

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

21. IMPAIRMENT

Cash generating units

For the purposes of undertaking our impairment testing, we identify cash generating units (CGUs). Our CGUs are determined according to the smallest group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The carrying amount of goodwill has been allocated to the CGUs as detailed below:

	Goodwill	
	As at 30 June	
	2014 \$m	2013 \$m
CGUs		
CSL New World Group (a)	-	860
Telstra UK Group (*)	65	60
Sensis Group (b)	-	216
Location Navigation (b)	-	14
1300 Australia Group	16	16
Autohome (*)	108	108
Sequel Media (c)	-	13
O2 Networks Group (d)	47	-
DCA Health Group (e)	16	-
Fred IT Group (f)	21	-
Telstra Enterprise & Services Group (g)	122	95
	395	1,382

(*) These CGUs operate in overseas locations, therefore the goodwill allocated to these CGUs will fluctuate in line with movements in applicable foreign exchange rates during the period.

(a) Goodwill allocated to the CSL New World Group CGU (included in the Telstra International Group (TIG) reportable segment) arises on consolidation of CSL New World Mobility Limited and its controlled entities (CSL Group). CSL Group was disposed of on 14 May 2014. Refer to note 20 for further details.

(b) Goodwill allocated to the Sensis Group and Location Navigation CGUs (included in the "All Other" category in our segments) relates to the Sensis advertising and directories business. On 28 February 2014, we divested 70 per cent of that business via disposal of our 100 per cent shareholding in Sensis Pty Ltd and its controlled entities (Sensis Group) for total consideration of \$454 million and acquisition of 30 per cent of Project Sunshine I Pty Ltd, the new holding company of the Sensis Group. The Sensis Group was classified as a discontinued operation and, on the re-measurement of assets of the disposal group, the carrying amount of the Sensis Group goodwill was impaired by \$150 million. Refer to note 12 for further details.

(c) As at 30 June 2014, the assets and liabilities of Sequel Media Inc. and its controlled entities (Sequel Media Group) were classified as held for sale and measured at the lower of carrying amount and fair value less costs to sell. This resulted in an impairment charge of \$12 million against goodwill being recognised in the Telstra Group financial statements. Goodwill allocated to the Sequel Media CGU (included in the TIG reportable segment) related to Sequel Media Inc. Refer to note 12 for further details.

(d) On 31 December 2013, we acquired a 100 per cent shareholding in O2 Networks Pty Ltd via an acquisition of three holding entities: Prentice Management Consulting Pty Ltd, Kelzone Pty Ltd and Goodwin Enterprises (Vic) Pty Ltd (O2 Networks Group). Refer to note 20 for further details.

(e) On 2 September 2013, we acquired a 100 per cent shareholding in DCA eHealth Solutions Pty Ltd and its controlled entities (DCA Health Group). Refer to note 20 for further details.

(f) On 30 September 2013, we acquired a 50 per cent shareholding in Fred IT Group Pty Ltd and its controlled entities (Fred IT Group). Refer to note 20 for further details.

(g) The Telstra Enterprise & Services Group includes goodwill from past acquisitions integrated into our business. On 22 August 2013, we acquired a 100 per cent shareholding in NSC Group Pty Ltd and its controlled entities (NSC Group) which is also included in this CGU. Refer to note 20 for further details.

Ubiquitous telecommunications network and Hybrid Fibre Coaxial (HFC) cable network

In addition to the aforementioned CGUs, we have two further significant CGUs that are reviewed for impairment. These are:

- the Telstra Entity CGU, excluding the HFC cable network
- the CGU comprising the HFC cable network.

The Telstra Entity CGU consists of our ubiquitous telecommunications network in Australia, excluding the HFC cable network as we consider it not to be integrated with the rest of our telecommunications network. Assets that form part of the ubiquitous telecommunications network, comprising the customer access network and the core network, are considered to be working together to generate our cash inflows. No one item of telecommunications equipment is of any value without the other assets to which it is connected in order to achieve delivery of our products and services.

Impairment testing

Our impairment testing compares the carrying amount of an individual asset or CGU with its recoverable amount as determined using a value in use calculation, with the exception of Autohome whose recoverable amount was determined using fair value less cost of disposal as an observable market price is available for Autohome following its listing on the New York Stock Exchange.