

2013



ANNUAL REPORT



**TPG Telecom Limited
and its controlled entities
ABN 46 093 058 069**

**Annual Report
Year ended 31 July 2013**

TPG Telecom Limited and its controlled entities

Annual report

For the year ended 31 July 2013

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TPG Telecom Limited and its controlled entities

Chairman's letter

For the year ended 31 July 2013

Dear Shareholders

I am pleased to present to you, on behalf of the Board of Directors, the TPG Telecom Limited Annual Report for the financial year ended 31 July 2013 ("FY13").

It has been another successful year for the Group with continued strong organic growth resulting in further increases in revenue, profits, and returns for shareholders.

A detailed review of the Group's operating and financial performance for the year is provided in the Operating and Financial Review section of the Directors' Report, starting on page 6 of this Annual Report. Set out below are some of the key financial highlights from the year.

	FY13	FY12	Movement
	\$m	\$m	
Revenue	724.5	663.1	+9%
EBITDA	293.1	261.4	+12%
NPAT	149.2	91.0	+64%
EPS (cents/share)	18.8	11.5	+63%
Dividends (cents/share)	7.5	5.5	+36%
Free cashflow	174.5	150.0	+16%

Key to the achievement of these excellent results is the hard work and commitment of all of the Group's employees. To them I would like to extend thanks on behalf of the Board and I look forward to their ongoing contribution to the Group's success.

On behalf of the Board, I also thank all our shareholders for their continued support of the Company.

Yours faithfully



David Teoh
Chairman

TPG Telecom Limited and its controlled entities

Directors' report

For the year ended 31 July 2013

The directors present their report together with the financial report of the Group, being TPG Telecom Limited ('the Company') and its controlled entities, for the financial year ended 31 July 2013, and the auditor's report thereon.

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TPG Telecom Limited and its controlled entities

Directors' report

For the year ended 31 July 2013

1. Directors

Details of the directors of the Company who held office at any time during or since the end of the financial year are as follows:

Name, qualifications and independence status	Age	Experience, special responsibilities and other directorships
David Teoh Executive Chairman Chief Executive Officer	58	David was the founder and Managing Director of the TPG group of companies. TPG Telecom Ltd (2008-current).
Robert D Millner Non-Executive Director F.A.I.C.D.	62	TPG Telecom Ltd (2000-current), BKI Investment Company Ltd (2003-current), Apex Healthcare Berhad (2000-current), Australian Pharmaceutical Industries Ltd (2000-current), Milton Corporation Ltd (1998-current), Brickworks Ltd (1997-current), New Hope Corporation Ltd (1995-current), Washington H Soul Pattinson and Company Ltd (1984-current), Exco Resources Ltd (2012-2013), Northern Energy Corporation Ltd (2011), Souls Private Equity Ltd (2004-2012) and Choiseul Investments Ltd (1995-2010). Former Chairman of TPG Telecom Ltd, resigned position in 2008. Member of Audit & Risk and Remuneration Committees.
Denis Ledbury Independent Non-Executive Director B.Bus. A.I.C.D.	63	Denis was the Managing Director of TPG Telecom between 2000 and 2005, and was associated with the NBN group of companies for over 24 years (the last 14 as Chief Executive Officer). TPG Telecom Ltd (2000-current). Chairman of Audit & Risk and Remuneration Committees.
Alan J Latimer Executive Director B.Com CA G.A.I.C.D	59	Prior to becoming an Executive Director of TPG Telecom, Alan was the Chief Financial Officer of the TPG group of companies. He has also previously worked with a number of large international IT and financial companies. TPG Telecom Ltd (2008-current).
Joseph Pang Independent Non-Executive Director FCA	60	Joseph has worked in financial roles in the UK, Canada and Hong Kong prior to starting his own Management and Financial Consulting Service in Australia. TPG Telecom Ltd (2008-current). Member of Audit & Risk and Remuneration Committees.
Shane Teoh Non-Executive Director B.Com LLB	27	TPG Telecom Ltd (appointed 11 October 2012). Shane holds a Bachelor of Commerce and a Bachelor of Laws from the University of New South Wales. He is managing director of Total Forms Pty Ltd, a leading developer of accounting and taxation software in Australia.

TPG Telecom Limited and its controlled entities

Directors' report

For the year ended 31 July 2013

2. Company secretary

Mr Stephen Banfield was appointed Company Secretary on 24 October 2007. Stephen holds a BA (Hons) degree and is a member of the Institute of Chartered Accountants in England and Wales.

3. Directors' meetings

The number of Board and committee meetings held during the financial year and the number of meetings attended by each of the directors as a member of the Board or relevant committee was as follows:

Director	Board Meetings		Audit & Risk Committee Meetings		Remuneration Committee Meetings	
	A	B	A	B	A	B
D Teoh	14	14	-	-	-	-
R Millner	14	14	2	2	3	3
D Ledbury	14	14	2	2	3	3
A Latimer	14	14	-	-	-	-
J Pang	14	14	2	2	3	3
S Teoh	11	11	-	-	-	-

A: Number of meetings attended.

B: Number of meetings held while a member.

4. Operating and financial review

4.1 Operating result overview

The financial year ended 31 July 2013 ("FY13") was another year of strong organic growth for the TPG Telecom Limited group ("the Group"). The Group succeeded in increasing profits again this year through its continued focus on growing its consumer and corporate customer bases by delivering value leading telecommunications services through its TPG and PIPE Networks brands.

The Group's reported earnings before interest, tax, depreciation and amortisation ("EBITDA") increased by 12% to \$293.1m and reported net profit after tax ("NPAT") grew 64% to \$149.2m. It should be noted that the prior year's NPAT result was adversely affected by a \$23.2m one-off tax expense which arose from a retrospective change in tax legislation, but even excluding the impact of this, the FY13 NPAT result still represents a 31% increase compared to FY12.

TPG Telecom Limited and its controlled entities

Directors' report

For the year ended 31 July 2013

4. Operating and financial review (continued)

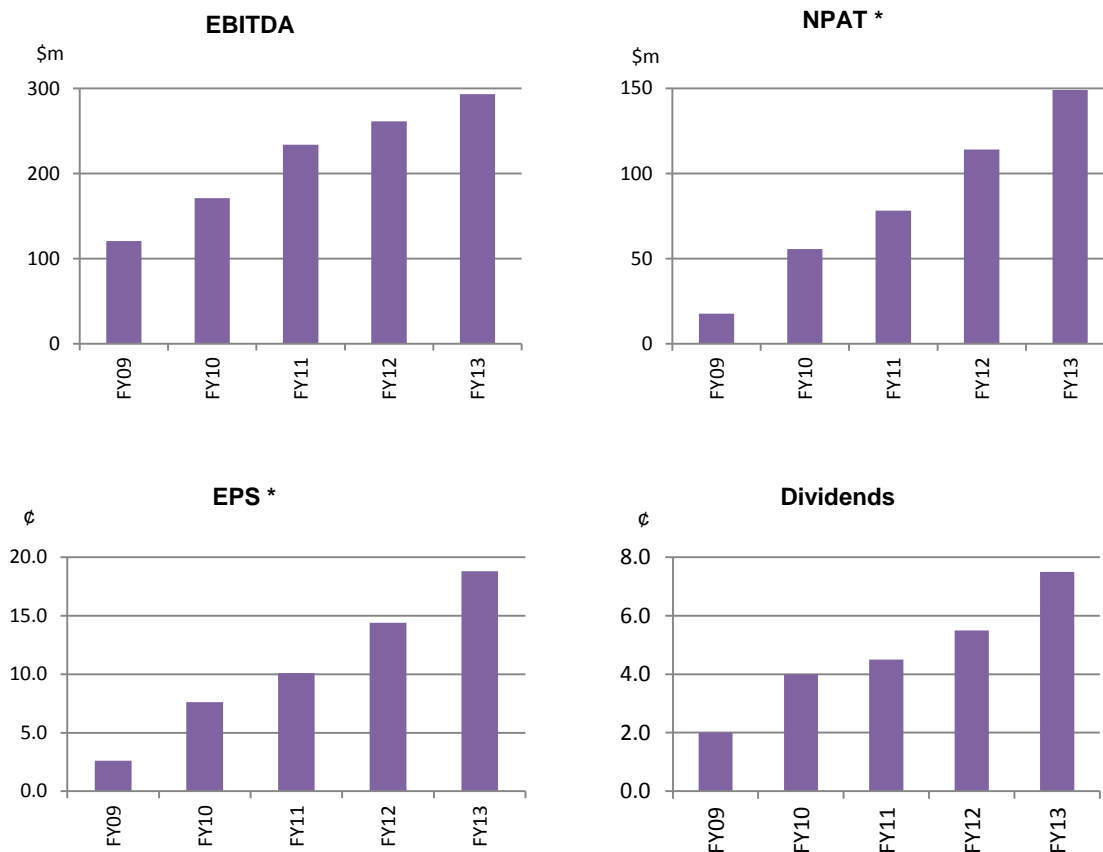
4.1 Operating result overview (continued)

Earnings per share ("EPS") also increased strongly by 63% to 18.8 cents per share (31% growth excluding the prior year one-off tax item).

These strong earnings results were reflected in the Group's cashflow performance, with \$174.5m of free cashflow generated in the year after tax, interest and capital expenditure.

In light of these FY13 results, the Board of Directors increased dividends to shareholders declared or paid in respect of FY13 to a total of 7.5 cents for the year (fully franked), a 36% increase over FY12.

These FY13 financial results and returns for shareholders are a continuation of the strong growth trend achieved by the Group over the last five years as shown in the charts below.



* In the charts FY12 NPAT and EPS are normalised to exclude the \$23.2m one-off tax expense.

TPG Telecom Limited and its controlled entities

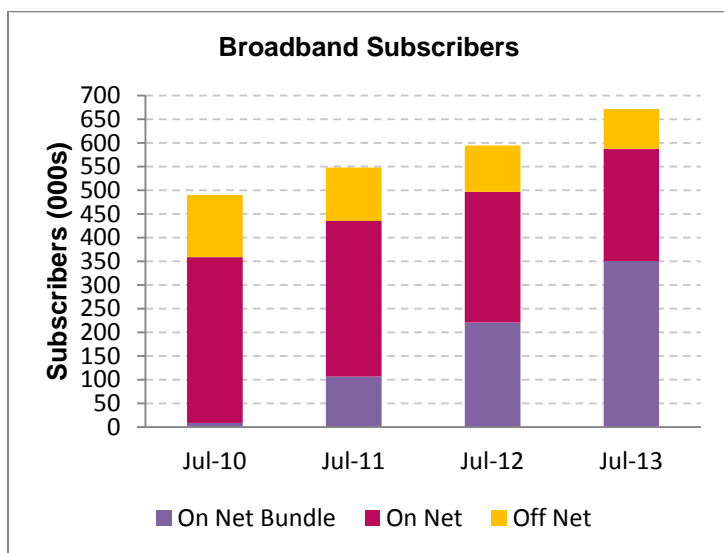
Directors' report

For the year ended 31 July 2013

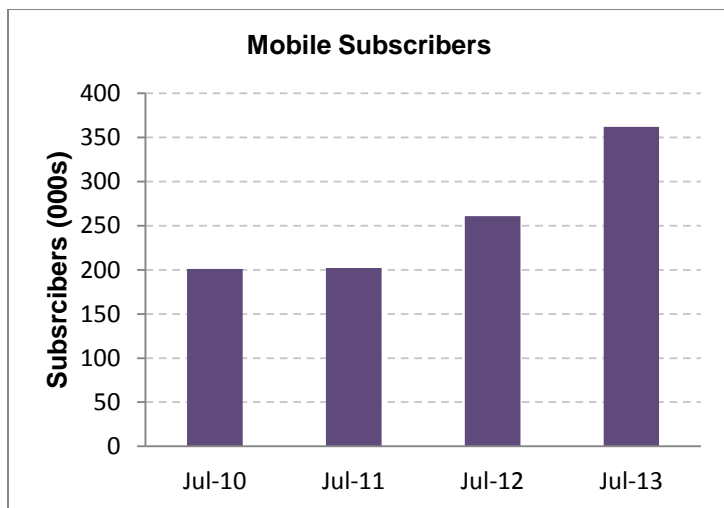
4. Operating and financial review (continued)

4.2 Customer growth

During FY13 the Group achieved continued organic growth of its broadband subscriber base, with a net increase of 76,000 subscribers compared to 47,000 in FY12. This growth comprised a net increase of 130,000 subscribers to the Group's home phone and broadband bundle plans, partially offset by a reduction in standalone on-net (40,000) and off-net (14,000) subscribers. Since its launch in 2010, the Group's home phone and broadband bundle product has added over 350,000 customers.



Complementing the growth in broadband, TPG's mobile phone subscriber base increased by 105,000 in FY13 compared to 54,000 growth in FY12.



TPG Telecom Limited and its controlled entities

Directors' report

For the year ended 31 July 2013

4. Operating and financial review (continued)

4.2 Customer growth (continued)

As at 31 July 2013 the Group had 671,000 broadband subscribers and 360,000 mobile phone subscribers. In addition to this the Group had approximately 4,000 corporate, government, wholesale and small-medium enterprise customers.

4.3 Network infrastructure update

At the core of the Group's business is its extensive telecommunications network infrastructure which it continued to expand in the year with investment in the following main areas:

- (i) Adding more capacity within the Group's 411 DSLAM exchanges to meet the demand for ADSL2+ broadband services, including adding 12 new exchanges during the year;
- (ii) Increasing by 50 the number of exchanges directly connected to the Group's fibre network;
- (iii) Adding over 800 km to the Group's domestic fibre footprint to meet demand for fibre services from corporate and SME customers as well as increasing on-net backhaul for all of the Group's voice and data traffic. The Group's total domestic fibre footprint is now over 3,800km; and
- (iv) Increasing by approximately 300 the number of buildings that are directly connected to the Group's fibre network, with total on-net buildings now exceeding 1,600.

This continued investment in infrastructure provides an important foundation for the growth of the Group's customer base and profits. During the year the Group also made a number of significant announcements in relation to future developments of its network infrastructure, which are designed to ensure that the Group remains well positioned to continue to profitably service its growing customer base in the future.

1. *Spectrum*

The Group made a successful bid at the digital dividend auction in May 2013 for 20MHz of spectrum licences in the 2.5GHz band across the country. The acquisition of spectrum will complement the Group's fixed infrastructure, giving it opportunities to offer innovative, value-adding products to further enhance its existing product suite. The spectrum will only become available for use from October 2014, with the \$13.5m purchase price payable in September 2014.

2. *International fibre*

The Group's existing international fibre infrastructure includes its own submarine cable ("PPC-1") linking Australia to Guam, as well as capacity on other cable networks linking Australia directly with New Zealand, USA, Japan, Hong Kong, Singapore and Philippines. In August 2013 the Group issued a Letter of Intent to submarine cable group Hawaiki Cable Limited confirming its intention to acquire capacity on the Australia-US and Australia-NZ segments of the planned Hawaiki submarine cable system. This would provide a significant addition to the capacity and diversity of the Group's international network which, once activated, should deliver cost savings to the Group. The expected capital expenditure in relation to this project is between US\$10m and US\$20m for each of the next three financial years commencing FY14, prior to the cable's expected activation in FY16.

TPG Telecom Limited and its controlled entities

Directors' report

For the year ended 31 July 2013

4. Operating and financial review (continued)

4.3 Network infrastructure update (continued)

3. Fibre to the building (FTTB)

The Group is planning to increase the number of buildings directly connected to its fibre network in metro areas. With the evolution of new technologies now enabling speeds of up to 100 Mbps this will enable the Group to commence offering very high-speed broadband services to its customers at ADSL2+ prices.

4.4 Financial results review

There follows below a review of the key elements of the FY13 result:

	FY13	<i>% of</i>	FY12	<i>% of</i>
	\$m	<i>revenue</i>	\$m	<i>revenue</i>
Revenue				
Consumer	480.3	66%	412.7	62%
Corporate	244.2	34%	250.4	38%
Total revenue	724.5		663.1	
Telco costs				
Consumer	(237.4)	49%	(215.5)	52%
Corporate	(90.7)	37%	(91.6)	37%
Total telco costs	(328.1)	45%	(307.1)	46%
Other income	3.3	-	1.4	-
Employee expenses	(60.1)	8%	(58.7)	9%
Other expenses	(46.5)	6%	(37.4)	6%
EBITDA	293.1	40%	261.4	39%
Depreciation	(49.9)	7%	(47.1)	7%
Amortisation	(23.9)	3%	(34.0)	5%
Operating profit	219.3	30%	180.4	27%
Net financing costs	(7.0)	1%	(17.1)	3%
Profit before tax	212.3	29%	163.2	25%
Income tax	(63.1)	-	(72.3)	-
Profit after tax	149.2	21%	90.9	14%
Earnings per share (cents)	18.8		11.5	

TPG Telecom Limited and its controlled entities

Directors' report

For the year ended 31 July 2013

4. Operating and financial review (continued)

4.4 Financial results review (continued)

Revenue

a) Consumer

Consumer revenue increased by \$67.6m (16%) to \$480.3m in FY13.

This increase was driven by an increase in subscribers on the Group's broadband, home phone and mobile phone plans. Broadband subscribers increased over the year by 76,000 (13%) to 671,000 (including more than 350,000 subscribers with a home phone service). Mobile phone subscribers increased by 105,000 (41%) to 360,000.

Monthly ARPU (average revenue per user) for broadband customers increased in the year from \$48.2 to \$49.3 due to the increasing proportion of the customer base that is now on a plan that bundles broadband and home phone line rental. Mobile ARPU decreased from \$18.8 to \$17.6 as a result of the increased take-up in the year of the Group's "super value plans".

(Note that ARPU is calculated using GST exclusive recurring charges only, i.e. it excludes one-off charges such as installation fees and equipment sales).

b) Corporate

Corporate (including government, wholesale and large SME) revenue decreased by \$6.2m (2%) to \$244.2m in FY13.

However, included in FY13 corporate revenue is \$10.5m arising from an IRU (Indefeasible Right of Use) contract which was recognised in revenue as a finance lease. This is \$10.2m lower than the \$20.7m IRU revenue that was accounted for in the same manner in FY12. The relevance of separately identifying these IRU amounts is because they are non-recurring in nature whereas the rest of corporate revenue generally comprises recurring charges to

customers. This means that the corporate division's recurring revenue actually grew in FY13 by \$4.0m (2%). This growth, though small, has been achieved in an environment of falling prices, and also where telco industry consolidation is driving some significant reductions in wholesale revenue.

Corporate sales have performed well in the year to grow recurring revenues in spite of market conditions, and pleasingly, the division has been able to grow earnings at a faster pace than revenue due to improved margins, as explained under corporate telco costs below.

Telco costs

Telco costs comprise all of the direct operating costs incurred to deliver the Group's telecommunications services to customers, including amounts paid to other carriers, and the non-staff costs of operating and maintaining the Group's own network.

a) Consumer

Consumer telco costs reduced as a proportion of consumer revenue in FY13 from 52% to 49%.

Within the costs for FY13, however, is a \$10.0m one-off benefit arising primarily from credits that the Group received as a result of regulatory decisions made by the ACCC during the year. The ACCC determined that the price Telstra had been charging industry participants, including TPG, for certain services was too high. These determinations provide benefits for the Group's ongoing cost structure as well but the amount of \$10.0m is separately identified as it represents a refund in respect of previous financial years and has hence provided a one-off boost to the consumer division's earnings in FY13.

Excluding the \$10.0m one-off benefit, telco costs in the consumer business have remained consistent as a proportion of revenue at 52%.

TPG Telecom Limited and its controlled entities

Directors' report

For the year ended 31 July 2013

4. Operating and financial review (continued)

4.4 Financial results review (continued)

b) Corporate

Corporate telco costs in FY13 represented 37% of revenue, which was in line with FY12.

However, excluding the IRU revenue, telco costs fell from 40% to 39% of recurring revenue. This margin improvement has been achieved in an environment of sharply reduced pricing in corporate business and reflects the benefits to the Group of its past and ongoing investment in network infrastructure. This has enabled higher operating margins to be generated due to the increasing proportion of customers' traffic that is carried on the Group's owned infrastructure rather than on circuits leased from other carriers.

Other income

Other income, which grew from \$1.4m to \$3.3m in FY13, comprised dividend income from the Group's ASX listed investments and a gain from a small disposal of shares made during the year.

Employee expenses

Employee expenses grew in absolute terms in the year by \$1.4m (2%) but reduced slightly as a proportion of revenue from 8.9% to 8.3%. The Group's total headcount at the end of the year was 1987.

Other expenses

Other expenses, which include all of the overheads incurred by the Group in running the business as well as marketing costs, grew in absolute terms in the year by \$9.1m but stayed constant as a proportion of revenue at 6%. The prior year figure for other expenses, however, benefited from a one-off amount of \$2.0m following the successful resolution of a commercial dispute. The increase in other expenses in FY13 excluding this is \$7.1m.

EBITDA

Overall Group EBITDA grew by \$31.7m (12%) to \$293.1m in FY13. The impact of the reduction in IRU non-recurring revenue on corporate revenue and the non-recurring retrospective benefit received in the year from the Telstra credits described under consumer telco costs above broadly offset each other such that the 12% growth is a reasonable representation of underlying growth in the year. This underlying growth has been driven by strong consumer subscriber growth and improved corporate revenue margins accompanied by continued cost discipline.

Depreciation

Depreciation expense increased by \$2.8m in FY13 reflecting the Group's continued investment in network infrastructure.

Amortisation

Amortisation expense decreased by \$10.1m in the year. This was due to the fact that the customer bases acquired in previous years through the acquisitions of TPG Internet and PIPE Networks, which are represented as intangible assets in the Group's balance sheet, are amortised on a reducing balance basis.

Net financing costs

Net financing costs decreased by \$10.1m as a result of the significant reduction in the Group's borrowings. The Group repaid \$107.0m of bank debt during FY13 and, as at 31 July 2013, it has repaid \$192.0m since the beginning of FY12.

TPG Telecom Limited and its controlled entities

Directors' report

For the year ended 31 July 2013

4. Operating and financial review (continued)

4.4 Financial results review (continued)

Income tax

The Group's effective income tax rate was 29.7% in FY13, down from 44.3% in FY12. The prior year tax expense was inflated by a \$23.2m one-off expense that arose as a result of a retrospective change in tax legislation enacted in June 2012 that caused the Group to lose the right to claim tax deductions for its acquired customer base amortisation. Excluding the one-off expense, the effective tax rate for FY12 was 30.0%.

Earnings per share (EPS)

Reported EPS increased by 63% to 18.8 cents per share. Excluding the impact of the one-off tax expense that affected FY12 (refer above), FY13 EPS still grew by 31%.

Free cashflow

	FY13 \$m	FY12 \$m
Operating cashflow	318.0	277.2
Tax	(79.2)	(47.7)
Interest	(6.0)	(14.9)
Capital expenditure	(58.3)	(64.6)
Free cashflow	174.5	150.0

The quality of the Group's earnings result is reflected in the strong operating cashflow generated in the year. Operating cashflow of \$318.0m in FY13 exceeded EBITDA by \$24.9m, which is largely explained by the in-advance payments received from the Group's growing customer base.

After tax, interest and capital expenditure, the Group generated free cashflow of \$174.5m, \$24.5m (16%) more than in FY12.

Capital expenditure

Capital expenditure for FY13 of \$58.3m was 10% lower than in FY12. The expenditure

incurred reflects the Group's continued investment in its network infrastructure, predominantly adding more capacity to its DSLAM network and expanding its fibre network footprint in order to meet growing customer demand.

Utilisation of cash

	FY13 \$m	FY12 \$m
Free cashflow	174.5	150.0
Utilisation of cash:		
Debt repayments	107.0	84.5
Investment in CDHL	10.0	-
Prior year investments	-	33.8
Dividends paid	49.6	26.0
Other	(4.3)	0.8
Increase in cash held	12.2	4.9
	174.5	150.0

Debt repayments

The Group made debt repayments of \$107.0m during the year reducing its outstanding borrowings to \$42.0m as at year-end. Since the Group's borrowings peaked in May 2010 at approximately \$350m following the acquisition of PIPE Networks, the Group has repaid over \$300m in just over three years.

Investment in CDHL

The Group also invested \$10.0m in the year to acquire (i) a 15% equity stake in data security software business Cocoon Data Holdings Limited (CDHL), and (ii) an exclusive licence to distribute certain CDHL products in Australia and New Zealand. CDHL's Covata Secure Objects technology can be used to protect data in transit and in storage and is expected to enable the Group to add further value to its consumer and corporate product offerings.

TPG Telecom Limited and its controlled entities

Directors' report

For the year ended 31 July 2013

4. Operating and financial review (continued)

4.4 Financial results review (continued)

Dividends

Dividends paid in the year comprise the final FY12 dividend of 2.75 cents per share ("cps") and the interim FY13 dividend of 3.50cps.

Subsequent to the year-end, the Board of directors has declared a 4.0cps final dividend for FY13 taking the total dividends paid or declared in respect of FY13 to 7.5cps, a 36% increase over FY12.

Balance sheet

Below is a condensed version of the Group's balance sheet as at the end of FY13, summarised in a manner to draw attention to a few key points. Please refer to the full financial statements contained in this annual report for a comprehensive balance sheet.

	FY13 \$m	FY12 \$m
Cash (1)	26.1	13.8
Investments (2)	81.2	47.6
Other current assets	47.2	45.9
Total current assets (3)	154.5	107.3
Property, Plant & Equipment	319.2	323.9
Intangible assets	502.2	523.2
Other non-current assets (4)	22.9	6.5
Total non-current assets	844.3	853.6
Deferred income (3)	58.8	44.4
Other current liabilities	136.0	132.5
Total current liabilities (3)	194.8	176.9
Loans and borrowings (1)	39.1	144.4
Other non-current liabilities	48.9	48.8
Total non-current liabilities	88.0	193.2
Net assets	716.0	590.8

Balance sheet notes

1. Net debt

Loans and borrowings of \$39.1m are shown in the balance sheet net of prepaid borrowing costs. Gross bank borrowings at 31 July 2013 were \$42m. Taking into account the \$26.1m cash balance the Group had net debt at the end of FY13 of \$15.9m.

2. Current investments

Current investments represent the Group's investment in ASX listed shares. These shares have appreciated significantly in value during the year, the benefit of which is reflected directly in equity in the Group's results (rather than through the income statement) as the shares are not held for trading purposes.

3. Net current liabilities

Total current liabilities of \$194.8m exceeded total current assets of \$154.5m as at 31 July 2013 by \$40.3m. This net current liability position is not uncommon in the telecommunications industry for two principal reasons. First, cash generated from trading is commonly used to repay non-current debt and to invest in non-current asset network infrastructure. Second, a significant item within current liabilities is deferred income which is a non-cash item. Deferred income represents cash paid in advance by customers which is not recognised in income until the service has been delivered. Excluding this item, the Group had net current assets of \$18.5m at the FY13 year-end.

4. Other non-current assets

Other non-current assets comprise (i) trade receivables due in greater than 12 months, which represents one specific corporate customer contract, and (ii) non-current investments. Non-current investments comprise the equity investment in CDHL made during the year.

TPG Telecom Limited and its controlled entities

Directors' report

For the year ended 31 July 2013

4. Operating and financial review (continued)

4.5 Business outlook

Prospects for FY14

In FY14 the Group will continue to focus its efforts on growing its customer base profitably by delivering value leading services. In order to enhance its prospects for future growth, the Group will also continue to invest in expanding its network infrastructure.

The directors have forecast continued organic growth in FY14 and have provided a guidance range for EBITDA as set out in the table below:

	FY13 Actual \$m	FY14 Guidance \$m
Regular EBITDA	272.6	290-300
IRU gains (1)	10.5	-
One-off credits (2)	10.0	-
Total EBITDA	293.1	290-300

- (1) Refer to commentary on FY13 corporate revenue above.
- (2) Refer to commentary on FY13 consumer telco costs above.

Principal business risks

Like other businesses, the Group is exposed to a number of risks which may affect future financial performance. The material business risks identified by the Group and how they are addressed are set out below.

1. *Competitive environment*

Increased competition in the industry could impact the Group's financial performance by

affecting its ability to grow its customer base and/or its ability to make money from its service offerings.

The Group attempts to mitigate this risk by continually reviewing its customer offerings, their pricing relative to the market and customer needs. This is combined with constantly reviewing the Group's cost structures with the objective of optimising costs to ensure the Group is best placed to continue providing value leading services.

2. *Business interruption*

A significant disruption of the Group's business through network or systems failure could cause financial loss for the Group and increased customer churn.

The Group continually invests in its network and systems to improve their resilience and performance.

3. *Regulatory environment*

Changes in regulation can significantly impact the Group's business. In addition, failure to comply with regulatory requirements could create financial loss for the Group.

The Group attempts to mitigate this risk through close monitoring of regulatory developments, engaging where necessary with the relevant regulatory bodies, and monitoring its own compliance with existing regulations.

TPG Telecom Limited and its controlled entities

Directors' report

For the year ended 31 July 2013

5 Corporate governance statement

The Board of TPG Telecom Limited ('the Company') determines the most appropriate corporate governance arrangements having regard to the best interests of the Company and its shareholders, and consistent with its responsibilities to other stakeholders.

This statement outlines the Company's main corporate governance practices, which comply with the Australian Securities Exchange ("ASX") Corporate Governance Principles and Recommendations ("ASX Recommendations"), unless otherwise stated.

Principle 1 Lay solid foundations for management and oversight

The Board's primary role is the protection and enhancement of long-term shareholder value. To fulfil this role the Board is responsible for the overall corporate governance of the Group including formulating its strategic direction, setting remuneration, appointing, removing and creating succession policies for directors and senior executives, establishing and monitoring the achievement of management's goals, ensuring the integrity of risk management, internal control, legal compliance and management information systems, and approving and monitoring capital expenditure. The Board delegates to senior management responsibility for the implementation of the strategic direction of the Company.

The Board Charter, which defines the functions reserved for the Board as is required by ASX Recommendation 1.1, can be found under the investor relations section of the Company's website at <http://www.tpg.com.au/about/investorrelations>.

The performance of the executive directors is reviewed by the non-executive directors on the Board. The performance of other senior executives is reviewed by the Chief Executive Officer (ASX Recommendations 1.2 and 1.3).

Principle 2 Structure the Board to add value

The Board considers that the number of directors and the composition of the Board are important for the success of the Company.

The Board considers that the appropriate number of directors in the current circumstances is six, with four being non-executive directors of whom two are independent.

Details of the experience and background of all directors are set out on page 5 of this Annual Report.

Independence of directors

The Board believes that maximum value for shareholders is best served with the current Board composition. The Board currently comprises six directors, two of whom are independent.

TPG Telecom Limited and its controlled entities

Directors' report

For the year ended 31 July 2013

5. Corporate governance statement (continued)

Principle 2 Structure the Board to add value (continued)

The executive directors are David Teoh and Alan Latimer. The Board is of the view that the depth of experience and understanding that both directors have of the Company and of the industry in which the Company operates provides benefits that exceed those that may flow from having independent non-executive directors.

Robert Millner, a non-executive director, is not independent as he is a director of a major shareholder, Washington H Soul Pattinson and Company Limited. Robert has specific historical, financial and business knowledge of the Company, the benefits of which, in the opinion of the Board, outweigh the benefits of independence at this time.

Shane Teoh, a non-executive director, is not independent due to his family relationship with a major shareholder. The benefits of Shane's legal qualification, experience in commercial and legal matters and detailed knowledge of the Company and of the industry in which it operates outweigh, in the opinion of the Board, the benefits of independence at this time.

The Board believes that each director brings an independent mind and judgement to bear on all Board decisions, notwithstanding that the Chairman and a majority of the Board are not independent (which is not in line with ASX Recommendation 2.1). All directors are able to and do review and challenge the assumptions and performance of management to ensure decisions taken are in the best interest of the Company.

Chairman of the Board

The Chairman is an executive director and Chief Executive Officer of the Company. Nevertheless, the Board believes that David Teoh, in this dual role, does bring the quality and independent judgement to all relevant issues that are required of the Chairman. As Chief Executive Officer, Mr Teoh consults the Board on matters that are sensitive, extraordinary or of a strategic nature.

Nominations Committee

The Board acts as the Nominations Committee and as such has responsibility for the selection and appointment of directors, undertaking evaluation of the Board's performance and developing and implementing a plan for identifying, assessing and enhancing directors' competencies (ASX Recommendation 2.4).

The process for evaluating the performance of the Board, its committees and individual directors involves the Chairman conducting individual interviews with each of the directors at which time they are able to make comment or raise issues they have in relation to the Board's operations (ASX Recommendation 2.5).

TPG Telecom Limited and its controlled entities

Directors' report

For the year ended 31 July 2013

5. Corporate governance statement (continued)

Principle 2 Structure the Board to add value (continued)

Access to Company information and independent professional advice

Directors may request additional information as and when they consider it appropriate or necessary to discharge their obligations as directors of the Company. This includes access to internal senior executives or external advisors as and when appropriate. A director must consult the Chairman before accessing external independent advice and must provide a copy of the advice received to other members of the Board (ASX Recommendation 2.6).

Principle 3 Promote ethical and responsible decision-making

The Company is committed to maintaining the highest standards in dealing with all of its stakeholders, both internally and externally. The Company has adopted a written Code of Conduct to assist directors and staff in understanding their responsibilities to ensure the Company conducts its business in accordance with all applicable laws and regulations and in a way that enhances the Company's reputation (ASX Recommendation 3.1). The Code of Conduct is also reflected in internal policies and procedures which reinforce the Company's commitment to complying with all applicable laws and regulations. A copy of the Code of Conduct can be found on the Company's website at <http://www.tpg.com.au/about/investorrelations> (ASX Recommendation 3.5).

Policy regarding trading in securities

The Company has established a written Securities Trading Policy which identifies the principles by which the Company balances the investment interests of directors, senior executives and employees with the requirements for ensuring such trades only take place when all information relevant to making such investment decisions is fully disclosed to the market.

Directors and senior executives are only permitted to deal in Company shares during a six week period following the release of the Company's half-year and annual results to the ASX, the annual general meeting or any major announcement. Notwithstanding this, the Board may in certain circumstances permit dealings during other periods.

Where the dealing relates to the acquisition of shares pursuant to an employee rights or option plan, through a dividend re-investment plan, or through conversion of convertible securities, these dealings are specifically excluded from this policy. Subsequent dealing in the underlying securities, however, is restricted as outlined in the policy.

Directors must notify the Company Secretary in writing of all transactions in accordance with the requirements of Sections 205F and 205G of the Corporations Act 2002. The Company will notify the ASX of the details of any transaction on behalf of the directors.

TPG Telecom Limited and its controlled entities

Directors' report

For the year ended 31 July 2013

5. Corporate governance statement (continued)

Principle 3 Promote ethical and responsible decision-making (continued)

A copy of the Securities Trading Policy can be found on the Company's website at <http://www.tpg.com.au/about/investorrelations>.

Diversity Policy

The Company's Code of Conduct provides that the Company will treat all employees and potential employees according to their skills, qualifications, competencies and potential, and will not discriminate on the basis of race, religion, gender, sexual preference, age, marital status or disability. The following guidelines have been established to ensure compliance with the Code of Conduct and, in turn, ASX Recommendation 3.2.

- Selection of new staff, development, promotion and remuneration is on the basis of performance and capability;
- Training and development is offered across the Group including external technical courses, mentoring and secondments, in order to develop a diverse and skilled workforce;
- Flexibility is provided as appropriate in working hours to accommodate personal and family commitments; and
- Reporting to Senior Management by managers and supervisors takes place in relation to employment issues, and review and analysis of exit interviews is undertaken to identify any discrimination related issues.

Aside from the guidelines set out above the Company has not established measurable objectives for gender diversity in the workforce and does not have a separate written Diversity Policy.

Female Representation

As at 31 July 2013 the proportion of females employed in the Group was as follows (ASX Recommendation 3.4):

	31 July 2013		31 July 2012	
	Number	%	Number	%
Board	0	0%	0	0%
Key Management Personnel	1	16.7%	1	16.7%
Other Management	12	25.5%	13	21.0%
Workforce	833	43.2%	749	45.1%

Workplace Gender Equality Report 2013

In accordance with the requirements of the Workplace Gender Equality 2012 (Act), the Company lodged its Workplace Gender Equality Report 2013 with the Workplace Gender Equality Agency on 29 May 2013. A copy of this report is available on the Company's website at <http://www.tpg.com.au/about/investorrelations>.

TPG Telecom Limited and its controlled entities

Directors' report

For the year ended 31 July 2013

5. Corporate governance statement (continued)

Principle 4 Safeguarding integrity in financial reporting

The Board has responsibility for ensuring the integrity of the financial statements and related notes and that the financial statements provide a true and fair view of the Company's financial position. To assist the Board in fulfilling this responsibility, the Board has established an Audit & Risk Committee which has the responsibility for providing assurance that the financial statements and related notes are complete, are in accordance with applicable accounting standards, and provide a true and fair view.

Audit & Risk Committee

The Audit & Risk Committee is comprised of three non-executive directors, two of whom are independent, and is chaired by Mr Denis Ledbury. Details of all members of the Audit & Risk Committee during the year and their qualifications are set out on page 5 of this Annual Report (ASX Recommendation 4.1, 4.2 & 4.4).

The Board has adopted a formal charter which details the function and responsibility of the Audit & Risk Committee to ensure the integrity of the financial statements and independence of the external auditor (ASX Recommendation 4.3). A copy of the charter can be found on the Company's website at <http://www.tpg.com.au/about/investorrelations>.

The Audit & Risk Committee's responsibilities include ensuring the integrity of the financial reporting process, the risk management process, internal reporting and controls, management of strategic and major financial and operational risks, and the external audit process, based on sound principles of accountability, transparency and responsibility.

The external auditors, other directors, and the Chief Financial Officer are invited to Audit & Risk Committee meetings at the discretion of the Chairman of the Committee. The Committee meets at least twice a year. It met twice during the year and the Committee members' attendance record is disclosed in the table of directors' meetings on page 6 of this Annual Report (ASX Recommendation 4.4).

Auditor selection and appointment

The Audit & Risk Committee reviews annually the audit process including assessment of auditor independence. Any non-audit work requires the prior approval of the Committee, which approval will only be given where it can be established that it will not compromise the independence of the audit.

TPG Telecom Limited and its controlled entities

Directors' report

For the year ended 31 July 2013

5. Corporate governance statement (continued)

Principle 5 Make timely and balanced disclosure

Continuous disclosure

The Company is committed to ensuring that shareholders and the wider business community be informed of all material information concerning the Company in a timely and accurate manner. Accordingly, the Company has established a Market Disclosure Policy to ensure that the share market is properly informed of matters that may have a material impact on the price at which the Company's securities are traded (ASX Recommendation 5.1 and 5.2). A copy of the Market Disclosure Policy can be found on the Company's website at <http://www.tpg.com.au/about/investorrelations>.

Principle 6 Respect the rights of shareholders

The Board aims to ensure that shareholders are informed of all major developments affecting the Company.

The Company posts its annual report and major announcements on its website under the Investor Relations section (<http://www.tpg.com.au/about/investorrelations>) and provides a link via the website to the ASX website so that all ASX releases, including notices of meetings, presentations, and analyst and media briefings, can be accessed (ASX Recommendation 6.1).

Historical information is also available to shareholders on the Company's website, including prior years' Annual Reports.

Shareholders are encouraged to participate at general meetings, either in person or by proxy, and are specifically offered the opportunity of receiving communications via email (ASX Recommendation 6.1 and 6.2).

Principle 7 Recognise and manage risk

The Company has an established business risk management framework to enable identification, control and oversight of material business risks facing the Group. These risks include operational, financial, regulatory and technical risks.

The primary responsibility for identifying and controlling business risks lies with management. The Audit and Risk Committee, under delegation from the Board, plays an oversight role in ensuring that material business risks and their associated controls are regularly reported to the Board by management and that a satisfactory system of risk management and internal control is maintained.

TPG Telecom Limited and its controlled entities

Directors' report

For the year ended 31 July 2013

5. Corporate governance statement (continued)

Principle 7 Recognise and manage risk (continued)

In relation to the Group's financial statements for the financial year ended 31 July 2013, the Group's Chief Executive Officer and Chief Financial Officer, as required by the Corporations Act and ASX recommendations, have provided to the Board the following:

- the declaration required by section 295A of the Corporations Act; and
- assurance that the section 295A declaration was founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Principle 8 Remunerate fairly and responsibly

The Remuneration Committee reviews and makes recommendations to the Board on remuneration packages and policies applicable to executives and directors.

The Remuneration Committee comprises three non-executive directors, two of whom are independent, and is chaired by Mr Denis Ledbury. The Committee meets as required and, at a minimum, twice a year. It met three times during the year ended 31 July 2013 and the Committee members' attendance record is disclosed in the table of directors' meetings on page 6 of this Annual Report. Other directors are invited to attend these meetings at the discretion of the Committee Chairman.

Further information is set out in the Remuneration Report below (ASX Recommendation 8.2 & 8.3).

6. Remuneration report - audited

This remuneration report sets out the remuneration structures of the directors of the Company and of other key management personnel of the Group, as well as explaining the principles underpinning those remuneration structures.

For the purpose of this report, key management personnel are defined as those individuals who have authority and responsibility for planning, directing and controlling the activities of the Group. Key management personnel include the directors of the Company and key Group executives including the five most highly remunerated.

6.1 Remuneration principles

Remuneration levels for key management personnel of the Group are designed to attract and retain appropriately qualified and experienced directors and executives. The Remuneration Committee considers the suitability of remuneration packages relative to trends in comparable companies and to the objectives of the Group's remuneration strategy.

TPG Telecom Limited and its controlled entities

Directors' report

For the year ended 31 July 2013

6. Remuneration report - audited (continued)

6.1 Remuneration principles (continued)

The remuneration structures explained below are designed to attract suitably qualified candidates, to reward the achievement of strategic objectives and to achieve the broader outcome of creation of value for shareholders by:

- a) providing competitive remuneration packages to attract and retain high calibre executives; and
- b) ensuring that a significant proportion of executives' remuneration is performance-linked; and
- c) setting performance hurdles for the achievement of performance-linked incentives at a sufficiently demanding level as to ensure value creation for shareholders.

6.2 Remuneration structure

Remuneration packages include a mix of fixed and performance-linked remuneration.

(i) Fixed remuneration

Fixed remuneration consists of base salary, employer contributions to superannuation funds, and non-monetary benefits which typically only comprise annual leave entitlements but may also include such benefits as the provision of a motor vehicle. The Group pays fringe-benefits tax on such non-monetary benefits where applicable.

Fixed remuneration levels are reviewed annually through a process that considers individual performance, overall performance of the Group, and remuneration levels for similar roles in comparable companies. The fixed remuneration of executive directors is determined by the Remuneration Committee. The fixed remuneration of other key management personnel is determined by the Executive Chairman in conjunction with the Remuneration Committee. Fixed remuneration reviews for other staff are determined by the Executive Chairman.

(ii) Performance-linked remuneration

Performance-linked remuneration comprises both long-term and short-term incentives as set out below.

a) Long-term incentives

Former scheme

A former incentive plan which was terminated during 2008 included a long-term component under which shares allocated to certain employees vested at 20% per annum at the end of each of the five years following allocation, provided the employee continued to be employed by the Group. The final vesting date under this plan occurred during the year ended 31 July 2013 and there were therefore no unvested shares outstanding under this plan as at 31 July 2013. The shares that vested to key management personnel during the year are set out in section 6.4(ii) below.

Current scheme

The Group's current long-term incentive structure is in the form of a performance rights plan. Under the rules of the performance rights plan, participants may be granted rights to acquire fully paid ordinary shares in the Company for no consideration, subject to certain performance conditions.

TPG Telecom Limited and its controlled entities

Directors' report

For the year ended 31 July 2013

6. Remuneration report - audited (continued)

6.2 Remuneration structure (continued)

(ii) Performance-linked remuneration (continued)

The plan was introduced in FY12 with the first grant of rights taking place on 9 March 2012. During FY13 a second grant of rights occurred (grant date 24 December 2012). The key terms of both lots of rights are consistent with one another and are as follows:

- One third of the performance rights granted will vest following the release of the Group's audited financial statements for each of the 3 financial years ending after the date of grant, subject to the satisfaction of performance conditions.
- At each vesting date:
 - 30% of the performance rights that are due to vest on that date will vest if the rights holder has been continuously employed by the Group up until and including the relevant vesting date; and
 - 70% of the performance rights that are due to vest on that date will vest if the rights holder has been continuously employed by the Group up until and including the relevant vesting date and the Group has met its financial objectives for the financial year immediately preceding the relevant vesting date.
- Any performance rights which do not vest, automatically lapse.

The financial objectives that form part of the vesting conditions described above are determined annually by the Remuneration Committee.

Details of the performance rights that have been granted to key management personnel during the year ended 31 July 2013 are set out in table 6.4(i) below.

b) Short-term incentives

Short-term incentive cash bonuses may be paid by the Group, including to key management personnel, depending on the Group's performance and to award individual performance. Bonuses awarded to the executive directors are determined by the Remuneration Committee. Bonuses awarded to other key management personnel are determined by the Executive Chairman in conjunction with the Remuneration Committee. Bonuses awarded to other staff are made at the discretion of the Executive Chairman.

Details of the short-term incentives paid to key management personnel during the current reporting period are set out at table 6.3 below.

Link to Group Financial Performance

In determining the short-term incentive component of key management personnel remuneration, consideration is given to the Group's performance, including against its financial targets.

The Group achieved EPS growth of 63% in the year to 31 July 2013 and increased declared dividends by 36%. This represents the 5th consecutive year of strong EPS and dividend growth by the Group as reflected in the following table.

TPG Telecom Limited and its controlled entities

Directors' report

For the year ended 31 July 2013

6. Remuneration report - audited (continued)

6.2 Remuneration structure (continued)

(ii) Performance-linked remuneration (continued)

	2009	2010	2011	2012	2013
EPS (cents)	2.6	7.6	10.1	11.5	18.8
Ordinary dividends paid or declared (cps)	2.0	4.0	4.5	5.5	7.5

The Remuneration Committee believes that the current remuneration structures described in this report have been effective in motivating and rewarding the achievement of these strong results.

(iii) Service contracts

No key management personnel employment contract has a fixed term, nor do any contain any provision for termination benefits other than as required by law.

No key management personnel employment contract has a notice period of greater than one month, except for the Group's employment contract with Mr D Teoh, which provides that the contract may be terminated by either party giving three months' notice.

(iv) Non-executive director fees

The aggregate remuneration of non-executive directors was last voted upon by shareholders at the 2004 AGM, when an aggregate limit of \$500,000 per annum was approved. Actual non-executive director remuneration for the year ended 31 July 2013 was \$289,145 (2012: \$215,275). Non-executive directors do not receive performance-linked remuneration nor are they entitled to any retirement benefit. Directors' fees cover all main board activities and membership of committees.

6.3 Directors' and executive officers' remuneration

The key management personnel of the Company and of the Group during the year were as follows:

Mr D Teoh	Executive Chairman & Chief Executive Officer
Mr A Latimer	Executive Director, Finance & Corporate Services
Mr D Ledbury	Non-Executive Director
Mr R Millner	Non-Executive Director
Mr J Pang	Non-Executive Director
Mr S Teoh	Non-Executive Director
Ms M De Ville	Chief Information Officer
Mr S Banfield	Chief Financial Officer & Company Secretary
Mr C Levy	General Manager, Consumer
Mr J Paine	National Technical & Strategy Manager
Mr W Springer	General Manager, Corporate Sales
Mr T Moffatt	General Counsel

TPG Telecom Limited and its controlled entities

Directors' report

For the year ended 31 July 2013

6. Remuneration report – audited (continued)

6.3 Directors' and executive officers' remuneration (continued)

Details of the nature and amount of each major element of remuneration of each director of the Company and of other key management personnel of the Group are set out in the tables below:

Directors		Short-term				Post-employment	(note C) Other long term \$	Share-based payments \$	Total \$	Proportion of remuneration performance related %	Share-based payments as proportion of remuneration %
		Salary & fees \$	(note A) STI cash bonus \$	(note B) Non- monetary benefits \$	Total \$	Superannuation benefits \$					
Executive Directors											
Mr D Teoh, Chairman	2013	814,423	900,000	229,661	1,944,084	23,534	86,739	-	2,054,357	44%	-
	2012	611,538	800,000	222,246	1,633,784	46,346	71,665	-	1,751,795	46%	-
Mr A Latimer	2013	260,960	400,000	(11,579)	649,381	23,431	4,190	-	677,002	59%	-
	2012	256,584	200,000	8,903	465,487	22,270	6,961	-	494,718	40%	-
Non-Executive Directors											
Mr D Ledbury	2013	78,958	-	-	78,958	7,156	-	-	86,114	-	-
	2012	67,500	-	-	67,500	6,075	-	-	73,575	-	-
Mr R Millner	2013	69,583	-	-	69,583	6,306	-	-	75,889	-	-
	2012	65,000	-	-	65,000	5,850	-	-	70,850	-	-
Mr J Pang	2013	69,583	-	-	69,583	6,306	-	-	75,889	-	-
	2012	65,000	-	-	65,000	5,850	-	-	70,850	-	-
Mr S Teoh ⁽¹⁾	2013	46,984	-	-	46,984	4,269	-	-	51,253	-	-
	2012	-	-	-	-	-	-	-	-	-	-

(1) Mr S Teoh was appointed on 11 October 2012

TPG Telecom Limited and its controlled entities

Directors' report

For the year ended 31 July 2013

6. Remuneration report – audited (continued)

6.3 Directors' and executive officers' remuneration (continued)

Executives		Short-term				Post-employment	(note C) Other long term \$	Share-based payments		Total \$	Proportion of remuneration related %	Share-based payments as proportion of remuneration %
		Salary & fees \$	(note A) STI cash bonus \$	(note B) Non-monetary benefits \$	Total \$	Superannuation benefits \$		(note D) Performance rights \$	(note E) Shares \$			
Ms M De Ville	2013	211,609	10,000	7,304	228,913	19,956	3,515	17,337	1,500	271,221	11%	7%
	2012	211,609	10,000	2,989	224,598	19,891	3,226	-	2,708	250,423	5%	1%
Mr S Banfield	2013	198,186	104,920	158	303,264	25,871	6,255	105,696	6,500	447,586	49%	25%
	2012	183,917	85,000	8,481	277,398	24,127	4,621	42,766	8,473	357,385	38%	14%
Mr C Levy	2013	243,100	166,533	19,956	429,589	37,090	14,176	141,891	6,000	628,746	50%	24%
	2012	183,677	135,000	2,029	320,706	28,627	4,215	57,021	7,667	418,236	48%	15%
Mr J Paine	2013	195,833	67,460	10,469	273,762	23,034	7,216	105,696	-	409,708	42%	26%
	2012	188,515	85,000	6,942	280,457	23,850	3,004	42,766	-	350,077	36%	12%
Mr W Springer	2013	194,362	94,920	10,872	300,154	27,085	7,511	105,696	-	440,446	46%	24%
	2012	183,400	85,000	7,418	275,818	23,400	2,923	42,766	-	344,907	37%	12%
Mr T Moffatt ⁽¹⁾	2013	187,267	94,920	3,793	285,980	25,826	5,196	105,696	4,500	427,198	48%	26%
	2012	-	-	-	-	-	-	-	-	-	-	-

(1) Mr T Moffatt has been recognised within key management personnel from 1 August 2012

TPG Telecom Limited and its controlled entities

Directors' report

For the year ended 31 July 2013

6. Remuneration report - audited (continued)

6.3 Directors' and executive officers' remuneration (continued)

Notes in relation to the table of directors' and executive officers' remuneration

- A. The short-term incentive bonuses paid during the years ended 31 July 2013 and 31 July 2012 were for performance during those years.
- B. The amounts disclosed under 'Non-monetary benefits' reflect exclusively the movement in the annual leave balance of each individual in the period, with the exception of Mr D Teoh whose amount also includes the provision of other fringe benefits (principally a motor vehicle).
- C. The amounts disclosed under 'Other long-term' reflect the movement in the long-service leave balance of each individual in the period.
- D. The share-based payments disclosed under 'Performance Rights' reflect the fair value of each right multiplied by the number of rights granted to each individual, amortised pro-rata over the vesting period of each right. The fair value of each right is calculated at date of grant by subtracting the expected dividend payments per share during the vesting period from the share price at date of grant. The number of rights granted to each key management person is disclosed in 6.4(i) below. The rules of the performance rights plan are explained in 6.2(ii)(a) above.
- E. The share-based payments disclosed under 'Shares' reflect the fair value of each share multiplied by the number of shares granted to each individual, amortised pro-rata over the vesting period of each share. The fair value of the shares is the market value of the shares purchased for the individual under the scheme. The number of shares granted to each key management person is disclosed in 6.4(ii) below. The rules of the share plan are explained in 6.2(ii)(a) above.

6.4 Share-based payments

(i) Performance rights granted as remuneration

Details of performance rights that were granted to key management personnel during the financial year ended 31 July 2013 are set out below. All rights had a grant date of 24 December 2012, were provided at no cost to the recipients and have an exercise price of \$nil.

FY13 Performance rights grant	Number of rights granted during FY13	Number of rights forfeited during FY13	Number of rights vested during FY13	Number of rights held as at 31 July 2013	Fair value per right at grant date (\$)
Mr S Banfield	60,000	-	-	60,000	2.3267
Mr C Levy	81,000	-	-	81,000	2.3267
Mr J Paine	60,000	-	-	60,000	2.3267
Mr W Springer	60,000	-	-	60,000	2.3267
Mr T Moffatt	60,000	-	-	60,000	2.3267
Ms M De Ville	18,000	-	-	18,000	2.3267

TPG Telecom Limited and its controlled entities

Directors' report

For the year ended 31 July 2013

6. Remuneration report - audited (continued)

6.4 Share-based payments (continued)

(i) Performance rights granted as remuneration (continued)

Details of performance rights that were granted to key management personnel during previous financial years and that remained outstanding at the start of FY13 are set out below. All rights in the table below had a grant date of 9 March 2012, were provided at no cost to the recipients and have an exercise price of \$nil.

FY12 Performance rights grant	Number of rights held as at 31 July 2012	Number of rights forfeited during FY13	Number of rights vested during FY13	Number of rights held as at 31 July 2013	Fair value per right at grant date (\$)
Mr S Banfield	75,000	-	25,000	50,000	1.4733
Mr C Levy	100,000	-	33,333	66,667	1.4733
Mr J Paine	75,000	-	25,000	50,000	1.4733
Mr W Springer	75,000	-	25,000	50,000	1.4733
Mr T Moffatt	75,000	-	25,000	50,000	1.4733

There has been no vesting or granting of any rights since the year-end.

(ii) Shares granted as remuneration

The shares in the table below were granted on 13 December 2007 under a former incentive plan that ceased to operate in 2008, the rules of which are described in 6.2(ii)(a) above. The table below shows the number of shares that vested during the year under this plan to each key management person. As the final vesting date under this plan occurred during the year, there were no unvested shares as at 31 July 2013.

	Number of unvested shares as at 31 July 2012	Number of shares vested during 2013	Number of unvested shares as at 31 July 2013	Fair value per share at grant date (\$)
Mr S Banfield	15,623	15,623	-	\$0.41611
Mr C Levy	14,419	14,419	-	\$0.41611
Ms M De Ville	3,607	3,607	-	\$0.41611
Mr T Moffatt	10,814	10,814	-	\$0.41611

(iii) Modification of terms of share-based payment transactions

No terms of share-based payment transactions have been altered or modified by the issuing entity during the reporting period or the prior period.

TPG Telecom Limited and its controlled entities

Directors' report

For the year ended 31 July 2013

7. Principal activities

During the financial year the principal activities of the Group continued to be the provision of consumer, wholesale and corporate telecommunications services.

8. Dividends

Dividends paid or declared by the Company since the end of the previous financial year were as follows:

	Cents per share	Total amount \$'000	Franked/ unfranked	Date of payment
Final 2012 ordinary	2.75	21,830	Franked	20 Nov 2012
Interim 2013 ordinary	3.50	27,783	Franked	21 May 2013
Total amount		49,613		

Dividends declared and paid during the year were fully franked at the rate of 30 per cent.

After the balance sheet date the directors have declared a fully franked final FY13 dividend of 4.0 cents per ordinary share, payable on 19 November 2013 to shareholders on the register at 15 October 2013.

The financial effect of this dividend has not been brought to account in the financial statements for the year ended 31 July 2013 and will be recognised in subsequent financial reports.

9. Events subsequent to reporting date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

10. Likely developments

There are no material likely developments for the Group to disclose outside of normal business operations at the date of this report.

TPG Telecom Limited and its controlled entities

Directors' report

For the year ended 31 July 2013

11. Directors' interests

The relevant interest of each director in the shares and options over such instruments issued by the companies within the Group and other related bodies corporate, as notified by the directors to the Australian Stock Exchange in accordance with S205G(1) of the *Corporations Act 2001*, at the date of this report is as follow:

	Shares in TPG Telecom Limited
Mr D Teoh	291,625,603
Mr R Millner	7,374,175
Mr D Ledbury	100,000
Mr A Latimer	200,000
Mr J Pang	88,812
Mr S Teoh	90,251

12. Share options and rights

Rights granted to directors and executives of the Group

During the financial year, the Group granted rights over ordinary shares in the Company to the following of the five most highly remunerated officers of the Group as part of their remuneration:

	Number of rights granted
Mr S Banfield	60,000
Mr C Levy	81,000
Mr J Paine	60,000
Mr W Springer	60,000
Mr T Moffatt	60,000

All rights were granted during the financial year. No rights or options have been granted since the end of the financial year.

Unissued shares under options

At the date of this report there are no unissued ordinary shares of the Company under option.

Shares issued on exercise of options

The Company issued no ordinary shares as a result of the exercise of options (nor were any options available to be exercised) either during or subsequent to the year ended 31 July 2013 (2012: Nil).

TPG Telecom Limited and its controlled entities

Directors' report

For the year ended 31 July 2013

13. Indemnification and insurance of officers and auditors

Indemnification

The Company has agreed to indemnify all directors and officers of the Company against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as a director or as an officer of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

Insurance premiums

Since the end of the previous financial year the Group has paid insurance premiums of \$50,541 (2012: \$48,276) in respect of directors' and officers' liability insurance for current and former directors and officers, including senior executives of the Company and directors, senior executives and secretaries of its controlled entities. The insurance premiums relate to:

- costs and expenses that may be incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome; and
- other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

14. Non-audit services

During the year KPMG, the Company's auditor, has performed certain other services in addition to their statutory duties.

The Board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Audit & Risk Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Details of the amounts paid to the auditor of the Company, KPMG, and its related practices for audit and non-audit services provided during the year are set out below.

TPG Telecom Limited and its controlled entities

Directors' report

For the year ended 31 July 2013

14. Non-audit services (continued)

	2013 \$	2012 \$
Audit services:		
Audit and review of financial reports	394,800	405,012
Services other than statutory audit:		
<i>Other regulatory audit services:</i>		
- Telecommunications USO return	8,000	8,000
- Bank covenant compliance certificate	7,500	7,500
<i>Other services:</i>		
- Taxation advisory services	51,905	32,321
	67,405	47,821

15. Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 98 and forms part of the directors' report for the financial year ended 31 July 2013.

16. Rounding off

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and, in accordance with that Class Order, amounts in the consolidated financial statements and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

This report is made with a resolution of the directors.



David Teoh
Chairman

Dated at Sydney this 11th day of October, 2013

TPG Telecom Limited and its controlled entities
 Consolidated income statement
 For the year ended 31 July 2013

	Note	2013	2012
<i>In thousands of AUD</i>			
Revenue	7	724,533	663,139
Other income	8	3,349	1,438
Telecommunications expense		(328,139)	(307,066)
Employee benefits expense		(60,067)	(58,660)
Other expenses		(46,590)	(37,445)
Earnings before interest, tax, depreciation and amortisation (EBITDA)		293,086	261,406
Depreciation of plant and equipment	19	(49,892)	(47,063)
Amortisation of intangibles	20	(23,942)	(33,957)
Results from operating activities		219,252	180,386
Finance income		2,447	718
Finance expenses		(9,400)	(17,863)
Net financing costs	9	(6,953)	(17,145)
Profit before income tax		212,299	163,241
Income tax expense	10	(63,134)	(72,277)
Profit for the year attributable to owners of the company		149,165	90,964
Earnings per share:			
Basic and diluted earnings per share (cents)	11	18.8	11.5

TPG Telecom Limited and its controlled entities
 Consolidated statement of comprehensive income
 For the year ended 31 July 2013

	Note	2013	2012
<i>In thousands of AUD</i>			
Profit for the year		149,165	90,964
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange translation differences		23	6
Net change in fair value of available-for-sale financial assets, net of tax	15	24,435	9,744
Other comprehensive income, net of tax		24,458	9,750
Total comprehensive income attributable to owners of the company		173,623	100,714

TPG Telecom Limited and its controlled entities

Consolidated statement of financial position

As at 31 July 2013

<i>In thousands of AUD</i>	<i>Note</i>	31 July 2013	31 July 2012
Assets			
Cash and cash equivalents	12	26,128	13,767
Trade and other receivables	13	40,676	38,013
Inventories	14	179	363
Investments	15	81,181	47,619
Prepayments and other assets	16	6,352	7,515
Total Current Assets		154,516	107,277
Trade and other receivables	13	15,268	6,049
Investments	15	7,333	-
Property, plant and equipment	19	319,159	323,915
Intangible assets	20	502,201	523,225
Prepayments and other assets	16	339	434
Total Non-Current Assets		844,300	853,623
Total Assets		998,816	960,900
Liabilities			
Trade and other payables	21	94,122	85,376
Loans and borrowings	22	169	357
Current tax liabilities	17	33,628	39,542
Employee benefits	23	5,241	4,606
Provisions	24	2,616	2,347
Accrued Interest		276	276
Deferred income and other liabilities	25	58,784	44,443
Total Current Liabilities		194,836	176,947
Loans and borrowings	22	39,134	144,360
Deferred tax liabilities	18	15,410	15,140
Employee benefits	23	349	743
Provisions	24	7,111	6,671
Deferred income and other liabilities	25	26,010	26,262
Total Non-Current Liabilities		88,014	193,176
Total Liabilities		282,850	370,123
Net Assets		715,966	590,777
Equity			
Share Capital	26	516,907	516,907
Reserves		36,134	10,497
Retained earnings		162,925	63,373
Total Equity		715,966	590,777

The notes on pages 39 to 94 are an integral part of these consolidated financial statements.

TPG Telecom Limited and its controlled entities

Consolidated statement of changes in equity

For the year ended 31 July 2013

		Attributable to owners of the Company						
In thousands of AUD	Note	Share capital	Foreign currency translation reserve	Share-based payments reserve	Fair value reserve	Total reserves	Retained earnings	Total equity
Balance as at 1 August 2011		502,874	100	(81)	1,092	1,111	11,876	515,861
Profit for the year		-	-	-	-	-	90,964	90,964
Foreign currency translation differences		-	6	-	-	6	-	6
Net change in fair value of available-for-sale financial assets, net of tax	15	-	-	-	9,744	9,744	-	9,744
Total comprehensive income for the period		-	6	-	9,744	9,750	90,964	100,714
Share-based payment transactions		-	-	(364)	-	(364)	-	(364)
Issue of ordinary shares	26	607	-	-	-	-	-	607
Transaction costs, net of tax	26	(24)	-	-	-	-	-	(24)
Dividends paid to shareholders	26	13,450	-	-	-	-	(39,467)	(26,017)
Total contributions by and distributions to owners		14,033	-	(364)	-	(364)	(39,467)	(25,798)
Balance as at 31 July 2012		516,907	106	(445)	10,836	10,497	63,373	590,777
Balance as at 1 August 2012		516,907	106	(445)	10,836	10,497	63,373	590,777
Profit for the year		-	-	-	-	-	149,165	149,165
Foreign currency translation differences		-	23	-	-	23	-	23
Net change in fair value of available-for-sale financial assets, net of tax	15	-	-	-	24,435	24,435	-	24,435
Total comprehensive income for the period		-	23	-	24,435	24,458	149,165	173,623
Share-based payment transactions		-	-	1,179	-	1,179	-	1,179
Dividends paid to shareholders	26	-	-	-	-	-	(49,613)	(49,613)
Total contributions by and distributions to owners		-	-	1,179	-	1,179	(49,613)	(48,434)
Balance as at 31 July 2013		516,907	129	734	35,271	36,134	162,925	715,966

The notes on pages 39 to 94 are an integral part of these consolidated financial statements.

TPG Telecom Limited and its controlled entities
 Consolidated statement of cash flows
 For the year ended 31 July 2013

<i>In thousands of AUD</i>	Note	2013	2012
Cash flows from operating activities			
Cash receipts from customers		800,467	726,940
Cash paid to suppliers and employees		(482,450)	(449,765)
Cash generated from operations		318,017	277,175
Income taxes paid		(79,218)	(47,703)
Net cash from operating activities		238,799	229,472
Cash flows from investing activities			
Acquisition of property, plant and equipment		(58,320)	(64,164)
Acquisition of subsidiaries, net of cash acquired	36	-	(11,313)
Costs incurred on acquisition of subsidiaries	36	-	(132)
Acquisition of investments	15	(7,333)	(22,406)
Acquisition of intangibles	20	(2,918)	(446)
Proceeds from sale of investments		2,475	-
Dividends received	8	2,219	1,438
Net cash used in investing activities		(63,877)	(97,023)
Cash flows from financing activities			
Transaction costs related to issue of shares		-	(34)
Transaction costs related to loans & borrowings		-	(1,290)
Payment of finance lease liabilities		(372)	(843)
Proceeds from borrowings	22	27,000	25,000
Repayment of borrowings	22	(134,000)	(109,548)
Interest received		1,411	349
Interest paid		(7,363)	(15,179)
Dividends paid, net of Dividend Reinvestment Plan	26	(49,613)	(26,017)
Net cash used in financing activities		(162,937)	(127,562)
Net increase in cash and cash equivalents		11,985	4,887
Cash and cash equivalents at beginning of the year	12	13,767	9,525
Effect of exchange rate fluctuations		376	(645)
Cash and cash equivalents at end of the year	12	26,128	13,767

TPG Telecom Limited and its controlled entities

Notes to the consolidated financial statements

For the year ended 31 July 2013

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TPG Telecom Limited and its controlled entities

Notes to the consolidated financial statements

For the year ended 31 July 2013

1. Reporting entity

TPG Telecom Limited (the 'Company') is a company domiciled in Australia. The address of the Company's registered office is 65 Waterloo Road, Macquarie Park, NSW 2113. The consolidated financial statements as at, and for the year ended 31 July 2013, comprise the accounts of the Company and its subsidiaries (together referred to as the 'Group'). The Group is a for-profit entity and is primarily involved in the provision of consumer, wholesale and corporate telecommunications services.

2. Basis of preparation

a. Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The consolidated financial statements comply with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements were approved by the Board of Directors on 11 October 2013.

b. Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis with the exception of assets and liabilities acquired through business combinations and financial instruments which are measured at fair value. The methods used to measure fair values are discussed further at note 4.

Notwithstanding the fact that the classifications within the 31 July 2013 consolidated statement of financial position show a net current liability position, the accounts have been prepared on a going concern basis as there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable based on its Board approved cashflow projections, and also the undrawn debt facility available to it (refer note 22).

c. Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the functional currency of the majority of the subsidiaries of the Group.

The Group is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and, in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

TPG Telecom Limited and its controlled entities

Notes to the consolidated financial statements

For the year ended 31 July 2013

2. Basis of preparation (continued)

d. Use of estimates and judgements

Preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following notes:

- note 3(m)(iii) and note 7 – Revenue recognition for network capacity sales;
- note 20 – measurement of the recoverable amounts of cash-generating units containing goodwill;
- note 27 – valuation of financial instruments;
- note 36 – business combinations.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently across the Group.

a. Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

Acquisitions on or after 1 July 2009

For acquisitions on or after 1 July 2009, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

TPG Telecom Limited and its controlled entities

Notes to the consolidated financial statements

For the year ended 31 July 2013

3. Significant accounting policies (continued)

a. Basis of consolidation (continued)

Costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

Acquisitions pre 1 July 2009

For acquisitions pre 1 July 2009, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Transaction costs that the Group incurred in connection with business combinations, other than those associated with the issue of debt or equity securities, were capitalised as part of the cost of the acquisition.

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary.

(ii) **Subsidiaries**

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Such changes have been made with effect from the date of acquisition.

TPG Telecom Limited and its controlled entities

Notes to the consolidated financial statements

For the year ended 31 July 2013

3. Significant accounting policies (continued)

a. Basis of consolidation (continued)

(iii) Transactions eliminated on consolidation

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

b. Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the dates the fair value was determined.

c. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Australian dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Australian dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and presented in the foreign currency translation reserve in equity.

d. Financial instruments

(i) Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cashflows from the asset expire, or it transfers the rights to receive the contractual cashflows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

TPG Telecom Limited and its controlled entities

Notes to the consolidated financial statements

For the year ended 31 July 2013

3. Significant accounting policies (continued)

d. Financial instruments (continued)

Financial assets and liabilities are offset and the net amount presented in the statement of financial position only when the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial assets:

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans and receivables comprise trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any other category of financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see note 3(h)(i)), are recognised in other comprehensive income and presented within equity in the fair value reserve in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

Available-for-sale financial assets comprise equity securities.

(ii) Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position only when the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

TPG Telecom Limited and its controlled entities

Notes to the consolidated financial statements

For the year ended 31 July 2013

3. Significant accounting policies (continued)

d. Financial instruments (continued)

Non-derivative financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method. Non-derivative financial liabilities comprise loans and borrowings, bank overdrafts and trade and other payables.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cashflows.

(iii) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

e. Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses (see accounting policy (h)). Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

The gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within other expenses in profit or loss.

(ii) Leased assets

Leases in the terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases.

Other leases are operating leases and are not recognised in the Group's statement of financial position.

TPG Telecom Limited and its controlled entities

Notes to the consolidated financial statements

For the year ended 31 July 2013

3. Significant accounting policies (continued)

e. Property, plant and equipment (continued)

(iii) Subsequent costs

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred, if it is probable that the future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

(iv) Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

The estimated useful lives used in both the current and comparative periods are as follows:

- Network infrastructure 2.5 - 25 years
- Buildings 40 years
- Leasehold improvements 8 years

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually.

f. Intangible assets

(i) Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition, see note 3(a)(i).

Subsequent to its initial recognition, goodwill is measured at cost less accumulated impairment losses.

(ii) Other intangible assets

Other intangible assets that are acquired by the Group and have finite useful lives are stated at cost less accumulated amortisation (see below) and any accumulated impairment losses (see accounting policy h).

TPG Telecom Limited and its controlled entities

Notes to the consolidated financial statements

For the year ended 31 July 2013

3. Significant accounting policies (continued)

f. Intangible assets (continued)

The various categories of other intangible assets in the Group's accounts are as follows:

- **Trademark**

On acquisition of a subsidiary, trademarks of the acquired subsidiary are valued and brought to account as intangible assets. The valuation of a trademark is calculated using the Relief from Royalty Method.

- **Acquired customer bases**

On acquisition of a subsidiary, customer contracts and relationships of the acquired subsidiary are valued at the expected future economic benefits (based on discounted cashflow projections) and brought to account as intangible assets.

- **Internally-generated software**

On acquisition of a subsidiary, internally developed software and systems are valued and brought to account as intangible assets. The software is valued at its amortised replacement cost.

- **Indefeasible right of use of capacity**

Indefeasible rights of use (IRUs) of acquired network capacity are brought to account as intangible assets at the present value of the future cashflows payable for the right. IRUs of acquired subsidiaries are accounted for at their fair value as at the date of acquisition.

- **Development costs**

Operating costs incurred in developing or acquiring income producing assets are recognised as an asset and amortised using the straight line method from the date of initial recognition over the period during which the future economic benefits are expected to be obtained.

- **Licences**

Licences include acquired distribution rights for third party products. Licences are recognised as intangible assets at cost and are amortised using the straight line method over the term of the licence.

(iii) Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

TPG Telecom Limited and its controlled entities

Notes to the consolidated financial statements

For the year ended 31 July 2013

3. Significant accounting policies (continued)

f. Intangible assets (continued)

(iv) Amortisation

Amortisation is charged to the income statement on a straight-line basis, unless otherwise stated, over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill and intangible assets with an indefinite useful life are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives used in both the current and comparative periods are as follows:

- | | |
|---|---|
| • Goodwill | - Indefinite life |
| • Acquired customer bases & reacquired rights | - Amortised on a reducing balance basis in line with the expected economic benefits to be derived from the acquired customer base |
| • Trademark | Indefinite life |
| • Internally generated software | - 5 years |
| • Indefeasible right of use (IRU) of capacity | - Amortised over the life of the IRU |
| • Development costs | - 2-20 years |
| • Licences | - Amortised over the term of the licence |

g. Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated selling expenses.

h. Impairment

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cashflows of that asset.

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss.

TPG Telecom Limited and its controlled entities

Notes to the consolidated financial statements

For the year ended 31 July 2013

3. Significant accounting policies (continued)

h. Impairment (continued)

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units/group of units and then to reduce the carrying amount of the other assets in the units/group of units on a pro rata basis.

(i) Calculation of recoverable amount

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment. Impairment testing of significant receivables that are not assessed as impaired individually is performed by placing them into portfolios of significant receivables with similar risk profiles and undertaking a collective assessment of impairment. Non-significant receivables are not individually assessed. Instead, impairment testing is performed by placing non-significant receivables in portfolios of similar risk profiles, based on objective evidence from historical experience adjusted for any effects of conditions existing at each balance sheet date.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cashflows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment

Impairment losses, other than in respect of goodwill, are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount. An impairment loss in respect of goodwill cannot be reversed.

An impairment loss in respect of a receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

i. Employee benefits

(i) Long-term service benefits

The Group's net obligation in respect of long-term service is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and

TPG Telecom Limited and its controlled entities

Notes to the consolidated financial statements

For the year ended 31 July 2013

3. Significant accounting policies (continued)

i. Employee benefits (continued)

expected settlement dates, and is discounted using the rates attached to the Commonwealth Government bonds at the balance sheet date which have maturity dates approximating to the terms of the Group's obligations.

(ii) Wages, salaries, annual leave and non-monetary benefits

Liabilities for employee benefits for wages, salaries and annual leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided up to the reporting date, and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date including related on-costs such as workers compensation insurance and payroll tax. Non-accumulating non-monetary benefits, such as medical care, cars and free or subsidised goods and services, are expensed based on cost to the Group as the benefits are taken by the employees.

(iii) Performance rights plan

The Group has in place a performance rights plan that provides for selected employees to be granted rights to acquire fully paid ordinary shares in the Company for no consideration, subject to certain performance conditions. Under this scheme funds are transferred to a trust which acts as an agent and purchases shares for the benefit of the selected employees. A share-based payments reserve is recognised for the funds transferred to the scheme. An employee expense is recognised over the period during which the employees become unconditionally entitled to the shares with a corresponding decrease in the share-based payments reserve. The employee expense is based on the fair value at date of grant of the rights. The fair value is calculated by subtracting the expected dividend payments per share during the vesting period from the share price at date of grant.

(iv) Employee share scheme

The Group has in place an Employee Share Scheme that provides for selected employees to receive ordinary shares in the Company. Under this scheme funds are transferred to a trust which acts as an agent and purchases shares for the benefit of the selected employees. A share-based payments reserve is recognised for the funds transferred to the scheme. An employee expense is recognised over the period during which the employees become unconditionally entitled to the shares with a corresponding decrease in the share-based payments reserve.

(v) Superannuation

The Group contributes to several defined contribution superannuation plans. Contributions are recognised as an expense in the income statement on an accruals basis.

TPG Telecom Limited and its controlled entities

Notes to the consolidated financial statements

For the year ended 31 July 2013

3. Significant accounting policies (continued)

j. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of the asset. Borrowing costs relating to loans and borrowings are capitalised and amortised over the term of the loan. All other borrowing costs are expensed in the period they occur.

k. Provisions

A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cashflows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

l. Trade and other payables

Trade and other payables are stated at their amortised cost. Trade payables are non-interest bearing and are normally settled on 30-60 day terms.

m. Revenue

All revenue is recognised at fair value of the consideration received or receivable, net of the amount of goods and services tax (GST).

(i) Rendering of services

Revenue from the rendering of telecommunications services includes the provision of data, internet, voice, telehousing and other services.

Revenue from the rendering of data, internet and telehousing services to consumers and corporate customers is recognised on a straight-line basis over the period the service is provided. Revenue for voice services is recognised at completion of the call.

Where revenue for services is invoiced to customers in advance, the amount that is unearned at a reporting date is recognised in the statement of financial position as deferred income, and its recognition in the income statement is deferred until the period to which the invoiced amount relates.

Installation and set-up fee revenue is recognised on a straight line basis over the period of the contract to which it relates.

TPG Telecom Limited and its controlled entities

Notes to the consolidated financial statements

For the year ended 31 July 2013

3. Significant accounting policies (continued)

m. Revenue (continued)

(ii) Sale of goods

Revenue from the sale of goods represents sales of customer equipment to consumer and corporate customers.

Revenue from the sale of goods is recognised (net of rebates, returns, discounts and other allowances) when the significant risks and rewards of ownership have been transferred to the customer, which is ordinarily when the equipment is delivered to the customer.

Where the sale is settled through instalments, interest revenue is recognised over the contract term, using the effective interest method.

(iii) Network capacity sales

Where a sale of network capacity relates to a specific separable asset, the sale is accounted for as a lease and the Group is considered to be the lessor in the arrangement.

Where a sale which has been identified as a lease also contains the following characteristics, it is accounted for as a finance lease:

- the purchaser's right of use is exclusive and irrevocable;
- the terms of the contract are for the major part of the asset's useful economic life;
- the attributable costs or carrying value can be measured reliably; and
- no significant risks are retained by the Group.

Finance lease sales are accounted for by recognising in revenue the net gain on disposal of the specific asset at the time the asset is de-recognised.

Lease sales that do not satisfy the above criteria are accounted for as operating leases, with revenue recognised over the period of the contract on a straight-line basis.

Where a sale of network capacity is deemed not to relate to a specific separable asset, the sale is accounted for as the rendering of a service and accounted for as described in (m)(i) above.

(iv) Revenue arrangements with multiple deliverables

Where two or more revenue-generating activities or deliverables are sold under a single arrangement, each deliverable considered to be a separate unit of accounting is accounted for separately. When the deliverables in a multiple deliverable arrangement are not considered to be separate units of accounting, the arrangement is accounted for as a single unit.

TPG Telecom Limited and its controlled entities

Notes to the consolidated financial statements

For the year ended 31 July 2013

3. Significant accounting policies (continued)

m. Revenue (continued)

The consideration from the revenue arrangement is allocated to its separate units based on the relative selling prices of each unit. If no third party evidence exists for the selling price, then the item is measured based on the best estimate of the selling price of that unit. The revenue allocated to each unit is then recognised in accordance with the revenue recognition policies described above.

n. Expenses

(i) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Determining whether an arrangement contains a lease

At inception of an arrangement, including sales of capacity described in note 3(m) above, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset.

At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values.

(ii) Finance income and expenses

Net financing costs comprise interest payable on borrowings calculated using the effective interest method and interest receivable on funds invested. Borrowing costs relating to loans and borrowings are capitalised and amortised over the term of the loan. All other borrowing costs are expensed in the period they are incurred and included in net financing costs.

Interest income is recognised in the income statement as it accrues, using the effective interest method. The interest expense component of finance lease payments is recognised in the income statement using the effective interest method.

TPG Telecom Limited and its controlled entities

Notes to the consolidated financial statements

For the year ended 31 July 2013

3. Significant accounting policies (continued)

o. Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity or in other comprehensive income.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Tax consolidation

The Company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 1 August 2006 and have therefore been taxed as a single entity from that date. The head entity within the tax-consolidated group is TPG Telecom Limited.

p. Segment reporting

The Group determines and presents operating segments based on the information that is internally provided to the Executive Chairman, who is the Group's chief operating decision maker.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are regularly reviewed by the Group's Executive Chairman to make decisions about resources to be allocated to each segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Executive Chairman include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise dividend income, corporate expenses and listing fees.

TPG Telecom Limited and its controlled entities

Notes to the consolidated financial statements

For the year ended 31 July 2013

3. Significant accounting policies (continued)

q. Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cashflows are included in the statement of cash flows on a gross basis. The GST components of cashflows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cashflows.

r. Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares, being share options.

s. New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 August 2012, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except for AASB 9 Financial Instruments, which becomes mandatory for the Group's 2016 consolidated financial statements and could change the classification and measurement of financial assets. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

TPG Telecom Limited and its controlled entities

Notes to the consolidated financial statements

For the year ended 31 July 2013

4. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction. The market value of items of plant, equipment, fixtures and fittings is based on the quoted market prices for similar items.

Intangible assets

The fair value of patents and trademarks acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of the patent or trademark being owned. The fair value of other intangible assets is based on the discounted cashflows expected to be derived from the use and eventual sale of the assets.

Inventories

The fair value of inventories acquired in a business combination is determined based on their estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cashflows, discounted at the market rate of interest at the reporting date.

Equity and debt securities

The fair value of equity and debt securities is determined by reference to their quoted closing bid price at the reporting date, or if unquoted, by using valuation techniques including market multiples and discounted cashflow analysis.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cashflows, discounted at the market rate of interest at the reporting date. For finance leases, the market rate of interest is determined by reference to similar lease agreements.

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For the year ended 31 July 2013

5. Financial risk management

Overview

The Group has exposure to the following risks from its use of financial instruments:

- * credit risk
- * liquidity risk
- * market risk.

This note presents information about the Group's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial report (including note 27).

The Board of directors has overall responsibility for the establishment and oversight of the risk management framework.

Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and in the Group's activities. The Group aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's Audit & Risk Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

The Group's exposure to credit risk is influenced by the individual characteristics of each customer, the industry and the geographical region in which the customers operate.

The Group minimises concentration of credit risk by undertaking transactions with a large number of customers. By industry, the Group is not subject to a concentration of credit risk as its customers operate in a wide range of industries. Geographically, the Group's credit risk is concentrated in Australia.

TPG Telecom Limited and its controlled entities

Notes to the consolidated financial statements

For the year ended 31 July 2013

5. Financial risk management (continued)

The Group has established a credit policy for its corporate customers under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The review includes obtaining external ratings, when available, and in some cases bank references.

Credit limits may be established for each customer. These limits are reviewed regularly. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis or on other specific terms considered by management to be satisfactory.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, whether they are a wholesale or retail customer, geographic location, industry, ageing profile, and existence of previous financial difficulties.

The Group has established a provision for impairment that represents management's estimate of incurred losses in respect of trade and other receivables.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages the cashflow projections of subsidiaries to optimise its return on cash. The Group ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations.

In addition to its cash reserves, the Group had a debt facility of \$300.0m available to it during the year (of which \$42.0m was drawdown as at 31 July 2013).

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising return.

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Notes to the consolidated financial statements

For the year ended 31 July 2013

5. Financial risk management (continued)

Currency risk

The Group is exposed to currency risk on revenues, expenses, receivables and borrowings that are denominated in a currency other than its functional currency, the Australian dollar (AUD). These other currencies include primarily the United States dollar (USD), the New Zealand dollar (NZD), Philippine peso (PHP) and the Hong Kong dollar (HKD).

The Group to-date has not hedged its exposure to these non-functional currencies as the exposure is not considered to be a significant risk to the Group.

Interest rate risk

The Group has in the past adopted a policy of hedging its exposure to changes in interest rates on its core borrowings. For example, in April 2010 an interest rate cap agreement was entered into to hedge 75 percent of the maximum value of loans available under the Group's debt facility at that time. This interest cap expired during the year and no new hedging arrangement has been entered into. However, the Group's exposure to interest rate risk has reduced substantially as at 31 July 2013, with the Group's outstanding debt as at year end at \$42.0m (down from \$149.0m at 1 August 2012).

Equity price risk

The Group is exposed to equity price risk because of its investments in available-for-sale equity securities. Material investments are managed on an individual basis with the goal of maximising returns.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board monitors return on capital, which the Group defines as profit from operating activities divided by total shareholders' equity. The Board of directors also determines the level of dividends to be paid to shareholders.

It is a policy of the Board to encourage employees of the Group to hold ordinary shares in the Company.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings, and the advantages and security afforded by a sound capital position.

From time to time the Group may purchase its own shares on market for the purpose of issuing shares under employee share plans. The Group does not currently have a defined share buy-back plan.

There were no changes in the Group's approach to capital management during the year.

TPG Telecom Limited and its controlled entities

Notes to the consolidated financial statements

For the year ended 31 July 2013

5. Financial risk management (continued)

The Group's net debt to equity ratio at the end of the reporting date was as follows:

<i>In thousands of AUD</i>	2013	2012
Total loans and borrowings	42,000	149,000
Less: cash and cash equivalents	(26,128)	(13,767)
Net debt	15,872	135,233
Total equity	715,966	590,777
Net debt to equity ratio at 31 July	0.02	0.23

6. Segment reporting

The Group identifies its operating segments based on the internal reports that are reviewed and used by the Executive Chairman (the chief operating decision maker) in assessing performance and in determining the allocation of resources.

The Group's Consumer segment provides retail telecommunications services to residential and small business customers. The Group's Corporate segment provides telecommunications services to corporate, government, and wholesale customers.

In the following table, expenses in the 'Unallocated' column comprise professional fees incurred in relation to business combinations, plus other corporate costs and listing fees.

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For the year ended 31 July 2013

6. Segment reporting (continued)

<i>In thousands of AUD</i>	<u>Information about reportable segments</u>						<u>Reconciliation to profit for the year</u>			
	Consumer		Corporate		Total results		Unallocated	Consolidated results for the year		
	2013	2012*	2013	2012*	2013	2012	2013	2012	2013	2012
Revenue	480,295	412,740	244,238	250,399	724,533	663,139	-	-	724,533	663,139
Other income	-	-	-	-	-	-	3,349	1,438	3,349	1,438
Telecommunications expense	(237,408)	(215,460)	(90,731)	(91,606)	(328,139)	(307,066)	-	-	(328,139)	(307,066)
Employee benefits expense	(27,956)	(23,242)	(32,111)	(35,418)	(60,067)	(58,660)	-	-	(60,067)	(58,660)
Other expenses	(34,345)	(24,571)	(11,092)	(12,591)	(45,437)	(37,162)	(1,153)	(283)	(46,590)	(37,445)
Results from Segment activities	180,586	149,467	110,304	110,784	290,890	260,251	2,196	1,155	293,086	261,406
Depreciation of plant and equipment									(49,892)	(47,063)
Amortisation of intangibles									(23,942)	(33,957)
Results from operating activities									219,252	180,386
Net financing costs									(6,953)	(17,145)
Profit before income tax									212,299	163,241
Income tax expense									(63,134)	(72,277)
Profit for the year									149,165	90,964

Geographic Information

All of the Group's revenues are derived from Australian based entities, except for \$10.3m (2012: \$7.7m) derived from overseas customers.

All of the Group's non-current assets are located in Australia, except for assets amounting to \$122.9m (2012: \$129.7m) that are located either overseas or in international waters.

* The prior year comparative figures have been slightly restated by re-allocating an amount of \$9.5m between the revenue and telecommunications expenses of the two segments in order to better reflect the effects of inter-segment transactions. This re-statement has not impacted the respective segments' reported profits.

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Notes to the consolidated financial statements

For the year ended 31 July 2013

7. Revenue

Revenue comprises the following:

In thousands of AUD

	2013	2012
Rendering of services	657,036	587,692
Sale of goods	9,530	7,505
Network capacity sales, recognised as:		
- operating leases	47,469	47,265
- finance leases	10,498	20,677
	724,533	663,139

8. Other income

In thousands of AUD

	2013	2012
Dividend income	2,219	1,438
Profit on sale of investments	1,130	-
	3,349	1,438

9. Finance income and expense

Recognised in profit or loss

In thousands of AUD

	2013	2012
Interest income	2,447	718
Interest expense	(7,253)	(14,965)
Unwinding of discount on provisions	(110)	(110)
Borrowing costs	(2,037)	(2,788)
Net finance expense	(6,953)	(17,145)

Recognised in equity

In thousands of AUD

	2013	2012
Foreign currency translation differences on retranslation of foreign operations	23	6
Net change in fair value of available-for-sale financial assets, net of tax	24,435	9,744
	24,458	9,750

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For the year ended 31 July 2013

10. Income tax expense

<i>In thousands of AUD</i>	2013	2012
Current tax expense		
Current year	73,416	53,373
Adjustments for prior years	(60)	(195)
Adjustment arising from change in legislation (i)	-	14,964
	73,356	68,142
Deferred tax expense		
Origination and reversal of temporary differences	(9,446)	(4,967)
Adjustments for prior years	(776)	860
Adjustment arising from change in legislation (i)	-	8,242
	(10,222)	4,135
Income tax expense	63,134	72,277

Numerical reconciliation between tax expense and pre-tax accounting profit

<i>In thousands of AUD</i>	2013	2012
Profit before tax	212,299	163,241
Income tax expense at the rate of 30%	63,690	48,972
Increase in income tax expense due to:		
Non-deductible expenses	220	73
Adjustment arising from change in legislation (i)	-	23,206
Income tax expense on profit before tax	63,910	72,251
Under/(over) provided in prior year	(776)	26
Income tax expense	63,134	72,277

- (i) A one-off income tax expense of \$23.2m arose in FY12 as a result of a retrospective change in tax legislation enacted in June 2012 that caused the Group to lose the right to claim tax deductions for its acquired customer base amortisation.

TPG Telecom Limited and its controlled entities

Notes to the consolidated financial statements

For the year ended 31 July 2013

11. Earnings per share

	2013	2012
	Cents	Cents
Basic and diluted earnings per share	18.8	11.5
	2013	2012
	Number	Number
Weighted average number of shares used in calculating basic and diluted earnings per share:		
Ordinary shares on issue at 1 August	793,808,141	783,481,644
Effect of shares issued under the Dividend Reinvestment Plan	-	6,825,024
Effect of shares issued on acquisition of IntraPower Limited	-	357,323
Weighted average number of ordinary shares at 31 July	793,808,141	790,663,991
	2013	2012
<i>In thousands of AUD</i>		
Profit attributable to ordinary shareholders used in calculating basic and diluted earnings per share	149,165	90,964

12. Cash and cash equivalents

	2013	2012
<i>In thousands of AUD</i>		
Bank balances	26,121	13,760
Cash	7	7
Cash and cash equivalents	26,128	13,767

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 27.

13. Trade and other receivables

	2013	2012
<i>In thousands of AUD</i>		
Current		
Trade receivables	30,060	28,434
Accrued income and other receivables	16,895	16,663
Less: Provision for impairment losses	(6,279)	(7,084)
	40,676	38,013
Non-Current		
Accrued income and other receivables	15,268	6,049

The Group's exposure to credit and currency risk and impairment losses related to trade and other receivables is disclosed in note 27.

TPG Telecom Limited and its controlled entities

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For the year ended 31 July 2013

14. Inventories

<i>In thousands of AUD</i>	2013	2012
Customer equipment inventory	179	363

15. Investments

Available-for-sale financial assets	2013	2012
<i>In thousands of AUD</i>		
Current		
Carrying amount at 1 August	47,619	11,293
Acquisition	-	22,406
Disposals at cost	(1,345)	-
Change in fair value	34,907	13,920
Carrying amount at 31 July	81,181	47,619
Non-Current		
Available-for-sale financial assets	7,333	-

The current available-for-sale financial assets represent investments in ASX listed equity securities.

The non-current available-for-sale financial assets balance represents an investment in Cocoon Data Holdings Limited ('CDHL'). During the year ended 31 July 2013, the Company entered into an agreement with CDHL under which the Company paid \$10.0m to acquire (i) approximately 15% of the ordinary shares in CDHL, and (ii) a 10 year exclusive licence to distribute certain CDHL products to certain market segments in Australia and New Zealand. \$7.3m of the consideration has been apportioned to the equity investment with the \$2.7m balance apportioned to the licence agreement (refer note 20).

Sensitivity analysis – equity price risk

A two percent increase in the share price of ASX listed equity investments as at the reporting date would have increased equity by \$1.1m after tax. An equal change in the opposite direction would have decreased equity by \$1.1m after tax.

16. Prepayments and other assets

<i>In thousands of AUD</i>	2013	2012
Current		
Prepayments	6,352	7,515
Non-Current		
Security deposits	339	434

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17. Current tax liabilities

The current tax liability for the Group of \$33.628m (2012: \$39.542m) represents the remaining amount of income tax payable in respect of year ended 31 July 2013.

18. Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

<i>In thousands of AUD</i>	Assets		Liabilities		Net	
	2013	2012	2013	2012	2013	2012
Receivables	(1,884)	(1,927)	1,900	-	16	(1,927)
Inventories	(231)	(140)	-	-	(231)	(140)
Investments	-	-	15,116	4,644	15,116	4,644
Property, plant and equipment	(1,990)	(1,722)	11,436	11,299	9,446	9,577
Intangible assets	-	-	12,128	17,475	12,128	17,475
Payables	-	(96)	20	18	20	(78)
Provisions	(7,036)	(4,868)	3	448	(7,033)	(4,420)
Employee benefits	(1,677)	(1,747)	-	-	(1,677)	(1,747)
Unearned revenue	(10,504)	(6,237)	-	295	(10,504)	(5,942)
Equity raising costs	(2,012)	(546)	-	-	(2,012)	(546)
Tax loss carry-forwards	(969)	(959)	-	-	(969)	(959)
Other items	1,110	(1,419)	-	622	1,110	(797)
Tax (assets)/liabilities	(25,193)	(19,661)	40,603	34,801	15,410	15,140
Set off of tax	25,193	19,661	(25,193)	(19,661)	-	-
Net tax liabilities	-	-	15,410	15,140	15,410	15,140

TPG Telecom Limited and its controlled entities

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For the year ended 31 July 2013

18. Deferred tax assets and liabilities (continued)

Movement in temporary differences during the year

<i>In thousands of AUD</i>	Balance 31 July 2011	Recognised in profit or loss	Recognised in equity	Acquired in business combinations	Balance 31 July 2012	Recognised in profit or loss	Recognised in equity	Balance 31 July 2013
Receivables	(1,633)	(55)	-	(239)	(1,927)	1,943	-	16
Inventories	-	(140)	-	-	(140)	(91)	-	(231)
Investments	471	-	4,173	-	4,644	-	10,472	15,116
Property, plant and equipment	7,109	2,468	-	-	9,577	(131)	-	9,446
Intangible assets	12,616	3,072	-	1,787	17,475	(5,347)	-	12,128
Payables	(261)	183	-	-	(78)	98	-	20
Provisions	(4,299)	(101)	-	(20)	(4,420)	(2,613)	-	(7,033)
Employee benefits	(1,543)	(26)	-	(178)	(1,747)	70	-	(1,677)
Unearned revenue	(2,139)	(3,472)	-	(331)	(5,942)	(4,562)	-	(10,504)
Equity raising costs	(647)	101	-	-	(546)	(1,466)	-	(2,012)
Other items	(2,312)	1,557	-	(42)	(797)	1,907	-	1,110
Tax loss carry-forwards	-	548	-	(1,507)	(959)	(10)	-	(969)
	7,362	4,135	4,173	(530)	15,140	(10,202)	10,472	15,410

TPG Telecom Limited and its controlled entities

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19. Property, plant and equipment

In thousands of AUD

	<i>Note</i>	Network infrastructure	Land & Buildings	Leasehold improvements	Total
Cost					
Balance at 1 August 2011		474,994	3,095	2,934	481,023
Acquisitions through business combinations	36	1,979	-	-	1,979
Additions		59,334	-	79	59,413
Disposals		(4,929)	-	-	(4,929)
Write-downs and write-offs		(4)	-	-	(4)
Effect of movements in exchange rates		132	53	-	185
Balance at 31 July 2012		531,506	3,148	3,013	537,667
Balance at 1 August 2012		531,506	3,148	3,013	537,667
Additions		51,641	-	-	51,641
Disposals		(6,668)	-	-	(6,668)
Effect of movements in exchange rates		271	102	-	373
Balance at 31 July 2013		576,750	3,250	3,013	583,013

TPG Telecom Limited and its controlled entities

Notes to the consolidated financial statements

For the year ended 31 July 2013

19. Property, plant and equipment (continued)

In thousands of AUD

	Network infrastructure	Land & Buildings	Leasehold improvements	Total
Depreciation and impairment losses				
Balance at 1 August 2011	165,507	203	873	166,583
Depreciation charge for the year	46,474	92	497	47,063
Disposals	-	-	-	-
Effect of movements in exchange rates	98	8	-	106
Balance at 31 July 2012	212,079	303	1,370	213,752
Balance at 1 August 2012	212,079	303	1,370	213,752
Depreciation charge for the year	48,853	138	901	49,892
Disposals	(58)	-	-	(58)
Effect of movements in exchange rates	248	20	-	268
Balance at 31 July 2013	261,122	461	2,271	263,854
Carrying amounts				
At 1 August 2011	309,505	2,892	2,043	314,440
At 31 July 2012	319,444	2,845	1,626	323,915
At 1 August 2012	319,444	2,845	1,626	323,915
At 31 July 2013	315,646	2,789	724	319,159

Leased plant and equipment

Network infrastructure includes a number of assets acquired through finance lease agreements. At the end of lease term, the Group has the option to purchase the asset at a beneficial price. At 31 July 2013 the net carrying amount of leased assets was \$1.1m (2012: \$1.2m). The leased asset secures the underlying lease obligation (see note 22).

TPG Telecom Limited and its controlled entities

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For the year ended 31 July 2013

20. Intangible assets

Non-current	Non-Amortising		Amortising				Total	
	Goodwill	Trademark	Acquired customer bases	Internally generated software	Indefeasible right of use of capacity	Development costs		Licences
<i>In thousands of AUD</i>								
Cost								
Balance 1 August 2011	382,357	20,068	230,800	8,037	61,888	1,459	-	704,609
Acquisitions through business combinations	9,164	-	6,124	-	-	-	-	15,288
Additions	-	-	-	-	446	-	-	446
Balance 31 July 2012	391,521	20,068	236,924	8,037	62,334	1,459	-	720,343
Balance 1 August 2012	391,521	20,068	236,924	8,037	62,334	1,459	-	720,343
Additions	-	-	-	-	251	-	2,667*	2,918
Balance 31 July 2013	391,521	20,068	236,924	8,037	62,585	1,459	2,667	723,261
Amortisation and Impairment								
Balance 1 August 2011	-	-	146,554	5,293	10,287	1,027	-	163,161
Amortisation for the year	-	-	27,659	1,617	4,587	94	-	33,957
Balance 31 July 2012	-	-	174,213	6,910	14,874	1,121	-	197,118
Balance 1 August 2012	-	-	174,213	6,910	14,874	1,121	-	197,118
Amortisation for the year	-	-	18,114	1,096	4,594	94	44	23,942
Balance 31 July 2013	-	-	192,327	8,006	19,468	1,215	44	221,060
Carrying amounts								
At 1 August 2011	382,357	20,068	84,246	2,744	51,601	432	-	541,448
At 31 July 2012	391,521	20,068	62,711	1,127	47,460	338	-	523,225
At 1 August 2012	391,521	20,068	62,711	1,127	47,460	338	-	523,225
At 31 July 2013	391,521	20,068	44,597	31	43,117	244	2,623	502,201

* Refer note 15

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20. Intangible assets (continued)

Impairment tests for cash generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's cash generating units (CGUs). CGUs are determined according to the lowest level of groups of assets that generate largely independent cashflows. The Group has two separate CGUs, being the Consumer and Corporate CGUs.

Total goodwill at 31 July 2013 is \$391.5m (2012: \$391.5m), the majority of which (\$387.0m) is allocated to the Consumer CGU as it is the principal beneficiary of the acquisitions from which the goodwill has arisen.

The recoverable amount of goodwill has been determined based on value-in-use calculations.

Value-in-use is determined by discounting the projected future cashflows generated from the continuing use of the assets in the relevant CGU.

The cashflow projections utilised in the current year were the budgeted cashflows for the year to 31 July 2014, extrapolated based on revenue and margin growth assumptions to cover a 5 year period and incorporating a terminal value. The assumed growth rate in cashflows was 2% per annum in years 2 to 5 based on the long-term industry growth rate (2012: 2%). In the terminal phase beyond year 5 the growth rate used was also 2% (2012: 2%).

A pre-tax discount rate of 13.5% (2012: 14%) has been used in discounting the projected cashflows of both CGUs, which is based on the Group's WACC adjusted to reflect an estimate of specific risks assumed in the cashflow projections.

Sensitivity analysis on all key assumptions employed in the value-in-use calculations has been performed. From this it was concluded that no reasonable possible movement in any of the key assumptions would give rise to any impairment in either CGU.

21. Trade and other payables

In thousands of AUD

	2013	2012
Trade creditors	43,468	49,141
Other creditors and accruals	50,654	36,235
	94,122	85,376

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 27.

TPG Telecom Limited and its controlled entities

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For the year ended 31 July 2013

22. Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate and foreign currency risk, see note 27.

<i>In thousands of AUD</i>	2013	2012
Current liabilities		
Finance lease liabilities	169	357
	169	357
Non-Current		
Gross secured bank loans	42,000	149,000
Less: Unamortised borrowing costs	(3,171)	(5,129)
Secured bank loans	38,829	143,871
Finance lease liabilities	305	489
	39,134	144,360

As at 31 July 2013 the Group had a debt facility of \$300.0m, of which \$258.0m was undrawn. Since the year-end the Group has elected to reduce the facility limit to \$80.0m. The debt facility has an expiry date of 15 March 2015.

The Group also has a \$20.0m working capital facility.

During the year ended 31 July 2013, the Group made debt repayments of \$107.0m (net of draw-downs of \$27.0m).

The outstanding loan balance as at the year end is shown in the statement of financial position net of unamortised borrowing costs of \$3.2m (2012: \$5.1m).

The bank loan facility is secured by a fixed and floating charge over all of the assets of the Group, with the exception of the assets of the following subsidiaries:

Chariot Pty Ltd	Orchid Human Resources Pty Ltd	IP Group Pty Ltd
Kooee Pty Ltd	TPG (NZ) Pty Ltd	Mercury Connect Pty Ltd
Digiplus Contracts Pty Ltd	IntraPower Pty Ltd	VtalkVoip Pty Ltd
Blue Call Pty Ltd	IP Service Xchange Pty Ltd	Intrapower Terrestrial Pty Ltd
Orchid Cybertech Services Inc (Philippines)	Trusted Cloud Pty Ltd	Hosteddesktop.com Pty Ltd
	Trusted Cloud Solutions Pty Ltd	Virtual Desktop Pty Ltd
	Alchemyit Pty Ltd	Destra Communications Pty Ltd

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For the year ended 31 July 2013

22. Loans and borrowings (continued)

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

<i>In thousands of AUD</i>	Currency	Nominal interest rate	Year of maturity	2013		2012	
				Face value	Carrying amount	Face value	Carrying amount
Secured bank loan	AUD	BBSY + margin (1)	2015	42,000	42,000	149,000	149,000
Finance lease liabilities	AUD	6% - 9%	2013-2016	526	474	952	846
				42,526	42,474	149,952	149,846

(1) Margin is variable and is determined quarterly according to gearing ratio.

Finance lease liabilities

Finance lease liabilities of the Group are payable as follows:

<i>In thousands of AUD</i>	Minimum lease payments	Interest	Principal	Minimum lease payments	Interest	Principal
	2013	2013	2013	2012	2012	2012
Less than one year	200	31	169	408	51	357
Between one and five years	326	21	305	544	55	489
	526	52	474	952	106	846

23. Employee benefits

<i>In thousands of AUD</i>	2013	2012
Current		
Liability for annual leave	3,578	3,305
Liability for long service leave	1,663	1,301
	5,241	4,606
Non-Current		
Liability for long service leave	349	743

TPG Telecom Limited and its controlled entities

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For the year ended 31 July 2013

23. Employee benefits (continued)

Share based payments

(i) Performance rights plan

The Group has a long-term incentive structure in the form of a performance rights plan. Under the rules of the performance rights plan, participants may be granted rights to acquire fully paid ordinary shares in the Company for no consideration, subject to certain performance conditions.

The plan was introduced in FY12 with the first grant of rights taking place on 9 March 2012. During FY13 a second grant of rights occurred (grant date 24 December 2012). The key terms of both lots of rights are consistent with one another and are as follows:

- One third of the performance rights granted will vest following the release of the Group's audited financial statements for each of the three financial years ending after the date of grant, subject to the satisfaction of performance conditions.
- At each vesting date:
 - 30% of the performance rights that are due to vest on that date will vest if the rights holder has been continuously employed by the Group up until and including the relevant vesting date; and
 - 70% of the performance rights that are due to vest on that date will vest if the rights holder has been continuously employed by the Group up until and including the relevant vesting date and the Group has met its financial objectives for the financial year immediately preceding the relevant vesting date.

Any performance rights which do not vest, automatically lapse.

The number of rights granted or outstanding during the year ended 31 July 2013 are set out below:

	No. of Rights
Balance at start of year	979,000
Granted during the year	703,500
Forfeited during the year	(187,000)
Vested during the year	(321,333)
Balance at end of year	1,174,167
Exercisable at end of year	-

The fair value of the rights at date of grant was calculated by subtracting the expected dividend payments per share during the vesting period from the share price at date of grant. The weighted average fair value of the rights granted on 9 March 2012 was \$1.4733. The share price at date of grant was \$1.56. The weighted average fair value of the rights granted on 24 December 2012 was \$2.3267. The share price at date of grant was \$2.48.

At the year-end an estimate of how many rights are likely to vest based on the continuous employment and financial performance conditions has been updated. The fair value of the number of rights expected to vest has been expensed in proportion to how far through the vesting period the rights are at that date. The amount consequently expensed in the year was \$1.1m (2012: \$586k).

TPG Telecom Limited and its controlled entities

Notes to the consolidated financial statements

For the year ended 31 July 2013

23. Employee benefits (continued)

(ii) Employee share scheme

The Group previously had in place an employee share scheme under which ordinary shares in the Company were allocated to certain employees and vested at 20% per annum at the end of each of the five years following allocation, provided the employee continued to be employed by the Group. The final vesting date under this plan occurred during the year ended 31 July 2013 and there were therefore no unvested shares outstanding under this plan as at 31 July 2013. During the year ended 31 July 2013 \$31,000 (2012: \$50,000) was recognised as an employee benefit expense in respect of this scheme.

Under both of the above share-based payment schemes, funds are transferred by the Company to a trust which acts as an agent and purchases shares for the benefit of the selected employees. A share-based payments reserve is recognised for the funds transferred to the schemes. An employee expense is recognised over the vesting period of the rights and shares with a corresponding decrease in the share-based payments reserve.

24. Provisions

In thousands of AUD

	Make good costs	Lease increment	Other	Total
Balance 1 August 2012	5,988	1,030	2,000	9,018
Provisions made during the year	-	610	-	610
Provisions used during the year	(11)	-	-	(11)
Unwind of discount	110	-	-	110
Balance 31 July 2013	6,087	1,640	2,000	9,727
Current	-	616	2,000	2,616
Non-current	6,087	1,024	-	7,111
	6,087	1,640	2,000	9,727

Make good costs

The make good costs provision relates to the Group's estimated costs to make good leased premises. The provision is based on the estimated cost per leased site using historical costs for sites made good previously.

Lease increment

Where the Group has contracted lease agreements that contain incremental lease payments over the term of the lease, a provision is recognised for the increased lease payments so that lease expenditure is recognised on a straight line basis over the lease term.

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25. Deferred income and other liabilities

<i>In thousands of AUD</i>	2013	2012
Current		
Deferred income	58,784	44,443
Non-Current		
Deferred income	26,010	26,262

26. Capital and reserves

Share capital

	Ordinary shares		In thousands of AUD	
	2013	2012	2013	2012
Opening balance	793,808,141	783,481,644	516,907	502,874
Ordinary shares issued during the year:				
Dividend Reinvestment Plan	-	9,912,535	-	13,450
On acquisition of IntraPower Limited	-	413,962	-	607
Transaction costs, net of tax	-	-	-	(24)
Closing balance	793,808,141	793,808,141	516,907	516,907

The Company does not have authorised capital or par value in respect of its issued shares. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

Foreign currency translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the presentation currency of the reporting entity.

Share-based payments reserve

The share-based payments reserve represents the value of shares held by a share-based remuneration plan that the Company is required to include in the consolidated financial statements. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. At 31 July 2013 the Group held 21,085 of the Company's shares (2012: 94,784 shares).

Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired.

TPG Telecom Limited and its controlled entities

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For the year ended 31 July 2013

26. Capital and reserves (continued)

Dividends

Dividends recognised in the current year were as follows:

<i>In thousands of AUD</i>	Cents per share	Total amount	Franked / unfranked	Date of payment
2013				
Interim 2013 ordinary	3.50	27,783	Franked	21 May 2013
Final 2012 ordinary	2.75	21,830	Franked	20 Nov 2012
Total amount		49,613		
2012				
Interim 2012 ordinary	2.75	21,830	Franked	22 May 2012
Final 2011 ordinary	2.25	17,637	Franked	22 Nov 2011
Total amount		39,467		

Franked dividends declared or paid during the year were fully franked at the tax rate of 30%.

The directors have declared a fully franked final FY13 dividend of 4.0 cents per share. As the final dividend was not declared or resolved to be paid by the Board of directors as at 31 July 2013, the dividend has not been provided for in the consolidated statement of financial position. The dividend has a record date of 15 October 2013 and will be paid on 19 November 2013.

The Dividend Reinvestment Plan (DRP) is currently suspended until further notice.

Dividend franking account

<i>In thousands of AUD</i>	2013	2012
30 per cent franking credits available to shareholders of TPG Telecom Limited for subsequent financial years	181,772	147,476

The above available amounts are based on the balance of the dividend franking account at year-end adjusted for:

- franking credits that will arise from the payment of the current tax liabilities;
- franking debits that will arise from the payment of dividends recognised as a liability at the year-end;
- franking credits that will arise from the receipt of dividends recognised as receivables by the tax consolidated group at the year-end; and
- franking credits that the entity may be prevented from distributing in subsequent years.

The ability to utilise the franking credits is dependent upon the ability of the Company to pay dividends. The impact on the dividend franking account of dividends proposed after the balance sheet date but not recognised as a liability is to reduce it by \$13.6m (2012: \$9.4m)

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27. Financial instruments

Exposure to credit, liquidity and market risks arise in the normal course of the Group's activities. The Group's risk management policies are described at note 5.

Credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure from those assets. The Group's maximum exposure to credit risk at the reporting date was as follows:

<i>In thousands of AUD</i>	Note	2013	2012
Trade and other receivables	13	55,944	44,062
Cash and cash equivalents	12	26,128	13,767
Available-for-sale financial assets	15	88,514	47,619
		170,586	105,448

The Group's maximum exposure to credit risk for trade receivables at the reporting date by customer type was as follows:

<i>In thousands of AUD</i>	Note	2013	2012
Type of customer			
Government		4,691	5,290
Corporate		10,244	10,150
Wholesale		7,125	8,416
Retail		8,000	4,578
	13	30,060	28,434

The Group minimises concentration of credit risk by undertaking transactions with a large number of customers.

By industry, the Group is not subject to a concentration of credit risk in any particular industry as its customers operate in a wide range of industries.

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For the year ended 31 July 2013

27. Financial instruments (continued)

Credit risk (continued)

The Group's maximum exposure to credit risk for trade receivables at the reporting date by geographical region was as follows:

<i>In thousands of AUD</i>	Note	2013	2012
Geographical region			
Australia		29,432	27,614
New Zealand		86	53
United States		371	20
Other		171	747
	13	30,060	28,434

Geographically, the Group is subject to a concentration of credit risk as predominantly all of its revenue is generated in Australia.

The ageing of the Group's trade receivables at the reporting date was as follows:

<i>In thousands of AUD</i>	Note	2013	2012
Ageing of customer			
Not past due		18,392	15,424
Past due 0-30 days		5,003	4,223
Past due 31-60 days		970	1,266
Past due 61-90 days		847	1,128
Past due 91-120 days		1,348	1,704
Past due 121 days		3,500	4,689
Gross trade receivables		30,060	28,434
Less: Provision for impairment losses		(6,279)	(7,084)
Net receivables	13	23,781	21,350

The provision for impairment losses of the Group at 31 July 2013 of \$6.3m (2012: \$7.1m) represents the risk of non-collection of outstanding debts that are past due and believed to be at risk of non-collection. The provision is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible. At this point the amount is considered irrecoverable and is written off against the financial asset directly.

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For the year ended 31 July 2013

27. Financial instruments (continued)

Credit risk (continued)

The movement in the provision for impairment losses during the year ended 31 July 2013 is as follows:

<i>In thousands of AUD</i>	Note	2013	2012
Balance at 1 August		7,084	5,243
Acquired through business combination		-	447
Impairment loss recognised/(written back)		(805)	1,394
Balance at 31 July	13	6,279	7,084

Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

31 July 2013

<i>In thousands of AUD</i>	Note	Carrying amount	Contractual cashflows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Secured bank loans	22	(42,000)	(45,037)	(935)	(935)	(43,167)	-	-
Finance lease liabilities		(474)	(526)	(91)	(109)	(217)	(109)	-
Trade and other payables	21	(94,122)	(94,122)	(94,122)	-	-	-	-
		136,596	(139,685)	(95,148)	(1,044)	(43,384)	(109)	-

31 July 2012

<i>In thousands of AUD</i>	Note	Carrying amount	Contractual cashflows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Secured bank loans	22	(149,000)	(170,395)	(4,075)	(4,075)	(8,150)	(154,094)	-
Finance lease liabilities		(846)	(952)	(222)	(205)	(217)	(308)	-
Trade and other payables	21	(85,376)	(85,376)	(85,376)	-	-	-	-
		(235,222)	(256,723)	(89,673)	(4,280)	(8,367)	(154,402)	-

It is not expected that the cashflows included in the maturity analysis above could occur significantly earlier, or at significantly different amounts.

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27. Financial instruments (continued)

Market risk

Exposure to currency risk

The Group is exposed to foreign currency risk on revenues, expenses and financial instruments that are denominated in a currency other than AUD. The Group's exposure to foreign currency risk at balance date was as follows:

<i>In thousands</i>	31 July 2013					31 July 2012			
	AUD equivalent	NZD	USD	PHP	HKD	AUD equivalent	NZD	USD	PHP
Trade receivables	2,784	21	2,516	-	-	656	-	688	-
Other financial assets	4,507	-	4,091	429	-	4,684	-	4,897	429
Trade payables	(4,933)	(74)	(4,428)	(43)	(50)	(4,027)	(17)	(4,221)	(4)
Other financial liabilities	-	-	-	-	-	(182)	-	(191)	-
Statement of Financial Position exposure	2,358	(53)	2,179	386	(50)	1,131	(17)	1,173	425

In addition to the above, the Group has operating lease commitments denominated in USD (refer note 28).

The average rates during the year and spot rates at the year-end for the currencies that impact the business were as follows:

	Average rate		Reporting date spot rate	
	2013	2012	2013	2012
NZD	1.22	1.27	1.14	1.30
USD	0.98	1.03	0.91	1.05
PHP	41.61	45.02	39.42	43.81
HKD	7.89	8.01	7.06	8.13

Sensitivity analysis

A 10 percent strengthening/weakening of the Australian dollar against the following currencies at 31 July 2013 would have decreased/increased equity and profit or loss by \$214K (2012: \$102K). This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2012.

TPG Telecom Limited and its controlled entities

Notes to the consolidated financial statements

For the year ended 31 July 2013

27. Financial instruments (continued)

Interest rate risk

At the reporting date the Group's interest-bearing financial instruments were as follows:

<i>In thousands of AUD</i>	Note	2013	2012
Fixed rate instruments			
Financial liabilities	22	(474)	(846)
Variable rate instruments			
Financial assets	12	26,128	13,767
Financial liabilities	22	(42,000)	(149,000)
		(15,872)	(135,233)

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Cashflow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates would cause a movement in the Group's annualised interest expense, based on the balance of its variable rate instruments as at 31 July 2013, of \$159k (2012: \$1.4m) (assumes that all other variables, in particular foreign currency rates, remain constant).

Fair values versus carrying amounts

As at 31 July 2013, the fair values of the Group's financial assets and liabilities approximate their carrying amounts shown in the statement of financial position.

The basis for determining the fair values of financial assets and liabilities is disclosed in note 4.

TPG Telecom Limited and its controlled entities

Notes to the consolidated financial statements

For the year ended 31 July 2013

27. Financial instruments (continued)

Interest rate risk (continued)

Interest rates used for determining fair value

The interest rates used to discount estimated cashflows, where applicable, are based on the rates implicit in the transaction, and were as follows:

	2013	2012
Loans and borrowings	BBSY + margin	BBSY + margin
Leases	5% to 10%	5% to 10%

There are three possible valuation methods (or 'levels') for financial instruments which are measured at fair value. Those different levels are as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group's only financial instruments which are measured at fair value are available-for-sale financial assets. Financial instruments that are listed securities are categorised as Level 1 as they are valued on quoted market prices. Other financial instruments are categorised as Level 2 and are valued based on observable inputs other than quoted market prices.

28. Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

<i>In thousands of AUD</i>	2013	2012
Less than one year	27,634	35,425
Between one and five years	46,030	42,999
More than five years	28,796	32,128
	102,460	110,552

These operating lease commitments include \$11.6m denominated in USD (2012: \$23.3m).

TPG Telecom Limited and its controlled entities

Notes to the consolidated financial statements

For the year ended 31 July 2013

29. Capital and other commitments

<i>In thousands of AUD</i>	2013	2012
Capital expenditure commitments		
Contracted but not provided for and payable	23,743	15,075

The capital commitments at 31 July 2013 in the table above include \$13.5m in respect of spectrum licences won by the Company at the Digital Dividend auction in May 2013.

The spectrum acquired comprises 2*10 MHz in the 2.5GHz band across all regions and becomes available for use from 1 October 2014, with payment due in September 2014.

30. Contingencies

The directors are of the opinion that provisions are not required in respect of the below matters, because either it is not probable that a future economic sacrifice of economic benefits will be required, or the amount is not capable of reliable measurement.

Guarantees

Under the terms of a Deed of Cross Guarantee (refer note 38) the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries covered by the Deed.

Litigation

The Company (or its subsidiaries) are parties to various legal cases which have arisen in the ordinary course of the business of the Group.

The directors have provided for costs and settlement of certain cases where such amounts can be reliably estimated. In the opinion of directors, the likelihood of significant cash outflows relating to other cases is remote.

In the opinion of the directors, disclosure of further information about these legal cases would be prejudicial to the interests of the Group.

TPG Telecom Limited and its controlled entities

Notes to the consolidated financial statements

For the year ended 31 July 2013

31. Consolidated entities

The following is a list of all entities that formed part of the Group as at 31 July 2013:

Parent entity	Country of incorporation	Ownership interest (%)	
		2013	2012
TPG Telecom Limited	Australia		
Subsidiaries			
TPG Holdings Pty Ltd	Australia	100	100
TPG Internet Pty Ltd	Australia	100	100
Value Added Network Pty Ltd	Australia	100	100
TPG Network Pty Ltd	Australia	100	100
TPG Research Pty Ltd	Australia	100	100
TPG Broadband Pty Ltd	Australia	100	100
TPG (NZ) Pty Ltd	New Zealand	100	100
Orchid Cybertech Services Incorporated	Philippines	99.99	99.99
Orchid Human Resources Pty Ltd	Australia	100	100
Chariot Pty Ltd	Australia	100	100
Soul Pattinson Telecommunications Pty Ltd	Australia	100	100
SPT Telecommunications Pty Ltd	Australia	100	100
SPTCom Pty Ltd	Australia	100	100
Kooee Communications Pty Ltd	Australia	100	100
Kooee Pty Ltd	Australia	100	100
Kooee Mobile Pty Ltd	Australia	100	100
Soul Communications Pty Ltd	Australia	100	100
Soul Contracts Pty Ltd	Australia	100	100
Digiplus Investments Pty Ltd	Australia	100	100
Digiplus Holdings Pty Ltd	Australia	100	100
Digiplus Pty Ltd	Australia	100	100
Digiplus Contracts Pty Ltd	Australia	100	100
Blue Call Pty Ltd	Australia	100	100
PIPE Networks Pty Ltd	Australia	100	100
PIPE Transmission Pty Ltd	Australia	100	100
PIPE International (Australia) Pty Ltd	Australia	100	100
PPC 1 Limited	Bermuda	100	100
PPC 1 (US) Incorporated	USA	100	100
ACN 139 798 404 Pty Ltd	Australia	100	100
IntraPower Pty Ltd	Australia	100	100
IP Service Xchange Pty Ltd	Australia	100	100
Trusted Cloud Pty Ltd	Australia	100	100
Trusted Cloud Solutions Pty Ltd	Australia	100	100
Alchemyit Pty Ltd	Australia	100	100
IP Group Pty Ltd	Australia	100	100
Mercury Connect Pty Ltd	Australia	100	100
VtalkVoip Pty Ltd	Australia	100	100
Intrapower Terrestrial Pty Ltd	Australia	100	100
Hosteddesktop.com Pty Ltd	Australia	100	100
Virtual Desktop Pty Ltd	Australia	100	100
Destra Communications Pty Ltd	Australia	100	100
Numillar IPS Pty Ltd	Australia	88.57	88.57

TPG Telecom Limited and its controlled entities

Notes to the consolidated financial statements

For the year ended 31 July 2013

32. Reconciliation of cashflows from operating activities

<i>In thousands of AUD</i>	Note	2013	2012
Cash flows from operating activities			
Profit for the year after income tax		149,165	90,964
<i>Adjustments for:</i>			
Dividend income	8	(2,219)	(1,438)
Depreciation of plant and equipment	19	49,892	47,063
Amortisation and impairment of intangibles	20	23,942	33,957
Bad and doubtful debts		1,301	2,163
Amortisation of borrowing costs	9	2,037	2,788
Employee share plan expense		31	50
Performance rights plan expense		1,148	586
Unrealised foreign exchange loss/(gain)		48	(154)
Interest income	9	(2,447)	(718)
Interest expense	9	7,363	15,075
Profit on sale of investments	8	(1,130)	-
Costs relating to mergers and acquisitions	36	-	132
Income tax expense	10	63,134	72,277
Operating profit before changes in working capital and provisions		292,265	262,745
Increase in trade and other receivables		(10,581)	(11,589)
(Increase)/decrease in inventories		184	(101)
Decrease in other assets		1,179	3,705
Increase in trade and other payables		19,931	10,354
Increase in other liabilities		14,089	11,073
Increase in employee benefits		241	881
Increase in provisions		709	107
		318,017	277,175
Income taxes paid		(79,218)	(47,703)
Net cash from operating activities		238,799	229,472

TPG Telecom Limited and its controlled entities

Notes to the consolidated financial statements

For the year ended 31 July 2013

33. Parent entity disclosures

<i>In thousands of AUD</i>	Note	Company	
		2013	2012
Result of the parent entity			
Profit/(Loss) for the period	(i)	(7,891)	187,305
Other comprehensive income		-	-
Total comprehensive (loss)/income for the period		(7,891)	187,305
 (i) Profit/(Loss) for the period comprises:			
Dividend from subsidiaries		-	200,000
Finance expenses		(9,300)	(17,561)
Costs relating to mergers and acquisitions		-	(32)
Income tax benefit		2,557	5,177
Other		(1,148)	(279)
Total (loss)/profit for the period		(7,891)	187,305
 Financial position of parent entity at year end			
Current assets		714	943
Total assets		1,151,379	1,061,190
Current liabilities		42,551	47,176
Total liabilities		618,494	471,980
 Total equity of the parent entity comprising:			
Share Capital		516,907	516,907
Reserves		734	(445)
Retained earnings		15,244	72,748
Total Equity		532,885	589,210

Parent entity guarantees

The parent entity has entered into a Deed of Cross Guarantee with the effect that the Company guarantees debts in respect of certain subsidiaries.

Further details of the Deed of Cross Guarantee and the subsidiaries subject to the deed, are disclosed in Note 38.

TPG Telecom Limited and its controlled entities

Notes to the consolidated financial statements

For the year ended 31 July 2013

34. Related parties

The following were key management personnel of the Group during the reporting period and, unless otherwise indicated, were key management personnel for the entire period:

Executive directors

Mr David Teoh
Executive Chairman & Chief Executive Officer

Mr Alan Latimer
Executive Director, Finance & Corporate Services

Non-executive directors

Mr Robert Millner

Mr Denis Ledbury

Mr Joseph Pang

Mr Shane Teoh appointed 11 October 2012

Executives

Mr Craig Levy
General Manager, Consumer

Mr John Paine
National Technical and Strategy Manager

Ms Mandie De Ville
Chief Information Officer

Mr Stephen Banfield
Chief Financial Officer and Company Secretary

Mr Wayne Springer
General Manager, Corporate Sales

Mr Tony Moffatt
General Counsel recognised in key management personnel from 1 August 2012

Key management personnel remuneration

The key management personnel remuneration included in employee benefits is as follows:

<i>In AUD</i>	2013	2012
Short-term employee benefits	4,680,235	3,975,492
Post-employment benefits	229,864	232,196
Other long term benefits	134,798	86,132
Termination benefits	-	40,000
Share-based benefits	600,512	204,167
	5,645,409	4,537,987

TPG Telecom Limited and its controlled entities

Notes to the consolidated financial statements

For the year ended 31 July 2013

34. Related parties (continued)

Individual directors' and executives' remuneration disclosures

Information regarding individual directors' and executives' remuneration is provided in the Remuneration Report section of the Directors' report on pages 22 to 29.

During the year the Group rented office premises from companies related to a director of the Company, Mr D Teoh. The total rent charged for the financial year 2013 was \$122,669 (2012: \$116,828).

The Group also licences the use of some office space to a company related to Mr S Teoh who was appointed a director of the Company on 11 October 2012. The total licence fee received by the Group for the financial year was \$23,611 (2012: \$22,702).

Apart from the details disclosed in this note, no director has entered into a material contract with the Company or the Group since the end of the previous financial year and there were no material contracts involving directors' interests existing at year-end.

Loans to key management personnel and their related parties

There were no loans in existence between the Group and any key management personnel or their related parties at any time during or since the financial year.

Other key management personnel transactions with the Company or its controlled entities

From time to time, key management personnel of the Company or its controlled entities, or their related entities, may purchase goods from the Group. These purchases are on the same terms and conditions as those entered into by other Group employees or customers and are trivial or domestic in nature.

Options and rights over equity instruments

The movement during the reporting period in the number of rights over ordinary shares in the Company held directly, indirectly or beneficially by each key management person, including by their related parties, is as follows:

	Held as at 31 July 2012	Granted as remuneration in the year	Forfeited in the year	Vested in the year	Held as at 31 July 2013
Mr S Banfield	75,000	60,000	-	25,000	110,000
Mr C Levy	100,000	81,000	-	33,333	147,667
Mr J Paine	75,000	60,000	-	25,000	110,000
Mr W Springer	75,000	60,000	-	25,000	110,000
Mr T Moffatt	75,000	60,000	-	25,000	110,000
Ms M De Ville	-	18,000	-	-	18,000

TPG Telecom Limited and its controlled entities

Notes to the consolidated financial statements

For the year ended 31 July 2013

34. Related parties (continued)

Movements in shares

	Held at 1 August 2012	Purchases	Granted as remuneration	Received under DRP*	Disposals	Held at 31 July 2013
Directors						
Mr D Teoh	291,625,603	-	-	-	-	291,625,603
Mr A Latimer	772,980	-	-	-	(272,980)	500,000
Mr R Millner	7,374,175	-	-	-	-	7,374,175
Mr D Ledbury	150,000	-	-	-	(50,000)	100,000
Mr J Pang	88,812	-	-	-	-	88,812
Mr S Teoh	90,251	-	-	-	-	90,251
Executives						
Mr C Levy	682,594	-	47,752	-	(130,563)	599,783
Mr J Paine	3,843,717	-	25,000	-	-	3,868,717
Ms M De Ville	127,795	-	3,607	-	-	131,402
Mr S Banfield	260,000	-	40,623	-	(100,623)	200,000
Mr W Springer	1,094,902	-	25,000	-	(990,000)	129,902
Mr T Moffatt	568,757	-	35,814	-	(52,000)	552,571

	Held at 1 August 2011	Purchases	Granted as remuneration	Received under DRP *	Disposals	Held at 31 July 2012
Directors						
Mr D Teoh	286,868,769	-	-	4,756,834	-	291,625,603
Mr A Latimer	760,372	-	-	12,608	-	772,980
Mr R Millner	7,057,154	200,000	-	117,021	-	7,374,175
Mr D Ledbury	150,000	-	-	-	-	150,000
Mr J Pang	87,363	-	-	1,449	-	88,812
Executives						
Mr C Levy	663,929	-	18,665	-	-	682,594
Mr J Paine	3,781,020	-	-	62,697	-	3,843,717
Ms M De Ville	121,512	-	6,283	-	-	127,795
Mr S Banfield	350,000	-	19,996	-	(109,996)	260,000
Mr W Springer	1,354,902	-	-	-	(260,000)	1,094,902

* DRP = Dividend Reinvestment Plan

Mr S Teoh does not appear in the 2012 table above as his appointment as a non-executive director occurred subsequent to 31 July 2012. Mr T Moffatt does not appear in the 2012 table above as he has only been recognised in key management personnel from 1 August 2012.

TPG Telecom Limited and its controlled entities

Notes to the consolidated financial statements

For the year ended 31 July 2013

34. Related parties (continued)

Identity of related parties

The Group has no related party relationships other than with its key management personnel.

35. Subsequent events

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

36. Business combination

The Group acquired IntraPower Limited on 3 August 2011. The financial year 2012 annual report contains further details of this acquisition.

37. Auditors' remuneration

In AUD

Audit and review services

Auditors of the Company – KPMG Australia

- Audit and review of financial statements
- Other regulatory audit services

2013	2012
394,800	405,012
15,500	15,500
410,300	420,512

Other services

Auditors of the Company – KPMG Australia

- Taxation

51,905	32,321
462,205	452,833

38. Deed of cross guarantee

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998, the wholly-owned subsidiaries listed below are relieved from the Corporations Act 2001 requirements for preparation, audit, and lodgement of financial reports and directors' reports.

It is a condition of the Class Order that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

TPG Telecom Limited and its controlled entities

Notes to the consolidated financial statements

For the year ended 31 July 2013

38. Deed of cross guarantee (continued)

The Deed of Cross Guarantee was entered into on 25 June 2008. The Australian incorporated companies within the IntraPower group (as included in the list below) were joined as parties to the Deed of Cross Guarantee through an Assumption Deed dated 25 January 2012. The subsidiaries subject to the Deed are as follows:

Soul Communications Pty Ltd
Digiplus Investments Pty Ltd
Soul Contracts Pty Ltd
Kooee Communications Pty Ltd
SPTCom Pty Ltd
Kooee Pty Ltd
Digiplus Holdings Pty Ltd
Digiplus Pty Ltd
Digiplus Contracts Pty Ltd
Blue Call Pty Ltd
Soul Pattinson Telecommunications Pty Ltd
Kooee Mobile Pty Ltd
SPT Telecommunications Pty Ltd
TPG Holdings Pty Ltd
TPG Internet Pty Ltd
Value Added Network Pty Ltd
Orchid Human Resources Pty Ltd
TPG Broadband Pty Ltd
TPG Network Pty Ltd
TPG Research Pty Ltd
TPG (NZ) Pty Ltd
Chariot Pty Ltd
Pipe Networks Pty Ltd
Pipe International (Australia) Pty Ltd
Pipe Transmission Pty Ltd
ACN 139 798 404 Pty Ltd
IntraPower Pty Ltd
Trusted Cloud Pty Ltd
IP Group Pty Ltd
Intrapower Terrestrial Pty Ltd
Virtual Desktop Pty Ltd

TPG Telecom Limited and its controlled entities

Notes to the consolidated financial statements

For the year ended 31 July 2013

38. Deed of cross guarantee (continued)

A consolidated statement of comprehensive income and consolidated statement of financial position, comprising the Company and controlled entities which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, at 31 July 2013 is set out as follows:

Statement of comprehensive income and retained profits

<i>In thousands of AUD</i>	2013	2012
Revenue	704,829	659,762
Other income	3,349	1,438
Telecommunications expense	(322,986)	(301,753)
Employee benefits expense	(46,675)	(48,032)
Other expenses	(44,372)	(48,019)
Earnings before interest, tax, depreciation and amortisation (EBITDA)	294,145	263,396
Depreciation of plant and equipment	(43,152)	(42,515)
Amortisation of intangibles	(23,318)	(31,489)
Results from operating activities	227,675	189,392
Finance income	2,447	720
Finance expenses	(9,400)	(17,864)
Net financing costs	(6,953)	(17,144)
Profit before income tax	220,722	172,248
Income tax expense	(63,583)	(72,314)
Profit for the year attributable to owners of the company	157,139	99,934
Other comprehensive income, net of tax	24,435	9,744
Total comprehensive income for the year	181,574	109,678
Retained earnings at beginning of year	60,030	(437)
Profit for the year	157,139	99,934
Dividends recognised during the year	(49,613)	(39,467)
Retained earnings at end of year	167,556	60,030

TPG Telecom Limited and its controlled entities

Notes to the consolidated financial statements

For the year ended 31 July 2013

38. Deed of cross guarantee (continued)

Statement of financial position

In thousands of AUD

	2013	2012
Assets		
Cash and cash equivalents	25,014	13,017
Trade and other receivables	40,371	37,682
Inventories	179	363
Investments	81,181	47,619
Prepayments and other assets	5,070	6,554
Total Current Assets	151,815	105,235
Trade and other receivables	15,268	6,049
Investments in subsidiaries	7,339	381
Loans to subsidiaries	109,886	110,090
Property, plant and equipment	222,530	222,866
Intangible assets	474,335	493,140
Prepayments and other assets	-	232
Total Non-Current Assets	829,358	832,758
Total Assets	981,173	937,993
Liabilities		
Trade and other payables	91,266	83,213
Loans and borrowings	169	357
Current tax liabilities	33,576	39,408
Employee benefits	5,241	4,606
Provisions	616	347
Accrued Interest	276	276
Deferred income and other liabilities	57,136	30,017
Total Current Liabilities	188,280	158,224
Loans and borrowings	39,134	143,499
Deferred tax liabilities	15,410	15,140
Employee benefits	349	743
Provisions	7,111	6,671
Deferred income and other liabilities	10,291	26,262
Total Non-Current Liabilities	72,295	192,315
Total Liabilities	260,575	350,539
Net Assets	720,598	587,454
Equity		
Share Capital	516,907	516,907
Reserves	36,135	10,517
Retained earnings	167,556	60,030
Total Equity	720,598	587,454

TPG Telecom Limited and its controlled entities

Directors' declaration

For the year ended 31 July 2013

1. In the opinion of the directors of TPG Telecom Limited ('the Company'):
 - (a) the financial statements and notes set out on pages 34 to 94 and the Remuneration report in section 6 of the Directors' report, set out on pages 22 to 29, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the Group as at 31 July 2013 and of its performance for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
 - (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a); and
 - (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. There are reasonable grounds to believe that the Company and the consolidated entities identified in note 38 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those consolidated entities pursuant to ASIC Class Order 98/1418.
3. The directors have been given the declarations from the chief executive officer and chief financial officer for the financial year ended 31 July 2013 required by Section 295A of the Corporations Act 2001.

Dated at Sydney this 11th day of October, 2013.

Signed in accordance with a resolution of the directors.



David Teoh
Chairman



Independent auditor's report to the members of TPG Telecom Limited

Report on the financial report

We have audited the accompanying financial report of the Group comprising TPG Telecom Limited (the Company) and its controlled entities, which comprises the consolidated statement of financial position as at 31 July 2013, and consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 38 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's opinion

In our opinion:

- (a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:
- (i) giving a true and fair view of the Group's financial position as at 31 July 2013 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a).

Report on the remuneration report

We have audited the Remuneration Report included in pages 22 to 29 of the directors' report for the year ended 31 July 2013. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of TPG Telecom Limited for the year ended 31 July 2013, complies with Section 300A of the *Corporations Act 2001*.

A handwritten version of the KPMG logo in black ink, with the letters 'KPMG' in a cursive, slightly slanted font.

KPMG

A handwritten signature in black ink that reads 'Anthony Travers'. The signature is written in a cursive, flowing style.

Anthony Travers
Partner
Sydney

11 October 2013



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of TPG Telecom Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 July 2013 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten version of the KPMG logo in black ink.

KPMG

A handwritten signature in black ink that reads 'Anthony Travers'.

Anthony Travers
Partner
Sydney

11 October 2013

TPG Telecom Limited and its controlled entities

ASX additional information

For the year ended 31 July 2013

Additional information required by the Australian Stock Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below. The shareholding information is current as at 30 September 2013.

Substantial shareholders

The number of shares held by substantial shareholders and their associates are set out below:

Name of shareholder	Number of ordinary shares held	% of capital held
David Teoh and Vicky Teoh	291,625,603	36.74%
Washington H Soul Pattinson and Company Limited	213,400,684	26.88%

Distribution of equity security holders

An analysis of the number of shareholders by size of holding is set out below:

No. of shares held	No. of holders
1 - 1,000	2,302
1,001 - 5,000	2,416
5,001 - 10,000	921
10,001 - 100,000	1,179
100,001 and over	137
	<u>6,955</u>

The number of shareholders holding less than a marketable parcel of ordinary shares is 453.

Voting rights (ordinary shares)

On a show of hands every member present at a meeting in person or by proxy shall have one vote, and upon a poll each share shall have one vote.

Stock exchange

TPG Telecom Limited is listed on the Australian Stock Exchange. The home exchange is Sydney, and the ASX code is TPM.

Other information

TPG Telecom Limited, incorporated and domiciled in Australia, is a publicly listed company limited by shares.

ASX additional information

For the year ended 31 July 2013

Twenty largest shareholders

Name of shareholder	Number of ordinary shares held	% of capital held
WASHINGTON H SOUL PATTINSON AND COMPANY LIMITED	213,400,684	26.88
DAVID TEOH	145,208,418	18.29
VICKY TEOH	144,058,011	18.15
NATIONAL NOMINEES LIMITED	52,287,506	6.59
J P MORGAN NOMINEES AUSTRALIA LIMITED	37,687,440	4.75
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	32,677,164	4.12
CITICORP NOMINEES PTY LIMITED	16,547,929	2.08
WIN CORPORATION PTY LTD	15,500,000	1.95
J S MILLNER HOLDINGS PTY LIMITED	6,151,207	0.77
FARJOY PTY LTD	6,010,000	0.76
JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	4,823,785	0.61
BNP PARIBAS NOMS PTY LTD <DRP>	4,708,624	0.59
BKI INVESTMENT COMPANY LIMITED	4,420,000	0.56
MR JOHN ERIC PAINE	3,843,717	0.48
MILTON CORPORATION LIMITED	3,731,553	0.47
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <PI POOLED A/C>	3,428,958	0.43
CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	3,168,256	0.40
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <BKCUST A/C>	2,823,772	0.36
BNP PARIBAS NOMINEES PTY LTD ACF PENGANA <DRP A/C>	2,550,000	0.32
AMP LIFE LIMITED	2,474,710	0.31
	705,501,734	88.87

Principal Registered Office

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Share Registry

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TPG Telecom Limited ABN 46 093 058 069