

Notes to the Financial Statements (continued)

2. Summary of significant accounting policies, estimates, assumptions and judgements

2.1 Changes in accounting policies

The following accounting policy changes occurred during the year ended 30 June 2012.

(a) Presentation of items of Other Comprehensive Income (OCI)

We have elected to early adopt and apply AASB 2011-9: "Amendments to Australian Accounting Standards - Presentation of items of Other Comprehensive Income" in our 30 June 2012 financial report.

AASB 2011-9 was issued by the AASB in September 2011 and amends AASB 101: "Presentation of Financial Statements" to require entities to group items presented in OCI on the basis of whether they are subsequently expected to be reclassified to profit or loss.

The amendments from this standard have resulted in a change in the presentation of Telstra's Statement of Comprehensive Income so that items of OCI that may be reclassified to profit or loss in subsequent periods are grouped separately from items of OCI that will not. This standard impacts disclosure requirements only and does not change the way we recognise or measure items of OCI.

(b) Other

Other accounting standards that are applicable for the year ended 30 June 2012.

- AASB 124: "Related Party Disclosures (Revised)";
- AASB 2009-12: "Amendments to Australian Accounting Standards";
- AASB 2009-14: "Amendments to Australian Interpretation - Prepayments of a Minimum Funding Requirement";
- AASB 2010-4: "Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project";
- AASB 2010-5: "Amendments to Australian Accounting Standards";
- AASB 2010-6: "Amendments to Australian Accounting Standards - Disclosures on Transfers of Financial Assets";
- AASB 2011-5: "Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation";
- AASB 1048: "Interpretation of Standards (Revised)"; and
- AASB 1053: "The Application of Tiers of Australian Accounting Standards".

These new accounting standards do not have any material impact on our financial results.

2.2 Principles of consolidation

The consolidated financial report includes the assets and liabilities of the Telstra Entity and its controlled entities as a whole as at the end of the year and the consolidated results and cash flows for the year. The effect of all intragroup transactions and balances are eliminated in full from our consolidated financial statements.

An entity is considered to be a controlled entity where we are able to dominate decision making, directly or indirectly, relating to the financial and operating policies of that entity so as to obtain benefits from its activities.

Where we do not control an entity for the entire year, results and cash flows for those entities are only included from the date on which control commences, or up until the date on which there is a loss of control.

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

We account for the acquisition of our controlled entities using the acquisition method of accounting. This involves recognising the acquiree's identifiable assets, liabilities and contingent liabilities at their fair value at the date of acquisition. Any excess of the fair value of consideration over our interest in the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities is recognised as goodwill.

The financial statements of controlled entities are prepared for the same reporting period as the Telstra Entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies.

2.3 Foreign currency translation

(a) Transactions and balances

Foreign currency transactions are converted into the relevant functional currency at market exchange rates applicable at the date of the transactions. Amounts payable or receivable in foreign currencies at reporting date are converted into the relevant functional currency at market exchange rates at reporting date. Any currency translation gains and losses that arise are included in our income statement. Where we enter into a hedge for a specific expenditure commitment or for the construction of an asset, hedging gains and losses are accumulated in other comprehensive income over the period of the hedge and are transferred to the carrying value of the asset upon completion, or included in the income statement at the same time as the discharge of the expenditure commitment.

The consolidated financial statements are presented in Australian dollars, which is the functional and presentation currency of Telstra Corporation Limited.