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Sir David Tweedie  
International Accounting Standards Board  
30 Cannon Street  
London EC4M 6XH  
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LETTER OF COMMENT NO. 88

Dear Sir David

**Discussion Paper – Preliminary Views on Financial Statement Presentation**

**General Comments**

We are pleased to have the opportunity to provide our comments to the proposals contained in the discussion paper on financial statement presentation.

We are broadly supportive of the proposals contained in the discussion paper. In particular we believe that the segregation of the statement of comprehensive income into operating, investing and financing activities, in addition to separately presenting income tax and other comprehensive income, will provide users with decision-useful information. Also, the reconciliation between the statement of cash flows and the statement of comprehensive income will provide users with a better understanding of the relationship between the two statements, the various components that drive net profit or comprehensive income, and the company's ability to generate cash flows.

However, there are several aspects of the discussion paper that we have particular concerns with and ultimately do not support. The main issues that we have are summarised below:

- The segregation of the statement of financial position into operating, investing and financing activities will lead to unnecessary complexity and make the statement extremely difficult to understand and analyse. We believe that the current format of the statement of financial position should be retained, and any decision-useful information regarding the categories of assets and liabilities (such as financing assets and liabilities) should be made in the notes. Refer to our response to question 6 for further details.
- The operating and investing categories within the business section are not appropriately defined. Requiring entities to separately disclose their 'core' operations from their 'non-core' will not lead to any decision-useful information and in some cases is inconsistent with the principle of a management approach. If the boards expect very little activities to be disclosed in investing then we question its usefulness as a separate disclosure. In addition, companies will be extremely reluctant to disclose any of their assets as 'non-core'. We believe that the current definitions of operating and investing contained in IAS 7 are well understood and adequate. Refer to our response to question 9 for further details.
- We are concerned under the proposals that entities will be required to provide a further level of disaggregation in the statement of comprehensive income. In particular, it would be extremely onerous and costly to require companies to disclose expenses by function, and then to provide further details by nature. Also, mandating a disclosure by function or nature (or both) is inconsistent with the adoption of a management approach. Refer to our response to question 16 for further details.

- If the direct method of presenting the statement of cash flows is mandated, we oppose any further disaggregation of the operating cash flow section. We do not see how this additional information would be useful to users. The statement of comprehensive income already provides a sufficient level of detail regarding operating revenues and expenses. We do not believe that companies should be forced to disclose this level of detailed information on a cash basis as well. In addition, the cost and effort to implement system changes to be able to capture this information would be onerous and costly for companies to implement. Refer to our response to question 19 for further details.

Our comments to the specific matters outlined in the exposure draft are detailed below.

### Specific Matters for Comment

1. ***Would the objectives of financial statement presentation proposed in paragraphs 2.5–2.13 improve the usefulness of the information provided in an entity’s financial statements and help users make better decisions in their capacity as capital providers? Why or why not? Should the boards consider any other objectives of financial statement presentation in addition to or instead of the objectives proposed in this discussion paper? If so, please describe and explain.***

We agree with the objectives proposed and do not have any additional objectives to propose.

2. ***Would the separation of business activities from financing activities provide information that is more decision-useful than that provided in the financial statement formats used today (see paragraph 2.19)? Why or why not?***

Separating business activities from financing activities should provide more decision-useful information to users as it separates those activities that are value creating as opposed to those that finance the entity’s business and other activities. However, we are concerned with some of the principles regarding this separation and its application across all financial statements. In particular:

- We disagree with the separation of the statement of financial position into operating, investing and financing activities (refer to question 6 for further details); and
- We disagree with the proposed definitions and distinction between the operating and investing categories (refer to question 9 for further details).

3. ***Should equity be presented as a section separate from the financing section or should it be included as a category in the financing section (see paragraphs 2.19(b), 2.36 and 2.52–2.55)? Why or why not?***

For the statement of financial position we believe that it is useful to show separate owner and non-owner financing sections, however we believe that totalling these balances in a single financing section may cause confusion as net assets would not be clearly identified. We believe the owner financing section total is already sufficiently displayed in the current reporting format under the equity section.

For the statement of cash flows we agree that separating owner and non-owner financing sections should help users understand the cash flows generated by the overall financing activities of the company and note that *under current disclosure requirements owner and non-owner cashflows are already separately identifiable.*

4. ***In the proposed presentation model, an entity would present its discontinued operations in a separate section (see paragraphs 2.20, 2.37 and 2.71–2.73). Does this presentation provide decision-useful information? Instead of presenting this information in a separate section, should an entity present information about its discontinued operations in the relevant categories (operating, investing, financing assets and financing liabilities)? Why or why not?***

As is currently required, we feel separate disclosure of discontinued operations provides decision-useful information as it shows those activities of the entity that will not be continuing which gives some indication the impact this will have upon results. Separating discontinued operations between the relevant categories may provide further *decision-useful information however we do not believe this should be presented on the face of the financial statements and instead should be presented in the note disclosures.* Further disaggregation on the face of the financials would over complicate the financial statements and decrease usefulness to users.

5. ***The proposed presentation model relies on a management approach to classification of assets and liabilities and the related changes in those items in the sections and categories in order to reflect the way an item is used within the entity or its reportable segment (see paragraph 2.27, 2.34 and 2.39-2.41).***
- (a) ***Would a management approach provide the most useful view of an entity to users of its financial statements?***
  - (b) ***Would the potential for reduced comparability of financial statements resulting from a management approach to classification outweigh the benefits of that approach? Why or why not?***

We broadly support the proposed management approach and the classification of assets and liabilities in a manner that best reflects how they are used within the company. However, we don't believe that this principle is consistent or achievable with some of the other proposed requirements of the discussion paper, in particular the distinction between operating and investing activities within the business section. For example, internally our telecommunications network is managed and viewed separately from our retail operations. However, as our network is considered part of our central or core operations, under the proposals in the discussion paper it would be classified as operating, along with all of our retail assets and liabilities. Our specific concerns with the proposed distinctions between operating and investing categories are further detailed at question 9.

Comparability may be decreased in relation to specific line items between entities ie- a loan classified in the financing section by a manufacturing entity may be classified as an operating activity by a financial services entity. However it can be argued that comparing the total value of loans between entities will not provide value, particularly if those loans are used for different purposes. The comparison that should be of importance to a user is being able to compare the value of assets/liabilities an entity uses for financing activities, regardless of the specific nature of the items within the category. As such, we believe the management approach for allocation is the only way to ensure decision useful comparability.

6. ***Paragraph 2.27 proposes that both assets and liabilities should be presented in the business section and in the financing section of the statement of financial position. Would this change in presentation coupled with the separation of business and financing activities in the statements of comprehensive income and cash flows make it easier for users to calculate some key financial ratios for an entity's business activities or its financing activities? Why or why not?***

We do not support the classification of assets and liabilities into operating, investing and financing activities in the statement of financial position, with separate categories then included for income taxes, discontinued operations and equity. We believe that this will lead to unnecessary complexity and make the statement of financial position extremely difficult to understand and analyse. Key financial ratios will not be easier to calculate and in some cases may be more difficult such as return on assets.

The statement of financial position should continue to be presented in its current format. However, we note that information around financing assets and liabilities may be useful to users and as such should be disclosed in the notes. At present, we disclose a table in our financial statements showing our gross debt and net debt positions, and the assets and liabilities that make up these balances. We believe that this disclosure is adequate to meet the needs of users.

We would not support the separation of operating and investing assets and liabilities, either in the statement of financial position or in the notes.

7. ***Paragraphs 2.27, 2.76 and 2.77 discuss classification of assets and liabilities by entities that have more than one reportable segment for segment reporting purposes. Should those entities classify assets and liabilities (and related changes) at the reportable segment level as proposed instead of at the entity level? Please explain.***

Classification needs to be done at the segment level to ensure that a true management approach is adopted.

8. ***What, if any, changes in segment disclosures should the boards consider to make segment information more useful in light of the proposed presentation model? Please explain.***

The proposed presentation model adopts a management approach to the allocation of activities into separate categories. This is closely in line with the current segment reporting approach which requires the amount reported for each operating segment item to be the measure reported to the chief operating decision maker for assessing performance. To ensure the management approach is fully adopted, segment reporting requirements should be changed so that only those measures reported to management should

have to be disclosed, ie there should no longer be forced disclosure of total assets if this is not a measure reported to the chief operating decision makers.

**9. Are the business section and the operating and investing categories within that section defined appropriately (see paragraphs 2.31–2.33 and 2.63–2.67)? Why or why not?**

Introducing definitions within categories does not seem to be consistent with the application of a management approach. Whilst providing guidance on what is considered a business activity as opposed to a financing activity would provide assistance to preparers, the more prescription notion of 'core' versus 'non-core' activities for classifying operating and investing activities seems to mandate allocations rather than it being truly how an entity manages an activity. As discussed in question 5(a) above, how we internally manage and use our telecommunications network is inconsistent with the concepts of 'core' versus 'non-core'. Paragraph 2.66 of the discussion paper notes that the boards expect many entities to only have a few assets or liabilities, and some may not have any. If the expectation is that the investing section will be very limited then we question its usefulness as a separate disclosure. In addition, companies will be extremely reluctant to disclose any of their assets as 'non-core', thereby making the disclosure meaningless.

While we have concerns with the segregation of the statement of financial position into operating, investing and financing activities (refer to question 6 above), we support this separation in the statement of comprehensive income and the statement of cashflows. However, we believe that the current definitions of operating and investing contained in IAS 7 should be used as opposed to the core/non-core notions.

**10. Are the financing section and the financing assets and financing liabilities categories within that section defined appropriately (see paragraphs 2.34 and 2.56–2.62)? Should the financing section be restricted to financial assets and financial liabilities as defined in IFRSs and US GAAP as proposed? Why or why not?**

We believe the financing category is appropriately defined however this question is not particularly relevant to our entity as all of our financing assets and liabilities that would be allocated to this category are also financial assets and financial liabilities as defined by IFRS.

**11. Paragraph 3.2 proposes that an entity should present a classified statement of financial position (short-term and long-term subcategories for assets and liabilities) except when a presentation of assets and liabilities in order of liquidity provides information that is more relevant.**

- (a) What types of entities would you expect not to present a classified statement of financial position? Why?**
- (b) Should there be more guidance for distinguishing which entities should present a statement of financial position in order of liquidity? If so, what additional guidance is needed?**

Telstra would adopt the classified statement of financial position as this is deemed to provide the most relevant information. The proposed short-term and long-term distinction would result in no change to presentation under the current and non-current distinction applied under the existing model.

**12. Paragraph 3.14 proposes that cash equivalents should be presented and classified in a manner similar to other short-term investments, not as part of cash. Do you agree? Why or why not?**

We are of the view that cash equivalents are better classified and presented consistent with that under the current presentation guidance i.e. as part of cash. Separating out cash equivalents for the purpose of providing further information about financial flexibility and return on investment is deemed to be of marginal benefit only. The presentation of cash equivalents as part of other short-term investments would not result in any difference to the finance activity classification but would require disclosure of amounts transferred between cash and cash equivalents in the statement of cash flows. It is arguable whether the presentation of this information would be decision-useful (especially if cash and cash equivalents are viewed on an aggregated basis for management reporting purposes).

**13. Paragraph 3.19 proposes that an entity should present its similar assets and liabilities that are measured on different bases on separate lines in the statement of financial position. Would this disaggregation provide information that is more decision-useful than a presentation that permits line items to include similar assets and liabilities measured on different bases? Why or why not?**

We agree that the presentation of assets and liabilities that are measured on different bases on separate lines is important information for users to highlight the use of a mixed-measurement model. However, we

feel that this is better disclosed in the notes, and not on the face of the financial statements. We believe that the decision-usefulness of the statements is derived from the high-level categorisation of items, and that presentation of measurement detail on the face of the statement would add unnecessary detail and complexity. Presentation of measurement detail in the notes would allow users who require further details to refer to the notes accordingly.

- 14. Should an entity present comprehensive income and its components in a single statement of comprehensive income as proposed (see paragraphs 3.24–3.33)? Why or why not? If not, how should they be presented?**

We agree with the proposal that entities present a single statement of comprehensive income. We agree that it will present information in a more cohesive format, including providing details of unrealised and realised changes in one single statement. Mandating the single statement will also standardise the presentation formats used by companies to present comprehensive income and enhance comparability.

- 15. Paragraph 3.25 proposes that an entity should indicate the category to which items of other comprehensive income relate (except some foreign currency translation adjustments) (see paragraphs 3.37–3.41). Would that information be decision-useful? Why or why not?**

We agree that an entity should indicate the category to which other comprehensive income items relate. This ensures consistency with the operating/investing/financing classification guidance but maintains the presentation of other comprehensive income in a section separate from net profit. The categorisation into operating/investing/financing will also provide decision-useful information to users as to how management view each class of transactions which affect equity.

- 16. Paragraphs 3.42–3.48 propose that an entity should further disaggregate within each section and category in the statement of comprehensive income its revenues, expenses, gains and losses by their function, by their nature, or both if doing so will enhance the usefulness of the information in predicting the entity's future cash flows. Would this level of disaggregation provide information that is decision-useful to users in their capacity as capital providers? Why or why not?**

We are of the view that guidance surrounding the disaggregation of financial statement information should not be prescriptive. Rather, entities should be given the choice to present items within each category by nature or function (or both) as consistent with the management approach and as is current practice. The implementation of the principles of a management approach to classification should also result in a similar level of flexibility regarding disaggregation, and throughout all of the presentation guidance. In addition, the concept of the "management approach" by its very nature should present information useful in predicting the amount, timing and uncertainty of future cash flows of an entity without the need for prescriptive disaggregation principles (i.e. how management require the information to be presented via internal reporting should already disaggregate information such that it is useful in predicting future cash flows as this criteria is foundational to performance reporting and assessment).

Further, it is likely that mandating the disaggregation of transactions by nature/function or both will result in significant implementation costs such that systems are configured/modified to capture the necessary information.

- 17. Paragraph 3.55 proposes that an entity should allocate and present income taxes within the statement of comprehensive income in accordance with existing requirements (see paragraphs 3.56–3.62). To which sections and categories, if any, should an entity allocate income taxes in order to provide information that is decision-useful to users? Please explain.**

We agree with the allocation of income taxes to discontinued operations, other comprehensive income and items taken to equity as required under the current presentation guidance. This is useful for determining the income tax allocation to continuing operations.

- 18. Paragraph 3.63 proposes that an entity should present foreign currency transaction gains and losses, including the components of any net gain or loss arising on remeasurement into its functional currency, in the same section and category as the assets and liabilities that gave rise to the gains or losses.**

- (a) Would this provide decision-useful information to users in their capacity as capital providers? Please explain why or why not and discuss any alternative methods of presenting this information.**

**(b) What costs should the boards consider related to presenting the components of net foreign currency transaction gains or losses for presentation in different sections and categories?**

Our foreign currency transaction gains and losses that we record in the income statement are not significant, so from our perspective there would be little benefit to users in separating these gains and losses into each relevant section. However we believe that if the statement of comprehensive income is segregated into operating, investing and financing activities, then that segregation should apply to all income and expense items, including foreign currency gains and losses (with tax being the only exception).

**19. Paragraph 3.75 proposes that an entity should use a direct method of presenting cash flows in the statement of cash flows.**

- (a) Would a direct method of presenting operating cash flows provide information that is decision-useful?**
- (b) Is a direct method more consistent with the proposed cohesiveness and disaggregation objectives (see paragraphs 3.75–3.80) than an indirect method? Why or why not?**
- (c) Would the information currently provided using an indirect method to present operating cash flows be provided in the proposed reconciliation schedule (see paragraphs 4.19 and 4.45)? Why or why not?**

We currently apply the direct method and present “receipts from customers” and “payments to suppliers” as single line items in the statement of cash flows. This is consistent with most Australian companies who in the past have been required to use the direct method by the Australian Accounting Standards Board.

However, we understand that the IASB will require these lines to be further disaggregated into various components according to nature and/or function classification, consistent with that presented in the statement of comprehensive income. In essence, this would involve recording operating activities on an accrual basis and a cash basis when collating financial data. At present, our financial systems do not function to collate this information (as the “receipts from customers” and “payments to suppliers” cash flows are determined indirectly) and we would incur significant implementation costs in modifying the system and related business processes to do so. We believe that a lot of companies would not be able to accurately present this level of information.

It is arguable whether the benefits of presenting this information would add value to users and be decision-useful in assessing an entity’s performance. I.e. whether there would be any incremental benefit to users from a predictability perspective, in disaggregating receipts from customers and payments to suppliers into their various line by line components. The nature of operating cash flows is such that the predictability characteristics of future cash flows is likely to be similar for each group of items (i.e. based on business activities and operating cycle). The statement of comprehensive income and related disclosures already provide a sufficient level of detail regarding operating revenues and expenses. We fail to see what benefit disclosing the cash flow of each individual operating revenue and expense line items would bring to users.

We should also point out that while we agree that using the direct method will give users a more cohesive view of an entity’s performance, internally we utilise an indirect approach to report and manage our cash flows. Driving increased operating cash flow in a company is done through focussing on profitability and working capital management, rather than separately analysing receipts and payments. As such, mandating a direct method is inconsistent with a management approach to financial reporting.

In relation to the proposed reconciliation schedule, we note that the information provided under the indirect method of presenting cash flows is likely to contain more detail (i.e. higher level of disaggregation) than the information required to be provided in the proposed reconciliation schedule. In particular, there is less transparency surrounding what components make up non-cash items under the proposed reconciliation – with no requirement for separate disclosure of non-cash transactions recorded within profit and movements in operating assets and liabilities.

Ultimately we believe that the current presentation and disclosure requirements that is adopted by most Australian companies is adequate and appropriately meets the needs of users. We have attached our statement of cash flows and related reconciliation disclosure from our 30 June 2008 financial statements in order to assist the Board in considering our views. Refer to attachment 1.

20. **What costs should the boards consider related to using a direct method to present operating cash flows (see paragraphs 3.81–3.83)? Please distinguish between one-off or one-time implementation costs and ongoing application costs. How might those costs be reduced without reducing the benefits of presenting operating cash receipts and payments?**

We currently adopt the direct method of presenting operating cash flows. However as discussed in question 19 above, it is anticipated that we will incur significant implementation costs in order to present the additional level of disaggregation for operating cash flows as proposed by the discussion paper, for little benefit.

21. **On the basis of the discussion in paragraphs 3.88–3.95, should the effects of basket transactions be allocated to the related sections and categories in the statement of comprehensive income and the statement of cash flows to achieve cohesiveness? If not, in which section or category should those effects be presented?**

In terms of the classification and presentation of the effects of basket transactions, we are of the opinion that they should be classified in a single section or category, thereby not requiring an allocation of the total effect. It is arguable whether the arbitrary allocation of effects of basket transactions would be decision-useful.

22. **Should an entity that presents assets and liabilities in order of liquidity in its statement of financial position disclose information about the maturities of its short-term contractual assets and liabilities in the notes to the financial statements as proposed in paragraph 4.7? Should all entities present this information? Why or why not?**

We do not believe that entities that present a classified statement of financial position should disclose information about the maturities of its short-term assets and liabilities. The fact that they have been disclosed as current should be a sufficient level of information.

23. **Paragraph 4.19 proposes that an entity should present a schedule in the notes to financial statements that reconciles cash flows to comprehensive income and disaggregates comprehensive income into four components: (a) cash received or paid other than in transactions with owners, (b) accruals other than remeasurements, (c) remeasurements that are recurring fair value changes or valuation adjustments and (d) remeasurements that are not recurring fair value changes or valuation adjustments.**

- (a) **Would the proposed reconciliation schedule increase users' understanding of the amount, timing and uncertainty of an entity's future cash flows? Why or why not? Please include a discussion of the costs and benefits of providing the reconciliation schedule.**
- (b) **Should changes in assets and liabilities be disaggregated into the components described in paragraph 4.19? Please explain your rationale for any component you would either add or omit.**
- (c) **Is the guidance provided in paragraphs 4.31, 4.41 and 4.44–4.46 clear and sufficient to prepare the reconciliation schedule? If not, please explain how the guidance should be modified.**

We support the inclusion of a reconciliation of cash flows to comprehensive income, especially if the direct cash flow method is mandated. Not only do we believe that it would provide users with valuable information as to how an entity derives its cash, but it will also provide users with important information regarding comprehensive income, and in particular the valuation and other non-cash adjustments that are recognised.

From our perspective the reconciliation would not be too difficult to implement, and the disaggregation into the components described in paragraph 4.19 is sufficient. However, this is because we currently present our statement of cashflows under the direct method and we have a fairly detailed and robust cashflow reporting process that calculates our cashflows based on income statement and balance sheet movements.

We also believe that this reconciliation should be at a reasonably aggregated level. Detailed reconciliations at the individual comprehensive income line item would not provide any additional benefit to users. Refer to our comments at question 19 regarding our concerns with disaggregating the statement of cashflows.

24. **Should the boards address further disaggregation of changes in fair value in a future project (see paragraphs 4.42 and 4.43)? Why or why not?**

We would not support the boards considering further disaggregation of changes in fair value. To separately disclose and report each component of the fair value change of an individual asset or liability would be

extremely onerous for companies to present. Narrative disclosure around the broad drivers of the fair value movement would be sufficient.

25. ***Should the boards consider other alternative reconciliation formats for disaggregating information in the financial statements, such as the statement of financial position reconciliation and the statement of comprehensive income matrix described in Appendix B paragraphs B10–B22? For example, should entities that primarily manage assets and liabilities rather than cash flows (for example, entities in the financial services industries) be required to use the statement of financial position reconciliation format rather than the proposed format that reconciles cash flows to comprehensive income? Why or why not?***

As a company in the telecommunications industry, we support the adoption of the reconciliation schedule between the statement of cash flows and the statement of comprehensive income.

26. ***The FASB's preliminary view is that a memo column in the reconciliation schedule could provide a way for management to draw users' attention to unusual or infrequent events or transactions that are often presented as special items in earnings reports (see paragraphs 4.48–4.52). As noted in paragraph 4.53, the IASB is not supportive of including information in the reconciliation schedule about unusual or infrequent events or transactions.***
- (a) Would this information be decision-useful to users in their capacity as capital providers? Why or why not?***
  - (b) Opinion 30 contains definitions of unusual and infrequent (repeated in paragraph 4.51). Are those definitions too restrictive? If so, what type of restrictions, if any, should be placed on information presented in this column?***
  - (c) Should an entity have the option of presenting the information in narrative format only?***

While there is no notion of unusual or infrequent events or transactions under current IFRS, companies will regularly highlight or bring to the user's attention such events or transactions in their earnings or other market releases. This information provides users with a better understanding of the results and the performance of the company.

Entities should be encouraged, but ultimately have the option of presenting any such additional disclosure in order to assist users in their understanding of the company's results. This optional disclosure should be in a narrative format only, thereby not amending the presentation of the financial statements. Furthermore, there should not be a strict definition of items that must be disclosed, as is currently contained in Opinion 30. Management are best placed to decide the unusual or infrequent events/transactions and what is beneficial to disclose based on their knowledge of the business, rather than mandating specific rules around what to disclose and how to disclose it.

We thank you for the opportunity to comment on these changes. Please contact me on +61 3 9634 6470 if you need any further explanation on the comments made in this letter.

Yours sincerely



**David Anderson**  
Director Corporate Accounting



## Appendix 1 Statement of Cash Flows

for the year ended 30 June 2008

	Telstra Group		Telstra Entity	
	Year ended 30 June		Year ended 30 June	
	2008	2007	2008	2007
Note	\$m	\$m	\$m	\$m
<b>Cash flows from operating activities</b>				
Receipts from customers (inclusive of goods and services tax (GST)) . . . . .	27,246	26,187	23,762	22,707
Payments to suppliers and to employees (inclusive of GST) . . . . .	(16,871)	(16,049)	(13,720)	(12,925)
Net cash generated by operations . . . . .	10,375	10,138	10,042	9,782
Income taxes paid . . . . .	(1,531)	(1,618)	(1,513)	(1,584)
Net cash provided by operating activities . . . . . 20	8,844	8,520	8,529	8,198
<b>Cash flows from investing activities</b>				
Payments for:				
- property, plant and equipment . . . . .	(3,862)	(4,657)	(3,609)	(4,172)
- intangible assets . . . . .	(1,465)	(995)	(1,208)	(802)
Capital expenditure (before investments) . . . . .	(5,327)	(5,652)	(4,817)	(4,974)
- shares in controlled entities (net of cash acquired) . . . . . 20	(74)	(326)	-	(13)
- payments for other investments . . . . .	(1)	(4)	(1)	(2)
Total capital expenditure . . . . .	(5,402)	(5,982)	(4,818)	(4,989)
Proceeds from:				
- sale of property, plant and equipment . . . . .	28	32	58	47
- sale of intangible assets . . . . .	1	2	-	2
- sale of shares in controlled entities (net of cash disposed) . . . . . 20	51	218	-	-
- sale of other investments . . . . .	-	14	-	13
Proceeds from finance lease principal amounts . . . . .	52	84	52	84
Net cash consideration from CSL New World Mobility merger . . . . .	-	(21)	-	-
Loan to jointly controlled and associated entities . . . . .	-	(24)	-	-
Repayment of loan to jointly controlled and associated entities . . . . .	6	-	-	-
Interest received . . . . .	72	56	60	48
Proceeds from settlement of hedges in net investments . . . . .	73	-	73	-
Distribution from FOXTEL Partnership . . . . . 6	130	-	-	-
Net cash used in investing activities . . . . .	(4,989)	(5,621)	(4,575)	(4,795)
Operating cash flows less investing cash flows . . . . .	3,855	2,899	3,954	3,403
<b>Cash flows from financing activities</b>				
Proceeds from borrowings . . . . .	6,498	5,206	6,769	5,414
Proceeds from Telstra bonds and domestic loans . . . . .	-	373	-	373
Repayment of borrowings . . . . .	(5,397)	(3,776)	(5,876)	(4,570)
Repayment of finance lease principal amounts . . . . .	(42)	(42)	(38)	(39)
Staff repayments of share loans . . . . .	15	17	15	17
Purchase of shares for employee share plans . . . . .	(129)	-	(129)	-
Finance costs paid . . . . .	(1,213)	(1,056)	(1,223)	(1,047)
Dividends paid to equity holders of Telstra Entity . . . . . 4	(3,476)	(3,479)	(3,476)	(3,479)
Dividends paid to minority interests . . . . .	(22)	-	-	-
Net cash used in financing activities . . . . .	(3,766)	(2,757)	(3,958)	(3,331)
<b>Net increase/(decrease) in cash and cash equivalents . . . . .</b>				
	89	142	(4)	72
Cash and cash equivalents at the beginning of the year . . . . .	823	689	546	474
Effects of exchange rate changes on cash and cash equivalents . . . . .	(13)	(8)	-	-
Cash and cash equivalents at the end of the year . . . . . 20	899	823	542	546

## 20. Notes to the statement of cash flows

	Telstra Group		Telstra Entity		
	Year ended 30 June		Year ended 30 June		
	Note	2008 \$m	2007 \$m	2008 \$m	2007 \$m
<b>(a) Reconciliation of profit to net cash provided by operating activities</b>					
Profit for the year . . . . .		3,711	3,275	3,817	3,438
Add/(subtract) the following transactions					
Depreciation and amortisation . . . . .	7	4,190	4,082	3,621	3,588
Finance income . . . . .	6	(72)	(57)	(60)	(47)
Finance costs . . . . .	7	1,158	1,144	1,152	1,147
Dividend revenue . . . . .	6	-	-	(256)	(186)
Distribution from FOXTEL partnership . . . . .	6	(130)	-	-	-
Share based payments . . . . .	7	28	25	28	25
Defined benefit plan expense . . . . .	7	198	239	197	238
Net gain on disposal of property, plant and equipment . . . . .	6	-	(6)	(2)	(10)
Net gain on disposal of intangibles . . . . .	6	(1)	(2)	-	(2)
Net gain on disposal of controlled entities . . . . .	6	(37)	(48)	-	-
Net gain on disposal of other investments . . . . .	6	-	(13)	-	(13)
Share of net losses from jointly controlled and associated entities . . . . .	26	1	7	-	-
Impairment losses (excluding inventories, trade and other receivables) . . . . .	7	60	154	338	249
Reversal of impairment losses (excluding trade and other receivables) . . . . .	7	-	-	(2)	(2)
Foreign exchange differences . . . . .		(13)	(7)	(100)	(52)
<b>Movements in operating assets and liabilities</b> (net of acquisitions and disposals of controlled entity balances)					
(Increase)/decrease in trade and other receivables . . . . .		(110)	(98)	(155)	(109)
(Increase)/decrease in inventories . . . . .		13	(107)	2	(96)
(Increase)/decrease in prepayments and other assets . . . . .		(11)	24	2	12
Increase/(decrease) in trade and other payables . . . . .		88	341	54	337
Increase/(decrease) in revenue received in advance . . . . .		44	20	24	19
Increase/(decrease) in net taxes payable . . . . .		(102)	(210)	30	(92)
Increase/(decrease) in provisions . . . . .		(171)	(243)	(161)	(246)
<b>Net cash provided by operating activities . . . . .</b>		<b>8,844</b>	<b>8,520</b>	<b>8,529</b>	<b>8,198</b>
<b>(b) Cash and cash equivalents</b>					
Cash at bank and on hand . . . . .		426	241	84	94
Bank deposits, bills of exchange and promissory notes . . . . .		473	582	458	452
<b>Total cash and cash equivalents . . . . .</b>		<b>899</b>	<b>823</b>	<b>542</b>	<b>546</b>