

Planning the journey

Telstra Super Annual Report 2002/2003

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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 a registered business name in Victoria.

Australian Financial Services Licensee (License No: 218 705).

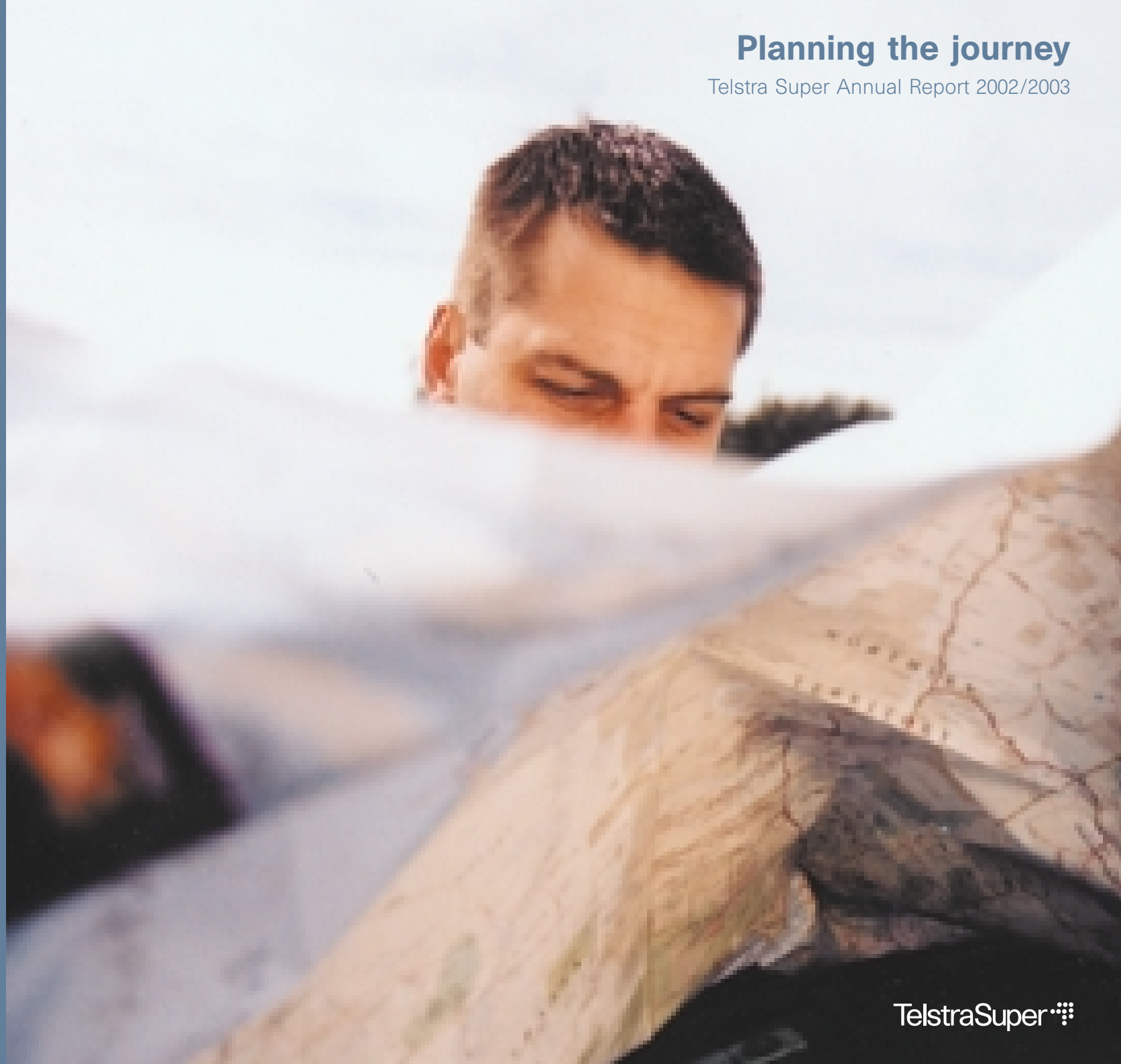
The details in this annual report are correct as at August 2003.

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 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 VIC 8001.

Telstra Super Pty Ltd, ABN 86 007 422 522



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Terry McCredden B.Comm (Hon)
Terry has been the Chief Executive Officer at Telstra Super Pty Ltd since June 1990 and has held senior executive positions in the superannuation industry for over 17 years. Terry is also a Director of Telstra Super Financial Planning Pty Ltd.

Clive Batrouney ASIA, FAIM
Clive commenced as Chairman for Telstra Super Pty Ltd on 1 July 2003. Clive has held key positions at both ANZ McCaughan and the Australian Stock Exchange and is currently the Chairman of the Securities Exchanges Guarantee Corporation, as well as being a director of Hansen Yuncken and YMCA Superannuation.

The year in review

Over the past two years, we have worked hard to deliver very competitive returns in a difficult market. Whilst we have achieved this, we are disappointed that some of our members have experienced negative returns. We want to do better. Our aim is to achieve the best possible returns for our members over the long-term by minimising the impact of market downturns and maximising opportunities when markets rally. This means constantly reviewing our investments on an ongoing basis, monitoring the market and making adjustments where necessary.

This year we have also improved the products and services we offer to ensure that we can accommodate the future superannuation needs of our membership. See pages 6 to 13 for details of these upgrades and changes.

We are committed to providing you with the tools needed to achieve your retirement dream. Since its launch last year, Telstra Super Financial Planning has developed plans for well over 3,000 members. This year we have expanded Telstra Super Financial Planning to ensure that all of our members have an opportunity to take advantage of this service.

“On a personal note, I am excited at the prospect of working with our new Chairman, Clive Batrouney. Clive brings with him extensive experience and expertise in the investments and finance areas...”
Terry McCredden

We would also like to take this opportunity to say goodbye and thank you to Reg Nicholson, who retired as Chairman of the Board, effective 30 June 2003. Reg retires having been Chairman of Telstra Super Pty Ltd since 22 March 1995. During this time, Reg was instrumental in our growth, with the introduction of a rollover product, Member Investment Choice and the establishment of our financial planning subsidiary.

Terry McCredden
Chief Executive Officer

Clive Batrouney
Chairman

2002/2003 Highlights



➔ Despite another difficult year, Telstra Super's investment options continued to perform competitively (refer to page 17 of this report).



➔ This year's member satisfaction research has revealed that Telstra Super's overall satisfaction rating has remained the same as last year, while there was an increase in members happy with the handling of call centre enquiries and outgoing communications.



We are meeting more members face-to-face



➔ More people than ever are choosing to stay with Telstra Super after leaving their employer. Now over 80% of members are transferring to *Telstra Super Rollover Plus*.



➔ From 12 June 2003 Telstra Super began measuring all accumulation accounts using units. This change to unitisation provides greater transparency, making it easier for our accumulation members to track the value of their super.



➔ We are reaching more members face-to-face. Telstra Super staff saw almost 8,000 members in person through Member Education Seminars, on-site super expo's and via Telstra Super Financial Planning Pty Ltd.



➔ Members continue to favour Telstra Super as their rollover fund, with over \$65,000,000 rolled into Telstra Super from other funds.



➔ We provided a rebate on insurance premiums paid by members of *Telstra Super Personal Choice*, *Telstra Super Select* and *NDC Super Advantage* as claim rates within these products were lower than anticipated.



➔ Now easier than ever to use, you can call our updated SuperLink service on **1800 033 166** between **6.00am** and **9.00pm** (Melbourne time), 7 days a week and access a current benefit quote, 12-month investment returns, recent unit prices, forms and more.

For most of us, the road to financial security is more complex than it was for our grandparents. So like any journey, you need to plan the best way to reach your destination, in the quickest possible time. With the right plan, you could retire much earlier than you had hoped, with more money than you thought possible, whichever road you take.



Getting the right advice

Everyone can benefit from good advice. Wherever you are on the path to financial security, Telstra Super Financial Planning can help. Our planners specialise in Telstra Super's range of products and develop individual plans for each client.

If you don't have a retirement savings plan, take advantage of this service at no additional cost. Review your financial situation and get expert advice in the lead up to, or following, significant events such as a change in employment or the receipt of a bequest or redundancy package.

Now Telstra Super Financial Planning is even more accessible with offices in Sydney, Melbourne and Brisbane. Planners also regularly travel to Adelaide, Perth, Canberra, Hobart and visit regional centres to assist members with their retirement plans.

No matter how close you are to retirement, sound advice can mean the difference between a comfortable retirement and the retirement of your dreams. So make your plan to call Telstra Super Financial Planning on **1800 033 166** before your next birthday.



TelstraSuper
Financial Planning

The best plans are flexible

When planning your journey, you need to ensure that your plan is flexible enough to allow for the unexpected – changes in weather conditions, local customs and delays. At Telstra Super the aim of our investment strategy is to deliver the best possible results for our members over the long-term regardless of market conditions.

On 1 July 2003, changes were made to the asset allocations for the Balanced, Growth and Conservative options. These changes were the result of our ongoing review process with external advisor Towers Perrin, which identified opportunities to adjust our investment strategy to maximise superannuation benefits for our members by taking advantage of the changing market.

If you would like help in selecting the right investment option for you, consult Telstra Super's Guide to Investing - which can be downloaded from our website, or call and make an appointment with Telstra Super Financial Planning.



Changing direction?

In today's workforce it is common for a person to have several employers throughout their career. But changing employers to reach your career goals shouldn't compromise your retirement plan.

Telstra Super Rollover Plus can now accept employer contributions. This means that wherever you are working, you can keep the benefits of Telstra Super membership, including low fees, access to financial planners at no additional cost and the security of membership with Australia's largest corporate super fund.



Be prepared

No matter how carefully you plan, things can go wrong. And while most of us don't like talking about our death and the impact that it may have on our family, all of us want to make sure loved ones are looked after.

Insurance can be an important component of thorough estate planning. To help with this, Telstra Super have introduced low cost death insurance cover for eligible members of *Telstra Super Rollover Plus*, *Telstra Super Partner Privilege*[®] and *Telstra Super RetireAccess*[™].





Our investment performance

The charts below and overleaf show the results for each of our Member Investment Choice options for the 2002/2003 financial year. Turn to page 17 to see how Telstra Super's returns compare to other funds.

These results only apply to accumulation accounts, including the accumulation accounts held by Defined Benefit members. If you are a *Sensis™ Super Plus* Defined Benefit member, your Defined Benefit Member Account is invested in the Growth option.

For more information on each of Telstra Super's investment options, turn to pages 26 to 33.

If your super has been invested in the Mixed option, your investment return will depend on the investment options that make up your investment.

Investment Returns

The investment returns for each of our investment options for the 2002/2003 financial year are listed below.

Investment option	Accumulation	<i>Telstra Super RetireAccess</i>
Growth	-1.86%	-2.38%
Balanced	0.59%	0.56%
Conservative	3.05%	3.54%
Cash	4.19%	4.95%
International Shares	-9.09%	-10.84%
Australian Shares	-0.61%	-1.13%

Compare our performance

Since 12 June 2003 the value of all accumulation accounts have been measured using units. While your individual benefit will now be measured in units, Telstra Super's annual review will continue to report on both unit prices and investment returns.

Unit prices

The 30 June 2003 closing unit price for units in each of our investment options are listed below.

Investment option	Accumulation ¹	<i>Telstra Super RetireAccess²</i>	<i>Telstra Super Rollover Plus & Telstra Super Partner Privilege³</i>
Growth	1.01370	1.01532	1.01324
Balanced	1.00969	1.01071	1.00923
Conservative	1.00450	1.00469	1.00405
Cash	1.00371	1.00384	1.00332
International Shares	1.01998	1.02351	1.01952
Australian Shares	1.02012	1.02200	1.01959

¹ This unit price is applicable to *Telstra Super Personal Choice*, *Telstra Super Select*, *Telstra Super Casuals*, *Telstra Super Productivity*, *ReachSuper[®]*, *Sensis[™] Super Plus Accumulation*, *NDC Super Advantage*, *Telstra Enterprise Services Super* and Voluntary Accumulation Accounts held by Defined Benefit members. These unit prices are net of contributions tax, but gross of administration fees, insurance and switching costs as applicable.

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

³ These unit prices are net of administration fees and contribution tax, but are gross of insurance and switching costs as applicable.

Despite another tough year for investment markets across the globe, Telstra Super's performance remains competitive. The following pages show how Telstra Super results compare to the market.

Growth

The Mercer Investment Consulting Pooled Fund Survey shows the performance of 7 growth funds¹ over the 2002/2003 financial year.

Telstra Super Growth option return	-1.86%
Survey's median return	-3.50%

Source: Mercer Investment Consulting

Balanced

The Mercer Investment Consulting Pooled Fund Survey shows the performance of 33 balanced funds¹ over the 2002/2003 financial year.

Telstra Super Balanced option return	0.59%
Survey's median return	-1.70%

Source: Mercer Investment Consulting

Conservative

The Mercer Investment Consulting Capital Stable Survey shows the performance of 21 conservative funds¹ over the 2002/2003 financial year.

Telstra Super Conservative option return	3.05%
Survey's median return	3.70%

Source: Mercer Investment Consulting

¹ The asset allocation for each fund referred to in the surveys may vary to the asset allocation of Telstra Super's investment options.

2002/2003 investment wrap up

Cash

The UBS Warburg Bank Bill Index shows the performance of cash over the 2002/2003 financial year.

Telstra Super Cash option return	4.19%
Market index return	4.07%

Source: Towers Perrin

International shares

The MSCI A\$ JP Morgan Index shows the performance of international equities over the 2002/2003 financial year.

Telstra Super International Shares option return	-9.09%
Market index return (net) ²	-10.61%

Source: Towers Perrin

Australian shares

The S&P/ASX 300 Index shows the performance of Australian equities over the 2002/2003 financial year.

Telstra Super Australian Shares option return	-0.61%
Market index return (net) ²	-1.75%

Source: IRESS

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

² Survey numbers net of management fees and tax are not available for either Australian equities or international equities. A net index return has been calculated for comparison purposes for Australian equities and international equities based on the gross index return.

At the start of last financial year, issues such as the war in Iraq, corporate scandals and global economic uncertainty threatened to continue the poor market performance of the previous year. However as these events gradually subsided, the market outlook improved, slowly getting investments back on the road again.

Company profit announcements in August 2002 were the catalyst for some notable performance improvements that month, while returns for cash and fixed interest remained fairly stable. But by September 2002, these early gains were lost due to increasing global uncertainty and weaker corporate performances.

October proved to be a major turnaround month for international and Australian share markets as market participants saw value in stocks and easing monetary policy by central banks promised to boost economic growth. The US market posted its strongest four-day gain since 1933, up 13.5%.

As the war in Iraq seemed certain, the share markets retreated into negative territory again in December, with the fixed interest market experiencing some fluctuations during the October to December quarter.

In March 2003, markets rallied and both the international and Australian share markets posted positive returns. Strong performances in both share markets continued through to May, providing investors with some hope that returns would climb out of negative territory. However, with a

modest return in June, the strong results of the last quarter were not enough to provide positive one-year returns.

Overall, apart from the property sector, there were improved performances for all asset classes, especially international and Australian shares, which led to improved returns for all of Telstra Super's investment options when compared to last year.

The road ahead

There are signs of strengthening economic growth, both internationally and in Australia and improved corporate earnings may lead to a stronger share market than that of the last couple of years.

While there are never any guarantees, the key for the markets to continue to improve is for the US economy to grow and for the current positive economic trends, both internationally and in Australia, to continue.

About Telstra Super

What does Telstra Super 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. The Board has chosen to appoint an Independent Chairman. Telstra Super's Board of Directors is set out below.

The Trustee has determined that a Member Director can only be appointed following their nomination in writing by the ACTU. All Employer Directors are appointed after being nominated in writing by Telstra Corporation Limited. The Independent Chairman can only be chosen, removed or have the terms of their 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 honest mistakes that may be made by Telstra Super Pty Ltd's Directors, senior managers and employees while administering Telstra Super.

Telstra Super Board Attendance Record 2002/2003

Name	Board		Committees	
	Held	Attended	Held	Attended
Reg Nicolson	10	10	17	17
Eric Alford	10	9	25	24
Robert Belzer	10	9	8	7
Douglas Gration	10	8	4	3
Gerry Kandelaars	10	10	3	3
Ian McCarthy	10	8	3	2
David Pitt	10	8	8	7
John Stanhope	10	7	12	5
Laurie Wood	10	8	16	14
Jan Price ¹		3		7
Helen Sawczak ²		1		1
Carmel Mulhearn ³		1		
Anthony Cherubin ⁴		2		2
Cliff Davis ⁵		1		

¹ Alternate for John Stanhope

² Alternate for Douglas Gration (resigned 11/04/2003)

³ Alternate for Douglas Gration (appointed 11/04/2003)

⁴ Alternate for Laurie Wood

⁵ Alternate for David Pitt

Independent Chairman

Clive Batrouney - appointed 1 July 2003

Reg Nicolson - retired 30 June 2003

Employer Directors

Douglas Gration

David Pitt

John Stanhope

Laurie Wood

Member Directors

Eric Alford

Robert Belzer

Ian McCarthy

Gerry Kandelaars

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 2003 are listed below.

Towers Perrin

Actuarial advisers/asset consultant

Ernst & Young

External auditors

Freehills

Legal advisers

National Australia Bank Limited

Master Custodian

Telstra Super Trust Deed changes

The Telstra Super Trust Deed sets out the rules by which your super fund (Telstra Super) is managed. There was only one change made to the Trust Deed in 2002/2003.

On 30 January 2003 minor amendments were made to Division 1 of the Deed as follows:

- to allow for the splitting of benefits under the recent Family Law changes
- renaming of *PA Super Plus* to *Sensis™ Super Plus*.

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

Surcharge is a tax on deductible contributions for high-income earners. The current maximum surcharge tax rate is 15%.

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 (6.0% per annum for the 2002/2003 financial year*) was 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.

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

Abridged financial information

Change in net assets available to pay members' benefits	2003 \$'000	2002 \$'000
Net assets available to pay members' benefits at beginning of the year	6,897,807	7,383,175
Plus		
Contributions		
Employer contributions	4,701	6,088
Member contributions	69,813	79,469
Amounts rolled in from other super funds	65,978	96,909
	140,492	182,466
Revenues		
Investment earnings	(69,423)	(199,237)
Deferred Transfer Values adjustment ¹	(41,785)	(23,715)
Residual Notional Fund Surplus adjustment ²	(28,620)	(16,885)
Other income	1,720	1,475
	(138,108)	238,362
Total inflows	2,384	(55,896)
Less		
Benefits paid	391,682	454,380
Administration costs	14,583	13,020
Group life insurance premiums	76	438
Surcharge contributions tax	7,266	6,202
Income tax expense/(benefit)	(30,844)	(44,568)
Total outgoings	382,763	429,472
Net movement for year	(380,379)	(485,368)
Net assets available to pay members' benefits at end of the year	6,517,428	6,897,807

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. The Deferred Transfer Value amount is paid according to a schedule of payments over a number of years. This amount is adjusted periodically to reflect investment performance of Telstra Super and is subject to review at least every three years.

Statement of net assets	2003 \$'000	2002 \$'000
Investments		
Short-term money market	109,101	147,077
Australian fixed interest securities	725,899	496,224
International fixed interest securities	278,305	226,321
Australian shares	1,061,934	1,448,329
International shares	1,094,406	1,146,923
Property	657,881	618,275
Total investments	3,927,526	4,083,149
Other assets		
Cash and receivables	18,948	19,343
Operating plant and equipment	1,246	1,358
Deferred Transfer Values ¹	1,890,191	2,038,678
Residual Notional Fund Surplus ²	1,235,252	1,405,872
Total other assets	3,145,637	3,465,251
Total assets	7,073,163	7,548,400
Less liabilities		
Benefits payable	62,241	87,144
Provision for taxation	485,904	555,346
Other liabilities	7,590	8,103
Total liabilities	555,735	650,593
Net assets available to pay benefits	6,517,428	6,897,807

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

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. The RNFS amount will be paid to Telstra Super in quarterly installments over 40 years in accordance with a 1999 Determination made by the Minister for Finance. The RNFS is subject to periodic actuarial review. The repayment schedule may be confirmed or adjusted by Determinations made by the Minister for Finance as a consequence of these periodic actuarial reviews.

Investment options

If you are an accumulation member (this includes Defined Benefit members who also have an accumulation account) please read pages 27 to 33 for information about how your super account has performed this year.

If you are a *Telstra Super Division 2* or *Telstra Super Division 5* Defined Benefit member and do not have an accumulation account, your super is not reliant on investment returns. Please turn to page 34 for more information about your super benefit.

If you are a *Sensis™ Super Plus* Defined Benefit member, your Defined Benefit Member Account is invested in the Growth investment option and therefore is impacted by these investment returns.

If you're not sure of the type of account you have you can confirm this by:

- checking your annual statement, or
- visiting www.telstrasuper.com.au. Select **your member group** from the drop down list. If you don't know your member group choose **I don't know**. Either enter your member number to identify your member group or complete a questionnaire to work it out.

Following is a detailed explanation of each of Telstra Super's investment options and their audited investment returns for the 2002/2003 financial year. Also included are the five-year average returns, which show you how your super has performed over this period*.

Investment management fees and taxes have been taken out before setting the investment returns for each investment option, except for *Telstra Super RetireAccess* members, whose earnings are tax-free.

Telstra Super has changed the asset allocation of their Growth, Balanced and Conservative investment options from 1 July 2003. For information on the new asset allocation of these options, please visit our website.

* Please note that past performance is no guarantee of future performance.

Growth option

2002/2003 returns

-1.86% Member Investment Choice
-2.38% *Telstra Super RetireAccess**

Objective

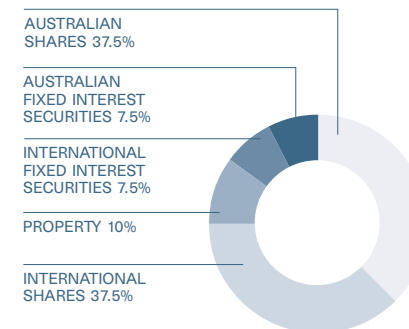
To earn high returns over the long-term.

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.

Asset allocation

1 July 2002 to 30 June 2003



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.

Performance

Year	Member Investment Choice	<i>Telstra Super RetireAccess</i>
2002/2003	-1.86%	-2.38%
2001/2002	-4.98%	-5.96%
2000/2001	5.33%	6.17%
1999/2000	12.05%	14.19%
1998/1999	10.55%	12.34%
Five-year return	4.00%	4.57%

Telstra Super change the asset allocation of its investment options from time to time. In the past we have used notional returns where the asset allocation for a particular investment option has changed during the five-year reporting period. Telstra Super now report actual returns regardless of asset allocation changes. Consequently these figures differ from those disclosed in last years annual report.

* *Telstra Super RetireAccess* returns are notional before 1 January 1999, the date *Telstra Super RetireAccess* was introduced. Notional returns are based on how the investment option was likely to have performed had it existed during the period.

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

Balanced option

2002/2003 returns

0.59% Member Investment Choice
0.56% *Telstra Super RetireAccess**

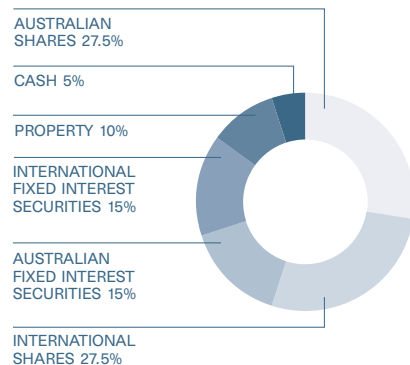
Objective

To earn moderately high and consistent 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.

Asset allocation 1 July 2002 to 30 June 2003



Volatility / Risk

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

Performance

Year	Member Investment Choice	<i>Telstra Super RetireAccess</i>
2002/2003	0.59%	0.56%
2001/2002	-2.29%	-2.77%
2000/2001	5.50%	6.40%
1999/2000	10.64%	12.52%
1998/1999	9.51%	11.13%
Five-year return	4.67%	5.40%

Telstra Super change the asset allocation of its investment options from time to time. In the past we have used notional returns where the asset allocation for a particular investment option has changed during the five-year reporting period. Telstra Super now report actual returns regardless of asset allocation changes. Consequently these figures differ from those disclosed in last years annual report.

* *Telstra Super RetireAccess* returns are notional before 1 January 1999, the date *Telstra Super RetireAccess* was introduced. Notional returns are based on how the investment option was likely to have performed had it existed during the period.

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

Conservative option

2002/2003 returns

3.05% Member Investment Choice
3.54% *Telstra Super RetireAccess**

Objective

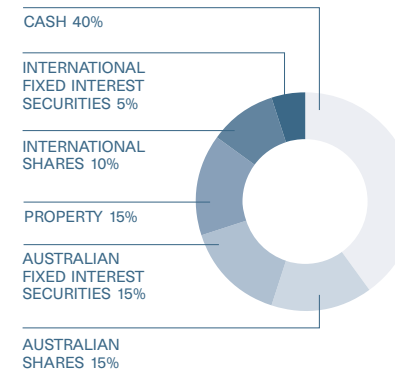
To earn returns above cash over the medium-term, through moderate exposure to growth assets. Short-term returns can be negative and the return of principal is not guaranteed.

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).

Asset allocation

1 July 2002 to 30 June 2003



Volatility / Risk

A moderate level of volatility for more consistent returns.

Performance

Year	Member Investment Choice	<i>Telstra Super RetireAccess</i>
2002/2003	3.05%	3.54%
2001/2002	1.82%	2.12%
2000/2001	5.63%	6.61%
1999/2000	7.93%	9.35%
1998/1999	6.90%	8.10%
Five-year return	5.04%	5.91%

Figures for the Conservative option are notional before 1 July 1999, the date this option was introduced. Notional returns are based on how the investment option was likely to have performed had it existed during the period.

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

Cash option

2002/2003 returns

4.19% Member Investment Choice
4.95% *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.

Performance

Year	Member Investment Choice	<i>Telstra Super RetireAccess</i>
2002/2003	4.19%	4.95%
2001/2002	3.81%	4.50%
2000/2001	4.96%	5.86%
1999/2000	4.53%	5.35%
1998/1999	4.17%	4.92%
Five-year return	4.33%	5.12%

Telstra Super RetireAccess returns are notional before 1 January 1999, the date *Telstra Super RetireAccess* was introduced. Notional returns are based on how the investment was likely to have performed had it existed during the period.

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

Australian Shares option

2002/2003 returns

-0.61% Member Investment Choice
-1.13% *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.

Performance

Year	Member Investment Choice	<i>Telstra Super RetireAccess</i>
2002/2003	-0.61%	-1.13%
2001/2002	-1.75%	-2.30%
2000/2001	11.14%	12.92%
1999/2000	14.05%	16.40%
1998/1999	17.22%	20.08%
Five-year return	7.73%	8.80%

Figures for the Australian Shares option are notional before 1 July 2001, which is the date that this investment option was introduced. Notional returns are based on how the investment option was likely to have performed had it existed during the period.

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

International Shares option

2002/2003 returns

-9.09% Member Investment Choice
-10.84% *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.

Mixed option

2002/2003 returns

Investment returns for the Mixed option depend on the combination of options you choose.

Objective

To enable members to determine an asset mix specific to their needs through a mixture of any two or more of the investment options they choose.

Volatility/Risk/Strategy

Dependent on the investment options you choose.

Performance

Year	Member Investment Choice	<i>Telstra Super RetireAccess</i>
2002/2003	-9.09%	-10.84%
2001/2002	-14.96%	-17.54%
2000/2001	-6.80%	-8.08%
1999/2000	15.83%	18.71%
1998/1999	6.33%	7.22%
Five-year return	-2.36%	-2.97%

Figures for the International Shares option are notional before 1 July 2001, which is the date that this investment option was introduced. Notional returns are based on how the investment option was likely to have performed had it existed during the period.

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

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 following Defined Benefit objectives and strategies.

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 earning rates

The table below shows Telstra Super's Defined Benefit earning rates for the 2002/2003 year. Investment management fees and investment taxes are taken out of the gross earnings before setting the net earning rate.

Performance

Year	Net earning rate
2002/2003	-1.34%
2001/2002	-1.72%
2000/2001	3.97%
1999/2000	12.19%
1998/1999	9.47%
Five-year return	4.36%

Investment process

Derivatives

A derivative is defined as a financial contract whose 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
- To change asset allocation in a timely and cost effective basis.

Telstra Super Pty Ltd monitors the use of derivatives by:

- Internal controls
- Internal and external auditors, and
- An external custodian.

Material Investments

During the 2002/2003 financial year, Telstra Super's investments included the following investment which represented a value greater than 5% of the value of the portfolio.

Investment	CFS Property Fund
Market Value at 30 June 2003	\$373,896,349
% of total assets at 30 June 2003	5.29%

Our investment managers

The following table lists Telstra Super Pty Ltd's investment managers for the 2002/2003 financial year.

Investment type	Investment managers
International fixed interest securities	Credit Suisse Asset Management (Aust) Limited (terminated October 2002)
	UBS Global Asset Management (Aust) Limited (terminated October 2002)
	PIMCO Australia Pty Ltd
	Black Rock Financial Management Inc.
Australian fixed interest securities	Alliance Capital Management Australia Limited
Australian equities	Sagitta Wealth Management Limited (terminated June 2003)
	Perpetual Trustees Australia Limited
	Merrill Lynch Investment Managers Limited
	Schroder Investment Management Australia Limited
	Portfolio Partners Limited
	Telstra Super Pty Ltd
International equities	Lazard Asset Management Pacific Co. (terminated October 2002)
	JP Morgan Investment Management Australia Limited (terminated October 2002)
	Commonwealth Investment Services Limited
	MFS Institutional Advisors (Australia) Ltd
	Clay Finlay Inc.
	BIAM Australia Pty Limited
	BNP Paribas Asset Management
	Wellington Management Company LLP
	Telstra Super Pty Ltd
Property	AMP Henderson Global Investors
	Fiduciary International Real Estate
	Telstra Super Pty Ltd
Cash	BT Funds Management Limited
	Macquarie Investment Management Ltd
Collective investments	
Property trusts	Lend Lease Global Property Trust
	Colonial First State Property Limited
Infrastructure	Hastings Funds Management Limited
Fixed interest	ME Portfolio Management Limited
International equities	Capital International Inc.
Private equity	Quay Partners Pty Ltd
	Wilshire Australia Pty Ltd
Currency overlay	Pareto Partners
Asset allocation overlay	Invesco Australia Ltd (terminated October 2002)
	Telstra Super Pty Ltd

How to contact us

If you have any questions about Telstra Super Pty Ltd or need more information about your Telstra Super membership you can...

Call us via SuperLink on freecall 1800 033 166

Fax us on 03 9653 6060

Write to us at PO Box 14309, MELBOURNE, VIC 8001

Log on to www.telstrasuper.com.au

Visit us at Level 3, 215 Spring Street, Melbourne, Victoria 3000



August 2003, Telstra Super Pty Ltd, ABN 86 007 422 522 is the Trustee of the Telstra Superannuation Scheme (Telstra Super).