstra Group Limited after that time.



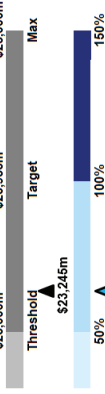
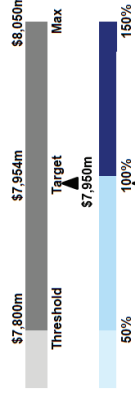
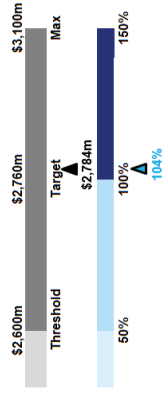
1. The average Individual EVP outcomes as a percentage of target is shown for all Senior Executives (including the CEO and former Senior Executives) for the relevant period. There have been changes to the EVP structure over this period including to the relative proportions of cash, Restricted Shares and Performance Rights.

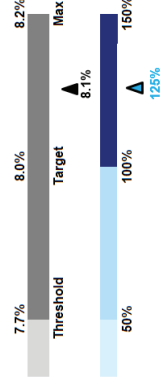
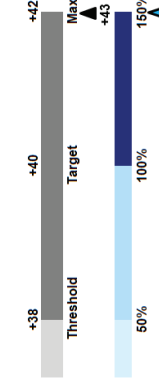
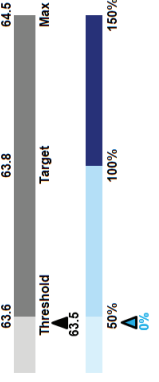
2.2 FY23 EVP Scorecard Outcome

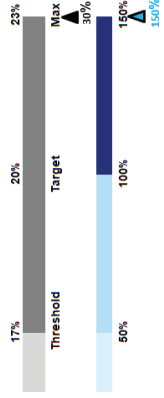
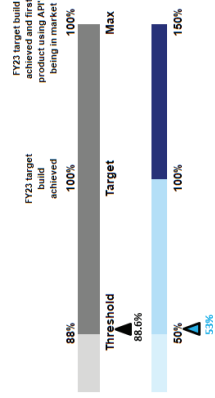
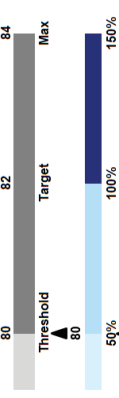
The Board evaluated Telstra's performance against the primary performance measures. The threshold, target and maximum levels for each measure (as outlined in our 2022 Remuneration Report) were set to be robust and appropriately demanding, taking into account the key deliverables and milestones outlined in our T25 strategy, planned financial outcomes contained within our Corporate Plan and FY23 guidance as announced on 11 August 2022. The changes to the EVP scorecard in FY23 were described in our FY22 Remuneration Report. The levels for all financial measures were determined in line with market guidance, with each target level approximating the midpoint of that guidance and each maximum level equal to or above the maximum guidance range. It remains the Board's view that the levels were robust and demanding in the face of an exceptionally challenging market.

The Board maintained absolute discretion to ensure the EVP Scorecard Outcome was appropriate, taking into account matters including Telstra's performance, customer experience and shareholder expectations. The Board determined that the primary performance measure outcomes and the EVP Scorecard Outcome for FY23 would be driven by the results achieved. No adjustments were made.

The EVP Scorecard Outcome for FY23 was 93.7% of the target opportunity (62.5% of maximum).

Measures	Weighting	Targets and Performance Outcomes	Weighted Result (% of Target)	Additional information
 Total Income (\$m) Is Telstra External Income excluding finance income	15%		9.4%	Total Income of \$23,245m was reported by Telstra for FY23. The calculation of this result was audited by our external auditor, EY. There have been no adjustments to the actual results included for the EVP scorecard outcome.
 Underlying EBITDA (\$m) is Earnings Before Interest, Tax, Depreciation & Amortisation, and excludes net one-off nbn DA receipts less nbn net C2C, one-off restructuring costs and guidance adjustments	15%		14.8%	Underlying EBITDA of \$7,950m was reported by Telstra for FY23. The calculation of this result was reviewed by our external auditor, EY. There have been no adjustments to the actual results included for the EVP scorecard outcome.
 Free Cash Flow (\$m) Free Cash flow after lease payments defined as 'operating cash flows' less	15%		15.5%	FCF on a guidance basis of \$2,784m was reported by Telstra for FY23. The calculation of this result was reviewed by our external auditor, EY. There have been no adjustments to the actual results included for the EVP scorecard outcome.

Measures	Weighting	Targets and Performance Outcomes	Weighted Result (% of Target)	Additional information
'investing cash flows', less 'payments for lease liabilities, and excludes spectrum and guidance adjustments				
 Underlying Return on Capital Total NOPAT less guidance adjustments after tax, less net nbn one-off earnings after tax, divided by Average Invested Capital	15%		18.8%	Underlying ROIC of 8.1% was reported by Telstra for FY23. The calculation of this result was reformed by our external auditor, EY. There have been no adjustments to the actual results included for the EVP scorecard outcome. Assessed performance on this measure was therefore 8.1%, which was between the FY23 EVP target and maximum.
 Episode NPS Measures our customer experience from feedback on each transaction using a Net Promoter Score	15%		22.5%	The overall Episode NPS is a weighted calculation of survey results from Telstra business segments – 65% Consumer and Small Business (combined calculation) and 35% Enterprise (Telstra Enterprise Australia only). At the end of FY23 our Episode NPS was +43, which was above the FY23 EVP maximum. The calculation of this result was reformed by our external auditor, EY. This result is largely an outcome of the ongoing focus across the business on digitisation, simplification and customers. Migration of customer sales onto our strategic stack has meant our people and customers benefit from faster and improved support using the latest tools and simplified processes. This has improved straight through processing and reduced cycle times, resulting in increased NPS and reduced complaints.
 RepTrak Measures our reputation score on the RepTrak index	10%		0.0%	Telstra's FY23 annual RepTrak Reputation Score was 63.5, measured as the average of four quarters. The calculation of this result was reformed by our external auditor, EY. Our performance on this measure has been climbing steadily since Q1 and in Q4 we achieved our highest results in 15 years. This improvement was achieved despite a decline of -0.8 points in the year-on-year average of the RepTrak Benchmark 60 (an index of the largest 60 brands in Australia by revenue and market presence). Despite strong second half results, our overall annual average was below the FY23 EVP threshold.

Measures	Weighting	Targets and Performance Outcomes	Weighted Result (% of Target)	Additional Information
 Responsible Business Our % reduction in absolute scope 1 + 2 greenhouse gas emissions from our FY19 baseline (excludes Digicel Pacific)	5%	 17% Threshold 20% Target 23% Max 30% 50% 100% 150% 150%	7.5%	Telstra's FY23 Responsible Business score was a 30% reduction in absolute scope 1 + 2 greenhouse gas emissions from our FY19 baseline. The calculation of this result was reperformed by our external auditor, EY. The assessed performance on this measure was above the FY23 EVP maximum. Our FY23 result of a 30% reduction was driven from grid decarbonisation (reducing emissions from Australian grid electricity consumption) and Telstra's equipment decommissioning and energy efficiency programs. Excludes Digicel Pacific which Telstra acquired during FY23
 Digital Leadership % achievement of our target build of Application Programming Interfaces	5%	 88% Threshold 100% Target 100% Max 100% 50% 100% 150% 150%	2.6%	Telstra's FY23 Digital Leadership score was 88.6%. The calculation of this result was reperformed by our external auditor, EY. The assessed performance on this measure was between the FY23 EVP threshold and target. During the year we completed 31 of 35 APIs required to support the launch of Adaptive Networks – SD-WAN (software-defined wide area network). The remaining four APIs are scheduled for delivery in FY24 and we expect the launch of Adaptive Networks during 2024.
 People Capability & Engagement Maintain employee engagement in the high-performing norm (90th percentile)	5%	 80 Threshold 82 Target 84 Max 84 50% 100% 150% 150%	2.5%	The employee engagement result for the last quarter of FY23 was 80. The calculation was reperformed by our external auditor, EY. The assessed performance on this measure was at the FY23 EVP threshold. Our employee engagement score of 80 places us above the 75th percentile for engagement (a score of 79), but two points below our target, being in the 90th percentile of global companies (a score of 82). In FY23, company-wide and function-wide action plans were introduced to tackle the main opportunity areas raised by our employees. The actions in these plans were influenced by previous Experience Pulse surveys. An example is our commitment to improving how we support people to build unique and fulfilling careers. We are investing in AI-driven talent technology that delivers clear career paths and promotes job mobility and upskilling.
Total			% of Target 93.7% % of Max 62.5%	

2.3 Individual performance and the exercise of Board discretion in determining Individual EVP Outcomes

The EVP Scorecard Outcome (outlined above) was an input into each Senior Executive's Individual EVP Outcome. As outlined in Section 2.1, each Senior Executive's Individual EVP Outcome was determined taking into consideration the EVP Scorecard Outcome, their "at target" EVP reward opportunity and their performance (including, in the case of the GEs, their performance relative to each other). The Individual EVP Outcome for each Senior Executive was determined by multiplying the EVP Scorecard Outcome by a percentage reflecting each participant's individual performance relative to their peers in the executive team. For each Senior Executive with a performance rating of 3 (on our 1 to 5 scale), this percentage was in the range 90% to 110%. For those with a performance rating of 4 or 5, the percentage used was higher to reflect their relative individual performance. In all cases the maximum possible Individual EVP Outcome, including both company performance (the EVP Scorecard Outcome) and individual performance (from the multiplier percentage), will always be 300% of the individual's Fixed Remuneration.

The Board also had discretion, in determining a Senior Executive's Individual EVP Outcome, to take into account factors in accordance with its decision framework such as any material risk events identified, the severity of their impact and the executive's accountability for the matter.

At the end of the 2023 financial year:

- the CEO's individual performance was assessed by the Board in accordance with the annual performance evaluation process for the CEO, taking into account a range of considerations including her individual scorecard performance, leadership behaviour and conduct and effective application of risk management practices; and
- each Group Executive's individual performance was assessed by the CEO in accordance with an annual performance evaluation process, taking into account a range of considerations including the Group Executive's individual scorecard performance, leadership behaviour and conduct, effective application of risk management practices and performance relative to the other GEs. The CEO's recommended assessment for each Group Executive was provided to the People and Remuneration Committee for endorsement, and then to the Board for approval.

Please refer to Table 2.5(c) for the FY23 Individual EVP Outcomes.

2.4 FY19 EVP Performance Rights RTSR Outcome

Performance Rights that were awarded under the FY19 EVP and allocated in November 2019, were subject to an RTSR performance condition measured over a five year performance period from 1 July 2018 to 30 June 2023. The Performance Rights were only to vest if Telstra's RTSR ranked at the 50th percentile or greater against a comparator group comprising the ASX100 (excluding resource companies) as at 1 July 2018 over the performance period. Each Performance Right that vested following testing of the performance condition entitled a Senior Executive to one Telstra share (or, at Telstra's discretion, a cash amount equal to the value of one Telstra share).

The RTSR performance condition for the Performance Rights was tested following the conclusion of the performance period on 30 June 2023 and the results and vesting outcome are detailed below. The results were calculated by an external provider.

FY19 EVP Vesting Outcomes ¹			
Test date	Performance Condition	Percentile Rank	Vesting
30 June 2023	RTSR measured against the ASX100 (excluding resource companies) as at 1 July 2018	93rd Percentile	100%

- As a result of the Restructure, Telstra's RTSR performance over the performance period took into account Telstra Corporation Limited's performance up until 31 October 2022 (the date it was replaced by Telstra Group Limited as the parent entity of the Telstra Group) and Telstra Group Limited's performance after that time.

The Board had discretion to remove companies from the comparator group in circumstances such as acquisitions, insolvency and delistings. The Board exercised its discretion under the FY19 EVP terms to remove the following companies from the comparator group prior to the calculation of the vesting results.

FY19 EVP Peer Group Removals	
Company removed from the Peer Group	Reason for removal
Investa Office Fund	Acquisition
Spark Infrastructure Group	Merger
Healthscope	Acquisition
Duluxgroup	Acquisition
TPG Telecom Limited	Merger
Coca-Cola Group Limited	Acquisition
Ausnet Services Limited	Merger
Sydney Airport	Merger
Cimic Group Limited	Acquisition
Pendal Group Limited	Acquisition
Crown Resorts	Acquisition

2.5 Detailed remuneration and interests in Telstra shares

The tables in this section disclose Senior Executive information and only represent their time as Senior Executives.

(a) Actual pay which crystallised in FY23 for Senior Executives

As a general principle, the Australian Accounting Standards require the value of share-based payments to be calculated at the time of grant and to be expensed over the performance period and applicable service period. This may not reflect what Senior Executives actually received or became entitled to during the year.

The tables in this section are voluntary disclosures and are not prepared in accordance with Australian Accounting Standards. They are designed to provide greater transparency for shareholders on the pay and benefits the Senior Executives actually received, or became entitled to receive, during FY23 while they were a Senior Executive.

Senior Executives receive a significant portion of their variable remuneration in the form of equity. The value they actually receive from that variable remuneration is tied directly to Telstra's share price performance and whether the variable remuneration vests. We believe this demonstrates that our reward framework effectively aligns with our shareholders' interests and demonstrates the linkage between pay and performance.

The statutory tables for Senior Executive remuneration can be found in Sections 2.5(b) to (e).

The following table details the actual remuneration Vicki Brady (the CEO from 1 September 2022) received, or became entitled to receive, during FY23 in comparison to FY22. The increase in actual remuneration received by Vicki Brady reflects the fact that she was CFO in FY22 and promoted to the CEO role on 1 September 2022 on the Fixed Remuneration of her predecessor. The increase in Vicki Brady's Fixed Remuneration on promotion increased the dollar value of her variable remuneration (EVP) at target. Her leadership performance in FY23 and strong delivery of the first year of our T25 strategy is reflected in her FY23 EVP award. As flagged last year, the new EVP methodology is designed to deliver a higher level of reward at higher levels of individual performance. The value of equity increased year on year due to the vesting of performance rights under the FY19 EVP and more Restricted Shares (relating to variable remuneration earned in prior financial years) became unrestricted in FY23 relative to FY22. Restricted Shares under Tranche 3 of the FY20 EVP, Tranche 2 of the FY21 EVP and Tranche 1 of the FY22 EVP became unrestricted on 30 June 2023. In addition, equity in FY23 is valued at a five year high of \$4.30 per share. In FY22 it was valued at \$3.85 per share.

Name	Year	Fixed Remuneration (\$000)	Individual EVP Outcome payable as cash (\$000) ²	Value of EVP Restricted Shares that became unrestricted (\$000) ^{3,4}	Value of EVP Performance Rights and other rights that vested (\$000) ^{3,5}	Total (\$000)
Vicki Brady CFO/CEO	2023	2,164	1,231	637	359	4,391
CFO	2022 ¹	1,200	570	381	-	2,151

- As reported in our 2022 Remuneration Report.
- For FY23, amount relates to the cash component of the FY23 EVP, earned in FY23 and payable in September 2023. For FY22, the amount relates to the cash component of the FY22 EVP, earned in FY22 and paid in September 2022.
- Equity in this table has been valued based on Telstra's share price at 30 June for each respective year. For FY23 this price is \$4.30 and for FY22 this price is \$3.85.
- Amount relates to the value of variable remuneration earned in prior financial years which was provided as Restricted Shares. For the amount reported for FY23, the Restriction Period for these shares ended on 30 June 2023 and relates to Tranche 3 of the FY20 EVP, Tranche 2 of the FY21 EVP and Tranche 1 of the FY22 EVP. For the amount reported for FY22, the Restriction Period for these shares ended on 30 June 2022 and relates to the Tranche 2 of the FY20 EVP and Tranche 1 of the FY21 EVP.
- The outcome of the FY19 EVP was that 100% of the Performance Rights vested.

The following table details the actual remuneration Senior Executives (other than the CEO) received or became entitled to receive during FY23.

Name	Fixed Remuneration (\$000)	Individual EVP Outcome payable as cash (\$000) ¹	Value of EVP Restricted Shares that became unrestricted (\$000) ^{2,3}	Value of EVP Performance Rights that vested (\$000) ^{2,4}	Total (\$000)
Michael Ackland	1,208	703	605	870	3,386
Kim Krogh Andersen	1,076	511	442	-	2,029
David Burns	1,126	432	568	873	2,999
Nikos Katinakis	1,076	511	541	706	2,834
Brendon Riley	1,376	670	731	1,177	3,954
Dean Salter	926	437	197	-	1,560
Brad Whitcomb	519	240	-	-	759

The table only includes Senior Executives (other than the CEO) who held that position as at 30 June 2023.

- Amount relates to the cash component of the FY23 EVP, earned in FY23 and payable in September 2023.
- Equity in this table has been valued based on the Telstra closing share price on 30 June 2023 of \$4.30.
- Amount relates to the value of Restricted Shares awarded under the FY20 (Tranche 3), FY21 (Tranche 2) and FY22 (Tranche 1) EVPs which were earned in a previous year, but subject to a Restriction Period ending 30 June 2023.
- The outcome of the FY19 EVP was that 100% of the Performance Rights vested.

(b) Senior Executive remuneration (main table)

The table below has been prepared in accordance with the requirements of the Corporations Act and the relevant Australian Accounting Standards and relates only to the periods that the person was a Senior Executive. The figures provided under the equity settled share-based payments columns are based on accounting values and do not reflect actual payments received by Senior Executives. As continuing employment conditions and/or performance conditions apply, not all Restricted Shares, Performance Rights and Cash Rights may vest.

Name and title	Year	Short-term employee benefits				Post-employment benefits	Termination Benefits	Other long-term benefits		Share-based payments Accounting value (at risk) (\$) ⁸			
		Salary and fees (\$'000) ¹	EVP Cash (\$'000) ²	Non-monetary benefits (\$'000) ³	Other (\$'000) ⁴			Accrued leave benefits ⁷ (\$'000)	Dividend Equivalent Payment Accrual (\$'000)	Restricted Shares (\$'000) ⁹	Performance Rights (\$'000) ¹⁰	Cash Rights (\$'000) ¹¹	Total (\$'000)
Vicki Brady CEO	2023	2,164	1,231	50	41	25	-	59	110	1,025	543	-	5,248
	2022	1,176	570	33	(20)	24	-	30	69	618	321	-	2,821
Michael Ackland CFO	2023	1,208	703	-	24	25	-	31	124	786	411	-	3,312
	2022	1,100	600	1	54	24	-	28	81	605	309	-	2,802
Kim Krogh Andersen GE P&T	2023	1,076	511	4	21	25	-	27	66	596	244	-	2,570
	2022	1,025	431	120	15	24	-	27	31	482	169	-	2,324
David Burns GE TE	2023	1,126	432	10	(35)	25	-	28	123	598	360	-	2,667
	2022	1,126	440	3	(19)	24	-	28	85	544	296	-	2,527
Nikos Katinakis GE G&NT	2023	1,076	511	18	(51)	25	-	27	112	614	350	-	2,682
	2022	1,076	410	31	-	24	-	27	76	520	274	-	2,438
Brendon Riley GE & CEO InfraCo	2023	1,376	670	45	(16)	25	-	35	160	828	484	-	3,607
	2022	1,376	553	38	(46)	24	-	35	110	713	411	-	3,214
Dean Salter GE GBS	2023	926	437	10	(4)	25	-	23	23	415	138	-	1,993
	2022	926	375	1	21	24	-	23	5	258	76	-	1,709
Brad Whitcomb GE C&SB	2023	519	240	7	111	13	-	13	-	62	18	-	983
	2022	-	-	-	-	-	-	-	-	-	-	-	-
Andrew Penn Former CEO	2023	400	228	18	(6)	6	-	10	54	111	152	978	1,951
	2022	2,366	1,113	43	(26)	24	-	59	198	1,220	1,439	1,965	8,401
Alex Badenoch Former GE TC&P	2023	437	210	-	28	19	838	11	58	785	703	225	3,314
	2022	906	495	2	(5)	24	-	23	84	532	313	-	2,374
Total current and former KMP	2023	10,308	5,173	162	113	213	838	264	830	5,820	3,403	1,203	28,327
	2022	11,077	4,987	272	(26)	216	-	280	739	5,492	3,608	1,965	28,610

In the table above, EVP Cash, Restricted Shares, Performance Rights and Cash Rights are dependent on the satisfaction of performance conditions (an overview of those performance conditions is included above in Section 2.1(c)). All other items are not related to performance.

1. Includes salary and salary sacrifice benefits (excluding salary sacrifice superannuation which is included under Superannuation), and where applicable is adjusted for leave without pay. Andrew Penn entered into a consultancy agreement to provide ongoing advice and guidance to Telstra for 6 months following his retirement (until 30 March 2023) and received fees of \$10,000 per month. As he was no longer KMP following his retirement, these fees are not included in the table above.
2. For FY23, the amounts relate to performance in FY23 under the FY23 EVP, which will be paid in September 2023. For FY22, the amounts relate to cash amounts paid for performance in FY22 under the FY22 EVP. Those cash amounts were paid in September 2022.
3. Includes the cost of personal use of Telstra products and services, the provision of car parking and where applicable, benefits in accordance with Telstra's relocation policy for those executives who were repatriated or relocated to Australia in recent years. Where applicable, the value of non-monetary benefits has been grossed up for FBT by the relevant FBT rates.
4. Includes the net movement of annual leave entitlement balance and, for Brad Whitcomb a sign on payment of \$70,500.
5. Represents company contributions to superannuation. Telstra does not provide any other post-employment benefits. Includes an increase in super contributions for FY23, partially funded from salary and fees, due to indexation of the Maximum Superannuation Contribution Base.
6. Termination benefits for Alex Badenoch of \$837,792 comprised of a \$362,190 payment in lieu of notice and a \$475,602 termination payment as per her employment contract. No termination benefits were paid to Andrew Penn on retirement, only statutory leave was paid out. The termination benefits provided to Alex Badenoch were paid in compliance with Part 2D.2, Division 2 of the Corporations Act.
7. Includes the net movement of long service leave entitlement balances.
8. The accounting values included in the table relate to the current year amortised value of all Restricted Shares, Performance Rights and Cash Rights that had not yet fully vested at the commencement of the financial year. The value of each equity instrument is calculated by applying valuation methodologies or is based on the market value of Telstra shares at the grant date as described in note 5.2 to the financial statements and is then amortised, based on the maximum achievable allocation, over the relevant vesting period. This value includes an assumption that the instruments will vest at the end of the vesting period unless forfeited during the financial year.
9. This includes the amortised value of the Restricted Share component of the FY23, FY22, FY21 and FY20 EVPs. As the Board exercised discretion to permit Andrew Penn to retain his 404,414 FY21 EVP Restricted Shares in FY22, these shares have been accounted under AASB 2 as a forfeiture and replacement award and their fair value has been remeasured totalling \$1.465 million. The original fair value was \$1.602 million. No Board discretion was exercised in relation to Alex Badenoch's Restricted Shares.
10. This includes the amortised value of the Performance Right component of the FY23, FY22, FY21, FY20 and FY19 EVPs.
11. As required under AASB 2, the accounting expense for the FY22 Cash Rights awarded to Andrew Penn and FY23 Cash Rights that will be awarded to Andrew Penn and Alex Badenoch in lieu of Restricted Shares and Performance Rights have been fully recognised in this reporting period even though the EVP Cash Rights will not be eligible to vest until the end of their respective restriction and performance periods. The FY23 Cash Rights are subject to the same time conditions and performance measures as those applying to FY23 Restricted Shares and Performance Rights to be allocated to other Senior Executives.

(c) FY23 EVP Payments (cash and equity)

Name	Breakdown of FY23 Individual EVP Outcomes ¹						
	Maximum potential EVP opportunity (\$000) ²	25% Cash component (\$000)	35% Restricted Shares component ³ (\$000)	40% Performance Rights component (\$000)	Individual EVP Outcome	% of maximum opportunity earned	% of maximum opportunity forfeited
Vicki Brady	6,564	1,231	1,722	1,968	4,921	75.0%	25.0%
Michael Ackland	3,750	703	984	1,124	2,811	75.0%	25.0%
Kim Krogh Andersen	3,304	511	715	817	2,043	61.8%	38.2%
David Burns	3,454	432	604	690	1,726	50.0%	50.0%
Nikos Katinakis	3,304	511	715	817	2,043	61.8%	38.2%
Brendon Riley	4,204	670	937	1,071	2,678	63.7%	36.3%
Dean Salter	2,854	437	612	700	1,749	61.3%	38.7%
Brad Whitcomb	1,571	240	337	385	962	61.2%	38.8%
Andrew Penn ⁴	1,219	228	320	365	913	75.0%	25.0%
Alex Badenoch ⁴	1,376	210	295	337	842	61.2%	38.8%

1. The FY23 Individual EVP Outcomes were approved by the Board on 15 August 2023.
2. Represents the maximum potential EVP opportunity specific to their time as Senior Executives for FY23, adjusted for any variation in Fixed Remuneration or any leave without pay taken throughout FY23 that impacts the maximum potential EVP opportunity available. If the minimum threshold performance is not met, the minimum possible EVP payment is nil.
3. The Restricted Shares and Performance Rights awarded are expected to be allocated shortly after Telstra's 2023 Annual General Meeting and are subject to Restriction Periods and performance periods (as set out in Section 2.1(c)) and the Senior Executive's continued employment.
4. As Andrew Penn and Alex Badenoch ceased employment for Permitted Reasons before the allocation of their FY23 Restricted Shares and Performance Rights under the EVP, they will be granted Cash Rights in lieu of those Restricted Shares and Performance Rights.

(d) Number and value of rights over equity instruments allocated, vested and exercised during FY23

As a result of the Restructure, Performance Rights and Restricted Shares under the FY22 EVP were granted by the new parent entity of the Telstra Group, Telstra Group Limited. All Restricted Shares on issue at the time the top hat component of the scheme forming part of the Restructure was implemented (being 31 October 2022) were treated in the same way as shares held by other Telstra shareholders. Telstra Corporation Limited Restricted Shares were exchanged for Telstra Group Limited Restricted Shares on a one-for-one basis. All Performance Rights on issue at the time the top hat component of the scheme was implemented were amended to provide that a Telstra Group Limited share (or cash amount equivalent to such share) will be provided on the vesting of any Performance Right. There was no change to the fair market value of the Performance Rights as a result of the amendment. The closing price of Telstra Group Limited shares on the ASX on 31 October 2022 was \$3.92.

Name	Equity Movements						
	Total rights held at 1 July 2022 ¹	Rights allocated during FY23 ²	Value of rights allocated (\$000) ³	Rights vested / exercised during FY23 ⁴	Value of rights vested / exercised (\$000) ⁵	Other changes (lapsed rights)	Total rights held at 30 June 2023 ⁶
Vicki Brady	535,984	224,918	551	(83,562)	165	-	677,340
Michael Ackland	608,332	236,756	400	(202,232)	400	-	642,856
Kim Krogh Andersen	300,255	170,168	288	-	-	-	470,423
David Burns	633,796	173,621	293	(203,130)	402	-	604,287
Nikos Katinakis	577,110	161,783	273	(164,095)	325	-	574,798
Brendon Riley	832,639	218,013	368	(273,721)	542	-	776,931
Dean Salter	61,108	147,972	250	-	-	-	209,080
Brad Whitcomb	-	-	-	-	-	-	-
Andrew Penn	1,471,653	-	-	(558,281)	1,407	-	913,372
Alex Badenoch	615,277	195,324	330	(224,842)	445	-	585,759

All service and performance conditions for rights granted in previous financial years are summarised in the Remuneration Report for each relevant year of grant. Each equity instrument granted, vested or exercised in FY23 (where applicable) in the table above was issued by Telstra Corporation Limited (if issued prior to the Restructure) or Telstra Group Limited (if issued after the Restructure) and resulted or will result (on vesting and exercise) in one ordinary Telstra Group Limited share (or, at Telstra Group Limited's discretion, a cash amount equal to the value of one ordinary Telstra Group Limited share) being provided to the holder per equity instrument. No amount is payable by the KMP on grant, vesting or exercise of their rights. Restricted Shares are excluded from this table. Refer to Sections 2.5(c) and (e) for further information.

1. The balance reflects the number of equity instruments held on the later of 1 July 2022 or the date on which the executive commenced as a KMP. Refer to the list of KMP at the beginning of this report for further information.
2. Rights allocated during FY23 were the FY22 EVP Performance Rights allocated on 21 November 2022. Approval for the issue of FY22 EVP Performance Rights allocated to Vicki Brady was obtained from shareholders at our 2022 AGM, and as a result the grant date of those awards for accounting purposes is considered to be the date of that AGM as described in note 2 below. The FY23 EVP Performance Rights will be allocated shortly after Telstra's 2023 AGM, refer to Section 2.1 for more information. Approval for the issue of FY23 EVP Performance Rights to be allocated to Vicki Brady will be sought from shareholders at our 2023 AGM, and as a result the grant date of those awards for accounting purposes will be considered to be the date of the 2023 AGM (rather than 12 August 2022).
3. The fair value reflects the valuation approach required by AASB 2 using an option pricing model for Performance Rights granted. The fair value of the Performance Rights allocated in FY23 under the FY22 EVP are based on the grant dates of 11 October 2022 for the CEO and 11 August 2021 for all other Senior Executives, respectively. The fair value of Performance Rights granted under the FY22 EVP are \$2.45 for the CEO, and \$1.69 for Senior Executives.
4. Rights vested in this column relate to the Performance Rights awarded under the FY19 EVP that was performance tested following the conclusion of the performance period on 30 June 2023 and resulted in 100% of the Performance Rights vesting. These will be provided as shares following the date of this report.
5. The fair value reflects the valuation approach required by AASB 2 using an option pricing model for Performance Rights granted. The fair value of the Performance Rights vested under the FY19 EVP are based on the grant dates of 15 October 2019 for Andrew Penn and 11 October 2018 for all other Senior Executives, respectively. The fair value of Performance Rights vested under the FY19 EVP are \$2.52 for Andrew Penn and \$1.98 for all other Senior Executives.
6. The balance reflects the number of shares held at 30 June 2023 or, if earlier, the date on which the executive ceased to hold the KMP position. Refer to the list of KMP at the beginning of this report for further information.

There are no Performance Rights or options held by any KMP's related parties and no Performance Rights or options held indirectly or beneficially by our KMP. As at 30 June 2023, there were no options or Performance Rights vested, or vested and exercisable or vested and unexercisable, except for the FY19 EVP Performance Rights. As outlined in Section 2.4, the secondary performance condition applying to the FY19 EVP Performance Rights was tested following the conclusion of the performance period on 30 June 2023 and 100% of those Performance Rights vested. Shares will be provided in respect of those vested Performance Rights following the date of this report.

(e) Senior Executive interests in Telstra shares

During FY23, our Senior Executives and their related parties held Telstra shares directly, indirectly or beneficially as follows:

Name	Total shares held at 1 July 2022 ^{1,2}	Restricted Shares allocated ³	Net shares acquired or disposed of and other changes ⁴	Total shares held at 30 June 2023 ⁵	Number of shares held nominally at 30 June 2023 ^{5,6}
Vicki Brady	575,085	196,803	-	771,888	441,137
Michael Ackland	886,513	207,161	(55,000)	1,038,674	1,038,674
Kim Krogh Andersen	262,723	148,897	-	411,620	325,996
David Burns	740,018	151,918	(400,000)	491,936	384,967
Nikos Katinakis	530,785	141,560	-	672,345	366,445
Brendon Riley	1,507,606	190,761	(500,000)	1,198,367	1,198,367
Dean Salter	58,969	129,476	-	188,445	175,078
Brad Whitcomb	-	-	-	-	-
Andrew Penn	2,556,435	-	-	2,556,435	559,505
Alex Badenoch	597,980	170,908	-	768,888	380,832
Total	7,716,114	1,337,484	(955,000)	8,098,598	4,871,001

1. Total shareholdings include shares held by our Senior Executives and their related parties. Unless related to our employee share plans, shares acquired or disposed of by our Senior Executives and their related parties during FY23 were on an arms length basis at market price.
2. Reflects the number of shares held on the later of 1 July 2022 or the date on which the executive commenced as a KMP. Refer to the list of KMP at the beginning of this report for further information.
3. Restricted Shares in this column were allocated on 21 November 2022 and relate to the FY22 EVP. The approval for the issue of Restricted Shares allocated to Vicki Brady was obtained from shareholders at our 2022 Annual General Meeting. For his FY22 EVP award, Andrew Penn was awarded Cash Rights and not Restricted Shares. The Restricted Shares under the FY23 EVP will be made after the reporting date of 30 June 2023, therefore they have not been included in the table above.
4. For Michael Ackland, David Burns and Brendon Riley the movement relates to sale of shares.
5. The balance reflects the number of shares held at 30 June 2023 or, if earlier, the date on which the executive ceased to hold the KMP position. Refer to the list of KMP at the beginning of this report for further information.
6. Nominally refers to shares held either indirectly or beneficially by Senior Executives and shares held by their related parties including certain Restricted Shares held beneficially by Senior Executives. These shares are subject to a Restriction Period, such that the Senior Executive is restricted from dealing with the shares until the Restriction Period ends. Refer to note 5.2 to the financial statements for further details.

3.0 Non-executive Director remuneration

3.1 FY23 fee structure

Telstra non-Executive Directors

Our non-executive Directors are remunerated with set fees and do not receive any performance-based pay. This enables non-executive Directors to maintain independence and impartiality when making decisions affecting the future direction of the Company.

Superannuation contributions are included within each non-executive Director's total remuneration, in accordance with the ASX Listing Rules and Telstra policy. Non-executive Directors may choose to increase the proportion of their remuneration taken as superannuation, subject to legislative requirements.

Telstra does not provide retirement benefits for non-executive Directors other than the superannuation contributions noted above.

Sections 1.1(g) and (h) of this report provide details of the share ownership policy and securities trading restrictions that apply to our non-executive Directors. Section 3 provides full details of non-executive Director remuneration for FY23.

Non-executive Directors are remunerated in accordance with Telstra's Constitution, which provides for an aggregate fee pool that is set, and varied, only by approval of a resolution of shareholders at the AGM. The current annual fee pool of \$3.5 million was approved by shareholders at Telstra's 2012 AGM. The total of Board and Committee fees, including superannuation, paid to non-executive Directors in FY23 remained within the approved fee pool.

TCL Management Directors

The three TCL Management Directors are provided with separate and specific remuneration in their capacity as TCL Directors. That remuneration comprises a set fee and they do not receive any other remuneration or any performance-based pay in their capacity as TCL Directors. Superannuation contributions are included within these Director fees where required by legislation, and in accordance with the ASX Listing Rules and Telstra policy. Individuals may choose to increase the proportion of their remuneration taken as superannuation, subject to legislative requirements.

TCL does not provide retirement benefits for the TCL Management Directors other than the superannuation contributions noted above and they do not have a minimum TGL shareholding requirement. However, the TGL securities trading restrictions described in Sections 1.1(h) of this report do apply.

(a) Telstra non-Executive Directors FY23 Board and standing Committee fees

On an annual basis the Board conducts a market review of Board fees. Before FY23, the Chair fee and non-executive Director annual base fee had not changed since 2014 and 2012 respectively.

As reported in our 2022 Remuneration Report, from 1 October 2022, the Board determined to increase the Board Chair fee from \$775,000 to \$790,000 (1.9% increase) and the non-executive director Board fee from \$235,000 to \$240,000 (2.1% increase). The People and Remuneration Committee member fee had not changed since 2017 and, from 1 October 2022, increased by 1.8% from \$28,000 to \$28,500. The total of Board and Committee fees remains within the approved fee pool.

The Board and standing Committee fee structure (inclusive of superannuation) during FY23 was:

FY23 Board Fees	Chair	Non-executive Director (annual base fee)
Board	\$790,000	\$240,000
FY23 Committee Fee	Chair	Committee Member
Audit & Risk Committee	\$70,000	\$35,000
People and Remuneration Committee	\$56,000	\$28,500
Nomination Committee*	-	-

*All non-executive Directors are members of the Nomination Committee and do not receive a fee for this Committee.

The Board Chair does not receive Committee fees if he is a Member of a Board Committee. No remuneration for additional or special duties was paid to non-executive Directors in FY23.

Following the FY23 market review of Board fees, from 1 October 2023 the Board has determined to increase the People and Remuneration Committee Chair annual fee from \$56,000 to \$58,000 (3.6% increase) and the People and Remuneration Committee member fee from \$28,500 to \$29,500 (3.5% increase). The total of Board and Committee fees will remain within the approved fee pool.

(b) TCL Management Directors FY23 Board fees

The TCL Board fee structure (inclusive of superannuation) from 1 January 2023 is detailed below. The TCL Board Chair is the GE and CEO InfraCo, who does not receive separate fees and whose remuneration is set out in Section 2.5(b).

FY23 Board Fees	Chair	TCL Management Director (annual base fee)
Board	No fee	\$10,000

(c) Changes to the Board and Committee composition

There were a number of changes to Telstra Board and Committee composition during FY23.

- Nora Scheinkestel retired as a Telstra non-executive Director effective 11 October 2022;
- Bridget Loudon was appointed as a member of the Telstra People and Remuneration Committee on 13 October 2022;
- Ming Long was appointed to the Telstra Board and as a member of the Telstra Nomination Committee on 1 January 2023;
- Ming Long was appointed as a member of the Telstra People and Remuneration Committee and as a member of the Telstra Audit and Risk Committee on 15 February 2023;
- Maxine Brenner was appointed to the Telstra Board and as a member of the Telstra Nomination Committee and Telstra Audit and Risk Committee on 17 February 2023; and
- Elana Rubin was appointed to the Telstra Audit and Risk Committee on 13 October 2022 and ceased to be a member of the Telstra Audit and Risk Committee from 17 February 2023.

On 1 January 2023, the previous TCL directors resigned, and the following new directors were appointed to TCL.

- Rachel Johnson-Kelly
- Kathryn Jones
- Douglas Rogerson
- Brendon Riley.

3.2 Detailed remuneration and interests in Telstra shares

(a) Telstra Non-executive Director remuneration

Name and title	Year	Short-term employee benefits		Post- employment benefits	Total (\$000) ⁹
		Salary and fees (\$000) ¹	Non-monetary benefits (\$000) ²	Superannuation (\$000) ³	
John P Mullen	2023	761	15	25	801
Chair	2022	751	11	24	786
Eelco Blok⁴	2023	234	-	5	239
Director	2022	231	-	4	235
Maxine Brenner⁵	2023	93	-	9	102
Director	2022	-	-	-	-
Roy H Chestnutt⁴	2023	269	-	5	274
Director	2022	265	-	5	270
Craig W Dunn	2023	283	1	25	309
Director	2022	292	1	24	317
Ming Long⁵	2023	131	-	13	144
Director	2022	-	-	-	-
Bridget Loudon⁶	2023	235	-	24	259
Director	2022	214	1	21	236
Elana Rubin⁷	2023	349	4	-	353
Director	2022	253	1	6	260
Nora L Scheinkestel⁸	2023	76	-	7	83
Director	2022	283	1	24	308
Niek Jan van Damme⁴	2023	262	-	5	267
Director	2022	258	-	5	263
Total	2023	2,693	20	118	2,831
	2022	2,547	15	113	2,675

1. Includes fees for membership on Board standing committees and remuneration for payroll adjustments, additional or special duties (where applicable). In FY22, the following non-executive Directors received remuneration for additional or special duties: Craig Dunn (\$11,000) and Nora L Scheinkestel (\$9,000). No remuneration for additional or special duties was paid to non-executive Directors in FY23.

2. Includes the provision of car parking as well as the value of Telstra products and services provided to non-executive directors. The value of non-monetary benefits has been grossed up where required for FBT by the relevant FBT rates.

3. Includes an increase in super contributions for FY23, funded from salary and fees, due to indexation of the Maximum Superannuation Contribution Base.

4. As Eelco Blok, Roy Chestnutt, and Niek Jan van Damme are overseas residents, their superannuation contributions for FY23 and FY22 are less than the contributions for Australian resident non-executive Directors.

5. Maxine Brenner and Ming Long qualified as KMP from 17 February 2023 and 1 January 2023 respectively, when they were appointed as non-executive Directors of Telstra.

6. Includes a period of paid parental leave.

7. Includes \$42,162 payable from payroll reconciliation relating to prior periods. An employer superannuation guarantee shortfall exemption certificate has been granted by the ATO for the 2023 financial year. Based on the exemption approval Telstra has met the required Superannuation Guarantee obligation.

8. Nora L Scheinkestel (Director since August 2010) retired from the Board of Directors on 11 October 2022.

9. The total for FY22 of \$2,675 million in this table is different to the total for FY22 in the FY22 Remuneration Report of \$2,902 million as it does not include remuneration for Peter Hearl of \$147,000 or Margaret Seale of \$80,000.

(b) TCL Management Directors remuneration

Name and title	Year	Short-term employee benefits		Post-employment benefits	Total
		Salary and fees ¹	Non-monetary benefits	Superannuation	
Rachel Johnson-Kelly	2023	5,000	-	-	5,000
Management Director	2022	-	-	-	-
Kathryn Jones	2023	5,000	-	-	5,000
Management Director	2022	-	-	-	-
Douglas Rogerson	2023	5,000	-	-	5,000
Management Director	2022	-	-	-	-
Total	2023	15,000	-	-	15,000
	2022	-	-	-	-

1. The Management Directors were appointed on 1 January 2023 and so the annual fees described in 3.1b have been prorated in this table.

(c) Non-executive Directors' interests in Telstra shares

During FY23, TGL non-executive Directors and their related parties held Telstra shares directly, indirectly or beneficially as follows:

Name	Total shares held at 1 July 2022 ^{1,2}	Net shares acquired or disposed of and other changes ¹	Total shares held at 30 June 2023 ^{1,3}	Shares held nominally at 30 June 2023 ^{3,4}
John P Mullen	126,159	-	126,159	100,000
Eelco Blok	75,000	-	75,000	-
Maxine Brenner	-	-	-	-
Roy H Chestnutt	70,000	-	70,000	70,000
Craig W Dunn	73,173	-	73,173	72,473
Ming Long	26,000	25,589	51,589	-
Bridget Loudon	2,500	10,000	12,500	12,500
Elana Rubin	67,961	-	67,961	-
Nora L Scheinkestel	161,685	3,459	165,144	131,206
Niek Jan van Damme	77,000	-	77,000	-
Total	679,478	39,048	718,526	386,179

1. Total shareholdings include shares held by our non-executive Directors and their related parties. Shares acquired or disposed of by our non-executive Directors and their related parties during FY23 were on an arm's length basis at market price.
2. For Maxine Brenner and Ming Long, the balance as at 1 July 2022 represents shares held as at the date they became KMP.
3. For Nora L Scheinkestel, the balance as at 30 June 2023 represents shares held as at the date on which she ceased to be KMP.
4. Nominally refers to shares held either indirectly or beneficially by non-executive Directors including those shares held by their related parties.

4.0 Looking forward to FY24

4.1 Senior Executive Leadership Changes

During the year we were delighted to announce the appointment of Kathryn van der Merwe as Group Executive People, Culture and Communications. Kathryn commenced with Telstra on 3 July 2023.

4.2 FY24 Senior Executive Remuneration Framework

On an annual basis the Board conducts a market review of Senior Executive remuneration along with other factors including internal relativities and any growth in the accountabilities of Senior Executive roles.

Dean Salter commenced with Telstra on 19 February 2021 on a fixed remuneration of \$950,000. With an increase in the Superannuation Guarantee Charge, his fixed remuneration increased to \$951,205 on 1 July 2022. Since commencement, the accountabilities of Dean Salter's role have expanded and have become critical to the delivery of our T25 strategy. Field services and wideband construction teams have moved into Global Business Services to enable consistent investment in our critical field services capabilities and to ensure a consistent customer experience. Dean Salter also plays an increasingly critical role in Telstra delivering net cost reductions through productivity improvements, including the expansion and maturation of our global shared services operations.

The Board has determined to increase the fixed remuneration of Dean Salter, Group Executive Global Business Services, from \$951,205 to \$1,050,000. This change will take effect on 1 October 2023 and, with the exception of the regulated increase in the Superannuation Guarantee Charge, is the first increase in fixed remuneration for Dean Salter since his commencement nearly three years ago.

For FY24 we do not anticipate any other increases in Senior Executive Fixed Remuneration other than on appointment or promotion to a new role or due to a significant increase in accountabilities, nor do we intend on making any significant changes to the EVP remuneration structure.

4.3 FY24 EVP Performance Measures and Targets

It is our intention to continue to provide meaningful information to enable shareholders to assess the appropriateness of our remuneration targets and provide transparency over remuneration outcomes. The Board considers this an imperative as our operating environment requires careful shareholder consideration of the need to appropriately recognise and reward strong management performance for the value created for the Company and its shareholders.

The performance measures and targets selected by the Board are designed to focus the Senior Executives on delivering against the second year of our T25 strategy, and to help ensure that financial rewards are linked directly to their contributions, to company performance and to long-term shareholder value creation.

In setting the primary performance measures and targets for the FY24 EVP, the Board sought to ensure they were robust and sufficiently demanding, taking into account the key deliverables and milestones outlined in our T25 strategy and scorecard, planned financial outcomes contained within our FY24 Corporate Plan and FY24 guidance (as announced on 17 August 2023).

The targets that apply to the FY24 EVP do not constitute market guidance. Subsequent adjustments to guidance throughout the year (for example unplanned one-off events) and their impact on EVP outcomes will be considered both during the financial year as those events may occur and also at the end of the financial year, in accordance with established principles to ensure that outcomes appropriately reflect the performance of Senior Executives. Any adjustments that the Board makes will be fully disclosed to shareholders in next year's Remuneration Report. The Board also has the ability to amend the performance measures themselves if it considers it appropriate having regard to Telstra's business circumstances and priorities.

All of the following measures have been selected on the basis that they are directly linked to our T25 strategy.

FY24 EVP Performance Measures and Targets								
Performance Measure		Metric	Weighting	FY23 EVP Actual ^	FY24			Rationale for why chosen
					Threshold	Target	Max	
Financial 60% of total weighting	 Total Income	Telstra Income (excluding finance income)	15%	\$23,245m	Aligned to bottom end of Market Guidance*	Aligned to Midpoint of Market Guidance*	Aligned to top end of Market Guidance*	- Key indicator of financial performance. - Ensures continued focus on income and customer retention and growth. - Aligns to the growth and value pillar of our T25 scorecard.
	 Underlying EBITDA	Underlying EBITDA is Earnings Before Interest, Tax, Depreciation & Amortisation, and excludes guidance adjustments	15%	\$7,950m				- Key indicator of financial performance. - Ensures appropriate focus on profit and cost to deliver. - A strong indicator of underlying company profitability. - Aligns to the growth and value pillar of our T25 scorecard.
	 Free Cash Flow	Free Cashflow after lease payments defined as ‘operating cash flows’ less ‘investing cash flows’, less ‘payments for lease liabilities’, and excludes spectrum and guidance adjustments	15%	\$2,784m				- Key indicator of financial performance. - Appropriate for a capital-intensive business and critical in managing the Company’s ability to pay a dividend and maintain balance sheet strength. - Aligns to the growth and value pillar of our T25 scorecard.
	 Underlying Return On Invested Capital	Underlying ROIC is Total NOPAT less guidance adjustments after tax, divided by Average Invested Capital	15%	8.1%				- Key indicator of financial performance. - The introduction of this metric in FY23 reflects our T25 strategy focus on growth and financial returns. - Aligns to the growth and value pillar of our T25 scorecard.
Customer 25% of total weighting	 Episode NPS	Measures our customer experience from their feedback on each transaction using a Net Promoter Score	15%	+43	+43	+44	+45	- Focusses leaders on continuously improving the customer service experience, driving both customer attraction and retention. - Underpins companywide improvement programs focused on improving our operational excellence by identifying and eliminating the causes of unnecessary customer effort and pain points. - Aligns to the customer experience pillar of our T25 scorecard.

Strategic 15% of total weighting	 RepTrak	Measures our reputation score on the RepTrak index	10%	63.5	63.5	64.2	64.9	- Includes the sentiment of customers and non-customers, but also provides a broader, more holistic measure which picks up on all the key drivers of company reputation. - Focusses leaders on the Company's reputation in the community, with customers and prospective customers, and with prospective employees, driving both customer and employee attraction and retention. - To account for macro changes in consumer sentiment, we will review Telstra's performance against the year-on-year movement in the RepTrak Benchmark 60 average score which measures the reputation of the 60 largest brands in Australia by revenue and market presence. - Aligns to the responsible business pillar of our T25 scorecard.
	 Responsible Business	Our % reduction in absolute scope 1 + 2 greenhouse gas emissions and % reduction in absolute scope 3 greenhouse gas emissions, both from our FY19 baseline (excluding Digicel Pacific)	5%	30% reduction in scope 1 + 2 emissions 28% reduction in scope 3 emissions	32%	33%	34%	- Inclusion of this metric in our scorecard leans into Telstra's contribution to addressing this pressing issue and specifically recognises broad community concern on our changing environment. - Scope 1 + 2 greenhouse gas emissions are those caused by fossil fuels and grid electricity we use. Added for FY24 are scope 3 greenhouse gas emissions which are mainly those from our value chain (e.g. suppliers and customers). Both metrics will be assessed separately and combined with an equal weighting (50% each), as set out below this table. - Aligns to the responsible business pillar of our T25 scorecard.
	 Digital Leadership	Launching Application Programming Interface (API)-first products	5%	89% of FY23 target build achieved	Build 100% of the APIs required to launch our first API-first product	Release 2 API-first products	Release 3 API-first products	- This measure focuses our executives on enablers of Digital Leadership that will halve our new product time to market by building a 100% API-first architecture for customer management and product development. - API-first involves building our underlying network, IT and data capabilities as services that can be used by teams building product and channel experiences. These services will be reusable for multiple products and channels, so we can make changes to them faster and more cheaply. - It will drive fundamental and significant change in the way we work, improving offerings to customers whilst reducing cost. - Aligns to the digital leadership pillar of our T25 scorecard.

	People Engagement	Maintain employee engagement in the high performing norm (90 th percentile)	5%	80	80	81	82	• Focusses leaders on our employee engagement and the importance of our employees as stakeholders. • A highly engaged workforce is critical for attracting and retaining the talent required to deliver on our ambitious strategy. • Aligns to the new ways of working pillar of our T25 scorecard.
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^ For metrics continuing from FY23, the FY23 EVP Actual refers to the FY23 EVP performance outcomes as outlined in Section 2.2. For Underlying EBITDA and Underlying ROIC refer to section 2.1 for the FY23 definitions. For Responsible Business the FY23 EVP Actual refers to the actual performance outcomes for the reduction in scope 1, 2 and 3 greenhouse gas emissions in FY23. For metrics that are new in FY24, the FY23 EVP Actual (where available) is our current internal measurement to the end of June 2023 where this provides relevant context to the determination of Threshold, Target and Maximum for FY24.

*Market Guidance means guidance for FY24 as set out in Telstra's ASX announcement dated 17 August 2023. Threshold, Target and Maximum levels for Underlying ROIC align to the corresponding Threshold, Target and Maximum for Underlying EBITDA (which align to Market Guidance as described above).

Calculation of Blended Responsible Business Metric for FY24:

Reduce emissions	Weight	Threshold	Target	Max
Scope 1 + 2	50%	32%	33%	35%
Scope 3	50%	31%	32%	33%
Blended targets (rounded to nearest whole %)	100%	32%	33%	34%

5.0 Glossary

Cash Rights	Rights granted to a Senior Executive who ceases employment for a Permitted Reason before the Restricted Shares and Performance Rights are granted in respect of the EVP in lieu of those Restricted Shares and Performance Rights. The Cash Rights are subject to the same time conditions and performance measures as those applying to those Restricted Shares and Performance Rights. On vesting, a Cash Right will entitle the Senior Executive to a cash payment equivalent to the value of a Telstra share at the end of the applicable Restriction Period or performance period. A Cash Right granted in lieu of a Restricted Share also entitles the Senior Executive to receive an amount equal to dividends paid on Telstra shares between the date the Cash Right is allocated and the end of the applicable Restriction Period, at or around the same time that Telstra pays the dividend. A Cash Right granted in lieu of a Performance Right entitles the Senior Executive, if the Cash Right vests, to receive an amount equivalent to dividends paid between allocation and vesting of the Cash Right after the end of the applicable performance period.
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation.
EVP	Executive Variable Remuneration Plan.
EVP Scorecard Outcome	The outcome determined by the Board following an assessment of Telstra's performance against the primary performance measures under the EVP during the Initial Performance Period, after making such adjustments as it considers necessary to ensure the outcome is appropriate, that is then used as an input for determining each Senior Executive's Individual EVP Outcome.
Fixed Remuneration or FR	Base salary plus company and private salary sacrificed superannuation contributions.
FY	Financial year
Individual EVP Outcome	The individual award earned by a Senior Executive under the EVP taking into consideration their performance, the EVP Scorecard Outcome, their 'at target' EVP reward opportunity and other factors in accordance with the Board's decision framework such as any material risk events identified, the severity of their impact and the Senior Executive's accountability for the matter.
Initial Performance Period	1 year (1 July 2022 – 30 June 2023).
KMP	Key Management Personnel, being people with authority and responsibility for planning, directing and controlling the activities of Telstra and the Group, directly or indirectly.
NBN Transaction	Agreements with nbn co and the Government in relation to Telstra's participation in the rollout of the nbn access network. This includes the entire definitive agreement receipts and the net negative recurring nbn headwinds on our business.
NPS	Net Promoter Score is a non-financial performance metric that we use to measure customer experience at Telstra. The Episode NPS performance measure is based on responses to internal surveys following actual service experiences customers had with Telstra. The overall Episode NPS result for Telstra is a weighted average calculation of the survey results from Telstra business segments – Consumer & Small Business contribute collectively at 65% and Telstra Enterprise at 35%.
Performance Right	A right to a share or, at Telstra's discretion, a cash amount equivalent to the value of a share, at the end of a performance period, subject to the satisfaction of certain performance measures and continuing employment conditions.
Permitted Reason	Permitted Reason under the EVP means death, total and permanent disablement, certain medical conditions, company initiated separation for a reason unrelated to performance or conduct, redundancy or retirement. Permitted Reason under the EVP Performance Rights and Restricted Share terms also includes mutual separation.
Related parties	of a person means: • a close member of the person's family; and/or • an entity over which the person or close family member has, directly or indirectly, control, joint control or significant influence
Restricted Share	A Telstra share that is subject to a Restriction Period.
Restriction Period	A period during which a Telstra share is subject to a continuing employment condition and cannot be traded. Restricted Shares are transferred to a Senior Executive on the first day after the end of the Restriction Period that Senior Executives are able to deal in shares under Telstra's Securities Trading Policy.
Restructure	The corporate restructure of the Telstra Group implemented during FY23, which included Telstra Group.

	Limited becoming the new parent entity of the Telstra Group with effect from 31 October 2022 (Telstra Corporation Limited was the parent entity of the Telstra Group prior to that date).
Relative Total Shareholder Return (RTSR)	Measures the performance of a Telstra share (including the value of any cash dividend and other shareholder benefits paid during the period) relative to the performance of ordinary securities issued by the other entities in a comparator group over the same period.
RTSR Performance Period	The five-year performance period ending on 30 June 2027 over which the RTSR performance condition for the FY23 EVP Performance Rights will be measured.
Senior Executive	Refers to the CEO and those GEs who are KMP.
Underlying EBITDA	Underlying EBITDA is Earnings Before Interest, Tax, Depreciation & Amortisation. It excludes guidance adjustments. In FY23 and prior years, it also excluded net one-off nbn DA receipts less nbn net C2C.

Directors' Report



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Rounding of amounts

The Telstra Entity is a company of the kind referred to in the Australian Securities and Investments Commission Corporations (Rounding in the Financial/Directors' Reports) Instrument 2016/191, as amended from time to time and issued pursuant to section 341(1) of the Corporations Act 2001 (Cth). Except where otherwise indicated, the amounts in this Directors' Report and the accompanying Financial Report have been rounded to the nearest million dollars (\$m) and amounts in the Remuneration Report have been rounded to the nearest thousand dollars (\$000).

This report is made on 27 September 2023 in accordance with a resolution of the Board and is signed for and on behalf of the Directors.

Brendon Riley
Chairman and CEO, Telstra Corporation Limited
27 September 2023

Douglas Rogerson
Director
27 September 2023

Auditor's independence declaration to the directors of Telstra Corporation Limited

As lead auditor for the audit of the financial report of Telstra Corporation Limited for the financial year ended 30 June 2023, I declare to the best of my knowledge and belief, there have been:

- No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit;
- No contraventions of any applicable code of professional conduct in relation to the audit; and
- No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Telstra Corporation Limited and the entities it controlled during the financial year.

Ernst & Young

Sarah Lowe
Partner
27 September 2023

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Legislation

Financial Report

Telstra Corporation Limited and controlled entities

Telstra Financial Report 2023

Australian Business Number (ABN): 33 051 775 556

Financial report: introduction and contents

As at 30 June 2023

About this report

This is the financial report for Telstra Corporation Limited (referred to as the Company or Telstra Entity) and its controlled entities (together referred to as we, us, our, Telstra or the Telstra Corporation Group) for the year ended 30 June 2023.

Telstra Corporation Limited is a 'for profit' company limited by shares and incorporated in Australia, whose shares ceased to be publicly traded on the Australia Securities Exchange (ASX) from 31 October 2022 as it became a wholly-owned controlled entity of Telstra Group Limited. The changes in ownership of Telstra Corporation Limited resulted from the Telstra Group restructure steps described in note 1.2.

As an issuer of debt instruments listed on the ASX, Singapore Stock Exchange and London Stock Exchange, Telstra Corporation Limited is a disclosing entity required to prepare bi-annual financial reports.

This financial report was authorised for issue in accordance with a resolution of the Telstra Board of Directors on 27 September 2023. It should be read in conjunction with Telstra Group Limited's 2023 Annual Report and together with any public announcements made by us and Telstra Group Limited in accordance with the continuous disclosure obligations arising under the ASX listing rules and the Corporations Act 2001, up to the date of the Directors' Declaration. The Directors have the power to amend and reissue the financial report.

Reading the financials

Section introduction

The introduction at the start of each section outlines the focus of the section and explains the purpose and content of that section.

Note and topic summary

A summary at the start of certain notes explains the objectives and content of that note, or at the start of certain specific topics clarifies complex concepts, which users may not be familiar with.

Narrative table

Some narrative disclosures are presented in a tabular format to provide readers with a clearer understanding of the information being presented.

Information panel

The information panel describes our key accounting estimates and judgements applied in the preparation of the financial report, which are relevant to that section or note.

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Income Statement

Telstra Financial Report 2023

For the year ended 30 June 2023

Telstra Corporation Group	Note	Year ended 30 June	
		2023	2022
		\$m	\$m
Income			
Revenue (excluding finance income)	2.2	1,886	1,456
Other income	2.2	1,692	506
		3,578	1,962
Expenses			
Labour		154	154
Other expenses	2.3	584	381
		738	535
Share of net loss from joint ventures and associated entities	6.4	(14)	(19)
		752	554
Earnings before interest, income tax expense, depreciation and amortisation (EBITDA)		2,826	1,408
Depreciation and amortisation	2.3	521	641
Earnings before interest and income tax expense (EBIT)		2,305	767
Finance income	2.2	109	22
Finance costs	2.3	464	397
Net finance costs		355	375
Profit before income tax expense		1,950	392
Income tax expense	2.4	473	118
Profit for the year from continuing operations		1,477	274
Discontinued operations			
Profit for the year from discontinued operations	2.6	10,701	1,540
Profit for the year from continuing and discontinued operations		12,178	1,814
Profit for the year attributable to equity holders of the Telstra Entity:			
- continuing operations		1,442	242
- discontinued operations		10,650	1,446
		12,092	1,688
Profit for the year attributable to non-controlling interests		86	126
Profit for the year from continuing and discontinued operations		12,178	1,814

The notes following the financial statements form part of the financial report.

Statement of Comprehensive Income

For the year ended 30 June 2023

Telstra Corporation Group	Note	Year ended 30 June	
		2023	2022
		\$m	\$m
Profit for the year from continuing and discontinued operations:			
Attributable to equity holders of Telstra Entity		12,092	1,688
Attributable to non-controlling interests		86	126
		12,178	1,814
Items that will not be reclassified to the income statement			
Retained profits			
Actuarial gain on defined benefit plans attributable to equity holders of Telstra Entity	5.3	42	149
Income tax on actuarial gain on defined benefit plans		(13)	(45)
Fair value of equity instruments reserve			
Share of other comprehensive income of equity accounted investments		(16)	(189)
Income tax on share of other comprehensive income of equity accounted investments		71	40
Foreign currency translation reserve			
Translation differences of foreign operations attributable to non-controlling interests		10	2
Translation differences of foreign operations attributable to non-controlling interests derecognised on disposal of controlled entities		(10)	-
		84	(43)
Items that may be subsequently reclassified to the income statement			
Foreign currency translation reserve			
Translation differences of foreign operations attributable to equity holders of Telstra Entity		22	49
Cash flow hedging reserve			
Changes in cash flow hedging reserve	4.5	(143)	204
Share of other comprehensive income of equity accounted investments		-	6
Income tax on movements in the cash flow hedging reserve	4.5	43	(54)
Foreign currency basis spread reserve			
Changes in the value of the foreign currency basis spread		(13)	79
Income tax on movements in the foreign currency basis spread reserve		4	(24)
		(87)	260
Total other comprehensive income		(3)	217
Total comprehensive income for the year		12,175	2,031
Total comprehensive income for the year attributable to equity holders of Telstra Entity:			
- continuing operations		1,448	485
- discontinued operations		10,727	1,546
		12,175	2,031

The notes following the financial statements form part of the financial report.

Statement of Financial Position

Telstra Financial Report 2023

As at 30 June 2023

Telstra Corporation Group	Note	As at 30 June	
		2023	2022
			Restated
		\$m	\$m
Current assets			
Cash and cash equivalents	2.5	65	1,040
Trade and other receivables and contract assets	3.3	982	4,074
Promissory note receivable	2.6	2,454	-
Deferred contract costs	3.6	-	116
Inventories	3.7	13	476
Derivative financial assets	4.4	392	302
Other financial assets	3.9	26	-
Current tax receivables	2.4	-	17
Prepayments		15	235
Total current assets		3,947	6,260
Non-current assets			
Trade and other receivables and contract assets	3.3	2,406	861
Promissory note receivable	2.6	16,894	-
Deferred contract costs	3.6	-	1,238
Inventories	3.7	28	28
Investments	6.4	390	829
Property, plant and equipment	3.1	8,675	20,485
Intangible assets	3.1	1	8,155
Right-of-use assets	3.2	356	2,926
Derivative financial assets	4.4	282	512
Other financial assets	3.9	83	-
Deferred tax assets	2.4	-	60
Defined benefit asset	5.3	-	274
Total non-current assets		29,115	35,368
Total assets		33,062	41,628
Current liabilities			
Trade and other payables	3.8	563	4,209
Employee benefits	5.1	46	667
Other provisions		38	160
Lease liabilities	3.2	22	490
Borrowings	4.4	2,267	2,690
Derivative financial liabilities	4.4	59	-
Other financial liabilities	3.9	2	-
Current tax payables	2.4	-	79
Contract liabilities and other revenue received in advance	3.4	74	1,403
Total current liabilities		3,071	9,698
Non-current liabilities			
Other payables	3.8	-	233
Employee benefits	5.1	10	132
Other provisions		110	119
Lease liabilities	3.2	416	2,797
Borrowings	4.4	7,176	8,292
Derivative financial liabilities	4.4	182	305
Other financial liabilities	3.9	10	-
Deferred tax liabilities	2.4	1,211	1,678
Defined benefit liability	5.3	-	10
Contract liabilities and other revenue received in advance	3.4	40	1,388
Total non-current liabilities		9,155	14,954
Total liabilities		12,226	24,652
Net assets		20,836	16,976

Statement of Financial Position (continued)

As at 30 June 2023

Telstra Corporation Group	Note	As at	
		30 June 2023	30 June 2022
			Restated
		\$m	\$m
Equity			
Share capital	4.3	3,007	3,098
Reserves	4.3	(125)	2,333
Retained profits		17,253	10,057
Equity available to Telstra Entity shareholders		20,135	15,488
Non-controlling interests		701	1,488
Total equity		20,836	16,976

The notes following the financial statements form part of the financial report.

Statement of Cash Flows

Telstra Financial Report 2023

For the year ended 30 June 2023

Telstra Corporation Group	Note	Year ended 30 June	
		2023	2022
		\$m	\$m
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax (GST))		13,465	23,876
Payments to suppliers and employees (inclusive of GST)		(9,840)	(15,987)
Government grants received for operating activities		161	179
Net cash generated from operations		3,786	8,068
Income taxes paid	2.4	(361)	(819)
Net cash provided by operating activities	2.5	3,425	7,249
Cash flows from investing activities			
Payments for property, plant and equipment		(1,550)	(2,176)
Payments for intangible assets		(739)	(918)
Capital expenditure (before investments)		(2,289)	(3,094)
Payments for shares in controlled entities (net of cash acquired)		(2,486)	(771)
Payments for investments		(50)	(80)
Total capital expenditure (including investments)		(4,825)	(3,945)
Proceeds from sale of property, plant and equipment		159	155
Proceeds from sale and leaseback		12	12
Proceeds from sale of equity accounted and other investments		52	156
Proceeds from sale of businesses and shares in controlled entities	2.6	2,579	-
Cash disposed on sale of businesses	2.6	(1,012)	-
Distributions received from equity accounted investments		28	93
Receipts of the principal portion of finance lease receivables		82	92
Government grants received for investing activities		21	24
Interest received		18	14
Other		(17)	4
Net cash used in investing activities		(2,903)	(3,395)
Operating cash flows less investing cash flows		522	3,854
Cash flows from financing activities			
Proceeds from borrowings		6,747	1,470
Repayment of borrowings		(7,259)	(3,750)
Payment of the principal portion of lease liabilities	3.2	(338)	(697)
Share buy-back		-	(1,350)
Purchase of shares for employee share plans		(21)	(5)
Finance costs paid		(517)	(534)
Finance costs received		89	-
Dividends/distributions paid to non-controlling interests		(68)	(100)
Dividend paid to equity holders of Telstra Entity	4.2	(982)	(1,888)
Proceeds from issuance of equity-like instrument		923	-
Proceeds from the sale of units in a controlled trust	6.1	-	2,883
Payment of tax on behalf of Telstra Group		(75)	-
Net cash provided/(used) in financing activities		(1,501)	(3,971)
Net (decrease)/increase in cash and cash equivalents		(979)	(117)
Cash and cash equivalents at the beginning of the year		1,040	1,125
Effects of exchange rate changes on cash and cash equivalents		4	32
Cash and cash equivalents at the end of the year	2.5	65	1,040

The notes following the financial statements form part of the financial report.

Statement of Changes in Equity

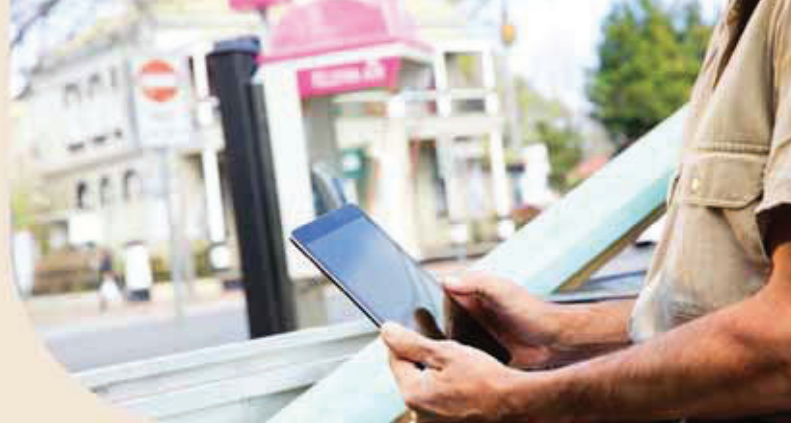
For the year ended 30 June 2023

Telstra Corporation Group	Note	Share capital	Reserves	Retained profits	Total	Non-controlling interests	Total equity
		\$m	\$m	\$m	\$m	\$m	\$m
Balance at 1 July 2021 (Reported)		4,436	138	10,014	14,588	687	15,275
Net effect of a restatement of prior periods	1.7	-	-	139	139	-	139
Balance at 1 July 2021 (Restated)		4,436	138	10,153	14,727	687	15,414
Profit for the year		-	-	1,688	1,688	126	1,814
Other comprehensive income		-	111	104	215	2	217
Total comprehensive income for the year		-	111	1,792	1,903	128	2,031
Dividend		-	-	(1,888)	(1,888)	-	(1,888)
Share buy-back (net of income tax)		(1,350)	-	-	(1,350)	-	(1,350)
Transactions with non-controlling interests	6.3	-	2,084	-	2,084	673	2,757
Additional shares purchased		(5)	-	-	(5)	-	(5)
Share-based payments		17	-	-	17	-	17
Balance at 30 June 2022 (Restated)		3,098	2,333	10,057	15,488	1,488	16,976
Profit for the year		-	-	12,092	12,092	86	12,178
Other comprehensive income		-	(32)	29	(3)	-	(3)
Total comprehensive income for the year		-	(32)	12,121	12,089	86	12,175
Dividend		-	-	(6,982)	(6,982)	-	(6,982)
Transactions with Telstra Group Limited		(77)	-	-	(77)	-	(77)
Non-controlling interests on acquisitions		-	-	-	-	925	925
Non-controlling interest on disposal		-	-	-	-	(940)	(940)
Transactions with non-controlling interests	6.3	-	-	-	-	(51)	(51)
Transfer of fair value of equity instruments reserve to retained earnings		-	(76)	76	-	-	-
Additional shares purchased		(21)	-	-	(21)	-	(21)
Share-based payments		10	-	-	10	-	10
Transfers related to discontinued entities	4.3	(3)	(2,350)	1,981	(372)	(807)	(1,179)
Balance at 30 June 2023		3,007	(125)	17,253	20,135	701	20,836

The notes following the financial statements form part of the financial report.

Section 1. Basis of preparation

This section explains the basis of preparation of our financial report, describes changes in our accounting policies and provides a summary of our key accounting estimates and judgements.



1.1 Basis of preparation of the financial report

This financial report is a general purpose financial report, prepared by a 'for profit' entity, in accordance with the requirements of the Australian Corporations Act 2001, Accounting Standards applicable in Australia and other authoritative pronouncements of the Australian Accounting Standards Board (AASB). It also complies with International Financial Reporting Standards (IFRS) and Interpretations published by the International Accounting Standards Board (IASB).

The financial report is presented in Australian dollars and, unless otherwise stated, all values have been rounded to the nearest million dollars (\$m) under the option available under the Australian Securities and Investments Commission (ASIC) Corporations (Rounding in Financial/Directors' Report) Instrument 2016/191 as amended from time to time. The functional currency of the Telstra Entity and its Australian controlled entities is Australian dollars. The functional currency of certain non-Australian controlled entities is not Australian dollars. The results of these entities are translated into Australian dollars in accordance with our accounting policy described in note 1.4.1.

The financial report is prepared on historical cost basis, except for some categories of financial instruments, which are recorded at fair value.

Where relevant, comparative information has been reclassified to ensure comparability with the current year disclosures and presentation.

1.2 Telstra Group restructure

In our 2022 Annual Report, Telstra Group was defined as Telstra Corporation Limited and its controlled entities. At the time, Telstra Corporation Limited was the parent entity of the Telstra Group. During the financial year 2023 the composition and structure of the Telstra Group has changed and references to the Telstra Group should be considered in the context of those changes. This financial report has been prepared for Telstra Corporation Limited and its controlled entities as wholly-owned controlled entities of Telstra Group Limited.

As at 30 June 2023, the Telstra Group is defined as Telstra Group Limited and its controlled entities, with a separate financial report prepared for the Telstra Group.

During the year, Telstra Corporation Limited implemented a scheme of arrangement (Scheme) to support the restructure of the Telstra Group (Restructure) first announced in November 2020. The Restructure was an internal legal reorganisation and did not, by itself, result in any immediate change to the underlying assets or business activities of the Telstra Group.

However, it was an important step in our drive to increase the transparency of our infrastructure assets and to improve management focus on our infrastructure and customer businesses, and consequently provide flexibility to create additional value for our shareholders.

The Scheme was comprised of two components: the top hat component which established Telstra Group Limited as the parent entity of the Telstra Group, and the business restructure component which was used to transfer certain assets and liabilities within the Telstra Group. The Restructure also involved certain other steps in addition to the Scheme. While these steps were completed over a period of time, for accounting purposes, all the steps should be considered together as they were undertaken in contemplation of the Restructure as a whole.

The top hat component of the Scheme was implemented on 31 October 2022 and the business restructure component of the Scheme was implemented on 1 January 2023.

On implementation of the top hat component, all of the shares in Telstra Corporation Limited (11,554,427,353 in total) were transferred to Telstra Group Limited in exchange for the issue of 11,554,427,353 shares in Telstra Group Limited to eligible Telstra Corporation Limited shareholders under the Scheme.

On 31 October 2022, Telstra Group Limited replaced Telstra Corporation Limited, as the new head entity of the Australian tax consolidated group.

On 30 November 2022, Telstra Corporation Limited transferred to Telstra Group Limited its investments in a number of controlled entities, including Telstra ESOP Trustee Pty Ltd, Telstra Finance Limited, Telstra Foundation Ltd, Telstra Growthshare Pty Ltd, Telstra Limited, and Telstra International Holdings Pty Ltd and their controlled entities. Digicel Pacific Limited and its controlled entities (Digicel Pacific) ceased to be controlled by Telstra Corporation Limited when Telstra Group Limited acquired the direct interest in Telstra International Holdings Pty Ltd from Telstra Corporation Limited.

On 30 November 2022, Telstra Group Limited became the sponsoring employer in our Telstra Superannuation Scheme, and Telstra Corporation Limited became an associated employer in Telstra Super.

On 1 January 2023, the final steps of the Restructure (including the business restructure component of the Scheme) were completed. Those steps involved Telstra Corporation Limited transferring the retail and active wholesale business assets and liabilities and related investments to Telstra Limited, and the international business assets and liabilities and related investments to Telstra International Holdings Pty Ltd and its controlled entities. Telstra Corporation Limited also transferred its interest in Telstra Towerco No. 2 Pty Ltd, being the wholly-owned entity which holds an interest in the Amplitel towers business and related investments, to Telstra Group Limited. As a result, Telstra Corporation Limited continues to operate the Telstra Group's passive fixed infrastructure business and services the nbn Definitive Agreements. From 1 January 2023, Telstra Corporation Limited as a provider of access to passive fixed infrastructure, also recognises revenue and expenses from transactions with related parties, i.e. other entities within the Telstra Group.

Section 1. Basis of preparation (continued)

1.2 Telstra Group restructure (continued)

Substantially all external borrowings of Telstra Corporation Limited remained with Telstra Corporation Limited. Effective from 1 January 2023 debt guarantees in favour of holders of specified debt issued by Telstra Corporation Limited and any new debt issued by Telstra Group Limited have been put in place as detailed in note 7.2.

The Telstra Corporation Group accounted for the Restructure transfers as disposals and their impact has been reflected in the Telstra Corporation Group financial results as detailed in note 2.6.

Refer to notes 6.1 and 7.2 for further details about changes in our group structure and for parent entity disclosures.

1.3 Terminology used in our income statement

EBITDA reflects earnings before interest, income tax, depreciation and amortisation. EBIT is a similar measure to EBITDA, but takes into account depreciation and amortisation.

We believe EBITDA is useful as it is a widely recognised measure of operating performance.

1.4 Principles of consolidation

Our financial report includes the consolidated assets and liabilities of the Telstra Entity and its controlled entities as a whole as at the end of the financial year and the consolidated results and cash flows for the year.

An entity is considered to be a controlled entity where we are exposed, or have rights, to variable returns from our involvement with the entity and have the ability to affect those returns through our power to direct the activities of the entity. We consolidate the results of our controlled entities from the date on which we gain control until the date we cease control.

The effects of intra-group transactions and balances are eliminated from our consolidated financial statements.

Non-controlling interests in the results and equity of controlled entities are shown separately in our income statement, statement of comprehensive income, statement of financial position and statement of changes in equity.

The financial statements of the Group's controlled entities are prepared using consistent accounting policies as the Telstra Entity. Adjustments are made to bring the reporting periods in line with those of the Group where necessary.

1.4.1 Translation of financial reports of foreign operations that have a functional currency other than the Australian dollar

The financial reports of our foreign operations are translated into Australian dollars (our presentation currency) using the following method:

Foreign currency amount	Exchange rate
Assets and liabilities including goodwill and fair value adjustments arising on consolidation	The reporting date rate

Foreign currency amount	Exchange rate
Equity items	The initial investment date rate
Income statements	Average rate (or the transaction date rate for significant identifiable transactions)

The exchange differences arising from the translation of financial statements of foreign operations are recognised in other comprehensive income.

1.5 Key accounting estimates and judgements

Preparation of the financial report requires management to make estimates and judgements.

1.5.1 Summary of key management judgements

The accounting policies and significant management judgements and estimates used, and any changes thereto, are set out in the relevant notes. The key accounting estimates and judgements are included in the following notes:

Key accounting estimates and judgements	Note	Page
Impact of Inter-Company Agreements (ICAs)	2.2	B15
Determining standalone selling prices	2.2	B17
Impact of nbn Infrastructure Services Agreement (ISA) on revenue from customer contracts and other income	2.2	B18
Assessment of a significant financing component in nbn DAs	2.2	B19
Unrecognised deferred tax assets	2.4	B23
Capitalisation of development costs	3.1	B30
Useful lives and residual values of tangible and intangible assets	3.1	B31
Determining lease term for property leases	3.2	B33
Determining incremental borrowing rates for property leases	3.2	B35
Estimating expected credit losses	3.3	B38
Amortisation period of deferred contract costs	3.6	B41
Long service leave provision	5.1	B63

Section 1. Basis of preparation (continued)

1.6 Other accounting policies

Relevant accounting policies are included in the respective notes to the financial statements. Changes in the accounting policies and impacts from the accounting standards to be applied in future reporting periods, as well as other accounting policies not disclosed elsewhere in the financial report are detailed below.

1.6.1 Changes in accounting policies

A number of new or amended accounting standards became effective in the current reporting period but none of those had a material impact on our accounting policies.

1.6.2 New accounting standards to be applied in future reporting periods

We have not early adopted any standard, interpretation or amendment that has been issued but is not yet effective and we do not expect any of them to have a material impact on our financial results upon adoption.

1.6.3 Transactions and balances in foreign currency

Foreign currency transactions are translated into the relevant functional currency at the spot exchange rate at the transaction date. At the reporting date, amounts receivable or payable denominated in foreign currencies are translated into the relevant functional currency at market exchange rates as at the reporting date. Any currency translation gains and losses that arise are included in our income statement.

Non-monetary items denominated in foreign currency that are measured at fair value (i.e. certain equity instruments not held for trading) are translated using the exchange rates at the date when the fair value was determined. Differences arising from the translation are reported as part of the fair value gain or loss in line with the recognition of the changes in the fair value of the non-monetary item.

1.7 Restatement of prior periods

During the financial year 2023, we have finalised migration of our prepaid customers to a new billing and provisioning system. On completion, a \$219 million current contract liability balance relating to our prepaid legacy plans could not be substantiated, because the services had been provided in the prior periods and this contract liability should have been recognised as revenue at that time. This balance was related to the reporting period prior to financial year 2022, therefore in the statement of financial position we restated the related balances, including their tax impacts where relevant, as at 1 July 2021 and as at 30 June 2022. The income statement for the financial year 2022 did not require a restatement because the comparative financial results were not impacted.

Table A summarises the restatement of all impacted line items in the statement of financial position as at 30 June 2022 and 1 July 2021. Adjustments to retained earnings have been reflected in the statement of changes in equity.

Table A Telstra Corporation Group	30 June 2022	Adjustments	30 June 2022	1 July 2021	Adjustments	1 July 2021
	Reported		Restated	Reported		Restated
	\$m	\$m	\$m	\$m	\$m	\$m
Restated line items in the statement of financial position						
Current liabilities						
Trade and other payables	4,189	20	4,209	3,766	20	3,786
Contract liabilities and other revenue received in advance	1,622	(219)	1,403	1,605	(219)	1,386
Current tax payables	42	37	79	124	(18)	106
Total current liabilities	9,860	(162)	9,698	10,424	(217)	10,207
Non-current liabilities						
Deferred tax liabilities	1,655	23	1,678	1,580	78	1,658
Total non-current liabilities	14,931	23	14,954	16,826	78	16,904
Total liabilities	24,791	(139)	24,652	27,250	(139)	27,111
Net assets	16,837	139	16,976	15,275	139	15,414
Equity						
Retained profits	9,918	139	10,057	10,014	139	10,153
Equity available to Telstra Entity shareholders	15,349	139	15,488	14,588	139	14,727
Total Equity	16,837	139	16,976	15,275	139	15,414

Section 2. Our performance

This section explains the results and performance of our segments. It also provides disaggregated revenue, details of selected income and expense items, information about taxation, a reconciliation of our profit to net cash generated from operating activities, and the details of our discontinued operations.



2.1 Segment information

Segment information is based on the information that management uses to make decisions about operating matters and allows users to review operations through the businesses considered by management.

2.1.1 Operating segments

We identify our segments based on the information that is regularly reviewed and used by the chief operating decision makers (the Chief Executive Officer and key executives) for the purposes of allocating resources and assessing performance.

As detailed in note 1.2, the Restructure was completed on 1 January 2023 and, as a result, we have presented the financial results of the Telstra Corporation Group as continuing and discontinued operations. Our segment results show our continuing operations only, and details of our discontinued operations are outlined in note 2.6.

Our segments have been realigned following the organisational changes post Restructure. We have concluded that Telstra Corporation Group consists of the following segments.

Segment	Operations
Core passive	Our passive network infrastructure including the operations of our fixed network sites and fibre cabling
Commercial and legacy asset works	Our asset relocation work, nbn-related infrastructure builds and legacy asset works
Other	Other income and expenses unrelated to our network

Segment comparatives reflect the organisational changes that have occurred since the prior reporting period to present a like-for-like view.

Consistent with information presented for internal management reporting, the results of our segments are measured based on their EBITDA contribution, which differs from our reported EBITDA.

All segments operate in one geographical area, Australia.

(a) Transactions with discontinued entities in the segment results

During the year, and in the prior year, our segments transacted with the discontinued entities (referred to as the 'Disposal Group' in note 2.6). The Disposal Group consists of entities that were controlled by Telstra Corporation Limited prior to the Restructure on 1 January 2023, however ceased to be controlled post Restructure.

As a result of the Restructure on 1 January 2023, transactions with the Disposal Group are accounted for in the segment results as follows:

- Any transactions with the Disposal Group pre- 1 January 2023 have been included in our segment results and removed in the 'Eliminations' column. These transactions represent inter-company transactions that have been eliminated on consolidation of the Telstra Corporation Group and are related to the performance of our core passive segment based on a 'management view', i.e. all charges earned/incurred are recognised as either income or expenses. Such charges may differ from the requirements of the Australian Accounting Standards in a number of areas, for example lease accounting. All other transactions are accounted for in accordance with the Australian Accounting Standards.
- Any transactions with the Disposal Group post-1 January 2023 have been included in our segment results. These transactions have not been eliminated on consolidation as the Disposal Group is an external party to Telstra Corporation Group from 1 January 2023. Further details on our Inter-Company Agreements with related parties are outlined in note 2.2, 2.6 and 3.9.

Section 2. Our performance (continued)

2.1 Segment information (continued)

2.1.2 Segment results

Table A details our segment results and a reconciliation of EBITDA contribution to the Telstra Corporation Group's EBITDA, EBIT and profit before income tax expense.

Table A	Core passive	Commercial and legacy asset works	Other	Eliminations	Total
Telstra Corporation Group	\$m	\$m	\$m	\$m	\$m
	Year ended 30 June 2023				
Revenue from contracts with customers	1,903	26	59	(500)	1,488
Revenue from other sources	197	201	-	-	398
Other income	98	131	1,463	-	1,692
Total income from continuing operations	2,198	358	1,522	(500)	3,578
Cost of network services	(705)	(176)	(6)	179	(708)
Other expenses	(11)	(1)	(18)	-	(30)
Share of net loss from equity accounted entities	-	-	(14)	-	(14)
Total EBITDA from continuing operations	1,482	181	1,484	(321)	2,826
Depreciation and amortisation					(521)
Telstra Corporation Group EBIT from continuing operations					2,305
Net finance costs					(355)
Telstra Corporation Group profit before income tax expense from continuing operations					1,950

Amounts in 'Other' relate to the following:

- Income from the disposal of assets accounted for as finance leases on adoption of the Inter-Company Agreements on 1 January 2023. Further details are outlined in note 2.2.
- Income from one-off nbn DA and connection fees.
- Income from the sale of capacity on our hybrid coaxial cables.

Section 2. Our performance (continued)

2.1 Segment information (continued)

2.1.2 Segment results (continued)

Table A (continued)	Core passive	Commercial and legacy asset works	Other	Eliminations	Total
Telstra Corporation Group	\$m	\$m	\$m	\$m	\$m
	Year ended 30 June 2022				
Revenue from contracts with customers	1,997	74	147	(976)	1,242
Revenue from other sources	45	169	-	-	214
Other income	-	170	336	-	506
Total income from continuing operations	2,043	413	483	(976)	1,962
Cost of network services	(621)	(180)	(46)	312	(535)
Other expenses	-	-	-	-	-
Share of net loss from equity accounted entities	-	-	(19)	-	(19)
Total EBITDA from continuing operations	1,421	233	418	(665)	1,408
Depreciation and amortisation					(641)
Telstra Corporation Group EBIT from continuing operations					767
Net finance costs					(375)
Telstra Corporation Group profit before income tax expense from continuing operations					392

Section 2. Our performance (continued)

2.2 Income

Table A Telstra Corporation Group	Year ended 30 June	
	2023	2022
	\$m	\$m
Revenue from contracts with customers	1,488	1,242
Revenue from other sources	398	214
Total revenue (excluding finance income)	1,886	1,456
Other income		
Net gain on disposal of property, plant and equipment and intangible assets	148	157
Net gain on derecognition of assets subject to finance lease	1,475	-
nbn disconnection fees	69	329
Other miscellaneous income	-	20
	1,692	506
Total income (excluding finance income)	3,578	1,962
Finance income		
Finance income (excluding income from finance leases)	30	14
Finance income from finance leases (Telstra as a lessor)	79	8
	109	22
Total income	3,687	1,984

On 1 January 2023, a number of ICAs entered into with related parties controlled by Telstra Group Limited commenced. These related parties upon Restructure (note 1.2 and 2.6), no longer form part of the Telstra Corporation Group.

The ICAs meant that from 1 January 2023, Telstra Corporation Group recognises revenue and expenses from transactions with related parties. Total revenue includes income from ICAs in the above table.

The ICAs cover the provision and receipt of services, including the following:

- access rights to infrastructure;
- design and construction services; and
- agency services, sales services, management activities and other administrative services.

As part of these services, we supply electricity and recognise revenue and the expense as principal i.e. on a gross basis.

Revenue from other sources includes income from:

- customer contributions to extend, relocate or amend our network assets, where the customer does not purchase any ongoing services under the same (or linked) contract(s); and
- our lease arrangements, including finance leases where Telstra is a dealer-lessor and operating leases (refer to note 3.2 for further details).

nbn disconnection fees earned under the Subscriber Agreement with nbn co are recognised as other income because they do not relate to our ordinary activities. We recognise this income when we have met our contractual obligations under this agreement.

Impact of Inter-Company Agreements (ICAs)

Certain ICAs provide access and/or usage rights to passive infrastructure which are a lease arrangement. In instances where we concluded a lease arrangement exists, we applied judgement to assess the following:

- whether the arrangement is a finance lease arrangement
- whether the lease term should be reassessed based on the useful life of the asset, existing lease or contract term

As a result of the above assessment, we recognised a \$1,475 million net gain on derecognition of assets subject to finance lease arrangements, derecognised \$762 million of property, plant and equipment, and recognised \$2,237 million of finance lease receivables on 1 January 2023 (30 June 2023: \$2,209 million).

Section 2. Our performance (continued)

2.2 Income (continued)

2.2.1 Disaggregated revenue

Table B presents the disaggregated revenue from contracts with customers based on the nature and the timing of transfer of goods and services.

We recognise revenue from contracts with customers when the control of goods or services has been transferred to the customer. Revenue from sale of services is recognised over time, whereas revenue from sale of goods is recognised at a point in time.

Refer to note 2.2.2 for further details about our contracts with customers.

Table B Telstra Corporation Group	Year ended 30 June	
	2023	2022
	\$m	\$m
Revenue from contracts with customers disaggregated by:		
<i>Nature and timing of transfer of goods and services</i>		
Sale of services	1,488	1,242
	1,488	1,242
<i>Major products</i>		
Commercial & recoverable works	26	74
NBN recurring	987	930
Other external	119	238
Inter-Company Agreements (ICAs)	356	-
	1,488	1,242
<i>Reconciliation to segment results</i>		
Revenue from contracts with customers	1,488	1,242
Revenue from other sources including operating lease revenue (note 3.2)	398	214
Other income	1,692	506
Total external income	3,578	1,962

In our reportable segments, we recognised \$1,014 million (2022: \$1,003 million) of revenue from transactions with one external customer and \$480 million (2022: nil) of revenue from transactions with a related party.

Revenue from other products includes income from the sale of capacity on our hybrid coaxial cables.

Section 2. Our performance (continued)

2.2 Income (continued)

2.2.2 Our contracts with customers

(a) Telstra contracts (excluding contracts with nbn co)

Telstra transacts with carriage services providers, related parties and internet service providers, who in turn sell their services to their end users.

Revenue arises from fixed network service contracts, including usage-based contracts and fixed bundles, with a term of up to three years. Other contracts provide data and IP and mobile products such as interconnect, bulk SMS and post-paid mobile services.

Telstra legal contracts are generally signed as multi-year framework agreements, which set out pricing for the agreed services, the term and any renewal options, incentives, discounts and one-off fees.

Some of our framework agreements specify a minimum spend commitment (i.e. a take-or-pay arrangement), in which case the accounting contract may exist also at the framework agreement level.

Customer contributions to extend or amend our network assets to ultimately enable delivery of telecommunication services are recognised when those services are delivered.

Telstra's service revenue is generally recognised over time during the period over which the services are rendered, mostly based on passage of time as the service provider (i.e. our customer) receives unlimited calls and data.

Certain Telstra contracts include multiple goods and services. We allocate the consideration, and any relevant discounts, generally to all the products in the accounting contract based on the negotiated prices, which are largely aligned to the estimated standalone selling prices of goods and services promised under the contracts. However, some discounts granted under the framework agreements may be allocated only to selected goods or services based on the specific performance conditions in the framework agreement.

The combined nbn DAs and related arrangements include a number of separately priced elements, some of which are not accounted for under the revenue recognition standard. For example, nbn disconnection fees are presented as other income as they do not relate to our ordinary activities and there is no price dependency on other nbn DAs.

Services provided under the Infrastructure Services Agreement (ISA) are accounted for under the revenue recognition standard. We recognise revenue from providing long-term access to our infrastructure, including ducts and pits, dark fibre and exchange rack spaces, over time, initially based on the cumulative nbn network rollout percentage and after rollout completion based on passage of time.

The build of nbn related infrastructure is not considered a separate service, therefore payments received for it under a separate legal agreement have been combined and accounted for together with the ISA long-term access services. These upfront payments have been recorded as a contract liability in the statement of financial position and are recognised as services transfer over the ISA average contracted period of 35 years.

ISA also includes payments for the sale of our infrastructure assets, with the net gain on sale of those assets recognised in other income at a point in time when the control passes to nbn co based on the incremental nbn network rollout percentage.

Determining standalone selling prices

We have applied judgement to determine standalone selling prices in order to allocate the consideration to goods and services sold under the same customer contract.

In the absence of observable prices, we use various estimation methods, including an adjusted market assessment and cost plus margin approach, to arrive at a standalone selling price. We have determined that the negotiated prices are largely aligned to the standalone selling prices.

Some of our contracts grant customers access to our passive infrastructure assets. Lease component(s) in those contracts are largely classified as operating leases and we recognise revenue from other sources for those leases.

(b) Agreements with nbn co

The main contracts with nbn co are the nbn Definitive Agreements (DAs) and related arrangements.

Our nbn DAs and related arrangements include a number of separate legal contracts with both nbn co and the Commonwealth Government which have been negotiated together with a common commercial objective. These contracts have been combined for revenue assessment. The combined contract has a minimum term of 30 years for accounting purposes.

Section 2. Our performance (continued)

2.2 Income (continued)

2.2.2 Our contracts with customers (continued)

(b) Agreements with nbn co (continued)

We deliver a number of different services under these arrangements and the consideration includes a number of fixed and variable components as described below.

Impact of nbn Infrastructure Services Agreement (ISA) on revenue from customer contracts and other income

Under the ISA, we receive the following payments from nbn co:

- Infrastructure Access Payment (IAP) for long-term access to ducts and pits
- Infrastructure Ownership Payment (IOP) for the progressive transfer of infrastructure assets
- payments for long-term access to other infrastructure, including dark fibre and exchange rack spaces.

IAP are indexed to consumer price index (CPI) and will grow in line with the nbn network rollout until its completion (as defined under the DAs). Subsequently, IAP will continue being indexed to CPI for the remaining average contracted period of 24 years.

IOP are received over the duration of the nbn network rollout, CPI adjusted and linked to the progress of the nbn network rollout.

IAP and IOP are classified in the income statement as revenue and other income, respectively, and are recognised on a percentage rollout basis of the nbn network footprint.

For any given period, the IAP and IOP amounts ultimately received from nbn co may vary from the amounts recognised in the income statement depending on the progress of the nbn network rollout and the final number of our existing fixed line premises as defined and determined under the ISA. A change in the nbn network rollout progress and/or the final number of these premises could result in a material change to the amount of IAP and IOP recognised in the income statement and the associated cash flows. Some of these adjustments cannot be finalised and the related amounts cannot be settled until the completion of the rollout and are subject to compounding interest calculated from the historical period applicable to the adjustments.

The nbn network rollout is substantially complete but its progress and its completion date are controlled by nbn co and the final number of the fixed line premises may continue to change even after all the relevant assets have been transferred to nbn co. Therefore, the final price adjustments and the resulting cash flows, including interest payable where relevant, will not be known until the nbn network rollout is complete in accordance with the DAs. nbn co may also choose to negotiate an earlier effective date for the final price adjustments. Should that date extend past our current assumption, additional interest payable by us of approximately \$30 million would accrue annually. However, these amounts whilst paid upon settlement would be recognised in the income statement over the remaining average contracted period of 24 years. Upon the final price adjustments, we expect to incur a significant cash outflow. Had the cash settlement occurred as at 30 June 2023, the estimated cash outflow would have been approximately \$200 million.

As described above, we have applied judgement in determining the amounts of IAP and IOP recognised for the financial year 2023 and related balance sheet positions. We did not identify material impacts resulting from reassessment of the assumptions described above. Should evidence exist in future reporting periods that changes these judgements and estimates, revenue and other income will be adjusted in the future reporting periods.

Section 2. Our performance (continued)

2.2 Income (continued)

2.2.2 Our contracts with customers (continued)

(b) Agreements with nbn co (continued)

Given significant variability in the overall ISA consideration, the legal contract includes specific clauses as to if, when and how an interest receivable or an interest payable should be calculated.

Assessment of a significant financing component in nbn DAs

We have applied judgement to assess if a financing component is significant in the context of the contract as a whole and, where relevant, to determine appropriate discount rates.

We do not separately account for the financing component in our nbn DAs and related arrangements because it is not significant to the accounting contract.

2.2.3 Revenue for contracted goods and services yet to be delivered

Sometimes goods and services purchased under the same customer contract will be transferred to the customer over multiple reporting periods.

Table C presents aggregate consideration allocated to the remaining goods, services and material rights promised under the contracts where a customer has made a firm commitment before the balance date but goods and services will be transferred after 30 June 2023. Any future amounts arising from contracts where the customer has not made a firm commitment, such as usage-based contracts, are not included in the disclosed amounts. Presented time bands best depict the future revenue recognition profile.

Table C Telstra Corporation Group	As at 30 June	
	2023	2022
	\$m	\$m
		Restated
Less than 1 year	1,174	4,141
Between 1 to 2 years	1,188	2,394
Between 2 to 5 years	3,637	4,100
Between 5 to 10 years	6,486	6,988
Between 10 to 20 years	15,328	14,385
More than 20 years	7,066	8,368
	34,879	40,376

Comparative amounts have been restated as a result of the prior period restatement of contract liabilities detailed in note 1.7.

Future revenue arising from nbn DAs is estimated based on a number of assumptions which are reassessed at each reporting period. However, given its size, long-term nature and a number of variable components impacting the contract consideration (refer to note 2.2.2 for details), the actual amounts recognised in the future periods may still materially differ from our estimates.

Any amounts arising from our existing customer contracts which will be recognised as 'revenue from other sources' or 'other income', for example operating lease income or net gain on sale of assets, are excluded from revenue for contracted goods and services yet to be delivered.

2.2.4 Recognition and measurement

Our revenue recognition accounting policies are described below.

(a) Revenue from contracts with customers

Revenue from contracts with customers arises from goods and services sold as part of our ordinary activities.

(i) Accounting contracts with customer

Revenue recognition principles are applied to accounting contracts which are agreements between two or more parties that create enforceable rights and obligations.

The accounting contract may not align with the legal contract and in some cases multiple legal contracts may need to be combined to form one accounting contract. In other instances, a legal contract may only provide a framework agreement (i.e. an offer) and an accounting contract only exists when the customer commits to purchase goods or services.

Any components of the contract which are accounted for under other accounting standards are separated out and accounted for under those other standards.

(ii) Goods, services and/or material rights

Revenue is recognised when Telstra fulfils its contractual obligation to deliver promised goods and services (or a bundle of goods and services) to the customer.

A contractual promise giving the customer an option to purchase additional goods and services at a discount (i.e. material right) is accounted for separately if the incremental discount is at least five per cent compared to other customers.

A good or service is separately accounted for if a customer can benefit from it on its own or together with other readily available resources, and no transformative relationship exists with other promised goods or services.

(iii) Variable consideration

If a contractual amount includes a variable component, we estimate the amount to which we will be entitled in exchange for promised goods and services. Examples of variable consideration include discounts, rebates, refunds, credits and price concessions. To estimate an amount of variable consideration, we use either the most likely amount or the expected value method depending on which better predicts the variable amount. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant reversal of cumulative revenue recognised will not occur.

(iv) Significant financing component

If the period between when we would transfer the good or service to the customer and when the customer would pay for them is expected to be greater than one year, we assess whether revenue should be adjusted for significant financing component, i.e. reduced if we offer deferred payment terms or increased if we receive an advance payment from customer. The significance of financing is assessed relative to the total contract value and interest rates used reflect credit characteristics of the counterparty receiving financing.

Section 2. Our performance (continued)

2.2 Income (continued)

2.2.4 Recognition and measurement (continued)

(a) Revenue from contracts with customers (continued)

(v) Allocation of revenue to goods and services

We allocate the consideration to the goods and services based on their relative standalone selling prices. Standalone selling price is the price for which we would sell the goods or services on a standalone basis, i.e. not in a bundle. We determine standalone selling price at contract inception using an observable price for a standalone sale of substantially the same good or service under similar circumstances and to a similar class of customers. If no observable price is available, we estimate the standalone selling price using an appropriate method, e.g. adjusted market assessment approach, expected cost plus a margin approach or a residual approach.

In some instances, in order to correctly reflect the amount of revenue we expect to be entitled to, we allocate variable consideration, discounts or a significant financing component to some but not all goods, services and/or material rights.

(vi) Timing of revenue recognition

Revenue is recognised when control of the good or service is transferred to the customer, i.e. when the customer can benefit from the good or service and decide how to use them.

We recognise revenue over time when the customer simultaneously receives and consumes the benefits provided to them or we create or enhance an asset controlled by the customer. Otherwise, we recognise revenue at a point in time.

We use either input or output methods to measure progress when selling goods or services. Output methods use direct measurements of the value to the customer, for example, milestones reached. Input methods use our efforts or inputs in measuring the performance, for example, our labour hours used relative to the total expected labour hours.

When revenue is recognised at a point in time, the allocated consideration is recognised when control over a good is transferred to the customer. In determining this, we consider the customer's obligation to pay, transfer of legal title to the good, physical possession of the good, the customer's acceptance, and risks and rewards of ownership.

(vii) Contract modifications

From time to time, our contracts are renegotiated after contract inception and their scope and/or price change. A contract modification will result in a cumulative change to revenue already recognised only when the remaining goods and services are not separate from those already delivered.

(viii) Gross versus net presentation

When we control the promised goods and services before they are transferred to the customer and we have primary obligation for their delivery, we act as principal in the contract with a customer and recognise revenue at gross amounts. When we act as an agent of a third-party provider, we recognise revenue net of amounts payable to that third party.

(b) Revenue from other sources

Revenue from other sources includes income arising from arrangements other than those accounted for under the revenue recognition standard. This includes lease revenue arising from ICAs with related parties.

Contract terminations generally trigger different rights and obligations. These rights and obligations are not related to our performance and were not considered at inception of the accounting contract. Therefore, where relevant, any income over and above the recovery of the consideration due for the delivered goods or services is not classified as revenue from customer contracts. Instead, we classify it as revenue from other sources.

We earn revenue from some of our lease arrangements described in note 3.2, in particular from finance leases where Telstra is a lessor. We recognise revenue from sale of these goods at a point in time at the commencement date of the lease.

Where a (combined) accounting contract includes lease and non-lease components and Telstra is a lessor, we allocate the consideration to lease and non-lease components applying the relative standalone selling prices requirements for revenue from contracts with customers.

We receive contributions to extend, relocate or amend our network assets. Where the counterparty makes a contribution for network construction activities that is neither a government grant nor relates to the purchase of ongoing services under the same (or linked) contract(s), we recognise revenue over the period of the network construction activities.

Revenue from other sources also includes late payment fees, which are recognised when charged and their collectability is reasonably assured.

Section 2. Our performance (continued)

2.3 Expenses

We classify expenses (apart from finance costs) by nature as this classification more accurately reflects the type of operations we undertake.

Telstra Corporation Group	Year ended 30 June	
	2023	2022
	\$m	\$m
Included in our labour expenses are the following:		
Employee redundancy	6	6
Defined contribution plan expense	5	5
Defined benefit plan expense	11	11
Other expenses		
Impairment losses (excluding net losses on financial assets)	-	1
Service contracts and other agreements	396	190
General and administration	157	173
Other operating expenses	31	17
	584	381
Depreciation and amortisation		
Depreciation of property, plant and equipment	504	621
Depreciation of right-of-use assets	16	16
Amortisation of intangible assets	1	4
	521	641
Finance costs		
Interest on borrowings	486	436
Interest on lease liabilities (Telstra as a lessee)	5	3
Other	(26)	(39)
	465	400
Less: interest on borrowings capitalised	(1)	(3)
	464	397

The following paragraphs provide further information about our expenses and finance costs:

- other expenses include \$209 million of goods and services purchased from related parties through the ICAs adopted on 1 January 2023. Further detail is provided in note 3.9.
- other finance costs include unrealised valuation impacts on our borrowings and derivatives. These include net losses which arise from changes in the fair value of derivative financial instruments to the extent that hedge accounting is not effective or the hedge accounting criteria are not met. These fair values increase or decrease because of changes in financial indices and prices over which we have no control. All unrealised amounts unwind to nil at maturity of the underlying instrument.

Section 2. Our performance (continued)

2.4 Income taxes

This note sets out our tax accounting policies and provides an analysis of our income tax expense and deferred tax balances, including a reconciliation of tax expense to accounting profit. Current income tax is based on the accounting profit adjusted for differences in accounting and tax treatments of income and expenses (i.e. taxable income).

Deferred income tax, which is accounted for using the balance sheet method, arises because the accounting income is not always the same as taxable income. This creates temporary differences, which usually reverse over time. Until they reverse, a deferred tax asset or liability must be recognised in the statement of financial position.

2.4.1 Income tax expense

Table A provides a reconciliation of notional income tax expense to actual income tax expense.

Table A Telstra Corporation Group	Year ended 30 June	
	2023	2022
	\$m	\$m
		Restated
Major components of income tax expense		
Current tax expense	331	137
Deferred tax resulting from the origination and reversal of temporary differences	139	(12)
(Over)/under provision of tax in prior years	3	(7)
	473	118
Reconciliation of notional income tax expense to actual income tax expense		
Profit before income tax expense	1,950	392
Notional income tax expense calculated at the Australian tax rate of 30% (2022: 30%)	585	118
Notional income tax expense differs from actual income tax expense due to the tax effect of:		
Net (non-taxable) and non-deductible items	(66)	-
Deferred tax liabilities derecognised	-	-
Amended assessments	(22)	-
(Over)/under provision of tax in prior years	3	-
Different tax rates in overseas jurisdictions	-	-
Other	(27)	-
Income tax expense on profit	473	118
Income tax expense recognised during the year directly in other comprehensive income or equity	(105)	83

The comparative amounts have been restated to reflect the different split between our current income tax expense and the deferred income tax expense resulting from the restatement of contract liabilities (refer to note 1.7 for details), however the total income tax expense for the financial year 2022 has not changed.

Section 2. Our performance (continued)

2.4 Income taxes (continued)

2.4.2 Deferred tax assets/(liabilities)

Table B details the amount of deferred tax assets and liabilities recognised in the statement of financial position, which include the impacts of foreign exchange movements.

Table B Telstra Corporation Group	Year ended/As at 30 June	
	2023	2022
	\$m	\$m
		Restated
Deferred tax items recognised in the income statement		
Trade and other receivables and contract assets	(870)	(217)
Allowance for doubtful debts	-	52
Deferred contract costs	-	(318)
Investments	-	(12)
Property, plant and equipment	(822)	(1,545)
Right-of-use assets	(115)	(600)
Intangible assets	33	(688)
Trade and other payables	3	196
Provision for employee entitlements	24	244
Other provisions	18	99
Lease liabilities	144	665
Defined benefit asset	-	123
Borrowings and derivative financial instruments	22	44
Contract liabilities and other revenue received in advance	189	491
Capital tax losses	-	26
Income tax losses	-	8
Other	16	(5)
	(1,358)	(1,437)
Deferred tax items recognised in other comprehensive income or equity		
Investments	-	(69)
Defined benefit asset	-	(206)
Borrowings and derivative financial instruments	147	94
	147	(181)
Net deferred tax liability	(1,211)	(1,618)
Comprising:		
Deferred tax assets	-	60
Deferred tax liabilities	(1,211)	(1,678)
	(1,211)	(1,618)

The comparative amounts have been restated as detailed in note 1.7.

Unrecognised deferred tax assets

We apply judgement to recognise a deferred tax asset and review its carrying amount at each reporting date. The carrying amount is only recognised to the extent that it is probable that sufficient taxable profit will be available in the future to utilise this benefit. Any amount unrecognised could be subsequently recognised if it has become probable that future taxable profit will allow us to benefit from this deferred tax asset.

Table C details deferred tax assets not recognised in the statement of financial position.

Table C Telstra Corporation Group	Year ended 30 June	
	2023	2022
	\$m	\$m
Deferred tax assets not recognised		
Capital tax losses	-	1,253
Income tax losses	-	255
Deductible temporary differences	92	111
	92	1,619

2.4.3 Tax consolidated group

Under Australian taxation law, the Telstra Entity and its Australian resident wholly-owned entities (members) form a tax consolidated group and are treated as a single entity for income tax purposes. Up until 31 October 2022, the Telstra Entity was the head entity of the group and, in addition to its own transactions, it recognised the current tax liabilities and the deferred tax assets arising from unused tax losses and tax credits for all members in the group.

As detailed in note 1.2, on 31 October 2022, Telstra Group Limited replaced Telstra Corporation Limited as the new head entity of the Australian tax consolidated group. Under Australian taxation law and confirmed by a ruling of the Australian Tax Office, Telstra has elected that the tax consolidated group will continue in existence, with Telstra Group Limited as the head company. This has been accounted for as a continuation of the antecedent tax consolidated group with Telstra Corporation Limited as the head entity, with the franking credits account being inherited by Telstra Group Limited. There were no income tax implications to the tax consolidated group resulting from the Restructure.

Entities within the tax consolidated group have entered into a new tax sharing agreement and tax funding agreement with Telstra Group Limited as the head entity. The tax sharing agreement specifies methods of allocating any tax liability in the event the head entity defaults on its group payment obligations and the treatment where a member exits the tax consolidated group.

Under the tax funding agreement, the head entity will pay the tax consolidated group liabilities to the Commissioner of Taxation and each of the members have agreed to pay/receive a current tax payable to/receivable from the head entity based on the current tax liability or current tax asset recorded in the financial statements of the members. The head entity in the Australian tax consolidated group will also compensate the members for any deferred tax assets relating to unused tax losses and tax credits.

Amounts payable by Telstra Corporation Limited of \$407 million under the tax funding agreement are due in the next financial year upon final settlement of the current tax payable for the tax consolidated group.

Section 2. Our performance (continued)

2.4 Income taxes (continued)

2.4.4 Recognition and measurement

Our income tax expense is the sum of current and deferred income tax expenses. Current income tax expense is calculated on accounting profit after adjusting for non-taxable and non-deductible items based on rules set by the tax authorities. Deferred income tax expense is calculated at the tax rates that are expected to apply for the period in which the deferred tax asset is realised or the deferred tax liability is settled. Both our current and deferred income tax expenses are calculated using tax rates that have been enacted or substantively enacted at the reporting date.

Our current and deferred taxes are recognised as an expense in the income statement, except when they relate to items that are directly recognised in other comprehensive income or equity. In this case, our current and deferred tax expenses are also recognised directly in other comprehensive income or equity.

Our current and deferred taxes must also recognise the impact of any uncertain tax positions. If it is probable that a relevant tax authority would accept our tax treatment, our tax balances are recognised under that tax treatment. Otherwise, for each uncertain tax position for which it is not probable that the relevant tax authority will accept the tax treatment, we use the most likely amount or the expected value to estimate our tax balances.

We apply the balance sheet method for calculating our deferred tax balances. Deferred tax is the expected tax payable or recoverable on all taxable and deductible temporary differences determined with reference to the tax bases of assets and liabilities and their carrying amount for financial reporting purposes as at the reporting date.

We generally recognise deferred tax liabilities for all taxable temporary differences, except to the extent that the deferred tax liability arises from:

- the initial recognition of goodwill
- the initial recognition of an asset or liability in a transaction that is not a business combination and affects neither our accounting profit nor our taxable income at the time of the transaction (single transactions where both deductible and taxable temporary differences arise on initial recognition that result in deferred tax assets and liabilities of the same amount are excluded from this exemption).

For our investments in controlled entities, joint ventures and associated entities, recognition of deferred tax liabilities is required unless we are able to control the timing of our temporary difference reversal and it is probable that the temporary difference will not reverse.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carried forward unused tax losses and tax credits, can be utilised.

Deferred tax assets and deferred tax liabilities are offset in the statement of financial position where they relate to income taxes levied by the same taxation authority and to the extent that we intend to settle our current tax assets and liabilities on a net basis.

2.5 Notes to the statement of cash flows

2.5.1 Reconciliation of profit to net cash provided by operating activities

Table A Telstra Corporation Group	Year ended 30 June	
	2023	2022
	\$m	\$m
Profit for the year	12,178	1,814
Add/(subtract) items classified as investing/financing activities		
Finance income	(140)	(110)
Finance costs	566	527
Net gain on disposal of property, plant and equipment and intangible assets	(159)	(158)
Net gain from sale and leaseback	(12)	(7)
Net (gain)/loss on leases	(52)	(17)
Government grants received relating to investing activities	-	(22)
Add/(subtract) non-cash items		
Depreciation and amortisation	2,528	4,358
Share-based payments	10	19
Defined benefit plan expense	11	45
Share of net loss from joint ventures and associated entities	28	31
Impairment losses (excluding inventories, trade and other receivables)	-	26
Net gain on disposal of businesses, controlled entities and equity accounted investments	(9,270)	-
Net gain on finance lease arrangements	(1,391)	-
Effects of exchange rate changes on other investments	-	(31)
Other	-	3
Cash movements in operating assets and liabilities		
(Increase)/decrease in trade and other receivables and contract assets	(696)	620
(Increase)/decrease in inventories	(242)	(101)
(Increase)/decrease in prepayments and other assets	(30)	56
Decrease in deferred contract costs	26	104
Increase/(decrease) in trade and other payables	620	241
(Decrease)/increase in contract liabilities and other revenue received in advance	118	(12)
Decrease in net taxes payable	(647)	(152)
(Decrease)/increase in provisions	(21)	15
Net cash provided by operating activities	3,425	7,249

Section 2. Our performance (continued)

2.5 Notes to the statement of cash flows (continued)

2.5.2 Cash and cash equivalents

Table B Telstra Corporation Group	Year ended 30 June	
	2023	2022
	\$m	\$m
Cash at bank and on hand	65	417
Bank deposits and negotiable certificates of deposit	-	623
Cash and cash equivalents in the statement of cash flows	65	1,040

2.5.3 Recognition, measurement and presentation

(a) Cash and cash equivalents

Cash and cash equivalents include cash at bank and on hand, bank deposits and negotiable certificates of deposit that are held to meet short-term cash commitments rather than for investment purposes.

Bank deposits and negotiable certificates of deposit are classified as financial assets held at amortised cost.

(b) Short-term borrowings in financing cash flows

Where our short-term borrowings are held for the purposes of meeting short-term cash commitments, we report the cash receipts and subsequent repayments in financing activities on a net basis in the statement of cash flows.

(c) Goods and Services Tax (GST) (including other value-added taxes)

We record our revenue, expenses and assets net of any applicable GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item.

Receivable and payable balances in the statement of financial position, and receipts from customers and payments to suppliers in the statement of cash flows include GST where we have either included GST in our price charged to customers or a supplier has included GST in their price charged to us.

On 1 November 2022, Telstra formed a GST group. The members of this group were Telstra Group Limited (as representative member), and most of the Australian entities in which it owns a 90% or more interest, including Telstra Corporation Limited.

Under Australian taxation law, entities forming a GST group are treated as a single entity for GST purposes. The representative entity is responsible for meeting the GST obligations for transactions entered into by all members of the group, in addition to its own transactions. Transactions between members of the group are ignored for GST purposes.

Entities within the GST group have entered into an indirect tax sharing agreement and an indirect tax funding agreement with Telstra Group Limited. The indirect tax sharing agreement specifies methods of allocating any GST liability in the event the representative entity defaults on its group payment obligations and the treatment where a member exits the GST group. Under the indirect tax funding agreement, the representative entity will pay the GST consolidated group liability to the Commissioner of Taxation and each of the members have agreed to pay a current payable to / receivable from the representative entity based on the group member's share of the consolidated group's GST position.

2.6 Discontinued operations

As detailed in note 1.2, the final Restructure steps were completed on 1 January 2023. On this date, Telstra Corporation Limited transferred:

- the retail and active wholesale business assets and liabilities and related investments to Telstra Limited
- the international business assets and liabilities and related investments to Telstra International Holdings Pty Ltd and its controlled entities
- the interest in Telstra Towerco No. 2 Pty Ltd, being the wholly-owned entity which holds an interest in the Amplitel towers business and related investments (Amplitel), to Telstra Group Limited.

In accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*, the financial results of these three businesses (referred to as the Disposal Group) have been disclosed as discontinued operations and the carrying value of assets and liabilities of the Disposal Group have been measured at the lower of carrying amount and fair value less costs to sell prior to their disposal. Discontinued operations also include the financial results of Digicel Pacific. Refer to note 6.1.2 for further details.

Telstra Corporation Group continued to transact with the Disposal Group pre and post 1 January 2023. The operations, assets and liabilities of the Disposal Group disclosed do not include any transactions with controlled entities prior to 1 January 2023. This is because in accordance with the principles of consolidation, all transactions with controlled entities, i.e. those related to both continuing and discontinued operations, have been eliminated on consolidation of the Telstra Corporation Group (i.e. they have not been grossed up between continuing and discontinued operations).

From 1 January 2023, following the Restructure, Telstra Corporation Group as a provider of access to passive fixed infrastructure, recognizes revenue and expenses through the ICAs with related parties, i.e. the Disposal Group.

Section 2. Our performance (continued)

2.6 Discontinued operations (continued)

Table A presents financial information related to the discontinued operations of the Disposal Group including Digicel Pacific and its controlled entities.

Table A Telstra Corporation Group	Year ended 30 June	
	2023	2022
	\$m	\$m
Revenue	10,557	19,821
Other income	166	350
Expenses	8,646	18,101
Profit before income tax expense	2,077	2,070
Income tax expense	646	544
Profit after income tax expense from discontinued operations	1,431	1,526
Gain on disposal of discontinued entities pre 1 January 2023	40	-
Gain on disposal of discontinued operations on 1 January 2023 (refer to Table C)	9,230	-
Profit from discontinued operations	10,701	1,526
Net cash provided by operating activities	1,977	5,413
Net cash used in investing activities	(4,213)	(3,501)
Net cash provided by financing activities	1,619	2,001
Net (decrease)/increase in cash and cash equivalents	(617)	3,913

Table B presents the assets and liabilities of the Disposal Group that were transferred on 1 January 2023.

Table B Disposal Group	As at
	1 Jan 2023
	Total \$m
Current assets	
Cash and cash equivalents	912
Trade and other receivables and contract assets	3,384
Deferred contract costs	151
Inventories	682
Current tax receivables	38
Prepayments	250
Total current assets	5,417
Non-current assets	
Trade and other receivables and contract assets	662
Deferred contract costs	1,229
Inventories	23
Investments – accounted for using the equity method	376
Investments – other	18
Property, plant and equipment	11,497
Intangible assets	8,344
Right-of-use assets	2,855
Derivative financial assets	3
Deferred tax assets	46
Total non-current assets	25,053
Total assets	30,470
Current liabilities	
Trade and other payables	3,858
Employee benefits	48
Other provisions	97
Lease liabilities	493
Borrowings	112
Current tax payables	-
Contract liabilities and other revenue received in advance	1,429
Total current liabilities	6,037
Non-current liabilities	
Other payables	158
Employee benefits	12
Other provisions	8
Lease liabilities	2,536
Borrowings	89
Deferred tax liabilities	1,274
Defined benefit liabilities	11
Contract liabilities and other revenue received in advance	1,366
Total non-current liabilities	5,370
Total liabilities	11,491
Net assets	18,979

Section 2. Our performance (continued)

2.6 Discontinued operations (continued)

Table C provides details on how the net gain on disposal has been determined. It also shows the reserves that have been reclassified to our income statement that formed part of the gain on sale of the Disposal Group.

Table C	As at
Telstra Corporation Group	1 Jan 2023
	\$m
Consideration on disposal	
Non-cash consideration on disposal	27,467
Cash and cash equivalents disposed	(912)
Total inflow on disposal	26,555
Assets/(liabilities) at disposal date	
Assets disposed as part of the Restructure (including cash disposed)	30,470
Liabilities disposed as part of the Restructure	(11,491)
Net assets disposed	18,979
Cash flow hedging reserve (net of income tax) reclassified to the income statement	(2)
Foreign currency translation reserve (net of income tax) reclassified to the income statement	(101)
Adjustment for non-controlling interests	(790)
Other adjustments	151
Net book value of assets disposed	18,237
Gain on disposal	9,270

Telstra Corporation Group recognized a \$9,230 million net gain on transfer of the Disposal Group.

In addition, on the transfer of the Disposal Group, Telstra Corporation Group has transferred to retained earnings a \$2,077 million general reserve and a \$129 million fair value equity investments reserve related to the disposed investments.

Other adjustments related to inter-company balances which were part of the disposed assets and liabilities and were previously eliminated on consolidation of the Telstra Corporation Group.

Table D presents the assets and liabilities of Digicel Pacific on 30 November 2022. During the year we acquired Digicel Pacific on 13 July 2022 and we disposed of the business as part of the Restructure on 30 November 2022 (refer to note 6.1.2). This information has been presented separately as assets and liabilities of Digicel Pacific were transferred prior to 1 January 2023.

Table D	As at
Digicel Pacific and its controlled entities	30 Nov 2022
	Total
	\$m
Current assets	
Cash and cash equivalents	100
Trade and other receivables and contract assets	275
Deferred contract costs	3
Inventories	11
Prepayments	26
Total current assets	415
Non-current assets	
Investments - accounted for using the equity method	8
Property, plant and equipment	487
Intangible assets	2,511
Right-of-use assets	55
Derivative financial assets	41
Deferred tax assets	23
Total non-current assets	3,125
Total assets	3,540
Current liabilities	
Trade and other payables	372
Employee benefits and other provisions	192
Lease liabilities	7
Borrowings	1,161
Current tax payables	3
Contract liabilities and other revenue received in advance	50
Total current liabilities	1,780
Non-current liabilities	
Employee benefits and other provisions	70
Lease liabilities	58
Deferred tax liabilities	162
Total non-current liabilities	289
Total liabilities	2,069
Net assets	1,471

As part of the sale of entities prior to 1 January 2023, we recognised net \$40 million gain on disposal and \$460 million of additional promissory notes.

Section 2. Our performance (continued)

2.6 Discontinued operations (continued)

As at 30 June 2023, Telstra Corporation Group holds \$19,348m of promissory notes related to the consideration on disposal. Table E shows the movement of the promissory note from 1 July 2022 to 30 June 2023.

Table E Telstra Corporation Group	Year ended 30 June 2023
	\$m
Total promissory notes held on 1 July 2022	-
<i>Add:</i> Promissory notes received from sale of the Disposal Group and Digicel Pacific and its controlled entities	27,927
<i>Less:</i> Non-cash dividends paid through the promissory note	(6,000)
<i>Less:</i> Receipts from promissory notes	(2,579)
Total promissory notes at 30 June 2023	19,348
Current portion	2,454
Non-current portion	16,894
	19,348

The promissory notes are non-interest bearing and are repayable upon demand.

At each reporting date, we assess the credit risk of the promissory notes receivable, and whether this has significantly increased since initial recognition, by assessing the ability of the issuer to repay the promissory notes receivable on demand. In assessing whether the promissory notes receivable is credit impaired, and therefore whether expected credit loss is required to be recorded, we consider the manner of recovery of the amount due in calculating the loss given default, which may include any recovery plans which would allow the issuer a longer period of time to accumulate the funds to repay the loan.

In assessing recovery plans and the cash flows of the issuer, we consider future economic conditions and forward-looking information to determine the amounts expected to be recovered. At the reporting date, no expected credit loss is required to be recorded based on the assessment of the recovery plans and future cash flows of the issuer. The maximum credit exposure is the carrying amount of the promissory notes receivable in the statement of financial position and the Telstra Entity does not hold any collateral.

Refer to notes 1.2, 6.1 and 7.2 for further details about the Restructure, changes in our group structure and for parent entity disclosures.

Section 3. Our core assets, lease arrangements and working capital

This section describes our core long-term tangible (owned and leased) and intangible assets underpinning Telstra Corporation Group's performance and provides a summary of our asset impairment assessment. This section also describes our short-term assets and liabilities, i.e. our working capital supporting the operating liquidity of our business.



3.1 Property, plant and equipment and intangible assets

This note provides details of our tangible and intangible assets, including goodwill, and their impairment assessment.

3.1.1 Property, plant and equipment

Table A shows movements in the net book value of our property, plant and equipment assets during the financial year.

Table A	Land and buildings	Communication assets	Other plant and equipment	Total property, plant and equipment
Telstra Corporation Group	\$m	\$m	\$m	\$m
Net book value at 1 July 2021	588	20,057	218	20,863
Additions	59	2,093	79	2,231
Additions due to acquisitions of controlled entities	27	-	6	33
Depreciation expenses	(60)	(2,433)	(79)	(2,572)
Other movements	1	(53)	(18)	(70)
Net book value at 30 June 2022, comprising:	615	19,664	206	20,485
Cost	1,274	62,475	1,130	64,879
Accumulated depreciation and impairment	(659)	(42,811)	(924)	(44,394)
Net book value at 1 July 2022	615	19,664	206	20,485
Additions	52	1,367	46	1,465
Additions due to acquisitions of controlled entities	33	469	21	523
Depreciation expenses	(47)	(897)	(50)	(994)
Disposals from Digicel Pacific disposal (note 2.6)	(29)	(438)	(20)	(487)
Disposals from Restructure (note 2.6)	(152)	(11,155)	(190)	(11,497)
Disposals of PPE arising from finance leases on Inter-Company Agreements	-	(762)	-	(762)
Other movements	(28)	(17)	(13)	(58)
Net book value at 30 June 2023, comprising:	444	8,231	-	8,675
Cost	695	20,563	-	21,258
Accumulated depreciation and impairment	(251)	(12,332)	-	(12,583)

The following paragraphs provide further information about our fixed asset classes:

- land and buildings include leasehold improvements related to right-of-use assets recognised under our leasing arrangements (Telstra as a lessee)
- communication assets include certain network land and building assets that are essential to operate communication assets
- as at 30 June 2023, \$284 million (2022: \$1,137 million) of property, plant and equipment was under construction and not installed or ready for use
- our property, plant and equipment assets include buildings and network assets which are mainly used by us to generate significant rental income from related parties through the ICAs.

- on entering the ICAs, \$762 million (2022: nil) of communication assets was derecognised due to entering finance leases.
- other movements include \$43 million (2022: \$83 million) net transfers to intangible assets, \$13 million decrease due to the disposal of Heritage Telecommunications Limited (further details in note 6.1.2), \$2 million increase (2022: \$44 million increase) due to net foreign exchange differences and other individually insignificant transactions.

Section 3. Our core assets, lease arrangements and working capital (continued)

3.1 Property, plant and equipment and intangible assets (continued)

3.1.2 Goodwill and other intangible assets

Table B shows movements in the net book value of our intangible assets during the financial year.

Table B	Goodwill	Software assets	Licences	Other intangible assets	Total intangible assets
Telstra Corporation Group	\$m	\$m	\$m	\$m	\$m
Net book value at 1 July 2021	1,052	3,455	2,043	581	7,131
Additions	-	891	238	42	1,171
Additions due to acquisitions of controlled entities	676	103	-	147	926
Amortisation expense	-	(823)	(282)	(94)	(1,199)
Other movements	41	83	(4)	6	126
Net book value at 30 June 2022, comprising:	1,769	3,709	1,995	682	8,155
Cost	1,856	12,048	3,547	1,735	19,186
Accumulated amortisation and impairment	(87)	(8,339)	(1,552)	(1,053)	(11,031)
Net book value at 1 July 2022	1,769	3,709	1,995	682	8,155
Additions	-	594	69	9	672
Additions due to acquisitions of controlled entities	1,633	10	-	1,147	2,790
Amortisation expense	-	(376)	(119)	(245)	(740)
Disposals from Digicel Pacific disposal (note 2.6)	(1,580)	(10)	-	(921)	(2,511)
Disposals from Restructure (note 2.6)	(1,810)	(3,921)	(1,926)	(687)	(8,344)
Other movements	(12)	(5)	(19)	15	(21)
Net book value at 30 June 2023, comprising:	-	1	-	-	1
Cost	-	2	-	-	2
Accumulated amortisation and impairment	-	(1)	-	-	(1)

The following paragraphs detail further information about our intangible asset classes:

- licences comprise of the spectrum licences and apparatus licences obtained to operate a range of radiocommunications devices. Note these assets were disposed upon the Restructure outlined in note 1.2 and 2.6.
- other movements include \$2 million increase (2022: \$48 million increase) due to net foreign exchange differences, \$43 million (2022: \$83 million) net transfers from property, plant and equipment to intangible assets, and other individually insignificant transactions.

Capitalisation of development costs

We apply judgement to determine whether to capitalise development costs.

Development costs are only capitalised if the project is assessed to be technically and commercially feasible, we are able to use or sell the asset, and we have sufficient resources and intent to complete the development.

As at 30 June 2023, \$nil (2022: \$434 million) of software assets were not installed and ready for use.

Section 3. Our core assets, lease arrangements and working capital (continued)

3.1 Property, plant and equipment and intangible assets (continued)

3.1.3 Depreciation and amortisation

Table C presents the weighted average useful lives of our property, plant and equipment and identifiable intangible assets.

Table C Telstra Corporation Group	Expected benefit (years)	
	As at 30 June	
	2023	2022
Property, plant and equipment		
Buildings	30	30
Communication assets	27	25
Other plant and equipment	7	7
Intangible assets		
Software assets	9	9
Licences	14	14
Other intangibles	19	17

Useful lives and residual values of tangible and intangible assets

We apply judgement to estimate useful lives and residual values of our assets and review them each year. If useful lives or residual values need to be modified, the depreciation and amortisation expense changes from the date of reassessment until the end of the revised useful life for both the current and future years.

Assessment of useful lives and residual values includes a comparison with international trends for telecommunication companies and, in relation to communication assets, a determination of when the asset may be superseded technologically or made obsolete. For intangible assets, specifically business software, useful lives are adjusted to align with expected retirement dates of the relevant applications under the current corporate strategies.

In the financial year 2023, the net effect of the assessment of useful lives was a \$35 million decrease in depreciation and amortisation expenses. There was no material net effect of the assessment of useful lives in the financial year 2022.

3.1.4 Impairment assessment

All non-current tangible and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. Indicators of impairment may include changes in the operating and economic assumptions or possible impacts from risks such as changing economic and market conditions and climate change.

Potential indicators in the current year may include rising inflation and other economic pressures. However, given the long-lived nature of the majority of Telstra Corporation Group's assets and the nature of our services and operations, the expected return on assets is not significantly impacted.

Other indicators such as climate change includes physical climate risks on our assets associated with bushfires, cyclones, coastal inundation, urban flash flooding and increasing temperatures, as well as the impact of extreme weather events on our operations and service delivery.

Based on our experience with extreme weather events, and considering the diverse location and nature of our assets as well as our continued focus on network resiliency and business continuity programs, we do not consider the potential impacts of climate change and the transition to a lower carbon economy to be an impairment indicator at this stage.

Goodwill and intangible assets with an indefinite useful life are not subject to amortisation and are assessed for impairment at least annually. If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to the income statement so as to reduce the carrying amount.

The recoverable amount of an asset is the higher of its fair value less cost of disposal and its value in use. Fair value less cost of disposal is measured with reference to quoted market prices in an active market. Value in use represents the present value of the future amount expected to be recovered through the cash inflows and outflows arising from the asset's continued use and subsequent disposal.

We identify cash generating units, the smallest groups of assets that generate largely independent cash inflows from other assets or groups of assets. We have determined that, post the Restructure on 1 January 2023, one cash generating unit exists for Telstra Corporation Group.

Based on our assessment, and as a result of considering all potential indicators, we did not identify any indicators of impairment. No impairment charge was required in the year.

Section 3. Our core assets, lease arrangements and working capital (continued)

3.1 Property, plant and equipment and intangible assets (continued)

3.1.5 Recognition and measurement

Asset class	Recognition and measurement
Property, plant and equipment	Property, plant and equipment, including assets under construction, is recorded at cost less accumulated depreciation and impairment. Cost includes the purchase price and costs directly attributable to bringing the asset to the location and condition necessary for its intended use. We capitalise borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. All other borrowing costs are recognised as an expense in our income statement when incurred. Property, plant and equipment other than freehold land are depreciated on a straight-line basis in the income statement from the time when the assets are installed and ready for use. Items of property, plant and equipment excluding leasehold improvements are depreciated over their estimated useful lives. Leasehold improvements are depreciated over the shorter of the lease term and the useful life of the assets.
Goodwill	Goodwill acquired in a business combination is measured at cost. Cost represents the excess of what we pay for the business combination over the fair value of the identifiable net assets acquired at the date of acquisition. Goodwill is not amortised but is tested for impairment on an annual basis or when an indication of impairment arises. Goodwill arising on the acquisition of joint ventures or associated entities constitutes part of the cost of the investment. All goodwill held was disposed during the year. Refer to note 1.2, 2.6 and 6.1.2.
Internally generated intangible assets	Internally generated intangible assets include mainly IT development costs incurred in design, build and testing of new or improved IT products and systems. Research costs are expensed when incurred. Capitalised development costs include: • external direct costs of materials and services consumed • payroll and payroll-related costs for employees (including contractors) directly associated with the project • borrowing costs that are directly attributable to the qualifying assets. Internally generated intangible assets have a finite life and are amortised on a straight-line basis over their useful lives.
Acquired intangible assets	We acquire other intangible assets either as part of a business combination or through a separate acquisition. Intangible assets acquired in a business combination are recorded at their fair value at the date of acquisition and recognised separately from goodwill. Intangible assets acquired through a specific acquisition are recorded at cost. Intangible assets that are considered to have a finite life are amortised on a straight-line basis over the useful lives. Intangible assets that are considered to have an indefinite life are not amortised but tested for impairment on an annual basis or when an indication of impairment exists.

Section 3. Our core assets, lease arrangements and working capital (continued)

3.2 Lease arrangements

This note provides details about our leasing arrangements, where Telstra is either a lessee or a lessor, including arrangements where Telstra is an intermediate lessor (i.e. subleases).

3.2.1 Telstra as a lessee

Our most significant lease contracts relate to network and non-network properties, including:

- land and buildings supporting our network assets and data centres
- office buildings, retail spaces and warehouses.

Other lease arrangements include:

- communication assets dedicated to solution management that we provide to our enterprise customers
- spaces on mobile towers
- renewable energy plants
- motor vehicles
- laptops, personal computers and printers.

These 'Other lease arrangements' have been discontinued as a result of the Restructure on 1 January 2023. From 1 January 2023, any arrangements that continued to be used by Telstra Corporation Group were purchased through the ICAs as outlined in note 3.9.

None of our leases include residual value guarantees. Other features of our leases are described below.

(a) Leases with extension, termination and purchase options

We do not have any significant purchase options in our property leases.

Extension options are included in a number of commercial and network property leases and are taken up to maximise the operational flexibility in terms of managing the assets used in our core business operations.

The majority of extension and termination options within our lease contracts are exercisable only by us and not by the respective lessor, with the exception of 'holdover periods' in our property leases, where generally either party can terminate the lease.

The extension, termination and purchase options are considered when determining lease term.

On 1 January 2023, the assets and liabilities related to the Disposal Group (outlined in note 1.2 and 2.6) were transferred. Upon transfer of the Disposal Group, Telstra Corporation Group established a number of Inter-Company Agreements with the Disposal Group including long-term arrangements to access fibre and fixed network sites, some of which are located on leased land. We have considered those Inter-Company Agreements as a significant event impacting our judgement when reassessing the lease term of our external leases and assessed the lease term for those leases where the related party sub-leases extended beyond the period of our previous judgement. Based on our assessment, there were no material impacts to our lease liabilities or right-of-use assets.

Determining lease term for property leases

We apply judgement to determine a lease term for leases with extension, termination or purchase options. We also consider lease modifications where we continue to use the same underlying asset for an extended term.

Our property lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions, with typical fixed term periods between three and 20 years.

In determining the lease term, we consider all facts and circumstances that create an economic incentive to exercise an extension, termination or purchase option, including holdover periods where relevant.

In particular, we consider contractual terms under which the lease term can be extended or terminated, potential relocation costs, asset specific factors and any relevant leasehold improvements or our wider strategy and policy decisions.

We also consider long-term Inter-Company Agreements to access tower sites and exchanges located on land leased from third parties.

Extension options are only included in the lease term if the lease is reasonably certain to be extended. Periods beyond termination options are only included in the lease term if it is reasonably certain that the lease will not be terminated.

The longer the fixed lease term, the less certain a lessee is to exercise an option to extend the lease.

The extension options for leases of office buildings have generally not been included in the lease term due to a competitive marketplace and our commercial ability to either substantially renegotiate or replace these assets instead of exercising the extension options.

None of our termination options have been considered reasonably certain to be exercised; therefore, the lease terms have not been shortened and all future cash flows have been included in the measurement of the lease liability.

The lease term assessment is reviewed if a significant event or change in circumstances occurs which affects this assessment and that is within our control as a lessee.

Section 3. Our core assets, lease arrangements and working capital (continued)

3.2 Lease arrangements (continued)

3.2.1 Telstra as a lessee (continued)

(b) Leases with lease payment increases

Under most of our lease arrangements, we pay fixed lease payments, which are included in the measurement of lease liabilities at initial recognition or at the time of reassessment. Fixed lease payments in our property leases usually include fixed increases. However, some of our property leases contain other escalation clauses, including increases subject to the consumer price index, the greater of fixed increase or the consumer price index or increases subject to market rates. Market rent review terms are used to respond to competitive market trends and to minimise our fixed costs.

No material adjustments to lease liabilities resulting from such escalation clauses were recognised during the financial year 2023.

(c) Leases with variable lease payments that do not depend on an index or a rate

Some of our leases, such as leases of renewable energy plants, include variable lease payments that do not depend on an index or a rate. Such payments are not included in the measurement of the lease liability and are expensed as incurred in 'other expenses' in the income statement.

(d) Right-of-use assets

Table A shows movements in net book value of our right-of-use assets during the financial year.

Table A Telstra Corporation Group	Right-of-use assets for underlying assets		
	Land and buildings	Other	Total
	\$m	\$m	\$m
Net book value at 1 July 2021 (reclassified)	2,044	808	2,852
Additions	472	162	634
Additions due to acquisitions of controlled entities and businesses	96	-	96
Depreciation expense	(406)	(181)	(587)
Terminations	(32)	(13)	(45)
Other movements	1	(25)	(24)
Net book value at 30 June 2022 (reclassified), comprising:	2,175	751	2,926
Cost	3,361	1,139	4,500
Accumulated depreciation and impairment	(1,186)	(388)	(1,574)
Net book value at 1 July 2022 (reclassified)	2,175	751	2,926
Additions	391	124	515
Additions due to acquisitions of controlled entities and businesses	56	-	56
Depreciation expense	(133)	(64)	(197)
Disposals from Digicel Pacific disposal (note 2.6)	(55)	-	(55)
Disposals from Restructure (note 2.6)	(2,054)	(801)	(2,855)
Other movements	(24)	(10)	(34)
Net book value at 30 June 2023, comprising:	356	-	356
Cost	423	-	423
Accumulated depreciation and impairment	(67)	-	(67)

We reclassified right-of-use assets related to leases of towers and tower-like structures from 'land and buildings' to 'other' class of underlying assets to best reflect the nature of such right-of-use assets.

The following amounts have been reclassified:

- \$649 million of net book value as at 1 July 2021
- \$41 million of additions during the financial year 2022
- \$76 million of depreciation expense during the financial year 2022
- \$614 million of net book value as at 1 July 2022.

This change in presentation did not impact our reported results.

Other movements include other individually insignificant transactions.

Section 3. Our core assets, lease arrangements and working capital (continued)

3.2 Lease arrangements (continued)

3.2.1 Telstra as a lessee (continued)

(d) Right-of-use assets (continued)

Table B provides information about the weighted average useful lives of our right-of-use assets.

Table B Telstra Corporation Group	Weighted average useful life (years)	
	As at 30 June	
	2023	2022
Right-of-use assets		
Land and buildings	12	9
Other	n/a	3

(e) Lease liabilities

Lease liabilities do not include liabilities for leases of low value assets (such as personal computers, laptops and printers) or leases with variable payments which do not depend on an index or a rate, for which associated outstanding rental payments as at balance date continue to be included in trade and other payables.

Determining incremental borrowing rates for property leases

We apply judgement to determine incremental borrowing rates for our property leases because the interest rates implicit in leases are not readily determinable for those arrangements.

The incremental borrowing rates are determined with reference to rates sourced from market-based credit adjusted yield curves which are independently derived and reasonably reflect the credit risk of the lessee. The discount rates also reflect:

- the lease term (based on the weighted average repayment term)
- any guarantees which may be in place
- the impact of any security if significant to pricing.

As at 30 June 2023, the weighted average incremental borrowing rate was 1.6 per cent (2022: 2.4 per cent).

Table C presents maturity analysis of our lease liabilities.

Table C Telstra Corporation Group	As at 30 June	
	2023	2022
	\$m	\$m
Undiscounted future cash flows		
Less than 1 year	32	550
1 to 2 years	42	546
2 to 5 years	112	1,196
More than 5 years	384	1,394

Table C Telstra Corporation Group	As at 30 June	
	2023	2022
	\$m	\$m
Total undiscounted lease liabilities	570	3,686
Future finance charges	(132)	(399)
Present value of lease liabilities	438	3,287
Comprising:		
Current	22	490
Non-current	416	2,797
	438	3,287

Measurement of lease liabilities reflects judgements made about discounted future cash flows arising from reasonably certain extension options and lease modifications, which must be reassessed should the circumstances change.

(f) Amounts recognised in the income statement and cash outflows for leases

Table D presents amounts recognised in the income statement and the cash outflows related to our lease arrangements.

Table D Telstra Corporation Group	Year ended 30 June	
	2023	2022
	\$m	\$m
Amounts recognised in the income statement		
Depreciation of right-of-use assets (in depreciation and amortisation expense)	(16)	(16)
Interest expense on lease liabilities (in net finance costs)	(5)	(3)
Net gain on sale and leaseback transactions (in other income)	11	-
Cash outflows for leases		
In cash flows from operating activities	-	(21)
In cash flows from financing activities (principal portion)	(338)	(697)
In cash flows from financing activities (interest portion)	(1)	(78)

Section 3. Our core assets, lease arrangements and working capital (continued)

3.2 Lease arrangements (continued)

3.2.2 Telstra as a lessor (including a dealer-lessor and an intermediate lessor)

Our lease arrangements where Telstra is a lessor, including a dealer-lessor and intermediate lessor, include the following main categories:

- leases and subleases of property assets, including office and network buildings
- finance leases where Telstra is a dealer-lessor of communication assets dedicated to solution management.

Our key finance and operating leases are described below.

(a) Finance leases

(i) Finance leases where Telstra is a dealer-lessor

At lease commencement date, where Telstra is a dealer-lessor, we recognise revenue and a selling profit from these transactions as we have no risks associated with the remaining rights in the underlying assets.

These dealer-lessor arrangements were discontinued on 1 January 2023 as a result of the Restructure outlined in note 1.2 and 2.6.

(ii) Finance leases where Telstra is a lessor

During the year, we entered into finance lease arrangements with our related parties (outlined in note 3.9). These finance lease arrangements arose on implementation of the ICAs on 1 January 2023 post Restructure (outlined in note 1.2, 2.2 and 2.6). As a result of certain assets being accounted for as a finance lease arrangement, we recognised an upfront gain of \$1,475 million, derecognised \$762 million of property, plant and equipment, and recognised \$2,237 million of finance lease receivables on entering into the ICAs (30 June 2023 balance of \$2,209 million).

The weighted average remaining term of the finance leases of these assets is 35 years (2022: nil).

(iii) Finance lease receivable maturity analysis

Table E sets out the maturity analysis of undiscounted lease payments receivable and the unearned finance income for our finance lease receivables. No unguaranteed residual values accrue under our finance leases.

Table E Telstra Corporation Group	As at 30 June	
	2023	2022
	\$m	\$m
Undiscounted lease payments receivable under finance leases		
Less than 1 year	212	70
1 to 2 years	212	46
2 to 3 years	212	26
3 to 4 years	212	20
4 to 5 years	210	13
More than 5 years	6,240	17
Total undiscounted lease payments receivables	7,298	192
Less: unearned finance income	(5,089)	(16)
Net investment in the lease	2,209	176
Allowance for doubtful debts	-	(1)
	2,209	175
Comprising		

Table E Telstra Corporation Group	As at 30 June	
	2023	2022
	\$m	\$m
Current	56	63
Non-current	2,153	112
	2,209	175

During the financial year, we added \$2,237 million (2022: \$31 million) of new finance lease receivables on 1 January 2023 as a result of our assessment of ICAs with related parties and recognised interest income on these receivables of \$79 million (2022: \$8 million).

Refer to note 3.3.1 for details regarding impairment assessment of our finance lease receivables.

(b) Operating leases

During the year, we entered into ICAs with related parties that provide long-term access to our passive infrastructure. Certain ICAs, or components of those ICAs, were accounted for as operating leases.

The undiscounted future lease payments receivable under our operating leases totalled \$2,881 million (2022: \$67 million), with 36 per cent (2022: 70 per cent) of that amount maturing within the next two years.

(c) Amounts recognised in the income statement

Table F presents amounts relating to our lease arrangements where Telstra is a lessor (including an intermediate lessor) recognised in the income statement during the financial year.

Table F Telstra Corporation Group	Year ended 30 June	
	2023	2022
	\$m	\$m
Net gain on disposal of assets arising from finance lease arrangements	1,475	-
Interest income on finance leases from related parties	79	-
Income from operating leases, including subleases (in revenue from other sources)	194	-

3.2.3 Recognition and measurement

(a) Lease identification and lease term

A contract is, or contains, a lease if it conveys the right to control the use of an identified asset, including a physically distinct portion of an asset, for a period of time in exchange for consideration. The customer has the right to control the use of an identified asset if the supplier has no substantive substitution rights, and the customer obtains substantially all of the economic benefits from use of the identified asset and has the right to direct its use.

A contract may include lease and non-lease components, which are accounted for separately. We allocate the consideration to lease and non-lease components based on their relative standalone (selling) prices.

If a lease has been identified at inception of the arrangement, a lease term is determined considering a non-cancellable period and reasonably certain extension, termination or purchase options.

Section 3. Our core assets, lease arrangements and working capital (continued)

3.2 Lease arrangements (continued)

3.2.3 Recognition and measurement (continued)

(b) Telstra as a lessee

A lessee recognises a right-of-use asset and a lease liability at a lease commencement date. The lease liability is initially measured as a present value of the following lease payments:

- fixed payments (including any in-substance fixed lease payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate, initially using the index or rate as at the commencement date
- the exercise price of a purchase option, if the purchase option was assessed as reasonably certain to be exercised
- payments for penalties for terminating the lease, if the lease term reflects that the lessee will exercise that option.

Lease payments expected to be made under a reasonably certain extension option are also reflected in the measurement of the lease liability.

Where lease arrangements include market rent review clauses, lease liabilities are measured excluding any expected impacts from market rent reviews until they are legally binding and can be reliably measured.

The lease payments are discounted using the interest rate implicit in the lease, unless that rate is not readily determinable, in which case the lessee's incremental borrowing rate is used.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the income statement over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Variable lease payments that do not depend on an index or a rate are recognised in the income statement in the period in which the event or condition that triggers those payments occurs.

Payments associated with leases of low value assets are recognised on a straight-line basis as an expense in the income statement.

At the commencement of the lease right-of-use assets are measured at cost, which comprises the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs. Where an obligation exists to dismantle, remove or restore a leased asset or the site it is located on and a provision has been raised, the right-of-use asset also includes these restoration costs.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are generally depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term. If it is reasonably certain that we will exercise the purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. The depreciation starts at the commencement date of the lease.

Right-of-use assets are reviewed for impairment under the same policy as our property, plant and equipment assets. Refer to note 3.1.4 for further details regarding impairment testing.

Costs of improvements to the leased properties are capitalised as leasehold improvements and usually depreciated over the shorter of the useful life of the improvements and the term of the lease.

We reassess lease liability (and make a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed (reflecting reassessment of or exercise of an extension or termination options previously not

included in the measurement of the lease liability) or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate

- the future lease payments change due to changes in an index or a rate, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

(c) Telstra as a lessor (including a dealer-lessor and an intermediate lessor)

We distinguish between finance leases, which effectively transfer substantially all the risks and benefits incidental to ownership of the leased asset from the lessor to the lessee, and operating leases under which the lessor effectively retains substantially all such risks and benefits. Lease classification is made at the inception date and is only reassessed if there is a lease modification.

Where we are an intermediate lessor, we account for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Where we lease assets via a finance lease, a finance lease receivable (i.e. a net investment in the lease) is recognised at the lease commencement date and measured at the present value of the lease payments receivable plus the present value of any unguaranteed residual value expected to accrue at the end of the lease term and discounted using the interest rate implicit in the lease.

Finance lease receipts are allocated between finance income and a reduction of the finance lease receivable over the term of the lease in order to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease.

Where we are a dealer-lessor, at the commencement of the lease, in addition to the finance lease receivable we also recognise a selling profit or loss (being the difference between revenue from other sources and the cost of sale) from the sale of the underlying asset.

Income from operating leases is recognised on a straight-line basis over the term of the relevant lease and presented in the income statement as revenue from other sources.

(d) Sale and leaseback transactions

When we sell and lease back the same asset, the accounting treatment depends on whether the control of the asset has been transferred to the buyer:

- if yes, we measure the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the rights retained by us as a seller-lessee. Accordingly, we recognise only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor.
- if not, as a seller-lessee we continue to recognise the transferred asset and we recognise a financial liability equal to the transfer proceeds.

Section 3. Our core assets, lease arrangements and working capital (continued)

3.3 Trade and other receivables and contract assets

3.3.1 Current and non-current trade and other receivables and contract assets

Table A Telstra Corporation Group	Note	As at 30 June	
		2023	2022
		\$m	\$m
Current			
Trade receivables from contracts with customers		317	2,755
Trade receivables from related parties		444	-
Finance lease receivables	3.2	56	63
Accrued revenue		64	260
Other receivables		4	166
		885	3,244
Contract assets	3.5	97	830
		982	4,074
Non-current			
Trade receivables from contracts with customers		-	412
Finance lease receivables	3.2	2,153	112
Amounts owed by joint ventures and associated entities	6.4	143	132
Other receivables		-	47
		2,296	703
Contract assets	3.5	110	158
		2,406	861

The majority of our receivables are in the form of contracted agreements with our customers. In general, the terms and conditions of these contracts require settlement between 14 and 45 days from the date of invoice. Credit risk associated with trade and other receivables and contract assets has been provided for.

Trade receivables from contracts with customers represent an unconditional right to receive consideration which normally arises when the goods and services have been delivered and/or a valid invoice has been issued. By contrast, contract assets relate to our rights to consideration for goods or services provided to the customer but for which we do not have an unconditional right to payment at the reporting date.

Trade receivables from related parties include receivables with entities controlled by the Telstra Group, not within the Telstra Corporation Group. These related party receivables primarily relate to the ICAs entered into on 1 January 2023.

Finance lease receivables include \$2,209 million of finance lease receivables arising from the ICAs entered into with related parties on 1 January 2023.

Refer to note 3.5 for movements in net contract assets and contract liabilities.

(a) Impairment of trade and other receivables and contract assets

Trade and other receivables and contract assets are exposed to customers' credit risk and are subject to impairment assessment.

If a credit loss (i.e. a shortfall between the contractual and expected cash flows) is expected, an allowance for doubtful debt is raised to reduce the carrying amount of trade and other receivables and contract assets. For both receivables and contract assets we estimate the expected credit loss using one or a combination of a portfolio approach and/or an individual account by account assessment as detailed below.

(i) Portfolio approach

The portfolio approach is based on historical credit loss experience and, where appropriate, adjusted to reflect current conditions and estimates of future economic outlook. This approach is mostly applied to balances arising from our consumer and small business customer contracts. Under this approach, receivables and contract assets are grouped based on shared credit risk characteristics, such as:

- account status (services still active or not)
- customers' payment history
- the days past due.

For each grouping, the expected credit loss is then calculated on the probability that an account within the group will default (i.e. it will become past due by more than 90 days) and the expected loss rate when they default, both represented as a percentage of the exposure at default and determined at the customer account level.

Up until the date of Restructure (1 January 2023), our provision rates ranged from 0.1 per cent (2022: 0.1 per cent) for balances not past due to 91.0 per cent (2022: 92.0 per cent) for balances where the payment is overdue by more than 90 days and the customer's services have been deactivated. Consumer and small business customer contracts were transferred as part of the Restructure on 1 January 2023 (note 1.2 and 2.6). At 30 June 2023, due to the change in customer base, Telstra Corporation Group performs an impairment assessment of trade and other receivables and contract assets using the individual approach outlined below.

(ii) Individual approach

The individual approach is an account by account assessment based on credit history, knowledge of debtor's financial situation, such as insolvency or entering a payment plan, or other known credit risk specific to the debtor, such as judgement based on the debtor's industry. This approach is applied to balances arising from contracts with large enterprise where some detrimental change in payment behaviour has been noticed or certain thresholds have been exceeded by a customer.

Balances arising from our transactions with nbn co are separately assessed based on the Australian government credit risk rating.

We estimate our allowance for impairment as detailed below.

Estimating expected credit losses

We apply judgement to estimate the expected credit losses for our trade and other receivables measured at amortised cost and for contract assets.

Our analysis has shown that generally overall macroeconomic factors, such as unemployment rates, interest rates or gross domestic product have no strong correlation with our bad debt losses unless certain thresholds are exceeded.

As at 30 June 2023, those macroeconomic factors were within the relevant thresholds.

Section 3. Our core assets, lease arrangements and working capital (continued)

3.3 Trade and other receivables and contract assets (continued)

3.3.1 Current and non-current trade and other receivables and contract assets (continued)

(a) Impairment of trade and other receivables and contract assets (continued)

The aging analysis and loss allowance in relation to trade receivables from contracts with customers, finance lease receivables and contract assets are detailed in Table B. The finance lease receivables include finance lease receivables recognised on 1 January 2023 as a result of the ICAs.

The analysis is based on the original due date of the receivables, including where repayment terms for certain long outstanding receivables have been renegotiated. Contract assets are not yet due for collection, thus the entire balance has been included in the 'not past due' category.

Table B Telstra Corporation Group	As at 30 June			
	2023		2022	
	Gross	Allow- ance	Gross	Allow- ance
	\$m	\$m	\$m	\$m
Not past due, including measured at:				
- amortised cost	3,174	-	3,688	(43)
- fair value	-	-	65	-
	3,174	-	3,753	(43)
Past due 1 - 30 days	-	-	330	(10)
Past due 31 - 60 days	1	-	118	(9)
Past due 61 - 90 days	1	-	50	(10)
Past 91 days	1	-	281	(130)
	3,177	-	4,532	(202)

The aging analysis for the financial year 2022 has been amended to provide a like-for-like view with the financial year 2023 and reflect a change in the way we allocate credit balances to aging categories.

Accrued revenue, amounts owed by related parties, joint ventures and associated entities, and other receivables (before allowance for doubtful debts) totalling \$655 million (2022: \$613 million) are subject to impairment assessment using the general approach.

We hold security for a number of trade receivables, including past due or impaired receivables, in the form of guarantees, letters of credit and deposits. During the financial year 2023, the securities we called upon were insignificant. These trade receivables, along with our trade receivables that are neither past due nor impaired, comprise customers who have a good debt history and are considered recoverable. Further, we limit our exposure to credit risk from trade receivables by establishing a maximum payment period and, in certain instances, cease providing further services after 90 days from the past due date.

Movements in the allowance for doubtful debts in respect of all our trade and other receivables and contracts assets, regardless of the method used in measuring the impairment allowance, are detailed in Table C.

Table C Telstra Corporation Group	Year ended 30 June	
	2023	2022
	\$m	\$m
Opening balance 1 July	(210)	(208)
Additional allowance	(94)	(122)
Amount used	25	25
Amount reversed	81	90
Disposals from Restructure	198	5
Closing balance 30 June	-	(210)

3.3.2 Recognition and measurement

Trade and other receivables and contract assets are financial assets which are initially recorded at fair value and subsequently measured at amortised cost using the effective interest method.

Contract assets are initially recorded at the transaction price allocated as compensation for goods or services provided to customers for which the right to collect payment is subject to providing other goods or services under the same contract (or group of contracts) and/or we are yet to issue a valid invoice. Contract assets are subsequently measured to reflect relevant transaction price adjustments (where required) and are transferred to trade receivables when the right to payment becomes unconditional.

(a) Impairment of financial assets

We estimate the expected credit losses for our financial assets (including contract assets) measured at amortised cost depending on their nature on either of the following basis:

- for accrued revenue, amounts owed by joint ventures and associated entities, and other receivables - using a general approach, i.e. 12-month expected credit loss which results from all possible default events within the 12 months after the reporting date. However, if the credit risk of a financial asset at the reporting date has increased significantly since its initial recognition, loss allowance is calculated based on lifetime expected credit losses.
- for trade receivables from contracts with customers, contract assets and lease receivables - using a simplified approach, i.e. lifetime expected credit loss which results from all possible default events over the expected life of a financial instrument.

Any expected credit loss is discounted at the original effective interest rate.

Any customer account with debt more than 90 days past due is considered to be in default.

Trade and other receivables and contract assets are written off against the impairment allowance or directly against their carrying amounts and expensed in the income statement when all collection efforts have been exhausted and the financial asset is considered uncollectable. Factors indicating there is no reasonable expectation of recovery include insolvency and significant time period since the last invoice was issued.

Section 3. Our core assets, lease arrangements and working capital (continued)

3.4 Contract liabilities and other revenue received in advance

Contract liabilities arise from our contracts with customers and represent amounts paid (or due) to us by customers before receiving the goods and/or services promised under the contract.

Revenue received in advance comprises of upfront consideration under contracts giving rise to revenue from other sources or other income, for example from sale of assets.

Amounts expected to be recognised as revenue within 12 months from the reporting date are presented as current liabilities.

Table A presents customer payments received in advance under different types of our commercial arrangements.

Table A Telstra Corporation Group	Note	As at 30 June	
		2023	2022
		\$m	\$m
			Restated
Current			
Contract liabilities	3.5	2	1,342
Other revenue received in advance		72	61
		74	1,403
Non-current			
Contract liabilities	3.5	16	987
Other revenue received in advance		24	401
		40	1,388

Comparative amounts have been restated as detailed in note 1.7.

3.5 Net contract assets and contract liabilities

Contract assets and contract liabilities arise due to the timing differences between revenue recognition and customer invoicing. Our billing arrangements for goods and services as well as different types of discounts, credits or other incentives can vary depending on the type and nature of the contracts with customers. As a result, at times under the same accounting contract, we may recognise both a contract asset and a contract liability. At each reporting date, any balances arising from the same accounting contract are presented net in the statement of financial position as either a net contract asset or a net contract liability.

The net presentation mainly impacts our nbn Definitive Agreements, where multiple legal contracts have been combined as one accounting contract.

As a result of the Restructure, the net presentation of small business and enterprise framework arrangements that offer loyalty programs and technology funds were discontinued in the Telstra Corporation Group. Refer to note 1.2 and 2.6.

Table A presents opening and closing balances of our current and non-current contract assets and contract liabilities and their total net movement for the period.

Table A Telstra Corporation Group	As at 30 June	
	2023	2022
	\$m	\$m
		Restated
Current contract assets	97	830
Non-current contract assets	110	158
Total contract assets	207	988
Current contract liabilities	(2)	(1,342)
Non-current contract liabilities	(16)	(987)
Total contract liabilities	(18)	(2,329)
Total net contract liabilities	189	(1,341)
Increase in net contract liabilities for the year	1,530	(19)

Comparative amounts have been restated as detailed in note 1.7.

The net movement in contract liabilities for the year is mainly due to the disposal arising from Restructure (outlined in note 1.2 and 2.6) of \$1,619 million on 1 January 2023. Other movements are due to general movements on contract assets and liabilities outlined below.

Generally, contract assets increase when we recognise revenue for goods and services transferred to the customer before billing and decrease when we invoice customers for already provided goods and services.

On the other hand, contract liabilities increase when we receive consideration in advance of transferring the goods and services to the customer, and decrease when we recognise revenue for the goods and services previously prepaid by the customer.

Other changes in our contract assets and contract liabilities represent movements resulting from changes in the transaction prices due to timing of invoicing and recognition of discounts, credits and other incentives.

Refer to note 3.3.1 for details regarding impairment assessment of contract assets.

Section 3. Our core assets, lease arrangements and working capital (continued)

3.6 Deferred contract costs

We pay dealer commissions to acquire customer contracts and we incur upfront set-up and other costs related to customer contracts. When those costs support the delivery of goods and services in the future and are expected to be recovered, they are deferred in the statement of financial position and amortised on a basis consistent with the transfer of goods and services to which these costs relate.

Table A provides movements in net book values of the deferred contract costs.

Table A	Costs to obtain a contract	Costs to fulfil a contract			Total deferred contract costs
	Commissions	Set-up costs	Costs of service provider	Total	
Telstra Corporation Group	\$m	\$m	\$m	\$m	\$m
Net book value at 1 July 2021, comprising:	1,146	41	268	309	1,455
Current	n/a	-	113	113	113
Non-current	1,146	41	155	196	1,342
Additions	365	11	809	820	1,185
Amortisation expense	(382)	(9)	(788)	(797)	(1,179)
Impairment losses	(107)	-	-	-	(107)
Net book value at 30 June 2022, comprising:	1,022	43	289	332	1,354
Current	n/a	-	116	116	116
Non-current	1,022	43	173	216	1,238
Net book value at 1 July 2022	1,022	43	289	332	1,354
Additions	144	4	385	389	533
Amortisation expense	(93)	(4)	(359)	(363)	(456)
Impairment losses	(51)	-	-	-	(51)
Disposals from Restructure (note 2.6)	(1,022)	(43)	(315)	(358)	(1,380)
Net book value at 30 June 2023, comprising:	-	-	-	-	-
Current	-	-	-	-	-
Non-current	-	-	-	-	-

Amortisation period of deferred contract costs

We apply judgement to estimate the amortisation period of deferred contract costs to obtain a contract.

For sales commissions paid on acquisition of the initial contract which are not commensurate with recontracting commissions, the amortisation period reflects the average estimated customer life for respective types of contracts.

Section 3. Our core assets, lease arrangements and working capital (continued)

3.6 Deferred contract costs (continued)

3.6.1 Recognition and measurement

We capitalise costs to obtain an accounting contract when the costs are incremental, i.e. would not have been incurred if the contract had not been obtained and are recoverable either directly via reimbursement by the customer or indirectly through the contract margin.

We immediately expense the incremental costs of obtaining contracts if the period of benefit is one year or less.

Costs to fulfil a contract relate directly to an identified good or service or indirectly to other activities that are necessary under the contract but that do not result in a transfer of goods or services.

Costs to fulfil a contract include set-up costs and prepaid costs of a service provider related to goods and services which will be transferred in the future reporting periods.

We capitalise costs to fulfil a contract if:

- the costs relate directly to a contract or a specifically identified anticipated contract
- the costs generate or enhance resources that we control and will use when transferring future goods and services
- we expect to recover the costs.

We amortise deferred contract costs in 'goods and services purchased' expense over the term that reflects the expected period of benefit of the expense. This period may extend beyond the initial contract term to the estimated customer life or average customer life of the class of customers. We use the amortisation pattern consistent with the method used to measure progress and recognise revenue for the related goods or services.

We assess whether deferred contract costs are impaired whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. We recognise impairment losses in 'other expenses'.

3.7 Inventories

Telstra Corporation Group	As at 30 June	
	2023	2022
	\$m	\$m
Current		
Goods for resale	-	400
Network and other inventory	13	76
	13	476
Non-current		
Network and other inventory	28	28
	28	28

3.7.1 Recognition and measurement

Inventories are valued at the lower of cost and net realisable value. For the majority of inventory items, we assign cost using the weighted average cost basis.

Net realisable value of items expected to be sold is the estimated selling price less the estimated costs incurred in marketing, selling and distribution.

Net realisable value of items expected to be consumed, for example used in the construction of another asset, is the net value expected to be earned through future use.

3.8 Trade and other payables

Telstra Corporation Group	As at 30 June	
	2023	2022
	\$m	\$m
		Restated
Current		
Trade payables	217	1,317
Trade and other payables to related parties	127	-
Accrued expenses	80	1,877
Accrued capital expenditure	26	316
Accrued interest	105	142
Contingent consideration	-	19
Other payables	8	538
	563	4,209
Non-current		
Contingent consideration	-	53
Other payables	-	180
	-	233

Comparative amounts have been restated as detailed in note 1.7.

Trade payables and other payables are non-interest bearing liabilities. Our payment terms vary, however payments are generally made within 20 days to 90 days from the invoice date.

Contingent consideration relates to payment obligations arising from our acquisitions of controlled entities. Note these liabilities were disposed upon the Restructure outlined in note 1.2 and 2.6.

3.8.1 Recognition and measurement

Trade and other payables, including accruals, are recorded when we are required to make future payments as a result of purchases of assets or services. Trade and other payables are financial liabilities initially recognised at fair value and carried at amortised cost using the effective interest method.

Section 3. Our core assets, lease arrangements and working capital (continued)

3.9 Related party transactions

We sold and purchased goods and services, and earned interest from our related parties. These transactions were in the ordinary course of business and on normal commercial terms and conditions.

Related party transactions during the 2023 year mainly consisted of the following:

- transactions with controlled entities of Telstra Group Limited that are not eliminated on consolidation post the Restructure on 1 January 2023.
- transactions with joint ventures or associated entities outlined in note 6.4.

Transactions with controlled entities of Telstra Group Limited that are not eliminated on consolidation post 1 January 2023 have been classified as related party transactions. Post the 1 January 2023 Restructure (note 1.2 and 2.6), the entities that constitute the Disposal Group are no longer subsidiaries of Telstra Corporation Group. As a result, comparative amounts in table A and B below are nil.

Table A details transactions which occurred with related parties for the period from 1 January 2023 to 30 June 2023 (period in which ICAs were in effect) excluding transactions with our joint ventures or associated entities which have been separately outlined in note 6.4.

Table A Telstra Corporation Group	Year ended 30 June	
	2023	2022
	\$m	\$m
Income		
Sale of goods and services	332	-
Lease and access revenue	153	-
Gain on entering finance leases	1,475	-
Gain on sale arising from Restructure (note 1.2 and 2.6)	9,270	-
Finance income	79	-
Expenses		
Purchase of network-related services under agreements	195	-
Purchase of management services	7	-
Other expenses (including depreciation and finance costs)	7	-
Other transactions		
Dividends paid to Telstra Group Limited	6,000	-

Purchases of management services from Telstra Group Limited relate to amounts paid to Telstra Group Limited for salaries and related on-costs of key executives that control and direct the activities of Telstra Corporation Limited.

Table B details outstanding balances at the end of the reporting period in relation to transactions with related parties excluding transactions with our joint ventures or associated entities outlined in note 6.4.

Table B Telstra Corporation Group	As at 30 June	
	2023	2022
	\$m	\$m
Current assets		
Trade receivables	444	-
Finance lease receivables	56	-
Promissory note	2,454	-
Other financial assets	26	-
Non-current assets		
Finance lease receivables	2,153	-
Promissory note	16,894	-
Right-of-use assets	219	-
Other financial assets	83	-
Current liabilities		
Trade and other payables	127	-
Lease liabilities	3	-
Other financial liabilities	2	-
Non-current liabilities		
Lease liabilities	223	-
Other financial liabilities	10	-
Net assets to/from related parties	21,964	-

Receivables and payables with related parties are unsecured and are in the form of contracted agreements through the ICAs that became effective on 1 January 2023. The terms and conditions of these contracts require settlement between 30 and 45 days from receipt of the invoice.

For details on the promissory note, refer to note 2.6.

There were no loans provided or received to/from key management personnel in the year. For information on our employee share plans and post-employment benefits, refer to note 5.2 and 5.3.

Section 4. Our capital and risk management

This section provides information on our approach to capital management and our capital structure. Our total capital is defined as equity and net debt. Also outlined in this section are the financial risks that we are exposed to and how we manage these financial risks.



4.1 Capital management

Capital management is undertaken in accordance with the financial parameters regularly reviewed and approved by the Telstra Group Limited Board (the 'Group Board').

We manage our capital structure with the aim to provide returns for shareholders and benefits for other stakeholders, while:

- safeguarding our ability to continue as a going concern
- maintaining an optimal capital structure and cost of capital that provides flexibility for strategic investments.

In order to maintain or adjust our capital structure, we may draw down or repay debt, adjust the amount of dividend paid to shareholders or return capital to shareholders.

Notes 4.3 and 4.4 provide further details on each component of capital, being equity and net debt.

4.2 Dividend

This note includes the previous year final dividend and any current year dividends paid.

Historically as the parent entity of the Telstra Group, Telstra Corporation Limited paid dividends to equity holders twice a year, an interim and a final dividend. Table A below provides details about the dividends paid during the financial year.

Table A Telstra Entity	Year ended 30 June			
	2023	2022	2023	2022
	\$m	\$m	cents	cents
Previous year final dividend paid	982	951	8.5	8.0
Interim dividend paid	-	937	-	8.0
Dividend paid from Restructure (note 1.2 and 2.6)	6,000	-	51.9	-
	6,982	1,888	60.4	16.0

As detailed in note 1.2, on 31 October 2022, the shares of Telstra Corporation Limited were exchanged for shares in Telstra Group Limited.

On 31 January 2023, Telstra Corporation Limited paid to Telstra Group Limited, its parent entity, a dividend of \$6 billion.

In connection with the Restructure, the Board resolved to discontinue the Telstra Corporation Limited's Dividend Reinvestment Plan (DRP) and a new DRP was established by Telstra Group Limited. Any residual balances in the Telstra Corporation Limited DRP were transferred to the Telstra Group Limited DRP.

As at 30 June 2023, a further dividend for the financial year 2023 had not been determined by the Board. Therefore no provision for a dividend had been raised in the statement of financial position.

4.3 Equity

This note provides information about our share capital and reserves presented in the statement of changes in equity.

4.3.1 Share capital

Table A details components of our share capital balance.

Table A Telstra Corporation Group	As at 30 June	
	2023	2022
	\$m	\$m
Contributed equity	3,007	3,180
Shares held by employee share plans	-	(36)
Net services received under employee share plans	-	(46)
	3,007	3,098

(a) Contributed equity

As detailed in note 1.2, on implementation of the top hat component of the Restructure, eligible shareholders of Telstra Corporation Limited exchanged their shares in that company for shares in Telstra Group Limited. As a result, Telstra Group Limited became the parent entity of the Telstra Group, including Telstra Corporation Limited and its controlled entities.

As at 30 June 2023, there were 11,554,427,353 (2022: 11,554,427,353) fully paid ordinary shares of Telstra Corporation Limited on issue, which were wholly-owned by Telstra Group Limited.

Section 4. Our capital and risk management (continued)

4.3 Equity (continued)

4.3.1 Share capital (continued)

(b) Shares held by employee share plans

Historically as the parent entity of the Telstra Group, Telstra established the Telstra Growthshare Trust to administer Telstra's employee share schemes. The trust was consolidated and shares held within the trust were used to satisfy future vesting of entitlements in these employee share schemes and reduce contributed equity.

Between 1 July 2022 and 31 October 2022, Telstra Growthshare Pty Ltd (the trustee of the Telstra Growthshare Trust that administers the Telstra Group's employee share schemes) purchased on-market 5,454,684 shares of Telstra Corporation Limited for the purposes of the employee incentive schemes for a total consideration of \$21 million and at the average price per share of \$3.90.

On 30 November 2022, Telstra Corporation Limited transferred its shares in Telstra Growthshare Pty Ltd to Telstra Group Limited. As at 31 October 2022 (when shares were exchanged), the number of shares held by employee share plans totalled 12,585,314 shares of Telstra Corporation Limited.

As a result of the above, Telstra Corporation Group no longer administers the Telstra Group's employee share schemes and the trust is no longer consolidated in the Telstra Corporation Group's financial report. Refer to note 1.2, 2.6 and 5.2 for further information.

(c) Net services received under employee share plans

We measure the fair value of services received under employee share plans by reference to the fair value of the equity instruments granted. The net services received under employee share plans represent the cumulative value of all instruments issued.

(d) Transactions with Telstra Group Limited

As a result of the Restructure steps completed between 31 October 2022 and 30 June 2023, Telstra Corporation Limited recognised a net \$91 million decrease in its share capital reflecting movements for employee share plans (purchases and payments) and transactions with Telstra Group Limited, i.e. its immediate parent entity, which as the new parent entity of the Telstra Group assumed certain assets and liabilities related to share based payment arrangements, the tax consolidated group and the defined benefit plan.

4.3.2 Reserves

Table B details our reserve balances.

Table B	Foreign currency translation reserve	Cash flow hedging reserve	Foreign currency basis spread reserve	Fair value of equity instru- ments reserve	General reserve	Total reserves
Telstra Corporation Group	\$m	\$m	\$m	\$m	\$m	\$m
Balance at 1 July 2021	35	(126)	(63)	299	(7)	138
Other comprehensive income	49	156	55	(149)	-	111
Transactions with non-controlling interests	-	-	-	-	2,084	2,084
Balance at 30 June 2022	84	30	(8)	150	2,077	2,333
Other comprehensive income	22	(100)	(9)	55	-	(32)
Transfer of fair value of equity instruments reserve to retained earnings	-	-	-	(76)	-	(76)
Transfers related to Discontinued Entities	(106)	(40)	2	(129)	(2,077)	(2,350)
Balance at 30 June 2023	-	(110)	(15)	-	-	(125)

Section 4. Our capital and risk management (continued)

4.3 Equity (continued)

4.3.2 Reserves (continued)

The table below details the nature and purpose of our reserves.

Reserve	Nature and purpose
Foreign currency translation reserve	Represents exchange differences arising from the conversion of the non-Australian controlled entities' financial statements into Australian dollars. This reserve is also used to record our percentage share of exchange differences arising from our equity accounted non-Australian investments in joint ventures and associated entities.
Cash flow hedging reserve	Represents the effective portion of gains or losses on remeasuring the fair value of hedge instruments, where a hedge qualifies for hedge accounting.
Foreign currency basis spread reserve	Represents changes in the fair value of our derivative financial instruments attributable to movements in foreign currency basis spread. Currency basis is included in interest on borrowings in the income statement over the life of the borrowing.
Fair value of equity instruments reserve	Represents changes in fair value of equity instruments we have elected to measure at fair value through other comprehensive income.
General reserve	Represents other items we have taken directly to equity.

4.3.3 Recognition and measurement

Issued and paid-up capital is recognised at the fair value of the consideration received by the Telstra Entity.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity, net of income tax, as a reduction of the share proceeds received.

Services received under employee share plans (i.e. share-based payments) increase the share capital balance and vested employee share plans decrease the share capital balance resulting in a net movement in our equity.

We record purchases of the Telstra Entity shares underpinning our employee share plans as a reduction in share capital.

Section 4. Our capital and risk management (continued)

4.4 Net debt

As part of our capital management we monitor net debt. Net debt equals total borrowings including lease liabilities and derivative financial instruments, less cash and cash equivalents.

This note provides information about components of our net debt and related finance costs.

Table A lists the carrying value of our net debt components (both current and non-current balances).

Table A Telstra Corporation Group	As at 30 June	
	2023	2022
	\$m	\$m
Lease liabilities	(438)	(3,287)
Borrowings	(9,443)	(10,982)
Net derivative financial instruments	433	509
Gross debt	(9,448)	(13,760)
Cash and cash equivalents	65	1,040
Net debt	(9,383)	(12,720)

No components of net debt are subject to any externally imposed capital requirements. We did not have any defaults or breaches under any of our agreements with our lenders during the financial year 2023.

Table B summarises the key movements in net debt during the financial year and provides our gearing ratio. Our gearing ratio equals net debt divided by total capital, where total capital equals equity, as shown in the statement of financial position, plus net debt.

Table B Telstra Corporation Group	Year ended 30 June	
	2023	2022
	\$m	\$m
		Restated
Opening net debt at 1 July	(12,720)	(15,263)
Drawings (bilateral bank loans)	(1,127)	(901)
Commercial paper (net)	441	415
Revolving bank facilities (net)	(725)	(14)
Debt repayments	1,932	2,795
Other borrowings	(9)	(15)
Lease liability payments	338	697
Net cash outflow	850	2,977
Fair value gain impacting:		
Equity	(283)	284
Other expenses	65	1
Finance costs	6	23
Other non-cash movements		
Lease liability (Telstra as a lessee)	(676)	(679)
Other loans	(52)	22
Loans disposed through sale of controlled entities	1,176	-
Reclassification to liabilities held for sale	3,226	-
Total non-cash movements	3,462	(349)
Total decrease in gross debt	4,312	2,628
Net (decrease)/increase in cash and cash equivalents (including effects of foreign exchange rate changes)	(975)	(85)
Total decrease in net debt	3,337	2,543
Closing net debt at 30 June	(9,383)	(12,720)
Total equity	(20,836)	(16,976)
Total capital	(30,219)	(29,696)
	%	%
Gearing ratio	31.1	42.8

The comparative amounts have been restated as detailed in note 1.7.

Section 4. Our capital and risk management (continued)

4.4 Net debt (continued)

4.4.1 Borrowings

Table C details the carrying and fair values of borrowings included in the statement of financial position.

Table C Telstra Corporation Group	As at 30 June 2023		As at 30 June 2022	
	Carrying value	Fair value	Carrying value	Fair value
	\$m	\$m	\$m	\$m
Current borrowings				
Unsecured notes	1,814	1,812	2,035	2,033
Bank and other loans - unsecured	300	300	206	208
Commercial paper - unsecured	-	-	299	299
Promissory notes	152	152	152	152
Other financial liabilities	1	1	1	1
	2,267	2,265	2,693	2,693
Non-current borrowings				
Unsecured notes	5,736	5,526	7,137	7,177
Bank and other loans - unsecured	1,025	1,032	739	751
Other financial liabilities	415	297	416	346
	7,176	6,855	8,292	8,274
Total borrowings	9,443	9,120	10,985	10,967

Unsecured notes comprise bonds and private placements.

Our commercial paper is used principally to support working capital and short-term liquidity and continues to be supported by a combination of liquid financial assets, and access to committed bank facilities. Post the Restructure on 1 January 2023, no additional commercial paper issuances were carried out by Telstra Corporation Group.

Other financial liabilities represent amounts arising from sale and leaseback transactions accounted as financial liabilities under the accounting standards.

(a) Recognition and measurement

Recognition and measurement	
Initial recognition and measurement	Borrowings are recognised initially on the trade date (the date on which we become a party to the contractual provisions of the instrument). All loans and borrowings are initially recorded at fair value, which typically reflects the proceeds received, net of directly attributable transaction costs.
Subsequent measurement	After initial recognition, all borrowings are stated at amortised cost, using the effective interest method. Any difference between proceeds received net of direct transaction costs and the amount payable at maturity is recognised over the term of the borrowing using the effective interest method. Borrowings that are in designated fair value hedge relationships are adjusted for fair value movements attributable to the hedged risk.
Derecognition	Borrowings are derecognised when our contractual obligations are discharged, canceled or expired. A gain or a loss is recognised in the income statement when the borrowing is derecognised.

Borrowings are classified as non-current borrowings except for those that mature in less than 12 months from the reporting date,

which are classified as current borrowings.

Section 4. Our capital and risk management (continued)

4.4 Net debt (continued)

4.4.2 Derivatives

Derivatives are financial instruments that derive their value from the price of an underlying item such as interest rate, foreign currency exchange rate, credit spread or other index. We enter into derivative transactions in accordance with policies approved by the Group Board to manage our exposure to market risks and volatility of financial outcomes that arise as part of our normal business operations. We do not speculatively trade in derivative financial instruments.

Table D shows the carrying value of each class of derivative financial instruments.

Table D Telstra Corporation Group	As at 30 June 2023		As at 30 June 2022	
	Assets	Liabilities	Assets	Liabilities
	\$m	\$m	\$m	\$m
Current derivative financial instruments				
Cross currency swaps	389	(57)	267	-
Interest rate swaps	1	-	8	-
Forward foreign exchange contracts	2	(2)	27	-
	392	(59)	302	-
Non-current derivative financial instruments				
Cross currency swaps	282	(182)	486	(292)
Interest rate swaps	-	-	26	(13)
	282	(182)	512	(305)
Total derivative financial instruments	674	(241)	814	(305)

The terms of a derivative contract are determined at inception, therefore any movements in the price of the underlying item over time will cause the contract value to fluctuate, which is reflected in the change in fair value of the derivative.

Where the fair value of a derivative is positive, it is carried as an asset, and where negative, as a liability. Both parties are therefore exposed to the credit quality of the counterparty. We are exposed to credit risk on derivative assets as a result of the potential failure of the counterparties to meet their contractual obligations.

Refer to note 4.5.3 for information about our credit risk policies.

Section 4. Our capital and risk management (continued)

4.4 Net debt (continued)

4.4.2 Derivatives (continued)

(a) Recognition and measurement

Recognition and measurement	
Initial recognition and subsequent measurement	Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and subsequently remeasured at fair value at each reporting date. Recognition of resulting gains or losses depends on the designation of the derivative as a hedging instrument and the nature of the item being hedged.
Right to set-off	We record derivative financial instruments on a net basis in our statement of financial position where we have a legally recognised right to set-off the derivative asset and the derivative liability, and we intend to settle on a net basis or simultaneously.
Derecognition	Derivative assets are derecognised when the rights to receive cash flows from the derivative assets have expired or have been transferred and we have transferred substantially all the risks and rewards of the asset. Derivative liabilities are derecognised when the contractual obligations are discharged, cancelled or expired.

Derivative financial instruments are included as non-current assets or liabilities, except for those that mature in less than 12 months from the reporting date, which are classified as current.

Derivatives embedded in host contracts that are financial assets are not separated from financial asset hosts and a hybrid contract is classified in its entirety at fair value.

Derivatives embedded in other financial liabilities or host contracts are treated as separate financial instruments when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value through profit or loss.

4.4.3 Finance costs

Table E presents our net finance costs. Interest expense on borrowings are net amounts after offsetting interest income and interest expense on associated derivative instruments.

Table E Telstra Corporation Group	Year ended 30 June	
	2023	2022
	\$m	\$m
Interest income	30	14
Finance income from finance leases (Telstra as a lessor)	79	8
Total finance income	109	22
Interest expense on borrowings	(486)	(436)
Interest expense on lease liabilities	(5)	(3)
Gross interest on debt	(491)	(439)
Net gains on financial instruments included in remeasurements	26	39
Interest capitalised	1	3
Total finance costs	(464)	(397)
Net finance costs	(355)	(375)

Net gains on derivative financial instruments included in remeasurements within net finance costs comprise unrealised valuation impacts on our borrowings and derivatives. These include net unrealised gains or losses which arise from changes in the fair value of derivative financial instruments to the extent that hedge accounting is not achieved or is not effective. These fair values increase or decrease because of changes in financial indices and prices over which we have no control.

Section 4. Our capital and risk management (continued)

4.5 Financial instruments and risk management

Our underlying business activities result in exposure to operational risks and financial risks, including interest rate risk, foreign currency risk, credit risk and liquidity risk.

Our overall risk management program seeks to mitigate these risks in order to reduce volatility of our financial performance and to support the delivery of our financial targets. Financial risk management is carried out centrally by our treasury department under policies approved by the Group Board.

Our financial risk management strategies ensure that we can withstand market disruptions for extended periods.

This note summarises how we manage these financial risks. There have been no material changes to our risk management policies in the current year.

4.5.1 Managing our interest rate risk

Interest rate risk arises from changes in market interest rates. Borrowings issued at fixed rates expose us to fair value interest rate risk. Variable rate borrowings give rise to cash flow interest rate risk, which is partially offset by cash and cash equivalents balances held at variable rates.

We manage interest rate risk on our net debt portfolio by:

- setting a target ratio of fixed interest debt to variable interest debt, as required by our Telstra Group debt management policy
- ensuring access to diverse sources of funding
- reducing risks of refinancing by establishing and managing our target maturity profiles
- entering into cross currency and interest rate swaps. Refer to note 4.4.2 for further details on derivatives.

(a) Exposure

The use of cross currency and interest rate swaps allows us to manage the level of exposure our borrowings have to interest rate risks.

Table B Telstra Corporation Group	As at 30 June 2023					As at 30 June 2022		
	Native currency	Receive/ (pay)	Nominal interest flows	Nominal/ Principal amounts	Weighted average maturity	Nominal Interest flows	Nominal/ Principal amounts	Weighted average maturity
			\$m	\$m	years	\$m	\$m	years
Interest rate swaps								
3MBBSW	AUD	Receive	13	1,268	0.2	50	1,268	1.2
3MBBSW	AUD	Pay	(2)	(50)	0.5	(4)	(50)	1.5
3MEURIBOR	EUR	Pay	-	-	-	(3)	(1,000)	0.2
6MUSLIBOR	USD	Receive	-	-	-	36	300	3.8
Cross currency swaps								
3MBBSW	AUD	Pay	(407)	(2,290)	2.7	(513)	(3,538)	2.5
3MEURIBOR	EUR	Receive	-	-	-	3	1,000	0.2

Table A shows our fixed to floating ratio based on the carrying value of our borrowings. The post hedge position differs from the pre hedge position where we have derivative hedging instruments in place.

Table A Telstra Corporation Group	As at 30 June			
	2023		2022	
	Pre hedge	Post hedge	Pre hedge	Post hedge
	\$m	\$m	\$m	\$m
Floating rate borrowings	(1,325)	(2,212)	(1,217)	(3,611)
Fixed rate borrowings	(7,547)	(6,660)	(9,348)	(6,954)
Other financial liabilities	(571)	(571)	(417)	(417)
Total borrowings	(9,443)	(9,443)	(10,982)	(10,982)

Refer to note 4.4.1 for further details on our borrowings.

As at 30 June 2023, we held some floating rate derivative instruments hedging term debt issuances and bank facilities which have a reference to a benchmark rate.

We continue to monitor the developments of international regulations to ensure preparedness for any changes relating to the Interest Rate Benchmark Reform. None of these amendments impacted the Telstra Corporation Group's financial results for the financial year 2023.

Table B summarises as at 30 June our floating rate derivative instruments showing estimated gross nominal floating rate interest cash flows until maturity, associated nominal amounts in the underlying currency and weighted average maturity.

Section 4. Our capital and risk management (continued)

4.5 Financial instruments and risk management (continued)

4.5.1 Managing our interest rate risk (continued)

(b) Sensitivity

We have performed a sensitivity analysis based on the interest rate risk exposures of our financial instruments as at 30 June. In accordance with our policy to swap foreign currency borrowings into Australian dollars, interest rate sensitivity relates primarily to movements in the Australian interest rates.

We have selected a sensitivity range of plus 100 basis points (2022: 100 basis points) and minus 25 basis points (2022: 25 basis points) as a reasonably possible shift in interest rates taking into account the current level of both short-term and long-term interest rates, historical volatility and market expectations of future movements. The sensitivity reflects a change in benchmark rates only. This is not a forecast or prediction of future market conditions.

Table C shows the results of our sensitivity analysis on the impacts to profit after tax and on equity.

Table C Telstra Corporation Group	As at 30 June			
	2023		2022	
	Gain/(loss)			
	Net profit	Equity	Net profit	Equity
	\$m	\$m	\$m	\$m
Interest rates (+100bp)	(20)	(7)	(20)	(2)
Interest rates (-25bp)	5	2	5	1

The results of the sensitivity analysis are driven primarily from the following factors:

- any increase or decrease in interest rates will impact our net unhedged floating rate financial instruments and therefore will directly impact profit or loss
- changes in the fair value of derivatives which are part of effective cash flow hedge relationships are deferred in equity.

The analysis does not include the impact of any management action that might take place if the interest rate shifts were to occur.

Section 4. Our capital and risk management (continued)

4.5 Financial instruments and risk management (continued)

4.5.2 Managing our foreign currency risk

Foreign currency risk is our risk that the value of a financial commitment, forecast transaction, recognised asset or liability will fluctuate due to changes in foreign exchange rates. We issue debt offshore and operate internationally and hence we are exposed to foreign exchange risk from various currencies.

This risk exposure arises primarily from:

- borrowings denominated in foreign currencies
- trade and other creditor balances denominated in foreign currencies
- firm commitments or highly probable forecast transactions for receipts and payments settled in foreign currencies or with prices dependent on foreign currencies
- translation risk associated with our net investments in foreign controlled entities (foreign operations).

(a) Borrowings

We mitigate the foreign currency exposure on foreign currency denominated borrowings by converting these borrowings to Australian dollars using cross-currency swaps.

Table D shows the cross currency swaps that are hedging our unsecured notes and forward foreign exchange contracts that are hedging United States dollar denominated commercial paper.

Table D Telstra Corporation Group	As at 30 June 2023				As at 30 June 2022			
	Exposure	Cross currency swap/forward foreign exchange contract receive/ (pay)		Carrying value	Exposure	Cross currency swap/forward foreign exchange contract receive/ (pay)		Carrying value
	Local currency		Australian dollars		Local currency		Australian dollars	
	m	m	\$m	\$m	m	m	\$m	\$m
Euro	(2,925)	2,925	(4,321)	(4,639)	(3,925)	3,925	(5,569)	(5,849)
United States dollars	(1,500)	1,500	(1,958)	(2,265)	(1,500)	1,500	(1,958)	(2,177)
Japanese yen	(5,000)	5,000	(62)	(53)	(5,000)	5,000	(62)	(54)
Unsecured notes denominated in foreign currency			(6,341)	(6,957)			(7,589)	(8,080)
United States dollars	-	-	-	-	(310)	310	(443)	(448)
Commercial paper	-	-	-	-	(310)	310	(443)	(448)

(b) Trading

We have some exposure to foreign currency risk from our operating (transactional) activities. We manage this risk by:

- hedging a proportion of the exposure of foreign exchange transaction risk arising from firm commitments or highly probable forecast transactions denominated in foreign currencies in accordance with our risk management policy. These transactions may be physically settled in a foreign currency or in Australian dollars but with direct reference to quoted currency rates in accordance with a contractual formula.
- economically hedging a proportion of foreign currency risk associated with trade and other creditor balances.

We hedge the above risks using forward foreign exchange contracts.

Section 4. Our capital and risk management (continued)

4.5 Financial instruments and risk management (continued)

4.5.2 Managing our foreign currency risk (continued)

(b) Trading (continued)

Table E summarises forward foreign exchange contracts that are hedging our transactional currency exposures.

Table E Telstra Corporation Group	As at 30 June 2023				As at 30 June 2022			
	Exposure	Forward foreign exchange contract receive/(pay)			Exposure	Forward foreign exchange contract receive/(pay)		
	Local currency		Australia n dollars	Average exchange rate	Local currency		Australia n dollars	Average exchange rate
	m	m	\$m	\$	m	m	\$m	\$
Transactions to and from WOCE								
British pounds sterling	-	-	-	-	(38)	18	(32)	0.57
Other (various currencies)	-	-	-	-	-	-	14	-
Forecast transactions								
United States dollars	(46)	46	(66)	0.69	(266)	165	(227)	0.72
Indian rupee	-	-	-	-	(8,607)	4,165	(72)	57.99
Philippine peso	-	-	-	-	(770)	308	(8)	39.84
Trade payables								
United States dollars	-	-	-	-	(85)	85	(122)	0.70

(c) Sensitivity

We have performed a sensitivity analysis based on our foreign currency risk exposures existing at balance date. Table F shows the impact that a 10 per cent shift in applicable exchange rates would have on our profit after tax and on equity.

The analysis does not include the impact of any management action that might take place if these events occurred.

Table F Telstra Corporation Group	As at 30 June			
	2023		2022	
	Gain/(loss)			
	Net profit	Equity	Net profit	Equity
	\$m	\$m	\$m	\$m
Exchange rates (+10%)	(3)	17	42	3
Exchange rates (-10%)	4	(21)	(47)	(3)

A shift of 10 per cent has been selected as a reasonably possible change taking into account the current level of exchange rates and the volatility observed both on a historical basis and on market expectations of future movements. This is not a forecast or prediction of future market conditions.

Any unhedged foreign exchange positions associated with our transactional exposures will directly affect profit or loss as a result of foreign currency movements.

There is no significant impact on profit or loss from foreign currency movements associated with our borrowings portfolio that are swapped to Australian dollars as an offsetting entry will be recognised on the associated hedging instrument.

Section 4. Our capital and risk management (continued)

4.5 Financial instruments and risk management (continued)

4.5.3 Managing our credit risk

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in a financial loss. We are exposed to credit risk from our operating activities (primarily customer credit risk) and financing activities.

We manage credit risk by:

- applying Group Board approved credit policies
- monitoring exposure to high-risk debtors
- requiring collateral where appropriate
- assigning credit limits to all financial counterparties.

We may also be subject to credit risk on transactions not included in the statement of financial position, such as when we provide a guarantee for another party. Details of our contingent liabilities are disclosed in note 7.2.2.

(a) Customer credit risk

Trade and other receivables and contract assets post the Restructure consists mainly of business customers for network-related services and access to our passive network. Our credit management team assesses customers' credit quality, and defines and monitors credit limits by customer. Sales to overdue customers are prohibited unless appropriately approved. Compliance with credit limits and approval process is regularly monitored. Other than nbn co and Telstra Limited (related party), we do not have any significant credit risk exposure to a single customer or group of customers.

Refer to note 3.3 for details about our trade and other receivables and contract assets.

(b) Treasury credit risk

We are exposed to credit risk from the investment of surplus funds (primarily deposits) and from the use of derivative financial instruments.

We have a number of exposures to individual counterparties. To manage this risk, we have Group Board approved policies that limit the amount of credit exposure to any single counterparty. Counterparty credit ratings and market conditions are reviewed continually with limits being revised and utilisation adjusted where appropriate.

We also manage our credit exposure using a value at risk (VaR) methodology, which is an industry standard measure that estimates the maximum potential exposure of our risk positions as a result of future movements in market rates. This helps to ensure that we do not underestimate credit exposure with any single counterparty. Using VaR analysis at 30 June 2023, 100 per cent (2022: 100 per cent) of our derivative credit exposure was with counterparties that have a credit rating of A- or better.

4.5.4 Managing our liquidity risk

Our objective is to maintain a balance between continuity and flexibility of funding through the use of liquid financial instruments, long-term and short-term borrowings, and committed available bank facilities.

We manage liquidity risk at the Telstra Group level by:

- defining minimum levels of cash and cash equivalents
- defining minimum levels of cash and cash equivalents plus undrawn bank facilities
- closely monitoring rolling forecasts of liquidity reserves on the basis of expected business cash flows
- using instruments which trade in highly liquid markets with highly rated counterparties
- investing surplus funds in liquid instruments.

Our access to commercial paper programs was supported by a combination of liquid financial assets, and access to committed bank facilities.

Table G shows our total and undrawn committed bank facilities. As at 30 June 2023, we had total available facilities of \$3,150 million which were held by the Telstra Entity, with none maturing in the next 12 months. Drawings under our bank facilities and commercial paper issues are shown on a gross basis in the statement of cash flows.

Table G Telstra Corporation Group	As at 30 June	
	2023	2022
	\$m	\$m
Facilities available	3,150	3,800
Facilities used	(725)	(14)
Facilities unused	2,425	3,786

Section 4. Our capital and risk management (continued)

4.5 Financial instruments and risk management (continued)

4.5.4 Managing our liquidity risk (continued)

Table H shows the maturity profile of our financial liabilities including estimated interest payments. We reduce refinancing risk by ensuring that our borrowings mature in different periods. Table H also includes derivative financial assets as these assets have a direct relationship with an underlying financial liability and both the asset and the liability are managed together.

The amounts disclosed are undiscounted contractual future cash flows and therefore do not reconcile to the amounts in the statement of financial position.

Table H Telstra Corporation Group	Contractual maturity									
	As at 30 June 2023					As at 30 June 2022 (Restated)				
	Less than 1 year	1 to 2 years	2 to 5 years	More than 5 years	Total	Less than 1 year	1 to 2 years	2 to 5 years	More than 5 years	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Unsecured notes	(1,814)	(1,564)	(2,537)	(1,806)	(7,721)	(2,017)	(1,681)	(3,195)	(2,396)	(9,289)
Promissory notes payable	(152)	-	-	-	(152)	(152)	-	-	-	(152)
Commercial paper	-	-	-	-	-	(299)	-	-	-	(299)
Bank and other loans	(300)	(725)	(300)	-	(1,325)	(207)	(415)	(323)	-	(945)
Other financial liabilities	(18)	(20)	(63)	(729)	(830)	(20)	(17)	(59)	(719)	(815)
Interest on unsecured notes, bank and other loans	(204)	(146)	(195)	(30)	(575)	(261)	(191)	(294)	(60)	(806)
Lease liabilities	(32)	(42)	(112)	(384)	(570)	(550)	(546)	(1,196)	(1,394)	(3,686)
Trade/other payables and accrued expenses	(563)	-	-	-	(563)	(4,209)	(233)	-	-	(4,442)
Derivative financial assets	1,976	1,687	2,128	1,836	7,627	2,668	1,787	2,860	2,456	9,771
Derivative financial liabilities	(1,676)	(1,603)	(2,159)	(1,964)	(7,402)	(2,463)	(1,619)	(2,996)	(2,718)	(9,796)
Total	(2,783)	(2,413)	(3,238)	(3,077)	(11,511)	(7,510)	(2,915)	(5,203)	(4,831)	(20,459)

The comparative amounts have been restated as a result of the prior period restatement of contract liabilities and related balances as detailed in note 1.7.

4.5.5 Hedge accounting

Hedging refers to the way in which we use financial instruments, primarily derivatives, to manage our exposure to financial risks. The gain or loss on the underlying item (the 'hedged item') is expected to move in the opposite direction to the gain or loss on the derivative (the 'hedging instrument'), therefore offsetting our risk position. Hedge accounting allows the matching of the gains and losses on hedged items and associated hedging instruments in the same accounting period to minimise volatility in the income statement.

In order to qualify for hedge accounting, prospective hedge effectiveness testing must meet all of the following criteria:

- an economic relationship exists between the hedged item and hedging instrument
- the effect of credit risk does not dominate the value changes resulting from the economic relationship
- the hedge ratio is the same as that resulting from actual amounts of hedged items and hedging instruments for risk management.

Section 4. Our capital and risk management (continued)

4.5 Financial instruments and risk management (continued)

4.5.5 Hedge accounting (continued)

To the extent permitted by Australian Accounting Standards, we formally designate and document our financial instruments by hedge type as follows:

	Fair value hedges	Cash flow hedges
Objectives of this hedging arrangement	To hedge the exposure to changes in the fair value of borrowings which are issued at a fixed rate, or denominated in foreign currency, by converting to floating rate borrowings denominated in Australian dollars.	To hedge the exposure to changes in cash flows from borrowings that bear floating interest rates or are denominated in foreign currency. Cash flow hedging is also used to mitigate the foreign currency exposure arising from highly probable and committed future foreign currency cash flows.
Instruments used	We enter into cross currency and interest rate swaps to mitigate our exposure to changes in the fair value of our long-term borrowings.	We enter into cross currency and interest rate swaps to hedge future cash flows arising from our borrowings. We use forward foreign exchange contracts to hedge a portion of firm commitments and highly probable forecast transactions.
Economic relationships	In all our hedge relationships, the critical terms of the hedging instrument and hedged item (including face values, cash flows and currency) are generally aligned.	
Discontinuation of hedge accounting	Hedge accounting is discontinued when a hedging instrument expires, is sold, terminated, or no longer meets the criteria for hedge accounting. At that time, any cumulative gains or losses relating to cash flow hedges recognised in equity are initially retained in equity and subsequently recognised in the income statement as the previously hedged item affects profit or loss. For fair value hedges, the cumulative adjustment recorded against the carrying value of the hedged item at the date hedge accounting ceases is amortised to the income statement using the effective interest method.	

Section 4. Our capital and risk management (continued)

4.5 Financial instruments and risk management (continued)

4.5.5 Hedge accounting (continued)

Table I shows the carrying value of each component of our gross debt including derivative financial instruments categorised by hedge type.

Table I Telstra Corporation Group	As at 30 June	
	2023	2022
	\$m	\$m
Borrowings by hedge designation		
Fair value hedges	(885)	(2,392)
Cash flow hedges	(6,117)	(5,733)
Not in an accounting hedge relationship	(2,441)	(2,857)
Total borrowings	(9,443)	(10,982)
Lease liabilities	(438)	(3,287)
Total borrowings and lease liabilities	(9,881)	(14,269)
Derivative assets by hedge designation		
Fair value hedges	24	293
Cash flow hedges	650	511
Not in an accounting hedge relationship	-	10
Total derivative assets	674	814
Derivative liabilities by hedge designation		
Fair value hedges	(223)	(240)
Cash flow hedges	(18)	(65)
Not in an accounting hedge relationship	-	-
Total derivative liabilities	(241)	(305)
Total gross debt	(9,448)	(13,760)

The principal value of our gross debt on an equivalent basis was \$9,270 million (2022: \$13,758 million). Principal value represents contractual obligations less future finance charges, excluding fair value remeasurements and for foreign denominated balances equates to the principal value in the underlying currency converted at the spot exchange rate as at 30 June 2023.

(a) Derivatives not in an accounting hedge relationship

Some derivatives may not qualify for hedge accounting or are specifically not designated as a hedge as natural offset achieves substantially the same accounting results. This includes forward foreign currency contracts that are used to economically hedge exchange rate fluctuations associated with trade payables or other liability and asset balances denominated in a foreign currency.

(b) Fair value hedges

All changes in the fair value of the underlying item relating to the hedged risk are recognised in the income statement together with the changes in the fair value of derivatives. The net difference is recorded in the income statement as ineffectiveness. The carrying value of borrowings in effective fair value hedge relationships is adjusted for gains or losses attributable to the risk(s) being hedged.

Table J outlines the cumulative amount of fair value hedge adjustments that are included in the carrying amount of borrowings in the statement of financial position.

Table J Telstra Corporation Group	As at 30 June	
	2023	2022
	\$m	\$m
Principal value	(1,046)	(2,493)
Unamortised discounts/premiums	6	7
Amortised cost	(1,040)	(2,486)
Cumulative fair value hedge adjustments	155	94
Carrying amount	(885)	(2,392)

Table K shows the ineffectiveness recognised in the income statement. We have excluded foreign currency basis spreads from our designated fair value and cash flow hedge relationships.

Table K Telstra Corporation Group	Year ended 30 June	
	2023	2022
	(Gain)/ loss	(Gain)/ loss
	\$m	\$m
Remeasurement of hedged item used to measure ineffectiveness	14	(325)
Change in value of hedging instruments	(25)	302
Net gain before tax from ineffectiveness	(11)	(23)
Net gain after tax	(8)	(16)

Section 4. Our capital and risk management (continued)

4.5 Financial instruments and risk management (continued)

4.5.5 Hedge accounting (continued)

(c) Cash flow hedges

The portion of the gain or loss on the hedging instrument that is effective (i.e. offsets the movement on the hedged item) is recognised directly in the cash flow hedging reserve in equity and any ineffective portion is recognised within net finance costs directly in the income statement.

Gains or losses deferred in the cash flow hedging reserve are subsequently:

- transferred to the income statement when the hedged transaction affects profit or loss
- included in the measurement of the initial cost of the assets where the hedged item is for purchases of property, plant and equipment
- transferred immediately to the income statement if a forecast hedged transaction is no longer expected to occur.

During the current and prior financial years, there was no material impact on profit or loss resulting from ineffectiveness of our cash flow hedges or from discontinuing hedge accounting for forecast transactions no longer expected to occur.

Table L presents the hedge gains or losses transferred to and from the cash flow hedging reserve.

Table L Telstra Corporation Group	Year ended 30 June	
	2023	2022
	\$m	\$m
Changes in fair value of cash flow hedges	138	152
Changes in fair value transferred to other expenses	(380)	(43)
Changes in fair value transferred to goods and services purchased	-	(11)
Changes in fair value transferred to finance costs	99	107
Changes in fair value transferred to property, plant and equipment	-	(1)
Cash flow hedging reserve	(143)	204
Income tax on movements in the cash flow hedging reserve	43	(54)
	(100)	150

Table M shows when the cash flows are expected to occur with respect to items in cash flow hedges (i.e. notional cash outflows). These amounts are the undiscounted cash flows reported in Australian dollars.

Table M Telstra Corporation Group	As at 30 June	
	2023	2022
	\$m	\$m
Non-capital items		
Within 1 year	(46)	(466)
Within 1 to 5 years	(13)	-
Capital items		
Within 1 year	(9)	(99)
Within 1 to 5 years	(2)	-
Borrowings		
Within 1 year	(1,782)	(132)
Within 1 to 5 years	(3,714)	(4,421)
After 5 years	(999)	(1,674)
	(6,565)	(6,792)

Non-capital items will be recognised in the income statement in the same period in which the cash flows are expected to occur. For capital items, the hedged assets affect the income statement as the assets are depreciated over their useful lives.

Section 4. Our capital and risk management (continued)

4.5 Financial instruments and risk management (continued)

4.5.6 Valuation and disclosures within fair value hierarchy

The financial instruments included in the statement of financial position are measured either at fair value or their carrying value approximates fair value, with the exception of borrowings, which are held at amortised cost.

To determine fair value, we use both observable and unobservable inputs. We classify the inputs used in the valuation of our financial instruments according to a three level hierarchy as shown below. The classification is based on the lowest level input that is significant to the fair value measurement as a whole.

During the financial year 2023, there were no changes in valuation techniques for recurring fair value measurements of our financial instruments. There were also no transfers between fair value hierarchy levels.

The table below summaries the methods used to estimate the fair value of our financial instruments.

Level	Financial instrument	Fair value
Level 1: quoted (unadjusted) market prices in active markets for identical assets or liabilities	Listed investments in equity instruments	Quoted prices in active markets.
Level 2: the lowest level input that is significant to the fair value measurement is directly (as prices) or indirectly (derived from prices) observable	Borrowings, cross currency and interest rate swaps	Valuation techniques maximising the use of observable market data. Present value of the estimated future cash flows using appropriate market-based yield curves, which are independently derived. Yield curves are sourced from readily available market data quoted for all major currencies.
	Forward contracts	Quoted forward rates at reporting date for contracts with similar maturity profiles.
Level 3: one or more key inputs for the instrument are not based on observable market data (unobservable inputs)	Trade receivables from contracts with customers	Trade receivables from contracts with customers measured at fair value are such where the instrument does not meet the classification requirements of financial assets at amortised cost. A valuation technique is used, where the estimated future cash flows are discounted to their present value using a discount rate determined using a risk-free rate plus a risk adjustment reflecting the credit risk associated with the cash flows.
	Unlisted investments in equity instruments	Valuation techniques (where one or more of the significant inputs is not based on observable market data) include reference to discounted cash flows and fair values of recent orderly sell transactions between market participants involving instruments that are substantially the same.
	Contingent consideration	Initial recognition: expectations of future performance of the business. Subsequent measurement: present value of the future expected cash flows.

Section 4. Our capital and risk management (continued)

4.5 Financial instruments and risk management (continued)

4.5.6 Valuation and disclosures within fair value hierarchy (continued)

Table N categorises our financial instruments which are measured at fair value, according to the valuation methodology applied.

Table N Telstra Corporation Group	As at 30 June 2023			As at 30 June 2022		
	Level 2	Level 3	Total	Level 2	Level 3	Total
	\$m	\$m	\$m	\$m	\$m	\$m
Assets						
Derivative financial instruments	674	-	674	814	-	814
Investments in unlisted securities	-	-	-	-	15	15
	674	-	674	814	15	829
Liabilities						
Derivative financial instruments	(241)	-	(241)	(305)	-	(305)
Contingent consideration	-	-	-	-	(72)	(72)
	(241)	-	(241)	(305)	(72)	(377)
Total	433	-	433	509	(57)	452

As at 30 June 2023, there were no financial instruments measured using level 1 inputs.

Fair value of borrowings presented in Table C in note 4.4.1 was measured using level 2 inputs.

Fair value of contingent consideration was measured using level 3 inputs. For further details about contingent consideration recognised during the financial year 2023, refer to note 7.2.2.

Section 4. Our capital and risk management (continued)

4.5 Financial instruments and risk management (continued)

4.5.7 Offsetting and netting arrangements

Table O presents financial assets and financial liabilities that are offset, or subject to enforceable master netting arrangements or other similar agreements but not offset.

The column 'net amounts' shows the impact on the statement of financial position if all set-off rights were exercised. 'Related amounts not offset in the statement of financial position' reflect amounts subject to conditional offsetting arrangements.

Table O Telstra Corporation Group	Effects of offsetting in the statement of financial position			Related amounts not offset in the statement of financial position		
	Gross amounts	Gross amounts offset in the statement of financial position	Net amounts presented in the statement of financial position	Financial instruments	Collateral received or pledged	Net amounts
	\$m	\$m	\$m	\$m	\$m	\$m
	A	B	C=A-B	D	E	F=C-D-E
	As at 30 June 2023					
Cash and cash equivalents	194	129	65	-	-	65
Derivative financial assets	674	-	674	-	150	524
Derivative financial liabilities	(241)	-	(241)	-	(150)	(91)
Total	627	129	498	-	-	498
	As at 30 June 2022					
Trade and other receivables and contract assets	309	68	241	53	9	179
Trade and other payables	(210)	(68)	(142)	(53)	-	(89)
Derivative financial assets	814	-	814	204	-	610
Derivative financial liabilities	(305)	-	(305)	(204)	-	(101)
Total	608	-	608	-	9	599

During the financial year 2023, entities of the Telstra Corporation Group entered into customary multi-entity bank account set-off facilities, under which bank accounts are managed on an aggregated basis. As a result, as at 30 June 2023 cash and overdraft balance sheet positions of different legal entities were presented net in the statement of financial position.

Our rights of set-off that are not otherwise included in column B, related to:

- our derivative financial instruments, where we have executed master netting arrangements under our International Swaps and Derivatives Association agreements. These agreements allow for the netting of amounts payable and receivable by us or the counterparty in the event of default or a credit event. In line with contractual provisions, in the event of insolvency all derivatives with a positive or negative fair value that exist with the respective counterparty are offset against each other, leaving a net receivable or liability.

Section 5. Our people

We are working to attract and retain employees with the skills and passion to best serve our markets. This section provides information about our employee benefits obligations. It also includes details of our employee share plans and compensation paid to key management personnel.



5.1 Employee benefits

5.1.1 Aggregate employee benefits

Our employee related obligations include:

- liabilities for wages and salaries and related on-costs (presented within current trade and other payables)
- annual leave, long service leave and employee incentives (presented within current and non-current employee benefits) and
- redundancy provisions (presented within current other provisions).

Table A provides a summary of all these employee obligations.

Table A Telstra Corporation Group	As at 30 June	
	2023	2022
	\$m	\$m
Accrued labour and on-costs	12	489
Current employee benefits	46	667
Non-current employee benefits	10	132
Current redundancy provisions	-	11
	68	1,299

Long service leave provision

We applied judgement to determine the following key assumptions used in the calculation of long service leave entitlements:

- 3.8 per cent (2022: 3.5 per cent) weighted average projected increases in salaries
- 5.6 per cent (2022: 5.2 per cent) discount rate.

The discount rate used to calculate the present value has been determined by reference to market yields at 30 June 2023 on nine year (2022: nine year) high quality corporate bonds which have due dates similar to those of our liabilities.

For the amounts of the provision presented as current, we do not have the right at the end of the financial year to defer settlement for any of these obligations. However, based on experience, we do not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. Amounts disclosed in Table B have been determined in accordance with an actuarial assessment and reflect leave that is not expected to be taken or paid within the next 12 months.

Table B Telstra Corporation Group	As at 30 June	
	2023	2022
	\$m	\$m
Leave obligations expected to be settled after 12 months	28	354

5.1.2 Recognition and measurement

The liabilities for employee benefits relating to wages and salaries, annual leave and other current employee benefits are accrued at their nominal amounts. These are calculated based on remuneration rates expected to be current at the settlement date and include related costs.

Certain employees who have been employed by Telstra for at least 10 years are entitled to long service leave of three months or more depending on the actual length of employment. We accrue liabilities for long service leave not expected to be paid or settled within 12 months of the reporting date at present values of future amounts expected to be paid. This is based on the projected increases in wage and salary rates over an average of 10 years, experience of employee departures and periods of service.

Provisions are recognised when:

- the Telstra Corporation Group has a present legal or constructive obligation to make a future sacrifice of economic benefits as a result of past transactions or events
- it is probable that a future sacrifice of economic benefits will arise
- a reliable estimate can be made of the amount of the obligation.

We recognise a provision for redundancy costs when a detailed formal plan for the redundancies has been developed and a valid expectation has been created that the redundancies will be carried out in respect of the employees likely to be affected.

Section 5. Our people (continued)

5.2 Employee share plans

We classify transactions as share-based compensation where Telstra receives services from employees and pays for these services either in shares or similar equity instruments or in cash but the amounts due are based on the Telstra share price.

This note summarises the primary employee share plans conducted through the Telstra Growthshare Trust (Growthshare) and the key events in the share-based payment arrangements that have occurred during the financial year.

Historically, we had a number of employee share plans pursuant to which equity was awarded to executives as part of their total remuneration. Active share plans were conducted through Growthshare. Telstra Growthshare Pty Ltd, the corporate trustee for Growthshare (the Trustee), was a wholly owned entity and was consolidated up until 31 October 2022 (refer to note 1.2).

We granted the following types of equity instruments as part of our equity-settled employee share plans:

- restricted shares
- performance rights.

Restricted shares are Telstra shares that are subject to a restriction period.

Performance rights are rights to Telstra shares subject to the satisfaction of certain performance measures and service conditions over a defined performance period.

5.2.1 Changes due to Restructure (note 1.2 and 2.6)

As a result of the Restructure, the following factors impacted existing employee share plans held by Telstra Corporation Limited:

(a) Implementation of the top hat component

The implementation of the top hat component resulted in the shares in Telstra Corporation Limited being transferred to Telstra Group Limited. The transfer was made in exchange for the issue of shares in Telstra Group Limited to eligible Telstra Corporation Limited shareholders under the Scheme. This meant Telstra Corporation Limited restricted shares were exchanged for Telstra Group Limited shares on a one-for-one basis under the top hat component of the Scheme. All performance rights on issue at the time the top hat component of the Scheme was implemented were amended to provide a Telstra Group Limited share (or cash amount equivalent to such share) on the vesting of the performance right.

(b) Transfer of employees entitles to share based compensations to Telstra Group Limited

Employees previously employed by Telstra Corporation Limited entitled to share-based compensation were transferred to, and employed by Telstra Group Limited.

(c) Disposal of the wholly owned entity, Telstra Growthshare Pty Ltd

Telstra Corporation Limited transferred its ownership of the Trustee. The results of the Trustee have therefore been consolidated and presented as discontinued operations in the financial report.

As a result of the above changes, Telstra Corporation Group does not have any share based payment arrangements in place as at 30 June 2023.

5.2.2 Recognition and measurement

For each of our equity-settled share plans, we measure the fair value of the equity instrument at grant date and recognise in the income statement the expense over the relevant vesting period with a corresponding increase in equity (i.e. share capital). The expense is adjusted to reflect actual and expected levels of vesting.

Grant date is the date when there is a shared understanding between employees and Telstra of the terms and conditions of the plan and the employees have accepted the offer. This often occurs prior to the allocation of equity instruments to the employees.

5.3 Post-employment benefits

We participate in, or sponsor, defined benefit and defined contribution schemes for our employees. This note provides details of our Telstra Superannuation Scheme (Telstra Super) defined benefit plan.

Our employer contributions to Telstra Super are based on the recommendations from the actuary of Telstra Super in line with any legislative requirements. The net defined benefit asset/(liability) at balance date is also affected by the valuation of Telstra Super's investments and our obligations to members of Telstra Super.

5.3.1 Telstra Superannuation Scheme (Telstra Super)

As detailed in note 1.2, on 30 November 2022, Telstra Group Limited became the sponsoring employer in Telstra Super, a regulated fund in accordance with the Superannuation Industry Supervision Act governed by the Australian Prudential Regulation Authority. On the same date, Telstra Corporation Limited became an associated employer participating in Telstra Super.

As part of the Restructure, an internal funding policy has been put in place between the sponsoring employer (i.e. Telstra Group Limited) and the associated employers (i.e. other legal entities under common control which participate in Telstra Super). Under that policy each entity recognises the net defined benefit cost related to its employees who are members of Telstra Super. In the current year, Telstra Corporation Group recognised \$11 million (2022: \$11 million) of defined benefit costs. Both the sponsoring and the associated employers account for their share of the net deficit (i.e. net defined benefit liability) where the fair value of the plan assets allocated to that entity based on the defined benefit obligations of the employees who are members of Telstra Super is less than the present value of the defined benefit obligations of those employees. Telstra Group Limited also accounts for any surplus (i.e. net defined benefit asset) where the fair value of the total plan assets exceeds the total present value of the defined benefit obligations of Telstra Super as a whole.

Contribution levels made to the defined benefit divisions are determined by Telstra after obtaining the advice of the actuary and in consultation with Telstra Super Pty Ltd (the Super Trustee). These are designed to ensure that benefits accruing to members and beneficiaries are fully funded as they fall due. The benefits received by members of each defined benefit division take into account factors such as each employee's length of service, final average salary, and employer and employee contributions.

Further information on our defined benefit plans can be found in the Telstra Group annual financial report available below:

<https://www.telstra.com.au/aboutus/investors/reports>

Section 5. Our people (continued)

5.3 Post-employment benefits (continued)

5.3.2 Other defined benefit schemes

Our controlled entities also participate in both funded and unfunded defined benefit schemes, which are individually and in aggregate immaterial.

5.3.3 Recognition and measurement

(a) Defined contribution plans

Our commitment to defined contribution plans is limited to making contributions in accordance with our minimum statutory requirements and other obligations. The contributions are recorded as an expense in the income statement as they become payable. We recognise a liability when we are required to make future payments as a result of employee services provided.

(b) Defined benefit plans - Telstra Superannuation Scheme

At a reporting date, where the fair value of the plan assets is less than the present value of the defined benefit obligations, the net deficit is recognised as a liability. In the reverse situation, the net surplus was recognised as an asset up until 30 November 2022. Up to this date, we recognised the asset to the extent that we had the ability to control this surplus to generate future funds that would be available to us in the form of reductions in future contributions or as a cash refund.

The actuaries use the projected unit credit method to estimate the present value of the defined benefit obligations of the plan. This method determines each year of service as giving rise to an additional unit of benefit entitlement. Each unit is measured separately to calculate the final obligation. The present value is determined by discounting the estimated future cash outflows using rates based on high quality corporate bonds.

We recognise all our defined benefit costs in the income statement, with the exception of actuarial gains and losses that are recognised directly in other comprehensive income.

Actuarial gains and losses are based on an actuarial valuation of each defined benefit plan at a reporting date. Actuarial gains and losses represent the differences between previous actuarial assumptions of future outcomes and the actual outcome, in addition to the effect of changes in actuarial assumptions.

5.4 Key management personnel compensation

Key management personnel (KMP) refer to those who have authority and responsibility for planning, directing and controlling the activities of the Telstra Corporation Group. KMP are deemed to include the following:

- the non-executive Directors of Telstra Group Limited
- the Directors of Telstra Corporation Limited
- certain executives in the Telstra Group Chief Executive Officer's (CEO's) senior leadership team, including the CEO of both Telstra Group Limited and Telstra Corporation Limited.

5.4.1 KMP aggregate compensation

During the financial years 2023 and 2022, the aggregate compensation of our KMP was:

Telstra Corporation Group	Year ended 30 June	
	2023	2022
	\$000	\$000
Short-term employee benefits	19,705	19,080
Post-employment benefits	331	348
Other long-term benefits	1,106	1,019
Termination benefits	838	-
Share-based payments	10,522	11,065
	32,502	31,512

The Directors of Telstra Corporation Limited from 1 January 2023 are also employees of Telstra Group Limited which is a related party of Telstra Corporation Limited. With the exception of Directors who are also part of the Telstra Group CEO's senior leadership team, these Directors are paid a separate fee for their role as Directors of Telstra Corporation Limited, which is included in the Remuneration Report and in the table above, however their compensation for employment services paid by Telstra Group Limited is not included in the Remuneration Report but is included in the table above. Any amounts paid to Directors by Telstra Group Limited are recharged to Telstra Corporation Limited and have been outlined in note 3.9.

Refer to the Remuneration Report, which forms part of the Directors' Report for further details regarding KMP remuneration.

5.4.2 Other transactions with our KMP and their related parties

During the financial years 2023 and 2022, apart from transactions trivial and domestic in nature and on normal commercial terms and conditions, there were no other transactions with our KMP and their related parties.

Section 6. Our investments

This section outlines our group structure and includes information about our controlled entities, joint ventures and associated entities. It provides details of changes to these investments and their effect on our financial position and performance during the financial year. It also includes the results of our material joint ventures and associated entities.



6.1 Changes in the group structure

6.1.1 Changes due to the Telstra Group restructure

As detailed in note 1.2, during the financial year 2023 the Telstra Group completed the Restructure, which resulted in the following changes to the Telstra Group's structure:

- Telstra Group Limited was established as the new parent entity of the Telstra Group
- the following controlled entities became wholly-owned subsidiaries of Telstra Group Limited:
 - Telstra Corporation Limited
 - Telstra ESOP Trustee Pty Limited
 - Telstra Finance Limited
 - Telstra Foundation Ltd
 - Telstra Growthshare Pty Ltd
 - Telstra International Holdings Pty Ltd
 - Telstra Limited.
 - Telstra Towerco No.2 Pty Ltd, being the wholly-owned entity which holds an interest in the Amplitel towers business and related investments
- Telstra Corporation Group transferred the retail and active wholesale business assets and liabilities and related investments to Telstra Limited and its controlled entities.
- Telstra Corporation Group transferred the international business assets and liabilities and related investments to Telstra International Holdings Pty Ltd and its controlled entities.

Details of the disposals have been further outlined in note 1.2 and 2.6.

6.1.2 Current year acquisitions and disposals

During the financial year 2023 we have acquired and disposed of a number of controlled entities. Acquisitions during the year included Digicel Pacific Limited and its controlled entities (Digicel Pacific) and Media Innovations Holdings Pty Ltd and its subsidiaries; and other individually immaterial businesses. On 30 November 2022, Digicel Pacific ceased to be controlled by Telstra Corporation Limited when Telstra Group Limited acquired the direct interest in Telstra International Holdings Pty Ltd from Telstra Corporation Limited.

Details of the significant acquisitions and disposals have been disclosed below. Note all acquisitions in the current year have been discontinued during the year.

(a) Acquisition and disposal of Digicel Pacific

On 13 July 2022, we completed the acquisition of 100 per cent of the shares in Digicel Pacific.

Digicel Pacific is a leading provider of communication services across Papua New Guinea (PNG), Fiji, Nauru, Samoa, Tonga and Vanuatu. The acquisition of Digicel Pacific expands Telstra Group's international footprint and supports our growth strategy.

The final consideration paid and payable consisted of \$2,378 million upfront cash payment, and up to \$370 million deferred payments contingent on Digicel Pacific's performance over the financial years 2022, 2023 and 2024. The consideration was funded by Telstra's contribution of \$400 million and a combination of non-recourse debt facilities from, and equity like securities issued by the Telstra Group to, the Australian Government, through Export Finance Australia. The issued securities were classified as equity and presented as non-controlling interests in the consolidated statement of changes in equity. The total acquisition cost for the acquisition was \$22 million, of which, \$7 million was incurred and paid during the financial year 2022.

The vendor has entered into legal arrangements with the PNG tax authorities in relation to the additional PKG350 million company tax, which had been adopted by PNG before completion of the sale. We have recognised a liability of \$149 million included in other provisions. Telstra is not part of this process, and the outcomes of this process are a matter for the vendor. The vendor has provided an indemnity to a controlled entity within the Telstra Group against the outcome of the legal process without further recourse to Digicel Pacific or its related entities, and an indemnification asset of \$149 million was recognised in trade and receivables on completion. This amount is held in escrow.

We have also recognised a \$42 million liability (included in other provisions) for other tax matters. The vendor has provided an indemnity to a controlled entity within the Telstra Group against the outcome of those tax matters and an indemnification asset of \$42 million was recognised in trade and receivables on completion. This amount is held in escrow.

The accounting for this acquisition gave rise to \$1,580 million goodwill reflecting revenue growth opportunities, cost synergies and profitability of the acquired business. The goodwill is not deductible for income tax purposes.

Section 6. Our investments (continued)

6.1 Changes in the group structure (continued)

6.1.2 Current period acquisitions and disposals (continued)

(a) Acquisition and disposal of Digicel Pacific (continued)

Table A summarises the effects of the accounting for this acquisition.

Table A Digicel Pacific	Year ended
	30 June 2023
	\$m
Consideration for acquisition	
Cash consideration	2,378
Contingent consideration	243
Total purchase consideration	2,621
Cash balances acquired	(30)
Contingent consideration payable	(169)
Outflow of cash on acquisition	2,422
Acquisition costs incurred included in other expenses in the income statement	15
	Fair value
Assets/(liabilities) at acquisition date	
Cash and cash equivalents	30
Trade and other receivables	246
Inventories	11
Prepayments	15
Investments - accounted for using the equity method	8
Property, plant and equipment	522
Right-of-use assets	52
Intangible assets	1,125
Trade and other payables	(108)
Employee benefits	(12)
Other provisions	(248)
Lease liabilities	(52)
Contract liabilities and other revenue received in advance	(55)
Deferred tax liabilities	(476)
Net assets	1,058
Adjustments to reflect non-controlling interests	(17)
Goodwill on acquisition	1,580
Total purchase consideration	2,621
Contributions to the Telstra Corporation Group's performance from acquisition date to 30 June 2023	
Income	292
Profit before income tax expense	50

On 30 November 2022, as one of the steps of the Restructure we disposed of Digicel Pacific as part of the transfer of Telstra International Holdings Pty Ltd and its controlled entities to Telstra Group Limited. We recognised a \$49 million net gain on that transfer.

The financial results of Digicel Pacific for the period from its acquisition to its disposal were included in the discontinued operations results disclosed in note 2.6.

(b) Disposal of Heritage Telecommunications Limited (HTL)

On 30 June 2023 Telstra Corporation Limited transferred its ownership of Heritage Telecommunications Limited (HTL) to Telstra Limited through a transfer deed between Telstra Corporation Limited and Telstra Limited. HTL is a not-for-profit charity, endorsed as a Deductible Gift Recipient under the public museum category and operates as a public museum by holding all telecommunication artefacts of Telstra.

The transfer of ownership was effected by Telstra Corporation Limited resigning as the sole member of HTL and Telstra Limited becoming the new member for a total purchase consideration of one dollar.

(c) Acquisition and disposal of Fetch TV

On 2 August 2022, we completed the acquisition of a 51.4 per cent controlling interest in Media Innovations Holdings Pty Ltd and its controlled entities (Fetch TV) for a total consideration of \$47 million upfront cash payment and a commitment to onboard Telstra TV customers onto the Fetch TV platform. The customer transition is yet to commence and is planned to be completed by the end of the financial year 2025.

Fetch TV is a subscription-based TV service provider based in Australia which operates its own proprietary streaming aggregation platform. Its services are distributed in partnership with internet service providers and major retailers. Fetch TV will be the new platform for Telstra TV and will strengthen Telstra's home and entertainment offering.

The accounting for this acquisition gave rise to \$32 million goodwill reflecting cost and revenue synergies and revenue growth opportunities. The goodwill is not deductible for income tax purposes.

As a result of the Restructure, on 1 January 2023 Fetch TV ceased to be controlled by Telstra Corporation Limited as our 51.4 per cent controlling interest in Fetch TV was transferred to Telstra Limited.

Section 6. Our investments (continued)

6.1 Changes in the group structure (continued)

(c) Acquisition and disposal of Fetch TV (continued)

Table B summarises the effects of the accounting for this acquisition.

Table B Fetch TV	Year ended
	30 June 2023
	\$m
Consideration for acquisition	
Total purchase consideration - cash	47
Cash balances acquired	(14)
Outflow of cash on acquisition	33
Acquisition costs incurred included in other expenses in the income statement	1
	Fair value
Assets/(liabilities) at acquisition date	
Cash and cash equivalents	14
Trade and other receivables	10
Inventories	3
Property, plant and equipment	1
Right-of-use assets	5
Intangible assets	32
Trade and other payables	(21)
Deferred tax liabilities	(7)
Employee benefits	(3)
Lease liabilities	(5)
Net assets	29
Adjustments to reflect non-controlling interests	(14)
Goodwill on acquisition	32
Total purchase consideration	47
Contributions to the Telstra Corporation Group's performance from acquisition date to 30 June 2023	
Income	31
Profit before income tax expense	1

The financial results of Fetch TV have been included in the discontinued operations results disclosed in note 2.6.

(d) Other acquisitions

During the financial year 2023, there were no other acquisitions (other than the acquisitions mentioned above).

6.1.3 Prior year disposals

On 30 June 2021, we announced that a consortium comprising the Future Fund, Commonwealth Superannuation Corporation and Sunsuper agreed to acquire a 49 per cent interest and become a strategic partner in Telstra's towers business.

On 31 August 2021, the towers business became operational following a transfer of business assets and liabilities to Towers Business Operating Trust (Trust). The Trust also incurred \$90 million estimated stamp duty costs related to the establishment of the business. The trustee of the Trust is Telstra Group's subsidiary, Amplitel Pty Ltd (Amplitel).

The sale of 49 per cent interests in the Trust and Amplitel to the consortium was completed on 1 September 2021 and resulted in \$2,883 million net cash proceeds. Telstra Corporation Limited retained control of the Trust and Amplitel up until the date of Restructure on 1 January 2023 (refer to note 1.2 and 2.6).

At the Telstra Group level, transactions with non-controlling interests that do not result in a loss of control are treated as transactions with equity owners of the towers business. As at 1 September 2021, we recognised \$798 million non-controlling interests reflecting the consortium's relative interests in the Trust and Amplitel as at the date of the transaction. The \$2,085 million difference between the amount recognised as non-controlling interests and the consideration received was recognised in general reserve within equity attributable to the Telstra Group.

6.2 Investments in controlled entities

6.2.1 Investments in controlled entities

As a result of the Restructure and changes in the group structure outlined in note 1.2, 2.6 and 6.1, Telstra Corporation Limited holds investments in the following wholly owned Australian entities at 30 June 2023:

- Telstra Multimedia Pty Limited
- Merricks NewCo Pty Ltd
- DCA eHealth Solutions Pty Ltd and its controlled entities
- Medinexus Pty Ltd

Most of our business is conducted through the Telstra Entity and none of the controlled entities is individually material to the Telstra Corporation Group's EBITDA.

6.3 Non-controlling interests

The Telstra Corporation Group includes entities which have material non-controlling interests.

6.3.1 The Exchange Trust

As at 30 June 2023, our controlled entity The Exchange Trust, which holds a portfolio of 36 Telstra exchanges in Australia, had a 49 per cent (2022: 49 per cent) non-controlling interest balance of \$701 million (2022: \$700 million). The trustee of the Exchange Trust is Merricks NewCo Pty Ltd, our wholly-owned controlled entity.

During the financial year 2023, we paid the minority unit holder of the trust a \$33 million (2022: \$32 million) dividend.

Section 6. Our investments (continued)

6.3.2 Discontinued ownership of non-controlling interests

As part of the Restructure, Telstra disposed of its non-controlling interest in the following:

- the equity-like securities issued to the Australian Government for the acquisition of Digicel Pacific as detailed in note 6.1.2 on 30 November 2022.
- the Amplitel business which includes the Trust and Amplitel on 1 January 2023.

Refer to note 1.2 and 2.6 for further details of the Disposal Group.

6.4 Investments in joint ventures and associated entities

We account for joint ventures and associated entities using the equity method. Under this method, we recognise the investment at cost and subsequently adjust it for our share of profits or losses, which are recognised in the income statement and our share of other comprehensive income, which is recognised in the statement of comprehensive income. Generally, dividend received reduces the carrying value of the investment.

The movements in the carrying amount of equity accounted investments in our joint ventures and associated entities are summarised in Table A.

Table A Telstra Corporation Group	As at 30 June			
	Joint ventures		Associated entities	
	2023	2022	2023	2022
	\$m	\$m	\$m	\$m
Carrying amount of investments at beginning of year	284	578	530	440
Additions	4	13	13	101
Additions obtained via acquisitions of controlled entities	-	-	8	-
Dilution of shareholdings	-	-	8	-
	288	591	559	541
Share of net loss	(2)	(4)	(16)	(27)
Share of distributions	(28)	(104)	-	-
Share of reserves	(51)	(199)	(14)	16
Disposals from Restructure (note 1.2 and 2.6)	(207)	-	(139)	-
Carrying amount of investments at end of year	-	284	390	530

Share of joint ventures' reserves includes \$51 million loss (2022: \$199 million loss) in our share of other comprehensive income.

Section 6. Our investments (continued)

6.4 Investments in joint ventures and associated entities (continued)

6.4.1 List of our investments in joint ventures and associated entities

Table B presents a list of our investments in joint ventures and associated entities, their principal place of business/country of incorporation and our ownership interest.

Table B			Ownership interest	
Telstra Corporation Group			As at 30 June	
			2023	2022
Name of entity	Principal activities	Principal place of business/country of incorporation	%	%
Joint ventures				
3GIS Pty Ltd	Management of former 3GIS Partnership (non-operating)	Australia	-	50.0
Reach Limited	International connectivity services	Bermuda	-	50.0
Telstra Ventures Fund II, L.P.	Venture capital	Guernsey	-	62.5
Associated entities				
ACN 147 190 118 Pty Ltd	Software service provider	Australia	-	74.0
Asia Netcom Philippines Corporation	Ownership of physical property	Philippines	-	40.0
Australia-Japan Cable Holdings Limited	Network cable provider	Bermuda	-	46.9
Dacom Crossing Corporation	Network cable provider	Korea	-	49.0
NXE Australia Pty Limited	Pay television	Australia	35.0	35.0
Pacific Carriage Holdings Limited Inc.	Network cable provider	United States	-	25.0
Pivotal Labs Sydney Pty Ltd	Software development	Australia	20.0	20.0
Southern Cross Cables Holdings Limited	Network cable provider	Bermuda	-	25.0
Telstra Converge Inc (formerly Digitel Crossing Inc.)	Telecommunication services	Philippines	-	48.0
Telstra Super Pty Ltd	Superannuation trustee	Australia	-	100.0
Telstra Ventures Fund III, L.P.	Venture capital	Guernsey	-	50.5
Tianjin TenLink Electronic Technology Co., Ltd.	Control system of industrial internet supplier	China	-	10.0

Section 6. Our investments (continued)

6.4 Investments in joint ventures and associated entities (continued)

6.4.1 List of our investments in joint ventures and associated entities (continued)

We apply judgement to determine if we have significant influence or joint control over our investments as detailed below. Except for our investment in NXE Australia Pty Limited and Pivotal Labs Sydney Pty Ltd, all other investments in joint ventures and associated entities have been discontinued as a result of the Restructure outlined in note 1.2 and 2.6.

(a) NXE Group

Telstra has a 35 per cent interest in NXE Australia Pty Limited and its controlled entities (NXE Group), an associated entity which provides subscription TV and streaming services. In the consolidated financial statements Telstra's interest in NXE Australia Pty Limited is accounted for using the equity method.

Financial information of NXE Group for the financial year 2023 is summarised in Table C based on their consolidated management financial statements prepared in accordance with the Australian Accounting Standards. The information disclosed reflects the amounts presented in the financial statements of NXE Group and not Telstra's share of those amounts. The management financial information has been adjusted to reflect adjustments made by Telstra when using the equity accounting method, including fair value adjustments and modifications for differences in accounting policy and impairment of our investment.

Table C NXE Group	Year ended 30 June	
	2023	2022
	\$m	\$m
Current assets	682	705
Non-current assets	3,542	3,793
Current liabilities	(1,360)	(1,224)
Non-current liabilities	(1,992)	(2,319)
Equity	872	955
Telstra's share in equity 35% (2022: 35%)	305	334
Equity accounting adjustments	83	68
Telstra's carrying amount of the investment	388	402
Revenue	2,866	2,775
Operating expenses	(2,979)	(2,887)
Loss before tax	(113)	(112)
Income tax benefit	36	40
Loss for the year	(77)	(72)
Other comprehensive income	(7)	16
Total comprehensive income for the year	(84)	(56)
Equity accounting adjustments	44	19
Adjusted comprehensive income for the period	(40)	(37)
Telstra's share of comprehensive income for the year (35%)	(14)	(13)

6.4.2 Other joint ventures and associated entities

Table D presents our share of the aggregate financial information of joint ventures and associated entities.

Table D Telstra Corporation Group	Year ended/As at 30 June			
	Joint ventures		Associated entities	
	2023	2022	2023	2022
	\$m	\$m	\$m	\$m
Carrying amount of investment	-	284	390	530
Group's share of:				
Loss	(2)	(4)	(16)	(27)
Other comprehensive income	(51)	(199)	(14)	16
Total comprehensive income	(53)	(203)	(30)	(11)

6.4.3 Suspension of equity accounting

Table E presents our unrecognised share of losses for the financial year and cumulatively for our entities where equity accounting has ceased and the investment is recorded at zero due to losses made by these entities and/or reductions in the equity accounted carrying amount.

Table E Telstra Corporation Group	Year ended 30 June			
	Period	Cumulative	Period	Cumulative
	2023	2023	2022	2022
	\$m	\$m	\$m	\$m
Joint ventures				
Reach Limited	-	-	-	(553)
Associated entities				
Australia-Japan Cable Holdings Limited	-	-	(1)	(69)
	-	-	(1)	(622)

Section 6. Our investments (continued)

6.4 Investments in joint ventures and associated entities (continued)

6.4.4 Transactions with our joint ventures and associated entities

Details of key transactions with our joint ventures and associated entities recorded in the income statement and statement of financial position are provided below.

(a) Sale and purchase of goods and services

We sold and purchased goods and services, and earned interest from our associated entities. These transactions were in the ordinary course of business and on normal commercial terms and conditions.

As a result of the Restructure (note 1.2 and 2.6), from 1 January 2023, Telstra Corporation Group only provides network access services to NXE Group from 1 January 2023.

Details of individually significant transactions were as follows:

- we purchased from NXE Group pay television services amounting to \$266 million (2022: \$536 million). The purchases enabled resale of Foxtel services, including Pay TV content, to our existing customers as part of our ongoing product bundling initiatives.
- we sold to NXE Group broadband system services, network access services and other professional services totalling \$40 million (2022: \$95 million) and wholesale services totalling \$33 million (2022: \$66 million).

(b) Amounts owed by joint ventures and associated entities

In February 2020, we entered into a subordinated loan agreement with NXE Australia Pty Limited under which we made available to NXE Australia Pty Limited a loan facility of up to \$170 million at commercial rates of interest. The facility matures on 22 December 2027. As at 30 June 2023 the balance drawn under this facility was \$143 million (2022: \$132 million).

(c) Trade and other payables

As at 30 June 2023, as a result of the Restructure, we had no trade payables to NXE Group for purchases of pay television services (2022: \$50 million).

6.4.5 Recognition and measurement

(a) Investments in joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Our interests in joint ventures are accounted for using the equity method of accounting.

(b) Investments in associated entities

These are investments in entities over which we have the ability to exercise significant influence but we do not control the decisions of the entity. Our interests in associated entities are accounted for using the equity method of accounting.

(c) Equity method of accounting

Investments in associated entities and joint ventures are carried in the consolidated balance sheet at cost plus post-acquisition changes in our share of the investment's net assets and net of impairment loss. Goodwill relating to an investment in an associated entity or joint venture is included in the carrying value of the investment and is not amortised. When Telstra's share of losses exceeds our investment in an associated entity or joint venture, the carrying amount of the investment is reduced to nil and no further losses are recognised.

The equity accounted investments are assessed for impairment annually or when there are impairment indicators.

Section 7. Other information

This section provides information and disclosures not included in the other sections, for example our external auditor's remuneration, commitments and contingencies, parent entity disclosures and significant events occurring after reporting date.



7.1 Auditor's remuneration

Our external auditor of the Telstra Corporation Group is Ernst & Young (EY). In addition to the audit and review of our financial reports, EY provides other services throughout the year. This note details the total fees to our external auditors.

Telstra Corporation Group	Year ended 30 June	
	2023	2022
	\$m	\$m
Fees to Ernst & Young (Australia)		
Category 1	0.867	8.814
Category 2	-	0.040
Category 3	-	3.254
Category 4	-	0.448
Total fees to Ernst & Young (Australia)	0.867	12.556
Fees to other overseas member firms of Ernst & Young (Australia)		
Category 1	-	2.475
Category 2	-	0.049
Category 4	-	0.082
Total fees to other overseas member firms of Ernst & Young (Australia)	-	2.606
Total auditor's remuneration	0.867	15.162

The costs shown for the year ended 30 June 2023 represent the audit fees for Telstra Corporation Group post implementation of the top hat component in the Restructure outlined in note 1.2.

Audit and non-audit fees are disclosed in the following categories:

- Category 1: fees to the group auditor for auditing the statutory financial report of the parent covering the group, and for auditing the statutory financial report of any controlled entities
- Category 2: fees for assurance services that are required by legislation to be provided by the auditor
- Category 3: fees for other assurance and agreed-upon procedures services where there is discretion as to whether the service is provided by the auditor or another firm
- Category 4: fees for other services (e.g. tax compliance).

Services in Category 3 included IT security control assessments, various assurance and agreed-upon procedures services.

Services in Category 4 included tax and other advisory services.

We have processes in place to maintain the independence of our external auditor, including the nature of expenditure on non-audit services. EY also has specific internal processes and policies in place to ensure auditor independence.

7.2 Parent entity disclosures

This note provides details of Telstra Entity's financial performance and financial position as a standalone entity. The results include transactions with its controlled entities.

Tables A and B provide a summary of the financial information for the Telstra Entity.

Table A Telstra Entity	As at	
	30 June 2023	30 June 2022
	\$m	\$m
Statement of financial position		
Total current assets	3,930	5,821
Total non-current assets	29,841	41,512
Total assets	33,771	47,333
Total current liabilities	3,054	14,271
Total non-current liabilities	10,582	16,361
Total liabilities	13,636	30,632
Share capital	3,168	3,098
Cash flow hedging reserve	(110)	6
Foreign currency basis spread reserve	(15)	(8)
General reserve	-	202
Retained profits	17,092	13,403
Total equity	20,135	16,701

Table B Telstra Entity	Year ended	
	30 June 2023	30 June 2022
	\$m	\$m
Statement of comprehensive income		
Profit for the year	10,635	5,472
Total comprehensive income	10,555	5,787

Section 7. Other information (continued)

7.2 Parent entity disclosures (continued)

Due to the implementation of the top hat component and other steps of the Restructure (note 1.2), Telstra Corporation Limited ceased to administer employee share plans of the Telstra Group, is no longer the head entity in the Australian tax consolidated group, and is no longer the sponsoring employer of Growthshare. Refer to note 2.4, 5.2 and 5.3 for more information.

7.2.1 Capital expenditure commitments

As at 30 June 2023, the Telstra Entity's commitments for the acquisition of property, plant and equipment amounted to \$273 million (2022: \$160 million) and for intangible assets to \$nil (2022: \$158 million).

7.2.2 Contingent liabilities and guarantees

(a) Intra-group debt guarantees

As detailed in note 1.2, Telstra Group Limited replaced Telstra Corporation Limited as the head entity of the Australian tax consolidated group (Telstra Group) on 31 October 2022. Where contractually required or otherwise agreed with counterparties, Telstra Corporation Limited has provided and received guarantees to and from Telstra Group Limited on Restructure.

The following debt guarantees have been entered/received:

- a debt guarantee in favour of holders of specified debt issued by Telstra Corporation Limited (including unsecured notes, bank loans, commercial paper and derivatives covering cross currency swaps, interest rate swaps and forward foreign exchange contracts) under which each of Telstra Group Limited and Telstra Limited guarantee all amounts due and payable but unpaid by Telstra Corporation Limited in respect of the guaranteed debt. The guarantee will apply for the term of the guaranteed debt, subject to early release in certain circumstances, including if the guaranteed debt is repaid, redeemed, purchased, exchanged, transferred or substituted (or similar) earlier, and, subject to certain applicable limitations and conditions, may also be released early in respect of the guarantee given by Telstra Group Limited. When the guarantee was issued, Telstra Corporation Limited recognised a financial guarantee asset (measured at fair value), and an increase in share capital.
- a debt guarantee in favour of holders of specified debt issued by Telstra Group Limited under which each of Telstra Limited and Telstra Corporation Limited guarantee all amounts due and payable but unpaid by Telstra Group Limited in respect of the guaranteed debt. Guaranteed debt entered into by Telstra Group Limited comprises of unsecured notes, a bank loan, commercial paper, derivatives covering cross currency swaps and forward foreign exchange contracts. The guarantee will apply for the term of the guaranteed debt, subject to early release in certain circumstances, including if the guaranteed debt is repaid, redeemed, purchased, exchanged, transferred or substituted (or similar) earlier, and, subject to certain applicable limitations and conditions, may also be released early in respect of the guarantee given by Telstra Corporation Limited. When the guarantee was issued, it was measured at fair value and accounted for as a financial guarantee liability, with a corresponding reduction in share capital.

We have also entered/received the following indemnities, performance guarantees and financial support from Telstra Group Limited:

- guarantees to nbn co in respect of payment obligations of Telstra Limited or Telstra Corporation Limited to nbn co up to a maximum of \$2.5 billion in respect of the Subscriber Agreement, and \$2.5 billion in respect of the Infrastructure Services Agreement. At the

reporting date, the likelihood of any claims under these guarantees is considered remote.

- Telstra Group Limited, Telstra Limited, and Telstra Corporation Limited have entered into (i) a multi entity bank account set off facility; and (ii) banking services agreement, for their transactional banking requirements. A cross guarantee and indemnity has been provided by each of Telstra Group Limited, Telstra Limited and Telstra Corporation Limited in respect of amounts due and payable to the applicable bank counterparty under each of these arrangements.

(b) Investigations by regulators

Telstra is subject to a range of laws and regulations in Australia and overseas, including in the areas of telecommunications, corporate law, consumer and competition law and occupational health and safety. In Australia, the principal regulators who enforce these laws and regulations and who Telstra interacts with are the Australian Competition and Consumer Commission (ACCC), the Australian Communications and Media Authority (ACMA), the Australian Securities and Investments Commission (ASIC) and the Australian Securities Exchange (ASX).

Telstra is subject to investigations and reviews from time to time by regulators, including certain current investigations into whether Telstra has complied with relevant laws and regulations. These are taking place in an environment of heightened scrutiny and regulator expectation and where Telstra has self-reported issues where it has not complied with relevant laws and regulations. In the ordinary course of our business, we identify, and may continue to identify, issues that have the potential to impact our customers and reputation, which do not meet relevant laws or regulations, or which do not meet our standards. Where we identify these issues, we make disclosures in accordance with the accounting standards, or our other legal disclosure obligations, or provide for such liabilities as required.

Regulatory investigations and reviews may result in enforcement action, litigation (including class action proceedings), and penalties (both civil and in limited circumstances, criminal).

(c) Common law claims

Certain common law claims by employees and third parties are yet to be resolved. As at 30 June 2023, management believes that the resolution of these contingencies will not have a significant effect on the Telstra Entity's financial results.

Section 7. Other information (continued)

7.2 Parent entity disclosures (continued)

7.2.2 Contingent liabilities and guarantees (continued)

(d) Indemnities, performance guarantees and financial support

We have provided the following indemnities, performance guarantees and financial support through the Telstra Entity:

- indemnities to financial institutions to support bank guarantees to the value of \$254 million (2022: \$303 million) in respect of the performance of contracts
- indemnities to financial institutions and other third parties in respect of performance and other obligations of our controlled entities, with the maximum amount of our contingent liabilities of \$125 million (2022: \$118 million)
- letters of comfort to indicate support for certain controlled entities to the amount necessary to enable those entities to meet their obligations as and when they fall due, subject to certain conditions (including that the entity remains our controlled entity)

(e) Other

In addition to the above matters, entities within the Telstra Group may be recipients of, or defendants in, certain claims, regulatory or legal proceedings and/or complaints made, commenced or threatened. At 30 June 2023, management believes that the resolution of these contingencies will not have a material effect on the financial position of the Telstra Group, or are not at a stage which supports a reasonable evaluation of the likely outcome of the matter.

7.2.3 Recognition and measurement

The accounting policies for the Telstra Entity are consistent with those of the Telstra Corporation Group, except for those noted below:

- under our tax funding arrangements, amounts receivable (or payable) recognised by the Telstra Entity for the current tax payable (or receivable) assumed from our Australian wholly-owned entities are booked as current assets or liabilities
- investments in controlled entities, included within non-current assets, are recorded at cost less impairment of the investment value
- our interests in associated entities and joint ventures, including partnerships, are accounted for using the cost method of accounting and are included within non-current assets.

7.3 Commitments and contingencies

This note provides details of our commitments for capital expenditure arising from our contractual agreements.

This note also includes information about contingent liabilities for which no provisions have been recognised due to the uncertainty regarding the outcome of future events and/or inability to reliably measure such liabilities.

7.3.1 Capital expenditure commitments

Table A shows capital expenditure commitments contracted for at balance date but not recorded in the financial statements. It includes the Telstra Entity's commitments disclosed in note 7.2.1.

Table A Telstra Corporation Group	As at 30 June	
	2023	2022
	\$m	\$m
Property, plant and equipment commitments	273	169
Intangible assets commitments	-	774

7.3.2 Contingent liabilities and contingent assets

Details and estimated maximum amounts (where reasonable estimates can be made) of contingent liabilities for the Telstra Entity are disclosed in note 7.2.2.

We had no significant contingent assets as at 30 June 2023.

7.4 Events after reporting date

We are not aware of any matter or circumstance that has occurred since 30 June 2023 that, in our opinion, has significantly affected or may significantly affect in future years:

- our operations
- the results of those operations, or
- the state of our affairs

other than the following matters:

7.4.1 Novation of borrowings

On 7th September 2023, Telstra Corporation Limited signed an agreement to novate the \$750 million revolving syndicated facility agreement maturing on 17 February 2025 to Telstra Group Limited.

Directors' Declaration

This Directors' Declaration is required by the *Corporations Act 2001* of Australia.

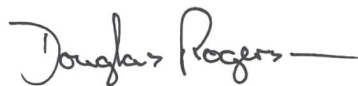
The Directors of Telstra Corporation Limited have made a resolution that declared:

- (a) in the Directors' opinion, the financial statements and notes of the Telstra Corporation Group for the financial year ended 30 June 2023 as set out in the financial report are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with the Accounting Standards applicable in Australia, International Financial Reporting Standards and Interpretations (as disclosed in note 1.1 to the financial statements), and Corporations Regulations 2001
 - (ii) giving a true and fair view of the financial position of Telstra Corporation Limited and the Telstra Corporation Group as at 30 June 2023 and of the performance of Telstra Corporation Limited and the Telstra Corporation Group, for the year ended 30 June 2023
- (b) they have received declarations as required by section 295A of the *Corporations Act 2001*
- (c) at the date of this declaration, in the Directors' opinion, there are reasonable grounds to believe that Telstra Corporation Limited will be able to pay its debts as and when they become due and payable

For and on behalf of the board



Brendon Riley
Chairman and CEO,
Telstra Corporation Limited



Douglas Rogerson
Director

27 September 2023
Melbourne, Australia

Independent Auditor's Report to the Shareholders of Telstra Corporation Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Telstra Corporation Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the Directors' Declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a. Giving a true and fair view of the consolidated financial position of the Group as at 30 June 2023 and of its consolidated financial performance for the year ended on that date; and
- b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Accounting for the restructure of the Telstra Group

Why significant	How our audit addressed the key audit matter
As detailed in Section 1.2 Telstra Group restructure, during the financial year, the Group implemented a scheme of arrangement (Scheme) to support the restructure of the Telstra Group (Restructure). On 1 January 2023, the business restructure component of the Scheme was implemented, which resulted in the disposal of certain assets and liabilities by the Group to other legal entities within the Telstra Group. The Group accounted for the Restructure as a legal reorganisation, recording a \$9.2 billion gain on the transfers. Australian Accounting Standards requires specific presentation and disclosures of discontinued operations and the disposal of disposal groups. These disclosures have been included in Section 2.6 Discontinued Operations.	Our audit procedures included the following: ▶ Involved our valuation specialists to assess the fair value of the consideration transferred for the disposal group. ▶ Tested the clerical accuracy of the calculated net gain recorded on the transfer of the disposal group, including its consistency with the implementation and transfer deeds and the promissory notes issued between the legal entities. ▶ Assessed the Group's accounting policies and the adequacy of disclosures for compliance with the requirements of Australian Accounting Standards, including the presentation of the disposal group as discontinued operations.

Revenue recognition and lease accounting

Why significant	How our audit addressed the key audit matter
As a result of the Restructure, the Group continues to operate the Telstra Group's passive fixed infrastructure business and services the revised Definitive Agreements (DAs) with nbn co and the Commonwealth Government. From 1 January 2023, the Group as a provider of access to passive fixed infrastructure, also recognises revenue and expenses from intercompany agreements (ICAs) with other legal entities within the Telstra Group. The Group exercises significant judgement relating to revenue recognition and lease accounting in the following areas: ▶ Accounting for the ICAs with other legal entities within the Telstra Group, including assessing the fair value of assets subject to the lease, lease classification, lease term, and the relative stand-alone price of lease and non-lease components; ▶ Accounting for NBN revenue under the revised DAs As disclosed in Section 2.2 Income, the Group recorded a \$1.5 billion gain on derecognition of assets subject to finance lease arrangements and \$0.4 billion of operating lease income and access revenue for lease arrangements under the ICAs. The Group also recognised \$2.2 billion of finance lease receivables as disclosed in Section 3.2 Lease arrangements. Disclosures relating to revenue recognition can be found at Section 2.2 Income and disclosures relating to leases can be found at Section 3.2 Lease arrangements.	Our audit procedures included the following: ▶ Assessed the Group's accounting policies as set out in Sections 2.2 and 3.2 for compliance with the revenue recognition and lease accounting requirements of Australian Accounting Standards. ▶ Evaluated the design and operating effectiveness of key controls over the capture and measurement of revenue transactions across all significant revenue streams, including evaluating the relevant IT systems. ▶ Selected a sample of revenue transactions recorded during the year and obtained supporting evidence such as the customer contract, service detail records and evidence of customer payment. ▶ Assessed the appropriateness of the assumptions and estimates supporting the accounting for the revised DAs including understanding the timing of disconnections, the progress of the NBN rollout and the transfer of the copper and Hybrid Fibre Coaxial (HFC) networks to nbn co. ▶ Involved our valuation specialists in evaluating the competence, capabilities and objectivity of management's external valuation expert as well as assessing the valuation methodology used to estimate the fair value of the assets subject to the lease arrangements against generally accepted valuation practices. ▶ Tested the calculation of finance lease receivables, interest income and operating lease income, their consistency with invoiced ICA charges, and compliance with the Group's accounting policies. ▶ Assessed the adequacy of disclosures with respect to the Group's significant revenue streams and lease arrangements, and the current year impact of the ICAs on the financial performance and position of the Group.

Reliance on automated processes and controls

Why significant

A significant part of the Group's financial processes is reliant on IT systems with automated processes and controls over the valuation and recording of transactions. This is a key part of our audit because of the:

- ▶ Complex IT environment supporting diverse business processes;
- ▶ Mix of manual and automated controls;
- ▶ Multiple internal and outsourced support arrangements; and
- ▶ Complexity of the billing systems which calculate the revenue being recognised.

How our audit addressed the key audit matter

Our IT specialists assessed the Group's manual and automated controls relating to IT systems relevant to financial reporting, including the recognition of revenue. When testing controls was not considered an appropriate or efficient testing approach, alternative audit procedures were performed on the financial information being produced by those systems.

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information is the directors' report accompanying the financial report.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- ▶ Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the Directors' Report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Telstra Corporation Limited for the year ended 30 June 2023, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



Ernst & Young



Sarah Lowe
Partner
Melbourne
27 September 2023