

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

30. PARENT ENTITY INFORMATION (CONTINUED)

Contingent liabilities and guarantees

Common law claims

Asbestos-related claims

For asbestos claims made under common law, we assess each claim on a case by case basis. Asbestos liabilities are inherently difficult to estimate due to the extremely long term nature of asbestos claims and the risk of significant changes in case law, legislation, litigation processes and medical developments. Therefore, arriving at any estimate will inevitably involve significant judgement about assumptions used and actual amounts could be considerably different from initial estimates.

In light of the significant uncertainty associated with asbestos claims, the associated costs of resolution are not able to be measured with sufficient reliability and, as required by accounting standards, no provision has been made to cover these liabilities as at 30 June 2014. These claims will continue to be assessed and where appropriate, settled on a case by case basis. We do not expect that the liability and costs associated with asbestos claims will have a material adverse effect on our financial position, results of operations or cash flows.

Other claims

Certain common law claims by employees and third parties are yet to be resolved. As at 30 June 2014, management believes that the resolution of these contingencies will not have a significant effect on the Telstra Entity's financial results. The maximum amount of these contingent liabilities cannot be reliably estimated.

Indemnities, performance guarantees and financial support

We have provided the following indemnities, performance guarantees and financial support through the Telstra Entity:

- indemnities to financial institutions to support bank guarantees to the value of \$483 million (2013: \$455 million) in respect of the performance of contracts
 - indemnities to financial institutions and other third parties in respect of performance and other obligations of our controlled entities. The maximum amount of our contingent liabilities for this purpose is \$130 million (2013: \$212 million)
 - indemnities to financial institutions in respect of the obligations of TelstraClear to third parties of \$27 million (2013: \$25 million). We have, however, received an indemnity for an equal amount from the acquirer as part of the TelstraClear disposal
 - financial support for certain controlled entities to the amount necessary to enable those entities to meet their obligations as and when they fall due. The financial support is subject to conditions, including individual monetary limits totalling \$45 million (2013: \$134 million) and a requirement that the entity remains our controlled entity
- during financial year 1998 we resolved to provide IBM Global Services Australia Limited (IBMGSA) with guarantees issued on a several basis up to \$210 million as a shareholder of IBMGSA. During financial year 2000 we issued a guarantee of \$68 million on behalf of IBMGSA. During financial year 2004, we sold our shareholding in this entity. The \$68 million guarantee, provided to support service contracts entered into by IBMGSA and third parties, was made with IBMGSA bankers or directly to IBMGSA customers. As at 30 June 2014, this guarantee remains unchanged and \$142 million (2013: \$142 million) of the \$210 million guarantee facility remains unused.

Upon sale of our shareholding in IBMGSA and under the deed of indemnity between shareholders, our liability under these performance guarantees has been indemnified for all guarantees that were in place at the time of sale. Therefore, the overall net exposure to any loss associated with a claim has effectively been offset.