21. IMPAIRMENT (CONTINUED)

Impairment testing (continued)

Our assumptions for determining the recoverable amount using value in use of each asset and CGU are based on past experience and our expectations for the future. Our cash flow projections are based on a maximum five year management approved forecasts. These forecasts use management estimates to determine income, expenses, capital expenditure and cash flows for each asset and CGU.

We have used the following key assumptions in determining the recoverable amount of our CGUs to which goodwill or indefinite useful life intangible assets have been allocated:

	Discount rate (h)		Terminal value growth rate (i)	
	As at 30 June		As at 30 June	
	2014 %	2013 %	**2014 %**	2013 %
CSL New World Group..........	**n/a**	11.6	**n/a**	2.0
Telstra UK Group	**8.1**	8.0	**3.0**	3.0
Sensis Group	**n/a**	15.9	**n/a**	3.0
Location Navigation............	**n/a**	12.3	**n/a**	3.0
1300 Australia Group..........	**11.7**	12.6	**3.0**	3.0
Autohome (j)	**n/a**	19.8	**n/a**	5.0
Sequel Media	**n/a**	20.0	**n/a**	5.0
O2 Networks Group.............	**12.4**	n/a	**3.0**	n/a
DCA Health Group	**11.7**	n/a	**3.0**	n/a
Fred IT Group	**11.5**	n/a	**3.0**	n/a
Telstra Enterprise & Services Group	**14.3**	n/a	**3.0**	n/a

(h) Discount rate represents the pre tax discount rate applied to the cash flow projections. The discount rate reflects the market determined, risk adjusted discount rate which is adjusted for specific risks relating to the CGU and the countries in which it operates.

(i) Terminal value growth rate represents the growth rate applied to extrapolate our cash flows beyond the five year forecast period. These growth rates are based on our expectation of the CGUs' long term performance in their respective markets.

The value in use calculations are sensitive to changes in discount rates, earnings and foreign exchange rates varying from the assumptions and forecast data used in the impairment testing. As such, sensitivity analysis was undertaken to examine the effect of a change in a variable on each CGU. The discount rate would need to increase by 382 basis points (2013: 480 basis points) or the terminal value growth rate would need to be negative growth of 2.1 per cent (2013: negative 3.5 per cent) before the recoverable amount of any of the CGUs would be equal to the carrying value.

(j) As at 30 June 2014, following the Autohome Inc. listing on 11 December 2013 (refer to note 20 for further details), the recoverable amount calculation for this CGU was based on fair value less cost of disposal measured with reference to quoted market prices in an active market (Level 1) (2013: recoverable amount based on value in use). Our assumption for determining the fair value less cost of disposal for the Autohome CGU was based on the New York Stock Exchange 30 June 2014 closing share price of US$34.43, which represented a quoted price in an active market. Telstra holds 68,788,940 shares valued at US$2,368 million (A$2,514 million).

Ubiquitous telecommunications network and Hybrid Fibre Coaxial (HFC) cable network ("the networks")

Our discounted expected future cash flows more than support the carrying amount of the networks. This is based on:

- forecast cash flows from continuing to:
  - use the core network
  - provide Pay TV services via the HFC cable network into the future
- the consideration we expect to receive under the National Broadband Network (NBN) Definitive Agreements (DAs) for:
  - the progressive disconnection of copper-based Customer Access Network services and broadband services on our HFC cable network (excluding Pay TV services on the HFC cable network) provided to premises in the NBN fibre footprint
  - providing access to certain infrastructure, including dark fibre links, exchange rack spaces and ducts
  - the sale of lead-in-conduits.

Given this, the results of our impairment testing for the networks show that the carrying amounts are recoverable at 30 June 2014.

Although renegotiations have commenced between us and the Commonwealth Government it is still uncertain as to what the outcomes of any renegotiations will be. Based on the current status of these renegotiations we are not aware of any basis under which we would anticipate any renegotiated agreements would give rise to any material impairment of our networks.