



HELPING TO
MAKE YOUR RETIREMENT
DREAMS A REALITY.

RETIREMENT
DREAMS

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TelstraSuper 
 For your whole family[®]

Annual Report
2012/2013



For many people, the thought of leaving work behind is filled with dreams of putting their feet up and enjoying a well-earned rest. But for others, it's an opportunity to start achieving all those things they've said they'll get to 'one day'.

HELPING MAKE RETIREMENT DREAMS REALITY

RETIREMENT
DREAMS

This year's Annual Report celebrates the long-held retirement dreams (both big and small) of our valued members. From those looking to fulfil long-held passions of travel, art and adventure, to those wanting to spend their days watching their grandchildren discover the wonders of the world, we believe each and every one of our members and their families deserve the chance to make their retirement dreams a reality.

Three Telstra Super members have been kind enough to share their own retirement dreams as part of this year's report. We thank them for so generously sharing their time and their stories, and look forward to helping them achieve their goals as they move closer to retirement.

Hit the open road in a campervan.

Read about Dave's retirement dream on

PAGE 6



Become a noseey, green-thumbed grandmother.

Read about Melissa's retirement dream on

PAGE 23



Take a world tour inspired by his music idols.

Read about Chris' retirement dream on

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TelstraSuper



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“I want to be like a snail, and take my home with me.”

DAVID LOWE



Twenty five years ago, Dave Lowe’s parents set off on a campervan adventure around New Zealand. They didn’t have any firm plans on where to go – just a rough idea of what was ahead of them. Having inherited their free-spirited nature, Dave found their retirement dream to be an inspiration, and has decided to carry on the tradition – in a retirement dream of his own.

Dave Lowe is no stranger to the open road. He’s always loved packing up the car and the family, and heading off on a scenic adventure. So when his parents decided to spend their retirement seeing the New Zealand countryside from a campervan, he felt inspired to do the same.

“It was about 25 years ago that mum and dad did it,” he says. “Dad asked me to help him write a list of all the sites they could see in the South Island of New Zealand – in a rough geographical order. When they got there, they used the list to help them decide where they were going next. They didn’t have to plan it too much, other than just to have an idea.”

Dave’s parents spent three months touring New Zealand, and started planning their second trip as soon as they got back. But sadly, his father passed away soon after – which meant those plans never came to be.



“Their thinking was that they’d go away for a couple of months, come back home, and do it again. The whole concept inspired me to start with. And I’d like to carry that on.”

A self-confessed nomad, Dave loves the idea of coming home to a new location every day. “I want to be like a snail, and take my home with me,” he says. “I don’t want my retirement to be me living in the same house, and just not going to work. I want to have a few more ceremonies to mark the transition. If I’ve got a mobile home, then the moment I retire I can turn around and go ‘right, I’m off to Perth’ – and then take six months to get there.”

There’s a long list of places he’d like to see beyond Perth though – both inside and outside of Australia.

“I’d like to see Rockhampton way up north. There are a whole lot of islands, and a few fishing spots that I’d like to visit there. The Ghan track from Adelaide to Darwin would be a must-see too – all the way up that road, stopping at Alice Springs and everywhere in between. And the South Island in New Zealand during the summer would be great too.”

Along the way, Dave imagines himself enjoying the expansive stretches of open road, quaint little towns, local sights and fishing spots. It’d never be a rush, he says, he’d just take the trip as it comes.

“Once you’ve settled into a new spot, you might catch public transport to go sightseeing, or you might have pushbikes on the mobile home – so you could go for a ride. Being a keen fisherman, I don’t think I’d ever be too far from the water. So I could spend some time scouting out a fishing hole, and try to catch some dinner.”

He’s not yet decided on how long he’ll continue to travel around once his retirement dream comes true. But he doesn’t mind taking his time either – “I would call it a transition, but I’m a very slow learner, so it might take me 20 years!” he says laughing.



DAVID LOWE





David Leggo
Chairman



Welcome to Telstra Super's 2012/2013 Annual Report. It's been a very busy 12 month period for your super fund, largely driven by the ongoing expansion and improvement of our suite of investment options.

We were incredibly pleased to see the fund's ongoing commitment to investment flexibility and performance reflected back to members through the achievement of strong investment returns for the financial year and over the longer-term.

The introduction of a raft of new government legislation was also a key focus for the Board, management and staff throughout the financial year, as we worked to ensure any changes were implemented with the best possible outcome for members.

Throughout this time we remained cognisant of continuing to listen and learn from you, with your feedback subsequently contributing to ongoing improvements in the way we deliver benefits and services to members. We encourage you to continue to provide this feedback to us, as we move into what promises to be another exciting period of growth and development for the fund.

A year of strong investment performance

Telstra Super takes its role as your retirement savings partner very seriously. That's why we were incredibly proud to see over 88% of our members enjoy double-digit returns on one or more of their investment options in 2012/2013*.

In addition to returns of 19.62% and 16.91% for our Growth and Balanced options respectively, a further five Telstra Super investment options returned above 10% for the financial year. *Telstra Super RetireAccess*® members enjoyed even more positive results, with eight of 10 available options also achieving returns in excess of 10%*.

Supporting our strong performance over the short-term, Telstra Super was pleased to see six of our investment options achieve above-average investment returns over the 10 year period, according to independent ratings agency, SuperRatings. Even more pleasingly, our Growth, Balanced and Conservative options were each ranked in the Top 10 of all super funds surveyed by SuperRatings across one, three and ten year periods¹.

Even greater freedom and control

The expansion and ongoing improvement of Telstra Super's investment range continued to be a significant focus for your super fund over the past 12 months, and culminated with the introduction of the long-awaited Direct Access option in September 2013.

Designed to offer even greater control and freedom, Direct Access gives members the ability to invest in shares and term deposits through real time, online trading access. We are confident this new option will receive considerable interest from eligible members, as we provide yet another option for consideration as part of their long-term investment strategy.

An evolving industry landscape

Over the past two years, the Federal Government has legislated a number of changes designed to increase the efficiency and effectiveness of the superannuation and financial planning industries, a number of which came into effect on 1 July 2013. As a result, much of the 2012/2013 financial year was dedicated to managing these changes to ensure the best outcomes for our members.

This work will continue across much of the next financial year, as we finalise planning and implementation for further regulatory and legislative changes, and work to ensure a seamless transition from our current mode of operations. We will continue to keep you informed of any potential changes through our suite of member publications, including our monthly 10 dots e-newsletter.

* Past performance is not a reliable indicator of future performance

¹ SuperRatings Fund Crediting Rate Survey, June 2013
Growth: SR50 Growth Index
Balanced: SR50 Balanced Index
Conservative: SR50 Capital Stable Index

A more comfortable retirement lifestyle

While Telstra Super is pleased to boast a high level of engagement amongst our members, we remain committed to ensuring that all members, regardless of their level of super interest or involvement, are equipped to achieve a more comfortable lifestyle in retirement.

In the 2012/2013 financial year we conducted a thorough review of our existing default investment strategy, which applies to members who haven't made a choice for how their super is invested. We are confident the improvements identified as a result of this review will allow us to better meet the investment needs and characteristics of members as they move closer to retirement age and beyond.

Education, information and advice across Australia

Telstra Super considers the provision of financial literacy tools as one of its key responsibilities to members. Given the extent of legislative, regulatory and fund-based activity over the course of the financial year, we remain committed to ensuring that all members have access to comprehensive information, education and advice opportunities.

Our Member Education consultants again spent the majority of their time on the road, providing information and insights to members across Australia through seminars, expos and workplace visits. Similarly, the Telstra Super Financial Planning team maintained its focus on providing superior advice services to members through both face-to-face interviews and over the phone.

A welcome to new faces

The Telstra Super Board of Directors welcomed three new additions during the 2012/2013 financial year; employer directors David Kirton and Gregg Rowley, and member director Michael Fisher. David, Gregg and Michael have already made a significant contribution to the strategic management of Telstra Super since their appointment, and provided invaluable advice and support during a time of immense change for the industry and the fund.

On behalf of the Board, management, staff and members of Telstra Super, I would like to recognise our three departing Board members; employer directors Jan Price and Tracey Gavegan, and member director Grant Belchamber. We thank them for their service and wish them all well with their future endeavours.

Leading Telstra Super into the future

I would also like to take this opportunity to acknowledge the contribution made to the fund by Telstra Super Chief Executive Martin Crowe, who in March announced his intention to retire mid-year.

As Chief Executive, Martin led the fund through a period of sustained product development and strong investment performance. He oversaw the launch and development of three significant additions to our investment range (Defensive Growth, Diversified Income and Direct Access), ushered in significant improvements to Telstra Super's insurance offering and accepted numerous industry awards and accolades on behalf of the fund, including the SelectingSuper Superannuation Fund of the Year Award at the 2011 Rainmaker Excellence awards.

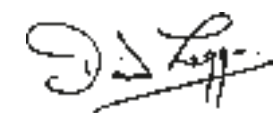
Martin also helped guide Telstra Super through a period of significant transformation within the super and financial planning industries, with legislative and regulatory changes having a major impact on the strategic and day-to-day operations of the fund.

Prior to being appointed Chief Executive, Martin was the Chief Financial Officer for Telstra Super for over eight years. He also acted as a representative of corporate funds on the Board of the Association of Superannuation Funds of Australia (ASFA).

Your retirement savings partner

Telstra Super is committed to ensuring all members, regardless of age, life stage or investment experience, have access to a sophisticated suite of options to help them meet their retirement savings goals. Whether you are looking for greater security and income stability in your retirement years, or the chance to take greater control over your individual investment decisions, our focus for 2013/2014 will be to ensure you not only have these choices available to you, but the necessary information, education and advice on hand to help you make the right choice.

As the theme of this year's Annual Report demonstrates, we are driven by an uncompromising desire to help our members achieve the retirement lifestyle they deserve. We look forward to working with you over the coming year to help you move closer to achieving your own retirement goals.



David Leggo
Chairman

Improving your super knowledge

Key statistics as at 30 June 2013

88%

members invested in one or more Telstra Super investment options generating double-digit returns for 2012/2013.

4,817

members enjoying quality health cover at a lower cost thanks to our alliance with leading health fund, HCF.

8,122

attendees taking advantage of our Member Education seminars and site visits, held across Australia and online.

88%

DOUBLE-DIGIT RETURNS

8,122

ATTENDEES

4,817

DISCOUNTED PREMIUMS

8,382

APPOINTMENTS

\$166,967,562

INVESTED IN DIVERSIFIED INCOME

\$140,000
RAISED

8,382

appointments with Telstra Super Financial Planning throughout 2012/2013, covering a range of superannuation-related advice matters.

\$140,000

raised by Telstra Super staff and supporters for cancer treatment and research through our involvement in the 2012 Ride to Conquer Cancer.®

\$166,967,562

invested in Diversified Income, which was introduced in July 2012 to meet the retirement income needs of our valued members.

Board of Directors

Telstra Super Pty Ltd has a Board of Directors that is responsible for the operation of Telstra Super Pty Ltd – to ensure Telstra Super is being managed appropriately.

The Board of Directors makes sure that members' interests are duly represented and that the fund is administered according to the Telstra Super Trust Deed and applicable legislation. The Board of Directors consists of an equal number of employer and member representatives and an independent Chairman.



Mark Hall
Employer Director

Mr Hall is Deputy CFO at Telstra Corporation Ltd and has worked in various finance, planning and performance analysis roles for the company since joining in 1992. He is also on the board of TelstraClear, 1300 Australia and 3GIS. Prior to Telstra Corporation Ltd, he worked in chartered accounting for the Commonwealth Government and Australian Airlines.

Mr Hall was appointed as a director of the Trustee Board at Telstra Super in January 2012.



Ian McCarthy
Member Director

Mr McCarthy is currently the NSW Telecommunications and Services (T&S) Branch Secretary for the Communications, Electrical and Plumbing Union (CEPU). He is also the Chair for the NSW Communications Industry Training Advisory Board.

Mr McCarthy was previously a Technical Officer with Telstra Corporation Ltd and a Federal Industrial Officer for the Australian Telecommunications Employees Association. Mr McCarthy was appointed as a director of the Trustee Board at Telstra Super in July 2002.



Carmel Mulhern
Employer Director

Ms Mulhern is currently the Company Secretary at Telstra Corporation Ltd. Previously, Ms Mulhern held the position of General Counsel, Finance and Administration at Telstra Corporation Ltd and was a senior associate at Mallesons Stephen Jaques.

Ms Mulhern was appointed as a director of the Trustee Board at Telstra Super in September 2007.



Carol Gee
Member Director

Ms Gee is the National Industrial/Research Officer for the communications division of the Communications, Electrical and Plumbing Union (CEPU). She has responsibility for industrial, health and safety and policy issues.

Ms Gee is a qualified teacher and has taught at both primary and secondary schools.

Ms Gee was appointed as a director of the Trustee Board at Telstra Super in November 2011.



David Leggo
Chairman

Mr Leggo is a respected superannuation leader and was recognised in 2010 as 'Trustee of the Year' by the Australian Institute of Superannuation Trustees.

Mr Leggo spent 35 years of his professional career in the aviation industry, retiring in 2007 from the position of Operations Director, Air Traffic Control at Melbourne Airport. Mr Leggo was appointed as chairman of the Trustee Board at Telstra Super in July 2010.



John Jamieson
Member Director

Prior to retiring in 2011, Mr Jamieson was an organiser for the Community and Public Sector Union (CPSU) for over a decade. During this time he represented CPSU members working at Telstra Corporation Ltd in Victoria. He continues to take an active interest in human rights and workers' rights in the workplace.

Mr Jamieson has formerly held a range of positions in Telstra Corporation Ltd, ANZ and Mayne Nickless Ltd and was also self-employed for a number of years. Mr Jamieson was appointed as a director of the Trustee Board at Telstra Super in February 2010.



David Kirton
Employer Director

Mr Kirton is Executive Director and Corporate Controller at Telstra Corporation Ltd. He has worked in a range of Telstra business units at an executive level since joining Telstra in 1998.

Mr Kirton was appointed a director of the Trustee Board at Telstra Super in September 2012.



Michael Fisher
Member Director

Mr Fisher is the Superannuation Policy Officer at the Australian Council of Trade Unions (ACTU), where he has worked closely on recent reforms to the superannuation system. Prior to this, he served as a policy officer for the Public & Commercial Services Union in the UK.

Mr Fisher has also served as a trustee director on the board of the Australian Government Employees' Superannuation Trust (AGEST) since 2010 until its merger with AustralianSuper in 2013. Mr Fisher was appointed a director of the Trustee Board at Telstra Super in September 2012.



Gregg Rowley
Employer Director

Mr Rowley is Executive Director of Strategy & Operations at Telstra Innovation, Products & Marketing. Prior to joining Telstra Corporation Ltd in 2010, he has worked in the telecommunications industry for over twenty years in both Australia and Asia, including being Vice President Asia Pacific for internet security company Verisign.

Mr Rowley was appointed a director of the Trustee Board at Telstra Super in May 2013.

Senior Management Team

The day-to-day administration and management of Telstra Super is the responsibility of the Senior Management Team.

All senior managers lead a business unit and carry responsibility for specific areas of fund operations.



Paul Curtin
Chief Financial Officer

Paul is responsible for all financial and taxation matters for Telstra Super and Telstra Super Financial Planning and oversees operations of the Finance Unit. Paul attends meetings for Telstra Super's Audit, Risk & Compliance and Investment Committees, and is the fund's AML/CTF Compliance Officer.

Paul was appointed to his role with Telstra Super in February 2013. He was previously the Chief Financial Officer for industry superannuation fund, Vision Super, and has also worked in the Financial Services practice of KPMG.



Steve Miller
General Counsel & Company Secretary

Steve manages all legal matters for Telstra Super and Telstra Super Financial Planning. He is Company Secretary to both boards and is the fund's Privacy Officer.

Steve is also responsible for managing Telstra Super's people and culture, including overseeing recruitment, learning & development and staff relations. Prior to joining Telstra Super in 2002, Steve practiced law in a large private practice firm in Melbourne.



Shane Collister
General Manager, Technology Solutions

Shane oversees the management of Telstra Super's IT infrastructure, as well as the operations of all specialist teams within the unit.

Shane joined Telstra Super in June 1997 and was appointed General Manager, Technology Solutions in 2005. Prior to joining Telstra Super, Shane held roles at AMP, Cocam (now Bravura) and worked as a superannuation software consultant.



Gordon Williamson
General Manager, Operations

Gordon manages all member service and administration functions of the fund, including the contact centre, transactional processing, employer services, insurance and benefit payments.

Gordon joined Telstra Super in 2000 and was appointed a General Manager in 2003.

Prior to joining Telstra Super, Gordon held roles with National Mutual (now AXA), Noble Lowndes and Plum Financial Services.



Martin Crowe
Chief Executive

As Chief Executive of Telstra Super, Martin was responsible for the strategic direction of the fund and oversaw every aspect of its operations. He also attended Telstra Super's Audit, Risk & Compliance, Remuneration and Investment Committee meetings.

Martin joined Telstra Super in 2000 as Chief Financial Officer and became Company Secretary in 2003. He was appointed Chief Executive of Telstra Super in August 2008. In November 2011, Martin was appointed to the Association of Superannuation Funds of Australia (ASFA) board of directors as a representative of the corporate super fund sector.

Martin is a Chartered Accountant and prior to joining Telstra Super, held senior positions with National Australia Bank and Ansett Australia.

Note: Martin retired effective 30 August 2013.



Jim Christensen
Chief Investment Officer

Jim manages Telstra Super's investments, which represent over \$13 billion. Jim joined Telstra Super in January 2010 as Chief Investment Officer and is responsible for analysing and assessing investment performance and ensuring members benefit from an efficient and cost-effective investment program.

Prior to this, Jim was Managing Director of Queensland Investment Corporation's (QIC) active management division and a senior economist at the Queensland Treasury.



Ivan Jones
General Manager,
Telstra Super Financial Planning

Ivan manages Telstra Super Financial Planning, which is responsible for providing members with financial planning advice and other retirement planning services. He was appointed to the position in August 2011.

Ivan has extensive experience in the superannuation and financial planning industries, most recently spending ten years in various positions across FuturePlus Financial Services.



Leigh Heyward
Manager, Internal Audit,
Risk & Compliance

Leigh is responsible for the planning, execution and reporting of all Internal Audit, Compliance and Risk Management accountabilities across Telstra Super and Telstra Super Financial Planning, reporting to the Telstra Super Audit, Risk and Compliance Committee and the Telstra Super Financial Planning Board.

Leigh joined Telstra Super in May 2011 and was appointed to the Senior Management Team in March 2013. Leigh is a Chartered Accountant and previously held audit and risk management roles at KPMG, National Australia Bank and ANZ Banking Group.



Kevin Moloney
General Manager,
Development & Distribution

Kevin managed the member education, client development, communications and marketing teams, and carried responsibility for product development.

Kevin was appointed to his role with Telstra Super in early 2009. He has worked in the superannuation industry his entire professional career, including senior roles with AMP and as a Principal Consultant with Mercer.

Note: Kevin resigned effective 16 August 2013.



**“To be the nosey,
green-thumbed
grandmother I
never had!”**

MELISSA MCCARTHY

RETIREMENT
DREAMS

Growing up without grandparents, Melissa McCarthy missed out on all the things they can add to your life – from home-cooked feasts and fun-filled play dates, to blustering about why things were better way back when. She doesn’t want the same for her own grandchildren. Which is why her retirement dream is to be a loving – and at times bothersome – nanna.

Melissa McCarthy missed out on having her grandparents around when she was growing up. She’d often look at her friends’ grandparents, and wish she had some of her own to do the things that nannas and pops do, like give big, smothering hugs and hand out sugary treats that weren’t allowed at home.

She even missed the things that some of us may have found a little annoying, like hearing about ‘kids these days’ or being given advice we didn’t really want to hear.

She loved the way the elderly people she knew spoke their mind, stuck their noses in her business, and told her what to do. In her mind, they weren’t rude or disrespectful – they were fabulous.



“I’ll have loads of vegies and fruit trees in my garden, and I’ll do all the jams and that sort of thing.”

“I remember, many years ago, I was standing in line at the post office. It was chockers, and the queue was probably 15 to 20 deep. This old girl came in, took one look at the line, and thought ‘forget that!’ She just pushed her way straight to the front. She knew people would let her get away with it too. I just thought ‘that is sensational!’”

Over the years, that endearing, ‘typical old folk’ behaviour stuck with her. And it now serves as inspiration for her own retirement dream – of becoming the ultimate granny.

“I want to knit my family jumpers in colours they hate, give unwanted advice, and tell everybody what they should and shouldn’t be doing,” she says laughing. “I’ll have opinions on everything – and I’ll always be right. I’ll even call the ABC for a whinge every now and then!”

Melissa imagines eventually relocating to Inverloch for a bit of a sea change too, where she’ll go for morning walks along the beach, tend to her vegetable garden, and knit the days away.

“I’ll have more time to think about me. I’ll go for coffee and catch up with the other oldies doing the same thing. I’ll do a bit of volunteer work too – teaching kids to knit,” she says. “I’ll have loads of vegies and fruit trees in my garden, and I’ll do all the jams and that sort of thing. We might even sell some produce at markets for a bit of extra spending money.”

While it’s still some time away, Melissa’s excited about her retirement – and all the fun she’s bound to have with her own grandchildren, once they come along. It’s a dream that she says will be made even more fulfilling with the help of the super she’s putting away now.

“Super will give us the ability to make decisions, not based on money, but based on time and what we really want to do. We won’t have to worry about where our income’s coming from, so we can worry about everyone else’s business instead.”

MELISSA MCCARTHY

RETIREMENT
DREAMS



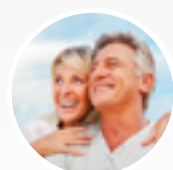
Our proudest achievements over the past 12 months.

Achieved



Achieved double digit returns for seven of our ten investment options with 88% of our members invested in one or more of these investment options*.

Celebrated



Celebrated the one year anniversary of our innovative investment option Diversified Income, which held over \$166,000,000 of member savings at the end of the financial year, and continues to show strong growth.

Awarded



Awarded a '7 year Platinum Performance 2005-2012' award from independent ratings agency SuperRatings in recognition of being rated a Platinum super fund for 7 consecutive years¹.



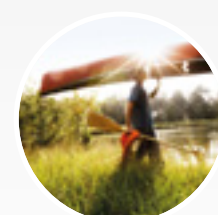
Enhanced

Further enhanced our insurance offering, including increasing the limit for external transfers of death and Total & Permanent Disablement (TPD) cover held elsewhere from \$1 million to \$2 million and providing *Telstra Super Casuals* members age-based TPD cover in addition to the age-based death cover already provided.



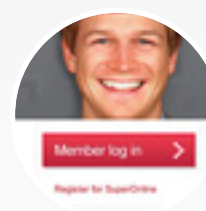
Awarded

Awarded a 5 Star Green Star - Office as Built v2 rating from the Green Building Council of Australia for the Sherwood Road Bus Depot in Brisbane, which forms part of our property portfolio.



Helped

Helped 4,817 members take advantage of the benefits of our alliance with leading health insurance provider HCF, including up to 12% discount on premiums.



Enhanced

Enhanced our secure member portal, *SuperOnline*, to make registration easier and allow us to provide helpful super-related reminders.



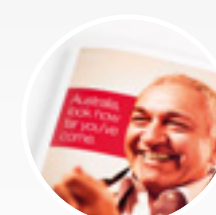
Welcomed

Welcomed another major addition to our property portfolio with the completion of Adelaide's newest landmark office building, 26 Franklin Street, with key tenant the Australian Tax Office.



Updated

Updated the Telstra Super website with a new-look homepage and dedicated insurance section, including an updated Insurance premium and cover calculator.



Awarded

Awarded 'best delivery of fine print' for the second year in a row for the 2011/2012 Annual Report at the 2012 ASFA Communications Awards¹.



Australia

The end of the 2012/2013 financial year marked a remarkable 22 years of consecutive growth for the Australian economy. While the rate of growth has slowed since the Global Financial Crisis (GFC) and currently sits at 2.5%, compared to its long-term average of approximately 3.35%, this slowdown has also been accompanied by a steady decline in both inflation levels and interest rates¹. It's now been over two-and-a-half years since the Reserve Bank of Australia (RBA) last increased the official cash rate, with cuts in October, December and May resulting in a historically low cash rate of 2.75% at the end of 2012/2013.

The 2012/2013 financial year saw positive results for the domestic share market despite a case of the jitters in June, with the ASX300 posting an annual return of 21.9% off the back of strong performance from the Financials, Telecoms and Healthcare sectors. Indications from both the public and private sectors suggest that the end of the mining boom is drawing closer, however business investment is likely to remain high for at least the next 12 months².

The gradual recovery of international economies and increased attractiveness of other currencies over the past 12 months saw the Australian Dollar fall close to 10 cents against the US dollar during the course of the financial year. Despite this decline, many economists believe the Aussie dollar is still overvalued by as much as 10%, and could fall to as low as 70 cents against the US dollar by the end of the 2013 calendar year³. Similar depreciation in the dollar was recorded against both the Euro and the British Pound; losing approximately 20% and 10% against these currencies respectively.



The world

The European region continued to struggle for much of the financial year, with fiscal cuts, rising unemployment and tight funding conditions causing further contraction in a number of domestic economies. Despite having now been in recession for over a year and a half, experts are predicting economic stabilisation in the Euro zone for the third quarter of the financial year and potential growth in the fourth⁴.

Some good news from the US late in the financial year, with moderate expansion in GDP recorded for the March quarter after a relatively slow December quarter⁵. While household consumption and industrial production remained relatively flat in the lead up to the end of financial year, growth figures for the housing sector and domestic employment are expected to remain stable in the coming months².

Closer to home, efforts by the Japanese government to bring an end to long-running deflation through a combination of federal spending and monetary easing appeared to be working, with signs the economy was steadily improving and showing signs of a potential recovery⁶. While growth figures were lower than expected for much of the rest of Asia at the start of 2013, this was expected to improve as the year continued².

More broadly, we saw global growth increase slightly from 2.5% in the second half of the 2012 calendar year to 2.75% in the first quarter of 2013. The IMF is now predicting growth will remain subdued at 3% for the rest of the calendar year, largely as a result of the ongoing concerns regarding recession in the Euro area, weaker than expected growth in the US and disappointing growth from major emerging markets⁷.



Super

Most superannuation funds demonstrated strong performance over the course of 2012/2013, with the average balanced investment option returning 14.7% for the financial year according to independent ratings agency SuperRatings⁸. This is the strongest year-on-year performance for the industry as a whole since 2006/2007, which saw an average return of 15.7% for super members⁸.

Telstra Super was pleased to see a return of 16.91% for our default Balanced option over the financial year, with a further six of our ten diversified and single asset class options also generating double-digit returns.

Our Diversified Income option finished the year at 14.84% compared to the SuperRatings median of 11.37%, putting us as the top performer (1 out of 65) for this category. Our Growth, Balanced, and Conservative options were also impressive, with returns being over 2% above the median for each peer group for the financial year¹.

Longer-term, the fund's default Balanced option has returned an average of 7.77% each year over ten years, which is well above inflation and ahead of the option's return objective of CPI plus 3%.

We are very pleased to be able to provide such impressive returns for members. With superannuation being a long term investment, we work hard to provide more value than most other funds, and will continue to actively manage the retirement savings of over 100,000 members from all around Australia.

¹ Australian economy set to record 22 years of consecutive growth, News Limited Network, 26 June 2013

² Minutes of the Monetary Policy Meeting of the Reserve Bank Board, RBA, 2 July 2013

³ Dollar's back to future, The Age, 6 July 2013

⁴ Euro zone business slump eases but second quarter contraction likely: PMI, Reuters, 20 June 2013

⁵ Economic Conditions and Prospects, RBA, 3 July 2013

⁶ Tokyo points to recovery in Japan economy, AAP, 23 July 2013

⁷ World Economic Outlook Update – Growing Pains, International Monetary Fund, 9 July 2013

⁸ Balanced super options return 14.7 pct, The Insto Report, 11 July 2013

[†] SuperRatings Fund Crediting Rate Survey June 2013
Growth: SR50 Growth Index
Balanced: SR50 Balanced Index
Conservative: SR50 Capital Stable Index
Diversified Income: Conservative Balanced Index

Past performance is not a reliable indicator of future performance

Asset class specialisation

Property

- AMP Capital Investors Limited
- APN Funds Management Limited
- Aspen Funds Management
- Charter Hall Group
- Domaine SEQ Fund
- Fiduciary Trust International Australia Limited
- FKP Limited
- Investa Properties Limited
- Lend Lease Real Estate Investments Limited
- Lifestyle Retirement
- MGPA Limited
- Pareto Partners Australia Pty Ltd
- Quadrant Telstra Super Trust
- Telstra Super Pty Ltd
- The Blackstone Group
- Westfield Limited
- Warakirri Asset Management Pty Ltd

Australian fixed interest securities

- Kapstream Capital Pty Ltd
- ME Portfolio Management Limited
- Schroders Investment Management Australia Limited
- Telstra Super Pty Ltd
- Western Asset Management Company

International fixed interest securities

- Franklin Templeton Investment Australia
- PIMCO Australia Pty Ltd
- Rogge Investment Management

Hedge funds

- Carlson Capital LP
- Och-Ziff Capital Management Group
- Winton Capital Management Ltd
- York Capital Management

Australian shares

- Airlie Funds Management
- AllianceBernstein Investment Management Australia Limited
- Antares Capital Partner Ltd
- BT Funds Management Limited
- IB Australian Bioscience Fund
- JF Capital Partners
- Legg Mason Asset Management Australia Limited
- Perpetual Investment Management Limited
- Schroders Investment Management Australia Limited
- Telstra Super Pty Ltd

Infrastructure

- Access Capital Partners
- Brisbane Transport Facility
- Hastings Funds Management Limited
- Palisade Investment Partners Limited
- RARE Infrastructure Ltd
- Telstra Super Pty Ltd

International shares

- Highclere International Investors
- Ironbridge Capital Management
- Lazard Global Thematic
- LSV Asset Management
- MFS Institutional Advisors (Australia) Limited
- Pareto Partners Australia Pty Ltd
- Pzena Investment Management LLC
- Schroders Investment Management Australia Limited
- Treasury Asia Asset Management Limited
- Turner Investment Partners Pty Ltd

Opportunities

- Babson Capital Management
- Stone Tower Fund Management LLC

Cash

- BT Funds Management Limited
- Kapstream Capital Pty Ltd
- Telstra Super Pty Ltd

Currency overlay

- Pareto Partners Australia Pty Ltd

Asset allocation overlay

- Telstra Super Pty Ltd

Credit

- Omega Global Investors

Private equity

- Adam Street Partners, LLC
- Advent Private Capital Pty Ltd
- AMP Capital Investors Ltd
- Angeleno Group, LLC
- Archer Capital Pty Ltd
- Arclight Capital Partners, LLC
- Catalyst Investment Managers Pty Ltd
- Castle Haston Australian Mezzanine Partners Pty Ltd
- Challenger Managed Investments Limited
- Champ III Management Pty Ltd
- Champ Ventures Pty Ltd
- Doughty Hanson & Co Managers Limited
- GBS Venture Partners Pty Ltd
- Goldman Sachs Asset Management Pty Ltd
- HayFin Management Limited
- HarbourVest Partners, LLC
- Industry Funds Management Pty Ltd
- Ironbridge Ltd
- Knightsbridge Advisors LLC
- Macquarie Investment Management Limited
- MidEuropa Fund Management Limited
- Montagu Private Equity LLP
- Northgate Capital, LLC
- Oaktree Capital Management L.P.
- Pantheon Ventures (UK) LLP
- Pareto Partners Australia Pty Ltd
- Propel Investments Pty Ltd
- Quadrant Private Equity Pty Ltd
- Quay Partners Pty Ltd
- Siguler Guff & Company LP
- Sun Capital Partners, Inc
- Technology Venture Partners Pty Ltd
- The Blackstone Group
- Telstra Super Pty Ltd
- Wilshire Australia Pty Ltd

As at 30 June 2013 Telstra Super had one portfolio that exceeded 5% of the total fund assets, the Telstra Super Pty Ltd's Telstra Super Domestic Cash Portfolio (5.83%).

Investment Performance

The table below shows the results for each of Telstra Super's investment options for the 2012/2013 financial year. A more detailed explanation of our investment options and their investment returns over the last five years starts on page 54.

2012/2013 investment returns

The figures below show the investment returns for members invested in a single investment option for the full financial year. If you switched investment options throughout the year, your investment return will not equal the figures below. If your super has been invested in a number of investment options, your investment return will depend on the relative combination of investment options you have chosen.

Investment option	Accumulation member returns*	Telstra Super RetireAccess member returns*
Growth	19.62%	23.31%
Balanced	16.91%	19.94%
Diversified Income[†]	14.84%	16.29%
Defensive Growth	11.59%	13.33%
Conservative	10.58%	12.36%
International Shares	25.23%	30.54%
Australian Shares	20.09%	23.58%
Property	8.89%	10.84%
Fixed Interest	4.41%	5.10%
Cash	3.18%	3.70%

* Investment management fees and taxes have been deducted before calculating these figures, administration fees were not. Telstra Super RetireAccess investment returns are different to Accumulation member returns because they are not subject to tax. Past performance is not a reliable indicator of future performance.

[†] The investment return for the Diversified Income option has been calculated on the basis of daily movements in unit prices and distributions payable to members, as if distributions are reinvested in the option's asset pool. Distributions are not actually reinvested, they are paid into the accounts of eligible members effective the first business day of each calendar month and are invested in the Cash option. Past distributions are not a reliable indicator of future distributions. Distributions are not guaranteed.

How your super performed this year

Investment returns are credited to your super account according to your chosen investment option's daily unit price. You can check these on our website daily.

Unit prices*

The opening and closing unit prices for units in each of our investment options for the 2012/2013 financial year are listed below.

Investment option	Accumulation**		Telstra Super RetireAccess [†]	
	1 July 2012 opening unit price	30 June 2013 closing unit price	1 July 2012 opening unit price	30 June 2013 closing unit price
Growth	1.67695	2.00107	1.80349	2.21905
Balanced	1.71965	2.00490	1.85057	2.21486
Diversified Income[†]	1.01185	1.10372	1.01425	1.11653
Defensive Growth	1.13786	1.26656	1.14435	1.29410
Conservative	1.61262	1.77830	1.72720	1.93649
International Shares	1.45797	1.82266	1.54181	2.00834
Australian Shares	2.17041	2.60134	2.38037	2.93531
Property	1.24119	1.34849	1.28008	1.41585
Fixed Interest	1.45934	1.52034	1.55531	1.63119
Cash	1.43159	1.47395	1.52201	1.57491

* From 7 June 2013, the unit price calculations for Telstra Super Corporate Plus, Telstra Super Casuals, Sensis Super Plus Accumulation and the Voluntary Accumulation Accounts of defined benefit products were aligned with the unit price for Telstra Super Personal Plus. Telstra Super Personal Plus and Telstra Super RetireAccess remain unchanged.

** This unit price is applicable to Telstra Super Personal Plus, Telstra Super Corporate Plus, Telstra Super Casuals, Sensis Super Plus Accumulation and Voluntary Accumulation Accounts or other accumulation accounts held by defined benefit members. Percentage based administration fees, tax and investment management fees have been deducted from these unit prices, but dollar-based administration fees, insurance and transaction costs as applicable have not.

[†] These unit prices include percentage based administration fees and investment management fees, but exclude dollar-based administration fees, insurance and transaction costs as applicable. Telstra Super RetireAccess returns are not subject to tax.

[‡] Unit prices include any accrued distribution amounts until they are paid into the accounts of eligible members effective the first day of each calendar month and are invested in the Cash option.

Comparing our performance to others

As well as striving to meet our own return objectives, we also benchmark ourselves against the performance of other super funds.

With a focus on the long-term, we aim to provide members with returns that exceed others in the industry, as determined by SuperRatings surveys. SuperRatings data for June 2013 shows that for the financial year, Telstra Super outperformed the survey median for five of our ten investment options. Our results for the past five years are even more pleasing, with six investment options performing above the survey median. We were also encouraged by the strong performance of our newest investment options, with Diversified Income and Defensive Growth both achieving investment returns higher than the industry average (as determined by SuperRatings) over the year.

Investment option	1 year		5 years	
	Telstra Super	Survey median	Telstra Super	Survey median
Growth	19.62%	17.11%	4.55%	3.50%
Balanced	16.91%	14.73%	5.10%	3.89%
Diversified Income*	14.84%	11.37%	N/A	N/A
Defensive Growth*	11.59%	11.37%	N/A	N/A
Conservative	10.58%	8.29%	5.42%	4.80%
International Shares	25.23%	26.14%	4.78%	2.27%
Australian Shares	20.09%	21.07%	4.32%	3.76%
Property	8.89%	10.99%	-0.29%	1.07%
Fixed Interest	4.41%	4.65%	6.10%	7.00%
Cash	3.18%	2.94%	3.92%	3.81%

* The Defensive Growth option was introduced on 1 July 2010 and the Diversified Income option was introduced on 1 July 2012. As such, no long-term historical investment returns are available. Notional returns have not been included as the structure of the option is not based on the performance of a single index. The investment return for the Diversified Income option has been calculated on the basis of daily movements in unit prices and distributions payable to members, as if distributions are reinvested in the option's asset pool. Distributions are not actually reinvested, they are paid into the accounts of eligible members effective the first business day of each calendar month and are invested in the Cash option. Past distributions are not a reliable indicator of future distributions. Distributions are not guaranteed.

Source: SuperRatings Fund Crediting Rate Survey, June 2013. Growth: SR50 Growth Index. Balanced: SR50 Balanced Index. Diversified Income and Defensive Growth: Conservative Balanced Index. Conservative: SR50 Capital Stable Index. Australian Shares: SR50 Australian Shares Index. International Shares: SR50 International Shares Index. Property: SR25 Property Index. Fixed Interest: SR25 Diversified Fixed Interest Index. Cash: SR50 Cash Index. These returns do not apply to Telstra Super RetireAccess members. Investment management fees and taxes were deducted before calculating investment returns, administration fees were not. Returns are for the 12 month period ended 30 June 2013. Past performance is not a reliable indicator of future performance.

Defined benefit members

If you are a member of Telstra Super Division 2, Telstra Super Division 5 or Sensis Super Plus Defined Benefit, all or most of your super is a defined benefit. Unlike an accumulation account, a defined benefit does not rely on investment returns to grow. Instead, your super is worked out using a formula that is generally based on your salary, your length of service with your employer and the rates at which you have been contributing to your super.

This means that investment returns do not impact the amount of super you get in retirement from your defined benefit. However, Telstra Super invests both employer and member defined benefit contributions in line with the defined benefit investment objectives and strategies.

Our defined benefit investment objectives	Our defined benefit investment strategy	Defined benefit net earning rates
<ul style="list-style-type: none"> to earn the best possible returns within an appropriate level of risk to maintain Telstra Super's financial viability within the current benefit design and employer contribution rate. 	<ul style="list-style-type: none"> to control the level of risk by investing in a broad range of quality investments to reduce risk by using a range of Australian and international investment managers who specialise in cash, fixed interest, shares, alternative asset classes and property to ensure there are sufficient funds to meet the required payment of benefits. 	<ul style="list-style-type: none"> the defined benefit net earning rate was 15.49% on our investment portfolio for 2012/2013.*

* Investment management fees and tax are deducted from the gross earnings before setting the net earning rate. Past performance is not a reliable indicator of future performance.

GROWTH OPTION

2012/2013 returns

19.62% Accumulation member returns
23.31% *Telstra Super RetireAccess* returns*

Investment strategy

The Growth option has a strong bias towards growth assets, such as Australian and International shares and property, with a smaller allocation towards financial assets such as Australian and International fixed interest securities and cash.

Return objective

Outperform CPI +4% p.a.

Investment timeframe

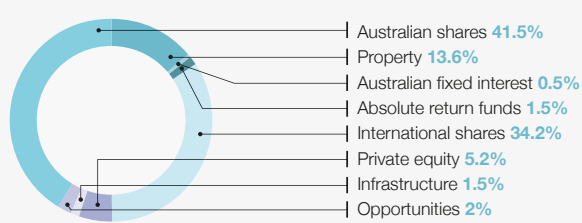
7 and 10 year periods.

Risk objective

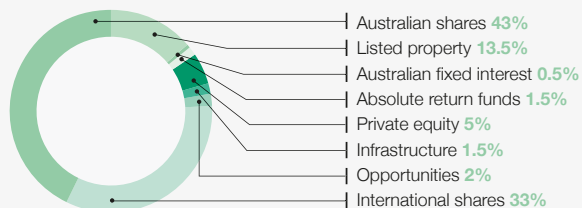
A high level of risk generating 4 to less than 6 negative annual returns over any 20 year period.

Asset allocation

30 June 2013



30 June 2012



Performance

Year	Accumulation member returns	<i>Telstra Super RetireAccess</i> returns*
2012/2013	19.62%	23.31%
2011/2012	-2.23%	-2.58%
2010/2011	11.40%	13.65%
2009/2010	12.01%	15.02%
2008/2009	-14.42%	-16.83%
5 year return	4.55%	5.48%

* *Telstra Super RetireAccess* investment returns are different to Accumulation member returns because *Telstra Super RetireAccess* returns are not subject to tax.

Past performance is not a reliable indicator of future performance.

BALANCED OPTION

2012/2013 returns

16.91% Accumulation member returns
19.94% *Telstra Super RetireAccess* returns*

Investment strategy

The Balanced option has a moderate bias towards growth assets, such as Australian and International shares and property, balanced by an allocation towards defensive assets such as fixed interest, securities and cash.

Return objective

Outperform CPI+3%p.a.

Investment timeframe

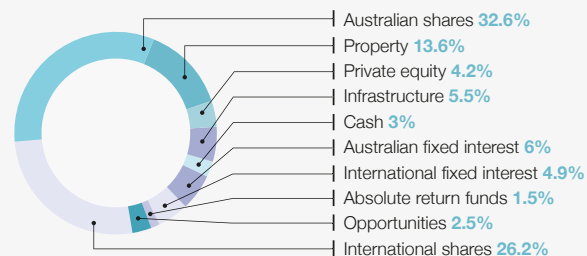
5 and 10 year periods.

Risk objective

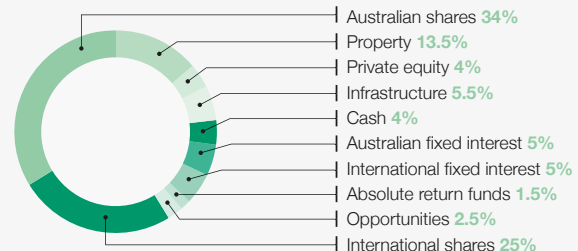
A high level of risk generating 4 to less than 6 negative annual returns over any 20 year period.

Asset allocation

30 June 2013



30 June 2012



Default option

As at 30 June 2013, the Balanced option was the default option for all new *Telstra Super* Accumulation members aged up to 59 years who did not choose an investment option. The default option(s) for new Accumulation members who do not exercise investment choice was changed on 31 August 2013†.

Performance

Year	Accumulation member returns†	<i>Telstra Super RetireAccess</i> returns*
2012/2013	16.91%	19.94%
2011/2012	0.00%	-0.02%
2010/2011	10.64%	12.57%
2009/2010	10.94%	13.13%
2008/2009	-10.62%	-12.35%
5 year return	5.10%	6.00%

* *Telstra Super RetireAccess* investment returns are different to Accumulation member returns because *Telstra Super RetireAccess* returns are not subject to tax.

† Members aged under 45 are invested in the Growth option; members aged 45 to under 65 are invested in the Balanced option; members aged 65 and over are invested in the Conservative option.

Past performance is not a reliable indicator of future performance.

DIVERSIFIED INCOME OPTION

2012/2013 returns

14.84% Accumulation member returns
16.29% *Telstra Super RetireAccess* returns*

Investment strategy

The Diversified Income option is uniquely structured to distribute income it receives from investments, allowing members to fund part of their retirement needs without the need to sell capital assets. When selecting investments, preference is made for expected returns predominately driven by income rather than capital growth. Income is accrued as underlying investments pay income distributions during the month. Due to the varying income distributions of the underlying investments, the income payment to members will vary from month to month.

Return objective

Outperform CPI+2%p.a.

Investment timeframe

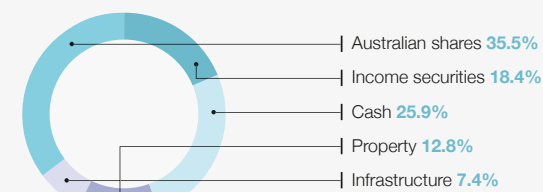
4 - 6 years.

Risk objective

A high level of risk generating 4 to less than 6 negative annual returns over any 20 year period.

Asset allocation

30 June 2013



Performance

Year	Accumulation member returns†	<i>Telstra Super RetireAccess</i> returns*
2012/2013	14.84%	16.29%
2011/2012	n/a	n/a
2010/2011	n/a	n/a
2009/2010	n/a	n/a
2008/2009	n/a	n/a
5 year return	n/a	n/a

* *Telstra Super RetireAccess* investment returns are different to Accumulation member returns because *Telstra Super RetireAccess* returns are not subject to tax.

† This option was introduced on 1 July 2012 and as such, investment returns are not available for prior periods.

The investment return for the Diversified Income option has been calculated on the basis of daily movements in unit prices and distributions payable to members, as if distributions are reinvested in the option's asset pool. Distributions are not actually reinvested, they are paid into the accounts of eligible members effective the first business day of each calendar month and are invested in the Cash option. Past distributions are not a reliable indicator of future distributions. Distributions are not guaranteed.

Past performance is not a reliable indicator of future performance.

DEFENSIVE GROWTH OPTION

2012/2013 returns

11.59% Accumulation member returns
13.33% *Telstra Super RetireAccess* returns*

Investment strategy

The Defensive Growth option is uniquely structured to adjust its exposure to a range of growth and defensive assets, based on the performance and confidence of investment markets at any point in time.

Return objective

Outperform CPI+2%p.a.

Investment timeframe

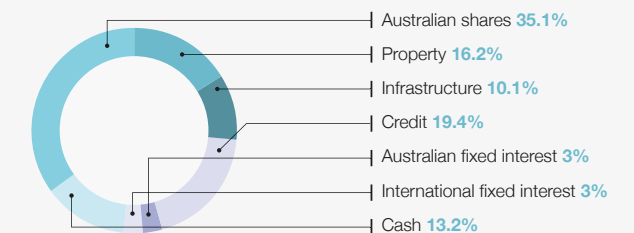
2 and 6 year periods.

Risk objective

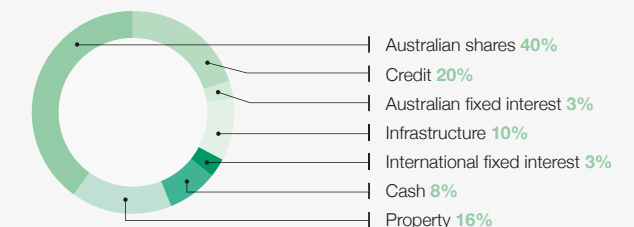
A medium to high level of risk generating 3 to less than 4 negative annual returns over any 20 year period.

Asset allocation

30 June 2013



30 June 2012



Performance

Year	Accumulation member returns†	<i>Telstra Super RetireAccess</i> returns*
2012/2013	11.59%	13.33%
2011/2012	5.34%	4.45%
2010/2011	10.09%	11.54%
2009/2010	n/a	n/a
2008/2009	n/a	n/a
5 year return	n/a	n/a

* *Telstra Super RetireAccess* investment returns are different to Accumulation member returns because *Telstra Super RetireAccess* returns are not subject to tax.

† This option was introduced on 1 July 2010 and as such, investment returns are not available for prior periods.

Past performance is not a reliable indicator of future performance.

CONSERVATIVE OPTION

2012/2013 returns

10.58% Accumulation member returns
12.36% *Telstra Super RetireAccess* returns*

Investment strategy

The Conservative option has a bias towards defensive assets; in particular a high weighting towards cash to minimise short term fluctuations (risk) but some exposure to growth assets for long term growth (return).

Return objective

Outperform CPI+2%p.a.

Investment timeframe

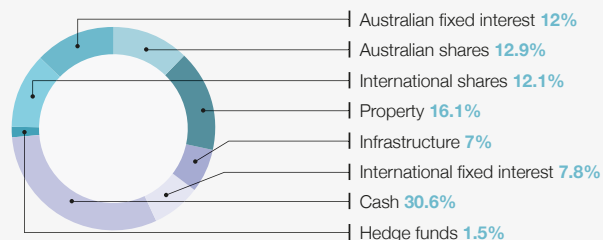
3 and 10 year periods.

Risk objective

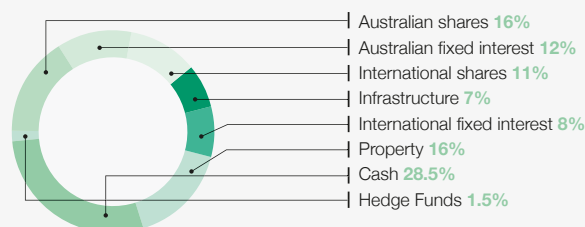
A low to medium level of risk generating 1 to less than 2 negative annual returns over any 20 year period.

Asset allocation

30 June 2013



30 June 2012



Default option

As at 30 June 2013, the Conservative option was the default option for all *Telstra Super* Accumulation members aged 60 years and over who did not choose an investment option. The default option(s) for new Accumulation members who do not exercise investment choice was changed on 31 August 2013†.

Performance

Year	Accumulation member returns	<i>Telstra Super RetireAccess</i> returns*
2012/2013	10.58%	12.36%
2011/2012	3.46%	3.96%
2010/2011	8.56%	9.91%
2009/2010	8.41%	9.91%
2008/2009	-3.30%	-4.15%
5 year return	5.42%	6.23%

* *Telstra Super RetireAccess* investment returns are different to Accumulation member returns because *Telstra Super RetireAccess* returns are not subject to tax.

† Members aged under 45 are invested in the Growth option; members aged 45 to under 65 are invested in the Balanced option; members aged 65 and over are invested in the Conservative option.

Past performance is not a reliable indicator of future performance.

INTERNATIONAL SHARES OPTION

2012/2013 returns

25.23% Accumulation member returns
30.54% *Telstra Super RetireAccess* returns*

Investment strategy

The International Shares option has 100% exposure to international shares and is invested through several investment managers. It aims to achieve exposure to industries and companies that are not part of the Australian market.

Return objective

Outperform CPI+5%p.a.

Investment timeframe

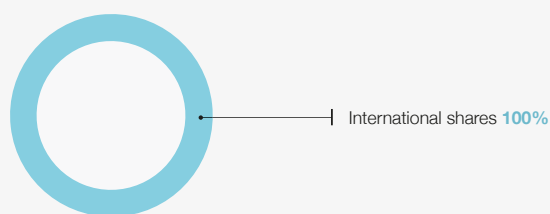
8 - 10 years.

Risk objective

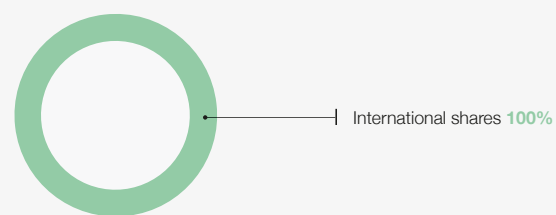
A high level of risk generating 4 to less than 6 negative annual returns over any 20 year period.

Asset allocation

30 June 2013



30 June 2012



Performance

Year	Accumulation member returns	<i>Telstra Super RetireAccess</i> returns*
2012/2013	25.23%	30.54%
2011/2012	-5.29%	-5.98%
2010/2011	10.35%	12.56%
2009/2010	10.31%	12.25%
2008/2009	-12.53%	-14.38%
5 year return	4.78%	5.83%

* *Telstra Super RetireAccess* investment returns are different to Accumulation member returns because *Telstra Super RetireAccess* returns are not subject to tax.

Past performance is not a reliable indicator of future performance.

AUSTRALIAN SHARES OPTION

2012/2013 returns

20.09% Accumulation member returns
23.58 *Telstra Super RetireAccess* returns*

Investment strategy

100% of the option is invested in Australian companies. Diversification is achieved through exposure to a number of investment managers with different styles of investing.

Return objective

Outperform CPI+5%p.a.

Investment timeframe

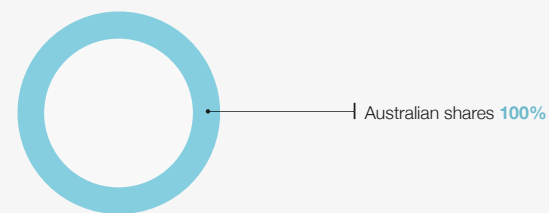
8 - 10 years.

Risk objective

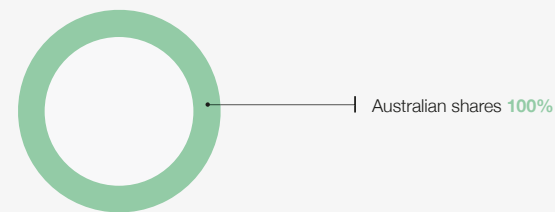
A high level of risk generating 4 to less than 6 negative annual returns over any 20 year period.

Asset allocation

30 June 2013



30 June 2012



Performance

Year	Accumulation member returns	<i>Telstra Super RetireAccess</i> returns*
2012/2013	20.09%	23.58%
2011/2012	-4.22%	-5.13%
2010/2011	14.23%	16.21%
2009/2010	11.85%	15.71%
2008/2009	-15.93%	-18.40%
5 year return	4.32%	5.16%

* *Telstra Super RetireAccess* investment returns are different to Accumulation member returns because *Telstra Super RetireAccess* returns are not subject to tax.

Past performance is not a reliable indicator of future performance.

PROPERTY OPTION

2012/2013 returns

8.89% Accumulation member returns
10.84% *Telstra Super RetireAccess* returns*

Investment strategy

The Property option invests exclusively in property based assets, including both listed property and direct property. For diversification reasons, this may include investment in international property and mortgages or loans secured by property assets.

Return objective

Outperform CPI+3%p.a.

Investment timeframe

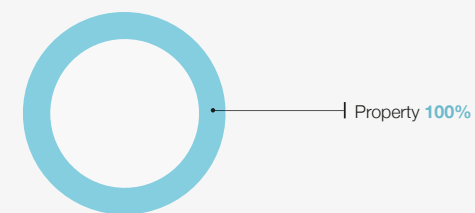
5 - 7 years.

Risk objective

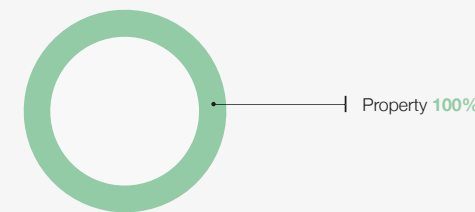
A medium to high level of risk generating 3 to less than 4 negative annual returns over any 20 year period.

Asset allocation

30 June 2013



30 June 2012



Performance

Year	Accumulation member returns	<i>Telstra Super RetireAccess</i> returns*
2012/2013	8.89%	10.84%
2011/2012	5.26%	6.41%
2010/2011	10.55%	12.58%
2009/2010	20.97%	26.16%
2008/2009	-35.69%	-40.52%
5 year return	-0.29%	-0.07%

* *Telstra Super RetireAccess* investment returns are different to Accumulation member returns because *Telstra Super RetireAccess* returns are not subject to tax.

Past performance is not a reliable indicator of future performance.

FIXED INTEREST OPTION

2012/2013 returns

4.41% Accumulation member returns
5.10% *Telstra Super RetireAccess* returns*

Investment strategy

The Fixed Interest option invests primarily in Australian and international fixed interest securities, including fixed, variable and floating interest rate securities issued by government bodies and companies, as well as asset and mortgage-backed securities and mortgages or loans secured by property assets. It may also have exposure to cash, up to a maximum of 50%.

Return objective

Outperform CPI+2%p.a.

Investment timeframe

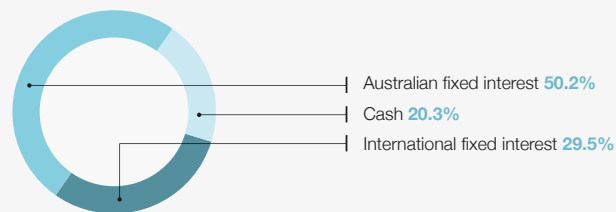
2 - 4 years.

Risk objective

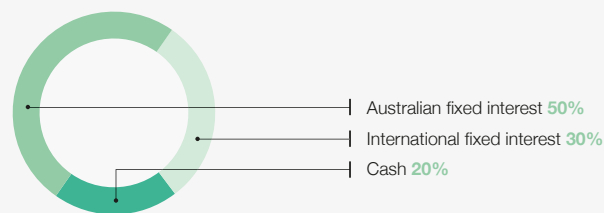
A low to medium level of risk generating 1 to less than 2 negative annual returns over any 20 year period.

Asset allocation

30 June 2013



30 June 2012



Performance

Year	Accumulation member returns	<i>Telstra Super RetireAccess</i> returns*
2012/2013	4.41%	5.10%
2011/2012	7.67%	8.98%
2010/2011	6.20%	6.91%
2009/2010	8.54%	10.14%
2008/2009	3.78%	4.41%
5 year return	6.10%	7.08%

* *Telstra Super RetireAccess* investment returns are different to Accumulation member returns because *Telstra Super RetireAccess* returns are not subject to tax.

Past performance is not a reliable indicator of future performance.

CASH OPTION

2012/2013 returns

3.18% Accumulation member returns
3.70% *Telstra Super RetireAccess* returns*

Investment strategy

100% invested in cash and short term money market securities.

Return objective

Outperform CPI+1%p.a.

Investment timeframe

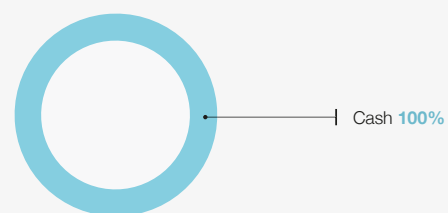
0 - 2 years.

Risk objective

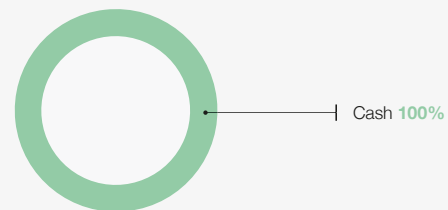
A very low level of risk generating less than 0.5 negative annual returns over any 20 year period.

Asset allocation

30 June 2013



30 June 2012



Performance

Year	Accumulation member returns	<i>Telstra Super RetireAccess</i> returns*
2012/2013	3.18%	3.70%
2011/2012	4.14%	4.84%
2010/2011	4.24%	4.97%
2009/2010	3.29%	3.87%
2008/2009	4.74%	5.55%
5 year return	3.92%	4.58%

* *Telstra Super RetireAccess* investment returns are different to Accumulation member returns because *Telstra Super RetireAccess* returns are not subject to tax.

Past performance is not a reliable indicator of future performance.

The future belongs to those who believe in the beauty of their dreams.

ELEANOR ROOSEVELT



“To take a world tour of all the venues made famous by my music idols.”

CHRIS XYNOS

RETIREMENT DREAMS

Chris Xynos’ passion for music has led him to discover some of the most monumental concert venues in the world – venues that played home to greats like The Doors, Led Zeppelin and The Beatles. Now, he wants to visit them all in a once-in-a-lifetime world tour – that he’ll kick off as soon as he retires.

Chris Xynos has always had a passion for music. As a child, he’d hear a song on the radio and instantly memorise the lyrics – leaving his family and friends in awe as he sang along to the Top 40.

During his teens, he loved bands like Poison and Bon Jovi, and used to watch their interviews intently – intrigued by what inspired them to make the music he was so affected by. They credited bands like The Doors and The Beatles as some of their musical heroes, so he started to dig a little deeper into musical eras gone by.

Through his research, he heard about the music venues that had been made legendary by the bands he was following. “When I began to look into the history of these bands, these venues started to pop up. I mean you had the Whiskey a Go Go in LA, where The Doors performed. In England, you had the Cavern Club – where The Beatles started off,” he says, “And it just snowballed from there.”

“For me, it’s about the journey rather than the destination. It’s about the people that you meet along the way.”

Reading about all these venues – each steeped in history and culture – Chris was left inspired. So inspired, he decided the venues would form part of a world tour that he’d take on when the time was right.

For him, that time is retirement – when he’ll have enough time to do the tour justice.

“I wouldn’t go with a set list of venues to see. I’d have a rough idea, of course. But I think part of the adventure would be meeting music lovers along the way, hearing the stories of what they’ve seen, and deciding ‘yeah, I wouldn’t mind going there.’”

It’d be an immersive experience, he says. One that would take him back to what it might have been like back in the heyday.

“At Whisky a Go Go, I’d stand there and try to imagine Jim Morrison up on stage, doing his thing,” he says. “And when I got to New Orleans, I’d take a walk down Bourbon Street in the French Quarter and imagine what it would have been like during prohibition, with jazz music blaring out of these venues.”

Chris says that part of his adventure would be mining for rare and classic vinyl records that he could buy, bring home, and play on his very own radio station.

“My radio station would be different because I’d try to give more of a history of what I was playing. I’d like to explain why I like it, where I found it, and what it means to me. You’ve got to make it interesting for people. You’ve got to make people want to listen,” he says.

While Chris’ dream is something he’s determined to make happen, his focus is more on having an experience than achieving an end goal. “For me, it’s about the journey rather than the destination. It’s about the people that you meet along the way.”





The
CAVERN
CLUB

Whiskey a Go Go

Abbey
Road NW8
CITY OF WESTMINSTER

CHRIS XYNOS



Improving your super knowledge

Key statistics from 2012/2013

576,702

VISITS TO THE
TELSTRA SUPER
WEBSITE

7,324

SUPERBITES
VIEWS

871

TWITTER FOLLOWERS
@TelstraSuper

111,052

USES OF THE UNIT
PRICE GRAPH

398,603

VISITS TO
SUPERONLINE

57,154

PHONE CALLS
TO TELSTRA
SUPER

Telstra Super recognises the importance of adequate levels of insurance and we are committed to providing our members with comprehensive, affordable and convenient cover that can be tailored for your circumstances.

Eligible Telstra Super members have access to a range of insurance options designed to provide financial support at a time when you may need it most.

Depending on your super arrangement, you and your family may enjoy the added security and protection of the following types of insurance cover*:

Death and Total & Permanent Disablement (TPD) cover

Death and TPD insurance cover means that you, your dependant(s) and/or your legal personal representative could receive a lump sum insurance payment in the unfortunate event of your death or total and permanent disablement.

Terminal Illness benefit

In the unfortunate circumstance you are diagnosed with a terminal illness and have a life expectancy of less than 12 months, you can apply for the early payment of your death benefit, known as a Terminal Illness benefit.

Income protection cover

Income protection insurance can provide you with a replacement income if you are temporarily unable to continue performing the regular duties of your occupation.

You may also have access to a range of other insurance options*, including:

Top-up death and TPD cover

Apply to increase your level of insurance to suit your personal needs.

Life Events cover

Apply to increase your death or death and TPD cover upon the occurrence of a specified Life Event (such as the birth of a child, getting married or buying a house) without having to provide any medical evidence.

Transfer of external insurance to Telstra Super

Apply to transfer any externally held death or death and TPD insurance cover to your Telstra Super account and have it matched at our competitive group rates.

Income protection options

Apply to increase the benefit period or change the waiting period for existing income protection cover.

Benefits of insurance through super

Telstra Super receives bulk insurance rates which are very competitively priced and can be cheaper than insurance through a retail policy. In addition, premiums are conveniently deducted from a member's super account, meaning one less bill to worry about.

Financial assistance when you need it most

While few people like to consider the possibility of dying or becoming permanently incapacitated, the reality is that it can and does happen. In the 2012/2013 financial year, Telstra Super provided financial relief to members and their families in response to over 200 insurance claims.

Insurance cover	Claims paid	Total insured benefits paid
Death	104	\$6,203,028
Terminal illness	19	\$1,209,663
TPD	38	\$3,996,244
Total	161	\$11,408,935

Insurance cover	Claims paid	Average monthly benefit
Income Protection	47	\$4,898

* Subject to eligibility criteria. Insurance information provided in the 2012/2013 Annual Report is intended as a guide only. For specific information about the insurance arrangements applicable to you, read the Product Disclosure Statement and Insurance Guide relevant to your super arrangement. The cover described above is insured by TAL Life Limited (TAL) ABN 70 050 109 450, AFSL 237848, except for base-level cover for Defined Benefit members, which is self-insured.

What does Telstra Super Pty Ltd do?

Telstra Super Pty Ltd is the trustee of Telstra Super. The purpose of Telstra Super Pty Ltd is to ensure Telstra Super continues to provide appropriate superannuation benefits to members and their dependants. Telstra Super Pty Ltd has a Board of Directors responsible for the management of Telstra Super.

Telstra Super's Board of Directors

The Board of Directors has the responsibility of ensuring that Telstra Super is administered in accordance with the rules of the fund and all legal requirements. The Board of Directors has an equal number of member and employer representatives. In addition, the Board has chosen to appoint an independent Chairman. Telstra Super's Board of Directors for the 2012/2013 financial year is set out below.

Independent Chairman

David Leggo

Employer Directors

Carmel Mulhern

Jan Price (resigned 03/08/2012)

Mark Hall

Gregg Rowley (appointed 01/05/2013)

Tracey Gavegan (resigned 28/02/2013)

David Kirton (appointed 26/09/2012)

Member Directors

Grant Belchamber (resigned 31/08/2012)

Ian McCarthy

Carol Gee

John Jamieson

Michael Fisher (appointed 26/09/2012)

The Trustee has determined that a Member Director can only be appointed following their nomination in writing by the Australian Council of Trade Unions. All Employer Directors are appointed after being nominated in writing by Telstra Corporation Limited. The Independent Chairman can only be chosen, removed or have the terms of his/her appointment changed by resolution of the Board.

Telstra Super Pty Ltd has taken out indemnity and fidelity insurance to cover Telstra Super against the financial effects of any wrongful acts that may be made by Telstra Super Pty Ltd's Directors, senior managers and employees while administering Telstra Super.





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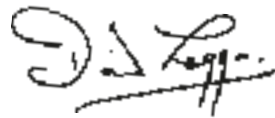
In the opinion of the Directors of Telstra Super Pty Ltd (ACN 007 422 522), Trustee of the Telstra Superannuation Scheme (Telstra Super):

- (a) the Financial Statements set out on pages 58 to 82 are properly drawn up so as to present fairly:
 - (i) the Net Assets of Telstra Super as at 30 June 2013, and
 - (ii) the Change in Net Assets for the year ended on that date,

in accordance with Australian Accounting Standards and other mandatory professional reporting requirements;

- (b) the operations of Telstra Super have been carried out in accordance with its Trust Deed dated 1 July 1990 (as amended) and the requirements of the Superannuation Industry (Supervision) Act 1993 and Regulations and the Corporations Act 2001 and Regulations and Guidelines during the year.

This statement is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:



David Leggo,
Director



Ian McCarthy,
Director

Dated at Melbourne, this 1st day of August 2013.

Telstra Superannuation Scheme (ABN: 85 502 108 833)
Report by the independent approved auditor to the trustee and members:

Financial Statements

I have audited the financial statements of Telstra Superannuation Scheme for the year ended 30 June 2013 comprising the statement of net assets, statement of changes in net assets, summary of significant accounting policies, other explanatory notes and the Trustee statement.

Trustee's Responsibility for the Financial Statements

The superannuation entity's trustee is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the requirements of the SIS Act and the *Superannuation Industry (Supervision) Regulations 1994* (SIS Regulations). The trustee is also responsible for such internal control as the trustee determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I have conducted an independent audit of the financial statements in order to express an opinion on them to the trustee and members of Telstra Superannuation Scheme.

My audit has been conducted in accordance with Australian Auditing Standards. These Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal controls relevant to the trustee's preparation and fair presentation of the financial statements 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 trustee's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the trustee, as well as evaluating the overall presentation of the financial statements.

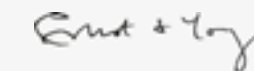
I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Auditor's Opinion

In my opinion the financial statements present fairly, in all material respects, in accordance with Australian Accounting Standards, the net assets of Telstra Superannuation Scheme as at 30 June 2013 and the changes in net assets for the year ended 30 June 2013.



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Ernst&Young



Martin Walsh
Partner
Melbourne
1 August 2013

Statement of Changes in Net Assets

for the year ended 30 June 2013

	Notes	2013 \$'000	2012 \$'000
Investment Revenue	2(m)		
Interest		92,031	89,944
Dividends & Distributions		357,400	310,864
Property Income		90,461	95,272
Other Investment Income		1,073	2,552
Changes in Net Market Value	14	1,495,786	(520,683)
		2,036,751	(22,051)
Contribution Revenue	3, 8(a)		
Employer Contributions		557,538	557,159
Member Contributions		108,258	80,590
Transfers from other Funds		196,430	184,515
		862,226	822,264
Other Revenue			
Group Life Insurance Proceeds		15,452	11,939
Other Income		8,323	8,133
		23,775	20,072
TOTAL REVENUE		2,922,752	820,285
Less:			
Benefits paid		566,622	545,544
Investment expenses		60,562	54,235
Administration expenses	12	40,365	34,808
Group life insurance premiums		20,925	17,424
TOTAL EXPENSES		688,474	652,011
CHANGE IN NET ASSETS BEFORE INCOME TAX		2,234,278	168,274
INCOME TAX EXPENSE	15	(226,995)	(17,604)
CHANGE IN NET ASSETS AFTER INCOME TAX		2,007,283	150,670
NET ASSETS AVAILABLE AT THE BEGINNING OF THE YEAR		11,589,455	11,438,785
NET ASSETS AVAILABLE AT THE END OF THE YEAR		13,596,738	11,589,455
LESS RESERVES	3, 5	51,350	35,350
NET ASSETS AVAILABLE TO PAY BENEFITS		13,545,388	11,554,105

The accompanying notes form an integral part of the financial statements.

Statement of Net Assets

as at 30 June 2013

	Notes	2013 \$'000	2012 \$'000
Assets			
Cash and Cash Equivalents		15,226	11,400
Short Term Money Market		1,589,283	1,229,772
Australian Fixed Interest Securities		1,167,722	1,223,704
International Fixed Interest Securities		960,934	722,865
Australian Equities		4,014,230	3,256,114
International Equities		3,312,494	2,670,250
Private Equity		583,449	566,223
Property		1,512,050	1,457,511
Infrastructure		466,623	337,406
Derivative assets		99,299	141,803
Receivables			
Investment Income Receivable		56,426	58,717
Contributions Receivable		9,457	11,700
Other Receivables		960	738
Prepayments		546	687
Other Assets			
Deferred Income Tax Assets	15	0	107,665
Property, Plant and Equipment	10	1,574	1,751
TOTAL ASSETS		13,790,273	11,798,306
Liabilities			
Benefits Payable		1,568	223
Accounts Payable	13	29,703	50,084
Derivative Liabilities		91,177	136,302
Current Income Tax Liabilities	15	30,812	22,242
Current Income Tax Liabilities	15	40,275	0
TOTAL LIABILITIES		193,535	208,851
NET ASSETS		13,596,738	11,589,455
LESS RESERVES	3, 5	51,350	35,350
NET ASSETS AVAILABLE TO PAY BENEFITS		13,545,388	11,554,105

The accompanying notes form an integral part of the financial statements.

NOTE 1

Operation of the scheme

Telstra Super was established by a Trust Deed dated 1 July 1990 to provide benefits for the employees of Telstra Corporation Limited (Telstra) and its related companies. The Deed has been amended from time to time. Telstra Super is a hybrid fund with both defined benefit and accumulation divisions. The defined benefit divisions are closed to new members. Telstra Super is domiciled in Australia and the address of the Scheme is 215 Spring Street, Melbourne, VIC 3000.

Benefits of members in the defined benefit divisions are calculated by way of formulae as defined in the Trust Deed. Benefits of members in the accumulation divisions are equal to the member account balance which is credited or debited each year with contributions, net investment income, expenses and income taxes.

The Trustee of the Scheme is Telstra Super Pty Ltd and it is the holder of a Registrable Superannuation Entity Licence (Licence No. L0001311). Telstra Super is a Regulated Fund in accordance with the SIS Act, and is a Registrable Superannuation Entity (registration No. R1004441).

NOTE 2

Summary of significant accounting policies

The significant accounting policies adopted in the preparation of these Financial Statements are:

(a) Compliance with Australian Accounting Standards, the Trust Deed and legislative requirements

The Financial Statements are general purpose statements which have been drawn up in accordance with Australian Accounting Standards, including AAS 25 "Financial Reporting by Superannuation Plans" (AAS25), the Superannuation Industry (Supervision) Act 1993 and Regulations (the SIS Act) and the provisions of the Trust Deed.

The Financial Statements were approved by the Board of Directors of the Trustee on 1 August 2013. The Financial Statements are presented in Australian dollars, which is the functional currency of Telstra Super. Amounts have been rounded to the nearest thousand dollars except where otherwise noted.

International Financial Reporting Standards (IFRSs) form the basis of Australian Accounting Standards, being Australian equivalents of International Financial Reporting Standards (AIFRS). Since AAS25 is the principal standard that applies to the Financial Statements, other standards, including AIFRS, are also applied where necessary except to the extent that they differ from AAS25.

A number of new standards and amendments to standards have recently been applied or proposed. Those which may be relevant for the Scheme are as follows:

(i) AASB 10 Consolidated Financial Statements introduces a new model to determine whether an investee should be consolidated. The new model broadens the control definition. Effective from 1 January 2013.

(ii) AASB 12 Disclosure of Interests in Other Entities requires management to determine whether control exists in arrangements with other entities. Effective from 1 January 2013.

(iii) AASB 13 Fair Value Measurement establishes a single source of guidance for determining the fair value of assets and liabilities. Effective from 1 January 2013.

(iv) Amendments to IFRS 10, IFRS 12, and IAS 27. These amendments remove individual KMP disclosure requirements, define an investment entity and introduce an exception to consolidating particular subsidiaries for investment entities. Effective from 1 July 2013.

They do not require any changes to current accounting policy and are not expected to have any material financial impact on the Financial Statements.

(b) Cash and Cash Equivalents

Cash comprises cash on hand and on-demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value.

(c) Significant Accounting Judgements, Estimates and Assumptions

Preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates, and their underlying assumptions are reviewed on an ongoing basis. The key assumptions regarding investment valuations and deferred tax assets are disclosed in Notes 1 (d) and (j) respectively.

The amount of accrued benefits has been actuarially determined based on certain estimates and assumptions. The key assumptions are discussed in Note 4.

(d) Investments and Derivatives

Investments and derivatives of Telstra Super are initially recognised at fair value plus transaction costs. After such initial recognition, investments and derivatives are measured at net market value as at balance date and movements in the net market value of these assets are recognised in the Statement of Changes in Net Assets in the period in which they occur.

Net market values of investments and derivatives have been determined as follows:

- shares in listed entities at the last sale price quoted by the Stock Exchange at close of business on the balance date;
- fixed interest securities at prices quoted by independent pricing sources at close of business on the balance date;

- interests in pooled investment vehicles at the redemption price as quoted by the investment manager;
- interests in unlisted trusts and collective investment schemes at the most recent valuation obtained from the managers adjusted for subsequent calls and redemptions and any significant changes in underlying values; and
- derivative financial instruments at market values at the close of business on the balance date.

Estimated costs of realisation have been deducted in determining net market value. Net market value is considered a reasonable approximation of fair value.

Investments are held for the long-term purpose of providing benefits to members on their retirement, death, or termination of employment. Due to the long-term objective of superannuation investments the amount recoverable through sale within twelve months cannot be determined.

(e) Receivables and Other Payables

Receivables are carried at nominal amounts due which approximate net market value. Receivables are normally settled within 30 days. An allowance for uncollectible amounts is only made where there is evidence of objective impairment. Such evidence may include indicators that the debtor is experiencing significant difficulty, default, delinquency, or appointment of a liquidator.

Other payables are recognised for amounts to be paid in the future for goods and services received, whether or not billed to Telstra Super and are carried at nominal amounts which approximate net market value. Payables are normally settled within 30 days.

(f) Property, Plant and Equipment

Items of property, plant and equipment are either owned or leased under an operating lease. Owned items are recorded at cost and depreciated over their estimated useful lives to Telstra Super.

Depreciation rates for major categories are:	2013	2012
Computer Software, Development and Equipment	20% – 40%	20% – 40%
Office Furniture and Equipment	1.8% – 30%	1.8% – 30%
Leasehold Improvements	7.5% – 20%	7.5% – 20%

Depreciation is calculated on a straight line basis over the estimated useful life of the assets. The assets' residual values, useful life and amortisation methods are reviewed, and adjusted if appropriate, each financial year. An item of property, plant and equipment is derecognised upon disposal or when no further

future economic benefits are expected from its use or disposal. Any gain or loss from derecognition is included in the Statement of Changes in Net Assets in the year the asset is derecognised.

Operating leases are not capitalised and rental payments are charged to the Statement of Changes in Net Assets in the period in which they are incurred.

(g) Foreign Currency

Both the functional and presentation currency of Telstra Super is Australian dollars (\$).

Foreign currency transactions are initially translated into Australian currency at the rate of exchange at the date of the transaction. At balance date, monetary assets and liabilities denominated in foreign currencies are translated to Australian currency at rates of exchange current at that date. Resulting currency translation differences are brought to account in determining the Change in Net Market Value of Investments for the year.

(h) Benefits Payable

Benefits payable comprises the entitlements of members who ceased employment prior to the year end but had not been paid their benefit at that time. Benefits payable are normally settled within 30 days.

(i) Administration Expenses

Telstra Super is a self administered Fund and all administration expenses are paid directly by Telstra Super. Administration expenses are recognised in the period in which the expenditure is incurred.

(j) Income Tax

Income tax expense for the year comprises current and deferred tax and is recognised in the Statement of Changes in Net Assets. Current income tax liability is the expected tax payable on the taxable income for the year less any instalment payments that have been paid as at balance date.

Deferred tax assets and liabilities are provided for using the balance sheet liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. The Scheme is currently in a net deferred tax liability position compared to a deferred tax asset position last financial year. These assets are recognised at tax rates of 15% for revenue account gains/losses and 10% for net capital gains.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at balance date.

Deferred tax assets and liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxation authority.

Telstra Super is a Regulated Superannuation Scheme under the Superannuation Industry (Supervision) Act 1993 (the SIS Act) and accordingly is entitled to the concessional income tax rate of 15%.

(k) Goods and Services Tax (GST)

Where applicable, GST incurred by Telstra Super that is not recoverable from the Australian Taxation Office (ATO), has been recognised as part of the expense to which it applies. Receivables and payables are stated with any applicable GST included in the value. The amount of any GST recoverable from, or payable to, the ATO is included as a receivable or payable in the Statement of Net Assets.

(l) Derecognition of Financial Assets and Financial Liabilities

A financial asset is derecognised when the right to receive cash flows from the asset has expired or substantially all the risks and rewards of ownership of the asset have been transferred to another party. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

(m) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Changes in Net Market Values

Calculated as the difference between the Net Market Value at year end or consideration received (if sold during the year) and net market value as at the prior year end or cost (if the investment was acquired during the period).

Contributions and Transfers In

Recognised in the period in which the control and the benefit of the revenue has been attained and are recorded gross of any tax.

Interest

On an effective basis as it accrues, using the interest rate of the instrument calculated at the acquisition date.

Group Life Insurance Proceeds

Insurance claim amounts are recognised where the insurer has agreed to pay the claim lodged and has transferred the claim amount to Telstra Super.

Dividends, Distributions and Property Income

When the right to receive payment is established.

(n) Liability for Accrued Benefits

The liability for accrued benefits is actuarially measured on at least a triennial basis and represents the value of Telstra Super's present obligation to pay benefits to members and other beneficiaries at the date of measurement. The liability is determined as the present value of expected future benefit payments which arise from membership of Telstra Super up to the reporting date.

The present value is reported in the notes and is determined in accordance with Guidance Note 454 issued by the Institute of Actuaries of Australia.

(o) Employee Entitlements

Salaries, Annual Leave and Sick Leave

Liabilities for salaries (including non-monetary benefits) and annual leave are recognised in the provisions for employee entitlements and are represented by the amount that Telstra Super has a present obligation to pay at balance date. The provisions have been calculated based on remuneration rates that Telstra Super expects to pay when the employee entitlement is settled. Related on-costs are included. No liability for sick leave has been recognised as it is non-vesting and no additional cost is incurred by staff absence. Sick leave is recognised when the leave is taken and is measured at the rates paid or payable.

Long Service Leave

The liability for long service leave is recognised in the provision for employee entitlements and is measured as the present value of the estimated future cash outflows to be made by Telstra Super at balance date. Liabilities for employee entitlements that are not expected to be settled within twelve months are discounted using the rates attached to national government securities at balance date, which most closely match the terms of maturity of the related liabilities.

In determining the liability for employee entitlements, consideration has been given to future increases in salary rates, Telstra Super's experience with staff departures, and the probability that employees as a group will achieve an unconditional qualifying period of service. Related on-costs have also been included in the liability.

Superannuation Scheme

The employees of Telstra Super are eligible to be members of Telstra Super, and contributions are made on their behalf. The majority of staff are accumulation members, and contributions for these staff are charged as expenses as the contributions are paid or become payable. Contributions for staff who are defined benefit members, are also charged as expenses when due and payable. The Trustee has no obligation or entitlement to any deficit/surplus and therefore AASB 119 has not been applied. Refer to Note 16 (b) for details of the defined benefit surplus/(deficit).

NOTE 3

Funding arrangements

Funding requirements for the Accumulation divisions of the Fund are determined by Government legislation and the Trust Deed, whilst funding requirements for the Defined Benefit divisions of the Fund are impacted by various financial and demographic factors including investment earnings, salary inflation, and benefit claims experience.

The funding policy adopted in respect of the Defined Benefit divisions is directed at ensuring that benefits accruing to members and beneficiaries are fully funded as the benefits fall due. An actuarial investigation is carried out every three years. As at 30 June 2012, the Actuary for the Scheme, Mr. K. O'Sullivan FIAA completed an actuarial investigation of the Defined Benefit divisions of Telstra Super and reported that Telstra Super was in an unsatisfactory funding position. Under the SIS legislation, a fund is in an "Unsatisfactory Financial Position" when vested benefits exceed the market value of assets.

As per the recommendation contained in the Actuary's report as at 30 June 2012, Telstra Corporation Limited (Telstra) and certain associated employer sponsors have continued to make employer contributions to Telstra Super in respect of Defined Benefit and Accumulation divisions of the Scheme.

In accordance with an agreement (Funding Deed) entered into by the Trustee with Telstra, contributions to Telstra Super are made by Telstra under the Funding Deed that reflect Telstra's commitment to fund the Defined Benefit divisions assets at a specified level. The Funding Deed provides that Telstra's contributions to Telstra Super may cease when the Vested Benefit Index (VBI) - the ratio of fund assets to members' vested benefits of the Defined Benefit divisions of Telstra Super rises above 103% on monthly outcome averaged over a calendar quarter. Contributions in accordance with the Funding Deed were at a rate of 9% for accumulation members for the entire year and 27% for defined benefit members from 1 July 2012 to 27 March 2013 and then 16% for the balance of the financial year. The VBI for the Defined Benefits divisions at 30 June 2013 calculated as a monthly outcome averaged over a calendar quarter was 103% (2012: 91%).

Telstra Super self insures for certain entitlements associated with certain death and disability benefits offered under the membership rules. The Trustee periodically assesses the funding needs associated with this arrangement and the Actuary makes allowance for this factor in evaluating the financial status of Telstra Super. The Trustee has established the following reserves, as disclosed in Note 5. The Trustee has allocated the amounts of \$25 million and \$250,000 respectively for the purpose of maintaining self insurance and licensing reserves as required by the Trustee's RSE licence. The Trustee has also allocated the amount of \$26.1 million for the purpose of maintaining an administration reserve (2012: \$10.1 million).

NOTE 4

Liability for accrued benefits

The valuation of accrued benefits is undertaken by the Actuary on a triennial basis in accordance with the Australian Accounting Standard AAS25, Financial Reporting by Superannuation Plans. The last triennial valuation of \$11,577.6 million was as at 30 June 2012 and a summary of that report is attached to these statements. Updates are provided annually by the Actuary, and valuations for 30 June 2013 and 2012 are shown below.

	2013 \$'000	2012 \$'000
Liability for Accrued Benefits at 30 June	13,302,600	11,577,600

The main assumptions used to determine the actuarial value of accrued benefits at the last review date were:

- The future rate of net investment return on the Scheme's assets would be 5.1% (2012: 6.5%).
- The future rate of salary inflation would be 3.5% (2012: 4.0%).

The decreased gap between expected net investment returns and salary inflation compared to last financial year has, in the absence of other factors, resulted in an increase to the Accrued Benefits figure.

NOTE 5

Vested Benefits

Vested Benefits are benefits that are not conditional upon continued membership of Telstra Super and include benefits that members were entitled to receive had they terminated their membership at balance date. Refer to Note 3 for details of the funding arrangements with Telstra.

Accumulation members' vested benefits are fully funded and any surplus/(deficit) relates to the vested benefits in the Defined Benefit divisions.

	2013 \$'000	2012 \$'000
Net Assets Available as at 30 June	13,596,738	11,589,455
Vested Benefits as at 30 June	13,393,593	11,795,908
Allocation to Insurance Reserve	25,000	25,000
Allocation to Administration Reserve	26,100	10,100
Allocation to Licensing Reserve	250	250
Surplus/(Deficit) as at 30 June	151,795	(241,803)
Increase in Administration Reserve for the financial year	16,000	3,900

The Insurance and Administration reserves provide the Trustee with access to funds to protect members' interests and mitigate the impact of an adverse event regarding the insurance activities of the Scheme together with the general operation of the Scheme. Transfers in and out of the Reserves are made only at the authorisation of the Trustee and in accordance with the Scheme's Reserves Policy.

NOTE 6

Guaranteed Benefits

No guarantees have been made in respect of any part of the liability for accrued benefits.

NOTE 7

Auditor's Remuneration

	2013 \$'000	2012 \$'000
Amounts received, or due and receivable, by the auditor for:		
Auditing the Financial Statements	345	315
Other Services	29	0
	374	315

NOTE 8

Related Parties

(a) Employer Company

Telstra Corporation is the principal employer. Reach Services Australia Ltd, Sensis Pty Ltd, 3GIS Pty Ltd, Foxtel Pty Ltd, Telstra Super Financial Planning Pty Ltd, and Telstra Super Pty Ltd (as trustee for Telstra Super) are associated employer sponsors. Of total employer contributions of \$558m as disclosed in the Statement of Changes in Net Assets, those made by Telstra and associated employers totalled \$406m (2012: \$435m). Contributions are made in accordance with recommendations of the Actuary, the Trust Deed, the Funding Deed, and relevant legislative requirements. Telstra Corporation also provides Telstra Super with telecommunication services. Such services are provided at arm's length and on normal commercial terms.

Telstra Super held the following investments in Telstra Corporation at market value as at 30 June.

	2013 \$	2012 \$
Shares	191,527,249	141,636,805
Fixed Interest Securities	5,916,957	10,993,719
Dividends received for the year	10,291,959	12,698,918
Interest received for the year	476,118	610,086

(b) Trustee and Key Management Personnel

Telstra Super Pty Ltd (TSPL) is the trustee of Telstra Super and is the holder of a Registrable Superannuation Entity Licence (Public offer – Licence no. L0001311).

The following people were Directors of TSPL during the financial year:

Mr David Leggo (Chairman)
 Mr Grant Belchamber (resigned 31 August 2012)
 Mr Michael Fisher (appointed 26 September 2012)
 Ms Tracey Gavegan (resigned 28 February 2013)
 Ms Carol Gee
 Mr Mark Hall
 Mr John Jamieson
 Mr David Kirton (appointed 26 September 2012)
 Mr Ian McCarthy
 Ms Carmel Mulhern
 Ms Jan Price (resigned 3 August 2012)
 Mr Gregg Rowley (appointed 1 May 2013)

Each Director or their alternate attended the following meetings and Board Committees during the year as a member of the Board or relevant Committee.

Name	Board		Committees					
	Held	Attended	Claims Review		Audit, Risk & Compliance		Remuneration	
			Held	Attended	Held	Attended	Held	Attended
D Leggo	17	17					5	5
G Belchamber	1	1			1	1		
M Fisher	15	13						
T Gavegan	11	7	3	1			4	4
C Gee	17	16						
M Hall	17	16			6	6		
J Jamieson	17	17			5	5	5	5
D Kirton	15	15	1	1			1	1
I McCarthy	17	17	4	4	6	6		
C Mulhern	17	16			5	4		
J Price	1	1			1	1		
G Rowley	5	5						
S Keogh ⁽¹⁾		3		2				
C Davis ⁽²⁾		1						
B Gokhale ⁽³⁾		1				1		

(1) Alternate for T. Gavegan (2) Alternate for J Price and M Hall (3) Alternate for C Mulhern

Other key management personnel who have had authority for planning, directing and controlling the activities of Telstra Super during the financial year were as follows:

Mr Jim Christensen (Chief Investment Officer)
 Mr Martin Crowe (Chief Executive)

Mr Paul Curtin (Chief Financial Officer - from 25/2/2013)
 Ms Christina Liosis (Chief Financial Officer - to 21/11/2012)

(c) Compensation of the Trustee and Key Management Personnel

	2013 \$'000	2012 \$'000
Short Term – salaries, fees, bonuses and non-monetary benefits	1,930	2,019
Superannuation Contributions	112	167
Other Long Term Benefits	0	26
Termination Benefits	133	0
	2,175	2,212

Where instructed, a Director's income is paid direct to their employer. Directors remuneration excludes insurance premiums of \$206,911 (2012: \$180,992) paid by Telstra Super in respect of Directors' and Officers' liability insurance contracts as the contracts do not specify premiums paid in respect of individual Directors and Officers.

Notes to the Financial Statements

for the year ended 30 June 2013

(c) Compensation of the Trustee and Key Management Personnel (continued)

The table shown below lists the number of Directors and Key Management Personnel whose income falls within the following bands for financial years ending 30 June.

Amounts falling between	2013	2012
\$0 and \$9,999	3	2
\$20,000 and \$29,999	0	3
\$30,000 and \$39,999	0	1
\$40,000 and \$49,999	3	5
\$50,000 and \$59,999	5	0
\$80,000 and \$89,999	1	0
\$110,000 and \$119,999	0	1
\$170,000 and \$179,999	1	0
\$290,000 and \$299,999	1	0
\$300,000 and \$309,999	0	1
\$580,000 and \$589,999	1	0
\$590,000 and \$599,999	0	1
\$600,000 and \$609,999	1	0
\$800,000 and \$809,999	0	1

(d) Fees and Reimbursements

As a result of Telstra Super directly incurring all expenditure, there were no fees or reimbursements paid to the Trustee company, Telstra Super Pty Ltd.

(e) Membership of Telstra Super

Certain Directors and key management personnel are members of Telstra Super. Their membership terms and conditions are identical to other members of Telstra Super.

(f) Related Investments

(i) *Telstra Super Financial Planning Pty Ltd (TSFP)* is an investment wholly owned by Telstra Super Pty Ltd as Trustee for Telstra Super. The principal activity of the company during the course of the financial year was to provide financial planning advice to members of Telstra Super. Telstra Super held the following investment in TSFP at net asset value as at 30 June.

	2013 \$	2012 \$
Shares	4,140,486	3,852,028

No dividends have been declared or paid. Consolidated accounts have not been prepared as Telstra Super's investment in TSFP is not material.

The following Directors or Officers of TSPL were also Directors of TSFP during the financial year:

David Leggo
Martin Crowe
Jan Price²
Ian McCarthy
Cliff Davis¹
Carol Gee³

- Cliff Davis was the Alternate for Jan Price on the TSPL Board of Directors until her resignation, then became the alternate for Mark Hall.
- Jan Price was the Alternate for Cliff Davis on the TSFPPL Board of Directors until her resignation.
- Carol Gee is the Alternate for Ian McCarthy on the TSFPPL Board of Directors.

(ii) Fees and Reimbursements

TSFP is responsible for direct expenditure incurred. Shared costs with Telstra Super are allocated on a fair and equitable basis. Transactions between the parties comprised of fees charged by TSFP to Telstra Super for providing financial advice to members \$12,916,356 (2012: \$11,575,215) and fees charged by Telstra Super to TSFP for in-house administration support and services provided in regard to TSFP Investment Products \$1,008,461 (2012: \$1,284,000). The TSFP fee for providing financial advice to members is based on funds under advice. The fee rate was 0.16% for the entire financial year. At 30 June 2013 TSFP had receivables from Telstra Super of \$1,228,597 (2012: \$995,832), and Telstra Super had nil receivables from TSFP (2012: \$214,000).

(iii) Telstra Super Sub Trusts

Several Investments are wholly owned by Telstra Super Pty Ltd as Trustee for Telstra Super. Details of these entities have been disclosed within Note 19.

NOTE 9

Segment information

Telstra Super operates solely to provide superannuation benefits to members and beneficiaries and operates in Australia only. Revenue is derived from investments and contributions.

NOTE 10

Property, plant and equipment (refer note 2(f))

	2013 \$'000	2012 \$'000
Office Equipment, Furniture and Fittings at Cost	3,234	4,409
Less Accumulated Depreciation	1,660	2,658
Total Property, Plant and Equipment	1,574	1,751

NOTE 11

Lease commitments (refer note 2(f))

Operating leases of plant, property and equipment, not provided for in the accounts, and payable:	2013 \$'000	2012 \$'000
Not later than one year	1,997	1,900
Later than one year and not later than five years	3,183	3,909
Later than five years	0	0
	5,180	5,809
Operating lease expenses recognised for the year	1,782	1,655

There are no restrictions imposed on Telstra Super in regard to finance and operating leases. There are also no renewal, purchase or escalation option clauses in the leasing arrangements.

NOTE 12

Administration expenses

	2013 \$'000	2012 \$'000
Salaries and related employment costs	15,076	14,846
Directors Fees	603	509
Professional and Audit Fees	1,697	1,757
Member Communication Expenses	1,985	1,890
Office Rental and Expenses	4,593	3,382
Financial Planning Service Fees	12,917	11,575
APRA Levy	3,066	436
Other Expenses	428	413
Total Administration Expenses	40,365	34,808

NOTE 13

Accounts payable

	2013 \$'000	2012 \$'000
Investment Expenses Payable	14,424	13,478
Administration Expenses Payable	5,609	3,215
Employee Entitlements	2,833	2,542
Unallocated Funds	6,837	30,843
Other Payables	0	6
Total Accounts Payable	29,703	50,084

NOTE 14

Changes in net market value of investments

	2013 \$'000	2012 \$'000
(i) Investments Held at Balance Date		
Australian Fixed Interest Securities	8,870	16,876
International Fixed Interest Securities	49,376	26,962
Australian Equities	454,762	(330,731)
International Equities	602,602	(62,016)
Private Equity	6,415	2,958
Property	47,899	16,179
Infrastructure	45,449	11,524
Futures	112	(685)
Options and Foreign Exchange Contracts	1,371	(1,406)
	1,216,856	(320,339)
(ii) Investment Realised During the Year		
Short Term Money Market	0	1,631
Australian Fixed Interest Securities	18,661	47,262
International Fixed Interest Securities	(8,346)	6,955
Australian Equities	120,284	(59,361)
International Equities	114,407	(125,248)
Private Equity	5,098	(21,042)
Property	23,551	(37,412)
Infrastructure	14,305	(3,136)
Futures	0	(785)
Options and Foreign Exchange Contracts	(9,030)	(9,208)
	278,930	(200,344)
Total Changes in Net Market Value	1,495,786	(520,683)

NOTE 15

Income tax

The major components of income tax expense for the years ended 30 June 2013 and 2012 are:

	2013 \$'000	2012 \$'000
Current income tax expense		
Income tax payable current year	83,821	80,023
Adjustments in respect of prior years	(4,766)	(739)
	79,055	79,284
Deferred income tax expense		
Relating to origination and reversal of temporary differences	147,614	(64,752)
Adjustments in respect of deferred income tax of previous years	326	3,072
	147,940	(61,680)
Income tax expense reported in Statement of Changes in Net Assets	226,995	17,604

A reconciliation between prima facie income tax expense and income tax expense as reported in the Change in Net Assets before Income Tax is as follows:

	2013 \$'000	2012 \$'000
Changes in Net Assets before Income Tax	2,234,278	168,274
Prima facie income tax expense at the tax rate of 15%	335,142	25,241
Increase in income tax expense due to:		
Benefits Paid	84,994	81,832
No TFN Contributions tax	18	90
Imputation & Foreign Tax Offsets Gross Up	9,799	9,707
Differences Between Tax and Accounting Investment Income	(75,170)	13,655
Non-Deductible Expenses	12	14
Decrease in income tax expense due to:		
Non-Assessable Contributions and Transfers from other Funds	(45,432)	(38,409)
Group Life Proceeds, Notional Insurance and Anti-Detriment	(3,914)	(3,910)
Adjustments in respect of Current Income Tax of previous years	(4,440)	2,333
Allocated Pension Exempt Income	(11,250)	(9,641)
Imputation & Foreign Tax Offsets	(62,764)	(63,308)
Income tax expense reported in Statement of Changes in Net Assets	226,995	17,604
Current Income Tax Liability at 30 June relates to the following:		
Income tax payable current year	83,821	80,023
Less payments made during the year	(53,009)	(57,620)
Less refunds due regarding amended returns	0	(161)
	30,812	22,242
Deferred Income Tax Assets and Liabilities at 30 June relates to the following:		
Contributions receivable	1,393	1,730
Investment income receivable	4,892	4,487
Realised and Unrealised Gains/(Losses) on investments	40,733	(132,152)
Expense provisions	(515)	(455)
Less Allocated Pension Exempt Income share of Gains/Losses	(6,228)	18,725
Net Deferred Income Tax (Assets)/Liabilities	40,275	(107,665)

NOTE 16

Employee entitlements (refer note 2(o))

(a) Aggregate employee leave entitlements, including on-costs

	2013 \$'000	2012 \$'000
Current	2,471	1,945
Non Current	381	401
	2,798	2,346

Employees of Telstra Super are entitled to long service leave after ten years of service, and pro-rata payment on termination after seven years service. The present values of employee entitlements not expected to be settled within twelve months of balance date have been calculated using the following weighted averages:

Assumed rate of increase in wage and salary rates: **4.70%**

Discount rate: **5.38%**

(b) Superannuation Scheme

There are 8 employees of Telstra Super who are Defined Benefit members of Telstra Super. Their share, on a pro-rata basis, of the assets (at net market value), the accrued benefits, and the vested benefits are as follows:

	2013 \$'000	2012 \$'000
Proportionate share of Telstra Super assets at 30 June	2,296	1,777
Accrued benefits at 30 June	2,095	1,753
Excess of fund assets over accrued benefits	201	24
Vested benefits	2,169	1,954

An actuarially determined surplus or deficit in relation to these employees has not been recognised in the financial statements as the Trustee has elected not to adopt AASB 119.

During the year, employer contributions of \$1,355,225 were paid/payable to the Scheme in respect of employees (2012: \$1,462,449).

NOTE 17

Commitments and contingent liabilities

Telstra Super has outstanding commitments and contingent liabilities as part of its business operations. These represent uncalled elements in respect of investments, death and TPD claims received and unpaid, as well as contractual arrangements entered into with third parties. Telstra Super also has bank guarantees in place covering rental and office fitouts. Amounts as at 30 June were as follows:

	2013 \$'000	2012 \$'000
Investment Commitments	187,818	244,315
Death and TPD Claims	6,374	662
Expenditure Commitments	5,052	5,418
Bank Guarantees	781	781
Total	200,025	251,176

NOTE 18

Significant events after balance date

Between 30 June 2013 and the date of approval of this financial report, there have been no matters or circumstances not otherwise dealt with in the financial report that have significantly affected or may significantly affect the Scheme.

NOTE 19

Consolidations

The accounting standard *AASB 127: Consolidated and Separate Financial Statements*, deals with the issue of whether entities owned and/or controlled by another entity should be consolidated into the financial statements of the holding entity. Control is presumed to exist when the holding entity owns more than half of the voting power of an entity, unless it can be clearly demonstrated that such ownership does not constitute control. Twelve investments were identified in which we hold more than half the shares/units and control could be presumed to exist. The entities and the ownership interest are as follows:

	Ownership Interest 2013	
	\$000s	%
Telstra Super Financial Planning Pty Ltd	4,140	100.00
TSPL Brisbane Square Sub Trust	147,600	100.00
Quadrant Telstra Super Trust	109,148	100.00
TSPL Lifestyle Trust	25,912	100.00
TSPL Woolies Sub Trust	132,740	100.00
TSPL BTF Trust	44,019	100.00
TSPL FSPT Trust	24,723	100.00
TSPL FSPT Finance Trust	31,402	100.00
TSPL CLP Trust	102,013	100.00
TSPL BP Trust	100,396	100.00
Omega Global Corporate Bond Fund	102,876	54.52
Australian Commercial International Towers Sydney Investment Trust	22,628	50.00
	847,597	

	Ownership Interest 2012	
	\$000s	%
Telstra Super Financial Planning Pty Ltd	3,852	100.00
TSPL Brisbane Sub Trust	136,588	100.00
Quadrant Telstra Super Trust	107,467	100.00
TSPL Lifestyle Trust	41,632	100.00
TSPL Woolies Sub Trust	117,879	100.00
TSPL BTF Trust	34,765	100.00
TSPL FSPT Trust	35,942	100.00
TSPL FSPT Finance Trust	97,540	100.00
	575,665	

We have not consolidated the above entities for the following reasons:

- the investment in Telstra Super Financial Planning Pty Ltd is considered immaterial;
- the investments in the Sub Trusts and Collective Investment Vehicles are considered passive investment as we are not actively involved in the management of the underlying investments. The Sub Trusts are simply holding vehicles only for the underlying investments and considered immaterial as they comprise less than 7% of our net assets.

NOTE 20

Financial instruments and risk management

(a) Financial Risk Management Objectives, Policies, and Processes

The Investments of Telstra Super are managed on behalf of the Trustee by appointed managers and the internal investment team. All investments of Telstra Super are held on behalf of the Trustee by National Australia Bank Limited acting as the global custodian. Each investment manager is required to invest the assets managed by it in accordance with the terms of a written mandate. The Trustee has determined that appointment of these managers is appropriate for the Scheme and is in accordance with the Scheme's investment strategy. Telstra Super's principal financial instruments, other than derivatives, comprise equity securities, fixed interest securities, interests in pooled investment vehicles, cash and short term deposits. The main purpose of these financial instruments is to generate a return on investment. Telstra Super also has various other financial instruments such as receivables and payables, which arise directly from its operations.

Telstra Super uses derivative financial instruments to reduce risks in the share, bond and currency markets and to increase or decrease Telstra Super's exposure to particular investment classes or markets in line with the re-balancing strategy and other investment strategies. Derivative financial instruments are included in the relevant asset category in the Statement of Net Assets, and the accounting policies in relation to derivatives are set out in Note 2 (d).

The main risks arising from Telstra Super's financial instruments are credit risk, liquidity risk, and market risk. Market risk includes interest rate risk, equity price risk, and foreign currency risk. The Trustee reviews and agrees policies for managing each of these risks. These policies are summarised below. The Trustee also monitors market price risk for all financial instruments.

The Trustee acknowledges that an integral part of its good governance practice is a sound and prudent risk management framework. This framework is documented in the Trustee's Risk Management Framework which incorporates the Trustee's Risk Management Strategy and the Scheme's Risk Management Plan. This Framework is subject to regular review by management, the Trustee, and annual audits of the Scheme's Risk and Compliance programme. The Trustee manages this investment risk as part of its overall Risk Management Framework.

The Trustee determines the asset allocation of the Scheme. The Trustee receives advice from its investment adviser in making its determination. The asset allocation is reviewed throughout the year in accordance with the Scheme's Risk Management and Investment Policies. The Trustee has established an Investment Committee, which is responsible for approving and monitoring the Scheme's investments subject to the limits outlined in the Committee charter. The Committee comprises of the Chair of the Trustee, management, two external consultants and the external investment advisor JANA. The Committee minutes record all decisions made and are presented to the Trustee for ratification or noting as appropriate.

The Investment Unit through its investment mandates is delegated responsibility for all day-to-day investment decisions for the Internally Managed Funds.

Telstra Super also undertakes due diligence to ensure Fund Managers have the appropriate skills and expertise to manage the Scheme's investments. In addition investment performance is tracked through appropriate monitoring of market conditions and benchmark analysis.

Notes to the Financial Statements

for the year ended 30 June 2013

(b) Credit Risk

Credit risk represents the risk that the counterparty to a financial instrument will fail to discharge an obligation and cause the Scheme to incur a financial loss. Credit risk primarily arises from investments in debt securities and from trading derivative products. Other credit risk arises from cash and cash equivalents and amounts due from brokers. The Scheme invests in debt securities that carry credit risks. The Fund requires investment managers to manage the securities within approved credit limits as set out in their mandates. Compliance of managers with their mandates is monitored by the Scheme's custodian, as well as the Trustee.

Telstra Super's maximum exposure to credit risk is as indicated by the carrying amounts of its assets including derivatives. Telstra Super minimises credit risk by the diversity of investments, ensuring its assets are custodially held, and dealing through recognised exchanges and clearing houses. The Trustee also has a credit risk policy in place. Compliance with this policy is monitored on an ongoing basis.

There are no significant concentrations of credit risk within Telstra Super.

Credit quality per class of debt instruments

The credit quality of financial assets is managed by Telstra Super using Standard & Poor's rating categories, in accordance with the investment mandate of the Scheme, and is monitored on a regular basis in accordance with the Credit Risk Policy. This review process allows the Trustee to assess the potential loss as a result of risks and take corrective action.

The table below shows the credit quality by class of asset.

2013

Credit Quality	AAA to AA-	A+ to A-	BBB+ to B-	CCC+ to CC	Non Rated	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Equities and Trusts	-	-	-	-	7,787,262	7,787,262
Investment Vehicles	-	-	-	-	2,728,661	2,728,661
Derivatives Assets	-	-	-	-	60,708	60,708
Cash and Deposits	1,626,918	-	-	-	-	1,626,918
Perpetual Securities	902	-	-	-	-	902
Fixed Interest Bonds	302,565	147,934	83,589	644	73,817	608,550
Indexed Bonds	71,357	98,354	36,200	-	19,725	225,637
Asset Backed Securities	62,840	20,312	114,574	2,293	95,147	295,165
Discount Securities	475	565,006	-	-	-	565,481
Other financial assets	-	-	-	-	12,406	12,406
	2,065,057	831,606	234,363	2,937	10,656,310	13,790,273

2012

Credit Quality	AAA to AA-	A+ to A-	BBB+ to B-	CCC+ to CC	Non Rated	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Equities and Trusts	-	397	-	-	6,091,559	6,091,956
Investment Vehicles	-	-	-	-	2,541,590	2,541,590
Derivatives Assets	-	-	-	-	141,764	141,764
Cash and Deposits	1,259,681	-	-	-	-	1,259,681
Perpetual Securities	2,549	-	-	-	-	2,549
Fixed Interest Bonds	321,180	144,838	58,134	469	37,847	562,469
Indexed Bonds	32,572	50,291	27,516	-	9,341	119,720
Asset Backed Securities	69,545	19,472	58,863	4,928	84,089	236,897
Discount Securities	2,314	705,455	-	-	11,464	719,234
Other financial assets	-	-	-	-	122,447	122,447
	1,687,842	920,454	144,513	5,397	9,040,100	11,798,306

The carrying amounts of financial assets best represent the maximum credit risk exposure at the reporting date. No collateral is held as security or other credit enhancements exist for all financial assets held. No financial assets are considered past due as all payments are considered recoverable when contractually due. The Scheme's financial assets exposed to credit risk amounted to the following:

	30-Jun-2013	30-Jun-2012
	\$'000	\$'000
Cash and Cash equivalents	1,604,509	1,241,172
Fixed Interest securities	2,128,656	1,946,569
Listed Australian Equities	4,014,230	3,256,114
Listed International Equities	3,312,494	2,670,250
Private Equity	583,449	566,223
Property	1,512,050	1,457,511
Infrastructure	466,623	337,406
Derivatives	99,299	141,803
Interest, dividends and other receivables	56,426	58,717
Contributions receivable	9,457	11,700
Other receivables and Prepayments	1,506	1,425
Total	13,788,699	11,688,890

Substantially all of the Scheme's cash is managed by BT Australia and the Internal Investment Management team. The custodian, National Australia Bank Limited, custodially hold assets and cash in the name of the Scheme. Bankruptcy or insolvency by these financial institutions may cause the Scheme's rights with respect to the cash held to be delayed or limited. The Scheme monitors its credit risk by monitoring the credit quality and financial position of relevant institutions through regular analysis of their financial reports.

Notes to the Financial Statements

for the year ended 30 June 2013

(c) Liquidity Risk

Liquidity risk is the risk that Telstra Super will encounter difficulty in raising funds to meet commitments associated with financial instruments and benefit payments. To control these risks, Telstra Super invests in financial instruments, which under normal market conditions are readily convertible to cash. In addition, Telstra Super maintains sufficient cash and cash equivalents to meet normal operating requirements.

The Scheme's most significant financial liability is in relation to members' vested benefits. Telstra Super manages its obligation to pay such benefits based on management's estimates and actuarial assumptions of when such benefits will be drawn down by members. The Trustee considers it is highly unlikely that a substantial number of members will request to draw down their benefit at the same time.

The Scheme's liquidity risk is managed on a daily basis by the Investments and Finance Units in accordance with the liquidity policy and the Scheme's Risk Management Framework. Compliance with these policies is reported to the Trustee on a regular basis. The Scheme limits the allocation of illiquid assets and ensures that the allocation is consistent with the intended term of investment. The Scheme's membership profile, coupled with the bulk of its assets being invested in highly liquid asset classes, allows the fund to tolerate a lower liquidity in regard to its alternative investments (e.g. property and infrastructure investments) in an expectation of higher investment returns in the longer term.

The following table summarises the maturity of Telstra Super's financial liabilities based on undiscounted cash flows.

2013	Less than 1 month	1 month to 3 months	3 months to 1 year	Greater than 1 year	Total
Liability	\$'000	\$'000	\$'000	\$'000	\$'000
Benefits Payable	1,568	-	-	-	1,568
Accounts Payable	29,703	-	-	-	29,703
Derivative Liabilities	71	7,237	95	83,775	91,177
Current Tax Liability	-	14,603	16,209	-	30,812
Deferred Tax Liability	-	-	-	40,275	40,275
	31,342	21,840	16,304	124,050	193,535

2012	Less than 1 month	1 month to 3 months	3 months to 1 year	Greater than 1 year	Total
Liability	\$'000	\$'000	\$'000	\$'000	\$'000
Benefits Payable	223	-	-	-	223
Accounts Payable	50,084	-	-	-	50,084
Derivative Liabilities	506	2,288	1,338	132,170	136,302
Current Tax Liability	-	22,242	-	-	22,242
	50,813	24,530	1,338	132,170	208,851

The above table does not include the Schemes 'Liability for Accrued Benefits' as it is not practicable to determine the timing of when such liabilities will be paid.

(d) Market Risk

Market risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments in the market.

Market risk comprises three types of risk: market interest rates (interest rate risk), foreign exchange (currency risk), and market prices (price risk). The Scheme's policies and procedures put in place to mitigate the Scheme's exposure to market risk are detailed in the Trustee's Investment Policy and the Risk Management Framework. This includes the risk review processes and compliance testing undertaken by management and regularly reported to the Audit, Risk and Compliance Committee.

Market risk is also minimised through ensuring that all investment activities are undertaken in accordance with established mandate limits and investment strategies. The market risk disclosures are prepared on the basis of Telstra Super's direct investments and not on a look through basis.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. The majority of Telstra Super's financial instruments are non-interest bearing with only cash, cash equivalents and fixed interest securities being directly subject to interest rate risk. However, movements in market interest rates can indirectly impact on the valuation of non-interest bearing investments. The Scheme may use derivatives to hedge against unexpected increases in interest rates.

Telstra Super's exposures to interest rate movements on its financial instruments, by maturity, at balance date are as follows:

2013	Floating interest rate	1 Year or less	1 to 5 years	More than 5 years	Non-interest bearing	Total
Financial Assets	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Investments	750,886	1,910,132	311,715	260,390	10,381,914	13,615,038
Cash and Receivables	15,226	-	-	-	67,258	82,484
	766,112	1,910,132	311,715	260,390	10,449,172	13,697,522

2012	Floating interest rate	1 Year or less	1 to 5 years	More than 5 years	Non-interest bearing	Total
Financial Assets	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Investments	571,465	1,744,838	293,141	249,473	8,610,522	11,469,439
Cash and Receivables	11,400	-	-	-	71,748	83,148
	582,865	1,744,838	293,141	249,473	8,682,270	11,552,587

Interest on financial instruments classified as floating rate change at intervals of less than one year. Interest on financial instruments classified as fixed rate are fixed until the maturity of the instrument. Although non-interest bearing financial instruments do not pay an interest rate, their value is subject to movement in market interest rates. Investments in managed trust vehicles are included under non-interest bearing and their risks are covered in the price risk section.

Interest Rate Sensitivity Analysis

The sensitivity analysis has been determined based on the exposure to interest rates at the reporting dates. The analysis assumes that all other variables are held constant. Based on expected movements in the yields of 10 year Australian and US Government bonds, a reasonably possible change of 75bp was an appropriate movement for 30 June 2013 and 30 June 2012. A change of 0.75% in interest rates with all other variables remaining constant would have decreased the net assets available to pay benefits by \$37.758m (2012: \$33.395m). A change of -0.75% in interest rates with all other variables remaining constant would have increased the net assets available to pay benefits by \$40.430m (2012: \$31.251m). The analysis is performed on the same basis for 2012 and are estimates only. The impact on net assets available to pay benefits mainly arises from the effect that the reasonably possible change in interest rates will have on the net market value of fixed interest securities.

Foreign Exchange Risk

Foreign Exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign Exchange Risk is a component of price risk. Telstra Super has exposure to foreign exchange risk in the value of securities denominated in a foreign currency. Foreign exchange contracts are used by our investment managers and by Telstra Super as an overlay control to reduce the exposure to such risk in the value of our underlying international investments by the use of forward currency contracts. The Scheme uses both passive and active managers to manage the risk of foreign exchange fluctuations in line with the Scheme's Risk Management Framework and the Scheme's Investment Policy. On this basis, the Scheme's overall exposure to foreign exchange risk is considered minimal after taking into account the forward currency contracts.

In accordance with the Scheme's Investment Policy, the Chief Investment Officer monitors the Scheme's currency position on a regular basis. This information and the compliance with the Scheme's overall exposure are reported to relevant parties on a regular basis as deemed appropriate such as the Manager Internal Audit, Risk and Compliance, other key management personnel, the Audit Risk & Compliance Committee, and ultimately the Board.

Sensitivity Analysis

The tables opposite indicate Telstra Super's exposures at balance date to foreign exchange rate movements on its international investments. The analysis calculates the effects of a reasonably possible movement of currency rates against the Australian Dollar based on forecasts at balance date. Based on an assessment of historical ranges of currency and one standard deviation expectation an assumption of +/- 12% has been determined by the investment adviser as an appropriate assumption for this scenario analysis. A 12% strengthening/weakening of the Australian dollar against the following currencies at 30 June 2013 would have (decreased)/ increased the net assets available to pay benefits and the Change in Net Assets by the amounts shown below.

The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2012 where the volatility factor was expected to be 12%. The impact mainly arises from the reasonably possible change in foreign currency rates.

The reasonably possible movements in the risk variables have been determined based on the Trustee's best estimate, having regard to a number of factors including the average absolute divergence between the unhedged and hedged MSCI World Index ex Australian annual returns over a 10 year period.

2013	Effect on net assets of a change in currency rate		
	Amount	+ 12%	- 12%
Currency	A\$'000	A\$'000	A\$'000
Gross investment amounts denominated in:			
United States dollars (USD)	3,008,317	(151,999)	193,453
Great Britain pounds (GBP)	347,925	(22,438)	28,558
Euro (EUR)	626,653	(11,535)	14,681
Yen (JPY)	214,005	(11,949)	15,208
Other Currencies	951,787	(91,829)	116,873
	5,148,687		
Amount effectively hedged	(2,444,350)		
Net exposure	2,704,337	(289,750)	368,773

2012	Effect on net assets of a change in currency rate		
	Amount	+ 12%	- 12%
Currency	A\$'000	A\$'000	A\$'000
Gross investment amounts denominated in:			
United States dollars (USD)	2,292,325	(103,147)	131,278
Great Britain pounds (GBP)	330,505	(22,785)	28,999
Euro (EUR)	476,019	(11,484)	14,616
Yen (JPY)	130,121	(7,505)	9,552
Other Currencies	706,420	(62,656)	79,744
	3,935,390		
Amount effectively hedged	(1,998,003)		
Net exposure	1,937,387	(207,577)	264,189

Other Market Price Risk

Other market price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument, or factors affecting all similar instruments traded in the market. All securities investments present a risk of loss of capital. The maximum risk is determined by the net market value of the financial instruments.

As all of Telstra Super's financial instruments are carried at net market value with changes in net market value recognised in the Statement of Changes in Net Assets, all changes in market conditions will directly affect net investment income. Price risk is mitigated by investing in a diversified portfolio of financial instruments that are traded on various markets.

All investment managers are subject to extensive due diligence prior to being appointed, with the recommendation for their appointment and removal made by the Investment Committee to the Board for final approval where required. All investment activities are undertaken in accordance with established mandate limits. Monthly reports are received from investment managers and the Master Custodian and these reports are reviewed in detail and assessed against relevant benchmarks. Investment manager performance is reported to the Investment Committee on a monthly basis, and the Board. The Trustee has determined that these investments are appropriate for the Scheme and are in accordance with the Scheme's investment strategy.

Notes to the Financial Statements

for the year ended 30 June 2013

Sensitivity Analysis

The analysis below indicates the effect on the Statement of Changes in Net Assets due to a reasonably possible change in market factors, as represented by the equity indices, with all other variables held constant. Based on analysis of historical data in respect of asset class returns over 10 years and using this analysis to formulate expected future ranges of returns, the investment adviser has determined that the following assumptions are appropriate for this scenario analysis. These assumptions are based on an orderly market and as such the assumptions below are based on an expected range of outcomes within +/- 1 standard deviation.

2013			2012		
Asset Class	Change in Market Price	Effect on Net Assets/Returns \$'000	Asset Class	Change in Market Price	Effect on Net Assets/Returns \$'000
Australian Equities	21%	804,061/(814,865)	Australian Equities	20%	704,706/(712,538)
International Equities	21%	672,813/(672,813)	International Equities	23%	660,326/(660,326)
Alternative Assets	9-14%	52,068/(52,068)	Alternative Assets	8-13%	25,425/(25,425)
Listed Property	24%	151,478/(166,842)	Listed Property	22%	166,528/(163,992)
Direct Property	11%	87,875/(87,875)	Direct Property	12%	65,360/(65,360)
Fixed Interest Trusts	6-8%	17,084/(17,084)	Fixed Interest Trusts	7-9%	19,210/(19,152)
Infrastructure	10-23%	79,672/(79,672)	Infrastructure	10-16%	50,158/(50,158)

A process for the valuation of unlisted, infrequently valued assets is used to ensure valid valuations are reported. This involved seeking assurances from managers, ensuring latest accurate information available has been included and where necessary reviewing the latest audited financials of the relevant entity. All available valuation information has been incorporated in these financials.

(e) Securities Lending

Telstra Super has entered into securities lending arrangements with National Australia Bank Limited under which legal title to certain of the Scheme's assets has been transferred to another entity, notwithstanding the fact that the risks and benefits of ownership of the assets remain with Telstra Super.

Telstra Super may call for the re-delivery of all or any borrowed securities at any time in the ordinary course of business upon notice of not less than the standard settlement time for such securities on the market through which they were originally delivered. Such calls for re-delivery have taken place from time to time, and there have been no instances of failed delivery.

Telstra Super restricts its involvement in the domestic equity lending program to lending only those securities contained in the ASX Top 200 Index.

The total value of assets subject to securities lending amount to \$357.9m (2012: \$444.6m), and income received was \$1.069m (2012: \$0.889m). Telstra Super has obtained collateral equal to at least 105% of the value of the assets subject to securities lending arrangements.

(f) Classification of Financial Instruments under the Fair Value Hierarchy

Fair Value Measurements

Telstra Super is required to classify financial instruments using a fair value hierarchy that reflects the subjectivity of inputs used in making the measurements. The table below shows financial instruments recorded at net market value, analysed between the following levels:

Level 1

Those whose net market value is based on quoted market prices in active markets. An active market is a market in which transactions take place with sufficient frequency and volume to provide pricing on an ongoing basis;

Level 2

Those involving valuation techniques where all the model inputs are observable in the market. Inputs can be directly or indirectly derived from prices in the marketplace; and

Level 3

Those where the valuation technique involves the use of non-market observable inputs that are significant to the determination of net market value. Inputs are entity-specific and subjective.

Financial Assets	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Equities and Trusts	7,169,039	434,148	184,075	7,787,262
Investment Vehicles	-	2,176,430	552,230	2,728,661
Derivatives	8,242	(160,127)	-	(151,885)
Cash and Deposits	1,580,307	-	-	1,580,307
Perpetual Securities	-	902	-	902
Fixed Interest Bonds	630	607,650	166	608,447
Indexed Bonds	43,192	183,263	-	226,455
Asset Backed Securities	-	294,198	252	294,450
Discount Securities	-	596,866	-	596,866
Other financial assets	-	-	-	-
	8,801,410	4,133,331	736,724	13,671,464

Financial Assets	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Equities and Trusts	5,559,663	109,985	447,077	6,116,725
Investment Vehicles	-	1,718,134	798,687	2,516,821
Derivatives	7,135	(1,674)	-	5,461
Cash and Deposits	1,248,281	-	-	1,248,281
Perpetual Securities	-	2,549	-	2,549
Fixed Interest Bonds	-	562,247	286	562,533
Indexed Bonds	19,217	101,178	-	120,395
Asset Backed Securities	-	235,577	581	236,158
Discount Securities	-	719,234	-	719,234
Other financial assets	-	-	-	-
	6,834,296	3,447,230	1,246,631	11,528,157

The level in which financial instruments are classified in the hierarchy is based on the lowest level of input that is significant to the net market value measurement in its entirety. Assessment of the significance of an input requires judgement after considering factors specific to the investment.

Disclosure of the methods and assumptions applied in determining the net market value for each class of financial assets are included in Note 2(d).

Notes to the Financial Statements

for the year ended 30 June 2013

Level 3 Financial Instruments Transactions

The following table shows a reconciliation of the movement in fair value of financial instruments categorised within Level 3 between the beginning and the end of the reporting period.

2013						
Financial Assets	Equities and Trusts	Investment Vehicles	Derivative Assets	Fixed/Indexed Bonds	Asset Backed Securities	Net Market Value
	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
Opening Balance	447,077	798,687	0	286	581	1,246,631
Total gains/(losses)	18,981	37,770		(120)		56,631
Purchases/Applications		5,472				5,472
Sales/Redemptions	(112)	(7,443)				(7,555)
Transfers into level 3	615				252	867
Transfers out level 3	(282,486)	(282,255)			(581)	(565,322)
Closing Balance	184,075	552,231	0	166	252	736,724

2012						
Financial Assets	Equities and Trusts	Investment Vehicles	Derivative Assets	Fixed/Indexed Bonds	Asset Backed Securities	Net Market Value
	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
Opening Balance	134,886	988,358	4	20,407	616	1,144,271
Total gains/(losses)	(11,153)	155,256		(27)		144,076
Purchases/Applications	281,677	14,162				295,839
Sales/Redemptions	(239)	(93,646)	(4)		(616)	(94,506)
Transfers into level 3	118,273	28,250			581	147,104
Transfers out level 3	(76,366)	(293,693)		(20,094)		(390,154)
Closing Balance	447,077	798,687	0	286	581	1,246,631

The transfers between the Level 2 and Level 3 fair value hierarchies during the financial year are due to a more detailed analysis of the investments involved rather than a significant change in the observable measurements of their net market values.

Transfers Between Hierarchy Levels

There have been no significant transfers between the Level 1 and Level 2 fair value hierarchies during the financial year.

**Go confidently in
the direction of your
dreams. Live the life
you've imagined.**

HENRY DAVID THOREAU

Telstra Superannuation Scheme

Summary of actuarial report on 30 June 2012 investigation

Kevin O'Sullivan, FIAA conducted the latest actuarial investigation of the Telstra Superannuation Scheme (the Scheme) at 30 June 2012, and presented the results in a report dated 20 February 2013. This following provides a summary of that report and the Actuary's opinion as to the financial condition of the Scheme.

Purpose of Report

Legislation covering the operation of superannuation funds in Australia requires actuarial investigations of defined benefit funds to be made at intervals of not more than three years. The last actuarial investigation of the Scheme was as at 30 June 2012 by M K O'Sullivan, FIAA.

The main aims of an actuarial investigation are to assess the Scheme's financial position, and to recommend the rate at which Telstra should contribute to the Scheme.

Membership and Salaries

As at 30 June 2012 there were 7,298 members of Division 2, 58 members of Division 5 and 34 members of Division 8 receiving defined benefits with salaries totalling \$604.4 million, \$7.3 million and \$3.9 million respectively. The numbers of Division 2, 5 and 8 members had decreased by 23%, 26% and 31% respectively from the previous investigation as at 30 June 2009.

In addition to these defined benefit members, there were approximately 26,400 members of Division 3, 6 and 8 and approximately 69,500 members in Division 4 with retained benefits (including spouse accounts and account-based pensioners). These members receive accumulation style benefits. The balance of accumulation members accounts, together with the voluntary account balances of defined benefit members, totalled \$9,161.4 million (including an adjustment to allow for increases in the account balances resulting from final valuations of assets at 30 June 2012).

The average annual increase in members' salaries since the previous investigation for defined benefit members who were in the Scheme at both the current and the previous investigation dates (i.e. 30 June 2009 and 30 June 2012) was 3.4% p.a..

Assets

For the purpose of the actuarial investigation, the total net market value of assets used was as provided in the audited financial statements, \$11,589.5 million. The assets available to fund the defined benefit liabilities are then determined as the total assets less reserves and the sum of the account balances of accumulation style benefits (including the accumulation style benefits of defined benefit members), as follows:

	\$
Total Net Market Value of Assets	\$11,589.5m
Less, Assets supporting accumulation balances	\$9,161.4m
Less, Reserves	\$35.4m
Assets supporting defined benefit liabilities	\$2,392.7m

The average return on the defined benefit assets between 1 July 2009 and 30 June 2012 was 4.78% p.a.

Assumptions

The actuarial investigation reviewed the assumptions used and changes were made to the assumed financial assumptions and rates of death and disablement.

In summary, the key financial assumptions used were:

- Investment Return, net of tax: **6.5% p.a.**
- Salary Growth: **4.0% p.a.**
- Expense allowance: **0.35% of assets**

A promotional salary scale is also applied.

The discount rate used is a current market determined, risk adjusted discount rate, and is based on the expected future return on the Scheme's assets as at 30 June 2012. All assumptions used are best estimate assumptions.

Funding Method

The main purposes of the actuarial investigation and report are to assess the financial position of the Scheme, identify the long term funding rate of the Scheme's benefits and to confirm the continuing adequacy of the contribution rates in the Funding Deed between Telstra and Telstra Super. To do this the actuary has adopted a method of funding benefits known as the Aggregate Funding method. Under this method, the long term Telstra contribution rate is calculated based on the difference between the net market value of assets and the total Scheme liabilities.

Fund Indices

Vested Benefits

The Vested Benefits Index (VBI) is the ratio of the net market value of assets to the members' current vested benefit entitlements should all members voluntarily resign at the investigation date.

Considering defined benefit assets and liabilities only, the Scheme's VBI at 30 June 2012 was 90%.

Discounted Accrued Benefits

The Discounted Accrued Benefits Index (DABI) is a longer term measure of solvency. The discounted accrued benefits are the total of the present value of the benefits that have accrued in respect of membership prior to the investigation date.

Considering defined benefit assets and liabilities only, the Scheme's DABI at 30 June 2012 was 98%.

Minimum Requisite Benefits

The minimum Requisite Benefit Index (MRBI) is a short term measure of solvency. The Minimum Requisite Benefits (MRBs) are the minimum benefits payable out of the Scheme to ensure Telstra satisfies its Superannuation Guarantee (SG) obligations.

Considering defined benefit assets and liabilities only, the Scheme's MRBI at 30 June 2012 was 120%.

Insurance

The cost of providing future death and disablement benefit payments is taken into account in determining the long-term employer cost.

As at 30 June 2012, the Scheme holds a self insurance reserve of \$25 million. In the report, the Actuary believes that this is adequate to meet incurred but not reported claims, protect against short term adverse claim experience and cover worsening claim experience for a short period.

It was considered that self insurance remained suitable for the Scheme's defined benefit divisions.

Material Risks

Material risks for the Scheme include:

- Ongoing funding to maintain the Scheme's financial position - the required contributions could increase materially if investment or salary inflation experience is worse than expected;
- Risk of higher than expected death and disability benefits, either due to catastrophe or worsening claims experience;
- Re-balancing and crediting rate approximations within the Accumulation section, which may adversely impact on assets supporting the defined benefit liabilities - though this is not considered a material risk if Telstra is willing to accept the implicit risk via its funding obligations; and
- While the VBI is under 100%, there is a risk that a retrenchment program or downsizing of the membership could materially reduce the VBI. To the extent the VBI is reduced, it is expected that Telstra's contributions would increase to restore the VBI to 100% over a reasonable time.

Recommended Contribution and Financial Condition

As at 30 June 2012, the long term employer contribution rate required to fund the defined benefits was 15.5% of salaries based on the Aggregate Funding Method, and the long term cost of future service benefits was estimated 15.7%.

While from 1 July 2013, Prudential Standard SPS 160 requires funding arrangements that return the VBI to 100% within three years, in many situations this is not expected to be achieved under the current Funding Deed.

As a result, The Actuary has recommended that Telstra continue to make contributions to the Scheme in line with the May 2004 Funding Deed until 30 June 2013. From 1 July 2013, Telstra should make contributions to the Scheme at the rate of 16% of defined benefit members' salaries until another recommendation is made.

The Actuary has also made the following recommendations:

- That the Funding Deed be revised to meet the requirements of SPS 160;
- That self-insurance reserve be reviewed annually; and
- The next full actuarial investigation be made with an effective date no later than 30 June 2015.

Solvency Position as at 30 June 2012

The Scheme has received funding and solvency certificates covering the three years to 30 June 2012. We expect that the solvency of the Scheme is likely to be able to be certified in any Funding and Solvency Certificate required under the Superannuation Industry (Supervision) Regulations during the three-year period to 30 June 2015.

Statement of Financial Position (SIS Regulation 9.31(3))

In opinion of the Actuary, as at 30 June 2012, the financial position of the Scheme was unsatisfactory.

Significant Events since 30 June 2012

Favourable experience subsequent to 30 June 2012 has meant that the Scheme's defined VBI has improved to 104% and the DABI to 108% as at 30 June 2013, based on data provided by the Scheme. At the date this summary was prepared the MRBI had not been recalculated but would have been significantly over 100%.

In addition, following a review of the investment strategy for the defined benefit assets, in June 2013 we were advised that Telstra Super Pty Ltd had adopted a revised strategy that would have an overall lower risk profile than the previous strategy, with a higher allocation to defensive assets. In addition, illiquid assets would be placed in 'run off' mode.

While the proposed strategy would have a lower level of volatility, it would also have a lower expected level of return. In its letter dated 8 July 2013, JANA has advised that the expected long term investment return (net of tax) of the proposed strategy would be 5.1% p.a.

This revision of the asset allocation and improved funding position may have a material impact on the contributions required from Telstra. As a result, we are in the process of preparing an updated contribution recommendation.



Matthew Burgess

Matthew Burgess

Fellow of the Institute of Actuaries of Australia
25 July 2013

Russell Employee Benefits,
ABN 70 099 865 013
GPO Box 5141
Melbourne VIC 3011

Important Information

Telstra Super Trust Deed changes

The Telstra Super Trust Deed sets out the rules by which Telstra Super is managed. There were no amendments made to the Trust Deed during this financial year.

You can obtain a copy of the Telstra Super Trust Deed online at www.telstrasuper.com.au

Surcharge

The Government abolished the superannuation surcharge from 1 July 2005, however, surcharge assessments may still be issued for the 2004/2005 and previous financial years.

If you have an accumulation account and we received a surcharge assessment for you, the amount of your surcharge assessment was deducted from your accumulation account.

If you are a defined benefit member, any surcharge applicable to your defined benefit was recorded in your Surcharge Account. You may have chosen to pay an amount equal to the amount of the surcharge, which Telstra Super Pty Ltd then applied against your Surcharge Account. If you did not pay the amount in your Surcharge Account by the date nominated on your assessment, interest will be charged to this account. The balance of this account will be deducted from your final benefit when you cease to be a defined benefit member. The surcharge interest rate* for 2012/2013 was 3.00%, increasing to 3.75% for 2013/2014.

* This rate is based on the Commonwealth Government 10 year bond yield as at the previous 30 June, rounded to the nearest 0.25%.

Telstra Super's advisers

We use external professional advisers to ensure that Telstra Super continues to operate correctly and efficiently. Telstra Super's key advisers for the year to 30 June 2013 are listed below.

Actuarial advisers	Russell Investment Group
Asset consultant	JANA Investment Advisers Pty Ltd
External auditors	Ernst & Young
Principal legal advisers	Lander & Rogers
Master Custodian	National Australia Bank Limited

Reserves

The Trustee has an insurance reserve to meet benefits internally insured, an Administrative Reserve to meet any large unexpected expenses, and a reserve to meet APRA licensing requirements. The reserve to meet APRA licensing requirements is invested in a term deposit, and the remainder is invested in line with the defined benefit investment strategy of the fund. The total value of the reserves in each of the last three years was as follows: 30 June 2013 \$51,350,000; 30 June 2012 \$35,350,000 and 30 June 2011 \$31,450,000.

During the 2012/2013 financial year the level of reserves increased due to an increase in the Administration Reserve. This reserve increased, as the operational surplus was allocated to the Administration Reserve to assist Telstra Super with its intention to use this reserve to fund a new reserve called the Operational Risk Financial Reserve (ORFR). Like all super funds, from 1 July 2013, Telstra Super is required by law to establish and maintain a certain amount of funds to cover potential losses arising as a result of the occurrence of operational risk events. Over the next three years, Telstra Super will be building the ORFR to the target amount of 0.25% of funds under management as required under APRA's Prudential Standards.

Derivatives

A derivative is a financial contract, the value of which depends on or is derived from assets, liabilities or indices (the underlying asset). Derivative transactions include a wide assortment of instruments such as forwards, futures, options, share ratios, warrants, swaps and other composites. The use of derivatives in external and internal investment mandates is authorised under Telstra Super's Trust Deed. Use of derivatives for gearing or speculative purposes is prohibited. The responsible and properly managed use of derivatives assists Telstra Super Pty Ltd to achieve its investment objectives for the fund. Derivatives are used principally to:

- reduce volatility
- reduce transaction costs, and
- to change asset allocation in a timely and cost effective manner.

Telstra Super Pty Ltd monitors the use of derivatives by:

- internal controls
- internal audit
- external auditors, and
- an external custodian.

Temporary residents

If you are a temporary resident, that is, not an Australian or New Zealand citizen, a permanent resident of Australia, or the holder of a Subclass 405 visa or a Subclass 410 visa, conditions of release to access your super changed on 1 April 2009:

- if you have not claimed your benefit within six months of departing Australia, it becomes 'unclaimed money' and Telstra Super must pay it to the Australian Taxation Office (ATO).
- if your benefit is transferred to the ATO, you are able to apply to the ATO for your benefit. Under the relief provided by ASIC Class Order 09/437 no exit statement will be provided to you at the time of, or after, the transfer of your benefit. Please contact **1300 033 166** if you require further information.

Disclaimers

The intent of this report is to provide useful information, not investment or financial advice, and the information should not be construed as investment or financial advice. Each member is ultimately responsible for making his or her own investment decisions and obtaining whatever assistance he or she deems necessary.

The information in this report is of a general nature only, and should not be construed as investment or financial advice. It is not intended to be, and is not, a complete or definitive statement of all matters outlined in it. Telstra Super Pty Ltd does not recommend that any member make decisions concerning superannuation arrangements based solely on this report.

Formal legal documents, called the governing rules, and relevant legislation ultimately govern the operation of the Telstra Superannuation Scheme (Telstra Super). The central document is the Telstra Super Trust Deed. Should there be any discrepancies between the information in this report and the governing rules, the governing rules will prevail.

The details in this annual report are correct as at 1 October 2013.

Telstra Super Pty Ltd, ABN 86 007 422 522, AFSL 236709, is the Trustee of the Telstra Superannuation Scheme (Telstra Super), ABN 85 502 108 833.

References to Telstra Super Financial Planning in this report are to Telstra Super Financial Planning Pty Ltd (ABN 74 097 777 725), AFSL 218705.

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RETIREMENT DREAMS

As your retirement savings partner, Telstra Super is committed to helping all our members and their families achieve their retirement dreams.

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Anyone who's budgeted before would know that it always seems that little bit easier to save when you have something exciting to save for. To help you paint the retirement picture of your dreams, Telstra Super has launched an exciting new tool which lets you compile an online picture board of everything you'd like to experience, buy or achieve once you leave work behind for good.

You can also see how close you may be to financially achieving your dream retirement and if you think you need it, access some simple tips, tools and information that might help you get there faster.

Start building your retirement dream

(and compare it against those of your friends and family!) by visiting

www.retirementdreams.com.au today.



Contacting us

If you have any questions about Telstra Super or your membership you can:



Call 1300 033 166

Our Member Services Consultants are available from **8.00am to 5.30pm** (Melbourne time), **Monday to Friday**.



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