

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

17. CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

(a) Capital management (continued)

Gearing and net debt (continued)

Net debt included in Table A is based on the carrying values of our financial instruments, which are provided in Table C in the following section (b). For interest bearing financial instruments we adopt a 'clean price' whereby the reported balance of our derivative instruments and borrowings excludes accrued interest. Accrued interest is recorded in current "trade and other receivables" and current "trade and other payables" in the statement of financial position.

Our borrowings are unsecured, except for finance leases, which are secured, as the rights to the leased asset transfer to the lessor in the event of a default by us. No assets are pledged as security for our borrowings. All our borrowings are interest bearing, except for some loans from wholly owned controlled entities. Details of interest rates and maturity profiles are included in note 18.

We are not subject to any externally imposed capital requirements.

(i) Offshore borrowings

Offshore borrowings comprise debt raised overseas. The carrying amounts of offshore borrowings are denominated in the currencies in Table B. Our policy is to swap foreign currency borrowings into Australian dollars, except where they are held to hedge translation foreign exchange risk associated with our offshore investments. Refer to Table D for the net contractual face values of our borrowings on a post hedge basis.

Refer to Table E for details on debt issuance and maturities.

(ii) Telstra bonds and domestic borrowings

Telstra bonds currently on issue total \$233 million, mature up until the year 2020, and are issued to wholesale investors. Domestic borrowings as at 30 June 2014 total \$2,560 million, with various maturity dates up until the year 2020. Refer to Table E for details on debt issuance and maturities.

| Table B | Telstra Group | |
|------------------------------|---------------|---------------|
| | As at 30 June | |
| | 2014 \$m | 2013 \$m |
| Australian dollar | 190 | 190 |
| Euro | 9,533 | 9,054 |
| United States dollar | 1,210 | 1,225 |
| British pound sterling | 361 | 329 |
| Japanese yen | 494 | 566 |
| New Zealand dollar | 236 | 214 |
| Swiss franc | 282 | 262 |
| Hong Kong dollar | 47 | 47 |
| Indian rupee | 4 | 4 |
| | 12,357 | 11,891 |