



TelstraSuper

Annual Report 2004/2005

Our commitment to your future

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Face painting has always been considered a symbol of loyalty, pride and commitment.

At Telstra Super we are proudly committed to your future. Read through this report to see how...

In the last year...

When we set up Telstra Super 15 years ago, before super was even compulsory, our mission was to provide competitive and cost-effective superannuation services to employees of the Telstra Group. We've taken that commitment seriously and so that's why we've become one of the biggest corporate super funds around.

We know that you expect a lot from Telstra Super – and so you should. Over 78,000 of you have committed your future retirement into our hands. We recognise this and are committed to giving you the best benefits and services possible.

One of our major commitments to you is to generate strong investment returns to fund your retirement. So we are pleased to announce that Telstra Super has had another year of strong investment returns (see pp 15), outperforming many other funds in the market.

In this new era where many people can choose where their super is invested, there are many marketing messages out there from other big-name funds. I'd like to ask you to read this report and see just how Telstra Super really looks after you. Pay particular attention to claims about investment performance, not just over the last 1 or 2 years, but look back over 5 years.

Look at the fees others charge then compare them to our simple fees. Don't forget to see if they offer insurance (pp 11) like we do or give you access to financial planning at no additional cost (pp 12) like us.

An example of our commitment to making Telstra Super the best fund it can be is our decision to drop our annual fees for many of our members from 0.9% to 0.8% pa from 1 September 2005. This is the second fee reduction we've provided in under 2 years. In addition, we will be shortly expanding our insurance offering to cover all divisions, even people who work on a casual basis, to really make sure everyone is covered while they're with us.

Other highlights and improvements are listed on the following pages. Have a look at these and ask yourself, why would you go to another fund when Telstra Super delivers so much more than other funds can or do?



Terry McCredden Chief Executive Officer



Clive Batrouney Chairman



Terry McCredden, B.Comm (Hon)

Terry is the Chief Executive Officer at Telstra Super Pty Ltd (and has been since Telstra Super began in 1990). Terry has held senior executive positions in the superannuation industry for around 18 years now. Terry is also a Director of Telstra Super Financial Planning Pty Ltd.



Clive Batrouney ASIA, FAIM

Clive is the Chairman for Telstra Super Pty Ltd (appointed July 2003). Clive has held key positions at ANZ McCaughan Ltd, and has been a director of the Australian Stock Exchange Limited, the Securities Exchanges Guarantee Corporation Limited, and YMCA Superannuation. Clive is currently a director of Hansen Yuncken.

Highlights



Strong investment returns were achieved for most of our investment options



Fee drop - we're proud to announce our second administration fee reduction in two years for *Telstra Super Personal Plus* (formerly known as *Telstra Super Rollover Plus*) and *Telstra Super RetireAccess*[®] accounts. Effective 1 September 2005 the fee dropped from 0.9% to **0.8% pa**



We opened the inaugural **Telstra Super Member Centre** in October 2004, a one-stop shop for Telstra Super members and a first for corporate super funds in Australia (located in the foyer of 242 Exhibition Street, Melbourne)



Our **web-based subscriber service** was introduced, offering e-newsletters on investments and financial planning to members



FOXTEL joined our ranks in September 2004 - bringing 435 new members into the fund by 30 June 2005



A new type of tax-effective pension - ***Telstra Super RetireAccess Term Allocated Pension*** - was launched in September 2005



We used the SuperMatch system to find **lost super** for over **9,000 members**



Redesigned member statements were sent out this year to make them easier to read and more informative for you



This year's **member satisfaction** research revealed that Telstra Super's overall satisfaction rating has increased again, with significant increases in members happy with our fund administration and management, our communications material, our website, our member education seminars and Telstra Super Financial Planning Pty Ltd



Over **87%** of people who left the Telstra Group chose to stay with Telstra Super by transferring into *Telstra Super Personal Plus*. Increasingly, these members are getting their new employer to make contributions into their *Telstra Super Personal Plus* account. Over **\$65 million in employer contributions** were made this year



New and improved insurance is being offered across all Telstra Super divisions from 26 September 2005*



Members continued to favour Telstra Super as their rollover fund, with **over \$113 million rolled into Telstra Super** from other funds



Through our Member Education seminars, workplace super expos and Telstra Super Financial Planning Pty Ltd appointments, over **11,000 members were met face-to-face** this year

*except *Sensis Super Plus* (Division 8) which commences 1 November 2005



Phil is committed to surf lifesaving. He has been involved with surf clubs since he was just a nipper. Over the years he has learnt to respect the power of the ocean and the sun's rays. Phil enjoys passing on what he knows to the next generation of lifesavers, including always wearing zinc cream. Phil is a volunteer who patrols the beaches most weekends between October and March.

Committed to his cause

We're committed to you

Our commitment to you shines through in everything we do... including dropping our annual administration fees again!

We don't make profits for shareholders, so we are able to return our profits to you. That's why we can do things like reducing fees (twice in the last two years) for *Telstra Super Personal Plus* and *Telstra Super Retire Access*. Fee reductions can have a real impact on the value of your super over time.

Our 'quality over quantity' approach sees us going the extra mile to explain and simplify your super, through our easy-to-use website that gives you access to your super details 24 hours a day, seven days a week.

We also offer regular member education seminars across all states and regional areas, talking to you in your workplace or outside hours face-to-face.

Our friendly Member Services Consultants are just a phone call away to help you with any super queries on **1800 033 166**.

Even with our publications we strive to make them as clear and interesting as we can.

And we always strive to generate better-than-the-rest investment returns that help fund your long-term retirement plans.

Check out our strong investment results for 2004/2005 on page 15 onwards.

long-term
commitment

And you're committed to us too...

The numbers speak for themselves when it comes to how many of you stay with us and value the super and extras that we offer.

A significant percentage of you have been free to move to other super funds for some time, not just now under Choice of Fund, but you haven't. And why would you - you know when you're on a good wicket.

In the last year:

- Over 87% of you have chosen to stay with Telstra Super, once you've left the Telstra Corporation Ltd or one of Telstra's associated companies, rather than move your super to another fund.
 - 63% of you have super only with us and no one else.
 - Almost $\frac{1}{3}$ of you made additional contributions to your Telstra Super account.
 - 708 of you opened a *Telstra Super Personal Plus* account (formerly known as *Telstra Super Partner Privilege*) for your partner.
- 6,368 of you attended one of our free member education seminars.
 - Over 49,000 member calls were handled by our Member Service Consultants helpline.
 - Over 15,000 of you are now registered to use SuperOnline, the secure section of our website
 - Over 10,000 of you have subscribed to receive online one or more of the following: our quarterly magazine *Moving Forward*[®], our annual report, and our investment or financial planning e-newsletters.

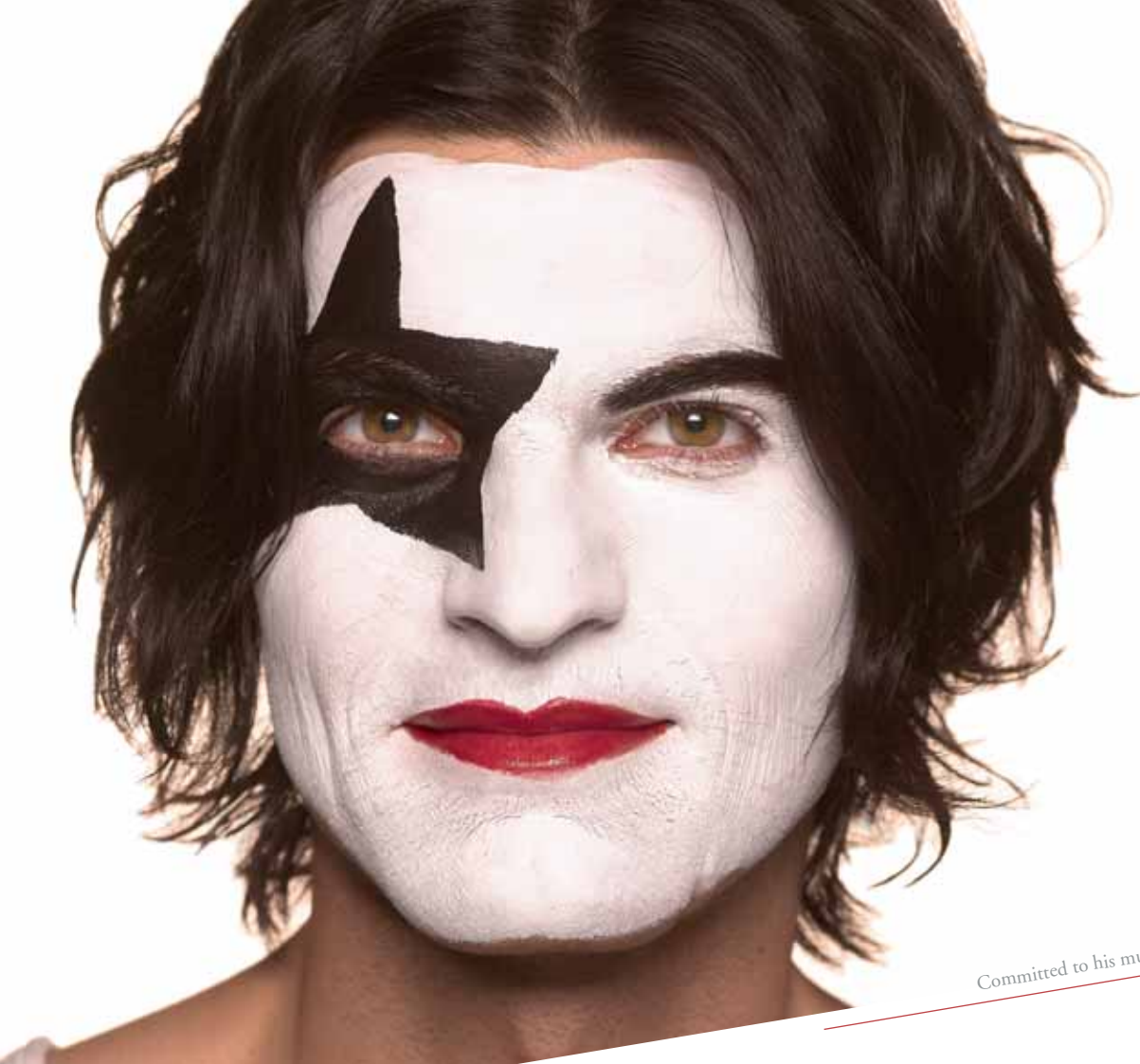
loyalty



Sarah is an avid sports fan. She plays tennis, hockey and basketball and loves going to sporting events to watch her favourite teams play. Sarah especially enjoys supporting Australia in international competitions. She is proud to belong to a sporting nation and often wears the Aussie flag on her face when she goes to watch the tennis and cricket.



Committed to her country



Glen is a devoted KISS fan. He bought his first album, KISS Alive, in 1977 when he was thirteen. Glen has seen the band perform every time they have toured Australia. He was once an official member of the KISS Army and still occasionally dresses as KISS's frontman Paul Stanley, much to his wife's horror.

Committed to his music

Super security

We're committed to bringing you new and improved insurance options, offering increased security for you and your family.

We know that often many people think about insuring their car before they think of insuring their life or their income. Because Telstra Super is committed to your future, we try to make sure most of our members have some level of insurance available.

Starting from 26 September 2005*, Telstra Super is unveiling our overhauled insurance arrangements for most members.

You'll see that we've expanded our range of insurance options to you, providing greater choice and flexibility so you can access the insurance that matches your personal needs – even if you work on a casual basis. Now most of you will be eligible for death cover, Total and Permanent Disablement insurance and income protection!

So you're really covered with Telstra Super.

devotion

*except *Sensis Super Plus* (Division 8) which commences 1 November 2005

Working towards the best future for you

Telstra Super and Telstra Super Financial Planning are committed to using our combined knowledge and systems to help you make the most of every opportunity to meet your retirement goals.

For instance:

- If you're approaching retirement age you might get a letter or call from us inviting you to come in for a consultation with one of Telstra Super Financial Planning's Financial Planners to chat about preparing for retirement.

- If you're eligible to receive the government's super co-contribution, you might get a letter from us towards the end of the financial year reminding you of the tax advantages of making member contributions.

Telstra Super Financial Planning has always provided great expert financial planning advice to members, helping develop a financial plan tailored to your individual needs.

This year that service got even better with the introduction of Superannuation Advisers. If you just want some advice on

particular aspects of your super, rather than an entire financial plan from one of their Financial Planners, you can now talk to a Superannuation Adviser. Superannuation Advisers can give advice over the phone (or in person at the Member Centre in Melbourne) and can also help you decide if you need a consultation with a Financial Planner.

Call **1800 033 166** to find out more.

dedication



Robert is a young indigenous Australian who is dedicated to his heritage. He conducts regular workshops and dance performances, both to entertain his audience and to encourage a better understanding of his culture and history. Robert proudly wears his emu totem face paint during performances.



Committed to his culture

Which part of Telstra Super are you in?

We have different types of members at Telstra Super. To find out how your super performed in this report, choose the member group below that applies to you.

If you are an accumulation member of:

- *Telstra Super Corporate Plus* (formerly known as *Telstra Super Personal Choice*)
- *Telstra Super Personal Plus* (formerly known as *Telstra Super Rollover Plus*)
- *Telstra Super RetireAccess*
- *Telstra Super Casuals*
- *ReachSuper®*
- *Sensis Super Plus*
- *Telstra Super Productivity*
- *Telstra Enterprises Services Super*



Your super's performance is based on your chosen investment option so turn to pages 21 to 28.

If you are a *Telstra Super Division 2* or *Telstra Super Division 5* Defined Benefit member



Your Defined Benefit super is not reliant on investment returns so turn to page 29 for more information about your super.

If you have a Voluntary Accumulation Account or Productivity Account, performance is based on your chosen investment option so turn to pages 21 to 28.

If you're not sure what type of member you are



Check your annual statement or visit www.telstrasuper.com.au, select 'your member group' from the drop down list and choose 'I don't know'.

If you are a *Sensis Super Plus* Defined Benefit member



Your Defined Benefit super is not reliant on investment returns so turn to page 29 for more information about your super.

Any Additional Account or Bridging Account you may have, is invested in the Growth investment option, so turn to page 21.

If you have a Productivity Account, Voluntary Accumulation Account or Telstra Top-up Account, performance is based on your chosen investment option so turn to pages 21 to 28.

Investment performance in 2004/2005

The charts below and overleaf show the results for each of our Member Investment Choice options for the 2004/2005 financial year. A more detailed explanation of each of Telstra Super's investment options and their audited investment returns over the last five years starts on page 21.

2004/2005 investment returns

The investment returns for each of our investment options for the 2004/2005 financial year are listed below.

If your super has been invested in the Mixed option, your investment return will depend on the combination of investment options you have chosen to make up this investment.

Investment Option	Member Investment Choice member returns	Telstra Super RetireAccess member returns
Growth	14.01%	15.80%
Balanced	13.13%	14.91%
Conservative	8.98%	10.42%
International Shares	5.96%	6.71%
Australian Shares	25.01%	27.94%
Property	20.31%	23.38%
Fixed Interest	6.06%	7.13%
Cash	4.85%	5.70%

Past performance is not a reliable indicator of future performance.

How your super performed this year

Crediting investment returns to your account

Investment returns are credited to your super account according to your chosen investment option's daily unit price.

Unit prices

The opening and closing unit prices for units in each of our investment options for the 2004/2005 financial year are listed below.

Investment option	Member Investment Choice ¹		Telstra Super RetireAccess ²		Telstra Super Personal Plus ³	
	1 July 2004 opening unit price	30 June 2005 closing unit price	1 July 2004 opening unit price	30 June 2005 closing unit price	1 July 2004 opening unit price	30 June 2005 closing unit price
Growth	1.19015	1.35694	1.20581	1.38392	1.17917	1.33340
Balanced	1.15965	1.31187	1.17180	1.33467	1.14893	1.28939
Conservative	1.09883	1.19754	1.10306	1.20704	1.08886	1.17735
International Shares	1.22499	1.29802	1.25572	1.32779	1.21425	1.27653
Australian Shares	1.26498	1.58131	1.28228	1.62627	1.25250	1.55240
Property	1.10115	1.32480	1.11130	1.35909	1.09650	1.30911
Fixed Interest	1.02043	1.08226	1.01985	1.08291	1.01634	1.06955
Cash	1.04904	1.09988	1.04708	1.09684	1.04001	1.08210

¹ This unit price is applicable to *Telstra Super Corporate Plus*, *Telstra Super Casuals*, *Telstra Super Productivity*, *ReachSuper*, *Sensis Super Plus Accumulation*, *Telstra Enterprise Services Super* and Voluntary Accumulation or other accounts held by Defined Benefit members. These unit prices are net of investment management fees and income tax on investment earnings, but gross of administration fees, insurance and switching costs as applicable.

² These unit prices are net of administration fees and investment management fees, but are gross of insurance and switching costs as applicable.

³ These unit prices are net of income tax on investment earnings, administration fees and investment management fees, but are gross of insurance, and switching costs as applicable. *Telstra Super RolloverPlus* and *Telstra Super Partner Privilege* are now called *Telstra Super Personal Plus*.

Comparing our performance to others

Investment markets bounced back in 2004/2005 and Telstra Super's investment options performance was strong against many in the superannuation industry.

DIVERSIFIED OPTIONS:

Growth

The Mercer Investment Consulting Pooled Fund Survey shows the performance of other growth funds* over the 2004/2005 financial year.

Telstra Super Growth option return	14.01%
Survey's median return	13.90%

Source: Mercer Investment Consulting

Balanced

The Mercer Investment Consulting Pooled Fund Survey shows the performance of other balanced funds* over the 2004/2005 financial year.

Telstra Super Balanced option return	13.13%
Survey's median return	13.00%

Source: Mercer Investment Consulting

Conservative

The Mercer Investment Consulting Capital Stable Survey shows the performance of other conservative funds* over the 2004/2005 financial year.

Telstra Super Conservative option return	8.98%
Survey's median return	8.80%

Source: Mercer Investment Consulting

Note - These returns are net of investment management fees and tax.

* The asset allocation for each fund referred to in the surveys may vary to the asset allocation of Telstra Super's investment options.

Past performance is not a reliable indicator of future performance.

Comparing our performance to others (continued)

SINGLE ASSET CLASS OPTIONS:

International shares

The Mercer Overseas Shares Specialist Survey (gross) shows the performance of international shares over the 2004/2005 financial year.

Telstra Super International Shares option return	5.96%
Survey's median return	1.40%

Source: Mercer Investment Consulting

Australian shares

The Mercer Australian Shares Specialist Survey (gross) shows the performance of Australian shares over the 2004/2005 financial year.

Telstra Super Australian Shares option return	25.01%
Survey's median return	27.80%

Source: Mercer Investment Consulting

Property

The Mercer Listed Property Specialist Survey (gross) shows the performance of property over the 2004/2005 financial year.

Telstra Super Property option return	20.31%
Survey's median return	18.80%

Source: Mercer Investment Consulting

Fixed Interest

The Mercer Australian Fixed Income Specialist Active Survey (gross) shows the performance of property over the 2004/2005 financial year.

Telstra Super Fixed Interest option return	6.06%
Survey's median return	7.90%

Source: Mercer Investment Consulting

Cash

The UBS Warburg Bank Bill Index shows the performance of cash over the 2004/2005 financial year.

Telstra Super Cash option return	4.85%
Market index return (net) *	4.67%

Source: Towers Perrin

Note - Our returns are net of investment management fees and tax.

*A net index return has been calculated based on the gross index return for comparison purposes.

Past performance is not a reliable indicator of future performance.

Investment roundup

Strong returns for Australian Shares leads another solid year for all our investment options, highlighting the soundness of our investment strategies.

Market roundup

Australian share markets performed strongly again this year returning double digits for the second year in a row. This year's excellent return was largely driven by the strong performance of resource stocks. International markets struggled to achieve the strong returns posted last year due to high oil prices and the interest rate increase in the US, although rebounded over the last quarter to take global shares to a 4 year high. Australian property investments also did well this year at a time when residential housing seemed to lose some ground and international property continues its great run, outperforming all other asset classes in the last quarter of the financial year. Fixed interest returns here and overseas were unremarkable thanks to the rate rise, though bonds enjoyed a solid year.

Telstra Super investment roundup

While Telstra Super's Australian Shares investment option enjoyed strong returns this year, our International Shares investment option fell short of last year's excellent results although outperformed the survey's median return.

Our Growth, Balanced and Conservative investment options again all performed solidly, thanks in part to their Australian share weighting (Growth 40%, Balanced 34%, Conservative 11.5%) for much of the year.

Encouragingly, our Property investment option was a strong performer in its first full year of operation, while our Fixed Interest investment option fell just short of its benchmark in its first full year.

Investment performance over time

The following pages give a more detailed explanation of each of Telstra Super's investment options, their audited investment returns for the last five financial years, and their five-year average returns.

The asset allocations for each of the investment options are the actual allocations at the dates shown. Our investment in each asset class varies within ranges specified in Telstra Super's investment strategy.

Five-year average returns shown are compound average annual returns for the period.

Growth option

2004/2005 returns

14.01% Member Investment Choice

15.80% *Telstra Super RetireAccess**

Objective

To earn high returns over the long term.

Strategy

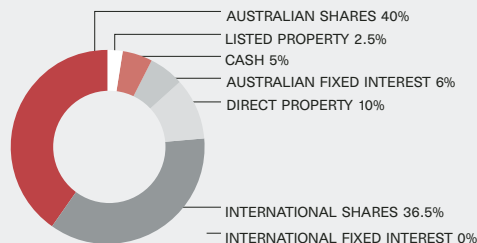
The Growth option has a strong bias towards growth assets, such as Australian and international shares and property, with a smaller allocation towards financial assets such as Australian and international fixed interest securities and cash.

Volatility/risk

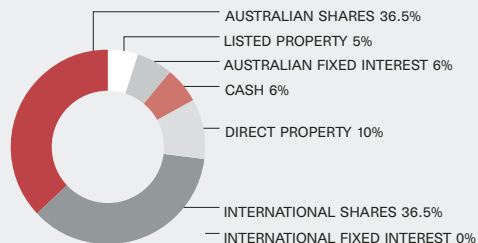
A higher level of volatility to achieve potentially higher returns in the long term. The value of your super may rise or fall in the short term.

Asset allocation

30 June 2005



30 June 2004



Performance

Year	Member Investment Choice	<i>Telstra Super RetireAccess</i> *
2004/2005	14.01%	15.80%
2003/2004	17.41%	19.87%
2002/2003	-1.86%	-2.38%
2001/2002	-4.98%	-5.96%
2000/2001	5.33%	6.17%
Five-year average return	5.62%	6.23%

* *Telstra Super RetireAccess* investment returns are different to Member Investment Choice returns because *Telstra Super RetireAccess* returns are not subject to tax. Past performance is not a reliable indicator of future performance.

Balanced option

2004/2005 returns

13.13% Member Investment Choice

14.91% *Telstra Super RetireAccess**

Objective

To earn moderately high returns over the medium to long term.

Strategy

The Balanced option has a moderate bias towards growth assets, such as Australian and international shares and property, balanced by an allocation towards financial assets such as Australian and international fixed interest securities and cash.

Volatility/risk

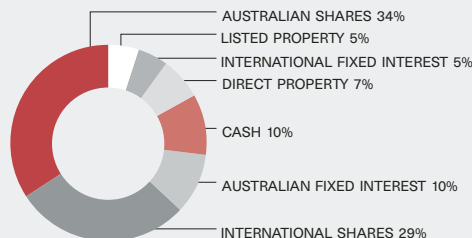
A medium level of volatility to achieve potentially good returns with less risk of fluctuations in value over the short term.

Default option

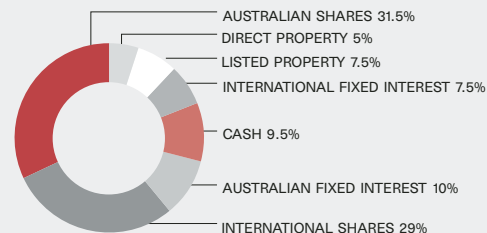
The Balanced option is the current default option[^] for all Telstra Super Member Investment Choice members aged up to 59 years who do not choose an investment option.

Asset allocation

30 June 2005



30 June 2004



Performance

Year	Member Investment Choice	<i>Telstra Super RetireAccess</i> *
2004/2005	13.13%	14.91%
2003/2004	14.85%	17.02%
2002/2003	0.59%	0.56%
2001/2002	-2.29%	-2.77%
2000/2001	5.50%	6.40%
Five-year average return	6.14%	6.94%

[^] Default investment options were changed on 1 July 2003. For information on default options before that date, please call **1800 033 166**.

* *Telstra Super RetireAccess* investment returns are different to Member Investment Choice returns because *Telstra Super RetireAccess* returns are not subject to tax.

Past performance is not a reliable indicator of future performance.

Conservative option

2004/2005 returns

8.98% Member Investment Choice
10.42% *Telstra Super RetireAccess**

Objective

To earn returns above cash over the medium term, through moderate exposure to growth assets.

Strategy

The Conservative option has a bias towards financial assets; in particular a high weighting towards cash to minimise short-term fluctuations (risk) but some exposure to growth assets for long-term growth (return).

Volatility/risk

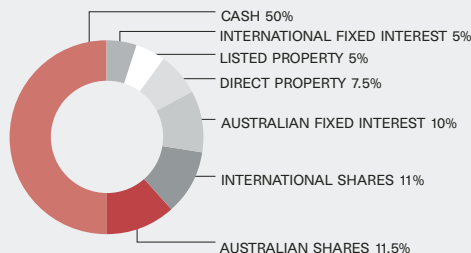
A moderate level of volatility for more consistent returns.

Default option

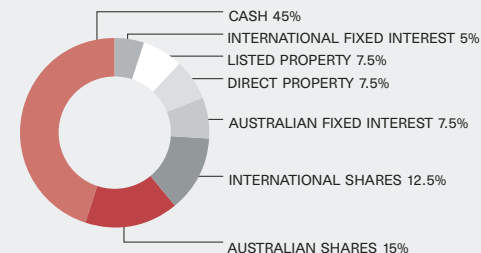
The Conservative option is the current default option[^] for Telstra Super Member Investment Choice members aged 60 years and over who do not choose an investment option.

Asset allocation

30 June 2005



30 June 2004



Performance

Year	Member Investment Choice	<i>Telstra Super RetireAccess</i> *
2004/2005	8.98%	10.42%
2003/2004	9.39%	10.82%
2002/2003	3.05%	3.54%
2001/2002	1.82%	2.12%
2000/2001	5.63%	6.61%
Five-year average return	5.73%	6.64%

[^] Default investment options were changed on 1 July 2003. For information on default options before that date, please call **1800 033 166**.

* *Telstra Super RetireAccess* investment returns are different to Member Investment Choice returns because *Telstra Super RetireAccess* returns are not subject to tax.

Past performance is not a reliable indicator of future performance.

International Shares option

2004/2005 returns

5.96% Member Investment Choice

6.71% *Telstra Super RetireAccess**

Objective

To earn higher returns over the longer term through a diversified portfolio of international shares.

Strategy

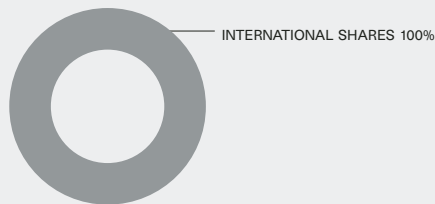
The International Shares option has 100% exposure to an international shares portfolio and is invested through several investment managers. It aims to achieve exposure to companies that are not part of the Australian share market.

Volatility/risk

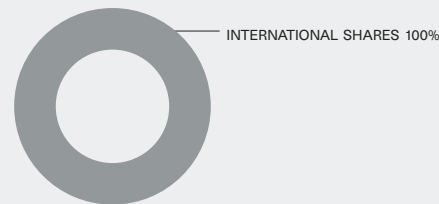
High volatility, reflecting exposure to a single asset class with higher growth/higher risk characteristics as well as exposure to currency risk.

Asset allocation

30 June 2005



30 June 2004



Performance

Year	Member Investment Choice	<i>Telstra Super RetireAccess</i> *
2004/2005	5.96%	6.71%
2003/2004	20.10%	23.84%
2002/2003	-9.09%	-10.84%
2001/2002	-14.96%	-17.54%
2000/2001	-6.80%	-8.08%
Five-year average return	-1.72%	-2.24%

Figures for the International Shares option are notional before 1 July 2001, the date the International Shares option was introduced. Notional returns are based on the actual performance of Telstra Super's investments within this asset class during the relevant period.

* *Telstra Super RetireAccess* investment returns are different to Member Investment Choice returns because *Telstra Super RetireAccess* returns are not subject to tax.

Past performance is not a reliable indicator of future performance.

Australian shares option

2004/2005 returns

25.01% Member Investment Choice
27.94% *Telstra Super RetireAccess**

Objective

To earn high returns over the long term through a diversified portfolio of Australian shares.

Strategy

100% invested in Australian shares. Diversification is achieved through exposure to a number of investment managers with different styles.

Volatility/risk

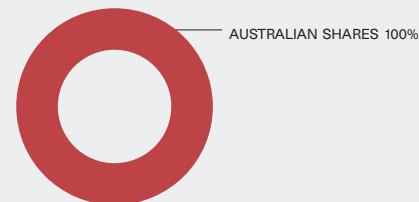
Higher volatility, reflecting exposure to a single asset class with high growth/high risk characteristics.

Asset allocation

30 June 2005



30 June 2004



Performance

Year	Member Investment Choice	<i>Telstra Super RetireAccess</i> *
2004/2005	25.01%	27.94%
2003/2004	24.00%	26.63%
2002/2003	-0.61%	-1.13%
2001/2002	-1.75%	-2.30%
2000/2001	11.14%	12.92%
Five-year average return	10.96%	12.06%

Figures for the Australian Shares option are notional before 1 July 2001, the date the Australian Shares option was introduced. Notional returns are based on the actual performance of Telstra Super's investments within this asset class during the relevant period.

* *Telstra Super RetireAccess* investment returns are different to Member Investment Choice returns because *Telstra Super RetireAccess* returns are not subject to tax.

Past performance is not a reliable indicator of future performance.

Property option

2004/2005 returns

20.31% Member Investment Choice

23.38% *Telstra Super RetireAccess**

Objective

To earn moderately high and consistent returns via income and capital growth over the medium to long term.

Strategy

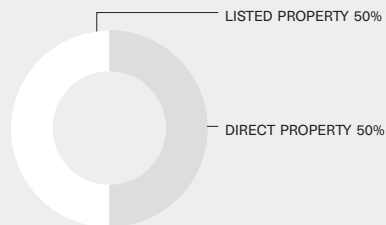
The Property option invests exclusively in property assets with a strong bias to Australian listed property trusts. A maximum of 50% may be invested in direct property depending on market conditions. Up to 30% may be invested in international property for diversification reasons.

Volatility/risk

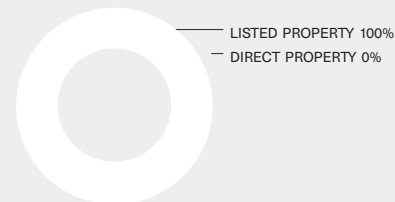
Moderate risk to achieve income returns and capital growth over the longer term.

Asset allocation

30 June 2005



30 June 2004



Performance

Year	Member Investment Choice	<i>Telstra Super RetireAccess*</i>
2004/2005	20.31%	23.38%
2003/2004	12.45%	14.33%
2002/2003	10.80%	12.75%
2001/2002	13.31%	15.79%
2000/2001	10.83%	12.79%
Five-year average return	13.49%	15.74%

Figures for the Property option are notional before 1 January 2004, the date the Property option was introduced. Notional returns are based on the actual performance of Telstra Super's investments within these asset classes during the relevant period.

* *Telstra Super RetireAccess* investment returns are different to Member Investment Choice returns because *Telstra Super RetireAccess* returns are not subject to tax.

Past performance is not a reliable indicator of future performance.

Fixed Interest option

2004/2005 returns

6.06% Member Investment Choice

7.13% *Telstra Super RetireAccess**

Objective

To earn moderate returns over the medium term mainly through income returns. In the short term, returns can be negative from time to time.

Strategy

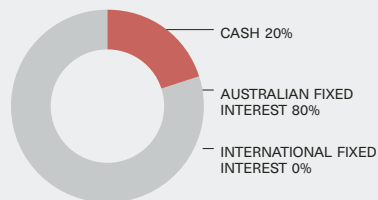
The Fixed Interest option invests primarily in Australian fixed interest securities and may have exposure to cash. A maximum of 30% may be invested in international fixed interest and a maximum of 50% may be invested in Australian cash, depending on market conditions.

Volatility/Risk

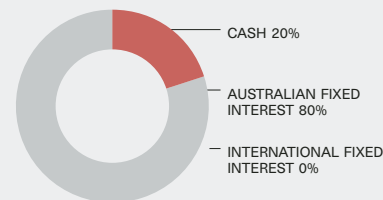
Lower risk option for generating income returns that generally provides lower risk returns than equity but returns can be negative.

Asset allocation

30 June 2005



30 June 2004



Performance

Year	Member Investment Choice	<i>Telstra Super RetireAccess</i> *
2004/2005	6.06%	7.13%
2003/2004	2.07%	2.42%
2002/2003	8.15%	9.64%
2001/2002	4.93%	5.81%
2000/2001	5.67%	6.70%
Five-year average return	5.36%	6.31%

Figures for the Fixed Interest option are notional before 1 January 2004, the date the Fixed Interest option was introduced. Notional returns are based on the actual performance of *Telstra Super*'s investments within these asset classes during the relevant period.

* *Telstra Super RetireAccess* investment returns are different to Member Investment Choice returns because *Telstra Super RetireAccess* returns are not subject to tax.

Past performance is not a reliable indicator of future performance.

Cash option

2004/2005 returns

4.85% Member Investment Choice

5.70% *Telstra Super RetireAccess**

Objective

To provide security of capital. Returns will reflect short-term money market interest rates.

Strategy

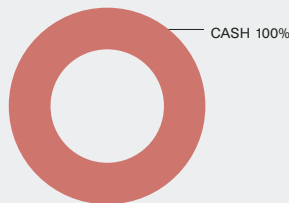
100% is invested in cash and short-term money market securities.

Volatility/Risk

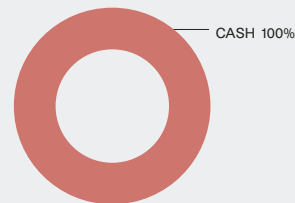
A low level of volatility, but generally lower returns in most years than the other Telstra Super investment options.

Asset allocation

30 June 2005



30 June 2004



Performance

Year	Member Investment Choice	<i>Telstra Super RetireAccess</i> *
2004/2005	4.85%	5.70%
2003/2004	4.52%	5.32%
2002/2003	4.19%	4.95%
2001/2002	3.81%	4.50%
2000/2001	4.96%	5.86%
Five-year average return	4.47%	5.26%

* *Telstra Super RetireAccess* investment returns are different to Member Investment Choice returns because *Telstra Super RetireAccess* returns are not subject to tax.
Past performance is not a reliable indicator of future performance.

Defined Benefit members

If you are a member of *Telstra Super Division 2*, *Telstra Super Division 5* or *Sensis Super Plus* (Defined Benefit), all or most of your super is a 'Defined Benefit'. Unlike an accumulation account, a Defined Benefit does not rely on investment returns to grow. Instead, your super is worked out using a formula that is generally based on your salary, your length of service with your employer and the rates at which you have been contributing to your super.

This means that investment returns do not impact the amount of super you get in retirement. However, Telstra Super Pty Ltd invests both employer and member Defined Benefit contributions in line with the Defined Benefit objectives and strategies outlined.

Our Defined Benefit investment objectives

- To earn the best possible returns within an appropriate level of risk.
- To maintain Telstra Super's financial viability within the current benefit design and employer contribution rate.

Our Defined Benefit investment strategy

- To control the level of risk by investing in a broad range of quality investments.
- To reduce risk by using a range of Australian and international investment managers who specialise in cash, fixed interest, shares and property.
- To ensure there are sufficient funds to meet the required payment of benefits.

Defined Benefit net earning rates

We achieved a strong Defined Benefit net earning rate* of 12.5% on our investment portfolio for 2004/2005.

Past performance is not a reliable indicator of future performance.

Derivatives

A derivative is a financial contract that's value depends on or is derived from assets, liabilities or indices (the underlying asset). Derivative transactions include a wide assortment of instruments such as forwards, futures, options, share ratios, warrants, swaps and other composites.

The use of derivatives in external and internal investment mandates is authorised under Telstra Super's Trust Deed. Use of derivatives for gearing or speculative purposes is prohibited.

The responsible and properly managed use of derivatives assists Telstra Super Pty Ltd to achieve its investment objectives for the Fund. Derivatives are used principally to:

- reduce volatility
- reduce transaction costs, and
- to change asset allocation in a timely and cost effective manner.

Telstra Super Pty Ltd monitors the use of derivatives by:

- internal controls
- internal and external auditors, and
- an external custodian.

*Investment management fees and Investment taxes are deducted from the gross earnings before setting the net earning rate.

Abridged financial statements

Change in net assets available to pay members' benefits	2005	2004
	\$'000	\$'000
Net assets available to pay members' benefits at beginning of the year	7,093,545	6,517,428
Plus		
Contributions		
Employer contributions	14,183	7,544
Member contributions	85,309	77,713
Amounts rolled in from other super funds	113,953	91,899
Total contributions	213,445	177,156
Revenues		
Investment earnings	1,021,289	673,349
Deferred Transfer Values adjustment ¹	0	58,312
Residual Notional Fund Surplus adjustment ²	0	71,000
Other income	849	1,599
Total revenues	1,022,138	804,260
Total inflows	1,235,583	981,416
Less		
Benefits paid	232,033	309,152
Administration costs	20,809	16,594
Group life insurance premiums	336	366
Surcharge tax	7,991	7,126
Income tax expense	79,652	72,061
Total outgoings	340,821	405,299
Net movement for year	894,762	576,117
Net assets available to pay members' benefits at end of the year	7,988,307	7,093,545

¹ Deferred Transfer Values represent the actuarially determined amount of employer financed accrued benefits in the Commonwealth Superannuation Scheme (CSS) remaining to be paid to Telstra Super by the Federal Government in respect of former CSS members who transferred to Telstra Super. Payment of the entire amount outstanding was received from the Federal Government on 17 June 2004.

² The Residual Notional Fund Surplus (RNFS) represents the actuarially determined amount, which is to be paid to Telstra Super by the Federal Government in respect of surplus Telstra contributions in the CSS. Payment of the entire amount outstanding was received from the Federal Government on 17 June 2004.

Statement of net assets	2005	2004
	\$'000	\$'000
Investments		
Short-term money market	231,645	409,188
Australian fixed interest securities	1,364,267	1,946,291
International fixed interest securities	443,544	306,967
Australian shares	2,440,811	1,966,662
International shares	2,427,358	2,019,912
Private equity	81,727	51,308
Property	1,114,921	926,204
Total investments	8,104,273	7,626,532
Other assets		
Cash and receivables	35,816	22,912
Operating plant and equipment	1,843	954
Total other assets	37,659	23,866
Total assets	8,141,932	7,650,398
Less liabilities		
Benefits payable	47,964	31,150
Tax liabilities	94,814	518,854
Other liabilities	10,847	6,849
Total liabilities	153,625	556,853
Net assets available to pay benefits	7,988,307	7,093,545

A full copy of our audited accounts can be obtained by writing to:
Company Secretary, Telstra Super Pty Ltd, PO Box 14309, MELBOURNE VICTORIA 8001

Our investment managers

The following table lists Telstra Super Pty Ltd's investment managers as at 30 June 2005.

Australian fixed interest securities	International shares	Property
Alliance Capital Management Australia Ltd	Acadian Asset Management Inc.	AMP Capital Investors Limited
International fixed interest	BIAM Australia Pty Ltd	Telstra Super Pty Ltd
Black Rock Financial Management Inc	BNP Paribas Asset Management	Cash
PIMCO Australia Pty Ltd	Citigroup Asset Management Australia Limited	BT Funds Management Ltd
Australian shares	Clay Finlay Inc	Macquarie Investment Management Ltd
Jenkins Investment Management Pty Ltd	Credit Suisse Asset Management (Australia) Limited	Asset allocation overlay
Merrill Lynch Investment Managers Ltd	LSV Asset Management	Telstra Super Pty Ltd
Perpetual Investment Management Ltd	MFS Institutional Advisors (Australia) Ltd	
Portfolio Partners Ltd	Turner Investment Partners Pty Ltd	
Schroders Investment Management Australia Ltd	Wellington International Management Company Pte Ltd	
Telstra Super Pty Ltd		

Collective investments – managers

Property trusts	Fixed interest securities	Currency overlay
AMP Capital Investors Limited	Challenger Financial Services Group	Pareto Partners Australia Pty Ltd
APN Funds Management Limited	ME Portfolio Management Limited	Hedge funds
Colonial First State Property Limited	International shares	Colonial First State
Fiduciary International Real Estate	Vanguard Investments Australia Ltd	BT Financial Group Pty Limited
Lend Lease Global Property SICAF (Macquarie Global Property Advisors)	Private equity	UBS Global Asset Management (Australia) Ltd
Lend Lease Real Estate Investments Ltd	Adam Street Partners LLC	Australian shares
Macquarie Investment Management Ltd	AIG Capital Partners Inc	Barclays Global Investors Australia Ltd
	Goldman Sachs JB Were Asset Management	State Street Global Advisors, Australia Limited
Infrastructure	HarbourVest Partners LLC	
Hastings Funds Management Limited	Knightsbridge Advisors Incorporated	
Perpetual Investment Management Limited	Quay Partners Pty Ltd	
	Wilshire Australia Pty Ltd	

Important information

Telstra Super Trust Deed changes

The Telstra Super Trust Deed sets out the rules by which Telstra Super is managed. There were amendments made to the Trust Deed as at 1 February 2005.

Amendments were made to:

- the definition of 'dependant' to permit interdependence claim as provided by law
- delete the Division 7 membership category
- include provisions concerning the payment of a Term Allocated Pension

You can read the Telstra Super Trust Deed online at www.telstrasuper.com.au or request a copy by writing to: Company Secretary, Telstra Super Pty Ltd, PO Box 14309, MELBOURNE VICTORIA 8001.

Surcharge

While the Government has recently abolished the surcharge from 1 July 2005, surcharge assessments may still be issued for the 2004/2005 and previous financial years.

The surcharge is an additional tax on surchargeable contributions for high-income earners. The maximum rate of surcharge for the 2004/2005 financial year was 12.5% of your surchargeable contributions. This rate applied if your adjusted taxable income was over a certain threshold, which changes each financial year.

If you have an accumulation account (including a Voluntary Accumulation Account) and we receive a surcharge assessment for you, the amount of your surcharge assessment is deducted from your accumulation account.

If you are a Defined Benefit member, any surcharge applicable to your Defined Benefit was recorded in your Surcharge Account. You may have chosen to pay an amount equal to the amount of the surcharge, which Telstra Super Pty Ltd will then apply against your Surcharge Account. If you did not pay the amount in your Surcharge Account by the date nominated on your assessment, interest charged to this account and the balance of this account will be deducted from your final benefit when you cease to be a Defined Benefit member. The surcharge interest rate* for 2004/2005 was 6%.

*This rate is based on the Commonwealth Government 10 year Bond yield as at the previous 30 June, rounded to the nearest 0.25%

About us

What does Telstra Super Pty Ltd do?

Telstra Super Pty Ltd is the trustee of Telstra Super. The purpose of Telstra Super Pty Ltd is to make sure Telstra Super provides appropriate superannuation benefits to members and their dependants. Telstra Super Pty Ltd has a Board of Directors responsible for its management.

Telstra Super's Board of Directors

The Board of Directors has the responsibility of ensuring that Telstra Super is administered in accordance with the rules of the fund and all legal requirements. The Board of Directors has an equal number of member and employer representatives. In addition, the Board has chosen to appoint an Independent Director Chairman.

Telstra Super Board of Directors during 2004/2005

Independent Chairman	Employer Directors	Member Directors
Clive Batrouney	Douglas Gratton	Eric Alford
	David Pitt (1/7/04 - 24/6/05)	Robert Belzer
	Jan Price (appointed 24/6/05)	Ian McCarthy
	John Stanhope	Gerry Kandelaars
	Laurence Wood	

Telstra Super Board Attendance Record 2004/2005

Name	Board		Committees	
	Held	Attended	Held	Attended
Clive Batrouney	8	8	25	25
Eric Alford	8	7	28	21*
Robert Belzer	8	8	16	16
Douglas Gratton	8	8	4	4
Gerry Kandelaars	8	8	9	5*
Ian McCarthy	8	7	11	8*
David Pitt	8	8	16	15
John Stanhope	8	6	20	15
Laurence Wood	8	7	12	11
Jan Price ¹		2		5
Carmel Mulhern ²				
Samantha Kennedy ³				
Anthony Cherubin ⁴		1		1
Cliff Davis ⁵				

¹ Alternate for John Stanhope (1/7/04 - 24/6/05)

² Alternate for Douglas Gratton (1/7/04 - 18/11/04)

³ Alternate for Douglas Gratton (appointed 19/11/04)

⁴ Alternate for Laurence Wood

⁵ Alternate for David Pitt (1/7/04 - 24/6/05). Alternate for John Stanhope

and for Jan Price (appointed 24/6/05)
*On 19/10/04 Eric Alford was replaced by Gerry Kandelaars on the Remuneration Committee and Ian McCarthy on the Assessment Committee.

The Trustee has determined that a Member Director can only be appointed following their nomination in writing by the Australian Council of Trade Unions. All Employer Directors are appointed after being nominated in writing by Telstra. The Independent Chairman can only be chosen, removed or have the terms of his/her appointment changed by resolution of the Directors.

Telstra Super Pty Ltd has taken out indemnity and fidelity insurance to cover Telstra Super against the financial effects of any wrongful acts that may be made by Telstra Super Pty Ltd's directors, senior managers and employees while administering Telstra Super.

Telstra Super's advisers

We use external professional advisers to ensure that Telstra Super continues to operate correctly and efficiently. Telstra Super's key advisers for the year to 30 June 2005 are listed below.

Russell Investment Group
Actuarial advisers/asset consultant
Ernst & Young
External auditors
Freehills
Legal advisers
National Australia Bank Limited
Master Custodian

Telstra Super Pty Ltd ABN 86 007 422 522 is the Trustee of the Telstra Superannuation Scheme (Telstra Super) and an Australian Financial Services Licensee (Licence no: 236 709).

References to Telstra Super Financial Planning in this report are to Telstra Super Financial Planning Pty Ltd (ABN 74 097 777 725). Telstra Super Financial Planning is an Australian Financial Services Licensee (Licence no. 218 705).

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The intent of this report is to provide useful information, not investment or financial advice, and the information should not be construed as investment or financial advice. Each member is ultimately responsible for making his or her own investment decisions and obtaining whatever assistance he or she deems necessary.

The information in this report is of a general nature only and is not intended to be, and is not, a complete or definitive statement of all matters outlined in it. Telstra Super Pty Ltd does not recommend that any member make decisions concerning superannuation arrangements based solely on this report.

Formal legal documents, called the governing rules, and relevant legislation ultimately govern the operation of the Telstra Superannuation Scheme (Telstra Super). The central document is the Telstra Super Trust Deed. Should there be any discrepancies between the information in this report and the governing rules, the governing rules will prevail. You can request a copy of the Trust Deed by writing to: Company Secretary at Telstra Super Pty Ltd, PO Box 14309 Melbourne Victoria 8001.

The details in this annual report are correct as at August 2005.

This report was designed by X2 Design and printed on Maxi Satin.

Contacting us

If you have any questions about
Telstra Super or your membership you can...



Call 1800 033 166

Our Member Services Consultants
are available from **8.00am** to
5.30pm (Melbourne time),
Monday to Friday.



www.telstrasuper.com.au

available 24 hours a day,
7 days a week.



Fax 03 9653 6060

This fax line is dedicated
to member enquiries.



Write

Telstra Super Pty Ltd
PO Box 14309
MELBOURNE VIC 8001



Visit

Telstra Super Member Centre
Foyer, 242 Exhibition Street
Melbourne