



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

ASX Appendix 4E and
Preliminary Financial Report
for the year ended 31 July 2013

Lodged with the ASX under Listing Rule 4.3A

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TPG Telecom Limited and its controlled entities
ASX Appendix 4E

Financial Year ended 31 July 2013
(Previous corresponding period: Year ended 31 July 2012)

Results for announcement to the market

Earnings

				A\$'000
Revenue	up	9%	to	724,533
Earnings before interest, tax, depreciation and amortisation (EBITDA)	up	12%	to	293,086
Net profit for the year attributable to owners of the Company	up	64%	to	149,165
Earnings per share (basic and diluted)	up	63%	to	18.8 cents

Dividends

	Amount per security	Franked amount per security
This period:		
Interim dividend for FY13	3.50 cents	3.50 cents
Final dividend for FY13 (payable 19 November 2013)	4.0 cents	4.0 cents
Previous corresponding period:		
Interim dividend for FY12	2.75 cents	2.75 cents
Final dividend for FY12	2.75 cents	2.75 cents

Total FY13 dividends are up 36% from the prior year. For the FY13 final dividend the record date for determining entitlement to the dividend will be 15 October 2013. The Dividend Reinvestment Plan (DRP) is currently suspended until further notice.

Commentary on results

The Company has provided a commentary on the results in its Financial Results Commentary which accompanies this report.

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Consolidated Income Statement

	Note	2013	2012
<i>In thousands of AUD</i>			
Revenue	3	724,533	663,139
Other income	4	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		(49,892)	(47,063)
Amortisation of intangibles	5	(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		(6,953)	(17,145)
Profit before income tax		212,299	163,241
Income tax expense	6	(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)	12	18.8	11.5

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Consolidated Statement of Comprehensive Income

	Note	2013	2012
<i>In thousands of AUD</i>			
Profit for the year		149,165	90,964
Foreign exchange translation differences		23	6
Net change in fair value of available-for-sale financial assets, net of tax	8	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

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Consolidated Statement of Financial Position

<i>In thousands of AUD</i>	<i>Note</i>	31 July 2013	31 July 2012
Assets			
Cash and cash equivalents		26,128	13,767
Trade and other receivables	7	40,676	38,013
Inventories		179	363
Investments	8	81,181	47,619
Prepayments and other assets		6,352	7,515
Total Current Assets		154,516	107,277
Trade and other receivables	7	15,268	6,049
Investments	8	7,333	-
Property, plant and equipment		319,159	323,915
Intangible assets	5	502,201	523,225
Prepayments and other assets		339	434
Total Non-Current Assets		844,300	853,623
Total Assets		998,816	960,900
Liabilities			
Trade and other payables		94,122	85,376
Loans and borrowings	9	169	357
Current tax liabilities		33,628	39,542
Employee benefits		4,771	4,606
Provisions		2,616	2,347
Accrued interest		276	276
Deferred income and other liabilities		58,784	44,443
Total Current Liabilities		194,366	176,947
Loans and borrowings	9	39,134	144,360
Deferred tax liabilities		15,410	15,140
Employee benefits		819	743
Provisions		7,111	6,671
Deferred income and other liabilities		26,010	26,262
Total Non-Current Liabilities		88,484	193,176
Total Liabilities		282,850	370,123
Net Assets		715,966	590,777
Equity			
Share Capital	10	516,907	516,907
Reserves		36,134	10,497
Retained earnings		162,925	63,373
Total Equity		715,966	590,777

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Consolidated Statement of Changes in Equity

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	8	-	-	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	10	607	-	-	-	-	607
Transaction costs, net of tax	10	(24)	-	-	-	-	(24)
Dividends paid to shareholders	10,11	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	8	-	-	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	10,11	-	-	-	-	(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 condensed notes on pages 8 to 16 are an integral part of these consolidated financial statements

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Consolidated Statement of Cash Flows

<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)	(64,610)
Acquisition of subsidiaries, net of cash acquired	16	-	(11,313)
Costs incurred on acquisition of subsidiaries	16	-	(132)
Acquisition of investments	8	(7,333)	(22,406)
Acquisition of intangibles	5	(2,918)	-
Proceeds from sale of investments	8	2,475	-
Dividends received	4	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	9	27,000	25,000
Repayment of borrowings	9	(134,000)	(109,548)
Interest received		1,411	349
Interest paid		(7,363)	(15,179)
Dividends paid, net of Dividend Reinvestment Plan		(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		13,767	9,525
Effect of exchange rate fluctuations		376	(645)
Cash and cash equivalents at end of the year		26,128	13,767

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Preliminary Financial Report for the year ended 31 July 2013

Condensed notes to the consolidated financial statements

Note 1 Basis of preparation of financial report

This preliminary financial report for the year ended 31 July 2013 has been prepared in accordance with Australian Accounting Standards (including Australian Interpretations) adopted by the Australian Accounting Standards Board and the *Corporations Act 2001*.

The preliminary financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 July 2012 and any public announcements made by TPG Telecom Limited during the reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Unless otherwise stated, the accounting policies adopted have been applied consistently to all periods presented in this preliminary financial report and are consistent with those disclosed in the 31 July 2012 annual report.

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 9).

Note 2 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 customers. The Group's Corporate segment provides telecommunications services to corporate, government, wholesale and small business 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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Condensed notes to the consolidated financial statements

Note 2 Segment reporting (continued)

	<u>Information about reportable segments</u>						<u>Reconciliation to profit for the year</u>			
	Consumer		Corporate		Total results		Unallocated		Consolidated results for the year	
<i>In thousands of AUD</i>	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 \$10.3 million (2012: \$7.7 million) derived from overseas customers.

All of the Group's non-current assets are located in Australia, except for assets amounting to \$122.9 million (2012: \$129.7 million) 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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Condensed notes to the consolidated financial statements

Note 3 Revenue

<i>In thousands of AUD</i>	2013	2012
Revenue comprises the following:		
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

Note 4 Other income

<i>In thousands of AUD</i>	2013	2012
Dividend income	2,219	1,438
Profit on sale of investments	1,130	-
	3,349	1,438

Note 5 Intangible assets

<i>In thousands of AUD</i>	Note	2013	2012
Non-current			
Carrying amount at 1 August		523,225	541,448
Acquisitions through business combinations	16	-	15,288
Other acquisitions*		2,918	446
Amortisation for the year		(23,942)	(33,957)
Carrying amount at 31 July		502,201	523,225
Analysed as:			
Goodwill		391,521	391,521
Other intangible assets		110,680	131,704
		502,201	523,225

* Other acquisitions in 2013 include \$2.7 million in respect of a software distribution licence agreement entered into with Cocoon Data Holdings Limited (refer note 8).

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Condensed notes to the consolidated financial statements

Note 6 Income tax

In thousands of AUD

		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
		<u>73,356</u>	<u>68,142</u>
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
		<u>(10,222)</u>	<u>4,135</u>
Income tax expense		<u>63,134</u>	<u>72,277</u>

Reconciliation between tax expense and pre-tax accounting profit

In thousands of AUD

		2013	2012
Profit before income tax		212,299	163,241
Income tax expense using the domestic corporation tax 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		<u>63,910</u>	<u>72,251</u>
Under/(over) provided in prior year		(776)	26
Income tax expense		<u>63,134</u>	<u>72,277</u>

- (i) A one-off income tax expense of \$23,206k 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.

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Condensed notes to the consolidated financial statements

Note 7 Trade and other receivables

In thousands of AUD

	2013	2012
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 non-current accrued income and other receivables balance represents revenue from the sale of network capacity which has been recognised during the years ended July 2012 and July 2013, but for which the receivable from the customer is due beyond twelve months from the balance sheet date.

Note 8 Investments

	2013	2012
Available-for-sale financial assets		
<i>In thousands of AUD</i>		
Current		
Carrying amount at 1 August	47,619	11,293
Acquisitions	-	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		
Carrying amount at 1 August	-	-
Acquisitions	7,333	-
Carrying amount at 31 July	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 5).

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Condensed notes to the consolidated financial statements

Note 9 Loans and borrowings

In thousands of AUD

Current

Finance lease liabilities

2013 **2012**

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

(i) 38,829 143,871

Finance lease liabilities

305 489

39,134 **144,360**

(i) As at 31 July 2013 the Group had a debt facility of \$300 million, of which \$258 million was undrawn. Since the year-end the Group has elected to reduce the facility limit to \$80 million. The debt facility has an expiry date of 15 March 2015.

The Group also has a \$20 million working capital facility.

During the year ended 31 July 2013, the Group made debt repayments of \$107 million (net of draw-downs of \$27 million).

The Group's outstanding loan balance as at the year end of \$42 million is shown in the statement of financial position net of unamortised borrowing costs of \$3.2 million (2012: \$5.1 million).

Note 10 Share capital

	2013 Shares	2012 Shares	2013 \$'000	2012 \$'000
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

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Condensed notes to the consolidated financial statements

Note 11 Dividends

Dividends recognised in the period were as follows:

	Cents per share	Total Amount \$'000	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 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.

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Condensed notes to the consolidated financial statements

Note 12 Earnings per share

	2013 Cents	2012 Cents
Basic and diluted earnings per share	18.8	11.5
<i>In thousands of AUD</i>		
Profit attributable to ordinary shareholders used in calculating basic and diluted earnings per share	149,165	90,964
Weighted average number of ordinary shares used as the denominator 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

Note 13 Net tangible assets

	2013 Cents	2012 Cents
Net tangible asset backing per ordinary share	26.9	8.5

Note 14 Capital commitments

	2013	2012
<i>In thousands of AUD</i>		
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.

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Condensed notes to the consolidated financial statements

Note 15 Contingent liabilities

Entities within the Group are parties to various legal cases which have arisen in the ordinary course of business.

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

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

Note 16 Business combination

The Group acquired IntraPower Limited on 3 August 2011. The FY12 annual report contains further details of this acquisition.

Note 17 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.

Note 18 Unaudited financial information

The information contained in this preliminary financial report is based on accounts which are in the process of being audited.