

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

5. SEGMENT INFORMATION (CONTINUED)

Segment results

The measurement of segment results is in line with information presented to management for internal management reporting purposes. The result of each segment is measured based on its “earnings before interest, income tax expense, depreciation and amortisation (EBITDA) contribution”. EBITDA contribution excludes the effects of all inter-segment balances and transactions (with the exception of transactions referred to in footnote (v) below). Therefore, only transactions external to the Telstra Group are reported.

We have no reconciling items between segment results and Telstra Group’s reported EBITDA. The reconciliation of segment results to Telstra Group’s reported EBIT and profit before income tax expense in the financial statements includes only depreciation and amortisation expenses and net finance costs.

Certain items of income and expense are recorded by our corporate areas, rather than being allocated to each segment. These items include:

- the adjustment to defer our basic access installation and connection fee revenues and costs in accordance with our accounting policy (our reportable segments record these amounts upfront)
- the majority of redundancy expenses for the Telstra Entity.

In addition, the following narrative further explains how some items are allocated and managed and, as a result, how they are reflected in our segment results:

- revenue associated with mobile handsets sold via dealers for the GES segment is allocated to the TR segment along with the associated costs of goods and services purchased, as the TR segment manages our suppliers, delivery and dealership arrangements. Ongoing prepaid and postpaid mobile revenues derived from our mobile usage services are recorded in the TR and GES segments depending on the type of customer segment serviced
- NAS costs associated with revenue from the TB customers, included in the TR segment, are reported in the GES segment
- the TOps segment result includes network service delivery costs for the TR, GES and TW customers
- the TOps segment recognises costs related to NAS revenue reported in the GES segment, mainly for commercial recoverable works, where customers contribute to the extension of our networks
- the TOps segment recognises certain expenses in relation to the installation and running of the HFC cable network
- domestic promotion and advertising expenses for the Telstra Entity are recorded centrally in the TR head office function
- call centre costs associated with the GES segment are included in the TR segment.