

A super performance
doesn't just happen



TelstraSuper 

Annual Report 2005/2006

In the last year



Terry McCredden

B.Comm (Hon)

Terry is the Chief Executive Officer at Telstra Super Pty Ltd (and has been since Telstra Super's inception in 1990).

Terry held senior executive positions in the superannuation industry prior to joining Telstra Super (experience totals 19 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 and Telstra Super Financial Planning Pty Ltd.

Clive has held key positions at ANZ McCaughan Ltd, YMCA Superannuation and has been a director of the Australian Stock Exchange Limited. Clive is currently a director of Hansen Yuncken and the Securities Exchanges Guarantee Corporation Limited.

It is said that companies who enjoy continued success have core values and a core purpose; for Telstra Super our core value is to continue creating wealth for our members. This year, a year where we have achieved some of our best returns ever, has seen Telstra Super grow and perform in line with our core values, as would be expected of Australia's largest corporate super fund.

Our success has reflected our long term goals. A highlight of the past year has definitely been our investment returns, but also our retention of members in the fund. In an era when members can choose to leave and go to other funds, Telstra Super members are staying; and that is testament to the value we offer. With Choice of Fund, and new regulations and licensing requirements, there are many pressures on super funds today. Telstra Super has proven that this is an environment in which we thrive.

And there are exciting times ahead. The Federal Government's May 2006 Budget announced the most significant changes to super in 20 years. With the Budget providing many opportunities for members to build retirement savings.

'Telstra Super received a Platinum award ...only awarded to the best value for money funds in Australia.'

Telstra Super places the highest priority on achieving competitive long term investment returns, ensuring fees are kept to a minimum and the provision of quality financial advice for our members. This focus has been recognised outside of Telstra Super. In 2005/2006, Telstra Super received a Platinum award from SuperRatings (Australia's leading organisation specialising in the research of super funds) - the highest award available and only awarded to the best value for money funds in Australia.

Almost a decade ago our members' superannuation was entirely managed within a Defined Benefit arrangement and we were only just introducing member investment choice. Today, 80% of Telstra Super members have an accumulation super account with the ability to choose their investment option.

With so many members relying on returns, it is vital that our investment performance is competitive.

'We've had an exceptional year of investment performance - the result of some very hard work.'

Crucial to our investment success is the continued performance of our investment team. Keeping in mind our goal to deliver competitive results over the long term, our performance this year can be attributed to a combination of our tactical asset allocation decisions, the positive performance of our external investment managers and our skilled investment management team.

We've had an exceptional year of investment performance - the result of some very hard work. But it's the long-term performance that investors should stay focussed on. Significantly the majority of our investment options were ranked well within the top 25% of Australian funds¹ for both our three and five year returns. And we are positive that we can continue this strong performance going forward.

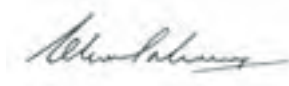
In the following 12 months, we'll be maintaining our low fees for Telstra employees, reducing our fees for the third time in three years for those members who are no longer with the Telstra group, relaunching our website and we'll continue to provide members with an extensive range of value for money products and services.

In a world that is constantly changing, we remain confident about Telstra Super's ability to face further challenges, and for our growth prospects in the future.

We hope you enjoy this year's report, as much as we have in bringing you this year's results.



Terry McCredden
Chief Executive Officer



Clive Batrouney
Chairman

¹ Within the SuperRatings Fund Credit Rating Survey SR Indices.

performance



A super performance doesn't just happen

An outstanding performance is the result of persistence, technique, focus and that extra something – the flair that takes a performance from being merely good, to one that is really special.

For Telstra Super, the performance we are ultimately judged on is our investment returns; our returns are what our members use to compare us to other funds in the industry.

This year we achieved a truly outstanding performance, our highest returns ever for the Growth, Balanced and Conservative options.



2005/2006 Returns

Growth **19.52%**

Balanced **16.87%**

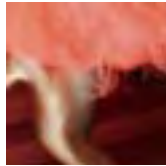
Conservative **9.57%**

When making an investment within a Member Investment Choice option it is important to note that past performance is not a reliable indicator of future performance.

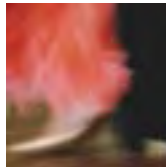
highlights

2005/2006 Highlights

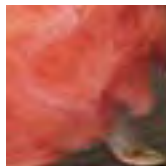
The past year has seen some of Telstra Super's best returns to date



Investment returns 19.52% for Growth and 16.87% for the Balanced options. **Our best results** since these options were introduced in 1997!



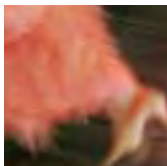
Over 80,000 members and growing.



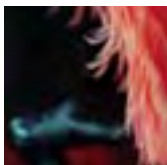
Less than 0.1% of members still working within the Telstra Group have left Telstra Super due to Choice of Fund.



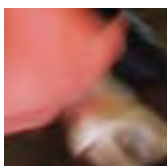
Fees reduced from 0.9% to 0.8% - from 1 October 2006, fees will reduce again to 0.7% and further rebates will be introduced.



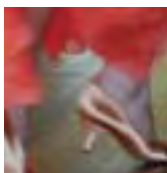
Over 7,300 people attended
**220 free member
information sessions.**



Awarded a **Platinum rating with
SuperRatings.** The highest ranking
for funds surveyed in Australia.



Members continued to
favour Telstra Super,
with over **\$155 million
rolled in from other funds.**



Benefit Statements are
now available **online**



persistence

A super
performance
requires
persistence

Our performance throughout
2005/2006 was outstanding
due to the constant effort and
persistence of our staff.



Knowing superannuation inside and out is not a skill we are born with. And it's not something you study once and know for life. Government legislation around superannuation changes regularly, and keeping up to date requires effort and persistence. And study.

At Telstra Super and Telstra Super Financial Planning, everyone who communicates with members must be qualified in accordance with the knowledge and skill standards set by the Australian Securities & Investments Commission, before they are able to give qualified advice or produce materials for members. This standard requires staff to study (and maintain that knowledge and skill) a range of topics relevant to both superannuation and their profession, every year.

As a company we've also had to be persistent to achieve what we have today - the highest member satisfaction rate ever. This result is due to our efforts to provide an extensive list of products and services, low fees, and number 1 returns on our Growth and Property investment options.

focus

A super
performance
requires **focus**

Like a dancer focussed on perfecting every move, Telstra Super is focussed on our members and our members' needs in retirement.



Whether you are retiring next year, or in 40 years time, we have the products and services to meet your needs.

Over the last 15 years, we have evolved into a fund that manages the retirement wealth of over 80,000 members and become Australia's largest corporate super fund. Our ongoing focus has remained our members, and because we have no competing interests, we've been able to continue to reduce fees and increase services.

Over the years we have introduced Telstra Super Financial Planning, new retirement products, and a personal superannuation product for those who leave Telstra but wish to stay with Telstra Super. From 1 October 2006, we'll be reducing the fees for our *Telstra Super RetireAccess*® and *Telstra Super Personal Plus* members for the third time in three years!

technique



A super
performance
depends on
technique

To achieve a brilliant
performance, there's a
lot to be said for getting
your technique right.



In super, the right technique is all about professionalism, expertise and sound processes.

Two years ago the Federal Government introduced additional standards and licensing requirements for Superannuation Trustees and funds as part of their Safety in Super reform package. Licence applications had to be approved before 30 June 2006 in order for a superannuation trustee and fund to be able to operate after this date. Whilst Telstra Super achieved its licence easily, many smaller funds and their Trustees did not become licensed. For the superannuation industry this process and regulation has seen the number of APRA regulated Fund Trustees reduce from over 1200 to just over 300 in the Australian marketplace at 1 July 2006².

At Telstra Super, we pride ourselves on having the professionalism and expertise to securely and knowledgeably build our members' retirement savings, and to face every challenge ahead for the super industry.

The last Federal Budget announced some major changes for super. In response, Telstra Super's in-house experts interpreted the complex changes, and notified members immediately regarding the significance of the changes. As the Government moves to legislate the changes, Telstra Super will continue to translate the impact for members.

² Media Release no 06.34, Australian Prudential Regulation Authority, 4 July 2006



flair

A super performance requires **flair**

To stand out from the crowd you need that certain something that lifts a performance from simply good to outstanding.

In a year where anyone could achieve positive returns, what did Telstra Super do to put us so far ahead of the rest?



Achieving a SuperRatings³ number 1 investment performance result (for both the Growth and Property options) for the financial year was the result of a highly sophisticated investment strategy, strong active management from our specialist fund managers, and shrewd tactical asset allocations throughout the year that paid off.

In one of the smartest investment decisions made in 2005/2006, Telstra Super increased our investment in emerging share markets (such as Asia and Eastern Europe) early in the financial year, from 18% to 27%. In April, we reduced our exposure to Australian shares and emerging markets in favour of defensive assets, despite the fact that share markets continued to surge. Our timing couldn't have been better, with share markets reversing in May. The result of Telstra Super's investment decision? The Fund was cushioned significantly from the impact of the market sell-off.

Understanding the markets and how they can impact the Fund, making the tactical moves necessary to ensure we take advantage of market opportunities and having relationships with the best fund managers available, are what set our investment team apart from the rest. This approach ensures Telstra Super consistently achieves top quartile results, as demonstrated by our excellent three and five year performance.

³ Within the SuperRatings Fund Credit Rating Survey SR Indices.



Investment performance in 2005/2006

The charts below and overleaf show the results for each of our Member Investment Choice options for the 2005/2006 financial year.

A more detailed explanation of each of Telstra Super's investment options and investment returns over the last five years starts on page 23.

2005/2006 investment returns

The investment returns for each of our investment options for the 2005/2006 financial year are listed below.

If your super has been invested in a number of investment options, your

investment return will depend on the relative combination of investment options you have chosen to make up this investment.

The figures below show the investment returns for members invested in the option for the full financial year. If you switched investment options throughout the year, your investment return will not equal the figures below.

2005/2006 investment returns

Investment option	Accumulation member returns*	Telstra Super RetireAccess member returns*
Growth	19.52%	21.65%
Balanced	16.87%	18.84%
Conservative	9.57%	10.97%
International Shares	19.81%	21.69%
Australian Shares	24.83%	27.41%
Property	17.79%	20.24%
Fixed Interest	3.79%	4.48%
Cash	4.99%	5.86%

* Investment management fees & taxes have been deducted before calculating these figures. Administration fees were not.
Telstra Super RetireAccess investment returns are different to Accumulation member returns because they are not subject to tax.

When making an investment within a Member Investment Choice option it is important to note that past performance is not a reliable indicator of future performance.

Investment roundup

This year's strong returns follow two successive years of growth in the Australian and international sharemarkets, which in turn have resulted in strong returns for super funds across the board.

Telstra Super investment roundup

Telstra Super has produced its most impressive results ever this financial year, with the Growth and Balanced investment options reaching record highs and five of the eight options achieving double-digit growth.

Despite a market downturn late in the financial year, Telstra Super's investment performance remained impressive when compared to our peers: every one of our eight investment options was ranked in the top ten, and significantly, the majority of our investment options continue to be in the top quarter of super funds surveyed* in the country over three and five years.

Markets overall

After reaching record highs at the end of December 2005 and then again on 11 May, the Australian sharemarket went on to have its largest fall (10.12%) in almost five years between 12 May and 13 June (S&P/ASX200 Index). Also in May the Australian Reserve Bank raised the cash rate by 0.25% to 5.75%. Many experts believed the fall in the Australian sharemarket was inevitable since the previous strong run had lasted since 2003.

International markets achieved stronger returns than the previous year despite high oil prices. Emerging markets surged by 5.1% in March, and then weakened towards year end.

In the short-term, markets may remain volatile. It is not expected that such high double-digit returns as were achieved in 2005/2006 can be sustained for an extended period - more moderate returns are likely. Resource stocks are expected to stabilise, and the fundamentals - demand from China and Australian economic stability among others - remain in place.

* Within the SuperRatings Fund Credit Rating Survey SR Indices.

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. You can check these at our website daily.

Unit prices

The opening and closing unit prices for units in each of our investment options for the 2005/2006 financial year are listed below.

Investment option	Accumulation ¹		<i>Telstra Super RetireAccess</i> ²		<i>Telstra Super Personal Plus</i> ³	
	1 July 2005 opening unit price	30 June 2006 closing unit price	1 July 2005 opening unit price	30 June 2006 closing unit price	1 July 2005 opening unit price	30 June 2006 closing unit price
Growth	1.35694	1.62180	1.38392	1.67021	1.33340	1.58226
Balanced	1.31187	1.53321	1.33467	1.57353	1.28939	1.49592
Conservative	1.19754	1.31218	1.20704	1.32878	1.17735	1.28086
International Shares	1.29802	1.55520	1.32779	1.60319	1.27653	1.51808
Australian Shares	1.58131	1.97401	1.62627	2.05571	1.55240	1.92321
Property	1.32480	1.56045	1.35909	1.62116	1.30911	1.53077
Fixed Interest	1.08226	1.12331	1.08291	1.12198	1.06955	1.10237
Cash	1.09988	1.15478	1.09684	1.15179	1.08210	1.12828

¹ This unit price is applicable to *Telstra Super Corporate Plus*, *Telstra Super Division 3 Casuals & Productivity*, *Sensis Super Plus Accumulation* and Voluntary Accumulation or other accumulation accounts held by Defined Benefit members. Tax and investment management fees have been deducted from these unit prices, but administration fees, insurance and switching costs as applicable have not been.

² These unit prices include administration fees and investment management fees, but exclude insurance and switching costs as applicable. *Telstra Super RetireAccess* returns are not subject to tax.

³ These unit prices include tax and administration fees and investment management fees, but exclude insurance, and switching costs as applicable.

Comparing our performance to others

In what has been our strongest year of investment returns since we commenced Member Investment Choice in 1997, Telstra Super's performance compared to other super funds did not go unnoticed.

Throughout this report and other material from Telstra Super, you will notice we refer to SuperRatings and their survey results or awards. SuperRatings judges super funds based on fees and investment returns, member benefits, employer services, website access, insurance services, super advice and fund governance.

For 2005/2006 Telstra Super was awarded a Platinum Rating – the highest-ranking award available.

Each month, and again at year end, our investment returns are compared with every other fund in the SuperRatings Fund Crediting Rate survey. Most noticeably, Telstra Super's Growth and Property options achieved number 1 ratings^{*} while all other options finished within the Top 10 for the 2005/2006 financial year. And more importantly, the majority of our options remain in the top quarter of surveyed^{*} results over the three and five year figures as well.

DIVERSIFIED OPTIONS

Telstra Super outperformed the median funds[^] in 2005/2006 in each of its Diversified options.

Growth

Telstra Super Growth option return	19.52%
Survey's median return	16.90%

Source: SuperRatings 50 Growth Index

Balanced

Telstra Super Balanced option return	16.87%
Survey's median return	14.50%

Source: SuperRatings 50 Balanced Index

Conservative

Telstra Super Conservative option return	9.57%
Survey's median return	8.00%

Source: SuperRatings 50 Stable Index

* Within the SuperRatings Fund Credit Rating Survey SR Indices.

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

Note – Investment management fees and taxes have been deducted before calculating these figures. Administration fees were not.

When making an investment within a Member Investment Choice option it is important to note that past performance is not a reliable indicator of future performance.

SINGLE ASSET CLASS OPTIONS

Telstra Super outperformed the median funds[^] in 2005/2006 in each of its Single Asset Class options.

International shares

Telstra Super International Shares option return	19.81%
Survey's median return	18.10%

Source: SuperRatings 50 International Shares Index

Australian shares

Telstra Super Australian shares option return	24.83%
Survey's median return	21.30%

Source: SuperRatings 50 Australian Shares Index

Property

Telstra Super Property option return	17.79%
Survey's median return	14.60%

Source: SuperRatings 25 Property Index

Fixed Interest

Telstra Super Fixed Interest option return	3.79%
Survey's median return	2.80%

Source: SuperRatings 25 Fixed Interest Index

Cash

Telstra Super Cash option return	4.99%
Survey's median return	4.70%

Source: SuperRatings 50 Cash Index

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

Note – Investment management fees and taxes have been deducted before calculating these figures. Administration fees were not.

When making an investment within a Member Investment Choice option it is important to note that past performance is not a reliable indicator of future performance.

Investment performance over time

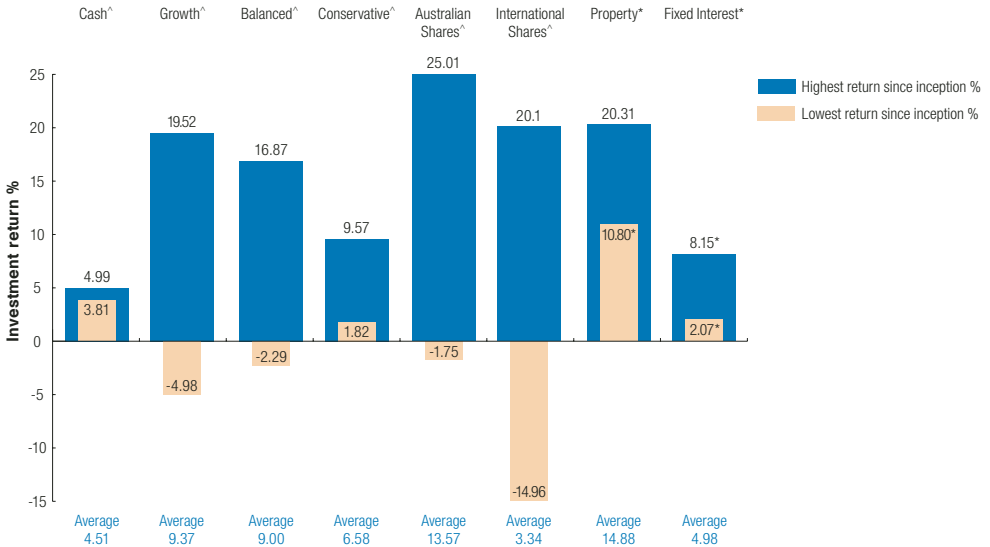
The following pages give a more detailed explanation of each of Telstra Super's investment options, the objectives and strategies behind them, their investment returns for the last five financial years, and their five-year average returns.

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 as specified within Telstra Super's investment strategy.

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

Investment options performance since their introduction

The graph below demonstrates how performance has varied for Telstra Super's individual investment options since their introduction. If we were to cover a longer period, for example 20 years, it would show more dramatic variations and therefore show clearly how the options with potential for higher returns over the long term, are also likely to show greater variation in returns over the short term.



[^] This graph shows the variation in returns for all investment options since inception. These options were launched as follows: Growth, Balanced & Cash on 1 January 1997; Conservative on 1 July 1999; Australian & International Shares on 1 July 2001.

The average has been calculated using actual returns since inception.

^{*} For these options actual and notional returns have been used over the past 5 years as these were not launched until 1 January 2004. Notional returns are based on the actual performance of Telstra Super's investments within the asset class during the relevant period. The average has been calculated using these 5 year figures.

When making an investment within a Member Investment Choice option it is important to note that past performance is not a reliable indicator of future performance.

Growth option

2005/2006 returns

19.52% Member Investment Choice
21.65% *Telstra Super RetireAccess**

Objective

To earn high returns over the long term.

Strategy

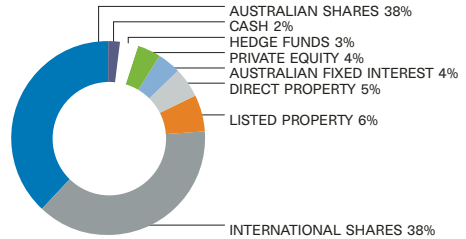
The Growth option has a strong bias towards growth assets, such as Australian and international shares and property, with a smaller allocation towards financial assets such as Australian and international fixed interest securities and cash.

Volatility/Risk

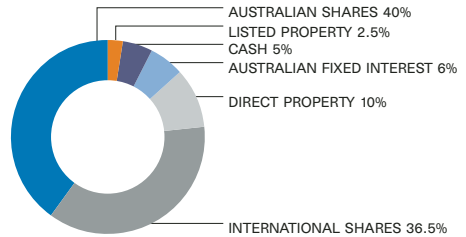
A higher level of volatility to achieve potentially higher returns in the long term. The value of your super may rise or fall in the short term.

Asset allocation

30 June 2006



30 June 2005



Performance

Year	Member Investment Choice	<i>Telstra Super RetireAccess</i> *
2005/2006	19.52%	21.65%
2004/2005	14.01%	15.80%
2003/2004	17.41%	19.87%
2002/2003	-1.86%	-2.38%
2001/2002	-4.98%	-5.96%
Five-year average return	8.33%	9.16%

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

When making an investment within a Member Investment Choice option it is important to note that past performance is not a reliable indicator of future performance.

Balanced option

2005/2006 returns

16.87% Member Investment Choice
18.84% *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

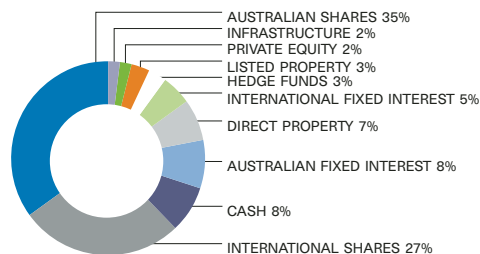
A medium level of volatility to achieve potentially good returns with less risk of fluctuations in value over the short term.

Default option

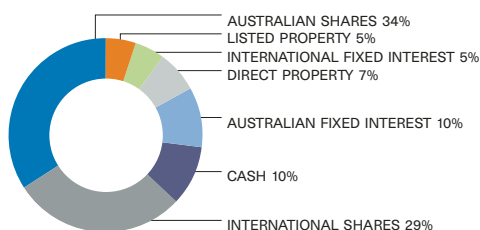
The Balanced option is currently the default option[^] for all new *Telstra Super Member Investment Choice* members aged up to 59 years who do not choose an investment option.

Asset allocation

30 June 2006



30 June 2005



Performance

Year	Member Investment Choice	<i>Telstra Super RetireAccess</i> *
2005/2006	16.87%	18.84%
2004/2005	13.13%	14.91%
2003/2004	14.85%	17.02%
2002/2003	0.59%	0.56%
2001/2002	-2.29%	-2.77%
Five-year average return	8.34%	9.33%

[^] 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.

When making an investment within a Member Investment Choice option it is important to note that past performance is not a reliable indicator of future performance.

Conservative option

2005/2006 returns

9.57% Member Investment Choice
10.97% *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

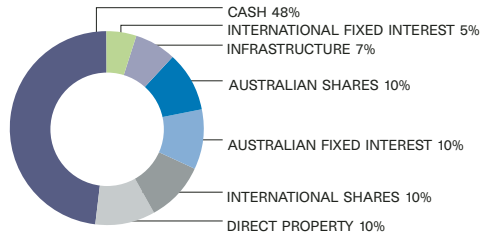
A moderate level of volatility for more consistent returns.

Default option

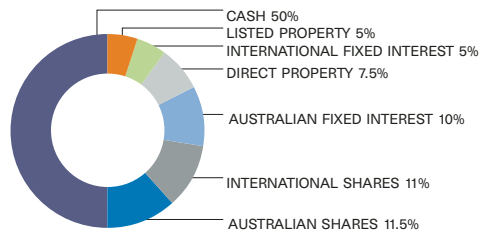
The Conservative option is currently the default option^ for all *Telstra Super Member Investment Choice* members aged 60 years and over who do not choose an investment option.

Asset allocation

30 June 2006



30 June 2005



Performance

Year	Member Investment Choice	<i>Telstra Super RetireAccess</i> *
2005/2006	9.57%	10.97%
2004/2005	8.98%	10.42%
2003/2004	9.39%	10.82%
2002/2003	3.05%	3.54%
2001/2002	1.82%	2.12%
Five-year average return	6.51%	7.50%

^ 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.

When making an investment within a Member Investment Choice option it is important to note that past performance is not a reliable indicator of future performance.

International Shares option

2005/2006 returns

19.81% Member Investment Choice
21.69% *Telstra Super RetireAccess**

Objective

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

Strategy

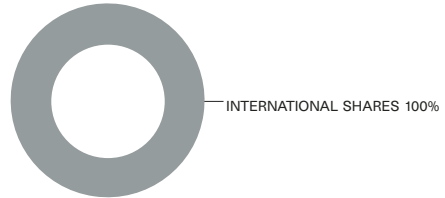
The International Shares option has 100% exposure to an international shares portfolio and is invested through several investment managers. It aims to achieve exposure to companies that are not part of the Australian sharemarket.

Volatility/Risk

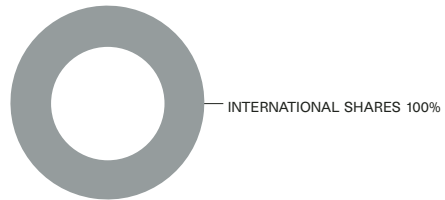
High volatility, reflecting exposure to a single asset class with higher growth/higher risk characteristics as well as some exposure to currency risk.

Asset allocation

30 June 2006



30 June 2005



Performance

Year	Member Investment Choice	<i>Telstra Super RetireAccess</i> *
2005/2006	19.81%	21.69%
2004/2005	5.96%	6.71%
2003/2004	20.10%	23.84%
2002/2003	-9.09%	-10.84%
2001/2002	-14.96%	-17.54%
Five-year average return	3.34%	3.41%

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

When making an investment within a Member Investment Choice option it is important to note that past performance is not a reliable indicator of future performance.

Australian Shares option

2005/2006 returns

24.83% Member Investment Choice
27.41% *Telstra Super RetireAccess**

Objective

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

Strategy

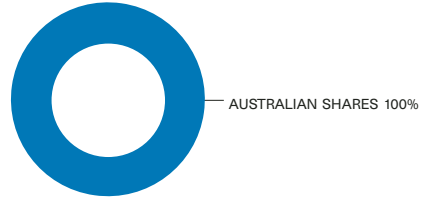
100% invested in Australian shares. Diversification is achieved through exposure to a number of investment managers with different styles.

Volatility/Risk

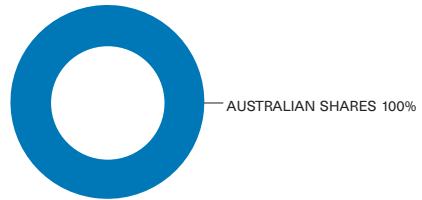
Higher volatility, reflecting exposure to a single asset class with high growth/high risk characteristics.

Asset allocation

30 June 2006



30 June 2005



Performance

Year	Member Investment Choice	<i>Telstra Super RetireAccess</i> *
2005/2006	24.83%	27.41%
2004/2005	25.01%	27.94%
2003/2004	24.00%	26.63%
2002/2003	-0.61%	-1.13%
2001/2002	-1.75%	-2.30%
Five-year average return	13.57%	14.80%

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

When making an investment within a Member Investment Choice option it is important to note that past performance is not a reliable indicator of future performance.

Property option

2005/2006 returns

17.79% Member Investment Choice
20.24% *Telstra Super RetireAccess**

Objective

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

Strategy

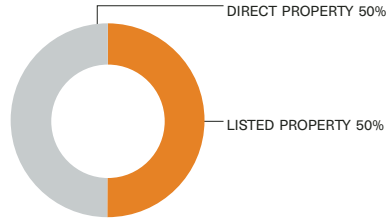
The Property option invests exclusively in property assets including Australian listed property trusts. A maximum of 50% may be invested in direct property depending on market conditions. Up to 30% may be invested in international property for diversification reasons.

Volatility/Risk

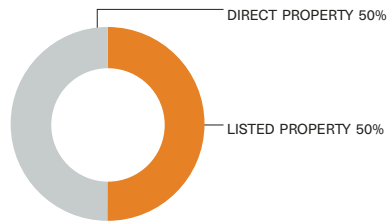
Moderate risk to achieve income returns and capital growth over the longer term.

Asset allocation

30 June 2006



30 June 2005



Performance

Year	Member Investment Choice	<i>Telstra Super RetireAccess</i> *
2005/2006	17.79%	20.24%
2004/2005	20.31%	23.38%
2003/2004	12.45%	14.33%
2002/2003	10.80%	12.75%
2001/2002	13.31%	15.79%
Five-year average return	14.88%	17.23%

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 the 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.

When making an investment within a Member Investment Choice option it is important to note that past performance is not a reliable indicator of future performance.

Fixed Interest option

2005/2006 returns

3.79% Member Investment Choice
4.48% *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

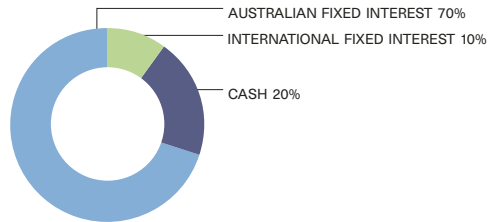
The Fixed Interest option invests primarily in Australian fixed interest securities and may have exposure to cash. A maximum of 30% may be invested in international fixed interest and a maximum of 50% may be invested in Australian cash, depending on market conditions.

Volatility/risk

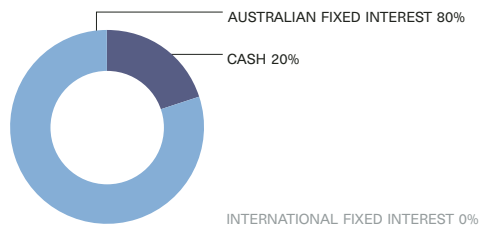
Lower risk option for generating income returns that generally provides lower risk returns than equity but returns can be negative.

Asset allocation

30 June 2006



30 June 2005



Performance

Year	Member Investment Choice	<i>Telstra Super RetireAccess</i> *
2005/2006	3.79%	4.48%
2004/2005	6.06%	7.13%
2003/2004	2.07%	2.42%
2002/2003	8.15%	9.64%
2001/2002	4.93%	5.81%
Five-year average return	4.98%	5.87%

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 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.

When making an investment within a Member Investment Choice option it is important to note that past performance is not a reliable indicator of future performance.

Cash option

2005/2006 returns

4.99% Member Investment Choice
5.86% *Telstra Super RetireAccess**

Objective

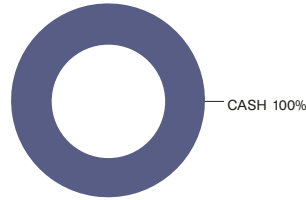
To provide security of capital. Returns will reflect short-term money market interest rates.

Strategy

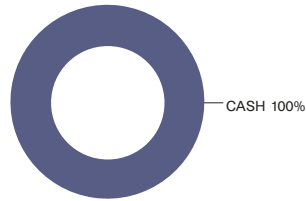
100% is invested in cash and short-term money market securities.

Asset allocation

30 June 2006



30 June 2005



Performance

Year	Member Investment Choice	<i>Telstra Super RetireAccess</i> *
2005/2006	4.99%	5.86%
2004/2005	4.85%	5.70%
2003/2004	4.52%	5.32%
2002/2003	4.19%	4.95%
2001/2002	3.81%	4.50%
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. When making an investment within a Member Investment Choice option it is important to note that 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, alternative asset classes 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 16.18% on our investment portfolio for 2005/2006.

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

When making an investment within a Member Investment Choice option it is important to note that past performance is not a reliable indicator of future performance.

Our investment managers

The following table lists Telstra Super Pty Ltd's investment managers as at 30 June 2006. Telstra Super also manages investments internally, including Australian Shares, Property, Infrastructure and Asset Allocation Overlay.

INVESTMENT MANAGERS

Australian fixed interest securities	AllianceBernstein Australia Ltd
International fixed interest securities	BlackRock Financial Management Inc. PIMCO Australia Pty Ltd
Australian shares	AMP Capital Investors Ltd Jenkins Investment Management Pty Ltd Merrill Lynch Investment Managers Ltd MIR Investment Management Ltd Perpetual Investment Management Ltd Portfolio Partners Ltd Schroders Investment Management Australia Ltd
International shares	Acadian Asset Management Inc. AllianceBernstein Investment Management Australia Ltd BNP Paribas Asset Management Clay Finlay Inc. Credit Suisse Asset Management (Australia) Limited Dimensional Fund Advisors (DFA Australia Ltd) Loomis Sayles & Company LP (IXIS Asset Management Australia Ltd) Legg Mason Asset Management Australia Ltd LSV Asset Management MFS Institutional Advisors (Australia) Ltd Turner Investment Partners Pty Ltd. Wellington International Management Company Pte Ltd
Property	AMP Capital Investors Limited
Cash	BT Funds Management Ltd Macquarie Investment Management Ltd
Currency overlay	Pareto Partners Australia Pty Ltd

COLLECTIVE INVESTMENT MANAGERS

Property trusts

AMP Capital Investors Limited
APN Funds Management Limited
Colonial First State Property Limited
Domaine Property Funds Limited
Fiduciary International Real Estate
Investa Properties Limited
Lend Lease Real Estate Investments Ltd
Macquarie Global Property Advisors Ltd
Macquarie Goodman Wholesale Management
Macquarie Investment Management Ltd

Infrastructure

Hastings Funds Management Limited
Perpetual Investment Management Limited

Fixed interest securities

Challenger Financial Services Group
ME Portfolio Management Limited

International shares

Vanguard Investments Australia Ltd

Australian shares

Barclays Global Investors Ltd
Perpetual Investment Management Ltd
State Street Global Advisors, Australia Ltd

Private equity

Adam Street Partners LLC
Arclight Capital Partners, LLC
Goldman Sachs JB Were Asset Management Pty Ltd
HarbourVest Partners LLC
Knightsbridge Advisors Incorporated
Macquarie Funds Management
MidEuropa Partner, LLP
Northgate Capital, LLC
Oaktree Capital Management
Quay Partners Pty Ltd
Siguler Guff & Co.
The Blackstone Group
Wilshire Australia Pty Ltd

Hedge funds

Aetos Capital, LLC
BT Financial Group Pty Limited
Colonial First State Investments Limited
FRM Investment Management Ltd
The Blackstone Group
UBS Global Asset Management (Australia) Ltd

Abridged financial statements

Change in net assets available to pay members' benefits	2006 \$'000	2005 \$'000
Net assets available to pay members' benefits at beginning of the year	7,988,307	7,093,545
PLUS		
Contributions		
Employer contributions	29,608	14,183
Member contributions	126,860	85,309
Amounts rolled in from other super funds	155,391	113,953
Total contributions	311,859	213,445
Revenues		
Investment earnings	1,493,904	1,051,743
Other income	1,396	849
Total revenues	1,495,300	1,052,592
Total inflows	1,807,159	1,266,037
LESS		
Benefits paid	312,135	232,033
Investment expenses	36,333	30,454
Administration costs	26,011	20,809
Group life insurance premiums	8,997	336
Surcharge tax	6,338	7,991
Income tax expense	99,285	79,652
Total outgoings	489,099	371,275
Net movement for year	1,318,060	894,762
Net assets available to pay members' benefits at end of the year	9,306,367	7,988,307

Statement of net assets	2006 \$'000	2005 \$'000
Investments		
Short term money market	238,126	231,645
Australian fixed interest securities	1,125,894	1,364,267
International fixed interest securities	557,158	443,544
Australian shares	3,115,934	2,366,537
International shares	3,000,534	2,427,358
Private equity	200,963	81,727
Infrastructure	106,512	74,274
Property	1,121,931	1,114,921
Total investments	9,467,052	8,104,273
Other assets		
Cash and receivables	54,764	35,816
Operating plant and equipment	2,094	1,843
Total other assets	56,858	37,659
Total assets	9,523,910	8,141,932
Less liabilities		
Benefits payable	2,289	47,964
Tax liabilities	200,237	94,814
Other liabilities	15,017	10,847
Total liabilities	217,543	153,625
Net assets available to pay benefits	9,306,367	7,988,307

A full copy of our audited accounts can be obtained by writing to:

Company Secretary
Telstra Super Pty Ltd
PO Box 14309
MELBOURNE VIC 8001

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 ensure Telstra Super continues to provide appropriate superannuation benefits to members and their beneficiaries. 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 Chairman. Telstra Super's Board of Directors as at 30 June 2006 is set out below.

Independent Chairman

Clive Batrouney

Employer Directors

Douglas Gration

Jan Price

John Stanhope

Laurence Wood

Member Directors

Eric Alford^

Robert Belzer

Ian McCarthy

Gerry Kandelaars

Grant Belchamber^

Telstra Super Board Attendance Record 2005/2006

Name	Board		Committees	
	Held	Attended	Held	Attended
Clive Batrouney	19	19	10	10

Employer Directors

Laurence Wood	19	17	8	8
Douglas Gratton	19	15	4	2
John Stanhope	19	16	6	4
Jan Price	19	19	2	2

Member Directors

Eric Alford [^]	1	0	2	0
Grant Belchamber [^]	12	12	2	2
Robert Belzer	19	19	2	2
Gerry Kandelaars	19	17	8	8
Ian McCarthy	19	17	6	6

Alternate Employer Directors

Samantha Kennedy ¹		1		1
Anthony Cherubin ²		2		
Cliff Davis ³		3		2

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.

¹ Alternate for Douglas Gratton

² Alternate for Laurence Wood

³ Alternate for John Stanhope and Jan Price

[^] Eric Alford resigned as a Director on 26 July 2005 and was replaced by Grant Belchamber on 8 November 2005

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 2 September 2005.

Amendments were made to:

- Incorporate changes relating to Choice of Fund legislation
- Reflect automatic transfer of members to our rollover product, *Telstra Super Personal Plus*, when leaving employment with Telstra or an associated company
- Provide Death and Total & Permanent Invalidity continuation cover for *Telstra Super Division 5* members.

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

Surcharge

The Government abolished the superannuation surcharge from 1 July 2005 however, 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 and we received a surcharge assessment for you, the amount of your surcharge assessment was 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 then applied against your Surcharge Account. If you did not pay the amount in your Surcharge Account by the date nominated on your assessment, interest will be charged to this account. 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 2005/2006 was 5%, increasing to 5.75% for 2006/2007

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 2006 are listed below.

Actuarial advisers/asset consultants
Russell Investment Group

External auditors
Ernst & Young

Legal advisers
Freehills

Master Custodian
National Australia Bank Limited

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

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.

Telstra Super Pty Ltd ABN 86 007 422 522 is the Trustee of the Telstra Superannuation Scheme (Telstra Super), an Australian Financial Services Licensee (Licence no: 236709) and a Registered Superannuation Entity (RSE Licence Number: L0001311 & RSE Registration Number: R1004441).

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. 218705).

© Telstra Super Pty Ltd, September 2006

® are registered trademarks in Australia of Telstra Corporation Limited

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.

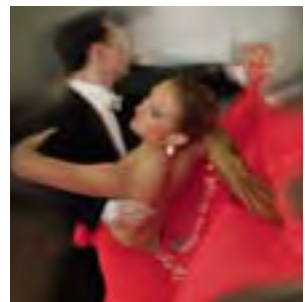
Formal legal documents, called the governing rules, and relevant legislation ultimately govern the operation of the Telstra Superannuation Scheme (Telstra Super). The central document is the Telstra Super Trust Deed. Should there be any discrepancies between the information in this report and the governing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

The details in this annual report are correct as at September 2006.

This report was designed by X2 Design.

Featured throughout Telstra Super's Annual Report are professional Dancesport competitors **Adam Blakey & Meagen Alderton**. Some of their national and international accolades include:

- I.D.S.F World 10 Dance Finalist
- Professional World 10 Dance Finalist
- 3x Australian New Vogue Champions
- 3x National Capital Ten Dance Champions
- Penang Open Latin Champions
- Taipei Open Latin Champions
- Taipei Open Ballroom Champions
- South Pacific Open Ballroom & New Vogue Champions.



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.



Visit 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