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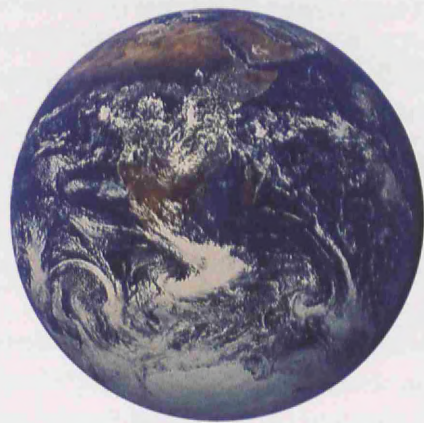
1990

A N N U A L



R E P O R T





OTC'S GOAL
IS TO EXCEL AS A
LEADING AND DYNAMIC
PARTICIPANT IN
THE WORLDWIDE
INFORMATION
BUSINESS

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CHAIRMAN'S LETTER

The Hon Kim Beazley MP
Minister for Transport and Communications
Parliament House
Canberra ACT 2600

OTC House
231 Elizabeth Street
Sydney NSW

25 August 1990

Dear Minister

I have pleasure in submitting the annual report on the operations of OTC Limited for the year ended 31 March 1990. Financial statements and reports from the Directors and auditors are included, together with a Freedom of Information Statement, which is included in accordance with Section 8 of the Freedom of Information Act 1982.

I am pleased to report that, in its first year since incorporation as a public company, OTC Limited has shown encouraging growth and has achieved a record financial result.

During the year, total revenue rose 18.5 per cent to \$1517.2 million and net profit also improved significantly.

After providing \$152.4 million for income tax, and the interests of minority shareholders in partly owned subsidiary companies, net profit rose by \$45.5 million to \$234.6 million.

The company has recommended that a dividend of \$104.0 million be paid to the Australian Government from 1989-90 profits.

The year has been one of continuing and significant global change, driven by technological development and by newly emerging market forces. The prospect is for this to continue in substantial measure, bringing with it the need for OTC to respond speedily and appropriately to a continually changing and increasingly competitive environment.

As part of this response, the year has seen a major reorganisation program begun within OTC involving the establishment of a series of business units.

The program, which is scheduled to be completed this year, has been designed to improve efficiency by heightening market awareness and making the company more customer responsive.

I should like to acknowledge the contribution of my fellow Directors, and welcome to the Board Mr John Menadue, former Chief Executive of Qantas Airways Limited and Australian Ambassador to Japan, and Professor Murray Wells, the Ernst & Young Professor of Accounting at the University of Sydney. I should also like to welcome Mr Stephen Burdon, who took up the position of Managing Director on 3 July 1989. Mr Charles Halton retired from the Board during the year, and I thank him for his service over his term of office.

I also note with appreciation the role played by Mr Michael Hutchinson, Deputy Secretary, Department of Transport and Communications, who acted as Managing Director during the period of January to June 1989.

None of the changes which have occurred within OTC during the past year could have been implemented without the cooperation and goodwill of the management and staff of the company. The Directors acknowledge that cooperation.

Yours sincerely



David Hoare
Chairman



Stephen Burdon Managing Director

MANAGING DIRECTOR'S COMMENTARY

The telecommunications industry is growing rapidly across the globe, and is forecast by the end of 1991 to become the world's largest industry - a position it is likely to retain until well into the next century. Telecommunications is playing an ever more central role in the lives of us all. This is certainly true of OTC's three million customers, whose needs are becoming more complex and demanding right across our customer base, from social users to small business and the corporate sector. These changing customer needs, coupled with significant worldwide industry restructuring and fast-changing technology, require OTC to reinvestigate our future plans and create a vision and purpose that will build on our current strong performance. We have a proud record of providing amongst the lowest tariffs of all international carriers, plus solid financial returns. This strong base has enabled us to put together an aggressive business plan to increase our presence in the world telecommunications industry and ensure we continue to offer a world standard service to our Australian and overseas customers. This new plan will require us to significantly increase our already high growth rate and enter a number of new fully competitive business areas, both in Australia and offshore. The importance of these new areas can be seen by the fact that they will account for no less than 30 per cent of our total projected growth during the next year.

As we revise the vision of our organisation in the future there is a need to restructure the company to help us achieve our objectives. Our current restructure is based on the objectives of an increased focus on customer service, faster growth for our new businesses, better commercial discipline and more decentralised decision-making. This is being achieved by setting up several distinct business units.

Whilst customer service has been a traditional feature of the OTC culture, there is a need to further elevate its importance throughout the organisation. Initiatives during the year include a start to the restructuring of our sales and marketing group, and even closer attention to market research to help us identify the relative importance of individual customer service elements and provide an accurate measure of our performance. In addition, we have commenced world standard comparisons with the best overseas carriers, covering such areas as range of services and quality, reliability and speed of installation. Whilst we can claim to have amongst the cheapest tariffs in the world, as measured by the OECD, and to be equal second in range of services, significant work will be necessary in some areas to lift our performance and more importantly maintain our historically high performance in a world that is rapidly changing.

The Chairman has already referred to the healthy financial results which have been achieved by the company during this year. We are, however, fully aware that our current good performance and plans rely on the capacity to attract and retain the very best people to work with us, and we have therefore invested time and resources to create the OTC Education policy and the OTC Student Awards for post-graduate excellence. We have also embarked on a program to help build the scientific talent available in Australia, both now and in the future.

COMMUNICATIONS DIVISION

While there has been significant deregulation of the telecommunications industry and a consequent unprecedented expansion of OTC services, the provision of overseas telephone services remains the company's core business and its major source of revenue. Bothway telephone traffic volume increased by 24.4 per cent over the previous year, and transit telephone traffic volume increased by 76.5 per cent.

The significant growth in traffic volumes, and cost savings due to the further introduction of digital technology and aggressive negotiation of lower accounting rates with other carriers by OTC, enabled the company to make tariff reductions this year resulting in savings to customers of \$54.4 million.

Network payments of \$846.7 million remain OTC's largest cost factor. This includes payments to Telecom Australia for domestic reticulation of international traffic in Australia and to OTC's overseas correspondents for the reticulation of Australian traffic overseas.

A measure of the magnitude and complexity of OTC's international negotiations with overseas carriers and administrations is evident from the fact that we provide services to 219 destinations in 185 countries. OTC has an ongoing commitment in its negotiations with the relevant overseas authorities to secure the

best possible accounting rates to minimise service provision costs to Australian customers.

Societe Internationale de Telecommunications Aeronautiques (SITA), an airline cooperative serving 387 member companies in 184 countries by transmitting essential technical, freight and passenger information around the world, announced in February that it would relocate its regional hub from Hong Kong to Sydney.

OTC assisted SITA by devising customised network solutions which could now see its Asia/Pacific network double in size over the next few years. OTC also took an active role in helping SITA secure Australian and New South Wales Government support for its relocation.

Approximately 60 per cent of OTC's traffic is carried on the INTELSAT satellite system. Of the 118 member countries in INTELSAT, Australia is one of the leading users of the satellite system, and is a member of the INTELSAT Board of Governors. Our commitment to INTELSAT is substantial and ongoing.

The remaining 40 per cent of international traffic into and out of Australia is carried on cable systems. OTC shares ownership of 15 existing analog cable systems, and is actively represented on the boards of management of those systems. In addition, OTC is, or has plans to become, an owner in 21 separate systems in the developing worldwide optical fibre network. We have actively contributed to the development of innovative use and ownership arrangements of these high-capacity systems.

The network provided by this mix of cable and satellite systems enables OTC to provide Australian customers with a high-quality, secure service that ranks with the world's best and is capable of providing the flexibility needed to react to any system breakdown or respond to peak demand periods such as Easter and Christmas.

OTC INTERNATIONAL

At the leading edge of OTC's international expansion is OTC International, OTC's wholly-owned offshore operations marketing and training subsidiary. OTC International had a very good year's operation and secured future contracts of \$150 million during the year. The primary focus of its activities is to sell the world-class expertise of OTC in managing International telecommunications networks. As such, some of the contracts secured were for revenue over a number of years.

In Vietnam, OTC International completed two major earth stations, one each in Hanoi and Ho Chi Minh City, and was instrumental in providing ancillary equipment in the Mekong Delta and Ho Chi Minh City, substantially improving that country's domestic and international communications.

OTC International is also earning export dollars for Australia with a range of projects in Cambodia, Laos, Thailand, Malaysia, Kiribati, Nauru and Sri Lanka.

These projects have not been limited to the installation of new technology. Rather, they have included management and technical training programs which will enable these communities to operate their internal and international telecommunications systems efficiently and profitably.

In March, an agreement was signed linking island communities in the South Pacific with a state-of-the-art satellite telecommunications system. Known as the Pacific Area Cooperative Telecommunications (PACT) network, it provides a custom-designed Australian solution to the problems of linking the widely dispersed island nations of the South Pacific with their outlying communities, their neighbours and other world destinations through a low-cost, high-security network managed by OTC.

OTC ENHANCED

OTC Enhanced, the value-added services division of OTC, continues to perform vigorously and is now the leading provider in the deregulated Australian value-added services market. It has attained this success through a series of strategic acquisitions and joint ventures to service key industry sectors including import/export and transport, banking and finance, resources and commodities, government and professional services.

Supported by the international reputation, reliability and financial stability of OTC, OTC Enhanced has established its market leadership by assuring customers of its commitment to a long-term presence as a service provider.

This year, an OTC subsidiary, Telepower, won a long-term agreement with the State Government of New South Wales to develop and manage a network to handle all the telecommunications needs of the Government. Valued at potentially more than \$1.3 billion, the agreement is the largest ever won by OTC and represents a very significant step in the development and management of private networks.

NETWORK DEVELOPMENT

In September 1989, OTC Limited and 51 other international telecommunications carriers and administrations initialled an agreement for the construction of the PacRim network. This network, extending some 14,000 kilometres, involves the construction of two optical fibre digital cables, PacRimEast and PacRimWest.

PacRimEast will link New Zealand and Hawaii and will join with the Tasman 2 cable presently under construction between

Australia and New Zealand. PacRimWest will link Australia and Guam. With connecting cables between Hawaii and the US mainland, the United States and Japan, and Japan and Guam, the PacRim and Tasman 2 cables will form a unique telecommunications loop in the Pacific.

The loop network is the result of a major initiative of OTC Limited and represents a significant success in negotiations between OTC and other worldwide carriers. It will provide Australia with access to a high-capacity/high-security network around the Pacific and beyond. In addition, it establishes a major high-technology industry in Australia producing second-generation fibre optics; an industry which would otherwise not have come to Australia.

Total cost of PacRimEast and PacRimWest is estimated to be in the order of \$A800 million. Just under 50 per cent of this amount will be met by OTC, making this the largest single capital investment ever undertaken by the company.

The establishment of the Pacific loop will enable OTC to further pursue the objective of making Australia the telecommunications hub of the Asia/Pacific Region.

OTC MARITIME

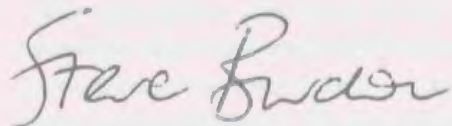
OTC has for 100 years had a close relationship with Australians who use the nation's waterways, whether for pleasure or business. During the year OTC Maritime began a significant capital expansion program, the first phase involving a \$4.8 million outlay on the Auto-Seaphone project. Work also began on two Inmarsat Satellite Earth Stations, which will produce a more cost-effective service and enable OTC Maritime to seek new customers and business in South East Asia.

RESEARCH AND DEVELOPMENT

Our commitment to meeting the highest level of customer needs in services and maintaining world standards of technical excellence has led OTC increasingly to commit to research and development programs. This year we spent \$10.7 million on research and development compared with \$8.2 million in 1988-89, and \$18.0 million is budgeted for the coming year. We have focused our efforts on making R&D more responsive to, and consistent with, our business units' long-term objectives. We would like to thank our Research and Development Board of Directors, chaired by Professor Trevor Cole, for their help throughout the year.

STAFF

The company's reorganisation process and the Government's review of structural arrangements in the telecommunications industry have inevitably subjected OTC's staff to considerable stress and uncertainty during the year. It is a credit to the staff that these pressures have not affected the service we offer our customers, nor the effort being put into commencing our ambitious growth plan. Indeed, we have recorded major improvement in two relevant measures of corporate efficiency; namely revenue per employee which has grown from \$620,000 to \$711,000 and pre-tax operating profit per employee, which rose from \$143,000 last year to \$181,000 this year.



Stephen Burdon
Managing Director

FINANCIAL HIGHLIGHTS

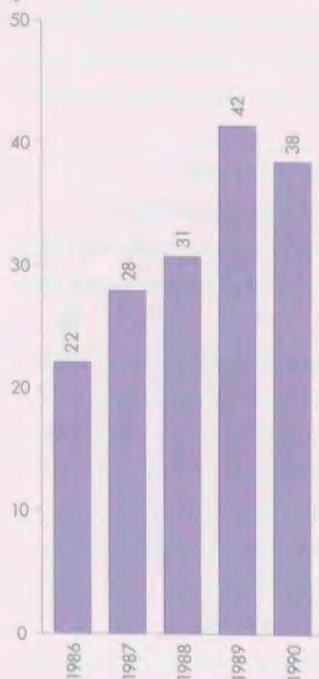
NET PROFIT INCREASED BY 24% TO \$235 MILLION

\$ MILLION



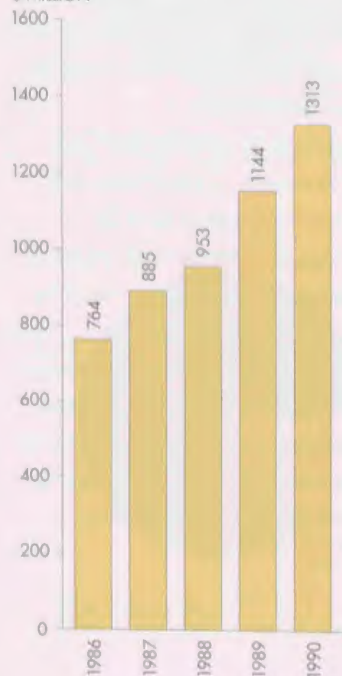
RETURN ON EQUITY 38%

%



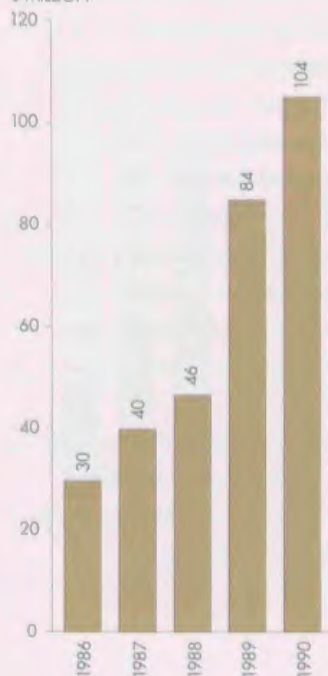
ASSETS INCREASED BY 15% TO \$1,313 MILLION

\$ MILLION



DIVIDEND INCREASED BY 24% TO \$104 MILLION

\$ MILLION



THE MARKETING AND BUSINESS ENVIRONMENT

OTC CUSTOMER SERVICE VISION

OTC Limited will strive to remain its customers' preferred supplier and to achieve world leadership in the efficient and reliable delivery of communications and information services.

QUALITY OF SERVICE STATEMENT

OTC's Customer Service Vision will be realised by constantly striving to ensure that:

- Our customers can deal with us easily and efficiently.
- We meet our commitments by delivering what we promise, when we promise it.
- Our products and services suit customers' needs, and always work as they should.
- The nature of our products and services is easily understood by customers, and their operation is straightforward.
- We always use our knowledge and expertise to foster our customers' success.

For most Australians, the name OTC evokes images of telephone calls to friends and relatives overseas.

While the majority of OTC's revenue comes from its telephone operations, this is, in fact, only part of the total picture.

The strategic position of telecommunications in Australia's future is underlined by forecasts that, by the mid 1990s, communication and information will comprise the largest industry sector in the world.

The direct correlation between a country's exports and the growth of its overseas telecommunications traffic demonstrates the pivotal role to be played by OTC in Australia's future.

Australia is a trading nation and, as such, relies on the rest of the world to buy its products and thereby maintain the standard of living enjoyed by its residents.

For business to succeed in the global environment, it must communicate. In the vast majority of cases, that communication travels through facilities provided by OTC.

It is OTC's task to provide the best possible communications services at the lowest possible cost.

To achieve this, OTC has developed an extensive network infrastructure providing media and route diversity through submarine cables and satellites.

The network is backed by sophisticated traffic management systems, which provide a high standard of technical efficiency to enhance OTC's service to customers.

International telephone and facsimile charges from Australia, already among the lowest in the world, are to be further reduced by OTC during the 1990-91 financial year.

During the past financial year, 1989-90, OTC implemented price reductions for international telephone calls to major destinations such as North America and some Western European countries.

The latest round of price reductions, to take effect 1 August 1990, follows those of July 1989, when OTC reduced International Direct Dial (IDD) rates by up to 25 per cent to 45 of the most popular destinations.

A survey conducted in 1989 by the Organisation of Economic Cooperation and Development (OECD) found that, of 24 advanced industrial nations studied, charges for international telephone calls provided by OTC were the lowest.

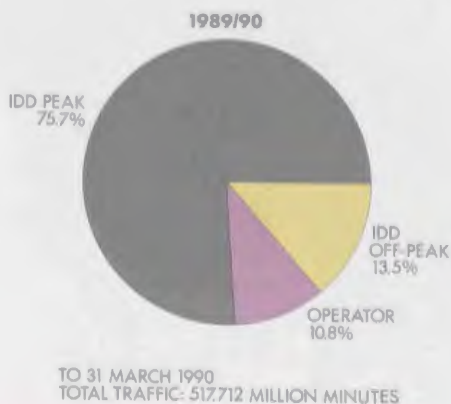
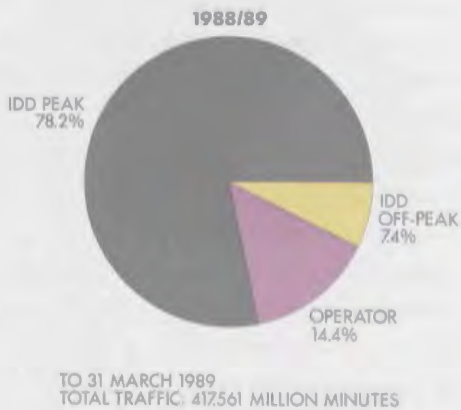
The OECD study into telecommunications costs is regarded as an accurately weighted means of comparison, as it takes into account the value of different currencies in terms of purchasing power in their own country.

The year also saw a significant reduction in charges for all OTC digital private leased circuits.

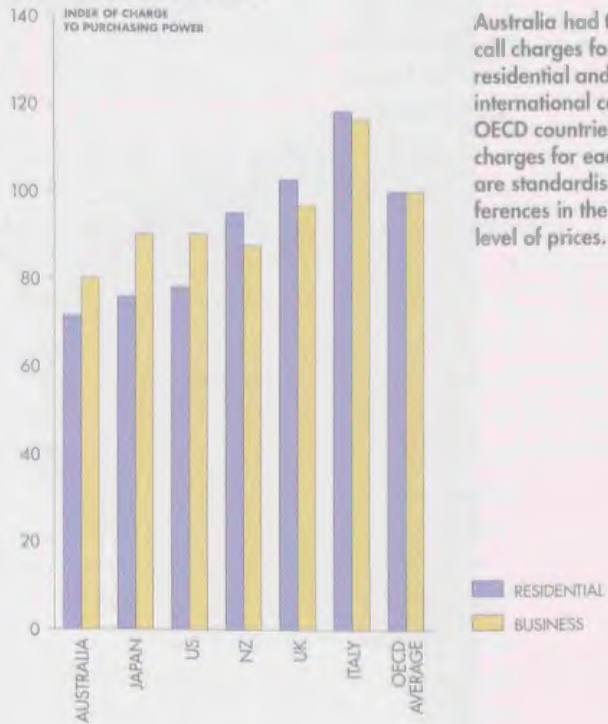
The latest reduction of 15 per cent means OTC has reduced the cost of this increasingly important facility by 40 per cent in the past three years.

Private leased circuits are an essential component for companies looking to establish regional telecommunications hubs, a market segment which OTC is making intensive efforts to attract to Australia.

**INTERNATIONAL TELEPHONE SERVICE
(OUTGOING TELEPHONE MINUTES)**

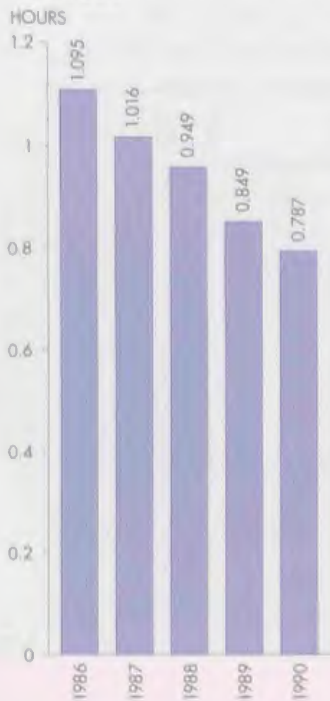


COMPARISON OF INTERNATIONAL TELEPHONE CALL CHARGES



Australia had the lowest call charges for both residential and business international calls of 24 OECD countries. The call charges for each country are standardised for differences in the general level of prices.

AVERAGE NUMBER OF HOURS WORKED FOR 7 MIN IDD CALL TO UK OR USA



This graph shows the average number of hours worked for a 7 minute IDD call to UK or USA. The decrease over the five-year period is 28.1 per cent and the decrease for 1990 is 7.3 per cent.

BUILDING THE NETWORK

At the end of calendar year 1989, OTC signed an agreement with Northern Telecom (NorTel) of Canada for the supply of Australia's first international Integrated Services Digital Network (ISDN) exchange, to be installed at OTC's Paddington (Sydney) International Telecommunications Centre.

ISDN is fast becoming the business telecommunications standard in Australia and among our major trading partners. It will provide a framework to dramatically enhance the performance of communications networks and has the potential to significantly enhance the way in which Australia communicates with the world.

Early in 1990, OTC demonstrated OTC Switched Digital, the first of a range of services based on international ISDN technology. To be officially launched in mid 1990, OTC Switched Digital will provide back-up and overflow for leased services; high-speed Group 4 facsimile; dial-up videoconferencing; and high-speed file and image transfer, all from customer premises and with significant economies that will be passed on to the end user.

OTC is one of the first of the world's international carriers to provide an ISDN-based service.

OTC Switched Digital already provides ISDN access to Japan and the United States. By the end of 1991, the service is expected to extend to more than 10 countries. Beyond that time, it will be further extended according to market demand and ISDN capability in other countries.

It is anticipated that customers with established international private networks, especially those with large data and facsimile requirements, will be among the first to benefit from the introduction of the new service, as ISDN is ideally placed to offer back-up and overflow to existing private networks.

MEETING CUSTOMER NEEDS

It is unlikely that any business could ever have a need for all of the products and services which OTC provides.

Phone, fax, telex, image, file and data transfer, videoconferencing, and television programs into and out of Australia are all provided by OTC.

OTC Enhanced, the leading provider of value-added services in Australia, provides an expanding range of services for domestic and international communications. These include electronic messaging, information and data interchange. The business unit also provides domestic value-added data networks, consultancy and private network services.

While OTC continues to search for and develop innovative solutions to communications challenges, the telephone remains the basic tool of business communication.

OTC's wide range of telephone services offers numerous business advantages to companies which utilise them.

- OTC International Toll-Free — by allowing overseas customers to call free of charge — has enabled Australian businesses to compete in foreign markets without having to go through the costly and time-consuming exercise of establishing local offices and branch networks.
- OTC Australia Direct allows Australians abroad to call home easily and economically.
- OTC Call Card offers travellers to the United States of America a telephone credit card.
- OTC IDD (International Direct Dial) is more economical and time-efficient than operator-connected calls.

Telephone-related services such as OTC Faxlink (0015 access) are also designed to make communication to and from Australia simple to use, convenient and economical;



Reductions in normal and off-peak OTC International Direct Dial (IDD) rates are expected to save customers an estimated \$54.4 million in a full year. During the past financial year, a study of 24 advanced industrial economies by the Organisation for Economic Cooperation and Development (OECD) found that Australia's international call charges were lower than for any other country studied. An increase in traffic, efficiency gains and aggressive negotiations to achieve better commercial arrangements with overseas counterparts enabled OTC to pass on savings to customers for calls to many countries. The cost of OTC IDD calls has decreased in real terms every year since 1976 when the service was introduced.



vital ingredients in the mix required to maintain Australia's position as a significant trading nation.

Other OTC services which have been specifically designed to be of assistance to the business community include:

- OTC Data Access, which makes a personal computer or mainframe compatible with world systems and connects to other computers around the globe.
- OTC AVD (Analog Voice/Data) provides a quality private phone/fax line or, with a modem attached at each end, allows host computers, PCs, word processors and remote terminals to be linked to overseas offices.
- OTC Bitstream and OTC Skystream offer high-speed, high-quality digital leased communication lines for a customer's dedicated and exclusive use. As companies move up to major data transmission needs, OTC offers these world-class systems which travel through the extensive cable and satellite networks to provide high-quality and reliable digital transmission as well as economies of scale.
- OTC Satnet is a small-dish satellite system used to exchange company data in widely dispersed remote locations. These dishes, only 1.5 metres in diameter, can send and receive private data signals via satellite and are gaining acceptance in industries such as mining.
- OTC International Videoconferencing enables meetings anywhere in the world to be linked by interactive sound and vision. It has all the benefits of face-to-face contact, without any of the cost and time disadvantages associated with international and interstate travel.

THE BUSINESS CENTRE OF THE REGION

While telephone services presently form OTC's core business, the company has moved into dimensions that could not have been foreshadowed by those who established OTC as Australia's international carrier in 1946.

In line with the government's objective of making Australia the focal point of business activity in the Asia/Pacific region, OTC has, for several years, been engaged in ambitious moves to attract multi-national corporations into hubbing their regional communications business in Australia.

Sophisticated communication facilities remain one of the prime requirements for any company considering the strategic relocation of its regional business operations.

To date, more than 100 companies are using OTC to operate network telecommunications hubs from Australia. In February 1990, the world's largest specialised telecommunications network operator, SITA, announced that it, too, would establish its regional hub in Sydney — taking advantage of a package of price incentives and service-related concessions offered by OTC.

SITA, which is already a major OTC customer, is an airline cooperative serving 387 member companies in 184 countries by transmitting essential technical, freight and passenger information around the world.

The final ingredient which secured the hub in Australia was the versatility which OTC demonstrated in its approach to SITA's unique requirements.

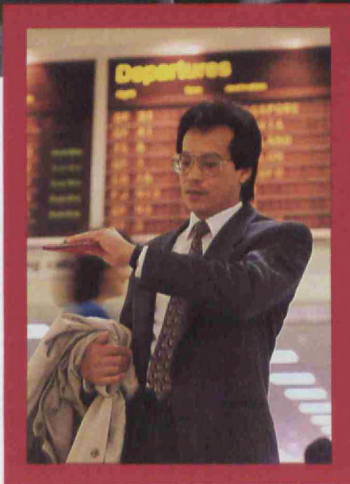
Together, SITA and OTC developed a customised telecommunications hub designed to achieve sizeable gains in operational efficiency.



Each week, about three-quarters of Time Magazine Australia is beamed in from the United States and Time Life's international news network. This process used to take up to three days per edition. Now, using OTC Skystream, each page of text and pictures takes barely six minutes. This means the magazine is on the newsstand with the

latest world events a full day earlier. 'For a weekly news magazine, this gives us a huge competitive advantage', says Bruce Hallett, the magazine's publisher. Another benefit of fast, efficient and reliable electronic transfer is substantially improved quality. 'Using OTC Skystream has been a fabulous breakthrough for us', he adds.





OTC's price and service incentives to attract leased circuit hubbing are establishing Australia as a major commercial network centre for the Asia-Pacific region. And OTC offers more than just world-class expertise in telecommunications: it facilitates relocation of regional commercial hubs for

government, trade unions and industry. In this way, OTC helped relocate the regional headquarters of Societe Internationale de Telecommunications Aeronautiques (SITA), the world's largest specialist telecommunications network, from Hong Kong to Australia.

The SITA experience is an indication of the central role played by OTC's Customer Network Planning Group in providing innovative solutions for customers.

Using their specialist knowledge and expertise, group members select the most cost-effective and appropriate products and services from OTC's vast array, to provide the combination that will best suit customers' requirements.

The Customer Network Planning Group ensures the highest level of service and expertise for international network management, thereby promoting Australia as the ideal location for corporate telecommunications hubbing.

TAKING AUSTRALIA TO THE WORLD

International telecommunications services are characterised by a continuing and rapid process of change in the volume and type of service required.

For example, international telephone — a relatively small-volume service 20 years ago, providing just 24 per cent of OTC's revenue in 1970 — is now the largest segment of international telecommunications business for developed countries.

To cope with this increase in traffic, new transmission media have been developed.

Among the most revolutionary is the submarine optical fibre cable network, which will provide high-speed digital transmissions, previously available only through satellite systems, and with many times the capacity of analog systems.

Extending some 14,000 kilometres across the Pacific, the PacRim submarine optical fibre cable network will be the longest such system in the world when it is completed in four years time.

In September 1989, OTC, together with 31 other international telecommunications carriers, initialled the construction and maintenance agreements for this major project.

The total cost of installing the PacRim network is estimated to be in the order of \$A800 million, and OTC's investment will be just under 50 per cent, making this the largest capital investment OTC has ever undertaken.

PacRim involves the construction of two submarine optical fibre cables: PacRimEast (scheduled for completion in 1995) and PacRimWest (to be completed in 1994).

PacRimEast will link Hawaii and New Zealand and connect with the Tasman 2 optical fibre cable between Australia and New Zealand. PacRimWest will link Australia and Guam.

The significance of the two cables is, that, together with Tasman 2 and cables which run between Hawaii and the US mainland, the US and Japan, and Japan and Guam, they form a high-capacity, high-security loop which joins Australia to Asia, the United States and thence the rest of the world.

PacRim will provide a quantum leap in Australia's telecommunications capacity.

While the present potential capacity of the current ANZCAN coaxial cable between Australia and North America is around 2700 simultaneous telephone calls, the new PacRim network will have the potential to carry up to 75,000 simultaneous calls.

The significance of the PacRim network cannot be overstated.


Not only will it greatly enhance telecommunications to and from Australia, but it has also provided the basis for establishing a major new industry in Australia.

The Tasman Cable Company (TCC) was established in December 1987 when OTC and Telecom New Zealand awarded the company the Tasman 2 contract.






Subsequently, TCC undertook a major building project which has resulted in the construction of a \$100 million cable manufacturing plant in the Sydney suburb of Port Botany.

OTC'S WORLDWIDE COMMUNICATIONS NETWORK

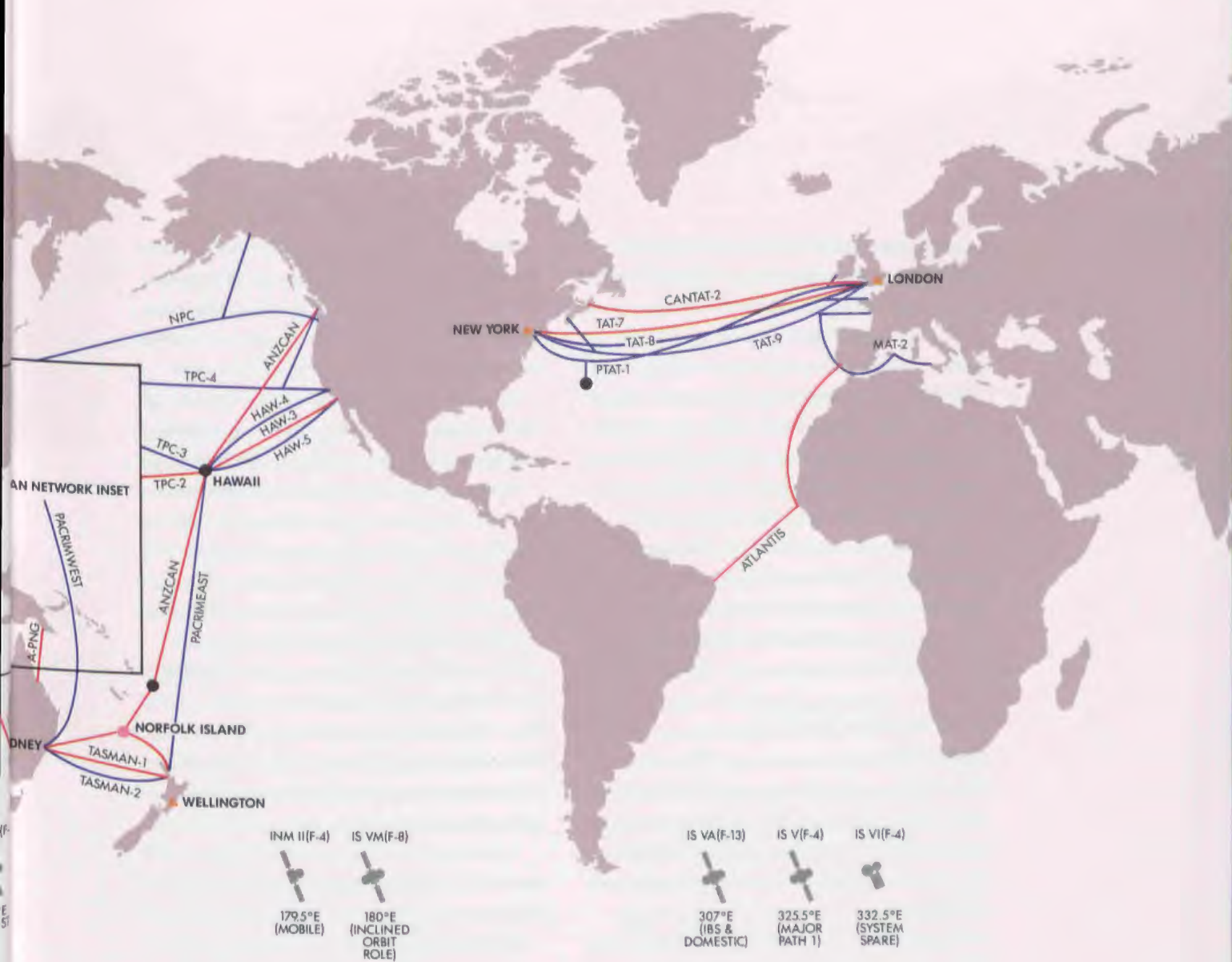
Submarine cable systems in which OTC has current or planned involvement:

- Existing coaxial systems
- Major optical fibre cables in service, under construction or planned
- ▼ Satellite Earth Station complexes
- International telecommunications centres
- Cable stations
- International radio stations
- Maritime radio stations
- ▲ OTC overseas liaison offices
- ▲ Regional liaison offices
-  INTELSAT and INMARSAT communications satellites in use. OTC is a founder member of both organisations.



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335.5°E (PRIMARY)	338.5°E (VIDEO)	342°E (MAJOR PATH 2)	344.5°E (MOBILE)	359°E (DOMESTIC)	57°E (INCLINED ORBIT ROLE)	60°E (PRIMARY)	63°E (MAJOR PATH)	64.5°E (MOBILE)	66°E (DOMESTIC)





TCC brings the world's most advanced submarine cable technology to the southern hemisphere for the first time.

It is anticipated that, by the end of this century, 50 per cent of the submarine cable laid will be in the southern hemisphere. By 1995, the world market for undersea cables is expected to be worth approximately \$4 billion.

As a result of OTC's drive to have the PacRim cable network established, and the company's determination to 'Buy Australian' whenever possible, a major manufacturing operation which has the potential to earn millions of export dollars for Australia has been established.

GOOD RELATIONS WITH OUR NEIGHBOURS

The maintenance of mature and constructive relations between Australia and the rest of the world — and particularly the countries of the Asia/Pacific region — has never been more important.

During the period under review, OTC has played a significant role in maintaining Australia's good standing with its neighbours.

Through its offshore operations subsidiary OTC International, the company has effectively contributed to improved telecommunications facilities and infrastructure in a number of countries.

In March 1990, an agreement linking island communities in the South Pacific with a state-of-the-art satellite telecommunications system was signed in Fiji.

The agreement saw five island member nations of the South Pacific Forum become the first to join the Pacific Area Cooperative Telecommunications (PACT) network. Original signatories to the agreement were the Cook Islands, Kiribati, Marshall Islands, Nauru and Australia. Niue joined the partnership soon afterwards.

The PACT network is a custom-designed Australian solution to the problem of linking the widely dispersed island nations of the Pacific with their neighbours, their own remote communities and other world destinations.

The principal advantage of PACT is the very real cost-savings it will offer over traditional satellite communications networks.

Under previously available arrangements, countries had to pay for full-time access to satellites, thus placing a severe financial strain on small countries which do not generate or receive a great deal of traffic.

With PACT, they will share satellite capacity which can be accessed on demand. As individual users access the network, they will be charged only for the satellite time actually used, thus making rural and regional satellite communications a financially viable proposition.

Access to the network holds the potential to greatly enhance and accelerate the economic development of signatory nations.

OTC is also active in many other areas.

In Vietnam, the country's international telecommunications system was upgraded with the opening of a new 18-metre satellite earth station in Ho Chi Minh City. A similar facility was opened in Hanoi, providing the first direct links between the Vietnamese capital and Australia, Hong Kong, Thailand, Japan, Philippines, Canada, the Republic of Korea, France and the United Kingdom.

In Cambodia, the country's Directorate of Posts and Telecommunications signed a Business Cooperation Contract with OTC International in February 1990, whereby the company will provide investment assistance and management in respect of new international satellite facilities to be built in the capital, Phnom Penh. These facilities will, for the first time, link Cambodia to the INTELSAT system, substantially improving

the quality of Cambodia's international communications and thus providing vital infrastructure to assist with its economic reconstruction.

The Government of Kiribati signed a Memorandum of Understanding with OTC International in December 1989 for the upgrading of the island nation's telecommunications network. The long-term agreement provides for a joint venture which will see OTC International involved in the efficient operation of the country's domestic and international telecommunications networks.

A high-speed digital satellite data network is being introduced in Thailand as the result of a joint venture between OTC International and Samart Telcoms of Thailand. The agreement will provide the finance and business communities with reliable data communication and will assist development of the economy.

OTC International worked with the Malaysian telecommunications carrier, Syarikat Telekom Malaysia Berhad (STM), to upgrade the management of its international telephone business.

In early 1990, OTC and STM signed a Memorandum Of Understanding to deepen the relationship through jointly developing opportunities for the provision of business telecommunications and value-added services in the Malaysian market and elsewhere.

Upgrading the maritime communications network in the Sri Lankan capital of Colombo is the main priority of a contract agreed upon in August 1989 between OTC International and Sri Lanka's Overseas Telecommunications Service. Colombo Radio has long been one of the key links in the worldwide communications network for ships at sea, yet has relied on outdated equipment for many years.

Nauru now has one of the most sophisticated telecommunications facilities of any of the Pacific island nations following the opening of its new digital satellite earth station — built by OTC and the first of its type in the South West Pacific region. The earth station provides 14 channels to Sydney and four to Japan via a multi-destination carrier. It has also given Nauru a number of dedicated lines for secure access to commercial outlets worldwide.

The relationship between Australia and Malta was further enhanced in April 1989 with the inauguration of a new satellite earth station at Maghtab, about 15 km from the capital, Valetta. The station provides for IDD services between Australia and the Mediterranean island nation.

Where OTC International has successfully upgraded telecommunications equipment, there has generally been a concurrent agreement to supply training and support for local personnel.

As part of its commitment to meeting the needs of customers, OTC believes it has a responsibility to ensure that clients obtain the maximum benefit from equipment installed on their behalf. This can best be achieved by ensuring that local staff are expertly trained.

For many smaller telecommunications organisations, international purchasing is an administrative burden which also involves high inventory costs. Nevertheless, the sourcing of high-quality, compatible equipment and components quickly and inexpensively is a vital element in the successful operation of a telecommunications network.

Throughout Indo-China and the Pacific, OTC International has helped with the supply of equipment over the past 12 months, thus assisting a number of Australian manufacturing companies to penetrate new markets.

COMPETING IN AUSTRALIA

Liberalisation of the Australian telecommunications industry, which flowed from the landmark Government policy statement on 25 May 1988, gave OTC the power to compete for value-added services (VAS) business within Australia.

To meet the challenge, OTC formed a new business unit now known as OTC Enhanced.

OTC Enhanced operates at arm's length and without cross-subsidy from OTC's core business.

At the heart of OTC's VAS strategy is the recognition of several driving forces in the deregulated services area:

- Developments in communication and computing are major elements contributing to the trend for business to become global in its outlook and structure.
- For Australia to become export competitive, especially in the services sector, it needs world-class communications capabilities, both basic and enhanced. Moreover, Australian industry must update its operational practices to take full advantage of the benefits and economies offered by information technology and communication.
- As VAS is strongly user-oriented, a close and cooperative relationship is required between customer and service provider to develop and implement effective services.

With these factors in mind, OTC Enhanced was established to work closely with customers in the development and ongoing support of value-added services.

OTC, together with one of Australia's leading high-tech companies, the Computer Power Group, formed a joint venture company, Telepower, which beat an international field of 60 bidders for a contract to examine the NSW Government's telecommunications needs and develop solutions.

The contract involves the total management, servicing and maintenance of the New South Wales Government's telecommunications facilities, encompassing voice, data, video, digital trunked mobile, value-added services such as electronic and voice mail, EFTPOS and Electronic Data Interchange (EDI), and network management.

Up to five per cent of total revenue from the contract will be channelled into research and development.

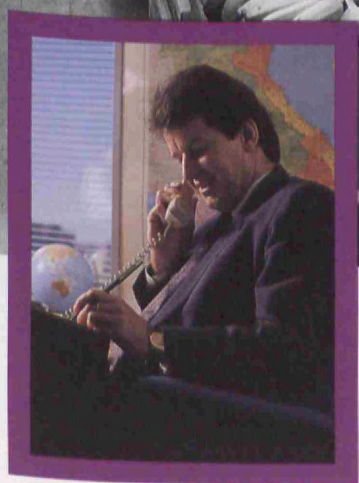
In the import/export area, OTC was successful against strong competition in winning a contract with the Australian Customs Service to provide EDI export clearances through a service called EXIT. This allows fast, computerised preparation and processing of customs clearance and export documentation. EXIT has been one of the world's fastest-growing EDI networks and now has more than 1000 users throughout Australia.

The implementation of EXIT has been facilitated through OTC's subsidiary Transport Communications Australia Pty Ltd (TCA), a company which assists users to take advantage of the benefits of EDI technology by providing computer software and hardware, training and consultancy support.

The wider needs of customers within the transport industry will be met with introduction of the new OTC Transcom range of services.

With the potential to save Australian business millions of dollars in eliminating the cost of documentation, Transcom provides Australian import/export industries with a comprehensive range of electronic communications services.

By using Transcom, airlines, shipping and freight companies can gain direct access to worldwide messaging, facsimile and telex services, as well as the ability to process an extensive range of standard business documents in electronic form.



Australia's many thousands of Vietnamese stay in touch with family and friends in their homeland through the partnership of OTC International and Vietnam's Directorate General of Posts and Telecommunications.

Jointly developed telecommunications facilities, including earth stations in Hanoi and Ho Chi Minh City, link Vietnam with Australia and other world destinations via the INTELSAT satellite system.

The range of services will incorporate worldwide access to OTC's electronic mail service, access to more than 850 international databases via OTC's IntelNet service, and an electronic directory facility containing nearly three million facsimile and telex numbers.

In the financial services sector, OTC is providing services for some 1300 agents of Colonial mutual Life Assurance, who are now able to process insurance proposals for their clients in the field using an EDI capability.

By linking Colonial mutual's field staff to their head office via laptop computer and modem, OTC's EDI network allows the agents to complete policy proposal forms at their clients' homes or offices and transmit those forms to the company's mainframe for processing. Within minutes, a completed policy is returned to the agent (and the client) via the laptop computer and a portable printer, thus reducing response time and increasing productivity.

OTC has also been selected by the major accounting professional bodies, the Australian Society of Certified Practising Accountants and the Institute of Chartered

Accountants, to provide value-added network services for members (Accountnet).

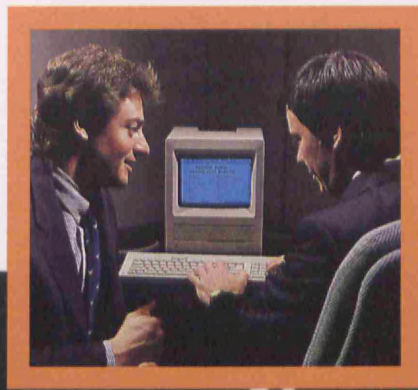
In March 1990, OTC was selected by the Commonwealth Bank to provide EDI translation software.

The bank is to use the package for an internal EDI project and as a basis for an EDI service to be offered to its corporate clients.

OTC also reached agreement with Mincom, a leading supplier of software to the mining industry, for the development of a capability which will give mining companies EDI to access facilities for supply management and other industry applications.

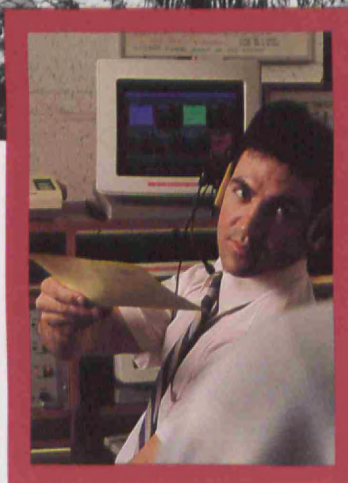
Characterised by remote locations and the need to maintain large inventories of equipment and spare parts, mining companies have traditionally relied on complicated purchasing and supply arrangements, all of which depend on large amounts of paperwork, with consequent delays in delivery.

OTC and Mincom identified a significant market opportunity and developed a product combining EDI technology and customised software programming.



A tiny microchip - the size of a grain of rice - implanted painlessly under the skin of the family pet, enables veterinarians and animal shelters to check the owner's name and address and the pet's health requirements on a nationwide Animal ID Register. 'In effect, this technology allows you to safeguard your pet against loss right across Australia', says Ron Smith, Managing Director of Animal Electronic ID Systems Pty Ltd. It represents a novel application of electronic database technology provided by OTC Vanguard.





OTC Maritime provides a wide range of commercial communications, including telephone, telex and telegram, between ships at sea and the rest of the world. It also provides specialist services such as OTC Fleetcoms for fishing fleets and OTC Yachtcoms for blue-

water sailing clubs. OTC's rapidly expanding VHF Auto-SeaPhone system includes a unique 999 emergency call facility, and OTC maritime stations around Australia's 21,000 km coastline provide vital information on weather conditions and navigation hazards. OTC maritime communications operators monitor international distress frequencies 24 hours a day, 7 days a week.

MOBILE COMMUNICATION – IN THE AIR, ON LAND, AND AT SEA

OTC has always had a particularly close relationship with the tens of thousands of Australians who, each week, take to the nation's waterways either for pleasure or business.

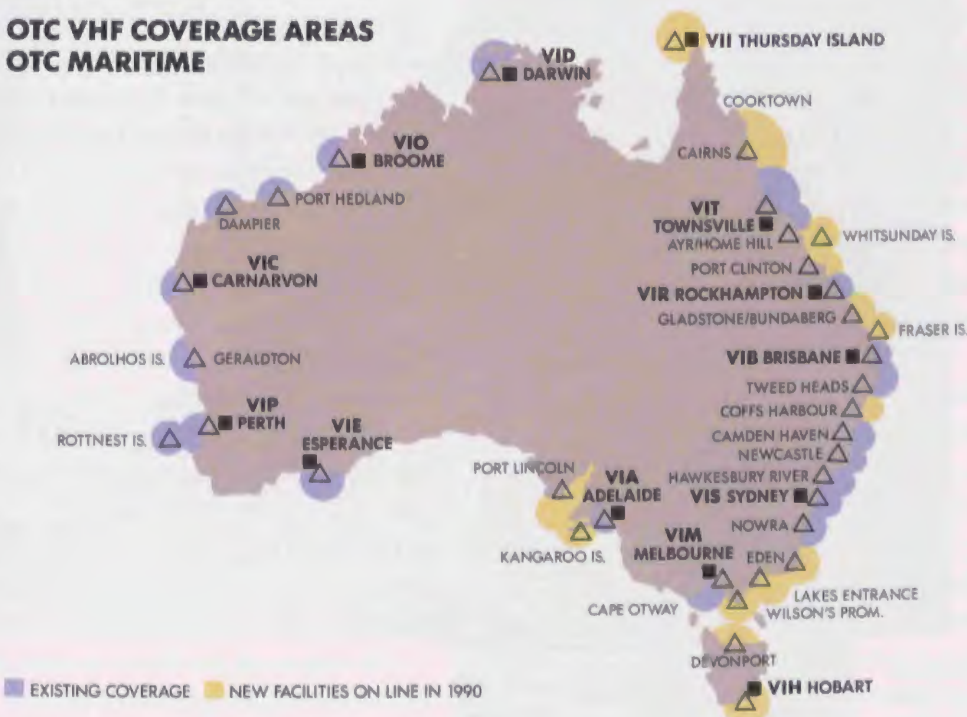
Following a \$4.8 million expansion of OTC's Auto-Seaphone system, continuous coverage of Australia's eastern seaboard and many other coastal centres is now available.

OTC Auto-Seaphone is a VHF radio-telephone service which provides access to the domestic and international telephone network up to 100 km out to sea.

The expanded service has proved extremely popular with seafarers of all types; the number of subscribers to OTC Seaphone having more than doubled — to approximately 5000 — during the year.

OTC's two INMARSAT satellite earth stations in Perth were substantially completed during the year and will provide mobile aero-nautical and maritime services in both the Pacific and Indian Ocean regions. Built at a cost of \$15 million, the Perth facility will be the first in the southern hemisphere to operate with the INMARSAT system in the Pacific and Indian Ocean regions. The stations will offer major benefits to users and provide coverage of approximately two-thirds of the earth's surface.

**OTC VHF COVERAGE AREAS
OTC MARITIME**



RESEARCH AND PRODUCT DEVELOPMENT

OTC's commitment to research and development flows through all parts of the company's business, with a major focus resting with the R&D group. Founded in 1984, this group has grown rapidly to a staff of 100 and an annual expenditure of \$11 million in internal and external R&D, taking it to the forefront of research in telecommunications technology. The target is to expend roughly equal resources within OTC and on external activities in industry and universities.

The past 12 months have seen a number of developments providing communications solutions for customers, and contributing to the advancement of OTC.

To supply advanced telephone services for international customers, software and computer hardware have been developed to supplement the capabilities of the standard telephone exchange services, producing a system which can be configured as a private network by customers. Numbers can be called according to time of day, availability of specified people, etc.

This computer system takes care of all international signalling protocols and network management tasks necessary to provide the customer with a complete solution. It is being used to support OTC's entry into international virtual private network (VPN) services.

The service will provide OTC IDD customers who do not have sufficient traffic volumes for a dedicated private network, with a cost-effective method of networking their frequently-called locations.

To improve the interface between customers and the telephone network, OTC has devoted considerable resources to research on speech technology.

Via its external R&D program, OTC has, for example, undertaken work at Sydney University to produce an integrated circuit

which forms good-quality speech when combined with computer-analysed text.

This state-of-the-art work will lead to text-to-speech systems which allow easy access by customers to information bases such as directories, interactive services requiring voice prompts, etc. It will be especially effective where information bases are large and frequently changing.

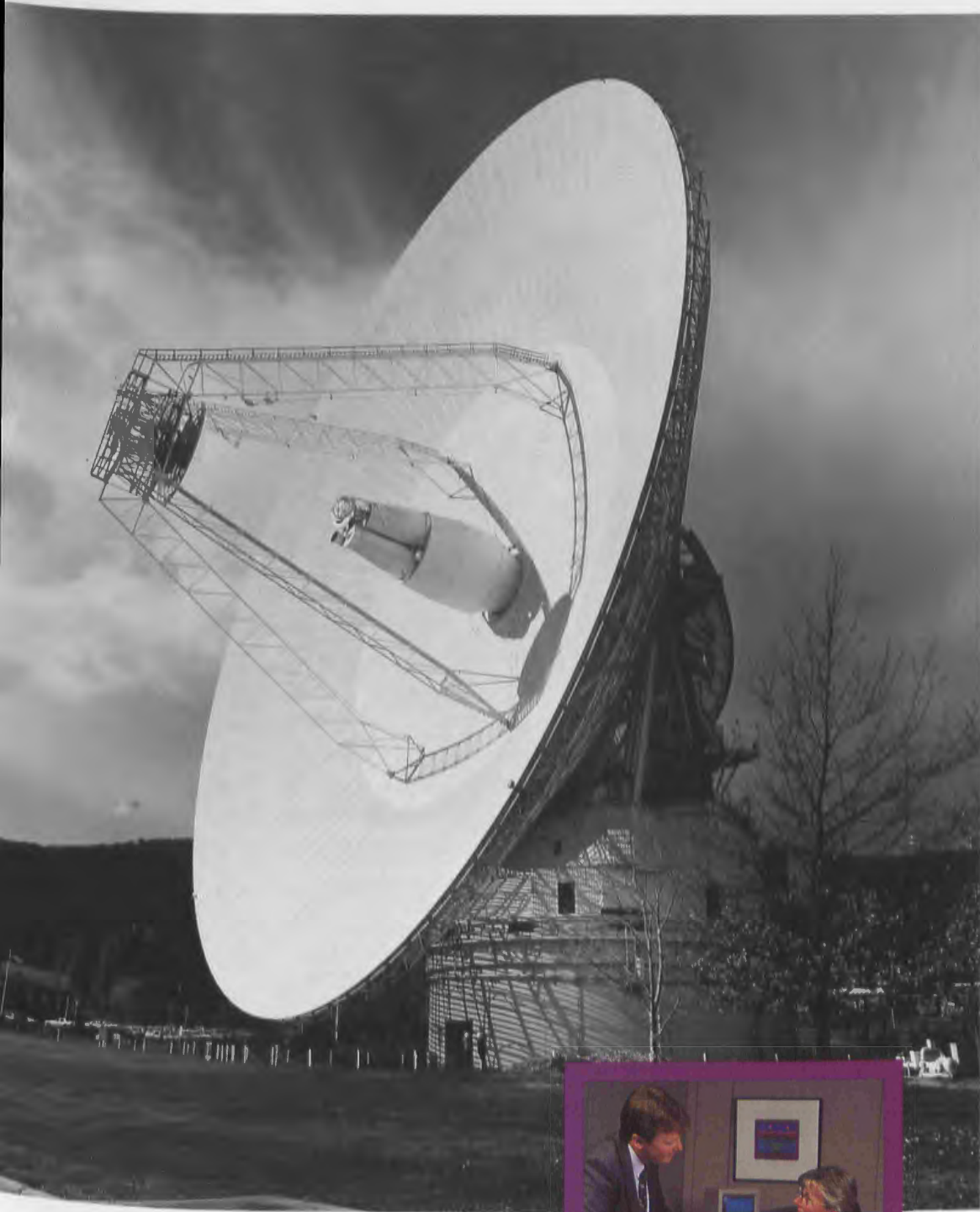
In global terms, OTC is recognised as one of the leaders in the development of international Integrated Services Digital Network (ISDN) services. OTC's ISDN-based Switched Digital service is already available to the USA and Japan, and negotiations are underway to introduce it to the UK, New Zealand and Singapore during 1990.

ISDN, represented initially by OTC Switched Digital, will commence with a switched 64 Kbit/s digital service which is suitable for high-speed digital transfer in applications such as private network overflow, back-up of digital leases and cost-effective entry into digital leases. In addition, the service will support general business applications such as Group 4 facsimile, high-speed file and image transfer and on-site, dial-up videoconferencing.

To overcome the problem of delays in the transmission of fax messages caused by busy machines or network congestion, OTC has developed a store and forward fax system.

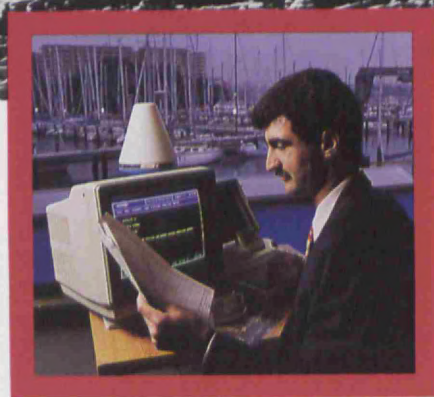
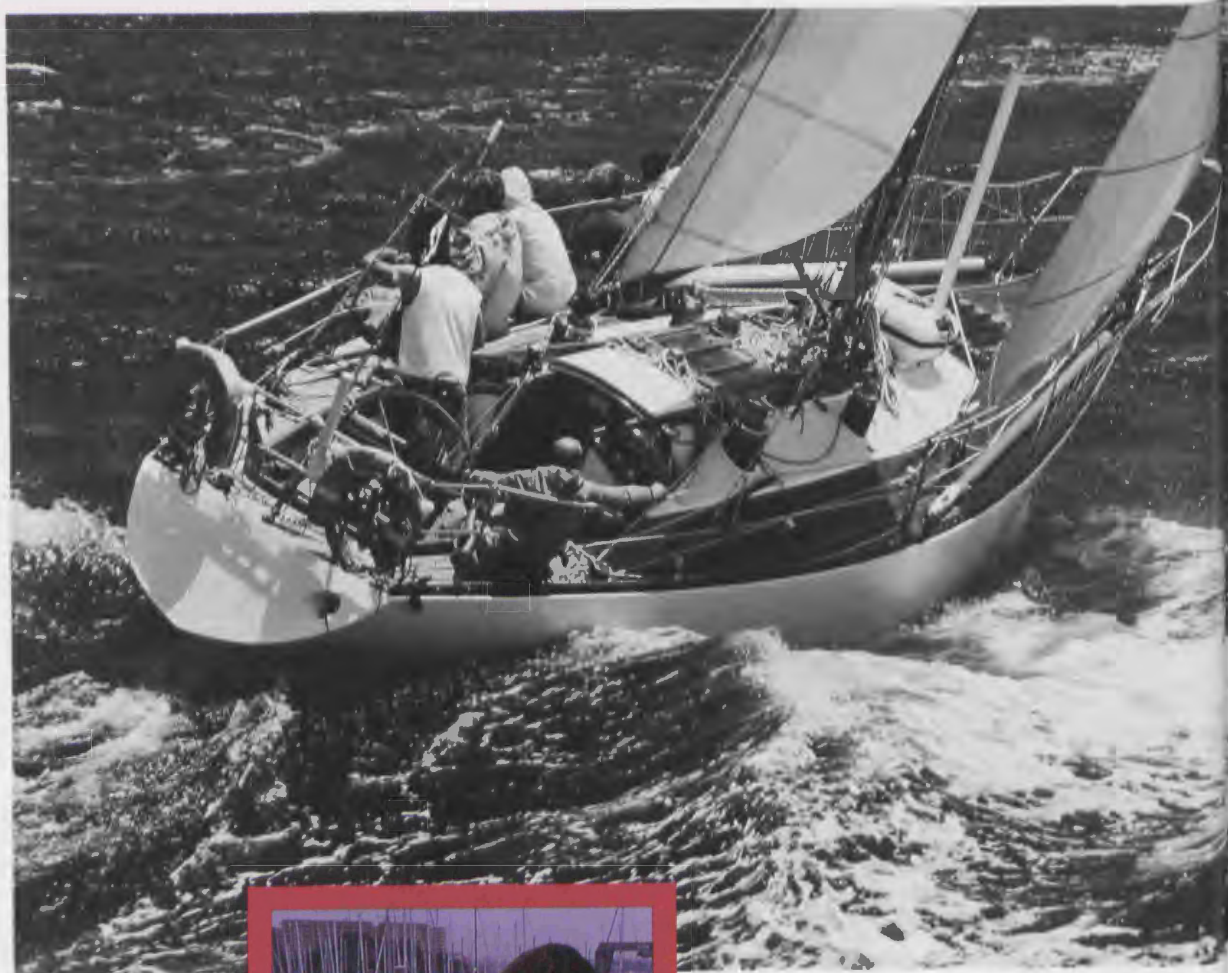
Designed to accept messages and then forward them later (when network traffic lessens, or machines are repaired), the store and forward facility has been tested with OTC's international counterparts in Japan and the United States.

The technology has also been sold, against worldwide competition, to the Telecom Corporation of New Zealand for use in a multi-site system.



Back in 1958, OTC first monitored signals from the Explorer 1 satellite. Today the requirements of the United States' National Aeronautics and Space Administration (NASA) are far more sophisticated. The Canberra Deep Space Communications Complex at Tidbinbilla exchanges voice and data with the US via OTC, and often during critical tracking phases when nothing less than perfection is expected from the international carrier. 'This is a very specialised field of communications', says Mike Dinn, Director of the Tidbinbilla station. 'It requires the expertise and special attention we have come to expect from OTC.'





The 1989 NorTel Sydney Hobart yacht race was covered by one of the most comprehensive communications systems ever used in an offshore event. The entrants' race positions - as well

as their safety - was monitored regularly using the resources of two INMARSAT satellite communications systems, Australia's media, and the families and friends of the competitors, were kept in touch with the yachts and crews as they encountered some of the most unpredictable ocean conditions in the world.

OTC'S ROLE IN THE COMMUNITY

OTC has a clear policy of purchasing, wherever possible, Australian made goods and services. OTC is also a signatory to the Industrial Supplies Office 'Declaration of Support for Australian Industry'.

Through its equipment purchasing decisions, OTC and its subsidiary companies are able to support development of the high-tech industry in Australia and, through import replacements, can contribute to an improvement in Australia's balance of payments position.

In addition to securing significant revenues from its offshore operations, OTC International — through OTC's active R&D program — has been able to develop overseas markets for a number of Australian telecommunications equipment manufacturers.

Among the opportunities identified for Australian industry are supply of telephone exchanges, microwave/fibre optic systems, and cable manufacture.

OTC also believes it has a role to play in supporting other activities in the community, in line with its 'corporate citizenship' policy.

To this end, a number of sponsorships were undertaken during the year. These included:

Solo circumnavigation of the earth

Following a successful association with yachtswoman Kay Cottee during her single-handed journey around the world, OTC sponsored the Skycoms aeronautical communications equipment which kept aviator Gaby Kennard, Australia's first woman to fly a single-engined plane solo around the world, in touch with family and friends back home.

OTC Schooner Race

The OTC Schooner Race, one of the most popular events held during the Festival of

Sydney, created a spectacular sight for the huge audience who witnessed the race on Australia Day 1990.

Schooners and traditional sailing vessels participated in this novel race held on Sydney Harbour. Pride of the fleet was 1902 Dutch schooner *Solway Lass*, on which OTC customers, media and associated staff participated in the event.

Twilight at Mitchelton

More than 15,000 people attended an open-air concert featuring world-famous soprano Dame Kiri Te Kanewa. Held in the grounds of the Mitchelton winery beside the Goulburn River, the concert was one of the highlights of Victoria's cultural calendar.

Taonga Maori museum exhibition

Taonga is a Maori word meaning treasures and this exhibition toured Queensland, New South Wales and Victoria as a result of financial support from OTC.

Taonga Maori reflected 1000 years of Maori life, particularly spiritual life, in the form of village artefacts and paintings.

Brisbane's Warana Festival

OTC's association with Brisbane's annual Warana Festival has extended over 15 years, making it the longest ongoing sponsorship arrangement undertaken by OTC.

In 1989, the OTC-sponsored Multicultural Spectacular featured more than 300 performers from 15 of Australia's leading cultural groups. A concert in Brisbane's Botanical Gardens was preceded by a cocktail party hosted by OTC and attended by some 100 of Queensland's leading citizens.

Lygon Street Arts Festival

A distinctive multicultural event, Melbourne's Lygon Street Arts Festival was sponsored by OTC for the second successive year.

Held from 30 October to 12 November 1989, the festival has its origins in the Italian Arts Festival and the Lygon Street Festa, two events which have long been an important part of Melbourne's multicultural program.

AFS students

For a number of years, OTC has actively supported the AFS international exchange program under which Australian students live in a foreign country for 12 months, and overseas students spend a similar period in Australia.

During the year, Kirstie Barnes lived with a family in Thailand and attended a local school. Amy Reynolds went to Indonesia to enjoy a similar exchange in Jakarta. Both girls report gaining enormous benefit from the experience, which is designed to give young people the opportunity to discover at first-hand the cultural differences around the world.

Two overseas students, Kanishka Perera of Sri Lanka and Jasmin Musa of Malaysia, were sponsored to spend a year living and studying in Australia.

Settlement to Satellites

Settlement to Satellites, an exhibition tracing the history of Australia's communications with the world, opened at the Museum of Victoria in September 1989.

Organised and sponsored by OTC, the exhibition takes visitors on a journey through 200 years of Australia's international communication and offers glimpses of the future.

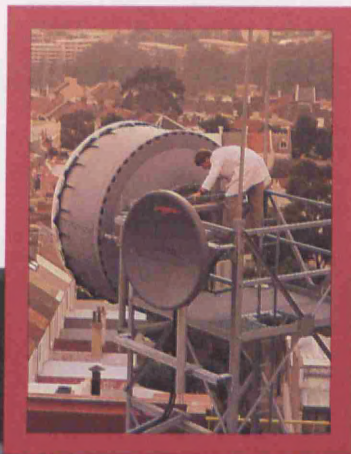
Originally designed and presented as OTC's contribution to the Bicentenary, the exhibition was so popular with members of the public that a science-based exhibition was developed for the National Science and Technology Centre in Canberra.

Settlement to Satellites opened in Melbourne after a successful 12 months at OTC's Paddington International Telecommunications Centre, in Sydney.

OTC Outreach

OTC's Outreach program is conducted by a group of trained volunteers who provide non-threatening support for staff and families trying to cope with the trauma of chronic illness, life-threatening disease, or loss.

The Outreach counsellors' credo is 'Empathy, not sympathy'.



The use of an OTC International Toll Free (ITF) number has become part of an enterprising marketing strategy by Sydney's Florida Motor Inn. Since the number was supplied to travel agents in the US, reservations have increased dramatically. 'ITF gives us a competitive advantage in a tight tourism

market and provides a service valued by our overseas customers and agents', says Michael Parks, the Florida's manager. Other applications of OTC ITF include overseas promotional activity, ready access to export market developments and ease of contact with company representatives travelling overseas - all without the overheads of establishing overseas offices.



HUMAN RESOURCES/CORPORATE STRUCTURE

OTC Limited was incorporated on 1 April 1989.

A new Board was appointed, and on 5 July 1989 Mr Stephen Burdon took up the position of Managing Director.

The Board of OTC Limited on 31 March 1990:

Mr David Hoare (Chairman)

Mr Hoare was appointed to what was then the Overseas Telecommunications Commission, in 1982.

He has many years experience in the securities markets of Sydney, London and New York, and is currently Chairman of Bankers Trust Australia and of AUSSAT Pty Ltd. Mr Hoare also holds Board appointments with CSIRO and a number of other companies.

Mr Stephen Burdon

Appointed Managing Director of OTC in July 1989, Mr Burdon has an honours degree in civil engineering as well as a Master of Business Administration.

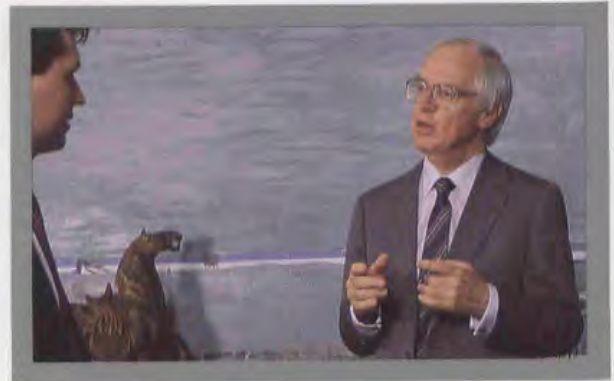
Prior to joining OTC, Mr Burdon was General Manager of Lysaght Building Industries, a BHP subsidiary.

Mr Len Hingley

Mr Hingley was appointed to the then Commission in 1986 to represent employees of OTC. He is Federal Secretary of the Australian Bank Employees Union and an Executive Member of the Australian Council of Trade Unions. Mr Hingley is a former Industrial Conciliator for the Port of Brisbane.

Dr Rhonda McIver

Dr McIver was appointed a commissioner of OTC in 1984. She is principal of the management consulting firm of McIver Associates Pty Ltd and is a Board member of the Australian Meat and Livestock Corporation and former Chair of the Sydney Water Board and the NSW Lotto Board of Control.



David Hoare Chairman



Stephen Burdon Managing Director



Len Hingley



Dr Rhonda McIver



Helen Williams



John Menadue

Mr John Menadue

Mr Menadue was appointed to the Board of OTC in October 1989. A former Chief Executive of Qantas Airways, Mr Menadue has also held the position of Australian Ambassador to Japan; prior to that he held a number of senior positions within the Australian Government Public Service.

Professor Murray Wells

Professor Wells is the Ernst & Young Professor of Accounting and Director, Graduate School of Management and Public Policy at the University of Sydney. He joined the Board of OTC in October 1989.

Ms Helen Williams

Ms Williams is Associate Secretary to the Department of Transport and Communications and joined the then Commission in 1988. She is a member of the Australia Council, and a Board member of the Australian Postal Corporation and of AUSSAT Pty Ltd.



Professor Murray Wells

One of the first decisions of the new Board of OTC Limited was that the company should be restructured to meet the challenges presented by an increasingly competitive business environment.

The plans call for the establishment of four business units, a services division, and a separate corporate centre to be known as the Office of the Chief Executive (OCEO).

The proposed structure comprises:

OTC Communications

This will be the 'core business' and will encompass all the units required to operate OTC's reserved services and the range of supporting products. It will include marketing, planning, operation of the network, and international business.

It is proposed that OTC Communications should have a staff of approximately 1150.

OTC International

OTC International has the task of creating, or participating in, ongoing communications business in foreign countries by marketing and selling OTC's engineering and management skills.

It is proposed that OTC International should have a staff of approximately 55.

OTC Enhanced

The group is primarily concerned with the marketing and sale of competitive national and international value-added services to provide specialised solutions for customers' communications and related business needs.

OTC Enhanced will operate through a number of subsidiary/associate companies. It is proposed that OTC Enhanced should have a staff in the order of 100.

OTC Maritime

OTC Maritime provides maritime, aeronautical and mobile communications services. It has increasingly operated as a business unit separate from the core communications business, and the proposed restructure reinforces those arrangements. OTC Maritime is expected to have a staff of approximately 250.

Services Division

The Services Division will contain those groups which provide support services to all business units, e.g. engineering, training, research and development, and general services.

It is expected that the Services Division will have a total staff in the order of 600.

Office of the Chief Executive

The Office of the Chief Executive will address high-level and long-term issues. It is proposed that it should contain four small groups:

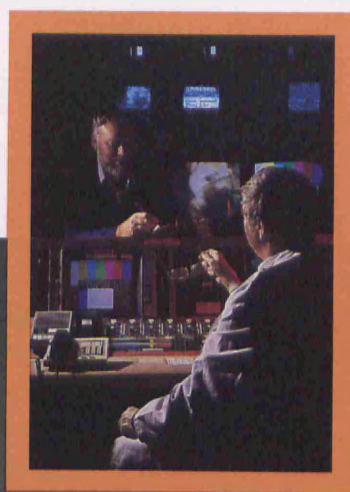
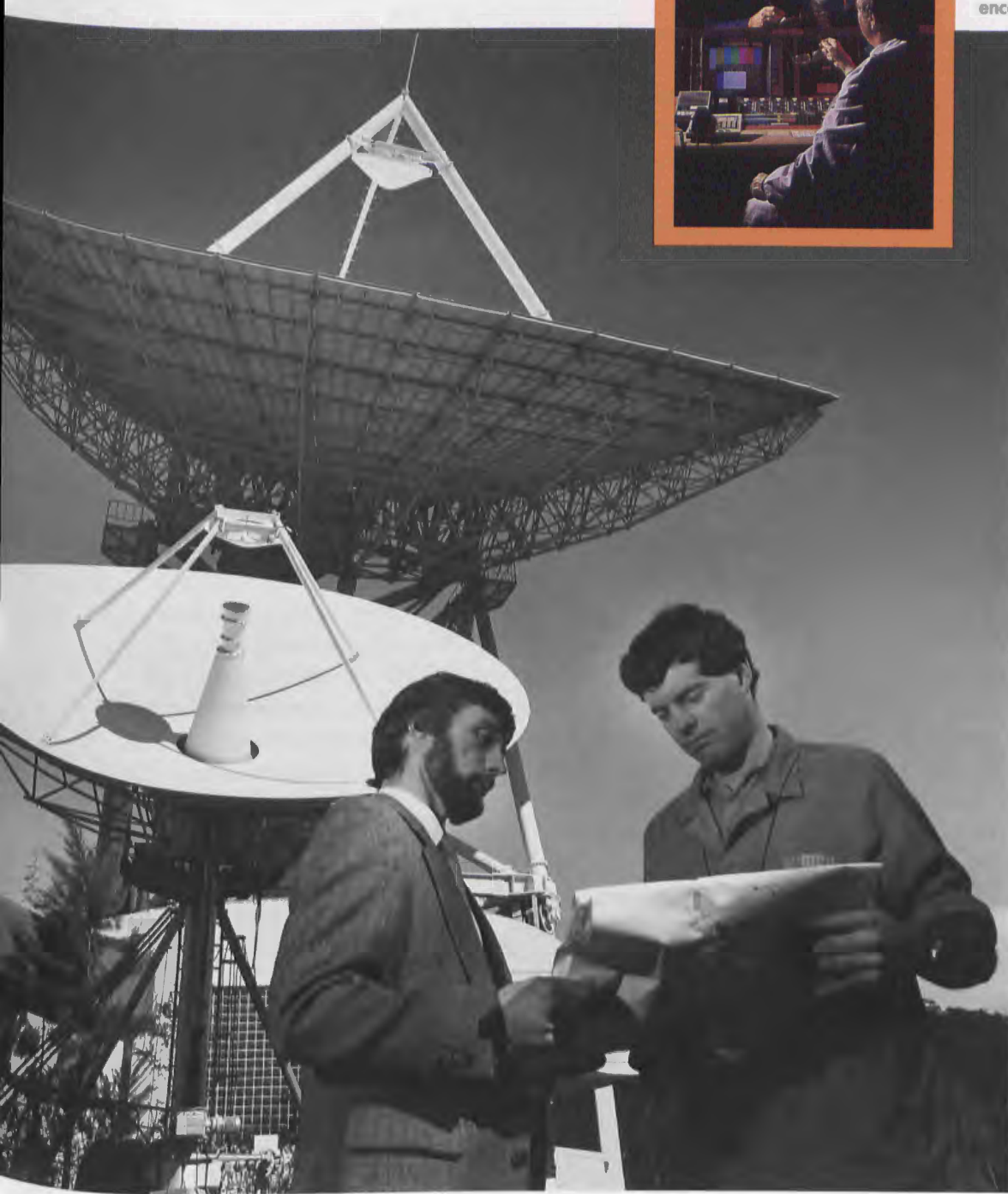
- Corporate Strategy
- Corporate Relations
- Corporate Finance
- Human Resources

The Office of the Chief Executive will 'add value' to OTC. The operating business units will be responsible for decision-making within the units.

Staff Development and Training

As part of its commitment to be a world leader in communications, OTC recognises that it must play an active role in technology development within Australia.

To do this it must attract and retain the best people.



Operating and maintaining installations such as the Satellite Earth Station at Oxford Falls, Sydney, requires highly qualified staff. OTC, as a technology-based and market-driven organisation, encourages educational excellence in schools and universities throughout Australia. Its program of apprenticeships, traineeships and cadetships, as well as sponsorship of educational initiatives, reflects the company's commitment to increasing the pool of qualified people available to the telecommunications industry now and into the future.

To ensure that its staff are of the highest calibre, OTC operates a comprehensive training program through which technical officers are recruited at the completion of high school studies and enrolled in a two-year, full-time Associate Diploma of Engineering (Electrical) trades course. This is combined with 18 months of on-the-job training incorporating OTC's in-house training program.

During 1989-90, 40 trainee technical officers and five apprentice telecommunications trades officers were employed by OTC to meet additional staffing requirements. This increased OTC's total number of apprentices to 15, and the number of trainee technical officers to 103.

Twenty-eight cadets in their final year of computing science or engineering degrees were recruited for OTC's information systems and engineering areas. OTC also sponsors 15 places in university cooperative education schemes.

A total of \$7.52 million was spent on technical training during the year.

During 1989-90, OTC's Board approved the OTC Education Policy—designed to encourage secondary school students into pursuing technology-related careers.

The \$1.5 million program includes scholarships, cooperative education programs with Government and industry, and support for research and development centres.

The strategy is to raise the awareness of both educators and the general community to the importance and opportunities available in technology-related careers.

As an important part of OTC's EEO program, Women in Engineering scholarships were initiated in 1988 with the aim of encouraging the participation of women in the engineering profession.

OTC continued the program this financial year, giving six awards valued at \$2000 to a female engineering student from each of the six universities around Australia participating in the awards.

Another EEO program saw OTC offer three scholarships to assist Aborigines and Torres Strait Islanders with their studies. The scholarships, valued at \$2000 each, were offered in the fields of electrical engineering, business studies and computer science.

A further \$15,000 was awarded to the Department of Education, Queensland to sponsor activities related to the Aboriginal and Islander Tertiary Aspiration Program.

The year also saw the presentation of the second OTC Telecommunications Student of the Year awards.

The three awards, each valued at \$30,000, were made to university students undertaking post-graduate telecommunications-related research and will enable each of them to further develop their projects at home and overseas.

FREEDOM OF INFORMATION

In accordance with the Freedom of Information Act 1982, the following information comprises the Section 8 Statement which is required to be included in Commonwealth agency Annual Reports.

FUNCTIONS

Overseas telecommunications services between Australia and the rest of the world commenced in 1871 with the completion of a submarine telegraph cable to Darwin, inaugurating the overseas telegram (or 'cable') service. This service, later operated by Cable and Wireless Ltd, remained unchallenged until Amalgamated Wireless (Australasia) Ltd (AWA Ltd) opened the competing 'beam wireless' radio-telephone service in 1930. The less costly radio service threatened the demise of the more reliable and secure cable network. The British Commonwealth Governments, at a Conference in London in 1945, adopted recommendations which entailed those governments acquiring the ownership of overseas telecommunications assets and services to ensure the coordinated development of an integrated and secure global network.

The OTC Act 1946 (previously titled (Overseas Telecommunications Act 1946) established the Overseas Telecommunications Commission (Australia), or OTC, as the Commonwealth statutory authority responsible for the establishment, maintenance, operation and development of all public telecommunications services between Australia and other countries, Australia and its external territories, and with ships at sea.

To a large measure, the relevant Australian assets and staff of Cable and Wireless Ltd and AWA Ltd were transferred to OTC by this process. On 1 April 1989 OTC became a public company, called OTC Limited, wholly owned by the Australian Government and incorporated in the ACT.

OTC's policy is to provide overseas public telecommunications services on a commercial basis. This involves it in efficiently purchasing and establishing a wide range of plant and equipment to consistently provide Australians with the highest standards of world telecommunications. In order to maintain those standards, OTC is involved in a considerable amount of ongoing research and development.

In carrying out its activities, OTC also complies with any relevant international conventions and other international agreements to which Australia is a signatory, including the International Telecommunications Convention and conventions on the Safety Of Life At Sea and in the Air.

Prior to incorporation, OTC was a statutory body corporate with perpetual succession and a common seal, initially funded through monies appropriated by Parliament. These amounts were subsequently repaid to the Commonwealth and the capital of the Commission consisted of monies transferred from OTC's General Reserve, which had been created from profits. An annual dividend was paid to the Commonwealth pursuant to Section 44(1) of the Act. OTC paid income and other Commonwealth taxes and conducted its affairs in accordance with accounting principles generally applied in commercial practice.

Following incorporation, OTC Limited functions like any other public company; it pays State and Commonwealth taxes, it is responsible to the Minister for Transport and Communications as the shareholder's representative and each year it pays a dividend from its profits to its shareholder.

ORGANISATION

As at 31 March 1990, OTC is organised into nine divisions, each headed by a General Manager reporting to the Managing Director. The divisions and their functional responsibilities are as follows:

TECHNOLOGY

Responsible for developing and planning OTC's facilities including earth stations, submarine cables, switching and supporting facilities and for conducting research and development (R&D) into new communications systems and technology. R&D is performed within OTC, and also externally with advice from the OTC R&D Board.

BUSINESS OPERATIONS

Responsible for operational management including cable, satellite and radio stations; financial viability, quality, and the establishment of new services.

This division is also responsible for the marketing of OTC services, tariffs and commercial relations with carriers in other countries.

CORPORATE

Responsible for the management of policy matters in relation to OTC's activities in various international and domestic forums; support to the Managing Director in respect of corporate strategies, plans and policies; external relations with government and other organisations in Australia; and the provision of secretariat and legal support.

FINANCE

Responsible for the finance and accounting activities of OTC including management of financial resources; financial and economic planning; foreign currency exposure management; financial evaluation of new services; budgetary control; financial reporting; customer billing; domestic and international accounting.

HUMAN RESOURCES

Responsible for all training, human resources development, personnel and industrial relations activities.

Human Resources is also responsible for Equal Employment Opportunity; Welfare; and Occupational Health and Safety.

SERVICES

Responsible for the provision and installation of all new satellite, cable, switching and support facilities for the carriage of international telecommunications services and the provision of a range of general support services for OTC as a whole, including property management, transport, travel, food services, office automation, conference facilities, etc.

OTC INTERNATIONAL

Responsible for the management of OTC International Limited, a wholly owned subsidiary of OTC Limited, which is involved in the design, installation and operation of facilities and networks for foreign countries, provision of consultancy services and the international marketing of OTC's expertise.

MARITIME

Responsible for the provision of maritime operations, accounting and marketing, planning and technical services in respect of communications between ships at sea and Australia and beyond. Services offered to mariners include a range of commercial and safety, weather, navigational, position reporting and radio medical communications.

OTC ENHANCED

Responsible for coordination and management of OTC's activities in the competitive Value-Added Services market, including the operations of a number of subsidiaries and joint venture companies providing Value-Added Services.

POWERS

On 1 April 1989 the Overseas Telecommunications Commission (Australia) was converted to a public company under the name OTC Limited.

The Memorandum of Association of OTC Limited gives OTC the legal capacity of a natural person.

Most of the provisions in the OTC Act 1946 under which decisions might be made which could affect the public were repealed from 1 April 1989. However, section 41 of the Act provides for the payment of compensation for the acquisition of property, and decisions may be made under that section which could affect members of the public.

CATEGORIES OF DOCUMENTS

Document Files

Document files are maintained at OTC's Head Office. The files are registered by subject matter, or nominally where personnel administration files refer to individual employees. Lists of titles of files registered by subject matter are held by the Records Office and by offices which maintain special file series. Subjects covered by files include ministerial correspondence, parliamentary questions, planning and engineering functions and operation of OTC's public telecommunications services, relations with overseas telecommunications authorities, and participation in international forums and partnerships. Files associated with internal administration and management cover finance and accounting functions, personnel administration and industrial relations, procurement of goods, works and services, management of real property, and business applications computing services.

Records of Meetings

The agenda for, and minutes of, meetings of the Board of Directors of OTC Limited and of senior executive staff are maintained at Head Office.

Plans and Drawings

Plans for real property owned or leased by OTC, and engineering drawings of plant and equipment associated with the overseas public telecommunications services, are held at Head Office.

Manuals

Manuals issued for the guidance of OTC's staff in performing their duties include:

- Delegation Manual
- Manuals of administrative procedures
- Standards and procedures for business applications computing services
- Engineering Manual
- Interplex Operating Manual for OTC Corporate Network
- Manual of Telegraph Procedures
- Manual of Message Relay System Procedures
- Intellex Manual
- Coast Radio Service Operations Manual
- Technical operating and maintenance handbooks
- Office Procedures Manual
- Rates Manual
- Accounting Systems Operations Manual
- Supply procedures. Section 3. Quotations and Tenders.
- Treasury Manual

All manuals are maintained at Head Office. Distribution is made in accordance with the functions performed at OTC establishments.

Documents open to public access as part of a public register or otherwise

- Supply procedures. Section 3. Quotations and Tenders.

Documents available for purchase by the public

- Nil.

Documents available to the public, free of charge upon request

Available from Head Office and maritime communications stations:

- Brochures and other literature about OTC's maritime safety and commercial communications services.

Available from all OTC establishments:

- Brochures and other literature about OTC's commercial services.
- Annual Report.
- Staff recruitment brochures.
- Annual R&D Report.

FACILITIES FOR ACCESS, FREEDOM OF INFORMATION PROCEDURES AND INITIAL CONTACT POINTS

OTC provides reading areas for access to documents in Head Office.

Requests for access to documents under the Act should be made to the
14th Floor, OTC House,
231 Elizabeth Street,
Sydney
(GPO Box 7000, Sydney, NSW 2001).

Inquiries relating to requests under the Act should be directed to OTC's Sydney-based Secretary telephone (02) 287 5700.

Standard request forms, for use at the option of the applicant, are available from the OTC establishments on the following pages.

OTC OFFICES AND STATIONS

Head Office

OTC Limited
231 Elizabeth Street
GPO Box 7000
Sydney NSW 2001
Telephone: (02) 287 5000
Facsimile: (02) 287 5287

State Business Offices

OTC
4th Floor
12 Creek Street
Brisbane Qld 4000
Telephone: (07) 221 6250
Facsimile: (07) 229 6926

OTC
Ground Floor, Amdahl Bldg
Cnr London Circuit &
Constitution Ave
Canberra ACT 2601
Telephone: (06) 245 7011
Facsimile: (06) 247 2162

OTC
382 Lonsdale Street
Melbourne Vic 3000
Telephone: (05) 606 4444
Facsimile: (05) 602 1748

OTC
12th Floor
26 St George's Terrace
Perth WA 6000
Telephone: (09) 325 6944
Facsimile: (09) 325 4508

Overseas Liaison Offices

OTC Australia
5th Floor
Sumitomo Hanzomon Bld Annex
2-1-2 Hirakawa-Cho, Chiyoda-Ku
Tokyo 102

Japan

Telephone: +81 3 2635185
Facsimile: +81 3 2635514

OTC Australia
3rd Floor
58 Grosvenor Street
London W1X 0DD

England

Telephone: +44 71 491 3324
Facsimile: +44 71 491 0536

OTC Australia
12th Floor
50 Main Street
White Plains
New York NY 10606

USA

Telephone: +1 914 683 6400
Facsimile: +1 914 683 6405

OTC Australia
7th Floor
68 Jervois Quay
Wellington
New Zealand
Telephone: +64 4 853 379
Facsimile: +64 4 735 592

OTC Australia
7th Floor
IBM Building
388 Paholyothin Road
Bangkok 10400
Thailand
Telephone: +66 2 273 0663
Facsimile: +66 2 273 0662

OTC Australia
9th Floor
Great Eagle Centre
25 Harbour Road
Wanchai
Hong Kong
Telephone: +852 827 0066
Facsimile: +852 827 1163

**International
Telecommunications
Centres**

OTC

185 The Broadway
Broadway NSW 2007
Telephone: (02) 218 4844
Facsimile: (02) 218 4899

OTC

363 Oxford Street
Paddington NSW 2021
Telephone: (02) 339 3800
Facsimile: (02) 339 3917

OTC

1467 Ferntree Gully Road
Scoresby Vic 3179
Telephone: (05) 763 1000
Facsimile: (05) 763 1105

OTC

620 Gnangara Road
Landsdale WA 6065
Telephone: (09) 302 2000
Facsimile: (09) 342 0679

Satellite Earth Stations

OTC

PO Box 244
Ceduna SA 5690
Telephone: (086) 25 2704
Facsimile: (02) 218 4995

OTC

PO Box 600
Healesville Vic 3777

Inquiries to

Melbourne International
Telecommunications Centre
Telephone: (05) 765 1000

OTC

Oxford Falls Road
Oxford Falls
PO Box 250
Frenchs Forest NSW 2036
Telephone: (02) 975 1233
Facsimile: (02) 451 5356

OTC

620 Gnangara Road
Landsdale WA 6065
Telephone: (09) 302 2000
Facsimile: (09) 302 0333

International Cable Stations

OTC

354-356 Sheridan Street
PO Box 91
North Cairns Qld 4870
Telephone: (070) 51 2660
Facsimile: (070) 31 1131

OTC

Anson Bay
PO Box 27
Norfolk Island 2899
Telephone: +672 5 2053
Facsimile: + 672 5 2051

International Radio Station

OTC

Cnr Doonside Road &
Great Western Highway
PO Box 51
Doonside NSW 2767
Telephone: (02) 622 0231
Facsimile: (02) 671 3741

Maritime

Communications Stations

OTC Maritime

Head Office
Unit 3
39 Herbert Street
St Leonards NSW 2065
Telephone: (02) 901 2000
Facsimile: (02) 906 5506

OTC

Johnston Road
PO Box 46
McLaren Vale SA 5171
Telephone: (08) 323 8935
Facsimile: (08) 323 8010

OTC

Bribie Island Road, Ningi
PO Box 155
Caboolture Qld 4510
Telephone: (071) 97 5201
Facsimile: (071) 97 5354

OTC

Great Northern Highway
PO Box 14
Broome WA 6725
Telephone: (091) 93 5427
Facsimile: (091) 92 2295

OTC

North West Coastal Hwy
PO Box 584
Carnarvon WA 6701
Telephone: (099) 41 1283
Facsimile: (099) 41 1163

OTC

Gregory Street, Parap
PO Box 288
Darwin NT 5794
Telephone: (089) 81 2103
Facsimile: (089) 81 5018

OTC

Orr Street
PO Box 415
Esperance WA 6450
Telephone: (090) 71 1410
Facsimile: (090) 71 4484

OTC

Upper Queens Domain
GPO Box 352D
Hobart Tas 7001
Telephone: (002) 34 3165
Facsimile: (002) 34 6280

OTC

Boneo Road
Cape Schanck
via Rosebud Vic 3939
Telephone: (059) 88 6261
Facsimile: (059) 88 6555

OTC

620 Gnangara Road
Lansdale WA 6065
Telephone: (09) 302 2000
Facsimile: (09) 302 0107

OTC

240 Agnes Street
Rockhampton Qld 4700
Telephone: (079) 22 1844
Facsimile: (079) 27 9799

OTC

Jennifer Street
La Perouse NSW 2036
Telephone: (02) 694 1164
Facsimile: (02) 311 3455

OTC

Pearl Street
PO Box 260
Thursday Island Qld 4875
Telephone: (070) 69 1502
Facsimile: (070) 69 1760

OTC

19-23 Wackett Street
Pallarenda Qld 4810
Telephone: (077) 74 1448
Facsimile: (077) 74 1311

OTC SERVICES DIRECTORY

OTC Telesales

For more information on any of these services, please contact our professional Telesales staff. Telephone toll free (008) 269 977 or in Sydney, 287 3050.

Telephone

OTC International Direct Dial

International Direct Dial provides access to the world's largest direct dial telephone network, enabling callers to pay only for the time they use. Call prices are reduced during off-peak time to many destinations.

OTC International Toll Free

The International Toll Free service enables businesses in Australia to allow customers and prospective customers overseas to contact them by telephone for no charge.

OTC Country Direct

Visitors to Australia can now make use of OTC's Country Direct telephone service, allowing them to bill calls to their home address or credit card. The service is available to the home countries of most visitors to Australia. An OTC Australia Direct service is also available from the major destinations of Australian travellers overseas.

Operator Connected

Operator connected calls can still be booked for customers who prefer to arrange person to person or reverse charge telephone calls, or for those subscribers not yet connected to OTC's IDD network.

Text and Data

OTC Telex

Universally accepted for international business, OTC Telex provides connection to more than 1.5 million subscribers in more than 200 destinations.

Telex World Letter

International companies without their own telex facilities can be reached through the Telex World Letter service. Messages sent by telex from Australia are processed at an office close to the overseas destination and delivered by mail. For most destinations, Telex World Letter is faster by days than overseas mail.

OTC Faxlink

The most efficient method of sending facsimile messages internationally. By dialling the international facsimile access code 0015, users gain access to circuits which allow facsimile machines to operate at speeds of up to 9600 bits per second.

OTC Teletex

Teletex is a service which allows high-speed transfer of presentation quality documents between word processors and/or computers.

X.400 Message Handling

Based on Open Systems Interconnect (OSI) standards for computer to computer communications, X.400 allows interconnection of dissimilar computer systems for the first time.

OTC Data Access

Data Access provides business and private users with a cost-efficient packet switched data service to meet the expanding needs of customers who wish to access and transport small or large quantities of text and data information. It is available with optional Microcom Networking Protocol protection to ensure error-free communication.

Private Networks

OTC Telegraph

Telegraph circuits cater for customers who require dedicated message communication to diverse destinations overseas.

OTC Satnet

Satnet is designed for the frequent exchange of small amounts of information between widely dispersed destinations and a central host computer. It is especially suitable for remote locations where telecommunications are difficult or non-existent.

OTC Analog Voice/Data (AVD)

AVD provides point-to-point, voice-grade private lines used primarily for voice traffic but which, if fitted with appropriate modems, can carry data to those destinations not yet serviced digitally.

OTC Bitstream

Bitstream is an international private line service which provides high-quality, high-speed digital transmission by cable. The service is able to accommodate a wide range of voice, data, text and video applications.

OTC Skystream

Skystream is an international private line service which provides high-quality, high-speed digital transmission by satellite. The service is able to accommodate a wide range of voice, data, text and video applications.

OTC Switched Digital

OTC Switched Digital is the first of a range of services based on ISDN technology. It provides private line back-up and overflow, Group 4 fax, dial-up videoconferencing, and high-speed file and image transfer.

Video Services

OTC International Videoconferencing

OTC provides a comprehensive range of videoconferencing services from intimate meeting style to large audience, high impact, event style facilities — at OTC or customer premises.

OTC Satellite Television and Sound

Television and sound services for broadcasters to receive and transmit programs between Australia and overseas are available on demand or through contracts or leases.

Maritime Services

OTC Skycoms

Aircraft fitted with High Frequency radio can access OTC Skycoms' operators for in-flight connection to the national and international telephone networks.

OTC Auto-Seaphone

Provides a maritime direct dial radio-telephone network through inexpensive Very High Frequency radio-telephone links. The service allows users access to national and international telephone networks from up to 100 kilometres out to sea.

OTC Radphone

A long-range radio-telephone service. Radphone provides High Frequency radio-telephone links for large trading vessels, blue water yachts and an increasing number of commercial aircraft.

OTC Seatex

Seatex operates automatically as a marine telex service via High Frequency radio providing large trading vessels and passenger ships with access to the worldwide telex system.

Satellite Services

A complete range of satellite-based commercial and safety services is progressively being provided to suitably equipped vessels through OTC's new coast earth stations in Perth, providing direct access to ships in the Pacific and Indian Ocean regions.

SOLAS

Safety Of Life At Sea provides information on weather conditions and hazards at sea in addition to maintaining a constant watch on international distress frequencies.

OTC Yachtcoms and Fleetcoms

These services allow simultaneous communication with a number of vessels through OTC's maritime radio facilities.

OTC Seagram

Seagram provides, via Morse code or voice, the equivalent of land-based telegrams operating for ship to shore or shore to ship needs.

Consultancy Services

OTC offers a range of consultancy services on international telecommunications matters.

Value-Added Services

OTC Lawpoint

OTC Lawpoint provides a valuable service to the legal profession. It is a system that cuts costs and saves time in conveyancing through an on-screen land inquiry service, which includes such detail as title searches, zoning, rating, and even pest inspection reports. Another database supplies company and business name indexes.

OTC On-Line Directories

An electronic database service, On-Line Directories offers white and yellow pages

directory support for telex, teletex and facsimile services. General information such as world time differences, international access codes for telex and telephone and information about other OTC services is also available.

OTC Intelnet

A data access service that provides easy access to 850 computerised information banks worldwide, Intelnet requires only one registration, one command language and provides one account.

OTC Transcom

OTC Transcom provides the import/export/transport community with a complete range of telecommunications services which are designed to reduce time delays in this paperwork-intensive industry. The OTC Transcom services include electronic trading, on-line directory services, user friendly database access, facsimile, telex, electronic messaging, and Austrade TOP.

Electronic Trading

Electronic Trading utilises international document and messaging standards to enable companies to exchange a wealth of business transactions, such as invoices and purchase orders, electronically. Companies using different types of computers can connect to the service to exchange data quickly, economically and with a high degree of security with their trading partners.

OTC Worldnet

OTC Worldnet is a communications network which offers a wide range of services. Some of these services include on-line directories of telephone, fax, and telex numbers in Australia and around the world, direct access to OTC IntelNet, and gateways to the world's on-line information services. OTC Worldnet also focuses on the specific needs of particular industries as well as providing general services.



An increasing number of Australian companies are recognising OTC International Videoconferencing as a potent and cost-effective business tool. From OTC studios or company premises, fully interactive videoconferencing is suitable for marketing, crisis management, board meetings, job interviews, or whenever company interests are best served by people seeing and hearing each other without the expense and stress of travel. OTC also provides for a growing social use of international videoconferencing. 'It is almost like being there', said a grandmother in England after sharing by videoconference part of her daughter's wedding celebrations in OTC's Melbourne studio.

OTC Vanguard

The OTC Vanguard network provides high-speed data communications across Australia. The network features a high level of security with considerable redundancy, supports most protocols, is driven by a user-friendly menu system, offers error protection, and allows for a high degree of sophisticated management.

OTC Dialcom/E Mail

An electronic messaging service, E Mail allows subscribers to send electronic messages around the world, screen to screen, to over 300,000 users in 25 countries, and to

as many as 500 recipients simultaneously. OTC Dialcom also offers X.400 messaging which enables dissimilar computers to communicate with each other.

OTC Easifax

Easifax is a new facsimile network which prevents messages being delayed if the receiving fax is engaged. The system also enables users to fax multiple destinations using preset address lists and can save the user up to 30 per cent on international transmissions by programming the system to take advantage of off peak rates.

PERFORMANCE ANALYSIS

FINANCIAL OBJECTIVES

OTC's key financial objective is to continue to earn profits sufficient to:

- Secure future returns by funding profitable capital and new business investments.
- Maintain a sound financial structure.
- Provide an appropriate return to the shareholder.

In pursuing this objective it is OTC's aim to generate the majority of funds for its investment program from within the business, while maintaining a prudent debt to equity ratio and keeping prices down.

OTC's prices to customers remain amongst the lowest in the world. Prices are regularly reviewed to ensure that customers receive the benefits of productivity gains.

FINANCIAL STRUCTURE

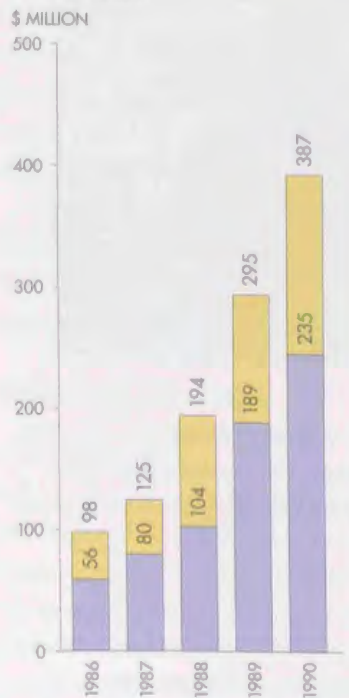
OTC's business is characterised by high growth, technological advances and capital intensity. Its planned capital investments are \$2.3 billion over the next five years.

To maintain a prudent debt to equity ratio, past experience indicates that about 60 per cent of annual profits should be retained, reflecting the high growth and capital intensive nature of the business.

FOREIGN CURRENCY

OTC operates in an international environment and a significant part of its capital expenditure, expense and revenue is denominated in foreign currencies. Accordingly, its financial performance is sensitive to currency fluctuations.

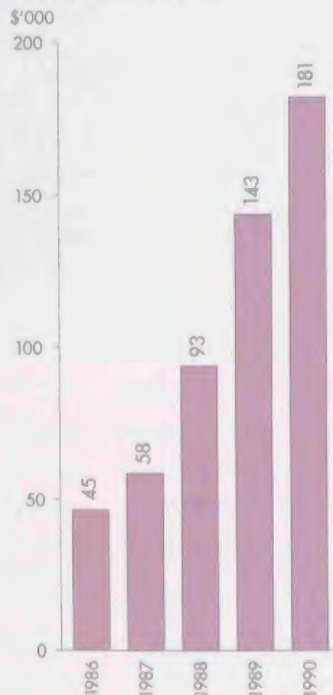
GROUP PROFIT



■ GROUP OPERATING PROFIT AFTER TAX
■ INCOME TAX EXPENSE

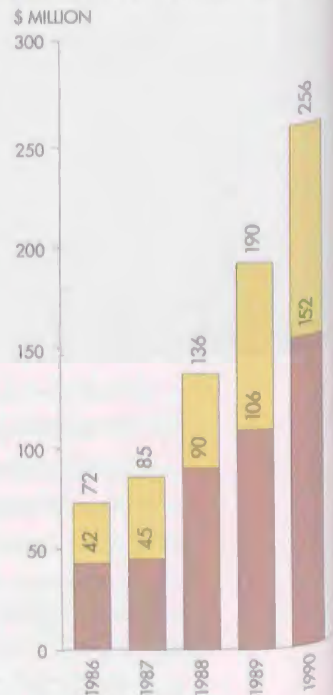
Group operating profit has grown consistently during the five year period.

PROFIT PER EMPLOYEE



Profit per employee has increased by 26.6 per cent over the prior year and 305.2 per cent over the five year period.

PAYMENTS TO GOVERNMENT



■ INCOME TAX ■ DIVIDEND

Total payments to Government increased by 34.8 per cent to \$256 million in 1990. In the five years, payments totalled \$739.3 million. During this period there has been no call on the Government for funds.

OTC's financial commitments to overseas carriers are largely in Special Drawing Rights (SDRs), an International Monetary Fund basket of currencies comprising US dollars, Japanese yen, German deutschmarks, UK pounds and French francs. These commitments are, however, usually finalised in US dollars.

The extent of currency movements during the year was:

	Low	High	%
\$A to \$US	0.7300	0.8270	13
SDR	0.5650	0.6550	12

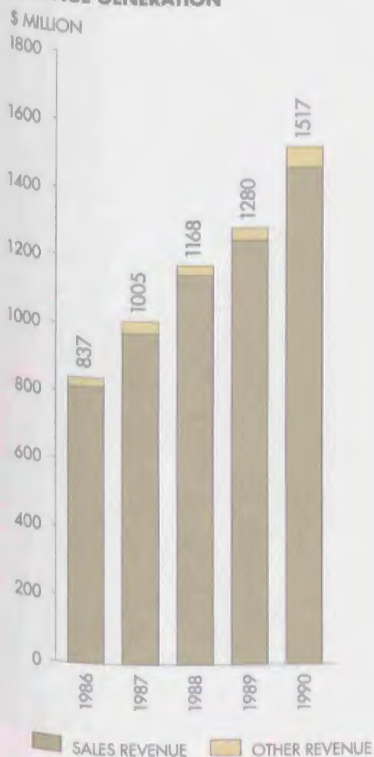
Movements in currency affect OTC in two ways:

- by variations in profitability through appreciation or depreciation of the Australian dollar to the SDR; and
- by variation in the value of assets and liabilities denominated in foreign currencies but converted to Australian dollars at balance sheet date.

OTC actively manages its foreign exchange to reduce or eliminate risk on both operating and capital exposures.

Outstanding overseas currency loans have been swapped for Australian dollars to eliminate exposure to currency changes while, as at 31 March 1990, there were no material foreign currency receivables and payables that have not been hedged.

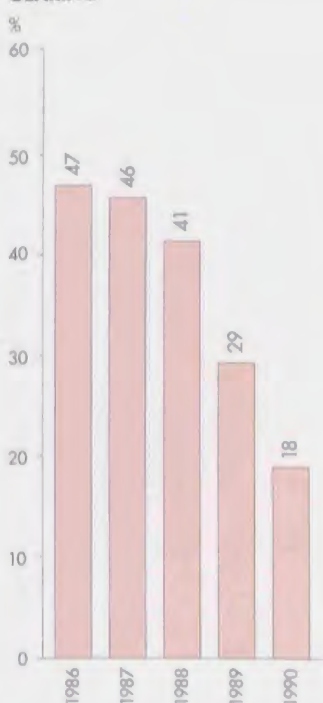
REVENUE GENERATION



SALES REVENUE OTHER REVENUE

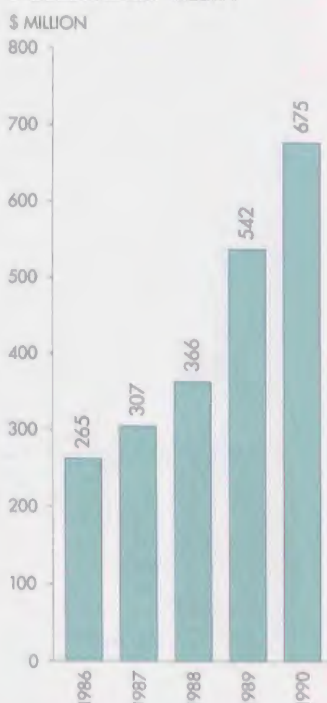
Revenue increased by 18.5 per cent in 1990 reflecting an increase in telephone traffic, after offsetting the effect of price reductions introduced during the year.

GEARING



Gearing is measured as the percentage of average debt to average shareholders' equity plus debt. This has decreased over the period and in particular in the past two years resulting from a combination of the scheduled repayment of loans and an increase in equity.

SHAREHOLDERS' EQUITY



Shareholders' equity has grown consistently during the five-year period.

AUDITOR'S REPORT

To the Members of OTC Limited. I have audited the accompanying accounts and group accounts being:

- a) the balance sheet of OTC Limited and the consolidated balance sheet of that company and its subsidiaries
- b) the related profit and loss accounts
- c) the notes to and forming part of the accounts, and
- d) the statement by directors.

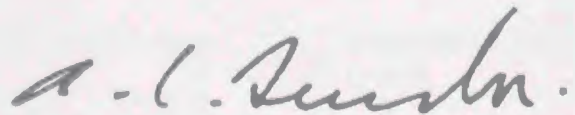
These accounts have been audited in conformance with the Australian Audit Office Auditing Standards which incorporate the Australian Auditing Standards.

In accordance with section 285 of the Companies Act 1981, I report that in my opinion the accompanying accounts and group accounts, which have been prepared in accordance with the policies outlined in Note 1, are properly drawn up in accordance with the provisions of the Companies Act and so as to give a true and fair view of:

a) the state of affairs of the company and of the group as at 31 March 1990 and the profit of the company and of the group for the year then ended so far as they concern members of the company, and

b) the other matters required by section 269 of that Act to be dealt with in the accounts and in the group accounts: and are in accordance with Australian Accounting Standards and applicable approved accounting standards.

I have not acted as auditor of Lawpoint Pty Limited, a subsidiary company acquired during the year.



JC Taylor
Auditor-General
25 August 1990



Every month, Qantek, the telecommunications arm of Qantas, Australia's national airline, is linked to the Asia Pacific region and the world beyond by OTC Skystream, the rapid and reliable private digital satellite service for the simultaneous transmission of voice, text, data, facsimile, graphics and video. Qantek also receives some 30,000 customer service inquiries, reservations and flight crew calls every month using OTC's International Toll Free service. 'In our business, survival depends on fast, cost-effective communications', says Barry Grisdale, Qantek's General Manager. 'OTC is an integral part of our strategy and we have a professional and close working relationship that helps us achieve our high performance targets.'



OTC LIMITED AND SUBSIDIARIES PROFIT AND LOSS ACCOUNTS FOR THE YEAR ENDED 31 MARCH 1990

	NOTE	GROUP		HOLDING COMPANY	
		1990 \$000	1989 \$000	1990 \$000	1989 \$000
Operating revenue		1 517 207	1 280 055	1 505 149	1 278 301
Operating profit	(2)	585 526	294 837	396 422	296 702
Income tax attributable to operating profit	(7)	152 449	106 164	153 252	106 560
Operating profit after income tax		233 077	188 673	243 170	190 142
Minority interests in operating losses after income tax		1 497	416	-	-
Operating profit after income tax attributable to members of the holding company		234 574	189 089	243 170	190 142
Retained profits at the beginning of the financial year		-	-	1 053	-
Total available for appropriation		234 574	189 089	244 223	190 142
Dividends provided for or paid		104 000	84 000	104 000	84 000
Aggregate of amounts transferred to reserves		130 574	105 089	130 574	105 089
Retained profits at the end of the financial year		-	-	9 649	1 053

The accompanying notes form an integral part of these accounts.

OTC LIMITED AND SUBSIDIARIES BALANCE SHEETS AS AT 31 MARCH 1990

	NOTE	GROUP		HOLDING COMPANY	
		1990 \$000	1989 \$000	1990 \$000	1989 \$000
Current Assets					
Cash		815	106 705	686	104 657
Receivables	(8)	362 300	259 531	373 338	259 124
Investments	(9)	19 634	-	19 634	-
Other		2 003	1 720	1 165	1 189
Total Current Assets		384 752	367 956	394 823	364 970
Non-Current Assets					
Receivables	(8)	154 308	64 868	153 990	64 868
Investments	(9)	86 752	70 281	95 727	75 027
Property, plant and equipment	(12)	675 276	627 447	665 415	623 484
Other	(15)	12 325	12 968	11 044	12 572
Total Non-Current Assets		928 659	775 564	922 176	773 951
Total Assets		1 313 411	1 143 520	1 316 999	1 138 921
Current Liabilities					
Creditors and borrowings	(14)	233 463	213 425	228 740	209 911
Provisions	(15)	259 541	203 730	259 118	203 730
Total Current Liabilities		493 004	417 155	487 858	413 641
Non-Current Liabilities					
Creditors and borrowings	(14)	81 578	131 321	81 563	131 321
Provisions	(15)	63 538	52 817	63 538	52 817
Total Non-Current Liabilities		145 116	184 138	145 101	184 138
Total Liabilities		638 120	601 293	632 959	597 779
Net Assets		675 291	542 227	684 040	541 142
Shareholders' Equity					
Share capital	(16)	310 000	50 000	310 000	50 000
Reserves	(17)	364 391	490 089	364 391	490 089
Retained profits		-	-	9 649	1 053
Shareholders' equity attributable to members of the holding company		674 391	540 089	684 040	541 142
Minority shareholders' interest in subsidiaries		900	2 138	-	-
Total shareholders' equity.		675 291	542 227	684 040	541 142

The accompanying notes form an integral part of these accounts.

1. *Statement of Significant Accounting Policies*

The following summary explains the significant accounting policies which have been adopted in the preparation of the Accounts.

(a) GENERAL BASIS OF ACCOUNTING

The financial statements have been prepared to conform with the accounting standards issued by the major Australian accounting bodies, the Accounting Standards Review Board and with Schedule 7 of the Companies Act. Historical cost principles which permit the revaluation of non-current assets, but which do not otherwise take into account changing money values, are applied.

The accounting policies adopted in the preparation of the financial statements are consistent with those applied in the preceding year.

(b) PRINCIPLES OF CONSOLIDATION

The group accounts comprise the accounts of the holding company and all of its subsidiaries. A list of subsidiary companies is contained in Note 10. All intercompany balances and unrealised profits from transactions between group companies have been eliminated. Where a subsidiary has been acquired during the year its operating results have been included from the date of acquisition.

(c) PROPERTY, PLANT AND EQUIPMENT, AND DEPRECIATION

Property, plant and equipment was valued at 1 April 1988 and is shown in the Financial Statements at that valuation, less accumulated depreciation.

Assets brought into service since the valuation are shown at cost less accumulated depreciation where applicable. Work in progress is shown at cost. As in previous years, costs are charged to work in progress when billed by contractors and suppliers, or when internal labour and other costs, including finance and foreign currency losses and gains during construction, are incurred.

Depreciation is provided on all property, plant and equipment, except land, and is calculated on a

straight line basis at rates which provide for the cost or revalued amounts to be written off over the anticipated economic lives of the assets. In the case of buildings, depreciation is calculated over a maximum period of forty years and, where exceptional diminution in the value of property is recognised, supplementary depreciation is provided.

During the year, a comprehensive review of the useful economic lives of fixed assets was undertaken but no material change to depreciation resulted.

Property, plant and equipment are shown by class in Note 12.

Gains and losses on disposal of assets arising in the ordinary course of business are taken into account in determining the operating profit for the year. Gains and losses on disposal of revalued assets are calculated on the revalued book value of the assets concerned.

(d) INVESTMENTS

(i) *Subsidiary Companies*

Investments in subsidiary companies are valued in the holding company's accounts at cost.

(ii) *Associated Companies*

An associated company is one in which the group holds an interest of between 20 per cent and 50 per cent in the issued capital and over which the group is able to exercise significant influence.

Investments in associated companies are valued in the group accounts at cost less any amounts written off for permanent diminutions in the value of the investments. Dividends are brought to account in the Profit and Loss account when received.

(iii) *Satellite Consortia Investments*

OTC's participation in the Intelsat and Inmarsat Satellite Consortia is treated as an investment. The investment holdings are in US dollars and the annual balance sheet valuation is based upon OTC's investment share at 31 March each year and is aligned to Australian currency at the exchange relativities ruling at that date. Any increment/decrement in value of the investment is transferred to a Satellite Consortia Revaluation Reserve.

(e) RECEIVABLES - DEBTORS

A review of all debtors accounts is carried out during the year. Bad debts are written off against profits as they become known and at the end of the year provision is made for doubtful debts.

(f) EMPLOYEE AND RETIREMENT BENEFITS

Provisions for Employee Benefits are disclosed in the Balance Sheet under current and non-current liabilities based on anticipated payment trends.

Provision is made in the financial accounts for obligations in respect of long-service leave, having regard to actual experience of employee departures and periods of service and for annual leave entitlements not taken at balance date. Provisions are calculated using current salary levels.

Provision has been made for sick leave entitlements relating to technical and trade employees. No provision is made for sick leave entitlements for other employees as entitlements lapse with termination of employment.

Provision has been made for losses arising from workers' compensation in respect of injuries incurred and represents the estimated ultimate liability payable by OTC for outstanding workers' compensation claims. Workers' compensation in respect of injuries incurred on or after 1 July 1989 is the responsibility of Comcare (Commission for the Safety, Rehabilitation and Compensation of Commonwealth Employees).

Superannuation:

The majority of OTC employees are covered under the Commonwealth Superannuation Scheme. Contributions made to the Scheme are included as an operating expense in the Profit and Loss account each year.

From time to time the sufficiency of employer contributions to the Scheme are reviewed by the Department of Finance in liaison with the Australian Government Actuary. A review was conducted of the fund as at 31 March 1986.

OTC has a legally enforceable obligation to contribute to the Scheme, which is administered by the Australian Government, and therefore funds are considered to be available for its purposes sufficient to satisfy all benefits that would be

vested under the Scheme in the event of termination of the Scheme, or voluntary or compulsory termination of employment of its members. The current contribution rate to this fund is 13.6 per cent per annum of superannuated salaries.

Provision is also made for benefits accruing to a small number of employees under superannuation schemes administered and funded by OTC. The schemes have been closed for many years and cover existing and retired officers taken over at the time of OTC's formation in 1946. The annual charge to the Profit and Loss account in respect of these funds is based on a formula determined by the Australian Government Actuary.

The adequacy of the amount set aside in the Superannuation Provision account for these schemes is also subject to periodic valuation by the Australian Government Actuary and adjustments are taken to the Profit and Loss account in the year of occurrence. The last valuation was undertaken at 31 March 1987, and funds are available for the purposes of the schemes sufficient to satisfy all benefits that would be vested in the event of their termination.

A provision has been made for the assessed effect of the 5 per cent superannuation entitlement awarded by the Conciliation and Arbitration Commission in March 1987.

(g) INSURANCE

OTC maintains an external insurance cover for potential risks deemed to be of a catastrophic nature. Premiums paid in relation to external insurances are charged as incurred against the operating profit for the financial year.

(h) RESEARCH AND DEVELOPMENT COSTS

Research and development costs are charged to the profit and loss account as incurred, except to the extent that they meet the criterion for deferral. Costs incurred during the financial year on a research and development project are deferred to future financial years to the extent that such costs, together with unamortised deferred costs in relation to that project are expected beyond any reasonable doubt to be recoverable. No costs have been deferred to future years in 1989-90.

(i) DEFERRED EXPENDITURE

Expenditure that relates to future financial years is deferred. It is amortised to match such expenditure with related benefits.

(j) INCOME TAX

Tax effect accounting is applied, whereby the Income Tax Expense for the year is based upon the accounting profit, after adjustment for permanent differences arising because certain items of income and expense are specifically excluded when tax is assessed. Additional depreciation resulting from revaluation of fixed assets is treated as a permanent difference.

No provision has been made for any taxes on capital gains which could arise in the event of a sale of certain revalued non-current assets for the amounts at which they are stated in the accounts and group accounts as it is not expected that any such liability will eventuate.

(k) FOREIGN CURRENCY CONVERSIONS

OTC actively manages its foreign currency exposure. Outstanding foreign currency loans have all been swapped for Australian dollars. At 31 March 1990 there were no material foreign currency receivables or payables that have not been hedged.

Revenue and expenditure relating to overseas transactions is converted to Australian currency at the exchange rates prevailing at the date of the transaction.

Open hedge contracts relating to revenue and expenditure transactions are converted at the applicable exchange rate at balance date with exchange gains or losses being included in the Profit and Loss account.

All foreign currency balances are converted to Australian currency at the exchange rate prevailing at balance date, except for liabilities that are subject to currency swap contracts for which an Australian dollar currency repayment schedule has been adopted, and such liabilities are brought to account at contract rates.

Exchange differences arising during the construction phase of plant and equipment projects are capitalised when the asset is brought into service or when the liability is fixed by currency swap or rate fixing contracts.

(l) COMPARATIVE FIGURES

Prior year comparative values have been recast, where necessary, to conform with the current year's presentation.

(m) ROUNDINGS

All values in the accounts have been rounded to the nearest thousand dollars unless specifically stated to be otherwise.

	GROUP		HOLDING COMPANY	
	1990 \$000	1989 \$000	1990 \$000	1989 \$000
2. Operating Profit				
Operating revenue				
Sales revenue	1 459 416	1 244 245	1 447 647	1 242 921
Other revenue	57 791	35 792	57 502	55 380
	1 517 207	1 280 035	1 505 149	1 278 301
Operating expenditure				
Network costs	846 677	739 463	838 874	738 514
Employee costs	107 701	100 114	103 501	99 932
Depreciation	84 506	77 560	85 422	77 459
Other expenditure	92 797	68 061	82 950	65 694
	1 151 681	985 198	1 108 727	981 599
Operating profit	385 526	294 837	396 422	296 702

Operating profit has been determined after:

Crediting

Interest earned				
- related corporations	-	-	97	-
- other	50 693	23 749	50 307	23 684
Gains on sale of non-current assets	970	804	970	804
Provision for workers' compensation no longer required	543	-	529	-

Charging

Depreciation				
- property, plant and equipment	76 439	69 642	75 555	69 541
- buildings and site improvements	8 067	7 757	8 067	7 757
Amortisation of deferred expenditure	1 015	1 015	1 015	1 015
Rental expense on operating leases	49 387	42 767	49 127	42 767
Interest				
- related corporations	-	-	2	3
- other	12 897	16 733	12 885	16 733
Currency exchange losses	12 063	209	12 063	552
Superannuation contributions				
- Commonwealth Superannuation Scheme	8 689	7 733	8 557	7 733
- other Schemes	2 341	1 298	2 341	1 298
Amounts set aside to provisions for				
- employee benefits	12 863	11 359	12 770	11 359
- workers' compensation	-	4 139	-	4 139
Bad debts written off	404	182	401	182
Losses on sale of non-current assets	1 905	2 011	1 905	2 011
Abnormal Items				
- permanent diminution in value of investment	3 193	-	-	-

GROUP		HOLDING COMPANY	
1990	1989	1990	1989
\$000	\$000	\$000	\$000

3. Solas

Included in Sales Revenue is \$9.650 million (1989 \$8.944 million) relating to an agreement with the Department of Transport and Communications for the provision of Safety of Life at Sea services.

4. Remuneration of Directors and Executives

(a) DIRECTORS

Remuneration received or due and receivable directly or indirectly by directors of each corporation in the group from all companies in the group.

951	701	228	293
-----	-----	-----	-----

The table which follows shows the number of holding company directors receiving gross remuneration from the holding company and subsidiaries in each of the ranges stated:

Remuneration (Dollars)	NUMBER	
* \$ 1 - \$ 9 999	2	-
\$ 10 000 - \$ 19 999	2	4
\$ 20 000 - \$ 29 999	1	1
\$ 30 000 - \$ 39 999	1	-
\$130 000 - \$139 999	1	-
\$210 000 - \$219 999	-	1

* In addition directors who are concurrently full time officers of the Australian Public Service serve with no remuneration from OTC.

(b) EXECUTIVES

Amounts received or due and receivable directly or indirectly by executives of the holding company and the group who earned in excess of \$85 000 per annum from all companies in the group.

1 750	1 890	1 516	1 890
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The table which follows shows the number of executives of the holding company and group companies receiving gross remuneration in each of the ranges stated:

Remuneration (Dollars)				
\$ 85 000 - \$ 94 999	7	5	7	5
\$ 95 000 - \$104 999	3	4	2	4
\$105 000 - \$114 999	-	2	-	2
\$115 000 - \$124 999	1	1	-	1
\$125 000 - \$134 999	4	-	4	-
\$145 000 - \$154 999	-	2	-	2
\$155 000 - \$164 999	1	-	1	-
\$175 000 - \$184 999	-	1	-	1
\$205 000 - \$214 999	-	1	-	1

These amounts include amounts paid to executives in respect of accrued annual and long service leave on separation.

	GROUP		HOLDING COMPANY	
	1990	1989	1990	1989
	\$000	\$000	\$000	\$000

4. Remuneration of Directors and Executives (Continued)

(c) RETIREMENT BENEFITS

Amounts paid to prescribed superannuation funds in connection with the retirement of directors of each corporation in the group and principal executive officers.

	118	79	22	12
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During the year a number of OTC Limited staff served as directors of subsidiary companies without additional remuneration attributable to those appointments. The amount disclosed in this note includes the total employer superannuation payments made in relation to those staff over the full year, in addition to superannuation payments made in relation to the managing director's position.

The amounts are shown in aggregate only as the directors believe the provision of full particulars to be unreasonable.

5. Auditor's Remuneration

Amounts received or due and receivable by auditors for:

- auditing the accounts	304	272	270	254
- other services	-	-	-	-

Included above are amounts received, or due and receivable, by auditors other than the auditor of the holding company for:

- auditing the accounts	2	-	-	-
- other services	-	-	-	-

6. Research and Development

The total amount of funds expended on Research and Development by the holding company and the group during the year amount to \$10.737 million (1989 \$8.161 million). This has been charged to the Profit and Loss accounts. Benefits arising from research and development are directly and indirectly related to telecommunications technology within Australia, patent applications and university supported projects. Taxation concessions are shown in Note 7.

	GROUP		HOLDING COMPANY	
	1990 \$000	1989 \$000	1990 \$000	1989 \$000
7. Income Tax Expense				
Income Tax Expense is calculated as follows:				
Operating Profit before Income Tax	385 526	294 837	396 422	296 702
Tax, prima facie, payable thereon calculated at 39 cents in the dollar	150 357	114 987	154 605	115 714
Increase/(Decrease) arising from:				
- research and development concession	(1 657)	(1 653)	(1 657)	(1 653)
- depreciation not allowable for tax	641	733	641	733
- tax losses of subsidiaries not tax effected	2 775	309	-	-
- other adjustments	1 026	(1 529)	351	(1 551)
Income Tax expense applicable to year	155 142	112 847	153 940	113 245
Less:				
Overprovision in prior year	693	2 927	688	2 927
Reduction in deferred income tax liability resulting from the decrease in income tax rates.	-	3 756	-	3 756
	693	6 683	688	6 683
Income Tax Expense per Profit and Loss Accounts	152 449	106 164	153 252	106 560
Comprising:				
Current	146 019	107 327	145 988	107 723
Deferred	7 123	5 520	7 952	5 520
Prior year	(693)	(6 683)	(688)	(6 683)
	152 449	106 164	153 252	106 560

8. *Receivables*

Current

	GROUP		HOLDING COMPANY	
	1990 \$000	1989 \$000	1990 \$000	1989 \$000
Trade Debtors	263 568	176 610	262 382	176 268
Less:				
Provision for Doubtful Debts	1 530	1 510	1 500	1 500
	<u>262 038</u>	<u>175 100</u>	<u>260 882</u>	<u>174 768</u>
Bank accepted Bills of Exchange and Promissory Notes at cost - maturity value \$60.000 million (1989 \$85.000 million)	54 738	74 556	54 738	74 556
Loans to related corporations	-	-	13 438	-
Other	45 524	9 875	44 280	9 800
	<u>362 300</u>	<u>259 531</u>	<u>373 338</u>	<u>259 124</u>

Non Current

Securities which have been designated to meet future funding commitments in respect of certain non-current employee benefit liabilities and deferred payment obligations in relation to the purchase of cable systems are shown as non-current receivables. Securities are distinguished between current and non-current on the basis of final maturity date.

Bank Accepted Bills of Exchange and Promissory Notes at cost - maturity value

\$200.000 million (1989 \$45.000 million)	128 201	32 141	128 201	32 141
Loan to a related corporation	-	-	700	-
Other	26 107	32 727	25 089	32 727
	<u>154 308</u>	<u>64 868</u>	<u>153 990</u>	<u>64 868</u>

Note: There are no foreign currency receivables of a material nature that have not been hedged.

	GROUP		HOLDING COMPANY	
	1990 \$000	1989 \$000	1990 \$000	1989 \$000
9. Investments				
Current				
Government and Semi-Government				
Stocks and Bonds at cost				
- maturity value \$20.000 million	19 634	-	19 634	-
Non Current				
Shares				
- in subsidiary companies at cost (refer note 10)	-	-	8 809	6 757
- in associated companies (refer note 11)				
at independent valuation	560	-	-	-
at cost	5 040	3 753	4 024	-
- in other companies at cost	258	258	-	-
Debentures at cost				
- maturity value \$23.614 million	15 517	-	15 517	-
Satellite Consortia Investments				
At Directors' Valuation 31 March:				
(Refer Note 1d(iii))				
Intelsat	58 392	62 434	58 392	62 434
Inmarsat	6 985	3 836	6 985	3 836
	86 752	70 281	93 727	73 027

10. Investments in Subsidiary Companies

Name of Company	COUNTRY OF FORMATION OR INCORPORATION	BOOK VALUE OF HOLDING COMPANY'S INVESTMENT		EQUITY OF HOLDING COMPANY (ORDINARY SHARES)		CONTRIBUTIONS TO GROUP NET PROFIT	
		1990 \$000	1989 \$000	1990 %	1989 %	1990 \$000	1989 \$000
OTC Limited	Australia					241 444	190 142
<i>Subsidiaries</i>							
OTC International Limited	Australia	4 100	4 100	100	100	(5 189)	(621)
Telecommunications Power Pty Ltd	Australia	320	-	80	-	(144)	-
Transport Communications Australia Pty Limited	Australia	204	107	51	51	(300)	(88)
Network Innovations Pty Limited	Australia	2 550	2 550	51	51	(1 186)	(344)
Lawpoint Pty Limited*	Australia	1 635	-	60	-	(51)	-
		8 809	6 757			254 574	189 089

All companies are direct subsidiaries of OTC Limited.
OTC International Limited carries on business worldwide.

There were no dividends received by the holding company from subsidiaries in 1989 or 1990.

*Subsidiary of which the Australian National Audit Office has not acted as auditor.

Minority Interests in Subsidiaries

The following subsidiaries have \$1 ordinary shares issued to minority interests:

NAME OF SUBSIDIARY	AUTHORISED CAPITAL (\$1 ORDINARY SHARES)		ISSUED AND PAID UP CAPITAL		NUMBER OF SHARES HELD BY MINORITY		EQUITY HOLDING OF MINORITY	
	1990 \$000	1989 \$000	1990 \$000	1989 \$000	1990 '000	1989 '000	1990 %	1989 %
Telecommunications Power Pty Ltd	50 000	-	400	-	80	-	20	-
Transport Communications Australia Pty Ltd	1 000	1 000	400	210	196	103	49	49
Network Innovations Pty Ltd	20 000	20 000	5 000	5 000	2 450	2 450	49	49
Lawpoint Pty Limited	50 000	-	1 750	-	700	-	40	-

Subsidiaries Acquired During the Year

	PROPORTION OF SHARE CAPITAL %	CONSIDERATION \$000	FAIR VALUE OF NET TANGIBLE ASSETS ACQUIRED \$000
Telecommunications Power Pty Limited	80	320	(31)
Lawpoint Pty Limited	60	1 635	260

11. Investments in Associated Companies

NAME OF ASSOCIATED COMPANY	PRINCIPAL ACTIVITIES	OWNERSHIP % INTEREST		BALANCE DATE OF ASSOCIATED COMPANY	CONVENTIONAL COST/ INDEPENDENT VALUATION*		EQUITY CARRYING AMOUNT	
		1990	1989		1990 \$000	1989 \$000	1990 \$000	1989 \$000
National Information Networking Pty Ltd	Computer Networking Services	50	-	30 June	4 024	-	3 399	-
Samart Telcoms Co Ltd (incorporated in Thailand)	Data Network Services	40	-	31 December	1 016	-	1 004	-
Telebase Systems Inc (incorporated in USA)	Data Base Access Service	26	26	31 December	*560	3 753	560	3 629
					<u>5 600</u>	<u>3 753</u>	<u>4 963</u>	<u>3 629</u>

There were no dividends received from Associated Companies in 1989 or 1990.

Telecommunications Power Pty Limited which was an associated company in 1989 became a subsidiary in October 1989 and now appears under note 10.

No Equity supplementary financial statements have been provided because the investments are not considered material.

The investment in National Information Networking Pty Limited is held by OTC Limited. The other two investments are held by OTC International Limited.

Valuation of Associated Companies

The valuation of Telebase Systems Inc is based on a permanent diminution in the underlying net asset value. The independent valuation was carried out by Price Waterhouse in 1990.

	GROUP		HOLDING COMPANY	
	1990 \$000	1989 \$000	1990 \$000	1989 \$000
12. Property, Plant and Equipment				
Land and Site Improvements				
At Independent Valuation	91 575	92 416	91 575	92 416
At Cost	61	61	61	61
Accumulated Depreciation	(481)	(219)	(481)	(219)
	91 155	92 258	91 155	92 258
Buildings				
At Independent Valuation	117 569	118 679	117 569	118 679
At Cost	6 285	3 442	6 285	3 442
Accumulated Depreciation	(15 891)	(8 205)	(15 891)	(8 205)
	107 963	113 916	107 963	113 916
Cables				
At Independent Valuation	237 082	237 082	237 082	237 082
At Cost	45 540	20 640	45 540	20 640
Accumulated Depreciation	(72 875)	(36 122)	(72 875)	(36 122)
	209 749	221 600	209 749	221 600
Plant, Furniture and Motor Vehicles				
At Independent Valuation	118 574	120 555	118 574	120 555
At Cost	223 479	116 582	210 351	112 518
Accumulated Depreciation	(75 644)	(37 464)	(74 357)	(37 363)
	266 409	199 673	254 548	195 710
Total Assets	675 276	627 447	663 415	623 484

The Net Asset Value at 31 March 1990 includes Work in Progress \$120.551 million (1989 \$75.517 million).

- 1) The valuation of Buildings and Land and Site Improvements as at 1 April 1988 was based on market value, or in the case of special purpose buildings, depreciated replacement value.
- 2) The valuation of Cables and Plant, Furniture and Motor Vehicles as at 1 April 1988 was based on current replacement cost depreciated to take account of the life of the asset.

	GROUP		HOLDING COMPANY	
	1990 \$000	1989 \$000	1990 \$000	1989 \$000
13. Other - Non Current Assets				
Deferred expenditure	11 098	12 572	11 044	12 572
Future income tax benefit	1 225	396	-	-
	12 323	12 968	11 044	12 572

The group's future income tax benefit relates to the benefit of income tax losses carried forward in subsidiary companies.

14. Creditors and Borrowings

Current				
Bank loans (unsecured)	44 464	43 436	44 464	43 436
Trade creditors	188 999	169 989	184 276	166 475
	253 463	213 425	228 740	209 911
Non Current				
Bank loans (unsecured)	73 611	115 188	73 611	115 188
Other	7 967	16 133	7 952	16 133
	81 578	131 321	81 563	131 321

Bank Loans

Represents amounts due under the Anzcan and A-I-S buyer credit payment arrangements. Of the non-current amounts owing as at 31 March, \$25.089 million (1989 \$32.727 million) relates to other parties in accordance with the back-to-back financial agreements.

Balances are repayable as follows:

- between one and two years	44 464	43 432	44 464	43 432
- between two and five years	29 147	70 957	29 147	70 957
- later than five years	-	799	-	799
	73 611	115 188	73 611	115 188

Note: There are no foreign currency payables of a material nature that have not been hedged.

	GROUP		HOLDING COMPANY	
	1990	1989	1990	1989
	\$000	\$000	\$000	\$000

15. Provisions

Current				
Dividend	104 000	84 000	104 000	84 000
Taxation	146 019	111 050	145 988	111 050
Employee benefits	8 972	8 130	8 580	8 130
Workers' compensation	550	550	550	550
	259 541	205 730	259 118	205 730
Non Current				
Employee benefits	25 210	19 090	23 210	19 090
Workers' compensation	12 206	13 557	12 206	13 557
Deferred taxation	28 122	20 170	28 122	20 170
	65 538	52 817	63 538	52 817

16. Share Capital

OTC Limited

Authorised Capital

2,000,000,000 shares of \$1.00 each

2 000 000 2 000 000

Issued and paid up Capital

310,000,000 (1989 50,000,000)

shares of \$1.00 each

310 000 50 000

On 29 June 1989 the company issued 260,000,000 shares of \$1.00 each fully paid out of the General Reserve to its shareholder, the then Minister for Transport and Communications, for and on behalf of the Commonwealth Government.

Transport Communications Australia Pty Limited

During the year 105,105 ordinary shares of \$1.00 each were issued at par for cash to a corporation not being a member of the Group. The purpose of the share issues was to finance the operations of the company.

17. Reserves

	GROUP		HOLDING COMPANY	
	1990 \$000	1989 \$000	1990 \$000	1989 \$000
General Reserve	243 743	373 169	243 743	373 169
Asset Revaluation Reserve	99 381	99 381	99 381	99 381
Satellite Consortia Revaluation Reserve	21 267	17 539	21 267	17 539
Total Reserves 31 March	364 391	490 089	364 391	490 089
Movements in reserves were as follows:				
<i>General Reserve</i>				
Balance, 1 April	373 169	213 129	373 169	213 129
Transfer from asset revaluation reserve	-	54 951	-	54 951
Share issue	(260 000)	-	(260 000)	-
Transfer from retained profits	150 574	105 089	150 574	105 089
Balance, 31 March	243 743	373 169	243 743	373 169
<i>Asset Revaluation Reserve</i>				
Balance, 1 April	99 381	81 064	99 381	81 064
Increment resulting from the revaluation of property, plant and equipment at 1 April 1988	-	73 268	-	73 268
Transfer to general reserve	-	(54 951)	-	(54 951)
Balance, 31 March	99 381	99 381	99 381	99 381
<i>Satellite Consortia Revaluation Reserve</i>				
Balance, 1 April	17 539	21 560	17 539	21 560
Increment/(Decrement) resulting from revaluation during the year	5 728	(4 021)	5 728	(4 021)
Balance, 31 March	21 267	17 539	21 267	17 539

GROUP		HOLDING COMPANY	
1990	1989	1990	1989
\$000	\$000	\$000	\$000

18. Contingent Liabilities

OTC Limited has guaranteed the performance of a subsidiary company under contract to a third party

-	-	9 177	-
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Since balance date OTC Limited has subordinated the amounts owing to it by its subsidiaries OTC International Limited and Telecommunications Power Pty Ltd in favour of other creditors, and has also accepted the responsibility of providing sufficient financial assistance to those companies to enable them to pay their debts as and when they fall due.

19. Commitments

Commitments not otherwise included in the accounts:

Capital expenditure commitments where contractual liability exists:

- Payable no later than one year
- Payable later than one, no later than two years
- Payable later than two, no later than five years

161 887	94 405	153 227	94 405
137 588	99 000	136 788	99 000
272 523	19 900	268 123	19 900
571 998	213 505	558 138	213 505

Lease Commitments

Operating leases are payable as follows:

- within one year
- between one and two years
- between two and five years
- later than five years

5 679	2 558	3 273	2 558
3 400	2 248	3 068	2 248
3 848	3 481	3 693	3 481
44	536	44	536
10 971	8 823	10 078	8 823

20. Related Parties

- (a) RELATED PARTIES OF OTC LIMITED FALL INTO THE FOLLOWING CATEGORIES:

Subsidiaries

Information relating to subsidiaries is set out in note 10.

Associated Companies

Information relating to associated companies is set out in note 11.

Directors

The directors named in the attached directors' report each held office as a director of OTC Limited during the year ended 31 March 1990. In addition Mr M Hutchinson held office during the period 1 April 1989 until 30 June 1989, Mr C Halton during the period from 1 April 1989 until 30 September 1989 and Ms H Williams during the period from 1 April 1989 until 19 July 1990.

Information on the remuneration of directors is set out in note 4.

- (b) TRANSACTIONS WITH RELATED PARTIES

Transactions between OTC Limited and its related parties and amongst the various related parties consist of the sale and purchase of services and the provision of finance, managerial and technical expertise. All transactions with related parties are made on normal commercial terms and conditions. None of these transactions are of a material nature.

- (c) AGGREGATE AMOUNTS RECEIVABLE FROM RELATED PARTIES AT BALANCE DATE ARE SET OUT IN NOTE 8.

21. Segment Reporting

GEOGRAPHICAL SEGMENT

The group operates predominantly in Australia and is therefore one geographical area for reporting purposes.

INDUSTRY SEGMENT

The group operates predominantly in the telecommunications industry providing international telecommunications services to Australian customers. The majority of costs shown in the Profit and Loss Account are associated with telecommunications.

22. Economic Dependency

The group is economically dependent on international and domestic carriers for the reticulation of international traffic over their networks.

23. Summary of Consolidated Sources and Applications of Funds

	1990		1989	
	\$000	\$000	\$000	\$000
Sources of Funds				
Funds from operations				
Inflows of funds from operations				
- Sales revenue	1 459 416		1 244 243	
- Other revenue	57 791		35 792	
- Proceeds from the sale of property, plant and equipment	2 324		3 447	
		1 519 531		1 283 482
Outflows of funds from operations		(1 021 308)		(888 924)
		498 223		394 558
Reduction in assets				
Current assets				
- Cash	105 890		-	
Non-current assets				
- Receivables	-		25 625	
- Other	-		17 484	
		105 890		41 109
Increase in liabilities				
Current liabilities				
- Creditors and borrowings	13 297		-	
		13 297		-
Minority interests in subsidiaries acquired		267		2 553
Total sources of funds		617 677		458 220

23. Summary of Consolidated Sources and Applications of Funds (Continued)


	1990		1989	
	\$000	\$000	\$000	\$000
Applications of Funds				
Increase in assets				
Current assets				
- Cash	-		105 631	
- Receivables	102 789		49 925	
- Investments	19 634		-	
- Other	283		489	
Non-current assets				
- Receivables	89 440		-	
- Investments	15 956		8 759	
- Property, plant and equipment	154 661		83 729	
		362 745		248 513
Reduction in liabilities				
Current liabilities				
- Creditors and borrowings	-		4 198	
Non-current liabilities				
- Creditors and borrowings	51 852		53 373	
		51 852		57 571
Income tax paid		110 357		77 233
Dividend paid		84 000		46 000
Employee benefits and insurance payments		8 725		8 903
Total applications of funds		617 677		458 220
		1990		1989
		\$000		\$000
Reconciliation of funds from operations with operating profit before income tax				
Operating profit before income tax		585 526		294 837
Add non fund items:				
Depreciation and amortisation		85 521		78 575
Provisions for employee benefits, Insurance and doubtful debts		12 356		15 508
Permanent diminution in value of investment		3 193		-
Other non-fund items		9 301		3 398
Sale of property, plant and equipment		2 326		2 240
Funds from operations		498 223		394 558

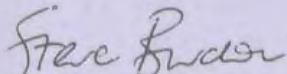
OTC LIMITED AND SUBSIDIARIES DIRECTORS' STATEMENT

In accordance with a resolution of the directors of OTC Limited, in the opinion of the directors:

- a) the accompanying accounts of the company are drawn up so as to give a true and fair view of the profit of the company for the year ended 31 March 1990 and the state of affairs of the company as at 31 March 1990;
- b) at the date of this statement there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due;
- c) the group accounts of the company and its subsidiaries are drawn up so as to give a true and fair view of the profit of the company and its subsidiaries for the year ended 31 March 1990 and the state of affairs of the company and its subsidiaries as at 31 March 1990 so far as concerns the members of the holding company; and
- d) the accounts and the group accounts have been made out in accordance with applicable approved accounting standards.

For and on behalf of the board


Director


Director

Dated this 22nd day of August 1990

OTC LIMITED AND SUBSIDIARIES DIRECTORS' REPORT

In respect of the financial year ended 31 March 1990, the directors of OTC Limited submit the following report made out in accordance with a resolution of the directors.

DIRECTORS

The names of the directors of OTC Limited in office at the date of this report are:

Mr David Hoare *Chairman*
Mr Stephen Burdon *Managing Director*
Mr Len Hingley
Dr Rhonda McIver
Mr John Menadue
Professor Murray Wells

PRINCIPAL ACTIVITIES OF THE GROUP

The principal activity of the group during the year was to provide telecommunication services for international and domestic customers.

GROUP RESULT

The net profit of the group for the year was \$234.6 million after deducting income tax expense of \$152.4 million and after adding minority interest in the operating losses of subsidiaries of \$1.5 million.

DIVIDENDS PAID OR RECOMMENDED

A dividend of \$84.0 million was paid during the year from the 1989 profits as provided for in last year's report.

Dividend recommended for payment out of the profits for the year ended 31 March 1990 is \$104.0 million.

TRANSFER TO AND FROM RESERVES

The balance of profits remaining \$130.6 million after providing for a Dividend of \$104.0 million has been transferred to the General Reserve.

REVIEW OF OPERATIONS

Group net profit (after tax and minorities) was \$234.6 million (\$189.1 million in 1989), an increase of 24.1 per cent.

Group revenue at \$1,517.2 million was 18.5 per cent above the figure achieved in 1989 (\$1,280.0 million), reflecting the strong growth in telephone traffic.

Operating expenditure rose from \$985.2 million in 1989 to \$1,131.7 million in the current year, an increase of 14.9 per cent, and mainly reflects the increased network costs associated with the growth in telephone traffic.

SIGNIFICANT CHANGES

The following significant changes in the state of affairs of the company occurred during the year.

- i On 1 April 1989, OTC became a company registered under the Companies Act 1981.
- ii On 29 June 1989 the company issued 260,000,000 shares of \$1 each fully paid out of the General Reserve to its shareholder, the then Minister for Transport and Communications, for and on behalf of the Commonwealth Government.
- iii On 20 October 1989 50 per cent of the share capital of Telecommunications Power Pty Limited was acquired increasing OTC's shareholding to 80 percent. This company won the contract to examine the New South Wales Government's telecommunication needs.

EVENTS SUBSEQUENT TO BALANCE DATE

Since the end of the financial year the directors are not aware of any matter or circumstance not otherwise dealt with in the report or group accounts that has significantly or may significantly affect the operations of the group, the results of those operations or the state of affairs of the group in subsequent financial years.

LIKELY DEVELOPMENTS

The Australian Government is presently conducting a review of the Telecommunications industry structure including the relationship between OTC, Aussat and Telecom. The outcome of this review could have significant implications on the future operations of OTC.

OTC's major area of capital expenditure through the 1990s continues to be its investment in fibre optic cables. The investment in Tasman 2, PacrimEast and PacrimWest connecting Australia with New Zealand, Hawaii and Guam, together with other cable systems is expected to cost approximately \$800.0 million over the next five years.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the accounts, or the fixed salary of a full-time employee of the company) by reason of a contract made by the company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

ROUNDING OFF OF AMOUNTS

The holding company is a company of the kind referred to in Companies Regulation 58(6) and in accordance with section 271 and Companies Regulation 58 amounts in the accounts have been rounded off to the nearest thousand dollars unless specifically stated to be otherwise.

The holding company is also a company of the kind referred to in the Class Order covered by NCSC Release 650 and in accordance with that Class Order amounts in the directors' report have been rounded off to the nearest tenth of a million dollars unless specifically stated to be otherwise.

INFORMATION ON DIRECTORS

Director

Mr David Hoare
BEC, FCPA

Qualifications experience

Chairman, Bankers Trust Australia and Aussat Pty Limited.
Board of CSIRO.
Appointed to OTC in 1982.
Current appointment expires 4 October 1994

Special responsibilities

Chairman
Audit Committee

Mr Stephen Burdon
BSc (Hons), CEng, MBA

Formerly General Manager of Lysaght Building Industries, a subsidiary of BHP, Mr Burdon was appointed Managing Director of OTC Limited on 3 July 1989.

Managing Director
Audit Committee
Remuneration Sub-Committee

Mr Len Hingley
BA, FAIM

Executive member of the Australian Council of Trade Unions.
Federal Secretary of the Australian Bank Employees Union. Director of State Bank Victoria.
Appointed to OTC in 1986.
Current appointment expires 4 October 1994

Remuneration Sub-Committee

Dr Rhonda McIver
BSc, PhD, MBA

Principal, McIver Associates Pty Limited - Management Consultants.
Board Member, Australian Meat, Livestock Corporation.
Appointed to OTC in 1984.
Current appointment expires 4 October 1994

Audit Committee
Remuneration Sub-Committee

Mr John Menadue
BEC


Former Secretary to the Departments of Prime Minister and Cabinet, Immigration and Ethnic Affairs, Department of the Special Minister of State and Department of Trade and a former Australian Ambassador to Japan. Chief Executive Officer of Qantas Airways Ltd from 1986 to 1989.
Appointed to OTC in October 1989.
Current appointment expires 4 October 1994

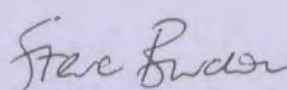
Professor Murray Wells
PhD, MCom, FCPA, FASSA

Ernst and Young Professor of Accounting, Director Graduate School of Management and Public Policy, University of Sydney;
Appointed to OTC in October 1989.
Current appointment expires 4 October 1994

No directors hold beneficially any shares in the company or its related corporations.

For and on behalf of the board


Director


Director

Dated this 22nd day of August 1990

OTC LIMITED AND SUBSIDIARIES GROUP FINANCIAL RESULTS FOR THE 5 YEAR PERIOD MARCH 1986/MARCH 1990

<i>Profit and Loss Account</i>	1990	1989	1988	1987	1986
	\$000	\$000	\$000	\$000	\$000
Revenue					
Sales revenue	1 459 416	1 244 243	1 142 718	971 353	809 575
Other revenue	57 791	35 792	25 273	33 942	26 906
Total revenue	1 517 207	1 280 035	1 167 991	1 005 295	836 481
Expenditure					
Network costs	846 677	739 463	766 089	675 799	554 081
Employee costs	107 701	100 114	87 035	94 157	78 545
Depreciation	84 506	77 560	53 456	43 454	37 414
Other expenditure	92 797	68 061	68 180	66 783	68 401
Total operating expenditure	1 131 681	985 198	974 760	880 193	738 441
Operating profit	385 526	294 837	193 231	125 102	98 040
Income tax attributable to operating profit	152 449	106 164	89 654	45 016	42 393
Operating profit after income tax	233 077	188 673	103 597	80 086	55 647
Minority interests in operating losses after income tax	1497	416	-	-	-
Operating profit after income tax attributable to members of the holding company.	234 574	189 089	103 597	80 086	55 647
Dividends provided for or paid	104 000	84 000	46 000	39 775	29 822
Percentage return on average total equity					
Before income tax	63.5%	65.1%	57.4%	43.7%	38.9%
After income tax	38.6%	41.7%	30.8%	28.0%	22.1%

OTC LIMITED AND SUBSIDIARIES FIVE YEAR FINANCIAL SUMMARY

Balance Sheet	1990	1989	1988	1987	1986
	\$000	\$000	\$000	\$000	\$000
Current Assets					
Cash	815	106 705	1 074	5 111	2 444
Receivables	362 300	259 531	209 616	162 888	115 073
Investments	19 654	-	-	-	-
Other	2 003	1 720	1 231	1 469	963
Total Current Assets	384 752	367 956	211 921	169 468	116 480
Non-Current Assets					
Receivables	154 308	64 868	106 646	81 025	124 445
Investments	86 752	70 281	65 563	75 154	71 862
Property, plant and equipment	675 276	627 447	555 701	547 273	432 575
Other	12 323	12 968	12 918	14 534	18 861
Total Non-Current Assets	928 659	775 564	740 828	715 984	647 741
Total Assets	1 313 411	1 143 520	952 749	885 452	764 221
Current Liabilities					
Creditors and borrowings	233 463	215 425	214 226	207 377	173 804
Provisions	259 541	203 730	143 347	121 627	97 496
Total Current Liabilities	493 004	417 155	357 573	329 004	271 300
Non-Current Liabilities					
Creditors and borrowings	81 578	131 321	184 694	223 585	210 498
Provisions	63 538	52 817	44 729	25 688	17 267
Total Non-Current Liabilities	145 116	184 138	229 423	249 273	227 765
Total Liabilities	638 120	601 293	586 996	578 277	499 065
Net Assets	675 291	542 227	365 753	307 175	265 156
Shareholders' Equity					
Share capital	310 000	50 000	50 000	50 000	50 000
Reserves	364 391	490 089	315 753	257 175	215 156
Retained profits	-	-	-	-	-
Shareholders' equity attributable to members of the holding company	674 391	540 089	365 753	307 175	265 156
Minority shareholders' interest in subsidiaries	900	2 138	-	-	-
Total shareholders' equity	675 291	542 227	365 753	307 175	265 156



